

# Office of Inspector General Semiannual Report to the Congress

April 1, 1998 through  
September 30, 1998



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## 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

- ❶ 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.
- ❷ Foster strong working relationships.
- ❸ Operate at the highest performance level.

## Foreword

I am honored to have been selected as EPA's Inspector General. The Office of Inspector General has an impressive track record, which I hope to build upon by serving as a force for positive change.

This semiannual report identifies improvements that EPA needs to make to ensure that it uses defensible data when making environmental decisions. One EPA region could not show that Superfund removal decisions were supported by sound environmental data for the five sites we reviewed. We have identified similar problems in other regions over the past few years. Senior managers have been slow to improve their quality assurance processes, but have pledged to address the problems.

We recently issued a consolidated report on EPA oversight of state air enforcement programs. This report focuses on EPA Headquarters role in working with EPA regions and states to help ensure that inspections are adequate to detect significant violators of the Clean Air Act, and that such violators are reported. The importance of this issue was further highlighted in our report on Idaho's air enforcement program which we found was not sufficient to deter violators, or return them to compliance in a timely manner. In fiscal year 1999, we will begin a series of multimedia enforcement audits.

While EPA has taken many positive steps to address contract management problems, the appearance of using contracts for personal services is a vulnerability that EPA needs to focus more attention on. Personal services contracts are characterized by an employer-employee relationship between the government and contractor personnel. Such personal services relationships can result in work performed outside the scope of the contract and giving the incumbent contractor an advantage during future contract awards.

Our investigations are consistently achieving significant results. In April 1998, an environmental laboratory in Pennsylvania was sentenced to pay nearly \$5.6 million as a result of pleading guilty to nine criminal counts including conspiracy, false statements, false claims, mail fraud, and violations of the Clean Water Act. The laboratory acknowledged that it repeatedly provided false water, sewage, and soil test results for an estimated 415 customers from January 1988 to February 1997. The former laboratory director was convicted of federal charges and is serving a prison sentence. A former technical director of the laboratory was sentenced to three years probation, fined, and ordered to pay restitution. The conspiracy affected schools, hospitals, local governments, and businesses, including Tobyhanna Army Depot, which paid the laboratory to test samples for hazardous wastes, contamination of ground water, and for pollutants discharged into rivers and streams.

EPA's continuing commitment to improvement has been demonstrated by resolving \$100 million in outstanding questioned costs, which represents a 51 percent decrease in the last year. We encourage Agency management to continue making audit followup a priority and to be even more timely in audit resolution. Audit followup is a shared responsibility and the OIG is willing to assist Agency managers in quickly and effectively resolving open audit reports.

As Inspector General, I look forward to working with the Administrator, Agency managers, Congress, and EPA's various stakeholders to help ensure that EPA delivers the maximum in environmental and health benefits to the public.

Nikki L. Tinsley  
Inspector General

# Profile of Activities and Results

April 1, 1998 to September 30, 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		
Fiscal	April 1, 1998 to September 30, 1998		April 1, 1998 to September 30, 1998	Fiscal 1998	
1998					
<b>Questioned Costs *</b>			<b>Questioned Costs *</b>		
- Total	\$ 15.4	\$	- Total	\$ 0.9	\$ 1.2
<b>22.3</b>			- Federal	0.9	1.2
- Federal	10.2	15.0			
<b>Recommended Efficiencies*</b>			<b>Recommended Efficiencies*</b>		
- Federal	0	\$	- Federal	\$ 3.2	\$ 3.2
<b>2.0</b>					
<b>Costs Disallowed to be Recovered</b>			<b>Costs Disallowed to be Recovered</b>		
- Federal	\$ 62.5	\$ 76.9	- Federal	\$ 0.3	\$ 0.3
<b>Costs Disallowed as Cost Efficiency</b>			<b>Costs Disallowed as Cost Efficiency</b>		
- Federal	\$ 0	\$ 2.0	- Federal	\$ 3.2	\$ 3.2
<b>Reports Issued - OIG Managed Reviews:</b>			<b>Reports Issued - Other Reviews:</b>		
- EPA Reviews Performed By OIG:	60	107	- EPA Reviews Performed by Another Federal Agency:	139	204
- EPA Reviews Performed by			- Single Audit Act Reviews:	43	76
- Independent Public Accountants:	5	10			
- EPA Reviews Performed by State Auditors:	0	0			
<b>Total</b>	<b>65</b>	<b>117</b>	<b>Total</b>	<b>182</b>	<b>280</b>
<b>Reports Resolved (Agreement by Agency officials to take satisfactory corrective action.) ***</b>	<b>92</b>	<b>214</b>	<b>Agency Recoveries - Recoveries from Audit Resolutions of Current and Prior Periods (cash collections or offsets to future payments.)**</b>	<b>\$34.6M</b>	

<b>Investigative Operations</b>		<b>Fraud Detection and Prevention Operations</b>		
<b>Fines and Recoveries (including civil)</b> <b>\$15.0</b>	<b>\$10.1</b>	<b>Hotline Cases Opened</b>	<b>46</b>	<b>65</b>
<b>Savings/Repudiated Claims</b> <b>9.6</b>	<b>0</b>			
<b>Investigations Opened</b> <b>127</b>	<b>37</b>	<b>Hotline Cases Processed and Closed</b>	<b>41</b>	<b>58</b>
<b>Investigations Closed</b> <b>84</b>	<b>42</b>	<b>Personnel Security Investigations</b> <b>Adjudicated</b>	<b>362</b>	<b>795</b>
<b>Indictments of Persons or Firms</b> <b>17</b>	<b>11</b>	<b>Legislative and Regulatory</b> <b>Items Reviewed</b>	<b>24</b>	<b>51</b>
<b>Convictions of Persons or Firms</b> <b>9</b>	<b>4</b>			
<b>Administrative Actions Against</b> <b>EPA Employees/ Firms</b> <b>38</b>	<b>13</b>			
<b>Civil Judgments</b> <b>7</b>	<b>4</b>			

\* 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](http://www.epa.gov/oigearth)



# Executive Summary

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

### 1. EPA's Oversight of Regional and State Air Enforcement Programs Is Inadequate

Numerous significant air pollution violators went undetected, and many of those identified were not reported to EPA. Without information about significant violators, EPA could neither evaluate states' enforcement programs, nor act when a state did not enforce the Clean Air Act. The effectiveness of air enforcement programs suffered, in large part, because EPA and the states did not adhere to EPA requirements (page 8).

### 2. Idaho's Air Enforcement Program Did Not Prevent Threats to Human Health and the Environment

Idaho either did not take enforcement actions against significant air polluters or did not escalate the level of actions when polluters were non-responsive. In many instances, the polluters had histories of repeated and continuous air quality violations that lasted for years. Region 10's lack of oversight contributed to Idaho's ineffective enforcement program (page 10).

### 3. EPA Had Not Effectively Implemented Its Superfund Quality Assurance Program

Although EPA had developed many critical elements necessary for an effective quality assurance program, it had not fully developed, implemented, and reported on the program's effectiveness. Project managers responsible for data collection lacked the training and guidance needed to effectively perform quality assurance activities (page 11).

### 4. Region 9's Environmental Data Quality System for Superfund Removal Actions Is Insufficient

Region 9's data quality assurance system was insufficient because decision makers did not perceive data quality as a risk to decision making, and thus did not require adequate implementation. Consequently, data was not of known and acceptable quality for decision making (page 13).

### 5. Region 2 Had Not Billed \$31.5 Million of Superfund Oversight Costs

Region 2 did not recover cleanup oversight costs from responsible parties for as long as 11 years. When delayed bills were sent, the responsible parties disputed the amounts and requested extensive supporting documentation. Collections were further delayed. Untimely billings and collections resulted in unnecessary delays in replenishing the Superfund Trust Fund and in limiting EPA's ability to clean up other priority sites (page 15).

### 6. Additional Effort Needed by Region 9 to Make Superfund Oversight Cost Billings Current

Region 9 generally did not bill Superfund oversight costs timely--with delays up to 36 months. For overdue bills, the Region did not send dunning letters or follow-up bills. Continued attention is needed to ensure that oversight billings are issued in 120 days and timely regional follow-up occurs (page 17).

### 7. EPA's Office of Water Data Integration Efforts Need to be More Focused and Significant

The Office of Water has not developed sufficient Information Technology plans, data standards or standard guidance that will facilitate data sharing or integration of data across Office of Water systems.

Without standardization and integration, EPA will continue operating stovepipe systems and may not have the environmental data needed to monitor state water programs (page 18).

#### **8. Region 5 Was Effectively Overseeing Responsible Parties' Remedial Construction Projects, But Could Do More**

Region 5 project managers ensured that cleanup remedies were being completed in accordance with the record of decision and that schedules in the settlement agreements were met. However, one way Region 5 could improve its oversight is by more frequently using independent quality assurance teams during construction cleanup (page 19).

#### **9. State Deferrals: Some Progress, But Concerns for Long-Term Protection Continue**

While 14 of 30 deferred hazardous waste sites were behind the schedules agreed to in consent decrees or other enforceable documents, generally the cleanups were progressing. Although the State Deferral program is a low priority, EPA should be aware of the significant concessions that were being made. Periodic checks on the long-term protection of the remedies used were not required. Also, EPA had no mechanism in place to monitor or evaluate community input on deferrals or their terminations (page 20).

#### **10. EPA Has Improved Its Environmental, Safety, and Health Program, But More Work is Needed**

Since our 1995 report, EPA has implemented most of our recommendations aimed at improving the protection of employees, facilities, and the environment. However, EPA needs to address training and personnel qualifications. Also, EPA should improve its reporting process for environmental audits (page 22).

#### **11. Region 1's Administrative Reforms Improved the Superfund Process**

Region 1's use of various Superfund reforms helped achieve EPA's goals to improve the equity and effectiveness of the Superfund process. However, the average processing time increased by almost three years. Improved equity or

community buy-in may come with the price of increased time and costs. Region 1 was one of the few regions to aggressively implement the Updating Remedy reform, saving \$75 million at 11 sites (page 23).

#### **12. Further Improvements Needed in the Working Capital Fund Financial Statements**

We could not determine if the fiscal 1997 Working Capital Fund financial statements reporting over \$41 million were fairly presented. EPA did not have policies and procedures in place to accumulate and report timely all revenue and expenses, and related receivables and payables (page 25).

#### **13. EPA Needs to Improve the Accuracy of Its Reporting of Reregistered Pesticides**

The fiscal 1997 Pesticide Reregistration and Expedited Processing Fund financial statements were fairly presented. However, for nearly a decade problems with EPA's tracking system for reregistered pesticides resulted in inaccurate reporting of product reregistrations. For fiscal 1997 product reregistrations were understated by 37 or 9 percent of the total (page 26).

#### **14. Not All Intended Residents Connected to Completed Texas Wastewater Treatment Projects**

Pollution prevention problems will continue to exist, posing ongoing threats to the health of residents and the environment, until all intended residents are connected to wastewater treatment facilities. Five completed projects had connection rates from 20 to 88 percent. Low rates of connection were attributed to affordability and improper handling of mandatory connection requirements (page 30).

#### **15. Federal Funds Used to Support Lobbying Activities**

Three State Rural Water Associations needed to improve their internal controls to adequately identify and exclude lobbying costs from charges to EPA assistance agreements. We could not identify the total dollar value of federal funds spent for unallowable lobbying costs because the funds were not properly identified or segregated in the accounting system. Inadequate identification and segregation of unallowable costs increases the likelihood federal funds will be used to pay for unallowable costs (page 31).

## **16. Better Information and Oversight Would Improve Assistance Awards**

EPA program offices did not always negotiate assistance agreements with well-defined commitments, adequately determine and document that costs submitted with assistance applications were reasonable, or prepare decision memoranda which contained all information required to support recommendations for award (page 33).

## **17. EPA Has Awarded Assistance Agreements Without Clear Statutory Authority**

Activities funded by EPA through assistance awards were not always within EPA's assistance authorities as described by relevant environmental statutes. We questioned 25 of the 57 assistance awards reviewed based on a comparison of the grant-making language in the statutes and the description of work to be performed (page 34).

## **18. EPA's Progress in Correcting Contract Management Deficiencies**

Since 1992 EPA has taken positive steps to address contract management deficiencies identified by the Agency's Standing Committee on Contracts Management. However, management's focus needs to be maintained in personal services and contractor access to confidential or sensitive data (page 37).

## **19. Instances or Appearances of Personal Services Under Contracts**

Agency controls were generally adequate to prevent personal services. However, EPA personnel were not always committed to applying the controls, which resulted in personal services or the appearance of personal services. This occurred in 13 of 23 (56 percent) contracts, and among nearly all of the major program offices reviewed (page 38).

## **20. Controls Over Contractor Access to Confidential Data Need to be Improved**

EPA has a system in place to control contractor access to confidential business information. However, the system does not adequately address controls over contractor access to other equally

sensitive data such as enforcement, Privacy Act or internal-sensitive information (page 39).

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

During this semiannual reporting period, our investigative efforts resulted in four convictions and eleven indictments. Also, our investigative work led to over \$10 million in fines and recoveries (page 43).

OIG-generated suspension and debarment cases during this reporting period resulted in two suspension and debarments (page 49).

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

During this semiannual period, we reviewed one legislative and 23 regulatory items. (page 52).

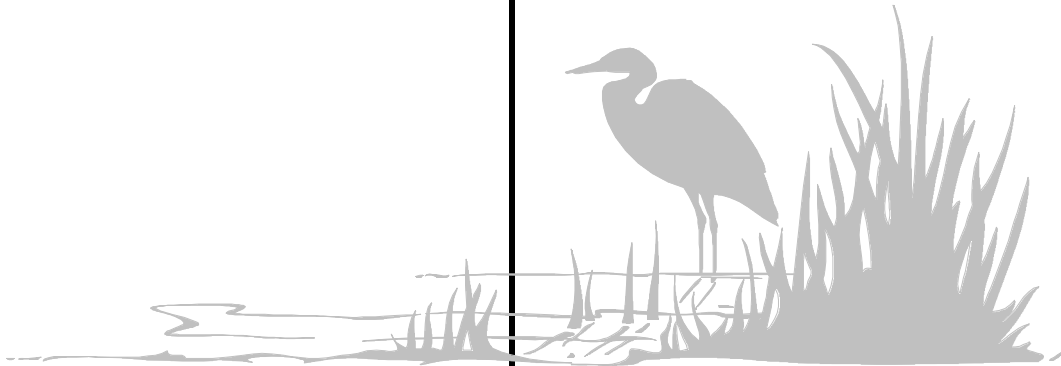
The EPA Committee on Integrity and Management Improvement (CIMI), chaired by the Inspector General, planned and implemented the annual Headquarters observance of Public Service Recognition Week (page 53).

Forty-six new hotline cases were opened and forty-one were closed during this reporting period. Of the cases closed, one resulted in prosecutive action (page 54).

## **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 123 reports for which no management decision had been made. During the second half of fiscal 1998, the Office of Inspector General issued 247 new reports and closed 240. At the end of the reporting period, 130 reports remained in the Agency followup system for which no management decision had been made. Of the 130 reports, 57 reports remained in the Agency followup system for which no management decision had been made within 6 months of issuance (page 57).

For the 92 reports closed that required Agency action, EPA management disallowed \$62.7 million of questioned costs and agreed with our recommendations that \$3.2 million be put to better use (page 57). In addition, cost recoveries in current and prior periods included \$1.9 million in cash collections, and at least \$32.7 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 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

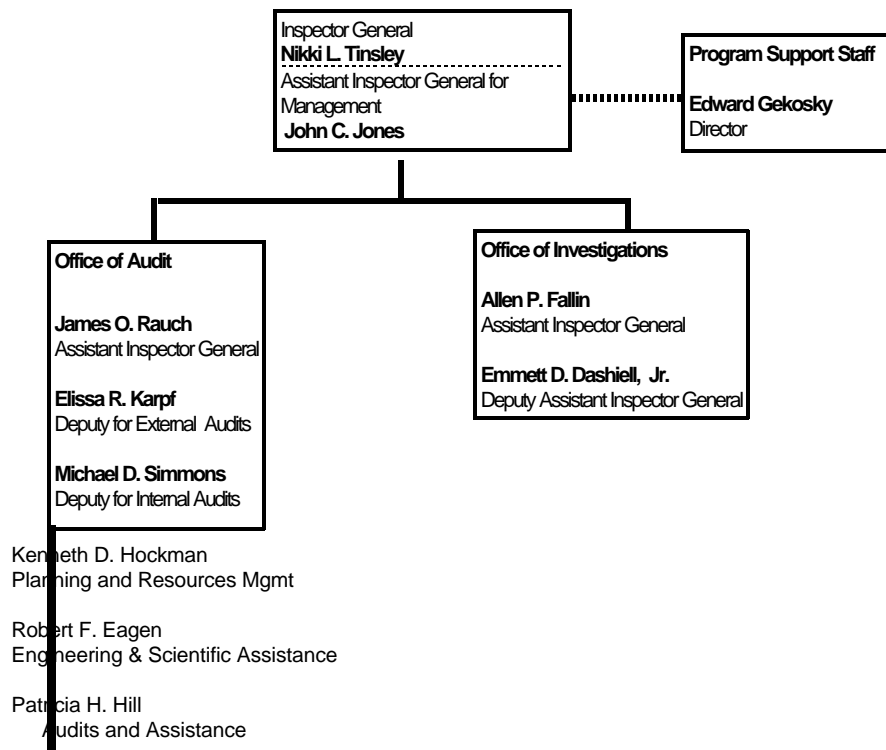
The Inspector General Act of 1978, as amended, requires the Inspector General to keep the Administrator and Congress fully and currently informed of problems and deficiencies in the Agency's operations and to recommend corrective action. The IG Act further specifies that semiannual reports will be provided 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 52
Section 5(a)(1)	Significant Problems, Abuses, and Deficiencies	1 8
Section 5(a)(2)	Recommendations with Respect to Significant Problems, Abuses, and Deficiencies	1 8
Section 5(a)(3)	Prior Significant Recommendations on Which Corrective Action Has Not Been Completed	Appendix 2 67
Section 5(a)(4)	Matters Referred to Prosecutive Authorities	2 44
Section 5(a)(5)	Summary of Instances Where Information Was Refused	*
Section 5(a)(6)	List of Audit Reports	Appendix 1 60
Section 5(a)(7)	Summary of Significant Reports	1 8
Section 5(a)(8)	Statistical Table 1-Reports With Questioned Costs	4 58
Section 5(a)(9)	Statistical Table 2-Reports With Recommendations That Funds Be Put To Better Use	4 59
Section 5(a)(10)	Summary of Previous Audit Reports Without Management Decisions	Appendix 2 67
Section 5(a)(11)	Description and Explanation of Revised Management Decisions	Appendix 2 67
Section 5(a)(12)	Management Decisions with Which the Inspector General Is in Disagreement	**
* <i>There were no instances where information or assistance requested by the Inspector General was refused during this reporting period.</i>		
** <i>There were no instances of management decisions with which the Inspector General was in disagreement.</i>		

# Office of Inspector General--Who's Who

## Headquarters



## Divisional Inspectors General for Audit

## Divisional Inspectors General for Investigations

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

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

**Region 3**  
Carl A. Jannetti

**Region 3**  
Patricia Brady

**Regions 4**  
Mary M. Boyer

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

**Region 5**  
Anthony C. Carrollo

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

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

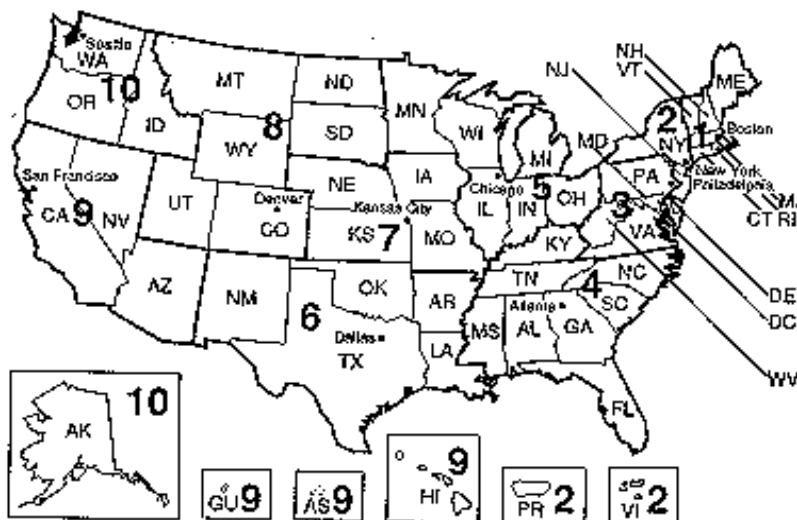
**Regions 9 & 10**  
Truman R. Beeler

### Headquarters:

**HQ Audit Division**  
Norman Roth

**Financial Audit Division**  
Melissa M. Heist

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



## 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 contractors' indirect cost rate submissions, price proposals, and conduct final audits of contractor claims. 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 11 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.

**EPA's Oversight of  
Regional and State Air  
Enforcement  
Programs Is  
Inadequate**

EPA sets national standards for the more serious toxic air pollutants that threaten human health and the environment. Section 105 of the Clean Air Act (Act) authorizes federal grants to help state and local agencies prevent and control air pollution by ensuring that facilities meet EPA standards. In fiscal year 1996, EPA awarded \$160 million in grants to states to carry out the Agency's priorities for air enforcement. The OIG performed six audits on EPA's oversight of the states' air enforcement data. National issues surfaced during these audits which formed the basis for this consolidated report.

### We Found That

The six air enforcement audits disclosed fundamental weaknesses with state identification and reporting of significant violators of the Act. Despite performing more than 3,300 inspections during the fiscal year reviewed, the six states we audited reported a total of only 18 significant violators to EPA. In contrast, we reviewed state enforcement files for 430, or 13 percent of the major facilities in these states and identified an additional 103 significant violators that the states did not report to EPA. In response to these audits, states and EPA regions agreed to corrective actions to improve enforcement, and EPA should ensure that they fulfill these commitments. Numerous significant air pollution violators went undetected, and many of those identified were not reported to EPA. This occurred because states either did not want to report violators or the quality of state inspections of facilities were inadequate to detect the violations. Without information about significant violators, EPA could neither assess the adequacy of the states' enforcement programs, nor take action when a state did not enforce the Act. Moreover, because violators were not always reported, EPA's information systems were unable to communicate accurate information to the general public.



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States and even EPA regions disregarded Agency requirements. The effectiveness of air enforcement programs suffered, in large part, because EPA and the states did not adhere to EPA's Timely and Appropriate Enforcement requirement (TAE) and its Compliance Monitoring Strategy (CMS).

For EPA's oversight system to work properly, the Office of Enforcement and Compliance Assurance (OECA) should oversee EPA regions, which are responsible for working with state agencies to promote an effective enforcement program. OECA had not assigned internal responsibility for the oversight and implementation of CMS. EPA regions did not always know who to contact in OECA for clarification of enforcement issues. OECA did not routinely analyze enforcement data to detect trends and problem areas, and its regional reviews did not always assess the adequacy of regional oversight to identify violators. Air grants did not include specific amounts for enforcement, which resulted in EPA's loss of leverage to ensure state compliance.

### **We Recommended That**

The Assistant Administrator for Enforcement and Compliance Assurance:

- Continually reinforce EPA regional compliance with the TAE and CMS.
- Assign oversight responsibility for the CMS.
- Work with the Office of Air and Radiation to earmark Section 105 grant funds for enforcement.
- Perform quality assurance of enforcement data.
- Evaluate regional air enforcement programs that assess regional compliance with the TAE and CMS.
- Improve communications with the EPA regions.
- Establish focal points within OECA so that states and EPA regions can obtain clarification of Agency enforcement directives.

### **What Action Was Taken**

*The final report (8100244) was issued to the Assistant Administrator for Enforcement and Compliance Assurance on September 25, 1998. In response to the draft report, the Assistant Administrator agreed with the findings and recommendations, and stated OECA formed a workgroup to streamline and clarify guidance. OECA met several times with state and local air enforcement officials and have tentatively agreed to a new*

**Idaho's Air Enforcement  
Program Did Not Prevent  
Threats to Human Health  
and the Environment**

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*definition of significant violator. Further workgroup discussion on the timely and appropriate aspects of the TAE guidance will follow. To improve communications with states and regions, OECA has designated two focal points, one each for TAE and CMS oversight. Also, OECA stated it will work with the Office of Air and Radiation to modify grant guidance to incorporate enforcement priorities. A response to the final report is due by December 24, 1998.*

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The Clean Air Act (CAA) authorizes EPA to set and enforce national standards for emissions that pollute the air to protect human health and the environment. The CAA assigns primary responsibility to the states for ensuring adequate air quality. Although Region 10 granted authority to Idaho to implement and enforce the stationary source air program, it still has oversight responsibilities to ensure that the program complies with federal laws and regulations.

### **We Found That**

Idaho's stationary source air enforcement program for significant violators (SVs) did not ensure compliance with laws and regulations and did not prevent threats to human health and the environment. A stationary source is a permanently fixed facility. Enforcement actions were either not taken or were not escalated against 18 of the 24 SVs we reviewed. In many instances, the sources had a history of repeated and continuous air quality violations of permit conditions that lasted for years.

Of the few penalties that Idaho had assessed, none included amounts for the economic benefit gained from noncompliance. Penalties were not large enough to credibly deter major air polluters. This happened because Idaho focused more on compliance assistance rather than enforcement. A lack of enforcement, and small or no penalties, gave SVs a financial incentive to continue polluting rather than returning their facilities to compliance. Further, the Compliance Assurance Agreement between Region 10 and Idaho did not require Idaho to follow EPA's enforcement guidance.

Region 10's lack of oversight contributed to Idaho's ineffective enforcement program. Specifically, the Region did not: (1) have a plan for assessing the State's program; (2) review any of the State's programs in the past five years; and (3) use its enforcement authority at all, and did not take enforcement actions when the State failed to do so. In addition, the Region did not recognize Idaho's air enforcement program as a weakness in its Federal Managers' Financial Integrity Act (FMFIA) assurance letter to the Administrator.

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## **We Recommended That**

The Regional Administrator, Region 10:

- Require the State to develop and implement policies and procedures that are consistent with EPA enforcement and inspection frequency guidance.
- Report the weaknesses in Idaho's stationary air enforcement program as a management control deficiency in the next FMFIA assurance letter to the EPA Administrator.
- Assume responsibility for enforcement of the stationary source program if the State is unable or unwilling to implement an enforcement program that is consistent with the Clean Air Act and EPA guidance.

## **What Action Was Taken**

*The final report (8100249) was issued to the Regional Administrator on September 30, 1998. In responding to the draft report, the Regional Administrator concurred with the recommendations and described corrective actions that have been or will be taken. These actions included discussions at the highest levels of management in both the Region and the State to work jointly through the steps to improve Idaho's air enforcement program. A response to the final report is due by December 29, 1998.*

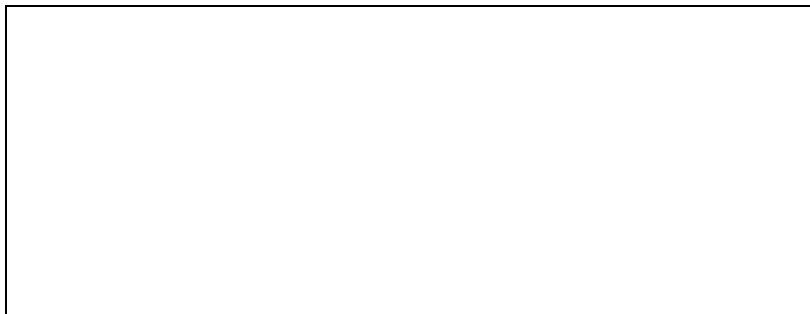
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### **EPA Had Not Effectively Implemented Its Superfund Quality Assurance Program**

EPA relies on environmental data to make important decisions on complex issues that have significant environmental, social, health, and economic impacts. Each year EPA and the regulated community spend about \$5 billion collecting environmental data. This data must be accurate and relevant to the decision-making process to be useful. The Office of Research and Development (ORD) has primary responsibility for developing the national quality assurance (QA) program and directing and overseeing its implementation. This report focused on QA in the Superfund program, but we also made recommendations concerning broader, Agencywide QA activities.

## **We Found That**

Although EPA had developed many critical elements necessary for an effective QA program, it had not fully developed, implemented, and reported on the program's effectiveness. EPA had not demonstrated a commitment to a cohesive, centrally-managed, mandatory Agencywide QA program. ORD had not required all EPA organizations to comply with minimum project planning requirements. Project managers responsible for Superfund data collection lacked the training and guidance needed to perform QA activities effectively.



Tucson International Airport PCB Removal Site (Photo by Dan Cox)

Senior EPA managers had not consistently implemented EPA's policy to develop project specific data quality objectives for Superfund environmental data collection. Seventy-nine percent of the regional project plans we reviewed either did not include adequately document data quality objectives, or did not contain any at all. The policy was only minimally successful in the Superfund program because managers had not provided sufficient direction or tools to implement the policy and had not assessed program implementation. Without the consistent use of a systematic planning process with clear criteria, EPA cannot be sure the environmental data it collects is of the type and quality needed to make sound cleanup decisions. EPA must perform adequate and effective oversight in this area or risk making inaccurate decisions that could adversely affect human health and the environment.

The OIG believes both the ORD and national Superfund QA managers were at too low a level to effect needed change and were not viewed by regional staff as being in positions of authority. Regional quality management plans showed that QA managers and staff were not appropriately located within their respective regions to accomplish QA objectives. For example, in one region the QA staff reported to a manager responsible for data collection activities, which was a conflict of interest. Five regions had QA managers located in the regional laboratories rather than in regional offices, making oversight difficult.

#### **We Recommended That**

The Acting Assistant Administrator for Research and Development:

- Develop a strategy to institutionalize the QA program.
- Establish and implement a method of ensuring adherence to minimum criteria for an adequate systematic planning process.
- Place QA managers at organizational levels where they can be effective and independent quality advocates.

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The Acting Assistant Administrator for Solid Waste and Emergency Response:

- Perform management and technical assessments of regional QA performance.
- Develop adequate oversight procedures to ensure data is of sufficient quality to support decision-making.
- Provide Superfund staff with sufficient tools to implement EPA's data quality objectives policy.

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

*The final report (8100240) was issued to the Acting Assistant Administrators for Research and Development, and Solid Waste and Emergency Response on September 30, 1998. In response to the draft report, the Acting Assistant Administrators generally agreed with the recommendations, except for placing QA managers at a different organizational level, and proposed corrective actions. A response to the final report is due by December 29, 1998.*

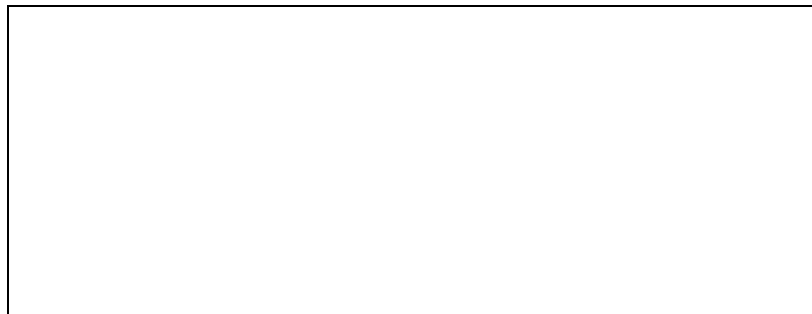
#### **Region 9's Environmental Data Quality System for Superfund Removal Actions Is Insufficient**

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EPA's Emergency Response Program responds to threats posed by the sudden or unexpected release of hazardous substances. Region 9's Emergency Response Office manages the majority of these responses, called removal actions, for California, Nevada, Arizona, Hawaii, and the Pacific Islands. The Region's Superfund Program has experienced serious problems with environmental data quality that are likely to continue. Risks to environmental data are significant because data is the basis for EPA's decision-making and enforcement actions.

#### **We Found That**

Region 9 did not have a quality management plan which adequately documented and described the quality system for removal actions. Further, our review of five removal actions showed that most of the site-specific quality assurance project plans: (1) were not based on the seven-step data quality objectives process, EPA's systematic planning method, (2) were not designed to prevent and detect inappropriate quality data, (3) did not include defensible or optimal plans for collecting data, (4) were not implemented or monitored, and (5) were not reviewed or approved by the Region's Quality Assurance Office.



Perimeter Source Control Trench Treatment System (Photo by Phil Wehrouch)

We believe the main reason the quality system was insufficient was because decision-makers did not perceive data quality as a risk to decision-making, and thus did not require adequate implementation of the system. Consequently, data was not of known and acceptable quality for

decision-making. Specifically, we found that the Region: (1) completed three of these removal actions without appropriate quality data for decision-making, and (2) analyzed about 420 samples over four years at one removal action that were not used for the decision indicated in the sampling plan.

*“Data cannot be evaluated as good or not good until the use of that data has been clearly defined.”*

**-Principles of Environmental Sampling,  
Second Edition, 1996**

### **We Recommended That**

The Regional Administrator, Region 9:

- Develop a quality management plan for Superfund removal actions.
- Develop data quality objectives for all removal actions using a team approach that involves facilitators, on-scene coordinators, quality assurance experts, statisticians, and technical experts.
- Amend on-scene coordinators' responsibilities for quality assurance project plans to include the consideration of critical quality assurance activities along with approval, implementation, and monitoring of project plans.
- Require the Quality Assurance Office to review and approve all quality assurance project plans.

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## What Action Was Taken

*The final report (8100223) was issued to the Regional Administrator, Region 9, on September 4, 1998. In responding to the draft report, the Region agreed with all recommendations and said it believed that these actions, together with other ongoing efforts, should greatly enhance the management of data quality at Superfund removal actions. The Region also said that it "firmly believes that the five removal actions considered in preparation of the report were appropriate and protective of human health." A response to the final report is due by December 4, 1998.*

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### **Region 2 Had Not Billed \$31.5 Million of Superfund Oversight Costs**

Superfund legislation authorizes EPA to recover its costs for cleaning up sites from the responsible parties to help replenish the Superfund Trust Fund. This includes costs EPA incurs to oversee cleanup activities. Recovery is initiated through negotiation with, or legal action against, a responsible party (RP). Judicial and non-judicial actions establish EPA's legal right to be reimbursed by the RP for oversight costs. Based on these orders, Region 2 prepares bills and establishes accounts receivables.

## We Found That

Region 2 did not bill and collect in a timely manner accumulated Superfund oversight costs. The Region did not recover cleanup oversight costs from RPs for as long as 11 years. Also, when delayed bills were sent, RPs disputed the amounts and requested extensive supporting documentation. Collections were further delayed. At least 17 of the 68 (25 percent) delayed bills for oversight since 1989 contained errors and were reduced by \$5.4 million.

The Region issued enforcement documents with oversight reimbursement provisions for 115 Superfund sites. However, from April 1989 to September 1997, the Region issued bills for only 68 sites (60 percent). As of September 30, 1997, Region 2's fiscal year 1997 Unbilled Oversight Closing Balance Calculation was \$31.5 million for 89 Superfund sites. This was an increase of \$2.1 million since September 30, 1996.

Billing delays were generally caused by the Region's inadequate management control system. Contributing factors were other competing priorities, inadequate tracking systems, vague or nonexistent billing requirements in Consent Decrees, inadequate coordination between program offices and the Office of Regional Counsel, and difficulty in segregating oversight from other response costs.

Untimely oversight billings and collections resulted in unnecessary delays in replenishing the Superfund Trust Fund. The delays limited EPA's ability to clean up other priority sites and further protect human

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health and the environment. Unbilled costs also caused understatements in the account receivable and revenue account balances in EPA's financial statements. Significant amounts of interest that would have accrued to the Trust Fund were also lost or postponed.

Before fiscal 1998, Region 2 oversight bills were a low priority. However, since the first quarter of 1998, the Region has been concentrating on the backlog of bills. As of May 1998, 14 bills had been issued, 14 were subsumed in larger negotiations, 3 had no further costs to be billed, and 8 others will be addressed in fiscal year.

### **We Recommended That**

The Regional Administrator, Region 2:

- Emphasize oversight billings as a priority activity and ensure that all pending bills are issued by the end of fiscal 1998. A quarterly reconciliation should be prepared, backlogged bills addressed, and necessary actions taken.
- Ensure that future oversight costs are billed in accordance with the enforcement agreements signed by the Region or within 120 days of the anniversary date if the agreement is silent as to billing requirements.
- Modify existing written oversight billing procedures to include timeframes for initiating, assembling, reviewing, and issuing oversight bills by all participating offices.
- Initiate and document periodic meetings between officials involved in the oversight process to improve coordination and timeliness between the offices.

### **What Action Was Taken**

*The final report (8100206) was issued to the Regional Administrator, Region 2, on August 13, 1998. In response to the draft report, Region 2 agreed that it should endeavor to issue bills on a timely, regular basis and has taken steps to improve its record. However, the Region disagreed with some of the numbers in the report, and explained that several billings were delayed due to extenuating circumstances. Further, Region 2 stated it has addressed 94 percent of the billable sites as of September 30, 1998, and has established the process for tracking and issuing oversight bills. A response to the final report is due by November 12, 1998.*

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**Additional Effort  
Needed by Region 9 to  
Make Superfund  
Oversight Cost Billing  
Current**

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EPA incurs oversight cost while monitoring cleanup work performed by responsible parties (RPs) at Superfund sites. The Comprehensive Environmental Response, Compensation, and Liability Act (CERCLA) authorizes EPA to recover these costs to help replenish the Superfund Trust Fund. Such recoveries are accomplished by the use of a Consent Decree or an Administrative Order on Consent.

**We Found That**

Region 9's procedures and internal controls, if properly implemented, are generally adequate to ensure that Superfund remedial action oversight costs are properly classified, recorded, and billed to RPs. By July 1998, the Region had made significant progress in reducing a sizeable longstanding backlog. Continued attention is necessary to assure that the Region is able to meet EPA's standard for preparing current oversight billings within 120 days of the consent decree or administrative order anniversary date. We found delays of up to 36 months in billing oversight costs. Also, for overdue bills, Region 9 was not sending dunning letters or follow-up bills to RPs. Some of the delays in billing oversight costs can be attributed to the complexity of the cost package process, the lengthy periods being billed, extended delays in preparing bills, and the extent to which cost packages were being documented. We identified some opportunities for the Region to improve its oversight billing processes.

**We Recommended That**

The Regional Administrator, Region 9:

- Evaluate current processes to identify streamlining opportunities, especially considering minimizing documentation being supplied to RPs.
- Strengthen regional procedures for follow-up on delinquent accounts receivable.
- Assure that adjustments to accrued unbilled oversight costs are appropriately documented and approved.

**What Action Was Taken**

*The final report (8100259) was issued to the Regional Administrator, Region 9 on September 30, 1998. In response to the draft report, the Region generally agreed with the audit findings and recommendations. A response to the final report is due by December 29, 1998.*

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**EPA's Office of Water  
Data Integration Efforts  
Need to be More  
Focused and  
Significant**

Data management and cross-integration of media has been a long-standing problem for the Agency. Although data management has been an Agency-level Federal Managers' Financial Integrity Act weakness since 1994, the Office of Information Resources Management (OIRM) has made limited progress towards establishing a fully-operational data standards program. Data standardization is key to the Agency's goal to integrate data across its information systems.

**We Found That**

The Office of Water (OW) has not developed Information Technology plans, data standards or standard guidance that will facilitate data sharing or integration of data across OW systems, except for one 1992 order. Without standardization and integration, EPA will continue operating stovepipe systems (Vertical, non-integrated systems) and may not have the environmental data needed to monitor state water programs. OW's lack of progress can be attributed, in part, to the absence of a formal Information Resources Management (IRM) structure. At the time of our review, OW had numerous projects underway to (1) increase public access to key water data through the Internet, (2) organize data by watershed, and (3) establish environmental indicators. However, OW needs to centralize its IRM structure and work with EPA's Office of Information Resources Management to adopt an environmental data standardization process that will be mandatory for national water systems. Also, OW needs to establish a long-range plan with measurable goals for its major information systems.

**We Recommended That**

The Assistant Administrator for Water:

- Establish a formal IRM organization to act as a clearinghouse for oversight of Information Technology initiatives and capital investments across the water program.
- Establish a data architecture and coordinate data management with U.S. Geological Service for developing Federal data water standards and providing environmental data guidance.
- Aggressively support establishing EPA-level environmental data standards with OIRM.

The Acting Director for IRM:

- Formally adopt policies and procedures in Agency directives to support a standards program, using the Environmental Data Registry as a central repository.

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## What Action Was Taken

*The final report (8100177) was issued to the Assistant Administrator for Water and the Acting Director, Office of Information Resources Management, on June 22, 1998. In responding to the draft report, the Acting Director for Information Resources Management and the Acting Director for Policy and Resources Management, Office of Water, generally agreed with the recommendations. Further, they acknowledged that much remains to be done and stated that both offices are committed to continuing and strengthening their efforts. They have already begun implementing our recommendations. OW established an office-wide IRM committee as the focal point for increasing efforts to share and integrate data across OW programs.*

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**Region 5 Was Effectively  
Overseeing Responsible  
Parties' Remedial  
Construction Projects,  
But Could Do More**

After determining the nature and extent of contamination at a Superfund site, EPA announces the proposed cleanup method in the record of decision. Responsible parties perform the majority of Superfund cleanup activities. EPA's role is to ensure responsible parties comply with all applicable laws, regulations, requirements, and performance standards in any settlement agreement. EPA has three sets of Superfund reform initiatives designed to assist state and local governments, communities, and industries by making cleanups easier. One of the administrative reforms is focused on reducing oversight where responsible parties are cooperative and capable.

## We Found That

Region 5 project managers ensured that remedies were being completed in accordance with the record of decision and that schedules in settlement agreement were met. The project managers accomplished effective oversight by establishing good working relationships with the responsible parties. This included open communication and working through issues as they occurred, before they turned into major problems. One way Region 5 could improve its oversight is by more frequently using independent quality assurance teams during construction cleanup.

The impact of the reduced oversight administrative reform in Region 5 was difficult to measure due to (a) the inherent nature of the oversight process where there is not a defined level of oversight, and (b) the cost savings from reductions in oversight were not computed.

As a result, for fiscal years 1996 and 1997, the Agency could not determine whether the reform was successful in Region 5. The reform had only a limited effect on how Region 5 determined the appropriate level of oversight at responsible parties cleanups. For fiscal year 1998, the Agency has developed an evaluation form that, when completed,

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may provide management with the information it needs to evaluate the impact of the reform.

### **We Recommended That**

The Acting Regional Administrator, Region 5,

- Require the Superfund Division to (1) use independent quality assurance teams for Potentially Responsible Party lead remedial design and remedial action sites, and (2) verify that independent quality assurance teams are being used appropriately.
- Ensure that Superfund Division annually completes the evaluation form for sites in the reduced oversight administrative reform in order to compute cost savings.

### **What Action Was Taken**

*The final report (8100208) was issued to the Acting Regional Administrator, Region 5, on August 17, 1998. In response to the draft report, the Acting Regional Administrator agreed with the report's recommendations. Based on this response, we closed the report in our tracking system.*

### **State Deferrals: Some Progress, But Concerns for Long-Term Protection Continue**

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In June 1993, EPA initiated the State Deferral program to reduce the number of hazardous waste sites awaiting listing to the National Priorities List (NPL). The program allows the cleanup of deferred sites with minimal oversight from EPA. After cleanup and certification from the states, EPA can remove the deferred sites from its Superfund tracking system.

### **We Found That**

While 14 of 30 deferred sites were behind the schedules agreed to in consent decrees or other enforceable documents, generally the cleanups were progressing. For the three sites completed, relatively simple remedies were performed, including soil disposal and groundwater and deed restrictions.

Although the State Deferral program is a low priority, EPA should be aware of the significant concessions being made. The National Contingency Plan (NCP) establishes the preference for permanent remedies, and requires treatment remedies in some instances and five-year reviews when hazardous contaminants remain on site. States are not required to follow the NCP for deferred sites even though they were expected to be NPL caliber sites. Eleven of the 18 remedies selected to date have not been permanent or treatment remedies. For 8 of the 11 cases, five-year reviews or periodic checks on the protectiveness of the remedies were not required. Thus, remedies may not protect human health and the environment for the long term.

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State Deferral guidance provides for community input on deferrals and the termination of deferrals based on valid community objections. EPA has no mechanism to monitor or evaluate community support. In addition, state officials did not always inform EPA when communities raise significant concerns. EPA could terminate a deferral if the community's objections are not addressed by the state. However, EPA may not be aware of any concerns because it does not closely monitor the activities at the site or in the community. EPA did not have an effective monitoring system and evaluation program to track the status of deferral agreements, sites, and cleanups.

### **We Recommended That**

The Acting Assistant Administrator for Solid Waste and Emergency Response:

- Establish a mechanism to ensure that five-year reviews or an equivalent process will be performed where hazardous contaminants will remain on site.
- Establish a mechanism to ensure that community concerns about deferrals are brought to EPA's attention.
- Require regional officials to track deferrals more closely.
- Implement performance measures that will reflect the desired outcomes of the State Deferral program.

### **What Action Was Taken**

*The final report (8100234) was issued to the Acting Assistant Administrator for Solid Waste and Emergency Response on September 10, 1998. In response to the draft report the Acting Assistant Administrator did not disagree with our recommendations, but suggested making them less specific. During the audit, Agency officials made changes to track deferral starts and completions. They also added state deferrals to a draft Government Performance and Results Act sub-objective so that they can track the percentage of sites that have final assessment decisions. A response to the final report is due by December 9, 1998.*

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**EPA Has Improved Its  
Environmental, Safety,  
and Health Program,  
But More Work Is  
Needed**

EPA's environmental, safety, and health (ESH) program is responsible for determining whether EPA complies with its environmental regulations, as well as safety and health requirements. We followed up on our 1995 report which recommended actions to better protect employees, facilities, and the environment.

**We Found That**

The Agency implemented most of the recommendations in our 1995 report. For example, immediate action was taken to address risk at the laboratory in Gulf Breeze, Florida and increase the visibility of ESH audit reports by additional distribution to top management. However, EPA needs to modify its audit protocol to strengthen its assessment of the training and qualifications of ESH personnel. The Agency should also enhance the ESH audit reporting process by clearly discussing risk in executive summaries, presenting and analyzing auditee comments in final reports, and by promoting more timely reporting.

In October 1996 the Agency issued the Code of Environmental Management Principles for Federal Agencies (CEMP). Full implementation of this code would satisfy our 1995 recommendation that EPA establish a model environmental program which also addressed safety and health issues. The Agency has taken steps to meet CEMP principles, but needs to do more to be a leader in setting a standard for excellence in responsible environmental management at its own laboratories and facilities. Specifically, EPA can demonstrate strong commitment through a written environmental policy statement from senior management and by better assessing the Agency's overall environmental risk so that program priorities can be more effectively established.

**We Recommended That**

The Acting Assistant Administrator for Administration and Resources Management:

- Strengthen the ESH audit protocol to address training and qualifications of ESH personnel to best complement the individual laboratories' ESH needs.
- Further enhance the ESH audit process through improved reporting and greater access to ESH audit corrective action tracking systems.
- Fully implement CEMP, challenging the Agency to move forward to a higher level of environmental management and provide leadership not only for federal, but national, ESH programs.

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## What Action Was Taken

*The final report (8100185) was issued to the Acting Assistant Administrator for Administration and Resources Management on July 23, 1998. In his July 10, 1998, comments to the draft report, the Acting Assistant Administrator agreed with our recommendations and provided planned corrective actions and milestone dates for completion. Based on this response, we closed the report in our tracking system.*

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### Region 1's Administrative Reforms Improved the Superfund Process

The Superfund program has been criticized because of the pace and cost of cleaning up hazardous waste sites, the fairness of EPA's approach for holding waste contributors liable, and the role of States and communities in the cleanup process. In response to the criticism, EPA initiated three rounds of Superfund administrative reforms, which consisted of various initiatives and pilots that were implemented by the regions.

## We Found That

Region 1's use of various Superfund reforms helped achieve the Agency's goals to improve the equity and effectiveness of the Superfund process. However, we were unable to document an overall improvement in expediting the Superfund process from listing on the National Priorities List to construction completion (pipeline). Before the initiation of Superfund reforms, Region 1 sites took an average of seven years and two months to reach construction completion. Afterwards, the average time increased to nine years and 11 months. There were tradeoffs in implementing the reforms. Improved equity or community buy-in may come with the price of additional time spent in the pipeline which may or may not equate to increased costs. The Region was not required to evaluate the impact reforms had on the cleanup process.

Region 1 was one of the few regions to aggressively implement the Updating Remedy reform, saving \$75 million at 11 sites. Use of enforcement reforms such as de minimis, mixed funding, orphan share, and Alternative Dispute Resolution provided greater equity to the Superfund process. One reform, the use of a Community Advisory Group, resulted in community consensus and cost savings of approximately \$45 million by adopting a new remedy. However, these successes also came at a price. It took five years for the Advisory Group to reach consensus. Enforcement reforms, in particular, required greater detailed information and documentation, thus increasing the amount of time a site spent in the pipeline.

Presumptive remedies were developed to streamline the Remedial Investigation/Feasibility Study (RI/FS) process, thus saving time and costs. We found that this reform did not always expedite the Superfund process as envisioned. Regional Project Managers (RPMs) believed the use of presumptive remedies provided a more focused RI/FS and

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promoted consistency. However, the RI/FS phase for most sites took longer than the 18 month completion goal set by Headquarters. The Agency had not developed a plan to evaluate the use of this reform. As a result, there was no assurance that the use of presumptive remedies actually saved time or money. Additionally, the RPMs said they were unable to quantify time or cost savings which they believed resulted from the use of the reform.

### **We Recommended That**

The Regional Administrator, Region 1:

- Instruct the regional enforcement staff to work with Headquarters Office of Enforcement and Compliance Assurance staff to determine the feasibility of implementing regional recommendations which could help to expedite the Superfund enforcement process.
- Instruct the Office of Site Remediation & Restoration staff to develop an evaluation plan to determine if the use of presumptive remedies is achieving its desired results.

### **What Action Was Taken**

*The final report (8100254) was issued to the Regional Administrator, Region 1, on September 29, 1998. In response to the draft report, the Region generally concurred with the report findings and recommendations. A response to the final report is due by December 29, 1998.*

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**Further Improvements  
Needed in the  
Working Capital Fund  
Financial**

## **Financial Statements**

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During fiscal 1997, EPA established a Working Capital Fund (WCF) to finance the cost of postage, telecommunications, computer, data storage and technical services. A WCF is a revolving fund designed to finance the cost of services provided to customers. As customers consume services, they are billed, and payment is made through the WCF.

### **We Found That**

We could not determine if the fiscal 1997 WCF financial statements reporting over \$41 million were fairly presented. EPA did not have policies and procedures in place to accumulate and report in a timely manner all WCF revenue and expenses, and related receivables and payables. We were also unable to determine whether WCF financial information was properly presented because EPA had not adequately identified or computed the value of its WCF property. These internal control weaknesses affected not only the fair presentation of the financial statements, but also the overall management of the WCF operations. We considered them to be material weaknesses in our audit of these financial statements.

EPA did not have policies and procedures in place to identify and return overbillings in a timely manner. This resulted in any one-year appropriations expiring before the overbillings could be returned to EPA's program offices.

EPA's development of WCF billing rates was inconsistent with its fiscal 1997 Appropriations Act which required WCF rates to be established that would return in full all expenses of operations. EPA's rates did not include rent, electricity, WCF staff salaries and benefits, and finance and security costs associated with the operation of the WCF.

Finally, the value of WCF property in the general ledger and the WCF financial statements was \$41.2 million. However, the Enterprise Technology Services Division Capital Asset Listing showed the value as \$43.5 million. We do not know all the reasons for the \$2.3 million difference, but we identified 21 property items valued at \$2.4 million on the Capital Asset Listing which were not recorded in the general ledger.

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### **We Recommended That**

The Acting Chief Financial Officer (CFO):

- Direct the Working Capital Fund staff to record revenue at the time services are performed.
- Allocate rent, utilities, WCF staff salaries and benefits, and finance and security costs to the WCF and include these costs in WCF financial statements. Revise the Agency's policy on the WCF rates to state that they must return in full all expenses of operation.
- Direct the WCF Staff to reconcile the differences between the value of EPA's WCF property recorded in the accounting system and on the Enterprise Technology Services Division's detailed property listing.

### **What Action Was Taken**

*The final report (8100166) was issued to the Acting CFO on June 16, 1998. In responding to our draft report, the Acting CFO agreed with our recommendations and scheduled corrective actions for later completion. EPA's response to our final report was due September 14, 1998. As of September 30, 1998, we had not received the response.*

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### **EPA Needs to Improve the Accuracy of Its Reporting of Reregistered Pesticides**

EPA is responsible for reassessing the safety of older pesticide registrations against modern health and environmental testing standards. To expedite this reregistration process, Congress authorized EPA to collect fees from pesticide manufacturers. The fees are deposited into the Pesticide Reregistration and Expedited Processing Fund (FIFRA Fund). Each year the Agency prepares financial statements for the FIFRA Fund along with information about EPA's progress in reregistering pesticides.

### **We Found That**

The fiscal 1997 FIFRA Fund financial statements were fairly presented. However, problems with its tracking system affected the Office of Pesticide Program's (OPP) ability to assess and report accurately on the progress of reregistering pesticides. For nearly a decade similar tracking system problems have resulted in inaccurate reporting of product reregistrations. Although OPP implemented procedures to verify and validate its program accomplishment data based on a recommendation in our fiscal 1996 audit report, the data review was not conducted in a timely manner. As a result, OPP understated its fiscal 1997 program accomplishments by not reporting 37 completed reregistrations which were 9 percent of the total. As the Agency moves forward in implementing the Government Performance and Results Act, performance data will be used to make decisions about the planning,

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budgeting and execution of the pesticide program. Therefore, it is important for the Agency to have a system and controls in place to gather and report this information accurately .

### **We Recommended That**

The Assistant Administrator for Prevention, Pesticides, and Toxic Substances continue to verify and validate a sample of its reregistration accomplishments. However, the reviews should be completed before reporting the annual accomplishment data to Congress, environmental groups and the public.

### **What Action Was Taken**

*The final report (8100204) was issued to the Chief Financial Officer and the Assistant Administrator for Prevention, Pesticides, and Toxic Substances on August 20, 1998. In responding to the draft report, the Assistant Administrator for Prevention, Pesticides, and Toxic Substances agreed with our findings and recommendation. A response to the final report is due by November 18, 1998.*

### **Update On Actions Taken Concerning Substantial Noncompliance With The Federal Financial Management Improvement Act**

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As part of our financial statement audits, the Federal Financial Management Improvement Act (FFMIA) requires us to assess whether EPA's financial management systems substantially comply with: (1) Federal financial management system requirements, (2) applicable accounting standards, and (3) the Standard General Ledger at the transaction level. If the financial systems are not in substantial compliance, FFMIA also requires us to report, in our Semiannual Report to the Congress, on the remediation plan to bring the systems into compliance.

In our audit report, *EPA's FISCAL 1997 AND 1996 FINANCIAL STATEMENTS* (E1AML7-20-7008-8100058, dated March 2, 1998), we reported that, as of September 30, 1997, EPA's financial management systems did not *substantially* comply with certain financial management system requirements and accounting standards.

### **Federal Financial Management System Requirements**

- The Agency's Core Financial Systems<sup>1</sup> and EPAYS did not have required management controls, including approved implementation plans, to provide reasonable assurance that

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<sup>1</sup> The Core Financial System is composed of the Integrated Financial Management System (IFMS), the Combined Payroll Redistribution and Reporting System (CPARS), and the Management Accounting and Reporting System (MARS). The other principal financial systems in the financial systems inventory are the EPA Payroll & Personnel System (EPAYS) and the Contracts Payment System (CPS).

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Year 2000 activities will be completed before the systems are subject to failure.

- Financial Management Division (FMD) management had not established appropriate levels of management review for approval or disapproval of system development or enhancement/replacement projects associated with the Year 2000, as required by EPA policy Directive 2100, Chapter 17, System Life Cycle Management.
- The Agency's Core Financial Systems and EPAYS did not have an application security plan, as required by OMB Circular A-130, Management of Federal Information Resources, Appendix III (February 1996).

Our report acknowledged that EPA, through its fiscal 1997 Federal Managers' Financial Integrity Act process, reported Agency security plans as a material weakness and Year 2000 Date Conversions as an Agency-level weakness.

### **Accounting Standards**

- We reported, as a material weakness, EPA's accounting for unbilled Superfund oversight costs. The Agency implemented a new methodology during FY97 to estimate and accrue unbilled oversight costs, which resulted in the Agency's Statement of Financial Position being fairly presented. However, notwithstanding the fair presentation of the financial statements, an issue remained that as of September 30, 1997, approximately \$162 million of oversight costs that were due to the Agency had not been billed, collected, or returned to Treasury. Because EPA was not billing and collecting oversight costs timely, the assets and revenue related to this activity were not recorded in the Agency's financial system. For this reason EPA was not in compliance with Statements of Federal Financial Accounting Standards No. 1 - Accounting for Selected Assets and No. 7 - Accounting for Revenue and Other Financing Sources.

To address the problem, the Agency developed and implemented a plan to bring oversight billings up-to-date by the end of fiscal 1998. The Agency has taken a number of steps toward reducing the material amount of unbilled oversight costs estimated in the fiscal 1997 financial statements and is prospectively committed to billing on a timely basis. We will continue to monitor the Agency's progress toward this goal.

### **Status of Agency's Remediation Plan**

On September 30, 1998, the CFO, in response to the final report, stated that a number of the substantial noncompliance issues had already been corrected. Additional work still necessary will be included in a remediation plan, which will be part of the FY 1998 CFO's Strategic Plan for Resources Management. The target date for completing and delivering the remedial plan to OMB is October 31, 1998. We will evaluate the Agency's efforts in implementing its remediation plan during our ongoing audit of the fiscal 1998 financial statement audit and report on EPA's progress in the next Semiannual Report to the Congress.

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**Not All Intended  
Residents Connected to  
Completed Texas  
Wastewater Treatment  
Projects**

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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.

Water pollution is one of the principal environmental and public health problems facing small communities located along the U.S.- Mexico border. These small communities, referred to as colonias, are often highly impoverished areas, characterized by substandard housing and poor living conditions. Because they often lack basic services, many residents suffer from ongoing health conditions. Almost 400,000 people in Texas live in these communities. The federal government and the State of Texas have undertaken steps through various grant and loan programs to address the basic water and wastewater problems in the colonias.

### **We Found That**

Although the Texas Water Development Board (the Board) had been successful in planning, designing, and constructing wastewater treatment projects under the Colonias Wastewater Treatment Assistance Program (CWTAP), residents had not connected to the completed projects. Pollution prevention problems will continue to exist, posing ongoing threats to the health of residents and the environment, until all intended residents are connected to the completed services. Five projects, completed between 1994 and 1996, had rates of connection that ranged from 20 to 88 percent. The low rates of connection were attributed to affordability and improper handling of mandatory connection requirements.

Although wastewater treatment projects had been placed into operation, many colonia residents did not have access to the services because they could not afford to connect to the system and install indoor plumbing fixtures. Traditionally, the Board had relied on other state and federal programs to provide grant and loan funds to the residents. However, conflicting state or federal requirements under other programs may prevent some residents from being eligible for these funds. As a result, residents are unable to connect to the completed projects.

Before July 1995, the Board had not exercised its authority to require grant recipients to establish mandatory connection requirements. As a result, two of the five projects reviewed were awarded with no

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assurances that the residents would be made to connect to the completed wastewater treatment system. Even grants with mandatory connection requirements were not enforced. Although CWTAP existed since 1992, the Board had not established monitoring and enforcement procedures to ensure that connections were made to completed projects. As a result, the Board had not detected the low rates of connections experienced on five completed projects. It was not until our survey that the Board became aware of the low rates of connection.

### **We Recommended That**

The Regional Administrator, Region 6, work with the Board to:

- Ensure that all intended residents of the five completed projects are connected to the available services.
- Develop affordable financial strategies for delivery of services to the residents through increased coordination efforts with other State and federal agencies.
- Ensure that local agencies have enforceable mandatory connection requirements in place before receipt of grant funding.
- Develop procedures to monitor and enforce mandatory connection requirements by grant recipients.

### **What Action Was Taken**

*The final report (8400043) was issued to the Regional Administrator, Region 6, on September 21, 1998. In response to the draft report, the Region and the Board generally concurred with the report's findings and recommendations. Region 6 stated it will work with the Board to allow EPA grant funds to be used to pay for the cost of connections. Based on the comments provided, we closed the report in our tracking system.*

### **Federal Funds Used to Support Lobbying Activities**

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In 1996, EPA and the Department of Agriculture provided \$16 million of congressionally earmarked funding to the National Rural Water Association (NRWA). NRWA used the EPA funds to award noncompetitive contracts to its 45 State Rural Water Associations (SRWAs) for training and technical assistance. To receive annual funding from NRWA, the SRWAs agreed to support all NRWA sponsored programs. A March 31, 1998, OIG report concluded that NRWA had included unallowable lobbying costs in its indirect cost rate. EPA program officials requested that we review the SRWAs to determine whether they had also used federal funds to support lobbying activities.

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## **We Found That**

The six SRWAs reviewed participated in various lobbying activities at the state and national level from fiscal 1992 to 1996. SRWAs in Arkansas, Missouri and Wisconsin had developed adequate internal controls to account for lobbying activities in accordance with OMB Circular A-122, Cost Principles for Non-Profit Organizations. The costs associated with their lobbying activities were properly identified as unallowable and charged to internal accounts. However, the SRWAs in Alabama, California and Maine needed to further improve their internal controls to identify and exclude lobbying costs from charges to EPA assistance agreements. We could not identify the total dollar value of federal funds spent for lobbying because the three SRWAs improperly commingled unallowable lobbying costs into their indirect cost pools. The SRWAs indirect costs were partially reimbursed with federal funds. Inadequate identification and segregation of unallowable cost increases the likelihood that federal funds were used to pay for unallowable costs.

The base period for the allocation used by two of the SRWAs (Alabama and Wisconsin) to calculate indirect costs claimed under their contracts with NRWA did not comply with OMB Circular A-122. Alabama calculated 12 monthly indirect cost rates, but did not adjust the 12 monthly rates to one annual rate at year end. Wisconsin calculated a separate indirect cost rate for each project based on the project period. This practice resulted in multiple rates with project time periods that did not coincide with the actual fiscal year. The SRWAs did not believe they had the flexibility to change their methods of calculating indirect cost rates because their rate calculations had to be submitted to NRWA for approval. When organizations use various methods, different base periods and budgeted data to calculate their indirect cost rates, there are no assurances that the indirect costs charged to federal assistance agreements and contracts are equitable or supported by the accounting records.

## **We Recommended That**

The Director, Grants Administration Division:

- Obtain written assurance from NRWA that the SRWAs have developed and implemented adequate internal controls to identify and exclude their lobbying costs from charges to EPA assistance agreements.
- Require that NRWA and all SRWAs calculate indirect costs chargeable to federal assistance agreements and contracts in accordance with OMB Circular A-122.

**Better Information and Oversight Would Improve Assistance Awards**

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## **What Action Was Taken**

*The final report (8400049) was issued to the Director, Grants Administration Division, on September 29, 1998. In responding to the findings in draft, SRWAs believed their internal controls were adequate to account for lobbying costs in accordance with OMB Circular A-122. However, the SRWA agreed that certain actions would be taken or considered to strengthen their internal controls. A response to the final report is due by December 29, 1998.*

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EPA program offices are responsible for programmatic and technical review of assistance proposals (grants and cooperative agreements), and for preparing assistance funding packages. The Grants Administration Division (GAD) performs an administrative review of the assistance application to ensure that applications are complete.

## **We Found That**

Program offices did not always negotiate assistance agreements with well-defined commitments, adequately determine and document that costs submitted with assistance applications were reasonable, or prepare decision memoranda which contained all information required to support recommendations for award. Without milestones and outputs, the Agency limits its ability to hold recipients accountable. Without justifications for noncompetitive awards, the Agency could give the appearance of giving preferential treatment to a single assistance applicant or of not encouraging competition to the maximum extent practicable. Furthermore, without determinations of cost reasonableness, the Agency cannot demonstrate that the level of funding is appropriate for the work to be performed. Without post-award monitoring plans, the Agency cannot be assured that the time and money will be available to execute oversight responsibilities adequately. Without all of these things, the Agency is not providing effective management of extramural resources.

Also, 28 of 55 fiscal 1997 Environmental Justice assistance agreements awarded by the Office of Prevention, Pesticides, and Toxic Substances (OPPTS) were improperly funded using resources intended for other purposes. Improper use of funds happened because: (1) of weak funds control within OPPTS, (2) OPPTS division directors acted to avoid carrying over excess funds, and (3) GAD's "check and balance" process did not identify the improper funding. This resulted in the reprogramming of \$1.9 million without required congressional approval. In response to our review, OPPTS took corrective actions which should prevent future misapplication of funds.



**EPA Has Awarded Assistance Agreements Without Clear Statutory Authority**

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### **We Recommended That**

The Acting Assistant Administrator for Administration and Resources Management:

- Direct GAD to take the lead in the development of project officer refresher training courses.
- Direct GAD to develop guidance explaining the types of omissions which will result in GAD returning incomplete assistance funding packages to the program offices.
- Direct GAD to work with the program offices to develop a coordinated post-award management strategy.
- Raise the need for additional assistance training to the Resource Management Committee, including an estimate of the minimum resources required to deliver training Agencywide, and options for delivering the training.

### **What Action Was Taken**

*The final report (8100256) was issued to all Assistant Administrators and the Chief Financial Officer on September 30, 1998. In responding to the draft report, GAD and program offices agreed that those involved in awarding assistance should be trained. However, they stated the need for additional training will strain existing resources, and more resources have not been made available. Program offices agreed that assistance funding packages with significant omissions should be returned for correction, and GAD agreed to develop guidance on which types of errors or omissions will cause packages to be returned to the program offices. A response to the final report is due by December 31, 1998.*

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While every federal agency has inherent authority to enter into contracts to procure goods or services for its own use, there is no comparable inherent authority to provide the government's money or property under assistance agreements (grants and cooperative agreements). However, Congress has given this authority to EPA in many of the Agency's environmental statutes.

### **We Found That**

Activities funded by EPA through assistance awards were not always within the Agency's assistance authorities as described by the Comprehensive Environmental Response, Compensation, and Liability Act (CERCLA); the Federal Insecticide, Fungicide, and Rodenticide Act; and the Toxic Substances Control Act. We questioned 25 of the

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assistance awards reviewed based on a comparison of the grant-making language in the statutes and the description of work to be performed.

EPA has broadly interpreted its grant-making statutes in order to provide assistance for a wide range of environmental projects. For example, Section 311(c) of CERCLA authorizes research grants to evaluate the effects of hazardous substances on human health, and detection of hazardous substances in the environment. The Agency has broadly interpreted the term “research” to encompass activities such as outreach and communication, environmental justice issues, and studying the effects of laws and regulations on the economic redevelopment of brownfield sites. Furthermore, EPA has determined that publicizing the results of research is an integral component of the research itself; therefore, workshops and conferences would also be authorized. In fact, all nine of the CERCLA 311(c) grants we reviewed included meetings, workshops, and conferences, and for five of the nine, these appear to be the primary activities. Yet the proposals do not indicate that publicizing the research results is the reason for the meetings and conferences. In fact, the meetings and research appear to be unrelated to each other.

Since there is no evidence in legislative histories as to how Congress intended the restrictive assistance authorities to be interpreted, program offices and the OIG now differ about the extent of the Agency’s assistance authority. While some may see this as a black or white issue, numerous discussions among all parties have made it clear that reasonable people have differing opinions. By presenting these differences we hope that Congress will assist EPA to clarify congressional intent.

### **We Recommended That**

The Acting Assistant Administrator for Administration and Resources Management:

- Coordinate with other Assistant Administrators and seek clear statutory authority for the types of awards that we identified as questionable.
- Strengthen controls to prevent unauthorized awards.
- Develop guidance to clarify the types of activities EPA will fund.
- Provide additional training for personnel involved in such decisions.

### **What Action Was Taken**

*The final report (8100209) was issued to the Acting Assistant Administrator for Administration and Resources Management on*

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*September 18, 1998. In responding to the draft report, the Acting Assistant Administrator stated that “ the Agency believes that the activities questioned in the Draft Report are authorized by EPA’s grant statutes. Although we disagree with many of the audit findings, we concur with the audit recommendations.” The Agency has requested legislative clarification, drafted revisions to Agency policy, revised training materials, and added a special condition to some assistance awards to ensure compliance with statutory requirements. A response to the final report is due by December 17, 1998.*

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## **Contracts**

In 1997, we reviewed EPA's progress since 1992 in addressing contracts management deficiencies identified by the Agency's Standing Committee on Contracts Management. We found that EPA had taken many positive steps to address these deficiencies. However, areas of potential vulnerabilities remained in (1) contractor conflicts of interest; (2) personal services; and (3) contractor access to confidential or sensitive data. We recommended, and the Agency agreed, that contract management remains a Federal Managers' Financial Integrity Act Agency-level weakness for fiscal 1997.

### **We Found That**

During fiscal 1998, we conducted additional work in each of the three areas of potential vulnerability. One area, contractor conflicts of interest, was sufficiently addressed and further improvements were not required. However, management focus needs to be maintained in personal services and contractor access to confidential or sensitive data. Both of these areas are vulnerabilities that the Agency still needs to address. EPA program offices and contracting divisions must share the responsibility of ensuring that personal services do not occur and that contractor access to confidential or sensitive data is properly controlled. Based on our findings, and the actions previously taken by the Agency to improve contracts management, *Contracts Management*, as an overall Agency-level weakness, can be removed.

### **We Recommended That**

The Acting Assistant Administrator for Administration and Resources Management:

- Declare the *Agency's Relationship with Contractors* as an Agency-level weakness in his fiscal 1998 assurance letter to the Administrator to address the personal services vulnerability.
- Coordinate the effort to have all Assistant Administrators and Regional Administrators perform a management effectiveness review on their offices' implementation of policies and procedures for personal services and report the results in their fiscal 1999 assurance letter. Based on the reported results, the Agency can then decide if this issue has been substantially corrected.

**Instances or  
Appearance of  
Personal Services  
Under Contracts**

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- Incorporate the vulnerability of contractor access to confidential or sensitive data into the Agency's material weakness of *Information Systems Security Plans* in his fiscal 1998 assurance letter to the Administrator. A corrective action plan should be prepared describing the Agency's strategy to correct the problem and the methodology to be used to verify that the corrective actions actually resolved the problem.

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

*We issued the report (8400050) to the Acting Assistant Administrator for Administration and Resources Management on September 30, 1998. We held an exit conference with the Director, Office of Acquisition Management, on September 24, 1998. At the exit conference we were informed that the Acting Assistant Administrator agreed to implement our recommendations. Therefore, we closed the report upon issuance.*

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Personal service relationships can result in undesired effects including potential legal problems, limiting competition for future contract awards, and the appearance of circumventing civil service laws and Office of Management and Budget (OMB) personnel ceilings.

#### **We Found That**

Agency controls were generally adequate to prevent personal services. However, EPA personnel were not always committed to applying the controls, which resulted in personal services or the appearance of personal services. Instances of personal services, or the appearance of such, occurred in 13 of 23 (56 percent) of the contracts, and among nearly all of the major program offices reviewed. Because of the number and distribution of such instances across the Agency, the potential exists that personal service is a continuing systemic problem. Personal services, or the appearance of such, occurred primarily because: (1) EPA program office employees exercised excessive supervision of contractor and subcontractor staff, (2) close working arrangements existed, or (3) contract language and oversight needed improvement. Thus, EPA improperly treated contractor staff as Government employees. Normally, the Government directly hires its employees under competitive appointment or other procedures mandated by civil service laws. Obtaining personal services by contract rather than by direct hire, circumvents those laws and OMB personnel ceilings. Program offices and contracting divisions each must share the role of ensuring that personal services do not occur. Program offices, with the help of contracting offices, should attempt to eliminate unnecessary interactions with contractors, including shifting work off-site if possible.

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## **We Recommended That**

The Acting Administrator for Administration and Resources Management and the Agency Senior Resource Officials:

- Identify all contracts where EPA and contractors are co-located, and evaluate and document whether any on-site contracts can be moved off-site.

The Acting Assistant Administrator for Administration and Resources Management:

- Direct Agency contracting officers to conduct a site visit at least annually for all on-site contracts and document whether they identified personal service deficiencies. If they identify deficiencies, the contracting officer should provide needed guidance or recommendations to the project officer.

## **What Action Was Taken**

*The final report (8100251) was issued to the Acting Assistant Administrator for Administration and Resources Management on September 29, 1998. The Acting Assistant Administrator agreed to all of our recommendations, and has provided milestone dates for completion. Therefore, we closed the report upon issuance.*

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**Controls Over Contractor Access to Confidential or Sensitive Data Need to be Improved**

EPA maintains many types of confidential or sensitive data. Because the Agency uses contractors extensively, certain contractors can access much of this data in the normal course of performing their duties. Inadequately safeguarding or improperly disclosing confidential or sensitive data could adversely affect Agency personnel and property or result in a contractor gaining a competitive advantage in the procurement process.

## **We Found That**

The Agency has a system in place to control contractor access to confidential business information. However, the system does not adequately address controls over contractor access to other equally sensitive data such as enforcement or Privacy Act information. Contracting officers routinely included various contract clauses that mention control of confidential or sensitive data when awarding contracts. However, program personnel were not always aware of the contract clauses and did not always consider access to confidential or sensitive data when assigning work. For example, at an EPA contractor's office, we found two of five files reviewed contained sensitive documents. According to both EPA's contracting officer and the contractor, the Agency provided these documents as part of the

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work assignment. However, EPA's work assignment managers were not aware that the documents contained sensitive data. Management must ensure that confidential and sensitive data are controlled and safeguarded to prevent improper access by contractors.

#### **We Recommended That**

The Acting Assistant Administrator for Administration and Resources Management, in coordination with other appropriate senior Agency managers:

- Issue a directive that contracting officers and program office personnel work together to review their contracts to determine if they involve contractor access to confidential or sensitive data and ensure necessary safeguards are in place to control contractor access to such data.
- Emphasize the evaluation of security over all types of confidential or sensitive data during quality assurance reviews.
- Revise the Contracts Management Manual to include clear definitions of confidential business, enforcement sensitive, and Privacy Act information and address contractor access to each type.

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

*The final report (8100250) was issued to the Acting Assistant Administrator for Administration and Resources Management on September 28, 1998. In response to the draft report, the Agency agreed to implement the recommendations and provided milestone dates for doing so. Therefore, we closed the report upon issuance.*

#### **Financial Contract Audits**

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The OIG provides independent contract audits and financial advisory services to EPA's Office of Acquisition Management (OAM) and to other government agencies at certain contractors. During this reporting period, the OIG maintained contract audit cognizance for 10 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 two financial contract audits.

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## **Contractor Internal Control Weaknesses Results in Questioned Costs of \$2,251,492**

Our audit of a contractor's indirect cost rate proposal disclosed unallowable costs totaling \$2,251,492. The majority of the questioned costs (\$2,091,425) are attributed to unsupported incentive compensation costs. The contractor was unable to provide evidence of an evaluation of an employee's performance, measured against goals or objectives listed in the employee's compensation agreement. The Federal Acquisition Regulation requires the contractor to provide support for the basis for the incentive award. We also found the contractor did not: (1) exclude expressly unallowable costs from claimed amounts; (2) differentiate between claimed costs and incurred costs in its indirect cost rate proposal; (3) have records storage and retention procedures that permitted it to provide supporting documentation in a timely manner; and, (4) properly allocate costs to the appropriate final cost objectives.

### **Expressly Unallowable Costs Claimed by a Contractor**

We performed an incurred cost audit to determine the allowability of a contractor's claimed direct costs and indirect costs rates, and to recommend procurement determined indirect cost rates for the year. We questioned \$135,304 of the \$3,928,577 proposed indirect costs. The majority of the questioned amounts relate to costs incurred to settle a proposed debarment, which were unallowable in accordance with the Federal Acquisition Regulation. In addition, we reclassified some labor related costs because the contractor did not accumulate and allocate the costs to the correct indirect pool. We also noted weaknesses in the contractor's internal control system including: (1) inadequate accounting policies and procedures related to labor transfers and adjustments; (2) not fully documented indirect cost internal controls; and (3) contractor employees not following and enforcing corporate timekeeping practices for leave requests. These weaknesses lower the reliance that can be placed on the contractor's labor recording system.





## 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 March 31, 1998	204
New Investigations Opened This Period	37
Investigations Closed This Period	42
Pending Investigations as of September 30, 1998	199

## Prosecutive and Administrative Actions

In this period, investigative efforts resulted in four convictions and 11 indictments.\* Fines and recoveries, including those associated with civil actions, amounted to \$10 million. Thirteen administrative actions were taken as a result of investigations.

Reprimands	1
Restitutions	2
Suspensions &	
Debarments	2
Other	8
<b>TOTAL</b>	<b>13</b>

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

## Profiles of Pending Investigations by Type

General EPA Programs  
Total Cases = 129

Superfund  
Total Cases = 70

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**Environmental Laboratory  
Sentenced to Pay More  
Than \$5 million for Criminal  
Fraud; Former Lab  
Technical Director to Pay  
\$10,000 fine and \$27,000 in  
Restitution; Former Lab  
President Convicted for  
Falsifying Test Results**

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## **Selected Prosecutive Actions**

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On April 9, 1998, Hess Environmental Laboratories, Inc. (Hess), of East Stroudsburg, Pennsylvania, was sentenced in U.S. District Court, Eastern District of Pennsylvania, to pay \$5,553,634 in restitution and a \$3,600 assessment and was placed on 5 years probation. The sentencing follows a November 1997 guilty plea by Hess 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 an estimated 415 customers from January 1988 to February 1997. Hess did not have the proper equipment to perform certain environmental tests and was not performing the tests according to accepted EPA methods. Hess customers relied on the test results to comply with federal and state environmental laws and to determine where and when remedies were needed to control hazardous, toxic, or contaminated substances.

On July 1, 1998, William L. Hopkins, Jr., the former president of Hess, pleaded guilty to the charges of conspiracy to defraud the United States, making false statements to the EPA, violating the Clean Water Act, and mail fraud. The indictment charged that Hopkins knew that Hess did not have the proper equipment to perform certain environmental tests, yet directed Hess personnel to continue the fraudulent scheme to prepare, bill for, and mail false reports to customers for tests that were never performed and which contained fabricated results. He is awaiting sentencing.

On September 21, 1998, Judith McCoy, a former technical director at Hess was sentenced to 3 years probation, fined \$10,000, and ordered to pay \$27,000 in restitution and a \$300 special assessment. McCoy had pleaded guilty to conspiracy to defraud the government, making false statements, and mail fraud relating to her role in the falsification of environmental testing data while she was acting laboratory director at Hess.

As a result of this investigation, Hess closed in May 1997. Michael Klusaritz, the former laboratory director, previously was convicted of federal charges relating to his participation in the criminal violations. Klusaritz is serving a one year prison sentence. The conspiracy affected schools, hospitals, local governments, and businesses, including the Tobyhanna Army Depot in Tobyhanna, Pennsylvania, which paid Hess to test samples for hazardous wastes, contamination of ground water, and for pollutants discharged into rivers and streams. These customers, as well as the EPA and the

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**Former Contract Laboratory Supervisor Indicted for False Claims and Falsifying Test Results. Two Laboratory Operators Plead Guilty to Misdemeanor Fraud**

Pennsylvania Department of Environmental Protection, relied on the tests to assess threats to the environment and to determine where and when remedies were needed to control hazardous, toxic, or contaminated substances. *This investigation was conducted jointly by the EPA OIG, the EPA Criminal Investigation Division, and the U.S. Army Criminal Investigation Command.*

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On July 30, 1998, Gene Kong Lee, a former supervisor at Anlab Analytical Laboratories (Anlab), a Sacramento company that specialized in water and wastewater testing, was indicted in U.S. District Court, Eastern District of California, on charges that he falsified test results and filed a false claim of \$10,500 to EPA for payment for the work. The testing was performed during the cleanup of a Superfund site in Davis, California. Lee, a gas chromatography/mass spectrometry supervisor at Anlab, is charged with having manipulated the computer-generated testing data in order to make the results appear to meet quality assurance criteria and to avoid performing quality control measures. Lee is also charged with falsely reporting the sampling analyses as having been done within specified holding times, when he knew that this was untrue. On June 3, 1998, two operators at Anlab, Xiaomang Pan and Brett Huffman Williams, pleaded guilty to misdemeanor charges of fraudulent demands against the government and aiding and abetting for falsifying the laboratory results by manipulating the data. *This investigation was conducted jointly by the EPA OIG and the EPA Criminal Investigation Division.*

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**Refrigerant Company President Indicted for Fraudulent Certification and Reclamation Services**

On September 14, 1998, Bruce Doane, president of American Industrial Refrigerants, Inc.(AIR), was indicted on charges of mail fraud and violations of the Clean Air Act. The indictment charges that Doane fraudulently represented to potential customers that his company was fully certified to perform refrigerant recovery and reclamation services. Doane allegedly had obtained a partial letter of certification (without the signature page) by photocopying the first page of a certification issued to one of AIR's competitors, deleting the competitor's name, and inserting his own company's name. This letter was then included with the solicitations he sent by facsimile to potential customers. The indictment also charges that Doane performed refrigerant reclamation services on several occasions at AIR's Mount Holly, North Carolina, location without the required certification from the EPA. *This investigation was conducted jointly by the EPA OIG and the EPA Criminal Investigation Division.*

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### **Two Indicted on Charges Stemming from Alleged Impersonation**

On May 11, 1998, Gary L. Jones and Nadine E. Starks were indicted in Fannin County, Georgia, on charges of false statements, forgery, and attempted theft by deception. The charges stem from allegations that Jones represented himself to an Ellijay, Georgia, homeowner as an employee of Atlanta Testing, Inc. (ATI), told the resident that ATI had contracted with the EPA to locate and remove canisters containing toxic waste, and stated that he had been directed by the 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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### **Continuing Results from the Methyl Parathion Investigation**

Under the relocation program (funded by EPA's Superfund and administered locally by the U.S. 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.

On May 19, 1998, Donald Nolan, a resident of Pascagoula, Mississippi, was indicted for fraudulently claiming benefits under the Agency's methyl parathion relocation program. The indictment charges that Nolan, who previously occupied a one-bedroom apartment, misrepresented the number of family members living in his household in order to qualify for two two-bedroom apartments and additional benefits he was not entitled to receive. Our investigation revealed that Nolan falsely claimed that ten dependents lived with him in the contaminated apartment, thereby fraudulently receiving more than \$5,000 and causing the Agency to incur additional costs because of the apartment rentals.

On July 18, 1998, Sandra Lastie and Betty Morgan, two Louisiana recipients under the relocation program, were indicted in Criminal District Court, Parish of Orleans, Louisiana, on state charges of theft of money by fraud. Previously in January, Lastie had been 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. Morgan had also been 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. Cleanup costs for Lastie's residence were \$60,000; those for Morgan's residence were \$26,946.

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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. OIG legal counsel use 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.*

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### **CEO Ordered to Pay \$4,131,576 in Cleanup Costs**

On June 26, 1998, a civil judgment was issued in U.S. District Court, Southern District of New York, ordering Kurt J. Wasserman, CEO of Barrier Industries, Inc. (Barrier), to pay \$4,131,576 plus post-judgment interest for reimbursement of cleanup costs incurred by EPA at the Barrier site in Port Jervis, New York. The order also voided a property transfer from Kurt Wasserman to Mildred Wasserman, his wife, rendering the property available to satisfy the judgment against him and enjoined him and his wife from transferring, encumbering, or disposing of any of his personal or real property.

As a result of an OIG investigation focusing on property transfers, a civil complaint had been filed in October 1995 against Barrier, Kurt Wasserman, Mildred Wasserman, and others under the Comprehensive Environmental Response, Compensation, and Liability Act of 1980 for recovery of \$3.4 million in expenses incurred by EPA as a result of the Barrier site cleanup. Kurt Wasserman and Harvey Scott Wasserman, his son who served as president, were responsible for Barrier's business operations. Barrier, a manufacturer of janitorial chemicals such as detergents, polymer-based floor finishes, phenolic disinfectants, acid-based cleaners, ammonia and solvent-based strippers and cleaners, car care products, and insect repellent paints, maintained and stored hazardous substances at the Port Jervis site. Earlier, in December 1997, a partial consent decree was issued ordering Harvey Scott Wasserman and his wife, Linda Wasserman, to pay the government \$120,000 as part of the cleanup costs.

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**Georgia Corporation to  
Pay \$50,000 in Civil  
Settlement Agreement**

On September 30, 1998, the United States Attorney's Office for the Northern District of Georgia entered into a civil settlement with Williams-Russell and Johnson, Inc. (WRJ), an EPA contractor based in Atlanta, Georgia. Under the terms of the settlement agreement, WRJ agreed to pay EPA \$50,000 to resolve allegations of cost mischarging under the False Claims Act. The case arose out of an OIG investigation of allegations the WRJ submitted claims for payment to its subcontractors when, in fact, WRJ had not yet paid those subcontractors.

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**Consulting and Support  
Services Firm to Pay  
\$15,000 and Establish  
Training Program**

On September 4, 1998, Enterprise Advisory Services, Inc. (EASI), of Houston, Texas, entered into a civil settlement to resolve fraud allegations under the False Claims Act. EASI agreed to pay \$15,000 to resolve allegations that it submitted invoices to the EPA for work under an architectural services contract on which EASI employees allegedly engaged in fraudulent timekeeping practices. EASI and the EPA also contemporaneously entered into a Compliance Agreement. EASI agreed to enforce and maintain new company-wide timekeeping and labor compliance training procedures and to conduct semiannual audits of EASI's employee timesheets. EASI also agreed to issue a notice detailing how to report suspected violations and to establish an employee hotline to report violations of law or express concerns about EASI's timekeeping or billing practices.

Previously, on June 15, 1998, John S. Chase, President and Chairman of the Board, F.A.I.A., Architect, Inc., Houston, Texas, agreed to a \$2,495.13 settlement for the alleged improper billing by employees for work not actually performed under the EPA architectural contract during the time that F.A.I.A. was the prime contractor.

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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.*

### **Former Laboratory Operator and Supervisor Suspended**

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

On April 13, 1998, Noel Shrum, former operator, and Jim Hoch, former supervisor, National Environmental Testing, Inc. (NET), Santa Rosa, California, were suspended pending proceedings on proposed debarment. NET performed gas chromatograph (GC) analyses on EPA samples working as a subcontractor to Ecology & Environment, a Technical Assistance Team contractor, and to CET Environmental Services, an Emergency Response Cleanup Services contractor. Allegedly, Shrum and Hoch submitted and/or caused to be submitted false GC analytical reports on fuel samples to the United States Government. *This investigation 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.*

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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

#### Joint Performance Partnership Grant Management Assistance Reviews Identified Lessons Learned

The Office of Audit made a commitment to work jointly with the Agency to assess performance partnership grants (PPG). The goal is to identify success stories and problems early so the Agency can take corrective action to minimize any negative effect on overall performances. One way to achieve this goal is for divisional audit offices and EPA regional staff to conduct joint reviews to assess state and regional PPG implementation and identify any lessons learned.

A PPG is a multi-program grant made to a state or tribal agency from funds previously provided only through grants for specific environmental programs. A primary purpose of PPGs is to give recipients increased flexibility to address their highest environmental priorities, while continuing to address core program commitments. EPA designed PPGs to encourage improved environmental performance by linking program goals with program outcomes

and by increasing the use of environmental indicators and program performance measures.

As of September 30, 1998, two joint reviews were completed and three others were in progress. The two completed reviews found several areas where states successfully accomplished some PPG goals. The review teams found that PPGs provided the states the mechanism to fund high-priority initiatives, such as pollution prevention, that states would otherwise be unable to fund adequately under categorical grants. In addition, the PPG work plan provided a mechanism for states to address their own environmental priorities as part of their PPG commitments. States also achieved some streamlining with only one grant to administer.

The review teams found similar difficulties in the state and regional efforts to achieve PPG goals and demonstrate improved environmental performance. Specifically, EPA and the states need to develop more outcome-based performance measures, gather sufficient and appropriate data to measure performance, and tie what the states will measure to the desired effect on the environment and public health. In addition, policy and procedures are required for handling PPG carryover funds.

Based on the completed reviews, we suggested that the Agency and the states develop additional measures that are outcome-based. The performance partnership agreements with the states should identify their desired environmental conditions and correlate them to their performance measures. Additionally, the Agency should work with the states to clarify procedures for carryover funds. When the additional reviews are completed, we plan to summarize any national issues that EPA Headquarters program offices should address.

## **Status of the Clean Water State Revolving Fund (CWSRF) Financial and Compliance Audit Program**

The end of fiscal 1998 marked the first full year of the OIG's implementation of its CWSRF financial and compliance audit program. Title VI of the Clean Water Act of 1987 established the program to replace the wastewater treatment facilities construction grants program. EPA awards capitalization grants to states to establish the CWSRF program. The main purpose of the program is to create permanent revolving funds in each state to make loans to local governments to construct needed wastewater treatment facilities. EPA implements the program so that states have a high degree of flexibility to meet their unique needs and circumstances.

As of June 1998, state-administered CWSRFs had assets of more than \$25 billion. We developed the audit program in close coordination with the Office of Water (OW) to meet its needs to assure that reliable and credible CWSRF financial statements are available. The audit program also includes objectives to meet both the OW and OIG needs to assure that the states operate the CWSRF's with adequate internal controls and in compliance with capitalization grant requirements.

During fiscal 1998, the OIG issued financial statement audit reports on the CWSRFs in the states of California and Washington and initiated audits in Nebraska, Nevada, Texas and Utah. In addition, the OIG began assessing state and Independent Public Accountant (IPA) conducted audits in some of the other states.

In June 1998, the OIG published a CWSRF Audit Guide for use by its staff and as a reference document for state auditors and IPAs. OW awarded the EPA Bronze Medal to key staff in the OW and OIG for their successful collaborative efforts to develop and implement the CWSRF audit program.

## **Improving the Administration of Potentially Responsible Party (PRP) Oversight**

In 1995 EPA initiated a reform to improve the administration of PRP oversight--referred to as the reduced oversight reform. While auditing this reform, we identified some concerns as a result of 1998 changes in the reform. EPA changed the emphasis from reducing costs to maximizing the effectiveness and efficiency of EPA's efforts to oversee PRPs. The intended result was improved working relationships and controlled costs.

Since EPA changed this reform while we were conducting our audit, we did not evaluate how Region 5 implemented the revised reform. However, we shared two observations on the revisions with the Agency. First, the original guidance still in use focuses on how to identify PRPs that are cooperative and capable, and provides examples of how oversight can be reduced. However, it does not include other areas that are now being emphasized in the reform. The guidance should be expanded to include how project managers can improve their working relationships with PRPs and improve billing practices. This guidance will make it easier for project managers to understand and implement this reform. Second, the reform should also be directed toward PRPs where working relationships need improvement.

A report (8400032) was issued to the Directors, Office of Emergency and Remedial Response and Office of Site Remediation Enforcement, on July 8, 1998. We provided the above information for their consideration. No written response was requested.

## Joint Investigation Furthers Agency Enforcement Effort

As a result of a joint OIG and EPA Criminal Investigation Division criminal investigation that concluded in September 1997, the Agency filed separate complaints against 65 individuals, assessing civil penalties under the Toxic Substances Control Act totaling \$103,000. These actions stem from the investigation of Robert G. Cooley, who owned and operated I.P.C. Chicago, Inc. (IPC), a company approved by the Illinois Department of Public Health (IDPH) to provide asbestos abatement training and issue accreditation certificates. Cooley was convicted on September 26, 1997, of mail fraud in connection with IPC issuing accreditation certificates to asbestos abatement workers and supervisors without providing them with the required asbestos abatement training. Workers possessing the fraudulent IPC certificates (the respondents in the Agency's administrative complaints) were subsequently discovered working on EPA-funded Asbestos School Hazard Abatement Act projects. As a result of the criminal case, Cooley was sentenced to 52 months imprisonment and 3 years probation, ordered to pay restitution of \$234,763, and assessed \$100.

## 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 September 30, 1998, there were only 40 grants totaling \$1.5 billion which are expected to receive OIG review. The majority of these grants are in Regions 1, 2 and 3.

## 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 one legislative and 23 regulatory items. The most significant items reviewed are summarized below.*

### New Chapter for Resources Management Directives System 2550D-Financial Management of Cashout Special Accounts

We reviewed the subject document and expressed the following concerns:

- A reference to required "supporting documentation" in the handling of cashout settlement funds did not specify what documentation would be required or from whom. We recommended that this issue be clarified.
- Allowing potentially responsible parties (PRPs) to submit their cashout payments to several different entities would be unwieldy and inefficient. Since the Financial Management Office in the region overseeing the cleanup is ultimately responsible for recording all applicable cashout payments and transmitting them to the Cincinnati Financial Management Center, we suggested requiring PRPs to remit the cashout directly to a regional lockbox, if feasible, or to the Washington Financial Management Center.

- The document did not mention a program element to track the cashout principal in the special accounts.
- The proposed use of a separate stand-alone Special Accounts Data Base to record cashout receipts and calculate interest could make the process inherently riskier and less efficient.

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

### **Revised EPA Order 5220.1 Legislative Development, “Policies and Procedures for the Development, Coordination, and Presentation of Legislative Proposals, Legislative Reports, and Congressional Testimony”**

We were concerned that the revised Order did not adequately reflect the independent status of the OIG. Accordingly, we recommended the addition of language clarifying that its provisions do not apply to the OIG.

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

### **Proposed Delegation of Authority to Implement Responsibilities Under the Migratory Bird Conservation Act and the North American Wetlands Conservation Act**

While we agreed that the proposed permanent delegation of authority could be an effective and appropriate means of implementing Migratory Bird Conservation Commission (MBCC) responsibilities, it was unclear to us whether delegation to the directorship level would be permissible since the MBCC is a Cabinet/Congressional level commission.

The Agency obtained clarification from the Secretary of the Commission that adequately addressed our concerns.

## **OIG Management Initiatives**

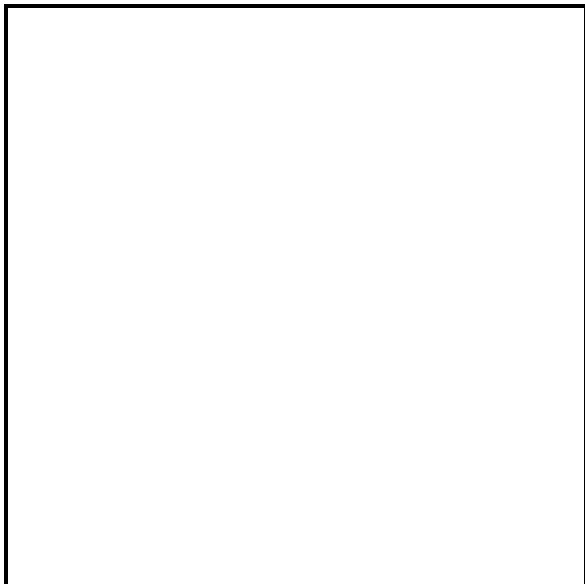
Continuing the reinvention initiative undertaken last year to refocus from a command and control culture to a more participative and team based environment, the OIG formed a Leadership Steering Committee. The Committee is comprised of senior managers from throughout the OIG. The purpose of the Steering Committee is to set future direction, facilitate the achievement of the Strategic Plan, identify core processes, set improvement goals, provide clarification on key policy issues, and commission teams for improvement.

The Steering Committee formed workgroups from a broad section of the OIG staff to develop projects such as (1) developing an OIG communication strategy for key information, (2) refining the OIG’s planning process to clearly indicate linkage between EPA’s Strategic Plan and OIG Strategic and Annual Plans and budgets, (3) establishing the OIG employee reward system under PERFORMS, and (4) identifying key OIG processes for standardization. The New Directions workgroups are evaluating the feasibility of establishing a Program Evaluation Unit and an Office of Planning, Budgeting, and Accountability. These and other projects will help the OIG further define and achieve its vision and goals.

## **Committee on Integrity and Management Improvement**

The Committee on Integrity and Management Improvement (CIMI) was established by EPA Order 1130.1, dated August 9, 1984, to coordinate the Agency’s effort to minimize the

opportunities for fraud, waste and mismanagement in EPA programs and activities, and to advise the Administrator on policies to improve the efficiency and effectiveness of the Agency. CIMI strives to continually enhance employee awareness and understanding of various Agency policies and procedures and to improve the economy, efficiency, and effectiveness of Agency operations. Chaired by the Inspector General, the Committee is composed of senior managers from EPA program and regional offices.



Honorable C. Anthony Muse, keynote speaker and Jonathan Z. Cannon, former General Counsel (Photo by Steve Delaney)

## **PUBLIC SERVICE RECOGNITION WEEK**

To recognize the outstanding achievements of EPA employees and express appreciation for their commitment to the Agency's mission and excellence in Government, CIMI developed and coordinated a series of special events and exhibits during Public Service Recognition Week in May. The highlight of the week's events was a ceremony honoring the EPA workforce and culminating in the presentation of the EPA Employee Recognition Award for community service. Inspector General Nikki L. Tinsley served as Master of Ceremonies. Former General Counsel Jonathan Z. Cannon presented awards to 23 employees whose exceptional community service has helped to foster a positive image of Federal employees. He also

acknowledged and thanked another 77 employees who participate in volunteer programs at nearby schools. The Honorable C. Anthony Muse of the Maryland House of Delegates gave the keynote address, and several EPA employees provided musical entertainment. Following the ceremony, the Administrator and the Acting Inspector General hosted a reception for the 1998 awardees.

## **MARKETING CIMI DOCUMENTS**

The CIMI Committee initiated a project to increase employee awareness of and interest in its awareness bulletins and information leaflets, which are designed to improve employee knowledge and understanding of various Agency policies and procedures. Working with the Office of Human Resources and Organizational Services, the Committee arranged to have a formal CIMI presentation at each weekly orientation program for new employees. A script about CIMI was developed for presentation at the orientation sessions and a fact sheet on CIMI and its publications was prepared for inclusion in the new employee orientation package, to be accompanied by a list of CIMI documents and instructions on how to access them on the EPA Intranet. CIMI will also broadcast information about CIMI on the EPA TV monitors and send messages via e-mail periodically to remind employees about our documents and how to access them.

## **Hotline**

In August 1998, responsibility for hotline operations within OIG transferred from the Program Support Staff to the Headquarters Audit Division (HAD). Each complaint is reviewed by a team of auditors, evaluators, and criminal investigators as conditions warrant. All matters significant enough to require a response are monitored by the team until each aspect of a complaint has been adequately addressed. As a result, our overall ability to address matters involving fraud, waste, and abuse has improved.

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Also, by the end of the next semiannual period, HAD will have developed a strategy to better market the hotline, particularly to EPA contractors and assistance recipients. This marketing strategy is to promote the identification of significant matters warranting investigative, audit, or management attention.

The OIG Hotline opened 46 new cases and closed 41 during the reporting period. Of the cases closed, one resulted in prosecutive action. Cases that did not have immediate validity due to insufficient information may be used to identify trends or patterns of potentially vulnerable areas for future review. At the end of this semiannual reporting period, 17 Hotline cases were open.

The following is an example of action taken as a result of information provided by the OIG Hotline.

A complainant alleged that for several years a company had been dumping solvents, paint thinners, and other toxic substances at a plant in Perryville, Missouri. The allegations were substantiated, and the company was indicted for illegal disposal of hazardous wastes in September 1998 and scheduled for trial in October 1998.



## Section 4 -- Report Resolution

As required by the Inspector General Act, as amended, this section contains information on reports in the resolution process for the semiannual period. This section also summarizes OIG reviews of the Agency's follow-up actions on selected reports completed in prior periods. In addition, information is presented on the resolution of significant reports issued by the OIG involving monetary recommendations.

### Current Period

We commend the Agency on the priority it has given to resolving audits, and the results that it has achieved during the past year. The following shows the status and examples of improvements in EPA's audit resolution.

- As of September 30, 1998, EPA had 130 OIG audit reports requiring resolution; which was **50 less** than the ending balance on September 30, 1997. The Agency has also **reduced by 38%** the number of past due audit reports (those with no management decision within six months of issuance) from **92 to 57**.

The following table shows the status of the 57 unresolved audit reports as of September 30, 1998.

RESOLUTION STATUS	# OF REPORTS	\$ QUESTIONED
NO RESPONSE	38 reports	\$82,475,273
INCOMPLETE RESPONSE	5 reports	\$2,121,480
UNDER OIG REVIEW	1 report	\$952,260
RESOLUTION UNDER OIG HQ REVIEW	4 reports	\$-0-
APPEAL TO Audit Resolution Board – Awaiting Final Determination Letter	1 report	\$7,208,275
RESOLUTION ON HOLD	8 reports	\$7,298,780
TOTAL	57 reports	\$100,056,068

*Agency Action Officials have put resolution on hold on 8 of the 57 past due audit reports, pending additional information from court decisions, ongoing investigations and audits. These 8 past due audit reports have questioned costs totaling \$7.3 million.*

*During this reporting period, the Office of Acquisition Management has worked diligently to reduce the number of "no responses" from 43 to 15.*

- During the last 12-month period, the costs questioned on the OIG reports for which management decisions were past due has **decreased 51 percent**, from \$204.3 million as of September 30, 1997, to \$100 million as of September 30, 1998.

### Trends

There is an overall favorable trend in the number of the Agency's outstanding unresolved reports from September 30, 1995, through September 30, 1998, further demonstrating EPA's commitment to improvement. During this three-year period, the number of audit reports needing resolution dropped **from 110 to 57** and the dollars of questioned costs of past due reports needing resolution has **decreased 22 percent**, while the number of audit reports needing resolution averaged 290.

We encourage EPA management to continue making audit followup a top priority and be even more timely in resolving audit reports. Audit followup is an integral part of good management. Corrective action taken by management on resolved audit findings and recommendations is essential to improving the effectiveness and efficiency of Agency operations. In an era of rising demand for quality public services, tight budgets and limited resources, it is essential that EPA follow up promptly and collect debts arising from audits. Audit followup is a shared responsibility for which the OIG is willing to assist Agency managers to resolve open audit reports quickly and effectively.

**Status Report on Perpetual Inventory of Reports in Resolution Process for Semiannual Period Ending September 30, 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 April 1, 1998	123	\$210,216	0		
B. Which were issued during the reporting period	247	11,065	3,212		
C. Which were issued during the reporting period that required no resolution	148	66	0		
Subtotals (A + B - C)	222	221,215	3,212		
D. For which a management decision was made during the reporting period	92	110,313	3,212	62,741	3,212
E. For which no management decision was made by the end of the reporting period	130	110,902	0		
Reports for which no management decision was made within six months of issuance	57	110,056			

(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 September 30, 1998 (Dollar Value in Thousands)**

Report Category	Number of Reports	Questioned Costs*	Unsupported Costs
<b>A. For which no management decision was made by April 1, 1998**</b>	<b>69</b>	<b>\$210,216</b>	<b>\$73,105</b>
<b>B. New reports issued during period</b>	<b>22</b>	<b>10,999</b>	<b>3,515</b>
<b>Subtotals (A + B)</b>	<b>91</b>	<b>221,215</b>	<b>76,620</b>
<b>C. For which a management decision was made during the reporting period</b>	<b>34</b>	<b>110,313</b>	<b>46,075</b>
(i) Dollar value of disallowed costs	25	62,741	13,955
(ii) Dollar value of costs not disallowed	28**	47,572	32,120
<b>D. For which no management decision was made by the end of the reporting period</b>	<b>57</b>	<b>110,902</b>	<b>30,545</b>
<b>Reports for which no management decision was made within six months of issuance</b>	<b>40</b>	<b>110,056</b>	<b>27,086</b>

\* 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.

\*\*\* Five audit reports totaling \$797 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 September 30, 1998 (Dollar Values in Thousands)**

Report Category	Number of Reports	Dollar Value
A. For which no management decision was made by April 1, 1998*	0	0
B. Which were issued during the reporting period	1	3,212
Subtotals (A + B)	1	3,212
C. For which a management decision was made during the reporting period	1	3,212
(i) Dollar value of recommendations from reports that were agreed to by management	1	3,212
(ii) Dollar value of recommendations from reports that were not agreed to by management	0	0
(iii) Dollar value of non-awards or unsuccessful bidders	0	0
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.

<b>Audits With No Final Action As Of 9/30/98-Which are over 365 Days Past OIG Report Issuance Date</b>				
Audits	Non-Superfund	Superfund	Total	Percentage
Programs	41	11	52	20
Allegations	3	0	3	1
Assistance Agreements	11	14	25	10
Construction Grants	119	0	119	47
Contract Audits	13	43	56	22
<b>TOTAL</b>	<b>187</b>	<b>68</b>	<b>255</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 #	TITLE	FINAL REPORT ISSUED	QUESTIONED COSTS			RECOMMENDED EFFICIENCIES (FUNDS BE PUT TO BETTER USE)
			INELIGIBLE COSTS	UNSUPPORTED COSTS	UNNECESSARY/ UNREASONABLE COSTS	
1. INTERNAL AND MANAGEMENT ASSIGNMENTS						
Office of the Administrator						
E1XMG7-11-0028-8400018	EPA'S DISCRIMINATION AND GRIEVANCE PROCESS	4/ 3/98				
FMD Cincinnati Accounting Operations Office						
E1AMG7-23-7097-8400023	CFO ACT 97 FMD-CINCINNATI	5/ 5/98				
Grants Administration Division						
E1HWG8-04-0021-8400049	REVIEW OF LOBBYING ACTIVITIES BY STATE RURAL WATER ASSOCIATIONS	9/29/98				
Office of Chief Financial Officer						
E1AML7-20-7008-8100166	FY97 WORKING CAPITAL FUND FINANCIAL STATEMENT AUDIT	6/16/98				
Assistant Administration for Administration & Resources Management						
E1BMF7-23-0012-8100251	REVIEW OF PERSONAL SERVICES	9/29/98				
E1TME8-23-0012-8400050	EPA CONTRACT MANAGEMENT INITIATIVES FOLLOW-UP	9/29/98				
E1DMD8-11-0002-8100185	EPA'S ENVIRONMENTAL SAFETY AND HEALTH PROGRAM FOLLOW-UP	7/16/98				
E3AMP8-11-0008-8100209	STATUTORY AUTHORITY FOR EPA ASSISTANCE AGREEMENTS	9/18/98				
E1BMF7-11-0026-8100250	CONTRACTOR ACCESS TO CONFIDENTIAL INFORMATION	9/28/98				
E1FMB8-11-0001-8100256	PRE-AWARD MANAGEMENT OF EPA ASSISTANCE AGREEMENTS	9/30/98				
Assistant Administrator for Prevention, Pesticides, & Toxic Substances						
E1AML7-20-7008-8100204	FY97 FIFRA FINANCIAL STATEMENT AUDIT	8/20/98				
Assistant Administrator for Research & Development						
E1SKF7-08-0011-8100240	SUPERFUND FIELD SAMPLING QUALITY ASSURANCE CAPPING REPORT	9/30/98				
Assistant Administrator for Solid Waste & Emergency Response						
E1SFF8-11-0020-8100234	EPA'S SUPERFUND STATE DEFERRAL PROGRAM	9/10/98				
Assistant Administrator for Water						
E1NWG6-15-0001-8100177	OFFICE OF WATER DATA INTEGRATION	6/22/98				
Office of Emergency & Remedial Response						
E1YGG8-05-0035-8400032	PRP LEAD RD/RA ADVICE	7/ 8/98				

Assistant Administrator for Enforcement & Compliance Assurance

E1GAE7-03-0045-8100244 CONSOLIDATED REPORT ON OCEA'S  
OVERSIGHT OF REGIONAL AND STATE AIR  
ENFORCEMENT PROGRAMS 9/25/98

Regional Administrator - Region 1

E1SFF7-01-0036-8100254 SUPERFUND ADMINISTRATIVE REFORMS  
INITIATIVE 9/29/98

Regional Administrator - Region 2

E1SFF8-02-0007-8100206 REGION 2'S BILLING OF SUPERFUND  
OVERSIGHT COSTS 8/13/98

Regional Administrator - Region 4

E6ARF6-04-0058-8100189 RADIATION RISK ANALYSIS AT  
CHARLESTON NAVAL SHIPYARD 7/23/98

Regional Administrator - Region 5

E1SGF8-05-0035-8100208 POTENTIAL RESPONSIBLE PARTIES LEAD  
REMEDIAL DESIGN/REMEDIAL ACTIONS 8/17/98

E1AMG7-05-7597-8400026 REGION 5'S CFO ACT 97 6/ 2/98

Regional Administrator - Region 6

E1HWB7-06-0035-8400043 TEXAS BORDER WATER PROJECTS 9/21/98

Regional Administrator - Region 9

E1SFF7-09-0058-8100223 ENVIRONMENTAL DATA QUALITY AT  
SUPERFUND REMOVAL ACTIONS IN  
REGION 9 9/ 4/98

E1SFF8-09-0022-8100259 REGION 9 SUPERFUND SITE ACCOUNTING 9/30/98

Regional Administrator - Region 10

E1GAF8-10-0018-8100249 IDAHO'S AIR ENFORCEMENT PROGRAM 9/30/98

E1NMF8-15-0001-8100252 SECURITY OF REGION 10 LANS 9/29/98

TOTAL = 26 0 0 0 0

2. CONSTRUCTION GRANT ASSIGNMENTS

E2CWL8-02-0006-8100180 LANDIS SA NJ 6/25/98 186,940 0 0 0  
P2CWL9-02-0237-8100106 PRASA - ARECIBO PR 4/29/98 121,006 2,661,831 0 0

TOTAL OF REGION 02 = 2 307,946 2,661,831 0 0

P2CWN7-03-0145-8300013 DISTRICT OF COLUMBIA DC 8/13/98 2,330,880 69,652 0 0  
P2CWN7-03-0143-8300014 DISTRICT OF COLUMBIA DC 8/13/98 2,542,999 32,222 0 0  
P2CWN7-03-0150-8300015 DISTRICT OF COLUMBIA DC 8/13/98 599,864 270,798 0 0

TOTAL OF REGION 03 = 3 5,473,743 372,672 0 0

E2CWN6-04-0021-8300011 HICKORY NC 4/14/98 174,820 283,972 0 0

TOTAL OF REGION 04 = 1 174,820 283,972 0 0

E2CWN6-06-0011-8300017 ST. BERNARD PARISH LA 9/30/98 0 0 0 0

TOTAL OF REGION 06 = 1 0 0 0 0

E2CWN7-09-0021-8300019 GUALALA COMM SVCS DIST CA 9/30/98 139,636 0 0 0

TOTAL OF REGION 09 = 1 139,636 0 0 0

E2HTL8-10-0019-8100191 WASHINGTON STATE WTR POLL WA 7/29/98 0 98,497 0 0  
E2CWN6-10-0025-8300018 LYNNWOOD, CITY OF WA 9/30/98 24,283 0 0 0

TOTAL OF REGION 10 = 2 24,283 98,497 0 0

TOTAL CONSTRUCTION GRANT ASSIGNMENTS = 10 6,120,428 3,416,972 0 0

3. OTHER GRANT ASSIGNMENTS

P3CML7-01-0014-8100181	LABORERS-AGC ED & TRAINING	CT	7/ 1/98	0	0	0	0
N3HVJ8-33-0043-8500044	CONNECTICUT STATE OF	CT	5/ 1/98	0	55,428	0	0
N3HVJ8-33-0080-8500068	RHODE ISLAND STATE OF	RI	7/24/98	0	0	0	0
N3HVK8-33-0068-8500061	VERMONT STATE OF	VT	7/24/98	0	0	0	0
TOTAL OF REGION 01 = 4				0	55,428	0	0
G3HVK8-33-0077-8500062	ONONDAGA CO SOIL & WATER	NY	7/24/98	0	0	0	0
G3HUK8-33-0085-8500067	AMERICAN NATIONAL STANDARDS	NY	7/24/98	5,574	0	0	0
TOTAL OF REGION 02 = 2				5,574	0	0	0
G3HUK8-33-0046-8500038	ENGINEERS RESEARCH & EDUCAT	DC	4/ 9/98	0	0	0	0
G3HUK8-33-0047-8500046	CTR FOR WATERSHED PROTECTION	MD	5/26/98	0	0	0	0
TOTAL OF REGION 03 = 2				0	0	0	0
N3HVJ8-33-0041-8500055	ALABAMA STATE OF	AL	6/23/98	0	0	0	0
N3HVK8-33-0063-8500049	DEPARTMENT OF HEALTH	FL	6/ 2/98	0	0	0	0
N3HVK8-33-0087-8500070	PINELLAS COUNTY	FL	9/10/98	0	0	0	0
N3HVJ8-33-0070-8500051	GULF COAST RESEARCH LAB	MS	6/24/98	0	0	0	0
N3HVJ8-33-0071-8500056	MISSISSIPPI STATE OF	MS	6/30/98	0	0	0	0
N3HVJ8-33-0069-8500076	NORTH CAROLINA STATE OF	NC	9/18/98	0	0	0	0
TOTAL OF REGION 04 = 6				0	0	0	0
G3HUK8-33-0060-8500045	LAKE MICHIGAN AIR DIRECTORS	IL	5/26/98	0	0	0	0
N3HVK8-33-0088-8500069	ROCKFORD PUBLIC SCHOOLS	IL	9/10/98	0	0	0	0
G3HVJ8-33-0064-8500054	FORT BRANCH TOWN OF	IN	6/24/98	0	0	0	0
N3HVK8-33-0082-8500060	RED LAKE BANK OF CHIPPEWA	MN	7/24/98	5,083	0	0	0
N3HVJ8-33-0072-8500064	OHIO STATE OF FY 95	OH	7/24/98	0	0	0	0
N3HUK8-33-0045-8500034	WISCONSIN SYSTEM UNIVERSITY	WI	4/ 1/98	0	0	0	0
N3HVK8-33-0074-8500050	GREAT LAKES INDIAN FISHWILD	WI	6/23/98	0	0	0	0
N3HVK8-33-0079-8500075	ONEIDA INDIAN TRIBE	WI	9/17/98	0	0	0	0
TOTAL OF REGION 05 = 8				5,083	0	0	0
G3HVK8-33-0066-8500057	EMMETSBURG CITY OF	LA	7/ 8/98	0	0	0	0
N3HVK8-33-0062-8500048	WATERLOO CITY OF	LA	6/ 2/98	0	0	0	0
G3HVK8-33-0090-8500074	DUNCAN CITY OF	OK	9/14/98	0	0	0	0
TOTAL OF REGION 06 = 3				0	0	0	0
N3HVK8-33-0031-8500065	CHEYENNE RIVER SIOUX TRIBE	SD	7/24/98	0	0	0	0
G3HUK8-33-0091-8500073	UTAH ASSN OF CONSERVATION	UT	9/11/98	0	0	0	0
N3HVJ8-33-0078-8500066	UTAH STATE OF	UT	7/24/98	0	0	0	0
N3HVK8-33-0067-8500058	WYOMING STATE OF	WY	7/ 8/98	0	0	0	0
TOTAL OF REGION 08 = 4				0	0	0	0
N3HVK8-33-0075-8500053	COLORADO RIVER INDIAN TRIBES	AZ	6/24/98	0	0	0	0
N3HVK8-33-0076-8500059	COLORADO RIVER INDIAN TRIBES	AZ	7/24/98	0	0	0	0
G3HVK8-33-0052-8500036	MANILA COMMUNITY SERVICES	CA	4/ 9/98	0	0	0	0
UNION SANITARY DISTRICT	CA	4/ 9/98	0	0	0	0	0
G3HVK8-33-0059-8500041	SOUTH COAST AIR QUALITY MGT	CA	4/29/98	0	0	0	0
G3HVK8-33-0058-8500043	YOLO CO RESOURCE CONSER	CA	4/29/98	0	0	0	0
G3HVK8-33-0065-8500052	GUALALA COMMUNITY SERVICES	CA	6/24/98	0	0	0	0
N3HVK8-33-0057-8500042	MONTEREY REGIONAL WATER	CA	4/29/98	0	0	0	0
N3HVK8-33-0081-8500063	SAN PASQVAL BAND OF MISSION	CA	7/24/98	0	0	0	0
N3HVJ8-33-0086-8500071	CALIFORNIA STATE OF	CA	9/11/98	0	0	0	0
N3HVK8-33-0089-8500072	AGRICULTURE DEPARTMENT OF	HI	9/11/98	0	0	0	0
TOTAL OF REGION 09 = 11				0	0	0	0
N3HVK8-33-0061-8500047	PORTLAND CITY OF	OR	5/27/98	0	0	0	0
N3HVJ8-33-0053-8500035	TACOMA CITY OF	WA	4/ 9/98	0	0	0	0
N3HVJ8-33-0056-8500039	KING COUNTY	WA	4/22/98	0	0	0	0
N3HVK8-33-0055-8500040	TULALIP TRIBES - WASHINGTON	WA	4/22/98	0	0	0	0
TOTAL OF REGION 10 = 4				0	0	0	0
TOTAL OTHER GRANT ASSIGNMENTS = 44				10,657	55,428	0	0
5. SUPERFUND GRANT ASSIGNMENTS							
E5FGF8-05-0043-8100131	CA MICHIGAN	MI	5/12/98	0	0	0	0
E5JGG8-05-0043-8400034	CA MICHIGAN ADVICE	MI	7/13/98	0	0	0	0
TOTAL OF REGION 05 = 2				0	0	0	0
E5BFL8-10-0022-8100248	SHOSHONE-BANNOCK TRIBES	ID	9/28/98	1,606	42,314	0	0
TOTAL OF REGION 10 = 1				1,606	42,314	0	0
M5BFL8-20-0008-8100258	97 SUPERFUND DOD IAG		9/29/98	0	0	0	0
TOTAL OF REGION 20 = 1				0	0	0	0
TOTAL SUPERFUND GRANT ASSIGNMENTS = 4				1,606	42,314	0	0
8. OTHER CONTRACT ASSIGNMENTS							
E8CMP2-01-0109-8400040	ALLIANCE TECH CORP	MA	8/ 6/98				
E8CMP6-01-0614-8400041	ALLIANCE TECH CAC	MA	8/ 6/98				
D8AML8-44-2063-8100130	CADMUS GROUP	MA	5/ 6/98				
D8BML4-44-0159-8100142	ABT ASSOCIATES INC	MA	6/ 3/98				
D8BML7-44-1139-8100149	XENERGY INC	MA	6/ 4/98				

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

D8GML8-44-2186-8100174	XENERGY INC	MA	6/17/98
D8CML5-44-0148-8100215	EASTERN RESEARCH GROUP	MA	9/ 1/98
D8BML8-44-2078-8100233	SCICOMM INC	MA	9/ 9/98

will

within

TOTAL OF REGION 01 = 8

D8BML7-44-1103-8100105	GRUZEN SAMTON	NY	4/29/98
D8BML8-44-2183-8100169	GRUZEN SAMTON	NY	6/16/98

TOTAL OF REGION 02 = 2

E8EML8-22-0117-8100202	ICF FY98 OAKLAND FLOORCHECK		8/ 5/98
E8BML7-22-0058-8100236	ASCI 1990 & 1991 I/C DIR		9/16/98
E8BML4-22-0090-8100237	ASCI 1992 INCURRED COST		9/16/98
E8BML4-22-0090-8100238	ASCI 1992 INCURRED COST		9/16/98
E8BML4-22-0090-8100239	ASCI 1992 INCURRED COST		9/16/98
E8BML8-22-0118-8100257	EH PECHAN INCURRED 92-93	VA	9/29/98
E8EMP6-22-0031-8400024	ICF FY96 OAKLAND FLR CHECK	VA	5/11/98
E8BML6-22-0026-8100229	EH PECHAN INCURRED 90-91	VA	9/ 9/98
E8BMP5-22-0128-8400037	SAI	VA	8/ 3/98
D8BML5-44-0368-8100164	INFORMATION DYNAMICS INC	DC	6/10/98
D8BML8-44-2158-8100213	SOCIOTECHNICAL RESEARCH	DC	8/26/98
D8CML5-44-0325-8100104	DYNAMAC CORPORATION	MD	4/28/98
D8BML8-44-2003-8100200	ROW SCIENCES	MD	8/ 5/98
D8BML8-44-2093-8100218	OAO CORPORATION	MD	9/ 1/98
D8BML4-44-0386-8100231	MAR INCORPORATED	MD	9/ 9/98
D8BML6-44-0213-8100232	MAR INCORPORATED	MD	9/ 9/98
D8GML8-44-2235-8100242	ASPEN SYSTEMS CORP	MD	9/23/98
D8AWP8-44-2164-8400033	ISSI INC	MD	7/13/98
D8BML6-44-0159-8100112	PERRIN QUARLES ASSOCIATES	VA	4/29/98
D8BML7-44-1123-8100113	PERRIN QUARLES ASSOCIATES	VA	4/29/98
D8BML6-44-0156-8100116	ULTRA TECHNOLOGIES	VA	4/29/98
D8BML5-44-0226-8100117	PERRIN QUARLES ASSOCIATES	VA	4/29/98
D8CML3-44-0151-8100125	UNISYS CORPORATION	VA	5/ 5/98
D8CML8-44-2071-8100129	UNISYS CORPORATION	VA	5/ 5/98
D8EML7-44-1004-8100132	COMPUTER SYSTEMS DEV CORP	VA	5/13/98
D8GML8-44-2056-8100136	MARASCO NEWTON GROUP INC	VA	5/13/98
D8BML7-44-1115-8100140	ALM JOINT VENTURE	VA	6/ 2/98
D8CML7-44-0053-8100146	S. COHEN & ASSOCIATES INC	VA	6/ 4/98
D8BML7-44-0108-8100160	COMPUTER RESOURCE MGT INC	VA	6/10/98
D8BML4-44-0052-8100165	LABAT-ANDERSON INC	VA	6/10/98
D8EML8-44-2171-8100167	PERRIN QUARLES ASSOCIATES	VA	6/16/98
D8GML8-44-2105-8100168	TECHLAW INC	VA	6/16/98
D8BML6-44-0172-8100172	UNIVERSAL SYSTEM & TECH	VA	6/16/98
D8BML7-44-1119-8100175	DIVERSIFIED TECH & SERVICES	VA	6/18/98
D8BML7-44-0024-8100198	DAVID C. COX & ASSOCIATES	VA	7/29/98
D8BML5-44-0378-8100207	NMI SYSTEMS INC	VA	8/13/98
D8BML5-44-0389-8100211	LABAT-ANDERSON INC	VA	8/20/98
D8BML7-44-0023-8100212	NMI SYSTEMS INC	VA	8/26/98
D8CML8-44-2062-8100230	SCIENTEX CORP	VA	9/ 9/98
D8BML6-44-0155-8100247	SRA TECHNOLOGIES INC	VA	9/25/98
D8BMM7-44-0100-8200007	DAVID C. COX & ASSOCIATES	VA	7/29/98
D8BMM6-44-0088-8200008	DAVID C. COX & ASSOCIATES	VA	7/29/98
D8BMM8-44-2163-8200009	PERRIN QUARLES ASSOCIATES	VA	8/20/98
D8AWP8-44-2100-8400027	DYNACORP I & E T	VA	6/ 4/98
D8AMP8-44-2131-8400028	MANTECH	VA	6/ 4/98

TOTAL OF REGION 03 = 45

D8EML8-44-2184-8100182	GOLDER ASSOCIATES	FL	7/13/98
D8BMM8-44-2242-8200010	SEAWARD SERVICES INC	FL	8/20/98
D8BML7-44-1102-8100108	KBN ENG. & APPLIED SCIENCES	GA	4/29/98
D8BML5-44-0086-8100110	TECHNOLOGY PLANNING & MGMT.	NC	4/29/98
D8BML7-44-1150-8100115	ENTROPY ENVIRONMENTALISTS	NC	4/29/98
D8BML7-44-0034-8100141	INTEGRATED LABORATORIES SYS	NC	6/ 2/98
D8BML5-44-0083-8100151	ENTROPY ENVIRONMENTALISTS	NC	6/ 4/98
D8BML6-44-0068-8100152	ENTROPY ENVIRONMENTALISTS	NC	6/ 4/98
D8EML8-44-2041-8100156	TRANSCONTINENTAL ENTERPRISE	NC	6/ 5/98
D8BML5-44-0027-8100203	TRANSCONTINENTAL ENTERPRISE	NC	8/ 6/98
D8EML8-44-2190-8100214	TRANSCONTINENTAL ENTERPRISE	NC	8/26/98

TOTAL OF REGION 04 = 11

E8BSP7-05-0053-8400046	AT KEARNEY 95	IL	9/22/98
E8BSP7-05-0042-8400048	AT KEARNEY 94	IL	9/24/98
E8DMP7-23-0006-8400021	PEI ASSOC 91	OH	4/20/98
D8BML7-44-0065-8100114	ENVIRON SCIENCE & ENG 95	IL	4/29/98
D8EML8-44-2202-8100192	GRACE ANALYTICAL LAB	IL	7/29/98
D8BML8-44-2033-8100195	ENVIRON SCIENCE & ENG	IL	7/29/98
D8AML8-44-2053-8100100	LIMNO-TECH	MI	4/22/98
D8AAP8-44-2167-8400038	FEV ENGINEERS TECHNOLOGY	MI	8/ 5/98
D8BML6-44-0125-8100145	ENVIROSCIENCE 94	MN	6/ 3/98
D8BML6-44-0126-8100176	CTC TECH INC 95	OH	6/18/98
D8AMP8-44-2054-8400020	BATELLE COLUMBUS OPERATION	OH	4/15/98
D8AWP8-44-2099-8400029	INTERNATIONAL CONSULTANTS	OH	6/ 4/98
D8AMP8-44-2195-8400039	BATELLE MEMORIAL INST	OH	8/ 6/98
D8AMP8-44-2196-8400042	AUTOMOTIVE TESTING LAB	OH	8/11/98

TOTAL OF REGION 05 = 14

D8BML7-44-2025-8100159	LEE WILSON & ASSOCIATES	NM	6/10/98
D8CML7-44-0018-8100126	EG&G AUTOMOTIVE RESEARCH	TX	5/ 5/98
D8CML8-44-2048-8100128	SOUTHWEST RESEARCH INST	TX	5/ 5/98
D8CML3-44-0095-8100133	LOCKHEED	TX	5/13/98

TOTAL OF REGION 06 = 4

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

be provided to the Congress under separate memorandum

30 days of the transmittal of the semiannual report to the agency head. The transmitted data will contain appropriate cautions regarding disclosure.

D8GML7-44-1185-8100134 MIDWEST RES INST MO 5/13/98

TOTAL OF REGION 07 = 1

D8CWL4-44-0074-8100150 WOODWARD-CLYDE INT'L CO 6/ 4/98  
D8BMM8-44-2122-8200011 EDO FIBER SCIENCE CORP UT 9/29/98

TOTAL OF REGION 08 = 2

D8AWL8-44-2045-8100097 TETRA TECH CA 4/15/98  
D8CML7-44-1154-8100101 SCIENCE APPLICATIONS INT'L CA 4/28/98  
D8CML7-44-1155-8100102 SCIENCE APPLICATIONS INT'L CA 4/28/98  
D8CML7-44-1156-8100103 SCIENCE APPLICATIONS INT'L CA 4/28/98  
D8CML4-44-0192-8100127 GEO/R FC CA 5/ 5/98  
D8EML8-44-2050-8100153 SIERRA INCORPORATED CA 6/ 5/98  
D8BML5-44-0068-8100173 ES CI 93 CA 6/17/98  
D8CML5-44-2265-8100178 SAIC CA 6/24/98  
D8CML4-44-0200-8100179 SAIC FC CA 6/24/98  
D8BML8-44-2185-8100227 DECISION FOCUS CA 9/ 4/98  
D8EML8-44-2104-8100228 ENERGY & ENVIRONMENTAL RSCH CA 9/ 4/98  
D8BMM7-44-1177-8200006 CLEAN AIR VEHICLE TECH CA 6/ 2/98  
D8EMN7-44-0057-8300012 ACUREX FL CA 5/13/98

TOTAL OF REGION 09 = 13

D8BML5-44-0160-8100118 TEAM CI 94 OR 4/29/98

TOTAL OF REGION 10 = 1

D8GML8-44-2035-8100135 CADMUS GROUP 5/13/98  
D8GML8-44-2123-8100158 CADMUS GROUP 6/ 5/98  
D8BML6-44-0056-8100161 FOSTER WHEELER 6/10/98  
D8AWP8-44-2046-8400019 AQUA TERA CONSULTANTS 4/10/98

TOTAL OF REGION 03 = 4

TOTAL OTHER CONTRACT ASSIGNMENTS = 105 189,181 0 0 0

#### 9. SUPERFUND CONTRACT ASSIGNMENTS

E9JGP8-01-0009-8400035 REGIONAL ADVISORY ASSIST MA 7/22/98  
E9CKP4-01-0086-8400051 ALLIANCE TECHNOLOGIES MA 9/30/98  
E9BGL2-01-0135-8100190 ECOLOGY & ENVIRONMENT NY 7/29/98  
E9BGL2-01-0105-8100224 ECOLOGY & ENVIRONMENT NY 9/ 2/98  
D9BGL7-44-0033-8100199 CDM FEDERAL PROGRAMS MA 8/ 5/98

TOTAL OF REGION 01 = 5

E9BFL3-02-0062-8100260 ECOLOGY & ENVIR-92 IC S/F NY 9/30/98  
E9EFG8-02-0401-8400052 MALCOLM PIRNIE INC NY 9/30/98  
D9AFL8-44-2036-8100098 FOSTER WHEELER NJ 4/22/98  
D9BGL6-44-0042-8100109 FOSTER WHEELER NJ 4/29/98  
D9BFL7-44-1178-8100246 EBASCO SERVICES INC NJ 9/25/98  
D9CFL7-44-1173-8100123 SYRACUSE RESEARCH CORP NY 4/30/98  
D9EFL8-44-2182-8100170 TAMS CONSULTANTS NY 6/16/98

TOTAL OF REGION 02 = 7

E9DFL4-22-0269-8100245 ICF-FY 1987 INCURRED COST 9/25/98  
D9BFL7-44-0085-8100107 ENVIRONMENTAL MANAGEMENT MD 4/29/98  
D9BFL5-44-0367-8100201 HUGHES STX CORP MD 8/ 5/98  
D9BFL8-44-2108-8100210 ISSI INC MD 8/20/98  
D9BFL7-44-1105-8100139 GANNETT FLEMING ENVIRON ENG PA 6/ 2/98  
D9BFL7-44-1010-8100186 ROY F WESTON INC PA 7/17/98  
D9BFL7-44-0114-8100111 COMPUTER SYSTEMS DEV CORP VA 4/29/98  
D9CFL4-44-0401-8100120 CDM FEDERAL PROGRAMS VA 4/30/98  
D9CFL4-44-0398-8100121 CDM FEDERAL PROGRAMS VA 4/30/98  
D9CFL4-44-0396-8100122 CDM FEDERAL PROGRAMS VA 4/30/98  
D9CFL4-44-0399-8100124 CDM FEDERAL PROGRAMS VA 5/ 1/98  
D9BFL7-44-1111-8100183 SCIENTEX CORP VA 7/13/98  
D9BFL5-44-0236-8100184 ENVIRONMENTAL TECHNOLOGY VA 7/13/98  
D9CFL5-44-0387-8100193 BIONETICS CORP VA 7/29/98  
D9BFL8-44-2103-8100255 TECHLAW INC VA 9/29/98  
D9AFP8-44-2047-8400022 CDM FEDERAL PROGRAMS VA 4/22/98  
D9AFP8-44-2113-8400030 WASTE POLICY INSTITUTE VA 6/ 4/98

TOTAL OF REGION 03 = 17

D9BFL8-44-2166-8100171 GRIFFIN SERVICES INC GA 6/16/98

TOTAL OF REGION 04 = 1

E9JHP8-05-0044-8400031 CMC INC ASR5 ERCS KY 6/30/98  
E9EGL8-23-0003-8100095 EQMI 97 FLOOR CHECK OH 4/ 1/98  
E9BHL7-23-0009-8100243 EQMI 94 OH 9/23/98  
E9JHP8-23-0011-8400044 SAMSEL SVCS ASR5 ERCS OH 9/21/98  
D9BFL7-44-1206-8100187 OHM REMEDIATION SERVICES OH 7/17/98  
D9EFL8-44-2028-8100188 OHM CORPORATION OH 7/23/98  
D9EFL8-44-2239-8100226 MORRISON KNUDSEN OH 9/ 4/98

TOTAL OF REGION 05 = 7

D9BKL4-44-0049-8100162 LOCKHEED ENVIRONMENTAL TX 6/10/98  
D9BFL8-44-2130-8100219 SOUTHWEST RESEARCH INST TX 9/ 1/98

TOTAL OF REGION 06 = 2

D9EFL8-44-2043-8100154 DPRA INC KS 6/ 5/98

TOTAL OF REGION 07 = 1

D9EFL8-44-2051-8100137 ENVIRONMENTAL ENGINEERING CO 5/13/98

D9BFL8-44-2083-8100138	AGEISS ENVIRONMENTAL	CO	6/ 2/98
D9EFL8-44-2051-8100157	ENVIRONMENTAL ENGINEERING	CO	6/ 5/98
D9GFL7-44-1165-8100217	CH2M HILL INC	CO	9/ 1/98
D9GFL7-44-1167-8100220	CH2M HILL INC	CO	9/ 1/98
D9GFL7-44-1166-8100221	CH2M HILL INC	CO	9/ 1/98
D9EFL7-44-1164-8100225	CH2M HILL INC	CO	9/ 4/98

TOTAL OF REGION 08 = 7

D9EFL8-44-2026-8100099	MCLAREN/HART ENVIRONMENTAL	CA	4/22/98
D9BGL3-44-0224-8100119	BECHTEL CI 92	CA	4/30/98
D9BFL8-44-2070-8100216	AEROVIRONMENT, INC.	CA	9/ 1/98

TOTAL OF REGION 09 = 3

D9CFL7-44-1090-8100147	MORRISON KNUDSEN CORP.	ID	6/ 4/98
D9BKL6-44-0019-8100143	MORRISON KNUDSEN CORP	WA	6/ 3/98
D9BGL7-44-0009-8100253	URS CI 96	WA	9/29/98

TOTAL OF REGION 10 = 3

D9BFL7-44-0020-8100163	ROY F WESTON INC		6/10/98
D9BFL7-44-1077-8100196	BROWN & ROOT ENVIRONMENTAL		7/29/98
D9BFL7-44-1076-8100197	BROWN & ROOT ENVIRONMENTAL		7/29/98
D9EFL8-44-2101-8100205	CET ENVIRONMENTAL SVCS		8/11/98
D9CFL8-44-2225-8100222	SVERDRUP ENVIRONMENTAL, INC.		9/ 1/98

TOTAL OF REGION 03 = 5

TOTAL SUPERFUND CONTRACT ASSIGNMENTS	=	58	1,228,497	0	0	3,212,370
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TOTAL REPORTS =	247		7,550,369	3,514,714	0	3,212,370
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## 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>