



OFFICE OF INSPECTOR GENERAL

Semiannual Report to Congress

April 1, 2014–September 30, 2014



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November 2014

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Inspector General Act of 1978, as amended

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Abbreviations

CSB	U.S. Chemical Safety and Hazard Investigation Board
EPA	U.S. Environmental Protection Agency
FAR	Federal Acquisition Regulation
FBI	Federal Bureau of Investigation
FOIA	Freedom of Information Act
FY	Fiscal Year
OIG	Office of Inspector General
OHS	Office of Homeland Security
OMB	Office of Management and Budget
SES	Senior Executive Service

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Message to Congress

In this semiannual report to Congress, the Office of Inspector General (OIG) demonstrates its commitment to furthering the goals, strategies and best practices of the U.S. Environmental Protection Agency (EPA) by articulating areas in which the agency can do better. You will read about where the OIG focused its work, what we found and some of the challenges faced along the way.

Catch ‘em Doing Good

A new “Agency Best Practices” feature showcases examples of commendable EPA efforts that can be applied elsewhere in the agency. For instance, during our review of Region 10’s management of Puget Sound grants, we found that the region had developed a Financial and Ecosystem Accounting Tracking System report that enables project officers to more easily determine the status of outputs and deliverables for tasks and subtasks, whether tasks are being accomplished as planned, and whether funds are being spent appropriately. The implementation of such a report beyond Region 10 could have nationwide benefits.



Arthur A. Elkins Jr.

Monitoring Work on Climate Change

Several OIG reports during this semiannual period addressed the important topic of climate change, concluding that the EPA has focused little attention on reducing methane emissions from pipelines in the natural gas distribution sector, needs to address internal weaknesses warranting a quality-assurance review, and should develop and implement a plan to assess whether the National Petroleum Refinery Initiative led to sustained improvement in compliance and reductions in pollution among refineries.

Audits Related to the *Beale* Case

The OIG continued a series of audits in connection with internal control weaknesses relating to frauds committed by former EPA employee John C. Beale. During this semiannual period, we issued reports on the agency’s retention incentive payments and its process for handling official passports. Simultaneously, in the interests of transparency and improving our own activities, auditors reported on the OIG’s own activities on those fronts. We found that both the agency and the OIG needed to better comply with retention incentive pay guidance, as well as strengthen passport controls to protect employees’ sensitive personally identifiable information.

Human Health, Safety and the Environment

I visited EPA regional offices in Boston, Philadelphia, Denver, Seattle, Kansas City and New York City, where I met with senior agency officials and toured environmental justice, Brownfields and Superfund sites. These visits generated new ideas for audits and evaluations, supported the work we are already doing, and personalized the mission of the OIG for both EPA and community leaders across the country.

Several OIG reports from this period—including one associated with the EPA’s handling of hazardous chemicals being discharged into water, another emphasizing the need for improved EPA oversight of

Alternative Asbestos Control Method experiments, and a third stressing the need for the agency to work with states in the Gulf of Mexico hypoxic zone—further illustrate how we assist the agency in carrying out its mission to protect human health and the environment.

Impediments to OIG Independence

The “Impediments to OIG Efforts” section of this report provides an overview of our ongoing disagreements with the EPA’s Office of Homeland Security (OHS) and other ways that the agency failed to cooperate with OIG work.

During the semiannual period, the OHS continued to withhold critical information about matters within the OIG’s purview involving threats, employee misconduct and computer intrusions.

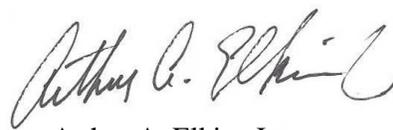
The OIG also continued to face audit work impediments involving the U.S. Chemical Safety and Hazard Investigation Board (CSB), which were outlined during my June 19 testimony before the House Committee on Oversight and Government Reform (HOCR). Although we issued a “Seven-Day Letter” to the CSB Chairman to obtain documents as part of an ongoing investigation, CSB continued to ignore the issuance of the letter and refused to provide the requested documents until directed by the HOCR Chairman to do so. After reviewing the documents provided, the OIG concluded that CSB had substantially, but still not fully, complied with our document request.

Another impediment involved EPA Region 4’s failure to notify the OIG that more than 100 laptop computers had been stolen or that many cameras were missing and had been pawned. Agency actions that limit, condition or delay OIG access have profoundly negative consequences for our work. We continue to urge the EPA Administrator to issue an agencywide cooperation memo that sets forth clear, unambiguous and strong language on the requirement and expectation of cooperation with the OIG.

The independence of federal Inspectors General depends upon complete, unfiltered and timely access to all information and materials available to the agency that relate to OIG oversight activities. In an August 5 letter sent to both HOCR and the Senate Homeland Security and Government Affairs Committee, I joined 46 other Inspectors General to express concerns about how federal agencies had impeded access to employees and records. We asked Congress to reaffirm its intent and use available powers to enforce access when agencies refuse to comply. I expressed similar sentiments when I testified at a September hearing before HOCR.

Return on Investment

Based on annual performance goals and plans established through the implementation of the Government Performance and Results Act, the OIG exceeded performance targets in all four of its established goals for fiscal year 2014. In terms of the all-important performance goal dealing with the monetary return on investment as a percentage of budget, the OIG reported \$380 million in savings, a \$7.35 return on investment for every \$1 spent by the OIG.



Arthur A. Elkins Jr.
Inspector General

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About EPA and Its Office of Inspector General

U.S. Environmental Protection Agency

The mission of the U.S. Environmental Protection Agency (EPA) is to protect human health and the environment. As America's steward for the environment since 1970, the EPA has endeavored to ensure that the public has air that is safe to breathe, water that is clean and safe to drink, food that is free from dangerous pesticide residues, and communities that are protected from toxic chemicals.

EPA Office of Inspector General

The Office of Inspector General (OIG), established by the Inspector General Act of 1978, as amended, 5 U.S.C. App. 3, is an independent office of the EPA that detects and prevents fraud, waste and abuse to help the agency protect human health and the environment more efficiently and cost effectively. OIG staff are located at headquarters in Washington, D.C.; at the EPA's 10 regional offices; and at other EPA locations, including Research Triangle Park, North Carolina, and Cincinnati, Ohio. The EPA Inspector General also serves as the Inspector General for the U.S. Chemical Safety and Hazard Investigation Board (CSB).

Our vision, mission and goals are as follows:

Vision

Be the best in public service and oversight for a better environment tomorrow.

Mission

Promote economy, efficiency, effectiveness, and prevent and detect fraud, waste, and abuse through independent oversight of the programs and operations of the EPA and CSB.

Goals

1. Contribute to improved human health, safety, and environment.
2. Contribute to improved EPA and CSB business practices and accountability.
3. Be responsible stewards of taxpayer dollars.
4. Be the best in government service.

Furthering EPA's Goals and Strategies

When conducting our audit and evaluation work during the second half of fiscal year (FY) 2014, we initially took into account the EPA's seven themes set by EPA Administrator Gina McCarthy for meeting the challenges ahead, so that we could better enable the EPA to carry out its mission of protecting human health and the environment. During the semiannual reporting period, the EPA adopted its FYs 2014–2018 Strategic Plan that includes five strategic goals and four cross-agency strategies, and we started measuring our results based on those goals/strategies. The first table below shows how our audit and evaluation reports aligned with each of the agency's themes; the second table shows how subsequent reports aligned with the agency's new goals/strategies.

OIG-Issued Reports — Linkage to EPA Themes

OIG Report	Making a Visible Difference in Communities Across the Country	Addressing Climate Change and Improving Air Quality	Taking Action on Toxics and Chemical Activity	Protecting Water: A Precious, Limited Resource	Launching a New Era of State, Tribal and Local Partnerships	Embracing EPA as a High Performing Organization	Working Toward a Sustainable Future
EPA Needs to Continue to Improve Controls for Improper Payment Identification (14-P-0171)						X	
EPA Needs to Demonstrate Whether It Has Achieved the Goals It Set Under the National Petroleum Refinery Initiative (14-P-0184)		X					
EPA Needs to Clarify Its Claim of "No Net Loss" of Wetlands (14-P-0191)				X			
Chemical Import Data May Help EPA Identify Facilities That Need to File or Update Risk Management Plans (14-N-0239)			X				
Audit of EPA Passport Controls (14-P-0243)						X	
EPA OIG's Compliance With EPA Passport Guidance (14-P-0244)						X	
EPA Compliance With Retention Incentive Regulations and Policies (14-P-0245)						X	
EPA OIG Compliance With Retention Incentive Regulations and Policies (14-P-0246)						X	
EPA Employees Did Not Act Consistently With Agency Policy in Assisting an EPA Grantee (14-P-0247)				X			
Briefing Report: Review of EPA's Process to Release Information Under the Freedom of Information Act (14-P-0262)						X	

OIG-Issued Reports — Linkage to EPA Goals and Strategies

OIG Report	Climate Change/ Air Quality	Protecting America's Waters	Cleaning Communities/ Sustainable Development	Safe Chemicals/ Preventing Pollution	Enforcing Laws/ Ensuring Compliance	Working Toward Sustainable Future	Making Difference in Communities	State, Tribal, Local and International Partnerships	Embracing EPA as High-Performing Organization
EPA Has Not Implemented Adequate Management Procedures to Address Potential Fraudulent Environmental Data (14-P-0270)	X	X	X						
Weak Management of a Climate Change Services Contract Creates Risk EPA Did Not Receive Services for Which It Paid (14-P-0272)									X
New Jersey Department of Environmental Protection Needs to Meet Cooperative Agreement Objectives and Davis-Bacon Act Requirements to Fully Achieve Leaking Underground Storage Tank Goals (14-R-0278)			X					X	

OIG Report	Climate Change/ Air Quality	Protecting America's Waters	Cleaning Communities/ Sustainable Development	Safe Chemicals/ Preventing Pollution	Enforcing Laws/ Ensuring Compliance	Working Toward Sustainable Future	Making Difference in Communities	State, Tribal, Local and International Partnerships	Embracing EPA as High- Performing Organization
EPA Has Made Progress in Assessing Historical Lead Smelter Sites But Needs to Strengthen Procedures (14-P-0302)			X						
Wells Band Council Needs to Improve Its Accounting System to Comply With Federal Regulations (14-2-0316)							X		
EPA Should Improve Oversight and Assure the Environmental Results of Puget Sound Cooperative Agreements (14-P-0317)		X							X
Unliquidated Obligations Resulted in Missed Opportunities to Improve Drinking Water Infrastructure (14-P-0318)		X					X		
No Indications of Bias Found in a Sample of Freedom of Information Act Fee Waiver Decisions But the EPA Could Improve Its Process (14-P-0319)									X
Follow-Up Report: EPA Improves Management of Its Radiation Monitoring System (14-P-0321)	X								
Impact of EPA's Conventional Reduced Risk Pesticide Program Is Declining (14-P-0322)				X					
EPA Is Not Fully Aware of the Extent of Its Use of Cloud Computing Technologies (14-P-0323)									X
Improvements Needed in EPA Efforts to Address Methane Emissions From Natural Gas Distribution Pipelines (14-P-0324)	X								
EPA Met or Exceeded Most Internal Climate Change Goals, But Data Quality and Records Management Procedures Need Improvement (14-P-0325)	X					X			
Cloud Oversight Resulted in Unsubstantiated and Missed Opportunities for Savings, Unused and Undelivered Services, and Incomplete Policies (14-P-0332)									X
Increased Emphasis on Strategic Sourcing Can Result in Substantial Cost Savings for EPA (14-P-0338)									X
EPA Needs to Improve Contract Management Assessment Program Implementation to Mitigate Contracting Vulnerabilities (14-P-0347)									X
Nutrient Pollution: EPA Needs to Work With States to Develop Strategies for Monitoring the Impact of State Activities on the Gulf of Mexico Hypoxic Zone (14-P-0348)		X						X	
EPA Can Help Consumers Identify Household and Other Products with Safer Chemicals by Strengthening Its "Design for the Environment" Program (14-P-0349)				X					
EPA's Risk Assessment Division Has Not Fully Adhered to Its Quality Management Plan (14-P-0350)				X					
Audits on EPA Recovery Act-Funded Diesel Emission Reduction Act Assistance Agreements Reported Programmatic and Management Challenges (14-P-0355)	X								

OIG Report	Climate Change/ Air Quality	Protecting America's Waters	Cleaning Communities/ Sustainable Development	Safe Chemicals/ Preventing Pollution	Enforcing Laws/ Ensuring Compliance	Working Toward Sustainable Future	Making Difference in Communities	State, Tribal, Local and International Partnerships	Embracing EPA as High-Performing Organization
Recipient Subawards to Fellows Did Not Comply With Federal Requirements and EPA's Involvement in Fellow Selection Process Creates the Appearance EPA Could Be Circumventing the Hiring Process (14-P-0357)						X			
Quality Control Review of EPA Office of Inspector General Reports Issued in Fiscal Year 2013 (14-N-0358)									X
EPA's Alternative Asbestos Control Method Experiments Lacked Effective Oversight and Threatened Human Health (14-P-0359)	X								X
More Action Is Needed to Protect Water Resources From Unmonitored Hazardous Chemicals (14-P-0363)		X		X	X				
EPA Needs to Improve Its Process for Accurately Designating Land as Clean and Protective for Reuse (14-P-0364)			X						

Scoreboard of Results

Scoreboard of OIG FY 2014 Performance Results Compared to FY 2014 Annual Performance Goal Targets

Our work is designed to help the EPA reduce risk, improve practices and program operations, and save taxpayer dollars so that the agency can better protect the environment. The information below shows the taxpayers' return on investment for the work performed by the EPA OIG during FY 2014. All results reported in FY 2014, from current and prior years' work, are based on the annual performance goals and plans established through implementation of the Government Performance and Results Act.

Annual Performance Goal 1: Environmental and business outcome actions taken or realized by the EPA (based on OIG recommendations)	
Target: 248 Reported: 324 (131% of goal)	Supporting measures 306 Environmental and management actions implemented or improvements made 17 Critical congressional and public concerns addressed 1 Legislative or regulatory change made
Annual Performance Goal 2: OIG environmental and business output recommendations, awareness briefing or testimony (for agency action)	
Target: 687 Reported: 944 (137% of goal)	Supporting measures 766 Environmental and management recommendations or referrals for action 57 Environmental and management certifications, verifications and validations 31 Environmental and management risks and vulnerabilities identified 90 External awareness briefings, training or testimony given
Annual Performance Goal 3: Monetary return on investment – potential monetary return on investment as percentage (125%) of budget	
Target: 125% return on investment Reported: \$380.0 million (734% return on investment)	Supporting measures (dollars in millions) \$54.5 Questioned costs \$321.7 Recommended efficiencies, costs saved \$3.8 Fines, penalties, settlements and restitutions
Annual Performance Goal 4: Criminal, civil and administrative actions reducing risk or loss/operational integrity	
Target: 125 Reported: 213 (170% of goal)	Supporting measures 19 Criminal convictions 50 Indictments, informations and complaints 3 Civil actions 76 Administrative actions (other than debarments or suspensions) 54 Suspension or debarment actions 11 Allegations disproved

Other (no targets established)**Savings and recommendations sustained from current and prior periods:**

- \$29.8 million in questioned costs sustained
- \$292.4 million in cost efficiencies sustained or realized
- 368 recommendations sustained (78% of recommendations issued)

Total reports issued:

- 66 reports issued by OIG
- 300 reports issued by Single Auditors

American Recovery and Reinvestment Act of 2009 Activity Results – Cumulative from 2/09 through 9/14

Recovery Act funds expired on 9/30/12 but OIG oversight work continued during FY 2014

- 61 Recovery Act reports issued
- 176 Recovery Act awareness briefings/outreach sessions
- 97 Recovery Act complaints received
- \$61.84 million in potential monetary benefits (e.g., questioned costs, fines, savings, etc.)

Sources: OIG Performance Measurement and Results System and Inspector General Enterprise Management System.

Impediments to OIG Efforts

Office of Homeland Security Withholds Critical Information

The EPA's Office of Homeland Security (OHS) is an administratively created component of the EPA that serves as the agency's central liaison with intelligence and homeland security agencies. OHS continues to impede the OIG by withholding critical information about a variety of activities conducted by OHS—or information in the possession of OHS—about matters within OIG purview. Prior to and continuing through this semiannual reporting period, OHS refused access to information when OIG requested it, and failed to refer certain information to the OIG. Among these matters are classified threat information against EPA employees and facilities, employee misconduct, cyber intrusions, and matters which OHS defines as “intelligence” or national security information even though OIG employees have the requisite security clearances for access to that information.¹

Threats Against EPA Employees and Facilities Impeded

The OIG's ability to investigate threats against EPA employees and facilities has been impeded by OHS' refusal to share certain information with the OIG. During this semiannual period, OHS and OIG began meeting to discuss threat issues, and OHS has shared non-classified information related to threats. However, OHS has not provided the OIG with classified threat information. A critical element of OIG jurisdiction is the safety and security of EPA employees, facilities and assets, and the withholding of such information from the OIG places all EPA employees and facilities at greater risk of harm or damage.

Employee Misconduct Investigations Impeded

The OIG's ability to conduct employee misconduct investigations has been impeded by OHS' operation as an unauthorized *de facto* law enforcement organization, as well as OHS' refusal to share information related to potential criminal and administrative misconduct by EPA employees and contractors. OHS has no law enforcement authority yet employs a criminal investigator whose status, as a law enforcement officer, has even been questioned in a legal memorandum by an attorney in the EPA's Office of Enforcement and Compliance Assurance. Notwithstanding, OHS has not only engaged in investigative activities but has relied on a memorandum of understanding with

¹ After the end of this semiannual reporting period, on October 15, 2014, the EPA Administrator notified the Inspector General that the agency will change its position on access by OIG to intelligence information shared between the Federal Bureau of Investigation and OHS. The extent of this change, and its implementation instructions to the agency, have not yet been clarified.

the Federal Bureau of Investigation (FBI) to exclude the OIG from certain investigations.²

Computer Intrusion Investigations Impeded

The OIG's ability to investigate computer intrusions has been impeded by OHS not sharing with the OIG classified information concerning attempted intrusions. This inhibits the OIG's ability to conduct computer intrusion investigations, which could endanger the EPA's computer network.

On May 7, 2014, the U.S. House of Representative's Committee on Oversight and Government Reform received testimony from the EPA Deputy Administrator and OIG officials about actions taken by OHS that have interfered with the work of the OIG. Following that hearing, a series of meetings between the OIG, Office of the Administrator and OHS took place, including one with the FBI.

To better understand the nature and scope of OHS investigative activities that may fall within OIG purview, on May 8, 2014, the Assistant Inspector General for Investigations made a written request of the Deputy Administrator to:

“...direct the [OHS] to immediately provide to OIG OI [Office of Investigations] a complete briefing on all threat information in the possession of OHS... direct appropriate personnel within OHS to meet with OIG OI and OIG Office of Counsel personnel, as soon as possible, but no later than Wednesday, May 14, 2014.”

Moreover, the Assistant Inspector General requested:

“[f]or the periods 2014 (to date), 2013 and 2012, how many EPA employees and contractors were interviewed by OHS personnel ... how many FBI Non-Disclosure Agreements (NDA) and how many OHS NDAs did OHS personnel issue to EPA employees and contractors ... how many times did OHS personnel pull EPA employees' or contractors' emails ... [and] how many formal “811” referrals has EPA made to the FBI? ...”

The EPA has yet to provide the requested briefing or the information on OHS' activities.

² The change by the agency on its position does not address or solve the interference with OIG authorities and responsibilities created by the unauthorized investigative activities by the OHS criminal investigator.

In June 2014, the Administrator proposed certain “procedures” to govern the OIG–OHS relationship. However, the “procedures” memorandum continues to place obstacles to the OIG’s unfettered access to OHS information and does not recognize the OIG’s proper role to work with the FBI on all investigations involving employee misconduct. Throughout this semiannual reporting period, it has remained the EPA’s position that it can and will determine whether to provide the OIG any information that the agency defines as “intelligence.” That is not consistent with Section 6(a)(1) of the Inspector General Act of 1978, as amended (5 U.S.C. App. 3), which mandates that the OIG have unfettered access to “all” agency information.

These continuing obstructions violate the Inspector General Act and create unacceptable obstacles to the OIG’s mission. Agency actions that limit, condition or delay OIG access have profoundly negative consequences. They make the OIG less effective and encourage other agency components or personnel to resist cooperation with the OIG. Lack of cooperation stifles the work of the OIG. Moreover, the American taxpayers, the Congress and the agency do not receive the full benefit of an unimpeded, objective review of the nation’s investment in the programs and operations of the EPA.

Region 4 Failed to Notify OIG of Missing Computers

In 2012, EPA Region 4 was the victim of the theft of 72 computers valued at \$84,842. However, upon discovery of the missing computers, EPA Region 4 failed to notify the OIG of the missing computers.

In 2013, an anonymous complainant informed the OIG that EPA Region 4 had failed to report the large computer theft to the OIG. The OIG launched a criminal investigation that resulted in the arrest and indictment of a former contractor employee, who later entered a plea to two felony counts of Theft of Government Property, 18 U.S.C. § 641.

This investigation led to another investigation of a region employee for the theft of cameras valued at \$3,118. The employee has been indicted and trial is pending. The investigation also found that the region’s Property Custodial Officer falsely certified to the inventory of the cameras. The region suspended the employee who stole the cameras for 30 days and issued a letter of warning to the Property Custodial Officer.

The region’s failure to report the computer theft to the OIG caused delay in the OIG launching that investigation. It could have precluded that investigation altogether, as well as the subsequent camera theft investigation, but for the anonymous complaint. In addition, while the region agreed in 2013 to revise its property management procedures to include reporting thefts to the OIG, it has not yet done so.

Clear Message From Administrator on Cooperation With OIG Needed

In 2009, former Administrator Lisa Jackson issued an all-hands memorandum stressing the need for agency employees to give full cooperation to the OIG. In July 2013, the Inspector General provided agency senior leadership an updated memorandum and asked that the Administrator issue a new all-hands cooperation memorandum. The OIG was assured that this new memorandum would soon be issued. However, to date, this has not occurred and, as indicated above, instances of agency failure to cooperate with OIG work have been occurring. The OIG believes that an unambiguous and strong message is needed from the Administrator to the entire EPA workforce setting forth the requirement and expectation of cooperation with, and the providing of access to, the OIG.

Inspector General Testifies on Impediments and Seeks Support

On September 10, 2014, EPA Inspector General Arthur A. Elkins Jr. testified before the Committee on Oversight and Government Reform, House of Representatives, regarding impediments. The title of his presentation was “Is it Necessary to Clarify or Strengthen the Inspector General Act of 1978?”

Mr. Elkins testified on the importance of an OIG’s access to agency records, and he pointed out how he and 46 other Inspectors General had submitted a letter to the House committee (as well as the Senate Homeland Security and Government Affairs Committee) on August 5, 2014, regarding the denial of access. He noted that the letter provides examples of “the troubling push-back many of us have been seeing from our respective agencies denying us mandated access to agency employees and records.” Mr. Elkins then discussed several problems the EPA OIG has encountered with both the EPA (see above) and with the CSB (discussed in a later section, on CSB).

To address the question as to whether the Inspector General Act needs to be strengthened or clarified, Mr. Elkins said that the act as written “is quite strong and quite clear,” and the problem he and other Inspectors General face is in the implementation and enforcement of the authority they already have. He pointed out that the Inspector General Act hinges on the cooperation of an agency with its Inspector General.

In his conclusion, Mr. Elkins noted: “I therefore urge this committee to look at enforcement mechanisms for the access and cooperation already required. The standard is fine; the ability to ignore the standard without consequence is the problem.”

Dispute Resolution

Contrary to OIG Legal Positions, Deputy Administrator Decides Additional Profit to Contractor of \$1.5 Million Is Appropriate

In August 2014, as part of the dispute resolution process, the then EPA Deputy Administrator ruled against two OIG recommendations concerning how profit can be paid to contractors under time and materials contracts. Additional profit of \$1.5 million for no additional work was in question.

The OIG evaluated the EPA's management of contract EPS90804, which was awarded by EPA Region 9 in September 2008 for professional architect/engineer, technical and management services. EPA OIG Report No. 13-P-0209, *Opportunities for EPA-Wide Improvements Identified During Review of a Regional Time and Materials Contract*, issued April 4, 2013, found that the contract included a clause that allowed the contractor to be paid additional profit beyond allowed profit in the fixed hourly rates. This clause provided for profit of 4.00 percent applicable to subcontracts only. Through April 27, 2012, the EPA had paid over \$1.5 million under this clause.

Two recommendations in the OIG report addressed this issue. One was that Region 9 remove the profit clause or terminate the contract so that Region 9 no longer had to pay profit on subcontracts, and recover the profit paid. The other recommendation concerned removing any similar clauses from other contracts and recovering the related profits paid.

EPA officials disagreed with our two recommendations and, according to EPA procedures in EPA Manual 2750, the EPA Deputy Administrator was required to resolve that dispute. The OIG contended that the contract in question did not contain a required Federal Acquisition Regulation (FAR) clause that forbade paying profit to a prime contractor for materials. Specifically, the FAR does not allow profit to be paid on materials and the FAR considers subcontracts on time and material contracts to be materials. Thus, the EPA violated the FAR because it paid profit outside of that in the fixed hourly rates.

In response to the OIG's evaluation and legal positions, EPA officials forwarded a series of legal arguments. They argued that an EPA acquisition clause—similar to the missing FAR clause but which did not prohibit paying profit on materials—took precedence over the more restrictive FAR clause. However, as the OIG pointed out, the agency clause used was outdated, and the FAR—which is the overriding federal acquisition regulation for all agencies—states that no agency acquisition clause can contradict a FAR clause. A second EPA legal argument was that the \$1.5 million overpayment was a “premium” and not “profit.” However, the OIG pointed out that this is a semantic distinction with no meaning. Further, the contract and invoices referred to the payment as “profit.”

Nonetheless, on August 4, 2014, the then EPA Deputy Administrator determined that the EPA did not have to follow the OIG recommendations to recover the funds and remove this clause from other contracts.

Materials relating to OIG and EPA legal arguments are at

http://www.epa.gov/oig/reports/2014/13-P-0209_ResolutionMaterials.pdf,

and also at http://www.epa.gov/oig/reports/2014/13-P-0209_Resolution_Meeting.pdf.

The former Deputy Administrator's decision is available on the OIG's public website at

<http://www.epa.gov/oig/reports/2014/13-P->

[0209_DeputyAdministratorFinalDisputeResolutionDecision.pdf](http://www.epa.gov/oig/reports/2014/13-P-0209_DeputyAdministratorFinalDisputeResolutionDecision.pdf).

Agency Best Practices Noted

During the semiannual reporting period, several reports that we issued noted “best practices” that could be applied by others in the agency. Examples of several best practices follow.

- During our review of Region 10’s management of Puget Sound grants, we found that the region had developed the Financial and Ecosystem Accounting Tracking System report. The EPA and the grant recipients are responsible for completing specific areas of information in the reports. Specifically, recipients completed information related to (1) funds spent to date; (2) funds drawn down by the EPA; (3) issues or questions where response from the EPA is needed; (4) budget discrepancies; (5) dates, status and remarks for tasks and subtasks; (6) challenges and solutions; and (7) highlights, lessons learned and reflections. This report enables project officers to more easily determine the status of outputs and deliverables for tasks and subtasks, as well as actions taken by the recipient and whether tasks are being accomplished as planned and funds are being spent appropriately. The implementation of such a report currently used by Region 10 could be beneficial if used nationwide. (Report No. 14-P-0317)
- As a result of our report on the effectiveness of the EPA’s programs in preventing and addressing contamination of surface water from hazardous wastes passing through publicly owned treatment works, the EPA Office of Water indicated it will issue a memorandum to the regions and notify approved pretreatment states describing best practices for how the National Pollutant Discharge Elimination System permits and the pretreatment programs coordinate. This memorandum will include information on how to access information reported by industries per the Code of Federal Regulation on discharges sent to publicly owned treatment works, including Toxic Release Inventory data and notifications of substances which, if otherwise disposed of, would be hazardous waste. This best practice will describe how such data are used by permit writers and pretreatment program personnel to properly address such pollutants. (Report No. 14-P-0363)
- An EPA OIG review sought to determine steps the EPA and states in the Mississippi Watershed are taking to reduce nutrients that contribute to the Gulf of Mexico hypoxic zone (such a zone is an area with very low oxygen that can cause severe decrease in marine life). As a result of our recommendation, the EPA has initiated action to work with states and other federal organizations to develop and enhance monitoring and assessment systems that will track the environmental results of state nutrient reduction activities, including their contribution to reducing the size of the Gulf of Mexico hypoxic zone. This will

include a shared reporting network of sites with long-term nutrient monitoring and streamflow records to analyze changes in nutrients and sediments over time. Such collaborative efforts could be beneficial in addressing similar problems elsewhere. (Report No. 14-P-0348)

- We conducted an evaluation to determine what actions the EPA has taken to reduce methane emissions from leaking pipelines in the natural gas distribution sector. The Office of Air and Radiation agreed with our recommendation to develop and implement a strategy to address the financial and policy barriers to repairing methane leaks from distribution pipelines, including partnering with state organizations. The office indicated it will enhance its collaboration with the Environmental Council of the States to identify opportunities to reduce methane emissions. For example, the office noted it is a partner in the council's Shale Gas Caucus and will use that forum to engage in broader discussions with states about methane emissions from the natural gas sector. Other offices should try to enhance their collaborative efforts with other organizations when beneficial and appropriate. (Report No. 14-P-0324)

Significant OIG Activity

Climate Change

Methane Emissions From Natural Gas Pipelines Should Be Reduced

The EPA has focused little attention on reducing methane emissions from pipelines in the natural gas distribution sector. Methane emissions impact climate change through pipeline leaks, and we estimate that more than \$192 million in natural gas was lost in 2011 due to such leaks—a cost borne by consumers.

Methane is a potent greenhouse gas with a global warming potential 25 times more than carbon dioxide. In 2013, President Obama issued the Climate Action Plan, which states



A damaged natural gas distribution pipeline.
(U.S. Department of Transportation photo)

that “curbing emissions of methane is critical to our overall effort to address global climate change.” The 2013 plan called for the EPA, in conjunction with other federal agencies, to develop a comprehensive interagency strategy to address methane emissions.

The EPA does not currently regulate methane emissions from the distribution sector and has not partnered with the Pipeline and Hazardous Materials Safety Administration, which regulates pipeline safety, to control methane leaks. The EPA has a voluntary program to address methane leaks—Natural

Gas STAR—but its efforts through this program have resulted in limited reductions. This is due largely to financial and policy barriers, including disincentives for distribution companies to repair nonhazardous leaks.

We recommended that the EPA work with the Pipeline and Hazardous Materials Safety Administration to address methane leaks. We also recommended that the EPA develop a strategy to address financial and policy barriers that hinder reductions; establish performance goals and track performance against those goals; and incorporate new data from external studies, as appropriate, to improve estimates of methane emissions from distribution pipelines. The agency agreed with some but not all of our recommendations.

(Report No. 14-P-0324, Improvements Needed in EPA Efforts to Address Methane Emissions From Natural Gas Distribution Pipelines, July 25, 2014)

EPA Needs to Demonstrate Whether It Has Achieved National Petroleum Refinery Initiative Goals

The EPA did not determine whether the National Petroleum Refinery Initiative achieved the compliance goals it set.

The EPA intended its National Petroleum Refinery Initiative to improve compliance and reduce harmful air pollutants or emissions within the petroleum refinery industry through companywide consent decrees or legally binding agreements. Petroleum refineries account for significant releases of pollutants into the environment; these pollutants contribute to



A petroleum refinery has multiple connection points that represent potential sources of emissions leaking into the environment. (EPA photo)

smog, acid rain and climate change. These pollutants also contribute to bioaccumulation in mammals and fish eaten by humans, and other human health problems.

In 2006, the EPA assessed whether companies were making progress toward the established emission-reduction goal. Since that time, the agency had not analyzed the available facility data to determine whether the initiative achieved the emissions-reduction goal. Since 2007, the EPA reduced resources dedicated to the initiative and work on the initiative declined, and the EPA did not determine whether the initiative achieved its sustained compliance goal.

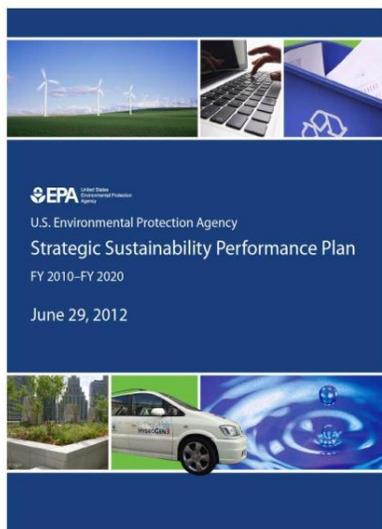
We recommended that the EPA develop and implement a plan to assess whether the National Petroleum Refinery Initiative led to sustained improvement in compliance and sustained reductions in pollution among refineries. We also recommended that the EPA report the results of its efforts to the public. The agency agreed with our recommendations and corrective actions are underway.

(Report No. 14-P-0184, EPA Needs to Demonstrate Whether It Has Achieved the Goals It Set Under the National Petroleum Refinery Initiative, April 15, 2014)

EPA Facilities Adhered to Most Climate Change Agency Goals

EPA facilities adhered to most federal climate change agency goals, although data quality and records management can be improved.

The congressional Bicameral Task Force on Climate Change requested that we assess the EPA's implementation of policies that address climate change at EPA facilities to ensure the EPA was meeting its goals; the task force sent similar requests to nearly 70 Inspectors General.



EPA's 2012 Strategic Sustainability Performance Plan report is at: http://www.epa.gov/oaintrnt/documents/sspp2012_508.pdf
(Source: EPA website)

The EPA exceeded its climate change goals related to water use, greenhouse gas emissions and renewable energy. Out of 25 agencies reporting, the EPA was one of only three that received a green scorecard on the Office of Management and Budget's (OMB's) FY 2013 sustainability scorecard, and has achieved a green scorecard for the last 3 years. The EPA is on track to meet its 2020 greenhouse gas reduction goals.

However, we identified several internal weaknesses, and recommended that the EPA establish procedures to conduct a quality-assurance review of the Strategic Sustainability Performance Plan data provided by its contractor and EPA program offices. We also recommended that the agency develop and implement procedures for maintaining and securing records associated with production of the annual Strategic Sustainability Performance Plan. The agency agreed with our recommendations and provided a corrective action plan.

(Report No. 14-P-0325, EPA Met or Exceeded Most Internal Climate Change Goals, But Data Quality and Records Management Procedures Need Improvement, July 29, 2014)



Rooftop solar panels supply "green" electricity to the EPA's National Health and Environmental Effects Research Laboratory in Corvallis, Oregon.
(Source: EPA website)

Freedom of Information Act

EPA Offices Have Freedom of Information Act Processes

Each EPA regional and headquarters office has processes for addressing Freedom of Information Act (FOIA) requests.

The FOIA is a law that governs access to U.S. government records, and we conducted this review to determine how EPA offices and regions decide what requested information to release under FOIA.

While FOIA processes at EPA regions and headquarters vary, the processes all lead to a decision to release or hold information based on an evaluation of the request and the exemptions and exclusions prescribed in the FOIA. To ensure consistency in the processes used throughout the agency, the EPA's Office of Environmental Information approved agencywide interim FOIA procedures in September 2013 and planned to finalize the procedures by the end of September 2014.

Breakdown of FOIA requests received/denied (FYs 2010–2012)

FY	Requests received	Partial grants/partial denials	Full denials (based on exemptions)
2012	9,689	609 (6.29%)	96 (0.99%)
2011	10,123	676 (6.68%)	94 (0.93%)
2010	10,409	607 (5.83%)	100 (0.96%)
3-Year Total	30,221	1,892 (6.26%)	290 (0.96%)

Source: EPA FOIA Annual Reports.

Our briefing report recommended that the agency finalize its FOIA procedures as planned, and that Senior Information Officials in each region and at headquarters program offices certify that their FOIA procedures are consistent with the agency's final procedures. The agency agreed with our recommendations.

(Report No. 14-P-0262, Briefing Report: Review of EPA's Process to Release Information Under the Freedom of Information Act, May 16, 2014)

EPA Could Improve Its Process for FOIA Fee Waiver Decisions

The EPA should address variability in FOIA fee waiver request response time and clarify what requesters must demonstrate to receive a fee waiver to improve customer service and lessen any perception of differential treatment.

The EPA Deputy Administrator requested a review to determine whether EPA fee waiver determinations under FOIA were completed in a timely and unbiased manner. FOIA

states that agency records will be furnished without any charge or at a reduced charge if disclosure of the information is in the public interest because it is likely to contribute significantly to public understanding of government operations or activities, and it is not primarily in the commercial interest of the requester. We evaluated 1,077 EPA FOIA fee waiver denials issued between October 2009 and June 2013.

Factors the EPA must consider in evaluating fee waiver requests

1	Whether the subject of the requested records concerns “the operations or activities of the government.”
2	Whether the disclosure is “likely to contribute” to an understanding of government operations or activities. The disclosable portions of the requested records must be meaningfully informative about government operations or activities in order to be “likely to contribute” to an increased public understanding of those operations or activities.
3	Whether disclosure of the requested information will contribute to “public understanding.” The disclosure must contribute to the understanding of a reasonably broad audience of persons interested in the subject, as opposed to the individual understanding of the requester (presumption for news media).
4	Whether the disclosure is likely to contribute “significantly” to public understanding of government operations or activities.
5	Whether the requester has a commercial interest that would be furthered by the requested disclosure.
6	Whether any identified commercial interest of the requester is sufficiently large, in comparison with the public interest in disclosure, that disclosure is “primarily in the commercial interest of the requester.” FOIA offices ordinarily will presume that when a news media requester has satisfied the public interest standard, the public interest will be the interest primarily served by disclosure to that requester.

Source: Code of Federal Regulations (40 CFR § 2.107).

We found that the EPA responded to fee waiver requests, on average, within 12 business days, and the time it takes the EPA to respond to fee waiver requests has remained fairly consistent. On fee waiver appeals, we found that over 71 percent of decisions reviewed exceeded the EPA’s processing goal of 20 business days. For more than half of the denials (585 of 1,062), the EPA indicated the requester did not adequately describe how disclosure of the requested information would contribute to public understanding. We found no indications of bias in the fee waiver decisions we reviewed.

We recommended that the EPA examine and address the reasons for variability in response times for FOIA fee waiver decisions and appeals and clarify what requesters must demonstrate under each factor to receive a fee waiver. The EPA agreed with our recommendations.

(Report No. 14-P-0319, No Indications of Bias Found in a Sample of Freedom of Information Act Fee Waiver Decisions But the EPA Could Improve Its Process, July 16, 2014)

Other Human Health and Environment Issues

EPA Needs to Address Discharge of Hazardous Chemicals Into Water

The EPA does not have adequate controls to address discharge of hazardous chemicals from publicly owned treatment plants into water resources.

Sewage treatment plants receive permits from EPA and states for discharges to surface waters, such as lakes and streams, which establish pollutant monitoring requirements.



The Stickney Water Reclamation Plant, Cicero, Illinois. (EPA OIG photo)

However, hazardous chemicals discharged to sewers are not regulated under EPA regulations; rather, they are regulated under the Clean Water Act, which focuses on a list of 126 priority pollutants that does not include many hazardous chemicals.

Management controls put in place by the EPA to regulate and control hazardous chemical discharges from sewage treatment plants to water resources have limited effectiveness. The EPA's regulations are not effective in controlling the discharge of hundreds of hazardous chemicals to surface waters. Sewage treatment plant staff do not monitor for hazardous chemicals discharged by industrial users. This is due to a general regulatory focus on the priority pollutants list that has not been updated since 1981, limited monitoring requirements, limited coordination between EPA offices, a lack of tracking of hazardous waste notifications from industrial users, or a lack of knowledge of discharges reported by industrial users. Consequently, the EPA may not be aware of chemical discharges that can potentially contaminate water resources.

We recommended that the EPA develop a format for sharing annual Toxics Release Inventory data, develop a list of chemicals beyond the priority pollutants list for inclusion in permits, confirm compliance with the hazardous waste notification requirement, and track required submittals of toxicity tests and violations. The EPA designed the Discharge Monitoring Report Pollutant Loading Tool to provide access to surface water discharge and other data. All recommendations are resolved.

(Report No. 14-P-0363, More Action Is Needed to Protect Water Resources From Unmonitored Hazardous Chemicals, September 29, 2014)

Alternative Asbestos Control Experiments Need Improved Oversight

For more than a decade, the EPA conducted Alternative Asbestos Control Method research without appropriate oversight or an agreed research goal. This resulted in wasted resources and the potential exposure of workers and the public to unsafe levels of asbestos.

In 1999, the city of Fort Worth, Texas, proposed an alternative method to demolish asbestos-containing buildings. In 2003, the EPA took over and renamed the effort the



An example of the beginning stage of the Alternative Asbestos Control Method process. (EPA photo)

Alternative Asbestos Control Method. The EPA spent almost \$2.3 million in contractor costs and expenses and \$1.2 million in research staff time from 2004 through 2012. However, these figures represent only a portion of the costs, since the agency did not track contributions from outside organizations or EPA staff time by project.

The high dollar cost, potential public health risks, and failure of the Alternative Asbestos Control Method experiments to provide reliable data and results were management control issues that the agency needed to address. The OIG found that EPA offices did not conduct the research under a controlled and defined agency process, disregarded research guidance designed to ensure quality, and agreed not to enforce environmental laws during the research when other legal means for conducting the research were available.

The OIG recommended that the EPA improve research oversight by tracking project costs and contributions, and by reviewing and resolving internal EPA comments. We also recommended that the EPA establish a process for the review of alternative regulatory emission control method submissions, and establish and follow standard procedures. Except for a system to track actual costs, the agency generally provided acceptable corrective actions.

(Report No. 14-P-0359, EPA's Alternative Asbestos Control Method Experiments Lacked Effective Oversight and Threatened Human Health, September 25, 2014)

Improved Procedures Needed to Address Fraudulent Lab Data

The EPA's policies and procedures for responding to potentially fraudulent laboratory data are out of date or unimplemented. Given the EPA's reliance on laboratory data and the potential impacts of fraudulent data going unaddressed, the EPA needed to strengthen program controls and processes.

The EPA relies on external laboratories to provide environmental testing data and results. The EPA defines laboratory fraud as "the deliberate falsification of analytical and quality

assurance results.” Fraudulent data can impact the public’s trust in the EPA and could have serious implications for protecting human health and the environment.

We found that the EPA lacked a due diligence process for potential fraudulent environmental data. The agency’s three policies and procedures that address how to respond to fraudulent data were all out of date or unimplemented. Our survey of EPA regional offices disclosed that a majority of respondents were unaware there was a policy, and approximately 50 percent expressed the need for such policies and procedures. The EPA did not plan to issue a revised policy until FY 2017. This created the risk that EPA staff will fail to properly communicate information regarding fraudulent data to the appropriate program offices and data users.

We recommended that the EPA incorporate a process to respond to instances of fraudulent data into its current policy until the revised policy is issued, and provide the proper training to relevant staff. The EPA agreed with our recommendations.

(Report No. 14-P-0270, EPA Has Not Implemented Adequate Management Procedures to Address Potential Fraudulent Environmental Data, May 29, 2014)

Value of Measures for Designating Sites for Reuse Questioned

The EPA’s lack of controls over designating sites as protective and ready for reuse calls into question the reliability and value of the designations for protecting human health.

EPA developed Cross-Program Revitalization Measures to promote and communicate its cleanup accomplishments and benefits of restoring contaminated properties to environmental and economic vitality. Site designations include “protective for people” and “ready for anticipated use.”

Total number of ready for anticipated use sites as of September 30, 2013

Program	Number of ready for anticipated use sites
Superfund	662
Resource Conservation and Recovery Act Corrective Action	904
Brownfields	1,694
Underground Storage Tank	437,914
Total	441,174

Source: Office of Solid Waste and Emergency Response program data and accomplishment reports.

The EPA has limited controls for verifying or testing the accuracy of Cross-Program Revitalization Measures information that states and grantees provide to show sites are protective for people and ready for anticipated use. The EPA also does not have adequate controls to verify that these designations continue to be valid and the sites remain protective in the long term. Some sites were prematurely designated ready for anticipated use. Further, the Underground Storage Tank program has the fewest

EPA controls for accurate ready for anticipated use designations, even though sites for that program represent 99 percent of the more than 400,000 sites the EPA has designated as ready for anticipated use. As a result of the conditions noted, the reliability and value of the ready for anticipated use measure are marginal.

We recommended that the EPA improve controls over its guidance, review and reporting of Cross-Program Revitalization Measures. The agency agreed with some but not all of our recommendations.

(Report No. 14-P-0364, EPA Needs to Improve Its Process for Accurately Designating Land as Clean and Protective for Reuse, September 29, 2014)

Improvements Needed in Assessing Historical Lead Smelter Sites

EPA has made progress in assessing historical lead smelter sites, but improvements in guidance and procedures for managing contaminated sites could result in a more efficient and effective use of limited resources, and public health and economic benefits.

Smelting produces lead by melting and separating the lead from metal and nonmetallic contaminants and reducing oxides to elemental lead, which is then refined in furnaces. The EPA's 2012 Lead Smelter Strategy focuses on 464 lead smelter sites identified in 2001 as "Eckel" sites. These sites are located primarily in urban areas throughout the nation. The EPA's 2012 strategy was developed to ensure that all Eckel sites be assessed for potential hazardous waste that may pose a threat to human health and the environment.



EPA removal action at the former Loewenthal Metals Corp. lead smelter in Chicago, Illinois. (EPA photo)

The EPA took more than 12 years to complete preliminary site assessment work at the 464 Eckel sites. Delays occurred because the sites were not submitted to the EPA through the public petition process. The EPA's ability to work on Eckel sites was also impacted by a backlog of more than 2,200 potentially contaminated sites. As a result, the EPA's regional efforts to assess Eckel sites were inconsistent. In addition, the EPA lacked sufficient tracking, transparency and guidance with regard to the technical aspects of addressing Eckel sites. Further, the EPA did not effectively convey details to the public concerning its lengthy efforts and the challenges it faced in addressing the Eckel sites.

We recommended that the EPA establish a clear process for handling potential contaminated sites not referred to the EPA by a public petition, and that the EPA re-evaluate its guidance to ensure that regions are able to efficiently spend resources

addressing the highest priority sites. The EPA agreed with our recommendations and provided acceptable corrective actions.

(Report No. 14-P-0302, EPA Has Made Progress in Assessing Historical Lead Smelter Sites But Needs to Strengthen Procedures, June 17, 2014)

Chemical Import Data May Help Identify Facility Risks

The EPA may want to use chemical import data to determine whether facilities have sufficient risk management plans in place in the case of an accidental release at a facility using or storing substances at or above threshold levels.



Truck trailer for transporting chlorine parked at a risk management program-regulated chlorine repacking facility in Arizona. (CSB photo)

As required by the Clean Air Act, the EPA issued the risk management program rule that required stationary sources that have more than the threshold quantity of 140 toxic or flammable substances onsite in any one process to implement a risk management program, to include a plan. Between October 2008 and March 2012, accidents at 323 facilities caused over \$264 million in damages, 14 worker fatalities, over 330 worker injuries, and over 64,000 people being sheltered in place.

Data obtained during another review showed large shipments of potentially harmful chemicals—including anhydrous ammonia and chlorine—to U.S. ports and facilities for which facilities may need to prepare or revise a risk management plan. Without the plans, facilities may not be taking adequate measures to prevent accidents or mitigate the consequences of accidents, and may not have sufficient information for first responders. The following situations indicate the possible need to prepare or revise a plan:

- Imports of chemicals above the reporting threshold to facilities with no plan.
- Return shipments of large empty containers to facilities with no plan.
- Imports of chemicals in amounts greater than that reported in the facility's plan.
- Large shipments of chemicals for which consignee information was not available.

We made no formal recommendations, but encouraged the agency to use the information we developed to determine whether the facilities we identified need to prepare or revise risk management plans.

(Report No. 14-N-0239, Chemical Import Data May Help EPA Identify Facilities That Need to File or Update Risk Management Plans, April 28, 2014)

“Design for the Environment” Program Can Be Strengthened

We found that the EPA’s “Design for the Environment” program can be strengthened to better help consumers identify safer household and other products.

For more than 15 years, the Design for the Environment Safer Product Labeling Program has labeled products that meet the criteria to be considered safer for families and the environment. According to the EPA, the program’s logo means that the product contains only those ingredients that pose the least concern among chemicals in their class. Applicable products include car care products, carpet cleaners, dish and hand soaps, floor care products, laundry detergents, and glass cleaners.

We found that the current Design for the Environment logo does not adequately communicate to consumers that the product is a safer product. We also found a risk that an EPA endorsement of labeled products may be implied by the current logo, but an EPA endorsement is not allowed. The EPA also lacks sufficient controls over the use of the program’s logo by former program participants, which can be misleading for consumers. Further, we found that the EPA asserts that Design for the Environment products are cost effective, but this has not been determined or reviewed.



We recommended that the EPA improve the Design for the Environment logo, periodically review program participants’ compliance with partnership agreements, and remove from the EPA’s website statements implying that Design for the Environment products are cost effective. The agency agreed with all of our recommendations and has initiated corrective actions.

(Report No. 14-P-0349, EPA Can Help Consumers Identify Household and Other Products With Safer Chemicals by Strengthening Its “Design for the Environment” Program, September 9, 2014)



A stationary air monitor in Alabama. (EPA OIG photo)

Improvements Increase EPA’s Ability to Assess Radiation Threats

Our follow-up review on the EPA’s nationwide radiation monitoring system, known as “RadNet,” found that the agency has taken sufficient corrective action and, as a result, has increased the coverage and effectiveness of its stationary air monitoring network.

The EPA’s nationwide radiation monitoring system is designed to measure ambient levels of radiation in the environment and large-scale releases of radiation. We conducted a follow-up review of our 2012 audit of the radiation

network system to determine whether the EPA had completed the eight recommendations outlined in that prior report.

We found that the EPA generally took sufficient action. The EPA increased the number of air monitors installed from 124 to 132, and the agency has eight additional monitors available for installation. Based on recent weekly status reports, an average of 92.9 percent of installed monitors were operating, compared to only 80 percent in March 2011. As of April 22, 2014, the EPA completed all required actions and properly entered the data into its official tracking system. We made no further recommendations.

(Report No. 14-P-0321, Follow-Up Report: EPA Improves Management of Its Radiation Monitoring System, July 22, 2014)

Impact of EPA's Reduced Risk Pesticide Program Has Declined

The number of reduced-risk pesticides registered has declined over the last 10 years, and the decline will continue if barriers are not reduced.

The Conventional Reduced Risk Pesticide Program succeeded in bringing reduced-risk pesticides to market. More than 727 reduced risk pesticide uses have been approved and account for approximately 22 percent of farm acres treated in the United States each year.



Agricultural chemicals being applied.
(EPA photo)

The 2004 implementation of the Pesticide Registration Improvement Act established required timelines for the review of all pesticide registration applications. However, this reduced the overall benefit of the Conventional Reduced Risk Pesticide Program. Prior to the act, the average time for a regular New Active Ingredient approval was 38 months, compared to 14 months for a Conventional Reduced Risk Pesticide Program approval, allowing participants to get their products to market up to 2 years faster. After the passage of the Pesticide Registration Improvement Act, this benefit fell to 6 months or less. In addition, the act also

implemented pesticide registration service fees, where the Conventional Reduced Risk Pesticide Program registration process cost the same as a regular registration. These actions contributed to the decline in registration of reduced-risk pesticides.

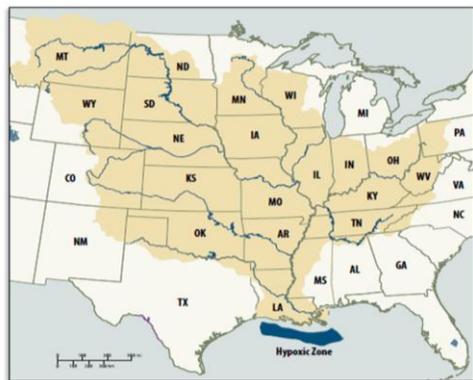
We recommended the EPA reduce participation barriers for the Conventional Reduced Risk Pesticide Program by seeking statutory authority from Congress to reduce application fees, as well as other actions. The EPA agreed with our recommendations and has proposed acceptable corrective actions.

(Report No. 14-P-0322, Impact of EPA's Conventional Reduced Risk Pesticide Program Is Declining, July 24, 2014)

EPA Needs to Work With States in Gulf of Mexico Hypoxic Zone

The EPA is working to reduce size of the Gulf of Mexico hypoxic zone principally by encouraging states to develop and implement nutrient reduction strategies, but the EPA needs to work more with the states to develop monitoring strategies.

Hypoxia is the term used to describe an area with low oxygen, which results in conditions adverse to most aquatic life. The hypoxic zone in the Gulf of Mexico forms every



The Mississippi-Atchafalaya River Basin and the hypoxic zone in the Gulf of Mexico (Map courtesy of the Mississippi River Gulf of Mexico Watershed Nutrient Task Force)

summer as a result of excess nutrients that flow from the 31 states and two Canadian provinces of the Mississippi-Atchafalaya River Basin, and seasonal stratification of gulf waters. The EPA's approach to reducing the Gulf hypoxic zone is based upon a task force of states developing and implementing nutrient reduction strategies.

We evaluated the effectiveness of the EPA's actions to establish nutrient water quality standards, and found that states had not been motivated to create these standards because doing so is costly and often unpopular with various constituencies. Additionally, the EPA has not held the states accountable for milestone commitments nor had the agency adequately used its authority to promulgate water quality standards for the states.

We recommended that the EPA work with task force members in the Mississippi River Watershed to develop and enhance monitoring and assessment systems that will track the environmental results of state nutrient reduction activities. The EPA agreed with our recommendation and presented acceptable corrective actions.

(Report No. 14-P-0348, Nutrient Pollution: EPA Needs to Work With States to Develop Strategies for Monitoring the Impact of State Activities on the Gulf of Mexico Hypoxic Zone, September 3, 2014)

Improvements Needed for Puget Sound Cooperative Agreements

Overall, EPA Region 10 effectively administered Puget Sound cooperative agreements and monitored project progress, but we noted that improvements should be made in administering and monitoring recipient activities.

Since 2010, federal funds totaling approximately \$110 million have been appropriated for Puget Sound in Washington state, and to meet estuary program goals to develop and implement a Comprehensive Conservation and Management Plan. In 1987, Puget Sound was given priority status in amendments to the Clean Water Act and was included as one of the original programs in the National Estuary Program.

Overall, EPA Region 10 effectively administered cooperative agreements and monitored project progress to determine whether proposed outputs and outcomes were achieved. However, we noted that improvements should be made in administering and monitoring recipient activities. Specifically, we found that Region 10:



The state of Washington's Puget Sound.
(EPA OIG photo)

- Did not consistently ensure that Puget Sound cooperative agreements met administrative requirements.
- Should improve oversight of subaward monitoring policies and activities, and lead organization oversight of subawards.

We recommended that the Region 10 Administrator meet with project officers and grant specialists to discuss the results of this review and reinforce compliance with agency policies for documenting, following up and resolving oversight activities. We also recommended that the Region 10 Administrator ensure that grant specialists and project officers receive needed training. The agency agreed with all recommendations and provided corrective action plans and completion dates.

(Report No. 14-P-0317, EPA Should Improve Oversight and Assure the Environmental Results of Puget Sound Cooperative Agreements, July 15, 2014)

EPA's Risk Assessment Division Needs to Improve Quality Plan

The Risk Assessment Division within the EPA's Office of Pollution Prevention and Toxics adhered to some but not all aspects of its current Quality Management Plan. Without a robust quality management system, environmental and human health policy decisions may rest on a faulty foundation.

The Risk Assessment Division uses and implements quality management policies during chemical risk assessments. The goal of the quality management system is to provide a foundation to "ensure that environmental data are of sufficient quantity and quality to support the data's intended use."

The Risk Assessment Division did not fully implement key aspects of its plan related to training, internal audits and plan revisions. The division had not provided formal quality assurance training or conducted internal quality assurance audits. Moreover, the division had not revised its Quality Assurance Annual Report and Work Plan or Quality Management Plan when changes occurred to its program activities that involve major risk

assessment responsibilities. Additionally, unlike other agency offices, the division does not post its Quality Management Plan online as a good business practice.

We recommended the development of formal quality assurance training, the conducting of internal quality assurance audits and training needs assessments, and ensuring that relevant Quality Management Plans are updated when needed. The EPA agreed with our recommendations and has proposed acceptable corrective actions.

(Report No. 14-P-0350, EPA's Risk Assessment Division Has Not Fully Adhered to Its Quality Management Plan, September 10, 2014)

EPA Did Not Timely Respond to Grantee's Data Request

Our review of a hotline complaint disclosed that although two of the alleged complaints were not substantiated, an Office of Water employee and an immediate supervisor did not provide a timely response to an EPA grantee's requests for fish-contamination data.



A sign containing a fish-consumption advisory. (EPA photo)

The OIG received a hotline complaint alleging that an Office of Water employee interfered with a grant funded by the Office of Research and Development and awarded in April 2011. Our findings did not substantiate two of the allegations—that the employee asked the Office of Water to terminate the grant, and directed an EPA contractor not to publish data on mercury and selenium levels in fish.

However, we did find that the Office of Water employee and an immediate supervisor did not respond in a timely manner to the EPA grantee's requests for fish-contamination data that the Office of Water obtained from an EPA contractor in 2008. We also found that despite the Office of Research and Development project officers' awareness of the problem, they provided limited assistance to the

EPA grantee in obtaining the requested data. As a result, for 8 months, EPA employees withheld data that could have contributed to the scientific understanding of mercury and selenium interactions in fish. Further, there was a 4-year delay in making the 2008 data available to the general public.

We recommended that the agency develop standard operating procedures that detail how staff are to comply with the EPA's *Scientific Integrity Policy* requirement to provide timely responses to requests for information from the media, public and scientific community. Agency action officials provided acceptable corrective actions or plans.

(Report No. 14-P-0247, EPA Employees Did Not Act Consistently With Agency Policy in Assisting an EPA Grantee, May 9, 2014)

EPA Needs To Clarify Its “No Net Loss” of Wetlands Claim

The EPA reported “no net loss” of wetlands for FYs 2009 through 2011 for the Clean Water Act Section 404 regulatory program. The EPA needs to clarify that its claim of “no net loss” of wetlands is based on projections of future results from mitigation projects, because not all planned mitigation projects actually succeed.

The EPA reported “no net loss” of wetlands for FYs 2009 through 2011 under the Clean Water Act Section 404 regulatory program, which addresses the discharge of dredged or



Peat mining in a wetlands area in Region 8. (EPA photo)

fill materials in these waters and wetlands of the United States. The EPA attempts to verify that the application of the wetlands guidelines furthers the goal of “no net loss” by comparing the total acres of wetland impacts to the total acres planned for mitigation. However, performance reporting in the EPA’s 2013 annual plan does not inform readers of the assumption that all mitigation projects meet performance standards. Not clearly communicating such assumptions hampers the public’s understanding of the EPA’s actual performance in protecting wetlands.

We recommended that the EPA indicate on its wetlands measure definitions webpage and in future annual plan performance reporting that achieving “no net loss” is based upon an assumption that wetlands mitigation projects meet performance standards. The agency agreed with our recommendation and provided acceptable corrective actions.

(Report No. 14-P-0191, EPA Needs to Clarify Its Claim of “No Net Loss” of Wetlands, April 16, 2014)

Agency Business Practices and Accountability

Emphasis on Strategic Sourcing Can Save \$30 to \$60 Million Annually

The EPA has been slow in implementing strategic sourcing efforts and could save \$30 to \$60 million annually by fully implementing its strategic sourcing program.

The federal government spends approximately \$500 billion on goods and services each year to support its mission, and one initiative to maximize efficiencies and achieve cost savings in the procurement process is the Federal Strategic Sourcing Initiative. The General Services Administration issued multiple governmentwide procurement vehicles for commonly purchased commodities so that agencies could place orders against them.

The EPA has been slow in implementing strategic sourcing efforts, such as conducting spend analyses and developing controls to ensure maximum agency participation, due to a lack of commitment in the early stages of the initiative and by proceeding cautiously as experience was gained. Of the four solutions offered (print management, wireless services, office supplies and domestic delivery), the EPA only participated in the office supplies and domestic delivery solutions. As a result, the EPA has been missing out in cost saving opportunities and improved efficiencies in its procurement processes. An agency study identified the value of strategic sourcing and estimates that, with a fully staffed strategic sourcing office, it can achieve potential annual cost savings of \$30 to \$60 million.

We recommended that the EPA develop a plan of action to strategically source wireless services and print management and that a price comparison analysis be performed to ensure the best possible pricing is negotiated. We also recommended that the EPA develop and implement policies and procedures. The EPA agreed with our recommendations and provided a corrective action plan.

(Report No. 14-P-0338, Increased Emphasis on Strategic Sourcing Can Result in Substantial Cost Savings for EPA, August 26, 2014)

Unliquidated Obligations Resulted in Missed Opportunities to Improve Drinking Water Infrastructure

Despite agency and state efforts, \$231 million of Drinking Water State Revolving Fund dollars remained idle, loans were not issued, and communities were not able to implement needed drinking water improvements.

The Safe Drinking Water Act Amendments of 1996 established the Drinking Water State Revolving Fund to provide states with a financing mechanism for ensuring safe drinking

water to the public. Since the program’s inception in 1996, the EPA awarded over \$15.5 billion in capitalization grants to states, but \$2 billion has remained unliquidated.

We found that the EPA and the five states we reviewed took many actions to reduce Drinking Water State Revolving Fund unliquidated balances, but those actions have not reduced balances to the goal of below 13 percent of the cumulative federal capitalization grants awarded. The five states reviewed—California, Connecticut, Hawaii, Missouri and



A wastewater treatment plant in Stratford, Connecticut. (EPA photo)

New Mexico—executed small numbers of loans each year and did not maximize the use of all resources, including capitalization grants. State programs were not adequately projecting the fund resources that would be available in the future to enable the states to anticipate the amount of projects needed to be ready for loan execution in a given year. As a result, \$231 million of capitalization grant funds remained idle, loans were not issued, and communities were not able to implement needed improvements.

We recommended that the EPA require states with unliquidated obligations that exceed the 13-percent-cutoff goal to project future cash flows to ensure funds are expended as efficiently as possible and to develop guidance for states on what projects are to be included on the fundable lists. The EPA agreed to take sufficient corrective actions on most of the recommendations.

(Report No. 14-P-0318, Unliquidated Obligations Resulted in Missed Opportunities to Improve Drinking Water Infrastructure, July 16, 2014)

Weak Management of a Service Contract Creates Risk for EPA

Since the EPA awards millions of federal dollars to contractors every year, the agency must have robust oversight and management controls to prevent waste and unnecessary spending. Our review of an EPA time-and-materials contract disclosed areas for improvement.

Our review of a time-and-materials contract, “Technical and Outreach Support Services for Domestic and Global Climate Initiatives and Global Climate Change Programs,” found that the EPA did not have a process to verify that contractor personnel have the skill level to satisfy contract requirements. Specifically, our review of a task order found the following:

- The task order did not list any employees named in reviewed invoices.
- The EPA repeatedly modified the task order to increase funding, from an initial estimate of \$310,917 to more than \$2 million.

- The contracting officer’s representative for the task order accepted the contractor’s deliverables without documenting a review of the contractor’s personnel qualifications in comparison with the labor categories invoiced.
- The task order was closed out without all deliverables being met.

The OIG also found that the official contract file was incomplete, and the determination and findings document did not properly justify the use of a time-and-materials contract. In addition, there was almost no contract management after the contract was awarded.

We made recommendations to improve, implement or address agency oversight of contractor personnel, subcontractors, activities and invoices under time-and-materials contracts. The EPA agreed with some recommendations, but disagreements remain.

(Report No. 14-P-0272, Weak Management of a Climate Change Services Contract Creates Risk EPA Did Not Receive Services for Which It Paid, May 30, 2014)

Questioned Costs of \$390,000 Noted for Tribal Grant

The accounting system for the Wells Band Council of Wells, Nevada, did not comply with federal regulations for its EPA grant, resulting in \$390,000 of questioned costs and a proposed high-risk designation for the grantee.

In 2010, the EPA awarded \$532,334 to the Wells Band Council under the agency’s Indian Environmental General Assistance Program to help the tribal organization develop and establish an environmental protection program. However, we found that the council did not timely submit Federal Financial Reports to support cash draws of \$390,000, and we thus could not evaluate travel and equipment costs incurred. Also, the council’s timekeeping methods and procedures, as well as its financial management system, were not in compliance with federal regulations.



The Wells Band Council Environmental Program Office in Wells, Nevada. (EPA OIG photo)

We recommended that EPA Region 9 recover \$390,000 drawn under the grant unless the council can provide adequate documentation to support its costs. We also recommended that the region designate the council as a high-risk grantee. EPA and the council agreed to take corrective actions, although the council expressed concerns about being designated a high-risk grantee.

(Report No. 14-2-0316, Wells Band Council Needs to Improve Its Accounting System to Comply With Federal Regulations, July 14, 2014)

EPA and EPA OIG Need to Comply With Retention Incentive Pay Guidance

The EPA and EPA OIG need to determine whether evidence exists to justify a retention incentive and, if such an incentive was unjustified, recover any retention incentive payments made to employees.

In August 2013, a member of the U.S. Senate asked the EPA OIG to initiate work in connection with a fraud committed by John C. Beale, a former Senior Policy Advisor with the EPA's Office of Air and Radiation. Although the EPA had authorized retention incentive pay to Beale until 2003, the agency continued to make payments to him until 2013. Since the audit of the agency's retention incentive payments disclosed issues that impact the EPA OIG, a separate internal audit of the OIG's retention incentive payments was also conducted.

The audits disclosed that both the EPA and EPA OIG did not comply with Office of Personnel Management regulations or agency policies on retention incentive pay. For the agency, we found that of the 13 employees paid retention incentives totaling \$667,376 from 2006 through 2013, no documentation of the required annual recertification was available for 10 of the employees. One employee received retention incentive pay for 4 years beyond the date of a promotion. The audit of the EPA OIG found that for the two employees who received \$64,204 in retention incentives from 2006 through 2009, there was no documentation of annual recertification from 2008 through 2009.

We recommended that the agency and EPA OIG determine whether evidence exists to justify a retention incentive and, if such an incentive was unjustified, recover any retention incentive payments made to employees. The agency and the EPA OIG agreed with our recommendations. The agency has since initiated a collection process for two cases that involved overpayment.

(Report No. 14-P-0245, EPA Compliance With Retention Incentive Regulations and Policies, May 2, 2014; and Report No. 14-B-0246, EPA OIG Compliance With Retention Incentive Regulations and Policies, May 2, 2014)

EPA and EPA OIG Need to Strengthen Passport Controls

Both the EPA and EPA OIG need to strengthen controls for official passports to protect employees' sensitive personally identifiable information.

As noted above, in August 2013, a member of the U.S. Senate asked the EPA OIG to initiate work in connection with a fraud committed by John C. Beale. One of the areas audited by the EPA OIG was the agency's process for handling official passports. Since

the audit of the agency's passport process disclosed issues that impact the EPA OIG, a separate internal audit of the OIG's passport process was also conducted.



Passports located at an EPA warehouse operated by a contractor in Landover, Maryland. (EPA OIG photo)

The audits disclosed that both the EPA and EPA OIG were not in compliance with agency guidance governing the control and security of sensitive personally identifiable information associated with official passports issued to agency employees. Of the 417 passports purported to be in the EPA Office of International and Tribal Affairs' possession, 199 could not be located. The audit also found that the Office of International and Tribal Affairs was not enforcing its own passport guidance of having staff return passports after international travel. Further, our audit of the EPA OIG disclosed that the OIG did not have any policies and procedures associated with the issuance, control and security of official passports.

We recommended that the EPA develop a plan to identify official passports issued to agency employees and ensure that passports not currently being used for travel be returned to the agency for proper storage or cancellation. We recommended that the OIG identify all official passports issued to OIG employees and request that all official passports be returned to the Office of International and Tribal Affairs for proper storage or cancellation. Both the agency and the OIG accepted all recommendations.

(Report No. 14-P-0243, Audit of EPA Passport Controls, May 1, 2014; and Report No. 14-B-0244, EPA OIG's Compliance With EPA Passport Guidance, May 1, 2014)

EPA's Processes for Converting to the Cloud Should Be Improved

The EPA developed processes to monitor cloud vendors, but controls for the EPA's cloud computing initiatives are incomplete and need improvement. The EPA paid \$2.3 million for services that were not fully rendered or did not comply with federal requirements, and the agency did not have reasonable assurance that its cloud initiatives will be effective, efficient and in compliance.

Cloud computing describes a broad movement to treat information technology services as a commodity with the ability to dynamically increase or decrease capacity to match usage needs. In December 2010, the U.S. Chief Information Officer issued a "Cloud First" policy requiring that agencies default to cloud-based solutions for new information technology deployments when a secure, reliable and cost-effective cloud option exists. Our review noted the following problems:

- The EPA's cost-benefit analysis did not adhere with guidance.
- The EPA paid full price for services not performed.
- The EPA entered into a contract that could not be used to host applications because it did not meet federal requirements.

- The EPA had not performed an analysis to determine whether it would be in the EPA's best interest to convert its internal infrastructure.
- The EPA did not implement a strategy to evaluate its entire portfolio of information technology applications to determine which applications can be consolidated, retired or moved to the cloud.

We recommended that the EPA undertake a number of corrective actions to address deficiencies in the EPA's cloud computing initiatives. While the agency agreed to take action on two recommendations, nine recommendations remain unresolved.

(Report No. 14-P-0332, Cloud Oversight Resulted in Unsubstantiated and Missed Opportunities for Savings, Unused and Undelivered Services, and Incomplete Policies, August 15, 2014)

EPA Is Not Fully Aware of Its Use of Cloud Computing Technologies

Our review disclosed management oversight concerns highlighting the need for the EPA to strengthen its catalog of cloud vendors and processes to better manage vendor relationships and ensure compliance with federal security requirements.

The OIG conducted this review as part of a governmentwide initiative sponsored by the Council of the Inspectors General on Integrity and Efficiency, which developed a survey. The OIG selected the current contract for the Office of Water's Permit Management Oversight System for testing. That system enables the EPA to track general and tribal permits at a summary level.

Our audit work disclosed management oversight concerns regarding the EPA's use of cloud computing technologies. In particular, we found:

- The EPA did not know when its offices were using cloud computing.
- The oversight process for prime contractors needs improvement.
- There is no assurance that the EPA has access to the subcontractor's cloud environment.
- The subcontractor is not compliant with the Federal Risk and Authorization Management Program.

The EPA agreed that the information provided in the Council of the Inspectors General on Integrity and Efficiency matrix was correct, and the agency submitted responses.

(Report No. 14-P-0323, EPA Is Not Fully Aware of the Extent of Its Use of Cloud Computing Technologies, July 24, 2014)

Common Themes Noted in Prior Audits of Diesel Emissions Grants

During six prior audits on grants funded by the American Recovery and Reinvestment Act of 2009 for Diesel Emissions Reduction Act projects, we found common problems related to meeting project objectives, having adequate financial management systems, and meeting Recovery Act requirements.

The EPA awarded \$294 million in Recovery Act funds under the Diesel Emissions Reduction Act program for 160 grants, which included \$29 million in federal funds for grants covered by our six previous reports. For the six prior reports, we determined that:

- Four of the six recipients did not meet all objectives of grant awards.
- Five of the six recipients did not have financial management systems that met all federal requirements.
- Four of the six recipients did not meet Recovery Act requirements.



A retrofitted school bus.
(EPA photo)

The six prior audits included recommendations, but this new report contains no new recommendations because the limited sample of the six prior reports may not be sufficiently representative. Further, as a result of our prior report, the EPA has already made changes to Diesel Emissions Reduction Act grant oversight to reduce future risk.

(Report No. 14-R-0355, Audits on EPA Recovery Act-Funded Diesel Emission Reduction Act Assistance Agreements Reported Programmatic and Management Challenges, September 15, 2014)

Mitigation of Contract Management Vulnerabilities Needed

The EPA's Contract Management Assessment Program's implementation of OMB requirements may be hindered due to ambiguous guidance, the EPA's organizational structure, and a lack of resources.

The Contract Management Assessment Program is a system of controls designed to measure operational awareness and to determine how well the EPA's contracting organizations support their respective mission requirements while meeting their other responsibilities. Assessments performed under the program are designed to identify weaknesses in internal controls or systemic vulnerabilities.

We found that contracting organizations within the EPA—both at headquarters and in the regions—are implementing the Contract Management Assessment Program to varying degrees. Required submissions were not always submitted timely, some annual reports did not contain all of the required elements, and policy did not incorporate a process to

address noncompliance. As a result, it is questionable whether the program can be fully and optimally implemented.

We recommended that the EPA revise policy to correct ambiguities and strengthen accountability, implement organizational changes, and evaluate whether resources allocated are sufficient. The agency agreed to take corrective action for all recommendations except the one regarding organizational changes.

(Report No. 14-P-0347, EPA Needs to Improve Contract Management Assessment Program Implementation to Mitigate Contracting Vulnerabilities, September 2, 2014)

EPA Needs to Continue Improving Improper Payment Identification

The EPA was compliant with the Improper Payments Elimination and Recovery Improvement Act in FY 2013 for the reporting of improper payments, but we noted needed improvements regarding State Revolving Fund procedures.

In our review of EPA efforts to reduce improper payments, we found that EPA regional offices were not following State Revolving Fund standard operating procedures nor completing all required fields of the transaction testing worksheet. We found several errors and inconsistencies in the EPA's process for collecting data on improper payments, which raises concern regarding the accuracy of improper payments reported. The EPA understated the improper payments for grants in the FY 2013 Annual Financial Report by \$16,086 because the accounts receivable and disallowed costs were not reconciled prior to reporting improper payments.

We recommended that the EPA coordinate with regions to address where differences occurred between improper payments tested and reported, provide regional staff with the current transaction testing worksheet, and establish a system for tracking the recovery of improper payments. The agency concurred with all recommendations.

(Report No. 14-P-0171, EPA Needs to Continue to Improve Controls for Improper Payment Identification, April 10, 2014)

Several Issues Regarding Fellowship Cooperative Agreement Noted

We did not find anything that would indicate the Association of Schools of Public Health improperly used federal funds or did not meet objectives for the EPA cooperative agreement received, but we did note issues regarding subawards being made to fellows and EPA involvement in the fellows' selection process.

The EPA awarded a cooperative agreement to the Association of Schools of Public Health so that the association could place recent graduates into 1- or 2-year fellowships at

the EPA, during which the fellows would be mentored by EPA experts. We did not find anything regarding the improper use of funds or the association not meeting the objectives of the cooperative agreement. However, we did note the following two issues:

- The association made subawards to the fellows but individuals are ineligible as subgrantees under the Code of Federal Regulations.
- The EPA's involvement in the selection process for fellowship candidates creates the appearance that the EPA could be circumventing the hiring process and recruiting fellows in place of permanent employees.

We recommended that the EPA determine the proper vehicle to be used to ensure subawards comply with applicable federal requirements, and obtain an Office of General Counsel opinion on how the EPA should be involved in the selection of fellows. The agency agreed with our recommendations and provided corrective actions.

(Report No. 14-P-0357, Recipient Subawards to Fellows Did Not Comply With Federal Requirements and EPA's Involvement in Fellow Selection Process Creates the Appearance EPA Could Be Circumventing the Hiring Process, September 17, 2014)

New Jersey Did Not Fully Meet Cooperative Agreement Requirements

The New Jersey Department of Environmental Protection did not fully meet the objectives of an American Recovery and Reinvestment Act cooperative agreement.

The EPA awarded a \$4.8 million cooperative agreement to New Jersey to assess and clean up petroleum releases from leaking underground storage tank sites. An audit conducted by an independent accounting firm on behalf of the EPA OIG found that the state's environmental department had adequate financial management systems and complied with state procurement policies and procedures. However, regarding Davis-Bacon Act provisions, the state under-reported the number of jobs created and retained for one of the quarters sampled. Also, the department did not fully meet cooperative agreement objectives or have a formal process for work plan modifications.

Recommendations were made for EPA Region 2 to have the New Jersey Department of Environmental Protection establish improved internal controls and improve Davis-Bacon Act compliance, and the state and Region 2 have taken or are taking necessary actions.

(Report No. 14-R-0278, New Jersey Department of Environmental Protection Needs to Meet Cooperative Agreement Objectives and Davis-Bacon Act Requirements to Fully Achieve Leaking Underground Storage Tank Goals, June 4, 2014)

Investigations

Significant Investigations

Recovery Act-Funded Project Violates Buy American Provision

On May 28, 2014, the U.S. Attorney's Office of the Northern District of New York, along with the EPA OIG, reached a civil settlement with a firm for \$500,000 to settle allegations that the firm falsely certified compliance with the Buy American provision of the American Recovery and Reinvestment Act of 2009.

The project, which began in 2009, called for the construction of a water pump station for the village of Briarcliff Manor, New York. The project was undertaken by Jett Industries of Colliersville, New York. The steel used to manufacture a bladder surge tank was to be made exclusively in the United States according to the Buy American provision of the Recovery Act contract. However, although several Jett employees learned that the tank Jett ordered had been manufactured in France and expressed concern about Buy American violations, Jett nevertheless installed the tank. A Jett employee later used a Jett computer to create a certification, purportedly from the tank's manufacturer, which falsely asserted that the French-made tank had been manufactured in the United States, and used that false certification to obtain payment. As part of the settlement, Jett accepted responsibility for its actions and agreed to make the project fully compliant.

Indictments, Jail Term Given for Fraud at Montana Reservation

Two former officials of the Stone Child College in Montana were indicted for taking bribes and awarding contracts at the Rocky Boy Indian Reservation, while a third person has been sentenced to jail in relation to the case.

Frank Henry, former Facilities Department Manager for the college, and his wife, Melody Henry, former President of the college, were indicted on August 22, 2014, and September 22, 2014, respectively. The federal grand jury indictment accused the Henrys of accepting payments from Hunter Burns and his company, Hunter Burns Construction, after awarding the company contracts and payments for work at the college. The indictment specified that the couple approved payments of \$530,242 to Hunter Burns Construction and solicited and received about \$242,273 in payments from the company. The payments involved EPA grant funds given to the Rocky Boy Indian Reservation.

Hunter Burns was sentenced on July 10, 2014, to 2 months in prison followed by 4 years of home detention for his role in a conspiracy to give kickbacks in exchange for federally funded contracts. Burns and Hunter Burns Construction were also ordered to pay

\$125,000 in fines and sentenced to 42 months' probation. On April 28, 2014, Burns' former partner, James Howard Eastlick Jr., pleaded guilty to bribery of an official of an Indian Tribal Government Receiving Government Funding. Several others from on and off the reservation have pleaded guilty to, been convicted of or are facing charges alleging fraud, bribery, embezzlement and corruption at the reservation.

This case is being conducted by the Montana Guardian Task Force, which is made up of the FBI; the Internal Revenue Service; and the OIGs of the Department of the Interior, Department of Health and Human Services, Department of Agriculture, and EPA.

Nigerian Man Admits Role in Computer Hacking Scheme

On June 10, 2014, Abiodun Adejohn of Nigeria pleaded guilty before the U.S. District of Court of New Jersey to one count of conspiracy to commit wire fraud related to a computer hacking scheme.

Using "phishing" computer intrusion attacks directed to more than 7,500 federal employees, Adejohn and others compromised the EPA and nine other U.S. government agency email systems, resulting in the theft of employees' user names and Webmail access credentials. "Hacked" employee credentials and email accounts were subsequently used by Adejohn and others to create customer accounts with General Services Administration vendors and make or attempt to make fraudulent purchases totaling over \$1 million using fraudulently obtained credit card information. The total value of losses and/or theft attempts in the ongoing investigation is currently estimated at or about \$2 million. Adejohn has admitted his role in the scheme and has already entered into a plea agreement to provide restitution in the amount of \$937,000. Sentencing is to follow.

This case is being conducted with the FBI and the OIGs of the General Services Administration, Department of Commerce, Department of the Interior and Department of Defense.

Former EPA Contract Security Guard Pleads Guilty to Death Threat

On May 6, 2014, a former EPA contract security officer was sentenced in District of Columbia Superior Court to 9 months' probation and served 10 days in jail for threats made to a former colleague.

In 2013, the former contract security officer called a security desk located in an EPA headquarters building and asked for a female security contractor by name. When he spoke to her he threatened to kill her and identified himself by his last name. The OIG conducted an investigation, subpoenaed phone records, and arrested the former contract security officer for threatening to cause bodily harm. Incident to the arrest, two firearms and ammunition were seized from the former contract security officer's residence.

Fugitive Wanted for Wire Fraud and Smuggling

On August 7, 2014, the International Criminal Police Organization (INTERPOL) issued a Red Notice—an international arrest warrant—for the arrest of Heon Seok Lee for violations of the American Recovery and Reinvestment Act “Buy American” provision.

Lee served as President of KTurbo Inc. in the Republic of Korea, and President of its subsidiary KTurbo USA Inc., with an office and warehouse in Illinois. From January 2010 to February 2011, Lee directed others to procure contracts for KTurbo to provide centrifugal turbo blowers to municipal wastewater treatment facilities receiving Recovery Act funds from the EPA. Lee and others sent at least five email communications to U.S. municipal wastewater treatment facilities falsely representing that KTurbo would manufacture and deliver the municipalities’ turbo blowers in compliance with the “Buy American” provision of the Recovery Act. Lee had three shipments of a total of nine turbo blowers sent to the KTurbo facility in Illinois from Korea. The blowers arrived in the United States largely assembled but were affixed with “Assembled in USA” placards. Lee and others did not intend to perform substantial transformation of the turbo blowers and was subsequently indicted in the Northern District of Illinois on five counts of wire fraud and three counts of smuggling. In total, Lee and others intended to fraudulently obtain over \$1.3 million in Recovery Act funds.

This case is being conducted with the International Criminal Police Organization, the Department of Homeland Security and the U.S. Department of Justice.

Former New Jersey Subcontractor Sentenced for False Statements

On July 7, 2014, Victor Boski, former co-owner of National Industrial Supply LLC, was sentenced in the U.S. District Court of New Jersey to 12 months of probation and 50 hours of community service, and fined \$5,000, for his involvement in a kickback scheme related to two New Jersey Superfund sites.

Boski was sentenced pursuant to his guilty plea to a violation of one count of false statement. Boski made material false statements to EPA Suspension and Debarment officials while explaining the role he and his company played in a kickback scheme. National Industrial Supply was a subcontractor in the cleanup of the Federal Creosote site in Manville and the Diamond Alkali site in Newark. The cleanup for the two sites was partly funded by the EPA.

Boski and his firm were previously sentenced in 2011 for their role in the kickback scheme. Boski at that time was given 36 months of probation and ordered to pay a \$25,000 fine and \$50,000 in restitution, jointly and severally with other co-conspirators. Other individuals and companies have been convicted or pleaded guilty in the ongoing

investigation related to the two sites, and more than \$6 million in criminal fines and restitution have been imposed.

This case is being conducted with the Internal Revenue Service Criminal Investigation Division.

BP Found Grossly Negligent in Deepwater Horizon Disaster

On September 4, 2014, BP Exploration and Production Inc. was found grossly negligent by the U.S. District Court for the Eastern District of Louisiana in connection with the 2010 Deepwater Horizon incident in the Gulf of Mexico.

During the drilling of the Macondo Well by the Deepwater Horizon Drilling Rig, BP experienced numerous well control events that caused delays in completion of the project and resulted in cost overruns of \$1 million per day. Although BP reached the primary sands at a level approximately 2,000 feet short of the original plans, another 100 feet of depth was needed to ensure it had accessed the primary reservoir. BP decided to drill the extra 100 feet knowing the well was in a very fragile condition with no allowance for additional pressure on the formation.

In a document titled “Findings of Fact and Conclusions of Law, Phase One Trial,” the federal judge found the decision to drill the extra 100 feet at the bottom of the hole to be “dangerous” and “motivated by profit.” The judge concluded that this additional drilling was the initial link in the chain of events which resulted in the blowout and explosion that caused the deaths of 11 men as well as the massive oil spill that polluted the Gulf of Mexico. The next two phases of trial will determine the quantity of oil spilled that BP is liable for as well as monetary fines and penalties.

This case is being conducted by the Department of Justice Civil Fraud Task Force, which includes the EPA OIG.

Multiple Debarments Result From State Revolving Fund Bid Inquiry

Thirty five individuals and entities were debarred from participation in federally funded projects after EPA OIG queries revealed that one of the proposed awardees on a Florida contract was under indictment for corruption-related offenses.

A firm submitted a bid to conduct emergency water service interconnect upgrades for the city of Coral Springs, Florida, which received a State Revolving Fund award from the EPA in excess of \$471,000 to complete the project. After solicitation of bids, but prior to contract awards, the city learned that the proposed awardee was under indictment for corruption-related offenses. The city sought guidance from the Florida Department of Environmental

Protection as to whether the proposed awardee could be barred from bidding on or accepting the contract associated with the city's State Revolving Fund projects.

Queries by the EPA OIG revealed that the president of the proposed awardee and 15 other individuals were charged with violations of Florida State criminal statutes related to unlawful compensation (bribery), conspiracy and money laundering. Although no evidence of criminal conduct was found related to the proposed Coral Springs projects, the EPA OIG investigation identified additional subjects and entities of concern and the EPA Office of Suspension and Debarment debarred 35 individuals and entities. The debarments ranged for periods of 3 to 5 years. Two additional subjects agreed to voluntary exclusions from participation in federally funded projects and two others were suspended pending debarment.

Former Tribal Environmental Resources Director Debarred for Fraud

On May 6, 2014, Ian Kanair, former Director of Environmental and Natural Resources for the Snoqualmie Indian Tribe, was debarred from participation in federally funded projects for 3 years after an EPA OIG investigation revealed he fraudulently misused \$35,397 in EPA grant funds awarded to the tribe.

Kanair's salary and the funds he used to operate the Environmental and Natural Resources program for the tribe were EPA grants that were for program development. On occasion, Kanair would request and receive travel and training advances for one conference, not attend the conference, and then claim that he used the advanced funds to attend a different conference. The EPA determined that Kanair was reimbursed by the tribe with EPA funds for expenses totaling \$35,397 that he should not have claimed. This was because the expenses were not authorized under the grant or were double billed, inflated or not actually incurred at all.

Former IT Contractor Indicted for Theft of Government Property

On April 2, 2014, a former information technology contractor in Region 4 was indicted by a federal grand jury in the Northern District of Georgia charging him with theft of government property over \$1,000.

In 2012, personnel in EPA Region 4, headquartered in Atlanta, Georgia, discovered that 72 computer devices (laptops, tablets and desk tops), valued at \$84,842, were stolen/missing from the information technology department in EPA Region 4. Contact with manufacturers disclosed that one of the missing/stolen items had been registered online, and an OIG interview of the identified buyer disclosed that the computer was purchased via Ebay. Approximately 30 computers linked to the missing EPA computers were sold via Ebay. The owners of the EBay account provided details of their purchase of the computers from an individual subsequently identified as the EPA contractor.

This case is being conducted jointly with the Federal Protective Service and U.S. Army Criminal Investigation Division.

EPA Employee Suspended for Theft of Government Cameras

On May 3, 2014, one EPA Region 4 employee received a 30-day suspension for the theft of government cameras valued at \$3,118 and another employee received a letter of warning for falsifying an annual inventory report in relation to the stolen cameras.

Following the theft of a large number of computers in Region 4, the EPA conducted an inquiry into all missing property listed by Region 4 over the previous 2-year period. During this review, several cameras listed as missing were identified as being pawned at a local pawn shop. The perpetrator was identified as a GS-12 Public Affairs Specialist assigned to Region 4 who subsequently confessed to seven instances of theft. Further, an EPA Region 4 Property Custodian was found to have certified the presence of the cameras in question even though one of the cameras had been pawned 6 months prior to the inventory; the custodian later admitted to not physically inventorying the property. The employee who stole the cameras received a 30-day suspension and the Property Custodian received a letter of warning. Also, the employee who stole the cameras has been indicted by a Georgia grand jury, and a plea or trial is pending.

EPA Employee Allowed to Perform No Work and Collect Pay

A Senior Executive Service (SES)-level employee and a supervisor in the EPA allowed an employee to work from home for 20 years while producing limited work products. The supervisor admitted that he allowed the employee to stay home and not perform any work for the EPA while the employee collected full pay and benefits for approximately 6 years, costing the government over \$600,000. The supervisor stated that it was easier to allow this arrangement than go through the medical retirement process for the employee and to deal with the employee union, which represents this employee. The employee and SES-level person retired prior to administrative action being taken and the supervisor was put on administrative leave and barred from the EPA premises on July 31, 2014.

Lack of Due Diligence Allows EPA Employee to Commit Fraud

An SES-level employee responsible for the oversight and approval of time and attendance records and travel vouchers for John C. Beale lacked due diligence and cost the government \$184,193. The OIG investigation determined that the SES-level person who reviewed and approved time and attendance and travel for Beale and other senior executives in the Office of Air and Radiation lacked due diligence in exercising EPA duties. Beale is a former Senior Policy Advisor for the EPA who had pleaded guilty to multiple frauds.

EPA Employee Ordered to Pay Back Over \$5,000 to EPA for Theft

Administrative action was taken against an EPA employee for stealing more than \$5,000 of grant funds from a U.S.–Mexico border program. The employee diverted grant funds by creating inappropriate invoices. The OIG investigated 13 allegations of employee misconduct and 11 were substantiated. The employee accepted the charges on May 28, 2014, and agreed to pay back over \$5,000 to the EPA and a two-grade demotion, which will result in a 2-year cost savings to the agency of \$68,000.

SES Employee Had Subordinates Perform Outside Activities

An SES-level employee had EPA employees who reported to her conduct activities that were outside the scope of their official EPA duties and directly assisted her in personal activities. After admitting to having employees perform the outside activities—including parking her car and getting her lunch—the SES-level employee retired from federal service on April 3, 2014, prior to any administrative action being taken by the EPA.

Pending Reports of Investigation

Reports of Investigation to EPA for Which Administrative Action Has Not Been Communicated to OIG

The OIG Office of Investigations issues Reports of Investigation to the EPA to notify the agency of facts surrounding cases of employee misconduct. In each case, the OIG requests that the EPA advise the OIG within 30 days of administrative action taken or proposed. In some cases, the EPA requests an extension before rendering a decision. Below is a list of cases where the EPA's decision regarding administrative action has not been communicated to the OIG.

CASE 1, Report of Investigation to EPA Office of Administration and Resources Management, November 25, 2013: The investigation revealed information to support the allegation that a GS-15 EPA employee engaged in private business activities with contract employees during official work time, used a government position to assist a contract employee's attempt to gain federal employment with the EPA, and may have misused government property and acted in a manner unbecoming a federal employee with a contract employee.

CASE 2, Report of Investigation to EPA Office of Research and Development, December 16, 2013: The investigation revealed information to support the allegation that a GS-13 EPA employee improperly used an EPA purchase card to order an iPad for personal use.

CASE 3, Report of Investigation to EPA Office of Administration and Resources Management, December 20, 2013: The investigation revealed information to support the allegation that an SES-level EPA employee sold products from three businesses to EPA subordinates and EPA colleagues in EPA office space during office hours; used EPA resources, including the employee's office, laptop computer, Blackberry and EPA email system, in furtherance of these business activities; the employee's child, an intern in an EPA student summer hire program, was paid two EPA cash performance awards totaling approximately \$790 with funds that originated directly from the employee's operating budget; and recommended a friend and an acquaintance for employment to a company that had contracted to conduct work for the Office of Administration and Resources Management. During the period of this investigation, this employee received a Presidential Meritorious Rank Award for \$33,928.

CASE 4, Report of Investigation to EPA Office of Air and Radiation, March 7, 2014: The investigation revealed information to support the allegation that a GS-13 EPA employee participated in outside work activity and provided consulting services to organizations external to the EPA without the requisite approval from the Deputy Ethics Official.

CASE 5, Report of Investigation to EPA Office of Air and Radiation, April 17, 2014: An SES-level employee responsible for the oversight and approval of time and attendance records and travel vouchers for John C. Beale lacked due diligence and cost the government \$184,193.

CASE 6, Report of Investigation to EPA Office of Chemical Safety and Pollution Prevention, May 6, 2014: The investigation revealed information to support the allegation that an EPA contractor assaulted an EPA colleague.

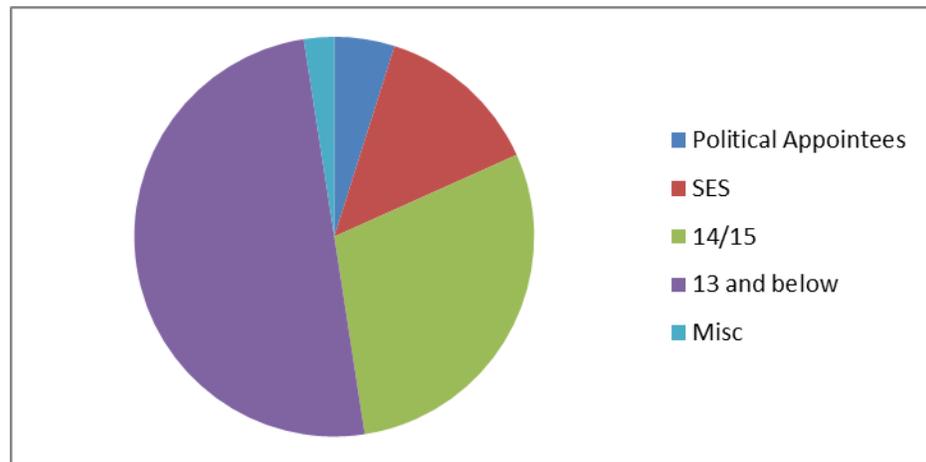
CASE 7, Report of Investigation to EPA Office of Chemical Safety and Pollution Prevention, June 10, 2014: The investigation revealed information to support the allegation that a GS-13 EPA employee violated the Code of Federal Regulations and EPA administrative policies with the viewing and downloading of pornographic materials as well as various movies and video clips with an EPA-issued computer through the EPA network during core working hours.

CASE 8, Report of Investigation to EPA Office of Administration and Resources Management, July 16, 2014: The investigation revealed information to support the allegation that a GS-14 EPA employee violated Federal Acquisition Regulations by making technical decisions that were outside the employee's authority by authorizing contract employees to telework and attempting to influence a fellow EPA employee to authorize payment of invoices to the contractor that the colleague questioned.

Closed Employee Integrity Cases

Statistics on employee integrity investigation cases closed during the semiannual reporting period follow.

	Political appointees	SES	GS-14/15	GS-13 and below	Misc.	Total
Pending 4/1/14	5	9	24	39	1	78
Open	0	5	10	9	2	26
Closed	1	3	10	7	1	22
Pending 9/30/14	4	11	24	41	2	82



Other Activities

OIG Visits Multiple Sites to Generate Ideas for Audits and Evaluations

To gain a further understanding of the important and diversified work done by the EPA and obtain new ideas for audits and evaluations to help the agency operate more efficiently and better protect human health and the environment, Inspector Arthur A. Elkins Jr. visited a number of regions during the semiannual reporting period. In addition to visiting sites, Mr. Elkins met with high-level regional officials, including Regional Administrators, and also met with his own OIG staff.

In April 2013, Mr. Elkins visited Region 3, headquartered in Philadelphia, Pennsylvania. During his trip, he visited the Overbrook Environmental Education Center, a facility in the city that receives environmental justice and other EPA grants. The organization engages in a number of environmentally oriented efforts.

In May 2014, Mr. Elkins went to the Region 1 office in Boston, Massachusetts, and visited the City Manager's office in Chelsea, Massachusetts. During the trip, Mr. Elkins learned about the city of Chelsea's efforts in such areas as environmental justice and Brownfields, and he visited a new waterfront park and a former metal site that had been remediated and redeveloped. Also in May, the Inspector General visited Region 5, headquartered in Chicago, Illinois. During that Region 5 trip, Mr. Elkins went to Minnesota and met with the President of the Minnesota Pollution Control Agency in Minneapolis to discuss various issues faced by that organization.



Inspector General Elkins (left) and Region 1 Administrator Curt Spalding (center) talk with Jay Ash, Chelsea City Manager. (EPA OIG photo)

In June 2014, the Inspector General went to Region 8 in Denver, Colorado. One stop was City Lights, a Denver Urban Gardens project that converted a former Brownfields site in a low-income neighborhood into a healthy community garden. Another Region 8 stop was to Granata Farms, a cutting-edge sustainability park and demonstration garden. Also in June, the Inspector General visited the OIG's office in Cincinnati, Ohio, during which time he went to the Experimental Streams Facility in the city, and also made a trip to the National Vehicle and Fuel Emissions Laboratory in Ann Arbor, Michigan.

In July 2014, Mr. Elkins visited the Region 10 office in Seattle, Washington, during which time he visited the Tacoma, Washington, Asarco Superfund redevelopment site as well as the Port of Tacoma, where the EPA is involved in reducing diesel emissions.

In September 2014, during a trip to the Region 7 offices, Mr. Elkins met with representatives of the U.S. Attorney's Office for the District of Kansas; visited several

environmental justice sites in the Kansas City, Missouri, area; and met with the President of the National Environmental Justice Advisory Council in Kansas City, Missouri. At the end of September, the Inspector General then visited the Region 2 offices in New York, New York, during which time he toured the New Town Creek Site—a creek that separates the city’s boroughs of Brooklyn and Queens and is one of the most polluted bodies of water in the nation.

OIG Can Use Imaging Technology to Assess Cleanup Effectiveness

We determined that hyperspectral imaging is a useful tool for assisting the OIG in conducting reviews to assess conditions and effectiveness of cleanup actions at Superfund and other sites.

Hyperspectral imaging is a type of remote sensing technology, similar to satellite imaging, used on an airborne sensor that records reflected and emitted electromagnetic energy. The data can assist in identifying and analyzing environmental conditions and certain contaminants. Starting in 2007, in coordination with the U.S. Geological Survey, the OIG assessed the feasibility of using this technology at more than 40 sites.



An Airborne Real-Time Cueing Hyperspectral Enhanced Reconnaissance sensor. (U.S. Geological Survey photo)

Our work showed that hyperspectral imaging is useful in identifying vegetative stress on land related to the presence of certain heavy metals, such as lead and arsenic, and also in identifying debris. When the imaging indicated little vegetative stress, we also found that sites were generally also free of any significant residual contamination. Therefore, the OIG may use hyperspectral imaging as an oversight tool in the future. We communicated the results of this work to the agency.

(Report No. 14-N-0360, Hyperspectral Imaging Can Be a Useful Tool for Office of Inspector General Reviews Focused on Contaminated Land, September 26, 2014)

Legislation and Regulations Reviewed

Section 4(a) of the Inspector General Act requires the Inspector General to review existing and proposed legislation and regulations relating to the program and operation of the EPA and to make recommendations concerning their impact. We also review drafts of OMB circulars, memorandums, executive orders, program operations manuals, directives and reorganizations. The primary basis for our comments are the audit, evaluation, investigation and legislative experiences of the OIG, as well as our participation on the Council of the Inspectors General on Integrity and Efficiency. During the reporting period, we reviewed 11 proposed changes to legislation, regulations, policy, procedures or other documents that could affect the EPA or the Inspector General, and provided comments on three.

Quality Control Review Shows Areas for OIG Improvements

An internal quality control review conducted by the EPA OIG of its audit and evaluation reports issued during FY 2013 found that the OIG continued to make improvements but still had areas to address.

The OIG continued to make improvements regarding documentation of workpaper reviews. Supervisory reviews were better documented, and staff better documented responses to supervisory comments. Nonetheless, the OIG still needs to:

- Reduce workpaper length by having each workpaper address just one step.
- Include the proper elements on indexing.
- Better attribute draft sources and ensure sources contain up-to-date information.
- Properly report the beginning and end dates for all reports.

The Deputy Inspector General agreed to make the suggested changes.

(Report No. 14-N-0358, Quality Control Review of EPA Office of Inspector General Reports Issued in Fiscal Year 2013, September 25, 2014)

U.S. Chemical Safety and Hazard Investigation Board

The U.S. Chemical Safety and Hazard Investigation Board (CSB) was created by the Clean Air Act Amendments of 1990. The CSB's mission is to investigate accidental chemical releases at facilities, report to the public on the root causes, and recommend measures to prevent future occurrences.



In FY 2004, Congress designated the EPA Inspector General to serve as the Inspector General for the CSB. As a result, the EPA OIG has the responsibility to audit, evaluate, inspect and investigate the CSB's programs, and to review proposed laws and regulations to determine their potential impact on the CSB's programs and operations. Details on our work involving the CSB are available at <http://www.csb.gov/inspector-general>.

Impediments Noted During Congressional Testimony

On June 19, 2014, Inspector General Elkins testified before the U.S. House of Representative's Committee on Oversight and Government reform regarding impediments to audit work that the EPA OIG has experienced with CSB.

On September 5, 2013, the EPA OIG had issued a Seven-Day letter to the CSB Chairman regarding CSB's refusal to provide requested documents to the OIG as part of an ongoing investigation regarding the identification of whistleblowers who had filed confidential complaints to the CSB's Office of Special Counsel.

"By refusing to provide the requested information, the CSB is preventing the EPA OIG from conducting a complete investigation. In turn, we are precluded from providing Congress with a meaningful report on all of the CSB's activities," Mr. Elkins noted during his testimony. The Inspector General further pointed out that CSB had still not acted subsequent to the issuance of the Seven-Day letter, and "we look to Congress to support the EPA OIG by directing the CSB to produce the requested records."

Also, Mr. Elkins pointed out that, in February 2013, the EPA OIG had received a new complaint alleging that CSB officials were using nongovernmental email accounts to conduct official CSB business. "However, the CSB refused, and to this day continues to refuse, to provide the documents the EPA OIG requested and has determined are necessary for this investigation into those CSB activities," Mr. Elkins further testified.

In addition, on August 5, 2014, Mr. Elkins and 46 other Inspectors General submitted a letter to Congress noting concerns regarding denial of access, and the letter cited the restrictions on access to records that the EPA OIG had encountered with CSB.

CSB Did Not Comply With Requirements for Improper Payments

CSB did not implement some of the preventative measures required by the Improper Payments Elimination and Recovery Improvement Act of 2012.

The 2012 act intensifies efforts to have agencies identify, prevent and recover improper payments. The CSB was not fully compliant with the act's reporting requirement to review prepayment and pre-award procedures, and did not ensure that a thorough review of available databases occurs to prevent improper payments before the release of any federal funds. Specifically, CSB did not use the "Do Not Pay" portal and did not have testing provisions. CSB was compliant with the remaining reporting requirements, such as publishing its Performance and Accountability Report and financial statements on its website.

We recommended that the CSB establish access to the Do Not Pay portal and use that portal to address the reporting deficiencies noted, and CSB indicated it had established access to that portal.

(Report No. 14-P-0172, U.S. Chemical Safety and Hazard Investigation Board Did Not Comply With the Do Not Pay Requirements for Improper Payments, April 10, 2014)

CSB Complied With Federal Information Security Management Act

The firm that audited the CSB's compliance with the Federal Information Security Management Act of 2002 determined that CSB had an information security program in place during FY 2013 that appeared to be functioning as designed. CSB takes information security weaknesses seriously and was performing vulnerability assessments on its network devices and security configuration assessments on a subset of its network devices. Thus, the report made no recommendations. *(Report No. 14-P-0181, The U.S. Chemical Safety and Hazard Investigation Board Complies With the Federal Information Security Management Act (Fiscal Year 2013), April 10, 2014)*

Statistical Data

Profile of Activities and Results

Audit and evaluation operations Reviews performed by OIG (\$ in millions)		
	April 1, 2014, to September 30, 2014	FY 2014
Questioned costs *	\$12.2	\$42.3
Recommended efficiencies *	\$293.6	\$321.7
Costs disallowed to be recovered	\$9.0	\$9.1
Costs disallowed as cost efficiency	\$292.2	\$292.4
Reports issued by OIG	40	66
Reports resolved (Agreement by agency officials to take satisfactory corrective actions) **	212	321

Audit and evaluation operations Reviews performed by Single Audit Act auditors (\$ in millions)		
	April 1, 2014, to September 30, 2014	FY 2014
Questioned costs *	\$3.0	\$12.2
Recommended efficiencies *	\$0.0	\$0.0
Costs disallowed to be recovered	\$14.3	\$20.6
Costs disallowed as cost efficiency	\$0.0	\$0.0
Single Audit Act reviews	170	300
Agency recoveries Recoveries from audit and evaluation resolutions of current and prior periods (cash collections or offsets to future payments) ***	\$0.2	\$0.9

Investigative operations (\$ in millions)		
	April 1, 2014, to September 30, 2014	FY 2014
Total fines and recoveries ****	\$0.161	\$2.414
Cost savings	\$0.130	\$0.362
Cost avoidances	\$0	\$0
Civil settlements	\$0.785	\$0.824
Cases open during period	52	108
Cases closed during period	50	100
Indictments/informations of persons or companies	26	50
Convictions of persons or firms	9	19
Civil judgments/settlements/filings	2	3

* Questioned costs and recommended efficiencies are subject to change pending further review in the audit resolution process.

** Reports resolved are subject to change pending further review.

*** Information on recoveries from audit resolutions is provided by EPA's Office of Financial Management and is unaudited.

**** Fines and recoveries resulting from joint investigations.

Audit, Inspection and Evaluation Report Resolution

Status report on perpetual inventory of reports in resolution process for semiannual period ending September 30, 2014

Report category	No. of reports	Report issuance (\$ in thousands)		Report resolution costs sustained (\$ in thousands)	
		Questioned costs	Recommended efficiencies	To be recovered	As efficiencies
A. For which no management decision was made by April 1, 2014*	144	\$65,702	\$61,014	\$23,403	\$8,817
B. Which were issued during the reporting period	199	15,201	291,291	133	290,823
C. Which were issued during the reporting period that required no resolution	129	0	0	0	0
Subtotals (A + B - C)	214	80,903	352,305	23,536	299,650
D. For which a management decision was made during the reporting period	208	42,567	22,738	23,342	290,823
E. For which no management decision was made by September 30, 2014	6	38,337	59,567	195	8,827
F. Reports for which no management decision was made within 6 months of issuance	107	23,269	59,398	195	8,827

* Any difference in number of reports and amounts of questioned costs or recommended efficiencies between this report and our previous semiannual report results from corrections made to data in our audit tracking system.

Table 1: Inspector General-issued reports with questioned costs for semiannual period ending September 30, 2014 (\$ in thousands)

Report category	No. of reports	Questioned costs *	Unsupported costs
A. For which no management decision was made by April 1, 2014 **	31	\$65,702	\$34,657
B. New reports issued during period	6	15,201	15,140
Subtotals (A + B)	37	80,903	49,797
C. For which a management decision was made during the reporting period:	14	42,567	25,076
(i) Dollar value of disallowed costs	8	17,490	0
(ii) Dollar value of costs not disallowed	6	25,077	25,076
D. For which no management decision was made by September 30, 2014	17	38,337	24,721
Reports for which no management decision was made within 6 months of issuance	12	23,269	9,714

* Questioned costs include unsupported costs.

** Any difference in number of reports and amounts of questioned costs between this report and our previous semiannual report results from corrections made to data in our audit, inspection and evaluation tracking system.

Table 2: Inspector General-issued reports with recommendations that funds be put to better use for semiannual period ending September 30, 2014 (\$ in thousands)

Report Category	No. of reports	Dollar value
A. For which no management decision was made by April 1, 2014 *	15	\$61,014
B. Which were issued during the reporting period	4	291,291
Subtotals (A + B)	19	352,305
C. For which a management decision was made during the reporting period:	5	292,738
(i) Dollar value of recommendations from reports that were agreed to by management	3	290,823
(ii) Dollar value of recommendations from reports that were not agreed to by management	2	1,915
(iii) Dollar value of nonawards or unsuccessful bidders	0	0
D. For which no management decision was made by September 30, 2014	5	59,567
Reports for which no management decision was made within 6 months of issuance	3	59,398

* Any difference in number of reports and amounts of funds put to better use between this report and our previous semiannual report results from corrections made to data in our audit, inspection and evaluation tracking system.

Audits, inspections, and evaluations with no final action as of September 30, 2014, over 365 days past the date of the accepted management decision (including audits, inspections and evaluations in appeal)

Audits, inspections and evaluations	Total	Percentage
Program	55	62
Assistance agreements	10	11
Contract audits	0	0
Single audits	21	24
Financial statement audits	3	3
Total	89	100

Hotline Activity

The following table shows EPA OIG hotline activity regarding complaints of fraud, waste and abuse in EPA programs and operations during the semiannual reporting period and annual period ending September 30, 2014.

	Semiannual period (April 1, 2014 - September 30, 2014)	Annual period (October 1, 2013 - September 30, 2014)
Issues open at the beginning of the period	156	132
Inquiries received during the period	156	275
Inquiries closed during the period	123	218
Inquiries pending at the end of the period	189	189
Issues referred to others:		
OIG offices	88	174
EPA program offices	50	72
Other federal agencies	4	8
State/local agencies	14	21

The hotline makes it easy to report allegations of fraud, waste, abuse, mismanagement or misconduct in the programs and operations of the EPA. Employees, as well as contractors, grantees, program participants and members of the general public, may report allegations to the OIG.

The Inspector General Act of 1978, as amended, and other laws (such as the Whistleblower Protection Enhancement Act of 2012) protect those who make hotline complaints. Individuals who contact the hotline are not required to identify themselves and may request confidentiality. However, the OIG encourages those who report allegations to identify themselves so that they can be contacted if the OIG has additional questions. Pursuant to Section 7 of the Inspector General Act, the OIG will not disclose the identity of an employee of the EPA who provides information unless that employee consents or the Inspector General determines that such disclosure is unavoidable during the course of the investigation, audit or evaluation. As a matter of policy, the OIG will provide comparable protection to employees of contractors, grantees and others who provide information to the OIG and request confidentiality.

Hotline

To report fraud, waste, or abuse, contact us through one of the following methods:

e-mail:	OIG_Hotline@epa.gov	write	OIG EPA Hotline
phone:	1-888-546-8740		1200 Pennsylvania Ave NW
fax:	202-566-2599		Mailcode 2431T
online:	http://www.epa.gov/oig/hotline.htm		Washington, DC 20460

Summary of Investigative Results

Summary of investigative activity during reporting period

Cases open as of April 1, 2014 *	216
Cases opened during period	108
Cases closed during period	100
Cases pending as of September 30, 2014	224

* Adjusted from prior period.

Investigations pending by type as of September 30, 2014

	Superfund	Management	Split funded	Recovery Act	CSB	Total
Contract fraud	9	12	14	5	0	40
Grant fraud	0	18	5	9	0	32
Laboratory fraud	4	7	3	0	0	14
Employee integrity	3	32	44	0	3	82
Program integrity	3	8	5	1	0	17
Computer crimes	0	1	5	0	0	6
Threat	0	3	3	0	0	6
Retaliation	0	1	0	0	0	1
Other	2	14	9	1	0	26
Total	21	96	88	16	3	224

Results of prosecutive actions

	EPA OIG only	Joint *	Total
Criminal indictments/informations/complaints	7	19	26
Convictions	0	9	9
Civil judgments/settlements/filings	2	0	2
Deportations	0	0	0
Fines and recoveries (including civil)	\$785,000	\$160,650	\$945,650
Prison time	0 months	2 months	2 months
Prison time suspended	0 months	0 months	0 months
Home detention	0 months	4 months	4 months
Probation	0 months	90 months	90 months
Community service	0 hours	50 hours	50 hours

* With another federal agency.

Administrative actions

	EPA OIG only	Joint *	Total
Suspensions	4	4	8
Debarments	25	3	28
Other administrative actions	44	5	49
Total	73	12	85
Administrative recoveries	\$38,361	\$33,142	\$71,503
Cost avoidance	\$80,335	\$49,405	\$129,740

* With another federal agency.

Appendices

Appendix 1—Reports Issued

The Inspector General Act of 1978, as amended, requires a listing, subdivided according to subject matter, of each report issued by the OIG during the reporting period. For each report, where applicable, the Inspector General Act also requires a listing of the dollar value of questioned costs and the dollar value of recommendations that funds be put to better use.

Report No.	Report	Date	Questioned Costs			Federal Recommended Efficiencies
			Ineligible Costs	Unsupported Costs	Unreasonable Costs	
PERFORMANCE REPORTS						
14-P-0171	EPA Needs to Improve Controls for Improper Payment Identification	Apr. 10, 2014	\$0	\$0	\$0	\$0
14-P-0172	CSB Did Not Comply With Requirements for Improper Payments	Apr. 10, 2014	0	0	0	0
14-P-0181	CSB Federal Information Security Management Act (FY 2013)	Apr. 10, 2014	0	0	0	0
14-P-0184	National Petroleum Refinery Initiative Goals Need to Be Demonstrated	Apr. 15, 2014	0	0	0	0
14-P-0191	EPA Needs to Clarify Claim of "No Net Loss" of Wetlands	Apr. 16, 2014	0	0	0	0
14-P-0243	Audit of EPA Passport Controls	May 01, 2014	0	0	0	0
14-P-0245	EPA Compliance With Retention Incentive Regulations and Policies	May 02, 2014	0	0	0	481,819
14-P-0247	EPA Employees Did Not Act Consistent With Policy in Assisting Grantee	May 09, 2014	0	0	0	0
14-P-0262	EPA's Process to Release Information Under Freedom of Information Act	May 16, 2014	0	0	0	0
14-P-0270	Potential Fraudulent Environmental Data Procedures Not Adequate	May 29, 2014	0	0	0	0
14-P-0272	Services Contract at Risk of EPA Not Receiving Services for Which It Paid	May 30, 2014	0	0	0	169,000
14-P-0302	EPA Needs to Strengthen Procedures for Historical Lead Smelter Sites	Jun. 17, 2014	0	0	0	0
14-P-0317	Improved Oversight Needed for Puget Sound Cooperative Agreements	Jul. 15, 2014	0	0	0	0
14-P-0318	Unliquidated Obligations for Drinking Water Infrastructure Need Improving	Jul. 16, 2014	0	0	0	230,641
14-P-0319	No Bias Found in Freedom of Information Act Fee Waiver Decisions	Jul. 16, 2014	0	0	0	0
14-P-0321	Follow-Up Report: EPA Improves Radiation Monitoring System	Jul. 22, 2014	0	0	0	0
14-P-0322	Impact of EPA's Conventional Reduced Risk Pesticide Program Is Declining	Jul. 24, 2014	0	0	0	0
14-P-0323	EPA Is Not Fully Aware of Its Use of Cloud Computing Technologies	Jul. 24, 2014	0	0	0	0
14-P-0324	Efforts to Reduce Methane Emissions From Leaking Pipes Need Improving	Jul. 25, 2014	0	0	0	0
14-P-0325	EPA Met or Exceeded Most Internal Climate Change Goals	Jul. 29, 2014	0	0	0	0
14-P-0332	Cloud Oversight Resulted in Unsubstantiated and Missed Opportunities	Aug. 15, 2014	0	0	0	0
14-P-0338	Increased Emphasis on Strategic Sourcing Can Result in Savings	Aug. 26, 2014	0	0	0	60,000,000
14-P-0347	EPA Needs to Improve Contract Management Assessment Program	Sep. 02, 2014	0	0	0	0
14-P-0348	EPA Needs to Work With States for Gulf of Mexico Hypoxic Zone Program	Sep. 03, 2014	0	0	0	0
14-P-0349	EPA Can Improve "Design for the Environment" Program	Sep. 09, 2014	0	0	0	0
14-P-0350	EPA's Risk Assessment Division Has Not Fully Adhered to Plan	Sep. 10, 2014	0	0	0	0
14-P-0357	Recipient Subawards to Fellows Did Not Comply With Federal Requirements	Sep. 17, 2014	0	0	0	0
14-P-0359	Alternative Asbestos Control Method Experiments Need More Oversight	Sep. 25, 2014	0	0	0	0
14-P-0363	Water Resources Need Protection From Unmonitored Hazardous Chemicals	Sep. 29, 2014	0	0	0	0
14-P-0364	Process for Designating Land as Protective for Reuse Needs Improvement	Sep. 29, 2014	0	0	0	0
TOTAL PERFORMANCE REPORTS = 30			\$0	\$0	\$0	\$60,881,460
SINGLE AUDIT REPORTS						
14-3-0157	McKeesport, the Municipal Authority of the City of, Pennsylvania – FY 2012	Apr. 01, 2014	\$0	\$0	\$0	\$0
14-3-0158	Siloam Springs, Arkansas, City of – FY 2012	Apr. 01, 2014	0	0	0	0
14-3-0159	Johnsonburg Municipal Authority, Pennsylvania – FY 2012	Apr. 01, 2014	0	0	0	0
14-3-0160	Mifflin County Conservation District, Pennsylvania – FY 2012	Apr. 01, 2014	0	0	0	0
14-3-0161	Montour County, Pennsylvania – FY 2012	Apr. 01, 2014	0	0	0	0
14-3-0162	Philadelphia Authority for Industrial Development, Pennsylvania – FY 2012	Apr. 01, 2014	0	0	0	0
14-3-0163	St. Joseph's Hospital Health Center, New York – FY 2012	Apr. 07, 2014	0	0	0	0
14-3-0164	Community Trans. Assoc. of America, District of Columbia – FY 2012	Apr. 07, 2014	0	0	0	0
14-3-0165	Lackawanna, Pennsylvania, County of – FY 2012	Apr. 07, 2014	0	0	0	0
14-3-0166	West Pittston, Pennsylvania, Borough of – FY 2011	Apr. 07, 2014	0	0	0	0
14-3-0167	Connections, of McKinley County, Inc., New Mexico – FY 2012	Apr. 07, 2014	0	0	0	0
14-3-0168	Iowa Regional Utilities Association, Iowa – FY 2012	Apr. 07, 2014	0	0	0	0
14-3-0169	Edgerton, Kansas, City of – FY 2012	Apr. 07, 2014	0	0	0	0
14-3-0170	Dickinson County, Kansas – FY 2012	Apr. 07, 2014	0	0	0	0
14-3-0173	Thralls Station Regional Sewer District, Indiana – FY 2012	Apr. 09, 2014	0	0	0	0
14-3-0174	Garrison Rural Water District, North Dakota – FY 2012	Apr. 09, 2014	0	0	0	0

Report No.	Report	Date	Questioned Costs			Federal Recommended Efficiencies
			Ineligible Costs	Unsupported Costs	Unreasonable Costs	
14-3-0175	McKenzie County, North Dakota – FY 2011	Apr. 09, 2014	0	0	0	0
14-3-0176	Brownsburg, Indiana, Town of – FY 2012	Apr. 09, 2014	0	0	0	0
14-3-0177	Dell Rapids, South Dakota, Municipality of – FY 2011	Apr. 09, 2014	0	0	0	0
14-3-0178	Faulkton, South Dakota, City of – FY 2012	Apr. 09, 2014	0	0	0	0
14-3-0179	Martin, South Dakota, City of – FY 2012	Apr. 09, 2014	0	0	0	0
14-3-0180	Herreid, South Dakota, City of – FY 2012	Apr. 09, 2014	0	0	0	0
14-3-0182	Vallejo, California, City of – FY 2012	Apr. 11, 2014	0	0	0	0
14-3-0183	Woodland, California, City of – FY 2012	Apr. 11, 2014	0	0	0	0
14-3-0185	Chesterfield, Indiana, Town of – FY 2012	Apr. 14, 2014	0	0	0	0
14-3-0186	Fortville, Indiana, Town of – FYs 2011 & 2012	Apr. 14, 2014	0	0	0	0
14-3-0187	Lowell, Indiana, Town of – FY 2012	Apr. 14, 2014	0	0	0	0
14-3-0188	Plainfield, Indiana, Town of – FY 2012	Apr. 15, 2014	0	0	0	0
14-3-0189	South Whitley, Indiana, Town of – FYs 2011 & 2012	Apr. 15, 2014	0	0	0	0
14-3-0190	Vigo County, Indiana – FY 2012	Apr. 15, 2014	0	0	0	0
14-3-0192	Joplin, Missouri, City of – FY 2012	Apr. 15, 2014	0	0	0	0
14-3-0193	Shawnee County, Kansas – FY 2012	Apr. 15, 2014	0	0	0	0
14-3-0194	Wentzville, Missouri, City of – FY 2012	Apr. 15, 2014	0	0	0	0
14-3-0195	Little Traverse Bay Bands of Odawa Indians, Michigan – FY 2012	Apr. 16, 2014	0	0	0	0
14-3-0196	Michigan Infrastructure & Transportation Association, Michigan – FY 2012	Apr. 16, 2014	0	0	0	0
14-3-0197	Muskegon Conservation District, Michigan – FY 2012	Apr. 16, 2014	0	0	0	0
14-3-0198	Tip of the Mitt Watershed Council, Michigan – FY 2012	Apr. 16, 2014	0	0	0	0
14-3-0199	Arlington, Minnesota, City of – FY 2012	Apr. 16, 2014	0	0	0	0
14-3-0200	Olivia, Minnesota, City of – FY 2012	Apr. 17, 2014	0	0	0	0
14-3-0201	Caledonia, Minnesota, City of – FY 2012	Apr. 17, 2014	0	0	0	0
14-3-0202	Pelican Rapids, Minnesota, City of – FY 2012	Apr. 17, 2014	0	0	0	0
14-3-0203	Rushford, Minnesota, City of – FY 2012	Apr. 17, 2014	0	0	0	0
14-3-0204	Ironton, Ohio, City of – FY 2012	Apr. 17, 2014	0	0	0	0
14-3-0205	Delaware, Ohio, City of – FY 2012	Apr. 17, 2014	0	0	0	0
14-3-0206	Fairborn, Ohio, City of – FY 2012	Apr. 17, 2014	0	0	0	0
14-3-0207	Cuyahoga Soil & Water Conservation District, Ohio – FY 2012	Apr. 17, 2014	0	0	0	0
14-3-0208	Scioto Water, Inc., Ohio – FY 2012	Apr. 21, 2014	0	0	0	0
14-3-0209	Bad River Band of Lake Superior Tribe of Chippewa, Wisconsin – FY 2012	Apr. 21, 2014	0	0	0	0
14-3-0210	Ashland, Wisconsin, City of – FY 2012	Apr. 21, 2014	0	0	0	0
14-3-0211	Baraboo, Wisconsin, City of – FY 2012	Apr. 21, 2014	0	0	0	0
14-3-0212	Burlington, Wisconsin, City of – FY 2012	Apr. 21, 2014	0	0	0	0
14-3-0213	Columbus, Wisconsin, City of – FY 2012	Apr. 21, 2014	0	0	0	0
14-3-0214	Cudahy, Wisconsin, City of – FY 2012	Apr. 21, 2014	0	0	0	0
14-3-0215	Elroy, Wisconsin, City of – FY 2012	Apr. 21, 2014	0	0	0	0
14-3-0216	Horicon, Wisconsin, City of – FY 2012	Apr. 21, 2014	0	0	0	0
14-3-0217	Kenosha, Wisconsin, City of – FY 2014	Apr. 23, 2014	0	0	0	0
14-3-0218	Menasha, Wisconsin, City of – FY 2012	Apr. 23, 2014	0	0	0	0
14-3-0219	Mosinee, Wisconsin, City of – FY 2012	Apr. 23, 2014	0	0	0	0
14-3-0220	Park Falls, Wisconsin, City of – FY 2012	Apr. 23, 2014	0	0	0	0
14-3-0221	Rhineland, Wisconsin, City of – FY 2012	Apr. 23, 2014	0	0	0	0
14-3-0222	Frederick, Oklahoma, City of – FY 2011	Apr. 24, 2014	0	0	0	0
14-3-0223	Cockrell Hill, Texas, City of – FY 2012	Apr. 24, 2014	0	0	0	0
14-3-0224	Edgewood, Texas, City of – FY 2012	Apr. 24, 2014	0	0	0	0
14-3-0225	Kermit, Texas, City of – FY 2012	Apr. 24, 2014	0	0	0	0
14-3-0226	Robstown, Texas, City of – FY 2012	Apr. 24, 2014	0	0	0	0
14-3-0227	Zapata County, Texas – FY 2012	Apr. 24, 2014	0	0	0	0
14-3-0228	Ramona Band of Cahuilla, California – FY 2012	Apr. 24, 2014	0	0	0	0
14-3-0229	Redwood Valley Little River Band of Pomo Indians, California – FY 2012	Apr. 24, 2014	0	0	0	0
14-3-0230	Robinson Rancheria Band of Pomo Indians of California – FY 2012	Apr. 24, 2014	0	0	0	0
14-3-0231	Santa Rosa Rancheria Tachi Yokut Tribe, California – FY 2012	Apr. 24, 2014	0	0	0	0
14-3-0232	Crystal River, Florida, City of – FY 2014	Apr. 24, 2014	0	0	0	0
14-3-0233	Hollywood, Florida, City of – FY 2012	Apr. 24, 2014	0	0	0	0
14-3-0234	Marco Island, Florida, City of – FY 2012	Apr. 24, 2014	0	0	0	0
14-3-0235	Daleville, Alabama, City of – FY 2012	Apr. 24, 2014	0	0	0	0
14-3-0236	Millbrook, Alabama, City of – FY 2012	Apr. 24, 2014	0	0	0	0
14-3-0237	Montgomery, Alabama, City of – FY 2012	Apr. 25, 2014	0	0	0	0
14-3-0238	Apalachicola, Florida, City of – FY 2012	Apr. 25, 2014	0	0	0	0
14-3-0240	Huntsville, Alabama, City of – FY 2012	Apr. 24, 2014	0	0	0	0
14-3-0241	Jasper County, Missouri – FY 2012	Apr. 28, 2014	0	0	0	0
14-3-0248	Richmond, California, City of – FY 2012	May 08, 2014	0	1,200,000	0	0
14-3-0249	Passaic Valley Water Commission, New Jersey – FY 2012	May 08, 2014	0	0	0	0

Report No.	Report	Date	Questioned Costs			Federal Recommended Efficiencies
			Ineligible Costs	Unsupported Costs	Unreasonable Costs	
14-3-0250	Nassau County, New York – FY 2012	May 08, 2014	0	0	0	0
14-3-0251	Arcadia, Florida, City of – FY 2012	May 13, 2014	0	0	0	0
14-3-0252	Dixon, Illinois, City of – FY 2012	May 13, 2014	0	0	0	0
14-3-0253	Rockford, Illinois, City of – FY 2012	May 13, 2014	0	0	0	0
14-3-0254	Peoria County, Illinois – FY 2012	May 13, 2014	0	0	0	0
14-3-0255	Karnes City, Texas, City of – FY 2012	May 13, 2014	0	0	0	0
14-3-0256	Leominster, Massachusetts, City of – FY 2012	May 13, 2014	0	0	0	0
14-3-0257	Exeter, New Hampshire, Town of – FY 2012	May 13, 2014	0	0	0	0
14-3-0258	Bradford, Vermont, Town of – FY 2012	May 13, 2014	0	0	0	0
14-3-0259	Somerset Township Municipal Authority, Pennsylvania – FY 2012	May 13, 2014	0	0	0	0
14-3-0260	Howard University – FY 2012	May 13, 2014	0	0	0	0
14-3-0261	Johnstown, Pennsylvania, Redevelopment Authority of the City of – FY 2012	May 13, 2014	0	0	0	0
14-3-0263	West Central Indiana Economic Development District, Indiana – FY 2012	May 19, 2014	0	0	0	0
14-3-0264	Ishpeming, Michigan, City of – FY 2012	May 19, 2014	0	0	0	0
14-3-0265	Long Prairie, Minnesota, City of – FY 2012	May 19, 2014	0	0	0	0
14-3-0266	Mount Vernon, South Dakota, Municipality of – FY 2012	May 19, 2014	0	0	0	0
14-3-0267	Potlatch, Idaho, City of – FY 2012	May 19, 2014	0	0	0	0
14-3-0268	Ponderosa Community Club, Inc., Washington – FY 2012	May 19, 2014	0	0	0	0
14-3-0269	Elsa, Texas, City of – FY 2012	May 20, 2014	0	0	0	0
14-3-0271	R&T Water Supply Commerce Authority, North Dakota – FY 2012	May 29, 2014	0	0	0	0
14-3-0273	Lexington-Fayette Urban County Government, Kentucky – FY 2012	May 30, 2014	0	0	0	0
14-3-0274	Winchester, Kentucky, City of – FY 2012	May 30, 2014	0	0	0	0
14-3-0275	California Air Pollution Control Officers Association – FY 2012	May 30, 2014	0	0	0	0
14-3-0276	Agriculture and Land Based Training Association, California – FY 2012	May 30, 2014	0	0	0	0
14-3-0277	Driggs, Idaho, City of – FY 2012	May 30, 2014	0	0	0	0
14-3-0279	Bayou Des Cannes Water System, Louisiana – FY 2012	Jun. 05, 2014	0	0	0	0
14-3-0280	Chicago Park District, Illinois – FY 2012	Jun. 05, 2014	0	0	0	0
14-3-0281	Liberty Hill, Texas, City of – FY 2012	Jun. 05, 2014	0	0	0	0
14-3-0282	West Branch Regional Authority, Pennsylvania – FY 2012	Jun. 05, 2014	0	0	0	0
14-3-0283	Anderson, Indiana, City of – FY 2012	Jun. 06, 2014	0	0	0	0
14-3-0284	Auburn, Indiana, City of – FY 2012	Jun. 06, 2014	0	0	0	0
14-3-0285	Bellwood, Illinois, Village of – FY 2012	Jun. 06, 2014	0	0	0	0
14-3-0286	Tesuque, New Mexico, Pueblo of – FY 2012	Jun. 06, 2014	0	0	0	0
14-3-0287	Puerto Rico, Puerto Rico, University of – FY 2012	Jun. 10, 2014	0	0	0	0
14-3-0288	New Mexico Finance Authority – FYs 2011 & 2012	Jun. 10, 2014	0	0	0	0
14-3-0289	South Suburban Mayors and Managers Association, Illinois – FY 2012	Jun. 11, 2014	0	133,455	0	0
14-3-0290	Stephenson County, Illinois – FY 2012	Jun. 11, 2014	0	0	0	0
14-3-0291	Clean Energy Coalition, Michigan FY 2012	Jun. 11, 2014	0	0	0	0
14-3-0292	Ottawa, Michigan, County of – FY 2012	Jun. 11, 2014	0	0	0	0
14-3-0293	Boonville, Indiana, City of – FY 2012	Jun. 11, 2014	0	0	0	0
14-3-0294	Brazil, Indiana, City of – FY 2012	Jun. 11, 2014	0	0	0	0
14-3-0295	Columbus, Indiana, City of – FY 2012	Jun. 12, 2014	0	0	0	0
14-3-0296	Connersville, Indiana, City of – FY 2012	Jun. 12, 2014	0	0	0	0
14-3-0297	Goshen, Indiana, City of – FY 2012	Jun. 12, 2014	0	0	0	0
14-3-0298	Luce Township Regional Sewer District, Indiana – FYs 2011 & 2012	Jun. 12, 2014	0	0	0	0
14-3-0299	Carlsbad, New Mexico, City of – FY 2012	Jun. 12, 2014	0	0	0	0
14-3-0300	Norman Water and Sewer System, Arkansas, Town of – FY 2012	Jun. 13, 2014	0	0	0	0
14-3-0301	Care New England Health System and Affiliates, Rhode Island – FY 2012	Jun. 13, 2014	0	0	0	0
14-3-0303	New York and New Jersey, New Jersey, The Port Authority of – FY 2012	Jun. 17, 2014	0	0	0	0
14-3-0304	Huntington, Indiana, City of – FY 2012	Jun. 17, 2014	0	0	0	0
14-3-0305	Portland, Tennessee, City of – FY 2012	Jun. 18, 2014	0	0	0	0
14-3-0306	Anaconda Deerlodge County, Montana – FY 2012	Jun. 18, 2014	0	0	0	0
14-3-0307	Valparaiso, Indiana, City of – FY 2012	Jun. 20, 2014	0	0	0	0
14-3-0308	DeKalb County, Indiana – FY 2012	Jun. 23, 2014	0	0	0	0
14-3-0309	Delaware County, Indiana – FY 2012	Jun. 23, 2014	0	0	0	0
14-3-0310	Nappanee, Indiana, City of – FY 2012	Jun. 26, 2014	0	0	0	0
14-3-0311	Mount Vernon, Indiana, City of – FY 2012	Jul. 02, 2014	0	0	0	0
14-3-0312	Ligioner, Indiana, City of – FY 2012	Jul. 02, 2014	0	0	0	0
14-3-0313	Lawrence, Indiana, City of – FY 2012	Jul. 02, 2014	0	0	0	0
14-3-0314	LaPorte, Indiana, City of – FY 2012	Jul. 02, 2014	0	0	0	0
14-3-0315	Seymour, Indiana, City of – FY 2012	Jul. 02, 2014	0	0	0	0
14-3-0326	Guam, Government of – FY 2013	Jul. 28, 2014	0	206,539	0	0
14-3-0327	Virgin Islands Water and Power Authority, Water System of the – FY 2012	Jul. 28, 2014	0	0	0	0
14-3-0328	Northern Mariana Islands, Commonwealth of – FY 2013	Jul. 30, 2014	0	1,492,691	0	0

Report No.	Report	Date	Questioned Costs			Federal Recommended Efficiencies
			Ineligible Costs	Unsupported Costs	Unreasonable Costs	
14-3-0329	Jackson County, Michigan	Jul. 30, 2014	0	0	0	0
14-3-0330	Grand Traverse Bay Watershed Initiative, Inc., Michigan – FY 2012	Jul. 30, 2014	0	0	0	0
14-3-0331	Conservation Law Foundation, Inc., Massachusetts – FY 2012	Jul. 30, 2014	0	0	0	0
14-3-0333	Sauk Suiattle Indian Tribe, Washington – FY 2012	Aug. 15, 2014	0	0	0	0
14-3-0334	King County, Washington – FY 2012	Aug. 15, 2014	0	0	0	0
14-3-0335	PUD 1 of Klickitat County, Washington – FY 2012	Aug. 19, 2014	0	0	0	0
14-3-0336	Jefferson County, Washington – FY 2012	Aug. 19, 2014	0	0	0	0
14-3-0337	Rock Island, Washington, City of – FY 2012	Aug. 19, 2014	0	0	0	0
14-3-0339	Hammond, Indiana, City of – FY 2012	Aug. 25, 2014	0	0	0	0
14-3-0340	Sweetwater, Florida, City of – FY 2012	Aug. 25, 2014	0	0	0	0
14-3-0341	North Bay Village, Florida – FY 2012	Aug. 25, 2014	0	0	0	0
14-3-0342	Southwest Florida Regional Planning Council, Florida – FY 2012	Aug. 25, 2014	0	0	0	0
14-3-0343	Rocky Ford, Colorado, City of – FY 2012	Aug. 26, 2014	0	0	0	0
14-3-0344	Loveland, Colorado, City of – FY 2012	Aug. 26, 2014	0	0	0	0
14-3-0345	Manitou Springs, Colorado, City of – FY 2012	Aug. 26, 2014	0	0	0	0
14-3-0346	Hillsboro Beach, Florida, Town of – FY 2012	Aug. 27, 2014	0	0	0	0
14-3-0351	Coalition for the Upper South Platte, Colorado – FY 2012	Sep. 09, 2014	0	0	0	0
14-3-0352	Colorado Rural Water Association, Colorado – FY 2012	Sep. 09, 2014	0	0	0	0
14-3-0353	Nunn, Colorado, Town of – FY 2012	Sep. 10, 2014	0	0	0	0
14-3-0354	Decatur, Illinois, City of – FY 2013 (8 months May to December 2013)	Sep. 10, 2014	0	0	0	0
14-3-0356	Kansas, State of – FY 2013	Sep. 11, 2014	0	0	0	0
14-3-0361	Nevada Irrigation District, California – FY 2012	Sep. 25, 2014	0	0	0	0
14-3-0362	SRC, Inc., New York – FY 2012	Sep. 25, 2014	0	0	0	0
14-3-0365	Northern Cheyenne Tribe, Montana – FY 2012	Sep. 29, 2014	0	0	0	0
14-3-0366	Eureka, Montana, Town of – FY 2012	Sep. 29, 2014	0	0	0	0
	TOTAL SINGLE AUDIT REPORTS = 170		\$0	\$3,032,685	\$0	\$0
AGREED-UPON PROCEDURES/REVIEW						
14-2-0316	Wells Band Council Needs to Improve Its Accounting System	Jul. 14, 2014	\$0	\$390,000	\$0	\$0
	TOTAL AGREED-UPON PROCEDURE REVIEWS = 1		\$0	\$390,000	\$0	\$0
ATTESTATION REPORTS						
14-4-0320	Apex Logistics LLC	Jul. 16, 2014	\$61,068	\$11,717,766	\$0	\$0
	TOTAL ATTESTATION REPORTS = 1		\$61,068	\$11,717,766	\$0	\$0
INTERNAL REPORTS OF OIG						
14-B-0244	EPA OIG's Compliance With EPA Passport Guidance	May 1, 2014	\$0	\$0	\$0	\$0
14-B-0246	EPA OIG Compliance With Retention Incentive Regulations/Policies	May 1, 2014	0	0	0	0
	TOTAL INTERNAL REPORTS OF OIG = 2		\$0	\$0	\$0	\$0
NON-AUDIT REPORTS						
14-N-0239	Chemical Import Data May Help Identify Facilities Needing Risk Plans	Apr. 28, 2014	\$0	\$0	\$0	\$0
14-N-0242	Compendium of Unimplemented Recommendations as of March 31 2014	Apr. 30, 2014	0	0	0	0
14-N-0358	Quality Control Review of EPA OIG Reports Issued in FY 2013	Sep. 25, 2014	0	0	0	0
14-N-0360	Hyperspectral Imaging Can Be a Useful Evaluation Tool for EPA OIG	Sep. 26, 2014	0	0	0	0
	TOTAL NON-AUDIT REPORTS = 4		\$0	\$0	\$0	\$0
AMERICAN REINVESTMENT AND RECOVERY ACT OF 2009 REPORTS						
14-R-0278	New Jersey Department of Environmental Protection	Jun. 04, 2014	\$0	\$0	\$0	\$0
14-R-0355	Audits on EPA Diesel Emission Reduction Act Assistance Agreements	Sep. 15, 2014	0	0	0	0
	TOTAL RECOVERY ACT REPORTS = 2		\$0	\$0	\$0	\$0
	TOTAL REPORTS ISSUED = 210		\$61,068	\$15,140,451	\$0	\$60,881,460

Appendix 2—Reports Issued Without Management Decisions

For Reporting Period Ended September 30, 2014

The Inspector General Act of 1978, as amended, requires a summary of each audit report issued before the commencement of the reporting period for which no management decision had been made by the end of the reporting period, an explanation of the reasons such management decision had not been made, and a statement concerning the desired timetable for achieving a management decision on each such report. OMB Circular A-50 requires resolution within 6 months of a final report being issued. In this section, we report on audits with no management decision or resolution within 6 months of final report issuance. In the summaries below, we note the agency's explanation of the reasons a management decision has not been made, the agency's desired timetable for achieving a management decision, and the OIG follow-up status as of September 30, 2014.

Office of Administration and Resources Management

Report No. 11-P-0722, EPA Should Prepare and Distribute Security Classification Guides, September 29, 2011

Summary: This report evaluated the scope and nature of the EPA's classified national security information infrastructure and its ability to provide information to those who need it. The OIG found that the EPA has not established any official classification guides even though EPA Administrators have taken original classification actions. The EPA's National Security Information Handbook requires that a classification guide be developed for each system, plan, program or project that involves classified information. The OIG recommended that the Administrator ensure the preparation, review and approval of appropriate security classification guides that conform to the requirements of Executive Order 13526, *Classified National Security Information*, and the EPA's National Security Information Handbook. We also recommended that the Administrator ensure the distribution of classification guides to users of the EPA's originally classified information and to program offices that work in related subject areas. The Office of Administration and Resources Management, which responded on behalf of the agency, did not agree with the report's conclusions and the recommendations are unresolved.

Agency Explanation: The Office of Administration and Resources Management is collaborating with the Office of Research and Development's National Homeland Security Research Center, Office of Water, Office of Chemical Safety and Pollution Prevention, and Office of Emergency Management to create the agency's security classification guide. The agency expects to complete the draft guide and forward it to Office of Homeland Security by December 31, 2014, for the Administrator's approval. The completion of this part of the process should trigger being able to work through addressing the corrective actions.

OIG Follow-Up Status: None provided.

Report No. 13-P-0398, Improved Contract Administration Needed for Customer Technology Solutions Contract, September 16, 2013

Summary: This review found that the EPA did not use performance standards to measure cost outcomes, as stated by OMB, Federal Acquisition Regulations and agency guidelines. Also, the EPA did not complete any of the required contractor performance evaluation reports, maintain required contract administration documents, or have policies in place that would require performance metrics and standards to be linked to cost outcomes and procedures to ensure contract administrators maintain sufficient documents in the official contract files. The EPA's ineffective contract administration may have hindered the ability of EPA staff to ensure that the contractor successfully met agency needs, as well as its ability to determine whether the EPA achieved the best value for the \$85 million expended on the Working Capital Fund contract.

Agency Explanation: Per confirmation from the OIG on September 24, 2014, the OIG will consider the corrective actions to Recommendations 1 and 2 resolved upon acceptance of the certification memo noting such. The Office of Administration and Resources Management submitted the certification memo on September 26, 2014, and is awaiting the OIG to enter a close date in order to take final action on the audit.

OIG Follow-Up Status: Resolution on hold—beyond agency control.

Office of Grants and Debarment**Report No. 13-P-0341, Lead Remediation Association of America, August 6, 2013**

Summary: The OIG found that the Lead Remediation Association of America's financial management system did not meet the standards established under the Code of Federal Regulations. The association's accounting system data were not updated timely. The association also made cash draws and submitted its final federal financial report using the grant budget amounts rather than actual costs incurred. In addition, the association did not maintain source documentation to support the costs incurred or claimed as required. We also found that the association did not meet the grant objectives as outlined in the approved workplan. As of the date of OIG's report—2 years after the grant period end date of June 30, 2011—the association had not produced the required DVDs, provided evidence of brochure distribution, or completed the required training and workshops. As a result of the issues noted, the OIG questioned the \$249,870 claimed and recommended recovery of the \$249,882 drawn under the grant.

Agency Explanation: The OIG has reactivated this audit and notified Office of Grants and Debarment that it can proceed with work on developing the management decision. The Office of Grants and Debarment will contact principals of the Lead Remediation Association of America to obtain additional materials available for evaluation in order to develop its management decision. The forecast date to issue the management decision for the audit is March 30, 2015.

OIG Follow-Up Status: Resolution pending receipt of additional information.

Report No. 14-P-0131, National Association of State Departments of Agriculture Research Foundation Needs to Comply With Certain Federal Requirements and EPA Award Conditions to Ensure the Success of Pesticide Safety Education Programs, March 10, 2014

Summary: The National Association of State Departments of Agriculture Research Foundation's financial management system did not meet certain federal requirements and conditions of the EPA award. Specifically, the foundation incorrectly calculated and applied indirect cost rates, reported outlays for indirect costs in excess of recorded expenses, and drew funds that exceeded its cash needs. As a result, we questioned \$275,650. The foundation did not document its procurement selection process or provide documentation to support any cost or price analysis performed on its project management subcontract as required by the Code of Federal Regulations. The foundation did not determine the reasonableness of costs for two subgrants as required by conditions of the award. In addition, the foundation's written procurement policy lacked procedures to ensure compliance with the Code of Federal Regulations. As a result, we questioned \$295,976. The OIG also identified an unresolved issue pertaining to potentially unallowable costs of \$118,324 drawn under a prior EPA award. The costs, recorded as a refundable advance, represent funds received as of year-end but not yet earned.

Agency Explanation: The Office of Grants and Debarment continues to evaluate documents provided by the foundation and has requested additional documents from the foundation to develop the agency management decision for the audit. The forecast date to issue the management decision for the audit is March 30, 2015.

OIG Follow-Up Status: None provided.

Report No. 14-3-0090, Pleasant Point Passamaquoddy Tribal Council, Main – FY 2011, January 14, 2014

Summary: On numerous occasions, an employee was paid out of "PPG" program funds for program travel. When reconciling these travel advances, it appears that the employee was reimbursed personally by the sponsoring organization of the trip for the same travel, and we questioned \$10,000 in ineligible costs. Also, if an employee attended a conference as a conference speaker, the employee would be compensated by the tribe as compensation (not vacation time), which may include overtime. The employee would also be reimbursed by the sponsoring organization personally for this time attending for the conference as a speaker. Therefore, we questioned an additional \$8,000 as ineligible costs.

Agency Explanation: The resolution of this audit has been suspended due to another OIG investigation that is currently underway. The region will resume resolution of this audit when given approval by the OIG's office.

OIG Follow-Up Status: Resolution on hold.

Region 6—Regional Administrator**Report No. 13-4-0296, Labor-Charging Practices at the New Mexico Environment Department, June 17, 2013**

Summary: This review found that three of the four New Mexico Environment Department bureaus did not always comply with requirements found in the Code of Federal Regulations. The Air Quality Bureau and Drinking Water Bureau charged labor, fringe benefits and indirect costs to federal grants based upon budget allocations instead of actual activities performed. Personnel activity reports received from the Surface Water Quality Bureau to support charges for labor costs incurred prior to July 2006 did not meet requirements. New Mexico personnel stated that they charged labor based upon budget allocations because they thought the practice was acceptable. EPA OIG questioned \$298,159 in labor, fringe benefits and related indirect costs claimed by the Air Quality Bureau; \$2,974,318 claimed by Drinking Water Bureau; and \$2,733,798 claimed by Surface Water Quality Bureau. The OIG also identified an additional \$486,305 charged to a Drinking Water Bureau-administered grant which has not yet been reported to the EPA.

Agency Explanation: The management decision letter to the New Mexico Environment Department was signed on January 7, 2014. The issuance was delayed due to the complexity of the labor-charging finding. The expected resolution date is December 31, 2014.

OIG Follow-Up Status: None provided.

Region 7—Regional Administrator**Report No. 13-R-0367, American Recovery and Reinvestment Act Award to Grace Hill Settlement House, August 30, 2013**

Summary: This review found that Grace Hill's financial management system did not meet federal standards. In particular, procurements did not meet the competition or cost and price analysis requirements of the Code of Federal Regulations. The contract administration system also did not meet the code's requirements. Unallowable costs were not segregated and financial management data were not properly supported, labor charges did not comply with requirements, and cash draws did not meet the immediate cash needs requirements and were not properly documented. As a result of the issues noted, the OIG questioned \$1,615,353 of the \$2,250,031 claimed under the cooperative agreement. In addition, due to a lack of adequate documentation from Grace Hill, we were unable to determine whether Grace Hill accomplished the objective of the cooperative agreement or met the job reporting requirements of the American Recovery and Reinvestment Act's Section 1512.

Agency Explanation: Grace Hill submitted a request for a deviation to Region 7 dated July 14, 2014. Region 7's final determination, with OIG concurrence, is on hold pending the resolution of the waiver request. Region 7 is evaluating and consolidating Grace Hill's deviation request and plans to provide recommendations to Office of Grants and Debarment in October 2014.

OIG Follow-Up Status: None provided.

Region 8—Regional Administrator**Report No. 2007-4-00078, Cheyenne River Sioux Tribe, September 24, 2007**

Summary: The tribe did not comply with the financial and program management standards under the Code of Federal Regulations and OMB Circular A-87. We questioned \$3,101,827 of the \$3,736,560 in outlays reported. The tribe's internal controls were not sufficient to ensure that outlays reported complied with federal cost principles, regulations and grant conditions. In some instances, the tribe also was not able to demonstrate that it had completed all work under the agreements and had achieved the intended results.

Agency Explanation: Region 8 is working with the recipient on draft policies and procedures as part of a multi federal partnership with the tribe. In addition, the Office of Grants and Debarment and the region are discussing the contents of the proposed final determination letter. Projected completion date is December 31, 2014.

OIG Follow-Up Status: No response received.

Report No. 14-R-0032, The State of Colorado Did Not Fully Assure that Funds Intended to Treat Mining Wastes and Remove Contaminants from Water Were Effectively Spent, November 19, 2013

Summary: The Colorado Department of Public Health and Environment generally complied with Colorado's state procurement policies and procedures as required by Code of Federal Regulations. However, the department did not always comply with the cost or price analysis requirements and did not include language in bid proposals designating the date, time and place of bid openings, as required by State of Colorado Procurement Rule R-24-103-202a-08(b). In addition, the department did not always ensure required federal language was included in bid proposals and contracts. As a result, we questioned \$2,593,495 claimed under the cooperative agreement.

Agency Explanation: Region 8 sent a draft management decision letter to OIG for concurrence. Region 8 also has had regular check-ins with the OIG on the on-going efforts toward resolution with the State of Colorado. The region and OIG are sharing detailed information about the audit resolution process.

OIG Follow-Up Status: None provided.

Region 9—Regional Administrator**Report No. 13-3-0159, Summit Lake Paiute Tribe, Nevada – FY 2010, February 19, 2013**

Summary: The tribe did not file or maintain documentation of compliance for annual reports. Also, the required SF 425 report did not cover the correct period. A similar finding was noted in the prior year audit report. The tribe recorded deferred revenues in the amount of \$804,104 and only \$150,416 in available cash. The single auditor questioned \$653,688. A similar finding was noted in the prior year audit report. The tribe's operating practices did not reflect the processes described in the approved policies and procedures manual. The tribe did not properly reconcile its SF 425 report to the general ledger for certain awards and the single auditor questioned \$20,556. The single auditor also questioned \$76,216 involving amounts paid to the General Assistance Program Director.

Agency Explanation: Region 9 is addressing five audits with Summit Lake—one agreed-upon procedures audit and four single audits. Summit Lake appealed the agreed-upon procedures audit and the Regional Administrator accepted the appeal on August 13, 2014. The tribe has 60 days to submit additional information. Region 9 Accounting and Grant staff had a site visit during the week of September 22, 2014. The documentation collected is still under review. Two other single audits (#11-3-0150 and #11-3-0151) have also been appealed as of July 2, 2012. Response to the tribe has been put on hold pending outcome of appeal on agreed-upon procedures. The amounts owed on all the single audits deal with deferred revenue and will be addressed together.

OIG Follow-Up Status: None provided.

Report No. 13-3-0160, Summit Lake Paiute Tribe, Nevada – FY 2011, February 19, 2013

Summary: The tribe did not file the quarterly narratives for the General Assistance Program. Furthermore, the tribe was unable to locate documentation for two quarterly SF 425 reports. There were no formalized controls regarding the security of the payroll stamp. Also, the single auditor noted issues related to pay rates. A similar finding was noted in the prior year audit report. Budgets prepared excluded the carry-forward amounts from prior periods. Several transactions were not supported by a purchase order or other type of approval prior to the expenditure being made. One transaction charged to travel in the amount of \$2,877 did not appear to be valid and appropriate for the granting requirements, and the single auditors questioned that amount.

Agency Explanation: Region 9 is addressing five audits with Summit Lake—one agreed-upon procedures audit and four single audits. Summit Lake appealed the agreed-upon procedures audit and the Regional Administrator accepted the appeal on August 13, 2014. The tribe has 60 days to submit additional information. Region 9 Accounting and Grant staff had a site visit during the week of September 22, 2014. The documentation collected is still under review. Two other single audits (#11-3-0150 and #11-3-0151) have also been appealed as of July 2, 2012. Response to the tribe has been put on hold pending outcome of appeal on agreed-upon procedures. The amounts owed on all the single audits deal with deferred revenue and will be addressed together.

OIG Follow-Up Status: None provided.

Report No. 13-3-0350, Wells Band Council, Nevada – FYs 2008, 2011 and 2012, August 21, 2013

Summary: This review found numerous financial statement and major program compliance findings. As a result of significant cash management issues, we questioned as unsupported \$361,027 and recommended that the council be considered high risk, in accordance with the Code of Federal Regulations.

Agency Explanation: Region 9 is working with the tribe to resolve findings. Target for issuing the management decision letter is the first quarter of FY 2015.

OIG Follow-Up Status: None provided.

Report No. 14-3-0100, Commonwealth Utilities Corporation, MP FY 2012, January 27, 2014

Summary: The Commonwealth Utilities Corporation did not conduct a physical count of capital assets in over 5 years and has no basis to determine if the carrying value of its capital assets is accurate. Since a physical count has not been conducted, the asset listing may include assets that have been retired, broken, idled, destroyed or stolen. We found that of the \$9,216,018 security deposits, only \$9,194,457 was deposited in interest-earning accounts as of September 30, 2012. The corporation did, however, reduce the deficiency from \$2,510,880 as of September 30, 2011, to \$21,561 as of September 30, 2012. Also, upon disconnection of customer accounts, security deposits were refunded or applied to outstanding balances without regard to accrued interest earned. The aged listing of accounts receivable as of September 30, 2012 included negative balances totaling \$1,091,038. An aggregate amount of \$179,356, or 9 percent of the prepayment balance, was for prepayments made from FYs 2004 through 2009. The corporation had not conducted physical count of capital assets in over 5 years. For one or 60 disbursements tested, services were provided before the purchase orders were executed. Outstanding deferred dividends payable as of September 30, 2012, amounted to \$2,700,000. The corporation had not established a revolving fund pursuant to the terms of the Memorandum of Agreement.

Agency Explanation: There are outstanding findings for 2012-01, 2012-05 and 2012-06. Region 9 is waiting for completion of the FY 2013 audit expected to be in draft by October 2014 to resolve these findings.

OIG Follow-Up Status: None provided.

Report No. 14-R-0130, Unless California Air Resources Board Fully Complies with Laws and Regulations, Emissions Reductions and Human Health Benefits are Unknown, March 6, 2014

Summary: Our examination disclosed material weaknesses in the California Air Resources Board's compliance with laws, regulations, and the terms and conditions of the cooperative agreement. Specifically, the board did not comply with the requirement of the cooperative agreement and the Energy Policy Act of 2005 to scrap or remanufacture the old engines. The board also did not accurately report jobs created or retained or provide actual emissions reduction calculations, as required under the cooperative agreement. In addition, the board paid contract costs that were not in accordance with contract terms. The board completed the locomotive repower according to the work plan. However, the board has not demonstrated that it met the cooperative agreement objective for achieving significant emissions reduction as the board did not provide actual emissions benefit calculations.

Agency Explanation: On July 21, 2014, the OIG requested to extend the time to review the proposed management decision letter to September 12, 2014. Accordingly, the date for issuance of the final management decision letter has been delayed. Region 9 expects to issue the final management decision letter by December 29, 2014.

OIG Follow-Up Status: None provided.

**Total reports issued before reporting period for which
no management decision had been made as of September 30, 2014 = 15**

Appendix 3—Reports With Corrective Action Not Completed

In compliance with reporting requirements of Section 5(a)(3) of the Inspector General Act of 1978, as amended, “Identification of Reports Containing Significant Recommendations Described in Previous Semiannual Reports on Which Corrective Action Has Not Been Completed,” and to help EPA and CSB managers gain greater awareness of outstanding commitments for action, we developed a *Compendium of Unimplemented Recommendations*. This separate document provides the information required in Appendix 3 to this Semiannual Report to Congress. This compendium (available upon request or at <http://www.epa.gov/oig/reports/2014/20141031-15-N-0008.pdf>) is produced semiannually for agency leadership and Congress based on agency reports on the status of actions taken on OIG recommendations and OIG selective verification of reported status. Several examples follow:

- In Report No. 13-P-0152, *EPA Could Improve Contingency Planning for Oil and Hazardous Substance Response*, we recommended that the Office of Solid Waste and Emergency Response assess the resources, including On-Scene Coordinators, necessary to develop and maintain contingency plans, and use the results of the analysis to develop a workforce plan to distribute contingency planning resources. The EPA agreed to continue evaluation of On-Scene Coordinator resources based on needs and responsibilities of the regions to develop the plan to redistribute On-Scene Coordinator allocations. However, the EPA has indicated that this recommendation was overtaken as a result of retirements, departures and the inability to hire staff, and believes the recommendation should be evaluated in 18 months to determine whether the recommendation is still warranted.
- In Report No. 11-P-0701, *EPA Should Update Its Fees Rule to Recover More Motor Vehicle and Engine Compliance Program Costs*, we recommended that the Office of Air and Radiation update the 2004 fees rule to increase the amount of the Motor Vehicle and Engine Compliance Program costs it can recover. The EPA indicated it will begin planning for a new fees rule as part of the 2013 program prioritization and budget processes, and initiate formal work on rule making early in calendar year 2014. The agreed-to completion date is December 31, 2017.
- In Report No. 12-P-0508, *EPA Inaction in Identifying Hazardous Waste Pharmaceuticals May Result in Unsafe Disposal*, we recommended that the Office of Solid Waste and Emergency Response develop a nationally consistent outreach and compliance assistance plan to help states address challenges that health care facilities, and others as needed, have in complying with Resource Conservation and Recovery Act regulations for managing hazardous waste pharmaceuticals. The EPA agreed to develop such a plan, but indicated the proposed rule is dependent on a number of factors such as the results of the inter- and intra-agency reviews that must occur prior to signature and publication. Although the agreed-to completion date had been August 31, 2013, the agency now believes it will not complete the corrective action until February 28, 2015.
- In Report No. 13-P-0028, *Improvements Needed in Estimating and Leveraging Cost Savings Across EPA*, we recommended that the Chief Financial Officer develop an agencywide policy that defines what the agency considers cost savings, efficiencies and avoidances. The EPA agreed to develop such policy, and the agreed-to completion date is December 31, 2015.

Appendix 4—Peer Reviews Conducted

The most recent peer review report on the EPA OIG was issued on May 9, 2012, by the U.S. Department of Health and Human Services OIG. That review, covering the 3-year period ending September 30, 2011, found that the EPA OIG system of quality control was suitably designed and complied with applicable *Government Auditing Standards*. That report had given the EPA OIG a peer review rating of *pass* with no deficiencies cited.

The EPA OIG has received preliminary notification that Social Security Administration OIG will be conducting a peer review of the EPA OIG audit organization for the period ending September 30, 2014. The objective will be to determine whether, for the period under review, the EPA OIG audit organization is complying with its system of quality control to provide it with a reasonable assurance of conformance with applicable professional standards. The review is to be conducted according to the Council of the Inspectors General on Integrity and Efficiency's *Guide for Conducting Peer Reviews of Audit Organizations of Federal Offices of Inspector General*.

The Federal Deposit Insurance Corporation OIG began its mandated Council of Inspectors General on Integrity and Efficiency quality assurance review of the EPA OIG Office of Investigations on January 30, 2014. The Federal Deposit Insurance Corporation OIG reviewed the Office of Investigations' organization, law enforcement powers implementation, and standards of investigation. The formal quality assurance report is forthcoming.

Appendix 5—OIG Mailing Addresses and Telephone Numbers

Headquarters

U.S. Environmental Protection Agency
Office of Inspector General
1200 Pennsylvania Ave., NW (2410T)
Washington, DC 20460
(202) 566-0847

Offices

Atlanta

U.S. Environmental Protection Agency
Office of Inspector General
61 Forsyth Street, SW
Atlanta, GA 30303
Audit/Evaluation: (404) 562-9830
Investigations: (404) 562-9865

Boston

U.S. Environmental Protection Agency
Office of Inspector General
5 Post Office Square, Suite 100 (OIG15-1)
Boston, MA 02109-3912
Audit/Evaluation: (617) 918-1470
Investigations: (703) 347-8740

Chicago

U.S. Environmental Protection Agency
Office of Inspector General
77 West Jackson Boulevard
13th Floor (IA-13J)
Chicago, IL 60604
Audit/Evaluation: (312) 353-2486
Investigations: (312) 353-2507

Cincinnati

U.S. Environmental Protection Agency
Office of Inspector General
26 West Martin Luther King Drive
Cincinnati, OH 45268-7001
Audit/Evaluation: (513) 487-2363
Investigations: (513) 487-2364

Dallas

U.S. Environmental Protection Agency
Office of Inspector General (6IG)
1445 Ross Avenue, Suite 1200
Dallas, TX 75202-2733
Audit/Evaluation: (214) 665-6621
Investigations: (214) 665-2249

Denver

U.S. Environmental Protection Agency
Office of Inspector General
1595 Wynkoop Street, 4th Floor
Denver, CO 80202
Audit/Evaluation: (303) 312-6969
Investigations: (303) 312-6868

Kansas City

U.S. Environmental Protection Agency
Office of Inspector General
11201 Renner Boulevard
Lenexa, KS 66219
Audit/Evaluation: (913) 551-7878
Investigations: (312) 353-2507

New York

U.S. Environmental Protection Agency
Office of Inspector General
290 Broadway, Room 1520
New York, NY 10007
Audit/Evaluation: (212) 637-3049
Investigations: (212) 637-3033

Philadelphia

U.S. Environmental Protection Agency
Office of Inspector General
1650 Arch Street, 3rd Floor
Philadelphia, PA 19103-2029
Audit/Evaluation: (215) 814-5800
Investigations: (703) 347-8740

Research Triangle Park

U.S. Environmental Protection Agency
Office of Inspector General
Mail Drop N283-01
Research Triangle Park, NC 27711
Audit/Evaluation: (919) 541-2204
Investigations: (919) 541-0517

San Francisco

U.S. Environmental Protection Agency
Office of Inspector General
75 Hawthorne Street (IGA-1)
7th Floor
San Francisco, CA 94105
Audit/Evaluation: (415) 947-4521
Investigations: (415) 947-8711

Seattle

U.S. Environmental Protection Agency
Office of Inspector General
Mail Code OIG-173
1200 Sixth Avenue, Suite 900
Seattle, WA 98101
Audit/Evaluation: (206) 553-4032
Investigations: (206) 553-6116

Washington (Potomac Yard)

U.S. Environmental Protection Agency
Office of Inspector General
Potomac Yard
2733 Crystal Drive
Arlington, VA 22202
Investigations: (703) 347-8740

Winchester

U.S. Environmental Protection Agency
Office of Inspector General
200 S. Jefferson Street, Room 314
P.O. Box 497
Winchester, TN 37398
Investigations: (423) 240-7735

Report fraud, waste or abuse

e-mail: OIG_Hotline@epa.gov

write: EPA Inspector General Hotline

1200 Pennsylvania Avenue NW

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Washington DC 20460

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