



OFFICE OF INSPECTOR GENERAL

Catalyst for Improving the Environment

Semiannual Report to Congress



October 1, 2002 - March 31, 2003

EPA Inspector General Vision Statement

We are agents of positive change striving for continuous improvement in our Agency's management and program operations, and in our own offices.

Mission

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) prevent and detect fraud and abuse in Agency programs and operations; and (3) fully and currently inform the Administrator and the Congress about problems and deficiencies identified by the Office of Inspector General relating to the administration of Agency programs and operations.

Strategic Plan Goals

1. Contribute to improved environmental quality and human health.
2. Improve EPA's management and program operations.
3. Produce timely, quality, and cost-effective products and services that meet customer needs.
4. Enhance diversity, innovation, teamwork, and competencies.

On the cover: Snake River outside Jackson, Wyoming
Photo by Tim McCabe, USDA Natural Resources Conservation Service

Foreword

During this reporting period, we completed a number of investigations, audits, and evaluations that demonstrate our commitment to help EPA better deliver cost-effective solutions to pressing environmental problems.

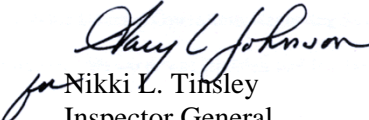
Notably, we conducted an audit of Louisiana's National Pollutant Discharge Elimination System, Resource Conservation and Recovery Act, and Title V Air Permit programs. We found that oversight of these important programs was insufficient because Region 6 leadership did not develop and clearly communicate a vision and measurable goals for its oversight of the State, hold Louisiana accountable for meeting commitments, and ensure that environmental data was accurate and reliable for decisionmakers.

We also reviewed the State self assessment process. This process was envisioned by EPA as a tool for directing scarce public resources toward improving environmental results as well as allowing States greater flexibility in achieving those results. However, since the National Environmental Performance Partnership System policy was issued in 1995, EPA and the States have not widely adopted the self assessment concept, and EPA has done little to develop and promote the use of self assessments. As a result, Federal resources may not be directed at the State level to where they would have the most vital environmental impact.

Our evaluation of the cleanup actions at the Hanford Superfund site, the largest environmental cleanup project in the country, found that while progress has been made, EPA did not take sufficient action to ensure that timely milestones for interim cleanup actions exist; ensure that cleanup milestones that did exist were achievable; effectively address insufficient cleanup progress; and take action to address poor performance of the cleanup remedy for groundwater contaminated with hexavalent chromium. We recommended that EPA monitor Department of Energy efforts, and take appropriate actions if cleanup progress is not achieved.

A joint investigation conducted by the EPA and Nuclear Regulatory Commission Offices of Inspector General disclosed that a major government contractor billed government contracts in excess of actual costs incurred. EPA and 17 other Federal agencies were affected by the overcharging, and the investigation resulted in a settlement agreement estimated at \$391 million. Further, in February 2003, an investigation of a New York University professor resulted in a guilty plea, sentence, and fine for theft of Federal funds provided by EPA grants. In November 2002, an EPA employee and relative were convicted of conspiracy to defraud the United States and receipt of stolen government property.

As always, the Office of Inspector General is pursuing its quest to provide EPA, Congress, and the public with the oversight and assistance necessary to help ensure continued environmental improvements.


for Nikki L. Tinsley
Inspector General

Profile of Activities and Results

October 1, 2002 to March 31, 2003

Audit Operations OIG-Managed Reviews (Reviews Performed by EPA, Independent Public Accountants, and State Auditors)	
October 1, 2002 to March 31, 2003 (dollars in millions)	
Questioned Costs *	
- Total	\$2.0
- Federal	\$1.8
Recommended Efficiencies *	
- Federal	\$72.5
Costs Disallowed to be Recovered	
- Federal	\$1.4
Costs Disallowed as Cost Efficiency	
- Federal	\$0
Reports Issued - OIG-Managed Reviews	
- EPA Reviews Performed by OIG	21
- EPA Reviews Performed by Independent Public Accountants	0
- EPA Reviews Performed by State Auditors	<u>0</u>
Total	21
Reports Resolved (Agreement by Agency officials to take satisfactory corrective actions)***	52
Investigative Operations	
Fines and Recoveries (including civil) ****	\$ 368 M
Investigations Opened	65
Investigations Closed	45
Indictments of Persons or Firms	16
Convictions of Persons or Firms	9
Administrative Actions Against EPA Employees / Firms	17
Civil Fines/Settlements	2

Audit Operations Other Reviews (Reviews Performed by Another Federal Agency or Single Audit Act Auditors)	
October 1, 2002 to March 31, 2003 (dollars in millions)	
Questioned Costs *	
- Total	\$2.1
- Federal	\$2.1
Recommended Efficiencies *	
- Federal	\$0
Costs Disallowed to be Recovered	
- Federal	\$7.3
Costs Disallowed as Cost Efficiency	
- Federal	\$0
Reports Issued - Other Reviews	
- EPA Reviews Performed by Another Federal Agency	126
- Single Audit Act Reviews	<u>91</u>
Total	217
Agency Recoveries Recoveries from Audit Resolutions of Current and Prior Periods (cash collections or offsets to future payments) ** (not available at publication deadline)	\$M
Fraud Detection and Prevention Operations	
Hotline Complaints Received	325
Hotline Complaints Addressed	279
Hotline Complaints Referred	46
Legislative and Regulatory Items Reviewed	32

* Questioned Costs and Recommended Efficiencies, which are from our Inspector General Operations Reporting System, are subject to change pending further review in audit resolution process.

** Information on recoveries from audit resolution is provided from EPA Financial Management Division and is unaudited.

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

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

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Goal 1: Contribute to Improved Environmental Quality and Human Health

The work of the OIG is designed to assist EPA in achieving its environmental goals, thus contributing to environmental improvements. The following illustrates results achieved under this OIG goal.

EPA Region 6 Needs to Improve Oversight of Louisiana's Environmental Programs

EPA Region 6's oversight of the Louisiana Department of Environmental Quality (Louisiana) was insufficient and, as a result, could not assure the public that Louisiana was adequately protecting human health and the environment.

Region 6 oversight must improve to ensure the effectiveness of Louisiana's implementation of the National Pollutant Discharge Elimination System water program, Resource Conservation and Recovery Act program, and Title V air program. Oversight was insufficient because Region 6 leadership: (1) did not develop and clearly communicate a vision and measurable goals for its oversight of the State or emphasize the importance of consistently conducting oversight, (2) did not hold Louisiana accountable for meeting goals and commitments, and (3) did not ensure that data of poor quality was corrected so that it could be relied upon to make sound decisions. As a result, the working relationship between the Region and Louisiana was not cohesive, and the Region was unable to fully assure the public that Louisiana was operating programs effectively.

Region 6 leadership had not defined what constitutes a successful oversight program, and had not developed the means for measuring the value of its oversight and linked that to environmental outcomes. Region 6 also did not conduct independent evaluations to assess the effectiveness of its oversight. Effective oversight should enable EPA to proactively identify problems with State programs and help Louisiana improve its environmental programs to protect human health and the environment.

We recommended that the EPA Region 6 Administrator take corrective actions to improve oversight of Louisiana, including developing and communicating a clear vision and measurable goals for oversight, holding Louisiana accountable for the results of its programs through stronger grant commitments, and working with the State to identify and correct inaccuracies in key databases. Further, we recommended the Region develop and implement a systematic process to gather and evaluate feedback from its State partners, and conduct independent evaluations of oversight.

We issued our final report (2003-P-00005) on February 3, 2003. In responding to the report, EPA Region 6 acknowledged that its state oversight programs can benefit from improvements, and agreed with a number of our recommendations. The Region also disagreed with several aspects of our findings, and will provide a formal response by May 5, 2003.

EPA Needs to More Actively Promote State Self Assessment of Environmental Programs

EPA and states had not widely adopted the self assessment concept as a tool for program assessment. In fact, EPA had done little to develop and promote reliance on the use of self assessments by states. Many states were not performing self assessments, their content varied, and they had little impact on environmental performance agreements. As a result, Federal resources may not be directed at the state level to where they would have the most vital environmental impact.

Since the National Environmental Performance Partnership System policy was issued in 1995, EPA had not taken a leadership role in defining or re-defining the purpose of the self assessment, what should be included, and how it should be used, nor had EPA issued any additional guidance or training on self assessments. According to officials in states conducting self assessments, the self assessment had little impact on the negotiation of the environmental performance agreements and the allocation of Federal funds. State and EPA regional officials stated that the negotiation process was dominated by EPA priorities as opposed to state identified environmental problems and priorities. Some regional staff stated that the self assessment was used as a reference for state accomplishments and outputs, was not very timely for negotiation of the performance agreements, and it will be of little value until EPA reaches a consensus on (a) what will be in the self assessment, (b) how it should be conducted, and (c) how the results will be used.

We recommended that the Associate Administrator for Congressional and Intergovernmental Relations clarify the purpose of self assessments and how they are to be used by EPA and states, and to work with other EPA offices and states to gain their acceptance and involvement with the self assessment concept.

We issued our final report (2003-P-00004) on December 27, 2002. In response to our draft report, the Associate Administrator for Congressional and Intergovernmental Relations generally agreed with all of our findings and recommendations. The Associate Administrator also indicated that EPA will continue discussions about advancing performance partnership agreements with states. The self assessment process may be overtaken by a joint evaluation process which would provide information similar to the self assessment and would improve joint planning and priority setting. In responding to the final report, EPA agreed to develop guidance for the joint evaluation process.

Improving Nationwide Effectiveness of Pump-and-Treat Remedies Needs Sustained and Focused Action

EPA's Nationwide Pump-and-Treat Optimization project identified 241 recommendations to improve effectiveness and reduce costs at Superfund-financed groundwater pump-and-treat systems. If implemented, these recommendations could result in a 36-percent reduction in annual Superfund costs for evaluated sites. Although about half of the 241 recommendations have been fully implemented or are in progress, it is not clear that EPA has established a milestone for completing this project, implementing all the recommendations, and accounting for the associated environmental and cost savings benefits. EPA needs to sustain its progress and develop focused plans to track the effectiveness of this nationwide project.

Groundwater contamination is present at the majority of Superfund and Resource Conservation and Recovery Act corrective action sites. Pump-and-treat remedies are the most common groundwater cleanup remedies used at Superfund National Priorities List (NPL) sites and are also most commonly used to remediate methyl tertiary-butyl ether (MtBE), a pollutant associated with leaks or spills from underground storage tanks. There are over 700 pump-and-treat systems operating at NPL sites nationwide, 88 of which are financed by the Superfund program.

Collectively, Phases I and II of this nationwide project identified the 241 recommendations for improvements to about 17 of the 20 Superfund-financed pump-and-treat systems evaluated, while also collecting cost and performance information for all 88 Superfund-financed systems. The project also identified important ways that existing systems can be managed more effectively. Information obtained from EPA Regions and States generally indicated the optimization project was valuable and useful, and identified savings opportunities. Regions disagreed with less than 10 percent of the recommendations, while others were deferred.

Phase III of the project is ongoing and generally involves project tracking and capturing progress toward implementing recommendations. There is no current scheduled end date, milestone, or focused plan of action associated with completion of Phase III, although EPA's initial plans indicate Phase III was scheduled for completion by the end of fiscal 2002. EPA needs to set priorities for which sites or recommendations are most critical to track, establish a time line for tracking actions, and establish credible metrics to measure environmental and cost benefit outcomes. In the long term, it will be difficult to determine the environmental and cost benefits of optimization projects if accurate and meaningful information on the results they produce has not been collected or analyzed.

We issued our final report (2003-P-00006) on March 27, 2003.

***Region 10 Needs to
Improve Oversight
of Hanford
Superfund Site***

Our review of the adequacy of EPA Region 10's oversight of Department of Energy Superfund cleanup actions at the Hanford 100-K Area Superfund Site has resulted in EPA's agreement to improve oversight at the site.

The Hanford site, located in southeastern Washington State, encompasses about 586 square miles and has been identified as the largest environmental cleanup project in the world. The potential environmental and human health risks associated with contamination at the Hanford site are extreme. Approximately 3.7 million pounds of used nuclear fuel are stored in unlined concrete basins at the Hanford 100-K Area site. The Columbia River, which is over 1,000 miles long, runs directly through the Hanford site for about 50 miles. The spent nuclear fuel storage basins are less than a half-mile from the river and in earlier years one of the basins had leaked.

We found that despite some important cleanup progress, EPA Region 10 did not:

- Take sufficient action to ensure that timely milestones for interim cleanup actions at the area existed.
- Ensure that cleanup milestones that did exist were achievable.
- Effectively address insufficient cleanup progress.
- Take sufficient action to address poor performance of the remedy used to clean up groundwater contaminated with hexavalent chromium.

Also, EPA Region 10 could not demonstrate that they had obtained sufficient information to conclude that contaminated groundwater in the reactor section of the 100-K Area did not require an interim cleanup action. Further, in consultation with an independent expert, we found that the existing groundwater monitoring and sampling system in the Hanford 100-K area was inadequate to determine whether hazardous pollutants could be affecting the environment.

We recommended that Region 10 monitor Department of Energy efforts to successfully complete remediation requirements and take appropriate actions as needed if requirements are not met; evaluate performance of the upgraded pump-and-treat system; require a formal assessment on the need for an interim remedial action in the area's reactor section; and have the Department of Energy improve its groundwater monitoring system. We noted that enforcement actions should be pursued as appropriate. The Agency generally accepted our findings and recommendations.

We issued our final report (2003-P-00002) on November 4, 2002. The Region generally concurred with the recommendations, with one exception. The Region did not agree with our recommendation to improve the groundwater monitoring system for the reactor section of the 100-K Area. However, the Region stated that an independent assessment of groundwater monitoring needs for the 100-K Area would be conducted by the United States Geological Survey.

***Pilot Study on
Science to Support
Rulemaking
Provides
Observations***

We studied major environmental regulations and made observations regarding the use and sources of science supporting the rules.

Developing regulations, also known as rules, is a cornerstone of EPA's mission. By statute and executive order, they are to be based on the best reasonably obtainable scientific, technical, economic, and other information. By identifying the science that was critical to rules promulgated by EPA in the past, we hoped to determine whether better research planning, application of science to rules, and explanation of the role of science in rules could achieve improvements in the science behind future environmental regulations.

We observed that science played an important role since the rules included in this study depended on hundreds of scientific documents. However, the role of science often was not presented in a manner consistent with the conventions of communicating scientific information, and it was unclear what science was critical and why.

Second, we observed that although critical science originated from a variety of sources, research performed under contract to EPA and the regulated community by private sector firms was the most common source. Grants and cooperative agreements accounted for about 8 percent of the work.

Finally, we observed that critical science supporting the rules often was not independently peer reviewed. Consequently, the quality of the science remains unknown. Based on our observations we suggested that EPA ensure that science in rulemaking is presented in a way that is apparent and consistent with the conventions of science. We also noted that information technology could be better used to ensure that the Administrator, Congress, and the public could determine that the science behind rulemaking is adequate. Further, the critical science behind EPA's rules should be independently peer reviewed.

Generally, the comments from Agency officials were supportive of the suggestions, although they identified some concerns about the details of their implementation. EPA's Science Advisor has committed to a review of the Agency's progress in implementing its Peer Review policy during the coming year, and to ensuring that Agency decisions are based on sound science. Because of the commitments made by Agency management in their comments, we believe the report's observations may serve as a baseline against which the Agency can chart progress.

***Laboratory
President Sentenced
to
18 months***

On October 16, 2002, Terian Koester, President, Quality Water Analysis Laboratory, Inc. (QWAL), Pittsburg, Kansas, was sentenced to serve 18 months in prison, followed by 2 years probation, and ordered to pay a \$2,000 fine, a \$200 special assessment, and \$18 in restitution. This sentence followed a guilty plea by Koester on July 2, 2002, in the U.S. District Court, District Court of Kansas, to one count of making false statements under the Clean Water Act and one count of mail fraud.

Koester's guilty plea concluded an investigation into allegations that QWAL provided fraudulent analytical data and test results to its customers, some of whom were wastewater treatment facilities. Specifically, it was alleged that QWAL concealed that analytical equipment was not properly calibrated, failed to follow required testing protocols, and created fictitious data when analytical equipment was inoperable. The wastewater treatment facilities in turn reported the fraudulent data and test results to the EPA under the National Pollutant Discharge Elimination System (NPDES). Under the NPDES program, facilities use laboratories such as QWAL to perform testing to ensure their facilities meet water quality standards under the Clean Water Act. By falsifying test results, the public is exposed to poor water quality and public health risks.

This investigation was conducted jointly by the EPA OIG and EPA Criminal Investigation Division.

Goal 2: Improve EPA's Management and Program Operations

The OIG assesses EPA's management and program operations to identify best practices, areas for improvement, and cooperative solutions to problems. The OIG's work is designed to promote efficiency and effectiveness within EPA. The following illustrates results achieved under this OIG goal.

EPA Must Emphasize Importance of Pre-Award Reviews for Assistance Agreements

In recent years, more than half of the EPA's annual budget is awarded to organizations outside the Agency through assistance agreements. EPA project officers play a key role in assuring the proper expenditure of these funds. It is the project officer's responsibility to be involved up front in the negotiation of the work plan. EPA identified critical duties project officers should perform when conducting a programmatic and technical review and communicated these responsibilities through training. An effective and complete programmatic and technical review should result in a work plan that contains expected outputs and outcomes, links those outputs and outcomes to funding, and identifies target dates and milestones.

We analyzed project officer files for 116 assistance agreements awarded by the Offices of Water and Air and Radiation in Headquarters and the regions. We selected the assistance agreements from a pool of \$1 billion, which represents 25 percent of the \$4 billion awarded in fiscal 2001. As shown below, we found that project officers were not always conducting complete programmatic and technical reviews.

Required Step	Frequency Performed
Link proposed project to the Agency mission	81%
Assess probability of project success	69%
Determine reasonableness of proposed costs	21%
Negotiate outcomes	58%
Include milestones and deliverables in work plans	76%
Implement new work plan regulations	4%

Although EPA communicated responsibilities, Agency leadership had not emphasized the importance of project officer duties, nor held project officers accountable for conducting complete programmatic and technical reviews. EPA had not identified the skills and abilities needed for a project officer, nor defined them in performance agreements.

It is crucial that Agency management create an environment that considers the management of assistance agreements and the project officer function vital to the accomplishment of the Agency's mission. Without complete programmatic and technical reviews, there is limited assurance that EPA knows what it is buying and that assistance agreement projects will achieve the desired environmental benefits.

We recommended that the Assistant Administrator for the Office of Administration and Resources Management identify skills project officers need to perform pre-award reviews, and evaluate and modify their training to ensure staff have the needed skills. The Project Officer Manual and refresher training course need to reflect the requirements, as well as instructions on how to implement them. We also recommended that a uniform performance standard be developed that clearly communicates key project officer responsibilities critical to accomplishing EPA's mission and include the critical job element in project officers' performance standards. In response to our draft report, EPA agreed with our recommendations and developed actions that have been incorporated into the Agency's Grant Management Strategic Plan and Tactical Action Plan. In addition to the actions recommended in the report, EPA is developing a grants management training program for managers and supervisors that will emphasize their role in providing direction and guidance to project officers. EPA will also issue guidance on measuring and incorporating environmental outcomes into grants work plans.

We issued our final report (2003-P-00007) on March 31, 2003. A response to the final report is due on June 30, 2003.

***Central States Air
Resource Agencies
Association
Misspent EPA
Funds***

We questioned more than \$1.6 million claimed by the Central States Air Resource Agencies Association (CenSARA) under two grants received from EPA because CenSARA either did not adequately support the claimed costs or did not spend the money in accordance with Federal laws and regulations.

EPA provided CenSARA with two grants totaling more than \$3.2 million. The first grant was used to establish CenSARA as a Regional Multi-State Organization to promote the exchange of information between its States and other interested parties related to the control of air pollution. The second grant was to establish the infrastructure for a Regional Planning Body to enable the States and Indian tribes to address regional haze issues.

We questioned costs claimed because CenSARA: (1) could not reconcile total program outlays claimed for each grant with the general ledger; (2) did not maintain an adequate labor distribution system to track labor efforts spent on each project or final cost objective; (3) improperly charged all indirect type costs – such as rent, office supplies, and depreciation – to one EPA assistance agreement, and did not

develop proper indirect cost rates; and (4) did not competitively procure equipment and services or perform cost or price analysis for purchases.

We recommended that EPA recover all funds that were not spent in accordance with Federal rules, suspend work under the current agreements, make no new awards to CenSARA until it can demonstrate that its accounting practices are consistent with Federal requirements, and require CenSARA to modify its financial management and procurement systems to meet Federal requirements. EPA Region 6 agreed with a number of our findings and has taken steps to ensure that CenSARA comes into regulatory compliance. Upon receipt of the draft report, the Region responded by reclassifying CenSARA as a "high-risk grantee," restricting their funding and placing them on a reimbursement method of payment. A recent on-site review revealed that appropriate systems are now in place and changes have been made to correct problems with their general ledger, labor distribution, and indirect costs. CenSARA's activities for procuring equipment and services have been curtailed or eliminated to prevent future problems. The Region is planning another on-site review in the next quarter to ensure the grantee continues to comply fully with all regulations. We issued the final report (2003-1-00087) on March 31, 2003. A response is due from the Region by July 30, 2003.

***Greater Use of
Performance-Based
Service Contracts
Could Increase
Savings***

EPA has made limited use of Performance-Based Service Contracting (PBSC), an acquisition methodology in which the Government pays for results rather than effort or process. Office of Management and Budget (OMB) and EPA studies have shown that PBSC saves money and improves contractor performance. For example, with OMB's assistance, EPA studied PBSC within the Superfund program. Most projects saved money, with one project lowering costs by 30-35 percent while improving the quality of work.

EPA has generally limited use of PBSC to obtaining commercially available services, such as janitorial and landscaping work. Further, EPA awarded non-PBSC contracts for services previously awarded as performance-based. Also, many contracts EPA identified as performance-based were not designed to take advantage of PBSC's benefits, since the contracts were too prescriptive or did not provide meaningful incentives or disincentives.

Based on discussions with Agency officials, these conditions occurred because EPA did not adequately plan or hold officials accountable for increasing PBSC use, and there was a general reluctance to shift the responsibility for outcomes to contractors. As a result, EPA missed opportunities to achieve greater cost savings and improve contractor performance. Of the \$599 million in PBSC-eligible obligations for the 9-month period ended June 30, 2002, we determined that EPA could have saved as much as \$72.5 million through greater use of PBSC.

Also, the Office of Management and Budget's Federal Procurement Data System (FPDS) showed nearly 50 percent less PBSC obligations than EPA reported in its own Integrated Contracts Management System (ICMS). This primarily occurred because FPDS did not show performance-based task orders issued under non-performance-based contracts as PBSC, and because ICMS lacked the capability to

provide all data needed in FPDS. As a result, EPA's contracting actions were inaccurately portrayed in the national database used for reporting to Congress, the President, and the public.

We recommended that EPA take various actions to increase performance-based contracting, and that the database accuracy be reviewed and ICMS and FPDS data periodically compared. EPA generally agreed with our findings and recommendations to expand PBSC, noted that corrected data was sent to FPDs, and that EPA's current contracts systems do not meet its business needs. According to the Assistant Administrator for Administration and Resources Management (OARM), the systems provide inadequate reporting, cumbersome tracking status, and redundant data entries, which result in extraordinary inefficiencies and errors. OARM hopes to install a secure web-based system which will eliminate duplicate data entry, track actual costs and progress in real time, and provide a Commercial Off The Shelf application consistent with the President's e-government initiatives.

We issued our final report (2003-P-00008) on March 31, 2003. A response to the final report is due June 30, 2003.

***EPA Needs to
Develop Statistics
on Improper
Contract Payments***

Research performed in response to a Senate Committee on Governmental Affairs request identified a limited number of improper payments to EPA contractors. While the number of improper contract payments found seemed to be minimal and the Agency appeared highly focused on providing high quality and accurate contract payments, we noted the Agency did not keep statistics on improper contract payments. Such statistics could help identify contractor procedural problems, emerging fraud scams, or EPA control weaknesses or inefficiencies. In addition, statistics are important because improper payments can impact a program's ability to achieve its intended outcome. Statistics could also help the Agency assess the need to establish a cost recovery audit program. We recommended the Agency develop statistics to track the extent, magnitude, and possible causes of improper contract payments, to help ensure sufficient controls are in place.

We continue to encourage the Agency to expand the scope of its efforts to review improper payments from its current assessment of only the Agency's State Revolving Fund programs to an assessment of improper payments for all Agency programs and activities. If program risks are known and quantified, Agency management can determine whether the problem is significant enough to require additional controls.

On January 16, 2003, we issued our final report (2003-2-00003) to key officials within EPA's Office of Acquisition and Resources Management and Office of the Chief Financial Officer. In responding, both offices concurred with the report's recommendations. Management agreed to keep statistics starting in fiscal 2003, and to subsequently assess whether EPA needs to establish a cost recovery program. The formal response also identified many internal control actions put in place as a result

of our review. Finally, the Agency referred to guidance that OMB is currently preparing to assist Federal agencies in identifying and evaluating programs susceptible to significant improper payments, and stated that it will use this guidance to determine how to best conduct an overall assessment of programs and activities.

***EPA Earns
Unqualified
Opinion on
Financial
Statements***

EPA earned an unqualified opinion on its fiscal 2002 financial statements. **We noted several reportable conditions in internal controls and some instances of noncompliance with laws and regulations. However, none of the issues identified would result in material misstatement of the financial statements.**

We identified seven reportable conditions in internal controls for the following areas:

- Documenting and Approving Journal Vouchers
- Reconciling Unearned Revenue for State Superfund Contracts
- Reconciling Deferred Payments to the Superfund
- Integrated Grants Management System Security Planning
- Automated Application Processing Controls for the Integrated Financial Management System (IFMS)
- Capitalizing Superfund Contractor-Held Property
- Improper Recognition of Payments to the Superfund

We did not identify any instances of noncompliance with laws and regulations that would result in material misstatements to the audited financial statements. The Office of Chief Financial Officer (OCFO) has made improvements in cost accounting. While there are still noncompliances with the Managerial Cost Accounting Standard, those issues no longer meet the Office of Management and Budget's definition of substantial noncompliance.

We identified three other Federal Financial Management Improvement Act (FFMIA) noncompliances:

- EPA continues to experience difficulties in reconciling some of its intra-governmental assets and liabilities due to some Federal entities not performing reconciliations. Without proper confirmations from its trading partners, EPA has limited assurance that intra-governmental balances are accurate.
- The Agency's Contract Payment System was not in compliance with the Joint Financial Management Improvement Act (JFMIP) system requirements. Without the current interface controls meeting JFMIP requirements, the system could not provide the intended level of assurance regarding the complete and accurate transfer of contract payment information into the IFMS general ledger.
- The fiscal 1999 Remediation Plan to correct some FFMIA issues had not been completed.

We also found two other noncompliance issues. EPA was not in compliance with the requirements of the Food Quality Protection Act of 1996 because the Agency exceeded the limitation on the usage of maintenance fees. EPA did not prepare the SF 224 “Statement of Transactions” in accordance with the Treasury Financial Manual since it reported adjusted rather than actual amounts. By reporting adjusted IFMS amounts rather than EPA’s actual general ledger amounts, EPA prevented differences from being reported by Treasury on the Statement of Differences (Form 6652).

In its response to our draft report, OCFO generally concurred with our recommendations and noted the completion or planning of a number of corrective actions. OCFO believes that they are complying with the Managerial Cost Accounting Standard by preparing quarterly subobjective level reports, taking actions to execute the Agency’s plan for expanding cost information, and moving from 10 goals to 5 in the new Strategic Plan. We recognize improvements that the Agency has made in the area of cost accounting and believe that the new plan for expanding cost information will provide managers the cost information they need to manage. However, we do not agree with OCFO that the subobjective level reports provide useful, timely, and full cost information.

OCFO also stated that they developed a new process and report for reconciling the Contract Payment System with IFMS. OIG did not review the new process and report because they were developed after we completed our work.

We issued our final report (2003-1-00045) on January 29, 2003. A final response to our report is due by April 30, 2003.

***EPA Acting to
Protect Critical
Cyber-Based
Infrastructures,
Further Steps
Needed***

Presidential Decision Directive 63, signed in 1998, calls for a national effort to ensure the security of the nation’s critical infrastructures, including those that are cyber-based. In response to that Directive, we reviewed EPA’s implementation activities to protect its critical cyber-based, or Information Technology (IT), infrastructure, and found that EPA has undertaken significant activities. However, EPA needs to take further actions to ensure greater IT infrastructure protection.

Significant implementation activities that EPA has undertaken to protect its critical IT infrastructure include: addressing vulnerabilities identified during risk assessments; establishing suitable emergency management procedures; establishing effective internal and external interagency coordination; and identifying appropriate resource and organizational requirements with regard to recruitment and awareness of its information security program.

However, EPA should address additional areas to provide greater assurance of protecting its critical IT infrastructure. Specifically, EPA should:

- Make sure all sites have required data backup procedures necessary for ensuring the availability and integrity of Agency information resources.

-
- Provide sufficient resources to complete planned corrective actions to mitigate vulnerabilities previously identified by the General Accounting Office.
 - Establish or revise security plans for IT systems critical to its cyber-based infrastructure so that they meet National Institute of Standards and Technology requirements.
 - Have critical IT components of Agency Continuity of Operations Plans tested under circumstances relative to actual deployment.
 - Establish an effective security training program that identifies appropriate IT security personnel and sets IT-related training requirements for those personnel.

We issued our final report (2003-P-00009) to the Assistant Administrator for Environmental Information on March 27, 2003. The Assistant Administrator agreed with most of the findings and recommendations, and indicated the results of our audit will help improve the security of the Agency's IT assets. A response to the final report is due by June 27, 2003.

***EPA Employee and
Two Relatives
Convicted of
Receipt of Stolen
Government
Property***

On November 7, 2002, Luther Mellen, Branch Chief, EPA, Architecture, Engineering, and Real Estate Branch, and Philip C. Burroughs, his stepson, were found guilty by a federal jury in U.S. District Court, District of Columbia, on charges of conspiracy to defraud the United States and receipt of stolen government property. Burroughs was also found guilty of theft of government property. Jeffrey Morgan, Mellen's nephew, was found guilty of receipt of stolen government property. Sentencing dates have not been scheduled.

During the trial, the government's evidence demonstrated that Elizabeth C. Mellen, wife of Luther Mellen, was a Telecommunications Specialist with the Department of Education. In that position, she managed a contract with the former Bell Atlantic Federal Systems. Mrs. Mellen, who previously pled guilty to theft of government property and conspiracy to defraud the government, was responsible for ordering telecommunications goods and services from Bell Atlantic, paid for by the Department of Education. From early 1990 to December 1999, Mrs. Mellen used her official position and ordered more than \$300,000 worth of computers, printers, cellular phones, and cameras for her personal use. Mrs. Mellen ordered a computer for the house she and Luther Mellen shared; a laptop computer for her stepson at the request of Luther Mellen; and large quantities of electronic equipment which she kept for herself and gave to various family members and friends, including her son, Philip Burroughs, and her nephew, Jeffrey Morgan.

This investigation was conducted jointly by the Federal Bureau of Investigation, the Department of Education OIG, and the EPA OIG.

***NYU Professor
Sentenced to 2
Years Probation for
Theft of Federal
Funds***

On February 25, 2003, Richard Schlesinger, professor of environmental medicine, New York University (NYU), School of Medicine, was sentenced in U.S. District Court, Southern District of New York, to 2 years probation and was ordered to pay a \$5,000 fine and a \$25 special assessment. This sentencing is a result of Schlesinger's November 12, 2002, guilty plea to a criminal information charging him with a misdemeanor count of theft of federal funds in connection with submitting fraudulent reimbursement requests.

From December 1997 to July 2001, Schlesinger submitted approximately 81 fraudulent reimbursement requests to NYU with an aggregate value of \$22,090. These reimbursement requests were paid from moneys provided by federal grants funded by the EPA. Schlesinger allegedly used the illegally obtained federal funds to support his hobby of stamp collecting.

This investigation was conducted by the EPA OIG.

***Owners of
Reproduction
Company Pay
\$200,000 for Anti-
Kickback Violations***

On December 13 and 20, 2002, respectively, Thomas M. Costas and Robert J. Strom, owners and operators of Action Reprographics, Inc., New York, New York, each agreed to pay \$100,000 to the government in a civil settlement with the United States Attorney's Office, District of New Jersey. Additionally, on March 20, 2003, Costas and Strom were criminally indicted by a Federal grand jury for conspiracy and income tax fraud.

In the civil case, the United States alleged that Costas and Strom provided kickbacks to an employee of Ebasco Services, Inc., for the purpose of obtaining favorable treatment in the award of subcontracts for reproduction services. Ebasco Services was a major government contractor, providing power generation, environmental remediation, hazardous waste processing, and construction services to numerous government agencies, including the EPA, the Department of Defense, and the Department of Energy. Several former employees of Ebasco Services were previously convicted of violations of the Anti-Kickback Act of 1986 and with filing false income tax returns.

This investigation was conducted jointly by the Defense Criminal Investigative Service, the National Aeronautics and Space Administration OIG, the U.S. Postal Service OIG, and the EPA OIG.

***Contractor
Settlement Valued
at \$391 Million***

During this reporting period, a final estimate of the value of the September 2000 settlement agreement between ICF Kaiser International, Inc., and the United States Attorney's Office, Eastern District of Virginia, was computed. Based upon the documentation provided by ICF and their representations during the settlement negotiations, the total value of the settlement was placed at \$391,061,944. Since the

date of the settlement agreement, various government agencies have verified that \$25,030,858 in funds have been deobligated or retained. The value of government contracts awaiting closeout is \$366,031,086. Under the terms of the settlement agreement, ICF agreed to waive these cost claims, which in turn allowed the government to deobligate retained funds and avoid contract closing costs.

The settlement agreement was the culmination of a lengthy investigation that disclosed that ICF may have billed government contracts for computer center costs in excess of the costs actually incurred. The EPA and 17 other federal departments/agencies were affected by this settlement.

This investigation was conducted jointly by the EPA OIG and the Nuclear Regulatory Commission OIG.

Convictions and Sentencings Made in Software Piracy Case

On December 13, 2002, Ruth Lawton was sentenced to 3 years probation and ordered to pay a \$2,000 fine and a \$100 special assessment. This sentencing followed a September 24, 2002, criminal information filed against Lawton in U.S. District Court, District of Nevada, charging her with copyright infringement. On that same day, Lawton entered a guilty plea to the information, acknowledging that she downloaded more than \$2,500 worth of copyrighted software onto her home computer for the purpose of private financial gain, without the authorization of the copyright holders.

On September 27, 2002, a misdemeanor criminal information was filed in U.S. District Court, District of Nevada charging Eric Rosenquist with misdemeanor violations of copyright infringement. On November 21, 2002, Rosenquist entered into a plea agreement in which he admitted that he illegally downloaded a digital copy of Microsoft Money 202 Deluxe on his home computer. On March 21, 2003, Rosenquist was sentenced to serve 3 years probation, perform 140 hours of community service, and was ordered to pay a \$500 fine and a \$25 assessment fee.

On October 15, 2002, Lukasz Doupal pled guilty to a criminal information in U.S. District Court, District of Nevada, charging him with misprision of a felony, a misdemeanor. In the plea agreement, Doupal admitted that he became aware of and had knowledge of the actual commission of violations of federal criminal copyright laws by the members of a software piracy group. Doupal is currently awaiting sentencing.

This investigation, known as "Operation Bandwidth," is being worked in close coordination with the United States Attorney, Las Vegas, Nevada, and has resulted in multiple indictments, informations, and convictions. A 2-year long undercover operation by federal law enforcement officers from the Federal Bureau of Investigation, the Defense Criminal Investigative Service, and the EPA OIG focused on several members of a software piracy group know as the "Rogue Warriorz"

(RWG), a secretive underground organization dedicated to the illegal reproduction and distribution of copyrighted software, movies, and games over 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 total retail value of the pirated software was estimated to exceed \$1,000,000.

The investigation was conducted jointly by the Federal Bureau of Investigation, the Defense Criminal Investigative Service, and the EPA OIG.

***Electrical
Contractor Refunds
\$27,828 for
Overbilling of Costs***

On October 24, 2002, Philips Brothers Electrical Contractors, Inc., Glenmore, Pennsylvania, entered into an agreement with the EPA Suspension and Debarment Division to resolve the EPA's claim that Philips Brothers had sought payment from the EPA for sales tax not incurred.

Philips Brothers was awarded a contract for electrical construction work on the York City Sewer Authority (YCSA) Wastewater Treatment Plant. This project was funded under an EPA grant awarded to YCSA. Although the basic contract under the grant was fixed price, Philips Brothers invoiced the YCSA project for expenses incurred on change order construction work. Some of the supplies purchased for the change order work were free from Pennsylvania sales tax because of the nature of the public contracting work performed. On four requests for payment, Philips Brothers sought payment for sales tax on these supplies when no sales tax had been paid. The refunded amount of \$27,828 was divided between the EPA and the YCSA.

This investigation was conducted by the EPA OIG.

***EPA Employee
Terminated in
Connection with
Theft of a
Government
Purchase Card***

On October 31, 2002, Diane Williams, an Administrative Technician in EPA Region 5, Chicago, Illinois, was terminated from her EPA position. This action followed Williams' September 5, 2002, sentencing in the Circuit Court of Cook County, Illinois, to 1 year of supervised release and 10 days of community service.

The EPA investigation found that Williams knowingly stole a government purchase card from another EPA employee and activated the card. Williams proceeded to make purchases of a personal nature, including lamps, cigarettes, and a television set. In addition, she attempted to extract \$500 from an automated teller machine.

This investigation was conducted jointly by the EPA OIG and the Federal Protective Service.

***Grantee repays
\$5,000 to the EPA***

On December 17, 2002, and January 23, 2003, respectively, Mark Patrick, Chief Financial Officer, and David Schmidt, Executive Director, Global Rivers and Environmental Education Network (GREEN), Ann Arbor, Michigan, agreed to be held jointly and severally liable for repayment of \$5,000 in grant funds to the EPA. This agreement was reached with the EPA Suspension and Debarment Division.

GREEN had applied for and received an EPA grant in the amount of \$25,000 to conduct training and assistance at Washington Middle School in Seattle, Washington. This grant was amended to include conducting a student exchange program between Chief Sealth High School in Seattle, Washington, and a high school in Chongqing, China. Patrick submitted an invoice under the grant for \$5,000 to the EPA knowing that GREEN was going out of business.

The invoice included the costs of the grant amendment for the student exchange portion, despite the fact that the student exchange had not taken place at the time the voucher was invoiced. The original invoice was not paid and Schmidt resubmitted the invoice to the EPA after GREEN had commenced dissolution action. The resubmitted invoice was paid by the EPA.

This investigation was conducted by the EPA OIG.

***EPA's Annual
Report Show
Improvements,
More Still Needed
for Public
Accountability***

We reviewed EPA's Annual Report for Fiscal 2002 and commented that this report continues to improve upon previous Agency Reports, especially in the first time use of specific information references and citations to improve data quality and transparency. However, there are still several critical areas that continue to need improvement. Below is a summary of several significant issues and suggestions we identified that could improve the quality and value of this report to the public:

- < Cross-goal references are needed throughout this report since many of the goals, actions and measures overlap, to offer a greater picture of cross media interaction and dependencies;
 - < Better linkages between goals, actions and APGs are needed to demonstrate logical relationships and translation to outcomes measures of public benefit.
 - < Self assessment and judgements about how well a program performed or how much progress it made should be eliminated in favor of a straight forward discussion of what worked and why; and what did not and why not.
 - < Better discussion is needed of EPA's relative contribution compared to other federal and state agencies. The term "other federal partners" is used consistently throughout this report, however, only occasionally are they identified and their relationship to EPA explained.
 - < Many of the accomplishments reported as results are really projections of future expectations. These connections are important to know, but should not be used to imply completed results.
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- < The sections entitled Program Evaluations, should include references to OIG and GAO audit and evaluation reports, as long as these reports have national program implications.
 - < There is a lack of attention to the Major Management Challenges in Section I. Also, applicable management challenges should be discussed in each Goal chapter, with citations to Section III;
-

***EPA Regional
Superfund
Ombudsmen
Program Needs
Structure***

EPA does not have a management system in place to ensure its Regional Superfund Ombudsmen are accountable for fulfilling their responsibilities. The Regional Superfund Ombudsman function is generally a collateral duty within the Superfund program. As a result, there is a perceived lack of independence and impartiality. Further, a lack of guidance has caused uncertainty over the function.

The American Bar Association identifies a core characteristic of an Ombudsman as having the ability to conduct inquiries and investigations in an impartial manner. Another core characteristic is being independent. However, two General Accounting Office (GAO) reports (dated July 2001 and October 2002) noted concerns about the independence and impartiality of both EPA's National Ombudsman and Regional Superfund Ombudsmen.

To correct the independence and impartiality issues raised by GAO, EPA moved the National Ombudsman function from EPA's Office of Solid Waste and Emergency Response to the EPA OIG. However, EPA has not yet addressed GAO's concerns regarding the Regional Superfund Ombudsmen. The continued alignment of the Regional Superfund Ombudsmen with the Superfund program indicates a lack of independence and impartiality. Specifically, 7 of the 10 Regional Superfund Ombudsmen are located in the Superfund program and receive their annual evaluations from managers within that program. In 5 of the 7 regions aligned with the Superfund program, the Regional Ombudsmen duties are collateral duties, with the estimated time spent on Regional Ombudsmen duties ranging from 5 to 20 percent. None of the Regional Superfund Ombudsmen with collateral duties maintain time records specific to their Ombudsmen duties, and Ombudsmen duties are often performed in conjunction with other Superfund program responsibilities.

While it is not practical for EPA to meet independence and impartiality standards for Regional Ombudsmen, due to the limited time spent on Ombudsman duties, these Regional Ombudsmen believe they can be effective in resolving stakeholder complaints at a local level and assisting in alleviating site disputes. Therefore, we recommended that the Assistant Administrator for the Office of Solid Waste and Emergency Response change the title of the Regional Superfund Ombudsmen to better reflect their role, and develop clear and consistent guidance on their duties.

We issued our final report (2003-S-00004) on March 13, 2003. The Office of Solid Waste and Emergency Response agreed with the recommendations and indicated they will immediately begin work on developing specific milestones to implement the recommendations. A response to the final report is due June 13, 2003.

OIG Ombudsman/ Hotline Activity

Subsequent to the transfer of the national ombudsman function to the OIG, we recently established an Office of Congressional and Public Liaison (OCPL) to consolidate the OIG's congressional, media and public liaison activities into a single organization. A major element of the public liaison activities of the office are the activities of the ombudsman and hotline coordinator. The information received in OCPL is used to identify potential areas for OIG review, analysis, and recommendations for Agency program improvement. OCPL also receives complaints, allegations, concerns and inquiries regarding Agency programs and operations which are researched, evaluated and addressed.

For the six month reporting period ending March 31, 2003, the hotline received 325 inquiries or complaints, addressed 279, and referred 46. Matters that did not warrant OIG action will be used to identify trends or patterns of potentially vulnerable areas for possible future OIG work.

We plan to close ten ombudsman cases within the next reporting period. Additionally, we are performing fieldwork for the Stauffer Chemical, FL and Bunker Hill/Coeur d'Alene, ID cases and will recommend additional fieldwork for the Escambia, FL case. We are also contracting with technical experts to assist us in the review of ombudsman selected cases.

Review of Legislation and Regulations

Section 4(a)(2) of the Inspector General Act of 1978, as amended, directs OIGs to review existing and proposed legislation and regulations relating to agency programs and operations to determine the effect on economy and efficiency and the prevention and detection of fraud and abuse. During the reporting period, we reviewed 32 regulatory items. The most significant items are discussed below.

OMB Guidance on Implementing a Recovery Audit Program

We provided comments to the Office of Management and Budget (OMB) on implementation of the new recovery audit requirements for agencies in the fiscal 2002 Defense Authorization Act (PL 107-107; 31 USC sec 3561-3567). In accordance with the Inspector General Act of 1978, it is the Inspector General's statutory responsibility to conduct, supervise, and coordinate any audits it deems appropriate. OMB's new recovery audit requirements state that "agency heads should coordinate with the agency Inspector General." We are concerned that the new guidance could result in an OIG's independence being limited or subordinated and overall authority compromised. We recommended revising the OMB guidance to clearly describe the Inspector General's authority.

Revised OMB Circular A-76, Performance of Commercial Activities

We also provided comments to OMB on a proposed revision of OMB Circular A-76 related to making Government services subject to competition. We believe the basic premise of the proposed revision – namely, that all activities should be considered commercial in nature unless deemed to be inherently governmental – is critically flawed. We recognize that many Federal functions and services can be performed less expensively by competitive contract and that those functions and services should be contracted out. However, we believe that making a blanket generalization that agencies shall presume *all* activities are commercial in nature unless justified as inherently governmental is inconsistent with the very purpose of establishing a dedicated workforce of public servants committed to good government as opposed to corporate profits. Furthermore, Federal employees are subject to specific and rigorous standards of conduct generally unmatched by the private sector.

Proposed New EPA Order, Sexual Orientation and Parental Status Discrimination

This EPA order is an attempt to implement an Office of Personnel Management process for handling discrimination complaints based on sexual orientation. It also adds information on parental status. We expressed concern that the proposed new order is sometimes confusing because it does not clearly explain certain processes. Generally, we believe the order should explain in clearer language: (1) the overlapping authority of different agencies; (2) what appeal routes an employee has available for assistance; (3) the required timeframes for raising allegations under each of the appeal routes; and (4) what remedies are available. In addition, although neither form of discrimination is appealable to the Equal Employment Opportunity Commission, the policy does not explicitly say so and should.

Approval of Draft Records Schedules

We did not concur with draft records schedules for EPA's Integrated Grants Management System, Integrated Contracts Management System, and Grants and Other Agreement Oversight. The various disposition instructions/retention periods for electronic software programs, electronic data, and supporting documents are not consistent but should be. We were also concerned that there would be an inability to audit/retrieve data if the Agency is keeping incremental backup copies of inactive databases and the copies have not been modified to work with the latest software release. Having earlier versions of software would enhance the ability to audit/retrieve the data, especially to ensure the authenticity of electronic/digital signatures. Further, we do not concur with the proposal to break records related to post award monitoring, evaluation, and oversight for specific grants at the end of the reporting period and destroy them after 7 years (or 30 years for Superfund site-specific records). In our opinion, these records should be maintained for the same period as other records related to the grant.

Goal 3: Produce Timely, Quality and Cost-Effective Products and Services That Meet Customer Needs

The OIG is a customer-driven organization in which customer needs serve as the basis for work planning and the design of OIG products and services. All OIG work is based on anticipated value to Congress and EPA. The following illustrates results achieved under this OIG goal.

EPA OIG Develops Guide for Assessing Organizational Systems

EPA OIG recently developed a guide, “Assessing Organizational Systems: A User’s Guide,” that can be used by both OIG and Agency Program Managers to assess organizational systems. Specifically, this guide provides a framework that can be used to determine the efficiency and effectiveness of a particular program.

Over the past several years, the OIG has provided its staff with a number of training classes designed to focus attention on applying “Systems” models in our audit and evaluation projects. The guide was developed to enable the OIG, as well as others in the Agency, to effectively apply the principles touched upon during this training.

The guide is broken down into seven sections similar to those in the Malcolm Baldrige criteria: Leadership, Strategic Planning, Customer/Stakeholder and Market Focus, Information and Analysis, Human Capital, Process Management, and Performance Results. Each section contains a set of questions derived from an integration of our Malcolm Baldrige training, High Performance Organization training, the President’s Management Agenda, the Federal Managers’ Financial Integrity Act, and the Government Performance and Results Act.

These questions are designed to provide a useful tool when assessing an organization or program. In particular, the guide contains a list of “Vital Few” questions for each area, which can be used to enable the team to quickly develop an overall picture of an organizational system before asking more specific questions as needed. The questions are also designed to help the user identify the root cause of a condition, to better enable the development of solutions.

***OIG State
Revolving Fund
Activities Meet
Customer Needs***

The OIG's state revolving fund activities continue to meet the needs of Agency and state revolving fund program managers and staff. The OIG conducts audits in states that do not perform annual audits. During this reporting period, the OIG completed five audits of state clean water or drinking water revolving funds. These audits provide Agency and state program managers with assurance that the financial information about the state revolving fund is accurate and reliable.

The OIG also completed an audit guide for the clean water and drinking water state revolving funds. The guide highlights and explains some of the unique characteristics of the state revolving funds that state or independent auditors need to be aware of in auditing the funds. State program managers and staff have also found the guide useful in helping them understand and apply new accounting and financial reporting requirements. The guide includes sample reports and financial statements that state managers and independent auditors can refer to in preparing audited financial statements. The audit guide is available on the OIG's internet web site.

***OIG Issues First
Multi-Year Plan***

The EPA OIG developed and issued its first Multi-Year Plan covering fiscal 2003 through 2005, and is the connecting link between EPA's Strategic Goals and OIG's Strategic Goals and Annual Work Plans. Constructed, with the input of EPA and OIG clients and stakeholders, the Multi-Year Plan demonstrates how the concepts, direction, and priorities established in the OIG Strategic Plan will be cohesively implemented and arrayed to answer a logical sequence of questions. We will specifically apply a variety of professional disciplines through a progression of assignments in Product Line Tracks, linked to specific EPA programs, operations and challenges to evaluate the linkage and relationships of the inputs, processes, and actions that critically influence the successful fulfillment of EPA's Statutory Mission and Goals. This Multi-Year Plan is designed to increase the depth of our reviews by performing technical, policy and scientific analysis of complex environmental issues, while examining the interrelationships of supporting management systems. The Multi-Year Plan recognizes human capital, partnerships, followup, flexibility, measurement, and reviews of EPA's Program Assessment Rating Tools (PART) as elements for success through FY 05. The Multi-Year Plan is available electronically from <http://www.epa.gov/oig>

Cross-Walk Between EPA Goals and EPA OIG Multi-Year Plan Through FY 2005

EPA Goals Multi-Year Plan Chapter	OIG Multi-Year Plan Product Line Tracks and Key Questions To be cumulatively Answered by Assignments FY 2003 to <u>FY 2005</u>
Cleaner Air Air Chapter 2	<ul style="list-style-type: none"> < Particulate Matter: How can EPA maximize the effectiveness of its fine particulate matter (PM 2.5) ambient monitoring and emissions control strategies? < Ozone: How can EPA better execute its ozone reduction strategies? < Air Toxics: How can EPA improve the effectiveness of its efforts to assess, monitor, control, and reduce the risks from toxics air pollutants to human health & environment? < Challenges to Progress: How can EPA maximize the contributions of state and local entities in continuing progress toward meeting clean air goals?
Purer Water Water Chapter 3	<ul style="list-style-type: none"> < Safe Drinking Water: How can EPA effectively implement the Safe Drinking Water Amendments of 1996? < Watershed Protection: How can EPA effectively control, protect and monitor watersheds and water quality? < Reducing Pollutant Loadings: How can EPA effectively use and improve policy tools to reduce water pollutant loadings?
Safer Land Land Chapter 4	<ul style="list-style-type: none"> < Superfund: Is EPA making progress toward effective risk reduction and waste cleanup? < Brownfields: Is EPA making progress toward effective risk reduction, cleanup, and restoring previously polluted sites to appropriate uses? < Resource Conservation & Recovery Act (RCRA): Is EPA making progress toward effective waste management, hazardous material management, and risk reduction?
Ecosystems & Communities Compliance & Environmental Stewardship Cross Media Chapter 5	<ul style="list-style-type: none"> < Homeland Security: How can EPA better execute its Strategic Plan to prevent, prepare for, and respond to a terrorist attack to minimize adverse impacts on human health and the environment? < Environmental Stewardship: Do the States and tribes use high performance concepts to deliver environmental and human health protection? < Environmental Justice: How well are environmental justice concerns incorporated into EPA decisionmaking; Do EPA policies and practices disproportionately contribute adverse impacts on human health and the environment in communities of concern? < Compliance Assistance & Enforcement: Is the employment of traditional and nontraditional enforcement approaches optimized to ensure compliance with environmental rules and regulations that are designed to protect human health and the environment?
EPA Management Support Infrastructure Good Government Chapter 6	<ul style="list-style-type: none"> < Financial Management: Does EPA have the people, processes, and systems needed to efficiently provide timely accurate, complete and useful financial information for decisionmaking and accountability? < Information Resources Management: Does EPA have systems, processes, and controls in place to ensure timely, reliable, and complete information is available to manage EPA's programs and report on environmental results? < Program Management: Does EPA have the system and processes in place to plan, budget for, and manage its programs, and human capital needed to carry out its mission? < Assistance Agreements: Is EPA using assistance agreements to efficiently and effectively accomplish its mission? < Contracts: Is EPA using contracts to efficiently & effectively accomplish its mission? < Energy Conservation- Green Power: Will EPA's strategies enable it to reduce overall energy usage by 20 percent from fiscal 1990 to 2005 and by 25 percent by fiscal 2010?

Scoreboard of Mid-Year Results Compared to FY 2003 Performance Targets

All results reported are a combination of completed and prospective as of March 31, 2003 unaudited

Annual Performance Goal; Target, Mid-Year Reported Status	Supporting Measures
Goal 1. Contribute to Environmental Quality and Human Health	
Environmental Improvements/Actions/Changes <i>Target 60; Reported 38;</i>	3 Legislative changes/decisions 5 Regulatory changes/decisions 24 EPA Policy, process, practices change 5 Examples of environmental improvement 1 Best environmental practice implemented
Environmental Risks Reduced or Eliminated <i>Target 20; Reported 12;</i>	10 Environmental Risks reduced/eliminated 2 Certifications/validations/verifications
Environmental recommendations, best practices, risks identified <i>Target 80; Reported 57;</i>	25 Environmental recommendations 7 Environmental best practices identified 23 Environmental risks identified
Goal 2. Improve EPA's management, accountability and program operations	
Return on Investment: Potential dollar return compared to investment in OIG (in millions) <i>Target 150% ; Reported 918% ;</i>	\$ 4.1 Questioned costs \$ 72.5 Recommended efficiencies, costs saved \$ 368 Fines, recoveries, settlements
Criminal, Civil & Administrative Actions Reducing Risk of Loss/Operational Integrity <i>Target 50; Reported 43;</i>	9 Criminal Convictions 16 Indictments/informations/complaints 2 Civil Judgements/settlements 17 Administrative actions
Improvements in Business/Systems/Efficiency <i>Target 75; Reported 28;</i>	16 Policy process, practice, control changes 1 Corrective action on FMFIA/Mgt Challenge 3 Best practice implemented 8 Certifications/validations/verifications
Recommendation, best practices, risks identified <i>Target 155; Reported 57;</i>	52 Recommendations 5 Best practices identified Risks identified FMFIA/ Management Challenges

Audit Report Resolution

Status Report on Perpetual Inventory of Reports in Resolution Process for Semiannual Period Ending March 31, 2003

<i>Report Category</i>	No. of Reports	Report Issuance (Dollar Value in Thousands)		Report Resolution Costs Sustained (Dollar Value in Thousands)	
		Questioned Costs	Recommended Efficiencies	To Be Recovered	As Efficiencies
A. Reports for which no management decision was made by October 1, 2002	85	\$55,173	\$3,622		
B. Reports which were issued during the reporting period	238	3,965	72,516		
C. Reports which were issued during the reporting period that required no resolution	174	0	0		
Subtotals (A + B - C)	149	59,138	76,138		
D. Reports for which a management decision was made during the reporting period	52	22,083	253	\$8,781	\$0
E. Reports for which no management decision was made by March 31, 2003	97	37,054	75,885		
Reports for which no management decision was made within six months of issuance	46	33,423	3,369		

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 IG Reports**

This section presents statistical information as required by the Inspector General Act Amendments of 1988 on the status of EPA management decisions on reports issued by the OIG involving monetary recommendations.

As presented, information contained 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. We expect that a high proportion of unsupported costs may not be sustained.

Table 1 -- Inspector General Issued Reports With Questioned Costs for Semiannual Period Ending March 31, 2003

Report Category	Number of Reports	Questioned Costs* (Dollar Value in Thousands)	Unsupported Costs (Dollar Value in Thousands)
A. Reports for which no management decision was made by October 1, 2002**	35	\$55,173	\$17,340
B. New reports issued during period	16	3,965	1,646
Subtotals (A + B)	51	59,138	18,985
C. Reports for which a management decision was made during the reporting period	11	22,083	11,245
(i) Dollar value of disallowed costs	8	8,781	0
(ii) Dollar value of costs not disallowed	3	13,302	11,245
D. Reports for which no management decision was made by March 31, 2003	40	37,054	7,740
Reports for which no management decision was made within six months of issuance	20	33,423	6,095

* Questioned costs include the unsupported costs.

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

Table 2 -- Inspector General Issued Reports With Recommendations That Funds Be Put To Better Use for Semiannual Period Ending March 31, 2003

Report Category	Number of Reports	Dollar Value (In Thousands)
A. Reports for which no management decision was made by October 1, 2002	5	\$3,622
B. Reports which were issued during the reporting period	2	72,516
Subtotals (A + B)	7	76,138
C. Reports for which a management decision was made during the reporting period	1	253
(i) Dollar value of recommendations from reports that were agreed to by management	0	0
(ii) Dollar value of recommendations from reports that were not agreed to by management	1	253
(iii) Dollar value of non-awards or unsuccessful bidders	0	0
D. Reports for which no management decision was made by March 31, 2003	6	75,885
Reports for which no management decision was made within six months of issuance	4	3,369

Reports With No Final Action As Of March 31, 2003 Which Are Over 365 Days Past OIG Report Issuance Date		
Audits	Total	Percentage
Programs	20	15
Assistance Agreements	81	61
Contract Audits	19	14
Single Audits	12	9
Financial Statement Audits	1	1
TOTAL	133	100

Summary of Investigative Results

Summary Of Investigative Activities

Pending Investigations as of September 30, 2002	181
New Investigations Opened This Period	65
Investigations Closed This Period	45
Pending Investigations as of March 31, 2003	201

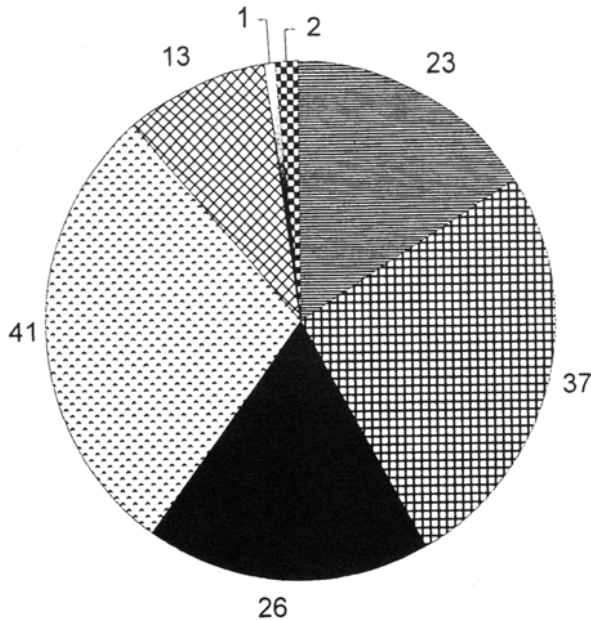
Prosecutive and Administrative Actions

In this period, investigative efforts resulted in 9 convictions and 16 indictments (does not include indictments obtained in cases in which we provided investigative assistance). Fines and recoveries, including those associated with civil actions, amounted to \$368 million. Seventeen administrative actions were taken as a result of investigations.

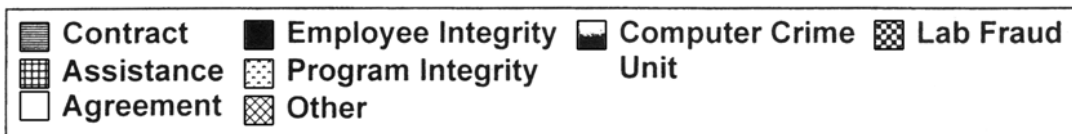
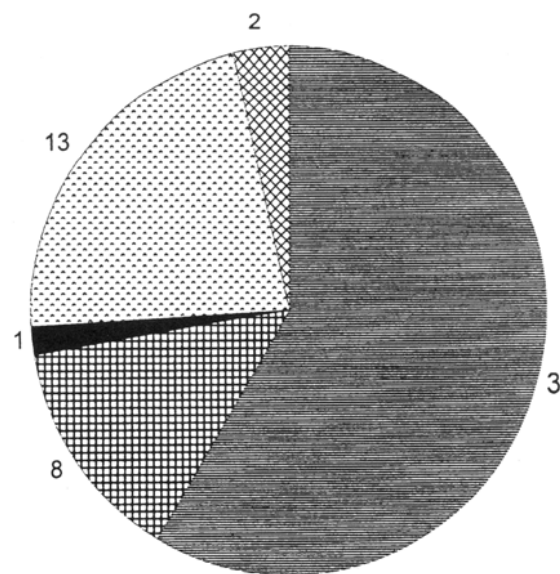
Terminations	2
Restitutions	3
Reprimands	3
Suspension & Debarments	8
Other	1
TOTAL	17

Profiles of Pending Investigations by Type

General EPA Programs
Total Cases = 143



Superfund
Total Cases = 58



Appendix 1 -- Reports Issued

THE INSPECTOR GENERAL ACT REQUIRES A LISTING, SUBDIVIDED ACCORDING TO SUBJECT MATTER, OF EACH REPORT ISSUED BY THE OFFICE DURING THE REPORTING PERIOD AND FOR EACH REPORT, WHERE APPLICABLE, THE DOLLAR VALUE OF QUESTIONED COSTS AND THE DOLLAR VALUE OF RECOMMENDATIONS THAT FUNDS BE PUT TO BETTER USE.

Report Number	Title	Final Report Issued	Questioned Costs			Recommended Efficiencies (Funds Be Put To Better Use)
			Ineligible Costs	Unsupported Costs	Unreasonable Costs	
2003-2-00003	CLOSED: Final-Prel. Res. Results on Improper Contract Pymnts	16-JAN-03				
2003-P-00001	EPA's Controls Over Social Security Numbers by Third Parties	08-OCT-02				
2003-P-00002	Oversight of Superfund Cleanup Actions for DOE Handford Site	04-NOV-02				
2003-P-00003	Science to support rulemaking - pilot study report	15-NOV-02				
2003-P-00004	State Self-Assessments	27-DEC-02				
2003-P-00005	Region 6 Needs to Improve Oversight of LA's Environment Programs	03-FEB-03				
2003-P-00006	Superfund Cleanups of Groundwater	14-MAR-03				
2003-P-00007	Assistance Agreements - Awarding	31-MAR-03				
2003-P-00008	Contracts - PBSC	26-MAR-03				
2003-P-00009	Adequacy of Cyber-based Infrastructure Implementation Activities	27-MAR-03				
TOTAL PERFORMANCE REPORTS = 10			0	0	0	0
2003-1-00048	Nevada DWSRF FY 2001	21-JAN-03				
2003-1-00060	Audit of the State of Nevada CWSRF FY2001 Financial Stmtts	05-FEB-03				
2003-1-00068	Audit of Washington DWSRF FY 2001	21-FEB-03				
2003-1-00086	AA 2002 CWSRF New Hampshire	24-MAR-03				
2003-1-00087	CENTRAL STATES AIR RESOURCE AGENCIES GRANT AUDITS	31-MAR-03	0	\$1,644,618	0	0
TOTAL ASSISTANCE AGREEMENT REPORTS = 5			0	\$1,664,618	0	0
2003-3-00001	New York, State of	09-OCT-02				
2003-3-00002	Magnolia Municipal Water System	09-OCT-02				
2003-3-00003	Brigham and Women's Hospital, Inc.	10-OCT-02				
2003-3-00004	National Academy of Sciences	10-OCT-02				
2003-3-00005	Magnolia, City of	22-OCT-02				
2003-3-00006	California State University	22-OCT-02				
2003-3-00007	Laguna, Pueblo of	24-OCT-02				
2003-3-00008	Washoe Tribe of Nevada and California	24-OCT-02	\$336,007			
2003-3-00009	Washoe Tribe of Nevada and California	24-OCT-02	\$235,472			
2003-3-00010	Conrad, City of	25-OCT-02				
2003-3-00011	Fort Worth, City of	31-OCT-02				
2003-3-00012	Yankton Sioux Tribe	31-OCT-02				
2003-3-00013	Fond du Lac Reservation	01-NOV-02				
2003-3-00014	Southeastern States Air Resource Managers, Inc.	01-NOV-02				
2003-3-00015	Southeastern States Air Resource Managers, Inc.	01-NOV-02				
2003-3-00016	Southeastern States Air Resource Managers, Inc. 2001	01-NOV-02				
2003-3-00017	Blackfeet Tribe of the Blackfeet Indian Reservation	07-NOV-02				
2003-3-00018	Greenville Rancheria	08-NOV-02	\$59,979			
2003-3-00019	Spokane Tribe	08-NOV-02				
2003-3-00020	Tyrone, Borough of	12-NOV-02				
2003-3-00021	The Academy of Natural Science	13-NOV-02				
2003-3-00022	Eight Northern Indian Pueblos Council, Inc. (FY 2000)	15-NOV-02				
2003-3-00023	Eight Northern Indian Pueblos, Inc. (FY 2001)	15-NOV-02				
2003-3-00024	Assiniboine & Sioux Tribes	15-NOV-02				
2003-3-00025	Tesuque, Pueblo of	19-NOV-02				
2003-3-00026	National Senior Citizen Educa. & Research Center	10-DEC-02				

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			Ineligible Costs	Unsupported Costs	Unreasonable Costs	
2003-3-00027	Shoshone & Arapahoe Tribes, Wind River Reserv ation	17-DEC-02	\$950,128			
2003-3-00028	Huntington Beach	17-DEC-02				
2003-3-00029	National Institute For Environmental Renewal	18-DEC-02				
2003-3-00030	3 Rivers Wet Weather, Inc.	27-DEC-02	\$106,377			
2003-3-00031	Southern Appalachian Mountains Initiative	31-DEC-02				
2003-3-00032	Pleasant Point Passamaquoddy Tribe	31-DEC-02				
2003-3-00033	Seneca Nation of Indians	31-DEC-02				
2003-3-00034	Alliance for Chesapeake Bay, Inc.	03-JAN-03				
2003-3-00035	Lake Wallenpaupack Watershed District	07-JAN-03	\$71,000			
2003-3-00036	San Luis Valley Resource Conservation and Dev elopment Area	07-JAN-03				
2003-3-00037	Palau National Government, Republic of	21-JAN-03				
2003-3-00038	Palau National Government, Republic of	21-JAN-03				
2003-3-00039	Palau National Government, Republic of	21-JAN-03				
2003-3-00040	Salt Lake County FY 2000	22-JAN-03				
2003-3-00041	SALT LAKE COUNTY FY 2001	22-JAN-03				
2003-3-00042	Cocopah Indian Tribe FY 1999	22-JAN-03				
2003-3-00043	Cocopah Indian Tribe FY 2000	22-JAN-03				
2003-3-00044	Chickalon, Native Village of	28-JAN-03	\$83,148			
2003-3-00045	Palau National Government, Republic of	04-FEB-03				
2003-3-00046	Palau National Government, Republic of	04-FEB-03				
2003-3-00047	Stevens Village Council	05-FEB-03	\$56,778			
2003-3-00048	Chickalon, Native Village of	11-FEB-03	\$48,026			
2003-3-00049	Alabama, State of	13-FEB-03				
2003-3-00050	America's Clean Water Foundation	13-FEB-03	\$100,000			
2003-3-00051	Nortwood, City of	14-FEB-03				
2003-3-00052	American Council for an Energy-Efficient Econ omy	27-FEB-03				
2003-3-00053	Rock river Water Reclamation District	21-FEB-03				
2003-3-00054	The Pacific American Foundation	25-FEB-03	\$21,961			
2003-3-00055	The Pacific American Foundation	25-FEB-03				
2003-3-00056	White Earth Reservation Tribal Council	27-FEB-03				
2003-3-00057	Sherwood Valley Band of Pomo Indians	27-FEB-03				
2003-3-00058	Sherwood Valley Band of Pomo Indians	27-FEB-03				
2003-3-00059	Sac and Fox Nation of Oklahoma	27-FEB-03				
2003-3-00060	Colorado, State of	04-MAR-03				
2003-3-00061	Colorado, State of	04-MAR-03				
2003-3-00062	Georgia, State of	05-MAR-03				
2003-3-00063	Valdese, Town of	05-MAR-03				
2003-3-00064	King Cove, City of, Alaska	05-MAR-03				
2003-3-00065	Blair County Convention & Sports Facility Aut hority	05-MAR-03				
2003-3-00066	Fayal, Town of	05-MAR-03				
2003-3-00067	Round Valley Indian Tribe of the Round Valley Reservation	05-MAR-03				
2003-3-00068	North Dakota Rural Water Association	11-MAR-03				
2003-3-00069	Alfred University	11-MAR-03				
2003-3-00070	Arkansas, University for Medical Science	11-MAR-03				
2003-3-00071	Water Environment Research Foundation	12-MAR-03	\$84,185			
2003-3-00072	Alabama Water Pollution Control Authority	12-MAR-03				
2003-3-00073	Rhode Island and Providence Plantations, stat e of	14-MAR-03				
2003-3-00074	Nevada, State of	14-MAR-03				
2003-3-00075	Washington, State of	14-MAR-03				
2003-3-00076	Washington, State of	14-MAR-03				
2003-3-00077	Ohio, State of	17-MAR-03				
2003-3-00078	Montana, State of	17-MAR-03				
2003-3-00079	New Mexico Finance Authority	17-MAR-03				
2003-3-00080	Kentucky, Commonwealth of	24-MAR-03				
2003-3-00081	North Carolina, State of	24-MAR-03				
2003-3-00082	Connecticut, State of	24-MAR-03				
2003-3-00083	Burns Paiute Tribe	25-MAR-03				
2003-3-00084	Kaiser Foundation Health Plan, Inc	25-MAR-03				
2003-3-00085	Lower Sioux Indian Community	25-MAR-03				
2003-3-00086	National Alliance for Hispanic Health	25-MAR-03				
2003-3-00087	Fallon Paiute-Shoshone Tribe	25-MAR-03				
2003-3-00088	Wisconsin, State of	28-MAR-03				
2003-3-00089	Kansas, State of	28-MAR-03				
2003-3-00090	Missouri, State of	31-MAR-03				
2003-3-00091	Missouri, State of	31-MAR-03				
TOTAL SINGLE AUDIT REPORTS = 91			\$2,153,061	0	0	0

Report Number	Title	Final Report Issued	Questioned Costs			Recommended Efficiencies (Funds Be Put To Better Use)
			Ineligible Costs	Unsupported Costs	Unreasonable Costs	
2003-1-00032	Malcolm Pirnie, Inc. FY 96 Incurred Cost	18-NOV-02				\$15,672
2003-1-00033	Malcolm Pirnie, Inc. FY 97 Incurred Cost	18-NOV-02				
2003-1-00034	TRC Environmental Corp.-FY 99 Incurred Cost	19-NOV-02	\$162,807			
TOTAL OIG ISSUED CONTRACT REPORTS = 3			\$162,807	0	0	\$15,672
2003-1-00001	CH2M Hill Inc.-FY2002 IT General Controls System	04-OCT-02				
2003-1-00002	CET Environmental Services Inc.-FY2000 Incurred Cost	04-OCT-02	\$4,417			
2003-1-00003	Parallax, Inc.-FY1999 Incurred Cost	04-OCT-02				
2003-1-00004	Parallax, Inc.-FY2000 Incurred Cost	04-OCT-02				
2003-1-00005	McWane & Company-FY99 Incurred Cost	04-OCT-02				
2003-1-00006	CH2M Hill Inc.-FY 2000 Floorcheck	04-OCT-02				
2003-1-00007	OAO Corporation-FY2000 Incurred Cost	08-OCT-02				
2003-1-00008	URS Corporation-FY1999 Incurred Cost	08-OCT-02				
2003-1-00009	DCT, Inc.-FY2000 Incurred Cost	08-OCT-02				
2003-1-00010	Eastern Research Group-FY2000 Incurred Cost	08-OCT-02				
2003-1-00011	Louis Berger & Associates, Inc.-FY97 Incurred Cost	08-OCT-02				
2003-1-00012	Great Lakes Environmental-FY2001 Incurred Cost	08-OCT-02				
2003-1-00013	Parsons Engineering Science-FY99 Incurred Cost	08-OCT-02				
2003-1-00014	CH2M Hill Inc.-FY2000 Incurred Cost	09-OCT-02				
2003-1-00015	IT Group-FY2002 Billing System	10-OCT-02				
2003-1-00016	ROY F. WESTON INC.-FY 1995 ARCS 68-W9-0057	10-OCT-02				
2003-1-00017	PRC/Tetra Tech EMI-FY2000 Incurred Cost	15-OCT-02				
2003-1-00018	Alternative Energy Department, Inc.-FY95-98	18-OCT-02				
2003-1-00019	Alternative Energy Development, Inc.-FY 1999 Incurred Cost	18-OCT-02				
2003-1-00021	Henderson Associates-FY96 Incurred Cost	18-OCT-02				
2003-1-00022	Henderson Associates-FY97 Incurred Cost	18-OCT-02				
2003-1-00023	Henderson Associates-FY98 Incurred Cost	18-OCT-02				
2003-1-00024	Henderson Associates-FY1999 Incurred Cost	18-OCT-02				
2003-1-00025	Gannett Fleming Environmental Engineers-FY2000 Incurred Cost	18-OCT-02				
2003-1-00026	Gannett Fleming Environmental Engineers, Inc.-FY2001 I/C	18-OCT-02				
2003-1-00027	Shaw Environmental&Infra(IT Group)-FY2002 Daily Equip. Rates	23-OCT-02				
2003-1-00028	DynCorp,Inc.-FY2000 Incurred Cost	24-OCT-02				
2003-1-00029	ManTech Environmental Technology-Final Audit	12-NOV-02				
2003-1-00030	Roy F. Weston-FY2000 Incurred Cost	12-NOV-02				
2003-1-00031	FEV of America-FY2001 Incurred Cost	13-NOV-02				
2003-1-00036	URS Greiner Woodward-Clyde Federal-FY1999 Incurred Cost	19-NOV-02				
2003-1-00037	Systems Research & Applications-FY99 Incurred Cost	19-NOV-02				
2003-1-00038	Transcontinental Enterprises, Inc.-FY1999 Incurred Cost	19-NOV-02				
2003-1-00039	CH2M Hill Companies-Home Office Allocation FYE 12/31/00	19-NOV-02				
2003-1-00040	CH2M Hill I&E Business Groups-Intermediate Allocation FYE 00	19-NOV-02				
2003-1-00042	SoBran Inc.-FY2001 Incurred Cost	22-NOV-02				
2003-1-00043	Environmental Chemical Corporation-FY1998 Incurred Cost	25-NOV-02				
2003-1-00044	Tetra Tech EM Inc.-FY94-98 CACS 68-W5-0055	12-DEC-02				
2003-1-00046	Gruzen Samton-FY99 Incurred Cost	21-JAN-03				
2003-1-00047	ESE (Harding ESE)-FY2000 Incurred Cost	21-JAN-03				
2003-1-00049	ESE (Harding ESE)-FY1999 Incurred Cost	21-JAN-03				
2003-1-00050	Computer Based Systems-FY2000 Incurred Cost	21-JAN-03				
2003-1-00051	Tetra Tech NUS, Inc.-FY2000 Incurred Cost	21-JAN-03				
2003-1-00052	URS Greiner Woodward-Clyde-FY99 Incurred Cost Supplemental	22-JAN-03				
2003-1-00053	TechLaw Inc.-FY2000 Incurred Cost	29-JAN-03				
2003-1-00054	TechLaw Inc.-FY2001 Incurred Cost	29-JAN-03				
2003-1-00056	Environmental Chemical Corporation-FY1999 Incurred Cost	21-FEB-03				
2003-1-00057	Black & Veatch Holding Co.-FY2000 I/C of Corp	31-JAN-03				

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			Ineligible Costs	Unsupported Costs	Unreasonable Costs	
2003-1-00058	orate Office CH2M Hill Inc.-FY2002 Indirect Forward Pricing Rates	31-JAN-03				
2003-1-00059	Clean Air Vehicle Technology Center-FY2001 Incurred Cost	31-JAN-03				
2003-1-00062	TechLaw Inc.-FY98 Incurred Cost	13-FEB-03				
2003-1-00063	TechLaw Inc.-FY99 Incurred Cost	13-FEB-03				
2003-1-00064	Roy F. Weston-FY97 ARCS Closeout 68-W8-0089	13-FEB-03				
2003-1-00065	Bionetics Corporation-FY2001 Incurred Cost	13-FEB-03				
2003-1-00066	Industrial Economics, Inc.-FY2000 Incurred Cost	13-FEB-03				
2003-1-00069	ABT Associates Inc.-CACS 68-D2-0175	25-FEB-03				
2003-1-00070	McWane & Company Inc.-FY2000 Incurred Cost	28-FEB-03				
2003-1-00071	Toeroek Associates-FY1999 Incurred Cost	28-FEB-03				
2003-1-00072	Sierra Research Inc.-FY2001 Incurred Cost	28-FEB-03				
2003-1-00073	Parallax, Inc.-FY2001 Incurred Cost	28-FEB-03				
2003-1-00075	Lee Wilson & Associates-FY2001 Incurred Cost	03-MAR-03				
2003-1-00076	TN & Associates-FY2001 Incurred Cost	03-MAR-03				
2003-1-00077	Toeroek Associates-FY2000 Incurred Cost	03-MAR-03				
2003-1-00078	Armstrong Data Services-FY2000 Incurred Cost	05-MAR-03				
2003-1-00079	Armstrong Data Services-FY98 Incurred Cost	05-MAR-03				
2003-1-00080	Foster Wheeler Environmental Corp.-FY2000 RAC 68-W9-8214	06-MAR-03				
2003-1-00081	ABB Power Plant Laboratories-FY1987 thru 1994 Incurred Cost	10-MAR-03				
2003-1-00082	IT Group-QUATS Segment FY1999 Incurred Cost	10-MAR-03				
2003-1-00083	Arcadis Geraghty & Miller-FY1999 Incurred Cost	10-MAR-03				
2003-1-00084	Bechtel Group, Inc.-FY1998 Revised Incurred Cost	12-MAR-03				
2003-1-00088	Integrated Laboratory Systems-FY2000 Incurred Cost	28-MAR-03				
2003-1-00089	Griffin Services, Inc.-FY99 Incurred Cost	28-MAR-03				
2003-1-00090	SCS Engineers-FY2001 Incurred Cost	28-MAR-03				
2003-1-00091	Syracuse Research Corporation-FY2001 Incurred Cost	31-MAR-03				
2003-2-00001	Asset Group Inc.-Preaward	15-OCT-02				
2003-2-00002	Dyncorp Systems & Solutions LLC-Preaward PR-C I-02-10152	26-NOV-02				
2003-2-00004	IT Group-DACA45-98-D-0003 Delivery Order #16	22-JAN-03				
2003-2-00006	Foster Wheeler Envtl. Corp.-Agreed Upon RFP F 41624-02-R-8159	13-FEB-03				
2003-4-00001	CH2M Hill Inc.-FY2002 Indirect/ODC System	09-OCT-02				
2003-4-00002	Battelle Memorial Institute-IT Syst. Gen. Internal Control	09-OCT-02				
2003-4-00003	CH2M Hill Companies, Ltd.-CAS 403	09-OCT-02				
2003-4-00004	IT Group-FY2002 CAS 411 Material Acquisitions	09-OCT-02				
2003-4-00005	IT Group-FY2002 CAS 408 Compensated Absences	09-OCT-02				
2003-4-00006	IT Group-FY2002 CAS 404 Capitalization of Assets	09-OCT-02				
2003-4-00007	IT Group-FY2002 Accounting System	10-OCT-02				
2003-4-00008	Tetra Tech EMI-Budget System	10-OCT-02				
2003-4-00009	CH2M Hill I&E-FY2002 CAS 403	18-OCT-02				
2003-4-00010	Lockheed Martin Services Inc.-FY2002 CAS 414	18-OCT-02				
2003-4-00011	Tetra Tech Inc.-FY2002 CAS 409	22-OCT-02				
2003-4-00012	Tetra Tech Inc. - FY2002 CAS 404	22-OCT-02				
2003-4-00013	Shaw Environmental & Infra. (IT Group)-IT System & IC	23-OCT-02				
2003-4-00014	Shaw Environmental & Infra. (IT Group)-Indirect/Direct Cost	23-OCT-02				
2003-4-00015	Tetra Tech NUS-FY2002 CAS 409	30-OCT-02				
2003-4-00016	Shaw Environmental & Infra.-FY2003 Daily Equipment Rates	06-NOV-02				
2003-4-00017	Shaw Environmental & Infra.-FY2002 Bidding/Bidding Rates	08-NOV-02				
2003-4-00018	Shaw Environmental&Infra.-FY2003 Estimated Direct Labor Rates	08-NOV-02				
2003-4-00019	Tetra Tech NUS-FY2002 CAS 404	08-NOV-02				
2003-4-00020	Tetra Tech EMI-Internal Control	12-NOV-02				

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			Ineligible Costs	Unsupported Costs	Unreasonable Costs	
2003-4-00021	Midwest Research Institute-Material Purchases Control Syst.	12-NOV-02				
2003-4-00022	Shaw Environmental & Infra-FY2003/2004 Bidding/Billing Rates	12-NOV-02				
2003-4-00023	Shaw Environmental & Infra.-FY2003 Billing System & IC	19-NOV-02				
2003-4-00024	Professional & Scientific Association-FY95 Incurred Cost	19-NOV-02				
2003-4-00025	Battelle Memorial Institute-Labor System Internal Controls	25-NOV-02				
2003-4-00026	Tetra Tech Inc.-FY2002 CAS 403	25-NOV-02				
2003-4-00027	Tetra Tech, Inc./B&V-FY1998 I/C Supplemental 68-W7-3002	04-DEC-02				
2003-4-00028	Lockheed Martin Services-Adequacy & Compliance of D/S	29-JAN-03				
2003-4-00030	Poster Wheeler Environmental Corp.-FY2003 CAS 404	29-JAN-03				
2003-4-00031	Bechtel System & Infrast-Follow-up Compensation System	31-JAN-03				
2003-4-00032	Bechtel System & Infrast-Info Tech System Internal Control	31-JAN-03				
2003-4-00033	Shaw E&I-Financial Condition	31-JAN-03				
2003-4-00034	Bechtel Systems & Infrast-Labor Accounting	31-JAN-03				
2003-4-00035	Roy F. Weston, Inc.-FY 1996 ARCS 68-W9-0046-Cancelled	07-FEB-03				
2003-4-00037	Industrial Economics, Inc.-FY2003 Floorcheck	13-FEB-03				
2003-4-00038	Tetra Tech EMI-Executive Compensation	13-FEB-03				
2003-4-00039	CH2M Hill Inc.-FY2002 CAS 415	19-FEB-03				
2003-4-00040	CH2M Hill Inc.-FY2002 CAS 404	19-FEB-03				
2003-4-00041	Toeroek Associates-FY2001 Accounting System Review	05-MAR-03				
2003-4-00042	InfoPro Inc.-FY98 Incurred Cost	10-MAR-03				
2003-4-00043	ASRC Aerospace Corporation-FY2000 Incurred Cost	10-MAR-03				
2003-4-00044	CH2M Hill Inc.-FY2002 CAS 409	10-MAR-03				
2003-4-00045	Midwest Research Institute-CAS 408	10-MAR-03				
2003-4-00046	Lockheed Martin Services-FY2003 Disclosure Statement Rev. 10	12-MAR-03				
2003-4-00047	ECG, Inc.-FY2000 Incurred Cost	28-MAR-03				
2003-4-00048	Mega Tech, Inc.-FY2000 Incurred Cost	28-MAR-03				
2003-4-00049	EC/R Inc.-FY2000 Incurred Cost	28-MAR-03				
2003-4-00050	EC/R Incorporated-FY99 Incurred Cost	28-MAR-03				
TOTAL DCCA CONTRACT REPORTS = 126			\$4,417	0	0	0
2003-1-00045	2002 AGCY F/S - PREPARATION AND REPORTING - FAD MASTER	29-JAN-03				
TOTAL FINANCIAL STATEMENT REPORTS = 1			0	0	0	0
2003-S-00003	Hunterstown Road CERCLA Claim No. 2	24-JAN-03		\$0	\$0	\$0
2003-S-00004	EPA's Regional Ombudsmen Program	12-MAR-03				
TOTAL SPECIAL REVIEW REPORTS = 2			0	0	0	0
TOTAL REPORTS ISSUED = 238			\$2,320,285	\$1,644,618	0	\$72,515,672