



At a Glance

Why We Did This Review

The U.S. Environmental Protection Agency Office of Inspector General conducted an audit of the Renewable Fuel Standard program as a result of millions of dollars of fraudulently generated Renewable Identification Numbers. We sought to determine whether the EPA has assessed program risks and designed necessary controls in the RFS program. RFS program regulations require that independent third parties complete certain reporting requirements.

According to the EPA, the RFS program lays the foundation for achieving significant reductions in greenhouse gas emissions from the use of renewable fuels. The EPA's Office of Air and Radiation listed RFS program implementation as a priority in fiscal year 2013.

This report addresses the following EPA Goals or Cross-Cutting Strategies:

- *Taking action on climate change and improving air quality.*
- *Enforcing environmental laws.*

For further information, contact our Office of Congressional and Public Affairs at (202) 566-2391.

The full report is at:
www.epa.gov/oig/reports/2013/20130905-13-P-0373.pdf

The EPA Should Improve Monitoring of Controls in the Renewable Fuel Standard Program

What We Found

The EPA has worked with external RFS program stakeholders to develop additional controls to reduce fraud in the program. The EPA has assessed risks and implemented a number of control activities in the RFS program through regulations. The main control activities we identified include independent third-party engineering reviews, the EPA Moderated Transaction System, and attest engagements. However, the agency does not meet the control standard for monitoring some of these control activities. The EPA does not track submission of third-party engineering reviews or annual attest engagements because the agency lacks an electronic monitoring system for these reports. Until the EPA tracks submitted materials, the agency cannot be sure that program participants comply with applicable regulations, which affects program integrity and could lead to additional fraud cases. The EPA recently implemented electronic reporting requirements for attest engagements and has stated that it intends to implement electronic reporting for engineering reviews by the end of this year.

We could not determine whether overlap existed in parties completing third-party engineering reviews and attest engagements. Program regulations require that independent third parties complete third-party engineering reviews and attest engagements. Additionally, the EPA's quality assurance program proposed in a new rule would require that independent third parties complete voluntary quality assurance plans to validate RIN generation. Current and proposed regulations do not preclude the same third party from completing multiple requirements as well as other reporting responsibilities for renewable fuel producers or importers, allowing for possible overlap. The EPA does not track and monitor independence, including whether the same party completes multiple reporting requirements for a renewable fuel producer or importer. If the same third party completes multiple reporting requirements, the party could potentially review its own work, which could result in a conflict of interest.

Recommendations and Planned Corrective Actions

We recommend that the Office of Air and Radiation modify existing electronic systems to track the submission of reporting requirements to ensure that all participants comply with applicable RFS program regulations. To assist with tracking, we recommend requiring electronic submittal of all reporting requirements for the RFS program, particularly third-party engineering reviews and attest engagements. We also recommend that the office determine whether potential conflicts of interest exist from allowing the same third party to complete multiple reporting requirements and monitor potential conflicts for any negative impacts to program integrity, and revise regulations as appropriate to include specificity on independence requirements. The Office of Air and Radiation agreed with our recommendations and is taking steps to address them.