



At a Glance

Catalyst for Improving the Environment

Why We Did This Review

We conducted this review to determine whether the U.S. Environmental Protection Agency (EPA) has controls in place to recover its Gulf Coast oil spill response costs as required and recommended by policy and guidance.

Background

On April 22, 2010, the Deepwater Horizon mobile offshore drilling unit sank, causing the largest oil spill in U.S. history. The U.S. Coast Guard, as lead agency for the response, authorized EPA to monitor and respond to potential public health and environmental concerns. To do so, EPA collected and managed environmental data, oversaw waste management activities, and provided technical assistance. As of December 31, 2010, the Coast Guard had authorized EPA to spend approximately \$61.9 million on response work. EPA bills its costs and receives reimbursement from the Coast Guard.

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

The full report is at:
www.epa.gov/oig/reports/2011/20110825-11-P-0527.pdf

EPA's Gulf Coast Oil Spill Response Shows Need for Improved Documentation and Funding Practices

What We Found

EPA needs additional management controls to track and recover its Gulf Coast oil spill response costs. EPA needs controls to ensure documentation for its response activities is consistent and provides a clear audit trail that links response costs to authorized activities. While response costs were charged to a site code, we were unable to determine the specific tasks associated with certain costs to ensure they were related to authorized activities. Further, EPA needs controls in its billing review to ensure that cost documentation packages are clear and complete.

EPA also needs to reach agreement with the Coast Guard regarding the sharing of contractor-designated confidential business information; this impasse has affected reimbursement of EPA's response costs. EPA contract costs represent over 67 percent of its total response costs. Until this matter is resolved, reimbursement of EPA's response costs may be further delayed or denied, and EPA may be at risk of incurring additional Anti-Deficiency Act (ADA) violations, beyond the one it incurred in November 2010, as well as Prompt Payment rule penalties.

EPA needs a new approach to enable it to fund emergency responses to oil spills. EPA had limited cash on hand to fund its response work. In an attempt to prevent a cash shortfall and avoid an ADA violation, EPA received a cash advance of \$32 million from the Coast Guard in August 2010. Despite the advance, EPA incurred an ADA violation in November 2010. EPA also temporarily charged non-oil-spill appropriations, such as Superfund, and reprogrammed funds to fund its response work. EPA's temporary charging to Superfund resulted in a purpose violation because Superfund cannot be used for oil spill response. While EPA's actions ultimately provided it with access to funds, the ADA and purpose violations, coupled with the extra work required by EPA to find sufficient funds during an oil spill disaster, indicate a need for a new funding approach.

What We Recommend

We recommend that EPA implement controls to ensure that documentation supports authorized response activities and that response bills and supporting cost documentation packages are clear and complete. We also recommend that EPA reach an agreement with the Coast Guard on the confidential business information issue. EPA should also seek new or additional emergency response funding authority for oil spills. During the course of this review, EPA took action to seek this authority. EPA disagreed with our first recommendation, but agreed with the three remaining recommendations.