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EPA's Office of the Inspector General

Annual Superfund Report to the Congress for Fiscal 1987

FOREWORD

This is our first Annual Superfund Report to the Congress, covering fiscal 1987 activities. The Superfund Amendments and Reauthorization Act of 1986 requires the Office of Inspector General to annually audit the Superfund program and to provide an annual report to Congress on these required audits. We intend to expedite our annual Trust Fund audit in future years so that this report may be issued earlier.

The advent of the Superfund program created new and unique cost accounting requirements. EPA over the past several years has responded to these new requirements by significantly improving its ability to accurately account for and document Superfund costs. However, we found that the Agency still needs to take corrective action for fiscal 1987 in the areas of (1) accounting for and controlling personal property; (2) allocating general support services costs; (3) monitoring letter of credit reports; and (4) recording accounts receivable.

We concluded that work under the \$136.3 million of Superfund cooperative agreements was not effectively performed by the recipients, or adequately monitored by the Regions. Performance goals and objectives of the agreements were often not attained. In priority areas, such as remedial investigation/feasibility studies, work was substantially behind schedule. Similarly, priority preremedial activities related to preliminary assessments, site inspections, and hazard ranking scores frequently were not completed in a timely and effective manner. Also, our audits disclosed deficiencies related to recipients': (i) procurement systems; (ii) accounting systems being inadequate to form a basis for cost recovery under the Superfund program; (iii) letter of credit activities not meeting requirements; and (iv) personal property and equipment systems not being properly managed to project Superfund acquired items. The Agency has taken a number of actions to correct the problems we found in our cooperative agreement audits.

In addition to reviewing Agency performance, we also take a proactive role assisting EPA management to prevent future problems. This includes review of draft documents and participation in EPA work group meetings. Superfund program areas with a particularly high level of OIG proactive work during fiscal 1987 included the removal program, technical assistance grants to citizens' groups and cooperative agreements with States.

Our Superfund resources have not kept pace with the increasing size and complexity of the program and the new mandatory requirements imposed upon us by SARA. We have had to defer audit coverage of many significant aspects of EPA management of Superfund in order to fulfill statutory requirements and provide audit support for burgeoning Superfund procurement. Superfund is particularly sensitive to fraud, waste and abuse, requiring a substantial investment in training and the development of new audit and investigative approaches.

We will continue to assist Agency management to deliver the most effective and efficient Superfund program through a comprehensive program of audits, investigations and fraud prevention.

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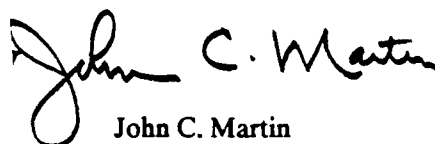

John C. Martin
Inspector General

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PURPOSE

This report is provided pursuant to section 111(k) of the Comprehensive Environmental Response, Compensation, and Liability Act (CERCLA) of 1980, as amended. The Superfund Amendments and Reauthorization Act (SARA) of 1986 amended that section of CERCLA to add several annual requirements for the Inspector General of each Federal agency carrying out CERCLA authorities. These requirements include four audit areas and an annual report to Congress regarding the required audit work. This report covers fiscal 1987 audits of Superfund activities. The required four audit areas are discussed below.

This report contains a chapter on three of the four mandated areas where we performed reviews. In addition, we are summarizing other Superfund audit work and assistance to EPA management which we performed during fiscal 1987. In addition to fulfilling the statutory requirements, the objectives of this report include providing the Congress with significant results of all of our Superfund audit work and a better understanding of how the Office of Inspector General is carrying out its purposes with respect to the Superfund program.

Trust Fund

CERCLA requires "... an annual audit of all payments, obligations, reimbursements, or other uses of the Fund in the prior fiscal year" We call this our Trust Fund audit and it constitutes a financial and compliance audit of EPA obligations and disbursements from the Hazardous Substance Superfund during the fiscal year.

Claims

CERCLA requires an annual audit to assure "... that claims are being appropriately and expeditiously considered" Since SARA did not include natural resource damage claims as allowable Fund expenditures, the only claims provided in CERCLA, as amended, are response claims and indemnity claims from response action contractors. No claims were submitted during fiscal 1987. In future years, we will audit claims which are of sufficient size to be considered material. We initiated a survey of the claims preauthorization process in fiscal 1987.

Cooperative Agreements

CERCLA requires audits "... of a sample of agreements with States (in accordance with the provisions of the Single Audit Act) carrying out response actions under this title" We perform financial and compliance audits of cooperative agreements with States. In some instances, our audits also review program performance. In addition, we sometimes review EPA regional management of the cooperative agreement program. Because we have issued a

"capping report" summarizing the results of all such audits in fiscal 1985, 1986 and 1987, this year's report covers three years of audits instead of just one. In future reports, we will summarize audit reports in this area issued during the prior fiscal year.

Remedial Investigations/Feasibility Studies (RI/FS)

CERCLA requires our ". . . examination of remedial investigations and feasibility studies prepared for remedial actions" Our RI/FS examinations will provide a technical review of the adequacy of the studies to provide a sound technical basis for remedial action decisions. These examinations may be done as part of audits of EPA management or as special reviews by our technical staff. At the time SARA was enacted, we had not performed any such examinations and our available technical resources for this purpose were limited. We did not issue any reports to EPA management on RI/FS examinations during fiscal 1987. However, we did initiate several such examinations as components of broader management audits. These reports were completed in fiscal 1988, and will be included in our fiscal 1988 Superfund annual report.

BACKGROUND

The "Superfund" program was established by the Comprehensive Environmental Response, Compensation, and Liability Act of 1980 (CERCLA), Public Law 96-510, enacted on December 11, 1980. The Superfund program was created to protect public health and the environment from release, or threat of release, of hazardous substances from abandoned hazardous waste sites and other sources where response was not required by other Federal laws. A Trust Fund was established by CERCLA to provide funding for responses ranging from control of emergency situations to permanent remedies at uncontrolled sites. CERCLA authorized a \$1.6 billion program financed by a five-year environmental tax on industry and some general revenues. CERCLA requires that response, or payment for response, be sought from those responsible for the problem, including property owners, generators, and transporters.

CERCLA was revised and expanded by the Superfund Amendments and Reauthorization Act of 1986 (SARA), Public Law 99-499, enacted October 17, 1986. SARA reinstituted the environmental tax and expanded the taxing mechanism available for a five-year period. It authorized an \$8.5 billion program for the 1987-1991 period. The Trust Fund was renamed the Hazardous Substance Superfund.

The basic regulatory blueprint for the Superfund program is the National Oil and Hazardous Substances Contingency Plan (NCP), 40 CFR Part 300. The NCP was first published in 1968 as part of the Federal Water Pollution Control Plan, and has been substantially revised to meet CERCLA requirements. The NCP lays out two broad categories of response: removals and remedial response. Removals are relatively short-term responses and modify an earlier program under the Clean Water Act. Remedial response is long-term planning and action to provide permanent remedies for serious abandoned or uncontrolled hazardous waste sites.

CERCLA recognized that the Federal Government can only assume responsibility for remedial response at a limited number of sites representing the greatest public threat. Therefore, EPA must maintain a National Priorities List (NPL), which must be updated at least annually. The NPL is composed primarily of sites which have been ranked on the basis of a standard scoring system, which evaluates their potential threat to public health. In addition, each State was allowed to designate its highest priority site, without regard to the ranking system.

CERCLA section 104(c)(3) provides that no remedial actions shall be taken unless the State in which the release occurs enters into a contract or cooperative agreement with EPA to provide certain assurances, including cost sharing. At most sites, the State must pay 10 percent of the costs of remedial action. Preremedial activities (preliminary assessments, site inspections), remedial planning (remedial investigations, feasibility studies, remedial designs), and removals may be funded at

100 percent by EPA. For facilities operated by a State or political subdivision at the time of disposal of hazardous substances, the State must pay 50 percent of all response costs, including removals and remedial planning previously conducted.

CERCLA 104(d)(1) provides that if a State or political subdivision is determined to have the capability to respond to the issues addressed in the Act, they may be authorized to respond by use of a contract or cooperative agreement. As a result, most States have participated in some part of the Superfund program. CERCLA 104(d)(2) provides a remedy to the Federal Government for failure of a State or political subdivision to perform satisfactorily.

The use of cooperative agreements is authorized by sections 104(c)(3) and 104(d) of CERCLA. Cooperative agreements allow a State or political subdivision to take, or to participate in any necessary actions provided under CERCLA, given that the State or political subdivision possess the necessary skills and capabilities to do so. These actions are normally addressed in the cooperative agreement as performance goals and objectives. The agreement is also used to delineate EPA and State responsibilities for actions to be taken at the site, to obtain required assurances, and as a commitment of Federal funding. EPA uses the cooperative agreement as a means of encouraging State participation in Superfund activities such as the preremedial programs, State management assistance on EPA lead activities, and State lead sites.

Procedures for managing the cooperative agreements are discussed in the publications entitled State Participation on the Superfund Remedial Program, and the Superfund State-Lead Remedial Project Management Handbook. These publications provide guidance to both the EPA Regional and State staffs in the cleanup of Superfund remedial projects at NPL sites.

HAZARDOUS SUBSTANCE SUPERFUND

SCOPE AND OBJECTIVES

We contracted with an independent public accounting (IPA) firm to perform an audit of EPA's portion of the Hazardous Substance Superfund (Trust Fund) for the fiscal year ended September 30, 1987. This audit included tests of the accounting records at EPA's 10 regional offices, 3 major laboratory facilities and Headquarters. The IPA also evaluated the internal accounting controls for Superfund at those locations and the National Enforcement Investigations Center, including a review of electronic data processing (EDP) controls; and performed other auditing procedures that were considered necessary in the circumstances. The IPA did not analyze program results. Additionally, they reviewed the status of findings and recommendations included in the prior audit report covering the fiscal year ended September 30, 1986. Contract, grant, and interagency agreement costs were accepted to the extent valid obligation and disbursement records were maintained. Audits of contracts, grants, and interagency agreements performed at a later date may disclose questioned costs.

As part of the audit, the IPA selectively tested (using statistical samples) transactions which obligated and disbursed funds for Superfund activities. The objectives of this audit were to determine:

- (1) The accuracy and fairness of the Schedule of Obligations and Schedule of Disbursements in accordance with applicable laws, regulations, and guidelines;
- (2) Compliance with laws, regulations and guidance which, if not followed, might have a material effect upon the Schedule of Obligations and the Schedule of Disbursements; and
- (3) The adequacy of internal controls to ensure the reliability of applicable accounting and management records.

It was not within the scope of this audit to determine the allowability and allocability of the general support services cost pools that were accumulated and allocated to Superfund or to verify the bases for these allocations. Audit procedures for cost allocations were limited to reviewing methodologies, testing the mathematical accuracy, and verifying that the allocations were made in a timely manner.

SUMMARY OF FINDINGS

The advent of the Superfund program created new and unique cost accounting requirements which previously were not necessary. EPA's accounting system, like those of most government agencies, was geared to account for costs on an organizational basis. Therefore, EPA needed to enhance its existing accounting system to provide for job-costing capability. EPA over the past several years has responded to these new requirements by significantly improving its ability to accurately account for and document Superfund costs.

In response to a prior audit report, which covered fiscal 1986 financial transactions, the Agency indicated that corrective action would be taken in the areas cited in that report. However, the corrective actions described were not scheduled to take place until after fiscal 1987. The IPA found that the Agency still needs to take corrective actions for fiscal 1987 in the areas of (1) accounting for and controlling personal property; (2) allocating general support services costs; (3) monitoring letter of credit reports; and (4) recording accounts receivable.

FINDINGS

1. FINANCIAL RESULTS OF AUDIT

During fiscal 1987, EPA obligated over \$1 billion and disbursed over \$529 million. The IPA questioned and set-aside costs based upon projections of errors from statistical samples, and this was due primarily to missing documentation and a lack of written justification that the expenditures provided a benefit to the Superfund program. In addition, they questioned costs for general support services improperly allocated to the Trust Fund. The financial results of this audit are summarized below and detailed in exhibits I and II.

	<u>Total</u>	<u>Accepted</u>	<u>Questioned*</u>
FY 1987 Obligations	\$1,015,497,148	\$ 1,014,501,781	\$ 995,367
FY 1987 Disbursements	\$ 529,833,100	\$ 528,927,615	\$ 905,485

* Questioned costs are costs that are unallowable under the provisions of applicable laws, regulations, policies, or program guidelines.

The IPA recommended that Agency management review and resolve the previously provided questioned sample transactions, which resulted in the projected questioned costs.

2. ACCOUNTING FOR AND CONTROLLING PERSONAL PROPERTY

EPA needs to improve its accounting for and control over personal property. The audit disclosed the Superfund interest in the property was not properly protected since: (i) the amounts recorded for property were not always accurate; (ii) items were not always recorded in EPA's management records; (iii) some items could not be located; and (iv) annual physical inventories were not taken at all locations.

The IPA identified 30 items of personal property, totaling \$2.1 million, that were incorrectly recorded in EPA's Personal Property Accounting System (PPAS). This resulted in an overstatement of Superfund property. Also, the IPA found breakdowns in the flow of documentation and problems with entering data into the system. For example, the documents used by EPA's property accountable officers (PAO) to record property items in PPAS often were the receiving copies of purchase requisitions, which did not reflect actual disbursement data. Therefore, the amounts entered in the property records did not include adjustments for price changes, freight or discounts. An example of entering incorrect data in the PPAS was a computer costing \$2,097 which was entered as \$2,097,029. As a result, the value of Superfund property was significantly overstated. In this case, the PAO attempted to correct the error, but an incorrect code caused the adjustment to be rejected. If the Agency had policies and procedures requiring the reconciliation of property purchases in the accounting system with items entered into the PPAS; this reconciliation would have identified the above types of errors for timely adjustments by EPA management.

The IPA identified 333 items of personal property that should have been included in PPAS, but were not. The cost of this property exceeded \$2.5 million. There were various reasons why EPA property purchases were not recorded in the property records. In some cases, receiving documents were not sent by contracting offices or custodial officers to the PAOs when property was ordered or received. For example, the IPA found that Superfund property valued at \$904,954 purchased by one location for another location had not been recorded in PPAS because documents were not forwarded to the PAOs.

The IPA also discovered EPA could not locate 72 items of personal property selected for physical inspection. These items were valued at \$320,153. No complete annual physical inventories or reconciliations were performed for fiscal 1987 at Headquarters or at Regions 2, 4, 5, 8 and 10. Such physical inventories were required by Agency directives, and would have identified missing property.

In their response to the draft audit report, the Agency stated it has taken or will take action to correct many of the deficiencies cited above. In the instances where response was not considered adequate, the IPA recommended corrective action.

The IPA recommended that Agency management:

- improve policies and procedures, including a reconciliation of the property and accounting records, to ensure that the property records are reliable; and
- obtain certifications from Property Accountable Officers that corrective actions have been taken to correct the remaining errors and omissions from the PPAS.

3. ALLOCATION OF GENERAL SUPPORT SERVICES COSTS

EPA needs to improve and implement clear and concise procedures for allocating general support services costs to ensure costs charged to Superfund represent actual benefits received. The IPA found that Superfund was overcharged \$895,862 for its share of general support costs.

This was due in part to the Agency's policy for allocating support costs, which allowed allocations to be used based upon authorized (budgeted) data. EPA Headquarters allocated general support costs to Superfund using a combination of both budgeted/authorized full-time equivalent's (FTE's) and actual FTE's depending on the type of expenses being allocated. The IPA believes that allocations of all general support services costs should be based upon actual FTEs to achieve an equitable allocation. Based upon these calculations, Headquarters use of budgeted ratios resulted in an over-allocation of general support costs to Superfund by \$760,571. Also, two regions made errors in their calculations of support services costs to Superfund amounting to \$135,291.

In their response to the draft report, the Agency stated that action to correct the regions' errors in allocating support services costs has been taken. However, Agency management does not agree that the allocation should be based only on actual FTE ratios.

The IPA recommended that Agency management:

- change the policy to require cost allocations for general support services to be based on actual FTE ratios; and

- recalculate general support cost allocations for Headquarters based on actual FTE ratios and make the appropriate adjustments to Superfund.

4. MONITORING LETTERS OF CREDIT

EPA needs to strengthen procedures for the monitoring of letters of credit to ensure that: (1) recipients file Federal Cash Transactions Reports promptly; (2) recipients do not have excess cash on hand; and (3) cash drawdowns reported by recipients are reconciled with the Agency's accounting records. At four of the ten EPA regions, the IPA found that recipients did not submit Federal Cash Transaction Reports within the 15-day period as required. Also, the IPA found that two recipients had excess cash on hand, totaling \$235,000. The IPA reviewed the Federal Cash Transaction Reports to verify that drawdowns as reported by the recipients reconciled to the EPA's accounting records. The IPA noted discrepancies in these reconciliations at two regions, amounting to \$625,816.

The IPA reviewed the filing dates on recipients' Cash Transaction Reports to determine if they were filed within 15 working days after the end of the calendar quarter. Since these reports are necessary for the reconciliation process, the 15-day requirement helps ensure that discrepancies will be discovered in a timely manner and that immediate corrective action can be taken. They found that 35 of 55 reports tested (64 percent) for these four regions were filed an average of 6 to 36 days late. This means that any discrepancies or excess cash on hand would not be corrected in a timely manner.

The review of these reports revealed excess cash on hand for two recipients of letters of credit, totaling \$235,000, as of September 30, 1987. The timing of drawdowns by recipients has substantial impact on the Treasury Department's management of the public debt and financing costs. Excess cash held by one recipient could have been used by other recipients without the Government incurring interest costs for additional funds. Premature drawdowns result in unnecessary interest costs incurred by the Government.

Additionally, the IPA reviewed the Cash Transaction Reports to verify that drawdowns reported by recipients were reconciled to EPA's accounting records. In one instance a recipient's award amount recorded in the accounting system did not agree with the letter of credit history by \$2,742,948, and the unpaid obligations differed by \$1,122,070. Reconciling the Cash Transaction Reports to EPA's accounting records is an integral process of monitoring letters of credit. Failure to perform

such reconciliations could result in inaccurate information in EPA's financial records.

The cause of the conditions cited above can be partly attributed to a lack of Headquarters guidance regarding reconciliation of the reports to the accounting records. Also, some regions indicated that they did not have sufficient staff to followup late filings and excess cash on hand balances.

In response to the draft report the Agency has taken necessary action concerning reconciling recipients' drawdown amounts and following up on late filers of the Federal Cash Transaction Reports. However, they do not agree that additional guidance is needed.

The IPA recommended that Agency management issue additional guidance requiring that followup action taken on a recipient's noncompliance with filing requirements be documented.

5. ACCOUNTS RECEIVABLE

A review of Superfund accounts receivable indicated that improvements were needed to ensure that: (i) all receivables are recorded in a timely manner; (ii) interest is correctly computed and recorded; and (iii) aggressive action is taken to collect delinquent debts. For the purposes of this report, accounts receivable are defined as moneys due EPA, such as refunds for overpayments of cooperative agreements or grants, repayment of travel advances, fines and penalties resulting from litigation and cost recovery. A judgmental sample of 11 collections, totaling \$12,563,841, out of a total collection universe of \$20,577,273, disclosed that 10, totaling \$11,940,785, were not recorded as receivables until after a check in payment was received. Although this problem had been reported in two prior Superfund audits, and FMD had agreed to take corrective action to improve the situation, the problem still persists.

The Agency did not always correctly compute and record interest for receivables that were delinquent. The Debt Collection Act of 1982 or the Federal Claims Collection Standards generally allow the Agency to collect interest. An evaluation of accounts receivable at two of the ten regions disclosed that nine receivables from a total of 18 were outstanding for more than 30 days and that no interest was assessed on these overdue accounts. Due to the omission of the interest, the balances of accounts receivable were understated. The IPA estimated that the understatement of interest accrued was \$7,243. They identified two primary reasons for the Agency not recording interest: interest charges

were not included in the payment terms on the bill sent to the debtor; or Agency personnel were unfamiliar with Agency directives.

Collection action was needed to ensure that debtors pay the Agency in a timely manner. The IPA noted that one Region and Headquarters were generally not collecting receivables as aggressively as Agency directives require. The total balance of accounts receivable due over 120 days in Headquarters was over \$6 million as of the end of fiscal 1987. Deficiencies in collection activities were in most cases, closely related to monitoring and management of delinquent accounts receivable. The IPA found Headquarters did not conduct sufficient periodic management reviews of its Superfund accounts receivable balances during fiscal 1987, to determine whether accounts were valid and collectible, or were invalid and delinquent, uncollectible, subject to deferred payment arrangements, or in need of special efforts.

We issued an audit report (No. E1A67-11-0029-80779, dated March 17, 1988) covering a review of EPA's accounts receivable activities. This report identified similar findings and made appropriate recommendations. Consequently, we made no further recommendations in anticipation that the Agency will respond and take the needed corrective action.

Action Taken

The final audit report was issued on September 21, 1988, Audit Report Number P5EH8-11-0030-81917. The Assistant Administrator for Administration and Resources Management has 90 days to act on the recommendations made in the report and to report to us on the status of these actions.

RESPONSE CLAIMS

BACKGROUND

An important part of the Superfund program is to encourage voluntary cleanup by private industries and individuals when they are responsible for releases. Section 111 of CERCLA, as amended by the Superfund Amendments and Reauthorization Act of 1986, authorizes persons (other than the U.S. Government, State and local governments, or Indian Tribes) to seek reimbursement for response costs incurred in carrying out the NCP.

Section 300.25(d) of the NCP states in part that such claims "may only be reimbursed if such person notifies the Administrator of the Environmental Protection Agency or his/her designee prior to taking such action and receives prior approval to take such action." If response claims have not been preauthorized in advance, EPA returns them without any determination of their merits.

Preauthorization has four important objectives. First, it enables the Agency to fulfill its role as Superfund manager by helping to ensure appropriate uses of the Trust Fund. Second, preauthorization of response actions reduces the likelihood that responses themselves will create environmental hazards. Third, preauthorization helps to ensure that a claimant will carry out a response action in a manner consistent with applicable, or relevant and appropriate, environmental and public health laws and implementing regulations. Fourth, preauthorization gives the claimant an assurance that if the response is conducted in accordance with EPA's approval and the costs are reasonable and necessary, the claimant will receive monies from the Fund.

SCOPE AND OBJECTIVES

There were no claims filed in fiscal 1987 to audit. However, the Agency had established a claims process and considered during the year five claims preauthorization requests as part of agreements with potential responsible parties (PRPs). We conducted a survey of the claims process from its inception. Our survey covered Headquarters, which has approval authority for claims preauthorizations, and Region 3 (Philadelphia), which was responsible for two of the three approved mixed funding agreements.

The objectives of the survey were to determine if: (1) the Agency met all statutory requirements in the preauthorization process; (2) internal controls were effective in preventing excessive claims against the Fund; and (3) the Agency handled the requests for preauthorization of claims against the Fund consistently and timely.

RESULTS OF SURVEY

Overall, we did not identify any potentially significant problems with the process which would warrant further audit work at this time. Regarding our specific objectives, we found the language in the Comprehensive Environmental Response, Compensation, and Liability Act (CERCLA) to be brief and unspecific. In fact, it is so unspecific that at the time of our survey, the State of Ohio, United Technologies Company and others had filed a lawsuit which claimed that the preauthorization process is illegal. Since the court's decision was pending, further audit work to determine if the Agency met all statutory requirements was not beneficial. (On February 12, 1988, the D.C. Court of Appeals upheld EPA's position on preauthorization. The Agency may continue to use the preauthorization process to manage the Fund.) Second, we found no apparent internal control weaknesses in the preauthorization process. However, we cannot conclusively determine that there are no internal control weaknesses in the process because no claims against the Fund had been filed or paid at the time of our review. Finally, Headquarters handled preauthorization requests consistently and timely. The processing time continues to improve as the procedures are refined and experience is gained.

We did have two concerns which we reported to management. The first was that EPA Headquarters relied totally on one person for everything in the preauthorization area. We suggested that EPA designate a backup employee and provide the necessary cross-training.

Our second concern was that some EPA regions did not plan to use preauthorization. We suggested that EPA decide on a national policy on response claims and issue appropriate instructions to the regions so that PRPs receive consistent treatment throughout all of the regions.

EPA management concurred with both of our concerns. The Agency indicated that appropriate action would be taken in accordance with our suggestions.

SUPERFUND COOPERATIVE AGREEMENTS

SCOPE AND OBJECTIVES

We prepared a "capping" report (Audit Report No. E5eE8-09-0018-80838, dated March 29, 1988) summarizing the EPA audit reports issued on Superfund cooperative agreements awarded under the Comprehensive Environmental Response, Compensation, and Liability Act of 1980. The report provides an overview of the findings contained in the Office of Audit's (OA) Superfund cooperative agreement audits issued during fiscal years 1985, 1986, and 1987. The purpose of this report was to inform senior EPA management officials of the recurring problems identified in our cooperative agreement audits, and to recommend actions or policy changes to alleviate the problems.

The report represented a summarization of the audit deficiencies noted in 33 audit reports issued by the EPA, OA on Superfund cooperative agreements. The audit reports covered cooperative agreement activities in 9 EPA regions and 20 States. The total value of the cooperative agreements reviewed was \$136,323,064. The reports included 7 audits directed at the regions' administration of cooperative agreements, and 26 audits of individual cooperative agreements. Twenty-four audits were performed by the EPA Office of Inspector General (OIG) staff and 9 by independent public accountants who were under contract to the OIG.

It should be noted that the 33 audits were performed with varying scopes of audit. In this regard, 24 of the audits were limited to a review of financial and compliance areas, while the audit scope for 9 audits incorporated a review of program performance. A list of the 33 audit reports reviewed and the major deficiencies noted is included in exhibit III.

SUMMARY OF FINDINGS

We concluded that work under the \$136.3 million of Superfund cooperative agreements was not effectively performed by the recipients, or adequately monitored by the regions. Since the activities addressed in these cooperative agreements were directed to some of the most serious and potentially serious hazardous waste conditions in the regions and affected States, increased EPA Headquarters and regional attention needed to be directed to the cooperative agreement area. The audits disclosed that performance goals and objectives of the agreements were often not attained. In priority areas, such as remedial investigation/feasibility studies, work was substantially behind schedule. Similarly, priority preremedial actions related to preliminary assessments, site inspections, and hazard ranking scores frequently were not performed in a timely and effective manner. These conditions occurred, in part, because Remedial Project Managers had not effectively performed their recipient oversight responsibilities. The audit

also disclosed deficiencies related to recipients': (1) procurement systems frequently not being in compliance with the regulatory requirements contained in 40 CFR Part 33; (ii) accounting systems being inadequate to form a basis for cost recovery under the Superfund program; (iii) letter of credit activities not meeting requirements; and (iv) personal property and equipment systems not being properly managed to protect Superfund acquired items. Further, the audits noted that cooperative agreement special conditions and reporting requirements were not always met by recipients, or adequately monitored by the regions.

FINDINGS

1. UNSATISFACTORY PROGRAM PERFORMANCE UNDER COOPERATIVE AGREEMENTS

Recipients had not effectively performed their cooperative agreement goals and objectives, or were substantially behind schedule in their completion. As a result, the planned improvements to the environment were not achieved. In this respect, we found that: (i) EPA was not provided the information necessary to determine if additional hazardous waste sites should be listed on the National Priorities List (NPL); (ii) the accelerated cleanup of hazardous waste sites had not been attained; (iii) the performance of the preresidential and the remedial planning requirements was substantially delayed; (iv) the levels of community involvement provided for in the cooperative agreements were not attained; and (v) the sampling and testing programs utilized by the recipients needed improvement. Since many of the Superfund sites addressed in the cooperative agreements were experiencing problems with respect to groundwater and drinking water contamination, it is important that additional emphasis be placed on the recipients attaining their goals and objectives.

Several factors contributed to these conditions, including premature awards to some recipients that had not met the financial, technical, and experience requirements for an award. In addition, some regions and recipients developed a complacent or passive attitude towards achievement of cooperative agreement objectives. We also noted that some regional offices and recipients failed to establish effective lines of communication and working relationships with each other. Finally, the regions had not always maintained accurate management information systems to reflect the status of the existing and proposed NPL sites within their geographical boundaries.

2. PROBLEMS WITH PERFORMANCE OF REMEDIAL INVESTIGATIONS AND FEASIBILITY STUDIES

Cooperative agreement recipients were experiencing significant problems completing remedial investigations and feasibility studies (RI/FS). The problems included untimely and ineffective performance on all RI/FS actions which were reviewed in our cooperative agreement audit reports issued between fiscal 1985 and 1987. Only 5 of the 37 RI/FS actions reviewed, or 14 percent, had been completed, and only one of the five was completed in less than 2 years. The remaining RI/FS actions have been in progress for as long as 5 years without being completed. In one region, work on eight RI/FSs had not begun, although more than \$6 million had been obligated for this work. The lack of timely action delayed completion of the RI/FS process and the ultimate cleanup of the Superfund sites. All of the incomplete RI/FS actions pertained to sites with significant environmental hazards, which require priority attention to assure that remedial action is initiated in a timely manner. Some of the sites with the delayed RI/FS reports were experiencing environmental hazards such as: (i) arsenic in drinking water supplies; (ii) copper, barium, lead, and zinc in groundwater; (iii) wind-blown tailings contaminating groundwater; (iv) contaminated resident wells, and (v) hazardous wastes in ground and surface waters.

The following example illustrates one State's ineffective management practices on a site. In this case, the township first became aware of a problem with hazardous waste in 1953. Over the years some initial cleanup steps were performed, such as the installation of filters to prevent contaminants from reaching a nearby stream. In 1982, the site was placed on the NPL. Subsequent inspections indicated that the filters had not been maintained and that contaminants were entering the stream. Although the State selected a contractor to perform the RI/FS in January 1986, to determine the final cleanup options, the formal contract had not been signed at the time of the audit, one year later. This condition was particularly bad, since the State had promised the public, as early as 1984, that the RI/FSs were about to start. The latest date for beginning the RI/FS work was estimated as June 1987. It is entirely possible that the RI/FS could have been completed or substantially completed by that date if the State had effectively performed its procurement responsibilities.

In view of the substantial problem which exists in the RI/FS area, we believe that a significant improvement in the cooperative agreement recipients' RI/FS procedures, and in EPA's monitoring efforts will be required if this condition is to be corrected.

3. MONITORING OF PREREMEDIAL FUNCTIONS IS INADEQUATE

Monitoring the preremedial functions specified in the cooperative agreements needed to be strengthened to assure that they were performed in a timely and effective manner. Our audits of the preremedial functions found that: (i) preliminary assessments (PAs) were not completed within established schedules; (ii) site inspections (SIs) were not always accomplished in accordance with EPA requirements; and (iii) the Hazard Ranking System (HRS) process had not been consistently followed.

One audit report indicated that the SI reports were not prepared in a timely or quality manner. A total of 20 SIs were selected for review during the audit. However, eleven of the SI files were not reviewed because the files could not be readily located. The nine files which were available for review disclosed that periods of up to two years were required to finalize the results of the State's one day SI field visit. For example, the SI for the Voortman Farm site took over 18 months to finalize. The SI for the Hebelka site required about 2 years to complete. There was also a problem with the quality of the work performed at the East Mount Zion site. The recipient's sampling at this site showed that a serious hazardous waste contamination problem existed. This led to the eventual inclusion of the site on the NPL. However, an independent sampling performed by an EPA contractor did not disclose any contamination problem. Because the sampling efforts were not coordinated, there was no opportunity to reconcile the differences before the site was listed on the NPL. Duplicate sampling by the Region and the recipient is a costly and wasteful practice, which could be avoided by the development of a site-specific sampling plan early in the SI process.

In addition, the audits disclosed that some States failed to perform any of the required PA and SI work. In addition, the Regions have not utilized the HRS process in a manner which would assure the identification of the most serious hazardous waste sites. These conditions precluded timely and effective determinations as to the degree of severity of the hazardous waste problems and whether the sites should be included on the NPL. These problems have also delayed the initiation of subsequent cleanup actions on these sites. We believe preremedial activities may become a more critical area under the requirements of the Superfund Amendments and Reauthorization Act of 1986, which establishes strict deadlines for the completion of PAs, SIs, and HRS scoring packages.

4. REGIONAL OVERSIGHT ACTIVITIES NEED IMPROVEMENT

The Regions were not effectively performing their oversight responsibilities under the Superfund cooperative agreements. This condition contributed to delays in performing cooperative agreements and may adversely affect cost recovery efforts against Potentially Responsible Parties. These shortcomings have resulted primarily from (i) a lack of sufficient training and guidance to assist Remedial Project Managers (RPM) to perform their Superfund responsibilities, (ii) the Regions' failure to always take an aggressive role in assuring the completion of the required cooperative agreement work, (iii) poor communication of Superfund requirements to the cooperative agreement recipients, and (iv) inadequate documentation of Superfund cooperative agreement files. Improvements in each of the above areas are essential to assure that Superfund cooperative agreement requirements are successfully performed.

5. PROCUREMENT SYSTEM DEFICIENCIES

The Superfund cooperative agreement audits disclosed widespread noncompliance with procurement requirements contained in 40 CFR Part 33. The extent of procurement deficiencies is of particular concern since the value of the cooperative agreements included in this review exceeded \$136 million. As the majority of work is conducted by contractors, the ultimate success of EPA's Superfund program is, to a large measure, based on its ability to obtain quality contractors and subcontractors in a timely and cost effective manner. As a means of accomplishing this objective, we believe that the effectiveness of the procurement actions made under the cooperative agreement process must be improved.

Procurement problems noted in the audits included: (i) the failure to provide for free and open competition; (ii) the absence of effective affirmative action plans; (iii) a lack of adequate documentation supporting the procurement awards; (iv) the use of prohibited forms of contracting; (v) an absence of adequate cost and price considerations; (vi) the failure to give adequate public notice on competitive procurements; (vii) the lack of required EPA standard clauses in the subagreements; and (viii) the omission of references to the applicable Federal cost principles in the subagreements. Since many of the cooperative agreement recipients had previously certified that their procurement systems met the regulatory requirements, the extent of the noncompliance demonstrated that little reliance can be placed on these certifications.

Some examples of the various procurement deficiencies disclosed during our audits are summarized below.

- Under the Purity cooperative agreement, a \$749,500 fixed price subagreement was awarded without adequate cost and price considerations. This condition was compounded by the fact: (i) the firm receiving the award was not the most qualified overall offeror; (ii) the fixed price award amount was \$461,300 more than the most qualified offeror's price of \$288,200; and (iii) there was no evidence that an attempt was made to negotiate a reduction in the proposed price. We considered the price difference to be excessive, and informed the Region that any payments in excess of the most qualified offeror's price would represent a waste of Federal funds. The Region supported the audit position, and has limited Federal reimbursements to the \$288,200 amount.
- Another report disclosed that a State had awarded four prohibited cost-plus-percentage of cost subagreements, with a total value of \$543,907. We concluded that EPA should participate in the costs of these subagreements only on the basis of a fair and reasonable value for the services provided.
- We also found that one State's procurement techniques did not always provide for maximum open and free competition. The audit disclosed problems with competitive bidding in 5 of the 11 contracts reviewed. Competitive bidding techniques were not utilized during the two occasions that the State amended its emergency hauling contracts under the Stringfellow cooperative agreement. In one of these occasions, competition was restricted due to the contractor's elimination of competition by underbidding the cost of the liquid waste disposal portion of the hauling work.

Several of the deficiencies noted in our audits were previously discussed in EPA Headquarters' reviews of some recipients' cooperative agreements. However, timely corrective actions on the EPA Headquarters' recommendations were not always made.

6. FINANCIAL MANAGEMENT OVERSIGHT FUNCTIONS REQUIRE IMPROVEMENT

The Regions had not developed monitoring procedures to assure that adequate financial management systems were established and maintained by cooperative agreement recipients. The extent of the deficiencies noted casts doubt on the recipients' ability to account for the

approximately \$136.3 million of Superfund site specific costs expected to be incurred under the cooperative agreements included in this report. Since the NCP requires that adequate documentation be maintained to form a basis for cost recovery under the Superfund program, improvements in the financial management area are necessary. Specifically, our audits disclosed that recipients had unacceptable timekeeping and labor charging practices, and failed to maintain their accounting systems in accordance with EPA regulations. A lack of Regional attention to the recipients' financial management systems was considered a major cause of these conditions. We believe that the accounting system deficiencies noted in the audits represent significant internal control weaknesses, which affect the integrity of the accounting system, and jeopardize the Federal government's ability to recover Superfund costs from responsible parties. The audits also disclosed that two EPA Regions had not deobligated approximately \$11 million of unneeded Superfund monies.

7. INADEQUATE LETTER OF CREDIT PROCEDURES

Recipients did not fully comply with the letter of credit (LOC) requirements provided in their cooperative agreements and the LOC Users Manual. As a result, the LOC was not effectively utilized as a means of disbursing Federal funds under the cooperative agreements. The audits noted that: (i) Federal Cash Transaction Reports (SF-272) were not submitted within the required timeframes; (ii) staff in one Region was changing the certified SF-272 reports without written notification to the recipients; (iii) drawdown amounts were not calculated properly; (iv) drawdowns were not made on a timely basis; and (v) regional reviews of recipients' drawdown requests were not adequate.

The following examples illustrate some of the calculation problems noted in our audits. The drawdown amounts calculated by two recipients were incorrect. The amounts calculated included an advance of funds for future anticipated expenses. EPA policy precludes including such estimates in the calculation. The recipients overstated their drawdown requests by \$70,000 and \$33,000, due to the inclusion of the anticipated expenses. To ensure that recipients do not draw down excessive funds in future periods, the recipients need to be instructed that drawdown calculations must be based on incurred costs, and that anticipated expenditures must be excluded from calculation. Another audit report disclosed that the State improperly drew down funds from its Superfund cooperative agreement to cover expenditures for its other EPA grant programs which had no available funds. The audit report noted that cooperative agreement funds of approximately \$47,000 were utilized for this purpose. Without prior written permission from the EPA award

official, a recipient may not draw down from one program to pay expenditures for another program.

These conditions were primarily attributable to a lack of regional and recipient management attention to the requirements of the LOC system, including a lack of written LOC operating procedures for the recipients. While some LOC guidance was included in various user manuals, it was also apparent that this material was either not available or not used by the recipients. We believe that compliance with LOC procedures would be improved if LOC information were condensed and presented in a written summary for use by recipient personnel

8. MORE EFFECTIVE REPORTING PROCEDURES ARE NECESSARY

Superfund cooperative agreement reporting procedures were not complied with by recipients or adequately monitored by the Regions. The required reports, which included Financial Status Reports and Quarterly Progress Reports, were necessary to keep management apprised of the financial and technical aspects of the project. We attributed the reporting problems to: (i) the recipients' failure to implement the procedures necessary to comply with the requirements of their cooperative agreements; and (ii) a failure to give priority to the reporting requirements.

9. LACK OF COMPLIANCE WITH COOPERATIVE AGREEMENT SPECIAL CONDITIONS

Regional procedures required improvement to assure that recipients complied with the cooperative agreement special conditions. Our audits disclosed that many recipients had not complied with one or more of their cooperative agreement special conditions, including those applicable to: (i) progress reporting; (ii) use of the letter of credit; (iii) Federal procurement standards; (iv) conflict of interest statements; (v) site safety plans; (vi) National Contingency Plan; and (vii) timekeeping systems. To ensure that the objectives of the cooperative agreements are satisfied, it is important that all special conditions be met.

As a result of noncompliance with site safety plans, we found instances where EPA could not adequately assure that the health and safety of the public would be adequately safeguarded. In one instance the State had conducted two site investigations and four preliminary assessments without a safety plan in effect at these sites. The audit report concluded that the lack of State action precluded EPA from assuring that the health and safety of the public would be adequately safeguarded before the assessments and investigations were conducted. We also found that hazardous waste samples were not analyzed as required by the

NCP. Instead, the samples were stored in a 40-foot trailer at the hazardous waste site. Other samples collected by EPA were stored in unsealed barrels adjacent to the sample storage trailer. According to State staff members, the samples stored in the trailer could collectively present a health and environmental risk if vandalism or a fire were to occur.

10. MANAGEMENT OF SUPERFUND PERSONAL PROPERTY NEEDS TO BE STRENGTHENED

Management of personal property and equipment purchased under Superfund cooperative agreements was not in accordance with the requirements of the Federal property regulations. Our audits disclosed that (i) the Federal government's interest was not recorded; (ii) some items could not be located by the recipient; and (iii) lost or stolen items were not reported to EPA. Although property and equipment purchases under the Superfund cooperative agreements have generally been nominal to date, such purchases are expected to become more significant as the program moves from the planning to remedial action stages. Therefore, it is important that EPA emphasize the need to comply with the applicable Federal property regulations to both its Regional personnel and the cooperative agreement recipients.

PRIOR AGENCY ACTION

In response to Agency concerns and its analysis of the individual reports and our draft "capping" report, the Agency had initiated or scheduled action fully addressing most of our findings:

- Management Assistance Program (MAP) reviews of State management systems.
- Preparation of a revised "Guide for Preparing and Reviewing Superfund Cooperative Agreements" and development of a companion guide for State use.
- Development of training courses in Superfund procurement and cooperative agreement administration.
- Strengthening technical assistance to States by moving regional assistance administration units into the lead in directing administrative oversight of cooperative agreements, while remedial project managers focus on compliance with the National Contingency Plan.
- Development of a Superfund assistance regulation, to be effective October 1, 1988.

- Development of a Superfund administrative management system to automate the tracking of corrective actions, cooperative agreement audits, regional oversight reviews, and MAP reviews.
- Development of EPA/State Superfund memorandums of agreement clearly delineating roles and responsibilities of each agency for CERCLA response activities.
- Preparation and distribution of "State Superfund Financial Management and Recordkeeping Guidance" and training of regional and State personnel in this area.
- Issuance of a Comptroller's policy announcement to re-emphasize letter of credit requirements and implement additional reconciliation controls.
- Review and provide guidance on reporting requirements.
- Naming of contacts, at the time of cooperative agreement award, for administrative management, finance, and technical program questions; and establishment of systems for tracking compliance with special conditions.
- Review of property management procedures leading to development of a property management policy manual.

RECOMMENDATION AND FURTHER AGENCY ACTION

The Agency's actions were adequate for all findings except Finding No. 3. On that finding we recommended that EPA review the HRS scoring quality assurance process to ascertain what additional controls are necessary to improve the consistency and accuracy of HRS scoring packages. In response, the Agency indicated our recommendations were "well taken" and that the Agency intended to continue to improve the quality control/quality assurance process.

OTHER INTERNAL AND MANAGEMENT AUDITS

In addition to reviews required by CERCLA, as amended, we reviewed other aspects of EPA's management of the Superfund program, as our resources permitted. Such reviews completed in fiscal 1987 are summarized below.

A. SUPERFUND MANAGEMENT INFORMATION SYSTEM (CERCLIS)

SCOPE AND OBJECTIVES

We reviewed and evaluated the Office of Emergency and Remedial Response's efforts to develop a comprehensive Superfund management information system (MIS) to consolidate information contained in various Agency management information systems. The purpose of the audit was to evaluate whether the CERCLIS modification effort (1) was developed in a cost-effective and efficient manner and (2) accomplished the stated goals and objectives.

We conducted the audit field work from March 1986 through July 1986, with follow-up work conducted during November and December 1986 and April through June 1987. The audit was conducted at EPA Headquarters and Regions 2, 4, 5, 6, and 9.

Our audit period covered CERCLIS MIS activities starting in December 1984 and ending in June 1987. We reviewed the current processes used to collect, maintain, and communicate information from original sources to ultimate users both in the regions and in Headquarters. This included reviews of both automated and manual processes, as well as formal and informal communication procedures. Our audit work included interviews with regional and Headquarters management and operational personnel.

FINDINGS

We found significant problems during the first stages of the audit. We discussed these with EPA management, which made major improvements during the course of the audit. However, some deficiencies still remained which are discussed in the findings below.

1. OSWER Needs to Strengthen Its Monitoring Role

Life Cycle Management (LCM) is a common sense approach for systematically planning and developing an effective and efficient automated management information system in a cost effective

manner. OERR did not properly follow OSWER'S LCM and Configuration Management (CM) policies and procedures.

OERR did not develop a Mission Element Needs Statement (MENS) until 9 months after initiating work on the CERCLIS modification effort. The MENS, which documents the project's purpose and feasibility, is the first phase of the LCM process. We also found that the MENS, when finally developed, was inadequate for decision making purposes because it did not adequately address key elements such as the need for the modification, the purpose and objectives of the modification, and the expected benefits to be derived. Further, OERR did not provide an overall master plan for the development of the automated system with major milestone dates and estimated costs. As a result, the scope and extent of the modification effort was missing.

Also, OERR did not evaluate various alternatives and perform a cost/benefit analysis to ensure that the modification design chosen was the most cost effective and efficient software application to meet regional and Headquarters programmatic and operational user needs. In addition, OERR had not adequately identified and evaluated the existing quality assurance processes and controls (QA/QC) to determine the need for additional controls within the regions and Headquarters. Effective controls are needed to ensure data quality and proper reporting by Superfund program offices. However, in April 1987, OSWER identified the regional QA/QC functions and allocated up to 28 full-time equivalent positions for these functions. While these actions will help to alleviate the regional problems, we believe additional controls are still needed such as system edit checks.

2. Budgeting Procedures Need to be Established

LCM procedures require establishing budgeting and accounting procedures for the modification effort to ensure that the development effort is conducted in a cost effective manner and stays within the planned budget. These processes should account for all LCM costs. OERR did not develop a cost estimate for the entire modification and did not account for all the LCM costs incurred. Additionally, OERR had not specifically budgeted for this effort in fiscal 1986 and underestimated its fiscal 1987 requirements by \$1.9 million. Because OERR's MENS and System Decision Papers did not include a cost estimate, we cannot assess whether the \$1.9 million increase was the result of changes in the project's scope or unplanned actions and whether the increase was necessary.

RECOMMENDATIONS

We recommended that EPA:

- Require all modification and development work to comply with OSWER policies and procedures;
- Ensure all system development and modification efforts are properly costed and fully budgeted prior to initiating work;
- Establish financial procedures to track, document, and account for all modifications costs;
- Analyze the cost effectiveness and efficiency of single versus multiple regional data entry and retrieval systems to determine whether a standard regional system should be established;
- Establish quality assurance procedures and controls to ensure data are reported properly, accurately, and timely; and
- Develop an Agencywide directive to establish mandatory reporting of Superfund information.

AGENCY RESPONSE

OSWER has addressed many of the problems we identified during our review either through immediate corrective actions or planned actions. OSWER established a Board of Directors which has improved coordination among offices involved in developing CERCLIS.

In response to our audit report, the Agency indicated it fully supported our recommendations on Finding No. 1 and is in the process of implementing them. It also indicated it generally supported and is implementing our recommendations on Finding 2.

B. UNANNOUNCED ON-SITE REVIEWS OF REMOVAL ACTIONS

BACKGROUND

CERCLA authorizes removal actions at hazardous waste spills and sites, whether or not they are on the National Priorities List (NPL). In contrast to long-term remedial response, removals are generally short-term time-critical actions needed to abate a threat. They are not subject to the detailed planning process used for

remedial actions, and the work is generally directed on a day-to-day basis by a Federal official.

The on-scene coordinator (OSC) is the Federal official designated to coordinate and direct Federal response at a site. Implementation of removal actions is usually done under one of a number of Emergency Response Cleanup Services (ERCS) contracts. The OSC is normally assisted by a Technical Assistance Team (TAT) contractor to monitor the response, develop the workplan and document the cleanup costs.

The OIG has been performing unannounced on-site audits of removal actions for several years. During fiscal 1987, we issued three reports of such audits. The removals audited were at the Commercial Oil Services site in Oregon, Ohio; the Delancy Street Trailer site in Newark, New Jersey; and the Signo Trading Warehouse site in Mount Vernon, New York.

SCOPE AND OBJECTIVES

Those reviews normally included a site visit of 1-3 days while a removal is in progress. While at the site, auditors observe conditions, review documentation and interview personnel. There is usually follow-up work at the EPA regional office to review documentation that is not at the site and to interview appropriate personnel.

The objectives of each review were to determine:

- Adequacy of the OSC compliance with prescribed directives and guidance governing removal actions;
- Adequacy of the OSC's controls in monitoring the cleanup work and on-site spending; and
- Adequacy of the technical assistance provided by the TAT contractor.

FINDINGS

In general, we found fewer deficiencies this year than we had in such reviews in prior years. At Signo Trading Warehouse, the deficiencies found were minor and we offered no formal recommendations requiring response. At the other two sites, we found that the matters reviewed were generally being adequately handled, with a few deficiencies requiring corrective action.

At Commercial Oil Services, we found that the OSCs spent an average of only 6.5 hours per day on the site, while the removal action was operated on a 24-hour basis, seven days a week. As a result certain reports were not completed timely. Because the removal was properly considered a routine action, overtime by the OSC was not required. The failure to spend eight hours a day on-site was due to a long commuting time. There was no clear regional policy regarding commuting time. We also found excessive turnover in TAT staff, resulting in high travel costs, and TAT assistance being provided by personnel inexperienced at the site.

At Delancy Street Trailer, security was inadequate. Security guards were not always on duty, were sometimes unaware of the scope of their duties and were located too far away from the trailer. The OSC and TAT had previously noted security problems and the OSC had disputed some of the charges for security services. We also found that the logs maintained at the site were not adequate to verify all personnel costs charged.

RECOMMENDATIONS

At Commercial Oil Services, we recommended that the Regional Administrator (1) establish specific regional guidelines concerning the time OSCs spend on removal sites, including whether commuting time is included in the eight hour workday; and (2) review TAT staff rotation practices to ensure that the rotations are economical and effective.

At Delancy Street Trailer, we recommended on the security finding that the Regional Administrator (1) direct that future delivery orders require contractors to more closely monitor security services; and (2) direct an analysis of security problems during removal actions to determine if some firms have a pattern of inadequate performance, and not to give consent for utilization of any such firms. We also recommended that the Regional Administrator (a) direct the OSC to maintain more detailed information in the OSC log, and (b) re-evaluate in future actions the necessity of paying the ERCS contractor for employee travel time from the firm's office to the site.

AGENCY ACTION

In response to the Commerical Oil Services report, Region 5 issued a memorandum to all OSCs and their supervisors establishing the regional guidelines. In addition, Region 5 brought the TAT staff rotation issues to the attention of appropriate officials.

In response to the Delancy Street Trailer report, Region 2 implemented increased oversight of contractor security services at

removal sites. In the event of a pattern of inadequate performance, Region 2 will bring this to the attention of the contractor as a need for improvement. If the needed improvement does not occur, the OSC will not give consent to future use of the problem subcontractor.

FINANCIAL AND COMPLIANCE AUDITS

The OIG is responsible for conducting and supervising independent and objective audits relating to the programs and operations of Superfund. In order to carry out this responsibility the OIG performs financial and compliance audits of EPA contractors and assistance recipients. Each of the Public Laws authorizing EPA to award assistance agreements and contracts provides that the Agency shall have the authority to audit and examine the books and records of the recipients receiving Federal funds. The provisions regarding audits are also clearly spelled out in the general provisions of each EPA contract or agreement. Our primary audit objectives are to determine (1) whether the controls exercised by the recipients through their accounting, procurement, contract administration, and property management systems are adequate to account for costs claimed; and (2) costs claimed are reasonable, allowable, and allocable, in accordance with applicable laws and regulations, to the sponsored project.

While the OIG is responsible for all audits of EPA contracts and assistance agreements, we can elect to have the audits performed by in-house staff, independent public accounting firms, or another Federal, State or local audit agency. During fiscal 1987, our Superfund financial and compliance audits were performed as follows:

Audits Performed by OIG Staff	57
Audits Performed by Independent Public Accountants	11
Audits Performed by another Federal Agency	24

A listing of all Superfund audit reports issued by the OIG during fiscal 1987 is contained in Exhibit V.

During fiscal 1987, our audits of Superfund contracts and cooperative agreements resulted in the following questioned and set-aside costs:

- **CONTRACTS**

Total Costs Audited	\$ 355,097,324
Total Costs Accepted	\$ 252,829,356
Total Costs Questioned*	\$ 44,491,033
Total Costs Set-Aside **	\$ 57,776,926

● COOPERATIVE AGREEMENTS

Total Costs Audited	\$ 36,547,621
Federal Share Audited	\$ 34,657,489
Total Costs Accepted	\$ 25,756,711
Federal Share Accepted	\$ 24,258,341
Total Questioned*	\$ 1,952,621
Federal Share Questioned*	\$ 1,736,896
Total Set-Aside **	\$ 8,838,379
Federal Share Set-Aside**	\$ 8,662,252

* Questioned costs are costs that may be unallowable under the provisions of applicable laws, regulations, or policies.

** Set-aside costs are costs that cannot be accepted without additional information or evaluations and approvals by responsible Agency officials

Audits of contracts and assistance agreements have played a major role in not only yielding financial benefits to the Agency, but also in improving Agency management. With the increased size of the program and as more sites are actually cleaned up, we expect to devote significant resources to auditing EPA contractors and agreement recipients. These audits also play an integral part in supporting EPA's cost recovery actions.

ASSISTANCE TO EPA MANAGEMENT

In addition to performing audits and investigations, the Office of Inspector General (OIG) responds to EPA management requests for OIG input in the development of regulations, manuals, directives, guidance and procurements. These are proactive efforts to prevent problems that would be reflected in later negative audit findings or investigative results. The OIG reviews and comments on draft documents prepared by Agency offices. In some instances, we designate an OIG staff person to attend meetings of an EPA work group to provide input. Fiscal 1987 was an active year for OIG preventive assistance to EPA management in the Superfund area.

Removals

EPA management frequently requested our assistance in preventing future problems such as those found in audits of the procurement of removal contractors and the management of removals. We reviewed a number of draft requests for proposal for removal contracts. We also reviewed a draft revision of the ERCS Contracts Users' Manual and worked with an Agency Work Group on Management Support for Superfund's On-Scene Coordinators.

Technical Assistance Grants

The EPA Administrator requested that the OIG work closely with the Superfund office in its efforts to develop the technical assistance grants program to groups of persons affected by Superfund sites. Because these grants will be awarded to small groups without grants experience or much administrative structure, the Administrator recognized that this program presented special management challenges. In response to this request, the OIG participated in work group meetings and reviewed draft program documents, including the regulation itself. This effort continued into fiscal 1988.

Cooperative Agreements

As the cooperative agreements section of this report indicates, we have been conducting Superfund cooperative agreement audits for several years and have frequently found significant deficiencies. For some time, Agency management has involved the OIG in the development of guidance to improve management of cooperative agreements. Fiscal 1987 was a particularly busy year in this area, due to EPA implementation of SARA. The OIG provided a representative to the Agency's State Issues Work Group and commented on numerous draft documents in this area. These included the State involvement regulations required by SARA, which are to be incorporated into the revised National Contingency Plan. We have also been involved from the initial stages in the development of guidance on Superfund Memorandums of Agreement and core program cooperative agreements.

Other Assistance

In addition to the areas highlighted above, we have worked with EPA management through work groups and reviews of draft documents on other Superfund matters such as the management of Superfund property, internal delegations of authority and development of the revised National Contingency Plan. Our field offices also provide preventive assistance to EPA regional management, generally through telephone conversations and meetings between managers.

Coordination with Other Agencies

Since EPA was given the responsibility of managing the Hazardous Substance Superfund (Trust Fund), EPA's OIG took on the task of informing the Federal OIG community (as well as appropriate audit organizations) of the mandated audit requirements. The Superfund Amendments and Reauthorization Act of 1986 requires ". . . the Inspector General *of each* department, agency or instrumentality of the United States which is carrying out any authority. . ." (emphasis added) under SARA to conduct an annual audit of uses of the Superfund. As such, we formed an ad hoc work group comprised of representatives from a number of OIGs or audit officials of those Federal departments or agencies which have been given significant Fund-financed responsibilities by statute or Executive Order 12580. The objectives of our work group are to:

- clarify the statutory requirement;
- coordinate schedules and reports under the mandatory annual audit requirement;
- discuss funding mechanisms for the mandatory audit work; and
- discuss program areas of concerns or audit findings.

These objectives are carried out through quarterly meetings of the full work group and other individual contacts as needed.

In addition, we have worked with other IG's and audit officials to resolve Superfund accounting and control problems. We coordinated these activities with administrative and program offices at EPA to ensure that an effective audit product would result. We participated in the review of guidance developed for use by the other Federal agencies who receive Trust Fund monies. We provided the draft guidance to the work group members for information and comment. Through these activities we hoped to ensure consistent audit coverage as well as better accountability and control over Trust Fund spending.

OIG SUPERFUND RESOURCES

OIG Resources Have Not Kept Pace

Since the passage of the Superfund Amendments and Reauthorization Act of 1986 (SARA), audit needs in the Superfund area have increased substantially due to two factors:

1. New mandatory requirements on the Inspector General included in SARA; and
2. Increased size and complexity of the program.

CERCLA as originally enacted imposed no annual requirements upon the Inspector General after the first two years of the Fund's operation. As amended by SARA, CERCLA now requires annual audit efforts in four areas, an annual report to Congress and review of an Agency annual report to Congress. The annual audit efforts required resources beginning in fiscal 1987. The two reports were first required to be submitted during fiscal 1988. The activities mandated by SARA will require more than 25 FTE and \$3 million in extramural resources each year.

SARA authorized a fund more than five times the size of that authorized in CERCLA as originally enacted. It also provided for a number of new program components, and established many additional requirements. The number and size of contracts and assistance agreements requiring audit are increasing very rapidly. At the same time, the number of program components which could benefit from management audits has also increased substantially.

Exhibit IV shows that OIG Superfund FTEs have not increased commensurate with the increase in the Agency's Superfund FTEs.

Questions Needing Audit Attention

OIG Superfund audit resources for fiscal 1989 are sufficient to fulfill the statutory requirements and provide audit support to the contracting function. However, we have deferred audit coverage of many significant aspects of EPA management of Superfund until fiscal 1990 or later to provide resources for these needs.

We have repeatedly found that the Agency's management of Superfund needed improvement. Our findings and recommendations have led to management improvements which save money, reduce delays in accomplishing the objectives of the program and allow the Agency's efforts to produce greater environmental

benefit. We believe these audits are a very productive investment reaping benefits far in excess of their costs.

Many aspects of the Superfund program have not been reviewed by us, or have changed substantially since they have been reviewed. If resources permit, audits can address the kinds of questions listed below. This list is by no means exhaustive, but is intended to indicate the kinds of reviews we should be undertaking.

Is the remedial contracting process resulting in economical and effective responses?

Is EPA making full use of the new enforcement authorities provided under SARA?

Are EPA accounting and administrative controls adequate to identify and accumulate total site-specific costs chargeable to responsible parties?

Is the Agency's preremedial process resulting in the sites posing the greatest threat, and only those sites, being placed on the National Priorities List?

Are adequate administrative records being maintained consistent with the requirements imposed by SARA?

Are States consistently providing the assurances required by CERCLA, as amended?

Are remedial actions being conducted in a cost-effective, timely and environmentally sound manner?

Is the research and development program provided by SARA producing better cleanup options for use at Superfund sites?

Is EPA effectively managing the Federal facilities compliance program?

Are the data used in evaluating Superfund sites reliable?

Are the notification requirements of CERCLA being effectively enforced?

Is EPA meeting the schedules imposed by SARA?

Is the technical assistance grants program for community groups being effectively implemented?

Do Records of Decision comply with Congressionally mandated cleanup standards?

Is EPA moving aggressively to recover Superfund costs from potentially responsible parties (PRPs)?

Is EPA providing effective oversight of PRP responses to ensure that their activities fulfill all statutory, regulatory and policy requirements?

The decentralized operation of the Superfund program affects the resources needed to provide adequate audit coverage. In many respects, there are really ten Superfund programs--one in each EPA region. Approaches to implementing Superfund vary enormously by region. In order to understand how an aspect of the program is working, we must look at several regions in addition to Headquarters directing the guidance. An effective audit of a program area often involves audits in three regions, resulting in reports issued to the appropriate Regional Administrators, and then a consolidated audit report to Headquarters on the overall results.

Similarly, because of the Superfund's rapid growth, size, and complexity it is particularly sensitive to fraud, waste, and abuse. It will require a substantial investment in training and the development of new audit and investigative approaches. By its nature, the Superfund requires the Agency to respond to emergency situations with large amounts of cash under circumstances that are difficult to control. We already have several Superfund related prosecutions and more allegations of fraud involving contractors and project officers that we must investigate.

UNITED STATES
ENVIRONMENTAL PROTECTION AGENCY
WASHINGTON, D.C.

HAZARDOUS SUBSTANCE RESPONSE TRUST FUND (SUPERFUND)
SCHEDULE OF OBLIGATIONS (NOTE 1)
FISCAL YEAR ENDED SEPTEMBER 30, 1987

Description	Total	Accepted	Questioned (NOTE 2)
Personnel Compensation	\$ 73,792,675	\$ 73,792,675	\$ -
Personnel Benefits	11,211,892	11,211,892	-
Total Personnel Com - pensation & Benefits	85,004,567	85,004,567	-
Travel and Transportation of Persons	7,281,678	7,281,678	-
Transportation of Things	546,242	539,852	6,390
Rent, Communications, and Utilities	14,351,736	13,821,828	529,908
Printing and Reproduction	682,107	686,098	(3,991)
Other Contractual Service	719,323,565	719,025,767	297,798
Supplies and Materials	2,568,509	2,536,043	32,466
Equipment	19,527,982	19,396,139	131,843
Land and Structures	784	679	105
Grants, Subsidies, and Contributions	166,207,910	166,207,065	845
Insurance Claims and Indemnities	2,068	2,065	3
Total Non-Personnel Compensation & Benefits	930,492,581	929,497,214	995,367
Grand Totals	\$1,015,497,148	\$1,014,501,781	\$ 995,367

The accompanying notes are an integral part of this schedule.

UNITED STATES
ENVIRONMENTAL PROTECTION AGENCY
WASHINGTON, D.C.

HAZARDOUS SUBSTANCE SUPERFUND
NOTES TO SCHEDULE OF OBLIGATIONS
FISCAL YEAR ENDED SEPTEMBER 30, 1987

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Schedule of Obligations was prepared by the EPA Financial Management Division based on financial information contained in the Financial Management System for the fiscal year ended September 30, 1987. EPA's policy is to prepare schedules in accordance with accounting policies and procedures that are legislatively established and promulgated through various Federal and EPA policy and procedural standards. This schedule is not intended to present either the financial position or the financial results of operations in conformity with generally accepted accounting principles.

Obligations - Nonpayroll

Obligations are amounts of orders placed, contracts awarded, services received, travel performed, and similar transactions during a given period that will require payments during the same or future periods. Such amounts include disbursements for which obligations had not been previously recorded and reflect adjustments for differences between obligations previously recorded and actual disbursements to liquidate those obligations.

The term "obligation" includes both obligations that have matured (legal liabilities) and those that are contingent upon some future performance, such as providing services or furnishing materials. Obligations represent funds obligated against the current fiscal year's appropriation, including carry-over authority for appropriations from prior years. Obligations are recorded for budgetary purposes by appropriation.

Obligations, as presented in this Exhibit, were reported by EPA's Financial System Branch in a Special Superfund Audit Report from information contained in the Financial Management System "Allotment File". The total obligations from this report, amounting to \$1,015,497,148, were reconciled with the totals reported by EPA to the Office of Management and Budget for appropriations 68-20X8145 and 68-2068145 for the period ended September 30, 1987.

EXHIBIT I
(CONTINUED)

Obligations - Payroll

Payroll obligations are based upon actual personnel compensation and benefits recorded monthly in the payroll subsystem plus accruals generated at month-end. Personnel compensation and benefits obligations amounted to \$85,004,567, which, based on EPA policy, were recorded on an accrual basis for obligation accounting.

NOTE 2. OBLIGATIONS QUESTIONED

Questioned obligations of \$995,367 consist of \$895,862 for general support services costs improperly allocated to the Superfund appropriation, and \$99,505 of obligations, based on the projection of exceptions in the statistical samples.

- a. General support services costs were questioned due to errors in cost allocations as follows:

Description	Region 4	Region 5	Headquarters	Total
Transportation of Things	\$ 5,467	\$	\$ 923	\$ 6,390
Rent, Communication and Utilities	15,067	(2,915)	517,756	529,908
Printing and Reproduction	1,920	(6,003)	92	(3,991)
Other Contractual Services	56,238	23,977	217,583	297,798
Supplies and Materials	21,834		6,529	28,363
Equipment	19,706		16,735	36,441
Land and Structures			105	105
Grants, Subsidies and Contributions			845	845
Insurance Claims and Indemnities			3	3
Totals	<u>\$120,232</u>	<u>\$15,059</u>	<u>\$760,571</u>	<u>\$895,862</u>

Additional detail relating to these cost allocation errors are contained in Finding 2.

- b. Questioned costs of \$99,505 consists of the following:

Description	Amount
Supplies and Materials	\$ 4,103 (i)
Equipment	<u>95,402 (ii)</u>
Total	<u>\$99,505</u>

EXHIBIT I
(CONTINUED)

- (i) Represents amounts questioned because of an excess allocation.
- (ii) Represents amounts questioned because of a duplicate obligation of funds and property that could not be located.

UNITED STATES
ENVIRONMENTAL PROTECTION AGENCY
WASHINGTON, D.C.

HAZARDOUS SUBSTANCE RESPONSE TRUST FUND (SUPERFUND)
SCHEDULE OF DISBURSEMENTS (NOTE 1)
FISCAL YEAR ENDED SEPTEMBER 30, 1987

<u>Description</u>	<u>Total</u>	<u>Accepted</u>	<u>Questioned</u> (NOTE 2)
Personnel Compensation	\$ 71,998,092	\$ 71,998,092	\$ -
Personnel Benefits	10,598,980	10,598,980	-
 Total Personnel Com - pensation & Benefits	 82,597,072	 82,597,072	 -
 Travel and Transportation of Persons	 6,553,164	 6,543,541	 9,623
Transportation of Things	397,488	391,098	6,390
Rent, Communications, and Utilities	14,402,134	13,872,226	529,908
Printing and Reproduction	632,943	636,934	(3,991)
Other Contractual Services	373,226,247	372,928,449	297,798
Supplies and Materials	2,180,637	2,152,274	28,363
Equipment	6,594,411	6,557,970	36,441
Land and Structures	804	699	105
Grants, Subsidies, and Contributions	43,246,131	43,245,286	845
Insurance Claims and Indemnities	2,069	2,066	3
 Total Non-Personnel Compensation & Benefits	 447,236,028	 446,330,543	 905,485
 Grand Totals	 \$ 529,833,100	 \$528,927,615	 \$ 905,485

The accompanying notes are an integral part of this schedule.

EXHIBIT II
(CONTINUED)

UNITED STATES
ENVIRONMENTAL PROTECTION AGENCY
WASHINGTON, D.C.

HAZARDOUS SUBSTANCE SUPERFUND
NOTES TO SCHEDULE OF DISBURSEMENTS
FISCAL YEAR ENDED SEPTEMBER 30, 1987

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Schedule of Disbursements was prepared by the EPA Financial Management Division based on financial information contained in the Financial Management System for the fiscal year ended September 30, 1987. EPA's policy is to prepare schedules in accordance with accounting policies and procedures that are legislatively established and promulgated through various Federal and EPA policy and procedural standards. This schedule is not intended to present either the financial position or the financial results of operations in conformity with generally accepted accounting principles.

Disbursements - Nonpayroll

Disbursements represent the amount of cash outlays made to liquidate obligations. They represent funds disbursed during the current fiscal year against either prior years' or current year's appropriations. Disbursements are recorded on the cash basis of accounting in EPA's general ledger by appropriation.

Disbursements, as presented in this Exhibit, were reported by EPA's Financial Systems Branch in a Special Superfund Audit Report from information contained in the Financial Management System "Allotment File." The total disbursements from this report, amounting to \$529,833,100 were reconciled with the totals reported by EPA to the Office of Management and Budget for appropriations 68-20X8145 and 68-2068145 for the period ended September 30, 1987.

Disbursements - Payroll

Personnel compensation and benefits disbursements amounted to \$82,597,072, which represented actual personnel compensation and benefits paid during fiscal 1987 on a cash basis.

EXHIBIT II
(CONTINUED)

NOTE 2. DISBURSEMENTS QUESTIONED

Questioned disbursements of \$905,485 consist of \$895,862 for general support services costs improperly allocated to the Superfund appropriation, and \$9,623 of disbursements based upon the projection of an exception from the statistical sample transactions.

General support servicing costs were questioned due to errors in cost allocations as follows:

<u>Description</u>	<u>Region 4</u>	<u>Region 5</u>	<u>Headquarters</u>	<u>Total</u>
Transportation of Things	\$ 5,467	\$	\$ 923	\$ 6,390
Rent, Communication and Utilities	15,067	(2,915)	517,756	529,908
Printing and Reproduction	1,920	(6,003)	92	(3,991)
Other Contractual Services	56,238	23,977	217,583	297,798
Supplies and Materials	21,834		6,529	28,363
Equipment	19,706		16,735	36,441
Land and Structures			105	105
Grants, Subsidies and Contributions			845	845
Insurance Claims and Indemnities			3	3
Total	<u>\$120,232</u>	<u>\$15,059</u>	<u>\$760,571</u>	<u>\$895,862</u>

Gaping report
Matrix of audit reports reviewed
and deficiencies noted

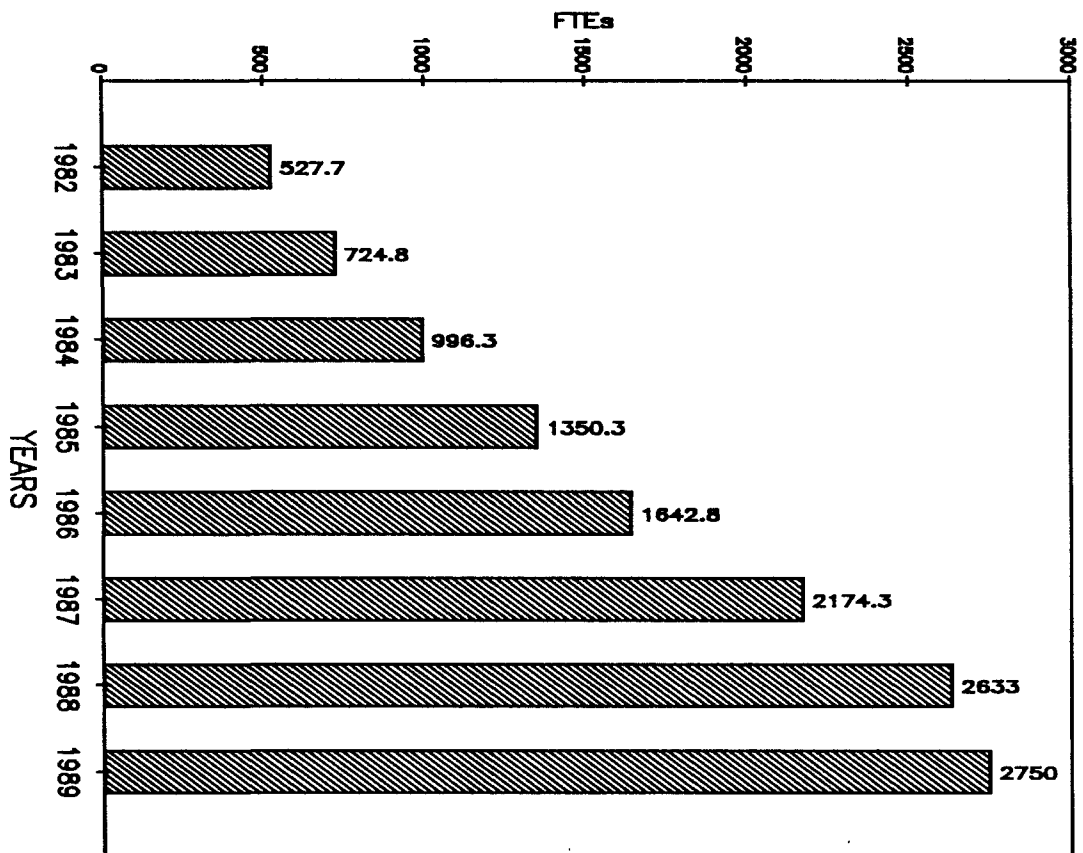
Deficiencies noted

Auditee	Audit Report		Procedural Performance	FLFS Problems	Fire Remediation Monitoring Functions	Regional Project Oversight	Financial Procurement Systems	Financial Management Oversight	Letter to Credit	Reporting Procedures	Special Inspections	Property Management
	No.	Date										
Region 1												
Maine Department of Environmental Protection (DEP)	PS666-11-0029-70902	03/19/87				1	1	1		1		1
Rhode Island Department of Environmental Management (DEM)	ES6H6-01-0151-61453	09/06/86	1		1			1				1
Region 2												
New Jersey Department of Environmental Protection (DEP)	ES6H5-02-0140-61573	09/30/86	1	1		1	1	1				1
New York Department of Environmental Conservation (DEC)	PS666-11-0030-71190	05/13/87					1					1
Region 2 - Monitoring of New Jersey DEP	ES6H6-02-0188-61546	09/25/86	1	1		1		1				1
Region 3												
Delaware Department of Natural Resources and Environmental Control (DNREC)	PS665-11-0053-61507	09/18/86					1	1				1
Pennsylvania Department of Environmental Resources (DER)	PS6H5-11-0056-70538	01/12/87					1					1
Region 3 - Monitoring of Pennsylvania DER	ES6H6-03-0228-71903	09/15/87	1		1		1	1				1
Region 3 - Monitoring of Pennsylvania DER	ES6H7-03-0254-71904	09/15/87	1		1		1					1
Region 3 - Monitoring of Maryland Department of Health and Mental Hygiene (DHMH)	ES6H6-03-0219-70947	03/25/87	1		1			1			1	1
Region 4												
Florida Department of Environmental Regulation (DER)	PS666-11-0031-70772	02/19/87					1	1		1		1
South Carolina Department of Health and Environmental Control (DHEC)	ESC64-04-0100-70767	02/19/87						1		1		1
Region 5												
Illinois Environmental Protection Agency (EPA)	PS667-05-0536-71225	05/26/87					1	1			1	1
Michigan Department of Natural Resources (DNR)	PS661-05-0537-71483	07/07/87					1	1		1		1
Minnesota Pollution Control Agency (PCA)	ES6H7-05-0210-70459	12/24/86				1	1	1				1
Region 6												
Louisiana Department of Natural Resources (DNR)	ES6H4-06-0141-50011	10/03/84					1	1				1
Louisiana Department of Environmental Quality (DEQ)	PS666-11-0032-71159	05/06/87						1		1		
Oklahoma Department of Health (DOH)	ES667-06-0030-70479	01/05/87										
Texas Water Commission (WC) - French Limited Site	ES666-06-0126-61144	07/02/86										
Texas Water Commission (WC) - Sites Disposal Pit Site	ES666-06-0127-61257	07/30/86										
Texas Water Commission (WC) - Bio Ecology Site	ES667-06-0031-71311	06/09/87										1
Texas Water Commission (WC) - Triangle Chemical Co. Site	ES667-06-0033-71312	06/09/87										1
Texas Water Commission (WC) - Highlands Acid Pit Site	ES667-06-0032-71762	08/25/87										1

Experiences Notes

Audit Report	Audit Report No.	Date	Experiences Notes									
			Program	R.I.F.S	Monitoring	Regional	Financial	Letter or	Reporting	Special	Property	
			Performance	Problems	Functions	Oversight	Systems	Oversight	Procedures	Procedures	Conditions	Management
Region 8												
Montana Department of Health and Environmental Sciences (DHES)	ES065-08-0065-60413	01/09/86					1					
North Dakota Department of Health (DDH)	ES066-08-0048-61437	09/03/86					1		1			
Region 8 - Administration of Cooperative Agreements	ES067-08-0005-71992	09/30/87	1	1	1	1			1	1		1
Utah Department of Health (UDH)	ES066-08-0062-71906	09/15/87	1	1	1	1			1	1		
Region 9												
Arizona Department of Health Services (DHHS)	ES065-09-0160-60637	02/25/86					1		1			1
California Department of Health Services (DHHS)	ES064-09-0152-51287	08/08/85					1		1			1
Region 9 - Administration of California DHHS	ES065-09-0219-51280	08/05/85				1						
Region 9 - Administration of California State Water Resources Control Board (SMRCB) South Bay Site	ES066-09-0226-71928	09/17/87	1		1	1	1		1	1		1
Upper San Gabriel Valley Municipal Water District	ES066-09-0089-60924	05/05/86					1		1			
Region 10												
Washington - Commencement Bay Nearshore/Indefinite Site	ES064-10-0060-50106	10/24/84					1		1			
Totals	33 Reports		9	6	5	11	21	22	8	6	14	7

EPA SUPERFUND FTEs



SUPERFUND FTEs OIG AS A PERCENT OF EPA

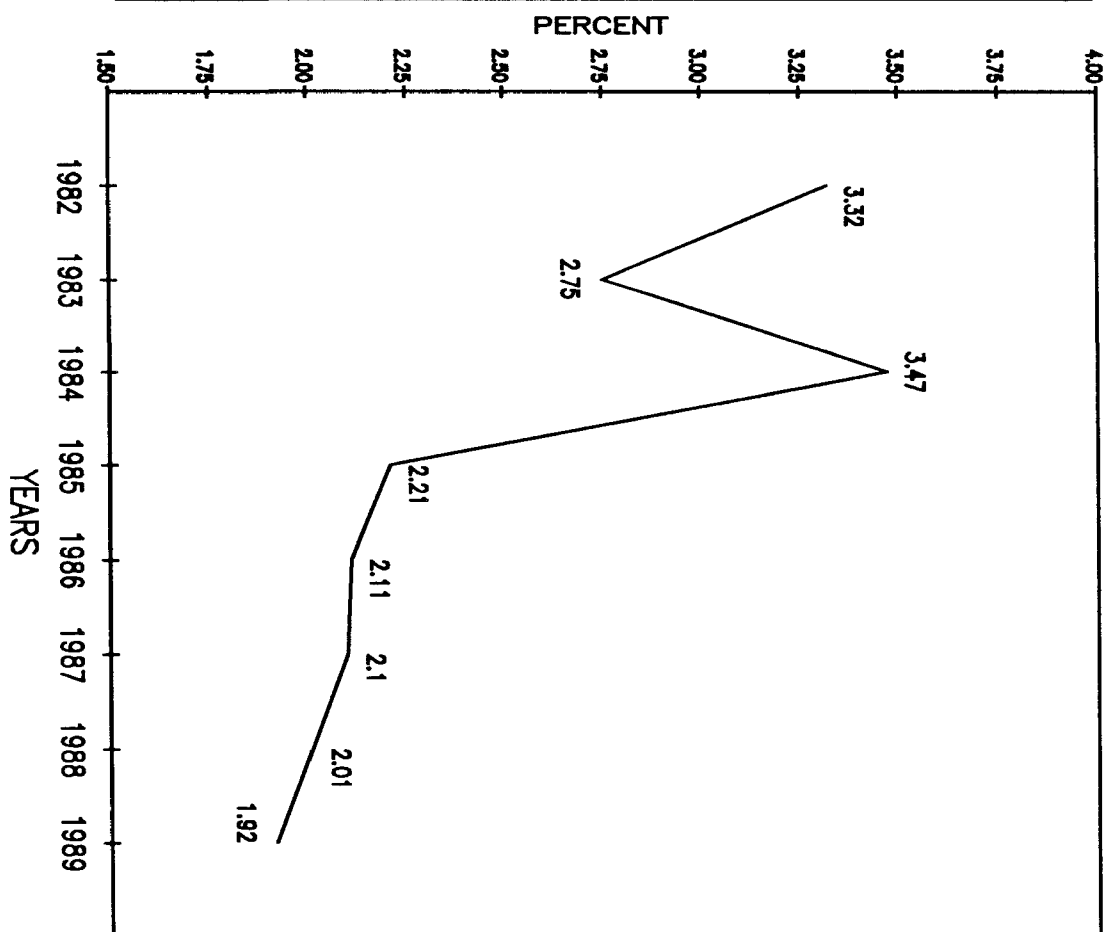


EXHIBIT V1 of 5**SUPERFUND AUDIT REPORTS
ISSUED DURING FISCAL 1987****● INTERNAL AND MANAGEMENT AUDITS**

Final Report Number	Auditee	Audit Control Number	Date Report Issued
71928	CA, S. BAY SUPERFUND, REGION 9	E5EH6090226	9/17/87
71911	CONSOLIDATED TRUST FUND REPORT	P5EH5110034	9/16/87
70474	REGION 3 TRUST FUND REPORT	P5EH5110021	12/31/86
71992	REGION 8 SUPERFUND CA	E5EH7080005	9/30/87
70807	REGION II-DELANCY STREET	E5EH6020167	2/27/87
70947	REGION III COOPERATIVE AGREE	E5EH6030219	3/25/87
71997	SF INDIRECT FY 85&86	P5EH7110021	9/30/87
71209	SIGNO TRADING WAREHOUSE, NY	E5EH7020095	5/21/87
71883	SITE REV COMMERCIAL OIL	E5EH7050425	9/11/87
71903	STATE REMEDIAL PROGRAMS	E5EH6030228	9/15/87
71904	STATE REMEDIAL PROGRAMS II	E5EH7030254	9/15/87
70901	SUPERFUND ICR FY 83 & 84	P5E16110020	3/18/87
71991	SUPERFUND MIS (CERCLIS)	E5E36110022	9/30/87

**SUPERFUND AUDIT REPORTS
ISSUED DURING FISCAL 1987**

● **COOPERATIVE AGREEMENTS AND OTHER GRANTS**

Final Report Number	Auditee	Audit Control Number	Date Report Issued
71846	AUDIT OF SUPERFUND UAG W/DOE	05BH7110044	9/ 7/87
71311	BIO ECOLOGY (TX WATER COMM)	E5BG7060031	6/ 9/87
70538	COMMONWEALTH OF PENNSYLVANIA	P5BH5110056	1/12/87
70869	DEPARTMENT OF ENERGY	05BH7110028	3/ 9/87
70772	FLORIDA DEPT. OF ENVIRO REG	P5BG6110031	2/19/87
71762	HIGHLAND ACID PITS	E5BG7060032	8/25/87
71225	ILLINOIS EPA SF COOP AGMT	P5BG7050536	5/26/87
71159	LA DEPT OF ENVIRON QUALITY)	P5BG6110032	5/ 6/87
71002	LOS ANGELES WATER AND POWER	E5AH7090049	4/ 6/87
70902	MAINE SF COOPERATIVE AGREEMENT	P5BG6110029	3/19/87
71879	MICHIGAN CREDIT CLAIM	E5CG7050448	9/11/87
71483	MICHIGAN DNR SF COOP AGMT	P5BG7050537	7/ 7/87
70459	MN PCA - ADM OF COOP AGMTS	E5BH7050210	12/24/86
71190	NY DOEC ADM - SF COOP AGMTS	P5CG6110030	5/13/87
70479	OKLAHOMA STATE DEPT OF HEALTH	E5BG7060030	1/ 5/87
70767	SC DEPT HLTH COOP AGREEMENT	E5CG4040100	2/19/87
70118	TOTAL CHEM SERVICES, INC	P5CH6110049	10/21/86
71312	TRIANGLE CHEMICAL CO (TX WTR C	E5BG7060032	6/ 9/87
71906	UTAH DEH COOP AGREEMENT UT	E5BG6080062	9/15/87

SUPERFUND AUDIT REPORTS
ISSUED DURING FISCAL 1987

● CONTRACT AUDITS

Final Report Number	Auditee	Audit Control Number	Date Report Issued
70234	BELPAR CHEMICAL SERVICES INC	E9AT6030299	11/ 6/86
79026	BES ENVIRONMENTAL SPEC-PA	D9AT7050433	7/16/87
70777	BVER ENVIRONMENTAL INC.	E9AT7030068	2/20/87
71246	CH2M HILL INC. CORVALLIS OR	E9AT7100081	5/29/87
70123	CH2M HILL, CORVALLIS, OR	E9AT7100001	10/22/86
71114	CH2M HILL, INC., CORVALLIS, OR	P9BT6100085	4/29/87
71113	CH2M HILL, INC., CORVALLIS, OR	P9DT6100072	4/29/87
70054	CLEAN HARBOR, INC., MA	E9AT6010241	10/10/86
70317	CLEAN HARBORS INC., MA	E9AT6010214	11/20/86
70198	CMC INC NICHOLASVILLE KY	E9AT6040306	10/31/86
70303	CMC INC NICHOLASVILLE KY	E9AT7040051	11/19/86
70097	E. GILARDE CONSTRUCTION CO-PA	E9AT6030298	10/17/86
79000	EARTH INDUSTRIAL WASTE MGT, TN	D9AT6050312	10/27/86
71105	ENV SCIENCE & ENG FL	D9AT7100075	4/27/87
70397	ENVIRON EMERGENCY SERVICES)	E9CT6100051	12/12/86
71144	ENVIRONMENTAL EMERG. SERVICES	E9CT6100083	5/ 4/87
71677	ENVIRONMENTAL EMERG. SERVICES	E9CT7100011	8/10/87
70376	ENVIRONMENTAL EMERGENCY SER.	E9CT6100017	2/ 9/86
70758	ENVIRONMENTAL SERV.	E9CT6100097	2/18/87
70074	ENVIRONMENTAL TECH-NY	D9AT6050315	10/15/86
70484	ENVTL MGMT CONTROL OH	D9AT7100030	1/ 5/87
71146	ESPEY, HUSTON	E9DT7060106	5/ 4/87
71017	FERGUSON HARBOR SERV. INC., TN	E9AT7040119	4/ 8/87
70150	FERGUSON HARBOR SERVICE, TN.	E9AT6040304	10/27/86
71615	GARD INC NILES IL	D9AT7050669	7/30/87
70291	GSX SERVICES, INC NC	E9AT6040322	11/17/86
70212	GUARDIAN CONSTRUCTION CO	E9AT6030292	11/ 4/86
70562	GUARDIAN CONSTRUCTION CO. INC.	E9AT7030067	1/15/87
70264	HAZTECH INC DECATUR GA - PEI	E9AT6040305	11/12/86
70302	HAZTECH INC DECATUR GEORGIA	E9AT7040052	11/19/86
70844	HAZTECH INC, DECATUR, GA	E9AT7040099	3/ 9/87
71519	HAZTECH INC., DECATUR, GA	P9AT7040208	7/15/87

SUPERFUND AUDIT REPORTS
ISSUED DURING FISCAL 1987

● CONTRACT AUDITS

Final Report Number	Auditee	Audit Control Number	Date Report Issued
71018	HEMPHILL CONTRACT CO INC MO	D9AT7100069	4/ 9/87
70318	INLAND POLLU. CONTROL, INC.,MA	E9AT6010216	11/20/86
70828	INLAND POLLUTION CONTROL, MA	E9AT7010054	3/ 4/87
70339	INLAND POLLUTION INC.	E9AT6010215	11/26/86
79001	INLAND WATER POLL CONTROL MI	D9AT6050318	10/27/86
71529	INLAND WATER POLL CONTROL-MI	D9AT7050380	7/16/87
70786	IT CORPORATION CA	D9AT7090107	2/24/87
70199	JET-LINE SERVICES, INC., MA	E9AT6010217	10/31/86
71019	JOHN MATHES & ASSO INC MO	D9AT7100070	4/ 9/87
70874	NEPCCO, CT	E9AT7020058	3/12/87
79015	O. H. MATERIALS	E9CT6050147	2/18/87
70148	OH MATERIALS	E9AT6050319	10/24/86
79017	OH MATERIALS (AMBLER) OH	E9CT6050146	2/20/87
71191	OH MATERIALS (DIOXIN RFP	E9AT7050343	5/14/87
70468	OH MATERIALS (FY 84 ERCS)	E9BT7050011	12/30/86
79013	OH MATERIALS (UNION CHEMICAL)	E9CT6050143	2/ 5/87
70057	OH MATERIALS (ZONE 2)	E9AT6050277	10/10/86
70111	OH MATERIALS (ZONE I)	E9AT6050279	10/21/86
79006	OH MATERIALS IRON HORSE PARK	E9CT5050117	1/12/87
79012	PEI (AMERICAN STEEL & DRUM),OH	E9CT5050317	1/23/87
79002	PEI ASSOC (RASMUSSEN)	E9CT5050219	11/ 3/86
70043	PEI ASSOC (ZONE 2)	E9AT6050278	10/ 7/86
70058	PEI ASSOC ZONE 3	E9AT6050280	10/10/86
79004	PEI ASSOCIATES (ENVIROCHEM)	E9CT5050316	1/ 5/87
79007	PEI ASSOCIATES (MIDCO II) OH	E9CT6050273	1/13/87
70047	PEI CINCINNATI OH CY 84	E9DT5050218	10/ 8/86
70138	PETERSON MARITIME SERVICES	E9AT6060216	10/23/86
70442	PRC ENVIRONMENTAL MGMT INC IL	D9AT7050131	12/22/86
70476	PRC ENVIRONMENTAL MGMT INC IL	D9AH7050209	1/ 2/87
71855	REXNORD INC EETC WI	D9AT7050774	9/ 9/87

SUPERFUND AUDIT REPORTS
ISSUED DURING FISCAL 1987

● CONTRACT AUDITS

Final Report Number	Auditee	Audit Control Number	Date Report Issued
70299	RIEDEL ENV. SERVICES, INC.	E9AT6100087	11/18/86
70398	RIEDEL ENVIRON SERVICES	E9CT6100040	12/12/86
70399	RIEDEL ENVIRON SERVICES	E9DT6100059	12/12/86
70871	RIEDEL ENVIRONMENTAL SERVICES	E9AT7100039	3/11/87
70390	ROLLINS ENVIRONMENTAL SVCS	D9AT6030295	12/11/86
70391	ROLLINS ENVIRONMENTAL SVCS	D9AT6030296	12/11/86
70145	SAMSEL SERVICES COMPANY	D9AT7100010	10/24/86
70048	SLC CONSULTANTS CONTRACTORS NY	D9AT6050317	10/ 8/86
71272	SLC CONSULTANTS NY	D9AT7050434	6/ 3/87
70477	SOUTHEAST IND CL SERV AL	D9AT6050313	1/ 2/87
71202	URS DALTON INC	D9AT7050519	5/19/87
70152	WILLMS CO INC, SC	D9AT6050311	10/27/86

ACRONYMS AND ABBREVIATIONS

CERCLA	Comprehensive Environmental Response, Compensation, and Liability Act of 1980
CERCLIS	Superfund Management Information System
CM	Configuration Management
EDP	Electronic Data Processing
EPA	Environmental Protection Agency
ERCS	Emergency Response Cleanup Services Contracts
FS	Feasibility Studies
FTE's	Full-time equivalents
HRS	Hazardous Ranking System
LCM	Life Cycle Management
LOC	Letter of Credit
MAP	Management Assistance Program
MENS	Mission Element Needs Statement
MIS	Management Information System
National Contingency Plan/or NCP	National Oil and Hazardous Substances Contingency Plan, 40 CFR Part 300
NPL	National Priorities List
OA	EPA's Office of Audit
OERR	EPA's Office of Emergency and Remedial Response
OIG	EPA's Office of Inspector General

OIRM

**EPA's Office of Information and Resources
Management**

OSC

On-Scene Coordinator

OIRM	EPA's Office of Information and Resources Management
OSC	On-Scene Coordinator
OSWER	Office of Solid Waste and Emergency Response
OWPE	Office of Waste Programs Enforcement
PA	Preliminary Assessments
PAO	Property Accountable Officers
PPAS	EPA's Personal Property Accounting System
PRPs	Potential Responsible Parties
QA/QC	Quality Assurance/Quality Control
RI/FS	Remedial Investigations and Feasibility Studies
RPM	Remedial Project Managers
SARA	Superfund Amendments and Reauthorization Act of 1986
SF-272	Standard Form 272, Federal Cash Transaction Report
SI	Site Inspections
TAT	Technical Assistance Team Contractor
Trust Fund	Hazardous Substance Superfund