



At a Glance

Why We Did This Review

The U.S. Environmental Protection Agency (EPA), Office of Inspector General (OIG), performed this audit to determine whether the EPA: (1) effectively oversees the Superfund State Contract (SSC) process for remedial activities, (2) bills and collects appropriate SSC costs from the states, and (3) properly approves and applies SSC credits and in-kind payments to Superfund sites.

An SSC is an agreement between the EPA and a state to conduct remedial action at a site. The SSC clarifies the EPA's and the state's financial and other responsibilities to complete the remedial action, and documents state assurances before the remedial action occurs.

This document addresses the following EPA goal or cross-agency strategy:

- *Embracing EPA as a high-performing organization.*

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EPA's Financial Oversight of Superfund State Contracts Needs Improvement

What We Found

The EPA almost always billed and collected appropriate SSC costs and properly approved and applied SSC credits to SSCs. However, we found areas where improvements are needed. Specifically, we found that the EPA:

With improved financial oversight, the EPA may manage SSCs more effectively, report results more accurately, and increase the availability of funds for cleanups protecting public health.

- Incurred total SSC obligations and expenditures in excess of the authorized SSC cost ceiling for 51 of the 504 active and closed SSCs.
- Did not perform timely or complete and accurate financial closings for 20 SSCs to ensure that both the EPA and the state had satisfied their cost share requirement.
- Did not have all the up-to-date information needed for an accurate SSC accrual calculation.

In addition, the EPA did not effectively oversee the SSC process in some areas because some EPA regions did not:

- Effectively monitor SSC obligations and expenses.
- Make financial closings a priority or have closing procedures.
- Provide all the information needed for the accrual calculation.

Without effective oversight, excess SSC obligations and expenditures may constitute breaches of the SSCs. The accrual calculation may not be accurate and may misstate the financial statements and SSC financial status. SSC financial closings not performed timely or completely may delay the availability of appropriated funds. We identified SSCs with available reimbursable funds with the potential to increase these appropriated funds by \$2.3 million.

Recommendations and Planned Agency Corrective Actions

We recommend that the Office of Land and Emergency Management emphasize to the regions the importance of monitoring total SSC costs and develop uniform SSC cost monitoring and financial closeout procedures. We also recommend that the Chief Financial Officer develop guidance for the regions to provide information for a more accurate SSC accrual calculation and make certain accrual adjustments for more accuracy.

The agency concurred with and provided acceptable corrective actions and estimated completion dates for all recommendations. The agency completed corrective actions for three recommendations. The remaining recommendations, for the Assistant Administrator for Land and Emergency Management to emphasize the importance of monitoring SSC costs and to develop uniform SSC financial closeout procedures for the regions, are open with agreed-to corrective actions scheduled to be completed by the end of the year.