



Office of Inspector General

Report of Audit

Fiscal 1993 Superfund Performance Measures Region 5

Audit Report E1SFL4-05-0017-4100196

March 3, 1994



UNITED STATES ENVIRONMENTAL PROTECTION AGENCY
OFFICE OF THE INSPECTOR GENERAL
NORTHERN DIVISION
77 WEST JACKSON BOULEVARD
CHICAGO, IL 60604-3590

March 3, 1994

MEMORANDUM

SUBJECT: Audit Report E1SFL4-05-0017-4100196
FY 1993 Region 5 Superfund Performance Measures

FROM: Anthony C. Carrollo *K. Carrollo*
Divisional Inspector General for Audits
Northern Division

TO: Valdas V. Adamkus
Regional Administrator
Region 5

This audit report contains findings that describe the results of our review and corrective actions the Region has taken regarding the tracking of Superfund performance measures. This audit report represents the opinion of the OIG. Final determinations on matters in this audit report will be made by EPA managers in accordance with established EPA audit resolution procedures. Accordingly, the findings described in the audit report do not necessarily represent the final EPA position.

Action Required

Your office took corrective actions to address the finding in the report prior to issuance of the draft report. As a result, your response to the report is adequate in accordance with EPA Order 2750. Therefore, we are closing out this report in our tracking system effective March 3, 1994. Since the corrective actions have been completed, the report does not need to be tracked in the Management Audit Tracking System.

We have no objections to the further release of this report to the public. Should you or your staff have any questions, please contact Charles Allberry at 3-4222.

cc: Howard Levin (MFA-10J)
William Muno, Director,
Waste Management Division (H-7J)
Mike Simmons (2421)
Fran Tafer (2423W)

Region 5 FY 93 Superfund Accomplishments

EXECUTIVE SUMMARY

PURPOSE

We performed this audit as part of the Office of Inspector General's (OIG) mandatory audits of the Environmental Protection Agency's (EPA) Chief Financial Officer (CFO) Act Report. Specifically, the objectives of our audit were to: (1) assess the internal controls over ensuring the accuracy of recorded Superfund accomplishments and (2) determine the accuracy of the fiscal year 1993 Superfund accomplishments claimed that relate to CFO Act performance measures. Our review was limited to Region 5.

BACKGROUND

The Superfund program was established by the Comprehensive Environmental Response, Compensation, and Liability Act of 1980. The program was revised and expanded in 1986 by the Superfund Amendments and Reauthorization Act (SARA). Under Superfund, EPA is responsible for managing the cleanup of hazardous waste sites that threaten human health and the environment.

The CFO Act, enacted in 1990, requires each Federal agency to prepare (1) consolidated financial statements or financial statements covering its trust funds, revolving funds, and commercial activities and (2) a performance report. As part of the performance report, EPA is required to provide information on selected Superfund performance measures. The OIG is required to audit the information reported under the CFO Act. The OIG must also assess the risk that a material misstatement in the items reported as performance measures would not be prevented or detected by the Agency's internal controls.

One of the primary sources of information for the performance measures in the CFO Act Report is EPA's Comprehensive Environmental Response, Compensation, and Liability Information System (CERCLIS). This database is the required source of Superfund planning and accomplishment information. Region 5 uses WasteLAN, a local area network, to enter and collect Superfund data and accomplishments. The Region periodically transfers the data from WasteLAN into CERCLIS.

The Superfund Comprehensive Accomplishments Plan (SCAP) is the central mechanism for planning, budgeting, tracking, and

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evaluating progress toward Superfund site cleanup. SCAP describes the activities needed to meet a program accomplishment. For example, an accomplishment definition might require a report on the work done, or approval of the report, before the accomplishment can be claimed. For fiscal 1993, there were nine Superfund performance measures reported in the performance report.

RESULTS-IN-BRIEF

During 1993, Region 5 took action to improve its internal controls over the accuracy of accomplishments recorded in CERCLIS. Our review of Region 5's internal controls over the input of data into CERCLIS (through WasteLAN) concluded that there is a low risk that accomplishments could be materially misstated. This represents an improvement from the 1992 CERCLIS data audit when we found a moderate risk of misstatement. The risk of misstatement decreased because of the additional controls Region 5 implemented subsequent to our 1992 audit.

The accomplishments Region 5 claimed in fiscal 1993 were generally accurate. We questioned some accomplishments because the compliance codes for unilateral administrative orders were not up-to-date. This resulted in an overstatement of the estimated value of the work responsible parties are performing. Our review found no other significant problems with how Region 5 claimed accomplishments reported in the performance report of the financial statements.

We are not expressing an opinion on the reasonableness of the estimated value of future responsible party work reported as part of performance measure nine because there are no guidelines for preparing these estimates. We are not making a recommendation to Region 5 since this is a national issue which needs to be resolved by the Office of Solid Waste and Emergency Response. Thus, we are referring this matter to our Headquarters Audit Division for consideration in their consolidated report.

AGENCY COMMENTS AND ACTIONS

Overall, the Region was satisfied with the review and the findings. Region 5 took action during our review to correct the specific data errors which we identified. It also agreed to review all compliance codes for accuracy and implement

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steps to periodically update these codes. As a result, we are not making any further recommendations.

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CHAPTER 1

INTRODUCTION

PURPOSE

We performed this audit as part of the Office of Inspector General's (OIG) mandatory audits of the Environmental Protection Agency's (EPA) Chief Financial Officer (CFO) Act Report. Specifically, the objectives of our audit were to: (1) assess the internal controls over ensuring the accuracy of recorded Superfund accomplishments and (2) determine the accuracy of the fiscal year 1993 Superfund accomplishments claimed that relate to CFO Act performance measures. Our review was limited to Region 5.

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One of the primary sources of information for the performance measures in the CFO Act Report is EPA's Comprehensive Environmental Response, Compensation, and Liability Information System (CERCLIS). This database is the required source of Superfund planning and accomplishment information. Region 5 uses WasteLAN, a local area network, to enter and collect Superfund data and accomplishments. The Region periodically transfers the data from WasteLAN into CERCLIS.

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The Superfund Comprehensive Accomplishments Plan (SCAP) is the central mechanism for planning, budgeting, tracking, and evaluating progress toward Superfund site cleanup. SCAP describes the activities needed to meet a program accomplishment. For example, an accomplishment definition might require a report on the work done, or approval of the report, before the accomplishment can be claimed.

For fiscal 1993, there were nine Superfund performance measures reported in the performance report:

1. The ratio of the number of sites on the National Priority List (NPL) where cleanup has started to the total number of sites on the NPL.
2. The number of non-NPL sites with hazardous releases where EPA has begun cleanup action.
3. The ratio of the number of sites on the NPL where a decision has been made about how to proceed with the cleanup (remedial or removal activity) of at least a significant portion of the site to the total number of sites on the NPL.
4. The ratio of the number of sites on the NPL where remedial action has been completed for at least a significant portion of the site to the total number of sites on the NPL.
5. The ratio of the number of sites on the NPL where cleanup construction is completed to the total number of sites on the NPL.
6. The ratio of the number of enforcement actions EPA has taken at sites on the NPL against the parties responsible for contaminating the site to the total number of sites on the NPL.
7. Past costs achieved in settlement.
8. The ratio of the amount of money EPA has collected from parties responsible for contaminating sites on the NPL to the total amount achieved in settlements and judicial actions.
9. The ratio of the amount of money parties responsible for contaminating Superfund sites have agreed to spend on site cleanup to the total amount of money spent by Superfund in site cleanup.

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SCOPE AND METHODOLOGY

We reviewed a sample of 26 percent (53/202) of Region 5 fiscal year 1993 accomplishments.¹ We randomly selected 50 from SCAP 13, SCAP 14, and Enforcement-03 reports provided by the Agency. We also judgmentally selected three accomplishments because they appeared to be incorrectly claimed. Our results are not projectable to the Region 5 universe because we did not select a statistical sample. We did not audit performance measure 8 because the information for the performance measure is taken from Department of Treasury records. The OIG's Headquarters Audit Division will perform this work.

For each sampled item, we compared the source documentation Region 5 provided to the appropriate SCAP definition of each accomplishment. These definitions are listed in the Fiscal Year 1993 Superfund Program Implementation Manual. We did not evaluate the appropriateness of the SCAP definitions used by the Agency.

The scope of our review was limited to the following portions of the performance measures and their related types of accomplishments:

¹Performance measure 9 includes all accomplishments reported in measure 6 and 7, and some additional accomplishments. Each of the accomplishments included in our sample for performance measures 6 and 7 were also included in our sample for performance measure 9.

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Performance Measure	Accomplishment
1. Number of sites on the NPL where cleanup has started.	Remedial investigation/feasibility study starts, or removal starts.
2. Number of non-NPL sites with hazardous releases where EPA has begun cleanup action.	First non-NPL removal starts.
3. Number of sites on the NPL where a decision has been made about how to proceed with the cleanup (remedial or removal) of at least a significant portion of the site.	First remedies selected and first action memos signed.
4. Number of sites on the NPL where Remedial Action has been completed for at least a significant portion of the site.	First remedial action completions.
5. Number of sites on the NPL where cleanup construction is completed.	NPL site construction completions.
6. Number of enforcement actions EPA has taken at sites on the NPL against the parties responsible for the contamination.	Response settlements only - final NPL only (excluding state lead).
7. Past costs achieved in settlement.	Cost recovery settlements only.
8. (Not included in our review).	
9. Amount of money parties responsible for contaminating Superfund sites have agreed to spend on site cleanup.	Response settlements and cost recovery settlements - NPL and non-NPL (excluding state lead).

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We also reviewed Region 5's internal controls related to entry of data into CERCLIS through the WasteLAN system. We did not review internal controls within the CERCLIS or WasteLAN systems.

We performed our audit in accordance with the Government Auditing Standards issued by the Comptroller General of the United States (1988 revision). Our fieldwork was conducted at Region 5 from October 25, 1993, to January 12, 1994.

We provided a draft report to the Regional Administrator, Region 5, on January 26, 1994. The Regional Administrator responded on February 24, 1994. The response is incorporated into the report and included as Appendix 1. Since the Region agreed with the report, the Region agreed an exit conference was not needed.

PRIOR AUDIT COVERAGE

The OIG previously conducted and reported the results of a similar review of Region 5 Superfund accomplishments claimed for fiscal year 1992 (Report No. 3100287, dated July 30, 1993). Our assessment of the Region's internal controls over input of data into CERCLIS during fiscal year 1992 showed that there was a moderate risk that the items could be materially misstated. Our review also concluded that 71 percent (111/156) of the accomplishments reviewed were adequately supported. The OIG questioned the remaining 29 percent (45/156) of the accomplishments reviewed because: (1) SCAP definitions were not met and (2) accomplishments were not achieved during fiscal year 1992. The review of Region 5's accomplishments for fiscal 1992 showed that those claimed in CERCLIS were not always reasonable and accurate.

Subsequent to the 1992 fiscal year review, the Waste Management Division took several steps to correct weaknesses identified during our audit, as well as generally improve its internal controls over CERCLIS data. In October 1993, an in-house internal review of Superfund accomplishments was conducted to ensure accomplishments claimed were accurate and supported by the requisite documentation. Region 5 also had an on-going effort to provide updated guidance and training on accomplishment definitions to ensure the correct documentation exists to support the accomplishment. The Site Assessment section implemented a standard approval procedure beginning in fiscal year 1994 that ensures that final reports are reviewed and approved. The Region also continued to work with Headquarters to clarify definitions and has formed a SCAP definition workgroup.

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Region 5 had also planned or taken corrective actions to improve the reliability of internal controls over input of data into the CERCLIS database. The Region planned to continue to improve the use of automation tools in auditing event and activity accomplishments. Branch or section chiefs are required to approve, review, and audit Remedial Project Manager's (RPM) data entered into CERCLIS in order to provide quality control and quality assurance of accomplishment data. The Region agreed to ensure that appropriate Superfund staff received information on data quality issues and coding from Headquarters. Also, beginning in October 1993, the Region implemented a program of quarterly internal reviews of site files to ensure dates entered into CERCLIS are properly documented in the site files. The Region agreed to continue to revise and further develop current policy on data input and data ownership. Finally, the Region has scheduled WasteLAN training in February 1994.

CHAPTER 2

INTERNAL CONTROLS OVER CERCLIS DATA ARE ADEQUATE

Our review of Region 5's internal controls over the input of data into CERCLIS (through WasteLAN) concluded that there is a low risk that accomplishments could be materially misstated. This represents a improvement from the 1992 CERCLIS data audit when we found a moderate risk of misstatement. The risk of misstatement decreased because of (1) the additional controls Region 5 implemented as a result of our 1992 audit and (2) the Region's ongoing efforts to improve data quality.

Region 5 Office of Superfund has a decentralized system of data input for CERCLIS. The Office of Superfund consists of five branches: the Emergency Response Branch, three Remedial Response Branches, and the Superfund Program Management Branch. Various personnel in each of the branches input data into WasteLAN, a local area network for entering data into CERCLIS. Because of the large number of people entering data, a decentralized system has a greater potential for input errors and to differing interpretations of definitions. To control access to WasteLAN, the Region requires users to attend a training session and pass a test before being allowed to use the system. Also, within each of the branches, Region 5 had established controls to prevent and detect data entry errors and to ensure consistency in applying SCAP definitions.

In the Remedial Response Branches, the RPMs or section chiefs input data about their sites. RPMs enter data directly into WasteLAN and review it for accuracy and completeness on a real-time basis. As the RPMs are the individuals most familiar with what has occurred on a site, there is a low risk that data entry errors will occur. In addition, WasteLAN has built-in edit checks to improve data accuracy and a "pop-up" menu for most fields, that lists valid data entry values. The section chiefs also conduct monthly reviews of CERCLIS printouts, so there is a good chance that if inaccurate data were entered, it would be found and corrected.

In the Emergency Response Branch, two individuals are responsible for entering data into WasteLAN. The information entered into WasteLAN is taken from reports prepared by the on-scene coordinator. The on-scene coordinators themselves do not review the WasteLAN data to ensure its accuracy.

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However, the branch and section chiefs review quarterly printouts for accuracy.

The Superfund Program Management Branch is responsible for monitoring and controlling WasteLAN data. One section in the branch, Program Management and Information Section, has four staff members devoted to ensuring the input quality of SCAP data and related planning and reporting information. The section also reviews the information entered into WasteLAN to find missing codes and data that could impact the accomplishments reported.

In addition to the controls described above that will detect data entry errors, Region 5 has controls to ensure (1) the consistent interpretation of SCAP definitions, and (2) the accomplishments are documented. As part of the WasteLAN training manual, staff are given a copy of the SCAP definitions. Supervisors also have a copy of the SCAP manual that staff can use to review definitions. As a result of our audit of 1992 CERCLIS data (Report No. 3100287), Region 5 implemented the following procedures to strengthen internal controls:

- Conducting internal reviews of Superfund accomplishments to ensure accomplishments claimed are accurate and supported by required documentation,
- Performing quarterly reviews of site files to ensure dates entered into CERCLIS are properly documented in site files, and
- Continuing to provide updated guidance and training in regards to accomplishment definitions to ensure the correct document supports the accomplishment.

In October 1993, Region 5 conducted its own internal review of 1993 SCAP accomplishments. The Region selected 82 accomplishments from the fiscal year 1993 SCAP 13 and 14 reports (Targets and Accomplishments). The 82 accomplishments represented 30 percent of the total SCAP 14 accomplishments and 30 percent of the Preliminary Assessment and Site Inspection accomplishments in SCAP 13. The Region targeted these accomplishments since they are reported in the Superfund Annual Report to Congress. The Region verified the date claimed to the appropriate documentation. The Region found minor discrepancies in the accomplishment dates for three sites, and corrected the accomplishment dates in CERCLIS.

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CONCLUSION

The Region has taken steps to ensure accurate and complete data entry into CERCLIS and consistent application of the SCAP definitions. These actions help to ensure that accomplishments claimed are not materially misstated. Thus, we perceive a low risk to a material misstatement of accomplishments.

AGENCY COMMENTS AND ACTIONS

Region 5 accepted our finding that there was a low risk that accomplishments would be materially misstated. The Region stated that it will continue the actions it started in response to our review of 1992 CERCLIS data. While we did not make any recommendations, the Region stated that, in April 1994, it would conduct an internal review of FY 1994 accomplishments to ensure the accomplishments were accurate and supported by the required documentation. The Region is also working to develop a system that will enable the Office of Superfund to review site files to ensure dates entered into CERCLIS are supported by the required documentation.

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CHAPTER 3

REGION 5 ACCURATELY CLAIMED MOST ACCOMPLISHMENTS

For 96 percent (48 of 50) of the accomplishments we randomly selected for review, Region 5 accurately recorded the accomplishment in CERCLIS. We questioned two accomplishments because the compliance codes for unilateral administrative orders were not updated. We questioned all three judgementally selected accomplishments because the compliance codes for two sites were not updated and one site was incorrectly included in the universe. We also found two data entry errors that we did not question because they resulted in an understatement of accomplishments. While most accomplishments were accurately recorded in CERCLIS, we are not expressing an opinion on the reasonableness of the estimated dollar values of future responsible party work at sites (performance measure 9) because there are no guidelines for preparing these estimates.

Measure*	Universe	Random Sample			Judgmental Sample	
		Selected	Verified	Questioned	Selected	Questioned
No. 1	5	2	2	0	-	-
No. 2	33	7	7	0	-	-
No. 3	13	3	3	0	-	-
No. 4	14	3	3	0	-	-
No. 5	15	4	4	0	-	-
No. 6	16	4	4	0	-	-
No. 7	37	9	9	0	-	-
No. 9	69	18	16	2 ¹	3	3 ¹
Total	202	50	48	2	3	3

*See pages 2 and 4 for definitions.

Measure*	Universe	Sample	Verified	Questioned	No Opinion Expressed
No. 7	\$ 31,894,344	\$ 8,619,724	\$8,619,724 ²	\$ 0	\$ 0
No. 9	\$168,647,037	\$44,722,030	\$8,619,724 ²	\$5,629,153 ¹	\$30,473,153 ³

*See pages 2 and 4 for definitions.

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NOTE 1: Estimated Value Of Future Work Overstated

Performance measure 9 is defined as the amount of money responsible parties have agreed to spend on cleanup. This includes both (1) cost recovery cases, in which responsible parties will reimburse EPA's past costs and (2) settlement cases, in which the responsible parties have agreed to conduct future work. Our sample for performance measure 9 included several unilateral administrative orders for which the responsible parties had not agreed to conduct work. The estimated future cost of cleanup for these sites should not be included in performance measure 9. As a result, the performance report in the financial statements overreported the estimated value of responsible party work.

The reasons why these sites were included in the performance measure, and the associated dollar amounts, are:

Compliance codes need to be updated	\$3,629,153	(see Note 1a)
Site incorrectly included in universe	<u>2,000,000</u>	(see Note 1b)
Total questioned	<u>\$5,629,153</u>	

NOTE 1a: Compliance Codes Need To Be Updated

Region 5 did not update the compliance codes in CERCLIS for unilateral administrative orders for removals when a change in the sites' compliance status occurred. As a result, sites where responsible parties were not performing work were included in performance measure 9, which represents the amount of money responsible parties have agreed to spend on site cleanups. Region 5 needs to regularly review compliance codes for unilateral administrative orders to ensure they accurately reflect the current status of responsible party work at a site.

Seven of the 21 accomplishments we reviewed for performance measure 9 were for sites where Region 5 claimed that responsible parties would be conducting removal cleanup activities.² However, for 4 of the 7

² Five of the accomplishments were randomly selected and 2 were judgementally selected.

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sites (\$3,629,153) the responsible parties had not agreed to conduct any removal activities. As a result, we questioned the value of the following response settlements:

<u>Site Name</u>	<u>Estimated Value</u>
Automatic Die Casting	\$1,146,000
General Die Casting	393,610
Impact Stamping	1,089,543
Penta Wood Products	<u>1,000,000</u>
Total questioned costs	<u>\$3,629,153</u>

When coding unilateral administrative orders for removals in CERCLIS, Region 5 assumes that the responsible parties will comply with the order. The order gives the responsible parties a certain number of days, 90 for example, to start removal work at a site. During this time, the responsible parties are assumed to be in compliance with the order, and the entry in CERCLIS is coded as such. If, after the time set in the order, the responsible parties do not start work, they are then in noncompliance. Our review found that Region 5 does not regularly update the compliance status for unilateral administrative orders for removals. Thus, for some sites, CERCLIS indicates that the responsible parties are in compliance when in fact they are not conducting the work. These sites are then included in performance measure 9, which results in an overstatement of the value of responsible party work at sites. Region 5 needs to regularly review and update the compliance status of responsible parties on unilateral administrative orders.

Region 5 agreed that compliance codes need to be regularly reviewed and updated. The Region has begun reviewing the compliance status codes and will make appropriate corrections in CERCLIS.

NOTE 1b: Site Incorrectly Included In Universe

We found one site the Agency had included in the universe for performance measure 9 that did not meet the criteria for the performance measure. Region 5 had correctly identified in CERCLIS that the responsible parties had not responded to the administrative order

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requiring them to cleanup a removal site. By including the site in the universe for performance measure 9, the Agency is claiming that responsible parties have agreed to conduct work at the site. The Agency needs to delete this site from the universe for performance measure 9.

The universe for performance measure 9 is taken from CERCLIS printout entitled, Enforcement-03: FY93 Settlements Master Report. The printout is to include all settlements where (1) responsible parties have agreed to perform site activities, or (2) past costs were recovered from responsible parties. The compliance code for one site, Xxkem Company, is "N", which represents no response, and therefore should not appear on the printout. The estimated value of future work for this site, as recorded in CERCLIS, was \$2,000,000. The Agency needs to review the selection criteria for the Enforcement-03 printout to determine why this site is included if it intends to use this printout as the basis for performance measure 9.

NOTE 2: Data Entry Errors Resulted In Underreporting

We found two data entry errors related to the past costs achieved in settlements which resulted in underreporting performance measures 7 and 9 by more than \$5 million. Region 5 officials stated that the errors should have been found during quality control reviews. Even when internal controls provide for a low risk of misstatement, it can be expected that there will be data entry errors. We believe no additional controls are needed as a result of the errors we found.

For two sites, reported under both performance measures 7 and 9, the value of past costs achieved as recorded in CERCLIS was less than the amount included in orders as repayment of past costs.

<u>Site Name</u>	<u>Recorded in CERCLIS</u>	<u>Value in Order</u>	<u>Difference</u>
Bowers Landfill	\$ 200,000	\$5,200,000	\$5,000,000
Eau Claire Well Field	3,893,030	3,953,573	60,543
Total underreporting			<u>\$5,060,543</u>

Region 5 has corrected the amounts in CERCLIS.

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NOTE 3: No Opinion Expressed On The Reasonableness of Estimates For Future Work

Region 5 accurately recorded the estimates for future responsible party work in CERCLIS. However, we are not expressing an opinion on the reasonableness of the estimates as discussed in Chapter 4.

CONCLUSION

The accomplishments Region 5 claimed in fiscal 1993 were generally accurate. We questioned some accomplishments because the compliance codes for unilateral administrative orders were not up-to-date. This resulted in an overstatement of the estimated value of the work responsible parties are performing. Our review found no other significant problems with how Region 5 claimed accomplishments reported in the performance report of the financial statements.

AGENCY COMMENTS AND ACTIONS

Region 5 agreed that the compliance status codes need to be regularly reviewed to ensure they accurately reflect the current status of work at a site. During the second quarter of FY 1994, the region developed and implemented procedures for reviewing compliance status codes. Concerning the one site incorrectly included in the universe, the Region has discussed with Headquarters developing a new CERCLIS report which would accurately reflect settlement compliance status. Lastly, the Region has corrected the data entry errors in CERCLIS.

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CHAPTER 4

CALCULATION OF ESTIMATES FOR FUTURE RESPONSIBLE PARTY ACTIVITIES

Performance measure 9 is defined as the amount responsible parties have agreed to spend on cleanup. This includes both (1) cost recovery cases, in which the responsible parties will reimburse EPA's past costs, and (2) settlement cases, in which the responsible parties have agreed to conduct future work. The amounts included in performance measure 9 related to cost recovery cases are firm amounts that the responsible parties have agreed to pay EPA. However, the amounts associated with the settlement cases are estimates of future work. We are not expressing an opinion on the reasonableness of these estimates because there are no guidelines for preparing these estimates.

The documentation Region 5 provided as support for the estimates of future work that were recorded in CERCLIS varied for the sites we reviewed. Where the responsible party was to conduct removal activities, Region 5 used the estimate of what it would have cost the Agency to perform the removal. This estimate was generally found in an action memorandum. Where the responsible party agreed to conduct remedial activities, the support for the estimate was from either the record of decision or an internal memorandum summarizing the agreement between EPA and the responsible party.

In the past, the Region did not place significant emphasis on the estimates of future responsible party activities which it recorded in CERCLIS. However, the Agency is now using the estimates of future responsible party work in the performance report of the financial statements as a way of measuring the cost avoidance resulting from enforcement activities. With the growing significance of these estimates, the Agency needs to place more emphasis on how the estimates are calculated.

There are also no guidelines on how the estimates should be prepared and supported. As a result, we are not expressing an opinion on the reasonableness of these estimates. Without the guidelines, we were unable to evaluate the Region's method for developing the estimates and the reasonableness of the estimate. The amount of our audit sample for which we are not expressing an opinion was calculated as follows:

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The amount the Agency has reported that responsible parties have committed to pay for site response	\$44,722,030
Less: Cost recovery settlements	<u>8,619,724</u>
Estimated value of future responsible party work	\$36,102,306
Less: Cost questioned (see Chapter 3, Note 1)	<u>5,629,153</u>
Amount for which no opinion is expressed	<u>\$30,473,153³</u>

Region 5 agreed that there should be guidelines for preparing these estimates and stated that EPA Headquarters is responsible for developing such guidelines. Region 5 stated that EPA Headquarters plans to have guidelines in place for incorporation into the fiscal year 1995 guidance.

CONCLUSION

We are not expressing an opinion on the reasonableness of the estimated value of future responsible party work because there are no guidelines for preparing these estimates. We are not making a recommendation to Region 5 since this a national issue which needs to be resolved by the Office of Solid Waste and Emergency Response. Thus, we are referring this matter to our Headquarters Audit Division for consideration in their consolidated report.

AGENCY COMMENTS AND ACTIONS

The Region agreed that documentation for calculations of estimates for future responsible party work should be addressed at the national level. Headquarters has stated to the Region that supplemental guidance will be issued during 1994.

³ Our opinion disclaimer relates to only the estimates of future work for the accomplishments in our sample. However, since the region's process for recording these estimates is the same for all sites, we do not believe the reasonableness of the Agency's estimates included in this performance measure can be validated.

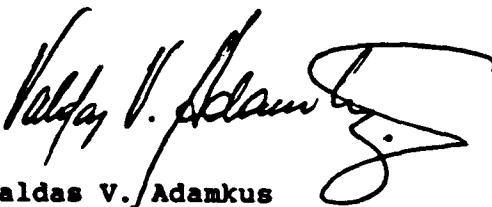
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APPENDIX 1
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**UNITED STATES ENVIRONMENTAL PROTECTION AGENCY
REGION V**

Date: FEB 24 1994
Subject: OIG Draft Audit Report E1SFL4-05-0017 of Region 5
FY 1993 Superfund Performance Measures - WMD Response
From: Valdas V. Adamkus
Regional Administrator
To: Anthony C. Carrollo
Divisional Inspector General for Audits
Northern Division

Attached please find the comments of staff in the Office of Superfund, Waste Management Division, Region 5, on the Draft Audit Report prepared by your office and transmitted to me on January 26, 1994. The comments address the findings and confirm the actions completed or planned, as described in the subject report. If you have any questions, please address these to Howard Levin, Regional Audit Coordinator.


Valdas V. Adamkus

Attachment

**WASTE MANAGEMENT DIVISION'S RESPONSE
OIG'S DRAFT AUDIT REPORT ON FY'93 SUPERFUND PERFORMANCE MEASURES**

We have reviewed the findings of the Office of Inspector General's (OIG) January 26, 1994, Draft Audit Report on Region 5 Fiscal Year 1993 Superfund Chief Financial Officer (CFO) Act Performance Measures. The Office of Superfund (OSF) accepts the OIG's finding that there is a low risk that accomplishments could be materially misstated. We also agree that this represents an improvement from the FY 1992 Comprehensive Environmental Response, Compensation and Liability Information System (CERCLIS) data audit when the OIG found a moderate risk of misstatement. The risk of misstatement decreased due to the Region's continued improvement of internal controls. In April 1994, the Region will conduct another internal review of the OSF FY 1994 accomplishments to ensure accomplishments claimed are accurate and supported by the requisite documentation. The Region continues to provide the OSF staff with periodic updates and clarification to the Superfund Comprehensive Accomplishments Plan (SCAP) manual regarding accomplishment definitions. The Region will continue to work with Headquarters (HQ) to clarify definitions. The Region has also convened a work group to improve SCAP definitions. The Region continues to improve the use of automation tools such as definitional help screens, reports to audit event and activity accomplishments, and edit checks in WasteLAN to improve data accuracy. Section Chiefs continue to approve, review, and audit Remedial Project Managers' data in order to provide quality control and quality assurance of accomplishment data. In addition to the above improvements relating to internal controls, the Region is now focusing on a workable system to track and keep documentation. This system will enable the OSF to review site files to ensure dates entered into CERCLIS are properly documented in site files and supported by the required documentation.

Per the draft report, most of the Region's accomplishments were accurately recorded in CERCLIS. The report questioned five accomplishments under performance measure #9, which is defined as the amount of money responsible parties (RP) have agreed to spend on cleanup/total amount of money spent by Superfund in site cleanup. Four of the questioned accomplishments needed the compliance status codes updated, and one site was incorrectly included in the universe. The OIG also found two data entry errors, which they did not question because they resulted in an understatement of accomplishments.

The Region agrees with the OIG's finding that the compliance status codes need to be reviewed regularly to ensure they accurately reflect the current status of work at a site. The Region also acknowledges that there are no guidelines for preparing estimates, which results in questionable values for

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response settlements. As of FY'94, quarter two, the Region has developed and implemented procedures for reviewing compliance status codes. Changes to the CERCLIS compliance status codes have been made as needed.

In addition, the draft report stated that one site (Xxkem Company) was incorrectly included on the Enforcement-3 report. The Enforcement-3 report tracks all settlements including those for which RPs don't comply. We agree that the value of RP work should reflect only those settlements in compliance. However, we would recommend since the report is not used exclusively for the CFO measures, that adjustments by the OIG be made for these exceptions (i.e. settlements without compliance). HQ has discussed developing a new version of the Enforcement-3 exclusively for CFO measures, that would include this adjustment.

The region agrees with the finding of two data entry errors related to past costs achieved in settlements. The data entry errors have been corrected in CERCLIS.

We agree that documentation for the calculation of estimates for future RP activities should be addressed at the national level. We also agree that there should be guidelines for preparing these estimates. Although not incorporated into the FY'94 guidance, HQ stated that supplemental guidance will be issued in FY'94.

Conclusion

Overall, the Region is satisfied with the review and findings of Region 5's accomplishments claimed in FY'93. We are also pleased that no recommendations will be made with regard to our FY'93 Superfund accomplishments based on Region 5's corrective actions already in place and currently implemented.

If you should have any questions, please feel free to contact Debra Potter, Chief, Program Management and Information Section who can be reached at 353-6318. In her absence, contact Earlene Rhodes-Gunnell at 353-1247.

Region 5 FY 93 Superfund Accomplishments

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ABBREVIATIONS

CERCLIS	Comprehensive Environmental Response, Compensation, and Liability Information System
CFO	Chief Financial Officer
EPA	Environmental Protection Agency
NPL	National Priorities List
OIG	Office of Inspector General
RPM	Remedial Project Manager
SARA	Superfund Amendments and Reauthorization Act
SCAP	Superfund Comprehensive Accomplishments Plan

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