

EPA Office of Inspector General Report to Congress

April 1, 1983 to
September 30, 1983

HIGHLIGHTS

U.S. Environmental Protection Agency
Reading Room, Library
333 South Dearborn Street
Chicago, Illinois 60604

IG Highlights is a digest version of the most recent semi-annual report to Congress issued by the Office of the Inspector General. Its purpose is to inform EPA employees and the public about our work in order to develop a greater awareness and understanding of our responsibilities and activities.

During the past months, we have received tremendous support and cooperation from the Administrator and his staff as we pursued our mission of improving the economy and efficiency of EPA programs and striving to eliminate fraud, waste and abuse from the Agency's operations. We have developed a strong internal audit program and improved our investigative procedures, but much remains to be done.

We earnestly solicit the cooperation of all EPA employees in our work, for only with this help can we hope to succeed. Listed on the back page of IG Highlights are the names, locations and phone number of the Divisional Inspectors General for Audit and Investigations throughout the country. Please contact them or the EPA Hotline if you desire to bring any matter to my office's attention.

John C. Martin
Inspector General

Profile of Activity and Results

Environmental Protection Agency
Office of Inspector General

Amount April 1, 1983,
to September 30, 1983

Audit Operations

Questioned and Set Aside Costs (Costs which are ineligible or lacking proper support)	\$158 Million
Sustained Costs for Recovery and Savings (Costs which EPA management agrees are ineligible and is committed to recover or offset against future payments)	\$34 Million
Cost Efficiencies or Deobligations (Funds made available by implementing recommendations from OIG Internal and Management audits)	\$11.9 Million
Total Amount Audited (Reported or proposed expenditures or claims)	\$2,475 Million
Audit Reports Resolved (Agreement by Agency officials to take satisfactory corrective actions)	882

Investigation Operations

Fines	\$75,000
Investigation Cases Opened	93
Investigation Cases Closed	51
Investigation Cases Pending (9/30/83)	223
Investigation Cases Referred for Prosecution	20
Indictments/Convictions	15
Personnel and Administrative Actions Initiated or Taken Against EPA Employees	31

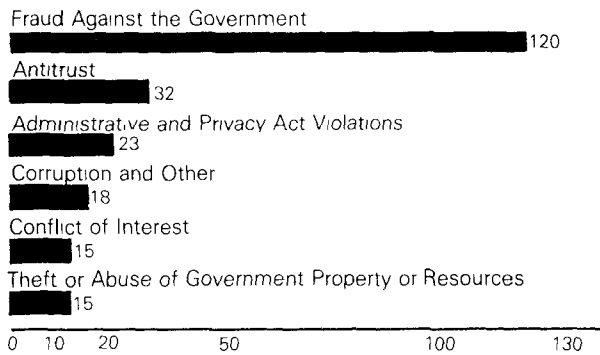
Fraud Detection and Prevention Operation

Debarments, Suspensions, Voluntary Exclusions and Settlement Agreements (Actions to deny persons or firms from participating in EPA programs or operations because of misconduct or poor performance)	57
Hotline Complaints Received	48
Hotline Complaints Processed and Closed	66
Proposed Legislation and Regulations Reviewed	54

Investigative Activities

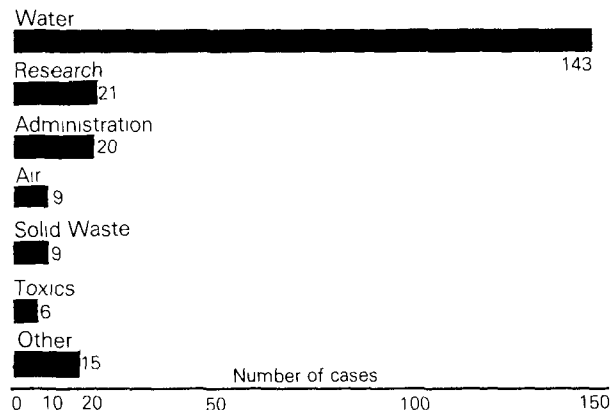
Distribution of Open Investigation Cases By Type

Total Cases Open As of September 30, 1983 = 223



Distribution of Open Investigation Cases By Office

Total Cases Open As of September 30, 1983 = 223



Examples of New Prosecutive Actions

Conspiracy to Rig Bids

The OIG staff initiated an investigation of bidrigging on waste water treatment facilities, beginning with contractors who previously had been indicted and convicted under Department of Transportation programs. By analyzing numerous construction contracts in North and South Carolina, we identified a pattern of conspiracy by contractors to rig bids resulting in 10 indictments and 6 convictions. Bidrigging investigations are currently being conducted in Florida, Georgia, Alabama, and Tennessee, and will be expanded to additional states during fiscal 1984.

False Claims

The former city engineer of Moultrie, Georgia was sentenced on September 15, 1983, to 3 years in jail, a \$10,000 fine and 2 years probation after pleading guilty of conspiring to approve payments of \$90,000 based on false claims for an EPA funded project. The city engineer approved payments for raising and replacing man-

hole covers and pavement, cleaning, inspecting, testing, and grouting of sewer pipe joints without the work being performed. In return the engineer received a motorcycle from the contractor.

Embezzlement

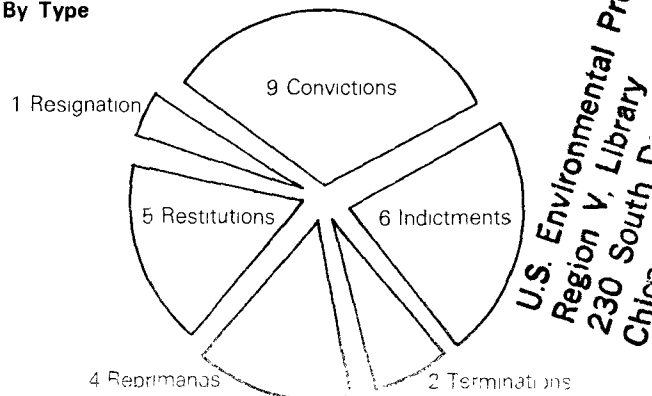
A former executive secretary of the South Dakota Association of Conservation Districts was sentenced in August 1983, for embezzling over \$30,500 in State and EPA funds. The executive secretary pleaded guilty to writing checks to himself, changing dollar amounts on checks written to him, filing fraudulent travel vouchers and false postage charges, and maintaining a secret checking account from which he withdrew funds for personal use. He was sentenced to 60 days under a work release program and two and one half years probation.

Administration Actions

Four examples of administrative actions taken during the semiannual reporting period are shown below.

- A former high-level EPA regional official made restitution to the Agency in the amount of \$985 for personal use of a Government telephone credit card during a 13-month period.
- A regional office director resigned his position and reimbursed the Agency \$1,811 for false travel voucher claims.
- A high-level EPA official improperly charged 69 personal long-distance commercial calls to his Agency telephone credit card. EPA was reimbursed \$480 by the employee.
- A former employee reimbursed the Agency \$229 in connection with an allegation that she altered her time-card on two occasions to reflect regular work hours instead of sick leave.

Distribution of Administrative and Prosecutive Actions By Type



Prosecutive Actions = 15

Administrative Actions = 12

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Fraud Control Activities

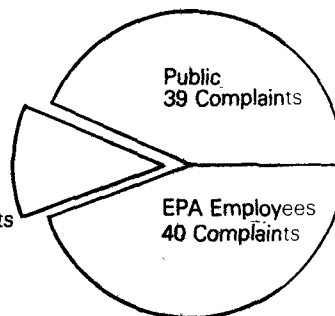
The Inspector General participates in various activities to promote economy and efficiency in the administration of EPA operations and prevent and detect fraud, waste, and abuse in EPA programs. During this reporting period the OIG:

- provided the Administrator with technical assistance to implement the Federal Managers' Financial Integrity Act and revised OMB Circular A-123, and conducted an independent evaluation of the Agency's progress in implementing the act;
- conducted audits, investigations, and engineering studies resulting in the debarment or suspension of 57 recipients or contractors because of misconduct or poor performance; and,
- reviewed 54 pieces of proposed legislation and regulations to identify potential improprieties or vulnerabilities for fraud, waste, or mismanagement.

Hotline Activities

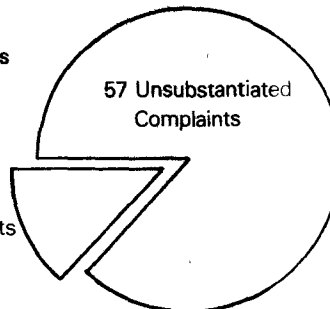
Sources of the 90 cases opened as of the end of the period.

GAO
11 Complaints



Disposition of the 66 cases closed this period.

9 Valid Complaints



Hotline complaints found to be valid result in corrective administrative or prosecutive action

If you are aware of any Fraud, Waste, or Mismanagement, please contact the EPA Inspector General Hotline or the appropriate Divisional Inspector General

- Information is confidential.
- Caller may be anonymous.
- Cash awards for cost saving disclosure.
- Call can be made from anywhere toll free.

800-2124-4000/202 (or 8 if FTS) 382-4977

design and construct wastewater treatment works although the agency was not legally authorized to do so. We recommended that payments to the agency be halted until the agency obtains appropriate legal authority for grant eligibility.

Untimely Review and Response to Proposed Actions May Render the Environment Unprotected.

The Office of Federal Activities (OFA) was not meeting its responsibility under Section 309 of the Clean Air Act to provide comments on environmental impact statements and other proposed Federal actions to ensure that such actions do not threaten public health and the environment. OFA failed to issue comments in 22 of 74 cases reviewed even though draft comments were prepared for at least 10 of those 22 cases. We recommended that a control log be used to track the receipt and response to all requests, and that the Director of OFA be apprised of and be held accountable for the disposition of each case.

Contractor Billed EPA \$600,000 in Excessive Costs.

Several Contractors performing emergency cleanup actions under the Superfund program overcharged the EPA more than \$600,000 by billing at rates that were excessive compared to those charged on similar contracts. The problem of excessive rate charging was chronic because contractors were employed on an emergency basis before negotiation of terms. We recommended that proper contracting and procurement controls be implemented and enforced.

Grantees Overcharge \$3.9 Million For Waste Water Treatment Projects.

In separate grant awards, Dade County Florida, Delano, California, and Houston, Texas, charged the Waste Water Treatment Works Construction Grants Program \$2.4 million, \$1.1 million, and \$400,000 respectively for ineligible costs beyond the scope of the project or unapproved change orders. We recommended recovery of these costs.

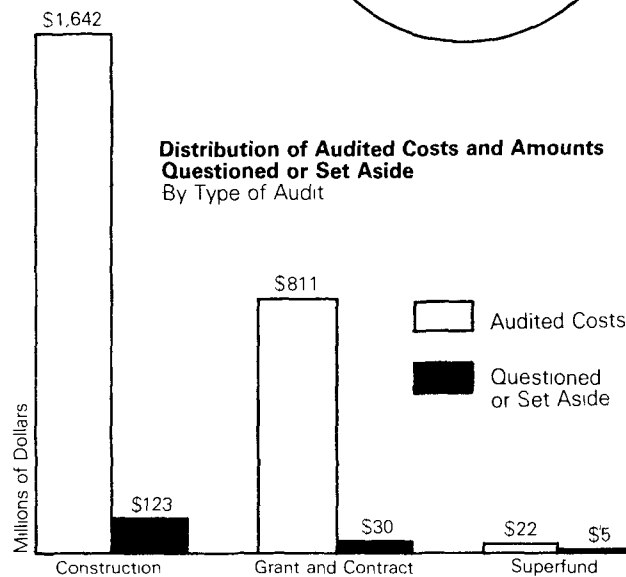
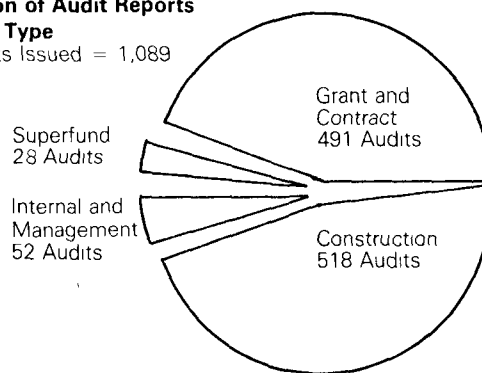
Audit Resolution

OIG staff and Agency officials have worked hard to resolve more than 882 reports during this semiannual reporting period in agreeing to recover \$34.2 million and deobligate \$11.9 million of questioned costs. However, the inventory of unresolved audit reports at the end of this period has increased from 388 to 602, requiring additional future efforts by the OIG and Agency officials to resolve all audit reports within six months. This increase is primarily due to the issuance of 265 more audit reports this six month period than the last

Audit Activities

Distribution of Audit Reports Issued By Type

Total Audits Issued = 1,089



Examples of Significant Audits

Delays in Construction Starts Cost Agency Over \$400 Million.

EPA's failure to enforce its regulations for timely construction starts has resulted in preconstruction delays exceeding 18 months on 634 grant projects and delays exceeding four years on 22 of these grant projects. Delays have increased EPA project costs by more than \$400 million while also increasing costs to local communities and denying water quality benefits to the public. We recommended that Agency management issue and enforce more stringent regulations, increase its effort to monitor delays and regional performance, and establish management accountability to ensure prompt construction of grant projects.

EPA Awards \$2 Million to Ineligible Grantee.

The San Jacinto Mountain Area Water Study Agency in California was awarded more than \$2 million to plan,

Divisional Inspectors General

Eastern Division (New York)

Audits	Sanford Wolfe	264-5730
Investigations	George Markham	264-5730

Mid Atlantic Division (Philadelphia)

Audits	Paul Gandolfo	597-8636
Investigations	James Hagen	382-4934

Southern Division (Atlanta)

Audits	Leslie Buie	257-3623
Investigations	Herbert Hinchman	257-3623

Northern Division (Chicago)

Audits	Anthony Carrollo	353-2486
Investigations	Thomas Boockmeier	353-2507

Western Division (San Francisco)

Audits	Truman Beeler	454-7084
Investigations	Jonathan Sweeney	454-8151

All numbers are FTS