

# **EPA Office of Inspector General Semiannual Report to the Congress**

October 1, 1997 through  
March 31, 1998



## **INSPECTOR GENERAL VISION STATEMENT**

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

## **MISSION**

The Inspector General Act of 1978, as amended, requires the Inspector General to: (1) conduct and supervise audits and investigations relating to programs and operations of the Agency; (2) provide leadership and coordination, and make recommendations designed to (A) promote economy, efficiency, and effectiveness and (B) prevent and detect fraud and abuse in Agency programs and operations; and (3) fully and currently inform the Administrator and the Congress about problems and deficiencies identified by the Office of Inspector General relating to the administration of Agency programs and operations.

## **GOALS**

- ①** Help EPA achieve its environmental goals by improving the performance and integrity of EPA programs and operations, by safeguarding and protecting the Agency's resources, and by clearly reporting the results of our work.
- ②** Foster strong working relationships.
- ③** Operate at the highest performance level.

Cover photo by Ken Kerbs

U.S. Environmental Protection Agency  
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Chicago, IL 60604-3590

## Foreword

I am very pleased to report that EPA received an unqualified or "clean" audit opinion on its Agency-wide financial statements. This achievement represents a significant milestone in EPA's ongoing initiatives to improve its financial management systems and activities. This could not have happened without the dedication, cooperation and hard work of many individuals from the Office of the Chief Financial Officer, other program offices throughout Headquarters and the regions, and my office. Much still needs to be done by the Agency in many areas, such as cost accounting and Year 2000 enhancements. Some of the issues will present new challenges in upcoming financial statement audits. Our sustained efforts will allow managers to better direct, monitor and report on the use of Agency resources to achieve its environmental mission.

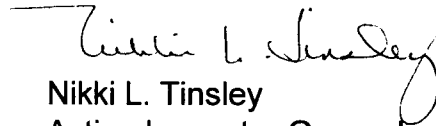
Concerning our impact on environmental results, we have made significant progress in conducting program audits which have the potential to improve the effectiveness and efficiency of environmental programs. For example, we reported that the backlog of permits for municipal and industrial wastewater dischargers in Alaska and Idaho are undermining the permit program which is key to an effective clean water program. Seventy percent of these permits were over 4 years overdue, and some of the dischargers were contributing to water quality problems in important watersheds. In addition, we completed two more reviews of state air enforcement programs in New Mexico and Washington. These states needed to better identify and report significant violators so that EPA working in partnership with state and local air districts can take the necessary actions to bring violating facilities back into compliance.

Our audits have also identified opportunities where scarce resources could have been used more effectively. In Philadelphia, EPA spent over four times the appraised value of houses demolished at a Superfund site to build new houses for the owners. This decision cost EPA millions of additional dollars which could have otherwise been spent on environmental cleanup. In an audit of lead and asbestos training grants, we found that under one grant, the per student cost of training was \$2,807 rather than the estimated amount of \$267. Funds could have been saved or put to better use if EPA had monitored these training grants more closely.

Our investigative work continues to result in substantial fraud recovery. An EPA contractor recently entered into a civil settlement to resolve fraud allegations under the Federal False Claims Act. A joint investigation by the EPA OIG, the Defense Criminal Investigative Service, the Defense Contract Audit Agency, and the U.S. Army Criminal Investigation Command uncovered allegations that the contractor had submitted false claims by double charging for certain labor and equipment costs utilizing a complex accounting scheme. Consequently, the contractor agreed to pay \$4.3 million to the

United States as part of a global resolution of all claims under a landfill cleanup contract. Of over \$24 million in submitted but unpaid claims, only \$14.5 million are deemed as legitimately incurred by the contractor. Therefore, an additional \$9.6 million in cost savings has been realized from the repudiated claims.

As evidenced by the success of our efforts in these and other areas, the Office of Inspector General remains committed to assisting the Agency in the accomplishment of its environmental goals.



Nikki L. Tinsley  
Acting Inspector General

# Profile of Activities and Results

October 1, 1997 to March 31, 1998

Audit Operations (\$ in millions) OIG Managed Reviews: Reviews Performed by EPA, Independent Public Accountants and State Auditors		Audit Operations (\$ in millions) Other Reviews: Reviews Performed by Another Federal Agency or Single Audit Act Auditors	
<b>Questioned Costs *</b>		<b>Questioned Costs *</b>	
- Total	\$ 6.9	- Total	\$ 0.1
- Federal	\$ 4.8	- Federal	\$ 0.1
<b>Recommended Efficiencies*</b>		<b>Recommended Efficiencies*</b>	
- Federal	\$ 0	- Federal	\$ 0
<b>Costs Disallowed to be Recovered</b>		<b>Costs Disallowed to be Recovered</b>	
- Federal	\$14.5	- Federal	\$ 0
<b>Costs Disallowed as Cost Efficiency</b>		<b>Costs Disallowed as Cost Efficiency</b>	
- Federal	\$ 0	- Federal	\$ 0
<b>Reports Issued - OIG Managed Reviews:</b>		<b>Reports Issued - Other Reviews:</b>	
- EPA Reviews Performed By OIG:	47	- EPA Reviews Performed by	
- EPA Reviews Performed by		Another Federal Agency:	65
Independent Public Accountants:	5	- Single Audit Act Reviews:	33
- EPA Reviews Performed by			
State Auditors:	0		
<b>Total</b>	<b>52</b>	<b>Total</b>	<b>98</b>
<b>Reports Resolved (Agreement by Agency officials to take satisfactory corrective action.) ***</b>		<b>Agency Recoveries - Recoveries from Audit \$6.5 Resolutions of Current and Prior Periods (cash collections or offsets to future payments.)**</b>	
	124		
Investigative Operations		Fraud Detection and Prevention Operations	
Fines and Recoveries (including civil)	\$ 4.9	Hotline Cases Opened	19
Savings/Repudiated Claims	\$ 9.6	Hotline Cases Processed and Closed	17
Investigations Opened	90	Personnel Security Investigations Adjudicated	433
Investigations Closed	42	Legislative and Regulatory Items Reviewed	27
Indictments of Persons or Firms	6		
Convictions of Persons or Firms	5		
Administrative Actions Against EPA Employees/ Firms	25		
Civil Recoveries	3		

\* Questioned Costs and Recommended Efficiencies subject to change pending further review in the 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.

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The complete text of selected audits is available through the EPA OIG internet home page.  
<http://www.epa.gov/oigearth>

# Executive Summary

## **Section 1--Office of Audit-- Significant Findings**

### **1. Region 10's NPDES Permit Program Needs Improvement to Protect Water Quality in Alaska and Idaho**

Region 10 could more effectively regulate and reduce point source water pollution by improving its wastewater permit program's process for issuing and renewing permits, monitoring compliance of dischargers, enforcing compliance for dischargers that violated permit conditions, and reporting on new permit limits and conditions (page 7).

### **2. EPA Paid Excessive Amounts to Build Replacement Housing**

At a Superfund site where EPA had to demolish homes to clean up radiological contamination, EPA spent over four times the average appraised value to custom build replacement houses (page 8).

### **3. EPA's Air Program, While Effective in Cleaning the Air, Could Be More Efficient**

EPA data show that the Air Program has been effective in cleaning the air and reducing the potential for depleting the ozone layer. To increase the Air Program's efficiency, however, EPA can improve its relations with other parties it needs to carry out its mission, and increase attention to certain ongoing activities (page 10).

### **4. Missouri's Water Quality Standards and Monitoring Could Be Improved**

Missouri needed to improve its water quality standards by adopting national use classifications for its waters and criteria for acceptable pollutant levels. Missouri also needed to comprehensively monitor and accurately report on its water quality (page 12).

### **5. Region 10 and the State of Washington Need to Improve the Reporting of Significant Clean Air Act Violators**

Washington was under-reporting major air stationary source significant violators to EPA. Although Region 10 did not take planned corrective actions, the Region did take other actions to increase the accuracy of reporting by the State. Washington also was not conducting the thorough type of inspections necessary to identify significant violators. Region 10 had not implemented an effective oversight program to ensure that adequate inspections were performed (page 14).

### **6. Region 8 Needs to Strengthen Its Superfund Field Sampling Quality Assurance Controls**

Region 8 improved some of its field sampling quality assurance activities since a 1995 OIG audit. However, the Region could more effectively support its goal for high quality environmental data by better applying its data quality objectives process to support environmental cleanup decisions, documenting project plan approvals and ensuring timeliness of plan submissions, attending training, and performing and documenting oversight of field sampling (page 15).

### **7. New Mexico and Region 6 Did Not Identify and Ensure That Significant Violators Were Returned to Compliance**

New Mexico and Region 6 needed to better identify and report significant violators of the Clean Air Act. New Mexico did not establish goals to complete inspections of major stationary air pollution facilities, and did not establish time frames for returning facilities to compliance. Over one-third of New Mexico's major facilities had not been inspected in more than seven years (page 16).

## **8. Kansas NPDES Permit Program Needs Attention**

When Kansas issued wastewater permits, it established pollutant limits and monitoring requirements in accordance with EPA regulations. However, Kansas did not reissue expired permits in a timely manner, and did not submit expired permits to Region 7. This limited Region 7's options to ensure the permit program controlled discharges into Kansas waters. As a result, the permittees were allowed to discharge pollutants at levels that could adversely affect human health and aquatic life (page 17).

## **9. EPA Accurately Reports Information on Superfund Construction Completions**

Congress and the public can rely on the accuracy of EPA's Superfund construction completion statistics. While it generally accurately communicates the statistics, EPA has at times portrayed sites where construction was complete as if all cleanup work was done and the sites could be returned to economic use. This was not always the case, and such statements could lead to misunderstandings on the status of the cleanup of Superfund sites (page 19).

## **10. EPA Security Plans Vulnerable to Threats**

Some EPA organizations did not have a general support system security plan, a disaster recovery plan, or require contractors who manage EPA information systems to undergo criminal and financial background checks. These conditions leave critical EPA systems vulnerable to natural and internal threats (page 20).

## **11. EPA Receives Unqualified Opinion on Its Consolidated Financial Statements**

During fiscal 1997, EPA continued to improve its financial reporting systems and practices. As a result of working jointly with the OIG to improve the accuracy and reliability of its financial statements, EPA received an unqualified or "clean" opinion on its fiscal 1997 Consolidated Agency-wide financial statements (page 22).

## **12. The National Rural Water Association (NRWA) Used Federal Funds to Lobby and Awarded Contracts Noncompetitively**

NRWA charged lobbying costs to the federal government, charged costs associated with directing state associations' lobbying to the federal government, and used an EPA employee on an Intergovernmental Personnel Act assignment to NRWA to further its lobbying agenda. EPA allowed NRWA to award federally-funded contracts noncompetitively to state associations without adequate justification since 1976 (page 25).

## **13. EPA's Brownfields Initiative Can Be Strengthened**

EPA can strengthen the Brownfields Initiative by improving the focus and direction provided to pilot cities, strengthening quality assurance at Brownfields sites, and exploring alternatives to the restrictions placed on the use of Brownfields revolving loan funds (page 27).

## **14. Lead and Asbestos Training Costs Were Understated and Inadequately Monitored**

EPA miscoded 21 of 34 lead and asbestos training grants. As a result, EPA did not know how much it had spent on training. Moreover, it was not clear whether EPA even had the authority to award these grants. EPA did not monitor how many students were being trained or how much it cost to train each student (page 28).

## **15. Region 2 Can Improve Closeout of Construction Grants**

Region 2 did not effectively review construction grants to determine the viability of unexpended grant obligations or promptly deobligate unneeded funds. As a result, EPA accumulated idle funds of more than \$70 million for the projects reviewed which could have been used to fund other priority projects, or been deposited into the State Revolving Fund (page 30).



#### **16. Almost \$3 million Questioned on Township of Parsippany-Troy Hills, New Jersey Projects**

The Township of Parsippany-Troy Hills, New Jersey claimed \$2,945,348 of ineligible or unsupported construction, engineering and administrative costs for the expansion of a secondary wastewater treatment facility and construction of an interceptor sewer (page 32).

#### **17. Over \$1.2 Million Questioned on Government of District of Columbia Projects**

The District of Columbia claimed \$1,208,051 of ineligible or unsupported construction, engineering and administrative costs for its share of a joint project to construct wastewater treatment facilities (page 33).

#### **18. EPA Needs to Address Procurement Issues Related to OSV Peter Anderson Contract**

The recompetete contract for the operation and maintenance of EPA's Ocean Survey Vessel (OSV) Peter Anderson should be awarded as a fixed-priced, performance-based service contract, not a level-of-effort cost-reimbursable contract as currently planned. Also, EPA needs to address personal service issues, performance of work outside the scope of the contract, and improper use of contract employees (page 34).

### **Section 2--Office of Investigations--Significant Results**

During this semiannual reporting period, our investigative efforts resulted in five convictions and six indictments. Also, our investigative work led to over \$4.9 million in fines and recoveries and \$9.6 million in savings fines repudicated claims (page 39).

The Office of Grants and Debarment completed action on 7 OIG-generated suspension and debarment cases during this reporting period, resulting in four suspension and debarments and two voluntary exclusions (page 48).

### **Section 3--Fraud Prevention and Management Improvements**

During this semiannual period, we reviewed five legislative and 22 regulatory items. Our most significant comments concerned the Government Performance and Results Act Technical Amendments of 1997; Government Waste, Fraud and Error Reduction Act of 1998; General Accounting Office Standards for Internal Control in the Federal Government, Revised EPA Order on Quality Assurance and Directive 2100: Policy on Public Access to EPA Information (page 51).

### **Section 4--Report Resolution**

This section, required by the IG Act, reports on the status and results of Agency management actions to resolve audit reports. At the beginning of the semiannual period, there were 177 reports for which no management decision had been made. During the first half of fiscal 1998, the Office of Inspector General issued 150 new reports and closed 202. At the end of the reporting period, 125 reports remained in the Agency followup system for which no management decision had been made. Of the 125 reports, 82 reports remained in the Agency followup system for which no management decision had been made within 6 months of issuance (page 55).

For the 124 reports closed that required agency action, EPA management disallowed \$14.5 million of questioned costs and agreed with our recommendations that \$10,000 be put to better use (page 55). In addition, cost recoveries in current and prior periods included \$1 million in cash collections, and at least \$5.5 million in offsets against billings.

# The OIG in EPA--Its Role And Authority

The Inspector General Act of 1978 (Public Law 95-452), as amended, created Offices of Inspector General to consolidate existing investigative and audit resources in independent organizations headed by Inspectors General.

EPA established its Office of Inspector General (OIG) in January 1980. As an agency with a massive public works budget, EPA is vulnerable to various kinds of financial abuses. The OIG's role is to review EPA's financial transactions, program operations, contracts, and administrative activities; investigate allegations or evidence of possible criminal and civil violations; and promote economic, efficient, and effective Agency operations. The OIG is also responsible for reviewing EPA regulations and legislation.

The EPA Inspector General reports directly to the Administrator and the Congress and has the authority to:

- *Initiate and carry out independent and objective audits and investigations,*
- *Issue subpoenas for evidence and information,*
- *Obtain access to any materials in the Agency,*
- *Report serious or flagrant problems to Congress,*
- *Select and appoint OIG employees,*
- *Fill Senior Executive Service positions,*
- *Administer oaths, and*
- *Enter into contracts.*

The Inspector General is appointed by, and can be removed only by, the President. This independence protects the OIG from interference by Agency management and allows it to function as the Agency's fiscal and operational watchdog.

## Organization and Resources

The Office of Inspector General functions through two major offices, each headed by an Assistant Inspector General: Office of Audit and Office of Investigations. Nationally, there are nine Divisional Inspectors General for Audit and four Divisional Inspectors General for Investigations who direct staffs of auditors and investigators and who report to the appropriate Assistant Inspector General in Headquarters.

For fiscal 1998, the Agency was appropriated \$7.4 billion and authorized 18,283 full time equivalent (FTE) positions to conduct the environmental programs authorized by Congress to restore and protect the environment. As a separate appropriation account, the Office of Inspector General (OIG) received \$40.1 million to carry out the provisions of the Inspector General Act of 1978, as amended. Of the OIG's total appropriation, \$10.2 million was derived from the Hazardous Substance Superfund trust fund. The OIG had an authorized staffing level of 372 FTE positions.

## Purpose and Reporting Requirements of the Office of Inspector General Semiannual Report

The Inspector General Act of 1978, as amended, requires the Inspector General to keep the Administrator and Congress fully and currently informed of problems and deficiencies in the Agency's operations and to recommend corrective action. The IG Act further specifies that semiannual reports will be provided to

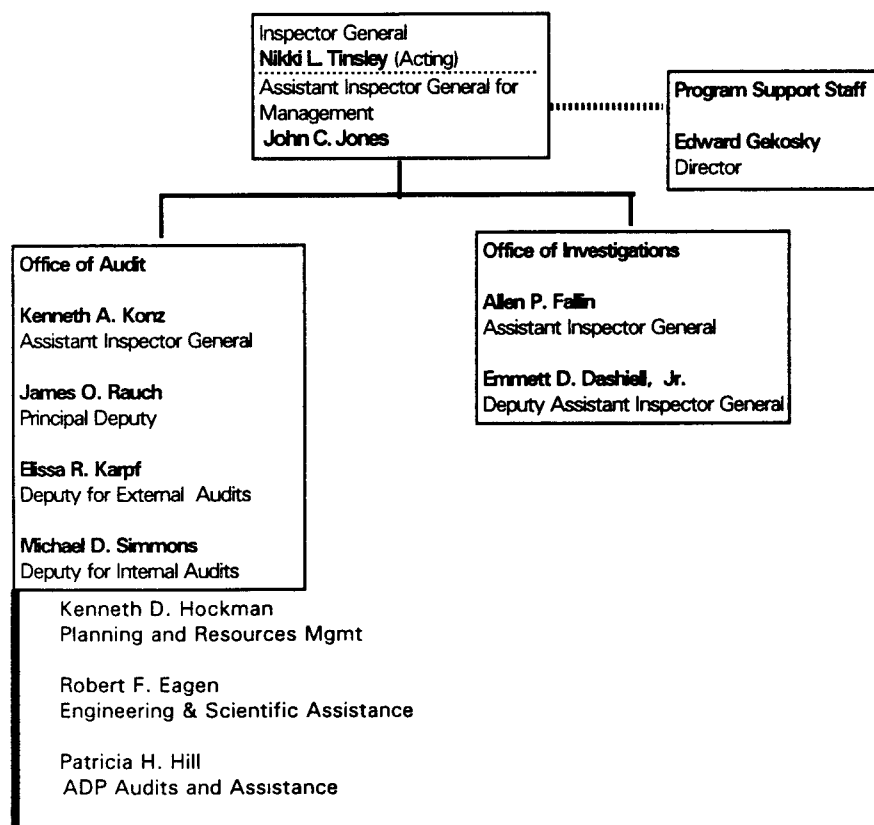
the Administrator by each April 30 and October 31, and to Congress 30 days later. The Administrator may transmit comments to Congress along with the report, but may not change any part of it.

The specific reporting requirements prescribed in the Inspector General Act of 1978, as amended, are listed below.

Source		Section/Page
<b>Inspector General Act, as amended.</b>		
Section 4(a)(2)	Review of Legislation and Regulations	3 51
Section 5(a)(1)	Significant Problems, Abuses, and Deficiencies	1 7
Section 5(a)(2)	Recommendations with Respect to Significant Problems, Abuses, and Deficiencies	1 7
Section 5(a)(3)	Prior Significant Recommendations on Which Corrective Action Has Not Been Completed	Appendix 2 63
Section 5(a)(4)	Matters Referred to Prosecutive Authorities	2 40
Section 5(a)(5)	Summary of Instances Where Information Was Refused	*
Section 5(a)(6)	List of Audit Reports	Appendix 1 58
Section 5(a)(7)	Summary of Significant Reports	1 7
Section 5(a)(8)	Statistical Table 1-Reports With Questioned Costs	4 56
Section 5(a)(9)	Statistical Table 2-Reports With Recommendations That Funds Be Put To Better Use	4 57
Section 5(a)(10)	Summary of Previous Audit Reports Without Management Decisions	Appendix 2 63
Section 5(a)(11)	Description and Explanation of Revised Management Decisions	Appendix 2 63
Section 5(a)(12)	Management Decisions with Which the Inspector General Is in Disagreement	3** 54
* There were no instances where information or assistance requested by the Inspector General was refused during this reporting period.		
** We are in disagreement with the Audit Resolution Board. See page 54 for details.		

# Office of Inspector General--Who's Who

## Headquarters



## Divisional Inspectors General for Audit

**Regions 1 & 2**  
Paul D. McKechnie

**Region 3**  
Carl A. Jannetti

**Regions 4**  
Mary M. Boyer

**Region 5**  
Anthony C. Carrollo

**Regions 6, 7 & 8**  
Bennie S. Salem

**Regions 9 & 10**  
Truman R. Beeler

### Headquarters:

**HQ Audit Division**  
Norman Roth

**Financial Audit Division**  
Melissa M. Heist

**Washington Contract  
Division**  
Gordon C. Milbourn III

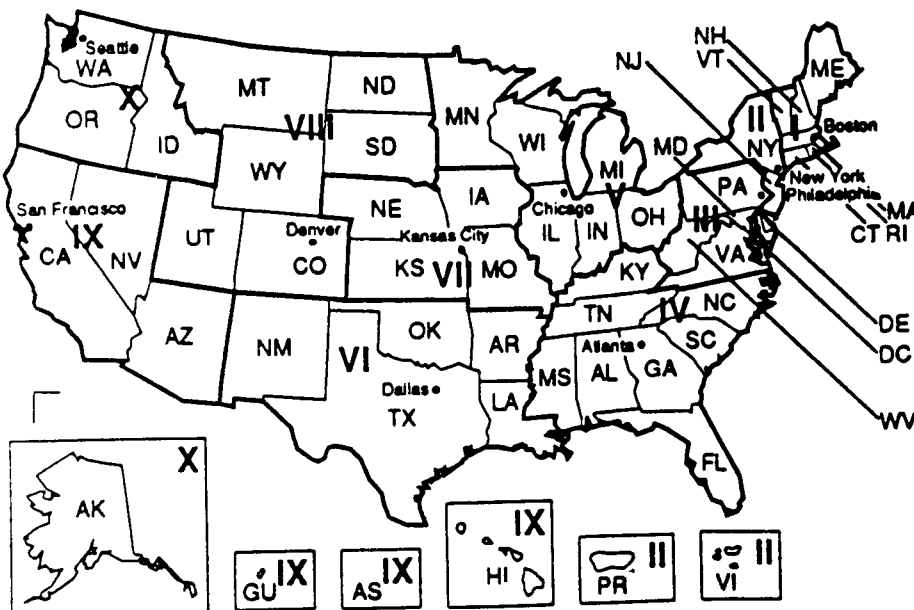
## Divisional Inspectors General for Investigations

**Regions 1, 2 & 3**  
Thomas L. Papineau

**Regions 4, 5, 6 & 7**  
Ailverdes Cornelious

**Regions 8, 9 & 10**  
Mark Vallerger

**Washington Field Division**  
David Sermos



## Section 1-- Office of Audit--Significant Findings

### OFFICE OF AUDIT GOALS AND ACTIVITIES

**OFFICE OF AUDIT GOALS:** In fiscal 1998, the Office of Audit will provide objective, timely, independent auditing and consulting services by completing and initiating more audit assignments, reducing the average time on assignments, and dedicating more resources to consulting services.

#### ACTIVITIES TO MEET OUR GOALS

**Program Audits** - Evaluate the extent to which the desired results or benefits envisioned by the Administration and Congress are being achieved; review the economy, efficiency and effectiveness of operations; and determine the extent of compliance with applicable laws and regulations.

**Financial Statement Audits** - Evaluate EPA's financial systems and statements to ensure that the Agency's accounting information is accurate, reliable and useful, and complies with applicable laws and regulations. Our objective is to assist EPA in making improvements in the financial management processes and controls which will provide better information for decisions promoting the greatest possible environmental results.

**Assistance Agreement Audits** - Evaluate EPA's Construction Grant Program, State Revolving Funds, Performance Partnership Grants, Interagency Agreements and Cooperative Agreements, which provide assistance to state, local and tribal governments, universities and nonprofit recipients accounting for about half of EPA's budget. We will audit both the financial and performance aspects, building on the Single Audit Act and focusing on resource-intensive, high-risk programs.

**Contract Audits** - Evaluate EPA's indirect cost proposals, preaward, interim and final contracts. These audits determine the eligibility, allowability, allocability, and reasonableness of costs claimed by contractors and assure that EPA pays only for what it requests and receives. Performance audits address systemic weaknesses. EPA has assumed audit cognizance of 15 major contractors and will continue to monitor the contract universe to identify high-risk contractors. In addition, the Defense Contract Audit Agency provides audit services, on a reimbursable basis, for the majority of EPA's contractors.

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## Programs

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The Inspector General Act requires the OIG to initiate reviews and other activities to promote economy and efficiency and to detect and prevent fraud, waste, and mismanagement in EPA programs and operations. Internal and performance audits and reviews are conducted to accomplish these objectives largely by evaluating the economy, efficiency, and effectiveness of operations. The OIG conducted a number of major reviews of EPA programs. The following are the most significant internal audit, performance audit, and special review findings and recommendations resulting from our efforts.

**Region 10's NPDES  
Permit Program  
Needs Improvements  
to Protect Water  
Quality in Alaska  
Idaho**

The Federal Water Pollution Control Act of 1972 initiated a broad federal effort to restore and maintain the nation's waterways, including the creation of the National Pollutant Discharge Elimination System (NPDES) permit program to regulate and reduce point-source pollution. Point sources are typically municipal and industrial dischargers. Under the NPDES, it is illegal to discharge pollutants into the nation's navigable waters without a permit. Region 10 is responsible for implementing the NPDES program in Alaska and Idaho.

### We Found That

Region 10 has not issued or renewed most of the required NPDES permits for municipal and industrial dischargers in Alaska and Idaho. Although the Region issued 33 permits in the past 2½ years, there were 1,000 applications waiting to be processed; of which 70 percent were over 4 years old. As a result, large numbers of dischargers were operating in violation of the law or had their permits administratively extended without being subject to more current and stringent discharge requirements. Some of these dischargers were contributing to water quality problems in important watersheds in Alaska and Idaho. This occurred because of a regional decision, made with EPA Headquarters, Office of Water's knowledge, to focus regional efforts on a few selected permits and watershed permitting.

Region 10 could improve its monitoring of point-source dischargers. The Region did not: (1) submit some compliance inspection reports timely and generally did not follow-up on inspection findings; (2) investigate some citizen complaints about point-source discharges; and (3) have a system to track compliance for storm water dischargers

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and seafood general permits. As a result, the Region could not be sure that adverse impacts to water quality were prevented and/or corrected.

In addition, the Region did not regularly take formal enforcement action against the more significant point-source violators. For the 27-month period ended December 1996, formal action was not taken against 9 of 10 such violators. This inaction against significant violators weakens the effectiveness of the NPDES permit program to protect public health and the environment.

#### **We Recommended That**

The Regional Administrator, Region 10:

- Report the permit backlog as a management control deficiency in the annual Federal Managers' Financial Integrity Act (FMFIA) assurance letter to the Administrator.
- Strengthen monitoring of dischargers' compliance with permit conditions and NPDES regulations.
- Take appropriate and timely enforcement actions against dischargers in significant noncompliance.

#### **What Action Was Taken**

*The final report (8100076) was issued to the Regional Administrator on March 13, 1998. In responding to the draft report, the Regional Administrator agreed with the recommendations, except for reporting the permit backlog as a deficiency in the annual FMFIA assurance letter to the Administrator. A response to the final report is due by June 15, 1998.*

**EPA Paid Excessive  
Amounts to Build  
Replacement Housing**

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The Superfund program protects public health and the environment from the release, or threat of release, of hazardous substances through relatively short-term removal actions and more permanent long-term remedial actions. EPA used both removal and remedial actions to address radium and thorium contamination at the Austin Avenue Radiation Site in the suburbs of Philadelphia, Pennsylvania, at a cost of \$55 million for 40 properties.

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### **We Found That**

At the Austin Avenue Radiation Site, EPA Region 3 spent an average of \$651,700 each to build 10 replacements for houses which were demolished in the cleanup process. The appraised value of the old houses averaged only \$147,000 each. The cost difference was so high because the Region built new houses, rather than relocate the owners, as EPA had usually done in similar situations. EPA Headquarters had not issued guidance on building replacement houses under the Superfund program.



Original - \$161,000



Replacement - \$706,010

Region 3 adopted the position that EPA was obligated to replace "like for like" houses. The Region sought to duplicate the appearance and other characteristics of the old houses, rather than build new houses using today's standard building designs. Thus, the houses were custom built in order to replace "like for like." We found no evidence to support that EPA was mandated to replicate houses. The difficult process of negotiating architectural and other details with homeowners lengthened the time to complete the cleanup and increased the costs. For example, the Region spent over \$700,000 to replicate one house whose appraised value was \$161,000, and then spent more than \$100,000 in moving, storage and rental fees for the owner.

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### **We Recommended That**

The Acting Assistant Administrator for Solid Waste and Emergency Response:

- Establish a policy where instead of building new houses under Superfund, EPA gives preference to other options that consider the fair market value of the properties. For example, EPA could give the owners: (a) the replacement value of their property, as the insurance industry does; or (b) the amount EPA would have paid to permanently relocate the owners.
- Develop a policy explicitly defining equivalent housing.

### **What Action Was Taken**

*The final report (8100090) was issued to the Acting Assistant Administrator for Solid Waste and Emergency Response on March 30, 1998. In response to the draft report, the Acting Assistant Administrator concurred with our recommendations and established a timetable for development of the policy. A response to the final report is due by June 30, 1998.*

**EPA's Air Program,  
While Effective in  
Cleaning the Air, Could  
be More Efficient**

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The Office of Air and Radiation (OAR) is responsible for carrying out EPA's Air Program. Its mission is to protect and enhance the quality of the nation's air resources and protect human health and the environment from airborne pollutants. OAR carries out this mission by implementing the Clean Air Act, as amended in 1990, and the 1993 Climate Change Action Plan.

### **We Found That**

OAR data show that the Air Program has been effective in cleaning the air and reducing the potential for depleting the ozone layer. Between 1987 and 1996, U.S. emissions of several airborne pollutants declined, including lead by 75%, and carbon monoxide and sulfur dioxide both by 37%. Chlorofluorocarbons (CFCs) declined in 1995 for the first time. Much of this reduction was due to emission controls placed on motor vehicles and utilities. These reductions occurred in a time of growth. Some emissions were even reduced ahead of schedule. Use of CFCs and other ozone-depleting chemicals were also phased out. OAR estimates that, without the emission reductions, there would have been more health problems, such as heart disease and respiratory illnesses. Because of OAR's Acid Rain Program, the damage to lakes and forests has been reduced. Finally, OAR predicts that, without the phase-out of CFCs, the depletion of the stratospheric ozone layer would increase, accompanied by an increase in skin cancer.



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The Air Program has generally operated efficiently. OAR officials, however, could increase their program efficiency by:

1) improving their relations with other parties that OAR needs to carry out its mission. These parties include the Office of Research and Development (ORD), the Office of Communications, Education, and Public Affairs, and outside stakeholders, such as states and tribes. For, example, disagreements occurred between OAR and ORD on how ORD used its resources, and which of the two would perform needed monitoring activities. Working together to resolve disagreements, opening lines of communication, and providing feedback to stakeholders are all ways OAR can improve its relations and increase its efficiency.

2) directing more attention to several ongoing activities, such as leading the state implementation plan process, developing and improving emission factors, and issuing air toxic standards. OAR has not considered these activities high priorities, which resulted in implementation delays and limited funding. Consequently, these activities have operated inefficiently and may not be achieving their desired results.

#### **We Recommended That**

The Acting Assistant Administrator for Air and Radiation:

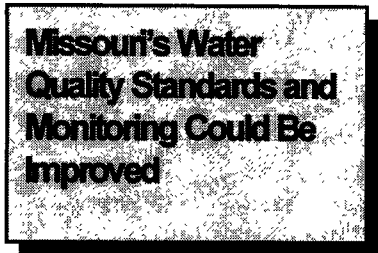
- Along with the Acting Assistant Administrator for Research and Development, continue the improvements made in the fiscal 1999 research planning process, by (a) providing a consistent process for making planning and budgeting decisions, (b) identifying cross-office priorities, and (c) keeping managers and staff informed throughout the process.
- Work with the Associate Administrator for Communications, Education, and Public Affairs to establish procedures to ensure the offices work up-front with each other when developing projects to raise public awareness of air pollution.
- Establish a process to ensure that feedback is provided to all stakeholders when OAR has not addressed their concerns or used their input.

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### **What Action Was Taken**

*The final report (8100057) was issued to the Acting Assistant Administrators for Air and Radiation, and Research and Development, and the Associate Administrator for Communications, Education, and Public Affairs on February 27, 1998. In responding to the position papers, these officials agreed with our recommendations. A response to the final report is due by May 28, 1998.*

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The Clean Water Act requires each state to adopt water quality standards to help control and remedy water pollution. As a part of its standards, the state classifies its waters according to how the water can be used, such as for drinking, fishing, and swimming. The state is required to review its water quality standards every three years and obtain EPA approval for the standards. Every two years a state must report to EPA on its water quality. EPA summarizes the state reports in a biennial report to Congress, and uses the assessments to measure performance in achieving its goal of clean and safe water.

### **We Found That**

Most of Missouri's standards to protect its water quality met EPA requirements; however, several standards were less restrictive than national targets. The Clean Water Act goal is for all waters to be swimmable, but Missouri did not classify 75 percent of its significant streams and 11 percent of its lakes as swimmable and did not conduct the required studies to justify that swimmable was not achievable. The State adopted less restrictive criteria than EPA recommended for 14 pollutants and did not demonstrate that these criteria would protect water quality. As a result, Missouri could not be sure that the water pollutant levels it allows will not threaten health or aquatic life.

Missouri did not know the quality of all its waters and did not have a plan to find out. Although it made a significant effort to monitor water quality, Missouri needed to design its testing to comprehensively assess the quality of its waters. Missouri assessed waters as unimpaired, or meeting the water quality standards, even if it had not obtained applicable testing results.

Missouri did not ensure that its water quality reports were complete and accurate. Missouri excluded assessments of intermittent streams and could not identify the specific waters included in its 1996 water quality assessment report. Further, the State did not ensure that data systems used to generate the report contained accurate information. Accurate water quality information is important to make sure Missouri takes timely action to identify impaired waters and develop measures to control water quality problems.



Tributary to Little Blue River - EPA OIG Photo

Region 7 did not approve Missouri's 1994 and 1996 water quality standards, and did not fulfill its responsibility to ensure Missouri's use classifications and criteria protect water quality. Region 7 recognized its need to approve state standards as a fiscal 1997 Federal Manager's Financial Integrity Act area of concern, and committed in its fiscal 1998/1999 regional management agreement to complete timely approval actions.

EPA Region 7 could have provided better technical assistance and oversight to ensure that Missouri had an adequate basis for its water quality programs. The Region did not require as a grant condition that Missouri use available water quality management tools, such as a comprehensive monitoring strategy. The Region approved Missouri's impaired waterbody list without confirming that the list was complete.

#### **We Recommended That**

The Regional Administrator, Region 7:

- Require Missouri to adopt the swimmable use classification or conduct the required studies to show this use cannot be achieved.
- Require Missouri to adopt EPA or scientifically defensible criteria.
- Request that Missouri develop a monitoring strategy and management plans to ensure that Missouri comprehensively assesses the quality of its waters.
- Request that Missouri implement procedures and controls to ensure that its water quality reports are complete and accurate.

**Region 10 and the  
State of Washington  
Need to Improve the  
Reporting of  
Significant Clean Air  
Act Violators**

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### **What Action Was Taken**

*The final report (8100080) was issued to the Regional Administrator on March 31, 1998. In response to the draft report, the Region generally concurred with the report findings and recommendations. The Region had begun discussions with Missouri to address the report's recommendations. A response to the final report is due by June 30, 1998.*

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The Clean Air Act provided the initial authority for Federal grants to help state and local agencies prevent and control air pollution. These grants required each state to perform inspections at specified major facilities and report significant violators (SVs) to EPA. EPA uses this information to take action if a state does not enforce Federal law and to ensure that a violator achieves compliance in a timely manner.

### **We Found That**

In its December 1996 response to the Office of Enforcement and Compliance Assurance's (OECA) concern about the under-reporting of major air stationary source SVs, Region 10 made a preliminary assessment of the State of Washington (the State). The Region concluded that the State was under-reporting SVs to EPA, and proposed a corrective action strategy for implementation in fiscal 1997. During fiscal 1996, only seven of the State's 178 major air stationary sources were reported as SVs. However, our sample of 31 major sources at four of the State's eight Air Quality Authorities identified another 17 (55 percent) SVs that should have been reported. As of June 1997, Region 10 had not implemented any of the corrective actions it proposed to OECA. The Region advised that planned actions were delayed because it was considering more complete evaluations, including State inspections and follow-up on reported violations. Although the planned actions were not implemented, Region 10 did take other actions to increase the accuracy of SV reporting by the State.

We identified a problem with the quality of inspections being performed by two of the State's four Air Quality Authorities reviewed. The Authorities were not always conducting thorough inspections necessary to identify SVs. This occurred because the Region had not implemented an effective oversight program for assuring that adequate inspections were performed. From our sample of 20 major sources at these two Authorities, 11 inspections (55 percent) needed improvement. As a result, SVs might go undetected for a long time.

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### **We Recommended That**

The Regional Administrator, Region 10:

- Implement the corrective strategy proposed to EPA Headquarters.
- Review enforcement data to identify potential SVs.
- Periodically review inspection reports to ensure that required thorough inspections are conducted.

### **What Action Was Taken**

*The final report (8100000094) was issued to the Regional Administrator on March 30, 1998. In response to the draft report, the Regional Administrator agreed with the recommendations and described corrective actions taken or planned during fiscal 1998. A response to the final report is due by June 30, 1998.*

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**Region 8 Needs to  
Strengthen Its  
Superfund Field  
Sampling Quality  
Assurance Controls**

EPA requires that each region or major organization have a quality assurance program to ensure that activities generate data of known and adequate quality. EPA developed a data quality objectives process as its systematic planning tool to help ensure that it consistently collected data at an appropriate level of quality to support technical decisions.

### **We Found That**

Region 8 had established policy and controls to correct previous field sampling quality assurance deficiencies but had not effectively implemented those controls to ensure an effective quality assurance program. Superfund project managers should have better defined, documented, and updated data quality objectives in their project plans in accordance with Region 8's quality management plan. Data quality objectives were too broadly defined to ensure that sufficient and appropriate data was gathered. Also, some project managers neglected to ensure that project plans were appropriately reviewed and approved, and had accepted deficient contractor-prepared plans. Thirteen of 35 staff needing quality assurance training had not completed mandatory training. Some project managers continued to perform limited oversight, relied too heavily on oversight contractors, did not use the regional quality assurance group's assistance, and had not appropriately documented their oversight activities to ensure that data collected was reliable and defensible.

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### **We Recommended That**

The Regional Administrator, Region 8:

- Develop regional Superfund controls to ensure that staff appropriately develop and document data quality objectives.
- Hold Superfund supervisors accountable for ensuring that project managers properly review and approve project plans.
- Direct Superfund supervisors to identify staff needing quality assurance training and ensure that staff completes the training.

### **What Action Was Taken**

*The final report (8100082) was issued to the Regional Administrator on March 25, 1998. In response to the draft report, Region 8 concurred with the recommendations. A response to the final report is due by June 25, 1998.*

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**New Mexico and  
Region 6 Did Not  
Identify and Ensure  
That Significant  
Violators Were  
Returned to  
Compliance**

The Clean Air Act (CAA) provides EPA with authority to set and enforce national standards to protect human health and the environment from emissions that pollute the air. At the federal level, the air enforcement program is carried out largely by EPA's regional offices. The Regions delegate portions of their air enforcement responsibility to the states and often rely on the states to conduct inspections and take enforcement actions. New Mexico is a delegated state in EPA Region 6.

### **We Found That**

Although required in its cooperative agreement with EPA, New Mexico did not establish goals for inspections of all major stationary air pollution facilities. Further, New Mexico did not complete committed inspections. Over one-third of its major facilities had not been inspected for 7 years or more. Without inspecting all major air pollution sources, New Mexico could not assure adequate identification and reporting of all significant violators. Without this data, Region 6 could not adequately perform its oversight role to monitor the progress of New Mexico in returning facilities to compliance. Sixteen additional facilities were added to EPA's significant violator database as a result of this audit.

New Mexico and Region 6 enforcement needed to ensure that significant violators were returned to compliance timely. New Mexico averaged 155 days to issue the notices of violation, although guidance allowed only 45 days. Between June 1996 and June 1997, the State completed enforcement action on 8 of 14 cases, but averaged 319

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days to complete these actions. The remaining six cases had been out of compliance an average of 433 days. New Mexico did not establish timeframes for taking enforcement actions. When enforcement actions are not timely, facilities may continue to emit pollution which could lead to a higher potential for harm to the environment and local residents.

#### **We Recommended That**

The Acting Regional Administrator, Region 6, require the Compliance Assurance and Enforcement Division to:

- Work with New Mexico to develop a comprehensive inspection plan to address all major stationary air sources.
- Perform more effective oversight of significant violators to ensure that New Mexico takes timely and appropriate actions that result in facilities returning to compliance.
- Continue to work with New Mexico to develop a process to ensure the timely and accurate identification of significant violators in EPA's significant violator tracking system.

#### **What Action Was Taken**

*The final report (8100078) was issued to the Acting Regional Administrator on March 13, 1998. The Region and New Mexico generally concurred with findings and recommendations and proposed corrective actions to be taken by New Mexico and Region 6. A response to the final report is due by June 15, 1998.*

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#### **Kansas NPDES Permit Program Needs Attention**

The Clean Water Act included the National Pollutant Discharge Elimination System (NPDES) permit program as the centerpiece of the water pollution control efforts. Permits limit the pollutants that a facility may discharge through a specific point. Federal regulations require the periodic review of permits to ensure that changed conditions and advancements in science are considered in establishing permit limits.

#### **We Found That**

Kansas did not reissue 22 percent of its permits when they expired. As of August 1997, Kansas had 832 permits, of which 182 were expired for periods up to 6 years. Kansas officials said they had not reissued these permits because of a change in their permitting approach to issue all permits in the same location at the same time. As these facilities continue to operate under their expired permits, they may discharge pollutants at levels that could adversely affect aquatic life and human health.

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Region 7 did not approve the Kansas 1994 water quality standards which contributed to the Kansas permits backlog. The Region recognized the need to approve state standards as a fiscal 1997 Federal Managers' Financial Integrity Act area of concern. Region 7 committed in its fiscal 1998/1999 regional management agreement with the Office of Water to complete timely approval actions.

Region 7 developed a discharge monitoring data software program which allows Kansas to more efficiently monitor discharges from major permittees. EPA does not require states to record minor permittee data in the Permit Compliance System, its database for NPDES reporting, as the process is time-consuming and expensive. EPA uses the discharge monitoring data as one environmental indicator of the success of the permits program. However, this environmental indicator may not be representative of the Kansas permit program since 93 percent of its permitted facilities are minor permittee dischargers.

#### **We Recommended That**

The Regional Administrator, Region 7:

- Direct Kansas to establish an action plan for eliminating the backlog of expired permits.
- Encourage Kansas to assess the effect of its permit backlog in developing its water quality monitoring plan.
- Develop an action plan for the timely review of and prompt action on State water quality standards.

#### **What Action Was Taken**

*We issued the final report (8100089) to the Regional Administrator on March 31, 1998. Region 7 generally agreed with the findings and recommendations. Kansas agreed that the report was substantially accurate. Both Region 7 and Kansas indicated that they had begun taking corrective actions through discussions in the fiscal 1999 program grant process. Further, Region 7 provided feedback to Kansas on its water quality standards. A response to the final report is due by June 30, 1998.*

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**EPA Accurately  
Reports Information on  
Superfund  
Construction  
Completions**

The Superfund program uses construction completion as an indicator of its progress in cleaning up sites. At construction completion EPA has done everything technologically practicable to clean up a site. However, at this stage, sites may still require long-term soil or groundwater treatment. Construction completion only indicates that the remedy is constructed, operating properly and fully protective of surrounding residents. At times EPA overstates what the construction completion statistic represents. Such overstatements can lead to misunderstandings on the status of the cleanup of Superfund sites.

**We Found That**

The sites EPA reports as construction completion meet its established criteria. EPA has good management controls to ensure the accuracy of this statistic because of its high visibility as an indicator of program progress. As a result, Congress and the public can rely upon EPA's construction completion statistics.

While EPA generally accurately communicates the construction completion statistic, it has at times portrayed sites where construction was complete as if (1) all cleanup work were done, and (2) sites could be returned to economic use. However, this is not always the case. As a result, EPA may be misinforming Congress and the public as to status of the cleanup of Superfund sites.

**We Recommended That**

The Acting Assistant Administrator for Solid Waste and Emergency Response issue a memorandum emphasizing the need to use the construction completion statistic accurately in all documents, and not to overstate what it represents.

**What Action Was Taken**

*The final report (8100030) was issued to the Acting Assistant Administrator for Solid Waste and Emergency Response on December 30, 1997. In response to the draft report, the Acting Assistant Administrator agreed to issue the memorandum by June 30, 1998. Based on this response, we closed the report in our tracking system.*

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## **EPA Security Plans Vulnerable to Threats**

The majority of EPA's employees are connected to local and Agency applications and data through Local Area Networks (LANs). Each individual LAN is managed locally by the program office it serves. Currently, there are approximately 300 LANs within EPA supporting an estimated 14,000 workstations. Within a few years, it is projected that all 22,000 Agency employees will be connected by a LAN.

### **We Found That**

None of the five regions or a Headquarters field office we reviewed had a formal, comprehensive LAN security plan, as required by OMB Circular A-130 and the Computer Security Act of 1987. The few draft security plans available for review were missing significant elements and, therefore, did not satisfy OMB requirements. None of the six organizations had reported incomplete security documentation as a control weakness in its fiscal 1996 Federal Managers' Financial Integrity Act (FMFIA) assurance letters. In addition, they did not have formal disaster recovery plans for their information systems. The draft disaster recovery plans which existed were either outdated or incomplete. In the event of a disaster, critical information could be lost, and EPA system managers would have a difficult time restoring their LANs to pre-disaster condition.

We also found that managers do not require contractors who are responsible for Agency information systems to undergo criminal and financial background investigations. This condition could leave sensitive Agency data vulnerable to unscrupulous individuals.

### **We Recommended That**

- Each organization develop a comprehensive security plan, including disaster recovery provisions, to cover the regional offices, and laboratories' general support systems.
- Each organization coordinate with EPA Headquarters to ensure that all contractors with access to EPA information systems undergo criminal and financial background investigations.

### **What Action Was Taken**

*The final reports (8300001, 8300003, 8300004, 8300005, 8300006, and 8300007) were issued to various EPA managers from November 28, 1997 to December 31, 1997. The Chief Information Officer (CIO) declared security plans a material weakness under FMFIA and required all regional security plans to be completed by December 31, 1997, including disaster recovery plans. The CIO has also required that AAs/RAs certify to him that security plans have been developed for all major applications and general support systems. As of April 21, 1998, the Agency stated that 80% of the Program and Regional offices have*

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*provided certifications. In addition, several Regions stated that they will institute procedures to ensure that all contractors with access to agency information systems undergo criminal and financial background checks.*

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## Financial Statements

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During fiscal 1997, EPA continued to improve its financial reporting systems and practices. As a result of working jointly with the OIG to improve the accuracy and reliability of its financial statements, EPA received an unqualified or "clean" opinion on its Consolidated Agency-wide financial statements. This is a significant accomplishment for EPA. This audit was performed in accordance with the Government Management Reform Act which requires annual audited financial statements. The Act was enacted to help bring about improvements in agencies' financial management practices, systems and controls so that timely, reliable information is available for managing federal programs.

**EPA Receives  
Unqualified Opinion  
On its Consolidated  
Financial Statements**

### We Found That

The Fiscal 1997 Statement of Financial Position (Balance Sheet) fairly presented the financial position of the Superfund Trust Fund, the State and Tribal Assistance Grants Appropriation, All Other Appropriated Funds and EPA as a whole.

The Fiscal 1997 Statement of Operations and Changes in Net Position (Income and Expense Statement) fairly presented the results of operations for the State and Tribal Assistance Grants Appropriation, All Other Appropriated Funds and EPA as a whole. Material errors in one region's accounting for its unbilled Superfund oversight costs prevented us from being able to determine if the fiscal 1997 Superfund Trust Fund beginning balance for unbilled oversight costs was fairly presented. The beginning balance for unbilled oversight costs affected fiscal 1997 revenue. Therefore, except for the affects of any adjustments that might have been necessary to correct the revenue reported, the Consolidating Statement of Operations and Changes in Net Position fairly presented the fiscal 1997 results of operations of the Superfund Trust Fund.

### Material Internal Control Weakness

In evaluating EPA's internal controls, we identified weaknesses in its accounting for unbilled Superfund oversight costs. EPA incurs these costs to monitor cleanups of hazardous waste sites. The costs are recoverable from Potentially Responsible Parties based on the terms and conditions of Consent Decrees or Orders. Regions estimate the amount of unbilled oversight costs that exist at the end of the fiscal year for inclusion in the financial statements.

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Two of the six regions we audited encountered difficulties in estimating their unbilled oversight costs. Based on our concerns, EPA performed additional work in these two regions. Supplemental audit work still found material errors in one of the two region's recalculated beginning balance. The difficulties encountered by the two Regions in developing an estimate of unbilled oversight costs were primarily related to inadequate tracking of Superfund sites. EPA regions invested substantial resources to manually generate an estimate since most of the necessary data was not readily available. The obstacles encountered in estimating the unbilled oversight costs also make billing of these costs a formidable task. EPA estimated that as of the end of fiscal 1997 it had \$162 million of unbilled oversight costs.

### **Noncompliance Issues**

We did not identify any instances of noncompliance with laws and regulations that would result in material misstatements to the audited financial statements.

The Federal Financial Management Improvement Act (FFMIA) requires that, during our annual financial statement audits, we determine whether EPA's financial management systems substantially comply with federal financial management system requirements, applicable accounting standards, and the Standard General Ledger at the transaction level. As of September 30, 1997, EPA was not in substantial compliance with FFMIA requirements. In addition to the material weakness on accounting for unbilled Superfund oversight costs, we also identified the following noncompliance issues.

-- Year 2000 Activities - EPA's Core Financial Systems and the EPA Payroll and Personnel System (EPAYS) did not have required management controls, including approved formal decision papers and system plans, to provide reasonable assurance that Year 2000 activities will be completed before the systems are subject to failure. Maintenance projects for Year 2000 fixes exceeded dollar thresholds without obtaining required management approvals;

-- Financial Systems Security (also reported as a material weakness in EPA's fiscal 1997 Integrity Act Report) - As of September 30, 1997, EPA's Core Financial Systems and EPAYS did not have required application security plans;

-- Financial Systems Inventory Data - There were no assurances that the fiscal 1996 financial systems annual inventory data, required by OMB Circulars A-127 and A-11 was consistent, comparable and accurate; and,

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-- Annual Update of CFO Financial Management Report and Five Year Plan - Significant system changes in the financial systems inventory were omitted from the annual update to the CFO Financial Management Report and Five Year Plan 1994 - 1999, dated October 1996.

### **We Recommended That**

The Acting Chief Financial Officer (CFO):

- Develop a plan with goals and milestones that will ensure all Superfund oversight billings are current by the end of fiscal 1998 and
- Develop a remediation plan which includes resources, remedies and intermediate target dates to bring EPA into substantial compliance with FFMIA requirements.

### **What Action Was Taken**

*The final report (8100058) was issued to the Acting CFO on March 2, 1998. In responding to our draft report, the Acting CFO agreed that EPA needs to improve the timeliness of its oversight cost billings. Regarding FFMIA compliance, the Acting CFO believes EPA is substantially complying with the requirements of the Act. We recognize that EPA has taken a number of significant steps to address the noncompliance issues after the end of fiscal 1997, and scheduled additional actions for completion later. We will evaluate the adequacy of these corrective actions and report on EPA's progress in the next Semiannual Report to the Congress. EPA's response to our final report is due by June 1, 1998.*

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## **Assistance Agreements**

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**Over the past several years, the OIG has identified problems in the Agency's award and administration of interagency agreements and assistance agreements at various offices and facilities. The following section summarizes the most significant findings and recommendations reported during this semiannual reporting period.**

**The NRWA Used  
Federal Funds to  
Lobby and Awarded  
Contracts  
Noncompetitively**

The National Rural Water Association (NRWA) was established in 1976 as a nonprofit trade association made up of rural and small municipal water and wastewater utilities, and was organized as a federation of state associations. Its initial focus was on obtaining federal assistance and contracts to provide training and technical support to rural and small community water and wastewater utilities. NRWA's annual federal funding grew from \$798,900 in 1976 to around \$16 million in 1996 for grants, cooperative agreements, and contracts awarded by EPA and the U.S. Department of Agriculture (USDA). Federal funds comprised approximately 80% of NRWA's 1996 revenue.

### **We Found That**

NRWA improperly used federal assistance agreements and contracts to support an aggressive lobbying agenda. NRWA did not establish adequate controls to ensure that both direct and indirect lobbying costs were systematically identified and excluded from charges to federal assistance agreements and contracts. From March 1991 through June 1996, we estimated that NRWA claimed approximately \$2.3 million under federal assistance agreements and contracts for services that either directly or indirectly supported its lobbying activities. A portion of the \$2.3 million also related to influencing or attempting to influence federal officials and Congress in connection with the award of federal assistance agreements and contracts. Because NRWA improperly commingled unallowable lobbying costs with allowable program expenses, we could not determine the actual dollar value of federal funds spent for lobbying. Nevertheless, we determined that NRWA charged lobbying costs to EPA and USDA and charged costs associated with directing state associations' lobbying to the federal government. NRWA also improperly used an EPA employee who was on an Intergovernmental Personnel Act assignment to support its lobbying activities.

For over 20 years, EPA and USDA allowed NRWA to award noncompetitive contracts to state associations contrary to federal regulations. Federal regulations require assistance recipients to

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conduct all procurements in a manner that provides maximum open and free competition. NRWA's use of noncompetitive contracting may have resulted in additional costs to the federal government by systematically excluding other qualified providers, such as state agencies, universities, and commercial organizations.

### **We Recommended That**

The Acting Assistant Administrator for Administration and Resources Management:

- Obtain written assurance from NRWA that it has developed and implemented adequate internal controls that systematically identify and exclude from federal participation all direct and indirect costs associated with NRWA's and the state associations' lobbying activities, as required by OMB Circular A-122.
- Require NRWA to quantify the dollar amount of all unallowable costs of lobbying activities that were improperly charged directly or indirectly to federal assistance agreements and contracts.
- Formally notify all EPA managers responsible for monitoring IPA assignments that any direct or indirect activity of an IPA which supports lobbying activities is unallowable for federal funding. Include a caution that 31 U.S.C. 1352(a)(1) specifically prohibits the use of federal funds for certain lobbying activities and that EPA's regulations mandate a minimum civil penalty of \$10,000 for any violation.
- Require NRWA, as the recipient of EPA assistance agreements, to award all contracts, to the maximum extent practical, on a competitive basis to responsible entities that have the financial resources to perform work required under the contract.

### **What Action was Taken**

*The final report (8400017) was issued to the Acting Assistant Administrator for Administration and Resources Management on March 31, 1998. In responding to the draft report, the Acting Assistant Administrator generally agreed with our recommendations, but suggested we modify one recommendation relating to the award of contracts to state associations. He also proposed actions to enhance EPA's oversight of assistance agreements. NRWA disagreed with the findings. NRWA denied that it used Federal funds to support lobbying activities and stated that it was impractical to implement uniform program regulations that required competitive contracting. A response to the final report is due by June 30, 1998.*

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**EPA's Brownfields Initiative Can Be Strengthened**

To help the nation address environmental concerns associated with idled, underutilized or abandoned urban industrial and commercial properties, EPA announced the Brownfields Economic Redevelopment Initiative. The overall objective of the Initiative is to return Brownfields properties to sustainable and beneficial reuse. To help accomplish this objective, EPA has awarded 121 site assessment grants, primarily to cities, to assist with environmental activities preliminary to cleanup, such as site identification, site assessment, and site characterization.

**We Found That**

Pilot cities that we visited were using EPA funds to conduct site assessments, develop inventories, conduct community involvement activities, and develop Brownfields work groups and forums. While these activities are authorized, we found that some have had relatively little impact on actual redevelopment. We believe the Agency needs to both improve the focus of future grants and assist cities in developing technical expertise to continue the Brownfields program after EPA funds have been expended. Maintaining the Brownfields momentum and leveraging private Brownfields investments require successful redevelopments. EPA should encourage cities to focus their efforts on those activities which have the greatest potential for promoting rapid site redevelopment.

Because the goal of the Brownfields Initiative is to return properties to sustainable and beneficial reuse, cleanup must be sufficient to protect the health and safety of those who will be occupying the former industrial property. To ensure that environmental data collected as part of a site assessment is of a known quality and that decisions made as a result of the data collected are defensible, EPA developed a planning tool known as the Quality Assurance Project Plan (QAPP). Two cities we reviewed did not develop site-specific QAPPs as required by the National Contingency Plan and Agency policy. Uncertainties as to the amount of quality assurance needed for Brownfields sites led the Agency to form a work group which has drafted a quality assurance guidance document for Brownfields site assessments and plans on finalizing it during fiscal 1998.

EPA also awards grants to provide cities with funds to make low interest loans for actual cleanup of urban sites. However, city officials indicated that many of the sites that have the greatest potential for redevelopment may not be redeveloped due to the restrictions placed on the use of cleanup funds by CERCLA and the requirements of the National Contingency Plan. Most notably, CERCLA limits using funds to clean up asbestos, lead-based paint, and petroleum. These limitations may limit the usefulness of the Revolving Loan Fund pilot projects.

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## **We Recommended That**

The Acting Assistant Administrator for Solid Waste and Emergency Response:

- Revise the proposal evaluation and ranking criteria to give credit and higher ranking to those cities whose work plan: identifies sites; proposes to conduct site assessments; contains the largest number of components of a successful redevelopment effort; contains specific objectives and milestones; and contains in-house technical expertise or a commitment from the city to obtain or develop technical expertise.
- Issue the Brownfields quality assurance guidance to the EPA regional offices as well as pilot recipients and remind project officers and recipients of the need for EPA-approved QAPPs prior to beginning field work.
- Explore legislative and regulatory alternatives to help cities address the restrictions and requirements placed on the Revolving Loan Fund by CERCLA and the National Contingency Plan.

## **What Action Was Taken**

*The final report (8100091) was issued to the Acting Assistant Administrator for Solid Waste and Emergency Response on March 27, 1998. In responding to the draft report, the Acting Assistant Administrator agreed to implement our recommendations and provided milestone dates for doing so. Therefore, we closed the report upon issuance.*

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**Lead and Asbestos  
Training Costs were  
Understated and  
Inadequately  
Monitored**

In 1994, Congress authorized about \$5.2 million for lead and asbestos training. The funds were earmarked for: Regional Lead Training Centers; nonprofit organizations; low income community residents; and, small, minority, and women-owned businesses. EPA awarded these funds in grants under Section 10 of the 1976 Toxic Substances Control Act (TSCA).

## **We Found That**

EPA miscoded 21 of 34 training grants worth \$6.6 million, as "Special Investigations, Surveys, or Studies." As a result, EPA did not know how much it had spent on training. Moreover, it was not clear whether EPA even had the authority to award these grants under TSCA. EPA asserted that the grants were properly coded because they supported "development" under Section 10 of TSCA. We found that the only training authorized under Section 10 of TSCA was the training of federal personnel. Furthermore, EPA's notice which solicited the lead training proposals specifically prohibited using these funds for the "development of new training course curricula for workers."

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EPA did not monitor how many students were being trained, or how much it cost to train each student. Without this information EPA could not assess how efficiently the money was being spent. For instance, in September 1994, EPA provided a grant recipient \$160,000 to train an estimated 600 students in lead paint abatement. Because the recipient only trained 57 students for the entire year, the actual cost was an average of \$2,807 rather than the estimated \$267 per student.

In September 1995, EPA provided the same recipient with \$130,000 to train an estimated 120 to 240 students. According to quarterly progress reports, the recipient only trained 44 students for the year. Thus, the cost per student during fiscal 1995 was \$2,955 rather than \$722. Moreover, as of 1997, the recipient had not submitted an acceptable final progress report in response to several EPA requests.

#### **We Recommended That**

The Acting Assistant Administrator for Administration and Resources Management seek clarification should inconsistencies arise in the future regarding statutory authority, and ensure that grants are properly coded.

The Director, Grants Administration Division, require evaluation of past grantee performance before awarding future grants.

#### **What Action Was Taken**

*The final report (8100070) was issued to the Acting Assistant Administrator for Administration and Resources Management on March 4, 1998. In responding to the draft report, the Director, Grants Administration Division, agreed to seek clarifications should future inconsistencies arise over statutory authority, but asserted that the grants had been properly coded as "development." A response to the final report is due by June 2, 1998.*

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## Construction Grants

In December 1997, EPA reported Construction Grants Closeout as a material management control weakness in its Integrity Act Report to the President and Congress. To assist EPA in its effort to close out the construction grants program, the OIG, in consultation with EPA, implemented a revised audit strategy in October 1994 that focuses effort on the most vulnerable grants, based on a risk analysis of each remaining grant subject to audit. When the OIG implemented its revised audit strategy, there were 1,453 grants totaling \$12.4 billion subject to audit. As of March 31, 1998, there were only 67 grants totaling \$1.8 billion which are expected to receive OIG review during the next two years.

In August 1992, EPA emphasized closing out projects and promptly deobligating unliquidated obligations. In November 1993, EPA reported the completion and closeout of the construction grant program as an Agency-level weakness. In 1996, the Agency elevated the completion/closeout of the construction grant program to a material weakness citing "the closeout schedule continues to slip and millions of dollars of ineligible costs are not being reimbursed for reuse on other higher priority state clean water projects."

### We Found That

#### **Region 2 Can Improve Closeout of Construction Grants Program**

Region 2 did not effectively review construction grants to determine the viability of unexpended grant obligations or promptly deobligate unneeded funds. The Region's inadequate control system, lack of priority, poor coordination, and noncompliance with Agency guidelines contributed to this condition. As a result, EPA accumulated idle funds of more than \$70 million for the projects reviewed which could have been used to fund other priority projects, or could have been deposited into the State Revolving Fund.

In November 1996, senior Agency officials advised Region 2 that one-quarter of all projects missing estimated closeout target dates were located in Region 2. Regional officials did not give the construction grant closeout program the highest priority and did not assure there was adequate communication and coordination between the various program offices. Other contributing factors included the turnover of experienced personnel and the lengthy resolution process when project costs were disallowed.

The Region's issuance of proposed and final determination letters (FDL) to resolve audit issues was untimely. Agency guidance requires FDL's to be issued within 90 or 150 days of the final report date. For the 16 reports we sampled, on average 358 days had elapsed, and the number of subsequent days will only increase until Region 2 staff issue the FDL

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to the grant recipient. While the resolution process lingered, millions of dollars of Federal funds remained unnecessarily obligated and projects could not be closed.

The Region's resolution of grantee disputes has been untimely. Some cases have remained unresolved for close to 10 years. Our review of the Region's current disputes inventory showed 17 projects with approximately half of them remaining unresolved for more than four years. The Region's written procedures established a goal of 120 days to resolve each appeal. The delays occurred because the project and targeted dates for actions leading to the Regional Administrator's decision were continuously revised. Resolution was delayed because initial conferences were not always scheduled and personnel did not prepare timely program memoranda. Therefore, cases were reassigned to new attorneys and program personnel, and they continued to remain open without taking action to deobligate excess funds.

### **We Recommend That**

The Regional Administrator, Region 2:

- Require the Grants and Water Programs Branches to conduct a management review to evaluate the controls for reviewing unexpended obligations and promptly deobligating unneeded funds.
- Require the Grants and Water Programs Branches to give a higher priority to the expeditious closeout of construction grants.
- Require the program offices to place a higher priority on the audit resolution process and eliminate the bottlenecks for preparation of final determination letters.
- Instruct the Office of Regional Counsel and Water Programs Branch to implement an action plan to accelerate the dispute resolution process and eliminate the backlog.

### **What Action Was Taken**

*The final report (8100037) was issued to the Regional Administrator on January 20, 1998. In response to the draft report, Region 2's Assistant Administrator for Policy and Management (ARA) indicated that the region has a closeout strategy in place that has been approved by EPA's Office of Water, and that it has consistently met or exceeded its annual closeout commitment for the past four years. With regard to deobligations, the region identified a number of areas where it disagreed with statements made in the report. However, it plans to review all construction grants with unliquidated balances to determine if any can be deobligated. The ARA stated that the region has made*

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*progress in the audit resolution process and in reducing the inventory of audits under appeal and will determine if further progress can be made in these areas. A response to the final report was due by April 20, 1998.*

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**Almost \$3 Million  
Questioned on  
Township of  
Parsippany-Troy Hills,  
New Jersey Projects**

**We Found That**

EPA awarded two construction grants totaling \$55,247,491 for the expansion of the secondary wastewater treatment facility and construction of an interceptor sewer. The grantee claimed \$2,433,266 of total ineligible costs under the grants, including:

- \$1,404,544 of engineering and inspection costs that were primarily for services related to repair of leaking pipe joints and ineligible ordinary operating expenses;
- \$695,790 of construction costs associated with an ineligible realignment of the interceptor sewer; and
- \$332,932 of administrative and other costs for legal fees outside the scope of the project, unallowable and duplicative operating costs, and project-related income not credited to the grant.

We also questioned \$512,082 of unsupported construction, engineering and administrative costs for which supporting documentation was not provided.

**We Recommended That**

The Regional Administrator, Region, not participate in the federal share of the ineligible costs (\$1,824,949), and obtain and evaluate any additional documentation from the grantee for the federal share of unsupported costs (\$384,062).

**What Action Was Taken**

*We issued the final report (8100045) to the Regional Administrator on January 22, 1998. A response to the report was due by April 23, 1998.*

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**Over \$1.2 Million  
Questioned on  
Government of  
District of Columbia  
Projects**

**We Found That**

EPA awarded two construction grants totaling \$47,922,875 to the grantee for its share of a joint project with Fairfax County, Virginia, and the Washington Suburban Sanitary Commission for construction of wastewater treatment facilities. The grantee claimed \$925,023 of ineligible costs under the grants, including:

- \$803,087 of construction costs consisting primarily of ineligible change orders, quantity adjustments and abandoned facilities;
- \$409,530 of inspection fees outside the scope of the grant projects; and
- \$287,594 for credit adjustments to account for engineering costs which had been inadvertently omitted in the grantee's final claim.

We also questioned \$283,028 of unsupported engineering and other construction costs for which information was not provided.

**We Recommended That**

The Regional Administrator, Region 3, not participate in the federal share of the ineligible costs (\$664,558), and obtain and evaluate any additional documentation to determine the eligibility of the federal share of the unsupported costs (\$205,017).

**What Action Was Taken**

*The final reports (8300008 and 8300009) were issued to the Regional Administrator on January 22, 1998. Responses to the final reports were due by April 23, 1998.*

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**EPA Needs to Address  
Procurement Issues  
Related to OSV Peter  
Anderson Contract**

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## **Contracts**

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During an audit of contract personal services issues, we identified a situation that required EPA management's immediate attention--the award of a new contract for the operation and maintenance of the Ocean Survey Vessel (OSV) Peter Anderson by September 30, 1998.

### **We Found That**

The recompile contract for the operation and maintenance of EPA's OSV Peter Anderson should be awarded as a fixed-priced, performance-based service contract (PBSC), not a level-of-effort cost-reimbursable contract, as currently planned by the Office of Water. A fixed-price PBSC is appropriate for services that can be objectively determined and for which risk of performance is manageable. EPA has 18 years of experience, with the same contractor, on which to base a fixed-price PBSC. As such, EPA has the information available showing the maintenance to the ship, the destinations where the ship has traveled, the missions it has supported, the number of days it has been at sea and on standby, and detailed records of what parts and supplies have been necessary to support operations. This data is more than adequate for EPA to develop a PBSC Statement of Work to use for objectively defining requirements and developing performance standards to minimize performance risk.

We identified two reasons why the OSV Peter Anderson recompile has not progressed as a fixed-price PBSC. First, the complexity and diversity of EPA's mission has fostered a belief that it needs the most flexible contract vehicle available. This mindset continues due to a lack of understanding of other more efficient contract types available. Second, Office of Water officials were too involved in the procurement process by insisting on a particular contract type. Federal regulations provide that the contracting officer, not the requestor, must have the authority, to the maximum extent practicable and consistent with law, to determine the application of rules, regulations, and policies, on a specific contract. It is appropriate for the Office of Water to develop the Statement of Work and provide input on the technical requirements of the OSV Peter Anderson to ensure that the contract meets the program's mission. However, other procurement decisions, including contract type, should be the responsibility of the contracting officer.



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Our review also disclosed personal service issues, performance of work outside the scope of the contract, and improper use of contractor employees to perform general renovations to the interior of the ship. The award of a PBSC could help mitigate the contract management deficiencies we found.

### **We Recommended That**

The Acting Assistant Administrator for Administration and Resources Management and the Assistant Administrator for Water direct their staffs to work together to develop a fixed-price, performance-based solicitation for the award of the OSV Peter Anderson follow-on contract by the end of fiscal 1998.

### **What Action Was Taken**

*The Flash Report (8100092) was issued to the Assistant Administrator for Water, and the Acting Assistant Administrator for Administration and Resources Management, on March 26, 1998. In an April 23, 1998, response to the report, the Deputy Assistant Administrator for Water stated that the Office of Water (OW) disagrees with many of the statements and recommendations in the Flash Report. However, OW is committed to using performance-based contracting and, in particular, fixed-price contracting where appropriate. OW does not believe that a fixed-price contract could adequately meet its needs for the Anderson, particularly with regard to the safety of people and property on board. Also, OW does not agree that any corrective actions are necessary at this time, but is continuing to work with the Office of Acquisition Management to issue a new performance-based, cost-reimbursable contract that meets its needs in a timely manner. The OIG is currently evaluating OW's response.*

## **Financial Contract Audits**

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The EPA OIG provides independent contract audits and financial advisory services to EPA's Office of Acquisition Management (OAM) and to other government agencies at certain government contractors. During this reporting period, the OIG maintained contract audit cognizance for ten contractors where EPA contracts represent the majority of the contractor's total auditable dollars. We are responsible for performing all contract audits at these contractors, including incurred cost audits, proposal reviews, and operations audits. In addition, we provide assistance to OAM in developing negotiation objectives, input for OAM's development of contract-related policy, and analysis of contractor responses to report issues. Presented below are the results of three financial contract audits.

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### **Inadequate Disclosure Statements**

A contractor submitted revised disclosure statements for seven of its separate cost accounting segments. Federal regulations require contractors to adequately disclose their cost accounting practices for all contracts covered by the Cost Accounting Standards. We performed field work on the disclosure statement for the segment with the most government contracts and discussed our findings with contractor representatives who agreed all the disclosure statements were inadequate and needed to be revised. The contractor submitted revised disclosure statements and we audited all seven for adequacy. We found the disclosure statements were adequate. However, the contractor had not submitted the disclosure statements to EPA in the time frame required and was cited in noncompliance with federal regulations.

### **Accounting System Inadequacies Corrected**

We issued a draft report on a contractor's accounting system on September 7, 1997, in which we stated the system and related internal controls were not adequate. The contractor responded to the draft report indicating that, although it did not agree the findings represented deficiencies in the system, it agreed to adopt the suggestions and implement them. The contractor's response to the draft report included massive documentation to support the changes the contractor made to its system. We reviewed the response and then met with contractor employees on the implementation of the changes. The contractor had corrected significant deficiencies, including internal control weaknesses and system inefficiencies. The final report, issued on December 15, 1997, stated that the accounting system and related internal controls were generally adequate. We also included several recommendations which, if implemented, would further improve the degree of reliability that the government can place on the accounting system.

### **Systems for Generating Cost Estimates Inadequate**

We performed an initial review of a contractor's estimating system in 1995 and found significant deficiencies. An estimating system describes a contractor's policies, procedures and practices for generating cost estimates which forecast costs based on information available at the time. Shortcomings in an estimating system are likely to result in proposal estimates for either total costs or a major cost element which are unreliable as a basis for negotiating fair and reasonable prices. As a result of the initial review, we recommended a reduction in fee objectives in accordance with EPA Acquisition Regulations. The contractor concurred with most conditions and recommendations, but disagreed with certain aspects and provided other comments. The contractor also provided an action plan with completion dates in its response. We performed a follow-up review of

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the estimating system and issued a draft report that indicated five of the prior findings were not corrected and noted four additional deficiencies. The contractor responded to the draft report concurring with some of the findings. The final report, dated January 20, 1998, indicated the contractor's estimating system and related internal controls were still inadequate in some respects.

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## Section 2 -- Office of Investigations--Significant Results

### OFFICE OF INVESTIGATIONS GOALS AND ACTIVITIES

**OFFICE OF INVESTIGATIONS GOALS:** In fiscal 1998, the Office of Investigations will increase its effectiveness in detecting and deterring fraud and other improprieties by increasing the number of assistance and contract cases, improving the percentage of cases resulting in referrals for action, reducing the average time for case completions, and conducting more fraud awareness briefings.

### ACTIVITIES TO MEET OUR GOALS

**Program Integrity Investigations** - Investigations of activities that could undermine the integrity of Agency programs concerning safety and public health and erode public confidence in the Agency. These cases are initiated in response to allegations or may be self-initiated in high-risk areas where there is reasonable suspicion of fraud.

**Assistance Agreement Investigations** - Investigations of criminal activities related to Agency grants, State Revolving Fund grants, interagency agreements and cooperative agreements, which provide assistance to state, local and tribal governments, universities and nonprofit recipients. Collectively, these programs account for about half of EPA's budget.

**Contract and Procurement Investigations** - Investigations involving acquisition management, contracts and procurement practices. We specifically focus on cost mischarging, defective pricing and collusion on EPA contracts. The decentralized nature and the complexity of EPA contracting increase the Agency's vulnerability to fraud.

**Employee Integrity Investigations** - Investigations involving allegations against EPA employees that could threaten the credibility of the Agency.

# Investigative Results

## Summary Of Investigative Activities

Pending Investigations as of September 30, 1997	156
New Investigations Opened This Period	90
Investigations Closed This Period	42
Pending Investigations as of March 31, 1998	204

## Prosecutive and Administrative Actions

In this period, investigative efforts resulted in 5 convictions and 6 indictments.\* Fines and recoveries, including those associated with civil actions, amounted to \$4.9 million. Cost savings from repudiated claims totaled \$9.6 million. Twenty-five administrative actions were taken as a result of investigations.

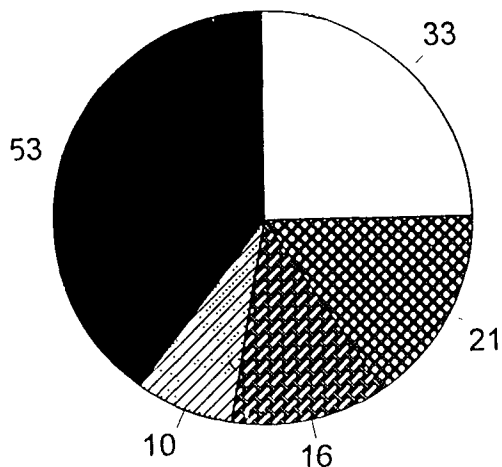
Reprimands	11
Resignations/Removals	1
Restitutions	4
Suspensions & Debarments	7
Other	2

TOTAL 25

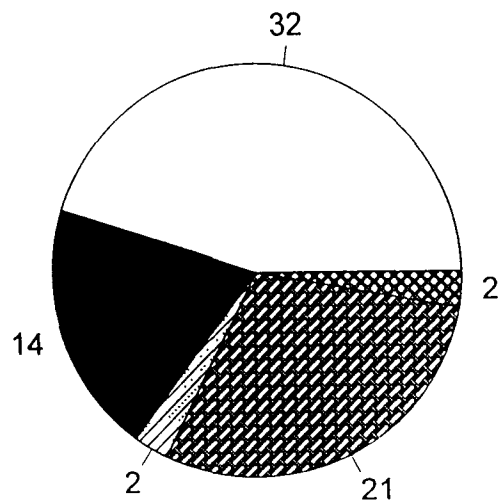
\* Does not include indictments obtained in cases in which we provided investigative assistance.

## Profiles of Pending Investigations by Type

General EPA Programs  
Total Cases = 133



Superfund  
Total Cases = 71



☐ Contract
 ☒ Assistance Agreement
 ☒ Employee Integrity
 ☒ Program Integrity
 ☒ Other

**Former Director and  
Laboratory Sentenced in  
False Test Results Case;  
Hess Environmental  
Laboratories, Inc., Enters  
Guilty Plea; Former  
Laboratory President  
Indicted**

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## **Selected Prosecutive Actions**

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On October 28, 1997, Michael Louis Klusaritz, former director of Hess Environmental Laboratories (Hess), East Stroudsburg, PA, and Phase II Laboratories, Inc., were sentenced in U.S. District Court, Eastern District of Pennsylvania, following guilty pleas entered last summer. Klusaritz was sentenced to one year imprisonment, three years supervised release, and ordered to pay \$40,000 in restitution (joint and several liability with Phase II) and a \$550 special assessment. Phase II was sentenced to one year probation and ordered to pay \$40,000 in restitution (joint and several liability with Klusaritz) and a \$600 special assessment. Klusaritz had pleaded guilty to seven counts related to falsifying water and sewage test results for the Tobyhanna Army Depot and other clients. Similar charges were also filed against and guilty pleas entered by Phase II Laboratories, which is owned by Klusaritz. Klusaritz admitted falsifying test results and billing customers more than \$223,000 for testing that, in most cases, was never done. Previously, another former Hess Technical Manager, Judith McCoy, pleaded guilty to conspiracy to defraud the government, making false statements, and mail fraud while she was acting laboratory director at Hess. McCoy ran the laboratory after Klusaritz left in June 1995. McCoy allegedly continued falsifying environmental testing at the direction of another Hess official, unidentified in court papers. McCoy is awaiting sentencing.

On November 10, 1997, Hess itself pleaded guilty to nine criminal counts including conspiracy, false statements, false claims, mail fraud, and violations of the Clean Water Act, acknowledging that it repeatedly provided false water, sewage, and soil test results for numerous customers from January 1988 to February 1997. As a result of the plea agreement, Hess faces a potential maximum sentence of 5 years probation, \$4.5 million in fines, \$1.5 million in restitution of false billings, and a \$3,600 special assessment. There may be an additional restitution involved in the retesting of the samples.

On March 5, 1998, William L. Hopkins, former president of Hess was indicted on charges of conspiracy to defraud the United States, making false statements to EPA, violating the Clean Water Act, and mail fraud. The charges resulted from Hopkins' alleged participation in the conspiracy to systematically and

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continuously provide false and fraudulent environmental testing results to customers from January 1988 through February 1997.

The indictment charges that Hopkins knew that Hess did not have the proper equipment to perform certain environmental tests and was not performing the tests according to the accepted EPA method, yet he directed that the false results be reported and fraudulently billed to the customers. Hess customers relied on the test results in order to comply with federal and state environmental laws and to determine where and when remedies were needed to control hazardous, toxic, or contaminated substances. If Hopkins is convicted on all charges, he faces a maximum sentence of 18 years imprisonment, a \$1 million fine, 3 years supervised release, a \$400 special assessment and restitution of over \$2.2 million.

As a result of the investigation, on May 30, 1997, Hess closed and terminated its environmental laboratory business. *This investigation was conducted jointly by the EPA OIG, the EPA CID, and the Army Criminal Investigation Command.*

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**EPA Project Officer  
Sentenced in Conflict of  
Interest Case**

On November 6, 1997, Theodore Rockwell, an EPA Region 10 Environmental Scientist, was sentenced in U.S. District Court, District of Alaska, to 24 months probation, 80 hours of community service, and fined \$7,612. Included in the fine is \$5,212 to cover the cost of his supervision. Rockwell previously pleaded guilty to an information charging that, in his official capacity with EPA, he authorized EPA to make a \$33,894 payment to benefit Lyndon Lee and Associates, Inc. (Lee), on a matter pending under his authority while he negotiated and accepted future employment with Lee. This is a misdemeanor violation of the Federal conflict of interest statutes. Our investigation revealed that Rockwell used his EPA position to influence the award of EPA wetlands training grant funds by the Minnesota Board of Water and Soil Resources (MBWSR) to Lee. Rockwell advised MBWSR regarding the ability of Lee, an independent consulting firm, to perform wetland conservation training. Lee was awarded the MBWSR contract and Rockwell, as the wetland project officer, acted as liaison between MBWSR and Lee. Rockwell also authorized the processing and payment of EPA grant funds to the State of Minnesota for payment of Lee's services. During this time, Rockwell negotiated and accepted future employment with Lee. Rockwell not only signed an employment agreement with Lee but also accepted payment by Lee for a house-hunting trip to Seattle.

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**Company President  
Sentenced To 10 To 24  
Months Imprisonment**

On February 6, 1998, Christopher Tate, president of Safety Management Institute, Inc. (SMI), Roaring Spring, PA, pleaded guilty in Blair County, PA, to felony charges of violating the Pennsylvania Solid Waste Management Act. He was sentenced to 10 to 24 months imprisonment and 5 years probation, fined \$5,000, and ordered to pay \$4,895 in restitution plus the costs of prosecution. On February 18, 1998, Tate and SMI each pleaded guilty in Dauphin County, PA, to felony charges of tampering with public records and misdemeanor charges of violating the Pennsylvania Underground Storage Act. Tate was sentenced to 9 to 24 months imprisonment and 5 years probation and fined \$100. SMI was sentenced to 73 days to one year imprisonment. The Dauphin County sentences are to run concurrently with those of Blair County; therefore, Tate, for himself and the company will serve a total of 10 to 24 months in Blair County Prison. As a condition of parole and probation, Tate is prohibited from performing any environmentally related work. SMI was a contractor engaged in the removal of underground storage tanks in Hanover, PA, during 1994 when Tate committed the violations and failed to report that he was previously debarred from government contracting. *This investigation was conducted jointly by the EPA OIG and the Environmental Crimes Section of the Office of the Attorney General, Commonwealth of Pennsylvania.*

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**Businessman Sentenced  
To 27 Months  
Imprisonment**

On January 16, 1998, Richard D. Salvatierra was sentenced to 27 months imprisonment and 1 year probation, and assessed a special fee of \$150 following his July 1997 conviction for filing false personal and corporate income tax returns. Salvatierra, an officer and shareholder of Ricards International, Inc. (RII) and Potomac Leasing, Inc. (PLI), was indicted in 1996 on charges of conspiracy to defraud the United States, false claims, aiding and abetting, and filing a false tax return. Through PLI, Salvatierra leased warehouse and office space and then subleased the space to RII at a higher rate which was billed to EPA and the Department of Health and Human Services. Further, as part of the conspiracy, Salvatierra and Edsel Billingsy, a former officer at RII and shareholder in PLI, divided the extra funds generated by having PLI pay certain personal expenses and then claiming them as business expenses on their tax returns. As previously reported, Billingsy pleaded guilty to conspiracy to defraud the United States and in July 1997 was sentenced to five years probation and ordered to pay \$70,000 restitution. *This investigation was conducted jointly by the EPA OIG, the HHS OIG, and the IRS Criminal Investigation Division.*

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**Restitution Of \$11,600  
Ordered In Theft Case  
Sentencing**

On March 19, 1998, Stanley Renee Moore pleaded guilty to felony larceny charges in Durham County Superior Court, Durham, North Carolina. Moore, a former U.S. Postal Service supervisor, admitted stealing computers during the summer of 1997 from the EPA facility at Research Triangle Park, North Carolina, where he worked a second job as a night crew supervisor for the EPA custodial services contractor. The day he entered his plea, Moore was sentenced to a suspended 6 to 8 month prison term and 2 years probation and was ordered to pay \$11,600 restitution to EPA for the total fair market value of the items he admitted stealing.

**Former EPA Employee  
Sentenced in Credit Card  
Theft Case**

On November 5, 1997, in U.S. District Court, District of Columbia, Yolanda D. Lee, an EPA Budget Assistant, GS-7, was sentenced to five months imprisonment and one year supervised release, and ordered to pay \$7,008 in restitution and a \$25 special assessment. On August 11, 1997, Lee pleaded guilty to a one count information charging her with theft of government property. Lee admitted using her government-issued credit card to make personal purchases in the amount of \$7,008. Most of the charges were made at department stores and retail shops. On November 28, 1997, Lee resigned from EPA.

**Arrests Made For Theft  
For Inflating Relocation  
Benefits Claims**

In January 1998, two recipients under EPA's methyl parathion relocation program were arrested in New Orleans, Louisiana, on state charges of theft of money by fraud. On January 16, Sandra Lastie was arrested on charges that she was overpaid more than \$2,500 in benefits based on her false certification that nine occupants lived in her residence. On January 17, Betty Morgan was arrested on charges that she was overpaid more than \$3,000 in benefits based on her false certification that eight occupants lived in her residence.

Under the relocation program (funded by the EPA's Superfund and administered locally by the Army Corps of Engineers), EPA pays relocation costs and related subsistence for residents whose homes have been contaminated with methyl parathion, a toxic pesticide licensed for agricultural use and banned for indoor use. Benefit levels are based on the number of occupants residing in the contaminated homes. EPA is also paying for the contamination cleanup costs.

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**Two Arrested On Theft  
Charges Stemming From  
Alleged Impersonation**

Cleanup costs for Lastie's residence were \$60,000; clean-up costs for Morgan's residence were \$26,946. *This investigation is being conducted by the EPA OIG with the cooperation of the New Orleans Police Department.*

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On March 17, 1998, Gary L. Jones and Nadine E. Starks were arrested in Fannin County, GA, on charges of false statements, forgery, attempted theft by deception, and conspiracy to commit theft by deception. The charges stem from allegations that Jones represented himself to an Ellijay, GA, homeowner as an employee of Atlanta Testing, Inc. (ATI), told the resident that ATI had contracted with EPA to locate and remove canisters containing toxic waste, and stated that he had been directed by EPA to perform soil tests under the concrete slab in their garage. The charges also allege that Jones presented to the homeowner a business card and letter purportedly from an EPA employee but which had been forged by Starks, stating that Jones had been directed to perform the remedial work. *This investigation was conducted jointly by the EPA OIG and the Fannin County, Georgia, Sheriff's Office.*

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## Civil and Administrative Actions to Recover EPA Funds

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*Investigations and audits conducted by the Office of Inspector General provide the basis for civil and administrative actions to recover funds fraudulently obtained from EPA. Through the Inspector General Division of the Office of General Counsel, the OIG uses a variety of tools to obtain restitution. These include cooperative efforts with the Department of Justice in filing civil suits under the False Claims Act, the Program Fraud Civil Remedies Act, and other authorities; working with grantees using their own civil litigation authorities; invoking the restitution provisions of the Victim and Witness Protection Act during criminal sentencing; using the Agency's authority to administratively offset future payments and to collect debts; and negotiating voluntary settlements providing for restitution in the context of suspension and debarment actions. Civil and administrative actions to recover funds usually extend over several semiannual reporting periods.*

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**Corporation Enters into Civil Settlement, Repays \$4.3 Million and Will Forgo \$9.6 Million in Repudiated Claims**

IT-Davy Joint Venture, International Technology Corporation, and Davy-McKee Corporation (collectively IT-Davy) entered into a civil settlement in U.S. District Court, Eastern District of Pennsylvania, to resolve fraud allegations under the False Claims Act. The fraud allegations arose out of IT-Davy's construction of an environmental cleanup project at the Helen Kramer Landfill in Mantua, New Jersey. In 1989, the Army Corps of Engineers (COE), on behalf of the EPA, contracted with IT-Davy to perform the site cleanup. As a result of changes to the project specifications and certain differing site conditions, the project was delayed and IT-Davy incurred additional costs over the original contract price. A joint investigation by the EPA OIG, the Defense Criminal Investigative Service (DCIS), the Defense Contract Audit Agency (DCAA), and the U.S. Army Criminal Investigation Command uncovered allegations that IT-Davy had submitted false claims in connection with the additional costs by double-charging for certain labor and equipment costs using a complex accounting scheme. As a result of the investigation, IT-Davy has agreed to pay \$4.3 million to the United States as part of a global resolution of all claims under the Helen Kramer Landfill cleanup contract. Of over \$24 million in submitted but unpaid claims, the COE has agreed that only \$14.5 million in additional costs were as legitimately incurred. Therefore, the United States has

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realized an additional \$9.6 million in cost savings from the repudiated claims. *This investigation was conducted jointly by the EPA OIG, DCIS, DCAA, and the Army Criminal Investigation Command.*

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**Environmental Testing  
Contractor to Pay  
\$250,000 in Civil  
Settlement Agreement**

On December 17, 1997, the United States entered into a civil settlement agreement with National Environmental Testing, Inc. (NET), and NET Midwest, Inc. (Midwest), a wholly-owned subsidiary of NET. Under the terms of the agreement, NET will pay \$242,499 to the United States and \$7,500 to the relator of a qui tam suit. The criminal investigation resulting in this settlement was conducted jointly by the EPA OIG, the Naval Criminal Investigative Service, the Air Force Office of Special Investigation, and the Army Criminal Investigation Command. On July 30, 1996, the relator filed a complaint in U.S. District Court for the Northern District of California, alleging that NET and Midwest violated the False Claims Act concerning payment by the government for certain scientific testing and analytical services provided under their government contracts and subcontracts. Between 1989 and May 1995, NET, Midwest, or both, entered into contracts with the Army Corps of Engineers, the EPA, and one subcontract with Planning Research Corporation, Environmental Management, Inc. (PRC), in connection with a contract between PRC and the U.S. Navy. Under the terms of the contracts, Midwest was to test for the presence of volatile or semi-volatile organic compounds, or inorganic substances, in samples provided to them by the government in connection with environmental investigation and remediation. The complaint alleged that Midwest failed to comply with mandatory testing procedures in the performance of these tests, and that NET, Midwest, or both submitted false payment invoices to the government predicated on full compliance with the contracts.

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**Partial Consent Decree  
Orders Former  
Company President and  
Wife to Pay \$120,000**

On December 22, 1997, a Partial Consent Decree was issued in U.S. District Court, Southern District of New York, ordering Harvey S. Wasserman and his wife, Linda, to pay \$120,000 for reimbursement of cleanup costs incurred by EPA at the site of Barrier Industries, Inc. (Barrier), in Port Jervis, New York. As a result of an OIG investigation focusing on property transfers, a civil complaint was filed in October 1995 against Barrier; its Chief Executive Officer, Kurt J. Wasserman; his wife, Mildred; and others under the Comprehensive Environmental Response, Compensation, and Liability Act for recovery of \$3.4 million incurred by EPA as a result of the Barrier cleanup. Kurt

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Wasserman and Harvey Wasserman, his son who served as president, were responsible for Barrier's business operations. Barrier, a manufacturer of janitorial chemicals, car care products, and paints, maintained and stored hazardous substances at the Port Jervis site. Proceedings against Barrier and Kurt Wasserman are continuing in Federal court.

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**University Repays  
\$40,000 in Grant Funds**

On October 29, 1997, Montana State University (MSU) repaid \$40,431 to the EPA Grants Administration Division. The funds were repaid to EPA after an audit determined that unallowable costs were billed to an EPA grant to the MSU Chemistry Department. The audit was performed in support of a criminal investigation concerning an EPA employee who obtained a doctorate degree from MSU while on an Intergovernmental Personnel Act (IPA) assignment at MSU.

EPA awarded a grant to MSU to cover the costs of the IPA. Our investigation revealed that during the IPA assignment, the employee primarily attended classes and performed research in pursuit of a doctorate degree in chemistry. Previously, a civil settlement was reached with the EPA employee concerning the costs associated with the degree program.

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**EPA Recoups \$10,000 in  
Relocation Benefits  
Overpayment**

On November 24, 1997, EPA recovered a \$10,425 overpayment from Juanita Aquart, a recipient under the Agency's methyl parathion relocation program. This action stemmed from Aquart's receiving an overpayment of relocation benefits after she failed to notify either EPA or the Army Corps of Engineers (COE) of the reduction in the size of her household from nine to three members. Aquart received benefits due to the contamination of her Mississippi home with methyl parathion.

Under the relocation program (funded by the EPA's Superfund and administered locally by the COE), EPA pays relocation costs and related subsistence for residents whose homes have been contaminated with methyl parathion, a toxic pesticide licensed for agricultural use and banned for indoor use. Eighty million dollars of Superfund money have been earmarked for relocation benefits and cleanup costs associated with the misapplication of the pesticide in Mississippi.

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## Selected Suspension and Debarment Actions

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*EPA's policy is to do business only with contractors and assistance recipients who are honest and responsible. EPA enforces this policy by suspending or debarring contractors, assistance recipients, or individuals within those organizations, from further EPA contracts or assistance if there has been a conviction of, or civil judgment for, specific offenses, including the commission of any offense indicating a lack of business integrity or business honesty that seriously and directly affects the present responsibility of an entity or individual. An entity or individual may also be debarred for any other cause of so serious or compelling a nature that it affects its present responsibility. Debarments are to be for a period commensurate with the cause, but generally do not exceed 3 years.*

*The EPA Suspension and Debarment (S&D) Division in the Office of Grants and Debarment operates the S&D program at EPA. The OIG assists the EPA S&D program by providing information from audits, investigations, and engineering studies; and obtaining documents and evidence used in determining whether there is a cause for suspension or debarment.*

*The action summarized below resulted from an OIG investigation:*

### **Nevada Laboratory and Former Analyst Suspended**

On November 7, 1997, EPA suspended LAS Laboratory in Las Vegas, Nevada, and Earl Mills, a former analyst. LAS was formerly owned by Lockheed Martin Corporation and was known as Lockheed Analytical Services. In December 1996, LAS was purchased by Southern Petroleum Laboratories. LAS is a contractor used by EPA's Superfund Technical Assessment and Response Team to do analysis for remedial and removal actions and emergency cleanup. While employed by LAS, Mills allegedly engaged in questionable practices and fraudulent manipulation of laboratory data, termed "peak shaving." Peak shaving is a method of changing quality control and calibration sample results to bring data within the criteria by manually manipulating the data. The analytical work involved was performed for the U.S. Air Force. An audit performed by the U.S. Air Force Center for Environmental Excellence after the termination of Mills by LAS found that samples analyzed for the Air Force were electronically manipulated without justification. The audit further indicated that

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other manipulations may have occurred which are still undetected due to lack of a paper or electronic trail. The audit also found that LAS was not following quality assurance and data review procedures.

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## Section 3-- Fraud Prevention and Management Improvements

This section describes activities of the Office of Inspector General to promote economy and efficiency and to prevent and detect fraud, waste, and abuse in the administration of EPA programs and operations. This section includes information required by statute, recommended by Senate report, or deemed appropriate by the Inspector General.

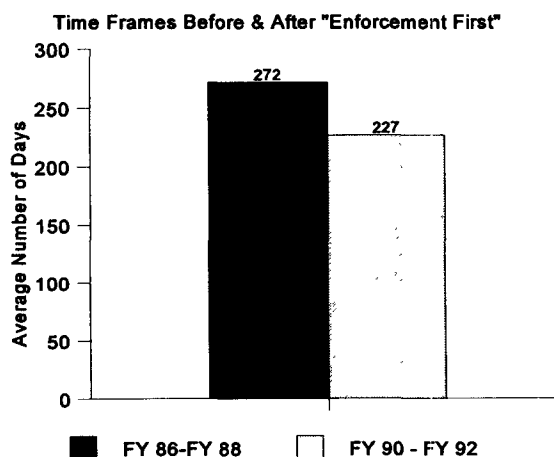
### Advisory and Assistance Services

#### Superfund: RD/RA Negotiation Time Frames

Prior OIG case studies of three Superfund sites indicated that lengthy remedial design/remedial action (RD/RA) negotiations had delayed site cleanup and recommended this area for further review. In cooperation with the Office of Site Remediation Enforcement (OSRE), Policy and Program Evaluation Division, we reviewed trends in the duration of RD/RA negotiations.

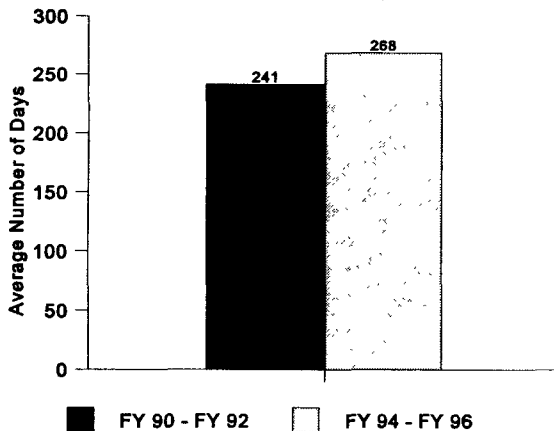
The primary focus of the Superfund program is to maximize the protection of human health and the environment through fast, efficient cleanup of hazardous waste sites. At the same time, the Superfund enforcement program is faced with the challenge of maximizing potentially responsible party (PRP) participation and ensuring fair treatment of these parties. As a result, EPA's regional offices and the Office of Enforcement and Compliance Assurance (OECA) must integrate these competing priorities at the RD/RA negotiation stage. Optimally, EPA wants to negotiate a settlement with the PRPs to conduct and/or finance the remedial design and remedial action. However, EPA must also ensure that these negotiations do not impede the sites' progress toward cleanup.

Based on various analyses, we concluded that average time frames for RD/RA negotiations were lengthened in 1995 and 1996. When evaluating the trends, we noted that changes in the time frames appeared to coincide with the advent of two major policy changes: Enforcement First and the Superfund reforms. To better gauge the effect of these changes on negotiation time frames, we excluded the negotiations for the years in which the policy changes occurred (1989 and 1993) and analyzed average time frames before and after these policy changes. The results showed that nationally RD/RA negotiation time frames decreased 17 percent (from an average of 272 days to 227 days) after "enforcement first" and increased 11 percent (from an average of 241 days to 268 days) after the Superfund reforms were introduced. This is shown in the charts below.





Time Frames Before & After Start of Superfund Reforms



Although there appears to be a relationship between the policy changes and RD/RA negotiation time frames at the national level, there are regional and case-specific factors that come into play as well. Different regional management approaches also appear to have influenced RD/RA negotiation time frames. Moreover, case-specific factors, which we did not include in our analysis, and many of which are not within EPA's control, can also affect RD/RA negotiation time frames.

A report (8400015) was issued to the Directors, Office of Site Remediation Enforcement, and Policy and Program Evaluation Division, OECA, on March 27, 1998. We suggested that OSRE consider: (1) exception reporting and tracking of RD/RA negotiations that exceed 240 days; (2) assuring there is a written policy that establishes a formal process for extending the negotiations beyond 180 days and requires Headquarters approval when appropriate; and (3) continuing to emphasize early RD starts to assure that negotiation time frames do not impact the pace of cleanup. OSRE agreed with the report's conclusions and suggestions.

## Review of Legislation and Regulations

Section 4(a)(2) of the Inspector General Act of 1978, as amended, directs the Office of Inspector General to review existing and proposed legislation and regulations relating to Agency programs and operations to determine their effect on economy and efficiency and the prevention and detection of fraud and abuse. During this semiannual period, we reviewed five legislative and 22 regulatory items. The most significant items reviewed are summarized below.

### H.R. 2883 - The Government Performance and Results Act Technical Amendments of 1997

While we endorsed the bill's goal of improving agency strategic plans and performance reports, we expressed concerns with two of the measure's provisions.

First, we were concerned that the provision requiring Inspectors General to audit program performance reports and report to Congress on the results of each audit was premature and would detract from our ongoing efforts in working with EPA to develop meaningful goals and obtain accurate data to measure accomplishments. Accordingly, we urged Congress to delay implementation of this requirement for several years.

Second, while we were pleased that the measure would afford Inspectors General an opportunity to comment on the reliability of data sources and information systems supporting strategic plans, we recommended a revision to allow for comment on the agency's assessment rather than conducting a separate assessment. If the Inspectors General and the agencies agree on the scope and methodology of agency-

conducted assessments, performing a separate assessment would be duplicative.

An amended version of H.R. 2883 passed the House of Representatives on March 12. The provisions we commented on were substantially modified. The measure now requires that, consistent with available resources, the scope of work of the Inspectors General should be focused on performance measures for programs with a high risk of waste, fraud, or mismanagement.

### **Proposed Legislation Entitled The Government Waste, Fraud, and Error Reduction Act of 1998**

Section 403 of the proposed measure required the Inspectors General to review agency collection practices for debts over \$1 million and recommend needed changes. We maintained that the provision was unnecessary because the financial statement audits conducted under the Chief Financial Officers Act already provide the information sought. We also commented that an additional audit requirement would further erode our ability to devote audit resources to areas of greatest need.

At the end of the reporting period, no action had been taken on this proposal.

### **General Accounting Office Exposure Draft - Standards for Internal Control in the Federal Government**

While we believed the document captured the essence, purpose, and application of internal controls, we suggested that it be revised to:

- Refer to specific Federal management improvement laws passed since the original standards and discuss their common dependence on internal

controls. Federal managers will then be better able to implement these laws as a mutually supportive system rather than as individual requirements.

- Strongly encourage managers, in assessing the effectiveness of controls, to use audit reports, inspections and other evaluations, including information on control systems maintained by contractors and assistance recipients.
- Emphasize that alternate control measures may be necessary to ensure proper accountability as traditional controls such as multiple supervisory layers are reduced or eliminated in more dynamic, flatter, and/or team-based organizations.
- Indicate the importance of sound internal controls to mission accomplishment and the efficiency of operations by including control responsibilities in employee performance agreements.
- Emphasize the independent statutory authority of the Inspectors General and delete the reference to the Inspectors General having the authority to order appropriate action.

At the end of the reporting period, revised standards had not been issued.

### **Revised EPA Order 5360.1 - Policy and Program Requirements for the Mandatory Agency-wide Quality System and the EPA Quality Manual**

We noted that the draft document required a systematic planning approach to develop acceptance and performance criteria for all work covered by the Order, but did not define the "systematic planning approach." We recommended that the Agency mandate its preferred data quality objectives process and

expand the Order to fully describe process requirements.

We also recommended that the draft Order indicate that the performance agreements of all personnel responsible for environmental data collection, and not just senior managers, include critical job elements and performance measures, as appropriate, regarding data quality.

Finally, we suggested that the Agency (1) implement a mandatory quality management information network for information sharing and (2) make the draft document and the EPA Quality Manual consistent concerning the review and approval of quality assurance project plans, including designations of responsibilities.

At the end of the reporting period, the Agency had not issued a revised document.

## **Chapter 21 IRM Policy Manual Directive 2100 - Policy on Public Access to EPA Information**

While we support providing public access to EPA information to the maximum extent possible, we recommended that:

- Given the nature of information in OIG audit and investigative reports, the OIG continue to provide such information rather than be required to provide an electronic copy with the Office of Administration and Resources Management in Cincinnati for dissemination;
- The Directive discuss the penalties for the improper release of Confidential Business Information; and
- The document include a disclaimer on using data for other than its intended purpose.

The Agency distributed a revised version of the document which addressed all OIG concerns.

## **OIG Management Initiatives**

As part of our on-going reinvention efforts, the OIG Leadership Team assessed progress to-date against the vision of the Office and identified changes needed to advance and accelerate our reinvention efforts. First, the culture of the Office needed to change from command and control to a more participative and team based environment. Second, the focus of the Office needed to expand from compliance monitoring to environmental assessment-- a *results focus*. Finally, to truly be partners for positive change, the Office needed to move more toward a preventative/consultant role. To address the above findings, the Office has undertaken the following steps:

First, the Office has adopted the Malcolm Baldrige Quality Award Criteria as a new management framework for organizational excellence. This systems approach to integrating leadership, strategic planning, human resources, information analysis, process management, customer service and results provides the Leadership Team with a comprehensive approach-- a blue print for institutionalized change. The Leadership Team has already received Baldrige training and is deploying the training down through the professional ranks. Second, the Leadership Team has adopted a comprehensive leadership development approach to team building based on collaborative work and shared learning. Additional training will follow along the lines of the Baldrige framework.

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## **Management Decisions with Which the Inspector General is in Disagreement**

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When the OIG, Region 5 and the Office of Water could not reach agreement on one of the issues raised in the audit of the Village of Sauget, Illinois, it was decided to elevate resolution to EPA's Audit Resolution Board (ARB). The OIG concluded that the transfer sewer built (federal share about \$1 million) was an interceptor line that transported primarily industrial waste from the Sauget physical/chemical treatment facility to the Sauget American Bottoms regional treatment facility for additional treatment. We questioned whether this interceptor was allowable for federal funding under Title II of the Clean Water Act when 99.8 percent of the flow is from industrial sources and only .2 percent is from domestic sources. The Office of Water contended that the transfer sewer was not an interceptor as defined in the regulations and it was not constructed exclusively, or almost exclusively, to serve industrial sources. The ARB concluded (ARB Decision #21, dated November 13, 1997) that Region 5's decision that the transfer sewer was not an interceptor was within the limits of managerial discretion. The ARB also concluded that, since this was not an interceptor, it was unnecessary to address the cost-allowability of the transfer sewer. We disagree with the ARB's decision. However, since the issue was unique and probably would not come up again in another report, we decided to close out the report.

## Section 4 -- Report Resolution

### Status Report on Perpetual Inventory of Reports in Resolution Process for Semiannual Period Ending March 31, 1998 (Dollar Values in Thousands)

Report Category	No. of Rpts	Report Issuance		Report Resolution Costs Sustained	
		Questioned Costs	Recommended Efficiencies	To Be Recovered	As Efficiencies
A. For which no management decision was made by October 1, 1997	177	\$ 264,107	\$ 5,392		
B. Which were issued during the reporting period	150	4,958	0		
C. Which were issued during the reporting period that required no resolution	78	0	0		
Subtotals (A + B - C)	249	269,065	5,392		
D. For which a management decision was made during the reporting period	124	78,239	5,392	14,485	10
E. For which no management decision was made by the end of the reporting period	125	190,826	0		
Reports for which no management decision was made within six months of issuance	82	185,872	0		

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

## Status of Management Decisions on IG Reports

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

*As presented, information contained in Tables 1 and 2 cannot be used to assess results of reviews performed or controlled by this office. Many of the reports were prepared by other Federal auditors or independent public accountants. EPA OIG staff do not manage or control such assignments. Auditees frequently provide additional documentation to*

*support the allowability of such costs subsequent to report issuance. We expect that a high proportion of unsupported costs may not be sustained.*

**Table 1 -- Inspector General Issued Reports With Questioned Costs for Semiannual Period Ending March 31, 1998 (Dollar Value in Thousands)**

Report Category	Number of Reports	Questioned Costs*	Unsupported Costs
A. For which no management decision was made by October 1, 1997**	97	\$264,107	\$114,826
B. New reports issued during period	13	4,958	1,083
Subtotals (A + B)	110	269,065	115,909
C. For which a management decision was made during the reporting period	42	78,239	42,747
(i) Dollar value of disallowed costs	17	14,485	2,600
(ii) Dollar value of costs not disallowed	36***	63,754	40,147
D. For which no management decision was made by the end of the reporting period	68	190,826	73,162
Reports for which no management decision was made within six months of issuance	56	185,872	72,079

\* 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.

\*\*\*Twenty-five audit reports totaling \$10,942 were not agreed to by management.

**Table 2 -- Inspector General Issued Reports With Recommendations That Funds Be Put To Better Use for Semiannual Period Ending March 31, 1998 (Dollar Values in Thousands)**

Report Category	Number of Reports	Dollar Value
A. For which no management decision was made by October 1, 1997*	4	\$5,392
B. Which were issued during the reporting period	0	0
Subtotals (A + B)	4	5,392
C. For which a management decision was made during the reporting period	4	5,392
(i) Dollar value of recommendations from reports that were agreed to by management	1	10
(ii) Dollar value of recommendations from reports that were not agreed to by management	2**	5,316
(iii) Dollar value of non-awards or unsuccessful bidders	1	66***
D. For which no management decision was made by the end of the reporting period	0	0
Reports for which no management decision was made within six months of issuance	0	0

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

\*\* Two reports were included in C(i) and C(ii). Only the related dollars disallowed were included in C(i), whereas the dollars which were not disallowed were included in C(ii).

\*\*\* This amount represents the dollar value of recommendations that funds be put to better use, no dollars shown for management decision on these audits.

<b>Audits With No Final Action As Of 3/31/98-Which are over 365 Days Past OIG Report Issuance Date</b>				
Audits	Non Superfund	Superfund	Total	Percentage
Programs	10	42	52	19%
Allegations	4		4	2%
Assistance Agreements	131		131	48%
Construction Grants	8	14	22	8%
Contract Audits	20	42	62	23%
<b>TOTAL</b>	<b>173</b>	<b>98</b>	<b>271</b>	<b>100%</b>

# 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.

Assignment Control Number	Title	Final Report Issued	Questioned Costs			Efficiencies
			Ineligible Costs	Unsupported Costs	Unreasonable Costs	(Funds Be Put To Better Use)
1. INTERNAL AND MANAGEMENT ASSIGNMENTS						
CHIEF FINANCIAL OFFICER						
E1AML7-20-7008-8100058	EPA's FISCAL 1997 FINANCIAL STATEMENTS AUDIT	3/ 2/98				
Assistant Administrator for Air and Radiation						
E1KAE4-05-0246-8100057	AIR THEME REPORT	2/27/98				
Assistant Administrator for Administration and Resources Management						
E1XMF6-03-0224-8100070	EPA's TRAINING ASSISTANCE AGREEMENTS	3/ 4/98				
E6DWG6-04-0048-8400017	LOBBYING AND NONCOMPETITIVE CONTRACTING UNDER FEDERAL ASSISTANCE AGREEMENTS AND CONTRACTS	3/31/98				
Office of Administration and Resources Management Cincinnati Ohio						
E1AMN7-15-7001-8300001	PHYSICAL, ENVIRONMENTAL AND DISASTER RECOVERY CONTROLS SPECIFIC TO REGIONAL LOCAL AREA NETWORKS (LANs)	11/28/97				
Assistant Administrator for Solid Waste & Emergency Response						
E1SFF7-03-0117-8100090	AUSTIN AVENUE RADIATION SITE REPLACEMENT HOUSING	3/30/98				
E1SGF7-05-0102-8100030	SF CONSTRUCTION COMPLETION	12/30/97				
E1SHF8-11-0005-8100091	BROWNFIELDS: POTENTIAL FOR URBAN REVITALIZATION	3/27/98				
Assistant Administrator for Water						
E1BMF7-23-0012-8100092	PROCUREMENT OF SERVICES FOR OPERATION OF OCEAN SURVEY VESSEL PETER ANDERSON	3/26/98				
Assistant Administrator for Office of Enforcement and Compliance Assurance						
E1SFG7-11-0024-8400015	SF RD/RA NEGOTIATION TIME FRAMES	3/27/98				



Regional Administrator - Region 1

E1AMN7-15-7001-8300007	PHYSICAL, ENVIRONMENTAL AND DISASTER RECOVERY CONTROLS SPECIFIC TO REGIONAL LOCAL AREA NETWORKS (LANs)	12/31/97
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Regional Administrator - Region 2

E1FWF7-02-0011-8100037	REGION 2's DEOBLIGATION AND CLOSEOUT OF CONSTRUCTION GRANTS	1/20/98
E1AMN7-15-7001-8300005	PHYSICAL, ENVIRONMENTAL AND DISASTER RECOVERY CONTROLS SPECIFIC TO REGIONAL LOCAL AREA NETWORKS (LANs)	12/19/97

Regional Administrator - Region 3

E1AMN7-15-7001-8300006	PHYSICAL, ENVIRONMENTAL AND DISASTER RECOVERY CONTROLS SPECIFIC TO REGIONAL LOCAL AREA NETWORKS (LANs)	12/31/97
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Regional Administrator - Region 5

E1AMN7-15-7001-8300003	PHYSICAL, ENVIRONMENTAL AND DISASTER RECOVERY CONTROLS SPECIFIC TO REGIONAL LOCAL AREA NETWORKS (LANs)	12/16/97
E6FFF8-05-0041-8100046	FISCAL 1997 SF ENFORCEMENT YEAR- END SPENDING	1/23/98

Regional Administrator - Region 6

E1GAF7-06-0032-8100078	STATE AIR ENFORCEMENT DATA -- NEW MEXICO	3/13/98
E1SGG7-14-0006-8400014	OKLAHOMA REFINING CO RI/FS	3/23/98

Regional Administrator - Region 7

E1HWF7-07-0023-8100080	MISSOURI WATER QUALITY MONITORING	3/31/98
E1HWF7-07-0022-8100089	KANSAS NPDES PROGRAM	3/31/98

Regional Administrator - Region 8

E1SKG7-08-5001-8100082	REGION 8 FIELD SAMPLING QUALITY ASSURANCE	3/25/98
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ASSISTANT REGIONAL ADMINISTRATOR - REGION 9

E1AMN7-15-7001-8300004	PHYSICAL, ENVIRONMENTAL AND DISASTER RECOVERY CONTROLS SPECIFIC TO REGIONAL LOCAL AREA NETWORKS (LANs)	12/19/97
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Regional Administrator - Region 10

E1HWF7-10-0012-8100076	REGION 10 NPDES PERMIT PROGRAM	3/13/98
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OCTOBER 1, 1997 THROUGH MARCH 31, 1998

E1KAF7-10-0015-8100094	REGION 10 WASHINGTON STATE AIR ENFORCEMENT PROGRAM	3/30/98
E1GSF7-11-0019-8100093	WASHINGTON STATE RCRA SIGNIFICANT NON-COMPLIER	3/27/98

TOTAL	=	25	0	0	0	0
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## 2. CONSTRUCTION GRANT ASSIGNMENTS

P2CWL7-01-0024-8100069	CRANSTON	RI	3/ 4/98	232,715	0	0	0
TOTAL OF REGION 01 = 1				232,715	0	0	0
E2CWL7-02-0027-8100056	BRIDGEWATER	NJ	2/18/98	86,120	0	0	0
P2CWL5-02-0023-8100045	PARSIPPANY - TROY HILLS	NJ	1/22/98	1,824,949	384,061	0	0
TOTAL OF REGION 02 = 2				1,911,069	384,061	0	0
E2CWM7-03-0151-8200005	CITY OF YORK	PA	3/31/98	252,440	37,692	0	0
P2CWN5-03-0171-8300008	DISTRICT OF COLUMBIA	DC	1/22/98	865,917	347,491	0	0
P2CWN7-03-0005-8300009	COLUMBIA DISTRICT OF	DC	1/22/98	543,089	40,284	0	0
TOTAL OF REGION 03 = 3				1,661,446	425,467	0	0
E2HTL7-09-0065-8100033	CALIFORNIA SRF	CA	12/31/97	0	0	0	0
TOTAL OF REGION 09 = 1				0	0	0	0
TOTAL CONSTRUCTION GRANT ASSIGNMENTS = 7				3,805,230	809,528	0	0

## 3. OTHER GRANT ASSIGNMENTS

C3HVK8-33-0004-8500008	SHREVEPORT CITY OF	LA	11/ 5/97	0	0	0	0
C3HVK8-33-0026-8500017	KALAMAZOO CITY OF	MI	1/21/98	0	0	0	0
C3HVK8-33-0027-8500023	AKRON CITY OF	OH	2/ 4/98	0	0	0	0
G3HJV7-33-0029-8500013	WHITLEY CO. CONSOL. SCHLS	IN	12/19/97	0	75,010	0	0
G3HVV7-33-0010-8500033	OSFM FY 95/96	IL	3/10/98	24,747	0	0	0
N3HJV7-33-0022-7500058	DELAWARE STATE OF	DE	10/ 2/97	0	0	0	0
N3HVK8-33-0001-8500001	DETROIT	MI	10/15/97	0	0	0	0
N3HVK8-33-0002-8500002	KANSAS STATE	KS	10/15/97	0	0	0	0
N3HVK8-33-0006-8500003	EASTERN BAND OF CHER. IND.	NC	10/27/97	0	0	0	0
N3HUK8-33-0003-8500004	NEBHE	MA	10/27/97	0	0	0	0
N3HVK8-33-0009-8500005	NEVADA STATE OF	NV	10/28/97	0	0	0	0
N3HVK8-33-0010-8500006	SANDIA PUEBLO OF	NM	10/28/97	0	0	0	0
N3HVK8-33-0011-8500007	SANDIA PUEBLO OF	NM	10/28/97	0	0	0	0
N3HUK7-33-0027-8500009	CINCINNATI UNIVERSITY OF	OH	11/ 5/97	0	0	0	0
N3HJV8-33-0016-8500010	WISCONSIN STATE OF	WI	11/18/97	0	0	0	0
N3HVK8-33-0012-8500011	SENECA NATION OF INDIANS	NY	11/18/97	0	0	0	0
N3HVK8-33-0007-8500012	RHODE ISLAND STATE OF	RI	12/ 2/97	0	57,168	0	0
N3HJV8-33-0020-8500014	INDIANA STATE OF	IN	12/19/97	0	0	0	0
N3HVK8-33-0015-8500015	NEW JERSEY STATE OF	NJ	1/ 5/98	0	0	0	0
N3HVK8-33-0021-8500016	PENNSYLVANIA COMMONWEALTH OFPA	PA	1/ 5/98	0	0	0	0
N3HJV8-33-0030-8500018	ARIZONA STATE OF	AZ	1/22/98	9,829	0	0	0
N3HJV8-33-0024-8500019	INDIANA STATE OF	IN	1/23/98	0	0	0	0
N3HJV8-33-0032-8500020	OKLAHOMA STATE OF	OK	1/23/98	0	0	0	0
N3HVK8-33-0036-8500021	YAVAPAI-PRESCOTT INDIAN TRIBAZ	AZ	1/28/98	0	0	0	0
N3HJV8-33-0038-8500024	WASHINGTON STATE OF	WA	2/ 5/98	0	0	0	0
N3HJV8-33-0029-8500025	WINCHESTER CITY OF	IN	2/ 5/98	0	0	0	0
N3HUK8-33-0039-8500026	WAYNE STATE UNIVERSITY	MI	2/ 9/98	0	0	0	0
N3HJV8-33-0034-8500027	ALABAMA STATE OF	AL	2/ 9/98	0	0	0	0
N3HVK8-33-0040-8500028	WEST VIRGINIA STATE OF	WV	2/11/98	0	0	0	0
N3HVK8-33-0042-8500029	WAYNE COUNTY	MI	2/11/98	0	0	0	0
N3HJV8-33-0035-8500030	ALASKA STATE OF	AK	2/20/98	0	0	0	0
N3HVK8-33-0005-8500031	IOWA STATE OF	IA	3/ 5/98	0	0	0	0
N3HVK8-33-0005-8500032	IOWA STATE OF	IA	3/ 5/98	0	0	0	0

TOTAL OF REGION 33 =	33	34,576	132,178	0	0
E3LLL7-06-0031-8100040	LUST COOPERATIVE AGREEMENTS	1/22/98	0	0	0
TOTAL OF REGION 06 =	1	0	0	0	0
TOTAL OTHER GRANT ASSIGNMENTS	= 34	34,576	132,178	0	0

#### 5. SUPERFUND GRANT ASSIGNMENTS

E5BFN7-03-0157-8300010	CLEAN SITES INC.	VA	2/20/98	0	24,676	0	0
TOTAL OF REGION 03 =	1	0	24,676	0	0	0	
P5BGN7-06-0036-8300002	NATURAL RESOURCE COMMISSION TX		12/ 9/97	31,128	116,682	0	0
TOTAL OF REGION 06 =	1	31,128	116,682	0	0	0	
H5BFL7-20-0007-8100002	IAG AUDIT REPORT		10/10/97	0	0	0	0
TOTAL OF REGION 20 =	1	0	0	0	0	0	
TOTAL SUPERFUND GRANT ASSIGNMENTS	= 3	31,128	141,358	0	0	0	

#### 8. OTHER CONTRACT ASSIGNMENTS

D8BWL4-44-0062-8100001	WOODWARD-CLYDE CONSULTANTS	CO	10/ 9/97
D8CML7-44-1192-8100003	SRA TECHNOLOGIES	VA	10/16/97
D8BML5-44-0065-8100004	ENERGY & ENVIRONMENTAL ANALYVA		10/22/97
D8BML4-44-0115-8100005	ADVANCED SYSTEMS TECHNOLOGY	GA	10/22/97
D8BML7-44-1101-8100007	KBN ENG. & APPLIED SCIENCES	GA	10/22/97
D8CML7-44-1087-8100009	HYDROGEOLOGIC INC.	VA	10/22/97
D8BML6-44-0183-8100011	JWK INTERNATIONAL CORP.	VA	10/22/97
D8BML7-44-0010-8100012	SOUTHWEST RESEARCH INSTITUTETX		10/22/97
D8EML7-44-1051-8100013	CADMUS GROUP INC	MA	10/31/97
D8BML7-44-0113-8100014	NCI INFORMATION SYSTEMS,INC	VA	11/ 3/97
D8BML7-44-3026-8100016	MATHTECH FY94 & 95 INCURRED	NJ	11/ 3/97
D8CML5-44-0326-8100017	CDM FEDERAL PROGRAMS CORP.	VA	11/ 3/97
D8BML4-44-0047-8100019	RADIAN	TX	11/ 3/97
D8BML5-44-0074-8100020	ADVANDC SYSTEMS TECHNOLOGY	GA	11/ 7/97
D8BML6-44-0154-8100026	DYNAMAC	MD	12/ 4/97
D8BML7-44-0008-8100027	GRUZEN SANTON	NY	12/ 4/97
D8GML7-44-1185-8100028	MIDWEST RES INST	MO	12/ 9/97
D8AML7-44-1162-8100035	CHOICE CONSTRUCTION COMPANY	OH	1/13/98
D8AML7-44-1162-8100038	CHOICE CONSTRUCTION COMPANY	OH	1/15/98
D8AMP7-44-1158-8100039	PERFORM TECH	VA	1/15/98
D8AML7-44-1163-8100043	M&R ENTERPRISES	OH	1/21/98
D8AML7-44-1163-8100044	M&R ENTERPRISES	OH	1/21/98
D8EML8-44-2034-8100047	HAGLER BAILLY		1/27/98
D8EML7-44-1110-8100049	ELGIN DDBM NEEDHAM, INC.	WA	1/29/98
D8AML7-44-1125-8100050	OMNIPLEX WORLD SERVICES CORPVA		1/29/98
D8AML7-44-1160-8100051	WIND WALKER	VA	1/29/98
D8BML7-44-0067-8100059	TARITAS 96	MI	2/27/98
D8BML6-44-0063-8100060	SEAWARD SERVICES	FL	2/27/98
D8BML7-44-0065-8100062	ENVIRON SCIENCE & ENG 95	IL	2/27/98
D8BML7-44-0095-8100063	OAO CORPORATION	MD	2/27/98
D8BML6-44-0123-8100064	AUTO TESTING LAB 95	OH	2/27/98
D8BML6-44-0059-8100065	ACUREX CI 95	CA	2/27/98
D8BML7-44-1012-8100066	WESTAT, INC.	MD	2/27/98
D8BML5-44-0366-8100067	GARCIA CONSULTING INC	VA	2/27/98
D8BML7-44-0058-8100071	BOOZ ALLEN	VA	3/ 6/98
D8DML5-44-0190-8100073	ARTHUR D. LITTLE INC.	MA	3/ 6/98
D8BML7-44-2210-8100075	SYRACUSE RESEARCH CORP.	NY	3/ 6/98
D8BML4-44-0403-8100083	RCG INTERNATIONAL	VA	3/24/98
D8BML5-44-0142-8100085	EG&G DYNATREND INC.	MA	3/24/98
D8BML7-44-0092-8100086	RADIX II	MD	3/24/98
D8BML7-44-0097-8100087	INFORMATION DYNAMICS, INC.	DC	3/24/98

\* The dollar value of contract audits have not been shown. Public disclosure of the dollar value of financial recommendations could prematurely reveal the Government's negotiating positions or release of this information is not routinely available under the Freedom of Information Act. The number of these reports and dollar value of the findings have been included in the aggregate data displayed below. Such data individually excluded in this listing will be provided to the Congress under separate memorandum within 30 days of the transmittal of the semiannual report to the agency head. The transmitted data will contain appropriate cautions regarding disclosure.

D8BML7-44-1132-8100088	ELLSWORTH ASSOCIATES INC.	VA	3/24/98
D8BMM4-44-0263-8200001	INFOPRO INCORPORATED	MD	10/22/97
D8BMM7-44-1143-8200002	SIERRA RESEARCH, INC.	CA	12/ 2/97
D8BMM7-44-2029-8200003	ENVIRONMENTAL HEALTH & ENGR	MA	12/ 4/97
D8AMP7-44-1158-8400005	PERFORM TECH	VA	1/21/98
D8AMP7-44-1159-8400007	CONSOLIDATED TECH SERVICES	MD	1/29/98
D8AMP8-44-2016-8400008	SCIENCES INTERNATIONAL	VA	1/29/98
D8AMP7-44-1193-8400009	COMPUTER BASED SYSTEMS INC	VA	1/29/98
D8AMP8-44-2052-8400011	GKY ASSOCIATE	VA	2/17/98

TOTAL OF REGION 44 = 50

D8BML7-03-0096-8100023	TRANDES CORPORATION	MD	11/20/97
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TOTAL OF REGION 03 = 1

E8EML6-22-0025-8100029	ICF KAISER ACCTG SYSTEM	VA	12/15/97
E8GML8-22-0103-8100031	ICF FPG D/S 96R2		12/30/97
E8GML8-22-0102-8100034	ICF CON GRP SGMT DS 96 R2		1/12/98
E8GML8-22-0111-8100036	ICF 96 INTERMED HO D/S		1/15/98
E8EML6-22-0033-8100042	ICF EST SYSTEM FOLLOW-UP		1/20/98
E8GML8-22-0103-8100048	ICF FPG D/S 96R2		1/29/98
E8GML8-22-0103-8100055	ICF FPG D/S 96R2		2/11/98
E8GML8-22-0111-8100068	ICF 96 INTERMED HO D/S		3/ 2/98
E8GML8-22-0104-8100079	ICF KAISER INT INC DSR2		3/16/98
E8RMP8-22-0116-8400012	FY86 I/C FOLLOWUP		3/ 5/98

TOTAL OF REGION 22 = 10

E8SAP8-05-0039-8400004	OI OMS CONTRACT		12/31/97
E8BSP7-05-0041-8400010	AT KEARNEY 93	IL	1/30/98

TOTAL OF REGION 05 = 2

TOTAL OTHER CONTRACT ASSIGNMENTS	=	63	0	0	0	0
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#### 9. SUPERFUND CONTRACT ASSIGNMENTS

D9BFL7-44-0086-8100006	MARASCO NEWTON GROUP LTD.	VA	10/22/97
D9BGL6-44-0057-8100008	TAMS CONSULTANTS FY95 INCURRNY		10/22/97
D9BFL6-44-0160-8100010	INFOPRO	MD	10/22/97
D9BGL7-44-0023-8100015	EG&G DYNATREND FY93 INCURREDMA		11/ 3/97
D9CFL6-44-0129-8100018	ROY F. WESTON INC.	PA	11/ 3/97
D9CFL6-44-0167-8100021	ROY F. WESTON INC.	PA	11/17/97
D9BKL5-44-0038-8100022	B&V WASTE SCIENCE & TECH CORMO		11/20/97
D9CFL6-44-0190-8100053	ROY F. WESTON INC.	PA	2/ 4/98
D9BFL8-44-2014-8100061	TAMS CONSULTANTS INC	NY	2/27/98
D9BFL4-44-0424-8100072	ENVIRONMENTAL TECHNOLOGY	VA	3/ 6/98
D9BFL7-44-1060-8100074	C&C JOHNSON & MALHOLTRA	MD	3/ 6/98
D9BFL6-44-0164-8100084	CDM FEDERAL PROGRAMS CORP	VA	3/24/98
D9BFM7-44-1047-8200004	SVERDRUP ENVIRONMENTAL	MO	12/ 4/97

TOTAL OF REGION 44 = 13

E9AGP8-02-0405-8400013	MALCOLM PIRNIE INC.	NY	3/ 9/98
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TOTAL OF REGION 02 = 1

E9BGL4-05-0317-8100041	EARTH TECH 93 (WW ENG)	WI	1/20/98
E9BGL5-05-0180-8100054	EARTH TECH 94	MI	2/ 6/98
E9BGL6-05-0142-8100077	EARTH TECH 95	MI	3/10/98

TOTAL OF REGION 05 = 3

E9BHL4-23-0026-8100081	EQMI 93	MR	3/19/98
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TOTAL OF REGION 23 = 1

TOTAL SUPERFUND CONTRACT ASSIGNMENTS	=	18	3,876	0	0	0
TOTAL REPORTS =		150	3,874,810	1,083,064	0	0

## Appendix 2 -- Reports Without Management Decision

### Reports Issued Without Management Decision - 180 Days Past Report Issue Date

Action Official	No Response Received	Response In Review Process	Inadequate Response	Appeal to ARB
Grants Administration Division	8	3	0	0
Office of Acquisition Management (OAM) Contract Mgmt Division RTP	5	0	0	0
OAM Cost Advisory - CRNSC	8	4	2	0
OAM Cost Advisory - FASC	8	1	2	0
Assistant Administrator for Adm & Resources Management	2	2	0	0
Office of Information Resources Management	1	0	0	0
Assistant Administrator for Water	0	0	1	0
Assistant Administrator for Office of Enforcement & Compliance Assurance	0	0	1	0
Regional Administrator Region 1	1	1	0	0
Regional Administrator Region 2	3	0	0	0
Grants Financial Mgmt Region 3	2	0	0	0
Regional Administrator Region 3	11	0	0	0
Regional Administrator Region 4	1	0	0	0
Chief IMB Region 4	1	0	0	0
Comptroller Regions 5	3	0	0	1
Regional Administrator Region 5	2	0	0	0
Regional Administrator Region 6	2	0	0	0
Regional Administrator Region 8	0	0	1	0
Regional Administrator Region 9	1	1	0	0
Regional Administrator Region 10	3	0	0	0
<b>TOTALS 82</b>	<b>62</b>	<b>12</b>	<b>7</b>	<b>1</b>

## Appendix 3--Major Laws Administered by EPA

Statute	Provisions
Pollution Prevention Act	Provides that pollution should be prevented or reduced at the source, recycled safely when not preventable, treated safely when not preventable or recyclable, or disposed of a safe manner.
Toxic Substances Control Act	Requires EPA notification of any new chemical prior to its manufacture and authorizes EPA to regulate its production, use, or disposal..
Federal Insecticide, Fungicide, and Rodenticide Act	Authorizes EPA to register all pesticides, specify the terms and conditions of their use, and remove unreasonable hazardous pesticides from the marketplace.
Federal Food, Drug and Cosmetic Act	Authorizes EPA in cooperation with FDA to establish tolerance levels for pesticide residues on food.
Resource Conservation and Recovery Act and Solid Waste Disposal Act	Authorizes EPA to identify hazardous wastes and regulate their generation, transportation, treatment, storage, and disposal.
Comprehensive Environmental Response, Compensation, and Liability Act	Requires EPA to designate hazardous substances that can present substantial danger and authorizes the cleanup of contaminated sites.
Clean Air Act	Authorizes EPA to set emission standards to limit the release of criteria pollutants and hazardous air pollutants.
Clean Water Act	Requires EPA to establish a list of water pollutants and set standards.
Safe Drinking Water Act	Requires EPA to set drinking water standards to protect public health from hazardous substances.
Marine Protection, Research and Sanctuaries Act	Regulates ocean dumping of toxic contaminants.
Asbestos School Hazard Abatement Act/ and Asbestos Hazard Emergency Response	Authorizes EPA to establish a comprehensive regulatory framework for controlling asbestos hazards in schools.
Emergency Planning and Community Right-to-Know Act	Requires States to develop programs for responding to hazardous chemical releases and requires industries to report on the presence and release of certain hazardous substances.
Oil Pollution Act of 1990	Makes EPA responsible for oil spill prevention, preparedness, response, and enforcement activities associated with non-transportation-related onshore oil facilities.
Environmental Research, Development, and Demonstration Authorization Act	Authorizes all EPA research and development programs.
National Environmental Education Act	Provides for a program of education on the environment through activities in schools and related educational activities, and to encourage students to pursue careers related to the environment.
National Environmental Policy Act of 1969	Provides a national policy requiring environmental impact statements describing potentially adverse effects of, and alternatives to, any major Federal action. Established the Council on Environmental Quality.

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## **OIG MAILING ADDRESSES and TELEPHONE NUMBERS**

### **OIG HOTLINE (202) 260-4977**

#### **Headquarters**

Environmental Protection Agency  
Office of Inspector General  
401 M Street, S.W. (2441)  
Washington, DC 20460  
(202) 260-3137

#### **Atlanta**

Environmental Protection Agency  
Office of Inspector General  
16th-100 Alabama St. SW  
Atlanta, GA 30303  
Audit: (404) 562-9830  
Investigations: (404) 562-9857

#### **Boston**

Environmental Protection Agency  
Office of Inspector General  
JFK Federal Building (OIG)  
(office at 1 Congress St)  
Boston, MA 02203  
Audit: (617) 565-3160  
Investigations: (617) 565-3928

#### **Chicago**

Environmental Protection Agency  
Office of Inspector General  
77 West Jackson Boulevard  
13th Floor (IA-13J)  
Chicago, IL 60604  
Audit: (312) 353-2486  
Investigations: (312) 353-2507

#### **Cincinnati**

Environmental Protection Agency  
Office of Inspector General  
MS : Norwood  
Cincinnati, OH 45268-7001  
Audit: (513) 366-4360  
Investigations: (312) 353-2507 (Chicago)

#### **Dallas**

Environmental Protection Agency  
Office of Inspector General (6OIG)  
1445 Ross Avenue, Suite 1200  
Dallas, TXs 75202-2733  
Audit: (214) 655-6621  
Investigations: (404) 562-9857 (Atlanta)

#### **Denver**

Environmental Protection Agency  
Office of Inspector General  
999 18th Street, Suite 500  
Denver, CO 80202-2405  
Audit: (303) 312-6872  
Investigations: (312) 353-2507 (Chicago)

#### **Kansas City**

Environmental Protection Agency  
Office of Inspector General  
726 Minnesota Avenue  
(office at 630 Minnesota Ave)  
Kansas City, KS 66101  
Audit: (913) 551-7878  
Investigations: (312) 353-2507 (Chicago)

#### **New York**

Office of Inspector General  
290 Boardway, Room 1520  
New York, NY 10007  
Audit: (212) 637-3080  
Investigations: (212) 637-3041

#### **Philadelphia**

Environmental Protection Agency  
Office of Inspector General  
841 Chestnut Street, 13th Floor  
Philadelphia, PA 19107  
Audit: (215) 566-5800  
Investigations: (215) 566-2361

#### **Research Triangle Park, NC**

Environmental Protection Agency  
Office of Inspector General  
Catawba Building  
Highway 54, Mail Drop 53  
Research Triangle Park, NC 27711  
Audit: (919) 541-2204  
Investigations: (919) 541-1027

#### **Sacramento**

Environmental Protection Agency  
Office of Inspector General  
650 Capitol Mall, Suite 6309  
Sacramento, CA 95814  
Audit: (916) 498-6530  
Investigations: (415) 744-2465 (SF)

#### **San Francisco**

Environmental Protection Agency  
Office of Inspector General  
75 Hawthorne St (1-1)  
19th Floor  
San Francisco, CA 94105  
Audit: (415) 744-2445  
Investigations: (415) 744-2465

#### **Seattle**

Environmental Protection Agency  
Office of Inspector General  
1200 6th Avenue, 19th Floor  
Suite 1920, M/S OIG-195  
Seattle, WA 98101  
Audit: (206) 553-4033  
Investigations: (206) 553-1273

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