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OFFICE OF INSPECTOR GENERAL

Catalyst for Improving the Environment

Semiannual Report to Congress

April 1, 2003 -
September 30, 2003

The EPA Office of Inspector General has reported on the Agency's response to environmental conditions following the World Trade Center terrorist attacks. See inside for details.

EPA Inspector General
Vision Statement

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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.

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Cover photo: View of the World Trade Center site following the terrorist attacks of September 11, 2001, courtesy of the New York Police Department.

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Foreword

We recently issued a major report examining how EPA responded to the crisis at the World Trade Center following the terrorist attacks on September 11, 2001.

This report – which contains information from interviews with more than a hundred individuals, including EPA officials, air quality experts, rescue and demolition workers, and residents – noted that the staff at EPA did a commendable job responding to an unprecedented crisis. Nonetheless, due in large part to the unexpected nature of the event, we found that some things could have been done better. Since our country continues to face the threat of additional terrorist attacks, we think the Agency should address those problems to be better prepared for any future tragedies. A recurring theme during our work, confirmed by a survey we conducted of New York City residents, was that regardless of who is actually responsible, Congress and the American public turn to EPA when they are concerned about a situation that has environmental ramifications.

Since "9/11," we have done an extensive amount of work on homeland security issues. In two separate reviews regarding EPA's role as the nation's lead agency for protecting America's water supply against potential outside threats, we found that EPA needs to place greater emphasis on vulnerability assessments and measuring changes. Also, the Agency needs to improve certain areas of its computer security self-assessment process to better measure this security. Further, our Office of Investigation has established a Computer Intrusion Investigations Unit, to investigate any suspicious or unauthorized computer activity within the Agency, and is also developing a Network Penetration Laboratory to conduct computer security testing and risk assessments.

Another area of major focus was assistance agreements. EPA uses more than half of its budget to fund these grants, and it is essential that the Agency spend this money wisely. In response to a Congressional request, we provided a report that details what we found from our grants audits over the past few years. I also testified before a Congressional subcommittee on these issues. While the Agency is making progress in this area, it still needs to improve the way it awards these grants to ensure that funding is awarded for projects that best enable EPA to meet its goals, and is then managed properly.

Details on these issues and others are contained in this semiannual report.

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Highlights

EPA World Trade Center Response Evaluated

We conducted an extensive evaluation on how the U.S. Environmental Protection Agency (EPA) responded following the terrorist attacks on the World Trade Center towers in New York on September 11, 2001. We sought to address steps EPA can take to be better prepared for future tragedies **(page 3)**. In conjunction with this evaluation, we conducted a survey to gauge the public's perception of air quality information received after "9/11" **(page 5)**.

Permit System Experiencing Problems

EPA's project to modernize its Permit Compliance System, used to track permits related to water discharges, has fallen significantly behind schedule, and initial cost estimates rose dramatically **(page 7)**.

Settlement Results in $2.5 Million Cost Savings

A settlement in connection with an investigation conducted by the EPA Office of Inspector General (OIG), regarding a false claims case, has resulted in a cost savings to the Government of more than $2.5 million **(page 24)**.

Assistance Agreement Reviews Continue

In response to a Congressional request, we provided details on EPA's recent actions on prior audits of assistance agreements. We continued to audit grants, and questioned $32.1 million in grantee claimed costs **(page 14)**. We also testified on agreements before a Congressional subcommittee **(page 27)**.

Steps Needed to Protect Nation's Water Supply

To better protect the Nation's water supply against bioterrorism and other terrorist attacks, EPA needs to place greater emphasis on vulnerability assessments and measurements **(page 11)**.

Petroleum Refiner Pleads Guilty

A petroleum refiner pleaded guilty to falsifying a report made to EPA on how much gasoline it produced and transferred **(page 21)**.

Review Finds Progress on Information Security

The Agency continues to make progress in improving its information technology security, but certain improvements are still needed **(page 19)**.

Hardrock Mining Framework Not Sufficient

We found no evidence to indicate that EPA's National Hardrock Mining Framework has contributed to any environmental improvements or protections at sites **(page 9)**.

Computer Intrusion Unit Established

EPA OIG has established a Computer Intrusion Investigations Unit to investigate any suspicious or unauthorized computer activity within the Agency **(page 23)**.

Need for Competition Cited for Procurements

EPA can increase competition for work under General Services Administration Federal Supply Schedule contracts by obtaining price quotes from more than just incumbent contractors **(page 17)**.

Delegation From Korea Visits With EPA OIG

The EPA OIG met with an 18-member research team from the Board of Audit and Inspection, Seoul, Republic of Korea, to tell the group how EPA OIG performs its work **(page 29)**.

Profile of Activities and Results

Audit Operations
Reviews Performed by EPA OIG

	April 1, 2003 to September 30, 2003 (dollars in millions)	Fiscal 2003
Questioned Costs *		
- Total	$29.0	$31.0
- Federal	$28.3	$30.1
Recommended Efficiencies *		
- Federal	$0.2	$0.7
Costs Disallowed to be Recovered		
- Federal	$1.8	$3.2
Costs Disallowed as Cost Efficiency		
- Federal	$0	$0
Reports Issued - OIG-Managed Reviews		
- EPA Reviews Performed by OIG	27	48
Reports Resolved (Agreement by Agency officials to take satisfactory corrective actions)***	76	128

Audit Operations
Other Reviews (Reviews Performed by Another Federal Agency or Single Audit Act Auditors)

	April 1, 2003 to September 30, 2003 (dollars in millions)	Fiscal 2003
Questioned Costs *		
- Total	$3.9	$6.0
- Federal	$3.9	$6.0
Recommended Efficiencies *		
- Federal	$0.5	$0.5
Costs Disallowed to be Recovered		
- Federal	$0.3	$0.3
Costs Disallowed as Cost Efficiency		
- Federal	$0	$0
Reports Issued - Other Reviews		
- EPA Reviews Performed by Another Federal Agency	119	245
- Single Audit Act Reviews	100	191
Total	219	436
Agency Recoveries Recoveries from Audit Resolutions of Current and Prior Periods (cash collections or offsets to future payments) **	$2.9	$5.6

Investigative Operations

	April 1, 2003 to September 30, 2003 (dollars in millions)	Fiscal 2003
Fines and Recoveries (including civil) ****	$3.5	$371.6
Cases Opened During Period	71	136
Cases Closed During Period	89	134
Indictments/Criminal Informations/Complaints	10	26
Convictions	7	16
Civil Actions	2	4
Administrative Actions Against EPA Employees/Firms	15	32

* Questioned Costs and Recommended Efficiencies 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.

Significant OIG Activity

Air

Praise, Concern Noted Regarding EPA's Response to World Trade Center Towers' Collapse

Our extensive evaluation of how EPA responded following the terrorist attacks on the World Trade Center towers in New York City on September 11, 2001, disclosed areas of concern. While Agency personnel performed commendably in response to an unexpected and unprecedented event, management should take steps to ensure that it responds better to future tragedies in order to ensure protection of public health.

Reassuring Nature of Early Public Statements Raised Concern

EPA's early public statements following the towers' collapse reassured the public regarding the safety of the air in the area before EPA had sufficient data and analyses to make such a blanket statement.

This occurred, in part, because the White House Council on Environmental Quality convinced EPA to add reassuring statements and delete cautionary ones from an early press release. We were told that a desire to reopen Wall Street and national security concerns were considered when preparing EPA's early press releases.

An EPA draft study more than a year later indicated outdoor air levels had been unlikely to cause adverse health effects to the general population. However, due to numerous uncertainties – including the extent of the public's exposure and a lack of health-based benchmarks – a definitive answer as to whether the air was safe to breathe may not be settled for years to come. In the future, EPA needs to ensure it has adequate data before reassuring the public about health issues.

World Trade Center site (New York Police Department photo)

We also concluded that the public did not receive sufficient air quality information and wanted more information on health risks. This was noted through many sources, and further supported by a separate survey that we conducted (see accompanying story).

EPA Could Have Taken More Proactive Approach Regarding Indoor Air

EPA was not obligated to respond to indoor air concerns following the World Trade Center towers' collapse, and New York City initially exercised a lead role regarding indoor air. Nevertheless, while EPA's actions to evaluate, mitigate, and control risks to human health from exposure to indoor air pollutants were consistent with applicable statutes and regulations, the Agency could have taken a more proactive approach than it did to ensure the health of the public regarding indoor air.

EPA began to assume a lead role regarding indoor air in February 2002 as part of a multi-agency task force. However, prior to initiation of the EPA-led indoor cleanup, many World Trade Center area residents returned to their homes, and a study indicated most of them had not followed recommended cleaning practices. The indoor cleaning program was limited to residences in Lower Manhattan south of Canal Street. This boundary was based on EPA's qualitative assessment of contamination and not a systematic analysis of indoor contamination. In addition, the program was voluntary and all residences within a building were not required to be cleaned. As a result, uncleaned apartments could potentially re-contaminate cleaned apartments where buildings had a central heating, ventilation, and air conditioning system. We recommended that EPA conduct testing to verify that the apartments cleaned through the multi-agency program had not been re-contaminated.

EPA Needs to Be Ready for Future Disasters

EPA has already initiated many actions as a result of its own lessons learned exercise to be better prepared for future disasters, and we encourage EPA to continue these efforts. Based on our review, we made a number of recommendations to improve EPA's emergency response capabilities in three areas: (1) contingency planning, (2) risk assessment and characterization, and (3) risk communication.

In particular, we recommended that the Agency strengthen its risk communication procedures for emergency situations, and ensure that public pronouncements regarding health risks and environmental quality are adequately supported with available data and analysis and are appropriately qualified. Further, we recommended that EPA take various actions to ensure it obtains more complete data during future disasters. We also recommended that EPA work with others to develop protocols for determining how

indoor environmental concerns will be handled in large-scale disasters. EPA agreed with 12 of our 16 major recommendations, disagreeing with some recommendations related to the indoor air cleanup program

(Report No. 2003-P-00012, EPA's Response to the World Trade Center Collapse: Challenges, Successes, and Areas for Improvement, August 21, 2003)

Survey of Public Perceptions Following "9/11"

In conjunction with our evaluation of how EPA handled air concerns following the collapse of the World Trade Centers towers in New York City on September 11, 2001, we surveyed a random sample of residents from all five boroughs of the City to gauge their perception of and satisfaction with the air quality information they received in the weeks following "9/11."

Based on responses from 1,110 residents, we found that, overall, the majority of respondents wanted more information regarding outdoor and indoor air quality, wanted this information in a more timely manner, and did not believe the information they received.

The survey results suggest a disconnect between reassuring government statements about air quality and respondents' perceptions of possible health risks from breathing air in Lower Manhattan. The majority of respondents reported that they thought breathing outdoor and indoor air in Lower Manhattan in the weeks after the towers' collapse could expose them to short- and long-term health risks.

Further, data indicated that contamination from the collapse of the towers spread into the homes of respondents located beyond the perimeter of the zone designated as eligible for the EPA-led testing and cleaning program, most notably the rest of Manhattan and Brooklyn.

Our data indicated that only about 1 out of 10 respondents knew about EPA's "Response to September 11" web site, and even fewer visited the site. The majority of respondents, however, were aware of EPA's recommendation to have contaminated homes professionally cleaned and EPA's testing and cleaning program in eligible areas of Manhattan. Nonetheless, despite this awareness, relatively few respondents with home contamination had their homes tested for asbestos or professionally cleaned.

Due to a response rate of 11.8 percent and a lack of information regarding certain characteristics of non-respondents, we determined that results from the data presented in our report would be limited to the pool of survey respondents who reported living in New York City as of September 11, 2001. We did not draw any inferences about the overall population of the five boroughs of New York City.

(Report No. 2003-P-00014 Survey of Air Quality Information Related to the World Trade Center Collapse, September 26, 2003)

Particulate Matter Methods Development Activities Need Strengthening

EPA needs to better support its methods development activities related to measuring "fine" particles of Particulate Matter (PM) found in ambient air.

PM is a complex mixture of harmful solid and liquid particles found in ambient (outdoor) air. Exposure to excess PM levels can result in respiratory and other health-related illnesses. $PM_{2.5}$ – the smaller of two types of regulated PM – represents "fine" particles that are less than or equal to 2.5 microns in diameter, or about 1/30th the thickness of a human hair.

Ambient air monitoring station in Wilmington, Delaware (Delaware Department of Natural Resources and Environmental Control photo)

Methods development is the process of developing, evaluating, and validating the methods and associated instrumentation for measuring PM, to identify those areas where people are exposed to unhealthy levels.

We found that EPA has not supported $PM_{2.5}$ methods development activities to the extent necessary to achieve its short- and long-range goals. EPA is about 18 months behind schedule in obtaining sufficient $PM_{2.5}$ monitoring data for determining areas with excess $PM_{2.5}$ levels, although EPA is planning to reduce that delay to about 9 months. Among its many important uses, the data is needed so that emissions control strategies can be developed.

Further, more methods development activities are needed to address current monitor limitations and ensure an appropriate monitoring network is in place to better enable State and local agencies to develop plans to reduce excess levels of PM. Also, increased methods development activities will be needed to address future PM monitoring needs, such as supporting homeland security and enabling areas to meet future PM standards.

A significant reason for the problems was a gradual and largely unintended decline in methods development activities related to PM. Agency officials attributed this decline to a loss of technical expertise, a shift in priorities, and the lack of a comprehensive methods development strategy. We recommended that EPA develop a comprehensive methods development strategy for the PM program. This strategy should ensure that methods activities are clearly defined, tracked, and appropriately funded, and would guard against unintended decreases. Also, EPA would have better assurance that it is making progress in reducing human exposure to unhealthy levels of PM.

We also made recommendations regarding improving monitoring methods and addressing technology limitations. EPA generally agreed with our recommendations.

(Report No. 2003-P-00016, Decline in EPA Particulate Matter Methods Development Activities May Hamper Timely Achievement of Program Goals, September 30, 2003)

Water

Permit Compliance System Modifications Experiencing Significant Schedule Slippages and Cost Overruns

EPA's Permit Compliance System modernization project has fallen significantly behind schedule, and initial cost estimates have increased dramatically.

The Permit Compliance System is a critical information system used by EPA to track permit issuance as well as enforcement and inspection activity for more than 64,000 facilities whose water discharges are regulated under the Clean Water Act. The system had its last major revision in 1982, and there have been recent concerns about it being out of date and unreliable.

The project, initially expected to be completed no later than September 2003, is now at least 2 years behind schedule. Estimated costs have increased significantly; for example, costs to design the software have increased by 71 percent. Also, EPA had not completed certain required planning documents, and the cost benefit analysis prepared was inaccurate.

Permit Compliance System modernization has:

- **Fallen 2 years behind schedule.**
- **Significantly exceeded cost estimates.**
- **Not included all required planning documents.**
- **Included an inaccurate cost benefits analysis.**

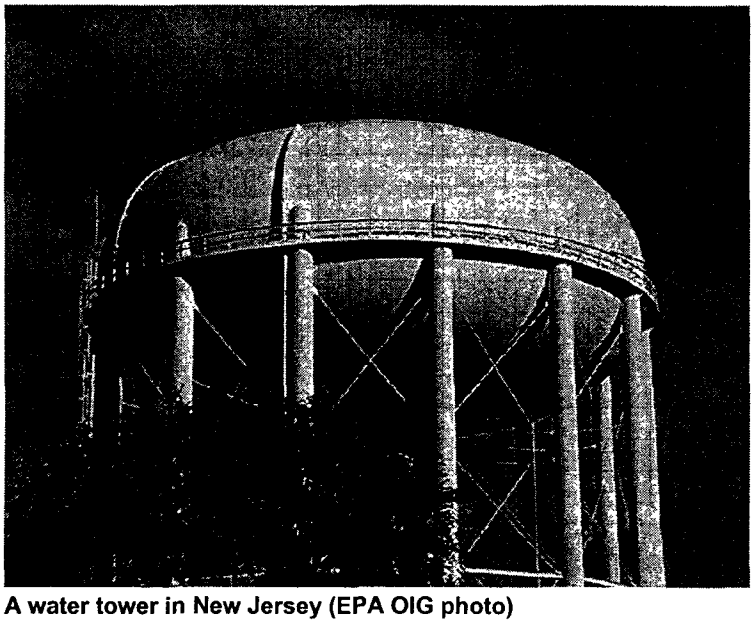
EPA is considering reducing costs by eliminating some of the new system's functionality, but we have concerns about such action and recommended that the Permit Compliance System Steering Committee be consulted before any functionality is eliminated. We also recommended that EPA develop a realistic cost estimate and cost benefit analysis, and develop realistic implementation dates. EPA indicated it is taking steps to address our concerns.

Deficiencies regarding the Permit Compliance System represent an Agency-level weakness, and the system needs to be modernized to fix the weakness. By addressing our concerns, EPA should get on track toward correcting the weakness.

(Report No. 2003-M-00014, EPA Should Take Further Steps to Address Funding Shortfalls and Time Slippages in Permit Compliance System Modernization Effort, May 20, 2003)

Areas for Improving Drinking Water Capacity Development Noted

As EPA and the States continue to implement "capacity development" programs to improve community water systems, greater emphasis needs to be placed on making sure sufficient managerial and financial assistance is provided. EPA needs to assess performance of the capacity development initiative.



A water tower in New Jersey (EPA OIG photo)

Capacity development is a way of structuring drinking water protection programs to assist water systems in attaining the technical, managerial, and financial capacity needed to achieve and maintain long-term sustainability. Almost 264 million people in the United States obtain their drinking water from 54,000 community water systems. Congress provided funding for capacity development as part 1996 Safe Drinking Water Act amendments.

With assistance from EPA, States designed capacity development strategies that generally met requirements. States emphasized technical aspects. EPA needs to place greater emphasis on ensuring that managerial and financial capacity needs are also met.

Further, EPA has not developed a plan to assess the performance of the capacity development initiative, and is currently unable to report on the results that the capacity development program is having on a national basis.

We recommended that EPA place greater emphasis on the managerial and financial aspects of capacity development, and develop a performance measurement system. EPA generally disagreed with our report, stating that capacity development was progressing at an appropriate level.

(Report No. 2003-P-00018, Impact of EPA and State Drinking Water Capacity Development Efforts Uncertain, September 30, 2003)

Land

Hardrock Mining Framework Not Achieving Sufficient Results

We found no evidence that EPA's National Hardrock Mining Framework has contributed to any environmental improvements or protections at specific hardrock mining sites.

Hardrock mining involves the extraction of certain metals and minerals from hard formations of the earth, and include copper, gold, iron ore, lead, and silver. EPA estimates there may be as many as 200,000 abandoned hardrock mines alone in the United States. EPA issued the Framework in 1997, after 3 years of development, to deal with environmental issues posed by proposed, active, and abandoned hardrock mining sites.

Coeur D'Alene Mine in Idaho (Colorado School of Mines photo)

Certain laws and regulations present obstacles to what EPA can realistically accomplish. For example, EPA has only an advisory role in developing environmental impact statements for hardrock mines on public lands. Further, the primary environmental programs that allow EPA to prevent pollution from hardrock mining are delegated to the States or provide regulatory exclusions for the type of waste generated from hardrock mining.

EPA did not develop or communicate a strategy for implementing the Framework, management did not support it, and there was inadequate coordination within EPA and between EPA and other agencies. EPA did not have current and accurate data on the extent of the challenges posed by hardrock mining activities.

We recommended that EPA develop effective implementation strategies for the Framework to account for gaps, lack of coordination, and regulatory challenges. EPA management responded that they believed the Framework has utility, but agreed that improvements can be made and indicated they will initiate actions. However, EPA was not clear on what those actions would be.

(Report No. 2003-P-00010, Implementation, Information, and Statutory Obstacles Impede Achievement of Environmental Results from EPA's National Hardrock Mining Framework, August 7, 2003)

EPA Needs to Better Demonstrate Effectiveness of Efforts to Purchase Recycled Goods

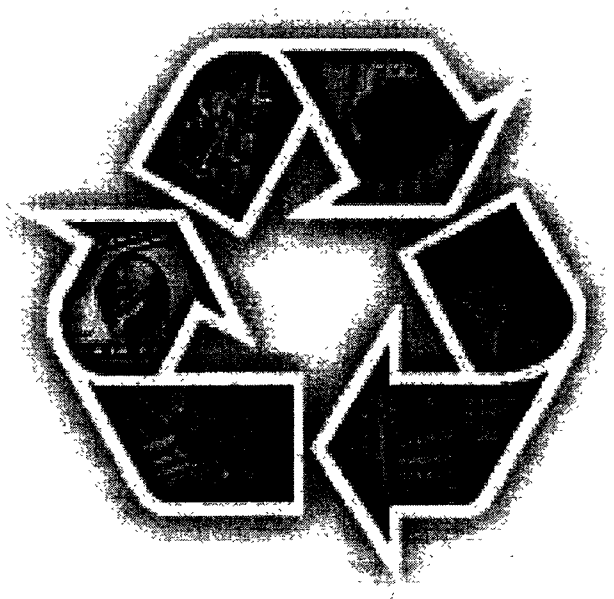
EPA has not taken sufficient steps to ensure that Federal efforts to purchase goods made from recycled materials are effective.

Under Section 6002 of the Resource Conservation and Recovery Act, EPA is required to designate items made from recycled-content goods that the Federal Government should purchase. Further, as a procuring agency, EPA is directed to establish an affirmative procurement program to ensure it purchases those EPA-designated items.

EPA has generally complied with Section 6002 by designating 54 recycled-content items for purchase. However, EPA's affirmative procurement program contained information on only 5 of the 54 designated items, and EPA has not monitored or evaluated program effectiveness. We also could not determine the success of the program within EPA itself due to the lack of program management plans.

We recommended that EPA develop a comprehensive strategy for its procurement program, update its affirmative procurement program to address all 54 items, and take various other steps to ensure the program is adequately implemented. The Agency generally agreed with our report and indicated it has begun corrective actions.

(Report No. 2003-P-00013, Pollution Prevention: Effectiveness of EPA's Efforts to Encourage Purchase of Recycled Goods Has Not Been Demonstrated, September 22, 2003)



Cross Media

Steps Taken to Protect Nation's Water Supply, Further Action Needed

EPA was designated in 1998 as the nation's lead agency for protecting America's water supply against potential outside threats. EPA renewed its emphasis in this area following the terrorist attacks on September 11, 2001, and the subsequent passage of the Public Health Security and Bioterrorism Preparedness and Response Act of 2002 (the "Bioterrorism Act").

EPA had taken many steps to fulfill its role in protecting the Nation's water supply. In particular, EPA developed a strategic plan, developed technologies to improve infrastructures and monitoring, funded research, and facilitated development of information sharing. Further, EPA provided threat guidance, training, and financial assistance to utilities to help them conduct vulnerability assessments.

However, we noted in two separate reports (additional reviews in this area are planned) that EPA needs to place greater emphasis on (1) vulnerability assessments, and (2) measuring changes.

Vulnerability Assessments Need Better Focus

Vulnerability assessments serve as the foundation for emergency response plans and security enhancements implemented by water utilities. However, rather than focusing on terrorism, vulnerability assessments performed so far may have focused on more traditional, less consequential acts, such as vandalism and disgruntled employees.

EPA OIG photo

Neither EPA nor the vulnerability assessment methodologies provided threat guidance that identified the most vulnerable components unique to water systems.

Our review focused on assessments conducted by larger utilities, which were the first under the Bioterrorism Act required to perform the assessments. EPA planned to review those assessments prior to submission of assessments by smaller utilities, and we offered suggestions to EPA on areas where it should place focus.

Strategy to Measure Changes Needs Improvement

Although EPA has taken various measures to improve water security, it has not outlined how resources, activities, and outputs will achieve the water security program's goals. EPA's strategic plan lacks such fundamental components as measurable performance results and information and analysis, needed to ensure the greatest practicable reductions in risk.

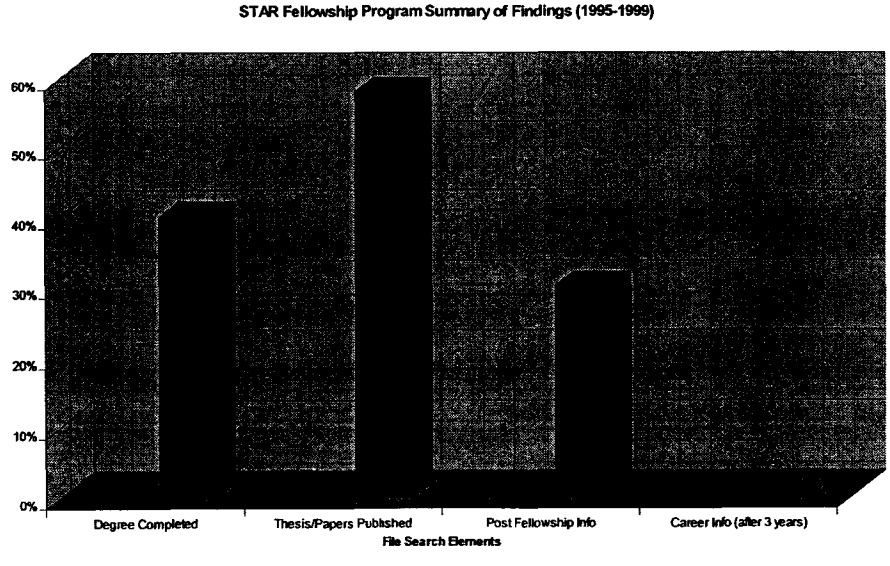
EPA agreed with our assessment that it needs more clearly defined performance measures and a baseline for water security, and indicated it will take the necessary corrective actions.

(Report No. 2003-M-00013, EPA Needs to Assess the Quality of Vulnerability Assessments Related to the Security of the Nation's Water Supply, September 24, 2003; and Report No. 2003-M-00016, EPA Needs a Better Strategy to Measure Changes in Utilities' Water Security, September 11, 2003)

Fellowship Program Needs to Better Measure Results

EPA needs to place greater emphasis on measuring the results and achievements of its Science to Achieve Results (STAR) Fellowship Program to ensure the program is accomplishing its goals.

EPA established the STAR Fellowship Program in 1995, to encourage promising students to obtain advanced degrees and pursue careers in environmentally related fields. However, EPA primarily focused on selecting the fellows and awarding the grants, without determining whether the recipients actually obtained degrees or pursued careers in environmentally related fields.



The STAR Fellowship Program was designed to track fellows for 3 years after completing the fellowship. However, as shown in the chart, EPA often did not have information on issues such as how many fellowship recipients went on to obtain a degree in an environmentally related field or had a career in an environmentally

related field after 3 years. Such information is needed for EPA to determine whether the fellowship program is achieving the desired results of having students attaining advanced degrees and pursuing careers in environmental fields.

Also, EPA did not emphasize collecting and analyzing demographic data in administering the STAR Fellowship Program, and could not determine the level of participation by groups that have been traditionally under-represented in the science and engineering workforce, such as women, minorities and people with disabilities.

As part of our review, we examined similar fellowship programs at three other agencies, and provided EPA with procedures followed by these agencies that can help EPA improve its program.

We recommended that EPA establish meaningful performance measures, collect and maintain necessary data on fellowship applicants and recipients, and conduct regular internal reviews. EPA generally agreed with our recommendations.

(Report No. 2003-P-00019, Science to Achieve Results (STAR) Fellowship Program Needs to Place Emphasis on Measuring Results, September 30, 2003)

Progress on Children's Health Performance Measures Not Reported Accurately

EPA did not accurately report on its annual performance measures regarding children's health research. For Fiscal Year (FY) 2000, EPA's Annual Performance Goal 60 stated, "develop risk assessment guidance for regional assessments concerning risks to children exposed to environmental contaminants." However, the information that EPA's Office of Research and Development reported for two of the three annual performance measures for that goal was not reported accurately.

EPA reported that "assessments of pesticide exposures to children in Washington, Minnesota, and Arizona were published in FY 2000." However, we found that the assessments were not completed and the project completion dates were extended in all three States. For another measure, "develop exposure factors handbook for children," EPA reported in its FY 2000 Annual Report that the handbook would be published in FY 2001, but it now is not expected to be published until 2004.

We recommended that procedures be followed regarding annual performance goals and measures, and that a system be put in place to verify completion of measures. EPA agreed with our recommendations, and had already convened a workgroup and taken needed actions.

(Report No. 2003-M-00017, Selected Children's Health Annual Performance Measures for Goal 8, Sound Science, September 26, 2003)

Grants

Report to Congress on Assistance Agreement Compliance Notes Continuing Problems

In response to a Congressional request regarding audits conducted on assistance agreements, we noted there were continuing problems regarding non-compliance and how EPA deals with it.

More than half of EPA's fiscal year 2002 budget ($4.4 billion of $8.0 billion) was awarded to organizations outside the Agency through assistance agreements (primarily State, local, and tribal governments; universities; and non-profit organizations). Such agreements are the primary vehicle through which EPA delivers environmental and human health protection.

For fiscal years 2001 and 2002, during which time 369 audits of assistance agreements were issued, 27 audits noted material non-compliance issues, as well as questioned costs. Regarding those 27 audits, totaling about $29.6 million in questioned costs:

- EPA issued a final decision for 19, and recipients were appealing 9 of those 19 decisions.
- Only about $5.4 million of $29.6 million in questioned costs were sustained.
- EPA provided new funds to 11 recipients subsequent to audits noting non-compliance.
- Except for an employee from one recipient being debarred for embezzling grant funds, no recipients or employees were suspended or debarred as a result of non-compliance and other issues noted in the audits.
- EPA did not take any adverse personnel actions against any EPA employees in relation to issues noted in the audits.

EPA procedures appeared to be adequate to identify deficiencies regarding financial status reports, progress reports, and cash draws. Other deficiencies, such as unsupported or ineligible costs, may not be detected by EPA unless the recipient is selected for more detailed monitoring.

(Report No. 2003-S-00006, Congressionally Requested Review of EPA Actions Taken in Response to Financial Assistance Agreement Reports, July 23, 2003)

Assistance Agreements Continue to Be Reviewed

As part of our efforts to ensure assistance agreement funds are being properly used, we conducted "costs claimed" audits for various agreements to ensure that costs were eligible and supported. We found a number of instances of questionable costs involving both ineligible and unsupported claimed costs. Highlights include:

- We questioned all of the more than $2.3 million claimed by the Tribal Association on Solid Waste and Emergency Response because, in part, the Association: (1) could not reconcile total program outlays claimed with its general ledger; (2) did not maintain an adequate labor cost distribution system; and (3) did not competitively procure services or perform cost or price analyses.
- We questioned all of the more than $1.1 million claimed by the Geothermal Heat Pump Consortium, Inc., because the Consortium did not: (1) separately identify and accumulate costs for all direct activities, such as membership support and lobbying; (2) reduce assistance agreement costs for income generated; (3) prepare or negotiate indirect costs; and (4) maintain an adequate labor cost distribution system.
- For claims submitted by the State of California in connection with the Stringfellow Superfund site, we cited as ineligible more than $23 million in advance match and credit claims, primarily involving accrued interest and bond interest that was not allowable. We also noted more than $1 million in ineligible contractor costs, and questioned more than $50,000 in travel and equipment costs.

This year, we again recommend that the Agency declare grants management a material weakness. Below are the results of our most recent audit work in this area, including single audits. Final determinations on these reports will be made by EPA management.

Assistance Agreement Recipient	Costs Claimed	Costs Questioned
California Department of Toxic Substances Control (For Stringfellow Superfund Site, Riverside, CA) *Report No. 2003-1-00013, issued September 30, 2003*	$64,311,859	$24,135,237
King County Department of Natural Resources (Richmond Beach Pump Station Project, Seattle, WA) *Report No. 2003-1-00015, issued September 23, 2003*	16,681,507	403,443
King County Department of Natural Resources (Carkeek Park Treatment Plant Project, Seattle, WA) *Report No. 2003-2-00012, issued June 30, 2003*	14,030,576	703,153
Georgia Department of Natural Resources (For Superfund Cleanup Programs) *Report No. 2003-4-00101, issued June 26, 2003*	4,366,781	18,393
Tribal Association on Solid Waste and Emergency Response, Washington, DC *Report No. 2003-4-00119, issued September 19, 2003*	2,357,376	2,357,376
Geothermal Heat Pump Consortium, Inc. Washington, DC *Report No. 2003-4-00120, issued September 30, 2003*	1,153,472	1,153,472
Single Audits (Single audits are performed by non-Federal, independent accountants of entities to ensure Government funding is properly expended, and these audits are reviewed and issued by a Federal Agency, in this case EPA. Of the 95 audits reviewed for the semiannual period, 15 included questioned costs.)		3,338,556
Total Costs Questioned		**$32,109,636**

Revolving Funds Receive Unqualified Opinions

Separate audits of financial statements for Utah's Drinking Water State Revolving Fund and South Carolina's Clean Water and Drinking Water State Revolving Funds resulted in our issuing unqualified opinions on the fairness of the statements for both funds.

Through State Revolving Funds, EPA awards billions of dollars in assistance awards to States each year to help them with their clean water and drinking water programs. For a selected number of States, we audit financial statements for the State Revolving Funds to ensure States use sound financial management practices and meet Federal requirements. We also review revolving fund audits prepared by independent accountants and provide technical assistance to EPA, States, and other audit organizations.

We issued unqualified opinions on the statements for South Carolina's Drinking Water and Clean Water State Revolving Funds (Report Nos. 2003-1-00138 and 2003-1-00139, respectively) on September 17, 2003. The funds had combined total assets of over $397 million as of June 30, 2002. We noted a compliance problem related to the Drinking Water fund, in that South Carolina did not provide the required dollar-for-dollar match for expenditures made under the State program management set-aside. Of $32,089 in total expenditures, there was a $16,281 shortfall. While the State agreed with our recommendation to correct the problem, we are concerned that the State may not complete implementation until 2006.

We issued an unqualified opinion on the financial statements for Utah's drinking water fund on June 3, 2003 (Report No. 2003-1-00110). The fund had over $22 million in total assets as of June 30, 2002. We issued a qualified opinion on Utah's compliance because it did not meet the minimum loan commitment requirement by $3,220,000 as of June 30, 2002. Utah returned to compliance by issuing an additional $3,546,000 in loans by November 2002.

Region 6 Takes Action to Improve State Oversight

Since we issued our report *EPA Region 6 Needs to Improve Oversight of Louisiana's Environmental Programs* (2003-P-00005), dated February 3, 2003, Region 6 has taken several key actions to improve oversight. Region 6 established two new leadership positions to ensure that Louisiana implemented the EPA-defined performance measures for its water program, and to develop an approach to oversee the Region's five States.

Region 6 is tracking Louisiana's progress on a continuing basis against the seven performance measures for the water program (including permit issuance and public access to file) and eight steps for the air program. As of September 30, 2003, the State had addressed, either partially or in full, all seven measures for the water program and seven of the eight steps for the air program.

To improve its oversight over all States, Region 6 is enhancing communication by consolidating into one document its expectations for State performance. Also, the Region is developing a written policy on partnership in relation to the States; and is developing output and outcome measures to ensure fiscal accountability, accomplishment of long-term goals, and the viability of delegated programs.

Contracts

EPA Needs to Increase Competition for Federal Supply Schedule Procurements

EPA can increase competition for work under General Services Administration's Federal Supply Schedule contracts by obtaining quotes from more than just incumbent contractors.

Federal Supply Schedule orders are used to obtain common goods and services at volume prices. Of 39 tasks orders reviewed, 30, valued at $62.5 million, were awarded without competing quotes, and 29 of those 30 went to incumbent contractors.

The lack of competition can result in incumbents having little or no incentive to offer discounts or lower prices to EPA. Based on studies that had shown that competition can save at least 15 percent of costs, we believe EPA could have realized significant savings and promoted greater efficiency, innovation, and quality by receiving competing quotes for Federal Supply Schedule orders.

Competition for Awards Reviewed	No.	Value (millions)
Awards Reviewed	39	$72.3
Awards With More Than One Quote Received	9	9.8
Awards With Only One Quote Received	30	$62.5

Also, we found that EPA awarded Federal Supply Schedule orders without always complying with established policies, procedures, and regulations. For example, Requests for Quotes lacked evaluation criteria. Also, for the majority of the orders reviewed, best value/price reasonableness determinations were not adequately documented. Further, Federal Supply Schedule information generated by EPA's databases was often incomplete, inaccurate, and unreliable.

We made various recommendations to EPA to increase competition and compliance related to Federal Supply Schedule awards, and EPA agreed to take some of the actions.

(Report No. 2003-P-00015, EPA Can Improve Use of Federal Supply Schedules When Procuring Services, September 29, 2003)

Business Systems

EPA's Strategic Human Capital Management Could Be Strengthened

As a part of our ongoing audit of EPA's Human Capital Strategic Planning and Analysis, the OIG issued two memorandums suggesting modifications to better integrate strategic human capital management into the Agency's budget and Senior Executive Service (SES) performance management processes.

The first memorandum suggested that Agency offices be required to describe in budget proposals, starting with fiscal 2005, the strategic human capital activities they will take to ensure the Agency achieves its short- and long-term performance goals. This should help drive a cultural attitude and behavior change about human capital management.

In a second memorandum, we suggested that annual guidance for the SES performance management system be revised to emphasize the importance of strategic human capital management activities, and that executives be required to include in their performance agreements an "individual commitment" that addresses actions they will take to strategically manage human capital. Our review of 127 fiscal 2002 performance agreements/appraisals showed that only about 20 percent of the agreements and 30 percent of the self-appraisals addressed strategic human capital management.

Computer Security Self-Assessment Process Needs Improvement

EPA has taken actions to establish a computer security self-assessment process. Nonetheless, additional areas need to be addressed to provide greater assurance that EPA accurately measures information technology security.

EPA uses self-assessments to collect security-related information about its systems and reports the consolidated results to the Office of Management and Budget. EPA recently took several important steps to improve its reporting, such as developing an improved web-based system to compile and report results. However:

- Thirty-six percent of the critical self-assessment responses we reviewed were inaccurate or unsupported, and thus did not identify or support the current security status of the systems.
- EPA's system inventory did not identify all major application systems. Consequently, these systems were not assessed for security controls and related operational practices, either independently or as part of a larger general support system. Agency officials need a full accounting of major systems to understand the status of the information security program and controls, and to make informed judgments and investments that appropriately mitigate risks to an acceptable level.

- Authentication/identification security controls were not adequate, which increased the potential for unauthorized access, misuse, and system downtime.
- Information system security plans did not contain sufficient detail.

These weaknesses were caused primarily because EPA did not have a systematic program to ensure that system controls are accurately reported and implemented throughout the Agency. Our recommendations to EPA stressed the need for EPA to increase its efforts in this area. EPA generally agreed with our recommendations.

(Report No. 2003-P-00017, EPA's Computer Security Self-Assessment Process Needs Improvement, September 30, 2003)

Remediation Plan Still Needs to Address Security Certification Process

In our last financial statement audit report, we concluded that EPA's 2002 report to the Office of Management and Budget had incorrectly reported the successful completion of its 1999 Remediation Plan for financial management systems.

The Federal Financial Management Improvement Act requires the OIG to report on the Agency's progress to remediate significant weaknesses in financial management systems. We found that EPA had taken all necessary actions to correct weaknesses in the 1999 Remediation Plan, except for establishing a background check program for non-Federal personnel, such as contractors, by 2002.

The Office of the Chief Financial Officer has issued policy to require the appropriate type of personnel security screening for Federal and non-Federal personnel accessing EPA's Integrated Financial Management System. However, the Office of the Chief Financial Officer has not provided clear evidence to demonstrate that similar requirements have been established for other financial and mixed systems, which may be significant to the presentation of Agency financial statements.

OIG is recommending that EPA submit a revised plan that notes responsibilities and milestones for establishing a background check program for non-Federal personnel with access to major financial management systems.

Information Security Progress Being Made, But Further Action Needed

Our annual review of EPA's implementation of the Federal Information Security Management Act disclosed that the Agency continues to make progress in improving its information technology (IT) security.

EPA has a Plan of Actions and Milestones process, uses a quarterly reporting process to monitor progress, has developed an automated system to track program office responses to self-assessment questions, and reports weekly on computer security incidents. The Agency has also issued a number of procedures to clearly set forth responsibilities.

However, we believe the Agency could further improve its security program if it were to:

- Modify the Plan of Actions and Milestones database to prioritize targeted completion dates.
- Expand its Capital Planning and Investment Control process to include the review of expenditures for non-major systems (44 percent of EPA's IT portfolio).
- Establish or revise security plans for IT systems critical to the cyber-based infrastructure so that they meet requirements.
- Test critical components of Continuity of Operations Plans under circumstances relative to actual deployment.

Further, we believe EPA's program will be stronger once it implements a planned training system that will aid in the tracking of security training for employees with significant security responsibilities. The Agency is proposing to declare information security implementation an Integrity Act Agency-level weakness for Fiscal Year 2004.

(Report No. 2003-S-00008, 2003 Status of EPA's Computer Security Program, September 15, 2003)

Financial Services Field Branch Can Improve Information Technology Controls

Improvements are needed at the Las Vegas Finance Center to more effectively ensure continuation of information technology services by this Financial Services Division field branch.

We found that backup media were not properly secured, system documentation was not stored off-site, and network connection boxes were unlocked. As a result, disruption of services could occur.

This financial center provides accounting and financial services to EPA offices in the Las Vegas area and for certain labs and Criminal Investigation Division offices throughout the country.

Officials at the finance center agreed with our recommendations to conduct a complete risk assessment, work on a continuity of support plan, and update backup procedures, and they have initiated actions.

(Report No. 2003-P-00011, Improvements Are Needed for Information Technology Controls at the Las Vegas Finance Center, May 29, 2003)

Investigations

Laboratory Fraud

Petroleum Refiner Pleads Guilty to Making False Statements under the Clean Air Act

Jet-Pep, Inc., an Alabama refiner of conventional gasoline, was sentenced on August 1, 2003, to 3 years probation and ordered to pay a $200,000 fine and a $400 special assessment for making a false statement to EPA in violation of the Clean Air Act. The sentencing, which occurred in U.S. District Court, Northern District of Alabama, is a result of Jet-Pep's May 30, 2003, guilty plea.

Jet-Pep had been required to submit an annual report to EPA setting out the gallons of gasoline produced or transferred, along with compliance calculation results of the blendstocks. Among the compliance calculation results that had to be reported was the average T90 value of the gasoline. The T90 value is the distillation characteristic reflecting the measure at which 90 percent of gasoline evaporates.

From 1995 through 1998, Jet-Pep failed to perform the T90 analysis on any of its blendstocks, and a Jet-Pep employee falsified all of the requisite distillation results. As a result, from 1996 through 1999, Jet-Pep submitted its annual report to EPA knowing each report contained a false average T90 value.

This investigation was conducted jointly with the EPA Criminal Investigation Division.

Computer Crimes

Additional Sentencings and Plea in "Operation Bandwidth" Software Piracy Case

Three additional persons have been sentenced in connection with "Operation Bandwidth," a 2-year long, multi-Agency undercover operation focusing on several members of a software piracy group known as the "Rouge Warriorz." The group was 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.

Charles Yurek, a member of the group, was sentenced on August 13, 2003, to 6 months of electronically monitored home detention and 3 years probation, and ordered to pay a $500 fine. Yurek had been charged on December 6, 2002, in U.S. District Court, District of Nevada, with criminal copyright infringement. Yurek admitted to downloading a

digital copy of Microsoft Windows XP Pro Corporate onto his home computer for the purpose of private financial gain, without the authorization of the copyright holder.

Brad McGourty, another member of the group, was sentenced on August 4, 2003, to 1 year probation and ordered to pay a $500 fine, a $25 special assessment, and $60 in restitution to Microsoft Corporation. This sentencing followed charges of criminal copyright infringement in U.S. District Court, District of Nevada. In his plea agreement, McGourty admitted to downloading a digital copy of Microsoft Money 2002 Deluxe onto his home computer for the purpose of private financial gain, without the authorization of the copyright holder.

On April 14, 2003, Lukasz Doupal was sentenced to 3 years probation and ordered to pay a $2,000 fine and a $100 special assessment. This sentencing followed a misdemeanor charge against Doupal in U.S. District Court, District of Nevada. 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.

In addition to the sentencings, on September 29, 2003, Lindle Romero pleaded guilty to one count of conspiracy in U.S. District Court, District of Nevada. Romero is scheduled to be sentenced in December 2003.

This investigation was conducted jointly with the Federal Bureau of Investigation and the Defense Criminal Investigative Service.

Network Penetration Laboratory Nearing Completion

In support of the Office of Investigations' Computer Crime Directorate mission, a state-of-the-art Network Penetration Laboratory is nearing completion. The Network Penetration Laboratory is intended to support OIG cases and help EPA information security professionals conduct computer security testing and risk assessments mandated under the Federal Information Security Management Act.

The Computer Crime Directorate recently provided support to the Office of the Chief Financial Officer as it conducted a penetration test of its computer network. The assessment successfully supported the requirement to identify system vulnerabilities and develop methodologies to institute corrective actions. This initial vulnerability assessment was the first of many for the newly established Network Penetration Laboratory and will serve to help the Agency protect its computer infrastructure at significant cost savings.

The lab will undergo certification and accreditation during Fiscal Year 2004 and will serve as a model to other government agencies and OIGs for computer security, vulnerability assessments, and penetration testing. Moreover, the Network Penetration Laboratory reinforces the ongoing working relationship with EPA, sharing the goal of protecting the Agency's computer network assets.

Computer Intrusion Unit Established

The Office of Investigations, Computer Crime Directorate has established a Computer Intrusion Investigations Unit. In partnership with our Forensic Laboratory Unit established in late 2000, its principal responsibilities are to investigate any suspicious or unauthorized computer activity within the Agency. These investigations, originating from both internal and external sources, cover a wide area of possible computer crimes, including: hacking, copyright infringement and piracy, inappropriate materials, child pornography, viruses, Trojan, worms, fraud, and unauthorized access. Computer security is one of the government's top priorities and the establishment of this office is critical in order to keep pace.

Financial Fraud

Former EPA Employee Sentenced for Receiving Stolen Government Property

Luther Mellen, former EPA Branch Chief, Architecture, Engineering, and Real Estate Branch, was sentenced on August 15, 2003, to 27 months in prison, followed by 3 years of supervised release, and ordered to pay a $50,000 fine and a $200 special assessment. This sentencing, in U.S. District Court, District of Columbia, is the result of a guilty verdict reached during trial in November 2002 stemming from charges of conspiracy to defraud the United State and receipt of stolen goods.

Luther Mellen's wife, Elizabeth Mellen, a Telecommunications Specialist with the Department of Education, managed a contract with the former Bell Atlantic Federal Systems. From early 1990 to December 1999, Elizabeth Mellen used her official position and ordered more than $300,000 worth of computers, printers, cellular phones, and cameras for her personal use. These items were paid for by the Department of Education as part of the contract. Mellen ordered a computer for the home she and Luther Mellen shared, and a laptop computer for her stepson at the request of Luther Mellen. Elizabeth Mellen previously pleaded guilty to theft of government property and conspiracy to defraud the government.

This investigation was conducted jointly with the Federal Bureau of Investigation and the Department of Education OIG.

Director Sentenced in Embezzlement Case

On July 1, 2003, Raymond Robertson, Trustee and Director of the National Iron Workers Apprenticeship Training and Journeyman Upgrading Fund, was sentenced in U.S. District Court, District of Columbia, to 6 months home detention and 3 years probation. He was also ordered to pay $103,169 in restitution, a $30,000 fine, and a $800 special assessment. The sentence was a result of Robertson's guilty plea to charges related to conspiracy, theft, and embezzlement.

The fund periodically received Federal grants, including a $1.2 million grant from EPA, to provide certain skills and safety training. Robertson and his daughter, Kerry Tresselt, the fund's bookkeeper, conspired to conceal their thefts from the fund, including the use of the fund's credit card for personal purchases. Tresselt has also been found guilty of conspiracy and embezzlement, and was ordered to pay $234,505 in restitution to the fund.

This investigation was conducted jointly with the Department of Energy OIG and the Department of Labor Pension, Welfare, and Benefits Association.

Settlement Results in $2.5 Million Savings

A mediated settlement before the General Services Administration, Board of Contract Appeals, on May 27, 2003, resulted in cost savings to the Government of $2,544,062 in a false claims case against two firms involved with a wastewater treatment project.

In 1996, the International Boundary and Water Commission (IBWC) awarded two separate fixed price contracts, worth approximately $7.6 million, to a joint venture of Reza, Inc., and Dennis J. Amoroso Construction Co., Inc. (Reza), for the construction of wastewater collectors. These contracts were part of a larger project to construct a wastewater treatment and disposal facility along the California-Mexico border in San Diego, California. The IBWC received funding for this project from EPA under an Interagency Agreement totaling $58 million.

Reza submitted 49 requests for reimbursement to the IBWC totaling $3,644,062, purportedly for reimbursement for work beyond the scope of the original contracts, inappropriately assessed liquidated damages, extended overhead, and differing site conditions. The IBWC contracting officer denied most of the requests after preliminary audit work identified several material discrepancies, including double billing of labor hours as both direct and indirect costs.

At the direction of the U.S. Attorney's Office, Western District of Texas, an independent audit of the claims was conducted that identified $1.8 million in questioned or unsupported costs. A Department of Justice investigation determined that the actual amount of damages to the Government was approximately $50,000. Under the terms of the mediated settlement, the Government agreed to only pay Reza $1.1 million and release Reza from any action under the False Claims Act, and Reza agreed to dismiss the $3.6 million in claims against the Government, resulting in a $2.5 million cost savings.

This case was conducted jointly with the Small Business Administration OIG and IBWC.

Contractor Agrees to Credit Government $220,358

ManTech Environmental Technology, Inc., a subsidiary of ManTech International Corporation, of Fairfax, Virginia, agreed on April 29, 2003, to credit the Government for $220,358 in connection with a building sale.

In 1999, ManTech, an EPA contractor, sold its office building in Research Triangle Park, North Carolina, for $1,020,000. Based on an initial review of the transaction by the Defense Contract Audit Agency (DCAA), ManTech charged the Government for a $333,160 loss on the sale. However, DCAA believed the building was sold for a net gain and, therefore, asserted the Government was entitled to share in a portion of the gain.

In concert with the U.S. Attorney's Office, Eastern District of Virginia, Civil Division, and the EPA Contracting Officer, it was determined that ManTech had sold the facility for a net gain and the Government was entitled to a portion of that gain, resulting in the $220,358 credit.

Impersonator Pleads Guilty

On July 18, 2003, Steven Wayne Devine pleaded guilty to charges involving defrauding employment agencies in at least five States of more than $45,000. Specifically, Devine pleaded guilty in U.S. District Court, Western District of Washington, to 7 counts of bank fraud and 5 counts of uttering a fictitious obligation of the United States.

Between October 1999 and May 2003, Devine devised a scheme to defraud temporary employment agencies in Oregon and Washington State. Devine would contact various agencies using a false name and identify himself as an upper level employee of a company or government agency, including EPA. He would then contract with the employment agency to "payroll" a purported employee of the company or agency. For an agreed-upon fee, the employment agency would handle payroll issues and issue payroll checks to the purported employee, Devine. The employment agencies would either mail an invoice to the company or government agency to receive payment for their services or Devine would appear at the employment agency and present a counterfeit check to pay for the agency's services.

Chamber of Commerce Director Sentenced for Embezzlement

On June 10, 2003, Carleen Murphy Moran, former Executive Director for the Hancock County (Mississippi) Chamber of Commerce, pleaded guilty to embezzlement. She was sentenced to 10 years in prison, with 9 years suspended and the remaining 1 year to be served under house arrest. After Moran completes the house arrest, she will be placed on 5 years of supervised release. Moran was also ordered to pay $70,032 in restitution to the Chamber of Commerce and $12,000 to the State Auditor's Office. This sentencing follows Moran's April 10, 2003, indictment by the Circuit Court, Hancock County, on embezzlement charges.

The Hancock County Chamber of Commerce had received a $103,800 grant from EPA for Community Assistance Support for Model Smart Growth Planning in Coastal Counties. While employed as the Executive Director, Moran forged endorsements on numerous checks that were ultimately deposited into her personal bank account.

The Mississippi State Auditor's Office assisted in this investigation.

Public Liaison

OIG Ombudsman Resolving Issues

The OIG Ombudsman office's case activity saw the resolution of citizen complaints dealing with sites located at Paw Creek, North Carolina; Riviera Beach, Florida; and Bloomington, Indiana. Significant progress has also been made on many opened cases, and it is anticipated that case resolution and closure will occur during the next semiannual reporting period for at least half of the 28 cases currently under review.

The office has been successful in contracting with technical experts to assist in several of our current cases under review, including Entech Incinerator, Anchorage, Alaska; Stauffer Chemical Co., Tarpon Springs, Florida; and Industrial Excess Landfill, Uniontown, Ohio.

During the past 6-month period, the Office of the Ombudsman experienced a reorganization change with the appointment of a new Acting Ombudsman in June.

Hotline Activity

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

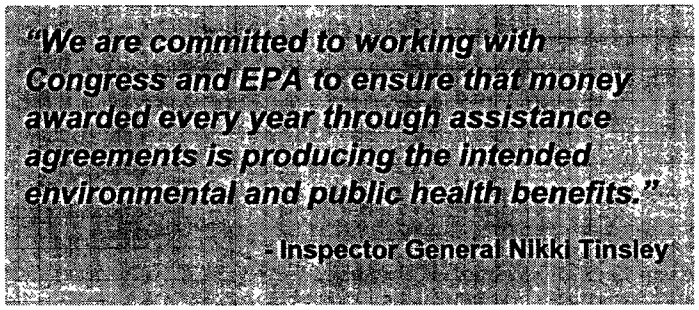
	Semiannual Period (April 1 - September 30, 2003	Annual Period (October 1, 2002 - September 30, 2003)
Complaints Open	15	61
Complaints Closed	292	571
Complaints Handled by EPA OIG	51	125
Complaints Referred to:		
EPA Program Offices	126	180
EPA Criminal Investigation Div.	19	26
Other Federal Agencies	34	63
State/Local Agencies	121	225

Testimony

Inspector General Testifies on Assistance Agreements

In testimony on assistance agreements, the Inspector General told a Congressional subcommittee that while EPA has acted to improve management of such agreements, it needs to ensure that adequate resources are devoted to the area and personnel are held accountable.

Speaking on June 11, 2003, before the U.S. House of Representatives' Subcommittee on Water Resources and the Environment, Committee on Transportation and Infrastructure, EPA Inspector General Nikki Tinsley stated that while EPA has sufficient policies regarding assistance agreements it needs to stress adherence to those policies.



"If EPA is to improve assistance agreement management, it needs to ensure that adequate resources are devoted to the function and that management and staff are held accountable for adhering to Agency policies that promote good management of assistance agreements," Tinsley testified.

Tinsley noted that assistance agreements are the primary mechanism through which the Agency carries out its mission. In fiscal year 2002 alone, EPA provided approximately $4.7 billion in grants, which was more than half that year's budget. Therefore, it is "imperative that the Agency use good management practices in awarding and overseeing these agreements to ensure they contribute cost effectively to attaining environmental goals."

The Inspector General told the subcommittee that the OIG's grants management work has focused on cross-cutting national issues, and has looked at EPA's major program areas. Based on the OIG's issue area plan, the OIG performed a series of audits "to identify systemic problems that were preventing the Agency from achieving the maximum results from the billions awarded in assistance agreements every year."

One area of particular concern has been the pre-award review of assistance agreements, which has been the subject of three audits since 1998. The Inspector General told the subcommittee that in 1998, OIG issued a report stating that project officers were not always negotiating work plans with well-defined commitments or adequately determining and documenting whether costs for the assistance agreement were reasonable. In March 2002, OIG reported that EPA was awarding assistance agreements without identifying expected outcomes, quantifying outputs, linking outputs to funding,

or identifying milestone dates for completing work products. In March 2003, OIG again reported that project officers did not perform all necessary steps when conducting pre-award reviews.

Tinsley noted that EPA recently issued several orders to improve the management of assistance agreements in response to our concerns. However, she pointed out that, "the challenge for EPA now will be to ensure that staff implement, and are held accountable for following, the new policies and for implementing the new grants management plan. Many of the deficiencies we found were due to EPA staff not following policies or being held accountable when they did not."

Tinsley noted that the EPA OIG has not been the only one to notice assistance agreement weaknesses – EPA itself has identified concerns, and has reported it as an Agency-level weakness under the Integrity Act. The U.S. General Accounting Office has also noted problems.

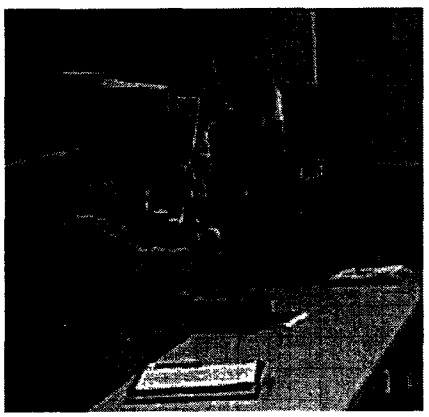
The Inspector General stressed that EPA's management of assistance agreements directly relates to two Government-wide initiatives in the President's Management Agenda – improving financial performance, and integrating the budget with performance."

"We are committed to working with Congress and EPA to ensure that money awarded every year through assistance agreements is producing the intended environmental and public health benefits," she said.

Other Activities

OIG Hosts Delegation of Auditors from Korea

On September 2, 2003, the OIG welcomed an 18-member research team from the Board of Audit and Inspection (BAI), Seoul, Republic of Korea. The BAI has similar functions and responsibilities as those of the U.S. General Accounting Office and our own OIG.



Nikki Tinsley, EPA Inspector General, greets Byoung-Chul Kim, Director, BAI (EPA OIG photo)

In addition to BAI representatives, the visiting team included auditors from diverse Korean agencies who were awarded the "Best Internal Auditors" designation from their agencies. The agencies included the Ministry of Defense, Ministry of Health and Welfare, National Tax Service, Korea Customs Service, a bank, and several city and provincial agencies.

The intent of the team's visit was to learn about our best practices that they could apply in their own work. We provided the team a general presentation, through an interpreter, about the EPA OIG, including:

- An overview of the Inspector General Act and our mission and independence.
- Our organizational structure and skill composition.
- Our strategic, multi-year, and annual planning process, goals, and how we select assignments.
- Our performance measurement system.
- Coordination of our work with the General Accounting Office and other OIGs.

We also discussed significant performance audits and evaluations, and provided policy and procedural documents governing the conduct of OIG work.

Innovative Techniques Drive Strategic Planning

During this reporting period, the OIG updated its strategic plan for fiscal years 2004 through 2008 by using Strategic Customer Value Analysis to research and collect information, using surveys and interviews of OIG staff, EPA leadership, and others in the Federal Government.

We sought to determine the emerging environmental and managerial issues, threats, and opportunities facing EPA over the next 3 to 5 years. We also sought to determine what OIG can do to improve its performance, operations, products, and service.

To develop the plan, we used a very innovative approach of categorizing input to a computer database system by topic (Air, Water, Land, Cross Media, Management, and OIG Performance) and also by value (Strength, Weakness, Opportunity, and Threat) to

analyze components and synthesize trends of significance. By combining the research of such external factors as demographics, technology, and the economy, along with Agency goals and its progress in meeting OIG-reported Management Challenges, we identified strategies for achieving the following OIG goals:

OIG Strategic Goals	
Goal 1	Contribute to Improved Environment and Human Health
This represents our statutory mission of promoting effectiveness and vision, and of being catalysts for improving the environment.	
Goal 2	Contribute to Improved Business Practices and Accountability
This represents our statutory mission of promoting economy and efficiency; and detecting and deterring fraud, waste, and abuse.	
Goal 3	Produce Superior, Cost Effective Products and Services
This represents the OIG leadership's commitment to high performance and continuous improvement.	

PCIE Roundtable Develops Guide for OIG Involvement in PART

The President's Council on Integrity and Efficiency (PCIE) Government Performance and Results Act Roundtable, chaired by the EPA OIG, has developed a guide for the involvement of Government OIGs with the Program Assessment Rating Tool (PART).

The PART is designed to focus attention on the performance effectiveness and efficiency of specific programs, with the intent of promoting more accountability in Federal programs, greater performance, and an objective basis for resource decisions. Such an effort is a natural extension of OIG work, and the Office of Management and Budget (OMB) specifically asked the OIGs to take an active role in PART reviews.

The guide, developed by the EPA OIG with input from the Roundtable members, discusses several way that OIGs could best assist OMB and its agencies, as follows:

- ✓ Link or cross reference PART reviews to prior and current OIG reports/assessments
- ✓ Include agency PART assessments in OIG planning process/selection criteria
- ✓ Provide review comments on agency PART assessments, before/after OMB ratings
- ✓ Conduct special OIG PART-related reviews/evaluations
- ✓ Coordinate OIG level of effort, expectation agreements with OMB

PART is a diagnostic tool that relies on objective data through a series of questions. OMB's goal is to evaluate 20 percent of all programs each year, so all programs are on a 5-year cycle.

Sustained Effort Needed to Address Management Challenges

Top 10 Management Challenges
Linking Mission and Management
Information Resources Management and Data Quality
Human Capital Management
EPA's Use of Assistance Agreements to Accomplish Its Mission
Protecting Critical Infrastructure from Non-Traditional Attacks
Challenges in Addressing Air Toxics Program Phase 1 and Phase 2 Goals
EPA's Working Relationships with States
Information Security
Backlog of National Pollutant Discharge Elimination System Permits
Management of Biosolids

In a May 2003 memorandum to the Administrator, we reported that EPA has taken some important actions to address the top 10 management challenges we identified in past years, but still needs to continue its efforts.

We found that EPA has taken such actions as issuing new standards and policies, providing training, and initiating some cross-cutting strategies in its strategic plan. Nonetheless, EPA has not taken all actions necessary, which can impede the Agency's ability to meet its goals.

For example, despite the Agency issuing new standards and policies to improve its management of assistance agreements, we continue to find that EPA is not adequately overseeing these agreements. To do so, EPA needs to allocate sufficient resources, hold management and staff accountable for complying with policies, establish success measures, and monitor progress.

The 10 management challenges, many of which existed since before 2001, are in the accompanying table.

EPA Improves Its Strategic Plan, Management Challenges Become Strategies

We commended the Agency for producing a Draft Strategic Plan that is clearly superior to previous EPA Strategic Plans. One of the most important improvements, besides the structural difference of reducing the number of goals from 10 to 5, was the integration of strategies for Partnerships, Information, Innovation, Human Capital, Accountability, Performance Measures, Science, Homeland Security, and Economic Analysis. These strategies, which reflect EPA's attention to its Management Challenges as reported by OIG and others, should promote leadership and cross-cutting improvements. We were particularly pleased to see that many of the recommendations that the OIG made to the Office of the Chief Financial Officer in the summer of 2001, and on the previous draft, were reflected in this latest Draft Strategic Plan. We suggested several areas where the final version of the plan can still be improved:

- **New Goal Structure Needs Link to Specific Programs.** It is difficult to quickly determine which programs fit within which of the goals, and a map or link is needed.
- **Introduction: Management Challenges Should be Acknowledged.** The OIG, as well as the Office of Management and Budget and General Accounting Office, have reported Major Management Challenges over the years that can or do impede the

Agency from fulfilling its goals and mission. While the new Strategies respond to these reported challenges, such reported challenges should be acknowledged.

Accountability and Progress Assessment. Cost accountability and efficiency are not articulated within the current goals or as Cross-Goal Strategies for internal operations. Also, since EPA delegates more than half its budget each year to States, local governments, and others through assistance agreements and other methods, we believe that this Plan needs to emphasize strict performance and financial accountability, and demonstrate that results clearly contribute to public benefit and EPA's strategic objectives.

Legislation and Regulations Reviewed

During the reporting period, we reviewed 36 proposed changes to legislation, regulations, policy and procedures that could affect EPA. We also reviewed drafts of EPA's program operations manual, directives, and reorganizations.

Section 4(a) of the Inspector General Act requires the OIG to review existing and proposed legislation and regulations relating to EPA and make recommendations concerning their impact. We also participate in the President's Council on Integrity and Efficiency. This Council provides a mechanism for commenting on existing and proposed legislation as well as regulations that have a government-wide impact.

We provided comments to the Agency on the proposed revision/update of EPA Manual 1900, Contracts Management Manual. We were concerned that the proposed Manual did not require specific training for Simplified Acquisition Contracting Officers regarding Federal Supply Schedule purchases, or require contracting officers to document performing on-site visits and having annual discussions with projects officers regarding personal services. We also disagreed with the dollar threshold increasing from $2,000,000 to $25,000,000 for detailed acquisition information; based on some of our recent audits, we believe there is a need for *more* detailed acquisition planning, not less.

We also commented that the proposed Office of Management and Budget Federal Enterprise Architecture Draft Performance Reference Model could be an excellent tool for planning and measurement of Federal programs beyond the scope of Enterprise Architecture. We commented that while the Model demonstrated the relationship of input factors leading to outcomes during an annual cycle, it did not account for the obvious time to achieve long-term outcomes of public benefit associated with specific investments. This model also assumed that an agency already has or can install a cost accounting system to measure process and activity efficiencies. In addition, we noted that the model assumed that the Federal agency has some control over its performance relationships. However, when performance is dependent upon grantees, there is disconnect between control over investments and the outcomes.

Further, for the Office of Management and Budget's Standard Data Elements for Federal Grant Applications, we generally agreed with the standard set of data elements. However, we recommended that the assurance statement include a certification that the applicant will comply with all applicable laws and regulations. This certification should include a penalty clause.

Statistical Data

Audit Report Resolution

Status Report on Perpetual Inventory of Reports in Resolution Process for Semiannual Period Ending September 30, 2003

Report Category	No. of Reports	Report Issuance ($ in Thousands)		Report Resolution Costs Sustained ($ in Thousands)	
		Questioned Costs	Recommended Efficiencies	To Be Recovered	As Efficiencies
A. For which no management decision was made by April 1, 2003**	98	$36,850	$3,385		
B. Which were issued during the reporting period	246	32,249	748		
C. Which were issued during the reporting period that required no resolution	170	0	0		
Subtotals (A + B - C)	174	69,099	4,133		
D. For which a management decision was made during the reporting period	76	17,382	507	$2,039	$16
E. For which no management decision was made by September 30, 2003	98	51,717	3,627		
F. Reports for which no management decision was made within 6 months of issuance	52	19,347	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 Inspector General 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 September 30, 2003 (Dollar Value in Thousands)

Report Category	Number of Reports	Questioned Costs*	Unsupported Costs
A. For which no management decision was made by April 1, 2003**	40	$36,850	$7,881
B. New reports issued during period	26	32,249	3,701
Subtotal (A+B)	66	69,099	11,582
C. For which a management decision was made during the reporting period	13	17,382	856
(i) Dollar value of disallowed costs	7	2,039	740
(ii) Dollar value of costs not disallowed	6	15,343	116
D. For which no management decision was made by September 30, 2003	53	51,717	10,726
Reports for which no management decision was made within 6 months of issuance	31	19,347	6,883

* Questioned costs include the unsupported costs.

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

Table 2 - Inspector General Issued Reports With Recommendations That Funds Be Put To Better Use for Semiannual Period Ending September 30, 2003 (Dollar Value in Thousands)

Report Category	Number of Reports	Dollar Value
A. For which no management decision was made by April 1, 2003**	5	$3,385
B. Which were issued during the reporting period	4	748
Subtotal (A+B)	9	$4,133
C. For which a management decision was made during the reporting period	2	507
(i) Dollar value of recommendations from reports that were agreed to by management	1	15
(ii) Dollar value of recommendations from reports that were not agreed to by management	1	492
(iii) Dollar value of non-awards or unsuccessful bidders	0	0
D. For which no management decision was made by September 30, 2003	7	3,627
Reports for which no management decision was made within 6 months of issuance	4	$3,369

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

Audits With No Final Action as of September 30, 2003, That Are Over 365 Days Past OIG Report Issuance Date

Audits	Total	Percentage
Programs	23	17.4%
Assistance Agreements	65	49.2%
Contract Audits	24	18.1%
Single Audits	19	14.3%
Financial Statement Audits	1	1.0%
Total	**132**	**100.0%**

Summary of Investigative Results

Summary of Investigative Activity During Period	
Cases open as of March 31, 2003	201
Cases opened during period	71
Cases closed during period	89
Cases pending as of September 30, 2003	183

Investigations Pending by Type as of September 30, 2003			
	Superfund	**Management**	**Total**
Contract	15	25	40
Assistance Agreement	5	34	39
Employee Integrity	3	21	24
Program Integrity	3	22	25
Computer Crime	0	12	12
Lab Fraud	20	12	32
Other	2	9	11
Total	**48**	**135**	**183**

Results of Prosecutive Actions	
Indictments / Criminal Informations / Complaints	10
Convictions	7
Civil Judgments / Settlements	2
Fines and Recoveries	$3,544,138

Personnel and Administrative Actions	
Termination	1
Suspension	2
Reprimands	4
Suspension and Debarments	4
Cost Savings	1
Other	3
Total	**15**

Scoreboard of Results Compared to Fiscal Year 2003 Strategic Performance Targets

All Fiscal Year 2003 results reported are as of October 28, 2003, with some results not available due to time lag: as reported in the OIG Performance Measurement and Results System

Strategic Goal; With Annual Performance Target Compared to FY 03 Results Reported	Supporting Measures
Goal 1: Contribute to Environmental Quality and Human Health	
Environmental Improvements/Actions/Changes ***Target 60; Reported 47;*** (78%)	0 Legislative changes/decisions 1 Regulatory changes/decisions 37 EPA Policy, process, practices change 5 Examples of environmental improvement 4 Best environmental practice implemented
Environmental Risks Reduced or Eliminated ***Target 20; Reported 9;*** (45%)	8 Environmental Risks reduced/eliminated 1 Certifications/validations/verifications
Environmental Recommendations, Best Practices, Risks Identified ***Target 80; Reported 48;*** (60%)	27 Environmental recommendations 3 Environmental best practices identified 18 Environmental risks identified
Goal 2: Improve EPA's Management, Accountability and Program Operations	
Return on Investment: Potential dollar return as percentage of OIG budget ($48 million) ***Target 150%; Reported; 856%*** *($411 million = over 8.5 times OIG FY 03 budget)*	*(Dollars in Millions)* $ 37.3 Questioned costs $ 1.1 Recommended efficiencies, costs saved $372.6 Fines, recoveries, settlements
Criminal, Civil & Administrative Actions Reducing Risk of Loss/Operational Integrity ***Target 50; Reported 83;*** (166%)	16 Criminal Convictions 31 Indictments/informations/complaints/arrests 4 Civil judgments/settlements 32 Administrative actions
Improvements in Business/Systems/Efficiency ***Target 75; Reported 138;*** (184%)	55 Policy process, practice, control changes 1 Corrective action on FMFIA/Mgt Challenge 6 Best practices implemented 76 Certifications/validations/verifications/ allegations disproved
Recommendations, Best Practices, Challenges Identified ***Target 155; Reported 264;*** (170%)	253 Recommendations 8 Best practices identified 3 FMFIA/Management Challenges identified
Goal 3: Produce Timely, Quality, Cost Effective Products & Services That Meet Customer Needs **Goal 4: Enhance Diversity, Innovation, Teamwork, and Competencies** (internal operational goals)	
• Collaborative Products/Partners 56 • Requests to Testify/External Presentations 28 • Assignments Performed By Request 51% • Milestones (time/budget) Met 71% • Customer Value Rating	• Products by Multi-discipline Teams 101 • OIG Mgmt. Innovations Implemented 44 • Work Produced Electronically 88% • Products Accessible Electronically 65% • Staff Meeting Training Standards 100%

* *Statistics reported as "results compared to strategic performance targets" include additional performance measures of value not included in statutory reporting requirements, such as arrests and other savings or recoveries (not recorded in the Agency followup system), representing any differences from other statistics in this semiannual report.*

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-P-00010	Mega EPA's National Hardrock Mining Framework	07-AUG-03				
2003-P-00011	closed: General Security Controls at EPA Finance Centers	29-MAY-03				
2003-P-00012	EPA's Response to the World Trade Center Collapse	19-AUG-03				
2003-P-00013	Effectiveness of RCRA Procurement Preference Programs	16-SEP-03				
2003-P-00014	Survey of Air Quality Issues	26-SEP-03				
2003-P-00015	EPA's Use of FSS Schedule Contracts	26-SEP-03				$0
2003-P-00016	Adequacy of Ambient Air Monitoring Networks and Data	30-SEP-03				
2003-P-00017	EPA's Computer Security Self-Assessment Process	30-SEP-03				
2003-P-00018	DRINKING WATER CAPACITY	30-SEP-03				
2003-P-00019	Use of STAR Grants in Achieving EPA's Strategic Goals	30-SEP-03				
	TOTAL PERFORMANCE REPORTS = 10		0	0	0	0
2003-1-00110	AA 2002 DWSRF Utah	03-JUN-03	$0	$0		
2003-1-00138	AA-South Carolina Drg. Water SRF-6/30/2002	17-SEP-03				$16,281
2003-1-00139	AA-South Carolina Clean Water SRF-6/30/2002	17-SEP-03				
2003-1-00143	Stringfellow Cooperative Agreement 1983-1995	30-SEP-03	$24,135,237	$0	$0	
2003-2-00012	Richmond Beach/Carkeek Const Grant Projects	30-JUN-03	$301,781	$84,953		
2003-2-00015	Richmond Beach/Carkeek Const. Grant Projects	23-SEP-03	$221,894	$0	$0	211,863
2003-4-00101	Audit of GDNR Cooperative agreement number VC984299980	26-JUN-03	$16,559			
2003-4-00119	Costs for Tribal Assoc.on Solid Waste & Emergency Response	19-SEP-03	$0	$2,357,376	$0	
2003-4-00120	Geothermal Heat Pump Consortium,Inc.-Costs Claimed	30-SEP-03		$1,153,472		
	TOTAL ASSISTANCE AGREEMENT REPORTS = 9	**$24,675,471**	**$3,595,801**	**0**	**$228,144**	
2003-3-00092	Latimer, City of	01-APR-03				
2003-3-00093	Twenty-Nine Palms Band of Mission Indians FY 2000	01-APR-03				
2003-3-00094	TWENTY-NINE PALMS BAND OF MISSION INDIANS FY 2001	01-APR-03	$31,890			
2003-3-00095	Iowa Rural Water Association	01-APR-03	$51,952			
2003-3-00096	Civil Engineering Research Foundation	01-APR-03				
2003-3-00097	Wayne State University	01-APR-03				
2003-3-00098	Northwest Regional Planning Commission	17-APR-03				
2003-3-00099	Northwest Regional Planning Commission	17-APR-03				
2003-3-00100	Northwest Regional Planning Commission	17-APR-03				
2003-3-00101	Louisiana, State of	03-APR-03				
2003-3-00102	Virginia, Commonwealth of	03-APR-03				
2003-3-00103	Oregon, State of	03-APR-03				
2003-3-00104	Tonasket, City of	07-APR-03				
2003-3-00105	Columbus, City of	07-APR-03				
2003-3-00106	Bad River Band of Lake Superior Chippewa Indians	17-APR-03				
2003-3-00107	Maricopa County	17-APR-03				
2003-3-00108	Alaska, State of	22-APR-03				
2003-3-00109	Alaska, State of	22-APR-03				
2003-3-00110	Maine, State of	22-APR-03				
2003-3-00111	Idaho, State of	23-APR-03				
2003-3-00112	American Indian Science and Engineering Soc.	23-APR-03				
2003-3-00113	American Indian Science and Engineering Soc.	23-APR-03	$104,760			
2003-3-00114	American Indian Science and Engineering Soc.	23-APR-03	$58,365			
2003-3-00116	Big Sandy Rancheria	30-APR-03				
2003-3-00117	Stevens Village Council	30-APR-03	$94,229			

Report Number	Title	Final Report Issued	Questioned Costs			Recommended Efficiencies (Funds Be Put To Better Use)
			Ineligible Costs	Unsupported Costs	Unreasonable Costs	
2003-3-00118	Nebraska, State of	01-MAY-03	$34,528			
2003-3-00119	Maryland, University System of	01-MAY-03				
2003-3-00120	Maryland, University System of	01-MAY-03				
2003-3-00121	Association of State and Interstate Water Pol. Control Ags	07-MAY-03		$3,986		
2003-3-00122	Leech Lake Reservation	07-MAY-03				
2003-3-00123	Leech Lake Reservation	07-MAY-03				
2003-3-00124	East Moline, City of	08-MAY-03				
2003-3-00125		08-MAY-03				
2003-3-00126	Onondaga County	08-MAY-03				
2003-3-00127	North Carolina, State of	19-MAY-03				
2003-3-00128	Virginia, Commonwealth of	19-MAY-03				
2003-3-00129	Connecticut, State of	19-MAY-03				
2003-3-00130	Wisconsin, State of	19-MAY-03				
2003-3-00131	Oregon, State of	19-MAY-03				
2003-3-00132	San Antonio, City of	23-MAY-03				
2003-3-00133	San Antonio. City of	23-MAY-03				
2003-3-00134	San Antonio, City of	23-MAY-03				
2003-3-00135	Metropolitan Government of Nashville & Davidson County	23-MAY-03				
2003-3-00136	Honolulu, City and County of	27-MAY-03				
2003-3-00137	Council of Athabascan Tribal Government	28-MAY-03				
2003-3-00138	Olivenhain Municipal Water District	28-MAY-03	$190,600			
2003-3-00139	Parkinson's Institute	28-MAY-03				
2003-3-00140	White Mountain Apache Tribe	28-MAY-03				
2003-3-00141	Pit River Tribe	28-MAY-03				
2003-3-00142	Karuk Tribe of California	28-MAY-03				
2003-3-00143	Public Health Institute	28-MAY-03				
2003-3-00144	Native Village of Mekoryuk IRA Council	03-JUN-03	$7,850			
2003-3-00145	CIRCLE VILLAGE COUNCIL	03-JUN-03	$61,089			
2003-3-00146	Lake Chelan Sewer District	03-JUN-03				
2003-3-00147	Eight Northern Indian Pueblos Council	03-JUN-03				
2003-3-00148	Environmental Quality, Michigan Department of	04-JUN-03				
2003-3-00149	Environmental Quality, Michigan Department of	04 JUN-03				
2003-3-00150	Texas, State of	10-JUN-03				
2003-3-00151	Texas, State of	10-JUN-03				
2003-3-00152	Texas, State of	10-JUN-03				
2003-3-00153	Resources for Human Development, Inc	11-JUN-03				
2003-3-00154	Pawnee Tribe of Oklahoma	11-JUN-03				
2003-3-00155	Northwestern University	11-JUN-03				
2003-3-00156	Brigham and Women's Hospital, Inc	11-JUN-03				
2003-3-00157	Sokaogon Chippewa Community Mole Lake Band	11-JUN-03				
2003-3-00158	Louisiana, State of	12-JUN-03				
2003-3-00159	Kentucky, Commonwealth of	12-JUN-03				
2003-3-00160	Wyoming, State of	12-JUN-03				
2003-3-00161	Miami University	18-JUN-03				
2003-3-00162	Canton, City of	18-JUN-03	$28,992			
2003-3-00163	Toledo, City of	18-JUN-03	$173,346			
2003-3-00164	Harvard University	18-JUN-03				
2003-3-00165	CORNELL UNIVERSITY	18-JUN-03				
2003-3-00166	Virgin Valley Water District	09-JUL-03				
2003-3-00167	Mason City, City of	09-JUL-03	$427,920			
2003-3-00168	Denver, University of (Colorado Seminary)	09-JUL-03				
2003-3-00169	Michigan, University of	09-JUL-03				
2003-3-00170	Missouri, University of	09-JUL-03				
2003-3-00171	Nebraska, State of	09-JUL-03				
2003-3-00172	Delaware River Basin Commission	29-JUL-03				
2003-3-00173	Cocopah Indian Tribe	29-JUL-03				
2003-3-00174	NATIONAL EDUCATION ASSOC. HEALTH INFO. NTWK.	30-JUL-03				
2003-3-00175	Camden, City of	31-JUL-03				
2003-3-00176	Augustine Band of Cahulla Mission Indians	12-AUG-03				
2003-3-00177	Shoemakersville, Borough of	12-AUG-03				
2003-3-00178	Alice Hamilton Occupational Health Ctr. Inc.	12 AUG-03				
2003-3-00179	Swimonish Indian Tribal Community	13-AUG-03				
2003-3-00180	Lake Michigan Directors Consortium	04-SEP-03	$1,751,662			
2003-3-00181	Iowa Tribe of Oklahoma	13-AUG-03				
2003-3-00182	Smith River Rancheria	04-SEP-03	$98,536			
2003-3-00183	Athabascan Tribal Government, Council of	23-SEP-03				
2003-3-00184	Trinidad Rancheria	23-SEP-03				
2003-3-00185	Trinidad Rancheria	23-SEP-03				
2003-3-00186	Clarksburg, City of	23-SEP-03				
2003-3-00187	Iowa Rurtal Water Association	23-SEP-03				

Report Number	Title	Final Report Issued	Questioned Costs: Ineligible Costs	Questioned Costs: Unsupported Costs	Questioned Costs: Unreasonable Costs	Recommended Efficiencies (Funds Be Put To Better Use)
2003-3-00188	Guam, Government of	23-SEP-03				
2003-3-00189	Guam, Government	23-SEP-03	$222,907			
2003-3-00190	Indian Township Tribal Government	23-SEP-03				
2003-3-00191	Conrad, City of	23-SEP-03				
2003-3-00192	National Academy of Public Administration Foundation	25-SEP-03				
	TOTAL SINGLE AUDIT REPORTS = 100		**$3,338,626**	**$93,986**	**0**	**0**
2003-1-00104	Guardian FY 1999 & FY 2000 Incurred Cost	12-MAY-03	$0	$0	$0	
2003-1-00142	Avanti Corporation - '95 - '98 Incurred Cost Audit	23-SEP-03	$39,244			
2003-2-00011	Ecology & Environment - Region 6 START Billing Rates	30-APR-03				
	TOTAL OIG ISSUED CONTRACT REPORTS = 3		**$39,244**	**0**	**0**	0
2003-1-00092	TechLaw Inc.-CACS 68-W4-0019	18-APR-03				
2003-1-00093	Midwest Research Institute-FY2002 OMB A-133 & Indirect Rates	18-APR-03				
2003-1-00094	Midwest Research Institute-CAS 418	18-APR-03				
2003-1-00095	Midwest Research Institute-CAS 410	18-APR-03				
2003-1-00096	Battelle Memorial Institute-FY2003 Compensation Sys Int Con	18-APR-03				
2003-1-00097	CH2M Hill Inc-FY2003,2004,2005 Forward Pricing Indirect Rate	21-APR-03				
2003-1-00098	CH2M Hill Constructors, Inc-FY2003,2004,2005 Forward Pricing	21-APR-03				
2003-1-00099	Battelle Memorial Institute-FY2003 Billing Syst. Int Control	21-APR-03				
2003-1-00100	Weston Solutions-Follow-up Info Tech Sys Gen Internal Control	21-APR-03				
2003-1-00101	Cadmus Group Inc. FY 2000 Incurred Cost	25-APR-03				
2003-1-00102	InfoPro, Inc.-FY2000 Incurred Cost	28-APR-03				
2003-1-00103	Booz Allen & Hamilton- CACS 68-W0-0039	29-APR-03				
2003-1-00105	Shaw Environmental Inc.-Preaward PR-CI-02-11291 CPFF	14-MAY-03				
2003-1-00106	Integrated Laboratory Systems - RFP No. PR-CI-0211291	14-MAY-03				$491,044
2003-1-00107	Vista Computer Services-FY 1997 Incurred Cost	16-MAY-03				
2003-1-00108	Scientific Consulting Group, Inc.-FY 2000 Incurred Cost	23-MAY-03				
2003-1-00109	Shaw Environmental & Infra-FY2003 Equip & Pre Equip Rates	23-MAY-03				
2003-1-00111	SAIC-CACS 68-D2-0183	06-JUN-03				
2003-1-00112	DynCorp Info & Eng Tech-CACS 68-D9-0035	12-JUN-03	$450,226			
2003-1-00113	International Consult.-FY1999 Incurred Cost	12-JUN-03				
2003-1-00114	Universe Tech., Inc.-FY2000 Incurred Cost	23-JUN-03				
2003-1-00115	International Consult.-FY2000 Incurred Cost	23-JUN-03				
2003-1-00116	IT Group-FY2001 Incurred Cost	23-JUN-03				
2003-1-00117	Southwest Research Institute-FY2002 Inc. Cost	02-JUL-03				
2003-1-00118	Dynamac Corporation-FY2000 Incurred Cost	03-JUL-03				
2003-1-00119	CH2M Hill Inc.-FY2001 Incurred Cost	03-JUL-03				
2003-1-00120	Roy F. Weston-FY2001 Incurred Cost	03-JUL-03				
2003-1-00121	CH2M Hill I&E Business Group-FY2001 Incurred Cost	08-JUL-03				
2003-1-00122	CH2M Hill Companies, Ltd-FY2001 Incurred Cost Home Office	08-JUL-03				
2003-1-00123	Lockheed Martin Tech Svcs Bus Area-FY2001 Incurred Cost	08-JUL-03				
2003-1-00124	Black & Veatch Holding Company-FY2001 Corporate Incurred Cost	08-JUL-03				
2003-1-00125	Lockheed Martin Services Group (LMSI)-FY2001 Incurred Cost	09-JUL-03	$26,271			
2003-1-00126	Arthur D. Little Inc-FY2000 I/C-Cancelled Bankrp. Report recd	16-JUL-03				
2003-1-00127	Midwest Research Institute-OMB A-133 & FY2001 Indirect Rates	17-JUL-03				
2003-1-00128	Foster Wheeler Environmental Corp.-FY2001 Inc Incurred Cost	17-JUL-03				
2003-1-00129	Marasco Newton Group LTD-CAS Disclosure Statement Rev #3	23-JUL-03				

Report Number	Title	Final Report Issued	Questioned Costs			Recommended Efficiencies (Funds Be Put To Better Use)
			Ineligible Costs	Unsupported Costs	Unreasonable Costs	
2003-1-00130	RICARDO, Inc.-FY2002 Incurred Cost	23-JUL-03				
2003-1-00131	Metcalf & Eddy Inc.-FYs 96,97 & 98 RAC 68-W6-0042	23-JUL-03				
2003-1-00132	Midwest Research Institute-FY2002 OMB A-133 & Indirect Rates	23-JUL-03				
2003-1-00133	SAIC Company 1 - FY2002 Incurred Cost	31-JUL-03				
2003-1-00134	DCT, Inc.-FY2001 Incurred Cost	13-AUG-03				
2003-1-00135	XEnergy Inc.-FY1997 Incurred Cost	13-AUG-03				
2003-1-00136	International Fuel Cells Company-FY2001 Incurred Cost	29-AUG-03				
2003-1-00137	Versar, Inc.-CACS 68-D3-0013	29-AUG-03				
2003-1-00140	Black & Veatch Spec Proj Corp-FY99 RAC VII 68-W5-0004	22-SEP-03				
2003-1-00141	Automotive Testing Laboratories-FY2001 Incurred Cost	22-SEP-03				
2003-1-00144	Battelle Memorial Institute-Columbus-FY2002 Incurred Cost	26-SEP-03				
2003-1-00145	XEnergy Inc.-FY1998 Incurred Cost	26-SEP-03				
2003-1-00146	Tetra Tech EM, Inc.-FY2002 Billing System	26-SEP-03				
2003-2-00009	Techlaw Inc.- Preaward PR-CI-02-11291	21-APR-03				
2003-2-00010	Shaw Environmental & Infrastructure, Inc-FY2003 Direct Labor	21-APR-03				
2003-2-00013	FEV Engine Technology-Preaward PR-CI-03-10417	15-AUG-03				
2003-2-00014	CH2M Hill Inc.-FYs 1996-2000 RAC Close-out 68-W6-0025	22-SEP-03				
2003-2-00016	IT Group (Shaw Environ.)-DACA45-98-D-0003 #4	26-SEP-03				
2003-4-00051	Toeroek Associates-FY2001 Incurred Cost	18-APR-03				
2003-4-00052	InfoPro Incorporated-FY 1999 Incurred Cost	25-APR-03				
2003-4-00053	Bristol Envtl. & Eng. Services Corp.-Accounting System	25-APR-03				
2003-4-00054	Foster Wheeler Environmental Corp-FY2002 Accounting System	25-APR-03				
2003-4-00055	Foster Wheeler Environmental Corp.-FY2002 Billing System	25-APR-03				
2003-4-00056	Foster Wheeler Environmental Corp.-FY2002 Estimating System	25-APR-03				
2003-4-00057	Foster Wheeler Environmental Corp.-FY2002 Budget System	28-APR-03				
2003-4-00058	Foster Wheeler Environmental Corp.-FY2002 Travel Admin Opera	28-APR-03				
2003-4-00059	Foster Wheeler Environmental Corp-FY2002 EDP LogicalSecurity	28-APR-03				
2003-4-00060	Foster Wheeler Environmental Corp-FY2002 EDP General Control	28-APR-03				
2003-4-00061	Foster Wheeler Environmental Corp.-FY2002 Indirect & ODC Sys	28-APR-03				
2003-4-00062	Foster Wheeler Environmental Corp-FY2002 Master FileVenderID	28-APR-03				
2003-4-00063	Foster Wheeler Environmental Corporation-FY 2002 CAS 416	28-APR-03				
2003-4-00064	Foster Wheeler Environmental Corp.-FY2002 MAAR 6 Floorcheck	28-APR-03				
2003-4-00065	IT Group-FY2002 CAS 416 Insurance Costs	28-APR-03				
2003-4-00066	Black & Veatch Corporation-CAS 403	29-APR-03				
2003-4-00067	CH2M Hill Inc.-FY2002 Labor Floorcheck	29-APR-03				
2003-4-00068	Midwest Research Institute-FY2001 Floorcheck MAAR 6	29-APR-03				
2003-4-00069	Dynamac Corporation-FY2002 Floorcheck	07-MAY-03				
2003-4-00070	Tetra Tech Inc.-FY2002 Financial Capability	07-MAY-03				
2003-4-00071	Marasco Newton Group LTD-Cost Impact Analysis	08-MAY-03				
2003-4-00072	ABT Associates Inc.- Revised Disclosure Statement No. 5	09-MAY-03				
2003-4-00073	ABT Associates Inc.-CAS 420	13-MAY-03				
2003-4-00074	Midwest Research Institute-FY2002 CAS 403 Home office alloca	13-MAY-03				
2003-4-00075	Integrated Laboratory Systems-Accounting Sys.	13-MAY-03				
2003-4-00076	ASRC Aerospace Corporation-FY2003 Floorcheck	13-MAY-03				
2003-4-00077	Tetra Tech, Inc.-CAS 408	16-MAY-03				
2003-4-00079	Tetra Tech NUS-Billing System	16-MAY-03				
2003-4-00081	Tetra Tech NUS-CAS 408	16-MAY-03				
2003-4-00082	Tetra Tech, NUS-FY 2000 Floorcheck	16-MAY-03				
2003-4-00083	PRC Environmental Management Inc.-FY2000 MAAR 6 Floorcheck	22-MAY-03				

Report Number	Title	Final Report Issued	Questioned Costs: Ineligible Costs	Questioned Costs: Unsupported Costs	Questioned Costs: Unreasonable Costs	Recommended Efficiencies (Funds Be Put To Better Use)
2003-4-00084	PRC Environmental Management Inc.-FY2000 MAAR	22-MAY-03				
2003-4-00085	PRC Environmental Management Inc -FY2000 ICAP Compensation	22-MAY-03				
2003-4-00086	PRC Environmental Management Inc.-CAS 408	22-MAY-03				
2003-4-00087	Bionetics Corporation-CAS 420	23-MAY-03				
2003-4-00088	Tetra Tech EMI-FY2003 CAS 414	23-MAY-03				
2003-4-00089	Abt Associates Inc.-CAS 420	23-MAY-03				
2003-4-00090	Abt Associates Inc.-CAS 415	23-MAY-03				
2003-4-00091	Tetra Tech EMI-FY2002 Compensation	23-MAY-03				
2003-4-00092	Tetra Tech EMI-FY2002 Financial Condition Risk Assessment	23-MAY-03				
2003-4-00093	Roy F. Weston-DACA45-98-D-0004 #5	23-MAY-03				
2003-4-00094	Tetra Tech EMI-Purchasing Existence	23-MAY-03				
2003-4-00095	Tetra Tech EMI-(3)Floorchecks	23-MAY-03				
2003-4-00096	ManTech Systems Engineering Corp.-Revised Disc Statment 1/03	06-JUN-03				
2003-4-00097	Syracuse Research Corp.-FY2002 Floorcheck	06-JUN-03				
2003-4-00098	Transcontinental Enterprises, Inc.-FY2002 MAAR 6 Floorcheck	13-JUN-03				
2003-4-00099	EC/R Incorporated-FY2001 Floorcheck	13-JUN-03				
2003-4-00100	S&E Services, Inc-Preaward Accounting System Survey	13-JUN-03				
2003-4-00102	DPRA, Inc.-FY2003 Floorcheck	23-JUN-03				
2003-4-00103	Kevric Company-FY2000 Incurred Cost	23-JUN-03				
2003-4-00104	Abt Associates Inc.-CAS 414	24-JUN-03				
2003-4-00105	Tetra Tech, Inc.-CAS 403	24-JUN-03				
2003-4-00106	Scientific Consulting Group - FY2001 Incurred Cost	30-JUN-03				
2003-4-00107	Environmental Quality Management-FY2003 Accounting System	30-JUN-03				
2003-4-00108	Eastern Research Group-CAS 404	02-JUL-03				
2003-4-00109	Battelle Memorial Institute-FY2003 ODC System & Internal Cntrl	02-JUL-03				
2003-4-00110	IT Corporation QATS Segment-FY2000 Incurred Cost	03-JUL-03				
2003-4-00111	IT Group (Shaw Environmental)-DACA45-98-D-0003 #4	16-JUL-03				
2003-4-00112	Tetra Tech, Inc.-Accounting System FY 2003	16-JUL-03				
2003-4-00113	Pacific Environmental Service Inc.-FY2000 Incurred Cost	23-JUL-03				
2003-4-00114	Eastern Research Group-CAS 418-Allocation of Direct & Indire	30-JUL-03				
2003-4-00115	Syracuse Research Corporation-FY2003 MAAR 13 Matl Consumptio	30-JUL-03				
2003-4-00116	Syracuse Research Corp-FY 2003 Floorchecks MAARS 6	31-JUL-03				
2003-4-00117	Industrial Economics, Inc.-FY2003 Floorcheck	28-AUG-03				
2003-4-00118	Midwest Research Institute-FY2003 Maar 6	29-AUG-03				
	TOTAL DCCA CONTRACT REPORTS = 119		**$476,497**	**0**	**0**	**$491,044**
2003-1-00085	FY 2002 FIFRA Financial Statement Audit	03-APR-03				
	TOTAL FINANCIAL STATEMENT REPORTS = 1		**0**	**0**	**0**	**0**
2003-S-00005	Parker Landfill Response Claim III	29-APR-03				
2003-S-00006	Congressional Request - Review of EPA Action on Grant Report	23-JUL-03				
2003-S-00007	Missouri Electric Works CERCLA Claim	30-JUL-03	$15,518	$11,568	$2,012	$29,098
2003-S-00008	2003 Federal Information Security Management Act	12-SEP-03				
	TOTAL SPECIAL REVIEW REPORTS = 4		**$15,518**	**$11,568**	**$2,012**	**$29,098**
	TOTAL REPORTS ISSUED = 246		**$28,545,356**	**$3,701,355**	**$2,012**	**$748,286**

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