



EPA-350-R-07-003
November 2007

OFFICE OF INSPECTOR GENERAL

Catalyst for Improving the Environment

Semiannual Report to Congress

April 1, 2007 - September 30, 2007



EPA Inspector General

The Inspector General Act of 1978, as amended, requires the Inspector General to (1) conduct and supervise audits and investigations relating to programs and operations of the Agency; (2) provide leadership and coordination, and make recommendations designed to (a) promote economy, efficiency, and effectiveness; and (b) fully inform the Administrator and the Congress about problems and deficiencies identified by the Office of Inspector General relating to Agency programs and operations.

Vision

We are catalysts for improving the quality of the environment and Government through problem prevention and identification, and cooperative solutions.

Mission

Add value by promoting economy, efficiency, and effectiveness within EPA and the delivery of environmental programs. Inspire public confidence by preventing and detecting fraud, waste, and abuse in Agency operations and protecting the integrity of EPA programs.

To find out more about the U.S. Environmental Protection Agency Office of Inspector General and its activities, visit our Website at:

<http://www.epa.gov/oig>

Cover photos: *Clockwise, from top left:* A caution sign at a Superfund site in Ringwood, New Jersey (photo by EPA Office of Inspector General); Maryland farmland being encroached by housing development (photo from U.S. Department of Agriculture); contaminated soil in Panola County, Texas (photo from Texas Commission on Environmental Quality); and air pollution generated at an industrial facility (photo from EPA).



Printed on 100% recycled paper (minimum 50% postconsumer)

Message to Congress

During this semiannual period, we conducted many reviews focusing on how well the U.S. Environmental Protection Agency (EPA) has been protecting the environment, in addition to whether the Agency has been performing in an economical and efficient manner. Nearly two-third of the reports we published during the period focused on achieving environmental results. We also noted more than \$18 million in potential monetary benefits.

EPA and its Chesapeake Bay watershed partners will not meet 2010 goals for reducing loadings from developed lands. In fact, new development is increasing loadings at rates faster than restoration efforts can reduce them. The population in the watershed, which currently exceeds 16 million, is projected to surpass 19 million before 2030. We issued a report during this period that recommended that EPA take more of a leadership role in reversing the trend of increasing loadings from developed and developing land, with particular emphasis on new development and smart growth, and we are helping the Agency find ways to do so.

We performed two separate reviews of the Ringwood Mines/Landfill Superfund site in New Jersey, as requested by congressional representatives from that State. We found that while EPA oversight met many requirements, EPA could have conducted a more thorough investigation on the removal of paint sludge. We also looked at environmental justice concerns at the site, because area residents said they were treated unfairly because of their racial makeup and socioeconomic status. We did not find discriminatory actions on the part of EPA, but we did find that problems with communications and relationships impeded effective cooperation between EPA and residents.

We questioned millions of dollars in reported outlays due to unallowable outlays being claimed, lack of support, and noncompliance with financial and program management standards for grants awarded to the Environmental Careers Organization, Cheyenne River Sioux Tribe, and Ozone Transport Commission. At the request of the EPA Office of Water, we initiated numerous reviews of costs claimed under Special Appropriation Act Project grants, and noted various instances of ineligible costs claimed. Also, we provided a congressional requestor with various details on earmark grants awarded during a 15-month period.

EPA needs to better justify and support its decisions to enter into Superfund interagency agreements with the U.S. Army Corps of Engineers. In Fiscal Years 2005-2006, EPA made over \$500 million in such payments to the Corps to perform Superfund cleanups, but did not always adequately support its decisions to do so. EPA did not develop independent cost estimates to ensure the interagency agreements awarded to the Corps were based on sound financial decisions. Further, EPA's lack of oversight contributed to the Corps accumulating \$2.5 million in excess Management and Support fees from Superfund.

Related to our review of a Hotline complaint, EPA has indicated it plans to connect homes in a small rural Texas community to a water system, to provide residents with clean, permanent drinking water. In the meantime, EPA has been providing bottled water

to the community. Further, EPA said it will assess whether the site qualifies for cleanup under EPA's Superfund program.

This semiannual report includes details on these and other issues, including investigations that resulted in payments to the Federal Government and criminal, civil, or administrative actions. We will continue to work with the Agency and Congress, serving as a catalyst for improving the environment.

A handwritten signature in black ink, appearing to read "Bill A. Roderick", written over a horizontal line.

Bill A. Roderick
Acting Inspector General

Table of Contents

OIG Management’s Focus	1
Environmental Results and Financial Integrity Emphasized	1
Actions Being Taken as a Result of OIG Work	2
Congressional Requests Addressed	3
OIG Budget Outlook Improves	4
Significant OIG Activity	5
Air	5
Water	6
Land	10
Cross-Media	13
Grants	16
Contracts	21
Financial Management	23
Risk and Program Performance	24
Information Resources Management	25
Public Liaison	27
Investigations	30
Testimony	33
Chemical Safety and Hazard Investigation Board	34
Other Activities	36
Statistical Data	40
Profile of Activities and Results	40
Audit Report Resolution	41
Summary of Investigative Results	43
Scoreboard of Results	44
Appendices	45
1 - Reports Issued	45
2 - Reports Issued Without Management Decisions	49

OIG Management's Focus

Environmental Results and Financial Integrity Emphasized

The EPA Office of Inspector General (OIG) continued to focus on examining how well EPA has been performing in its efforts to improve human health and environmental quality, as well as on detecting waste and potential financial savings.

For the semiannual reporting period just ended, 65 percent of the OIG reports published (26 of 40) were program evaluations and performance audits that focused on how EPA can better achieve environmental results. These reports involved such topics as:

- Reducing pollution in the Chesapeake Bay from developing lands.
- Ensuring safe drinking water for a community encountering contamination.
- Improving data on enforcement actions.
- Investigating problems at a Superfund site.
- Providing better policies for voluntary programs.
- Providing better oversight for water discharge permits with noncompliance issues.
- Better managing Superfund Alternative sites.
- Strengthening the ENERGY STAR program.
- Applying promising practices to tribal grant programs.

Program evaluations assess how well a program is working. Program evaluations are performed at EPA OIG by a staff with diverse backgrounds – including accounting, economics, environmental management, and various scientific fields – and they comply with the rigorous generally accepted government auditing standards. Program evaluations can assess: (1) strategic planning and process implementation, to determine whether a program is designed and operating as intended; (2) the extent to which a program is achieving its outcome objectives; (3) the extent to which the program outcomes are affecting subsequent impacts; and (4) the benefits of program results compared to the costs. The objective of OIG program evaluations is to examine root causes, effects, and opportunities leading to conclusions and recommendations that influence systemic changes and promote improved delivery of the Agency's mission. Program evaluations are similar to program results audits and performance audits, and based on the generally accepted government auditing standards these names can be used interchangeably.

The remaining 35 percent of the reports that we published during the semiannual period (14 of 40) focused on ways EPA can better manage its resources, with particular focus on ensuring that its grant and contracting funds are properly spent. In OIG reports published during the semiannual period, we noted more than \$18 million in questioned costs and recommended efficiencies.

The OIG will continue to focus on reviewing both how well EPA is achieving environmental results and spending money in a financially efficient manner. To that end, the OIG has already begun to actively increase its staff in the areas of both performance audit/program evaluation and financial auditing.

Actions Being Taken as a Result of OIG Work

During this reporting period, EPA agreed to take various actions as a result of OIG work. The following actions related to the OIG's two external goals.

To contribute to improved human health and environmental quality...

- EPA agreed to provide more leadership in reversing the trend in the Chesapeake Bay watershed of new development causing pollution into the Bay to increase at rates faster than restoration efforts are reducing them.
- EPA agreed to communicate better with residents near a New Jersey Superfund site regarding its cleanup efforts.
- EPA agreed to track and report cleanup progress at Superfund Alternative sites.
- EPA has been providing bottled water to residents in a small Texas community who have contaminated well water, and indicated it will connect impacted homes to a water system.

To improve EPA's management, accountability, and program operations...

- EPA will attempt to resolve \$6.0 million in costs claimed by the Environmental Careers Organization that we questioned due to noncompliance with standards.
- EPA will resolve \$3.1 million in outlays made by the Cheyenne River Sioux Tribe questioned due to financial management problems.
- EPA can make timely and better use of \$3.423 million in the special account for the Thermo Chem Superfund site by transferring the funds to the Superfund trust fund or by reclassifying funds in a special account to other priority response activities because the funds are no longer needed at the site.
- EPA will resolve \$2.7 million in outlays reported by the Ozone Transport Commission; the recipient claimed unallowable outlays for contractual services, indirect costs, and in-kind costs.
- EPA established a plan for the use of \$2.5 million in excess Management and Support fees paid to the U.S. Army Corps of Engineers under Superfund interagency agreements.
- EPA saved nearly \$2.0 million as the result of an OIG investigation of an EPA grantee that improperly treated its Government agreements as fixed rate rather than cost reimbursable.
- EPA will attempt to recover a total of about \$850,000 from several cities based on OIG reviews of costs claimed under Special Appropriation Act Project grants.
- EPA has proposed a reorganization of its Office of Policy, Economics, and Innovation to provide for a more robust evaluation of EPA programs.

We provide details on these and other issues throughout this semiannual report.

Congressional Requests Addressed

During the semiannual period, the OIG performed several audits and evaluations specifically requested by Congress.

As part of a request from U.S. Senator Barbara A. Mikulski of Maryland on progress in cleaning up the Chesapeake Bay watershed, we looked at the impact of urban land. EPA and its Chesapeake Bay watershed partners will not meet 2010 load reduction goals for developed lands. In fact, new development is increasing nutrient and sediment loads at rates faster than restoration efforts are reducing them. EPA could show greater leadership in helping communities reverse the trend of increasing loads from developed lands by concentrating on lowering loads from new development. Further details are on page 6. In a prior semiannual period, we issued reports related to agricultural and air deposition issues in response to the request. Another review on wastewater treatment facility pollution is in progress.

Members of Congress representing New Jersey raised concerns about the cleanup of the Ringwood Mines/Landfill Superfund site in that State. We conducted two separate reviews and found the following:

- While EPA's oversight of cleanup at Ringwood met many requirements, EPA could have conducted a more thorough investigation. After EPA removed the site from the Superfund National Priorities List in 1994, several more cleanup actions occurred, and residents continued to discover paint sludge. This prompted EPA to restore the site to the National Priorities List – a first in Superfund's history. Paint sludge continued to be discovered because EPA did not ensure that the initial site investigation conducted by the site operator, Ford Motor Company, was comprehensive. Further details are on page 10.
- We did not find evidence to indicate that EPA's actions to investigate or remediate environmental conditions at the Ringwood site were affected by the area's racial, cultural, or socioeconomic status. However, problems with communications and relationships impeded effective cooperation between EPA and residents, thus impacting community perceptions. Further details are on page 27.

U.S. Senator Tom Coburn of Oklahoma requested that we review congressional earmark grants awarded by EPA to determine the number of earmarks awarded, costs associated with managing such grants, and the impact earmarks had on advancing EPA's mission. For the 15-month period ending March 31, 2006, EPA awarded 444 earmark grants, totaling \$454 million, and spent about \$4.9 million to award and manage those grants. Our review of 86 of those grants found that 82 were for projects aimed at contributing to EPA's Strategic Plan mission and goals. Further details are on page 19.

OIG Budget Outlook Improves

At the end of this semiannual reporting period, Congress had not yet passed an appropriations act to fund the OIG for Fiscal Year 2008. Thus, the OIG is operating under a continuing resolution. Should the continuing resolution provide funding equivalent to the Fiscal Year 2007 level, this would translate to an annual amount of \$50.5 million for the OIG, allocated for the duration of the continuing resolution.

The Fiscal Year 2008 President's Budget contained a transfer of responsibility for funding contract audit work currently performed by the Defense Contract Audit Agency from the OIG to EPA's Office of Administration and Resources Management. The contract audit support proposed for transfer consists of audits of EPA contracts and contractors used in the award and management of EPA contracts. These audits are an integral part of the management of the Agency's programs and resources. Thus, the OIG's responsibility should be to oversee, rather than perform or contract for, these contract audits, which are a program operating responsibility. Since Congress has not yet passed a Fiscal Year 2008 funding bill for EPA, it remains unclear how this issue will be resolved. The OIG currently is not funded to provide this support.

In another recent development with budget implications, the OIG won the right to continue to perform the EPA financial statement audit after a competitive sourcing study. Given this fact, as well as congressional direction provided thus far in the Fiscal Year 2008 budget process, the OIG is in the process of filling additional full-time equivalent positions as quickly as possible. The additional personnel will enhance the OIG's evaluation, audit (in areas other than the financial statement audit), and investigative capabilities.

Significant OIG Activity

Air

Helping to make air safe and healthy to breathe.

Projected Pollutant Reductions Assessed for Enforcement Actions and Settlements

The accuracy and reliability of EPA's projected reductions in air and water pollution have depended on the specific programs in which the enforcement actions took place.

More reliable data were available to project reductions from oil spill and power plant cases than other Clean Water Act and Clean Air Act cases, respectively. Improved internal control processes contributed to more accurate pollutant reduction estimates. However, we noted some inconsistencies in calculating projected Clean Air Act emission reductions, including the use of different methodologies for estimating post-compliance emissions from power plant cases.



Air pollution being generated (EPA photo).

EPA's projections were heavily influenced by a few large cases. Less than 1 percent of the Clean Water Act cases accounted for 52 percent of the projected reductions from concluded Clean Water Act enforcement actions. In Fiscal Year 2004, two power plant cases accounted for projection of over 600 million pounds in reductions, about 78 percent of the Clean Air Act total.

Facilities were on target to meet projected reductions for the Clean Air Act cases reviewed, but it will take years to complete all corrective actions so we could not determine whether total projected reductions had been achieved. Clean Water Act cases were also making progress toward meeting

projected reductions. We presented our results to EPA in a briefing and did not make any recommendations. We conducted this review at the request of the Office of Management and Budget.

(Report No. 2007-B-00002, Assessment of EPA's Projected Pollutant Reductions Resulting from Enforcement Actions and Settlements, July 24, 2007 – Report Cost: \$397,274)

For details on an additional air issue, please refer to page 17, "Ozone Transport Commission Claimed Unallowable Outlays of \$2.7 Million."

Development Growth Outpacing Progress in Restoring Chesapeake Bay

EPA and its Chesapeake Bay watershed partners will not meet the 2010 load reduction goals for developed lands. In fact, new development is increasing nutrient and sediment loads at rates faster than restoration efforts are reducing them.



Maryland farmland being encroached by housing development (photo from U.S. Department of Agriculture).

In response to a request from U.S. Senator Barbara A. Mikulski of Maryland to look into EPA efforts to clean up the Bay, we looked at progress in reducing contributions from developed and developing lands. Over 64,000 square miles of land drain to the Chesapeake Bay. Population in the watershed exceeds 16 million and is projected to surpass 19 million before 2030.

Developed lands contribute less than one-third of the Bay loads but would require about two-thirds of the overall estimated restoration costs. Consequently, EPA and its Bay partners focused on more cost-effective approaches, such as upgrading wastewater facilities and implementing agricultural best practices.

Communities can cost effectively start to reverse the trend of increasing loads from developed lands by concentrating their efforts on new development. If communities do not do so, loads from developed lands will continue to increase rather than diminish. Restoration costs will increase, the Bay will not be restored as desired, and water quality degradation and loss of aquatic life will continue.

We recommended that the EPA Chesapeake Bay Program Office prepare and implement a strategy that demonstrates leadership to reverse the trend of increasing nutrient and sediment loads from developed and developing lands. The office should also work with Bay partners to set realistic, community-level goals for reducing loads from developed and developing lands. EPA concurred with our recommendations.



Chesapeake Bay Watershed
(map from EPA Chesapeake Bay Program Office)

(Report No. 2007-P-00031, Development Growth Outpacing Progress in Watershed Efforts to Restore the Chesapeake Bay, September 10, 2007 – Report Cost: \$783,489)

Federal Facilities in Chesapeake Bay Watershed Generally Comply with Water Permits

EPA and the States are doing well managing how major Federal facilities comply with their National Pollutant Discharge Elimination System (NPDES) permits.

One hundred Federal facilities discharge into the Chesapeake Bay or its tributaries. Nine of those facilities operate under major NPDES permits.



Naval Surface Warfare Center Indian Head is a Federal facility in the Chesapeake Bay watershed operating under a major NPDES permit (photo from Naval Support Facility Indian Head Website).

In EPA's last reporting period (2004), major Federal facilities in the Chesapeake Bay watershed had a lower rate of significant noncompliance than other Federal and non-Federal major-permit facilities nationwide. Only one of the nine Chesapeake Bay Federal facilities, or 11 percent, was in significant noncompliance. This compares to a national rate of 22 percent for all NPDES-permitted Federal facilities and 20 percent for non-Federal facilities. Upgrades for the one Chesapeake Bay Federal facility in significant noncompliance – the Washington Aqueduct – are expected to be completed in December 2009.

We made no recommendations in this report. We conducted the review as a result of an Office of Management and Budget request.

(Report No. 2007-P-00032, Federal Facilities in Chesapeake Bay Watershed Generally Comply with Major Clean Water Act Permits, September 5, 2007 – Report Cost: \$184,914)

Total Maximum Daily Load Program Needs to Improve to Demonstrate Environmental Results

EPA does not have comprehensive information on how effective the Total Maximum Daily Load (TMDL) program is nationwide. Thus, the Agency cannot determine if TMDL implementation activities are occurring in a timely manner, and the extent to which TMDLs are restoring impaired water.

TMDLs are designed to play a critical role in restoring impaired waters by calculating pollutant loads consistent with water quality standards. A TMDL specifies the amount of a pollutant that a waterbody may receive and still meet water quality standards.

EPA is responsible for working with States to develop TMDLs to address impaired waters. EPA measures the pace at which TMDLs are developed and approved. For the last 2 years, EPA and States have exceeded goals for these measures. However, developing meaningful measures of the environmental results of water quality programs

is challenging. EPA needs to provide more management direction to improve its ability to assess how well this critical program is functioning.

The Agency generally concurred with five of the six draft report recommendations with comment, and proposed an alternative recommendation for the sixth instance.

(Report No. 2007-P-00036, Total Maximum Daily Load Program Needs Better Data and Measures to Demonstrate Environmental Results, September 19, 2007 – Report Cost: \$188,780)

Better Oversight Needed Over Permitted Facilities in Significant Noncompliance

EPA did not provide effective enforcement oversight of major facilities with NPDES water discharge permits in long-term significant noncompliance.

EPA has authorized 45 States to administer the NPDES program, including enforcing discharge permits. EPA maintains responsibility for overseeing and ensuring that Clean Water Act regulations are enforced.

While flexibility is required in a national program, EPA inconsistently applied guidance defining timely formal actions. EPA guidance did not provide meaningful direction on what constitutes “appropriate” actions. In 21 of 56 facilities the OIG reviewed, EPA and States did not take suitable formal enforcement actions to address all instances of significant noncompliance. At the remaining 35 facilities, none of the enforcement

actions we could assess were taken on a timely basis. EPA and States also did not maintain complete and accurate records of compliance and enforcement activities.



Sloss Industries wastewater treatment facility in Alabama (photo from Black Warrior RIVERKEEPER Website).

Timely actions could help minimize the millions of pounds of excess pollutants released by these facilities. We estimate that up to 51 million pounds of excess pollutant loads were discharged from July 2002 through June 2005 by 44 facilities reviewed, representing loads that could be minimized.

We recommended that EPA clarify and implement guidance for enforcement at facilities in significant noncompliance, and implement a quality assurance program. EPA disputed many of our findings, and its planned actions generally do not address the intent of our recommendations.

(Report No. 2007-P-00023, Better Enforcement Oversight Needed for Major Facilities with Water Discharge Permits in Long-Term Significant Noncompliance, May 14, 2007 – Report Cost: \$932,305)

EPA Can Improve Its Oversight of Audit Followup

EPA is generally taking actions on the nine water-related reports we reviewed, but we noted some delays in implementation and the need for improved oversight.

We undertook this review to determine the status of Agency corrective actions responding to OIG report recommendations. We selected reports on water issues pertaining to the Office of Water and Office of Enforcement and Compliance Assurance and examined recommendations each was to implement. We looked at how complete and up to date the information is in the Management Audit Tracking System for the nine reports.

While EPA is generally undertaking actions on the reports we reviewed, several actions were past agreed-to milestone dates. The Office of the Chief Financial Officer, in its oversight role, can do more to monitor the audit followup process. That Office's annual audit followup reporting to Congress did not present required information on specific audit recommendations or reasons for delays in taking corrective actions. OIG also found that the Management Audit Tracking System was incomplete and had mistakes.

We recommended that the Office of Water and Office of Enforcement and Compliance Assurance periodically review audit management information for accuracy and completeness. They should also follow the certification process for closing out reports, and maintain a list of corrective actions taken. We made various recommendations to the Office of the Chief Financial Officer for improving oversight. The Agency generally agreed with our recommendations.

(Report No. 2007-P-00025, EPA Can Improve its Oversight of Audit Followup, May 24, 2007 – Report Cost: \$104,602)

For details on additional water issues, please refer to:

- **Page 5, “Projected Pollutant Reductions Assessed for Enforcement Actions and Settlements.”**
- **Page 18, “Reviews of Special Appropriation Act Project Grants Note Ineligible Claims.”**
- **Page 27, “Complete Assessment Needed to Ensure Safe Drinking Water for Rural Texas Community.”**
- **Page 28, “Decision Needed on Regulating Cooling Lagoons at North Anna Power Station.”**

Limited Investigation at Ringwood Superfund Site Led to Missed Contamination

EPA's oversight of cleanup at the Ringwood Mines/Landfill Superfund site in New Jersey met many requirements, but EPA could have conducted a more thorough investigation.

EPA placed the Ringwood site on the Superfund National Priorities List in 1983 and removed the site from the list in 1994 after determining that the site was protective of human health and the environment. After 1994, several more cleanup actions occurred at the site, and residents continued to discover paint sludge, prompting EPA for the first time in Superfund's history to restore a site to the list. Members of Congress requested us to look at several issues related to the site.



A caution sign at the Ringwood site (EPA OIG photo taken August 2006).

We found that based on limited initial investigation, EPA Region 2 selected a remedy that addressed site groundwater and surface water concerns. EPA ensured implementation of the remedy and removal of identified paint sludge. However, EPA did not comply with the community notification requirements when conducting 5-year reviews.

The initial site investigation was conducted by the plant operator, the Ford Motor Company. Paint sludge continued to be discovered because EPA did not ensure that Ford conducted a comprehensive investigation. EPA could have ensured that Ford conducted a more comprehensive survey of the 500-acre site and made better use of aerial photographs. Also, EPA itself could have conducted a more thorough search for records involving waste disposal activities at the site by better enforcing disclosure requirements on Ford.

Currently, under EPA orders, Ford is conducting an ongoing, comprehensive site investigation. If done properly, this second investigation should address concerns about the initial site investigation. We recommended that EPA Region 2 provide the Ringwood community with sufficient notification on initiation and results of 5-year reviews, and ensure that Ford submits all relevant information. EPA agreed with those recommendations. EPA Region 2 did not agree with another recommendation on providing staff with written guidance on records management policies; Region 2 stated it has already complied with pertinent EPA policies. The issue remains open and unresolved.

Results of a separate review at the Ringwood site, on environmental justice and communication concerns, are discussed on page 27.

(Report No. 2007-P-00039, Limited Investigation Led to Missed Contamination at Ringwood Superfund Site, September 25, 2007 – Report Cost: \$544,626)

EPA Needs to Improve Controls for Superfund Alternative Sites Approach

EPA will not be able to demonstrate outcomes and results of the Superfund Alternative sites approach until it addresses management control limits and makes controls more transparent.

The Superfund Alternative sites approach is an alternative to listing sites on the National Priorities List. Since the 1980s, EPA has used variations of this approach to clean up hazardous waste sites, but has been criticized for its management and implementation of this approach.



The Superfund Alternative site approach is being used at the Tremont City Landfill near Springfield, Ohio (EPA photo).

We found that EPA has not finalized the universe of Superfund Alternative sites. Further, EPA does not have controls over designating Superfund Alternative sites in Superfund information systems or documenting hazard assessments for the sites. In addition, EPA only measures results at Superfund Alternative sites for one of six Superfund cleanup measures. Until EPA addresses these limits in management controls and makes these controls more transparent, it cannot demonstrate outcomes and results of the Superfund Alternative approach.

We recommended that EPA track and report cleanup progress at Superfund Alternative sites, and improve its communications, information, and transparency about the approach. EPA concurred with most of the recommendations.

(Report No. 2007-P-00026, EPA Needs to Take More Action in Implementing Alternative Approaches to Superfund Cleanups, June 6, 2007 – Report Cost: \$580,203)

EPA Could Better Use \$3.324 Million from Special Account for Thermo Chem Superfund Site

EPA Region 5 missed an opportunity in 2005 to make timely and better use of \$2.8 million in the special account for the Thermo Chem Superfund site. Specifically, the Region could have funded other priority response activities by reclassifying funds no longer needed at the Thermo Chem site. Region 5 can also make use of an additional \$524,000 of the remaining special account funds that have no current planned use.

Superfund legislation authorizes EPA to retain and use funds received in settlements to address Superfund response actions contemplated in settlement agreements. EPA retains these funds in site-specific “special” accounts in EPA’s Hazardous Substance Superfund Trust Fund. Thermo Chem is a former waste solvent reprocessing and storage site near Muskegon, Michigan.

In 2004, Region 5 staff recommended the reclassification of approximately \$2.8 million from the Thermo Chem special account because these funds were not needed at the site. However, these funds were not reclassified because the site managers were unaware that action was needed or required.

We recommended that Region 5 reclassify approximately \$2.8 million (plus additional accrued costs) from the Thermo Chem special account to fund other priority response activities. We also recommended that Region 5 reclassify, or transfer to the trust fund as appropriate, approximately \$524,000 of the Thermo Chem special account that has no planned future use.

We noted our findings in an “Early Warning” report; our review of Thermo Chem is continuing.

(Report No. 2007-S-00002, Making Better Use of Superfund Special Account Funds for Thermo Chem, August 20, 2007)

Superfund’s Board of Directors Needs to Complete Recommendations from Its 120-Day Study

EPA needs to complete action on the recommendations from its 2004 study on how the Superfund program could be more efficient.

In April 2004, EPA completed a report, requested by then Acting Deputy Administrator Stephen Johnson, entitled *Superfund: Building on the Past, Looking to the Future*, more commonly known as *The 120-Day Study*. The report had 102 recommendations. In response to the report, the EPA’s Acting Deputy Administrator created a Superfund Board of Directors to prepare, coordinate, and execute action plans to address the report’s recommendations. We followed up on three of the report’s recommendations, involving:

- Analyzing Superfund sites to determine how many were Resource Conservation and Recovery Act (RCRA) facilities and if they were a burden to the program,
- Determining whether RCRA-regulated facilities would continue to be in the Superfund program, and
- Determining whether promulgating new regulations for non-RCRA-regulated facilities would reduce the future needs of the Superfund program.

While EPA has completed its work on the first two recommendations, it has not yet done so for the third. We recommended that the Board review a sample of the implemented study recommendations to confirm that the actions taken were complete and responsive to the original study recommendations.

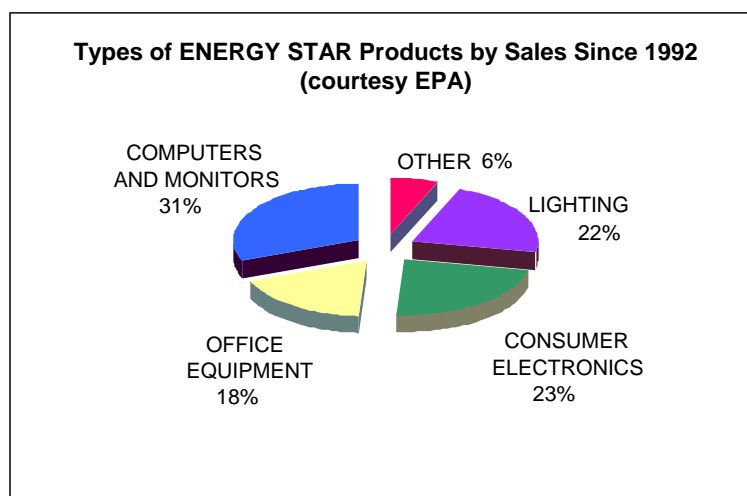
(Report No. 2007-P-00029, Superfund’s Board of Directors Needs to Evaluate Actions to Improve the Superfund Program, August 1, 2007 – Report Cost: \$246,015)

For details on an additional land issue, please refer to page 21, “EPA Can Improve Its Management of Superfund Interagency Agreements with U.S. Army Corps of Engineers.”

EPA Needs to Strengthen ENERGY STAR Program

The ENERGY STAR Program, which promotes energy-efficient products, needs to be strengthened to be an innovative, effective, and efficient approach to environmental protection.

In 2006, EPA reported that using ENERGY STAR products prevented estimated greenhouse gas emissions equivalent to those from 23 million vehicles, saving Americans an estimated \$12 billion in their utility bills. However, the processes that EPA set in place to ensure the integrity of the program (product specification setting and revision, product self-certification, product verification testing, and label utilization monitoring) could be improved. For example, the criteria for revising specifications were unclear.



EPA does not have reasonable assurance that the product self-certification process is effective. Product verification testing lacks clearly documented procedures. Also, there is little oversight of the use of the ENERGY STAR label in retail stores, where consumers are most likely to come into contact with the program. We recommended that EPA strengthen management controls, clarify and document criteria, establish a quality assurance program, and improve its oversight of the program. EPA disagreed with many of our conclusions, saying that it had already implemented many of our recommendations. We consider some issues unresolved.

(Report No. 2007-P-00028, ENERGY STAR Program Can Strengthen Controls Protecting the Integrity of the Label, August 1, 2007 – Report Cost: \$338,079)

Voluntary Programs Could Benefit from Agency-wide Policies

EPA has no Agency-wide policies that require voluntary programs to collect comparable data or conduct regular program evaluations. Without a consistent set of policies, EPA cannot determine the overall environmental impact of its voluntary programs, nor whether voluntary programs are succeeding or failing.

The current voluntary program definitions are difficult for EPA program offices to apply, because the scope of EPA's voluntary program definitions has changed drastically in the last 4 years. The number of voluntary programs reported over the years has varied between 54 and 133. However, EPA officials told us the actual number of programs has not changed significantly; rather, changes to program definitions simply expanded the scope of the populations.

EPA also does not have a system to develop, test, and market new programs. Thus, EPA cannot ensure that programs have the necessary elements to demonstrate their impact, or whether they are effective in achieving environmental results.

We recommended that the Deputy Administrator provide the Associate Administrator for the Office of Policy, Economics, and Innovation with the authority to develop, implement, and oversee mandatory Agency-wide management policies for voluntary programs. These policies should implement a systematic management approach similar to a research and development model, and develop specific definitions or criteria that outline the general intent and function for the EPA voluntary programs currently operating.

(Report No. 2007-P-00041, Voluntary Programs Could Benefit from Internal Policy Controls and a Systematic Management Approach, September 25, 2007 – Report Cost: \$135,649)

Strategic Agricultural Initiative Needs Revisions to Demonstrate Results

The Strategic Agricultural Initiative program has not demonstrated how it fulfills its unique role of helping growers transition away from high-risk pesticides as identified by the Food Quality Protection Act.

The program helps growers replace high-risk pesticides phased out or restricted because of the Agency's pesticide reevaluations. Since 2001, the program has given out about \$4 million in grants.

The program does not have a strategic plan or similar documents that link project mission and associated goals, logic model, performance measures, and data the program collected. Headquarters and the regions have inconsistent priorities for implementing the program. This lack of structure makes it difficult to measure and validate results. Also, program databases, used to gather data on project performance, lack definitions and structure and thus contain incomplete and extraneous information.

We recommended that EPA develop a needs assessment for the Strategic Agricultural Initiative program to demonstrate how it fulfills its role in meeting Food Quality Protection Act requirements. If the need is demonstrated, EPA should create a strategic plan that sets clear priorities for program direction. EPA agreed to reassess the need for the program and develop a strategic plan if determined to be needed. These recommendations should result in approximately \$1.5 million in annual grant funds put to better use because either the grants will no longer be needed or their effectiveness will be enhanced.

(Report No. 2007-P-00040, Strategic Agricultural Initiative Needs Revisions to Demonstrate Results, September 26, 2007 – Report Cost: \$307,570)

EPA Could Apply Approaches Other Agencies Use to Better Measure Compliance

We noted practical approaches that other Federal regulatory agencies use to measure compliance that EPA can also use to generate better compliance information.

EPA's Office of Enforcement and Compliance Assurance faces many obstacles in measuring compliance, including limited knowledge of its universe, limited resources, and difficulties in collecting data from States. Because other agencies face similar obstacles, the practical approaches used by some to overcome these obstacles can also be applied by EPA. These approaches include using statistical information to monitor enforcement and compliance programs and demonstrate program results.

We recommended that EPA establish a plan of action, with milestones, to incorporate using statistical methods to demonstrate the enforcement and compliance results. EPA accepted our recommendations.

(Report No. 2007-P-00027, Overcoming Obstacles to Measuring Compliance: Practices in Selected Federal Agencies, June 20, 2007 – Report Cost: \$440,022)

Environmental Careers Organization Costs of \$6 Million Questioned

The Environmental Careers Organization, which received five grants from EPA to provide internships to students in the environmental field, did not comply with financial and program management standards.

We questioned \$6,027,814 out of \$18,797,104 in claimed costs because the Environmental Careers Organization:

- Could not support the indirect general and administrative and “mission and placement” outlays,
- Did not maintain support for distributing salaries and wages claimed as indirect general and administration and “mission placement,”
- Could not support relocation outlays, and
- Drew EPA funds in excess of those needed to meet immediate needs.

We recommended that EPA (1) recover payments of \$4,750,342 unless the recipient can modify its accounting system; (2) recover payments of \$1,277,472 incurred for ineligible costs; (3) rescind the final indirect cost rate approved for the fiscal year ended December 31, 2004; and (4) require the recipient to establish policies and procedures for relocating interns that comply with Federal guidance. The recipient responded to our draft report but did not provide additional information to change the findings and recommendations.

(Report No. 2007-4-00065, The Environmental Careers Organization Reported Outlays for Five EPA Cooperative Agreements, June 25, 2007 – Report Cost: \$265,099)

Cheyenne River Sioux Tribe Outlays of \$3.1 Million Questioned

We questioned \$3,101,827 of \$3,736,560 in EPA outlays reported by the Cheyenne River Sioux Tribe under five grants because of financial management problems.

EPA awarded five agreements to the Tribe to fund a variety of environmental activities. The Tribe did not comply with financial and program management standards. The Tribe did not:

- Follow labor cost documentation requirements for Federal grants;
- Compete contracts, justify sole-source procurements, or perform cost analyses;
- Demonstrate that fuel costs charged were equitably allocated;
- Properly account for vehicle leases;
- Comply with regulations and internal policy when purchasing equipment;
- Properly compute and claim indirect costs; and
- Maintain documentation for recipient share of costs reported.

The Tribe also was not able to demonstrate that it completed all work under the agreements.

We recommended that EPA Region 8's Regional Administrator disallow and recover the Federal share of ineligible costs of \$64,765. The Region should also require the Tribe to provide sufficient documentation for the remaining \$3,037,062 questioned, and disallow and recover the Federal share of any outlays the Tribe cannot support. The Region should confirm that all work under the agreement has been satisfactorily completed.

(Report No. 2007-4-00078, Cheyenne River Sioux Tribe Outlays Reported Under Five EPA Assistance Grants – Report Cost: \$241,026)

Ozone Transport Commission Claimed Unallowable Outlays of \$2.7 Million

We questioned \$2,723,706 of \$9,042,706 in reported outlays by the Ozone Transport Commission because the recipient claimed unallowable outlays for contractual services, indirect costs, and in-kind costs.

EPA awarded four assistance agreements to the Ozone Transport Commission to assess and design strategies to reduce haze in the Northeastern United States and to fund the Commission's ongoing operations. With the exception of the questioned costs, the outlays presented fairly, in all material respects, the allowable outlays incurred in accordance with the terms and conditions of the agreements and applicable laws and regulations.

For the amount questioned, the recipient:

- Did not compete contracts, justify sole-source procurements, or perform cost analysis of contracts;
- Claimed indirect costs without approved indirect rates; and
- Did not maintain adequate documentation for in-kind costs used as recipient match.

We recommended that EPA recover the questioned outlays of \$2,723,706 unless the recipient provides sufficient documentation to support the related claimed costs in accordance with Federal regulations; and that EPA direct the recipient to implement procedures to address issues relating to procuring contracts, calculating indirect cost rates, and documenting in-kind costs.

(Report No. 2007-4-00068, Ozone Transport Commission Incurred Costs Under EPA Assistance Agreements XA98379901, OT83098301, XA97318101, and OT83264901, July 31, 2007 – Report Cost: \$200,644)

Reviews of Special Appropriation Act Project Grants Note Ineligible Claims

At the request of the EPA Office of Water, we initiated reviews of costs claimed under Special Appropriation Act Project grants, and noted various instances of ineligible costs claimed.

Since 1992, EPA has awarded 5,015 Special Appropriation Act Project grants, totaling over \$5 billion, based on congressional earmarks. EPA awards these grants to State and local governments and quasi-governmental agencies (such as water improvement districts) to assist in planning, designing, and constructing wastewater and drinking water facilities.

We reviewed certain Special Appropriation Act Project grants awarded in Regions 2, 5, 8, and 9, and, to date, noted the following issues, which we addressed in quick reaction reports.

- The City of Fallon, Nevada, did not meet the Federal grant requirements for financial management systems. In particular, the City claimed pre-award costs in excess of the eligible amounts, and did not support amounts for matching costs claimed and funds drawn under EPA grants. As a result, we recommended that EPA recover \$350,916 in Federal funds. The City of Fallon also did not disclose lobbying activity as required under Federal requirements. (*Report No. 2007-2-00040, Cost and Lobbying Disclosure Issues Under EPA Grant Numbers X98981901 and XP97914901 Awarded to the City of Fallon, Nevada, September 26, 2007*)
- The City of Middletown, New York, did not incur preaward grant costs during the period required. Therefore, costs of \$853,002 claimed under the EPA grant are ineligible for Federal reimbursement since those costs were incurred prior to the fiscal year for which the funds were appropriated. We recommended that the City of Middletown repay the \$433,700 in Federal funds already drawn down. (*Report No. 2007-2-00039, Ineligible Federal Funds Drawn on EPA Grant No. XP98284701 Awarded to the City of Middletown, New York, September 25, 2007*)
- The City of Huron, South Dakota, did not reduce total grant costs by \$947,586 for amounts received from local water agencies. This resulted in the City drawing \$68,203 in excess Federal funds. The City of Huron anticipates receiving additional reimbursements upon completion of the project, which should result in the repayment of additional Federal funds. (*Report No. 2007-2-00030, Excess Federal Funds Drawn on EPA Grant No. XP98838901 Awarded to the City of Huron, South Dakota, August 1, 2007*)

We plan to continue auditing Special Appropriation Act Project grants in Fiscal Year 2008.

Number of EPA Earmark Grants and Impact Noted

Between January 1, 2005, and March 31, 2006, EPA awarded 444 earmark grants totaling \$454 million, accounting for about 13 percent of the grant dollars EPA awarded. During this same time, EPA spent about \$4.9 million to award and manage the 444 earmark grants.

We looked into the number and impact of earmark grants in response to a congressional request. We defined a congressional earmark as a numbered line item within a House Conference Report specifying a dollar amount, recipient, and particular project. During the review period, the cost to award and manage all EPA grants totaled \$100.3 million, while the cost to award and manage EPA's earmark grants totaled \$4.9 million (see table).

EPA's Cost to Award and Manage Earmarks	
Cost Category	Dollar Amount
Cost of salaries and overhead for project officers and grants specialists to award and manage the 444 earmarks from January 1, 2005, through March 31, 2006	\$ 4,342,331
Regional Offices of Congressional and Intergovernmental Relations costs to track and assist with awarding earmark grants	390,094
Office of the Chief Financial Officer costs to track and assist with awarding earmark grants	115,746
Headquarters Office of Congressional and Intergovernmental Relations costs to track and assist with awarding earmark grants	38,475
Contractual costs for the Stakeholder Database	25,000
Total EPA Cost to Award and Manage Earmarks	\$ 4,911,646

Source: OIG calculations based on EPA workforce and budget models.

Our review of work plans for 86 of the 444 earmark grants found that 82 were for projects aimed at contributing to EPA's Strategic Plan mission and goals. Grant work plans for the other four grants did not demonstrate how the projects would promote EPA goals:

- A nonprofit organization used about half of its grant funds to purchase computers for a high school and support student trips between the United States and the U.S. Virgin Islands.
- A university studied noise levels from parked, idling trains.
- A local government did not identify how two grants were going to achieve the objectives stated in the work plans or how the projects would impact the environment.

We did not make any recommendations. In its response to our draft report, EPA said it believed the grants for the nonprofit and the university contributed to EPA's mission; we do not agree. For the two grants to the local government, EPA is working with the recipient to revise the work plans.

(Report No. 2007-P-00024, Number of and Cost to Award and Manage EPA Earmark Grants, and the Grants' Impact on the Agency's Mission, May 22, 2007 – Report Cost: \$283,509)

Tribes Using Many Promising Practices to Improve Environment

Tribes have made progress in overcoming barriers to successfully managing environmental programs. Some tribes use promising practices that can be used by others.

There are more than 560 federally recognized tribes in the United States. EPA funds tribal core environmental programs through grants from its General Assistance Program.

The 14 tribes we visited provided examples of innovative practices, including:

- **Collaboration and Partnerships.** Tribes work cooperatively with Federal agencies, other tribes, State and local governments, educational institutions, and the private sector.
- **Education and Outreach.** Tribes educate the community regarding environmental programs, and also obtain community input.
- **Expanding Resources.** Tribes have processes for finding alternative sources of revenue for environmental efforts.

To further help tribes build on successful practices, we recommended that EPA work with tribes to promote collaboration and partnerships, identify education and outreach materials, and identify funding alternatives. EPA concurred with the recommendations.

We based our findings and recommendations in this report on information obtained during a joint audit conducted by the EPA and Department of the Interior OIGs. A separate, joint report, *Tribal Successes: Protecting the Environment and Natural Resources*, provides details on specific successful practices implemented by each of the 14 tribes visited. The joint report can be viewed at the following link: <http://www.doioig.gov/upload/2007-G-0020.pdf>.

(Report No. 2007-P-00022, Promoting Tribal Success in EPA Programs, May 3, 2007 – EPA OIG Report Cost: \$473,283)

EPA Can Improve Its Management of Superfund Interagency Agreements with U.S. Army Corps of Engineers

EPA needs to better justify and support its decisions to enter into Superfund interagency agreements with the U.S. Army Corps of Engineers.

In Fiscal Years 2005-2006, EPA made over \$500 million in Superfund interagency agreement payments to the U.S. Army Corps of Engineers to perform cleanups.

Both the decision memoranda EPA used to justify use of the Corps and methods of oversight for monitoring the Corps' work needed improving. The decision memoranda did not contain comparisons of alternatives considered. Further, EPA did not develop independent cost estimates. As a result, EPA had limited assurance that the interagency agreements it awarded to the Corps were based on sound financial decisions. EPA also did not always receive quality and timely progress reports from the Corps, or understand the services for which the Corps was billing and the Agency was paying. EPA's lack of oversight also contributed to the Corps accumulating \$2.5 million in excess Management and Support fees from Superfund.



Sign at the entrance to the Federal Creosote Superfund Site in Manville, New Jersey, managed by the U.S. Army Corps of Engineers under an EPA interagency agreement (EPA OIG photo).

We recommended and EPA agreed to revise its policy to ensure it implemented procedures for holding regions accountable to develop and document their own independent cost estimates for Corps in-house costs, and conduct cost analysis of alternatives when determining whether to use the Corps. EPA also

agreed to develop a plan for using feedback reports as an oversight tool to monitor and improve the Corps' performance. The improved monitoring would eliminate \$2.5 million in excess and idle Management and Support fees that EPA paid the Corps.

In its report on EPA's Fiscal Year 2008 budget, the House Appropriations Committee required EPA to report by December 31, 2007, on how it will monitor EPA regions' compliance with the revised policy. The committee cited the OIG report as important work regarding Superfund and agreed with the report's conclusions and recommendations.

(Report No. 2007-P-00021, EPA Can Improve Its Managing of Superfund Interagency Agreements with U.S. Army Corps of Engineers, April 30, 2007 – Report Cost: \$216,840)

Progress Made in Improving Federal Supply Schedule Use, but More Action Needed

This followup review found that EPA implemented all but one of the recommendations in a 2003 OIG report on Federal Supply Schedule orders, but more action is needed.

Ordering agencies, such as EPA, can issue orders directly to contractors that are on Federal Supply Schedules approved by the General Services Administration.

Since our prior audit, EPA published needed guidance, provided training, and is acquiring a new acquisition information system. Regarding the one recommendation not implemented, EPA did not provide samples of sole source justifications to program offices due to technology challenges, but its plans to post justifications on EPA's Intranet should resolve this issue.

We noted other issues that require attention. By ensuring that adequate market research is conducted, EPA can increase competition. Also, independent government cost estimates need improvement to ensure EPA does not overpay for services and supplies. EPA agreed to act on all our new recommendations.

(Report No. 2007-P-00037, Progress Made in Improving the Use of Federal Supply Schedule Orders, but More Action Needed, September 20, 2007 – Report Cost: \$181,758)

Pesticide Funds' 2006 Statements Earn Unqualified Opinions

We rendered unqualified opinions on the Fiscal Year 2006 financial statements for two funds used for managing pesticide fees.

The Pesticides Reregistration and Expedited Processing Fund (known as the FIFRA fund) is used to deposit fees collected to expedite pesticide reregistration. The Pesticide Registration Fund (known as the PRIA fund) was created in March 2004 to expedite new registrations for certain pesticides in exchange for registration fees.

In addition to providing a clean opinion for both funds, we did not identify any material internal control weaknesses. However, we noted several reportable conditions. EPA materially understated the FIFRA payroll unfunded leave accrual and related expenses reported in the draft financial statements, due to transferring a significant number of employees at year-end from FIFRA to Environmental Programs and Management. As a result, FIFRA liabilities and related expenses were understated by \$1,964,312. Also, EPA's Washington Finance Center did not sufficiently support FIFRA adjusting entries to the Integrated Financial Management System. For PRIA, EPA did not timely obligate \$100,000 for worker protection activities.

We also did not identify any noncompliances that would result in a material misstatement to the audited financial statements. We did find that for PRIA, EPA did not record \$100,000 in obligations for services performed during Fiscal Year 2006 in violation of Title 31, U.S. Code, Section 1501 (documentary evidence requirement for Government obligations).

We recommended that EPA provide closer monitoring of unfunded FIFRA leave at year-end and closer oversight of the preparation of the financial statements. We also recommended that EPA take various actions to more promptly record PRIA obligations in the Integrated Financial Management System. Officials agreed with our recommendations and began corrective actions.

(Report No. 2007-1-00070, Fiscal Year 2006 and 2005 Financial Statements for the Pesticides Reregistration and Expedited Processing Fund, May 30, 2007 – Report Cost: \$274,000; and Report No. 2007-1-00071, Fiscal Year 2006 and 2005 Financial Statements for the Pesticide Registration Fund, May 30, 2007 – Report Cost: \$249,000)

Risk and Program Performance

Improving EPA internal control processes, structure, and workforce/manpower.

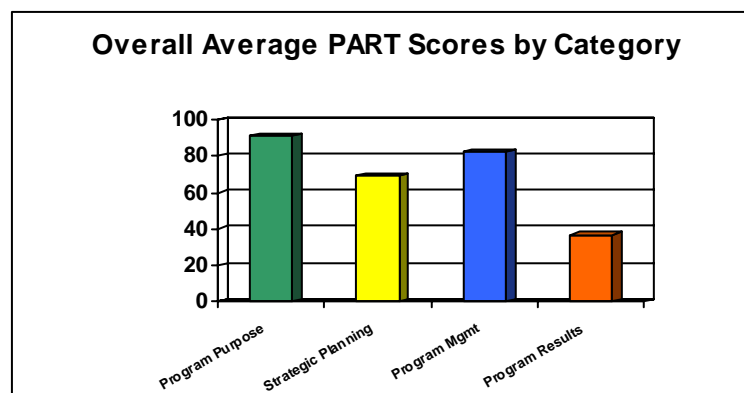
Tools for Assessing EPA Programs Can Be Improved

The Program Assessment Rating Tool (PART) is a good diagnostic tool and management control process to assess program performance and focus on achieving results. However, as currently designed, programs can be rated “adequate” even though they receive low scores in the Program Results/Accountability section of the PART.

As currently designed, programs can be rated “adequate” with a PART score of just 50 percent. As a result, EPA programs with low scores in the Program Results/Accountability section are receiving overall passing, or adequate, scores. This heightens the risk that actual program results may not be achieved, and detracts from PART’s overall focus on program results. Further, as PART assessments demonstrated, EPA does not have an organizational element with overall responsibility for program evaluations, and has not allocated sufficient resources to conduct evaluations. With the difficulty EPA faces in measuring results, coupled with the absence of regular program evaluations, there is a heightened risk that programs may not be achieving their intended results.

We recommended that the Office of Management and Budget modify its criteria and increase transparency of PART results scores. While the Office of Management and Budget did not provide formal written comments, they met with us and provided their insight to improve the PART process. We recommended that EPA increase the use of program evaluation, designate a senior official to be responsible for evaluations, and allocate sufficient evaluation resources. EPA agreed with the recommendations, and has proposed a reorganization of its Office of Policy, Economics, and Innovation to provide for a more robust evaluation of its programs.

(Report No. 2007-P-00033, Using the Program Assessment Rating Tool as a Management Control Process, September 12, 2007 – Report Cost: \$684,025)



Source: OIG analysis of EPA and Office of Management and Budget data. Overall, the average “Program Results” score for all 51 EPA programs assessed was about 38 percent.

Improvements Needed to Increase Exchange Network Use

EPA established a partnership with the National Environmental Information Exchange Network's governance bodies to assist it in accomplishing Network initiatives, but more improvements are needed to ensure that Network partners fully utilize the Network.

The Exchange Network is EPA's approach (and expected preferred method) for the exchange of environmental data among Network partners. As of January 2007, 48 States and 2 tribes used the Network. EPA has invested more than \$162 million in the Network.

Exchange Network Usage Data	
15	The number of Exchange Network data flows EPA has available for Network partner use; includes 7 regulatory data flows.
48 States 2 Tribes	The number of Exchange Network partners using the Network to share environmental information with EPA and other Network partners.
37 States	The number of States using the Network to share regulatory data with EPA.

Source: OIG compilation and analysis of information from www.exchangenetwork.net

EPA should improve its methods for selecting and prioritizing which data flows to implement. EPA also needs to complete measurements of Network initiatives, improve its practices to determine cost effectiveness, and strengthen its policies to identify when the Network should be used.

We recommended that EPA execute the Exchange Network Marketing and Communications plan, develop a new plan for measuring performance, develop policies and procedures for determining cost benefits, and include the Exchange Network in the Enterprise Architecture. EPA generally agreed with our recommendations.

(Report No. 2007-P-00030, Improved Management Practices Needed to Increase Use of Exchange Network, August 20, 2007 – Report Cost: \$665,051)

EPA Needs to Strengthen Privacy Program Controls

Although EPA has made progress toward establishing its Privacy Program, the program needs more emphasis.

Congress passed the Privacy Act of 1974 to protect the privacy of individuals regarding information collected and maintained by the Federal Government. The Office of Management and Budget has interpreted that this includes protecting "Personally Identifiable Information," which is any information about an individual maintained by an

agency – including employment, medical, and financial information – that can be used to trace an individual’s identity. A major loss of privacy information could result in substantial harm, embarrassment, and inconvenience to individuals, including identity theft.

EPA needs a more comprehensive management control structure to govern and oversee its Privacy Program. In particular, EPA needs to establish goals and activities to measure progress. Further, EPA needs to update its Privacy Program policies, and set up compliance and accountability processes to ensure adherence with key program tenets.

We recommended that EPA establish goals and activities for the Agency’s Privacy Program, establish and use performance measures, and update policies and procedures. The Agency agreed with the report’s findings and recommendations.

(Report No. 2007-P-00035, EPA Needs to Strengthen Its Privacy Program Management Controls, September 17, 2007 – Report Cost: \$135,942)

For details on an investigation related to information resources, please refer to page 30, “Additional Guilty Pleas and Sentencings in Software Piracy Case”

Environmental Justice and Communication Concerns Complicated Ringwood Cleanup

We did not find that EPA's actions to remediate environmental conditions at the Ringwood Mines/Landfill Superfund site in New Jersey were discriminatory, but we did note communication problems.



Removal activity at the Ringwood site during August 2006 (EPA OIG photo).

About 500 acres around the mines in Ringwood, New Jersey, became a Superfund site in 1983 because of dumped hazardous paint sludge. Paint sludge was removed several times and the site was deleted from the Superfund list in 1994. But after several more removal actions were necessary, the Agency put the site back on the Superfund list in 2006. Residents said they were unfairly treated because of their racial makeup and socioeconomic status. Several believed their health was adversely affected by exposure to site contamination. Three members of the New Jersey congressional delegation requested that we look into residents' concerns.

We did not find evidence to indicate that EPA's actions to investigate or remediate environmental conditions at the Ringwood site were affected by the area's racial, cultural, or socioeconomic status. However, problems with communication and relationships impeded effective cooperation between EPA and residents. Thus, we recommended that EPA address the Ringwood community's perceptions, prepare a community involvement plan, and increase communication. EPA concurred with our recommendations.

Results of a separate review at the Ringwood site, on EPA oversight of the cleanup, are discussed on page 10.

(Report No. 2007-P-00016, Environmental Justice Concerns and Communication Problems Complicated Cleaning Up Ringwood Mines/Landfill Site, April 2, 2007 – Report Cost: \$254,713)

Complete Assessment Needed to Ensure Safe Drinking Water for Rural Texas Community

EPA has indicated it plans to connect homes in a small rural Texas community to a water system, to provide residents with clean, permanent drinking water, and will assess whether the site qualifies for Superfund cleanup.

In 1996, residents in a small community in Panola County, Texas, adjacent to a saltwater disposal operation, began complaining of drinking water discoloration, stained kitchen and bath fixtures, and gastrointestinal problems after consuming water. Most needed to

obtain bottled water or water from relatives. The situation was brought to our attention via a Hotline complaint.



Contaminated soil at the Panola site (photo taken April 2004 by Texas Commission on Environmental Quality).

In 2003, Texas officials found contaminated groundwater and advised residents not to use the water for domestic purposes. We found that EPA officials began addressing the problem in 2003. In 2005, EPA began providing, and continues to provide, bottled water to affected residents. Also in 2005, the State instructed the site operator to install additional monitoring wells. In 2006, the State indicated it would take enforcement action against the operator, but we found no evidence that it did.

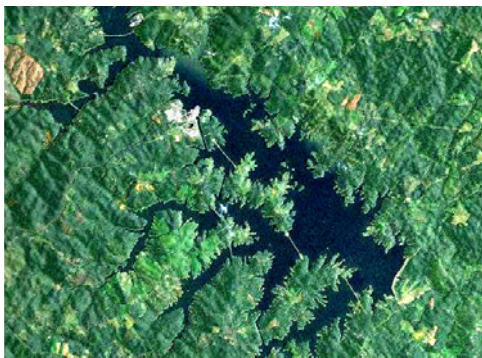
Responding to a petition filed by Panola County residents in November 2006, EPA is conducting an assessment to determine if the site qualifies for cleanup under EPA's

Superfund program. Further, in its June 2007 response to our draft report, EPA said that it intends to use removal action funds to pay for constructing a water line that will provide the residents with access to a drinking water system. Consequently, we did not make recommendations as a result of our work.

(Report No. 2007-P-00034, Complete Assessment Needed to Ensure Rural Texas Community Has Safe Drinking Water, September 11, 2007 – Report Cost: \$375,251)

Decision Needed on Regulating Cooling Lagoons at North Anna Power Station

EPA should review the permitting process for the North Anna Power Station in Virginia.



A satellite image of Lake Anna (photo from MapQuest, Inc. Website).

The North Anna Power Station has a permit allowing it to discharge water from cooling lagoons in the Lake Anna reservoir. The lake has two parts: a 9,600 acre reservoir that provides water for the power station to operate, and 3,400 acres of lagoons to cool the water from the station's condensers before the water returns to the reservoir. Both parts of the lake are used for recreation. In 2005, the Friends of Lake Anna, a citizens group, alleged that the water discharge permit for the station inappropriately allowed the cooling lagoons to be designated a waste heat treatment facility exempt from the Clean Water Act. The group believes that the cooling lagoons are waters of the United States that should be regulated under the Clean Water Act.

Virginia water quality standards for Class III waters, such as Lake Anna, indicate that the maximum temperature cannot exceed 32° Celsius (about 90° Fahrenheit). The current and prior water discharge permits, as well as the draft permit being processed by Virginia, exempt the cooling lagoons from the standards because they are considered a waste treatment facility.

EPA retains authority to review and object to certain permits. The North Anna Power Station permit is the type that must be reviewed by EPA Region 3. We recommended that the Region 3 Regional Administrator decide whether additional time should be requested to review the proposed permit for the power station, and consider letting the public know of this action.

(Report No. 2007-P-00038, Decision Needed on Regulating the Cooling Lagoons at the North Anna Power Station, September 20, 2007 – Report Cost: \$54,900)

Hotline Activity

The following table shows EPA OIG Hotline activity regarding complaints of fraud, waste, and abuse in EPA programs and operations that occurred during the past semiannual and annual periods.

	Semiannual Period (April 1, 2007 - September 30, 2007)	Annual Period (October 1, 2006 - September 30, 2007)
Inquiries and Complaints Received During Period	446	798
Issues Handled by EPA OIG	105	195
Inquiries Addressed Without Opening a Complaint	100	188
Complaints Opened	5	7
Complaints Closed	5	9
Complaints Open – Beginning of Period	10	12
Complaints Open – End of Period	10	10
Issues Referred to Others	341	603
EPA Program Offices	74	124
EPA Criminal Investigation Division	7	21
Other Federal Agencies	34	68
State/Local Agencies	226	390

Investigative Actions

Importer Sentenced for Defrauding Luxury Car Buyers Regarding EPA Standards

On June 14, 2007, Ali Raza, also known as Hassan Ali Raza, was sentenced in U.S. District Court for the Northern District of Georgia to 41 months imprisonment followed by 3 years probation on conspiracy charges. In addition, Raza was ordered to perform 200 hours of community service and pay \$3,185,244 in restitution and a \$100 special assessment.

The sentence stems from charges that Raza imported luxury vehicles into the United States that did not meet the U.S. Department of Transportation or EPA vehicle standards for sale and use on U.S. roads.

Starting in 2000, Raza placed sales advertisements for high-priced foreign vehicles in magazines. He misled potential buyers by asserting that the imported vehicles would meet Federal highway and environmental standards or that the vehicles would be exempt from those standards. After purchasing the vehicles, the buyers discovered that the vehicles did not meet Federal standards and they were required to spend considerable amounts of money to have these vehicles modified to meet Federal standards. As part of his sentence, Raza agreed to pay full restitution to all the victims.

This investigation was conducted jointly with the Department of Homeland Security Immigration and Customs Enforcement and the U.S. Department of Transportation Office of Inspector General, with assistance from the Department of Homeland Security's Customs and Border Patrol, the U.S. Department of Transportation's National Highway Traffic Safety Administration, and the EPA Office of Transportation and Air Quality. (Case Cost: \$282,780)

Additional Guilty Pleas and Sentencings in Software Piracy Case

During June and July 2007, three defendants pled guilty in U.S. District Court for the District of Nevada to a charge of conspiracy to commit copyright infringement. The defendants were members of a computer software piracy group known as the "Rogue Warriorz," a secretive underground organization that illegally altered and distributed copyrighted software, movies, and games over the Internet.

The three defendants were among 21 persons indicted in June 2002 as part of "Operation Bandwidth," a 2-year, multi-agency undercover operation to identify and prosecute entities and individuals involved with illegal access to computer systems and the piracy of proprietary software utilizing storage sites on the Internet.

At least 18 members of the group were hackers who had illegally accessed EPA computer systems to further the reproduction and distribution scheme. The three defendants were each sentenced to 36 months probation with credit for time served, and ordered to pay a \$100 special assessment and a fine of up to \$2,000. In addition, the judge ordered that all property previously seized be forfeited.

This investigation is being conducted jointly with the Federal Bureau of Investigation and the Defense Criminal Investigative Service. (Case Cost: \$571,310)

Contractor Settles Civil Action for \$15,000 Regarding False Claims Case

On April 12, 2007, LMI & Associates (LMI) and its owners, Larry and Laura McClure, of DeSoto, Texas, entered into a settlement agreement with the U.S. Attorney's Office for the Northern District of Texas in which they agreed to pay \$15,000 to settle a civil false claims case.

The Government contended that LMI and the McClures submitted a \$6,200 invoice to EPA for work that was not authorized by EPA nor performed by LMI. EPA subsequently paid the invoice. Due to a pending bankruptcy petition by the McClures, the settlement amount will be included in the bankruptcy. Prior to reaching this settlement, the McClures and LMI were debarred from Government contracting for 3 years.

In addition to the civil settlement reached with the Federal Government, on June 26, 2007, both McClures were indicted by the State of Texas. For defrauding EPA of \$6,200, they were each charged with theft, a felony under Texas law.

(Case Cost: \$16,008)

EPA Saves \$2 Million as a Result of an Investigation

As a result of an OIG investigation involving an EPA grantee, the EPA Office of Grants and Debarment estimates that EPA saved \$1,962,925. Since 1989, EPA has awarded more than \$50 million in grants to the grantee. Under these grants, graduate and undergraduate students performed research projects and received training in EPA offices around the country.

An investigation was opened to address allegations that the grantee submitted false and/or fraudulent claims to the Government. The investigation determined that, since at least 1997, the grantee improperly treated its Government agreements as fixed rate rather than cost reimbursable. This resulted in "surplus" funds that the grantee failed to return to the Government. The investigation further determined that the grantee did not track all of its costs as required by Office of Management and Budget circulars and the Code of Federal Regulations.

As a result of the investigation, EPA terminated the program, and notified the grantee that it would not receive any additional EPA grant funds after May 11, 2007. This prevented

the future outlay of approximately \$2 million dollars to the grantee, who could not properly account for money.

This investigation is being conducted jointly with the Offices of Inspector General of the General Services Administration, U.S. Department of Agriculture, and U.S. Department of Commerce. (Case Cost: \$127,028)

Audit Report

EPA Needs to Respond More Timely to Employee Misconduct

While EPA generally took disciplinary action when deemed appropriate on employee misconduct identified by the OIG in Reports of Investigation, Agency actions were not timely. We also found six instances in which EPA's actions did not appear to meet the minimum guidelines in EPA Order 3120.1, *Conduct and Discipline Manual*.

EPA policies require the Agency to initiate disciplinary actions within 30 days from the date the OIG's Office of Investigations issues a Report of Investigation. However, EPA took an average of almost 200 days to do so. According to several EPA action officials, the reason EPA may not initiate disciplinary action within 30 days is because the Agency cannot complete the process recommended in the EPA Disciplinary Process Handbook within that timeframe.

We found six cases in which the Agency did not take disciplinary actions that were severe enough, considering the nature of the misconduct. For example:

- EPA only gave an oral admonishment to an employee who was absent without authorization for over 400 hours.
- Another employee, who had pled guilty in court to using a credit card stolen from another Federal agency for personal purchases, received only a letter of reprimand.
- A third employee, who had pled guilty to bank fraud and was sentenced to a day in jail and 5 years probation, had a 45-day suspension recommended by the employee's supervisor reduced by the action official to 14 days.

We recommended that EPA re-evaluate the 30-day reporting requirement to consider a timeframe more in line with the time needed to accomplish EPA's disciplinary process. We also recommended that EPA provide the OIG with an action plan when established timeframes cannot be met and ensure that disciplinary actions taken are sufficient and appropriate. The Agency generally agreed with our recommendations.

(Report No. 2007-M-00003, EPA Needs to Respond More Timely to Reports of Investigation, May 7, 2007 – Report Cost: \$35,537)

Assistant Inspector General Testifies on EPA's Implementation of Environmental Justice

On July 25, 2007, Wade Najjum, Assistant Inspector General for Program Evaluation, testified before the Senate Environment and Public Works Subcommittee on Superfund and Environmental Health during a hearing on EPA's environmental justice programs. Based on what the OIG found in two prior reports, Mr. Najjum testified on how EPA has incorporated environmental justice within its programs and activities.

A 2004 report found that EPA had not identified minority and low-income communities, or defined the term "disproportionately impacted." In the absence of environmental justice definitions, criteria, or standards from EPA, regional and program offices individually took steps to implement environmental justice policies.

"The result was inconsistency in determining environmental justice communities across EPA regions and programs," said Mr. Najjum. "We concluded that EPA had not fully implemented the Order and was not consistently integrating environmental justice into its day-to-day operations at that time." The OIG made 12 recommendations; EPA disagreed with 11 of them.

A 2006 report found that EPA program and regional offices have not routinely performed environmental justice reviews, and that these offices lacked clear guidance to follow when conducting such reviews. "We concluded that EPA cannot determine whether its programs have a disproportionately high and adverse human health or environmental effect on minority and low-income populations without performing these types of reviews," Mr. Najjum said. The OIG made recommendations to address these issues. EPA agreed with all the recommendations.

Mr. Najjum noted in his testimony that EPA made some progress in addressing environmental justice issues since the issuance of the OIG's reports. He noted that EPA had moved from almost total disagreement with the OIG's recommendations in 2004 to agreeing with all recommendations in 2006.

"These are all positive steps, but EPA recognizes that more work needs to be done, particularly in its efforts to making environmental justice part of its mission by integrating environmental justice into its decision making, planning, and budgeting processes," said Mr. Najjum. "EPA needs to be able to determine if their programs, policies, and actions have a disproportionate health or environmental impact on minority or low-income populations."

Chemical Safety and Hazard Investigation Board

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

In Fiscal Year 2004, Congress designated the EPA OIG to serve as the Inspector General for the CSB. The EPA OIG has the responsibility to audit, evaluate, inspect, and investigate CSB's programs, and to review proposed laws and regulations to determine their potential impact on CSB's programs and operations.

CSB Improved Security of Information System Resources

In Fiscal Year 2006, CSB made significant changes that enhanced the security of information system resources, according to a review conducted by a contracted consulting firm. CSB reorganized staff, consolidated functions, and took steps to correct all the security weakness identified during Fiscal Year 2005. However, the review found that the General Support System adopted did not address many Federal requirements. Further, CSB had not tested the General Support System's contingency plan during Fiscal Year 2006 and the content of the plan needs improvement. CSB also had not identified or implemented policies and procedures that address the protection of sensitive personally identifiable information.

(Report No. 2007-P-00019, Evaluation of U.S. Chemical Safety and Hazard Investigation Board's Compliance with the Federal Information Security Management Act and Efforts to Protect Sensitive Agency Information (Fiscal Year 2006), April 23, 2007)

CSB Did Not Adhere to Merit Promotion Plan

We conducted this review in response to an anonymous Hotline allegation of unfair hiring practices at CSB. CSB reassigned three investigators to supervisory positions with promotion potential to the GS-15 level. Two other CSB employees had applied for the positions but were not selected.

In our view, CSB used an overly subjective and inconsistent approach that did not adhere to its Merit Promotion Plan. CSB's selection process did not emphasize experience as a factor, as required, even though CSB officials said they announced the supervisory positions in-house because successful candidates needed knowledge of CSB. Not adhering to the Merit Promotion Plan suggested favoritism.

We recommended that for future promotions, CSB should evaluate candidates and manage the selection process in accordance with CSB policy. We also recommended that CSB update the Merit Promotion Plan. CSB generally concurred with our recommendations, but objected to the implication that it did not manage the selection process in accordance with CSB policy or basic principles of fairness. CSB has indicated

it conducted benchmarking of its Merit Promotion Plan against those in five other Federal agencies.

*(Report No. 2007-S-00001, U.S. Chemical Safety and Hazard Investigation Board
Did Not Adhere to Its Merit Promotion Plan, June 4, 2007 – Report Cost: \$147,907)*

Other Activities

OIG Works with Agency to Strengthen Followup Process

As part of a joint effort with the Agency to strengthen the audit followup process, the OIG began implementing a new OIG followup policy for independent verification of Agency followup actions in response to OIG recommendations. The combined efforts address the need to coordinate, verify, track, and report on the status of Agency actions taken on OIG recommendations.

According to the Institute of Internal Auditors, followup is a process by which “internal auditors determine the adequacy, effectiveness and timeliness of actions taken by management on all reported audit findings.” Office of Management and Budget Circular A-50 notes that audit followup is a “shared responsibility” between the audited and auditor entities.

Both the OIG and EPA’s Office of the Chief Financial Officer, which is the Agency organization responsible for followup, have recognized that this complex process is not consistently understood or implemented. Further, they agreed that the Agency Audit Management Tracking System does not have complete records from which the status of actions can be determined, and there is no independent oversight to verify whether agreed-to actions are being completed.

The Office of the Chief Financial Officer and the OIG initiated separate and joint actions to improve Agency attention to its process and accountability for completing agreed-to actions on OIG recommendations. The Chief Financial Officer, with input from the OIG, issued executive directions to EPA leadership on their responsibility for audit management, including instructions for recording the status of actions with explanations in the Agency Audit Management Tracking System, and requirements for management certification that agreed-to actions have been completed. Also, the Office of the Chief Financial Officer and the OIG conducted Agency-wide training on followup.

During this semiannual period, the OIG began conducting independent reviews on the status of Agency actions taken on selected nonfinancial OIG recommendations summarized in the Inspector General’s Semiannual Reports to Congress for the preceding 4-year period. These reviews will be ongoing, to provide updated inventory reports to the Deputy Administrator and Assistant Administrators on the status of Agency action on OIG recommendations. They will classify the status of recommendations as: (1) implemented, (2) unimplemented for management attention, and (3) in progress. Additionally, the OIG will use this review process to help improve the quality of OIG recommendations.

EPA OIG Staff Help Lead Government-wide Training Program of New Auditors

EPA OIG staff played an important role in developing key training courses for Government auditors through the President’s Council on Integrity and Efficiency. With

the dissolution of the Inspector General Audit Training Institute, a collaborative effort among the Inspector General audit community occurred to provide introductory auditor training for Fiscal Year 2007. The Introductory Training Task Force filled a critical gap for the audit community to provide basic training in professional competencies for entry level personnel.

This collaborative effort brought together resources and instructors for five 2-week sessions of intensive introductory classes. The task force members used volunteered resources to design the curriculum, arrange facilities, obtain and update course materials, schedule students and instructors, and deliver training. Between April 1 and September 28, 2007, the task force trained nearly 200 entry-level personnel from 22 Federal Inspector General and Department of Defense audit organizations.

Several members of the EPA OIG were key task force organizers; developers of the curriculum, instructional, and presentation materials; and actual instructors. Deborah Heckman taught a half-day session, "Overview of the Government Auditing Standards." Jerri Dorsey and Chris Dunlap taught a 1-day class, "Evidence, Documentation, and Determining Significance of Results and Sufficiency of Evidence." Michael Binder, who served as one of the organizers, taught nearly 4 days of classes on the Inspector General Act, Audit Planning, Fraud Detection, Followup, Audit Communications, Reporting, and Behavioral Aspects of Auditing.

OIG Staff Speak at National Conferences

Members of the EPA OIG have been nationally recognized and sought as guest speakers at association and industry training conferences for their knowledge and leadership in developing and implementing innovative approaches in planning, performance measurement, quality assurance, and internal control assessment.

In April 2007, Michael Binder gave a presentation at the EPA National Budget Conference on linking performance, planning, and accountability for return on investment through the application of logic models, a hierarchy of measures, and activity-based cost accounting. In May 2007, Mr. Binder gave a presentation at the Performance Institute National Conference on Auditing for Results on the use of logic models and Strengths, Weaknesses, Opportunities, and Threats (SWOT) analysis to plan, measure, and report results.

Deborah Heckman gave a presentation in May 2007 at a National Association of Inspectors General conference on implementing a meaningful audit quality assurance process. At the same conference, Mr. Binder participated in a presentation on OIG strategic planning and performance measurement for results from concept to action. This conference was attended by several hundred participants representing State and local offices of inspector general from across the country. The invitation to speak was issued because the Association selected the EPA OIG Strategic Plan and Performance Measures as an industry best practice.

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 EPA and to make recommendations concerning their impact. The primary basis for our comments is the OIG's audit, evaluation, investigation, and legislative experiences, as well as our participation on the President's Council on Integrity and Efficiency. During the reporting period, we reviewed 24 proposed changes to legislation, regulations, policy, and procedures that could affect EPA. We provided comments on 14 of those proposed changes. We also reviewed drafts of Office of Management and Budget circulars, a program operations manual, directives, and reorganizations. Details on several items follow.

Proposed Revisions to Government Auditing Standards for Quality Control and Assurance and Peer Review. The EPA OIG provided several comments and suggestions on the proposed revisions to the quality control and assurance section of the *Government Auditing Standards*, including:

- **External Peer Review Frequency** – Sarbanes-Oxley requires inspections annually or every 3 years depending on the volume of work of the public audit organization. The requirement for organizations that comply with the *Government Auditing Standards* is less stringent. The rules should be at least as rigorous as Sarbanes-Oxley.
- **Paragraph 3.53 f.** – This paragraph does not prescribe or recommend the frequency of monitoring compliance with quality control.
- **Paragraph 3.53 f.(6)** – This paragraph requires a “determination of corrective actions necessary.” However, a requirement to follow up (track) the corrective actions to determine whether the problems have been corrected should also be included.

Personal Identity Verification and Smart Card Policy for Assistance Recipients.

EPA's Office of Grants and Debarment proposed to update the Assistance Administration Manual by adding a section outlining EPA policy regarding grantee security requirements under Homeland Security Presidential Directive - 12. The purpose of this revision was to strengthen the management of common identification standards for individuals working under EPA assistance agreements. We commented that the Agency already had existing guidance in this area that should be referenced in the Office of Grants and Debarment's guidance. Also, we noted that the Agency's existing guidance included a two-part test that must be met before someone is to be granted a Personal Identity Verification badge, and commented that the Office of Grants and Debarment's guidance did not include this two-part test. The Office of Grants and Debarment agreed with our comments.

Proposed Revision to Resources Management Directive System 2520,

Administrative Control of Appropriated Funds, Exposure Draft 3.1. We noted that some of our previously submitted comments on exposure draft 3.0 were not incorporated into exposure draft 3.1. We asked that the Office of the Chief Financial Officer consider incorporating our previous comments into the final draft prior to submitting the document to the Office of Management and Budget for approval. We believe the Office of the Chief Financial Officer missed an opportunity to make a linkage between Funds Control, the Federal Managers' Financial Integrity Act, and Office of Management and Budget

Circular A-123 beyond merely acknowledging these requirements. *Administrative Control of Appropriated Funds* should be more explicit about the requirements of the Federal Managers' Financial Integrity Act and Office of Management and Budget Circular A-123. The responsibility for the administrative control of funds starts with each EPA manager in carrying out basic supervisory and controllership functions. It is not confined to the budget and financial management staff. Resources Management Directive System 2520 needs to have a linkage to management responsibility for creating a strong control environment, and the executing and testing controls, as is required by the Federal Managers' Financial Integrity Act and Office of Management and Budget Circular A-123.

Statistical Data

Profile of Activities and Results

Audit Operations Office of Inspector General Reviews		
	April 1, 2007 to September 30, 2007 (\$ in millions)	Fiscal 2007
Questioned Costs *		
▪ Total	\$14.3	\$41.1
▪ Federal	\$11.5	\$38.2
Recommended Efficiencies *		
▪ Federal	\$7.3	\$16.6
Costs Disallowed to be Recovered		
▪ Federal	\$26.4	\$29.5
Costs Disallowed as Cost Efficiency		
▪ Federal	\$5.8	\$15.1
Reports Issued - Office of Inspector General Reviews	40	71
Reports Resolved (Agreement by Agency officials to take satisfactory corrective actions) **	132	236

Audit Operations Other Reviews (Reviews Performed by Another Federal Agency or Single Audit Act Auditors)		
	April 1, 2007 to September 30, 2007 (\$ in millions)	Fiscal 2007
Questioned Costs *		
▪ Total	\$77.6	\$267.2
▪ Federal	\$7.3	\$17.9
Recommended Efficiencies *		
▪ Federal	\$0.0	\$13.0
Costs Disallowed to be Recovered		
▪ Federal	\$5.2	\$6.7
Costs Disallowed as Cost Efficiency		
▪ Federal	\$0.0	\$0.0
Reports Issued – Other Reviews		
▪ EPA Reviews Performed by Another Federal Agency	82	198
▪ Single Audit Act Reviews	<u>77</u>	<u>152</u>
Total	159	350
Agency Recoveries Recoveries from Audit Resolutions of Current and Prior Periods (cash collections or offsets to future payments) ***	\$0.6	\$1.6

Investigative Operations		
	April 1, 2007 to September 30, 2007 (\$ in millions)	Fiscal 2007
Fines and Recoveries (including civil) ****	\$4.291	\$5.003
Cost Savings *****	\$1.963	\$1.963
Cases Open During Period	27	44
Cases Closed During Period *****	34	99
Indictments/Informations of Persons or Firms	19	21
Convictions of Persons or Firms	2	10
Civil Judgments/Settlements/Filings	3	4

* Questioned Costs and Recommended Efficiencies are subject to change pending further review in the audit resolution process. Total Questioned Costs include contracts of other Federal agencies.

** 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.

**** Total includes actions resulting from joint investigations.

***** Total Fiscal Year 2007 Federal (EPA) cost efficiencies, including those from investigative operations and unrecognized amounts from the prior semiannual period, equal \$33.9 million.

***** Includes three cases closed in prior period.

Audit Report Resolution

Status Report on Perpetual Inventory of Reports in Resolution Process for Semiannual Period Ending September 30, 2007

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, 2007 *	146	\$77,520	\$13,068	\$31,473	\$0
B. Which were issued during the reporting period	199	\$18,819	\$7,324	\$137	\$5,824
C. Which were issued during the reporting period that required no resolution	81	\$0	\$0	\$0	\$0
Subtotals (A + B - C)	264	\$96,339	\$20,392	\$31,610	\$5,824
D. For which a management decision was made during the reporting period	132	\$42,327	\$5,879	\$31,610	\$5,824
E. For which no management decision was made by September 30, 2007	132	\$54,012	\$14,513	\$0	\$0
F. Reports for which no management decision was made within 6 months of issuance	59	\$36,980	\$13,013	\$0	\$0

* 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.

Status of Management Decisions on Inspector General Reports

This section presents statistical information as required by the Inspector General Act of 1978, as amended, on the status of EPA management decisions on reports issued by the OIG involving monetary recommendations. As presented, information in Tables 1 and 2 cannot be used to assess results of reviews performed or controlled by this office. Many of the reports were prepared by other Federal auditors or independent public accountants. EPA OIG staff do not manage or control such assignments. Auditees frequently provide additional documentation to support the allowability of such costs subsequent to report issuance.

Table 1 - Inspector General-Issued Reports with Questioned Costs for Semiannual Period Ending September 30, 2007 (dollars in thousands)

Report Category	No. of Reports	Questioned Costs *	Unsupported Costs
A. For which no management decision was made by April 1, 2007 **	67	\$77,520	\$28,256
B. New reports issued during period	45	\$18,819	\$12,535
Subtotals (A + B)	112	\$96,339	\$40,791
C. For which a management decision was made during the reporting period	52	\$42,327	\$4,833
(i) Dollar value of disallowed costs	33	\$31,610	\$203
(ii) Dollar value of costs not disallowed	19	\$10,717	\$4,630
D. For which no management decision was made by September 30, 2007	60	\$54,012	\$35,958
Reports for which no management decision was made within 6 months of issuance	25	\$36,980	\$25,049

* Questioned costs include the 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 tracking system.

Table 2 - Inspector General-Issued Reports with Recommendations that Funds Be Put to Better Use for Semiannual Period Ending September 30, 2007 (dollars in thousands)

Report Category	No. of Reports	Dollar Value
A. For which no management decision was made by April 1, 2007 *	3	\$13,068
B. Which were issued during the reporting period	3	\$7,324
Subtotals (A + B)	6	\$20,392
C. For which a management decision was made during the reporting period	4	\$5,879
(i) Dollar value of recommendations from reports that were agreed to by management	2	\$5,824
(ii) Dollar value of recommendations from reports that were not agreed to by management	1	\$50
(ii) Dollar value of non-awards or unsuccessful bidders	1	\$5
D. For which no management decision was made by September 30, 2007	1	\$14,513
Reports for which no management decision was made within 6 months of issuance	1	\$13,013

* 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 tracking system.

Audits with No Final Action as of September 30, 2007, Which Are Over 365 Days Past the Date of the Accepted Management Decision (including Audits in Appeal)

Audits	Total	Percentage
Program	31	69%
Assistance Agreements	0	0%
Contract Audits	0	0%
Single Audits	13	29%
Financial Statement Audits	1	2%
Total	45	100%

Summary of Investigative Results

Summary of Investigative Activity during Period

Cases open as of April 1, 2007	118
Cases opened during period	27
Cases closed during period	34
Cases pending as of September 30, 2007	111

Investigations Pending by Type as of September 30, 2007

	Superfund	Management	Split Funded	Total
Contract	5	11	0	16
Assistance Agreement	0	28	1	29
Employee Integrity	0	19	0	19
Program Integrity	2	6	0	8
Computer Crime	1	3	0	4
Laboratory Fraud	6	24	0	30
Other	3	2	0	5
Total	17	93	1	111

Results of Prosecutive Actions

	EPA OIG Only	Joint *	Total
Criminal Indictments / Informations / Complaints	5	14	19
Convictions	0	2	2
Civil Judgments / Settlements / Filings	3	0	3
Fines and Recoveries (including Civil)	\$15,423	\$4,275,182	\$4,290,605
Prison Time	0 months	140 months	140 months
Prison Time Suspended	0 months	0 months	0 months
Probation	60 months	252 months	312 months
Community Service	0 hours	400 hours	400 hours

Administrative Actions

	EPA OIG Only	Joint *	Total
Suspensions	7	0	7
Debarments	1	4	5
Voluntary Exclusions	1	1	2
Other Administrative Actions	15	4	19
Total	24	9	33
Cost Savings	\$0	\$1,962,925	\$1,962,925

* With another Federal agency.

Scoreboard of Results

Scoreboard of OIG Fiscal Year 2007 Performance Results Compared to Fiscal Year 2007 Annual Performance Goal Targets

All results reported in Fiscal Year 2007, from current and prior years' work, are as reported in OIG Performance Measurement and Results System and the Inspector General Operations Reporting system.

OIG Fiscal Year 2007 Government Performance and Results Act Annual Performance Targets Compared to Fiscal Year 2007 Results Reported	Supporting Measures
Goal: Contribute to Human Health and Environmental Quality Through Improved Business Practices, Accountability, and Integrity of Program Operations	
Environmental Improvements/Actions/Changes Improvements in Business/Systems/Efficiency Risks Reduced or Eliminated <i>Target: 318; Reported: 464 (146%)</i>	7 Legislative/regulatory changes/decisions 7 Examples of environmental improvement 5 Environmental best practices implemented 19 Management best practices implemented 27 Environmental policy, process, practice, control changes 115 Management policy, process, practice, control changes 268 Certifications/validations/verifications/corrections 16 Environmental/mgt. risks reduced/eliminated
Environmental and Business Recommendations, Challenges, Best Practices, and Risks Identified <i>Target: 925; Reported: 949 (103%)</i>	26 Environmental Recommendations (for Agency/stakeholder action) 784 Management Recommendations (for Agency/stakeholder action) 28 Critical congressional or public management concerns addressed 12 Best environmental practices identified 59 Best management practices identified 19 Referrals for Agency action 13 New FMFIA/A-123/mgt. challenges/risks identified 8 Environmental risks identified
Return on Investment: Potential dollar return as percentage of OIG budget \$50.4 million <i>Target: \$75.6 M; Reported: \$95.2 M (EPA) (126%)</i>	<i>(Dollars in Millions)</i> \$ 56.3 Questioned costs (net EPA) \$ 29.7 Recommended efficiencies, costs saved (EPA) \$ 5.0 Fines, recoveries, settlements \$ 4.2 Additional efficiencies not in resolution process *
Criminal, Civil, and Administrative Actions Reducing Risk of Loss/Operational Integrity <i>Target: 80; Reported: 103 (129%)</i>	10 Criminal convictions 21 Indictments/informations/complaints 4 Civil judgments/settlements/filings 68 Administrative actions
Sustained Monetary Recommendations and Savings Achieved from Current and Prior Periods: \$ 53.4 M Sustained Environmental and Management Recommendations Sustained for Resolution: 354 (no goals established)	<i>(Dollars in Millions)</i> \$ 36.3 Questioned costs sustained \$ 17.1 Cost efficiencies sustained or realized * 15 Environmental recommendations sustained 339 Management recommendations sustained

* \$2 million in efficiencies from investigative operations was sustained but not submitted through Agency resolution process.

Appendices

Appendix 1 - Reports Issued

The Inspector General Act 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.	Title	Final Report Issued	Questioned Costs			Federal Recommended Efficiencies
			Ineligible Costs	Unsupported Costs	Unreasonable Costs	
PERFORMANCE REPORTS						
2007-P-00016	Ringwood Mines/Landfill Superfund Site	2-Apr-07	0	0	0	0
2007-P-00019	Chemical Safety Board - FISMA & PII Report for FY 2006	23-Apr-07	0	0	0	0
2007-P-00020	FY 2006 Peer Review of Commerce	24-Apr-07	0	0	0	0
2007-P-00021	EPA Contracting Through the Corps of Engineers	30-Apr-07	0	0	0	\$2,500,000
2007-P-00022	Assistance Agreements - Tribal Program Implementation Issues	3-May-07	0	0	0	0
2007-P-00023	Clean Water Compliance and Enforcement	9-May-07	0	0	0	0
2007-P-00024	Assistance Agreements - Impact of Earmarks	10-May-07	0	0	0	0
2007-P-00025	Followup on Actions in Response to OIG Water Reports	24-May-07	0	0	0	0
2007-P-00026	Status of Superfund Alternative Sites with No Signed Agreement	6-Jun-07	0	0	0	0
2007-P-00027	Benchmarking Other Organizations' Statistically Valid Compliance	20-Jun-07	0	0	0	0
2007-P-00028	Effectiveness of ENERGY STAR	1-Aug-07	0	0	0	0
2007-P-00029	Superfund Board of Directors	1-Aug-07	0	0	0	0
2007-P-00030	EPA's Implementation of Electronic Data Collection	20-Aug-07	0	0	0	0
2007-P-00031	Chesapeake Bay Land Use	10-Sep-07	0	0	0	0
2007-P-00032	Chesapeake Bay Federal Facilities Compliance with the CWA	6-Sep-07	0	0	0	0
2007-P-00034	Groundwater Contamination Panola County TX	11-Sep-07	0	0	0	0
2007-P-00035	EPA's Protection of PII & Privacy Program	17-Sep-07	0	0	0	0
2007-P-00036	Planning for Future TMDL Reviews	18-Sep-07	0	0	0	0
2007-P-00037	Progress in Use of FSS Orders, But More Action Needed	20-Sep-07	0	0	0	0
2007-P-00038	Lake Anna Permit	20-Sep-07	0	0	0	0
2007-P-00039	OIG Congressional Request - Ringwood Mines/Landfill Superfund	25-Sep-07	0	0	0	0
2007-P-00040	Strategic Agricultural Initiative (SAI)	25-Sep-07	0	0	0	\$1,500,000
2007-P-00041	Voluntary Programs Could Benefits from Internal Policy Controls	25-Sep-07	0	0	0	0
	TOTAL PERFORMANCE REPORTS = 23		\$0	\$0	\$0	\$4,000,000
ASSISTANCE AGREEMENT REPORTS						
2007-2-00030	City of Huron, South Dakota	30-Jul-07	\$109,453	0	0	0
2007-2-00039	City of Middletown, New York	25-Sep-07	\$433,700	0	0	0
2007-2-00040	City of Fallon, Nevada	26-Sep-07	\$311,607	\$39,309	0	0
2007-4-00065	Environmental Careers Organization	25-Jun-07	\$1,277,472	\$4,750,342	0	0
2007-4-00068	Ozone Transport Commission	31-Jul-07	0	\$1,519,361	0	0
2007-4-00078	Cheyenne River Sioux Tribe	24-Sep-07	\$64,765	\$3,037,062	0	0
	TOTAL ASSISTANCE AGREEMENT REPORTS = 6		\$2,196,997	\$9,346,074	\$0	\$0
SINGLE AUDIT REPORTS						
2007-3-00077	Lake Superior State University - FY 2005	3-Apr-07	0	0	0	0
2007-3-00078	Vermont, State of - FY 2004	3-Apr-07	0	0	0	0
2007-3-00079	Western Michigan University - FY 2006	5-Apr-07	0	0	0	0
2007-3-00080	Duke University - FY 2005	5-Apr-07	0	0	0	0
2007-3-00081	Michigan State University - FY 2005	5-Apr-07	0	0	0	0
2007-3-00082	Texas, State of - FY 2005	12-Apr-07	0	0	0	0
2007-3-00083	Wayne State University - FY 2005	12-Apr-07	0	0	0	0
2007-3-00084	Michigan Department of Agriculture - FY 2004	12-Apr-07	0	0	0	0
2007-3-00085	Wyoming, University of - FY 2005	12-Apr-07	0	0	0	0
2007-3-00086	Hawaii Department of Health - FY 2005	23-Apr-07	0	0	0	0
2007-3-00087	Hobart, City of - FY 2005	23-Apr-07	0	0	0	0
2007-3-00088	Wyandotte, City of - FY 2005	23-Apr-07	0	0	0	0
2007-3-00089	Rockford, City of - FY 2005	24-Apr-07	0	0	0	0
2007-3-00090	Sparta, City of - FY 2005	24-Apr-07	0	0	0	0
2007-3-00091	Guam, Government of - FY 2004	24-Apr-07	0	\$21,107	0	0
2007-3-00092	Guam, Government of - FY 2005	24-Apr-07	\$12,808	0	0	0
2007-3-00093	Commonwealth of the Northern Mariana Islands - FY 2003	1-May-07	0	0	0	0
2007-3-00094	Commonwealth of the Northern Mariana Islands - FY 2004	1-May-07	0	0	0	0
2007-3-00095	Commonwealth of the Northern Mariana Islands - FY 2005	1-May-07	0	0	0	0
2007-3-00096	Fort Independence Indian Community of Paiute Indians - FY 2005	14-May-07	0	0	0	0
2007-3-00097	Los Angeles, Department of Water and Power - FY 2005	14-May-07	0	0	0	0

Report No.	Title	Final Report Issued	Questioned Costs			Federal Recommended Efficiencies
			Ineligible Costs	Unsupported Costs	Unreasonable Costs	
2007-3-00098	Corlina Indian Rancheria - FY 2005	14-May-07	0	\$345,788	0	0
2007-3-00099	Athabascan Tribal Governments - FY 2005	15-May-07	0	0	0	0
2007-3-00100	Georgia, State of - FY 2005	18-May-07	0	0	0	0
2007-3-00101	Burlington, City of - FY 2005	18-May-07	0	0	0	0
2007-3-00102	Sumner, City of - FY 2005	18-May-07	0	0	0	0
2007-3-00103	American Society of Civil Engineers and Affiliates - FY 2005	18-May-07	0	0	0	0
2007-3-00104	Alliance for the Chesapeake Bay, Inc. - FY 2005	18-May-07	0	0	0	0
2007-3-00105	Nondalton Tribal Council - FY 2003	21-May-07	0	0	0	0
2007-3-00106	Nondalton Tribal Council - FY 2004	21-May-07	0	0	0	0
2007-3-00107	Washington, State of - FY 2005	21-May-07	0	0	0	0
2007-3-00108	Northern Marianas College - FY 2005	21-May-07	0	0	0	0
2007-3-00109	Native Village of Kotzebue - FY 2005	21-May-07	0	0	0	0
2007-3-00110	University of Southern California - FY 2005	24-May-07	0	0	0	0
2007-3-00111	Center for Watershed Protection, Inc. - FY 2005	29-May-07	0	0	0	0
2007-3-00112	American Cities Foundation - FY 2005	29-May-07	0	0	0	0
2007-3-00113	Clarksburg, City of - FY 2005	29-May-07	0	0	0	0
2007-3-00114	Red Cliff Band of Lake Superior Chippewas - FY 2005	29-May-07	0	0	0	0
2007-3-00115	Children's National Medical Center and Subsidiaries - FY 2005	11-Jun-07	0	0	0	0
2007-3-00116	Wayne, Charter County of - FY 2004	12-Jun-07	0	\$1,102,607	0	0
2007-3-00117	Harvard University - FY 2005	20-Jun-07	0	0	0	0
2007-3-00118	Harvard University - FY 2006	22-Jun-07	0	0	0	0
2007-3-00119	Lake Michigan Air Directors Consortium - FY 2005	22-Jun-07	0	0	0	0
2007-3-00120	Vermont, State of - FY 2006	29-Jun-07	0	0	0	0
2007-3-00121	Guam Waterworks Authority - FY 2005	9-Jul-07	0	0	0	0
2007-3-00122	Wayne, Charter County of - FY 2005	10-Jul-07	0	0	0	0
2007-3-00123	Green Bay Metropolitan Sewerage District - FY 2005	10-Jul-07	0	0	0	0
2007-3-00124	Oregon, State of - FY 2006	12-Jul-07	0	0	0	0
2007-3-00125	Kingbrook Rural Water System, Inc. - FY 2005	16-Jul-07	0	0	0	0
2007-3-00126	Native Village of Goodnews Bay - FY 2005	16-Jul-07	0	0	0	0
2007-3-00127	Minnesota Public Facilities Authority - FY 2005	16-Jul-07	0	0	0	0
2007-3-00128	Hoopa Valley Tribe - FY 2005	23-Jul-07	0	0	0	0
2007-3-00129	Rosebud Sioux Tribe, SD - FY 2005	23-Jul-07	0	0	0	0
2007-3-00130	Picayune Rancheria of the Chukchansi Indian Tribe - CA 2005	23-Jul-07	0	\$178,348	0	0
2007-3-00131	Sac & Fox Nation of Missouri - FY 2005	24-Jul-07	0	0	0	0
2007-3-00132	Pyramid Lake Paiute Tribe - FY 2002	24-Jul-07	0	0	0	0
2007-3-00133	National Caucus and Center on Black Aged, Inc. - FY 2005	24-Jul-07	0	0	0	0
2007-3-00134	Harbor Branch Oceanographic Institution, Inc. - FY 2005	25-Jul-07	0	0	0	0
2007-3-00135	Tennessee, State of - FY 2006	25-Jul-07	0	0	0	0
2007-3-00136	Natl Assoc. of Develop Organizations Rsch Found - FY 2005	26-Jul-07	0	0	0	0
2007-3-00137	Delaware, State of - FY 2006	26-Jul-07	\$3,426	\$1,506,919	\$0	0
2007-3-00138	Puget Sound Clean Air Agency - FY 2005	26-Jul-07	0	0	0	0
2007-3-00139	New York, State of - FY 2006	26-Jul-07	0	0	0	0
2007-3-00140	North Carolina, State of - FY 6/30/06	27-Jul-07	0	0	0	0
2007-3-00141	South Dakota Association of Conservation Districts, Inc.	2-Aug-07	0	0	0	0
2007-3-00142	Tesuque, Pueblo of, NM - FY 2005	2-Aug-07	0	0	0	0
2007-3-00143	Pit River Tribe - FY 2005	6-Aug-07	\$17,978	0	0	0
2007-3-00144	San Juan Pueblo, NM - FY 2005	7-Aug-07	0	0	0	0
2007-3-00145	Southeastern States Air Resources Managers, Inc. - FY 2005	16-Aug-07	\$54,284	0	0	0
2007-3-00146	Missouri, State of - FY 2006	16-Aug-07	0	0	0	0
2007-3-00147	West Virginia, State of - FY 2006	16-Aug-07	0	0	0	0
2007-3-00148	Soboba Band of Luiseno Indians - FY 2005	23-Aug-07	0	0	0	0
2007-3-00149	Florida, State of - FY 2006	27-Aug-07	\$593,390	0	0	0
2007-3-00150	Seminole Nation of Oklahoma - FY 2005	28-Aug-07	0	\$33,963	0	0
2007-3-00151	Havasupai Tribe - FY 2005	6-Sep-07	0	0	0	0
2007-3-00152	New Mexico Environment Department - FY 2005	6-Sep-07	0	0	0	0
2007-3-00153	Wayne County Water and Sewer Authority - FY 2005	20-Sep-07	0	0	0	0
TOTAL SINGLE AUDIT REPORTS = 77			\$681,886	\$3,188,732	\$0	\$0
OIG-ISSUED CONTRACT REPORTS						
2007-4-00053	Mixed Funding Claim No. 2 - Bofors-Nobel	4-Apr-07	0	0	0	0
2007-4-00056	York Oil CERCLA Response Claim Nos. 3 and 4	26-Apr-07	0	0	0	0
2007-4-00062	Application Controls Over E&E's Time & Expense System	14-May-07	0	0	0	0
2007-4-00063	E&E FY 2005 Adequacy Review	23-May-07	0	0	0	0
2007-4-00064	Mixed Funding Claim No. 2 - Armour Road	4-Jun-07	0	0	0	0
2007-4-00069	York Oil Mixed Funding Claim No. 5	31-Jul-07	0	0	0	0
TOTAL OIG-ISSUED CONTRACT REPORTS = 6			\$0	\$0	\$0	\$0
DEFENSE CONTRACT AUDIT AGENCY (DCAA) CONTRACT REPORTS						
2007-1-00057	Tetra Tech NUS, Inc. - FY 9/30/2004 Incurred Cost	2-Apr-07	0	0	0	0
2007-1-00058	Environomics - FYE 12/31/2005 Incurred Cost	2-Apr-07	0	0	0	0
2007-1-00059	National Academy of Sciences - FY 12/31/2004 Incurred Cost	5-Apr-07	\$70,900	0	0	0
2007-1-00060	Zedek Corporation - FYE 10/31/2003 Incurred Cost	6-Apr-07	\$2,727	0	0	0
2007-1-00061	Lockheed Martin Services Group - FY 12/31/2004 I/C	10-Apr-07	\$694,178	0	0	0
2007-1-00062	Earth Tech Remediation Services - FY 2003 Incurred Cost	10-Apr-07	\$29,227	0	0	0
2007-1-00063	Kemron Environmental Services FYE 5/31/2004 Incurred Cost	19-Apr-07	0	0	0	0
2007-1-00064	URS Operating Services Inc.-FY 1997 Incurred Cost	23-Apr-07	\$569,748	0	0	0

Report No.	Title	Final Report Issued	Questioned Costs			Federal Recommended Efficiencies
			Ineligible Costs	Unsupported Costs	Unreasonable Costs	
2007-1-00065	EC/R Incorporated - FY 12/31/2004 Incurred Cost	24-Apr-07	0	0	0	0
2007-1-00066	Systems Research & Applications - FY 2005 Incurred Cost	2-May-07	\$14,868	0	0	0
2007-1-00067	Bionetics Corp - FY 2004 Incurred Cost	4-May-07	0	0	0	0
2007-1-00068	Business Technologies & Solutions, Inc.	7-May-07	0	0	0	0
2007-1-00069	Toeroek Associates Inc. - FY 12/31/2004 Incurred Cost	15-May-07	0	0	0	0
2007-1-00072	Metcalf & Eddy Inc. - FYE 9/30/2004 Incurred Cost	25-Jun-07	\$10,782	0	0	0
2007-1-00073	STG, Inc. - FYE 12/31/2002 Incurred Costs	25-Jun-07	0	0	0	0
2007-1-00074	Eastern Research Group, Inc. - FY 2005 Incurred Costs	25-Jun-07	\$86,191	0	0	0
2007-1-00075	Legin Group, Inc. - FY 12/31/2004 Incurred Cost	27-Jun-07	0	0	0	0
2007-1-00076	Tetra Tech EC, Inc. - FY 2005 Incurred Cost	29-Jun-07	0	0	0	0
2007-1-00077	CH2M Hill, Inc. - FY 2005 I/C	2-Jul-07	0	0	0	0
2007-1-00078	Syracuse Research Corporation - FY 2006 Incurred Cost	18-Jul-07	0	0	0	0
2007-1-00079	Science Applications Intl Corporation - FYE 1/31/2005 I/C	18-Jul-07	\$119,696	0	0	0
2007-1-00080	Lockheed Martin Services, Inc. - FY 2005 Incurred Cost	6-Aug-07	\$133,069	0	0	0
2007-1-00081	Great Lakes Environmental Ctr - FY 12/31/2004 Incurred Cost	26-Jul-07	0	0	0	0
2007-1-00082	Aqua Terra Consultants - FY 06/26/2005 Incurred Cost	31-Jul-07	0	0	0	0
2007-1-00083	SecTek, Inc. - CFYE 9/30/2003 Incurred Cost	8-Aug-07	\$61	0	0	0
2007-1-00084	Northbridge Environmental - FY 2005 I/C	13-Aug-07	\$242,921	0	0	0
2007-1-00085	Transcontinental Enterprises, FYE 9/30/2003 Incurred Cost	14-Aug-07	\$35,067	0	0	0
2007-1-00086	Transcontinental Enterprises, Inc. - FY 2004 Incurred Cost	14-Aug-07	\$92,849	0	0	0
2007-1-00087	Tetra Tech EC, Inc. - FY 10/1/2004 Incurred Cost	21-Aug-07	0	0	0	0
2007-1-00088	E. H. Pechan & Associates - FY 06/30/2001 Incurred Cost	20-Aug-07	\$3,662	0	0	0
2007-1-00089	STG, Incorporated - FYE 12/31/2003 Incurred Costs	28-Aug-07	\$29,352	0	0	0
2007-1-00090	ABT Associates Inc.- FY 2002 Incurred Cost	29-Aug-07	\$123,686	0	0	0
2007-1-00091	WRS Infrastructure & Environment, Inc. - FYE 12/31/2005 I/C	4-Sep-07	0	0	0	0
2007-1-00092	Zedek Corporation - FYE 10/31/2004 Incurred Cost	5-Sep-07	\$4,370	0	0	0
2007-1-00093	ICF Consulting Group, Inc. - FY 12/31/2004 Incurred Cost	5-Sep-07	0	0	0	0
2007-1-00094	CDM Federal Programs Corp. - FY 12/31/2004 Incurred Cost	7-Sep-07	\$18,494	0	0	0
2007-1-00095	Gannett Fleming, Inc. - FY 2005 I/C	11-Sep-07	0	0	0	0
2007-1-00096	Vistrionix, Inc. - FYE 12/31/2000 Incurred Cost	19-Sep-07	0	0	0	0
2007-1-00097	National Academy of Sciences FYE 12/31/2003 Incurred Cost	20-Sep-07	\$27,058	0	0	0
2007-1-00098	Shaw E&I QATS Segment - FY 2004 Incurred Cost Audit	20-Sep-07	\$51,615	0	0	0
2007-1-00099	Perrin Quarles Associates, Inc. - FY 2005 Incurred Cost	21-Sep-07	\$2,256	0	0	0
2007-1-00100	Environmental Restoration, LLC. - FY 2005 I/C	25-Sep-07	0	0	0	0
2007-1-00101	Logistics Management Institute (LMI) - FY 9/30/2004 I/C	27-Sep-07	0	0	0	0
2007-1-00102	DynCorp, Inc. - FYE 12/31/2004 Incurred Cost	27-Sep-07	\$11,230	0	0	0
2007-1-00103	URS Operating Services Inc.-FY2001 Incurred Cost	27-Sep-07	\$984,868	0	0	0
2007-1-00104	Great Lakes Environmental Center - FY 2005 I/C	27-Sep-07	0	0	0	0
2007-2-00025	Enterprise Technology - FY 2005 I/C	2-May-07	0	0	0	0
2007-2-00026	PARS Environmental, LLC - Preaward PR-CI-07-10068	8-May-07	0	0	0	0
2007-2-00027	Matrix Environmental & Geotechnical Services - FY 2005 I/C	21-Jun-07	0	0	0	0
2007-2-00028	Tetra Tech NUS Inc. - FY 2004 RAC - 68-S6-3003	29-Jun-07	\$5,132	0	0	0
2007-2-00029	Tetra Tech/BVSPC Joint Ven-FY2001 RAC Closeout 68S73002	31-Jul-07	0	0	0	0
2007-2-00031	Project Resources, Inc. - FY 12/31/2004 Incurred Cost	31-Jul-07	0	0	0	0
2007-2-00032	Black & Veatch Special Proj. Corp.-FY2001 RAC 68-W-99-043	1-Aug-07	0	0	0	0
2007-2-00033	TN & Associates - FY 12/31/2004 Incurred Cost	6-Aug-07	0	0	0	0
2007-2-00034	CH2M Hill, Inc. - FY 2004 RAC - 68-W6-0025	14-Aug-07	0	0	0	0
2007-2-00035	CH2M Hill, Inc. - FY 2003 RAC - Contract #68-W9-8225	20-Aug-07	0	0	0	0
2007-2-00036	CH2M Hill, Inc. - FY 2004 RAC 68-W9-8225	28-Aug-07	0	0	0	0
2007-2-00037	CDM Federal Program Corp - FY 2003 RAC - 68-W9-8210	18-Sep-07	\$8,654	0	0	0
2007-2-00038	CH2M Hill, Inc. - FY 2002 RAC 68-W9-8225	21-Sep-07	0	0	0	0
2007-2-00041	CDM Federal Prog Corp-FY2003 RAC Ann'l Closeout 68-S7-3003	27-Sep-07	\$3,305	0	0	0
2007-2-00042	42'	27-Sep-07	0	0	0	0
2007-2-00043	URS Corporation-FY2000 RAC Closeout 68-W9-8228	27-Sep-07	\$5,269	0	0	0
2007-2-00044	CDM Federal Prog Corp-FY2003 RAC Ann'l Closeout 68-W5-0022	27-Sep-07	\$24,522	0	0	0
2007-4-00054	Metcalf & Eddy, Inc. - FY 2007 Labor Floorcheck	19-Apr-07	0	0	0	0
2007-4-00055	Shaw Environmental & Infrastructure, Inc. - MAARS 6	23-Apr-07	0	0	0	0
2007-4-00057	Shaw Environmental & Infrastructure, Inc. - CAS 415	30-Apr-07	0	0	0	0
2007-4-00058	SAIC - Companies 1, 6 & 9 - FY 2006 Floorchecks	30-Apr-07	0	0	0	0
2007-4-00059	SAIC - Company 6 - FY 2006 CAS 420	3-May-07	0	0	0	0
2007-4-00060	SAIC - Company 9 - FY 2006 Disclosure Statement	7-May-07	0	0	0	0
2007-4-00061	Shaw Environmental & Infrastructure, Inc. - Budget System	11-May-07	0	0	0	0
2007-4-00066	Metcalf & Eddy, Inc. - FY 2007 CAS 410	22-Jun-07	0	0	0	0
2007-4-00067	Battelle - ICAPS - FY 2006 Indirect & ODC System	2-Jul-07	0	0	0	0
2007-4-00070	Battelle - ICAPS - FY 2006 Billing System	9-Aug-07	0	0	0	0
2007-4-00071	Midwest Research Institute - FY 2005 Accounting System	30-Aug-07	0	0	0	0
2007-4-00072	CH2M Hill, Inc. (INC) - FY 2006 Estimating System	4-Sep-07	0	0	0	0
2007-4-00073	Tetra Tech EMI - CAS Revised Disclosure Statement FY2006	4-Sep-07	0	0	0	0
2007-4-00074	Tetra Tech EMI - CAS 418	4-Sep-07	0	0	0	0
2007-4-00075	CH2M Hill, Inc. (INC) - FY 2006 Indirect/ODC System	10-Sep-07	0	0	0	0
2007-4-00076	Tetra Tech EMI - CAS 420	17-Sep-07	0	0	0	0
2007-4-00077	Master Key Resources, LLC - Preaward Accounting Review	18-Sep-07	0	0	0	0
2007-4-00079	Weston Solutions, Inc. - FY 2006 Billing System	25-Sep-07	0	0	0	0
2007-4-00080	National Academy of Sciences - FY 2006 Budget System	26-Sep-07	0	0	0	0
	TOTAL DCAA CONTRACT REPORTS = 82		\$3,405,757	\$0	\$0	\$0

Report No.	Title	Final Report Issued	Questioned Costs			Federal Recommended Efficiencies
			Ineligible Costs	Unsupported Costs	Unreasonable Costs	
FINANCIAL STATEMENT REPORTS						
2007-1-00070	2006 FIFRA Financial Statement Audit (Master)	30-May-07	0	0	0	0
2007-1-00071	2006 PRIA Financial Statement Audit (Master)	30-May-07	0	0	0	0
	TOTAL FINANCIAL STATEMENT REPORTS = 2		\$0	\$0	\$0	\$0
SPECIAL REVIEW REPORTS						
2007-S-00001	CSB Personnel Activities - Hotline	31-May-07	0	0	0	0
2007-S-00002	Superfund Special Accounts - Thermo Chem	20-Aug-07	0	0	0	3,324,000
2007-S-00003	FY 2007 FISMA Evaluation	25-Sep-07	0	0	0	0
	TOTAL SPECIAL REVIEW REPORTS = 3		\$0	\$0	\$0	\$3,324,000
	TOTAL REPORTS ISSUED = 199		\$6,284,640	\$12,534,806	\$0	\$7,324,000

Appendix 2 - Reports Issued Without Management Decisions

The Inspector General Act requires a summary of each audit report issued before the commencement of the reporting period for which no management decision has been made by the end of the reporting period (including the date and title of each such report), an explanation of the reasons such management decision has not been made, and a statement concerning the desired timetable for achieving a management decision on each such report. (The OIG provides the summary, the date and title of each such report. The Agency provides the explanation of the reasons such management decision has not been made, and a statement concerning the desired timetable for achieving a management decision on each such report.)

IG Followup Status Codes of Agency's Response at 09/30/2007:

- [] No Response
- 0 Resolution Pending Receipt of Additional Information
- 1 Proposed Response Received Awaiting Final Determination
- 2 Incomplete Response Received
- 3 Proposed Response Received in Review Process
- 5 Report Reactivated/Awaiting Response
- 6 Resolution Under Negotiation in Headquarters
- 7 Referred to Audit Resolution Board

Office of Air and Radiation

Report No.: 2004-P-00033

Title: Effectiveness of Strategies to Reduce Ozone Precursors

Issued: 09/29/2004

Despite national and regional progress, some major metropolitan areas have not achieved the ozone precursor emission reductions required by the 1990 Act. Our analysis of EPA emissions data for "serious," "severe," and "extreme" ozone non-attainment areas indicates that some major metropolitan areas may not have achieved the required 3-percent annual emission reductions in ozone precursor emissions. Since 1990, 23 of 28 emissions reduction plans submitted by 10 of the serious to extreme non-attainment areas raised questions as to whether required precursor emissions reductions were achieved by the dates specified in the Act. Further, precursor emissions in some areas may actually have increased. While EPA air trends reports have emphasized that ozone levels are declining nationally and regionally, only 5 of 25 non-attainment areas designated serious to extreme have experienced substantial downward trends in ozone levels. For some areas, EPA data indicate emission controls for the last 10 years have generally offset growth but have not significantly reduced ozone levels (emissions reductions should be net of growth). Also, analyses by EPA and other researchers indicate that recent downward trends in ozone may be more related to changes in weather patterns than emission reductions. Delays in reducing ozone levels can have serious health implications for persons in non-attainment areas.

EPA provided an action plan to the OIG that provided a partial list of actions planned in response to our report and we closed 8 of the 25 recommendations (Recs. 3-1, 3-4, 3-6, 6-2, 6-3, 8-1, 8-2, and 8-4). We sent a memo to EPA in May 2005 explaining that, once the final Milestone Compliance Demonstration (MCD) rule is promulgated, we may close out 6 additional recommendations (Recs. 2-2, 3-3, 5-1, 5-2, 5-3, and 5-5) if the MCD rule adequately addresses these recommendations. Additionally, we explained that we may be able to close 5 other recommendations (Recs. 2-1, 5-4, 6-1, 7-1, and 7-2) that the Agency was considering in concert with its efforts to address the recommendations of the National Academy of Sciences/National Research Council's CAAAC Air Quality Management work group. We also explained that we needed more specifics about the action(s) being taken or planned to address other recommendations (Recs. 3-2, 3-5, 4-1, 4-2, 8-3, 8-5). Subsequently, in May 2006 we met with management and staff of EPA's State and Local Programs Group/Air Quality Policy Division of the Office of Air Quality Planning and Standards (OAQPS), and were told that the Agency had decided not to issue the MCD rule. Instead, the Agency planned to issue guidance to EPA regions that they could share with their States. They explained that such guidance would be faster than a regulatory approach and there were only a limited number of areas at the time that fell into the serious, severe, or extreme non-attainment category under the new .08 ppm, 8-hour ozone standard. Staff acknowledged that more areas may come under these categories in the future. We do not agree that guidance is an acceptable alternative to following through on the Clean Air Act's mandate to promulgate

rules requiring that States demonstrate progress in reducing precursor emissions, including a reliable method to measure ozone precursor emission reduction efforts. Regarding the recommendations of the National Academy of Sciences/National Research Council's CAAAC Air Quality Management work group, the Agency formed an ongoing quality management task force. OAQPS officials said they would wait until the Agency task force report comes out before they develop any other plan to address the OIG's open recommendations. We will continue to followup on the Agency's actions regarding our Ozone Precursor Emissions report.

EXPLANATION OF THE REASONS MANAGEMENT DECISION HAS NOT BEEN MADE

As communicated to the OIG, OAQPS briefed and received AA guidance on the feasibility and effectiveness of an MCD rule/guidance considering the recent Ozone Rule impact and Office of Management and Budget Good Guidance requirements. We have prepared an alternative solution and requested to meet with the OIG on the issue in October 2007.

DESIRED TIMETABLE FOR ACHIEVING A MANAGEMENT DECISION

Expect resolution by November 2007.

IG Followup Status as of: 09/30/2007 [2]

Report No.: 2005-P-00003

Title: Development of the Proposed MACT for Utility Units

Issued: 02/02/2005

Evidence indicated that EPA senior management instructed EPA staff to develop a Maximum Achievable Control Technology (MACT) standard for mercury that would result in national emissions of 34 tons annually, instead of basing the standard on an unbiased determination of what the top performing coal-fired units were achieving in practice. The Clean Air Act requires that a MACT standard should, at a minimum, be based on the emissions levels achieved by the top performing 12 percent of units, not a targeted national emissions result. The 34-tons-per-year target was based on the amount of mercury reductions expected to be achieved from the co-benefit of implementing nitrogen oxide and sulfur dioxide controls under a separately proposed, but related, air rule, known as the Clean Air Interstate Rule. The 34-ton target was prescribed by EPA senior management, and prior estimates were lower. Because the results of the MACT standard were prescribed and prior estimates were lower than what was proposed, we believed it was likely that the standard understated the average amount of mercury emissions reductions achieved by the top performing 12 percent of power units. We also reported that the Agency's cap-and-trade proposal could be strengthened to better ensure that anticipated emission reductions would be achieved. On March 31, 2005, EPA issued the final Clean Air Mercury Rule (CAMR), which adopted a cap-and-trade approach to controlling mercury emissions.

EPA submitted its response to our final report on May 4, 2005. Based on this response, we agreed to close out two recommendations, hold three recommendations in abeyance pending the outcome of litigation, and hold four recommendations open pending receipt of a corrective action plan for implementing those recommendations. After EPA's initial response to our report, the Agency decided to open CAMR for reconsideration on October 28, 2005. On January 25, 2006 the Agency requested an extension for completing its response to our report for all seven open recommendations until the rule reconsideration process was completed. On February 2, 2006 we granted the Agency's request for an extension. The reconsidered CAMR rule was issued May 31, 2006, essentially unchanged from the earlier rule. On June 19, 2006, about 16 States filed lawsuits challenging EPA's reconsidered CAMR rule, and on January 12, 2007, these and other suits were combined into one case which is pending before the U.S. Court of Appeals – District of Columbia Circuit. Since our report raised questions about the data and process EPA used in developing CAMR, we will hold the recommendations in abeyance until the Court's ruling, in which event they may be applicable if the Agency conducts additional Mercury analyses. We will continue to monitor Agency actions regarding the findings and recommendations in our February 2005 report.

EXPLANATION OF THE REASONS MANAGEMENT DECISION HAS NOT BEEN MADE

Resolution continues to be on Hold; Beyond Agency Control. This audit report partially overlaps the Mercury Hotspots report 2006-P-00025, and we are waiting to see if an assessment of CAMR's impact is feasible using the National Lake Fish Tissue Study as a baseline.

IG Followup Status as of: 09/30/2007 [0]

Report No.: 2006-P-00017

Title: Emissions Factors Management, Use, and Benefits

Issued: 03/22/2006

Industry, EPA, State, local, and tribal agencies, environmental groups, and others use emissions factors to develop the emissions data that underlie a host of important environmental decisions. These decisions include setting permit limits for industrial facilities, developing control strategies, measuring environmental progress, assessing facility compliance, and demonstrating results under the Government Performance and Results Act of 1993. About 80 percent of emissions determinations are the result of emissions factors. EPA has made progress in emissions factors development since the OIG reviewed the program in 1996, but a large number of factors continue to be rated low. The number of EPA-rated factors increased by nearly 94 percent, from 8,838 in 1996 to 17,110 in 2004. However, the percentage of emissions factors rated below average or poor increased from 56 percent in 1996 to 62 percent in 2004. EPA faces significant challenges in improving emissions factors. We found (1) conflicting guidance on the appropriate use of emissions factors, (2) a rating system which did not quantify the uncertainty associated with the emission factor, (3) inadequate funding of the emissions factor program, and (4) lack of a comprehensive plan to improve data collection and set emissions factor priorities. Without reliable emissions factors, users cannot be sure that (1) air pollution control strategies target the right industries or products; (2) permitting programs establish appropriate emission limits; or that (3) air programs are effective in reducing air pollution.

EPA generally agreed with our report and provided a corrective action plan to the OIG in August 2006 that enabled the OIG to close 9 of 13 recommendations. We followed up with the Office of Air and Radiation in March 2007 and confirmed that the Agency issued a Quality Management Plan in October 2006 calling for data used for the development of emissions factors to meet data quality requirements; thus, we were able to close Rec. 3-2(e). We will continue to monitor the Agency's actions regarding the findings and recommendations in our March 2006 Emissions Factors report.

EXPLANATION OF THE REASONS MANAGEMENT DECISION HAS NOT BEEN MADE

The IG provided marked up Strategic Plan back to OAQPS. We are working final revisions based on their recommendations. Expect resolution by November 2007. EPA continues to disagree with recommendation to commit outyear funding to the emissions factors program, but will continue to appropriate balance resources and priorities in the best interest of the EPA's mission.

DESIRED TIMETABLE FOR ACHIEVING A MANAGEMENT DECISION

Expect resolution by November 2007

IG Followup Status as of: 09/30/2007 [2]

Report No.: 2006-P-00025

Title: Mercury Hot Spots Analysis under CAMR

Issued: 05/11/2006

About 40 percent of U.S. man-made airborne mercury is emitted from coal-fired utilities. EPA adopted a nationwide cap-and-trade program to reduce mercury emissions whereby utilities can buy and sell credits among one another in a national emissions market. Utilities that cannot cost-effectively reduce emissions may buy allowances from units that reduced emissions below established allowance limits. Several State agencies and environmental groups objected to the cap-and-trade system. One concern was that a cap-and-trade program could result in localized areas with unacceptably high levels of mercury, or "hotspots." Although the Agency concluded that the Clean Air Mercury Rule (CAMR) will not result in "utility-attributable" hotspots, the OIG found in its evaluation that there were: gaps in available data and science for mercury emissions estimates; limitations with the model used for predicting mercury deposition; uncertainty over how mercury reacts in the atmosphere; and uncertainty over how mercury changes to a more toxic form in waterbodies. Due to the uncertainties associated with the Agency's analysis of the potential for mercury hotspots, the OIG recommended that the Acting Assistant Administrator for Air and Radiation work with the Assistant Administrator for Research and Development to develop and implement a mercury monitoring plan, including milestones and responsible program offices for implementing each component of the plan, to: (1) assess the impact of CAMR, if adopted, on mercury deposition and fish tissue; and (2) evaluate and refine, as necessary, mercury estimation tools and models.

EPA generally agreed with our report and provided a corrective action plan to the OIG in August 2006. After assessing the Agency corrective action plan, the OIG kept the above recommendation open pending the receipt of additional information from the Agency. The Agency responded to our request with additional information, but indicated that it was unsure as to whether fish tissue sampling, specifically, would continue beyond 2008 due to

budget limitations. Because data from fish tissue is necessary to monitor the impact of CAMR and the potential for mercury hotspots, the OIG replied to the Agency in January 2007 that the recommendation would remain open. We will review the final Agency budget to determine if a fish tissue sampling plan is a part of the EPA's activities for 2008. Thus, a resolution to this recommendation is on hold while we await final Agency budget information.

EXPLANATION OF THE REASONS MANAGEMENT DECISION HAS NOT BEEN MADE

This report remains on hold by OIG due to issues beyond Agency control.

IG Followup Status as of: 09/30/2007 [0]

Office of Administration and Resources Management

Report No.: 2007-P-00011

Title: Review of Interagency Contracts

Issued: 03/27/2007

The U.S. Government Accountability Office has designated management of interagency contracting a governmentwide high-risk area since 2005. We sought to determine whether EPA effectively follows interagency contracting requirements by ensuring products and services meet quality, cost, and timeliness requirements. We also looked into whether opportunities exist to improve EPA's processes for managing interagency contracts.

We recommended that the Assistant Administrator for the Office of Administration and Resources Management: (1) provide guidance to project officers for developing independent government cost estimates or other appropriate cost information, as well as cost reasonableness assessments; (2) ensure that the Grants Administration Division reviews cost reasonableness assessments prepared by program offices; (3) provide guidance to project officers for identifying alternatives to the contracting vehicle selected; (4) strengthen the existing training to include how to develop independent government cost estimates or other appropriate cost information, conducting cost reasonableness assessments, and identifying alternatives; and (5) work with program officials to ensure that project officer performance standards reflect their responsibilities for managing interagency contracts.

EXPLANATION OF THE REASONS MANAGEMENT DECISION HAS NOT BEEN MADE

Final corrective actions depend on the issuance of Office of Federal Procurement Policy guidance. While the issuance of this guidance is beyond the Office of Grants and Debarment's (OGD's) control, we expect final action to take place before July 2008.

IG Followup Status as of: 09/30/2007 [2]

Financial Analysis and Rate Negotiation Service Center

Report No.: 2004-1-00099

Title: Lockheed Martin Services Group - FYE 12/31/2002 Incurred Cost

Issued: 08/23/2004

The Defense Contract Audit Agency (DCAA) questioned indirect costs of \$3,595,399 of which \$2,128 is applicable to EPA contracts. DCAA qualified the audit results pending receipt of assist audit reports. Audit on hold due to other cognizant Federal Agency (DoD).

EXPLANATION OF THE REASONS MANAGEMENT DECISION HAS NOT BEEN MADE

Resolution on Hold

IG Followup Status as of: 09/30/2007 [0]

Report No.: 2005-1-00171
Title: Advanced Technologies Systems, Inc. - FY 2003 Incurred Cost
Issued: 09/26/2005

DCAA questioned indirect costs for Fiscal Years 2001-2003.

- Applicable to Fiscal Year 2001: \$13,904
- Applicable to Fiscal Year 2002: \$6,891
- Applicable to Fiscal Year 2003: \$13,928

Audit on hold due to other cognizant Federal Agency (DOE).

EXPLANATION OF THE REASONS MANAGEMENT DECISION HAS NOT BEEN MADE
Resolution on Hold

IG Followup Status as of: 09/30/2007 [0]

Report No.: 2006-4-00016
Title: Shaw Environmental & Infrastructure, Inc.-FY 2005 Billing Sys
Issued: 10/14/2005

The contractor's billing system and related internal control polices and procedures were considered inadequate in part, resulting in a delay of the contract closeout process. Audit on hold due to other cognizant Federal Agency (DoD).

EXPLANATION OF THE REASONS MANAGEMENT DECISION HAS NOT BEEN MADE
Resolution on Hold

IG Followup Status as of: 09/30/2007 [0]

Report No.: 2006-4-00046
Title: SAIC - FY 2004 Compensation System Review
Issued: 12/14/2005

In DCAA's opinion, the contractor's compensation system was inadequate. DCAA found deficiencies that may result in unreasonable costs. Audit on hold due to other cognizant Federal Agency resolution (DoD).

EXPLANATION OF THE REASONS MANAGEMENT DECISION HAS NOT BEEN MADE
Resolution on Hold

IG Followup Status as of: 09/30/2007 [0]

Report No.: 2006-4-00094
Title: Computer Sciences Corporation - FY 2006 Floor Check
Issued: 04/18/2006

In DCAA's opinion, certain contractor labor practices require corrective action to improve the reliability of the contractor's labor accounting system. Audit on hold due to other cognizant Federal Agency (DoD).

EXPLANATION OF THE REASONS MANAGEMENT DECISION HAS NOT BEEN MADE
Resolution on Hold

IG Followup Status as of: 09/30/2007 [0]

Report No.: 2006-4-00100
Title: Black & Veatch SPC- FY 2005 MAAR 6 (Floor Check)
Issued: 05/08/2006

Based on DCAA's review, certain contractor labor practices require corrective action to improve the reliability of the contractor's labor accounting system. DCAA also noted other matters involving the timekeeping system and related internal controls which, although not considered to be significant deficiencies, are detailed in the report. Audit on hold due to other cognizant Federal Agency (DoD).

EXPLANATION OF THE REASONS MANAGEMENT DECISION HAS NOT BEEN MADE
Resolution on Hold

IG Followup Status as of: 09/30/2007 [0]

Report No.: 2006-4-00120
Title: National Academy of Sciences - FY 2006 Info Tech System
Issued: 07/20/2006

DCAA determined that the contractor's Information Technology system general internal controls are inadequate in part. Audit on hold due to other cognizant Federal Agency (ONR).

EXPLANATION OF THE REASONS MANAGEMENT DECISION HAS NOT BEEN MADE
Resolution on Hold

IG Followup Status as of: 09/30/2007 [0]

Report No.: 2006-4-00165
Title: National Academy of Sciences - FY 2006 Indirect/ODC System
Issued: 09/27/2006

In DCAA's opinion, the contractor service centers cost system and related internal control policies and procedures are inadequate in part. DCAA's examination noted certain significant deficiencies in the design or operation of the Indirect/Other Direct Costs system process. Audit on hold due to other cognizant Federal Agency.

EXPLANATION OF THE REASONS MANAGEMENT DECISION HAS NOT BEEN MADE
Resolution on Hold

IG Followup Status as of: 09/30/2007 [0]

Report No.: 2006-4-00169
Title: National Academy of Sciences - FY 2006 Labor System
Issued: 09/29/2006

In DCAA's opinion, the contractor's labor system and related internal control policies and procedures are inadequate in part. DCAA's examination noted certain significant deficiencies in the design or operation of the internal control structure. The assignment is on hold due to other cognizant Federal Agency.

EXPLANATION OF THE REASONS MANAGEMENT DECISION HAS NOT BEEN MADE
Resolution on Hold

IG Followup Status as of: 09/30/2007 [0]

Report No.: 2007- 4-00011

Title: National Academy of Sciences - FY 2006 Electronic Timekeeping System

Issued: 10/24/2006

DCAA determined that the contractor's Electronic Timekeeping System internal controls are inadequate in part. This audit is on hold awaiting resolution by DoD, the cognizant agency.

EXPLANATION OF THE REASONS MANAGEMENT DECISION HAS NOT BEEN MADE

Resolution on Hold

IG Followup Status as of: 09/30/2007 [0]

Report No.: 2007-1-00016

Title: URS Corporation (c/o URS Greiner, Inc.) - FY 2001 Incurred Cost

Issued: 11/13/2006

DCAA questioned a total of \$188,772,784 in direct and indirect costs. Of these, \$5,585,929 are claimed direct costs, of which \$1,328,189 are from EPA Contract No. 68- W9-8225. The questioned indirect expenses, impacted all eight fringe, overhead and G&A rates. Of the questioned indirect costs, EPA's share is \$401,412, for a total of \$1,729,601 in questioned direct and indirect costs. We note that the contractor did not agree with the questioned costs, so the files provided by the contractor are not adjusted for the questioned costs. This audit is on hold awaiting resolution of the questioned costs by DOD, the cognizant agency.

EXPLANATION OF THE REASONS MANAGEMENT DECISION HAS NOT BEEN MADE

Resolution on Hold

IG Followup Status as of: 09/30/2007 [0]

Report No.: 2007-4-00038

Title: Weston Solutions - FY 2006 Floor Checks

Issued: 01/08/2007

DCAA expressed no opinion on the adequacy of the contractor's labor accounting system taken as a whole, as it had determined that certain labor practices required corrective action to improve the reliability of the labor accounting system. The conditions are detailed in the "Statement of Conditions and Recommendations" section of the report. This audit will be held open pending the results of the followup audit in 6 months.

EXPLANATION OF THE REASONS MANAGEMENT DECISION HAS NOT BEEN MADE

Resolution on Hold

IG Followup Status as of: 09/30/2007 [0]

Report No.: 2007-1-00036

Title: Parsons Infrastructure & Technology - FYE 12/31/2004 I/C

Issued: 01/25/2007

In DCAA's opinion, the direct costs for EPA contracts are acceptable, however, DCAA questioned the overhead and G&A indirect rate. DCAA questioned direct costs but EPA contracts were not affected. Total questioned costs were 5,867,739, however EPA's portion is \$9,975 or .17%. On hold pending resolution from DOD.

EXPLANATION OF THE REASONS MANAGEMENT DECISION HAS NOT BEEN MADE

Resolution on Hold

IG Followup Status as of: 09/30/2007 [0]

Grants Administration Division (now Grants and Interagency Agreements Management Division)

Report No.: 2002-2-00008

Title: MBI International Assistance Agreement

Issued: 01/29/2002

MBI did not have adequate justification to support the award of sole source contracts. Also, MBI's procurement practices did not meet Federal requirements. As a result, \$1,301,365, consisting of \$1,201,857 in contract costs and \$99,508 in consultant costs, is not eligible for Federal reimbursement. Further, there were apparent conflicts of interest between MBI, its subsidiary (GRT), and companies created by GRT.

EXPLANATION OF THE REASONS MANAGEMENT DECISION HAS NOT BEEN MADE

OGD is developing an action plan to address complex issues for the recipient, and expects the Final Determination Letter (FDL) in January 2008.

DESIRED TIMETABLE FOR ACHIEVING A MANAGEMENT DECISION

Expect resolution by January 2008

IG Followup Status as of: 09/30/2007 [5]

Report No.: 2003-S-00001

Title: Region 7 Grants Proactive

Issued: 05/29/2002

We questioned over \$2 million because the Coordinating Committee on Automotive Repair (CCAR) did not account for the funds in accordance with Federal rules, regulations, and terms of the agreement.

EXPLANATION OF THE REASONS MANAGEMENT DECISION HAS NOT BEEN MADE

OIG questioned all costs claimed (\$2,026,837) on three projects between 1995-2001. CCAR has submitted the required indirect cost rate information for the audit period and has provided documentation that its financial management system and time distribution system meet the requirements of EPA's assistance regulations and Office of Management and Budget Circular A-122. However, reconstructed accounting records CCAR submitted in December 2005 for Fiscal Years 1996 and 1997 do not substantiate the costs they charged to the project. EPA requested additional information to substantiate the costs, but CCAR has not responded. EPA will follow up with CCAR and issue the final determination disallowing costs by November 2007.

DESIRED TIMETABLE FOR ACHIEVING A MANAGEMENT DECISION

Expect resolution by November 2007

IG Followup Status as of: 09/30/2007 [2]

Report No.: 2003-3-00113

Title: American Indian Science & Engineering Society 1999-2001

Issued: 04/23/2003

Costs were not approved or were not supported. Questioned costs totaled \$104,760.

EXPLANATION OF THE REASONS MANAGEMENT DECISION HAS NOT BEEN MADE

There are three reports under review for the years 1999-2000. The report includes findings of inadequate internal controls and questioned costs totaling \$163,125. The report has been reviewed and the recipient's responses to the findings are being reviewed. The response submitted indicates that procedures have been implemented and the conditions no longer exist. However, GAD has received the audit report for audit period 2002. Although the report does not question any costs, it indicates some of the pre-existing internal control issues still exist. GAD is working on determining appropriate resolution and recommendations to resolve the findings. Final determination is expected October 2007.

DESIRED TIMETABLE FOR ACHIEVING A MANAGEMENT DECISION

Expect resolution by October 2007

IG Followup Status as of: 09/30/2007 [5]

Report No.: 2003-3-00114
Title: American Indian Science & Engineering Society 1999-2001
Issued: 04/23/2003

Cost were not approved and not properly supported. Questioned costs totaled \$58,365.

EXPLANATION OF THE REASONS MANAGEMENT DECISION HAS NOT BEEN MADE
There are three reports under review for the years 1999-2000. The report includes findings of inadequate internal controls and questioned costs totaling \$163,125. The report has been reviewed and the recipient's responses to the findings are being reviewed. The response submitted indicates that procedures have been implemented and the conditions no longer exist. However, GAD has received the audit report for audit period 2002. Although the report does not question any costs, it indicates some of the pre-existing internal control issues still exist. GAD is working on determining appropriate resolution and recommendations to resolve the findings. Final determination is expected October 2007.

DESIRED TIMETABLE FOR ACHIEVING A MANAGEMENT DECISION
Expect resolution by October 2007

IG Followup Status as of: 09/30/2007 [5]

Report No.: 2003-3-00121
Title: Assoc of State & Interstate Water Pol. Control Ags FY 2001
Issued: 05/07/2003

Grantee drew down \$93,986 in excess of expenditures for three EPA programs.

EXPLANATION OF THE REASONS MANAGEMENT DECISION HAS NOT BEEN MADE
EPA is working on determining appropriate resolution and recommendations to resolve the findings. Final determination is expected December 2007.

IG Followup Status as of: 09/30/2007 [5]

Report No.: 2003-4-00120
Title: Geothermal Heat Pump Consortium, Inc. - Costs Claimed
Issued: 09/30/2003

Questioned \$1,153,472 due to material financial management deficiencies. The Consortium's financial management system was inadequate in that the Consortium did not:(1) separately identify and accumulate costs for all direct activities, such as membership support and lobbying; (2) account for program income generated by the activities funded by the EPA agreements; (3) prepare or negotiate indirect cost rates; (4) prepare written procedures for allocating costs to final cost objectives; (5) maintain an adequate labor distribution system; and (6) provide adequate support for direct cost allocations. The Consortium also did not (1) competitively procure contractual services or perform any of the required cost and price analyses; and (2) comply with all report requirements.

EXPLANATION OF THE REASONS MANAGEMENT DECISION HAS NOT BEEN MADE
OGD is reviewing the financial statements and the lobbying disclosure statements to identify allowable costs. The Grants Specialist and new Branch Chief are working to resolve the issues of this audit.

DESIRED TIMETABLE FOR ACHIEVING A MANAGEMENT DECISION
Resolution is expected by January 2008

IG Followup Status as of: 09/30/2007 []

Report No.: 2004-4-00014
Title: Consumer Federation of America Foundation - Costs Claimed
Issued: 03/01/2004

EPA awarded the cooperative agreements to the Consumer Federation of America Foundation based on applications that showed labor and other operating costs. The Foundation did not have any employees, space, or overhead

expenses. Instead, the Consumer Federation of America, an ineligible lobbying organization performed the work. Also, the recipient did not manage the funds according to Federal regulations. As a result, we questioned over \$4 million.

EXPLANATION OF THE REASONS MANAGEMENT DECISION HAS NOT BEEN MADE

OGD has requested revised information from the recipient regarding some contracts. Waiting on the information and OGD expects the FDL in November 2007.

DESIRED TIMETABLE FOR ACHIEVING A MANAGEMENT DECISION

Expect resolution by November 2007

IG Followup Status as of: 09/30/2007 [2]

Report No.: 2005-3-00036

Title: National Indian Health Board, FY 2002

Issued: 12/30/2004

The Board was allocating salary costs to grants based on pre-determined formulas. No support, in the form of time sheets, was located for those allocations. Also, amounts charged to various grants were not always supported by original documentation. Therefore, we questioned \$31,960 as unsupported.

EXPLANATION OF THE REASONS MANAGEMENT DECISION HAS NOT BEEN MADE

Due to audit workload, audit resolution has been reassigned. GAD expects FDL December 2007.

DESIRED TIMETABLE FOR ACHIEVING A MANAGEMENT DECISION

Expect resolution by December 2007

IG Followup Status as of: 09/30/2007 []

Report No.: 2005-3-00148

Title: American Registry of Pathology FY 2002

Issued: 04/06/2005

DCAA performed an incurred cost audit of the Research and Development Federal Cluster and questioned \$356,574, which it deemed to be unallowable, relating to direct and indirect costs. DCAA did not identify the amount applicable to EPA funding. Recipient did not have specific controls in place to determine that vendors were not suspended or debarred by the Federal Government.

EXPLANATION OF THE REASONS MANAGEMENT DECISION HAS NOT BEEN MADE

OGD has new management staff and a new specialist working on this audit. OGD expects resolution in January 2008.

DESIRED TIMETABLE FOR ACHIEVING A MANAGEMENT DECISION

Expect resolution by January 2008

IG Followup Status as of: 09/30/2007 []

Report No.: 2005-3-00217

Title: American Indian Science and Engineering Society-FY 2002

Issued: 08/30/2005

The Society held \$19,289 in deferred revenue for EPA grant, Surveys, Studies, Investigations, and Special Purpose.

EXPLANATION OF THE REASONS MANAGEMENT DECISION HAS NOT BEEN MADE

There are three reports under review for the years 1999-2000. The report includes findings of inadequate internal controls and questioned costs totaling \$163,125. The report has been reviewed and the recipient's responses to the findings are being reviewed. Although the report does not question any costs, it indicates some of the pre-existing

internal control issues still exist. GAD is working on determining appropriate resolution and recommendations to resolve the findings. Final determination is expected December 2007.

DESIRED TIMETABLE FOR ACHIEVING A MANAGEMENT DECISION
Expect resolution by December 2007

IG Followup Status as of: 09/30/2007 []

Report No.: 2005-3-00226
Title: Assoc State/Interstate Water Pollution Control Admin, FY 2002
Issued: 09/12/2005

Recording of grant expenditures was not done accurately or on a timely basis during the year. The recording of fringe benefits related to direct grant salaries and wages and the recording of indirect costs associated with total direct grant costs were not done monthly. In addition, direct salaries and wages were incorrectly recorded to the NPS grant after the grant period expired. An adjustment was made to properly record these costs to the integrated grant. Because the grants have expired, costs totaling \$11,276 are being questioned due to over-requesting funds in excess of supported costs.

EXPLANATION OF THE REASONS MANAGEMENT DECISION HAS NOT BEEN MADE
EPA is working on determining appropriate resolution and recommendations to resolve the findings. Final determination is expected December 2007.

IG Followup Status as of: 09/30/2007 [5]

Report No.: 2006-3-00006
Title: Alfred University, FY 2004
Issued: 10/13/2005

The University's current accounting system provides certified payroll information on an individual grant basis. However, the payroll distribution system does not provide a proportionate break down of each employee's total time between each sponsored program he/she may be working on and other non-sponsored activities. The auditor questioned costs of \$649,506, but could not determine the direct impact upon EPA's program.

EXPLANATION OF THE REASONS MANAGEMENT DECISION HAS NOT BEEN MADE
OGD requested additional information from Alfred University. OGD is now working with University to obtain financial paperwork on second audit (2007-3-00037) which contained the same findings as this audit. GAD expects FDL in December 2007.

DESIRED TIMETABLE FOR ACHIEVING A MANAGEMENT DECISION
Expect resolution by December 2007.

IG Followup Status as of: 09/30/2007 []

Report No.: 2006-3-00111
Title: National Tribal Environmental Council, Inc. FY 2003
Issued: 05/15/2006

The Council did not prepare or submit its Quarterly Financial Status Reports (FSR 269) to EPA.

EXPLANATION OF THE REASONS MANAGEMENT DECISION HAS NOT BEEN MADE
OGD has a new management staff. OGD expects FDL on October 31, 2007.

DESIRED TIMETABLE FOR ACHIEVING A MANAGEMENT DECISION
Expect resolution by October 2007

IG Followup Status as of: 09/30/2007 []

Report No.: 2006-4-00122

Title: AA – ASIWPCA

Issued: 07/31/2006

The Association did not comply with the financial and program management standards and the procurement standards promulgated in Title 40 Code of Federal Regulations, Subchapter B, Part 30. The Association (1) could not provide support for any of its general journal entries; (2) included duplicate recorded costs in its accounting system; (3) could not always trace grant draws to the accounting records; (4) could not always support labor charged to the EPA grants; (5) could not support the recorded indirect costs; (6) did not record all of its program income; (7) did not have adequate written procedures for determining reasonable, allocable, and allowable costs; (8) drew EPA grant funds in excess of the funds needed; and (9) did not complete the required single audits for fiscal years ended June 30, 2004, and June 30, 2005. As a result, we questioned as unsupported a total of \$1,883,590 in EPA grant payments for seven grants.

EXPLANATION OF THE REASONS MANAGEMENT DECISION HAS NOT BEEN MADE

GAD is awaiting the finalization of the pre-award certification. At that time, GAD will develop a course of action to universally resolve all of the audits for ASIWPCA. The final determination letter is expected before December 31, 2007.

DESIRED TIMETABLE FOR ACHIEVING A MANAGEMENT DECISION

Expect resolution by December 2007.

IG Followup Status as of: 09/30/2007 []

Report No.: 2006-3-00199

Title: Howard University, FY 2005

Issued: 09/07/2006

The University had numerous program non-compliances related to timekeeping, funds matching, sub-recipient monitoring, financial reporting and equipment disposal.

EXPLANATION OF THE REASONS MANAGEMENT DECISION HAS NOT BEEN MADE

Due to staff changes at Howard University, OGD is still waiting for the recipient to provide additional documentation. OGD expects the FDL in December 2007.

DESIRED TIMETABLE FOR ACHIEVING A MANAGEMENT DECISION

Expect resolution by December 2007

IG Followup Status as of: 09/30/2007 []

Report No.: 2006-3-00201

Title: American Water Works Association FY 2004

Issued: 09/13/2006

The Association did not comply with its existing procurement policies and procedures. There were two instances where the Association could not produce adequate procurement records in accordance with Office of Management and Budget Circular A-110.

EXPLANATION OF THE REASONS MANAGEMENT DECISION HAS NOT BEEN MADE

OGD is working with the recipient to resolve the procurement procedures. Resolution is expected in January 2008.

DESIRED TIMETABLE FOR ACHIEVING A MANAGEMENT DECISION

Expect resolution by January 2008

IG Followup Status as of: 09/30/2007 []

Report No.: 2007-4-00026
Title: AA - International City County Management Association
Issued: 11/28/2006

Questioned costs due to (a) lack of competition for contracts, (b) lack of oversight for sub-awards, (c) lack of documentation on sub-grants, and (d) illegal indirect costs.

EXPLANATION OF THE REASONS MANAGEMENT DECISION HAS NOT BEEN MADE
OGD has prepared a draft FDL and is working with the OIG regarding the questioned cost. The final FDL is expected in November 2007.

DESIRED TIMETABLE FOR ACHIEVING A MANAGEMENT DECISION
Expect Resolution by November 2007

IG Followup Status as of: 09/30/2007 []

Report No.: 2007-4-00027
Title: AA - National Rural Water Association – Congressional
Issued: 11/30/2006

The Association's method of allocating indirect costs over total direct costs is contrary to the requirements of the Office of Management and Budget Circular A-122. Currently, the Association does not exclude subcontracts or subawards from its indirect cost allocation base. As a result, the EPA grants are bearing a disproportionate amount of indirect costs. For the period from March 1, 1999, to February 29, 2004, EPA grants may have been over-allocated by \$2,021,821 in indirect costs. The exact amount of the indirect over-allocation will be determined during negotiation of the indirect cost rate.

EXPLANATION OF THE REASONS MANAGEMENT DECISION HAS NOT BEEN MADE
OGD is working with the recipient to resolve the indirect cost issue and the recipient is preparing documentation to support the sub-contract awards. OGD expects the FDL in December 2007.

DESIRED TIMETABLE FOR ACHIEVING A MANAGEMENT DECISION
Expect resolution by December 2007

IG Followup Status as of: 09/30/2007 []

Report No.: 2007-3-00035
Title: National Environmental Health Association - FY 2004
Issued: 12/05/2006

The Association did not establish procedures to ensure that indirect costs were charged to grants in accordance with the indirect cost plan and applicable regulations. Specifically, the Association accumulated "overhead costs" and allocated these costs to the functions of the organizations including Federal grants, and also charged indirect costs to grants based on the indirect cost rate. This could result in a duplication of overhead charges to certain programs. In addition, the Association did not appear to follow a consistent methodology to allocate these costs. The Association had several grant awards that did not coincide directly with the Association's fiscal year-end. Therefore, the grants covered multiple fiscal years. The Association had not established procedures to ensure that grant accounting provided information necessary to report results for the grant period, as well as the Association's fiscal year. In addition, grant reports were not typically prepared from accounting records.

EXPLANATION OF THE REASONS MANAGEMENT DECISION HAS NOT BEEN MADE
OGD is working with the recipient to resolve the recipient to resolve the indirect cost issues. Expect the FDL in January 2008.

DESIRED TIMETABLE FOR ACHIEVING A MANAGEMENT DECISION
Expect resolution by January 2008

IG Followup Status as of: 09/30/2007 []

Report No: 2007-3-00037
Title: Alfred University - FY 2005
Issued: 12/11/2006

The University's current system provided certified payroll information on an individual grant basis. However, the payroll distribution system did not provide a proportionate breakdown of each employee's total time between each sponsored program he or she may be working on and other non-sponsored activities. The auditor questioned costs of \$856,419, but could not determine the direct impact upon EPA's program.

EXPLANATION OF THE REASONS MANAGEMENT DECISION HAS NOT BEEN MADE
OGD combined two audits together to process FDL. OGD is now working with the University to obtain financial paperwork on the current findings in both audits. GAD expects FDL in December 2007.

DESIRED TIMETABLE FOR ACHIEVING A MANAGEMENT DECISION
Expect resolution by December 2007

IG Followup Status as of: 09/30/2007 []

Headquarters Procurement Operations Division

Report No.: 2007-2-00013
Title: IBM Business Consulting Services - Preaward - PR-HQ-05-1251
Issued: 12/21/2006

In DCAA's opinion, the cost or pricing data submitted by the offeror are inadequate in part. DCAA questioned \$13 million of the proposed direct labor, ODCs and subcontract costs.

EXPLANATION OF THE REASONS MANAGEMENT DECISION HAS NOT BEEN MADE
Resolution on hold. The contract was awarded in the first quarter of FY 2007 but EPA received a protest. The Government Accountability Office will determine whether to sustain or deny the protest. Therefore, an expected resolution date cannot be determined.

IG Followup Status as of: 09/30/2007 [0]

Office of Environmental Information

Report No.: 2006-P-00036
Title: Evaluation of Drinking Water Laboratory Procedures
Issued: 09/21/2006

Within the drinking water sample analysis process we identified hundreds of vulnerabilities that are not addressed by EPA's process. These vulnerabilities can compromise the integrity of the analysis process and the quality of data produced. Many of these vulnerabilities were identified by the OIG in 1999 and the Agency's own review in 2002, with no action by the Agency. Moreover, States that have implemented new techniques to detect laboratory integrity problems have found additional deficiencies, inappropriate procedures, and even cases of fraud. Their findings and those of our own investigators show integrity can be, and has been, compromised. However, without any national studies of water quality data that include examining the integrity of laboratories, the full extent of the problem remains unassessed. Through our work with States, laboratory organizations, and other Federal agencies, we identified promising techniques to help improve oversight and protect against inappropriate procedures and fraud in the drinking water analysis process.

EXPLANATION OF THE REASONS MANAGEMENT DECISION HAS NOT BEEN MADE
OIG attended a meeting of the Quality and Information Council Steering Committee (QIC SC) on March 15, 2007. The purpose was for OEI and the QIC SC to obtain a better understanding of the OIG's concerns and to inform the OIG of the function and processes of the QIC SC in information policy development. At the conclusion of the meeting, the QIC SC Chair suggested that the OIG attend future QIC SC meetings to provide ongoing dialogue among the OIG, OEI, and other Agency offices via the QIC SC to resolve this issue. OEI is attempting to resolve this issue by December 2007

DESIRED TIMETABLE FOR ACHIEVING A MANAGEMENT DECISION
Expect resolution by December 2007

IG Followup Status as of: 09/30/2007 [1]

Office of Water

Report No.: 2007-P-00012
Title: AA-SRF Policy Review
Issued: 03/28/2007

EPA regulations and policies allowing States to use bonds repaid from State Revolving Fund (SRF) interest to meet SRF match requirements are resulting in fewer dollars being available for water projects. Twenty States have used the Clean Water SRF to repay bonds issued to meet the required fund match, and 16 of those States also did so for the Drinking Water SRF. Current practices have resulted in an estimated \$937 million less available for loans since the inception of the SRF programs.

EXPLANATION OF THE REASONS MANAGEMENT DECISION HAS NOT BEEN MADE
Office of Water remains in disagreement with OIG's recommendation relating to the SRF State bond issue as of August 18, 2007. Office of Water is awaiting OIG's final decision as to whether this matter will be referred to the Audit Resolution Board for resolution.

DESIRED TIMETABLE FOR ACHIEVING A MANAGEMENT DECISION
Resolution cannot be determined at this time.

IG Followup Status as of: 09/30/2007 [6]

Region 1 - Regional Administrator

Report No.: 2007-1-00037
Title: SRF-New Hampshire 2005 Clean Water Audits
Issued: 02/05/2007

We issued an unqualified opinion on the financial statements but identified significant weaknesses in internal controls. We qualified our opinion on compliance with applicable laws and regulations because the State did not comply with the subrecipient monitoring requirements for followup on subrecipient Single Audits.

EXPLANATION OF THE REASONS MANAGEMENT DECISION HAS NOT BEEN MADE
Letter to Commissioner on June 6, 2007, 4 out of 5 issues acceptable responses from New Hampshire DES. Subrecipient monitoring issue not resolved. Region 1 OEP forwarded HQ Office of Water subrecipient guidance document dated August 13, 2007, to New Hampshire DES for review and action. Next step is for New Hampshire DES to develop plan to comply with subrecipient monitoring guidance. Closeout revised target February 2008.

DESIRED TIMETABLE FOR ACHIEVING A MANAGEMENT DECISION
Expected resolution by February 2008

IG Followup Status as of: 09/30/2007 [2]

Report No.: 2007-1-00044
Title: SRF-New Hampshire 2005 Drinking Water Audit
Issued: 02/26/2007

We rendered an unqualified opinion on the New Hampshire Drinking Water SRF Program financial statements for the year ended June 30, 2005. We noted various reportable conditions that we considered material weaknesses in internal controls. We qualified our opinion on compliance with applicable laws and regulations because the required State match was underfunded by \$228,436, set-aside costs were not separated and identifiable by the actual costs, and the State did not follow up on subrecipient Single Audits.

EXPLANATION OF THE REASONS MANAGEMENT DECISION HAS NOT BEEN MADE

Letter to Commissioner on June 6, 2007, 6 out of 7 issues acceptable responses from New Hampshire DES. Subrecipient monitoring issue not resolved. Region 1 OEP forwarded HQ Office of Water subrecipient guidance document dated August 13, 2007, to New Hampshire DES for review and action. Next step is for New Hampshire DES) to develop plan to comply with subrecipient monitoring guidance. Closeout revised target February 2008.

DESIRED TIMETABLE FOR ACHIEVING A MANAGEMENT DECISION

Expected resolution by February 2008

IG Followup Status as of: 09/30/2007 [2]

Region 2 - Office of Policy and Management

Report No.: 2005-3-00157

Title: Puerto Rico Environmental Quality Board (PREQB) - FY 2000

Issued: 05/05/2005

Due to the costs questioned in specific findings and lack of accounting records, we questioned all costs, totaling \$4,239,228. Region 2 has designated the grantee as "high risk" and implemented a corrective action plan to get the grantee into compliance.

EXPLANATION OF THE REASONS MANAGEMENT DECISION HAS NOT BEEN MADE

PREQB is under a new workplan which has replaced the Corrective Action Plan. CPA review and certification of costs from FY 1999-2001 is complete and grantee currently awaits CPA report. Completion of this audit resolution is expected by December 31, 2007.

DESIRED TIMETABLE FOR ACHIEVING A MANAGEMENT DECISION

Expect resolution by December 2007

IG Follow-up Status as of: 09/30/2007 []

Report No.: 2005-3-00158

Title: Puerto Rico Environmental Quality Board - FY 2001

Issued: 05/05/2005

Due to costs questioned in specific findings and lack of accounting records, we questioned all costs, totaling \$4,631,636. Region 2 has designated the grantee as "high risk" and implemented a corrective action plan to get the grantee into compliance.

EXPLANATION OF THE REASONS MANAGEMENT DECISION HAS NOT BEEN MADE

PREQB is under a new workplan which has replaced the Corrective Action Plan. CPA review and certification of costs from FY 1999-2001 is complete and grantee currently awaits CPA report. Completion of this audit resolution is expected by December 31,2007.

DESIRED TIMETABLE FOR ACHIEVING A MANAGEMENT DECISION

Expected resolution by December 2007

IG Follow-up Status as of: 09/30/2007 []

Report No.: 2005-3-00159

Title: Puerto Rico Environmental Quality Board - FY 2002

Issued: 05/05/2005

Due to costs questioned in specific findings and lack of accounting records, we questioned all costs, totaling \$2,987,768. Region 2 has designated the grantee as "high risk" and implemented a corrective action plan to get the grantee into compliance.

EXPLANATION OF THE REASONS MANAGEMENT DECISION HAS NOT BEEN MADE

PREQB is under a new workplan which has replaced the Corrective Action Plan. Among the items directly impacting resolution of the audits are the indirect cost rates. PREQB has received final rates through FY 2005, and will use those rates to request reimbursement of indirect costs for affected years, and prepare Financial Status Reports for affected grants. There has been corrective action with many of the non-cost findings in these audits, and for those costs from 2002 forward that have been CPA reviewed and certified, the disallowed costs are minimal. The overall workplan, however, seems far from complete. We expect to possibly issue resolution letters on these audits by 3/31/08.

DESIRED TIMETABLE FOR ACHIEVING A MANAGEMENT DECISION

Expect resolution by March 2008

IG Follow-up Status as of: 09/30/2007 []

Report No.: 2005-3-00156

Title: Puerto Rico Environmental Quality Board - FY 1999

Issued: 05/05/2005

Due to costs questioned in specific findings and lack of accounting records, we are questioned all costs, totaling \$5,503,986. Region 2 has designated the grantee as "high risk" and implemented a corrective action plan to get the grantee into compliance.

EXPLANATION OF THE REASONS MANAGEMENT DECISION HAS NOT BEEN MADE

PREQB is under a new workplan which has replaced the Corrective Action Plan. CPA review and certification of costs from FY 1999-2001 is complete and grantee currently awaits CPA report. Completion of this audit resolution is expected by December 31, 2007.

DESIRED TIMETABLE FOR ACHIEVING A MANAGEMENT DECISION

Expect resolution by December 2007

IG Followup Status as of: 09/30/2007 []

Report No.: 2005- 3 - 00168

Title: Puerto Rico Environmental Quality Board - FY 2003

Issued: 05/05/2005

Because Puerto Rico's accounting records were inadequate, we questioned all expenditures, totaling \$3,313,010. Region 2 has designated the grantee as "high risk" and implemented a corrective action plan to get the grantee into compliance.

EXPLANATION OF THE REASONS MANAGEMENT DECISION HAS NOT BEEN MADE

PREQB is under a new workplan which has replaced the Corrective Action Plan. Among the items directly impacting resolution of the audits are the indirect cost rates. PREQB has received final rates through FY05, and will use those rates to request reimbursement of indirect costs for affected years, and prepare Financial Status Reports (for affected grants). There has been corrective action with many of the non-cost findings in these audits, and for those costs from 2002 forward that have been CPA reviewed and certified, the disallowed costs are minimal. The overall workplan, however, seems far from complete. We expect to possibly issue resolution letters on these audits by 3/31/08.

DESIRED TIMETABLE FOR ACHIEVING A MANAGEMENT DECISION

Expect resolution by March 2008

IG Followup Status as of: 09/30/2007 []

Report No.: 2005-3-00199
Title: Puerto Rico Water Pollution Control Revolving Fund
Issued: 06/27/2005

The Fund's administrative expenses of \$184,646 were not reviewed and certified by an independent public accounting firm recognized by EPA. Region 2 has implemented a corrective action plan to get the grantee into compliance.

EXPLANATION OF THE REASONS MANAGEMENT DECISION HAS NOT BEEN MADE
CPA review of grantee costs has been completed and grantee is awaiting report. This audit is estimated to be resolved by December 31, 2007.

DESIRED TIMETABLE FOR ACHIEVING A MANAGEMENT DECISION
Expect resolution by December 2007

IG Followup Status as of: 09/30/2007 []

Report No.: 2006-3-00068
Title: Caribbean Environmental & Development Institute FY 1999
Issued: 02/22/2006

Accounting records did not comply with EPA regulations, property and equipment lists were not updated, financial information did not agree with general ledgers, left-over cash from prior grants was used to fund current grants, and monies received from EPA exceeded amount claimed as expenditures by \$152,027.

EXPLANATION OF THE REASONS MANAGEMENT DECISION HAS NOT BEEN MADE
The CPA review of documentation is underway and is expected to be complete on or about 9/25/07. After receipt of the CPA report, Region 2 will prepare audit resolutions, which are expected to be completed by 12/31/07.

DESIRED TIMETABLE FOR ACHIEVING A MANAGEMENT DECISION
Expect resolution by December 2007

IG Followup Status as of: 09/30/2007 []

Report No.: 2006-3-00069
Title: Caribbean Environment & Development Institute FY 2000
Issued: 02/22/2006

Accounting records did not provide information in compliance with EPA regulations, property and equipment lists were not updated, Financial Status Reports could not be reconciled to general ledgers, cash from expired grants was used to pay current expenditures, and the Institute received \$68,467 in monies from EPA in excess of their claimed expenditures.

EXPLANATION OF THE REASONS MANAGEMENT DECISION HAS NOT BEEN MADE
The CPA review of documentation is underway and is expected to be complete on or about 9/25/07. After receipt of the CPA report, Region 2 will prepare audit resolutions, which are expected to be completed by 12/31/07.

DESIRED TIMETABLE FOR ACHIEVING A MANAGEMENT DECISION
Expect resolution by December 2007

IG Followup Status as of: 09/30/2007 []

Report No.: 2006-3-00164
Title: Puerto Rico, Commonwealth of, EQB - FY 2004
Issued: 07/20/2006

The grantee's fiscal control and accounting procedures were not adequate to provide the financial information necessary for the efficient administration of the entity's operation. The grantee did not: (1) complete the physical

inventory of the property and equipment; (2) maintain an adequate numerical sequence in the subsidiary of property and equipment; and (3) include certain additions of property and equipment in the property and equipment listing which were acquired with the Air Pollution Control program funds. The grantee did not submit numerous financial and performance reports under various EPA grants in a timely manner. The auditors noted significant differences between the amounts reported in the Schedule of Expenditures of Federal Awards, the grantee's internal accounting records and the transactions recorded in the reports issued by the Puerto Rico Treasury Department.

EXPLANATION OF THE REASONS MANAGEMENT DECISION HAS NOT BEEN MADE

PREQB is under a new workplan which has replaced the Corrective Action Plan. Among the items directly impacting resolution of the audits are the indirect cost rates. PREQB has received final rates through FY 2005, and will use those rates to request reimbursement of indirect costs for affected years, and prepare Financial Status Reports for affected grants. There has been corrective action with many of the non-cost findings in these audits, and for those costs from 2002 forward that have been CPA reviewed and certified, the disallowed costs are minimal. The overall workplan, however, seems far from complete. We expect to possibly issue resolution letters on these audits by 3/31/08.

DESIRED TIMETABLE FOR ACHIEVING A MANAGEMENT DECISION

Expect resolution by March 2008

IG Follow-up Status as of: 09/30/2007 []

Region 4 - Office of Policy Management

Report No.: 2007-3-00016

Title: Roswell, City of FY 2004

Issued: 10/24/2006

The City drew EPA funds for reimbursement prior to actually paying for related grant expenses, in violation of Title 40 Code of Federal Regulations Part 31.

EXPLANATION OF THE REASONS MANAGEMENT DECISION HAS NOT BEEN MADE

Region 4 Action Official has prepared and submitted the Final Determination Letter to the OIG. Expect resolution October 2007.

DESIRED TIMETABLE FOR ACHIEVING A MANAGEMENT DECISION

Expect resolution by October 2007

IG Followup Status as of: 09/30/2007 []

Region 8 - Regional Administrator

Report No.: 2007-3-00003

Title: Blackfeet Tribe of the Blackfeet Indian Reservation, FY2004

Issued: 10/02/2006

The fixed asset records did not support the amounts reported on the financial statements. The auditor noted that salary advances were increasing substantially each year, and the Tribe was not enforcing the policies and procedures on the use of advances, repayments of advances and is not approving all advances before payment is made. There was a severe deficiency noted during internal control testing. Time cards were being accepted without employee signatures or the supervisor's signature for authorization of work done during the time period, W-4's were missing, and current pay rates did not agree with the personnel file. A physical inventory of the Tribe's assets had not been taken and reconciled with underlying property records and the general ledger. The Tribe did not have the resources available to fund the deferred revenue amount reported on the statement of net assets. Six purchases did not have supporting documentation. The total amount of transactions not in compliance was \$6,596. The Tribe loaned and expended a portion of the Tribal Worker's Compensation Program reserves.

EXPLANATION OF THE REASONS MANAGEMENT DECISION HAS NOT BEEN MADE

The Tribe responded in January 2007, with a response to one out of the seven findings for which we requested a corrective action plan. We have requested a copy of the corrective action plan submitted to their cognizant agency

(HHS). We have also requested a copy of the corrective action plan directly from HHS and expect to discuss with them in October 2007. We expect resolution by November 2007.

DESIRED TIMETABLE FOR ACHIEVING A MANAGEMENT DECISION
Expect resolution by November 2007

IG Followup Status as of: 09/30/2007 []

Region 8 - Office of Technical & Management Services

Report No.: 2007-3-00028
Title: Three Affiliated Tribes - FY 2004
Issued: 11/20/2006

Several general ledger accounts, including bank accounts, were not reconciled to the supporting documentation until significantly after year-end. The Tribes did not have a system in place to identify those individuals whose personnel costs were allocated to more than one award or cost activity and to ensure that the requirements were satisfied. The Tribes did not update and submit revised financial reports to the awarding agencies. Significant variances were noted between the submitted reports and the information per the Tribe's general ledger. Employees were using General Services Administration vehicles and charged a flat mileage rate for reimbursement under its grants; however, fuel purchases were already charged through various programs, resulting in duplicate charging of fuel costs.

EXPLANATION OF THE REASONS MANAGEMENT DECISION HAS NOT BEEN MADE
Three letters have been sent to Tribes requesting written resolutions to audit findings. A verbal request has recently been made with the Tribes to get a written resolution to audit findings. Expect resolution by June 30, 2008.

DESIRED TIMETABLE FOR ACHIEVING A MANAGEMENT DECISION
Expect resolution by June 2008

IG Followup Status as of: 09/30/2007 []

Region 9 - Regional Administrator

Report No.: 2007-3-00072
Title: Lone Band of Miwok Indians, FY 2003
Issued: 03/08/2007

The Band did not comply with the principles of fund accounting because a self-balancing set of accounts had not been maintained for each of the Band's activities. Furthermore, the Band's general ledger was incomplete and only included the cash disbursement transactions for the year. As a result, a general ledger and working trial balance had to be constructed during the audit. Detailed records maintained for all capital assets were incomplete and did not agree to the balances reported in the general ledger.

EXPLANATION OF THE REASONS MANAGEMENT DECISION HAS NOT BEEN MADE
The Region asked the tribe for additional documentation to verify eligible costs. The FDL is targeted for 10/30/07.

DESIRED TIMETABLE FOR ACHIEVING A MANAGEMENT DECISION
Expect resolution by October 2007

IG Followup Status as of: 09/30/2007 []

Region 9 - Policy & Management Division

Report No.: 2007-3-00008
Title: Havasupai Tribe - FY 2004
Issued: 10/10/2006

The Tribe did not procure goods and services for these grants in conformity with the requirements stated in the Office of Management and Budget Common Rule, which requires that grantees follow their own procurement procedures if they are consistent with Federal guidelines. Although the Tribe has procurement policies that are consistent with Federal policies, they were not followed in procuring goods and services under the grant. Furthermore, there was no evidence of the rationale for the procurement method used, cost or price analysis, or basis for vendor selection.

EXPLANATION OF THE REASONS MANAGEMENT DECISION HAS NOT BEEN MADE

The recipient's response indicates completion of the corrective actions associated with the findings. The Region requested verification so that an FDL can be written based on the tribe's responses. We are in the process of verifying their successful completion. FDL is targeted no later than 10/30/07.

DESIRED TIMETABLE FOR ACHIEVING A MANAGEMENT DECISION

Expect resolution by October 2007

IG Followup Status as of: 09/30/2007 []

Report No.: 2007-3-00007
Title: Havasupai Tribe - FY 2003
Issued: 10/10/2006

The Tribe did not maintain detailed property records for fixed assets purchased with Federal financial assistance. Fixed assets were not inventoried on a biennial basis. The Tribe did not have current and complete policies and procedures for accounting, procurement, personnel and programmatic compliance. The Tribe did not procure goods and services for its EPA grant in conformity with the requirements stated in the Office of Management and Budget Common rule, which requires that grantees follow their own procurement procedures if they are consistent with Federal guidelines. Although the Tribe had procurement policies that are consistent with Federal policies, the Tribe did not follow its policies when procuring goods and services under the grant. Furthermore, there was no evidence of the rationale for the procurement method used, cost or price analysis, or basis for vendor selection. Financial status reports were not filed, or were not timely filed for most of the Federal programs of the Tribe. During 2003, the monitoring of the reporting for federal programs was improved; however, there were several reports that were not filed as required.

EXPLANATION OF THE REASONS MANAGEMENT DECISION HAS NOT BEEN MADE

The recipient's response indicates completion of the corrective actions associated with the findings. The Region requested verification so that an FDL can be written based on the tribes' responses. We are in the process of verifying their successful completion. FDL is targeted no later than 10/30/07.

DESIRED TIMETABLE FOR ACHIEVING A MANAGEMENT DECISION

Expect resolution by October 2007

IG Followup Status as of: 09/30/2007 []

Report No.: 2007-3-00047
Title: Cahto Tribe of the Laytonville Rancheria, FY 2004
Issued: 01/08/2007

The Tribe could not locate or obtain a copy of its quarterly performance and financial status reports, due to EPA, for several quarters. Also, the Tribe was unable to complete and submit its annual Single audits in a timely manner. During audit testing of general disbursements the auditor noted: (a) many supporting documents missing; (b) documentation misfiled; (c) checks written for expenses that could not be supported by original vendor invoices; (d) voucher covers not used to support approval of purchases; and (e) Federal procurement policies not followed. The Tribe's property records were incomplete, and were not consistently updated when new assets were purchased, causing the fixed assets to be materially misstated at December 31, 2004. Also, a complete inventory of property

and equipment had not been completed and reconciled to the property records in the required 2-year period. The Tribe submitted its FY 2003 Indirect Cost Proposal during the fourth quarter of 2004. Also, the Tribe did not submit a proposal for FY 2004, instead requesting that the previously approved rate be carried forward until submissions could be made.

EXPLANATION OF THE REASONS MANAGEMENT DECISION HAS NOT BEEN MADE

The recipient's response indicates completion of the corrective actions associated with the findings. The Region requested verification so that an FDL can be written based on the tribes' responses. FDL is targeted no later than 10/30/07.

DESIRED TIMETABLE FOR ACHIEVING A MANAGEMENT DECISION

Expect resolution by October 2007

IG Followup Status as of: 09/30/2007 []

Total reports issued for which no management decision has been made as of 9/30/2007: 59

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

OIG Public Liaison Hotline

Address
U.S. Environmental Protection Agency
Office of Inspector General Hotline
1200 Pennsylvania Ave., NW (2491T)
Washington, DC 20460

Fax
202-566-2549

Email
OIG_Hotline@epa.gov

Offices

Atlanta

U.S. Environmental Protection Agency
Office of Inspector General
61 Forsyth Street, SW
Atlanta, GA 30303
Audit: (404) 562-9830
Investigations: (404) 562-9857

Boston

U.S. Environmental Protection Agency
Office of Inspector General
One Congress Street, Suite 1100
Boston, MA 02114-2023
Audit: (617) 918-1470
Investigations: (617) 918-1468

Chicago

U.S. Environmental Protection Agency
Office of Inspector General
77 West Jackson Boulevard
13th Floor (IA-13J)
Chicago, IL 60604
Audit: (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: (513) 487-2360
Investigations: (513) 487-2364

Dallas

U.S. Environmental Protection Agency
Office of Inspector General (6OIG)
1445 Ross Avenue, Suite 1200
Dallas, TX 75202-2733
Audit: (214) 665-6621
Investigations: (214) 665-2790

Denver

U.S. Environmental Protection Agency
Office of Inspector General
1595 Wynkoop Street - 4th Floor
Denver, CO 80202
Audit: (303) 312-6872
Investigations: (303) 312-6868

Kansas City

U.S. Environmental Protection Agency
Office of Inspector General
901 N. 5th Street
Kansas City, KS 66101
Audit: (913) 551-7878
Investigations: (913) 551-7875

New York

U.S. Environmental Protection Agency
Office of Inspector General
290 Broadway, Room 1520
New York, NY 10007
Audit: (212) 637-3080
Investigations: (212) 637-3041

Philadelphia

U.S. Environmental Protection Agency
Office of Inspector General
1650 Arch Street, 3rd Floor
Philadelphia, PA 19103-2029
Audit: (215) 814-5800
Investigations: (215) 814-5820

Research Triangle Park

U.S. Environmental Protection Agency
Office of Inspector General
Mail Drop N283-01
Research Triangle Park, NC 27711
Audit: (919) 541-2204
Investigations: (919) 541-1027

San Francisco

U.S. Environmental Protection Agency
Office of Inspector General
75 Hawthorne St. (IGA-1)
7th Floor
San Francisco, CA 94105
Audit: (415) 947-4521
Investigations: (415) 947-4500

Seattle

U.S. Environmental Protection Agency
Office of Inspector General
1200 6th Avenue, 19th Floor
Suite 1920, M/S OIG-195
Seattle, WA 98101
Audit: (206) 553-4033
Investigations: (206) 553-1273

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

