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EPA's Office of the Inspector General

Annual Superfund Report to the Congress for Fiscal 1992



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ANNUAL SUPERFUND REPORT TO THE CONGRESS FOR FISCAL 1992

September 1993

**Required by
Section 111(k) of the
Comprehensive Environmental Response, Compensation,
and Liability Act of 1980 (CERCLA),
as amended by the Superfund Amendments and
Reauthorization Act of 1986 (SARA)**

**OFFICE OF THE INSPECTOR GENERAL
U.S. ENVIRONMENTAL PROTECTION AGENCY**

FOREWORD

This report covers fiscal 1992 activities, and is our sixth Annual Superfund Report to the Congress. The Superfund Amendments and Reauthorization Act of 1986 (SARA) requires the Office of the Inspector General (OIG) to audit the Superfund program annually and to report to Congress annually on these audits.

The beginning of the Superfund program created new and unique cost accounting requirements. EPA has responded to these new requirements over the years by significantly improving its site-specific accounting and documentation of Superfund costs. In our first review of the Hazardous Substance Superfund under the new Chief Financial Officers (CFO) Act requirements, we disclaimed an opinion on the financial statements because of material weaknesses in EPA's financial management system and accounting controls. The Agency reported to the President in its annual Federal Managers' Financial Integrity Act (FMFIA) letter "Accounting System-Related Financial Management Problems" and "Accounts Receivable" material weaknesses. Our report identified material weaknesses concerning financial reporting, recording of accounts receivable, property and equipment records, recognition of State cost share revenue, recording of accounts payable/accrued liabilities, and accounting for grant drawdowns.

Our reviews of the Agency's performance in managing the Superfund program also found significant deficiencies. We reviewed EPA's implementation of its Alternative Remedial Contracting Strategy (ARCS) program. We found that it did not achieve its objective of accelerating the remediation process by expediting site studies. Most of the ARCS assignments we reviewed were well beyond schedule. Also, none of the regions we reviewed prepared required independent Government cost estimates. The Administrator appointed a task force to review the problems in the ARCS program. The task force proposed a number of actions to improve the ARCS program. By the end of fiscal 1992, EPA had implemented most of the recommendations and was working on the rest, except for one which was cancelled. However, we will only know if the actions were effective in correcting the deficiencies after they have been in place for a period.

We also reviewed EPA's Emergency Response Cleanup Services (ERCS) program as a follow-up to our 1986 ERCS audit. We found the Agency was still not obtaining cost data from contractors to support their proposed rates for equipment. As a result, EPA negotiated unreasonably high rates. We also found EPA's weak management allowed the ERCS contractors not to comply with the contract terms and conditions. In addition, we performed a special review of Region 2's management of Mini-ERCS contracts. The Region's inadequate monitoring of the contracts resulted in contractors claiming significant ineligible and unsupported costs, and also caused delays.

We reviewed several aspects of the Agency's enforcement program. Region 1 did not identify all costs that could be recovered from potentially responsible parties (PRPs), and did not adequately maintain cost documentation

packages. Region 2 was not recovering all possible costs from PRPs and did not adequately document its negotiations with PRPs. Neither Region 2 nor Region 7 completed PRP searches timely. The PRP search process had significant deficiencies in both regions.

We continued a major investigative effort into the Contract Laboratory Program (CLP). This complex investigation found fraud committed by a number of EPA contractors. In fiscal 1992, our Superfund investigative efforts produced 11 indictments and 22 convictions. Fines and recoveries amounted to more than \$1.4 million, and one settlement agreement resulted in a cost avoidance of \$353,723. Our auditors continued to review aspects of the CLP. We found that EPA's Sample Management Office (SMO) did not make sure the best available laboratory analyzed samples. The same contractor has operated the SMO for more than a decade due to procurements not designed to encourage competition. We also found a number of weaknesses in the CLP Quality Assurance/Quality Control program. As a result, EPA often did not take needed actions against laboratories not meeting contractual requirements, or took them only after considerable delay.

In addition to reviewing Agency performance, we also took a proactive role to help EPA management prevent future problems. This included review of draft documents and participation in EPA work group meetings. During fiscal 1992, we actively participated in an Agency work group on implementation of the CFO Act. We also participated in the Agency's ARCS Council established to identify and implement improvements in ARCS contract management. In addition, we participated in an Agency task force that developed guidance for EPA staff on preparing independent Government cost estimates.

We completed a new long range strategic plan for Superfund audits and investigations during fiscal 1992. We will use this plan in developing our annual audit and investigative plans for fiscal years 1993-96.

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


John C. Martin
Inspector General

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PURPOSE

We provide this report 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 about the required audit work. This report covers fiscal 1992 audits of Superfund activities. We discuss the required four audit areas below.

This report contains chapters on the mandated audit areas, except claims. We also summarize other Superfund audit work, assistance to EPA management and Superfund investigative work performed during fiscal 1992. We exceed the statutory requirements by providing Congress with the significant results of all of our Superfund work.

Trust Fund

CERCLA requires " . . . an annual audit of all payments, obligations, reimbursements, or other uses of the Fund in the prior fiscal year . . ." We now meet this requirement through the financial statement audit required by the Chief Financial Officers Act of 1990.

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. EPA did not pay any claims in fiscal 1992.

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 and political subdivisions. Some of our audits also review program performance. In addition, we sometimes review EPA regional management of the cooperative agreement program.

Remedial Investigations/Feasibility Studies (RI/FS)

CERCLA requires our " . . . examination of remedial investigations and feasibility studies prepared for remedial actions . . ." Our RI/FS examinations review 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.

BACKGROUND

The Comprehensive Environmental Response, Compensation, and Liability Act of 1980 (CERCLA), Public Law 96-510, enacted on December 11, 1980, established the "Superfund" program. The purpose of the Superfund program is to protect public health and the environment from the release, or threat of release, of hazardous substances from abandoned hazardous waste sites and other sources where other Federal laws do not require response. CERCLA established a Hazardous Substance Response Trust Fund to provide funding for responses ranging from control of emergencies 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 EPA to seek response, or payment for response, from those responsible for the problem, including property owners, generators, and transporters.

The Superfund Amendments and Reauthorization Act of 1986 (SARA), Public Law 99-499, enacted October 17, 1986, revised and expanded CERCLA. 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. It renamed the Trust Fund the Hazardous Substance Superfund. The Budget Reconciliation Act of 1990 reauthorized the program for three additional years and extended the taxing mechanism for four additional years.

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 EPA has substantially revised it three times 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), and must update it at least annually. The NPL consists primarily of sites ranked based on a standard scoring system, which evaluates their threat to public health and the environment. In addition, CERCLA allowed each State to designate its highest priority site, without regard to the ranking system.

CERCLA section 104(c)(3) does not allow EPA to fund remedial actions 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. EPA may fund 100 percent of site assessment activities (preliminary assessments, site inspections), remedial planning (remedial investigations, feasibility studies, remedial designs), and removals. 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 sections 104(c)(3) and 104(d) authorize EPA to enter into cooperative agreements with States or political subdivisions to take, or to participate in, any necessary actions provided under CERCLA. A cooperative agreement serves to delineate EPA and State responsibilities for actions to be taken at the site, obtains required assurances, and commits Federal funds. EPA uses cooperative agreements to encourage State participation in the full range of Superfund activities - site assessment, remedial, removal and enforcement.

HAZARDOUS SUBSTANCE SUPERFUND

The Chief Financial Officers (CFO) Act of 1990 requires Federal agencies to prepare annual financial statements covering their trust funds, revolving funds and commercial activities. For EPA, the largest activity requiring an annual financial statement is the Hazardous Substance Superfund. The CFO Act also requires audits of the financial statements by the OIG or an independent public accounting (IPA) firm selected by the OIG. The EPA OIG's requirement to audit EPA's financial statements also meets our CERCLA requirement to audit annually the Superfund, which we previously called our Trust Fund audit. Fiscal 1992 was the first year EPA was required to prepare audited financial statements. The financial statements are prepared in a format similar to that used by large corporations, and do not include the Schedules of Obligations and Disbursements we included in our past Trust Fund audits.

Scope and Objectives

We contracted with an IPA firm to perform an audit of *EPA's Annual Statements for Fiscal Year 1992*, which included financial statements for the Hazardous Substance Superfund. The audit objectives were to determine if EPA management:

- a. Fairly presented the financial statements;
- b. Had established an internal control structure that provided reasonable assurance that it (1) properly recorded and accounted for transactions to permit the preparation of reliable financial statements and to maintain accountability over assets, (2) safeguarded funds, property and other assets against loss from unauthorized use or disposition, and (3) executed transactions in compliance with relevant laws and regulations; and
- c. Had complied with applicable laws and regulations that, if not followed, could have a material effect on the financial statements.

The IPA firm also reviewed the status of findings and recommendations included in prior Trust Fund audit reports. The IPA firm examined, on a test basis, EPA financial management records, excluding six regional offices accounting for only seven percent of fiscal 1992 expenditures. The IPA firm conducted its field work from October 19, 1992 through April 7, 1993.

Findings

1. Disclaimer of Opinion

The IPA firm disclaimed an opinion on the Superfund financial statements because of a number of exclusions and limitations in the audit. Many of these are reflected in the findings we summarize below.

2. Financial Reporting

EPA reported as a material weakness in its 1992 Federal Managers' Financial Integrity Act (FMFIA) report to the President its inability to provide complete, timely and reliable data for EPA decision making and control of assets. EPA also reported as material nonconformances the inadequacy of reconciliations to external U.S. Treasury reports, the need to adjust the general ledger because of Integrated Financial Management System (IFMS) implementation, and the need for more automation of the links between IFMS and other administrative systems.

EPA personnel spent significant time preparing spreadsheets to summarize account balances because IFMS did not accumulate information at the level required for external reporting purposes. Also, financial system reports were often not received timely and often required significant reconciliation effort to ensure accuracy. EPA prepared OMB and U.S. Treasury standard forms before closing its year-end accounting records. Further, because of IFMS weaknesses and a lack of effective controls to identify and correct inaccurate financial information, the IPA firm identified needed adjustments of \$57,508,000 to decrease assets, \$499,289,000 to decrease liabilities and \$441,781,000 to increase equity. The IPA firm also noted unexplained credit balances of \$26,044,000 in the Superfund Trust Fund trial balances due to incomplete data conversion during the 1989 IFMS installation.

3. Improvements Needed in Recording Accounts Receivable

EPA did not record Superfund receivables and collections timely. It had not recorded timely 9 receivables totaling \$5,804,437 out of a nonstatistical sample of 38 receivables totaling \$13,821,052. For the 9 receivables, it took an average of 77 days from the creation of the debt to the recording of the receivable in IFMS. Also, EPA did not record two accounts receivable totaling \$1,302,000 in the IFMS until it received the collections.

EPA did not record timely in IFMS 17 collections totaling \$10,406,812 out of a nonstatistical sample of 34 collections totaling \$17,169,401. EPA took an average of 10 days from receipt of these collections to record them in IFMS.

EPA had reported accounts receivable as a material weakness in its FMFIA reports and taken steps to resolve the problems. EPA committed itself to resolve quickly all issues relating to managing accounts receivable.

4. Property and Equipment Records Needed to Be Integrated with the General Ledger

EPA did not have an integrated property system supporting the property and equipment balance reported in the financial statements. EPA used two systems to account for and control property, the Personal Property Accountability System (PPAS) and spreadsheets. However, neither system contained complete historical cost data and information to support all capitalized property. EPA reported in its 1992 FMFIA report that reconciliation

between PPAS and IFMS was not adequate. It formed a Quality Action Team to take corrective action.

5. State Cost Share Revenue Was Not Properly Recognized

EPA recorded receivables and corresponding deferred revenue when it signed agreements with States to share in the cost of Superfund site cleanups. However, it did not reduce deferred revenue when it incurred site cleanup disbursements. The auditors could not audit deferred revenue for cost share agreements because the needed data was not available. EPA did not have an adequate method for determining costs incurred on those agreements to properly liquidate the deferral and recognize revenue.

6. Accounts Payable and Accrued Liabilities Were Not Properly Recorded

The auditors identified significant audit adjustments to accounts payable and accrued liabilities resulting from a lack of effective controls to identify and correct inaccurate financial information. EPA improperly calculated accrued liabilities for interagency agreements using a methodology not reflecting actual services performed. This methodology resulted in a \$486 million overstatement, which EPA subsequently corrected. EPA also did not record accounts payable for contractor retainages. Further, EPA understated accrued liabilities by \$12,816,251 by suppressing an account number in the detailed report used to compute the accrual. EPA corrected this understatement at the auditors' request. In addition, EPA could not disclose all expenses by object class because year-end accruals were recorded without object class.

7. Accounting for Grant Drawdowns Did Not Provide Required Account Information

One finance center applied requests for multi-funded grant drawdowns to funding sources (appropriations) using the first-in first-out method, based on a review of available unliquidated obligations. Grant recipients did not identify to which funding source the grant disbursements should be applied if the payment requests were not specifically related to a Superfund site cleanup. This could cause misstatements of activity among the various appropriations that provided funding under the same grant.

8. Certain Costs Were Not Properly Allocated

EPA did not charge Superfund administrative costs of \$17.5 million against the Superfund. Instead, EPA charged these expenses to the Salaries and Expenses appropriation although Superfund monies were available to cover the costs. In addition, EPA charged \$390,792 of building repairs and alterations to Superfund although the Agency had advised that such costs should not be charged to appropriations not specifically allowing such charges. EPA had not obtained a legal opinion to determine if it had authority to use the Superfund for these purposes.

Recommendations

The IPA firm recommended that EPA:

- Develop a report providing trial balances at the highest level of aggregation required for financial reporting.
- Implement budgetary accounts and transaction codes to account for reimbursable authority properly.
- Review and correct its automated closing procedures.
- Evaluate the timely closing of its year-end accounting records before the U.S. Treasury implements the automated Standard General Ledger trial balance transmission in 1995.
- Determine the appropriate final disposition of unreconciled data conversion errors and remove them from IFMS general ledger trial balances.
- Dedicate adequate resources to meeting EPA's financial reporting requirements timely.
- Develop procedures for calculating State cost shares to recognize earned revenue properly as cleanup services are performed.
- Determine if a material amount of contractor retainages is being withheld; if so, develop and implement procedures to present the amount fairly in the financial statements.
- Make sure regional offices consistently follow the year-end closing procedures for recording accounts payable and accrued liabilities for obligations to grantees.
- Record accruals with object class and revise the year-end closing procedures.
- Determine if additional procedures need to be developed to account for grant drawdowns.
- Obtain a legal opinion on whether EPA had authority to use Superfund monies for repairs and alterations.

Agency Response

In response to the draft audit report, EPA indicated it:

- Would develop a report to aggregate the general ledger account balances.

- Would issue revised procedures and instructions as needed to account for reimbursable authority properly.
- Would review the automated closing procedures with the contractor who developed the software package upon which IFMS is based, and refer the matter to the Federal Financial System User Group for action.
- Would evaluate its year-end closing process and statement preparation procedures.
- Was working to reconcile the data conversion errors and to remove them from the IFMS general ledger trial balances.
- Had sustained funding for IFMS.
- Would develop policies and procedures for State cost shares and reconcile deferred revenue cited in the audit report.
- Would revise year-end closing instructions.
- Would establish a Quality Action Team to explore the grant drawdown issues and develop options.
- Had established eight critical information resources management policy documents as formal binding Agency Directives.
- Had requested a legal opinion on authority to use the Superfund for repairs and alterations.

We issued the final audit report (P1SFL2-20-8001-3100264) on June 30, 1993. EPA has 90 days to respond to the report.

COOPERATIVE AGREEMENTS AND GRANTS

In fiscal 1992, we issued 16 audit reports on Superfund cooperative agreements, 1 audit report on a contract awarded by a State under a Superfund cooperative agreement, 1 follow-up report on a State's management of Superfund cooperative agreements, 2 audit reports on Superfund grants and 2 audit reports on regional surveys of Superfund cooperative agreements. The combined financial results of the financial audits of Superfund cooperative agreements and grants were as follows:

FINANCIAL RESULTS OF FISCAL 1992 SUPERFUND COOPERATIVE AGREEMENT AND GRANT AUDIT REPORTS		
	Federal Share	Total Costs
Amount audited	\$54,170,066	\$58,480,137
Amount accepted	35,878,010	39,197,096
Ineligible costs ¹	3,501,736	3,852,533
Unsupported costs ²	10,435,630	11,075,818
Unnecessary/unreasonable costs ³	4,354,690	4,354,690
1. Costs questioned because of an alleged violation of a provision of a law, regulation, contract, grant, cooperative agreement or other agreement or document governing the expenditure of funds. 2. Costs questioned because, at the time of the audit, they were not supported by adequate documentation and/or had not been approved by responsible program officials. 3. Costs questioned because they were not necessary or not reasonable.		

We summarize all but one audit related to Superfund cooperative agreements and grants below. We did not question any costs or make any recommendations in that audit of a State contractor.

ARIZONA DEPARTMENT OF ENVIRONMENTAL QUALITY

Scope and Objectives

We contracted with an IPA firm to perform an interim audit of the costs claimed under three cooperative agreements awarded to the Arizona Department of Environmental Quality (ADEQ). EPA awarded the cooperative agreements to ADEQ for activities at multiple sites, identification and ranking of hazardous waste sites, and core program activities. The audit objectives were to determine:

- a. The reasonableness, allocability and allowability of the costs claimed under the cooperative agreements;

- b. ADEQ's compliance with special conditions of the cooperative agreements, and applicable EPA regulations and instructions; and
- c. The adequacy, effectiveness and reliability of procurement, accounting and management controls exercised by ADEQ in administering the cooperative agreements.

The audit covered costs claimed by ADEQ from July 9, 1987 through September 30, 1990.

Findings

1. ADEQ Needed to Allocate Leave Equitably

ADEQ did not have written policies or procedures for allocating leave costs, but allocated leave costs based on projects worked on during the previous pay period. As a result, there was no assurance that ADEQ had equitably allocated holiday and leave costs.

2. ADEQ Needed to Reconcile Payroll Costs to State Payroll System

ADEQ's Labor Activity Reporting System (LARS) did not reconcile to the State payroll system as required by Region 9. Due to the incomplete reconciliation, ADEQ could not determine the amount of personnel and fringe benefits costs charged to the multi-site cooperative agreement.

3. ADEQ's Timekeeping Procedures Needed Improvement

ADEQ's timekeeping system needed to reflect employee time charges accurately as required by Federal regulations. When an employee did not submit a time sheet timely, the State payroll system distributed the employee's time based on the prior pay period's allocation. ADEQ's payroll unit prepared a transfer quarterly or annually to adjust the employee's salary to reflect the actual hours worked. However, these transfers were not always accurate. As a result, time charged to the cooperative agreements did not accurately reflect the percentages recorded on the time sheets.

4. ADEQ Needed to Monitor Its Intergovernmental Agreement

ADEQ did not adequately monitor its intergovernmental agreement with the Attorney General's office. That office did not submit adequate documentation of its costs to ADEQ until we performed our audit. Without these documents, ADEQ was unable to determine actual costs to charge to the cooperative agreements or to monitor whether expenses were within the amount authorized.

5. ADEQ Needed to Allocate Travel, Operating and Capital Expenditures Correctly

ADEQ did not allocate travel, operating and capital expenditures according to Federal regulations. ADEQ allocated non-site specific travel, operating and capital expenditures to all sites equally. Federal regulations require that costs be allocated only to sites and activities where the expenses are attributable. Also, capital expenditure costs must be allocated by applying a usage rate. ADEQ did not establish a usage rate or maintain records of actual usage for its capital expenditures.

6. Letter of Credit Drawdown Procedures Needed Improvement

ADEQ's letter-of-credit (LOC) drawdown procedures did not comply with Federal regulations. ADEQ made LOC drawdowns for unallowable costs resulting in excess cash drawdowns of \$167,253 that it had not returned to EPA at the time of the audit.

7. Controls Over Capital Equipment Needed Improvement

ADEQ's controls over capital equipment did not comply with Federal regulations. It did not record several assets purchased with Federal funds on its inventory list. ADEQ had no written policies and procedures for the recording of capital acquisitions. Its capital equipment inventory list was incomplete. ADEQ also was not using an adequate disposition method or tracking disposed assets.

8. Non-Core Position Charged to Core Program

ADEQ charged the core program cooperative agreement for an employee not performing core program tasks. When EPA requested ADEQ remove these payroll costs, ADEQ substituted charges for another employee who also did not perform core program tasks.

9. ADEQ Needed Improvement in Segregation of Duties

ADEQ did not properly segregate duties in its purchasing and receiving function. Individuals who completed the original purchase order also received the merchandise when delivered. In addition, the same individual signed both the receiving copy and program copy of the purchase order.

10. ADEQ Did Not Implement Corrective Actions from Prior Audits

ADEQ had not implemented promised corrective actions in response to three prior audits containing similar findings to those in this audit. Region 9 continued to accept unfulfilled promises by ADEQ to take corrective actions, and had not acted on all audit recommendations. Region 9 restricted funding under two of the cooperative agreements to the reimbursement method. Of three reimbursement requests submitted, Region 9 rejected one, paid 90.5 percent of one and paid one in full.

FINANCIAL RESULTS OF AUDIT		
	Federal Share	Total Costs
Amount audited	\$2,169,265	\$2,181,647
Amount accepted	549,118	553,382
Ineligible costs ¹	66,137	66,158
Unsupported costs ²	1,554,010	1,562,107
Unnecessary/unreasonable costs ³	0	0
<ol style="list-style-type: none"> 1. Costs questioned because of an alleged violation of a provision of a law, regulation, contract, grant, cooperative agreement or other agreement or document governing the expenditure of funds. 2. Costs questioned because, at the time of the audit, they were not supported by adequate documentation and/or had not been approved by responsible program officials. 3. Costs questioned because they were not necessary or not reasonable. 		

Recommendations

We recommended that EPA Region 9 require ADEQ to:

- Establish procedures to allocate all employee holiday and leave costs in accordance with Federal regulations.
- Reconcile total payroll costs per LARS to total payroll costs per the State payroll system.
- Develop, implement and monitor timekeeping procedures to make sure that payroll costs charged to the cooperative agreements are consistent with the employee time sheets, and employees submit time sheets on time.
- Develop procedures to monitor its intergovernmental agreement with the Arizona Attorney General's office, and to review and analyze the monthly activity reports.
- Establish and receive approval of a valid usage rate to allocate capital expenditure costs to the eleven sites, and maintain appropriate records of usage for equipment and services.
- Revise its LOC drawdown procedures to limit requests to three days' needs, include supporting documentation for each drawdown request, and to review drawdown requests for correct and justified amounts according to the EPA Letter-of-Credit Users Manual.
- Refund the excess cash balance of \$167,252.

- Develop and implement procedures for recording the receipt of capital assets according to Federal regulations.
- Develop and implement effective procedures to segregate the purchasing and receiving of goods.

We also recommended that EPA Region 9 withhold all Superfund cooperative agreement payments for the State of Arizona if ADEQ did not implement the above recommendations within 90 days after issuance of our audit report.

Agency Response

In response to our audit report, Region 9 indicated:

- ADEQ had established an equitable system for allocating holiday and vacation time.
- It required ADEQ to establish an equitable system for charging sick leave.
- ADEQ had reconciled payroll source documents to the accounting system and submitted revised Financial Status Reports for the cooperative agreements. Region 9 staff reviewed the reconciliations and found them acceptable.
- ADEQ had implemented a new labor distribution system addressing most of the timekeeping concerns.
- ADEQ had developed procedures to monitor its intergovernmental agreement. Region 9 staff reviewed the procedures and their implementation, and found them acceptable.
- ADEQ had removed capital costs from the multi-site cooperative agreement, and would develop a usage rate to be submitted to Region 9 for approval.
- ADEQ now followed proper LOC drawdown procedures.
- It had approved an ADEQ cost allocation plan covering costs that had been excess cash.
- It had reviewed ADEQ's draft procedures for tracking capital assets and its new inventory tracking system.
- It required ADEQ to submit to Region 9 procedures to segregate the purchasing and receiving of goods.

- It would withhold all Superfund cooperative agreement payments to ADEQ if ADEQ did not fully comply with the audit recommendations by June 30, 1993.

CALIFORNIA STATE WATER RESOURCES CONTROL BOARD

Scope and Objectives

The California State Controller performed on our behalf an interim audit of a cooperative agreement awarded to the California State Water Resources Control Board (SWRCB) to collect local data, assist in community relations, provide technical assistance to EPA and support the search for potentially responsible parties for the San Gabriel Valley site. Our audit objectives were to determine:

- The adequacy of SWRCB's accounting and financial management system to meet Superfund management and recordkeeping guidance;
- The eligibility of costs claimed through September 30, 1990; and
- The adequacy of SWRCB's program oversight functions in accordance with provisions of the cooperative agreement, and applicable State and Federal laws and regulations.

Finding

The costs claimed fairly represented the financial information in accordance with the financial provisions of the cooperative agreement. Since we found no deficiencies, we made no recommendations and did not require the Agency to respond to our report.

FINANCIAL RESULTS OF AUDIT		
	Federal Share	Total Costs
Amount audited	\$945,937	\$945,937
Amount accepted	945,937	945,937
Ineligible costs ¹	0	0
Unsupported costs ²	0	0
Unnecessary/unreasonable costs ³	0	0
<ol style="list-style-type: none"> 1. Costs questioned because of an alleged violation of a provision of a law, regulation, contract, grant, cooperative agreement or other agreement or document governing the expenditure of funds. 2. Costs questioned because, at the time of the audit, they were not supported by adequate documentation and/or had not been approved by responsible program officials. 3. Costs questioned because they were not necessary or not reasonable. 		

IDAHO DEPARTMENT OF HEALTH AND WELFARE

Scope and Objectives

We contracted with an IPA firm to perform an interim audit of two cooperative agreements awarded to the Idaho Department of Health and Welfare (IDHW) for remedial activities at the Bunker Hill site, management assistance for Federal-lead sites and the identification and ranking of hazardous waste sites. Our audit objectives were to determine:

- a. The reasonableness, allocability and allowability of the costs claimed;
- b. IDHW's compliance with provisions of the cooperative agreements and applicable EPA regulations and instructions; and
- c. The adequacy, effectiveness and reliability of the accounting and management controls exercised by IDHW in administering the cooperative agreements.

The audit covered costs claimed by IDHW from January 15, 1985 through December 30, 1990.

Findings

1. IDHW Needed to Allocate Leave Equitably

IDHW did not have established written procedures to allocate holiday and leave costs equitably to cost objectives as required by Federal regulations. IDHW charged employee holiday and leave costs as direct costs to projects worked on during the previous pay period, or whatever the employee's supervisor considered reasonable. We questioned \$803,237 of personnel, fringe benefit and related indirect costs as unsupported.

2. IDHW Needed to Improve Its Contract Award Procedures

IDHW did not follow Federal procurement requirements in the award of a contract. IDHW awarded the contract to one contractor although it evaluated another as more qualified. Although IDHW certified that its procurement system met Federal requirements, we found these instances of non-compliance: IDHW had no written justification documenting its selection of a less qualified contractor; IDHW's procurement policies did not require negotiations with best qualified offerors before award of a contract; and IDHW did not provide the best qualified offeror an opportunity to provide additional information or change its proposal before awarding the contract. We questioned \$1,935,354 of contractual service costs as unsupported due to the deficiencies in this contract award.

3. IDHW Failed to Follow Federal Regulations on Amending Contracts

IDHW did not perform cost and price analysis as required by Federal regulations in awarding contract amendments worth more than \$10,000. We questioned \$275,038 as unsupported for contract amendments of more than \$10,000.

4. IDHW's Letter of Credit Procedures Needed Improvement

IDHW's Letter-of-Credit (LOC) procedures did not meet Federal requirements. IDHW maintained excessive cash balances and requested drawdowns that were not directly related and closely timed to actual cash disbursements needs.

5. IDHW's Property Management System Needed Improvement

IDHW's property management system did not account for all equipment purchased under one cooperative agreement. Equipment purchases were not properly reported and entered into the inventory system.

FINANCIAL RESULTS OF AUDIT		
	Federal Share	Total Costs
Amount audited	\$4,055,181	\$4,055,181
Amount accepted	1,041,552	1,041,552
Ineligible costs ¹	0	0
Unsupported costs ²	3,013,629	3,013,629
Unnecessary/unreasonable costs ³	0	0
1. Costs questioned because of an alleged violation of a provision of a law, regulation, contract, grant, cooperative agreement or other agreement or document governing the expenditure of funds. 2. Costs questioned because, at the time of the audit, they were not supported by adequate documentation and/or had not been approved by responsible program officials. 3. Costs questioned because they were not necessary or not reasonable.		

Recommendations

We recommended that EPA Region 10:

- Require IDHW to:
 - Establish procedures to allocate all employee holiday and leave costs according to Federal regulations;
 - Provide documentation to support the award of a contract to a contractor not evaluated as best qualified;

- Improve its procurement system to meet Federal requirements;
 - Revise its Automated Clearing House (the new LOC system) drawdown procedures to limit requests to three days' needs, include documentation supporting drawdown requests, and review requests for correct and justified amounts; and
 - Reconcile its equipment purchases under Superfund cooperative agreements to its property management system, and maintain inventory records following its property management policies and procedures.
- Advise IDHW that the costs questioned were disallowed for Federal participation.

Agency Response

In response to our audit report, EPA Region 10 stated it:

- Directed IDHW to develop and implement an equitable system for allocating leave costs, but did not disallow any costs associated with this finding because benefit was derived from the work done by IDHW and there are no defined criteria for what is equitable.
- Found that IDHW's contract award was consistent with Federal regulations, and therefore did not disallow any costs associated with this finding.
- Directed IDHW to perform cost and price analysis on all future contract actions and fully document all procurement actions to show compliance with Federal regulations.
- Directed IDHW to review its LOC procedures to make sure they are consistent with new requirements, and spot check its cash balances to make sure they fall within the three-day reserve requirement.
- Directed IDHW to perform a complete physical inventory of all equipment purchased under the two cooperative agreements and submit the inventory to EPA.
- Directed IDHW to repay EPA \$275,038 in disallowed costs as a result of the deficiencies in awarding contract amendments.

IDHW appealed the finding on contract amendments and EPA is considering that appeal.

LOS ANGELES DEPARTMENT OF WATER AND POWER

Scope and Objectives

The California State Controller performed on our behalf an interim audit of a cooperative agreement awarded to the Los Angeles Department of Water and Power (LADWP) for remedial activities at the San Fernando Valley site. Our audit objectives were to determine the:

- a. Adequacy of the LADWP's accounting and financial management system to meet Superfund management and recordkeeping guidance;
- b. Eligibility of costs claimed through September 30, 1990; and
- c. Adequacy of the LADWP's program oversight functions according to provisions of the cooperative agreements, and applicable State and Federal laws and regulations.

The audit covered costs claimed by LADWP from March 6, 1986 through September 30, 1990.

Findings

1. LADWP's Management of Site Health and Safety Plan Was Inadequate

LADWP did not adequately monitor implementation of the health and safety plan that was a specific condition of the cooperative agreement. We found indications of improper storage of potentially contaminated soil, unlocked and easily accessible water storage tanks used for storing potentially contaminated ground water, and no signs to warn the public of potential health hazards.

2. LADWP Needed Improved Financial Management Procedures

LADWP had not established financial management procedures needed to administer the cooperative agreement effectively and its financial management system did not comply with Federal regulations or the EPA *State Superfund Financial Management and Recordkeeping Guidance*. Deficiencies included:

- No established centralized site-specific recordkeeping system;
- No established procedure for periodically reviewing and comparing expenditures between the records of the Accounting and Superfund Units.
- Inadequate separation of duties between Financial Status Report (FSR) preparation and reimbursement activities.
- No procedures in place to verify information contained on Minority Business Enterprise contractor's self-certification forms.

- No written procedures for the FSR process, or outlining the responsibilities of personnel involved in the process.
- No written procedures for contract monitoring.
- Failure to comply with reporting requirements included in the special conditions of the cooperative agreement.

3. LADWP Omitted Important Subcontract Clause

LADWP omitted the required Privity of Subagreements clause from several engineering subagreements, thus exposing EPA to possible future lawsuits. We therefore questioned \$4,354,690 of contract costs as unreasonable.

4. LADWP Claimed Ineligible Costs

LADWP claimed \$2,321,195 of ineligible costs: \$1,185,421 for supervision and engineering costs claimed based on allocation rather than actual costs; \$805,710 for unallowable force account costs; \$287,450 for contract retention amounts claimed but not paid; \$42,019 for contract storage costs beyond the EPA approved amounts; and \$595 for training expenses not approved by EPA.

FINANCIAL RESULTS OF AUDIT		
	Federal Share	Total Costs
Amount audited	\$8,583,891	\$8,583,891
Amount accepted	1,908,006	1,908,006
Ineligible costs ¹	2,321,195	2,321,195
Unsupported costs ²	0	0
Unnecessary/unreasonable costs ³	4,354,690	4,354,690
1. Costs questioned because of an alleged violation of a provision of a law, regulation, contract, grant, cooperative agreement or other agreement or document governing the expenditure of funds. 2. Costs questioned because, at the time of the audit, they were not supported by adequate documentation and/or had not been approved by responsible program officials. 3. Costs questioned because they were not necessary or not reasonable.		

Recommendations

We recommended that EPA Region 9:

- Require LADWP to comply with the health and safety plan. EPA should review site problems and take needed administrative action.
- Review the LADWP self-monitoring program.

- Have LADWP develop and implement competent inspection instructions and guidelines and increase the frequency of site inspections.
- Require that training be provided to LADWP engineers and inspectors on their oversight responsibilities and action to be taken.
- Have appropriate warning and information signs posted to inform the public of the potential harm from intruding onto the sites.
- Have LADWP continue its reconstruction efforts to establish a complete central filing system for site-specific files.
- Have LADWP management establish procedures for periodic review and comparison of expenditures between the Accounting Unit reports and Superfund Unit cost data to make sure the Superfund Unit has current, complete, and accurate information and recorded information is accurate.
- Have the LADWP segregate its FSR preparation process and reimbursement activities to more than one individual.
- Have LADWP verify the information on the Minority Business Enterprises' self-certifications.
- Have LADWP develop standardized desk procedures to detail each step of the FSR preparation process and billing procedures for EPA reimbursement.
- Have LADWP develop standardized desk procedures to detail each step of contract monitoring.
- Have LADWP implement adequate monitoring and review procedures so that it meets all cooperative agreement special conditions.
- Advise the LADWP that the ineligible costs questioned were disallowed for Federal participation.
- Continue to question the unreasonable costs pending determination that LADWP had amended its subagreements to include the Privity of Subagreement clause.

Agency Response

In response to our audit report, Region 9 stated:

- LADWP had completed all field work under the cooperative agreement. While it had not followed all the requirements of the health and safety plan, there was no actual danger to the public. Any future grants involving field work would follow an inspection checklist and EPA would assess the need for warning signs.

- Since the audit was conducted, LADWP and EPA met to review Superfund records' maintenance requirements and LADWP had reconciled source documents for three operable units and the Basinwide remedial investigation.
- It required LADWP to establish procedures for periodic review and comparison of expenditures between the Accounting Unit reports and the Superfund Unit costs data.
- The person preparing the FSR no longer signed it.
- The Region concurred with the recommendation that LADWP verify the information on the Minority Business Enterprises' self-certifications, and was satisfied with LADWP's response.
- LADWP had submitted written desk procedures describing the FSR preparation process and responsibilities of the respective personnel, and EPA had reviewed and accepted them.
- EPA continued to classify allocated costs charged as direct costs as ineligible pending submission by LADWP of evidence that the cognizant audit group has approved the method of charging costs.
- LADWP had stopped claiming contract retention amounts until they were paid. Since the questioned costs were released to the contractors after the audit report was issued, the costs were now eligible. However, EPA charged LADWP interest for the time between EPA payments to LADWP and the release of the retention costs.
- LADWP withdrew the claim for the ineligible training class.
- EPA felt that the excess storage container costs were reasonable because of the practical difficulty in obtaining prior EPA approval and because the cost involved rebudgeting rather than exceeding the budget.
- One LADWP contract contained the required privity clause and the other contract had no claims filed during the period allowed by California law.
- EPA determined that \$2,279,176 questioned by the audit was ineligible, of which LADWP had made corrections covering \$265,461. EPA required LADWP to repay the remaining \$2,013,715.

NEW JERSEY DEPARTMENT OF ENVIRONMENTAL PROTECTION - BURNT FLY BOG

Scope and Objectives

We contracted with an IPA firm to perform an interim audit of a cooperative agreement awarded to the New Jersey Department of Environmental Protection (NJDEP) for remedial activities at the Burnt Fly Bog site. Our audit objectives were to determine:

- a. The adequacy, effectiveness and reliability of procurement, accounting and management controls exercised by the State in administering the cooperative agreement;
- b. The State's compliance with provisions of the cooperative agreement and applicable Federal regulations and instructions;
- c. The reasonableness, allocability and allowability of costs claimed under the cooperative agreement; and
- d. Whether NJDEP followed Letter-of-Credit drawdown requirements.

The audit covered costs claimed by NJDEP from December 7, 1983 to June 30, 1989.

Findings

1. NJDEP Did Not Submit Financial Status Reports (FSRs) Timely

NJDEP did not submit an FSR within 90 days after completion of an activity as required by the cooperative agreement.

2. Project Was Delayed

There was a delay of about a year in starting remedial work. Part of the delay was due to the time required to modify and approve contracts. However, poor performance by the contractor was the principal cause of delays.

FINANCIAL RESULTS OF AUDIT		
	Federal Share	Total Costs
Amount audited	\$15,601,140	\$17,102,766
Amount accepted	15,601,140	17,102,766
Ineligible costs ¹	0	0
Unsupported costs ²	0	0
Unnecessary/unreasonable costs ³	0	0
<ol style="list-style-type: none"> 1. Costs questioned because of an alleged violation of a provision of a law, regulation, contract, grant, cooperative agreement or other agreement or document governing the expenditure of funds. 2. Costs questioned because, at the time of the audit, they were not supported by adequate documentation and/or had not been approved by responsible program officials. 3. Costs questioned because they were not necessary or not reasonable. 		

Recommendation

We recommended that Region 2 require NJDEP to submit an FSR within 90 days after the completion of each activity under the cooperative agreement.

Agency Response

Because we did not view our findings as material, we did not require the Agency to respond to our report.

NEW JERSEY DEPARTMENT OF ENVIRONMENTAL PROTECTION - COMBE FILL NORTH

Scope and Objectives

We contracted with an IPA firm to perform an interim audit of a cooperative agreement awarded to the New Jersey Department of Environmental Protection (NJDEP) for remedial activities at the Combe Fill North site. The audit objectives were to determine:

- a. The adequacy, effectiveness and reliability of procurement, accounting and management controls exercised by NJDEP in administering the cooperative agreement;
- b. NJDEP's compliance with provisions of the cooperative agreement and applicable Federal regulations and instructions;
- c. The reasonableness, allocability and allowability of costs claimed under the cooperative agreement; and
- d. Whether NJDEP followed Letter-of-Credit (LOC) drawdown requirements.

The audit covered costs claimed by NJDEP from November 21, 1983 through June 30, 1989.

Findings

1. NJDEP Needs to Submit Financial Status Reports Timely

NJDEP did not submit its FSRs to EPA within 90 days after completion of an activity as required by the cooperative agreement.

2. NJDEP Used Expired Term Contract

NJDEP awarded design services under an expired term contract. We therefore questioned contractual costs of \$231,809 as unsupported.

FINANCIAL RESULTS OF AUDIT		
	Federal Share	Total Costs
Amount audited	\$928,749	\$929,125
Amount accepted	696,940	697,316
Ineligible costs ¹	0	0
Unsupported costs ²	231,809	231,809
Unnecessary/unreasonable costs ³	0	0
1. Costs questioned because of an alleged violation of a provision of a law, regulation, contract, grant, cooperative agreement or other agreement or document governing the expenditure of funds. 2. Costs questioned because, at the time of the audit, they were not supported by adequate documentation and/or had not been approved by responsible program officials. 3. Costs questioned because they were not necessary or not reasonable.		

Recommendations

We recommended that EPA Region 2:

- Require NJDEP to submit FSRs upon completion of every activity under the cooperative agreement.
- Not participate in the funding of the unsupported costs.

Agency Response

In response to the audit report, EPA Region 2 indicated it:

- Had requested that NJDEP review activities completed under the cooperative agreement, and submit FSRs as required by the special condition of the cooperative agreement.

- Determined that the expiration of the term contract did not render the contract invalid and therefore reinstated the questioned costs.

NEW JERSEY DEPARTMENT OF ENVIRONMENTAL PROTECTION - COMBE FILL SOUTH

Scope and Objectives

We contracted with an IPA firm to perform an interim audit of a cooperative agreement awarded to the New Jersey Department of Environmental Protection (NJDEP) for remedial activities at the Combe Fill South site. The audit objectives were to determine:

- a. The adequacy, effectiveness and reliability of procurement, accounting and management controls exercised by NJDEP in administering the cooperative agreement;
- b. NJDEP's compliance with provisions of the cooperative agreement and applicable Federal regulations and instructions;
- c. The reasonableness, allocability and allowability of costs claimed under the cooperative agreement; and
- d. Whether NJDEP followed Letter-of-Credit (LOC) drawdown requirements.

The audit covered costs claimed by NJDEP from December 23, 1983 through June 30, 1989.

Findings

1. NJDEP Needed to Submit Financial Status Reports Timely

NJDEP did not submit its Financial Status Reports (FSR) to EPA within 90 days after completion of an activity as required by a special condition of the cooperative agreement.

2. Region 2 Needed to Monitor NJDEP's Compliance with Progress Reports Requirement

Before 1988 NJDEP submitted no quarterly progress reports to EPA as required by the cooperative agreement. NJDEP took corrective action after this was reported in a prior report on another site.

3. NJDEP Used Expired Term Contract

NJDEP awarded design services under an expired term contract. We therefore questioned contractual costs of \$92,566 as unsupported.

FINANCIAL RESULTS OF AUDIT		
	Federal Share	Total Costs
Amount audited	\$1,363,398	\$1,363,398
Amount accepted	1,270,832	1,270,832
Ineligible costs ¹	0	0
Unsupported costs ²	92,566	92,566
Unnecessary/unreasonable costs ³	0	0
1. Costs questioned because of an alleged violation of a provision of a law, regulation, contract, grant, cooperative agreement or other agreement or document governing the expenditure of funds. 2. Costs questioned because, at the time of the audit, they were not supported by adequate documentation and/or had not been approved by responsible program officials. 3. Costs questioned because they were not necessary or not reasonable.		

Recommendations

We recommended that EPA Region 2:

- Require NJDEP to submit an FSR upon completion of each activity under the cooperative agreement.
- Monitor NJDEP's compliance with the quarterly progress reports requirement.
- Not participate in the funding of the unsupported costs.

Agency Response

In response to the audit report, EPA Region 2 indicated it:

- Requested that NJDEP review activities completed under the cooperative agreement, and submit FSRs as required by the special condition of the cooperative agreement.
- Had monitored and would continue to monitor NJDEP's compliance with the quarterly progress reports requirements.
- Determined that the expiration of the term contract did not render the contract invalid and therefore reinstated the questioned costs.

**NEW JERSEY DEPARTMENT OF ENVIRONMENTAL PROTECTION -
FLORENCE LAND RECONTOURING, INC. LANDFILL**

Scope and Objectives

We contracted with an IPA firm to perform an interim audit of a cooperative agreement awarded to the New Jersey Department of Environmental Protection (NJDEP) for remedial activities at the Florence Land Recontouring, Inc. Landfill site. The audit objectives were to determine:

- a. The adequacy, effectiveness and reliability of procurement, accounting and management controls exercised by NJDEP in administering the cooperative agreement;
- b. NJDEP's compliance with provisions of the cooperative agreement and applicable Federal regulations and instructions;
- c. The reasonableness, allocability and allowability of costs claimed under the cooperative agreement; and
- d. Whether NJDEP followed Letter-of-Credit (LOC) drawdown requirements.

The audit covered costs claimed by NJDEP from March 28, 1984 through June 30, 1989.

Findings

1. NJDEP Needs to Submit Financial Status Reports Timely

NJDEP did not submit its FSRs to EPA within 90 days after completion of an activity as required by the cooperative agreement.

2. NJDEP Used Expired Term Contract

NJDEP awarded design services under an expired term contract. We therefore questioned contractual costs of \$237,748 as unsupported.

FINANCIAL RESULTS OF AUDIT		
	Federal Share	Total Costs
Amount audited	\$906,134	\$906,134
Amount accepted	668,386	668,386
Ineligible costs ¹	0	0
Unsupported costs ²	237,748	237,748
Unnecessary/unreasonable costs ³	0	0
1. Costs questioned because of an alleged violation of a provision of a law, regulation, contract, grant, cooperative agreement or other agreement or document governing the expenditure of funds. 2. Costs questioned because, at the time of the audit, they were not supported by adequate documentation and/or had not been approved by responsible program officials. 3. Costs questioned because they were not necessary or not reasonable.		

Recommendations

We recommended that EPA Region 2:

- Require NJDEP to submit FSRs upon completion of every activity under the cooperative agreement.
- Not participate in the funding of the unsupported costs.

Agency Response

In response to the audit report, EPA Region 2 indicated it:

- Had requested that NJDEP review activities completed under the cooperative agreement, and submit FSRs as required by the special condition of the cooperative agreement.
- Determined that the expiration of the term contract did not render the contract invalid and therefore reinstated the questioned costs.

NEW JERSEY DEPARTMENT OF ENVIRONMENTAL PROTECTION - GEMS LANDFILL

Scope and Objectives

We contracted with an IPA firm to perform an interim audit of a cooperative agreement awarded to the New Jersey Department of Environmental Protection

(NJDEP) for remedial activities at the GEMS Landfill site. Our audit objectives were to determine:

- a. The adequacy, effectiveness and reliability of procurement, accounting and management controls exercised by the State in administering the cooperative agreement;
- b. The State's compliance with provisions of the cooperative agreement and applicable Federal regulations and instructions;
- c. The reasonableness, allocability and allowability of costs claimed under the cooperative agreement; and
- d. Whether NJDEP followed Letter-of-Credit drawdown requirements.

The audit covered costs claimed by NJDEP from May 22, 1986 to June 30, 1989.

Finding

NJDEP Claimed Unsupported Costs

NJDEP claimed \$28,271 (\$14,135 Federal share) of construction costs using the prohibited multiplier method of compensation.

FINANCIAL RESULTS OF AUDIT		
	Federal Share	Total Costs
Amount audited	\$726,422	\$1,452,844
Amount accepted	\$712,287	1,424,573
Ineligible costs¹	0	0
Unsupported costs²	14,135	28,271
Unnecessary/unreasonable costs³	0	0
<ol style="list-style-type: none"> 1. Costs questioned because of an alleged violation of a provision of a law, regulation, contract, grant, cooperative agreement or other agreement or document governing the expenditure of funds. 2. Costs questioned because, at the time of the audit, they were not supported by adequate documentation and/or had not been approved by responsible program officials. 3. Costs questioned because they were not necessary or not reasonable. 		

Recommendation

We recommended that EPA Region 2 not participate in the funding of the unsupported costs.

Agency Response

In response to the audit report, EPA Region 2 obtained supporting documentation from NJDEP on its use of the multiplier method, and determined that NJDEP did not violate applicable regulations. The Region therefore found the questioned costs allowable.

NEW JERSEY DEPARTMENT OF ENVIRONMENTAL PROTECTION - PRICE'S LANDFILL

Scope and Objectives

We contracted with an IPA firm to perform an interim audit of a cooperative agreement awarded to the New Jersey Department of Environmental Protection (NJDEP) for remedial activities at the Price's Landfill site. Our audit objectives were to determine:

- a. The adequacy, effectiveness and reliability of procurement, accounting and management controls exercised by the State in administering the cooperative agreement;
- b. NJDEP's compliance with provisions of the cooperative agreement and applicable Federal regulations and instructions;
- c. The reasonableness, allocability and allowability of costs claimed under the cooperative agreement; and
- d. Whether NJDEP followed Letter-of-Credit drawdown requirements.

The audit covered costs claimed by NJDEP from June 18, 1982 to June 30, 1989.

Finding

NJDEP Claimed Unsupported Costs

NJDEP claimed \$741,429 in unsupported costs for design services awarded under an expired term contract.

FINANCIAL RESULTS OF AUDIT		
	Federal Share	Total Costs
Amount audited	\$4,927,304	\$5,294,983
Amount accepted	4,185,875	4,553,554
Ineligible costs ¹	0	0
Unsupported costs ²	741,429	741,429
Unnecessary/unreasonable costs ³	0	0
1. Costs questioned because of an alleged violation of a provision of a law, regulation, contract, grant, cooperative agreement or other agreement or document governing the expenditure of funds. 2. Costs questioned because, at the time of the audit, they were not supported by adequate documentation and/or had not been approved by responsible program officials. 3. Costs questioned because they were not necessary or not reasonable.		

Recommendation

We recommended that EPA Region 2 not participate in the funding of the unsupported costs.

Agency Response

In response to the audit report, EPA Region 2 reviewed the contracting issues. The Region found that NJDEP's substitution of another term contract for the expired contract was an immaterial defect. It therefore allowed the questioned costs.

NEW JERSEY DEPARTMENT OF ENVIRONMENTAL PROTECTION - SYNCON RESINS

Scope and Objectives

We contracted with an IPA firm to perform an interim audit of a cooperative agreement awarded to the New Jersey Department of Environmental Protection (NJDEP) for remedial activities at the Syncon Resins site. The audit objectives were to determine:

- The adequacy, effectiveness and reliability of procurement, accounting and management controls exercised by NJDEP in administering the cooperative agreement;
- NJDEP's compliance with provisions of the cooperative agreement and applicable Federal regulations and instructions;
- The reasonableness, allocability and allowability of costs claimed under the cooperative agreement; and

d. Whether NJDEP followed Letter-of-Credit (LOC) drawdown requirements.

The audit covered costs claimed by NJDEP from December 20, 1982 through June 30, 1989.

Findings1. NJDEP Needs to Submit Financial Status Reports Timely

NJDEP did not submit its FSRs to EPA within 90 days after completion of an activity as required by the cooperative agreement.

2. NJDEP Used Expired Term Contract

NJDEP awarded design services under an expired term contract. We therefore questioned contractual costs of \$584,021 as unsupported.

FINANCIAL RESULTS OF AUDIT		
	Federal Share	Total Costs
Amount audited	\$3,423,248	\$3,650,486
Amount accepted	2,839,227	3,066,465
Ineligible costs ¹	0	0
Unsupported costs ²	584,021	584,021
Unnecessary/unreasonable costs ³	0	0
1. Costs questioned because of an alleged violation of a provision of a law, regulation, contract, grant, cooperative agreement or other agreement or document governing the expenditure of funds. 2. Costs questioned because, at the time of the audit, they were not supported by adequate documentation and/or had not been approved by responsible program officials. 3. Costs questioned because they were not necessary or not reasonable.		

Recommendations

We recommended that EPA Region 2:

- Require NJDEP to submit FSRs upon completion of every activity under the cooperative agreement.
- Not participate in the funding of the unsupported costs.

Agency Response

In response to the audit report, EPA Region 2 indicated it:

- Had requested that NJDEP review activities completed under the cooperative agreement, and submit FSRs as required by the special condition of the cooperative agreement.
- Determined that the expiration of the term contract did not render the contract invalid and therefore reinstated the questioned costs.

NORTH CAROLINA DEPARTMENT OF ENVIRONMENT, HEALTH AND NATURAL RESOURCES

Scope and Objectives

We performed an interim audit of the costs claimed under two cooperative agreements awarded to the North Carolina Department of Environment, Health, and Natural Resources (DEHNR) to identify and rank hazardous waste sites, and to produce a capacity assurance report. The audit objective was to determine the reasonableness and allowability of costs claimed. The audit covered costs claimed by DEHNR from July 1, 1989 to March 31, 1991, for one cooperative agreement and from October 1, 1988 to September 30, 1990, for the other.

Findings

1. DEHNR Failed to Comply With Federal Letter-Of-Credit Regulations

DEHNR made letter-of-credit drawdowns in advance rather than as it incurred costs, as required by Federal regulations.

2. DEHNR Failed to Comply With Federal Record Keeping Regulations

DEHNR did not comply with Federal regulations that required the maintenance of verifiable records to support the matching contribution. It did not maintain time sheets to support the salary cost claimed as a 10 percent matching contribution on the cooperative agreement.

3. DEHNR Failed to Properly Account for Cost Sharing

DEHNR maintained separate accountability for project expenses paid for with EPA funds and DEHNR funds by designating expenses as 100 percent EPA expenses or as 100 percent DEHNR. This was inconsistent with the intent of the cooperative agreement that EPA and DEHNR share all eligible expenses based on the sharing percentage specified in the cooperative agreement.

4. DEHNR Claimed Unsupported Costs

DEHNR claimed \$14,203 for expenses not yet incurred and \$7,714 for undocumented salary expenses.

FINANCIAL RESULTS OF AUDIT		
	Federal Share	Total Costs
Amount audited	\$2,319,044	\$2,335,358
Amount accepted	2,299,320	2,313,441
Ineligible costs ¹	0	0
Unsupported costs ²	19,724	21,917
Unnecessary/unreasonable costs ³	0	0
1. Costs questioned because of an alleged violation of a provision of a law, regulation, contract, grant, cooperative agreement or other agreement or document governing the expenditure of funds. 2. Costs questioned because, at the time of the audit, they were not supported by adequate documentation and/or had not been approved by responsible program officials. 3. Costs questioned because they were not necessary or not reasonable.		

Recommendations

We recommended that EPA Region 4:

- Not allow DEHNR to make any more drawdowns for the Wastewater Reduction Resource Center until it expended an \$82,200 advance, and require DEHNR to make no further drawdowns until it incurs the costs.
- Require DEHNR to document all time charges to EPA projects by time sheets. The time sheets should be certified by the employee and approved by a supervisory official.
- Require DEHNR to maintain uniform accountability for all eligible project expenses and recognize that EPA and DEHNR must share each expense based on the cost sharing percentages specified in the cooperative agreement.
- Adjust the allowable costs according to our determination.

Agency Response

In response to our audit report, EPA Region 4 stated:

- DEHNR had used the cash advance for project purposes and had agreed to draw down future funds as it incurs costs.

- DEHNR agreed that the questioned salary expenses were not supported by time sheets and requested the substitution of the cost of office space for the employees as their in-kind contribution. EPA found such a charge not in accordance with Federal requirements, and therefore determined that the costs questioned by the auditors were unallowable.
- It required DEHNR to use a system that prepares FSRs that claim only the Federal share of costs incurred.
- It required DEHNR to refund EPA's overpayment to it.

NORTH CAROLINA STATE UNIVERSITY

Scope and Objective

We performed an interim audit of a grant awarded to North Carolina State University (NCSU) for a Hazardous Substance Research Center serving EPA Regions 4 and 6. Our audit objective was to determine the eligibility of the grantee's claimed costs. The audit covered costs claimed by NCSU from February 27, 1989 to April 30, 1991.

Findings

1. NCSU Claimed Costs for 39 Unrelated Projects

NCSU claimed costs for 69 projects, of which 39 were not related to the grant. NCSU conducted these projects under contracts and grants provided by third parties. We questioned as ineligible the \$976,233 claimed for these projects.

2. NCSU Claimed Excess Indirect Costs

NCSU claimed \$115,115 for indirect costs, although the grant provided only for \$15,332. We questioned as ineligible the \$99,783 difference.

3. Director Charged Time Devoted to Other Efforts

NCSU's application for the grant stated the Director would devote 100 percent of his effort to the grant. The solicitation required that the Director devote at least 50 percent of his effort to the grant. The Director charged the grant 95-97 percent of his effort for three semesters during which he taught three courses. The Director charged instruction for 61 percent of his effort the semester before the grant was awarded, and 62 percent for the semester the grant was awarded. He instructed the same courses during all five semesters. We therefore estimated that he should have charged about 61 percent of his effort to instruction during the grant period. We questioned as ineligible \$97,763 of claimed costs associated with the Director's effort.

4. 12 Projects Lacked Technical Support

We asked EPA's Office of Exploratory Research to review the technical eligibility of the 30 projects we determined were grant projects. That Office determined that 12 of the projects were unsupported. We questioned as unsupported the \$898,206 claimed for those projects not otherwise questioned as ineligible.

5. NCSU's Internal Controls Inadequate

NCSU's internal controls were not adequate to identify and report claimed costs properly under the grant. NCSU's controls could not identify the projects associated with the grant. NCSU's financial records only associated 30 of the 69 projects claimed with the grant. NCSU's controls also were not sufficient to prepare an accurate and complete FSR. The grant only required a final FSR after the grant ended. We asked NCSU to prepare an FSR for the audit period. NCSU provided an FSR containing significant math errors, duplicate costs and projected costs. The cost schedules NCSU provided to support the FSR had inconsistent formats and contained significant encumbered and unclassified costs. During the audit, NCSU significantly revised the cost schedules five times.

FINANCIAL RESULTS OF AUDIT		
	Federal Share	Total Costs
Amount audited	\$2,671,684	\$3,668,384
Amount accepted	1,162,657	1,596,399
Ineligible costs ¹	854,863	1,173,779
Unsupported costs ²	654,164	898,206
Unnecessary/unreasonable costs ³	0	0
<ol style="list-style-type: none"> 1. Costs questioned because of an alleged violation of a provision of a law, regulation, contract, grant, cooperative agreement or other agreement or document governing the expenditure of funds. 2. Costs questioned because, at the time of the audit, they were not supported by adequate documentation and/or had not been approved by responsible program officials. 3. Costs questioned because they were not necessary or not reasonable. 		

Recommendations

We recommended that EPA:

- Require NCSU to adopt and implement sufficient internal controls to identify and monitor all claimed costs adequately, and maintain continuous compliance with cost-sharing requirements.

- Adjust the grant costs according to our determination, and recover excess EPA funds paid to NCSU.

Agency Response

This audit had not been resolved as of August 30, 1993.

PUERTO RICO ENVIRONMENTAL QUALITY BOARD - CORE PROGRAM

Scope and Objectives

We contracted with an IPA firm to perform an interim audit of a cooperative agreement awarded to the Puerto Rico Environmental Quality Board (EQB) for core program activities. The audit objective was to determine the allowability of the costs claimed. The audit covered costs claimed by EQB from October 1, 1983 through February 28, 1990.

Findings

1. EQB's Accounting System Needs Improvement

EQB did not prepare schedules detailing the source of some expenditures charged to the cooperative agreement. As a result, it was unable to furnish supporting documentation for such expenditures as equipment, travel and supplies. We questioned \$40,887 in costs not supported by source documentation.

2. EQB Needs More Accurate Allocation of Employee Leave Costs

EQB allocated vacation, sick and other leave to the project based on the percentage of personnel costs charged. If the indirect cost rate does not include vacation, sick and other leave paid through direct salaries, the project could be overcharged for vacation, sick and other leave for a particular period.

3. EQB Used Incorrect Non-Federal Share Rate

EQB used an incorrect rate to compute the non-Federal share of project costs. This resulted in EQB understating an EPA reimbursement claim by \$1,210.

FINANCIAL RESULTS OF AUDIT		
	Federal Share	Total Costs
Amount audited	\$106,232	\$113,515
Amount accepted	68,040	72,628
Ineligible costs ¹	0	0
Unsupported costs ²	38,192	40,887
Unnecessary/unreasonable costs ³	0	0
1. Costs questioned because of an alleged violation of a provision of a law, regulation, contract, grant, cooperative agreement or other agreement or document governing the expenditure of funds. 2. Costs questioned because, at the time of the audit, they were not supported by adequate documentation and/or had not been approved by responsible program officials. 3. Costs questioned because they were not necessary or not reasonable.		

Recommendations

We recommended that EPA Region 2:

- Require EQB to prepare schedules detailing the source of all expenditures charged to cooperative agreements.
- Require EQB to analyze and adjust the allocation of vacation, sick and other leave to the project for each employee at the end of the year.
- Require EQB to establish adequate internal control procedures to ensure use of the approved non-Federal and Federal share rates, and correct the past inaccurate report.
- Review documentation which EQB has available and evaluate whether EPA should participate in funding the unsupported costs.

Agency Response

In response to our audit report, EPA Region 2 indicated:

- EQB provided adequate documentation for the unsupported costs, except \$9,445 that EQB cancelled before receiving reimbursement from EPA.
- It requested EQB to develop corrective actions in response to the audit recommendations on allocation of leave costs and use of the correct non-Federal share rates.

PUERTO RICO ENVIRONMENTAL QUALITY BOARD - FOLLOW-UP

Scope and Objectives

We contracted with an IPA firm to perform a special agreed upon procedures review of the Puerto Rico Environmental Quality Board (EQB). The objective of the review was to determine if EQB had adequately implemented recommendations in a 1989 report entitled *Puerto Rico Environmental Quality Board - Superfund Review and Technical Assistance* prepared by Arthur Young for Region 2. Due to its limited scope, the review was not an audit following the Government Auditing Standards (1988 Revision) issued by the Comptroller General of the United States.

Findings

1. EQB Needed to Continue with Revisions of Memorandum of Agreement

The Arthur Young report recommended that EQB develop a written Memorandum of Agreement (MOA) among its Program, Finance, Administration and Legal Offices outlining their roles and responsibilities for Superfund project management and administration. Our follow-up review showed that the EQB now had an MOA addressing the current roles and responsibilities of each department, but it needed to be revised to incorporate the additional roles and responsibilities each department will share under the Superfund program.

2. EQB Needed Procedures for Month-by-Month Project Budgets

The Arthur Young report recommended that EQB develop procedures requiring the establishment of month-by-month project budgets for its cooperative agreements and the routine review of project budgets and expenses. EQB determined it would be more feasible to implement this recommendation after EPA awards it a site-specific cooperative agreement.

3. Policies and Procedures Needed to Be Communicated to Personnel

The Arthur Young report recommended that program management communicate new policies and procedures effectively to program personnel. This would include training sessions on Superfund-specific cost documentation and recordkeeping requirements for all affected personnel. EQB stated it could not fully implement this recommendation until EPA approved their September 1990 Status Report.

4. Further Improvements Needed for Several Implemented Recommendations

While EQB had implemented many of Arthur Young's recommendations, the IPA firm found that EQB needed to make further improvements:

- EQB did not compare total hours reported in time distribution reports and the hours did not agree with the standard number of hours to be charged for the period.

- EQB's site file documentation did not include a column to record the check number when it makes a payment.
- EQB's contract administration procedures did not include a requirement to supply EPA with information on minority and women's business contractors.
- EQB had not yet selected an appropriate automated accounting system.
- EQB did not have written procedures describing the processing of Superfund program documents so that the Treasury Department could properly handle them.
- EQB's instructions on computing and allocating travel costs to Superfund were not clear.
- EQB's travel authorization and expense liquidation form did not include a line for the Superfund authorization date.

Recommendations

We recommended that EPA Region 2 require EQB to:

- Proceed with the revision of the MOA.
- Develop procedures to establish month-by-month project budgets when EPA awards it a site-specific cooperative agreement.
- Communicate new policies and procedures effectively to personnel, and provide training sessions once EPA approves the EQB status report and EQB revises the MOA.
- Inform employees annually of the total minimum hours they need to account for each month in the time distribution report.
- Compare the total hours reported monthly by each employee with the total minimum hours to be accounted for.
- Provide a column in the site file documentation for the check number.
- Include in its contract administration procedures a requirement to supply EPA with information on minority and women's business contractors.
- Implement a new automated accounting system.
- Develop written procedures on processing Superfund documents for proper Treasury Department handling.

- Clarify instructions on computing and allocating travel costs to Superfund.
- Include a line on its travel authorization and expense liquidation form for the Superfund authorization date.

We also recommended that EPA Region 2 make a follow-up visit when it grants EQB its first site-specific cooperative agreement to determine if its accounting and administrative systems are adequate.

Agency Response

In response to our audit report, EPA Region 2 indicated EQB:

- Developed a written MOA among its Program, Budget and Finance, Administration and Legal offices outlining their Superfund roles and responsibilities, which Region 2 reviewed and found fully addressed the audit recommendation.
- Would provide monthly variance reports by line item, comparing State and Federal budget projections to actual expenditures, until a new project reporting system was operational.
- Was now providing staff training on Superfund cost documentation and recordkeeping requirements on an ongoing basis.
- Would distribute to employees an annual listing showing total hours to be accounted for each month, and would add to its written procedures a comparison of hours reported on time distribution reports with the total to be accounted for each month.
- Would record check numbers in site file documentation.
- Would include in EQB Administrative Procedures the requirement to supply EPA with minority and women's business information.
- Was developing an automated accounting system to help automate all the accounts for the Program.

PUERTO RICO ENVIRONMENTAL QUALITY BOARD - FRONTERA CREEK

Scope and Objectives

We contracted with an IPA firm to perform an interim audit of a cooperative agreement awarded to the Puerto Rico Environmental Quality Board (EQB) for management assistance at the Frontera Creek site. Our audit objective was to determine the allowability of costs claimed. The audit covered costs claimed by EQB from December 31, 1987 to December 31, 1989.

Findings**1. EQB Needs More Accurate Allocation of Employee Leave Costs**

EQB allocated vacation, sick and other leave to the project based on the percentage of personnel costs charged. If the indirect cost rate does not include vacation, sick and other leave paid through direct salaries, the project could be overcharged for vacation, sick and other leave for a particular period.

2. EQB Incorrectly Charged Ineligible Fringe Benefit Costs

EQB incorrectly charged to the program retirement benefits paid to provisional employees not eligible for the retirement plan, and associated indirect costs. We did not question these amounts because they were immaterial.

FINANCIAL RESULTS OF AUDIT		
	Federal Share	Total Costs
Amount audited	\$19,820	\$19,820
Amount accepted	19,820	19,820
Ineligible costs ¹	0	0
Unsupported costs ²	0	0
Unnecessary/unreasonable costs ³	0	0
1. Costs questioned because of an alleged violation of a provision of a law, regulation, contract, grant, cooperative agreement or other agreement or document governing the expenditure of funds. 2. Costs questioned because, at the time of the audit, they were not supported by adequate documentation and/or had not been approved by responsible program officials. 3. Costs questioned because they were not necessary or not reasonable.		

Recommendations

We recommended that EPA Region 2 require EQB to:

- Analyze and adjust the allocation of vacation, sick and other leave to the project for each employee at the end of the year.
- Establish adequate internal control procedures to make sure it does not charge ineligible employees' fringe benefits to the program.

Agency Response

Because we did not view our findings as material, we did not require the Agency to respond to our report.

PUERTO RICO ENVIRONMENTAL QUALITY BOARD - SITE ASSESSMENT PROGRAM

Scope and Objectives

We contracted with an IPA firm to perform an interim audit of a cooperative agreement awarded to the Puerto Rico Environmental Quality Board (EQB) to identify and rank hazardous waste sites. Our audit objective was to determine the allowability of costs claimed. The audit covered costs claimed by EQB from September 15, 1983 to February 28, 1990.

Finding

Costs Not Supported by Documentation

EQB could not provide accounting records and detailed supporting documentation for costs claimed. EQB stated it lost the working papers in the move to another building because of Hurricane Hugo.

FINANCIAL RESULTS OF AUDIT		
	Federal Share	Total Costs
Amount audited	\$248,063	\$248,063
Amount accepted	0	0
Ineligible costs ¹	0	0
Unsupported costs ²	248,063	248,063
Unnecessary/unreasonable costs ³	0	0
1. Costs questioned because of an alleged violation of a provision of a law, regulation, contract, grant, cooperative agreement or other agreement or document governing the expenditure of funds. 2. Costs questioned because, at the time of the audit, they were not supported by adequate documentation and/or had not been approved by responsible program officials. 3. Costs questioned because they were not necessary or not reasonable.		

Recommendation

We recommended that EPA Region 2 not participate in funding the unsupported costs.

Agency Response

This audit has not yet been resolved due to review of documentation EQB located after the audit for the unsupported costs.

WASHINGTON DEPARTMENT OF ECOLOGY

Scope and Objectives

We contracted with an IPA firm to perform a final audit of a cooperative agreement awarded to the Washington Department of Ecology (WDOE) for activities at a number of Superfund sites. The audit objectives were to determine:

- a. The reasonableness, allowability and allocability of the costs claimed;
- b. The adequacy, effectiveness and reliability of procurement, accounting and management controls exercised by WDOE in administering the cooperative agreement; and
- c. WDOE's compliance with applicable EPA regulations and the provisions of the cooperative agreement.

The audit covered costs claimed by WDOE from April 9, 1984 to October 1, 1989.

Findings

1. WDOE's Procurement Procedures Needed Improvement

WDOE did not obtain EPA approval before awarding all contracts under the agreement, as required because its procedures did not ensure procurements complied with Federal regulations. WDOE also (a) did not perform cost and price analysis as required by Federal regulations, (b) awarded two cost-plus-percentage-of-cost contracts prohibited by Federal regulations, (c) did not obtain conflict of interest certifications from bidders or offerors as required by the cooperative agreement on one contract, (d) did not have required documentation in their procurement files, and (e) did not include contract provisions for defective cost or price data in subagreements as required by Federal regulations.

2. WDOE Needed To Allocate Employee Leave Equitably

WDOE allocated leave costs depending on the project the employees worked on during the previous one or two months. WDOE may not have equitably allocated leave costs since the employee may have earned the leave while working on several projects.

3. WDOE Needed To Strengthen Its Contractor Monitoring System

WDOE did not consistently apply its policies and procedures in evaluating contractor performance, under the terms of their contracts. Project officers did not always prepare Performance Evaluation Reports (PERs) before WDOE paid contractors. Additionally PERs were not sent to the fiscal office to support final

payments on contractor invoices. Accordingly, WDOE could not show that contractor payments were properly authorized.

4. WDOE's Property Management System Needed Improvement

WDOE did not consistently perform physical inventories of equipment as required by WDOE property management requirements and Federal regulations. Physical inventories were the responsibility of the individual program units, which performed them only when time permitted. Without the physical inventories, WDOE could not assure that it properly safeguarded, maintained and used for project purposes property purchased under the cooperative agreement.

5. WDOE Failed To Maintain Superfund Cost Pool Documentation

WDOE did not maintain documentation for State Motor Pool charges in the project site files as required by Federal regulations. Without complete cost documentation files, cost recovery efforts are hampered.

6. WDOE Claimed Ineligible Costs and Unsupported Costs

WDOE claimed ineligible costs for a cost-plus-percentage-of-costs-contract that is unallowable under Federal regulations. WDOE also claimed unsupported costs for (a) contractual services costs that did not have prior review and approval, (b) direct labor costs that were not equitably allocated to cost objectives, and (c) indirect and fringe benefits costs relating to questioned direct labor costs.

FINANCIAL RESULTS OF AUDIT		
	Federal Share	Total Costs
Amount audited	\$3,698,784	\$4,152,835
Amount accepted	433,103	486,269
Ineligible costs¹	259,541	291,401
Unsupported costs²	3,006,140	3,375,165
Unnecessary/unreasonable costs³	0	0
<ol style="list-style-type: none"> 1. Costs questioned because of an alleged violation of a provision of a law, regulation, contract, grant, cooperative agreement or other agreement or document governing the expenditure of funds. 2. Costs questioned because, at the time of the audit, they were not supported by adequate documentation and/or had not been approved by responsible program officials. 3. Costs questioned because they were not necessary or not reasonable. 		

Recommendations

We recommended that EPA Region 10:

- Require WDOE to improve its procurement system to meet the Federal regulation requirements or obtain EPA's approval before awarding contracts.
- Require WDOE to establish procedures to allocate all employee holiday and leave costs according to Federal regulations.
- Require WDOE to comply with their established contractor performance monitoring procedures.
- Require WDOE to install controls that ensure program units perform physical inventories of personal property timely.
- Require WDOE to maintain all supporting documentation for State Motor Pool charges in the project files.
- Not participate in the questioned costs, and recover funds due EPA.

Agency Response

This audit had not been resolved as of August 30, 1993, due to differences between EPA Region 10 and the OIG that they were still seeking to resolve.

COMITE PRO-RESCATE DE LA SALUD Y EL AMBIENTE DE VEGA ALTA, INC.

Scope and Objectives

We contracted with an IPA firm to perform a preliminary review of the internal control structure of Comité Pro-rescate de la Salud y el Ambiente de Vega Alta, Inc. (the Committee), as it relates to a technical assistance grant awarded to them. Our audit objectives were to determine the adequacy, effectiveness and reliability of the procurement, accounting and management controls exercised by the Committee in administering the grant.

Findings

The Committee had developed an adequate internal control structure to record, process and report grant financial transactions. However, the Committee had not adequately documented its internal controls.

Recommendation

We recommended that EPA Region 2 continue to monitor the Committee's progress in developing a good internal control system, including the documentation supporting it.

Agency Response

Because we did not view our findings as material, we did not require the Agency to respond to our report.

MANAGEMENT OF REGION 7 COOPERATIVE AGREEMENTS

Scope and Objectives

We performed a survey of EPA Region 7's management of Superfund cooperative agreements. Our survey purpose was to identify potential issues concerning States' compliance with Superfund laws and regulations, and States' capabilities to manage the Superfund program. We performed our fieldwork between May and November 1991.

Findings

1. States Needed Complete Written Superfund Internal Control Procedures

Iowa's Superfund personnel did not have written internal control procedures for Superfund. Without adequate written procedures, Iowa could not be sure it had safeguarded assets, properly recorded and accounted for revenues and expenses, and met program objectives.

2. Consistent, Complete Files Needed to Support Cost Recovery

Missouri Superfund officials did not maintain Superfund records consistent with Federal regulations. They did not maintain site-specific files, and their files did not contain travel documentation or vehicle usage rates. In addition, they were not reconciling travel expenses to employee time sheets. States need to follow Federal regulations to ensure consistent and complete recordkeeping, and fully safeguard EPA's ability to assemble a complete, accurate cost recovery package timely.

Recommendations

We recommended that EPA Region 7:

- Emphasize to State Superfund management officials the value of written internal controls and the importance of recordkeeping requirements considered vital to EPA's cost recovery effort.
- Ensure that Iowa adequately documents the State's internal controls for Superfund.
- Ensure that Missouri establishes timetables for compliance with Federal recordkeeping requirements, and follow up to ensure that records are complete and properly stored.

- Include an assessment of States' compliance with internal control, accounting and recordkeeping procedures in the Region's annual State Consolidated Oversight Reviews.

Agency Response

In response to our draft report, EPA Region 7 stated it:

- Had addressed the importance of internal control documentation and cost recovery procedures in 1991 Consolidated Oversight Review reports for Iowa and Missouri.
- Held a State Superfund Workshop providing information concerning the legal aspects of cost recovery, accounting for Superfund costs and Superfund records management.
- Would continue to focus on internal controls during its Consolidated Oversight Reviews.

In response to our final report, EPA Region 7 also requested that Missouri review its recordkeeping for compliance with regulatory requirements.

MANAGEMENT OF REGION 8 COOPERATIVE AGREEMENTS

Scope and Objectives

We performed a survey of EPA Region 8's management of Superfund cooperative agreements. Our survey purpose was to identify potential issues concerning States' compliance with Superfund laws and regulations, and States' capabilities to manage the Superfund program. We performed our fieldwork between May and November 1991.

Findings

1. States Needed Complete Written Superfund Internal Control Procedures

North Dakota and South Dakota did not have written internal control procedures for Superfund, and Colorado's procedures were incomplete. Without adequate written procedures, States could not be sure they had safeguarded assets, properly recorded and accounted for revenues and expenses, and met program objectives.

2. Consistent, Complete Files Needed to Support Cost Recovery

North Dakota and South Dakota did not maintain Superfund records consistent with Federal regulations. North Dakota assembled site-specific cost documentation files annually rather than updating the files as events occurred, and stored Superfund financial and technical files separately until site cleanup was complete. South Dakota did not include employee time sheets in site files. States need to follow Federal regulations to ensure consistent and complete

recordkeeping, and fully safeguard EPA's ability to assemble a complete, accurate cost recovery package timely.

3. Consistent, Equitable Allocation of Leave Costs Needed to Support Cost Recovery

South Dakota's method for charging paid leave was inconsistent, inequitable and not in compliance with mandatory Federal cost principles. States need to establish procedures that result in a consistent and equitable allocation of all costs, including those for employee leave, to avoid unnecessary questioned costs and help EPA maximize cost recovery.

Recommendations

We recommended that EPA Region 8:

- Emphasize to State Superfund management officials the value of written internal controls and the importance of recordkeeping requirements considered vital to EPA's cost recovery effort.
- Ensure that Colorado and South Dakota adequately document State internal controls for Superfund.
- Require South Dakota to implement acceptable methods of allocating leave and follow up to make sure that South Dakota complies with OMB Circular A-87.
- Include an assessment of States' compliance with internal control, recordkeeping and leave allocation procedures in the Region's annual State Consolidated Oversight Reviews.

Agency Response

In response to our report, EPA Region 8 indicated it:

- Had completed Management Assistance Program (MAP) reviews in South and North Dakota, and planned MAP reviews for Utah, Wyoming, Montana and Colorado.
- Would address the value of written procedures and controls at the next State environmental directors meeting.
- Observed through its MAP review that South Dakota had developed written policies and procedures governing most financial management activities, including Superfund. South Dakota had agreed to:
 - Implement a short-term procedure to reconcile time sheets and travel on a sample basis before implementation of an on-line electronic timekeeping system.

- Study development and incorporation of desk-top procedures used by another State.
- Maintain site-specific files.
- Had obtained agreement from Colorado to develop a process in the short term to follow and set priorities, and to revise all division policies in the long term.
- Had recommended to South Dakota several alternatives to address the inequitable distribution of leave, and would follow up to determine status of implementation.

REMEDIAL INVESTIGATION AND FEASIBILITY STUDY

In fiscal 1992, we issued a technical report on remedial investigation/feasibility study (RI/FS) activities at the Koppers Texarkana site. The OIG Technical Assistance Staff conducted this review. That report contained no recommendations, and required no response from the Agency. We summarize this review below.

KOPPERS TEXARKANA SITE, TEXARKANA, TEXAS

Scope and Objectives

Our review objectives for the Koppers Texarkana site in Texarkana, Texas, were to evaluate the remedial planning process with respect to:

- a. Completeness and accuracy;
- b. Adherence to Agency guidelines; and
- c. Technical basis for evaluating the remedial alternatives.

Our review considered all phases of the RI/FS, the Record of Decision (ROD) and the amended ROD.

Findings

The remedial planning activities at the site were generally thorough and consistent with NCP requirements. However, there were technical deficiencies in the methodology used during the remedial planning process and in selecting remediation measures. Technical deficiencies included:

- The investigation regarding the fate of underground storage tanks used by Koppers while the site was active was inadequate.
- Characterization of the site hydrogeology was incomplete.
- The nature and extent of sediment, soil and ground water contamination were not adequately characterized.
- Results of treatability tests indicate that the selected soil treatment alternatives may not meet treatment goals.
- Important technical issues related to the effectiveness of the selected ground water collection, treatment and recharge alternative were apparently not considered. There is reason to question the ability of the selected alternative to meet the remediation objectives in the ROD.

These deficiencies may result in delays in achieving remediation at the site due to the need to undertake additional data gathering and analyses during

remedial design. Yet another ROD amendment could be needed if underground storage tanks remain for which the selected remedy did not account. Design and implementation of the treatment systems for soil and ground water may suffer delays if the actual sediment, soil and ground water contamination at the site differ markedly from that presented in the remedial planning documents. While the cost of responding to the deficiencies may escalate, the PRP is responsible for these costs under a consent agreement.

PERFORMANCE AUDITS AND SPECIAL REVIEWS

In addition to reviews required by CERCLA, as amended, we conducted other reviews of EPA's management of the Superfund program. We summarize below performance audits and special reviews completed in fiscal 1992.

ALTERNATIVE REMEDIAL CONTRACT STRATEGY (ARCS) CONTRACTS IN REGIONS 1, 3 AND 5

Scope and Objectives

We performed an audit of the Superfund ARCS contracts in Region 3 and special reviews of the ARCS contracts in Regions 1 and 5. Our review objectives were to evaluate whether ARCS:

- a. Accelerated site remediation by expediting site studies;
- b. Improved contractor performance;
- c. Increased efficiency and accountability; and
- d. Program management charges were eligible, reasonable, consistent with contract terms and not objectionable to taxpayers.

Our reviews covered the 19 ARCS contracts awarded for the 3 regions. We examined the 90 work assignments issued in the initial 2 years of these contracts for Fund-lead projects. We concentrated our analysis on the 68 assignments for full-scale projects such as RI/FSs, Remedial Designs and Remedial Actions (RAs).

We issued an audit report to Region 3 and a consolidated report to the Assistant Administrator for Solid Waste and Emergency Response and the Acting Assistant Administrator for Administration and Resources Management. We included the first three findings summarized below in both reports. The fourth finding applied only to Region 3.

Findings

1. Delays in Completing Work Assignments Postponed Cleanups

We found that by and large the ARCS program did not achieve its objective of accelerating the remediation process by expediting site studies. Only 7 of the 68 work assignments reviewed were completed as scheduled. Another 19 assignments were completed beyond their schedule. Many of the remaining 42 overdue assignments, if completed on their amended schedules, would have exceeded EPA's goal by over a year; 11 by over 2 years. In Region 3, the chief cause of the failure was contractor ineptitude. In Region 1, there were lesser problems with contractor performance, and staff utilization and funding constraints also caused delays. We found no consistent reason for the Region

5 delays. Regional personnel told us delays occurred for a variety of reasons including misdirected data samples, inexperienced contractor and EPA personnel, and a lack of contractor personnel.

2. Program Management Ratios

Underutilization of the ARCS contracts affected program management cost ratios. In their contract proposals, the ARCS contractors projected amounts for program management and remedial planning over the 10-year life of the contracts. Based on full utilization, the contractors expected program management costs to range from 6.7 to 19.1 percent of estimated total costs. However, EPA did not fully use the contracts for several reasons. In the first place, EPA built in excess capacity to allow for the termination of contracts upon poor performance. Secondly, potentially responsible parties (PRPs) performed more cleanups than envisioned, resulting in less work available under the ARCS program. Thirdly, the contractors experienced great difficulty in reaching the RA stage because they did not complete their RI/FS projects timely.

3. ARCS Cost Estimates Were Flawed

None of the regions reviewed computed independent government cost estimates as required. As a result, EPA did not always achieve the ARCS goals of increased efficiency and accountability.

4. ARCS Distribution of Workload Was Skewed

For Region 3, the distribution of the level of effort hours was skewed. More than 40 percent of the hours had gone to one contractor, despite the original plan to have two large and three smaller contracts. One reason for this was the Region did not have an annual allocation plan, as recommended by the ARCS Contracts Users' Manual.

Recommendations

We recommended that EPA Headquarters:

- Emphasize to regions the need to reassess ARCS capacity requirements, terminate the worst performing contractors, and withhold all award fees for work assignments delayed by lack of performance.
- Implement recommendations of the Administrator's Task Force.
- Emphasize to regions the need to prepare independent Government estimates for all ARCS work assignments and for all subsequent requests for revision of work assignments.

We recommended that EPA Region 3:

- Reassess ARCS capacity requirements.

- Terminate for default the ARCS contractors with the worst performance records.
- Withhold all award fees for a work assignment when lack of performance causes delay.
- Expeditiously implement the corrective actions in its ARCS Contracts Vulnerability Review.
- Prepare independent Government estimates for all ARCS work assignments and for all subsequent requests for revision of work assignments.
- Distribute future ARCS work assignments in accordance with the ARCS Contracts Users' Manual, after considering the ratios of past work assignment distribution.

Agency Consolidated Headquarters Response

In response to our report, EPA stated it:

- Revised the ARCS capacity projections in conjunction with the regions.
- Would consider contract terminations.
- Was working toward improvement of the award fee process to provide better incentives for excellent performance and disincentives for poor performance.
- Issued a policy and implementing guidance requiring the development of independent Government estimates.
- Was addressing the remaining recommendations from the Administrator's Task Force report.

Agency Region 3 Response

In response to our draft report, EPA Region 3 indicated it:

- Had analyzed actual and projected level of effort for Region 3 ARCS contracts.
- Withheld Phase I award fees for particular evaluation periods when lack of performance caused a delay.
- Developed an action plan identifying lead offices and proposed completion dates for the areas identified in the ARCS Vulnerability Review.
- Mandated the preparation of independent Government estimates.

In response to our final report, EPA Region 3 further indicated it had developed an Annual ARCS Allocation Plan for work assignment distribution in accordance with the ARCS Contract Users' Manual.

FOLLOW-UP OF EPA'S NEGOTIATION, AWARD AND MANAGEMENT OF CONTRACTOR-OWNED EQUIPMENT FOR EMERGENCY RESPONSE CLEANUP SERVICES CONTRACTS

Scope and Objectives

We performed an audit of EPA's corrective actions in response to our audit report on *EPA's Planning, Negotiation, Awarding and Administering of Emergency Response Services Contracts* (E5E26-05-0101-61508, September 23, 1986). We also evaluated how the Emergency Response Branch (ERB) of EPA's Procurement and Contracts Management Division managed the contract requirements included in the ERCS contracts to strengthen normal contract management. In addition, we audited ERB's efforts to finalize provisional equipment rates and definitize completed delivery orders. We compared our sampled contracts to each other to find if contract requirements were consistent. We also determined whether contractors met all reporting requirements and if they were timely with their report submissions. Our specific audit objectives were to determine if ERB:

- a. Developed a sound and reasonable basis for negotiating fixed equipment rates;
- b. Implemented effective cost controls to limit reimbursement to contractors to the purchase price for company-owned equipment;
- c. Established the necessary management controls to assure contractor compliance with contract requirements; and
- d. Definitized completed delivery orders issued under ERCS contracts.

Our review included the 4 Generation II zone contracts, 2 Generation III mini-zone contracts and 4 of the largest 11 regional contracts. During the period of our audit, EPA had a universe of 34 zone, regional and site-specific contracts. We performed audit work at ERB and at regional contracting offices in Regions 2, 4 and 5. The audit covered ERB's activities and functions related to ERCS contracts between April 1987 and March 1991. We conducted our audit work between January 1991 and June 1991.

Findings

1. ERB's Methodology and Data Used to Negotiate Equipment Rates Still Needed Improvement

ERB continued to rely on price analysis rather than cost data to determine the reasonableness of proposed fixed contract equipment rates. In response to our 1986 report, ERB agreed to use cost analysis, push for contractor

submissions of cost data, and use cost and pricing data for negotiations. They committed to using provisional rates when they were unable to obtain cost and pricing data during negotiations or could not use price analysis to justify reasonable rates. However, we found contractors were still not providing cost data needed to evaluate their proposed rates because they had inadequate cost accounting and equipment utilization systems. ERB had been awarding contracts to these same contractors for 10 years without insisting on cost data and improvements to accounting systems. Without cost data, ERB used price analysis techniques to negotiate fixed rates for equipment rather than establishing provisional rates. ERB relied on their estimated equipment rates for pricing various equipment items although they could not show the reasonableness of their estimates or support the rates they calculated. As a result, ERB negotiated rates that were usually unreasonably high.

2. Contract Management - Improvements Needed

EPA's administration and management of the ERCS contracts needed improvements. Weak administration and management allowed contractor noncompliance with contract requirements and the untimely definitization of delivery orders. ERB also had not finalized provisional equipment rates timely or established needed ERCS data bases for use in price analysis. Finally, ERB did not make sure that controls designed to limit contractors' reimbursement for company-owned equipment worked properly. ERB told us that staffing, incomplete data and higher priority work contributed to these weaknesses.

Recommendations

We recommended that EPA:

- Review contractor accounting systems before awarding contracts. When they find inadequate systems, they should require contractors to correct their systems before contract award or condition the contract to require correction of deficiencies within a specified time.
- Avoid awarding contracts based on price competition when the level of competition is not high.
- Use cost and actual equipment utilization data to negotiate fixed equipment rates or negotiate provisional equipment rates until contractors can provide actual cost and utilization data.
- Update ERB's independent equipment estimates, and maintain support for both the computation methodology and the reasonableness of the estimates.
- Establish a plan for eliminating the backlog of undefinitized delivery orders, and establish timeliness criteria for processing future delivery orders.

- Include in the contract limits on the contractor's recoupment of costs for fixed equipment rates.
- Establish controls to monitor contractor compliance with contract requirements, including obtaining the purchase price of each equipment item used and receiving required reports.
- Obtain data from the contractors needed to finalize provisional rates, and finalize them annually.

Agency Response

In response to our draft report, EPA stated it:

- Would attempt to require cost data.
- Would continue their efforts to require contractors to improve their accounting systems and maintain equipment utilization information.
- Were developing a strategy to increase competition and attract new contractors.
- Established a Headquarters team to assist regional contracting officers in negotiating ERCS contracts and to develop standardized special clauses for ERCS contracts.
- Was making a concerted effort to definitize provisional equipment rates annually.
- Was continuing delivery order definitization efforts. EPA had definitized more than 500 delivery orders since 1988. EPA was adding additional staff to the Headquarters definitization team. The Agency planned to complete a delivery order definitization manual and provide training to regional contracting personnel.
- Would place additional emphasis on tracking receipt of required contractor reports and would pursue sanctions where appropriate.

In response to our final report, EPA further stated it:

- Had developed several clauses mandatory for inclusion in all ERCS contracts where it finds accounting systems to be deficient, inadequate or needing improvement.
- Had developed an ERCS accounting system guidance document for contractors.
- Would use actual cost and equipment utilization data to negotiate fixed or provisional equipment rates until there is an acceptable level of competition for ERCS contracts.

- Had developed a data base on ERCS rates to track fixed and provisional rates. This data base would be used in negotiating future contracts and definitizing provisional rates.
- Planned to hold pre-solicitation conferences in regions where competition has been seriously lacking to determine what solicitation factors may deter vendors from submitting proposals.
- Had developed mandatory clauses for inclusion in ERCS contracts on Limitation on Reimbursement for Rental Equipment, Limitation on Fixed-Rate Equipment Charges, and Fixed Equipment Rate Redetermination.
- Was developing an advanced contract administration course of On-Scene Coordinators and Remedial Project Managers.

REGION 2'S MANAGEMENT OF MINI-ERCS CONTRACTORS

Scope and Objectives

We performed a special review of the adequacy of EPA Region 2's monitoring of mini-ERCS contractors. The specific objective of our review was to determine whether the Region was managing the mini-ERCS contracts properly. This issue came to our attention while conducting an audit of one mini-ERCS contractor's costs. We conducted our review at Region 2's Edison, New Jersey office for Removals and Emergency Preparedness Programs. We conducted our field work from October 1991 through May 1992. This was a special review and not an audit following the Government Auditing Standards (1988 revision) issued by the Comptroller General of the United States.

Findings

1. Inadequate Monitoring of Mini-ERCS Contractors

Region 2 had not adequately monitored work performed by a mini-ERCS contractor during cleanups of four hazardous waste sites we reviewed. On-Scene Coordinators (OSCs) and other Region 2 officials were unaware of some mini-ERCS contractual terms and failed to resolve apparently conflicting clauses in the contract. Region 2 did not enforce contract clauses requiring withholding of retainage from payments to the contractor, or the obtaining of competitive bids and OSC approval before subcontracting for transportation and disposal. OSCs did not document their approval of overtime for contractor personnel. OSCs did not maintain or adequately complete logs required to document removal costs. Region 2 did not provide proper supervision of new OSCs.

As a result, the contractor incurred significant costs for labor, materials and subcontractors that we found ineligible or unsupported. Also, some site cleanups were delayed or not accomplished as timely and efficiently as possible. Such delays can increase the detrimental effects on public health and environment caused by the sites.

2. Untimely Deobligation of Excess Funds

Region 2 was not timely deobligating excess funds on physically completed delivery orders issued for emergency cleanup services. Of 31 delivery orders issued between September 30, 1988, and September 29, 1991, 12 were closed with excess funds totalling more than \$343,000. The Region took between 5 and 24 months (average of 14 months) after physically completing site work to deobligate these excess funds. Most of the remaining 19 delivery orders were physically completed and the Region transferred any remaining work to other contractors for completion. These delivery orders had an estimated unliquidated balance of \$342,000.

These conditions were caused by the lack of (i) priority given to deobligating funds, (ii) written procedures and policies requiring the deobligation of excess funds, (iii) communication between the OSCs and the Contracting Officer, and (iv) awareness that excess funds deobligated in subsequent years revert to the Superfund program. As a result, about \$685,000 of Superfund monies remained unnecessarily idle instead of funding other Superfund site cleanups. In addition, the Federal government lost substantial interest income while these funds remained unliquidated.

Recommendations

We recommended that EPA Region 2:

- Maintain required logs, and reconcile them to the 1900-55s (daily cost reports) and contractor invoices.
- Approve and adequately document any authorized overtime.
- Make sure that Contracting Officers (i) periodically brief OSCs on contract terms, conditions and requirements; (ii) review the contract before issuing any delivery orders to make sure that conflicting terms are removed; and (iii) systematically notify the project officer and deputy project officer in writing of any contract modifications.
- Perform detailed reviews of invoices submitted to make sure charges are reasonable and allowable.
- Enforce all contractual terms.
- Make sure that the project officer or the deputy project officer monitors new OSCs to ensure compliance with all regulations.
- Establish and implement an internal control system to track Superfund site completion dates to make sure it receives required reports and expeditiously deobligates funds.
- Identify and timely deobligate any excess Superfund unliquidated funds for the delivery orders we reviewed.

Agency Response

In response to the draft report, EPA Region 2 indicated it:

- Was developing internal procedures for all removal activities.
- Was beginning to issue guidance to program offices on various contract management issues.
- Was distributing contract and delivery order modifications to the project officer, the deputy project officer and OSCs.
- Had taken steps to make sure that the necessary documentation is provided for the subcontractor selection process. It has distributed internal guidance/procedures and will hold training sessions for OSCs.
- Was reviewing their OSC training program to determine what changes were needed.
- Was developing internal procedures to inform all affected parties of site completion dates.
- Was reviewing the deobligation process, and had deobligated an additional \$51,480.

In response to the final report, EPA Region 2 further indicated it:

- Would include ERCS contractors in its on-site voucher validation reviews, provided resources are available.
- Had begun to hold quarterly all-hands meetings to discuss contract management issues and specific problems with individual ERCS contractors.

COST RECOVERY EFFORTS AGAINST POTENTIALLY RESPONSIBLE PARTIES (PRPs)

Scope and Objectives

We performed a limited scope audit survey of Region 1's efforts to identify costs for recovery from PRPs. The purpose of our review was to determine if EPA had adequate policies and procedures to identify and collect supporting documents for all costs associated with Superfund cleanups for cost recovery purposes. We reviewed cost recovery efforts for both removal and remedial activities. Our review covered the Region's cost recovery activities from October 1, 1987 to June 30, 1990. We conducted our review from July 16, 1990 to January 31, 1991 and included interviews and reviews of cost document packages for both removal and remedial activities.

Findings

1. Region 1 Needed to Maintain Adequate Documentation of Reconciliations

Cost recovery coordinators for sites not on the National Priorities List (NPL) did not maintain adequate documentation of their reconciliations of cost document packages. Also, cost recovery personnel did not know they were required to retain the Software Package for Unique Reports (SPUR) reports as part of the reconciliation/documentation process. As a result, cost recovery coordinators cannot explain discrepancies between the Financial Management System (FMS) and the cost summaries. To be sure of Superfund cost documentation integrity in litigation and in negotiations with PRPs, EPA's costs must be complete, accurate, fully reconciled and documented.

2. Interagency Agreement (IAG) Costs Not Identified for Cost Recovery

EPA was not identifying recoverable costs of all other Federal agencies working on non-NPL removal sites. EPA personnel responsible for identifying costs incurred by the Agency for Toxic Substances and Disease Registry (ATSDR) did not know how to account properly for these costs. As a result, EPA did not identify these costs for recovery.

3. Site-Specific Time Sheets Were Not Attached to Travel Vouchers

Site-specific travel vouchers did not have corresponding site-specific payroll time sheets attached. We reviewed 65 vouchers for travel related to 5 removal and remedial sites from April 1986 through December 1990. Only eight had corresponding time sheets attached. Attaching time sheets to travel vouchers assures that travel and personnel charges correspond appropriately. EPA guidance requires time sheets to be attached to site-specific travel vouchers.

4. Need to Update Site Files Semiannually

The Financial Management Office had not updated site files semiannually as required by EPA procedures. The Chief of the Superfund Finance Section said he was aware of this requirement, but did not have the time or personnel to make these reviews timely. Timely reconciliation of information contained in the site-specific files with the FMS helps ensure that documentation of recoverable costs is complete and accurate.

Recommendations

We recommended that EPA Region 1 adopt a reconciliation plan to make sure that all cost documentation packages maintained by removal and remedial cost recovery coordinators include current cost documentation and reconcile each site-specific file with FMS at least semiannually.

Agency Response

In response to our draft report, Region 1 stated it:

- Was now keeping the SPUR reports as a standard part of the documentation package.
- Now requested that EPA Headquarters provide ATSDR costs for all cost documentation packages.
- Was coordinating efforts to make sure that time sheets were attached to vouchers for site-specific travel.
- Would not perform the semiannual reconciliations of FMS to site files because the requirement to do so was being eliminated.

In response to our final report, Region 1 stated it would comply with revised requirements to update files when the revised policy is issued. Until then, it would continue to update its files as needed.

COST RECOVERY NEGOTIATIONS

Scope and Objectives

We performed an audit of the cost recovery negotiation process by which the EPA seeks agreement with PRPs to reimburse the Agency for its cleanup costs. Our audit objectives were to determine whether the Agency:

- a. Could have collected more dollars through its negotiations; and
- b. Adequately documented reasons for settling for reduced final cost recovery amounts.

We conducted our review from June 10, 1991 to January 27, 1992 at EPA Headquarters and Region 2. The review concentrated on Region 2 cost recovery settlements negotiated and completed in fiscal years 1990 and 1991. We interviewed Headquarters and Region 2 personnel and reviewed six case files. We judgmentally selected the 6 cases from 29 settlements at 27 sites during the 2 fiscal years. We limited the scope of our review to the six cases because preliminary results were essentially identical with those in a July 1991 General Accounting Office report.

Findings

1. Region Not Recovering All Costs

The Region was not maximizing its recovery of costs from PRPs. As a result, EPA did not collect \$2,453,300 in potentially recoverable costs for the six sites we reviewed. CERCLA authorizes EPA to recover from PRPs all costs of response activities. EPA collected all costs in only one of the six sites

reviewed. This occurred because the Agency did not always identify and attempt to collect interest and Department of Justice (DOJ) costs. In four of six cases reviewed, the Region did not recover accrued interest of at least \$336,878. For one site, interest was not calculated at all. The Region did not seek recovery of more than \$65,000 DOJ spent on EPA's behalf. In four of the six cases reviewed, DOJ costs were not reimbursed. In two of the six cases, perceived excessive contractor costs or poor performance limited the Region's ability to recoup expenditures.

2. Poor Documentation of Negotiation Activities

Region 2 did not adequately document pertinent negotiation activities. In four of the six cases reviewed, EPA had inadequately documented negotiation activities after issuance of the demand letter, particularly events involving offers and counteroffers. There was little evidence of negotiation meetings with PRPs or interagency meetings conducted by Agency officials. In addition, we found little documentation justifying EPA's negotiation strategy for settlements. For example, in one case where EPA only recovered \$500,000 of the \$1,800,000 claimed cost, the case attorney stated that she did not see any reason for documenting every negotiation step or EPA's bottom-line strategy since she knew and remembered all that transpired. However, without adequate documentation management cannot be sure that the Agency recovers the maximum possible prior costs.

Recommendations

We recommended that EPA Region 2 require:

- Inclusion of all costs (i.e., interest and DOJ) in cost recovery settlements or adequate justification for not including them.
- Close monitoring of contractor performance during site cleanup so that poor contractor performance will not be a bargaining issue.
- Adequate documentation of (1) reasonable bottom-line strategies before beginning negotiations; (2) key decisions and significant events occurring during negotiations; and (3) the post-settlement analysis with a comparison of the settlement outcome to bottom-line positions, including the reasons for any deviations.

Agency Response

In response to the report Region 2 stated it:

- Reminded DOJ of the need to quantify its past costs.
- Would prepare 10-point settlement analyses explaining the basis for any compromises of past costs and require concurrence of Regional management.

REGION 2'S POTENTIALLY RESPONSIBLE PARTY SEARCH PROGRAM

Scope and Objectives

We performed an audit of Region 2's PRP search program. Our audit objectives were to determine whether the Region was:

- a. Timely and adequately conducting PRP searches; and
- b. Effectively identifying all PRPs.

We conducted our review from August 8, 1990 to May 31, 1991 and focused on PRP searches performed on sites proposed for the NPL between October 1, 1987 and September 30, 1990. We judgmentally selected 9 cases from 22 sites, excluding Federal facilities, chosen from CERCLIS. We selected these nine cases because the PRP searches were conducted and substantially completed between fiscal 1988 and fiscal 1990.

Findings

1. Inadequate Management of TES Conducted Searches

Region 2 inadequately managed some baseline PRP searches conducted by a technical enforcement support (TES) contractor. The contractor consistently submitted deliverables (i.e., baseline reports) late, EPA extended deadlines, searches required additional Federal funds for completion, EPA eliminated or reduced certain required tasks, and the contractor stopped work for long periods until amendments extended the period of performance. All of the TES contractor searches reviewed exceeded their original level of effort (LOE) for either hours or dollars. The LOE for hours increased from 21 to 223 percent while the LOE for dollars increased from 19 to 153 percent. These conditions were due to inadequate preparation of a PRP search plan, lack of effective procedures for managing completion of searches, other remedial project manager (RPM) priorities, and unorganized search files. As a result, PRP searches were not effectively and timely completed.

2. Region 2 Not Meeting Search Timeliness Requirements

PRP searches were not always completed on time. Six of nine searches reviewed were not completed at least 90 days before the projected obligation of Federal funds for a remedial investigation/feasibility study (RI/FS). These searches were completed two to 20 months late. Also, none of the seven TES draft and final baseline search reports reviewed were completed when required. Five of the seven draft reports were completed between 5 and 13 months after the date specified in the work plan. This occurred because of poor planning and inadequate regional oversight. As a result, EPA may have used more than \$6 million in Superfund monies on cleanups instead of PRP funding on eight of the nine sites with no assurance of later cost recovery.

3. Reports Not Prepared on In-house Searches

Region 2 did not prepare PRP search reports for searches conducted by Region 2 staff. The Region did not document either of the two regional searches reviewed with the required report. RPMs told us they were not aware that in-house search results had to be summarized in a written report. Also, the Region had not developed or implemented adequate regional guidance, gave in-house search reports a low priority, did not provide timely training, and had limited resources. As a result, EPA lacked assurance that adequate and timely searches were performed and required tasks were sufficiently completed to gather site information, establish PRP liability, and enhance cost recovery actions. The lack of a formal search report also increases the potential for a new RPM duplicating prior work. This is especially true in Region 2 because of its high RPM turnover.

4. Underutilization of PRP Tracking System

The Region did not effectively use its Superfund Litigation System, an electronic tracking system intended to track and monitor PRP identification efforts. Regional search staff were not always adequately monitoring or fully aware of the status of searches in progress. Five sites had incomplete information inputs and the other four were not even in the System. This occurred because the Region had not fully implemented the System or developed procedures for its use. In addition, the Region did not encourage employees to use the System, or make sure they were aware that an electronic tracking system was available. As a result, the Region was not properly monitoring the status of search activities and could not be sure it adequately identified all PRPs involved in Superfund site activity.

5. PRP Financial Status and Assessment Not Adequately Performed

The Region did not fully comply with EPA search requirements for obtaining and assessing needed financial information. EPA uses this information to determine a company's or individual's ability to pay for response actions and to facilitate enforcement actions. All nine cases reviewed lacked documentation to show that the Region made adequate financial viability determinations for all identified PRPs. This condition occurred because some regional officials were unaware or chose not to use the financial assessment capabilities of EPA's National Enforcement Investigations Center (NEIC) despite EPA guidance to the contrary. Some Superfund officials told us they believed NEIC could only provide Dun and Bradstreet reports, while others believed ability to pay determinations could be deferred to the remedial design/remedial action negotiation stage. The Region sometimes pursued "deep pocket" PRPs to the exclusion of less viable ones. As a result, some searches were incomplete, and may have to be expanded. EPA also could be losing an opportunity to get identified PRPs to fund cleanup activity. In addition, using NEIC resources could lower the cost of searches by eliminating duplication of PRPs involved at multiple sites.

6. Actions to Identify PRPs Need Improvement

Region 2 needs to more effectively follow up on search report recommendations to identify additional PRPs. For one site where no viable PRPs were found, the Region did not implement a search report recommendation to research whether a party associated with the site was a PRP. On another site, where PRPs had not agreed to perform the RI/FS, the Region did not timely send 104(e) letters to obtain information on other PRPs. These conditions occurred because regional search teams did not adequately coordinate their efforts and management did not follow policies and procedures to ensure adequate review of search results. As a result, the Region could not be sure it had tried to identify all PRPs and given them an opportunity to perform or pay for the site cleanup.

Recommendations

We recommended that the EPA Region 2:

- Fully implement Headquarters guidance and procedures for planning, coordinating, tracking, monitoring and completing search activities timely and effectively; and provide supplemental regional procedures for regional search teams as needed.
- Evaluate current PRP search contract management to ensure adequate funding of work assignments and the allowance of sufficient time to complete remedial PRP searches within periods of performance.
- Make sure that PRP baseline searches are sufficiently completed 90 days before obligation of RI/FS funds. The Region should provide written justification for any commitment of Superfund monies before completing the baseline search.
- Complete ongoing effort to provide a systematic approach for maintaining search files.
- Require standardized PRP search documentation for in-house searches.
- Complete and document the determination and assessment of PRPs' financial status and use NEIC capabilities.
- Curtail use of "deep pocket" approach unless adequately justified in limited instances.
- Effectively use tracking system to monitor efforts to identify PRPs.
- Timely follow up on search report recommendations or provide adequate justification for not pursuing further actions.

Agency Response

In response to our draft report, EPA Region 2 indicated it:

- Implemented the Headquarters June 1989 guidance and is developing supplemental regional procedures.
- Formed a PRP Search Total Quality Management work group to evaluate current contract management practices.
- Provides written justification to Headquarters concerning the PRP search status and the commitment of Trust Fund monies.
- Established a PRP search file room to maintain organized site and administrative record files.
- Would develop a standardized memo to document in-house PRP searches.
- Uses NEIC to obtain Dun & Bradstreet reports, access the Superfund Financial Assessment System and search other data bases.
- Now reviewed all baseline search reports to determine the need for follow-up work.

In response to our final report, EPA Region 2 further indicated it was developing and refining a newly expanded tracking system called the Superfund Enforcement Support System.

REGION 7'S POTENTIALLY RESPONSIBLE PARTY SEARCH PROGRAM

Scope and Objectives

We performed an audit of Region 7's PRP search program. Our audit objectives were to determine whether Region 7:

- a. Conducted PRP searches timely and adequately;
- b. Provided sufficient resources to conduct PRP searches;
- c. Took appropriate actions to identify all PRPs; and
- d. Implemented sufficient internal controls for the PRP search process.

We performed our audit from February 1991 through September 1991. We judgmentally selected 9 of 131 sites from CERCLIS. We selected 5 NPL sites and 4 non-NPL sites having 20 completed searches. Our selection focused on sites with multiple, high cost search efforts substantially completed between fiscal 1986 and fiscal 1991.

Findings

1. Region 7 Should Complete and Document Search Results Timely

Region 7 did not complete searches timely and adequately document PRP search task results for nine Superfund sites. The RPMs did not require contractors either to document their search results or to perform all search tasks. RPMs also delayed starting baseline and follow-up searches, did not use the best type of contract to obtain complete search results, did not require contractors to use personnel skilled in search techniques, and did not effectively coordinate search plans. Consequently, the Region continued to incur additional PRP search costs for the same sites year after year and to lack timely information for clear identification of PRPs. For five of nine sites, the RPMs increased the contractors' LOEs by 9,358 hours at a cost of \$428,146, about a 220 percent increase, to perform search task efforts that should have been completed more timely.

2. The Superfund Branch Needed Better PRP Search Internal Controls

The Superfund Branch did not have adequate internal controls for its PRP searches. The Branch had not adequately evaluated its internal controls in accordance with Office of Management and Budget Circular A-123. The Region had not properly emphasized the internal control program. It had not required the Branch to establish proper internal control objectives and techniques and perform annual internal control reviews. The Region also had not provided sufficient training in identifying and evaluating internal controls. As a result, the Superfund Branch did not identify PRP search control weaknesses, and the Regional Administrator did not report PRP search weaknesses or improvements needed in the internal controls. Because the Branch did not identify the control weaknesses, it did not improve documentation, completeness and timeliness of searches, and incurred additional search costs.

Recommendations

We recommended that EPA Region 7:

- Establish procedures to make sure baseline searches and follow-up searches start timely.
- Require RPMs to justify increasing contract LOEs, costs and performance periods, and contracting for follow-up searches.
- Establish procedures to make sure search contractors perform baseline tasks and RPMs maintain search documentation, including rationale for not performing all baseline tasks.
- Require RPMs to request civil investigators and attorneys evaluate the adequacy of prior searches to determine need for another search, and future searches to determine their sufficiency.

- Establish controls to ensure that the PRP search information in the CERCLIS is accurate and updated timely.
- Require RPMs to send information request letters to PRPs as early as practical in the search process.
- Require TES contractors to use skilled investigators to perform investigative PRP search tasks.
- Take appropriate administrative actions when unsatisfactory contractor performance occurs.
- Phase out use of TES contracts for PRP searches and use firm-fixed-price contracts instead.
- Identify RPM functions that should be performed by investigators and/or contracting personnel and use them to perform those functions.
- Test internal controls for PRP searches, document the review and report weak internal controls.
- Develop internal control objectives for PRP search tasks and control techniques for each objective.
- Emphasize the importance of the internal control program and train managers and employees in their responsibilities in this area.

Agency Response

In response to our draft report, Region 7 indicated it would:

- Reevaluate the statements of work for further improvements in search timeliness, LOE estimates and quality of the investigations.
- Develop an internal control technique to monitor timely search initiation.
- Document in site files justifications for delays in starting searches.
- Work with Headquarters to make sure the Region receives contract documents for closed contracts.
- Assemble a team comprised of a civil investigator, attorney and RPM for each search.
- Use the PRP Search Work Assignment Close Out Request form to document baseline search tasks not required, search team agreement that search criteria were met, and the need for a follow-up search.

- Correct CERCLIS data discrepancies in search start and completion dates.
- Pursue PRPs using 104(e) letters early in the search process and assign responsibilities for sending the letters to search team members.
- Modify contract documents to more accurately reflect the appropriate skill mix (including investigators) needed to conduct searches and require the contractor to comply with this skill mix.
- Continue to explore the use of 8(a) contractors to conduct PRP searches.
- Have the Regional Project Officer lead the search team on contractor performance matters.
- Consider increasing the number of civil investigators.
- Continue to train RPMs on both the PRP search process and financial evaluations.
- Review PRP search internal controls after strengthening them.
- Develop internal control objectives and techniques for the appropriate categories of PRP search tasks.
- Expand the management control plan and schedule internal control reviews and/or alternate internal control reviews for high risk areas as needed.
- Emphasize the importance of the internal control program to managers and supervisors, identify internal control training options, and schedule training during fiscal 1993.

SAMPLE MANAGEMENT OFFICE

Scope and Objectives

We performed an audit of EPA's Sample Management Office (SMO), which has primary responsibility for scheduling and documenting the samples sent by EPA regions for analysis under the Contract Laboratory Program (CLP). Our audit objective was to determine whether the SMO was efficiently operated and effectively monitored by EPA.

We performed the review at EPA Headquarters, the SMO contractor's office, Region 3 and EPA's facility at Research Triangle Park, North Carolina. We conducted our field work between November 19, 1990 and March 27, 1992.

Findings

1. Samples Not Analyzed By the Best Available Laboratory

EPA used laboratories with poor Contract Compliance Screening (CCS) performance histories while laboratories with superior CCS performance histories were not fully used. This was because of EPA's ineffective administration and SMO scheduling procedures. As a result, samples were not always analyzed by the best laboratories available to the Agency.

2. SMO Contract Proved Detrimental

The procedures used to obtain the services of the contractor operating the SMO were detrimental to EPA. The lack of competition allowed the same contractor to operate the SMO for more than a decade, increasing EPA's vulnerability to contractor operations and elevating EPA's susceptibility to cost inefficiencies and conflict of interest situations.

-3. Confusion Over Roles

Both EPA Headquarters and the SMO contractor exceeded their authority on occasion. For expediency, the Agency at times improperly influenced the contractor to assign tasks to specific contractor employees. The contractor made some decisions that were inherently EPA's to make, and lent itself the appearance of being a Government entity.

4. Laboratory Contracts Not Closed

Because EPA failed to close CLP contracts, we estimated that nearly \$20 million remained obligated unnecessarily. Laboratories owed EPA refunds of about \$350,000, and did not refund another \$250,000 timely. Some of these funds were unavailable to the Government for up to six years. Several responsible EPA personnel told us that this occurred because EPA considered closing contracts a low priority. It is essential that EPA close contracts timely because the deobligated amounts and refunds can be used to fulfill other CLP or Superfund requirements.

5. Unnecessary Incentives Paid to Laboratories

EPA received minimal benefit from almost \$400,000 of incentives paid to laboratories for providing sample analysis results earlier than contractually required. Often EPA paid incentives for results received only one day early.

6. SAS Procurements Required Improvement

The SMO contractor did not always procure Special Analytical Services (SAS) in accordance with contractual requirements. During fiscal 1991, the SMO awarded 1,500 SAS subcontracts valued at \$23 million. Our review of SAS subcontract awards showed that (a) the SMO made procurements without price reasonableness determinations, (b) documentation of reasons for

cancellation of procurements was lacking, and (c) administrative costs could be decreased if the SMO consolidated smaller procurements.

Recommendations

We recommended that EPA:

- **Consider CCS performance along with other criteria in selecting laboratories to analyze samples.**
- **Study why contract modifications to increase the minimum number of samples specified in the contracts are not completed timely; and take appropriate action to eliminate delays.**
- **Make sure that laboratories on PO hold or cure notice do not receive samples.**
- **Intensify efforts to increase competition during the next SMO solicitation, including splitting current requirements into more than one contract.**
- **Stop assigning inherently governmental functions to the SMO contractor, and assigning tasks to specific contractor employees.**
- **Instruct the SMO contractor to change its stationery and lobby directory to eliminate any inference that it is an EPA component.**
- **Make sure that contracts are closed in accordance with the Federal Acquisition Regulations (FAR). This should include deobligating funds and obtaining refunds timely.**
- **Eliminate incentive clauses from future CLP contracts.**
- **Make sure that the CLP contractor:**
 - **Performs price reasonableness determinations before awarding each SAS procurement, and documents the basis for the determinations.**
 - **Documents the reasons for cancellations of procurements. These reasons should be reviewed periodically and action taken to reduce the number of cancellations, if practical.**
 - **Takes all reasonable efforts to combine smaller SAS procurements.**
 - **Merges procurement files into one file.**

Agency Response

In response to our draft report, EPA stated:

- It would consider technical portions of CCS performance along with other factors to compare laboratory performance and determine which laboratories should be asked to analyze additional samples.
- It was studying the most effective contract configuration to meet future analytical services needs while ensuring an adequate competitive environment.
- The directory in the contractor's lobby was changed to eliminate the reference to EPA.
- It had instructed the contractor to cease using stationery referencing the EPA, CLP or SMO, and to identify itself by its company name in any dealings with the public.
- It was enforcing instructions from the Project Officer to Agency staff regarding the inappropriateness of situations cited.
- It had informed the contractor through letters and discussions of its responsibilities to avoid inherently governmental activities, including training new staff in these principles.
- It would assure that EPA does not assign tasks to specific contractor employees by strict compliance with its tasking/approval process.
- The SMO established a separate section to deal primarily with closeouts.
- It would perform a process review of the SMO section dealing with closeouts.
- It would not incorporate positive incentives into future CLP Invitation for Bid contracts.
- It would direct the SMO to document the reasons for cancellations of procurements, and produce a quarterly report by region for one year summarizing the cancellations and the reasons for them.
- It would take all reasonable efforts to combine small SAS procurement requests.
- It would continue its efforts to merge procurement files into one file.

In response to our final report, EPA further stated it:

- Would conduct a study to identify problems within the contract funding system, and implement appropriate procedures to eliminate the delays in completing contract modifications.
- Would develop and implement appropriate procedures to make sure contractors on hold do not receive samples.
- Would actively pursue alternatives to its current contract mechanisms and would foster an appropriate competitive environment.
- Would evaluate the effectiveness of controls in place to prevent assigning of tasks to the SMO contractor that are inherently governmental functions and the assignment of tasks to specific contractor employees, and implement modified procedures if needed.
- Would review for adequacy and timeliness the price reasonableness documentation by the SMO contractor where the FAR requires such documentation, and remind the SMO contractor of its responsibilities in this area.

**ENVIRONMENTAL MONITORING SYSTEMS LABORATORY (EMSL)-LAS
VEGAS CONTRACT LABORATORY PROGRAM (CLP) QUALITY
ASSURANCE/QUALITY CONTROL (QA/QC) PROGRAM**

Scope and Objectives

We performed an audit of EMSL's CLP QA/QC program to determine whether it was effective in ensuring that data analyses received in support of the Superfund program are of high quality and whether the Agency was taking effective corrective action when instances of poor or unacceptable laboratory performance were disclosed. Our specific audit objectives were to determine whether:

- a. EMSL's QA/QC controls were adequate to evaluate laboratory performance and whether these controls were being effectively implemented;
- b. EMSL was reporting all CLP laboratory deficiencies timely and accurately; and
- c. EPA timely initiated appropriate follow-up actions against poor performing CLP contractors resulting in corrective actions.

Our review included QA/QC audits performed and reported by EMSL during fiscal years 1988 through 1990. Our review focused on the EMSL controls and effectiveness of audits done on laboratories conducting routine analytical services (RAS) work for organic and inorganic analyses. We judgmentally selected 16 organic laboratories (4 of which also conducted inorganic analyses) to evaluate the effectiveness of EMSL's program to identify and report

performance problems to appropriate program officials. These laboratories represented about 16 percent of the contract laboratories through most of the audited period. We selected a cross section of laboratories with large and small value contracts whose QA/QC results showed poor performance. We conducted our audit field work between March 1990 and April 1991.

Findings

1. EMSL's QA/QC Audit Coverage Needed Increased Attention

While EMSL had made significant improvements in its QA/QC audit coverage, it did not conduct enough gas chromatography/mass spectrometry (GC/MS) tape audits, data audits, on-site audits or remedial performance evaluation audits to achieve its CLP audit frequency goals. Except for the routine quarterly blinds, EMSL did not achieve its established QA/QC audit frequency goals. Frequent and timely QA/QC audits help identify performance deficiencies so that timely follow-up action can be initiated. An effective QA/QC program improves assurance that laboratories are producing data of known and acceptable quality. EMSL staff identified funding and limited availability of trained personnel as reasons for not conducting the targeted number of QA/QC audits. EMSL also needed to increase its audit management planning, controls and oversight.

2. Tracking Procedures and System for QA/QC Audit Results Needed

EMSL had not established effective tracking procedures and systems for evaluating QA/QC historical audit performance by laboratory. This diminished EMSL's ability to monitor individual laboratory QA/QC performance trends to identify poor performing laboratories. As a result, additional QA/QC audits and needed administrative or contractual actions against laboratories were significantly delayed or not taken. This condition was first reported to EMSL management in 1983, but remained uncorrected through fiscal 1991. EMSL began developing a system, but it did not project full implementation until early fiscal 1995. Timely development of an integrated tracking system would greatly help to improve the overall quality of CLP analytical data.

3. EMSL's Reporting Systems Needed Improvement

We found a number of weaknesses in EMSL's reporting of laboratory contract noncompliance and operating deficiencies. Because of these weaknesses, contract compliance deficiencies were not always reported, nor were laboratories with recurring deficiencies highlighted. EMSL also does not have adequate systems for rating the overall performance of laboratories. Consequently, the National Program Office (NPO) was unable to take timely and appropriate actions against contractors. We attributed this condition to a need for increased management oversight over reporting of CLP QA/QC results, and NPO encouragement to work with CLP contractors rather than holding them responsible for contract performance. Incomplete reporting systems provide opportunities for poor performing laboratories to continue non-compliant activities and make it difficult for program managers to monitor and take

appropriate actions. Improvements in EMSL's reporting systems could significantly help the Agency administer CLP contracts. This in turn would lead to increased assurance that the Superfund program is producing analytical data of known and acceptable quality.

Recommendations

We recommended that EPA:

- **Initiate controls to make sure all laboratories receive at least one GC/MS tape audit a year.**
- **Establish clear goals for performance of QA/QC audits on each laboratory, including an emphasis on timely audits of poor performing laboratories.**
- **Update the EMSL CLP Quality Assurance Program Plan (QAPP) and associated Quality Assurance Project Plans (QAPjPs) to reflect revised procedures and controls, and prepare a QAPjP for the GC/MS tape auditing program.**
- **Establish procedures to make sure it:**
 - **Gives poor performing laboratories increased QA/QC audit emphasis following identified periods of poor performance;**
 - **Timely processes remedial performance evaluations on laboratories that fail quarterly blinds;**
 - **Sends first quarter quarterly blinds to all new contract laboratories for analysis; and**
 - **Identifies poor performing laboratories to procurement officials before award of any new CLP contracts.**
- **Immediately pursue additional funding for the Laboratory Performance Database (LPD) system to minimize delays in its completion and implementation.**
- **Develop interim procedures to compile laboratory QA/QC histories identifying QA/QC audit coverage deficiencies so that resources can be directed at those laboratories with significant gaps in coverage.**
- **Initiate a design review of the LPD system to determine whether the current system is sufficient to provide comprehensive historical performance data by laboratory needed by EMSL to fulfill its QA/QC responsibilities.**
- **Coordinate LPD development with the NPO to prevent the possible duplication of like data base systems.**

- Develop procedures for the identification and reporting of laboratory non-compliance with contract deliverables to the NPO, Technical Project Officers (TPOs) and the Contracting Officer.
- Establish procedures and controls to ensure timely reporting of repeat problems in audits to the NPO and TPOs.
- Establish procedures and controls for use of consistent and accurate rating systems for on-site, data and GC/MS tape audits.

Agency Response

In response to our draft report, EPA stated:

- EMSL-Las Vegas would work with the NPO to develop a mutually supported process for targeting QA/QC audits.
- EMSL-Las Vegas would work with the NPO to establish necessary controls and assure that appropriate resources are available to perform at least one GC/MS tape audit at each laboratory per year.
- EMSL-Las Vegas would work with the NPO to clearly identify program needs for audits and develop alternative mechanisms to handle unscheduled support requiring program resources.
- EMSL-Las Vegas would work with the NPO to develop procedures and controls for use of consistent and accurate rating systems for on-site, data and GC/MS tape audits.

In response to our final report, EPA further stated:

- EMSL-Las Vegas had initiated written agreements with the NPO to document audit goals for each fiscal year, and EMSL-Las Vegas will provide quarterly reports documenting progress toward these goals.
- Historical data tape deficiencies and incidences of laboratory non-compliance with contract deliverable requirements would be reported with the data tape audit reports submitted to the TPOs.
- Ten percent of the CLP organic laboratories with the lowest performance through the previous quarter would receive increased audit attention.
- It documented the tape audit program in a standard operating procedure.
- It would rank CLP organic laboratories quarterly by performance based on quarterly blind and audit defects. This ranking would be one criterion used to select laboratories for audit each quarter.

- It was sending quarterly blinds to all laboratories contractually capable of receiving samples from the Sample Management Office.
- It would provide a summary report to the contracting officer on the historical performance of all laboratories before award of new contracts.
- It would provide additional funding to bring the LPD into conformance with life cycle management requirements.
- It would generate quarterly historical laboratory performance reports to track QA/QC performance for fiscal 1993.
- External reviewers conducted an LPD peer review.
- It made revisions to contract work plans and planning documents to reflect revised technical procedures and controls.

REGION 9'S ADMINISTRATION OF THE STRINGFELLOW COOPERATIVE AGREEMENT

Scope and Objectives

We performed an audit of EPA Region 9's administration of its cooperative agreement with the California Department of Health Services (DHS) for the Stringfellow Superfund site. Our primary audit objectives were to determine whether:

- a. Management procedures were adequate to assure that remediation of the Stringfellow site health hazard was being addressed in the shortest possible time;
- b. The construction and initiation of operations of the Stringfellow interim source control pretreatment facility was accomplished efficiently and effectively; and
- c. The Region and DHS had adequately defined their roles and responsibilities to assure attainment of the Stringfellow cooperative agreement objectives.

Our review covered management procedures in effect through May 31, 1991. We conducted our field work at EPA Region 9 in San Francisco, DHS in Sacramento, the Santa Ana Water Project Authority (SAWPA) in Riverside, and the Stringfellow site in Glen Avon, all in California.

Findings

1. Laboratory Analyses of Ground Water Samples Were Defective

The laboratory analyzing ground water samples under the cooperative agreement falsified its records over a 62-month period. Laboratory employees backdated documents to indicate they performed analyses during the 14-day maximum holding time. The contractor advised DHS it had exceeded the 14-day limit on about 44 percent of the samples taken at the site during a 25-month period. In addition, the contractor may not have properly calibrated laboratory equipment used to analyze the samples. These problems resulted in DHS claiming, and EPA paying, more than \$1.2 million for questionable laboratory costs. DHS concluded that the laboratory problems did not affect its decision on the reliability of the Stringfellow RI/FS, but we found documentation for this conclusion lacking. Since EPA funded 90 percent of the cooperative agreement costs, it was important that the Region make sure the cooperative agreement funded only acceptable contract work. In view of the Region's ultimate responsibility for the acceptability of remedial actions at the site, it was important that the Region and DHS work together for the satisfactory resolution of the impact of the laboratory problems.

2. The RI/FS Process Was Not Well Managed

The Region and DHS did not manage the Stringfellow RI/FS process well. This contributed to the extension of the estimated completion date by more than six years, and an estimated cost increase of more than 700 percent from about \$1.6 million to at least \$11.2 million. The delays have also prolonged the long-term environmental risks posed by the site. The Region's involvement in the RI/FS process was minimal, although a cooperative agreement contemplates substantial Federal involvement. We found little indication that the Region took an active role in the project, although it was aware that DHS was experiencing significant difficulties with the RI/FS subcontractor and cooperative agreement management. The subcontractor generally did not complete work products in a timely or acceptable manner. DHS required the subcontractor to resubmit some work plans and reports several times before approving them, and DHS did not always complete its reviews of the work plans expeditiously. Public comments indicated that the draft feasibility study (FS) did not include an important alternative in its list of recommended alternatives. This contributed to delays in completing the final FS.

3. Construction and Start Up of Pretreatment Plant Was Not Adequately Managed

Management problems directly contributed to delays in completing and starting operation of a pretreatment plant at the site, and a \$3.5 million increase in design and construction costs. The increase in design and construction costs was primarily due to a design change that more than doubled the capacity of the plant. The increased capacity appeared to exceed requirements. Also, immediately before starting plant operations, DHS advised the Region it would not operate the plant. This contributed to a 7-month delay in starting plant

operations. It also necessitated continued hauling of extracted ground water for off-site disposal, prolonging environmental risks to the public. DHS caused other difficulties by giving responsibility for design and construction to a local agency, SAWPA. SAWPA refused to turn over the constructed plant for start up or to provide a permit for disposal of the plant's effluent until the Region provided funds to indemnify SAWPA against possible liability for receiving the effluent into a sewer interceptor it manages. The Region's agreement to such a fund raised precedent-setting policy and cost questions that needed to be addressed. The Region also agreed to pay SAWPA a monthly fixed rate for accepting the effluent without reviewing the reasonableness of the rate.

4. Lead Role Responsibilities Under the Cooperative Agreement Needed to Be Reassessed

The division of responsibilities between the Region and DHS needed to be reassessed to assure successful completion of the site remediation process. The U.S. District Court designated the State as a potentially responsible party (PRP) for the site in June 1989. At the end of our field work, the Region had not decided whether to change DHS lead role responsibilities. DHS retention of a lead role could give the appearance of a conflict of interest. We also found that the responsibilities and commitments established for DHS project oversight in the 1986 Stringfellow Action Plan needed to be updated to reflect current requirements. DHS was not meeting staffing commitments established in the Plan.

Recommendations

We recommended that EPA Region 9:

- Document the basis for conclusions that the sample holding time violations did not adversely affect the reliability of the Stringfellow RI/FS conclusions.
- Advise DHS that laboratory equipment used to analyze Stringfellow ground water samples requires calibration, and consider the impact of the lack of calibration on the reliability of the RI/FS conclusions.
- Determine the allowability of laboratory analysis costs claimed and paid under the cooperative agreement.
- Increase its involvement in the Stringfellow cooperative agreement process, including more emphasis on reviewing and evaluating whether DHS is meeting time and cost schedules.
- Assess why the final FS report cannot be issued, and expedite its completion.
- If DHS uses another subcontractor to assist in completion of the RI/FS, make sure that DHS and the subcontractor follow good procurement practices and subcontract terms.

- Reassess the Region's role in the cooperative agreement to make sure it actively involves itself in the project.
- Review the circumstances surrounding the oversizing of the pretreatment plant, and determine whether additional costs associated with the oversizing should be funded under the cooperative agreement.
- Advise DHS that it will recover additional costs to obtain "as-built" drawings for the pretreatment facility as duplicate costs.
- Review the reasonableness of the monthly fixed rate for disposal of the pretreatment plant effluent, and make appropriate adjustments.
- Determine whether DHS should continue its lead role responsibility for the site in view of the court ruling naming the State as a PRP.
- Review and update DHS requirements and responsibilities included in the Stringfellow Action Plan.

Agency Response

This audit had not been resolved as of August 30, 1993.

CERCLIS REPORTING AND POST-IMPLEMENTATION FOLLOW-UP

Scope and Objectives

We performed a follow-up review of corrective actions taken in response to two prior OIG reviews on Comprehensive Environmental Response, Compensation, and Liability Information System (CERCLIS) reporting and post-implementation. The objective of our follow-up review was to verify the implementation of agreed-upon actions in response to those reviews.

We conducted our fieldwork from November 1991 to January 1992 at Headquarters, Region 2, Region 3 and a support contractor's office. We analyzed eight fiscal 1991 CERCLIS reports for data quality and six fiscal 1991 CERCLIS reports for program documentation quality. Because this review found material weaknesses related to CERCLIS reporting, we also reviewed the Federal Managers' Financial Integrity Act (FMFIA) evaluation process within the Office of Solid Waste and Emergency Response (OSWER) to determine why it did not identify these weaknesses.

Findings

1. FINC-4 Reporting Deficiencies Documented the Need to Reinstate the Download of Official Agency Financial Data to CERCLIS

CERCLIS reporting and documentation problems continued to be pervasive, despite the implementation of some of our prior recommendations. Findings 2 and 3 discuss the breadth of these problems throughout CERCLIS. However,

FINC-4, the Remedial/Removal Site Specific Funding Report, exemplified them both. The FINC-4 had more severe problems than other reports we analyzed. We found more than \$1.3 billion of financial data errors, as well as missing outlay data and audit trail information. Further, the FINC-4 errors also may be in official Agency accounting records contained in the Integrated Financial Management System (IFMS). Reporting errors and omissions came from various sources. Erroneous data may have been downloaded from the Financial Management System (FMS), the Agency's official accounting system until 1989, and never reconciled. Also, FINC-4 programs did not include essential reasonableness, completeness, and edit checks to preclude errors. Further, data quality reviews were virtually non-existent.

Inaccurate reporting causes users to lose confidence in system reliability, provides a poor basis for managerial decision-making, and may cause resources to be wasted. Poor documentation makes it difficult for programmers to learn how a program works and make needed changes, may result in costly program rewrites, and causes both programmers and users to distrust the system.

2. Quality of CERCLIS Reporting Still Needed Improvement

While our review of seven CERCLIS reports showed that some reporting inconsistencies found in the original audit were resolved, many reporting inaccuracies remained. For example, we identified financial data errors of about \$91 million in one CERCLIS report. Errors had accumulated over a long time because data quality reviews were ineffective. Further, CERCLIS programs did not contain essential reasonableness, completeness and edit checks.

3. CERCLIS Program Documentation Still Needed Significant Improvement

While some changes had been made since the original review, CERCLIS program documentation still required significant improvement. In all five CERCLIS reports we reviewed, we found many discrepancies and inconsistencies among the CERCLIS Reports Library write-ups, the Superfund Comprehensive Accomplishments Plan Reports Library write-ups, and the source code. Consequently, programmers may have difficulty learning how a program works and making needed changes. Significant documentation deficiencies may even result in complete and costly program rewrites. Also, discrepancies between documentation and outputs cause both programmers and users to distrust a system. These deficiencies were due primarily to CERCLIS management not making sure that contractors responsible for report development provided and maintained suitable documentation.

4. Superfund Program Management Required More Flexibility than Available with CERCLIS

The production and maintenance of CERCLIS reports was costly and inefficient. Because of the dynamic reporting requirements of the Superfund program, CERCLIS reports changed frequently. However, instead of using the CERCLIS ad-hoc reporting capability, new CERCLIS report programs were created using customized programs. These conditions led to reporting and

documentation errors and inconsistencies, difficulty in monitoring change control processes effectively, redundancy of documentation, and development of duplicate systems. These problems occurred primarily because of CERCLIS design deficiencies.

5. OSWER's FMFIA Process Did Not Sufficiently Address the Risks Associated with CERCLIS

FMFIA requires a periodic evaluation by each executive agency of its system of internal accounting and administrative controls and submission of an annual statement of assurance to the President and the Congress on its internal control systems. The reporting and system design deficiencies we identified were material weaknesses meeting EPA's materiality criteria for FMFIA reporting. However, OSWER's FMFIA process did not identify these weaknesses, and none of its planned internal control reviews (ICRs) or alternate internal control reviews (AICRs) would address them.

Recommendations

We recommended that EPA:

- Require IFMS, Financial Management Division and CERCLIS officials to work together to establish accuracy in IFMS CERCLIS-related data.
- Discontinue FINC-4 reporting and replace it with IFMS reporting once it establishes IFMS reporting accuracy.
- Correct the specific deficiencies identified in the report.
- Include essential reasonableness, completeness and edit checks in programs.
- Develop error reports to capture inaccurate/incomplete CERCLIS transactions separately for each report in production.
- Develop written procedures and controls for report programming documentation.
- Assess whether CERCLIS can be altered to provide more flexibility for information retrieval.
- Establish a FMFIA event cycle specific to CERCLIS reporting and system design and include the appropriate control objectives and techniques.
- Update the appropriate FMFIA risk assessment to more adequately reflect the high risks associated with CERCLIS.
- Schedule a formal AICR specifically addressing reporting and system design of CERCLIS.

Agency Response

In response to our report, EPA indicated it:

- Had formed a work group on the transfer of data between IFMS and CERCLIS, and planned a test transfer.
- Archived the FINC-4 report until it reconciled the differences between CERCLIS and IFMS.
- Investigated specific report deficiencies identified and would correct them.
- Would begin routine error trapping.
- Would publish new report development edit procedures and evaluate their effectiveness.
- Would assess whether the CERCLIS reporting process can be made more flexible.
- Revised the OSWER event cycle documentation as part of its annual FMFIA process.
- Would conduct a risk assessment of Superfund Headquarters.
- Would consider scheduling an internal study of CERCLIS reporting.

ENVIRONMENTAL TECHNOLOGY AND ENGINEERING FACILITY (E-TEC), EDISON, NEW JERSEY, SPECIAL REVIEW

Scope and Objectives

We performed a special review of concerns raised by local officials and Members of Congress regarding EPA's proposed E-TEC. The primary concern was whether EPA violated provisions in the fiscal 1991 and 1992 appropriations bills. The 1991 bill severely limited use of money appropriated in earlier fiscal years for E-TEC. The 1992 bill eliminated any remaining use of the funds except for investigating an alternate site for the facility.

This was a special review and not an audit following the Government Auditing Standards (1988 revision) issued by the Comptroller General of the United States. Since we found no conditions requiring corrective actions, we made no recommendations and closed the report upon issuance.

Conclusions

EPA spent none of the \$6.1 million appropriated by Congress for E-TEC on E-TEC after the congressional prohibition. EPA had not begun to implement E-TEC. Activities EPA conducted in a building planned for inclusion in the E-TEC

were fundamentally different from the type and extent of research and demonstration activities envisioned for E-TEC. EPA brought only small samples (treatability test quantities) of hazardous waste into the building. The existence of a nearby toxic pond containing U.S. Army wastes did not affect the presentation of issues in the draft and final environmental impact statements on E-TEC.

UNANNOUNCED SITE REVIEW OF SOBEL BROTHERS REMOVAL

Scope and Objectives

We performed an unannounced site review at the Sobel Brothers Superfund removal site in Perth Amboy, New Jersey. Our review objectives were to determine the adequacy of the On-Scene Coordinator's (OSC):

- a. Compliance with removal directives and guidance; and
- b. Controls in monitoring the cleanup work and on-site spending.

We conducted our limited review at EPA Region 2's Response and Prevention Branch offices in Edison, New Jersey. We judgmentally sampled contractor cost reports submitted from January 16, 1991 to June 30, 1991. We also reviewed all site entry/exit, OSC and Technical Assistance Team (TAT) logs prepared when we started our review. Our sample was not a statistically valid sample and therefore our findings cannot be projected. However, we believe it was adequate to show some deficiencies. We conducted our limited review from July 22, 1991, to August 8, 1991. We made our unannounced site visit on July 23, 1991.

Finding

Improvements Needed in Monitoring Contractor Activities and Costs

The OSC needed to improve monitoring of contractor activities and costs. We found that (1) entry/exit logs did not reconcile with hours claimed for contractor personnel; (2) the contractor claimed on-site and office work costs during demobilization periods without independent documentation of hours charged; (3) the OSC and TAT personnel sometimes arrived at the site after contractor personnel; (4) the contractor claimed overtime without prior approval; and (5) the OSC did not always issue work orders. The OSC told us she relied on the ERCS contractor to report removal activities properly, especially those performed outside her presence. As a result, the OSC could not accurately verify the ERCS contractor's costs, and the contractor could be claiming unallowable and excessive costs.

Recommendations

We recommended that EPA Region 2 OSCs:

- Maintain daily entry/exit logs and more accurately detail information in the OSC log.
- Make sure an EPA representative arrives at the site before contractor employees.
- Comply with contract requirements requiring approval of overtime.
- Prepare work orders when changes in site work are scheduled.

Agency Response

In response to our final report, EPA Region 2 indicated it:

- Was developing/revising internal procedures for all removal activities, including procedures to collect site data needed for proper cost documentation and to authorize and document overtime.
- Had taken corrective action through the performance evaluation process for the TAT's failure to be on site with the ERCS contractor as ordered.

UNANNOUNCED SITE REVIEW OF INTERNATIONAL DEPOSITORY REMOVAL

Scope and Objectives

We performed an unannounced site review at the International Depository Inc. Superfund removal site in North Kingston, Rhode Island. Our review objectives were to determine the adequacy of the OSC's:

- a. Compliance with removal directives and guidance; and
- b. Controls in monitoring the cleanup work and on-site spending.

We conducted our limited review at the site from August 12, 1991, to August 15, 1991. We judgmentally sampled contractor cost reports, site entry/exit logs, OSC logs and TAT logs for the period June 17, 1991 through August 14, 1991. Our sample was not a statistically valid sample.

Findings

Overall, the OSC was adequately monitoring the cleanup work and on-site spending of the TAT and ERCS contractors, and generally complying with prescribed EPA directives and guidance. However, we noted two weaknesses in the documentation of the site entry/exit log. One employee would

sometimes sign a group of employees in or out. Requiring employees to sign only for themselves would reduce the chance of inappropriate entries. Personnel leaving and re-entering the site did not sign themselves in and out on the entry/exit log as required.

Recommendations

We made no recommendations because the OSC corrected the indicated weaknesses during our review.

Agency Response

During our review, the OSC instructed personnel to sign the entry/exit log only for themselves, and departures and re-entries began to be documented.

INTERAGENCY AGREEMENTS

EPA enters into interagency agreements (IAGs) with several other Federal agencies to perform Superfund tasks. The Offices of Inspector General or other audit organizations of the receiving agencies audit the cost records for these agreements and/or their agency's performance. The EPA OIG also issues these audit reports to EPA with a cover letter, which includes recommendations for EPA action if appropriate. In fiscal 1992, we issued 10 of these reports to EPA management. We summarize the 10 audits below by agency audited. We recommended EPA action on only one of these audits. CERCLA requires other Inspectors General, like EPA's, annually to audit their agency's use of the Superfund and report on that audit to the Congress.

AGENCY FOR TOXIC SUBSTANCES AND DISEASE REGISTRY

The Department of Health and Human Services (HHS) OIG audited the Agency for Toxic Substances and Disease Registry (ATSDR) to determine whether ATSDR had a system to account for costs incurred by specific hazardous waste site and whether such a system could produce accurate and reliable data for EPA cost recovery actions. The ATSDR receives funds through an interagency agreement with EPA to perform health assessments and other activities related to toxic substance contamination. The HHS OIG audit found that ATSDR had not timely met EPA requirements to establish a system to identify costs incurred for health assessments and other work by hazardous waste site. In June 1987, ATSDR informed EPA that it was establishing a system. In January 1989, ATSDR awarded a contract to begin development of the system. In January 1990, ATSDR completed the part of the system related to direct costs. The part of the system related to indirect costs was not yet operational at the time of the audit.

The ATSDR expects that the new cost accounting system, when completed, will identify all its costs incurred at each site. It plans to use the system to identify costs incurred since October 1988. Costs incurred for fiscal years 1987 and 1988 would still not be accounted for by specific site. The HHS OIG estimated that direct costs for these years exceeded \$19 million.

The HHS OIG recommended that ATSDR identify by specific site the costs it incurred for fiscal years 1987 and 1988 and include in its FMFIA reviews an assessment of the operational status and effectiveness of methods used to identify costs by site. ATSDR, the Department of Justice and EPA met on the fiscal 1987 and 1988 costs and determined that reconstruction of the direct and indirect costs for these years would not be an efficient use of Superfund monies, would not necessarily result in additional cost recoveries, and would be difficult to defend in court. ATSDR concurred with the other recommendation.

U.S. ARMY CORPS OF ENGINEERS

The U.S. Army Audit Agency audited the fiscal 1990 Superfund financial transactions of the U.S. Army Corps of Engineers. The Corps is responsible for managing the design and construction of Federal cleanup sites. During fiscal 1990, the Corps recorded obligations of about \$188.4 million and disbursements of about \$124.4 million. The U.S. Army Audit Agency audited about \$231 million in obligations, about \$74.8 million in deobligations and about \$106.7 million in disbursements. The Agency found that about 94 percent of the transactions were valid and supported. However, they found about \$88.6 million of transactions in one Corps district were unsupported. The district improperly used Superfund projects to transfer \$88.2 million to a revolving fund temporarily to make the fund's financial condition look better. This district also transferred about \$406,000 of costs to Superfund projects at the end of the year without support. The Corps agreed to take corrective action on both issues.

DEPARTMENT OF ENERGY

The Department of Energy (DOE) OIG conducted an audit of fiscal 1990 Superfund costs incurred by various DOE offices. The DOE OIG evaluated the accounting records and other documentation supporting costs incurred for seven IAGs with claimed costs of \$7,917,845. The audit disclosed no questioned or unresolved costs.

FEDERAL ENERGY MANAGEMENT AGENCY

The Federal Energy Management Agency (FEMA) OIG audited FEMA's administration of the permanent and temporary relocation components of the Superfund program for fiscal 1989. The FEMA OIG audited \$1.2 million of the \$3.9 million in expenses incurred in fiscal 1989. The FEMA auditors found that, for the most part, FEMA had effectively administered the permanent and temporary relocation program and spent funds for eligible purposes. However, the FEMA OIG found \$129,675 in unsupported costs and \$5,823 in overpayments. The FEMA OIG also noted weaknesses in FEMA's monitoring of contractors. The FEMA management agreed to take corrective actions on the audit findings.

DEPARTMENT OF THE INTERIOR BUREAU OF MINES

The Department of the Interior (DOI) OIG audited the Bureau of Mine's accounting for Superfund monies for fiscal years 1987, 1988 and 1989. The Bureau of Mines conducts preliminary surveys of damages to natural resources and provides technical assistance to programs affecting environmental quality. EPA reimbursed the Bureau \$792,973 for work performed between July 1, 1987 and September 30, 1989, and the DOI OIG selected \$554,112 of these costs for audit. The DOI OIG found the Bureau had not maintained accurate and complete records for costs totaling \$308,417. The DOI OIG also found that the Bureau had not developed indirect cost rates according to EPA guidance. The Bureau agreed to implement corrective action.

Recommendation to EPA

We recommended that EPA help the Bureau complete corrective action.

Agency Response

In response to our audit report, EPA managers asked the DOI OIG to arrange for the Bureau of Mines to contact appropriate EPA officials to resolve issues relating to questioned costs.

DEPARTMENT OF THE INTERIOR BUREAU OF RECLAMATION

The DOI OIG audited the Bureau of Reclamation's accounting for fiscal 1989 and fiscal 1990 Superfund expenditures in two separate audits. The Bureau provides technical assistance to EPA in responding to releases of hazardous substances, pollutants and contaminants into the environment. The technical assistance included managing remedial investigations and feasibility studies, preparing specifications, and managing and overseeing construction. The DOI OIG identified 29 IAGs with total claimed costs of \$5,227,703 for fiscal 1989. Of this total, the DOI OIG sampled and reviewed \$2.1 million. The DOI auditors found that the Bureau: (1) did not adequately support \$213,568 in travel, automated data processing and other costs; (2) did not adequately support \$32,881 in fiscal 1988 unsupported costs reported in a prior audit; (3) incurred \$356 in costs beyond budgeted amounts and \$9,038 in costs for one project not covered by an IAG; and (4) did not timely submit a Minority Business Utilization Report. The DOI OIG also did not express an opinion on indirect costs and supervisory distributive costs claimed for Superfund projects in fiscal years 1988 and 1989. The Bureau agreed to correct the deficiencies cited.

For fiscal 1990, the DOI OIG identified 33 IAGs with claimed costs of \$26,091,110, and sampled \$23 million. The Bureau did not sufficiently document fiscal 1990 costs totaling \$738,876. The Bureau also did not sufficiently document \$33,013 in fiscal 1989 costs and did not claim \$43,310 in fiscal 1988 costs incurred. The Bureau also incurred \$643,243 beyond amounts authorized in four IAGs and \$11,207 for projects not covered by IAGs, but did not claim any of these costs. Although the Bureau timely submitted the Minority Business Utilization Report to DOI's Office of Small and Disadvantaged Business Utilization Office, that Office did not send the report to EPA until 11 days past the due date. The Bureau took corrective actions on all the DOI OIG's findings.

DEPARTMENT OF THE INTERIOR U.S. FISH AND WILDLIFE SERVICE

The DOI OIG audited the U.S. Fish and Wildlife Service's accounting for fiscal 1989 and 1990 reimbursable Superfund expenditures. The Service provides technical assistance to survey damages to natural resources from releases of hazardous substances, pollutants and contaminants into the environment. The DOI auditors identified 13 IAGs with claimed costs of \$48,479 in fiscal 1989 and 19 IAGs with claimed costs of \$236,347 for fiscal

1990. The DOI OIG found that the Service did not sufficiently document costs totaling \$45,435. The Service also did not timely submit Minority Business Utilization Reports.

DEPARTMENT OF THE INTERIOR OFFICE OF ENVIRONMENTAL AFFAIRS

The DOI OIG audited the DOI Office of Environmental Affairs' accounting for fiscal 1990 reimbursable Superfund expenditures. The Office conducted preliminary natural resource surveys and provided technical assistance in surveying damages to natural resources from hazardous substances. The DOI OIG audited \$1,281,523 of the \$1,291,433 claimed, and found adequate support for these costs. They also found that the Office returned unobligated balances for prior year's IAGs to the Agency and established procedures to return unobligated balances from the current year's IAGs.

DEPARTMENT OF JUSTICE

The Department of Justice (DOJ) OIG conducted a compliance audit of the DOJ Environment and Natural Resources Division's (ENRD) implementation of IAGs with EPA for fiscal 1990. The DOJ conducts all Superfund litigation. The DOJ OIG found no material discrepancies in the costs ENRD reported to EPA. However, the ENRD did not sign about 59 percent of travel authorizations until after the travel had begun or was completed. The ENRD concurred with the recommendations and took corrective actions.

CONTRACTS

The OIG is responsible for conducting and supervising independent and objective audits of Superfund programs and operations. To carry out this responsibility, the OIG performs financial and compliance audits of EPA contractors. Each Public Law authorizing EPA to award contracts provides the Agency authority to audit and examine the books and records of the contractors and subcontractors receiving Federal funds. Each EPA contract also contains audit provisions. Our primary audit objectives are to determine (1) whether the controls exercised by the contractors and subcontractors 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.

Audits of contracts not only yield financial benefits to the Agency, but also aid in improving Agency management. We expect to devote increased resources to auditing EPA contractors and subcontractors given the increased size of the program and EPA's conduct of more actual cleanups. These audits also play an integral part in supporting EPA's cost recovery actions.

Of the 149 contract audit reports we issued in fiscal 1992, 36 covered incurred costs under EPA contracts. The financial results of these audits were as follows:

FINANCIAL RESULTS OF INCURRED COST CONTRACT AUDITS		
	Federal Share	Total Costs
Amount audited	\$175,726,199	\$183,271,643
Amount accepted	172,453,335	179,998,779
Ineligible costs ¹	2,135,759	2,135,759
Unsupported costs ²	1,137,105	1,137,105
Unnecessary/unreasonable costs ³	0	0
<ol style="list-style-type: none"> 1. Costs questioned because of an alleged violation of a provision of a law, regulation, contract, grant, cooperative agreement or other agreement or document governing the expenditure of funds. 2. Costs questioned because, at the time of the audit, they were not supported by adequate documentation and/or had not been approved by responsible program officials. 3. Costs questioned because they were not necessary or not reasonable. 		

Another 66 of our audits were initial pricing reviews in which we reviewed costs proposed by offerors or bidders seeking EPA contract awards. Because these are only proposed costs, our reviews do not question costs but

rather recommend as efficiencies costs that we believe EPA should not incur. The combined financial results of the initial pricing reviews were as follows:

Total Costs Audited	\$ 942,744,118
Total Recommended Efficiencies	\$ 93,606,490

We also issued 30 reports on proposed indirect cost rates, 14 system survey reports, and 2 program review reports on EPA contractors. In addition, we issued one report on selected portions of the Disclosure Statement and Plan filed with the United States Bankruptcy Court by a firm which had been ordered to perform a Superfund cleanup of its former operations location.

The OIG can choose to have the audits performed by in-house staff, independent public accounting firms or another Federal audit agency. During fiscal 1992, our Superfund contract audits were performed as follows:

Audits Performed by OIG Staff	5
Audits Performed by Independent Public Accountants	38
Audits Performed by Defense Contract Audit Agency	106

Exhibit I contains a listing of all Superfund audit reports issued by the OIG during fiscal 1992.

We summarize six particularly significant contract audit reports on four EPA Superfund contractors below.

CH2M HILL, INC.

Scope and Objective

We contracted with an IPA firm to perform audits of final indirect cost rate proposals for 1987, 1988 and 1989 submitted by CH2M Hill, Inc. The objective of the three audits was to determine whether the costs included in the indirect cost pool and base were reasonable, allowable and allocable to the benefitting programs.

Findings

1. Internal Controls Needed Strengthening

Hill needed to improve their documentation procedures for the processing of labor transfer, adjustment and correction transactions. We found these transactions could be initiated by telephone, without written confirmation. Hill needed to improve the preparation and correction of employee time sheets. We found time sheet corrections without documentation of who made the corrections and the use of whiteout in making time sheet corrections.

2. Hill Needed to Improve Regulatory Compliance

We found two areas of material noncompliance with regulatory requirements. Hill did not specifically identify and segregate at the time of expenditure unallowable costs for social club dues, lobbying, relocation, meals and lodging. Hill also did not properly compute bid and proposal costs. Proper computation of these costs was needed to determine whether Hill reached thresholds on these costs and whether advance agreements were required.

3. Hill Claimed Unallowable Costs

As indicated in the table below, we questioned large amounts of costs claimed by Hill. Some major areas of questioned costs were bid and proposal costs, Key Employee Bonus costs, excess deferred rent costs and excess capital lease costs.

FINANCIAL RESULTS OF AUDITS			
YEAR	INDIRECT COST POOLS (\$000)		
	Proposed	Accepted	Questioned
1987	103,222.1	96,095.5	7,126.6
1988	121,935.5	104,784.9	17,150.6
1989	141,500.4	125,026.5	16,473.9

Recommendations

We recommended that EPA:

- Advise Hill that the questioned costs are unallowable for Federal participation and negotiate the final indirect cost rates based upon these disallowances.
- Document its decision on the allowability of each element of cost we questioned to help in future audits.
- Advise Hill to adjust interim and final billings under flexibly priced agreements to reflect the final negotiated indirect cost rate.
- Consider entering into advance agreements to establish understandings with Hill on selected elements of cost we questioned.
- Require Hill to:
 - Maintain the details of labor correction and transfer transactions in its Project Control System.

- Document its manual data processing controls over verification of transactions, and reconcile payroll hours and general ledger amounts with Project Control System hours and amounts.
- Maintain written documentation for labor transfers, adjustments and correction transactions.
- Prepare time sheets in ink, and document (including identifying the person making changes) time sheet corrections, alterations, adjustments or transfers.
- Identify and remove unallowable costs from its final indirect cost rate claims.
- Accumulate and monitor bid and proposal costs including all allocable indirect costs, and not claim costs over applicable limits.
- Advise Hill to resubmit final indirect cost rate proposals for 1990 and 1991 consistent with the result of rate negotiations for audited years.
- Establish an Agencywide policy on the treatment of Voluntary Management Reductions by contractors from their indirect cost rate pools.

Agency Response

In response to the audit reports, EPA indicated:

- It had negotiated indirect cost rate agreements with Hill based upon the audit reports.
- It was negotiating advance agreements and memorandums of understanding with Hill where cost allowability issues were raised in the audit reports.
- Hill had eliminated or reduced reported internal control conditions to an acceptable level of risk.
- Hill had agreed to revise its submissions for fiscal years 1990 and 1991 consistent with the results of negotiations.
- It had established an Agencywide policy not to accept Voluntary Management Reductions.

NUS CORPORATION

Scope and Objective

The Defense Contract Audit Agency (DCAA) performed on our behalf an interim audit of 1989 claimed costs by NUS Corporation on a contract to provide hazardous materials incident response training. The audit also reviewed NUS compliance with special provisions of the contract.

Findings

1. NUS Did Not Segregate Costs by Contract Period

NUS books did not show a clear cut-off between the base period and the first option period of the contract. DCAA therefore could not determine the appropriateness of the labor hour and dollars booked by period. NUS also did not segregate its billings by period, as required by the contract. NUS claimed that the contracting officer waived this billing requirement, but could not provide documentation to support this assertion.

2. NUS Exceeded Contract Funding Limitations and Work Assignment Ceilings

NUS billed \$695,753 more in base period effort costs than allowed by the contract, and \$41,543 in overtime premiums beyond the contractual limit for these costs. NUS also exceeded work assignment hour ceilings 14 times totalling 2,858 hours, and dollar ceilings 15 times totalling \$142,494 plus the cost of the excess hours.

3. NUS Did Not Always Obtain Consent for Subcontractors

NUS did not obtain EPA's consent before employing two subcontractors. NUS also billed more than the contract allowed for two approved subcontractors.

4. NUS Acquired Property Without EPA Approval

NUS acquired property items costing \$303,957 without receiving the required EPA approval.

5. NUS Did Not Reconcile Progress Reports and Voucher

The hours reported on its monthly progress reports and on its voucher did not agree. NUS did not try to reconcile the two reports, and DCAA could not reconcile the variances.

6. NUS Violated Its Travel Regulations

NUS travel regulations required employees to rent only subcompact and compact cars. We found that NUS spent at least \$40,048 on the rental of non-compact cars.

7. NUS Employees Did Not Meet Contract Qualification Requirements

Twenty NUS employees charged under the contract did not meet the minimum education and experience qualifications required by the contract.

FINANCIAL RESULTS OF AUDIT		
	Federal Share	Total Costs
Amount audited	\$9,310,470	\$9,310,470
Amount accepted	7,869,419	7,869,419
Ineligible costs¹	1,441,051	1,441,051
Unsupported costs²	0	0
Unnecessary/unreasonable costs³	0	0
1. Costs questioned because of an alleged violation of a provision of a law, regulation, contract, grant, cooperative agreement or other agreement or document governing the expenditure of funds. 2. Costs questioned because, at the time of the audit, they were not supported by adequate documentation and/or had not been approved by responsible program officials. 3. Costs questioned because they were not necessary or not reasonable.		

Recommendations

DCAA made no specific recommendations in its audit report, but we asked EPA to make a final determination on the costs questioned and to respond to the report findings.

Agency Response

In response to the audit report, EPA indicated:

- It had issued a contract modification correcting the contract periods charged for payments to NUS. With these corrections, NUS did not exceed the base period limit.
- NUS was not required to obtain written consent for the two subcontracts because they were fixed price subcontracts of less than \$25,000. Except in one instance, contract modifications provided subcontract funding limits which NUS did not exceed. EPA asked for further documentation from the auditors on the remaining unresolved case.
- EPA determined that NUS billed \$41,543 more in overtime costs than allowed. EPA will either disallow or ratify these costs.
- EPA advised NUS to request adjustments in work assignment ceiling amount when it exceeds estimates of hours and dollars.

- All items but one of contractor acquired property were under contract thresholds for approval or were approved in contract modifications. EPA will either disallow or ratify the remaining item.
- EPA determined that reconciliation of the progress reports and vouchers is not feasible. NUS does not have final monthly hour and cost data before the progress reports are due.
- NUS now requires employees to justify and receive advance written approval for the rental of non-compact vehicles.

S&D ENVIRONMENTAL SERVICES, INC.

Scope and Objective

We performed an interim audit of costs claimed under an S&D Environmental Services, Inc. Region 2 ERCS contract. The audit covered costs claimed by S&D from September 30, 1988 to September 29, 1991. We judgmentally selected for review 4 of the 31 delivery orders issued to S&D between January 9, 1989 and April 18, 1991. We selected delivery orders awarded in each of the contract's three years. We made this selection to determine if problems found in the base year were corrected or repeated throughout the contract period. We believe the deficiencies we found were representative of conditions that we would find if we reviewed all 31 delivery orders.

Findings

1. Inadequate Accounting System to Report Costs Under EPA Contract

We believe S&D's accounting system and procedures were not generally adequate to accumulate and verify costs under the EPA contract. S&D did not maintain an adequate job cost or other accounting system to report costs incurred under the contract. Instead, S&D used the Removal Cost Management System (RCMS) mandated by EPA for use on ERCS contracts to report and track costs and produce vouchers. The RCMS does not provide assurance that the company incurred costs tracked. There were inadequate checks and balances against the RCMS and within S&D's own accounting system. We found significant inconsistencies between billed amounts and invoices that we could not reconcile.

2. Lack of Written Accounting or Internal Control Procedures

S&D did not have written accounting manuals. S&D needed written accounting procedures to make sure it recorded, accumulated and reported costs uniformly and consistently. S&D also did not have a written internal control procedure manual. Therefore we were unable to determine if S&D followed proper procedures. Written internal controls are essential to the proper conduct of business with full accountability for resources.

3. Lack of Adequate Timekeeping System

Employees did not sign daily time cards or time sheets, nor did supervisors review them periodically. Time cards were often handwritten, blank, incomplete or missing. The time card did not differentiate between direct, indirect and unallowable labor, and the employees did not allocate time among these categories. Often the time clock imprint on the time card did not reflect the correct month and date. We questioned direct labor claims of \$313,437 as unsupported due to timekeeping deficiencies, billing discrepancies and lack of time cards to support hours charged.

4. Lack of an Adequate Inventory Control System

S&D did not have an adequate or consistent inventory control or pricing system to account for materials used at EPA sites. We therefore could not reconcile the quantities and prices billed with the quantity purchased and placed into inventory. S&D billed EPA for many months at one price although S&D made daily or weekly purchases from different vendors at different prices. S&D based many unit prices on invoices from a related entity that had higher prices than unrelated purchases. We questioned as unsupported \$24,455 of \$43,497 claimed for materials because the charges were not supported by adequate documentation. In some cases, S&D could not provide invoices to support charges. In other cases, S&D used the same invoices to support charges on many sites.

5. Lack of Equipment Logs

S&D did not maintain equipment logs to identify equipment it used on EPA sites. S&D should have documented in logs for individual sites dates and hours equipment used, serial numbers and other important information. The contract required equipment usage logs. Because S&D did not maintain documentation, we could not verify usage. We also found S&D claimed some equipment not authorized in the contract.

6. Inadequate Subcontractor Selection Procedures

S&D did not maintain an adequate subcontractor log required by the contract. We found deficiencies in S&D's procedures for procuring transportation and disposal subcontractors and its documentation of the basis of such selections. We questioned as unsupported \$201,985 in subcontracting costs because S&D did not receive at least three cost estimates as required, and did not ensure adequate competition and reasonable prices. S&D also billed EPA before paying subcontractors.

7. S&D Billed at Wrong Labor Category Rates

Although the contract required S&D to bill only at the rate of an employee's normally assigned category of labor, we found S&D improperly billed EPA at higher rates that it did not actually pay. We therefore questioned \$30,241 of

claims for direct labor as ineligible, and estimated that the ineligible amount for all sites was about \$200,000.

FINANCIAL RESULTS OF AUDIT		
	Federal Share	Total Costs
Amount audited	\$943,718	\$943,718
Amount accepted	373,600	373,600
Ineligible costs¹	30,241	30,241
Unsupported costs²	539,877	539,877
Unnecessary/unreasonable costs³	0	0
<ol style="list-style-type: none"> 1. Costs questioned because of an alleged violation of a provision of a law, regulation, contract, grant, cooperative agreement or other agreement or document governing the expenditure of funds. 2. Costs questioned because, at the time of the audit, they were not supported by adequate documentation and/or had not been approved by responsible program officials. 3. Costs questioned because they were not necessary or not reasonable. 		

Recommendations

We recommended that EPA:

- **Require S&D to:**
 - Implement an adequate cost accounting system maintaining separate cost accounts for each delivery order or job site.
 - Establish and implement adequate accounting and internal control procedures outlined in procedural manuals.
 - Require employees to sign and supervisors to approve daily time cards or time sheets identifying hours worked by an assigned job number.
 - Establish, implement and periodically review adequate timekeeping policies and procedures. A labor distribution report should identify all direct and indirect time charges for specific account numbers and should reconcile to other documents.
 - Develop and maintain an adequate inventory control and pricing system to identify quantities purchased and withdrawn from inventory for use on jobs. The system should identify specific jobs or sites where S&D used the quantities to support the claimed costs.

- Avoid purchases from any entity related to S&D officers unless EPA provides written approval and justification.
- Maintain adequate equipment usage logs to identify and document the usage through serial numbers, dates, hours and site names.
- Procure transportation and disposal subcontractors and document the procurements as required by the contract and EPA policies and procedures. S&D should provide adequate justification where it uses less than full and open competition.
- Adjust the allowable costs according to our determination and recover any excess amounts paid to S&D.

Agency Response

This audit was not resolved as of August 30, 1993.

VESTA TECHNOLOGY, LTD.

Scope and Objective

DCAA performed on our behalf an interim audit of claimed delay costs of Vesta Technology, Ltd., an incineration subcontractor to Reidel Environmental Services, Inc. The purpose of the audit was to determine the reasonableness and allowability of the claimed delay costs. DCAA did not receive an audit report on \$264,259 of the claimed costs incurred by a second tier subcontractor in time to include its results in the audit report. DCAA could question additional costs based on that audit.

Findings

1. Vesta Claimed Delay Costs for Periods Covered by Basic Contract

Vesta claimed that the government caused 74 days of delay. After reviewing Vesta's critical path analysis showing an intended 43-day standby period, DCAA found that Vesta was entitled to claim costs for only 35 days of delay.

2. Vesta Claimed Excessive Daily Rate for Equipment

Vesta claimed a daily rate of \$2,173 for its incinerator, based on cost of depreciation, interest and cost of repairs. Since no repairs would be needed during down time, we questioned the cost of repairs. Interest is not allowable as a contract expense. DCAA figured a daily rate of \$1,338 based on the cost of depreciation and a facilities capital cost of money factor.

3. Vesta Claimed Costs Covered Under Basic Contract

Vesta claimed delay costs of \$54,509 for a tent it owned based on a daily rental rate. DCAA determined that Vesta fully recovered the cost of the tent during the basic contract, and thus incurred no additional cost for the delay period. Vesta also claimed \$1,975 in petty cash expenses and \$22,134 in travel rotation expenses covered under the basic contract.

4. Vesta Included Variable Costs in Overhead

Vesta's computation of extended overhead costs included variable costs for its home office, while it should have included only fixed costs. DCAA computed a daily chargeable cost of \$881, instead of the \$2,169 claimed by Vesta.

5. Vesta Improperly Charged for Water Pressure Loss

Vesta claimed \$5,376 for delays due to losses of water pressure on two days. Vesta provided no evidence that the Government caused these losses. DCAA also noted that Vesta's critical path included some down time.

6. Vesta Improperly Claimed Profit on Delay Costs

Vesta claimed \$88,160 in profit on delay costs. Federal regulations do not allow profit to be applied to delay costs.

7. Vesta Did Not Prepare Proposal Properly

Vesta did not prepare its proposal according to Federal regulations. Its cost and pricing data were not adequate. The proposal was not acceptable as a basis for negotiating a fair and reasonable price.

FINANCIAL RESULTS OF AUDIT		
	Federal Share	Total Costs
Amount audited	\$1,241,678	\$1,241,678
Amount accepted	453,697	453,697
Ineligible costs ¹	523,722	523,722
Unsupported costs ²	264,259	264,259
Unnecessary/unreasonable costs ³	0	0
<p>1. Costs questioned because of an alleged violation of a provision of a law, regulation, contract, grant, cooperative agreement or other agreement or document governing the expenditure of funds.</p> <p>2. Costs questioned because, at the time of the audit, they were not supported by adequate documentation and/or had not been approved by responsible program officials. For this audit, the unsupported costs were those for which a separate audit report had not yet been completed.</p> <p>3. Costs questioned because they were not necessary or not reasonable.</p>		

Recommendations

We made no specific recommendations in our audit report, but asked EPA to provide a report of action addressing the questioned costs.

Agency Response

This audit had not been resolved as of August 30, 1993.

ASSISTANCE TO EPA MANAGEMENT

Besides performing audits and investigations, the 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 might later result in negative audit findings or investigative results. The OIG reviews and comments on draft documents prepared by Agency offices. Sometimes an OIG staff person attends meetings of an EPA work group to provide input. Fiscal 1992 was an active year for OIG preventive assistance to EPA management in the Superfund area. Besides helping EPA management, we coordinate with other Federal agencies. We also seek to improve Superfund audit and investigative capabilities of our OIG and of other Federal OIGs.

CFO Act Implementation

The Chief Financial Officers (CFO) Act was enacted in November 1990 to improve agency accounting systems, financial management activities and internal controls. Since then we have actively worked with Agency officials to implement the Act. The requirement that EPA prepare annual financial statements covering its trust funds, revolving funds and commercial activities includes the Hazardous Substance Superfund.

The financial statements prepared by the Agency must include performance measurement information summarizing program results. The performance measurement information is intended to provide Agency managers, the Office of Management and Budget (OMB), Congress and others with information to assess the efficiency and effectiveness of Agency programs. To identify performance measures to include in the Agency's fiscal 1992 financial statements, the Agency's CFO convened a work group. The OIG actively participated in this work group by attending work group meetings, reviewing and commenting on draft performance measures, and meeting with OMB and Agency personnel to discuss the measures. We plan to continue this effort as the Agency works to refine the performance measures reported.

Contract Management

We have provided considerable assistance to EPA in improving its contract management. We participated in the Agency's Alternative Remedial Contracting Strategy (ARCS) Council established to identify and implement improvements to ARCS contract management. EPA began implementing improvements recommended by the Administrator's Task Force on Implementation of the Superfund ARCS. As a part of these improvements, the OIG has enhanced our efforts to identify contractors for whom we should assume audit cognizance, improved coordination with the Defense Contract Audit Agency on timely audits of EPA contractors, and enhanced our monitoring and reporting procedures to better track needed financial audits of EPA contractors. We also participated in an Agency task force that developed guidance for EPA staff on preparing independent Government cost estimates.

The ARCS Task Force, EPA OIG and GAO audits, and Congressional hearings had identified the need for such guidance.

In June of 1992 OMB created interagency "SWAT Teams" to assess contract administration and auditing practices of 12 civilian agencies. OMB was responding to contract administration problems identified through audits (including EPA OIG audits), Congressional reviews and news media reports. The OIG actively participated in the EPA SWAT Team, which recommended 31 improvements in EPA operations and 45 improvements in Government-wide operations. The changes will clarify the allowability of costs and the records contractors must maintain to support claimed costs. Superfund is EPA's heaviest user of contract resources.

Closeout/Deobligation of Assistance Agreements

We have been part of the Agency's Superfund Closeout/Deobligation Task Force. EPA established this Task Force to review and improve EPA policies and procedures for closeout of grants, cooperative agreements and interagency agreements, and the deobligation of unneeded funds from them. During fiscal 1992, we participated in a Task Force meeting and commented on draft policies and procedures.

Coordination with Other Agencies

Since EPA manages the Hazardous Substance Superfund (Trust Fund), EPA's OIG took on the task of informing the Federal OIG community (and other appropriate audit organizations) of the mandated audit requirements. The Superfund Amendments and Reauthorization Act of 1986 (SARA) requires " . . . the Inspector General of each department, agency or instrumentality of the United States which is carrying out any authority . . . " under SARA to conduct an annual audit of uses of the Superfund. In July 1987, we formed a work group of representatives from several OIGs and other audit organizations of those Federal departments or agencies with significant Fund-financed responsibilities under CERCLA 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.

During fiscal 1992, the work group met once to resolve questions on ongoing audits and discuss the relationship of the SARA annual audit requirements with the CFO Act annual audit requirements. We also met and talked by telephone with staff of other OIGs and audit organizations in response to individual needs.

Superfund Orientation Course

As Superfund spending has increased and the program has expanded and developed, the OIG has recognized a need to be sure that its auditors and investigators who review Superfund have a good understanding of the program. Therefore, we have developed a special orientation course explaining the key aspects of the Superfund program, including:

- Superfund and related legislation and regulations;
- The removal, remedial and enforcement parts of the Superfund program;
- Organizational structure and functions of EPA offices delegated specific Superfund responsibilities; and
- The OIG's role and responsibilities concerning Superfund and the type of Superfund audits the OIG performs.

We require all OIG employees and OIG audit services contractor employees performing Superfund audits to take this course. We also offer the course to other Federal OIGs and audit organizations who perform audits in their own agencies. We presented this course to five OIG audit divisions in fiscal 1992. We include the course in the *OIG Training and Development Sources* course catalog.

INVESTIGATIVE ACTIVITY

During fiscal 1992, our Superfund investigative efforts resulted in 11 indictments and 22 convictions. Fines and recoveries, including those associated with civil actions, totalled about \$1.43 million. One settlement agreement resulted in a cost avoidance of \$353,723. At the end of fiscal 1992, we had 65 active Superfund investigations underway, 32 percent of our active OIG investigations at EPA.

The OIG Office of Investigations has had a major investigative initiative underway within the Superfund program, directed at fraud in the Contract Laboratory Program (CLP). Laboratory analyses under the CLP are the empirical basis for the entire Superfund program. Based on CLP testing for the presence of hazardous chemicals, the Superfund program decides which cleanups to begin and how to carry them out. Fraudulent analyses could endanger the public health and safety and result in unneeded spending on cleanups. In addition, fraudulent analyses could hinder the Department of Justice's efforts to collect the cost of cleanups from the responsible parties. We achieved significant results during fiscal 1992. We describe several actions resulting from the contract laboratory investigations below.

Two Ohio Lab Employees Banned from CLP and Company Fined

In February 1992, Analytical Services Corporation of Findlay, Ohio, pled guilty to making a false claim to EPA for \$31,676.48 and agreed to pay a criminal fine of \$500,000. ETC Toxicon, a defunct CLP laboratory formerly owned by Analytical, had falsified test data under two EPA contracts.

In April 1992, two employees of Analytical Services Corp. admitted to falsifying data submitted to EPA. The two agreed to a pre-trial diversion agreement which banned them from CLP work for three years. The employees claimed that a former manager directed them to submit the false data. The former manager admitted to so directing them.

In a separate civil agreement, the corporation agreed to pay the government \$490,000.

New York Lab President Convicted of Fraud

The president of Nanco Environmental Services, Inc., of Dutchess County, New York, was convicted in September 1992 of mail fraud and submitting false statements to EPA, as well as conspiring to submit false statements. The charges related to analyses of soil and water samples for EPA. Arun Gaiind, the president, and Sohail Jahani, a supervisor, engaged in a scheme of setting back the dates on the computer data systems to which gas chromatograph/mass spectrometer (GC/MS) instruments were attached to make it appear that sample analyses were performed within EPA-approved holding times when they were not. Jahani pled guilty in May 1992 to conspiracy to defraud EPA, and

James Daly, another supervisor at Nanco, pled guilty in October 1991 to causing false submissions to be made to EPA.

Louisiana Testing Firm, 3 Employees Submitted False Claims

Three employees of Environmental Industrial Research Associates, Inc. (EIRA) in Louisiana, Annette M. Savoy, Sylvia I. Leibe, and Elizabeth Y. Olavesen, pled guilty in November 1991 to making false claims to EPA for analyses of soil and water taken from Superfund sites. EPA requires the use of GC/MS instruments, properly calibrated, in making the analyses. An operator can manually override calibration readings of the GC/MS instruments, making it seem that the instrument is correctly calibrated. This avoids the time-consuming process of recalibration. The defendants overrode the readings and taught other EIRA employees how to do so, resulting in the submittal of false information to EPA. The three employees were sentenced in July 1992 to 6 years probation and \$1,325 in fines.

In February 1992, EIRA pled guilty to one count of conspiracy to defraud the government with respect to claims. The corporation voluntarily removed itself from government contract bidding as a pre-condition to sentencing.

Connecticut Lab Company Vice President Pleads Guilty

Robert Q. Bradley, vice president of a Connecticut company, YWC Inc., pled guilty in October 1991 to making a false statement to EPA. Bradley was sentenced to 2 years probation and fined \$1,000.

YWC, a wholly-owned subsidiary of SRK Holding, Inc., pled guilty in December 1990 to two counts of making false statements to EPA and was fined \$500,000. EPA's contract with YWC required the company to analyze water samples within 7 days of receipt and soil samples within 10 days. YWC's York Laboratories Division facility division in Monroe, Connecticut, was charged with backdating more than 60 analyses and using a then-approved laboratory at Whippany, New Jersey, to do the analyses. In addition to the criminal fine, YWC also entered into civil and administrative settlements. Under the civil settlement, YWC agreed to pay EPA \$150,000 in damages for the defective samples. In the administrative settlement, YWC agreed that the two laboratories involved in the fraud, located in Monroe, Connecticut, and Whippany, New Jersey, would not take on further Government-financed work.

Pennsylvania Lab Employees Plead Guilty

Charles Daniel Workman, an employee of Geo-Con, Inc., pled guilty in October 1991 to a charge of conspiracy to defraud the government with respect to claims concerning the cleanup of the Bruin Lagoon Superfund site in Butler County, Pennsylvania. Another Geo-Con employee, Terry Lee Tebben, pled guilty in January 1992 to one count of making false statements. Tebben was sentenced in March 1992 to 2 months home detention and 2 years probation. Workman was sentenced in May 1992 to 5 months home detention and 1 year probation.

EPA funded a \$4 million contract with Geo-Con to clean up the lagoon, which was contaminated with, among other things, sulfuric and hydrochloric acid. The adjacent Bruin Oil Company had used the lagoon for disposal of wastes since the 1930's. EPA expected the cleanup work would cause the emission of hazardous gases, including sulfur dioxide, creating a potential hazard not only to the Geo-Con employees but also to nearby residents.

The investigation uncovered two major frauds committed by Geo-Con employees during the performance of that contract. Tebben, Geo-Con's health and safety engineer, used the finger of a rubber glove and grease to cover up the air monitors required by the contract, causing them to give false readings on the amount of hazardous gases being released, and falsely stated that the measurements reported in the air monitoring reports were accurate. Workman, Geo-Con's site superintendent, forced air through the water treatment system meter, causing a reading showing more contaminated water treated than had been. As a result, Geo-Con submitted \$62,000 in false claims to EPA for reimbursement for water treated.

Based on the guilty pleas, Tebben and Workman were also suspended, and subsequently debarred, from receiving government contracts and assistance for 3 years. Also, based on the investigative findings, Geo-Con, Inc., entered into a civil settlement, in which it agreed to pay the government \$312,000 and to withdraw its \$353,723 contract claim.

New Jersey Lab Firm Vice President Pleads Guilty

In July 1992, Richard Posner, a former vice president of United States Testing Company of Hoboken, New Jersey, a subsidiary of SGS North America, Inc., pled guilty to a charge of making a false statement to EPA. Posner admitted that he caused company employees to falsify information contained in his laboratory's report on the chemical analysis of a Performance Evaluation test submitted by EPA as part of its laboratory evaluation procedure. As previously reported, in April 1991 the company was ordered to pay a \$100,000 criminal fine and to repay the entire contract price of \$869,486.90 as restitution to the United States.

U.S. Testing admitted to backdating tests of water and soil samples at Superfund sites. By "peak shaving" (manual manipulation of calibration), which violated the required testing sequence, U.S. Testing sought to disguise its failure to conduct timely tests.

California Lab Officer and Corporation Enter Pleas

In August 1992, Anita C. Rudd, former vice president of I-CHEM Research, Inc., Hayward, California, and the corporation pled guilty to having made a false claim to EPA under the CLP for \$35,086.

From June 1983 until December 1987, I-CHEM was EPA's sole supplier for contaminant-free sample containers used to collect site samples for CLP analysis and evaluation. The supply contracts required quality assurance

testing. The investigation revealed that I-CHEM defrauded EPA by intentionally not performing the required quality control testing on the containers and by creating records to disguise that fact.

In a separate action resulting from this investigation, I-CHEM, Anita C. Rudd, and Marvin W. Rudd, co-owner and former president of I-CHEM, entered into a civil settlement agreement to pay the government \$435,000. I-CHEM and Anita Rudd (now president and CEO of I-CHEM) also signed a compliance agreement with EPA, voluntarily excluding them from participation in government contracts or grants for 18 months.

Prosecutive action continued in fiscal 1993, with Marvin Rudd, co-owner and former president of I-CHEM, pleading guilty to two counts of making false claims.

In addition to the CLP activity, an EPA OIG investigation resulted in the following prosecution:

EPA Official Claimed Degrees Not Earned

A former EPA official who served as on-scene coordinator at hazardous waste cleanup sites was sentenced for making false declarations during his testimony as an expert witness at a Federal criminal trial in 1988. The defendant was sentenced to 3 months of home detention (with electronic surveillance at his own expense), 3 years probation, a fine of \$2,000 and loss of his EPA job. He had falsely claimed to hold Bachelor of Science degree and Master of Science degrees, and to have written a Master's thesis. The defendant also made false statements concerning his academic credentials in other sworn statements, including various applications for Federal employment, a Questionnaire for Sensitive Position, and depositions and affidavits in civil lawsuits.

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INTERNAL AND MANAGEMENT AUDITS AND SPECIAL REVIEWS

<u>Final Report Number</u>	<u>Description</u>	<u>Audit Control Number</u>	<u>Date Report Issued</u>
<i>Reviews Required By CERCLA</i>			
2100237	AGENCY FY90 REPORT ACCURACY/REASONABLENESS	E1SFG1-11-0015	2/11/92
2400030	AGENCY FY90 REPORT-REG. 4 ACCOMPLISHMENTS	E1SFG1-11-0015	3/31/92
2400031	AGENCY FY90 REPORT-REG. 5 ACCOMPLISHMENTS	E1SFG1-11-0015	3/31/92
2400033	AGENCY FY90 REPORT-REPORT TIMELINESS	E1SFG1-11-0015	3/31/92
2100662	RESPONSE CLAIMS AUDIT, FISCAL 1991	E9HFF2-11-0031	9/30/92
2400079	RI/FS REVIEW-KOPPERS TEXARKANA, TX	E1SGG2-14-0017	9/29/92
2100660	TRUST FUND AUDIT, FISCAL 1991	P1SFF1-11-0026	9/30/92
<i>Performance Audits</i>			
2100209	ARCS CONTRACTS-CONSOLIDATED REPORT	E1SGE2-03-0145	2/ 3/92
2100200	ARCS CONTRACTS-REGION 3	E1SGA1-03-0054	2/ 3/92
2100624	CONTRACT LAB PROG QA/QC-EMSL LAS VEGAS	E1SKF0-09-0137	9/21/92
2100164	COST RECOVERY EFFORTS AGAINST PRPS	E1SHC0-01-0261	1/ 2/92
2100501	COST RECOVERY NEGOTIATIONS-REGION 2	E1SJC1-02-0113	7/27/92
2100268	RESPONSIBLE PARTY SEARCHES-REGION 2	E1SJC0-02-0303	3/17/92
2100301	RESPONSIBLE PARTY SEARCHES-REGION 7	E1SJF1-07-0047	3/31/92
2100666	SAMPLE MANAGEMENT OFFICE	E1SKF1-03-0065	9/30/92
2300063	STRINGFELLOW SITE MANAGEMENT BY REGION 9	E1SG*7-09-0219	7/30/92
2100063	UNANNOUNCED SITE VISIT-SOBEL BROTHERS, NJ	E1SHF1-02-0132	11/18/91
<i>Follow-Up Reviews</i>			
2400027	CERCLIS REPORTING & POST-IMPLEMENTATION	E1SFG1-15-5001	3/27/92
2100292	ERCS NEGOTIATION, AWARD & CONTRACT MGMT.	E1SHD1-06-5054	3/27/92
<i>Special Reviews</i>			
2400048	ALLEGATION REVIEW-HAZ. WASTE RES. LAB., NJ	E6FKG2-02-0072	6/24/92
2400074	CONTRACT MANAGEMENT OF S&D ERCS BY REGION 2	E1SHG2-02-0020	9/10/92
2400005	UNANNOUNCED SITE VISIT-QUONSET POINT, RI	E1SHG1-01-0216	12/16/91

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COOPERATIVE AGREEMENTS			
2100657	AZ DEPT OF ENV. QUALITY-RI/FS, CORE, PA/SI	P5BFL1-09-0149	9/29/92
2300087	CA ST. WATER RES. CONTR. BD.-SAN GABRIEL	S5BGN1-09-0133	9/30/92
2100612	ID DEPT OF HEALTH & WELFARE-BUNKER HILL	P5BGL1-10-0046	9/15/92
2300043	LOS ANGELES WATER & POWER-SAN FERNANDO VLY.	S5BGN0-09-0303	3/13/92
2100212	NJ DEPT OF ENV. PROT.-BURNT FLY BOG	P5BGL0-02-0246	2/ 5/92
2100215	NJ DEPT OF ENV. PROT.-COMBE FILL NORTH	P5BGL0-02-0249	2/ 5/92
2100216	NJ DEPT OF ENV. PROT.-COMBE FILL SOUTH	P5BGL0-02-0250	2/ 5/92
2100217	NJ DEPT OF ENV. PROT.-FLORENCE LANDFILL	P5BGL0-02-0251	2/ 5/92
2100218	NJ DEPT OF ENV. PROT.-GEMS LANDFILL	P5BGL0-02-0252	2/ 5/92
2100213	NJ DEPT OF ENV. PROT.-PRICE'S LANDFILL	P5BGL0-02-0247	2/ 5/92
2100214	NJ DEPT OF ENV. PROT.-SYNCON RESINS	P5BGL0-02-0248	2/ 5/92
2300035	NC DEPT OF ENVIRONMENT-PA/SI, CORE PROGRAM	E5BFN1-04-0268	2/19/92
2100132	PR ENV. QUALITY BOARD-CORE PROGRAM	P5BGL0-02-0280	12/19/91
2300054	PR ENV. QUALITY BOARD-FOLLOW-UP REVIEW	P5EGN1-02-0138	6/25/92
2100103	PR ENV. QUALITY BOARD-FRONTERA CREEK	P5BGL0-02-0279	12/ 5/91
2100134	PR ENV. QUALITY BOARD-PA/SI PROGRAM	P5BGL0-02-0278	12/19/91
2100671	REGION 7 COOPERATIVE AGREEMENT SURVEY	E5FGQ1-07-0064	4/27/92
2100670	REGION 8 COOPERATIVE AGREEMENT SURVEY	E5FGQ1-08-0064	4/27/92
2100583	TX WATER COMM. CONTRACTOR-WOODWARD CLYDE	D5BGL2-06-0156	9/ 8/92
2100299	WA DEPARTMENT OF ECOLOGY-MULTI-SITE	P5CGL0-10-0066	3/30/92
GRANTS			
2300045	N. CAROLINA STATE U. HAZ. SUBST. RES. CTR.	E5BKN1-04-0290	3/26/92
2100145	VEGA ALTA SITE, PR, TECHNICAL ASST. GRANT	P5BGL0-02-0335	12/20/91
INTERAGENCY AGREEMENTS			
2100076	AGENCY FOR TOXIC SUBST. & DISEASE REGISTRY	M5BFL0-11-0038	11/26/91
2100502	ARMY CORPS OF ENGINEERS-FISCAL 1990	M5BFL2-11-0043	7/30/92
2100057	ENERGY DEPARTMENT-FISCAL 1990	M5BFL2-11-0021	11/13/91
2100075	FED. EMERG. MANAGEMENT AGENCY-FISCAL 1989	M5BFL1-11-0040	11/26/91
2100290	INTERIOR DEPT. BUREAU OF MINES-FY 1987-89	M5BFL1-11-0035	3/26/92
2100341	INTERIOR DEPT. BUREAU OF RECL.-FY 1989	M5BFL1-11-0036	4/29/92
2100513	INTERIOR DEPT. BUREAU OF RECL.-FY 1990	M5BFL2-11-0024	8/ 6/92
2100342	INTERIOR DEPT. FISH & WILDLIFE-FY 1989-90	M5BFL2-11-0024	4/29/92
2100343	INTERIOR DEPT. OFC. OF ENV. AFFAIRS-FY 1990	M5BFL2-11-0024	4/29/92
2100344	JUSTICE DEPARTMENT-FISCAL 1990	M5BFL2-11-0047	4/29/92

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CONTRACT AUDITS

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<i>Initial Pricing Reviews</i>			
2100181	APEX ENVIRONMENTAL, MD	D9AKL2-03-0120	1/ 6/92
2100486	APEX ENVIRONMENTAL, MD	D9AFL2-03-0346	7/23/92
2100170	BOOZ-ALLEN-HAMILTON, MD	D9AKL2-03-0118	1/ 6/92
2100489	BOOZ-ALLEN-HAMILTON, MD	D9AFL2-03-0341	7/23/92
2300083	BRUCE COMPANY, DC	D9AKN2-03-0488	9/29/92
2100119	CBIS FEDERAL, INC., VA	D9AKL2-03-0106	12/12/91
2100249	CENTEL FEDERAL SYSTEMS, VA	D9AFL2-03-0188	2/25/92
2100072	CH2M HILL, INC., OR	P9AXL2-10-0006	11/19/91
2100254	CITY ENVIRONMENTAL, MI	D9AGL2-05-0058	2/25/92
2100179	CMC, INC., KY	D9AGL2-05-0060	1/ 6/92
2100092	COMPUTER DATA SYSTEMS, INC., MD	D9AKL2-03-0107	12/ 4/91
2100227	COMPUTER DATA SYSTEMS, INC., MD	D9AFL2-03-0189	2/10/92
2100090	CORPORATE INFORMATION SYSTEMS, VA	D9AKL2-03-0081	12/ 4/91
2100056	DYNAMAC, INC., MD	D9AKL2-03-0016	11/ 8/91
2100169	DYNAMAC, INC., MD	D9AKL2-03-0115	1/ 6/92
2100177	E&K HAZARDOUS WASTE, WI	D9AGL2-05-0055	1/ 6/92
2100182	E&K HAZARDOUS WASTE, WI	D9AGL2-05-0059	1/ 6/92
2100125	ENPRO SERVICES, INC., MA	D9AHL2-01-0072	12/13/91
2300015	ENVIRONMENTAL HEALTH, RES. & TESTING, KY	P9AXN2-04-0027	11/15/91
2100074	ENVIRONMENTAL MANAGEMENT, MD	D9AKL2-03-0031	11/22/91
2300010	ENVIRONMENTAL OPTIONS, INC., VA	D9AKN2-03-0063	10/29/91
2300019	ENVIRONMENTAL PRODUCTS, INC., NY	D9AHN2-02-0030	12/ 6/91
2100496	ENVIRONMENTAL QUALITY SPECIALIST, INC., VA	D9AFL2-03-0343	7/23/92
2400001	ENVIRONMENTAL QUALITY MGMT, INC., OH-ERCS	E9AHP2-05-0036	11/27/91
2100572	EXECUTIVE RESOURCE ASSOCIATES, VA	D9AFL2-03-0393	9/ 4/92
2100061	FRANKLIN ENVIRONMENTAL SERVICES, INC., MA	D9AHL2-01-0051	11/18/91
2100454	F.W. ENVIRESPONSE, NJ	D9AFL2-02-0251	7/ 6/92
2100130	GANNETT FLEMING, INC., PA	D9AKL2-03-0015	12/17/91
2100089	GOODE ENVIRONMENTAL SERVICES, INC., VA	D9AHL2-03-0108	12/ 4/91
2100573	HORSLEY WITTEN HEGEMAN, MD	D9AFL2-03-0344	9/ 4/92
2100011	ICF CORP., VA	P9AHL2-03-0019	10/18/91
2300092	ICF CORP., VA	P9AKN2-03-0547	9/30/92
2300003	ICF TECHNOLOGY, INC., VA	P9AHN1-03-0232	10/17/91
2100407	INDUSTRIAL ECONOMICS, INC., MA	D9AKL2-01-0228	6/10/92
2100040	INFOPRO, INC., MD	D9AKL2-03-0065	10/29/91
2100039	INFORMATION SYSTEMS AND SERVICES, MD	D9AKL2-03-0061	10/29/91
2100120	INFORMATION SYSTEMS SOLUTIONS, MD	D9AFL2-03-0103	12/12/91

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Initial Pricing Reviews (continued)			
2400063	MAECORP, INC., IL-ERCS 3, REGION 5	P9AHP2-05-0350	8/11/92
2100041	MARASCO NEWTON GROUP LIMITED, VA	D9AKL2-03-0060	10/29/91
2300020	MARASCO NEWTON GROUP LIMITED, VA	D9AKN2-03-0080	12/10/91
2400007	MARS ENVIRONMENTAL SERVICES, IL-ERCS3 REG 5	P9AHP2-05-0054	12/18/91
2100439	MIDWEST RESEARCH INSTITUTE, MO	D9AKL2-07-0189	6/25/92
2100112	NATIONAL BIOSYSTEMS, INC., MD	D9AKL2-03-0105	12/10/91
2100168	NCI INFORMATION SYSTEMS, INC., VA	D9AHL2-03-0117	1/ 6/92
2100255	NORTHERN A-1 SERVICES, INC., MI	D9AGL2-05-0057	3/ 2/92
2100488	NUS CORP. - HALLIBURTON, MD	D9AGL2-03-0304	7/23/92
2100490	NUS CORP. - HALLIBURTON, PA	D9AGL2-03-0305	7/23/92
2100551	NUS CORP. - HALLIBURTON	D9AFL2-03-0390	9/ 3/92
2300024	OHM REMEDIATION, OH-ERCS2 ZONE 1-FY89	P9AHN1-05-0143	12/27/91
2300023	OHM REMEDIATION, OH-ERCS2 ZONE 2-FY89	P9AHN1-05-0144	12/26/91
2400058	OHM REMEDIATION, OH-ERCS3-REGION 2	P9AHP2-05-0306	7/23/92
2400061	PRC EMI, IL-DEPARTMENT OF ENERGY	E9AXP2-05-0354	8/ 6/92
2400050	PRC EMI, IL-TRAINING	E9AKP2-05-0303	6/26/92
2100453	PSARA TECHNOLOGIES, OH	D9AKL2-05-0296	7/ 6/92
2100607	REIDEL ENVIRONMENTAL SERVICES, OR	P9AGL2-10-0079	9/11/92
2100171	ROY F. WESTON, PA	D9AKL2-03-0119	1/ 6/92
2100273	ROY F. WESTON, PA	D9AFL2-03-0277	3/18/92
2100576	ROY F. WESTON, PA	D9AFL2-03-0392	9/ 4/92
2100371	S. COHEN & ASSOCIATES, INC., VA	D9AFL2-03-0307	5/19/92
2400010	SAMSEL SERVICES, OH-ERCS3 REGION 5	P9AHP2-05-0052	12/26/91
2100100	SCIENTIFIC CONSULTING GROUP, MD	D9AKL2-03-0073	12/ 5/91
2100118	SYCOM, INC., VA	D9AKL2-03-0102	12/12/91
2100042	TECHNOLOGY & MANAGEMENT SERVICES, MD	D9AKL2-03-0071	10/29/91
2100557	UNISYS, VA	D9AFL2-03-0240	9/ 4/92
2100484	VIAR, VA	D9AFL2-03-0345	7/23/92
2100550	WESTINGHOUSE ELECTRIC CORP., PA	D9AFL2-03-0394	9/ 3/92

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Interim Audits			
2100339	BECHTEL NATIONAL, INC., CA-VOUCHER AUDIT	D9BGL2-09-0152	4/28/92
2100618	COMPUTER SCIENCE CORP., VA	D9BFL2-03-0400	9/16/92
2100622	COMPUTER SCIENCE CORP., VA	D9BFL2-03-0367	9/17/92
2100652	COMPUTER SCIENCE CORP., VA	D9BFL2-03-0594	9/29/92
2300042	ECOLOGY AND ENVIRONMENT, NY	P9BGN0-02-0320	3/13/92
2100010	ENSITE, INC., GA	P9BGL0-04-0385	10/18/91
2100374	FLOUR DANIELS, INC., TX	D9BGL2-06-0121	5/19/92
2100388	ICF CORP., VA	P9BXP2-03-0264	5/27/92
2100600	LAWRENCE JOHNSON & ASSOCIATES, MD	D9BFL2-03-0459	9/10/92
2300037	NUS CORP., MD	D9BFN2-03-0204	2/21/92
2400075	OHM REMEDIATION, OH-ERCS2 ZONE 1-FY90	P9BHP1-05-0283	9/16/92
2400080	OHM REMEDIATION, OH-ERCS2 ZONE 2-FY90	P9BHP1-05-0284	9/29/92
2400025	ROY F. WESTON, PA	D9BJP2-03-0196	3/19/92
2100586	S&D ENVIRONMENTAL SERVICES, NJ-ERCS	E9BHL1-02-0114	9/ 9/92
2100366	S-CUBED, CA - FISCAL 1987	D9BFL2-09-0208	5/18/92
2100012	SUFFOLK COUNTY WATER AUTHORITY, NY	P9BGL0-02-0317	10/18/91
2100398	SVERDRUP ENVIRONMENTAL CORP., MO	D9BGL2-07-0133	6/ 8/92
2100276	UNISYS, VA	D9BFL2-03-0281	3/19/92
2100361	URS CONSULTANTS, CA - VOUCHER AUDIT	D9BGL2-09-0153	5/ 7/92
2100587	VESTA TECHNOLOGY, LTD., FL	D9BGL2-04-0368	9/ 9/92
2100609	WARZYN ENGINEERING, WI	D9BGL2-05-0342	9/14/92
2100007	WESTINGHOUSE-HAZTECH, GA	P9BGL0-04-0384	10/ 9/91
2100636	WILLIAMS, RUSSELL & JOHNSON, GA	D9BKL2-04-0270	9/25/92
2100637	WILLIAMS, RUSSELL & JOHNSON, GA	D9BKL2-04-0269	9/25/92
2100638	WILLIAMS, RUSSELL & JOHNSON, GA	D9BKL2-04-0268	9/25/92
2100347	WOODSIDE SUMMIT, CA-OH & DIRECT, FY 85-87	D9BFL2-09-0170	4/30/92
2100362	WOODSIDE SUMMIT, CA-OH & DIRECT, FY 88-89	D9BFL2-09-0192	5/ 7/92
2400040	WW ENGINEERING CO., MI-FISCAL 1990	P9BGP1-05-0158	4/28/92
2400083	WW ENGINEERING CO., MI-FISCAL 1991	P9BGP2-05-0127	9/30/92
Final Audits			
2100416	ALLIANCE TECHNOLOGIES CORP., MA	D9CGL2-01-0143	6/12/92
2100418	ALLIANCE TECHNOLOGIES CORP., MA	D9CGL2-01-0290	6/15/92
2100460	ARTHUR D. LITTLE, INC., MA	D9CFL2-01-0296	7/ 9/92
2100131	BOOZ-ALLEN-HAMILTON, MD	D9CKL2-03-0147	12/17/91
2400002	OHM REMEDIATION, OH-BRODERICK	P9CHP1-05-0355	12/ 9/91
2100229	VERSAR, INC., VA	D9CFL1-03-0379	2/11/92
2100653	VERSAR, INC., VA	D9CFL2-03-0593	9/29/92

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Indirect Costs			
2100442	AEROCOMP, CA-OVERHEAD & DIRECT, FY 86-89	D9DGL2-09-0260	6/26/92
2100389	AQUA TERRA, CA-OVERHEAD & DIRECT, FY 86-88	D9DGL2-09-0220	5/27/92
2100643	BOOZ-ALLEN-HAMILTON, MD	D9DFL2-03-0592	9/29/92
2100503	CH2M HILL, INC., OR-FISCAL 1987	P9DH*8-10-0080	7/30/92
2100504	CH2M HILL, INC., OR-FISCAL 1988	P9DHL9-10-0174	7/30/92
2100505	CH2M HILL, INC., OR-FISCAL 1989	P9DHL0-10-0085	7/30/92
2100430	CONTINENTAL SHELF ASSOCIATES, FL	D9DKL2-04-0377	6/18/92
2100532	DONOHUE, WI-ARCS REGION 5, FISCAL 1990	P9DGL1-05-0277	8/27/92
2100350	EBASCO SERVICES, INC., NY	D9DFL2-02-0091	5/ 1/92
2100351	EBASCO SERVICES, INC., NY	D9DFL2-02-0090	5/ 1/92
2100393	EBASCO SERVICES, INC., NY	D9DFL2-02-0110	6/ 3/92
2100412	EBASCO SERVICES, INC., NY	D9DFL2-02-0091	6/11/92
2100375	ENERGY ENVIRONMENTAL RESEARCH, CA-FY 87	D9DGL2-09-0212	5/19/92
2100377	ENERGY ENVIRONMENTAL RESEARCH, CA-FY 88	D9DGL2-09-0213	5/20/92
2100441	ENERGY ENVIRONMENTAL RESEARCH, CA-FY 89	D9DGL2-09-0259	6/26/92
2100197	ENSITE, INC., GA	P9DHL1-04-0436	1/21/92
2300057	ICF CORP., VA	P9DGN2-03-0241	7/10/92
2100527	ICF INC./KAISER, VA	P9DGL2-03-0193	8/19/92
2100368	INTERNATIONAL TECHNOLOGY CORP., CA-OH FY88	D9DGL2-09-0209	5/18/92
2100472	JAMES MONTGOMERY, CA-OVERHEADS, FY 88-90	D9DGL2-09-0075	7/15/92
2100202	PRC ENVIRONMENTAL MGMT., IL-FISCAL 1989	E9DKL1-05-0159	1/29/92
2100304	REIDEL ENV. SERVICES, OR-FY87 OVERHEADS	P9DHL0-10-0096	3/31/92
2100642	REIDEL ENV. SERVICES, OR-FY88 OVERHEADS	P9DHL9-10-0148	9/28/92
2100152	ROY F. WESTON, PA	D9DFL2-03-0123	12/31/91
2100243	ROY F. WESTON, PA	D9DFL2-03-0226	2/21/92
2100629	SCIENCE APPLICATIONS INT'L CORP., CA-FY87	D9DGL2-09-0348	9/22/92
2100567	VERSAR, VA	D9DFL2-03-0553	9/ 4/92
2100166	WESTINGHOUSE-HAZTECH, GA	P9DGL0-04-0383	1/ 3/92
2400082	WW ENGINEERING CO., MI-ARCS-FISCAL 1991	P9DGP2-05-0465	9/30/92
2100340	WW ENGINEERING CO., MI-FISCAL 1990	P9DGL1-05-0157	4/28/92

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System Surveys			
2100192	CH2M HILL, INC., OR-CAS STATEMENT ADEQUACY	P9EGL2-10-0008	1/14/92
2100309	COMPUTER SCIENCE CORP., VA	D9EFL2-03-0299	4/ 6/92
2100310	COMPUTER SCIENCE CORP., VA	D9EFL2-03-0300	4/ 6/92
2400072	COMPUTER SCIENCE CORP., VA	D9EFP2-03-0308	9/ 9/92
2100654	COMPUTER SCIENCE CORP., VA	D9EFL2-03-0591	9/29/92
2100651	DYNAMAC, INC., MD	D9EFL2-03-0595	9/29/92
2100080	ENVIRONMENTAL PRODUCTS, INC., NY	D9EHL2-02-0031	12/ 2/91
2100081	ENVIRONMENTAL PRODUCTS, INC., NY	D9EHL2-02-0032	12/ 2/91
2100091	GOODE ENVIRONMENTAL SERVICES, VA	D9EFL2-03-0139	12/ 4/91
2100043	INFOPRO, INC., MD	D9EKL2-03-0066	10/29/91
2100038	INFORMATION SYSTEMS AND SERVICES, MD	D9EKL2-03-0062	10/29/91
2100372	ROY F. WESTON, PA	D9EFL2-03-0387	5/19/92
2100558	ROY F. WESTON, PA	D9EFL2-03-0552	9/ 4/92
2100623	ROY F. WESTON, PA	D9EFL2-03-0101	9/17/92
Financial Management Reviews			
2400078	REIDEL ENV. SERVICES, OR-ADVANCE AGREEMENT	P9FHP1-10-0076	9/28/92
2400036	REIDEL ENV. SERVICES, OR-CONTINGENCY FEES	P9FHP1-10-0075	3/31/92
Bankruptcy Disclosure Review			
2400018	MOBILE COMPANIES & ROGER F. WILLIAMS, KY	P6FJP1-05-0222	2/18/92

APPENDIX: ACRONYMS AND ABBREVIATIONS

ADEQ	Arizona Department of Environmental Quality
AICR	Alternate internal control review
ARCS	Alternative Remedial Contracting Strategy
ATSDR	Agency for Toxic Substances and Disease Registry
AZ	Arizona
CA	California
CAS	Cost Accounting Standards
CCS	Contract Compliance Screening
CERCLA	Comprehensive Environmental Response, Compensation, and Liability Act of 1980, as amended
CERCLIS	Comprehensive Environmental Response, Compensation, and Liability Information System, the Superfund management information system
CFO	Chief Financial Officer(s)
CFR	Code of Federal Regulations
CLP	Contract Laboratory Program
DC	District of Columbia
DCAA	Defense Contract Audit Agency
DEHNR	Department of Environment, Health and Natural Resources (North Carolina)
DHS	Department of Health Services (California)
DOE	Department of Energy
DOI	Department of the Interior
DOJ	Department of Justice
EIRA	Environmental Industrial Research Associates, Inc.

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EMSL	Environmental Monitoring Systems Laboratory
ENRD	Environment and Natural Resources Division (DOJ)
EPA	Environmental Protection Agency
EQB	Environmental Quality Board (Puerto Rico)
ERB	Emergency Response Branch (EPA Procurement and Contracts Management Division)
ERCS	Emergency Response Cleanup Services
E-TEC	Environmental Technology and Engineering facility
FAR	Federal Acquisition Regulations
FEMA	Federal Emergency Management Agency
FL	Florida
FMFIA	Federal Managers' Financial Integrity Act
FMS	Financial Management System (EPA)
FS	Feasibility Study
FSR	Financial Status Report
FY	Fiscal year
GA	Georgia
GC/MS	Gas chromatograph/mass spectrometer <i>or</i> gas chromatography/mass spectrometry
HHS	Department of Health and Human Services
IAG	Interagency agreement
ICR	Internal control review
ID	Idaho
IDHW	Idaho Department of Health and Welfare
IFMS	Integrated Financial Management System (EPA)
IL	Illinois

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IPA	Independent public accounting (firm)
KY	Kentucky
LADWP	Los Angeles Department of Water and Power
LARS	Labor Activity Reporting System (ADEQ)
LOC	Letter-of-Credit
LOE	Level of effort
LPD	Laboratory Performance Database
MA	Massachusetts
MAP	Management Assistance Program
MD	Maryland
MI	Michigan
MO	Missouri
MOA	Memorandum of Agreement
NC	North Carolina
NCP	National Oil and Hazardous Substances Contingency Plan, 40 CFR Part 300
NCSU	North Carolina State University
NEIC	National Enforcement Investigations Center (EPA)
NJ	New Jersey
NJDEP	New Jersey Department of Environmental Protection
NPL	National Priorities List
NPO	National Program Office
NY	New York
OH	Ohio
OIG	Office of the Inspector General
OMB	Office of Management and Budget

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OR	Oregon
OSC	On-Scene Coordinator
OSWER	Office of Solid Waste and Emergency Response (EPA)
PA	Preliminary Assessment <i>or</i> Pennsylvania
PE	Performance evaluation
PA/SI	Preliminary Assessment/Site Inspection
PPAS	Personal Property Accounting System (EPA)
PR	Puerto Rico
PRP	Potentially Responsible Party
QAPJP	Quality Assurance Project Plan
QAPP	Quality Assurance Program Plan
QA/QC	Quality Assurance/Quality Control
RA	Remedial Action
RAS	Routine Analytical Services
RCMS	Removal Cost Management System
RD	Remedial Design
RI	Remedial Investigation <i>or</i> Rhode Island
RI/FS	Remedial Investigation/Feasibility Study
RPM	Remedial Project Manager
SARA	Superfund Amendments and Reauthorization Act of 1986
SAS	Special Analytical Services
SAWPA	Santa Ana Water Project Authority
SI	Site Inspection
SMO	Sample Management Office
SPUR	Software Package for Unique Reports

SWRCB	State Water Resources Control Board (California)
TAT	Technical Assistance Team (EPA contractor)
TES	Technical Enforcement Support (EPA contracts)
TPO	Technical Project Officer
Trust Fund	Hazardous Substance Superfund
TX	Texas
VA	Virginia
WA	Washington
WDOE	Washington Department of Ecology
WI	Wisconsin