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6500 - Functions and Activities of the Office of the Inspector General

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CHECKLIST OF EPA TRANSMITTALS

TITLE
Functions and Activities of the Office of the Inspector General

When kept current, this checklist permits the user to see at a glance which transmittals have been filed.

SERIES			SERIES			SERIES		
NUMBER	DATE	INI-TIAL	NUMBER	DATE	INI-TIAL	NUMBER	DATE	INI-TIAL

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EPA MANUAL

FUNCTIONS AND ACTIVITIES OF THE OFFICE OF INSPECTOR GENERAL

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CHAPTER 1--ESTABLISHMENT, AUTHORITY, AND ORGANIZATION

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CHAPTER 1--ESTABLISHMENT, AUTHORITY, AND ORGANIZATION

1. ORIGIN AND ESTABLISHMENT. The Inspector General Act of 1978, P.L. No. 95-452, as amended, 5 U.S.C. app. (1982), which took effect on October 12, 1978, provided for the statutory establishment of Offices of Inspector General in most departments and major agencies of the executive branch, including EPA.

a. The Office of Inspector General (OIG) was established by the Administrator of the Environmental Protection Agency on January 7, 1980.

b. The primary purpose of the Inspector General Act was to establish and consolidate audit and investigative operations into an independent organization headed by an Inspector General (IG).

2. INDEPENDENT STATUS OF INSPECTOR GENERAL. The independent status of the Inspector General is provided for in the Inspector General Act and is further clarified in the Congressional committee reports and hearings in support of the act.

The Inspector General reports directly to the Administrator or the Deputy Administrator; shall not report or be subject to the supervision of any other official of EPA; and is free from any undue influence or constraints in performing his or her functions. The independent status of the Inspector General is described below.

a. The Inspector General is appointed by the President without regard to political affiliation, is subject to confirmation by the Senate, and can only be removed from office by the President. The President, however, must communicate the reasons for any such removal to both Houses of Congress.

b. The Inspector General cannot be prevented or prohibited from initiating, carrying out, or completing any audit or investigation; issuing any audit, investigation, or related report; or issuing any subpoena during an audit or investigation.

c. The Inspector General is free to report matters to the Congress without the imposition of any restrictions by Agency management which might influence or alter the subject matters being reported.

d. The Inspector General may enter into any contracts for services and may select, appoint, and employ any required officers and employees within the resources available for such activities.

3. STATUTORY FUNCTIONS. The functions of the OIG are provided in section 2 of the Inspector General Act:

a. Conduct and supervise audits and investigations relating to programs and operations of the Agency;

b. Provide leadership and coordination and recommend policies to promote economy, efficiency, and effectiveness and to prevent and detect fraud and abuse in Agency programs and operations; and

c. Keep the Administrator of EPA and the Congress fully and currently informed about problems and deficiencies related to the operation of EPA programs and the necessity for and the progress of corrective action.

4. SPECIFIC DUTIES. The principal statutory duties and responsibilities of the OIG are set forth in section 4(a) of the Inspector General Act:

a. Conduct, supervise, and coordinate audits and investigations and provide related policy direction in these areas.

b. Review existing and proposed legislation and regulations and make recommendations to the Congress in the semiannual reports concerning their impact on the economy and efficiency of program administration or the prevention and detection of fraud and program abuse.

c. Recommend policies for and conduct, supervise, or coordinate other activities of the Agency to promote economy and efficiency in program administration and prevent and detect fraud and abuse.

d. Recommend policies for and conduct, supervise, or coordinate relationships between the Agency and governmental entities with respect to (1) all matters relating to the promotion of economy and efficiency in program administration or the prevention and detection of fraud and abuse; or (2) the identification and prosecution of participants in such fraud and abuse.

e. Keep the Administrator and the Congress fully and currently informed, by means of reports and otherwise concerning fraud and other serious problems and deficiencies, recommend necessary action to correct such problems and deficiencies, and report on the progress in implementing corrective actions.

5. DELEGATED DUTIES. In addition to the above statutory duties, the Administrator has delegated to the Inspector General the authority to:

a. Implement and maintain protective security measures for the Administrator as required.

b. Develop and direct the Agency's personnel security program under the requirements of Executive Order 10450, "Security Requirements for Government Employment."

c. Carry out the Agency's administrative enforcement of post employment restrictions of the Ethics in Government Act of 1978, P.L. No. 95-521 as amended, and 18 U.S.C. 207 (a), (b), (c) as implemented by 5 CFR Part 737.

The responsibilities noted above neither diminish nor include program operating responsibilities of other Agency primary organization heads. Pursuant to section 9(a)(2) of the Inspector General Act, program operating responsibilities may not be transferred to the Inspector General.

6. OTHER REQUIREMENTS OF THE ACT. In carrying out the statutory duties and responsibilities, section 4 of the Inspector General Act requires the Inspector General to:

a. Comply with the governmental audit standards published by the Comptroller General of the United States.

b. Establish guidelines for determining when it is appropriate to use non-Federal auditors and ensure that any work performed by such auditors complies with the governmental audit standards.

c. Give particular attention to the activities of the Comptroller General with a view toward avoiding duplication and ensuring effective coordination and cooperation.

d. Report expeditiously to the Attorney General whenever there are reasonable grounds to believe Federal criminal laws have been violated.

7. SPECIFIC AUTHORITIES. To carry out the statutory duties and responsibilities described in paragraph 1-4, section 6(a) of the Inspector General Act authorizes the Inspector General to:

a. Have access to all records, reports, audits, reviews, documents, papers, recommendations, or other material available to the Agency.

b. Conduct any investigation and issue any reports which the Inspector General deems necessary or desirable.

c. Request necessary information or assistance from any Federal, State, or local governmental agency or unit.

d. Require, by subpoena, the production of all information, documents, reports, answers, records, accounts, papers, and other necessary data and documentary evidence. (However, procedures other than subpoenas are to be used to obtain documents and information from Federal agencies.)

e. Have direct and prompt access to the Administrator when necessary for any purpose pertaining to the performance of functions and responsibilities under the Inspector General Act.

f. Select, appoint, and employ officers and employees necessary for carrying out the OIG's functions and duties.

g. Obtain the services of experts and consultants.

h. Enter into contracts and other arrangements for audits, studies, analyses, and other services with public agencies and private persons, and make such payments as may be necessary to carry out the Inspector General Act.

8. ORGANIZATION AND STAFF. The functions and responsibilities of the various organizations which constitute the OIG are found in the EPA Organizations and Functions Manual. The OIG is headed by an Inspector General, who reports to the Administrator of EPA. The Inspector General is assisted by a Deputy Inspector General, who acts as the Inspector General during the absence or temporary incapacity of the Inspector General when designated.

The OIG has a Headquarters office in Washington, D.C., and various field offices. There are three operational offices in Headquarters, each of which is headed by an Assistant Inspector General (AIG): the Office of Audit, the Office of Investigations, and the Office of Management and Technical Assessment.

The Office of Inspector General has six division offices: Internal Audits (Headquarters), Eastern (New York), Mid-Atlantic (Washington, D.C., and Philadelphia), Southern (Atlanta), Northern (Chicago), and Western (San Francisco). In each divisional office there is an audit staff and an investigative staff headed respectively by Divisional Inspectors General for Audit and Investigation. Each Divisional Inspector General for Audit (DIGA) reports to the Assistant Inspector General for Audit, while each Divisional Inspector General for Investigations (DIGI) reports to the Assistant Inspector General for Investigations. All OIG personnel located in divisional offices are considered members of the EPA OIG Headquarters staff.

9. RELATIONSHIP TO AGENCY OPERATIONS. The functions of the Office of Inspector General do not replace established lines of operating authority and responsibility, nor do they eliminate the need for functional supervision and line inspections necessary for operating units to discharge their assigned responsibilities. The relationships below are particularly worthy of mention.

a. Audits and Investigations. All areas of the Agency's operations and programs, including operations of grantees, contractors, or subcontractors participating or doing business with the Agency, are subject to review by the OIG. The proper fulfillment of this role entails the maintenance of continuing relationships with all EPA organizations. Such relationships may involve:

(1) Considering, planning, and conducting audits suggested by EPA officials.

(2) Considering and conducting investigations from referrals, including hotline complaints.

(3) Obtaining the cooperation of EPA officials and employees during audits and investigations.

(4) Briefing EPA officials on the results of audits and investigations.

b. Audit Followup System. The primary purpose of this system is to ensure that audit findings and recommendations are effectively resolved. The primary responsibility for implementing the audit followup system is vested with EPA's Assistant Administrator for Administration and Resources Management, the designated Agency followup official. The audit followup system provides for an Audits Resolution Board and Audit Review Group. OIG officials serves as non-voting members of these bodies and provide advice, technical assistance, and various services to these and other EPA organizations to ensure effective resolution of audit findings and recommendations. [Also refer to EPA Manual 2750, "Management of EPA Audit Reports and Followup Action" (1984 edition).]

c. Personnel Security Program. The OIG initiates and arranges for investigations of employees assigned to sensitive positions. The OIG evaluates the results of these investigations to determine whether employees applicants meet the requirements of Executive Order 10450, "Security Requirements for Government Employment."

d. Proposed Legislation and Policy Issuance. Section 4(a)(2) of the Inspector General Act requires the OIG to review existing and proposed legislation and regulations and submit recommendations to the Congress based on these reviews. To assist management in ensuring that legislation and regulations contain necessary controls to promote economy, efficiency and effectiveness and prevent and detect waste, fraud, and abuse in Agency programs and operations or other governmental operations, the OIG reviews draft legislation, regulations, and policy issuances which (1) originate within EPA, (2) have national cross-agency concerns, or (3) originate in other agencies and may involve or concern EPA. This effort involves working with originating offices to resolve OIG concerns.

e. The Office of General Counsel. By a Memorandum of Understanding, the Inspector General Division within the Office of General Counsel provides legal services to the Office of Inspector General in conjunction with audits, investigations and OIG operations. These services include interpreting regulations and policies.

10. EXTERNAL RELATIONSHIPS. Pursuant to section 4(a)(4) of the Inspector General Act, the Inspector General is responsible for recommending policies for, conducting, supervising, and coordinating relationships between the EPA and other Federal agencies, Congress, State and local government agencies, and nongovernmental agencies with respect to (1) all matters relating to the promotion of economy and efficiency in the administration of program and operations administered or financed by the Agency, or the prevention and detection of fraud and abuse in such programs and operations; and (2) the identification and prosecution of participants in fraud or abuse in EPA programs and operations. As appropriate, the OIG participates with other Federal departments and agencies on various work-related committees, task forces, and councils. Major organizations include the Department of Justice, the Office of Management and Budget, the President's Council on Integrity and Efficiency, the General Accounting Office, and the Congress. Some of the OIG's significant relationships are described below.

a. Congress. The OIG reports directly to Congress on significant audit, investigative, and other related matters as required by section 5 of the Inspector General Act (see chapter 2).

b. EPA Program Participants. Persons and entities receiving financial or other assistance from EPA are subject to OIG audit and investigative reviews, when appropriate.

c. General Accounting Office (GAO). Section 4(c) of the Inspector General Act requires the Inspector General to give particular regard to the activities of the Comptroller General of the United States to avoid duplication and ensure effective coordination and cooperation.

d. Department of Justice. Section 4(d) of the Inspector General Act requires the Inspector General to report expeditiously to the Attorney General whenever the Inspector General has reasonable grounds to believe there has been a violation of Federal criminal law. In addition, the OIG provides assistance to United States Attorneys such as preparing or reviewing financial data and material pertinent to grand jury presentations or court cases involving EPA programs.

e. Federal Bureau of Investigation. By a Memorandum of Understanding, the Federal Bureau of Investigation (FBI) provides investigative resources to the OIG, such as forensic analysis of evidence, and exchanges information with the OIG in mutual support of investigative matters. (See chapter 5, paragraph 4.)

f. Office of Personnel Management. The OIG, which is responsible for the personnel security program in EPA, arranges for investigations by the Office of Personnel Management (OPM) and evaluates investigative data received from OPM. The Office of Inspector General participates in OPM sponsored training and development programs.

g. President's Council on Integrity and Efficiency. This Council was established by Executive Order 12301, dated March 26, 1981. The general objectives of the Council are to coordinate and implement the Federal Government's policies with respect to promoting integrity and efficiency in Federal programs through task forces and committee projects that address governmentwide problems and issues.

The Council is chaired by the Deputy Director of OMB. Membership includes the Inspectors General, the Deputy Attorney General, the Executive Assistant Director of Investigations of the FBI, the Director of the Office of Personnel Management, and other key agency designees.

h. Department of the Treasury. The OIG is responsible for referring to the United States Secret Service, Department of the Treasury, matters that involve the alleged forgery of United States checks or irregularities with regard to imprest funds. (Concurrent referral is also made to the Federal Bureau of Investigations.) The OIG also uses the Treasury Department's Law Enforcement Training Center for both initial training of investigators and white collar crime training for experienced investigators.

i. Office of Management and Budget. As an organizational arm of the President, the Office of Management and Budget (OMB) has a significant role in improving the management of the Federal Government's operations. The OIG works closely with OMB by assisting in the implementation of special Presidential/OMB initiatives dealing with the curtailment of fraud, waste, and mismanagement.

j. Merit Systems Protection Board. When applicable, the OIG may be requested to investigate "whistleblower" reprisal allegations which are referred to the Administrator by the Special Counsel of the Merit Systems Protection Board. The OIG is also responsible for referring alleged violations of the Hatch Act and other prohibited personnel practices to the Merit Systems Protection Board.

CHAPTER 2--REPORTING TO THE ADMINISTRATOR AND CONGRESS

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CHAPTER 2--REPORTING TO THE ADMINISTRATOR AND CONGRESS

1. PURPOSE AND RESPONSIBILITY. One of the principal objectives of the Inspector General Act is to keep the head of the agency and the Congress fully and currently informed about problems and deficiencies relating to programs and operations and the necessity for and progress of corrective action. To accomplish this objective, the act provides that the Inspector General report to the Administrator and the Congress significant and flagrant problems, abuses, or deficiencies in the Agency's programs and operations. The act requires that the Inspector General carry out this reporting semi-annually and as frequently as considered necessary.

2. SEMIANNUAL REPORTS. Section 5(a) of the Inspector General Act requires the Inspector General to prepare semiannual reports to the Administrator and the Congress which summarize the activities of the OIG during six-month periods ending March 31 and September 30 of each year. Section 5(b) calls for the Inspector General to furnish the semiannual report to the Administrator not later than April 30 and October 31 of each year. The Inspector General Act prohibits the Administrator from making changes in the reports. Further, it requires the Administrator to transmit the semiannual reports to the appropriate committees or subcommittees of the Congress within 30 days after their receipt.

a. Required Content. According to the Act, each semiannual report must include, but does not have to be limited to:

(1) A description of significant problems, abuses, and deficiencies disclosed by audits and investigations during the reporting period.

(2) A description of the recommendations for corrective action with respect to the significant problems, abuses, or deficiencies mentioned above.

(3) An identification of each significant recommendation in previous semiannual reports on which corrective action has not been completed.

(4) A summary of matters referred to prosecutive authorities and the prosecutions and convictions which have resulted.

(5) A list of all audit reports completed by the OIG during the reporting period.

(6) A summary of instances reported to the head of the Agency under section 6(b)(2) of the Inspector General Act where information or assistance was unreasonably refused or not provided to the OIG.

(7) A summary of reviews of existing and proposed legislation and regulations.

b. Report from the Administrator. In transmitting the Inspector General's semiannual report, section 5(b) authorizes the Administrator to provide the Congress with a separate report containing any comments on the semiannual report which he or she deems appropriate. The Administrator is prohibited from changing the semiannual report.

c. Availability of Reports. Section 5(c) of the Inspector General Act requires the Administrator to make copies of the Inspector General's semiannual report available to the public upon request and at a reasonable cost.

3. IMMEDIATE REPORTING OF FLAGRANT PROBLEMS AND ABUSES. Section 5(d) of the Inspector General Act requires the Inspector General to report to the Administrator whenever he or she becomes aware of particularly serious or flagrant problems, abuses, or deficiencies in the Agency's programs and operations.

The Administrator, in turn, is required by section 5(d) to transmit any such report of the Inspector General to the appropriate committees and subcommittees of Congress within seven calendar days, together with a separate report containing any comments the Administrator deems appropriate.

CHAPTER 3--REPORTING VIOLATIONS AND OTHER PROHIBITED ACTIVITIES TO THE OIG

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CHAPTER 3--REPORTING VIOLATIONS AND OTHER PROHIBITED ACTIVITIES TO THE OIG

1. AUTHORITY TO REVIEW OR INVESTIGATE. As described in this paragraph, certain laws provide the Inspector General with authority to review and investigate various alleged violations and other prohibited activities affecting the Agency, including complaints involving such activities. However, while the Inspector General is authorized to review all complaints involving the Agency, other processes exist in the Agency for receiving and acting on certain complaints (see paragraph 7 of this chapter).

a. Inspector General Act. Section 7(a) of the Inspector General Act provides for the Inspector General's receipt and investigation of complaints or information from employees of the Agency concerning the possible existence of activities constituting a violation of law, rules, or regulations; mismanagement; gross waste of funds; abuse of authority; or a substantial and specific danger to the public health and safety.

In addition to the specific authority of section 7(a) of the Inspector General Act to receive and act on complaints or information from employees of the Agency, the OIG may receive and act on complaints and related information from any other sources. Such authority stems, in part, from sections 6(a)(1) and (2) of the Inspector General Act, which address the Inspector General's access to all material available to the Agency and authority to conduct any investigations which the Inspector General considers necessary.

b. Civil Service Reform Act. In accordance with section 202(a) of the Civil Service Reform Act of 1978, 5 U.S.C. 1206, the OIG may be requested by the Administrator to investigate complaints, allegations, or information concerning matters similar to those in paragraph 3-1a, which are reported by employees, former employees, or applicants for employment to the Office of the Special Counsel, Merit Systems Protection Board, and referred by the Special Counsel to the Administrator. (Such complaints, allegations, or information will be processed, investigated, and reported by the OIG in accordance with the rules and regulations of the Office of the Special Counsel contained in 5 CFR parts 1250-1261.)

c. Ethics in Government Act Regulations. The implementing regulations for titles II and IV of the Ethics in Government Act of 1978 (5 CFR part 738) provide for the "designated agency ethics official" (i.e., Deputy General Counsel) to ensure that appropriate matters are referred to the OIG [5 CFR 738.203 (b)(12)]. Thus, the OIG may investigate actual or potential violations of the Agency ethics standards.

d. Standards of Conduct Regulations. The Agency's standards-of-conduct regulations (40 CFR part 3) provide that employees should furnish, the appropriate Deputy Ethics Official, the Designated Agency Ethics Official or the Inspector General with information concerning violations of the standards of conduct. The OIG may investigate violations of the Agency's standards of conduct based on information of such alleged violations.

2. RESPONSIBILITIES OF AGENCY MANAGEMENT AND EMPLOYEES. The Office of Inspector General can fulfill its responsibilities only with the cooperation, full disclosure, and reporting of information concerning instances of fraud, waste, or mismanagement. All officials and employees of the Agency are responsible for complying with laws and regulations and for maintaining high standards of conduct in the administration of programs and operations of the Agency. Each employee is responsible for promptly reporting indications of wrongdoing or irregularity to the Office of Inspector General and for cooperating and providing assistance during any audit or investigation.

a. Heads of Primary Organizations. Assistant Administrators and other heads of organizations who report to the Administrator are responsible for ensuring that (1) any instances of, and information on, any known or suspected violations of law, rules, or regulations, or mismanagement, gross waste of funds, abuse of authority are promptly reported to the OIG; (2) appropriate instructions are issued to employees to facilitate the reporting of the matters described above; (3) employees are periodically counseled on the need to report such matters promptly; and (4) appropriate corrective actions are taken on such reported violations by the appropriate supervisor when work by the OIG to review the situation is not necessary.

b. Employees. All employees of the Agency, within the limits of their authority and duties, are responsible for (1) fostering the enforcement of laws, executive orders, regulations, and other applicable directives; (2) maintaining high standards of ethical conduct; and (3) promoting efficiency and effectiveness in the administration of the Agency's programs and activities.

These responsibilities require that all employees promptly report instances of and information on any known or suspected violation of law, rules, or regulations; mismanagement; gross waste of funds; abuse of authority; or substantial and specific danger to the public health and safety. Employees should report such instances to their supervisors, or if necessary directly to the Office of Inspector General (see paragraph 6 of this chapter).

As stated in section 7c of the Inspector General Act, action shall not be taken or threatened against any employee as a reprisal for making complaints or disclosing information to the OIG unless the complaint was made or the information disclosed with the knowledge that it was false or with willful disregard for its truth or falsity.

3. COOPERATION DURING AUDITS AND INVESTIGATIONS. The OIG can accomplish the objectives of the Inspector General Act only with the cooperation of all EPA employees. The IG Act authorizes the Inspector General to have access to all records, reports, audits, reviews, documents, papers, recommendations, or other material available to the Agency. To this end, it is necessary that EPA managers and supervisors ensure that all EPA employees cooperate with the OIG during audits and investigations. Employees should be instructed to:

a. Disclose and provide information pertaining to the matters under review.

b. Make available applicable files, records, reports, agreements, contracts, correspondence, or other required information.

c. Advise OIG of matters which they believe warrant review during the audit or investigation.

Section 701 of the Civil Service Reform Act of 1978, 5 U.S.C. 7114, provides the employee union an opportunity to be represented at any examination of an employee in the union's bargaining unit by a representative of the Agency in the connection with an investigation. The Office of Inspector General is independent and is not a representative of the Agency. Therefore, an employee interviewed by a member of Office of Inspector General does not have the right to have a union representative present

4. UNREASONABLE REFUSAL OR NONPROVISION OF INFORMATION OR ASSISTANCE. Section 6(b)(2) of the Inspector General Act provides that whenever information or assistance requested is, in the judgment of the Inspector General, unreasonably refused or not provided, the Inspector General is to report the circumstances to the Administrator without delay.

Section 5(a)(5) of the Inspector General Act requires the Inspector General to include in the semiannual report to Congress a summary of each report made to the Administrator in connection with section 6(b)(2) of the act.

The Inspector General will consider a request for information or assistance as unreasonably refused or not provided when both of the following condition conditions are present: (1) the OIG's audit, survey, evaluation, or investigation cannot be satisfactorily completed unless the request is fulfilled; and (2) the official refusing to honor the request can reasonably and legally fulfill it.

5. ISSUANCE OF SUBPOENAS. Section 6(a)(4) of the Inspector General Act authorizes the Inspector General to require by subpoena the production of all information, documents, reports, answers, records, accounts, papers, and other data and documentary evidence necessary in the performance of the functions assigned by the Inspector General Act. The subpoena is enforceable by order of any appropriate United States District Court. However, procedures other than subpoenas are to be used by the Inspector General to obtain documents and information from other Federal agencies.

If information cannot be obtained voluntarily, a subpoena may be issued to prime contractors, grantees, subcontractors, and subgrantees. These may include State, local, and Indian tribal governments.

6. PROTECTION OF EMPLOYEE COMPLAINANTS.

a. In accordance with Section 7b of the Inspector General Act, the identify of an employee, other than a supervisor or manager acting in his or her official capacity, who comes forth with a complaint or information by contacting the OIG shall be kept confidential. Exceptions can be made to this general rule where (1) the employee consents to the release of his or her name, or (2) the Inspector General personally determines such disclosure is unavoidable during the course of the investigation. The provisions of confidentiality under Section 7b is limited to EPA employees who directly contact the OIG. Confidentiality will not be provided pursuant to Section 7b to an employee who provides information to another employee who in turn passes information to the OIG. The employee who passes the information to the OIG will receive confidentiality unless the employee is a supervisor or manager acting in his or her official capacity. The provision of confidentiality under Section 7b does not extend to an employee who is contacted by OIG staff unless that employee during the course of an interview or other communication in connection with an audit or investigation, makes a new complaint or provides new information to the OIG which has not been solicited by OIG staff. Similar requirements for protecting the identities of sources of information are found in the Civil Service Reform Act of 1978, the Privacy Act of 1974, and the Freedom of Information Act.

b. Section 7(c) of the Inspector General Act provides that employees are prohibited from threatening, taking, recommending, or approving any personnel action as reprisal against other employee(s) for making disclosures to the OIG. However, employees who make complaints or disclosures known to them to be false or with willful disregard for the truth or falsify are not so protected.

Employees who wrongfully take reprisal actions against complainants or employees who report a complaint or disclose information known to such employees to be false or who do so in willful disregard for its truth or falsity, may be subject to punitive action in accordance with appendix C of the EPA Manual of Conduct and Discipline.

7. HOTLINE ACTIVITIES. A telephone hotline, maintained in the OIG, is available to all EPA employees and the public for reporting Agency activities involving fraud, waste, or mismanagement. The use of the hotline for reporting complaints should not be looked upon as a requirement; rather, the hotline is an alternative to reporting matters directly to one's supervisor or in person or writing to the OIG (see paragraph 8, chapter 6).

a. Operation of the Hotline. The hotline number is (202) 382-4977. Field staff can call the hotline number through the Federal Telecommunications System by dialing 8-382-4977. The toll-free number is (800) 424-4000. Hotline calls are answered by OIG personnel between 8 a.m. and 4:30 p.m. (Washington, D.C. time), Monday through Friday. A telephone answering machine records all calls received after working hours or on nonworkdays.

b. Processing of Hotline Calls. After initial receipt and preliminary screening, the complaint or allegation is referred to the appropriate office within OIG or EPA for appropriate action.

Complaints or allegations dealing with possible criminal matters or complaints or allegations involving serious noncompliance with applicable EPA regulations, policies, or requirements are generally referred to the Assistant IG for Investigation or the Assistant IG for Audit. Other less serious complaints or matters requiring technical review may be referred to the appropriate EPA program office.

A complaint or allegation may be administratively closed if it is nonsubstantive or lacks sufficient information to enable appropriate followup.

c. Reporting on Results and Final Disposition. The program office responsible for taking action on the hotline complaint or allegation is required to inform the Office of Inspector General of the results by transmitting a copy of the final report or a memorandum summarizing the action taken.

d. OIG Liaison with Other Hotlines. The General Accounting Office (GAO) and Office of Management and Budget (OMB) have established hotline numbers which are available to the public, as well as Government employees, for reporting fraud, waste, and related irregularities. In addition, other agencies have established hotlines similar to EPA's. Complaints received through these hotlines which relate to EPA programs are referred to the OIG.

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CHAPTER 4--AUDIT ACTIVITIES

1. AUDIT OBJECTIVES. The primary purpose of the OIG's audit program is to identify, evaluate, and report on the Agency's activities and programs so that any needed corrective action can be taken and future problems can be prevented.

The principal focus of the audit program is the controls which management has established or should establish to ensure that operations are carried out in the most effective manner.

An objective of the OIG's audit program is to make appropriate recommendations for achieving greater economy, improving efficiency, and obtaining optimum results in the Agency's operations. Since the OIG is independent of EPA program management, it is not empowered to direct changes in the Agency's policies, procedures, and operations. This power and authority are vested with EPA's Administrator, Deputy Administrator, Assistant Administrators, Associate Administrators, General Counsel, Regional Administrators and office directors. The OIG, however, is responsible for determining that audit report findings and recommendations are acted upon. This includes reviewing the adequacy of the action taken by the Agency to correct reported problems and deficiencies. In addition, as appropriate, the OIG will report unresolved audit findings and recommendations to the Administrator and the Congress (see chapter 2).

The OIG conducts expanded-scope audits as defined by the Comptroller General. Such audits are made up of three elements or types of reviews:

a. Financial and Compliance Reviews. These reviews determine whether books and records are complete and accurate and whether laws or regulations have been followed.

b. Economy and Efficiency Reviews. These reviews determine whether resources (funds, property, and personnel) are adequately controlled and used in an effective, efficient, and economical manner.

c. Program Results Reviews. These reviews determine whether the desired results or benefits established by the Congress are being achieved.

OIG audits may include any or all of the three elements depending upon the planned objectives.

2. TYPES OF AUDITS. The audit workload is generally divided into two main categories, internal and external audits.

a. Internal Audits. Internal audits (also known as program audits, performance audits, or management reviews) are made of selected EPA administrative and program operations to evaluate the effectiveness, economy, and efficiency of those operations. Audits are directed toward determining whether management controls, practices, and procedures at the levels reviewed are adequate and effective.

Internal audits are also made of selected EPA programs and activities to evaluate their effectiveness and to determine whether the anticipated objectives are being achieved.

b. External Audits. External audits are independent reviews of the records and performance of organizations or entities (program participants) receiving financial assistance or benefits from the Agency, such as grant recipients, contractors, and subcontractors. The OIG performs external audits or arranges for their performance by Independent Public Accountants or State or Federal audit agencies.

External audits are also arranged by program participants and performed by auditors who are responsible to the participants for conducting audits in conformance with Attachment P to OMB Circular A-102, "Uniform Administrative Requirements for Grants-in-Aid to State and Local Governments." (See paragraph 4-23.)

External audits are a means of ascertaining the degree of compliance with statutes, regulations, and terms and conditions of the agreements under which the Federal funds are made available. Determinations are also made regarding the appropriateness of the disposition of funds granted or administered.

3. COMPLIANCE WITH COMPTROLLER GENERAL'S STANDARDS. Section 4(b)(1) of the Inspector General Act requires the Inspector General to comply with the standards established by the Comptroller General of the United States for audits of Federal establishments, organizations, programs, activities, and functions. In addition, section 4(b)(3) of the act requires the Inspector General to take appropriate steps to ensure that any work performed by non-Federal auditors complies with the Comptroller General's standards.

The Comptroller General's audit standards cover all major aspects of Federal audits, such as the qualifications and independence of auditors, the scope and conduct of audits, and the reporting of audit results. The standards incorporate by reference the standards prescribed by the American Institute of Certified Public Accountants and also apply to aduits of a broader scope.

The OIG conducts quality control checks at all supervisory levels to ensure the OIG's and non-Federal auditors' work complies with the Comptroller General's audit standards.

4. SCOPE AND FREQUENCY. All offices and organizational units of the Agency and all programs and operations are subject to audit at any time. Determination of the priority, nature, scope, and frequency of audit is the responsibility of the Inspector General. OMB Circular A-73, "Audit of Federal Operations and Programs," requires each agency to (1) establish procedures for periodic review of its individual programs and operations to determine the coverage, frequency, and priority of audits required; and (2) prepare an audit plan at least annually, based on certain criteria prescribed in the circular. (See paragraph 4-5.)

5. ANNUAL AUDIT PLAN. The annual audit plan, prepared by the OIG's Office of Audit and approved by the Inspector General, represents the OIG's formal plan for managing its audit resources and workload during the fiscal year. The plan is based on information and suggestions obtained from all levels of the OIG and Agency management and recognizes the concerns of the Congress, the Office of Management and Budget, other Federal agencies, and the general public. The plan is flexible and can be revised when changes in audit priorities are warranted. The annual audit plan is updated quarterly.

The annual audit plan is distributed to assistant administrators, regional administrators, and other EPA officials. On a request basis, the plan is also available to other officials who have a need for it. Copies of the plan are also furnished to GAO and OMB.

6. AUDIT PLANNING POLICY AND CRITERIA. The OIG's policy is to emphasize the audit of (1) EPA offices which expend significant resources; (2) EPA programs, functions, or activities according to the prescribed priority factors listed below; and (3) external operations where known or potential problem areas can most adversely affect EPA's accomplishment of its mission. In addition to specifying the minimum contents of Federal agency audit plans, OMB Circular A-73 prescribes nine criteria by which priorities should be assigned to potential audit subjects. OIG's policy regarding priority assignment recognizes the OMB criteria and includes two other factors: the Inspector General Act's mandate to prevent and detect fraud and program abuse, and the special concerns of the President and the Administrator of EPA.

The criteria for planning audits are:

a. Susceptibility to fraud, embezzlement, program manipulation, or other kinds of irregularities;

b. Mandatory requirements of legislation or other Congressional or GAO recommendations;

c. Emphasis by the President and the Administrator;

d. Management needs as developed in consultation with Assistant Administrators, Associate Administrators, Regional Administrators, General Counsel, and office directors;

e. Newness, changed conditions, or sensitivity of the organization, program, activity, or function;

f. Dollar magnitude, duration, or resources involved;

g. Prior audit experience, including the adequacy of the financial management systems and controls;

h. Extent of Federal participation in terms of either resources or regulatory authority;

i. Availability of audit resources;

j. Timeliness, reliability, and coverage under OMB Circular A-102, Attachment P, of audit reports by others (e.g., State and non-Federal auditors); and

k. Results of other reviews, such as inspections, project monitoring reports, and program evaluations.

7. REQUEST FOR AUDIT. Although the OIG's Office of Audit will contact regional and assistant administrators before developing the annual audit plan to obtain suggestions for planning audits, EPA Headquarters and field officials may request audit services whenever the need arises.

Requests by Headquarters officials for internal audits of specific operations should be directed to the Assistant Inspector General for Audit. Requests for external audits of grants and contracts should be addressed to the appropriate Divisional Inspectors General.

Agency officials, however, may direct to the personal attention of the Inspector General any matter that warrants audit attention because the matter is extremely sensitive, requires urgent attention, or involves nationwide problems.

8. ADVANCE NOTIFICATION OF AUDITS. Generally, the OIG will give advance notification of audits to appropriate organizational officials. However, audits may sometimes be made without prior notification when time or other conditions make such notification impractical.

9. ENTRANCE CONFERENCE. The entrance conference is a meeting held at the start of an audit involving a member or members of the audit team and the official(s) responsible for the organization or operation to be audited. At this conference, the lead auditor explains the purpose, scope, and objectives of the audit, as well as the authority for conducting the audit. Other areas covered include the timetable for completing the audit, access to required records and information, space accommodations, and introduction of audit team members. Cooperation with the audit team and identification of potential areas warranting audit review will be sought at this time.

10. EXIT CONFERENCE. The exit conference is the official meeting to close out the audit. It involves members of the audit team and persons responsible for administering the audited entity. Also, in the case of external audits, the exit conference may include Agency program representatives who have responsibility over the external entity. The exit conference involves a discussion of the findings, conclusions, and recommendations of the audit (which are usually made known to the auditee prior to the exit conference). It also includes the corrective actions proposed or taken by the auditee, points of disagreement, and the auditee's reasons for disagreeing.

11. AUDIT SCOPE. The Agency activity or function audited is usually identified in the title of each audit report. The scope stated in the report will show the functions of the audit entity reviewed and appraised. However, in keeping with normal audit procedures, only a test of records and transactions in a particular function will be examined. Therefore, audit conclusions expressed are based on the sample examined unless the sampling plan used provides a basis for projecting the results of the audit to the total group of records and transactions from which the sample was selected.

12. DISTRIBUTION OF AUDIT REPORTS WITHIN THE AGENCY. The Office of Inspector General will transmit audit reports to Agency officials in accordance with agreed-upon distribution schedules. The report will be addressed and submitted to the Agency officials (action officials) who have the responsibility for taking action on the reported matters. Copies of the reports will be furnished to other officials having an interest in the matters covered in the report. The action official(s) or the Assistant Inspector General for Audit may furnish copies of the audit reports to other Agency officials who need the reports in the course of their work.

a. Draft Audit Report. Draft audit reports should not be released outside of the Agency other than to the auditee. EPA personnel receiving reports for review and consideration shall exercise due caution to avoid improper disclosure inside or outside EPA of information in the audit reports. Requests for draft audit reports should be made to the Inspector General.

b. Final Audit Reports. Copies of issued audit reports are provided only to action addressees and others by previous agreement. The action official should make all, or relevant (and non-confidential) portions of the information contained in the final report available to the auditee. It is the responsibility of those regular recipients to advise the Assistant Inspector General for Audit or applicable Divisional Inspector General for Audit of any changes in the agreed-upon distribution of the final audit reports.

13. DISTRIBUTION OF AUDIT REPORTS OUTSIDE THE AGENCY. The Agency's policy is one of full and responsible disclosure of its identifiable records and information consistent with the public interest concerning national security, personal privacy, and business confidentiality, as recognized by the Freedom of Information Act, 5 U.S.C. 552. A requested record shall not be withheld from copying or inspection unless it comes within one of the nine exemptions in 5 U.S.C. 552.

14. REQUESTS BY THE PUBLIC FOR AUDIT REPORTS. Audit reports shall be released by the Office of Inspector General to the public upon request after the auditee has received the issued audit report. Requests for audit reports should be directed to the Freedom of Information Officer (A-101), Environmental Protection Agency, Washington, D.C. 20460, who will refer them to the Office of Inspector General.

Audit reports and related audit information may be requested by members of the public, State and local governments, other Federal agencies, members of Congress or their staffs, Congressional committees or subcommittees, and other bodies of Congress including the General Accounting Office. Requests for records which are submitted by either House of Congress or by a Congressional committee or subcommittee are not subject to the Freedom of Information Act. All other requests for information will generally be treated as requests under the Freedom of Information Act.

15. AUDIT REPORTS WHICH MAY CONTAIN CONFIDENTIAL INFORMATION OR AFFECT CRIMINAL OR CIVIL PROSECUTION OR LITIGATION. Portions of an audit report which constitute confidential business information or findings indicating a possible need for criminal or civil action or information which may affect litigation will not be releasable under the Freedom of Information Act. In the latter case, the OIG will delete those portions of the report the disclosure of which might create obstacles to a successful criminal or civil prosecution by jeopardizing a fair trial or alerting certain parties to cover up their unlawful acts.

16. INQUIRIES CONCERNING AUDIT WORK WHICH IS PLANNED OR IN PROGRESS. Inquiries concerning audit work which is planned or in progress shall be referred to the Assistant Inspector General for Audit or to the appropriate Divisional Inspector General for Audit. The Divisional Inspectors General for Audit are authorized to respond to such inquiries, but will generally limit their responses to an appropriate statement regarding the status of the audit (i.e., audit is planned, audit is in progress, or report will be issued in due course).

17. RETENTION AND DISPOSITION OF AUDIT REPORTS. Disposition of Inspector General audit reports distributed within the Agency is the responsibility of the receiving office. The reports should not be returned to the Office of Inspector General but should be disposed of under the authorized disposition schedules of the receiving office. In determining the retention period, the offices should consider that the Office of Inspector General maintains or has access to the record copy of such reports.

18. AUDIT GUIDES. The OIG's audit work is performed by following audit guides which spell out the objectives, scope, and procedures to be followed in conducting audits. Audit guides for external audits are used repeatedly and are only updated as required. Each internal audit is usually unique and requires the development of an original audit guide. The OIG also develops the audit guides used by non-Federal auditors in conducting audits of certain Agency program grantees.

19. ACTION ON AUDIT REPORTS. EPA action officials are required to take responsive and timely action on all audit findings and recommendations for which they have appropriate responsibility pursuant to OMB Circular A-50, "Audit Followup and Resolution," and section 305 of the Supplemental Appropriations and Rescission Act, 1980, P.L. No. 96-304, 94 Stat. 857, 928. Such officials are further responsible for taking the necessary action to correct the reported adverse conditions and to ensure that the reported adverse conditions do not recur.

20. AUDIT FOLLOWUP SYSTEM. The audit tracking and control system tracks the status of open audit reports. The responsibility for resolving open audit reports is vested with EPA's Assistant Administrator for Administration and Resources Management. Assistant Administrators, General Counsel, Regional Administrators or individuals designated by them are the Agency's Action Officials under the Agency's audit followup system. Action Officials are responsible for ensuring that timely adequate responses and determinations are transmitted on findings and recommendations contained in audit reports, and that both monetary and non-monetary actions are implemented. The audit followup system is fully described in EPA Manual 2750, "Management of EPA Audit Reports and Followup Actions" (1984 edition). The audit followup system is designed to:

a. Identify promptly for top EPA management any major problems disclosed by audits;

b. Ensure that the implementation of audit recommendations is initiated in a timely fashion; and

c. Ensure appropriate followup on the implementation of audit recommendations.

21. OMB CIRCULAR A-50. OMB Circular A-50, "Audit of Federal Operations and Programs," prescribes policies to be followed by agencies in the resolution of audit findings. The circular provides that:

a. Each agency must establish policies for prompt and proper resolution of audit recommendations.

b. Agency followup systems must provide for a complete record of actions taken on audit findings and associated disallowed, suspended, or questioned costs. In establishing such systems, each agency is required to:

(1) Designate officials responsible for audit followup.

(2) Maintain accurate records of all audit reports or significant findings until final resolution. Records are to be maintained to ensure appropriate accounting and collection controls over amounts determined due the Government. This latter responsibility has been assigned to the Assistant Administrator for Administration and Resources Management.

(3) Make written determinations promptly on all audit findings and initiate action to ensure that these determinations are carried out. Such determinations are to be made within six months after issuance of the report. Final resolution is to proceed as rapidly as possible.

(4) Ensure that resolution actions are consistent with laws and regulations, including written justification and legal basis for decisions not to seek recovery of amounts due as a result of audit reports.

(5) Provide semiannual reports to the Agency head on the status of all audit reports over six months old, the number of reports or findings resolved during the period, collections or offsets made, and demands for payment made. This responsibility has been assigned to the Assistant Administrator for Administration and Resources Management.

(6) Evaluate whether the audit followup system is adequate and results in timely and proper resolution of audit findings and recommendations. Evaluations are to be made periodically.

c. When audit recommendations requiring corrective action involve more than one program, agency, or level of Government, the agency making the audit must coordinate its corrective action with the other affected organizations.

22. AUDITS BY INDEPENDENT PUBLIC ACCOUNTANTS AND STATE AND LOCAL

a. Non-Federal Audits Extend OIG Resources. The Inspector General Act requires the OIG to establish guidelines for determining when it is appropriate to use non-Federal auditors. These auditors must follow federally prescribed guidelines.

Non-Federal audits are used as an extension of the OIG resources and usually are performed by State or local government auditors or by Independent Public Accountants (IPAs).

The OIG contracts with non-Federal auditors to perform external audits of EPA grantees and contractors. The OIG is responsible for arranging and conducting audits upon notification of project completion. The audit work of non-Federal auditors is monitored by the OIG for quality and completeness.

b. Qualifications of Independent Public Accountants. To perform audit services for EPA, an IPA must be a Certified Public Accountant (or a public accountant licensed or registered on or before December 31, 1970, by a regulatory authority of a State or other political subdivision of the United States).

c. Monitoring of non-Federal Audits by the OIG. Non-Federal audit work and reports involving EPA program participants are subject to review by the OIG. The Inspector General Act requires the Inspector General to take appropriate steps to ensure that any work performed by non-Federal auditors complies with the standards established by the Comptroller General of the United States for audits of Federal establishments, organizations, programs, activities, and functions. If the OIG's review of Independent Public Accountant audit work indicates deficiencies and actions to correct such deficiencies are not taken by the IPA, administrative sanctions may be necessary in conjunction with the cognizant contracting offices. Sanctions include reporting an IPA to the appropriate State regulatory authority or the American Institute of Certified Public Accountants or initiating possible debarment or suspension from participation in EPA programs.

The OIG also has responsibilities with respect to non-Federal auditors in connection with OIG's role as designated cognizant audit agency under Attachment P, OMB Circular A-102. Cognizant agency responsibilities are fully described in paragraph 4-23.

d. Resolution of Non-Federal Audit Findings. Upon accepting each non-Federal audit report, the OIG will transmit the report to the EPA action official. The transmittal memorandum will identify those audit findings which are to be controlled and resolved pursuant to the EPA audit followup system. (See EPA Manual 2750, "Management of Audit Reports and Followup Actions," and paragraph 4-20 of this chapter.)

23. ATTACHMENT P, OMB CIRCULAR A-102. Attachment P to OMB Circular A-102, "Uniform Administrative Requirements for Grants-in-Aid to State and Local Governments," establishes audit requirements for State, local, and Indian tribal governments that receive Federal assistance. The circular provides for independent audits of financial operations, including compliance with certain provisions of Federal law and regulations. These requirements were established to ensure that audits are made on an organizationwide basis rather than on a grant-by-grant basis.

Under Attachment P, the audit entity could be an agency or department of a State or local government; it need not be the entire unit of government. The circular requires State, local, and Indian tribal governments to arrange for independent audits at least every two years and to prescribe the scope of audits, provided that they comply with the requirements of Attachment P.

The provisions of Attachment P do not limit the authority of EPA or any other agency to make audits of recipient organizations. However, if independent audits arranged for by program recipients meet prescribed requirements, Federal agencies shall rely on them, and any additional audit work is to build upon the work already done.

a. Audit Standards and Guidelines. Attachment P requires that audits be made in accordance with the Comptroller General's Standards for Audit of Governmental Organizations, Programs, Activities, and Functions ("Yellow Book" 1981); the Comptroller General's Guidelines for Financial and Compliance Audits of Federally Assisted Programs ("Red Book" 1980); any compliance supplements approved by OMB; and generally accepted auditing standards established by the American Institute of Certified Public Accountants.

b. Scope of Audits and Related Testing of Charges. According to Attachment P, audits must, at a minimum, include an examination of the systems of internal control, systems established to ensure compliance with laws and regulations affecting the expenditure of Federal funds, financial transactions and accounts, and financial statements and reports of recipient organizations. Attachment P requires these examinations to be based on a testing of a representative number of charges to Federal awards. The examinations are to determine whether:

(1) There is effective control over and proper accounting for revenues, expenditures, assets, and liabilities.

(2) The financial statements are presented fairly in accordance with generally accepted acccounting principles.

(3) The Federal financial reports contain accurate and reliable financial data and are presented in accordance with the terms of applicable agreements and Attachment H to OMB Circular A-102.

(4) Federal funds are expended in accordance with the terms of applicable agreements and those provisions of Federal law or regulations that could have a material effect on the financial statements or on the awards tested.

c. Period of Audits. Attachment P provides that audits should be made annually, but not less frequently than every two years. Audits are to cover the period since the previous audit.

d. Detection of Irregularities. Attachment P requires auditors to notify the cognizant agency and recipient management officials above the level of involvement whenever they become aware of irregularities in the recipient organization. Irregularities include such matters as conflicts of interest, falsification of records or reports, and misappropriation of funds or other assets.

e. Contents of Audit Reports. Attachment P requires the following to be included in audit reports.

(1) Financial statements, including footnotes, of the recipient organization.

(2) Comments on the recipient's financial statements, including, but not limited to, a statement that the audit was performed in accordance with applicable audit standards (paragraph 4-3) and an expression of an opinion as to the fairness of the financial statements.

(3) Comments on the recipient's noncompliance with the systems of internal control and the terms of agreements and those provisions of Federal law or regulations that could have a material effect on the financial statements and reports. The report is also required to include an expression of positive assurance concerning compliance with requirements for tested items and negative assurance for untested items.

(4) Comments on the accuracy and completeness of financial reports and claims for advances or reimbursement to Federal agencies.

(5) Comments on corrective action taken or planned by the recipient.

f. Retention and Availability of Audit Workpapers and Reports. Attachment P requires that the audit workpapers and reports be retained for a minimum of three years from the date of the audit report unless the auditor is notified in writing by the cognizant agency of the need to extend the retention period. The audit workpapers are to be made available upon request to the cognizant agency or its designees and the General Accounting Office or its designees.

g. Cognizant Agency Responsibilities. Attachment P assigns audit responsibility for major recipient organizations to Federal agencies known as cognizant agencies for State departments and agencies that are major recipients of Federal aid. Similar lists are being developed for local and Indian tribal governments. Each cognizant agency is required to:

(1) Obtain or make quality assessment reviews of the work of non-Federal audit organizations and provide the results to other interested audit agencies. (If a non-Federal audit organization is responsible for audits of recipients that have different cognizant audit agencies, a single quality assessment review will be arranged.)

(2) Assure that all audit reports of recipients that affect Federally assisted programs are received, reviewed, and distributed to appropriate Federal audit officials. These officials will be responsible for distributing audit reports to their program officials.

(3) Notify Federal awarding agencies and the recipient organizations if the auditors do not take action to correct significant inadequacies disclosed in a review of an audit. Major inadequacies or repetitive substandard performance of independent auditors shall be referred to appropriate professional bodies.

(4) Ensure that satisfactory audit coverage is provided in a timely manner and in accordance with the provisions of Attachment P.

(5) Provide technical advice and act as a liaison between Federal agencies, independent auditors, and recipient organizations.

(6) Maintain a followup system on audit findings and investigative matters to ensure that audit findings are resolved.

(7) Inform other affected audit agencies of irregularities uncovered. The audit agencies, in turn, shall inform all appropriate officials in their agencies. State or local government law enforcement and prosecuting authorities shall also be informed of irregularities within their jurisdiction.

h. Recipient Responsibilities. Attachment P provides that recipients are to require subrecipients that are State, local, or Indian tribal governments to adopt the requirements in Attachment P. The recipient is required to ensure that subrecipient audit reports are received as required and shall submit the reports to the cognizant agency. The cognizant agency will be responsible for such reports.

24. OBJECTIVES OF REPORTING. The Inspector General Act requires that the Inspector General provide a means for keeping the Administrator and the Congress fully and currently informed about problems and deficiencies relating to the administration of EPA programs and operations and the necessity for and progress of corrective action.

It is primarily through written audit reports that the OIG communicates its observations, findings, conclusions, and recommendations relative to problems and deficiencies in program administration. The OIG strives to produce clear, fair, and accurate audit reports which place primary emphasis on matters needing attention. It is the objective of the OIG to present matters in an objective, unbiased, and convincing manner to prompt management to take corrective action where needed.

25. FOCUS OF REPORTING. The OIG reports significant matters to EPA management in its audit reports. Although "significant" as applied to audit reporting is a relative term, the following examples typify matters that the OIG may address in its internal and external audit reports.

a. A substantial loss to the Federal Government has occurred or may occur.

b. A serious violation of a law or regulation has occurred.

c. An unreasonable or impractical policy or practice is seriously undermining the success of a program or activity.

d. Substantial duplication of effort by employees or between organizational units is adversely affecting overall efficiency.

e. Substantial procurement of unneeded or excess quantities of property, materials, or supplies is taking place.

f. Program objectives are not being accomplished.

26. SUPPORTING EVIDENCE. All factual data, findings, conclusions, and recommendations in OIG audit reports are supported by objective evidence to sufficiently demonstrate or provide the basis for any matter reported and to ensure its correctness and reasonableness. Except as necessary to make a convincing presentation, detailed supporting data are not normally included in OIG audit reports. Such data, however, are maintained on file by the OIG as part of the audit workpapers and are used to provide support for the matters reported.

27. CONTENTS OF AUDIT REPORTS.

a. Basic Contents. Information that is common to both internal and external audit reports includes:

(1) Introductory material, consisting of a brief outline of the purpose, objectives, scope, and period covered by the audit;

(2) A summary of the significant results of the audit;

(3) Background material designed to give the reader an understanding of the nature and size of the area audited and any special problems or circumstances which have a bearing on the audit results; and

(4) Findings and recommendations of the audit, consisting of a written explanation of problems, weaknesses, deficiencies, and other adverse conditions; their causes and effects; and the corrective actions that are necessary.

b. Financial Statements and Opinions. Each audit report which contains financial statements will express the auditor's opinion on whether the information contained in the statements is presented fairly. If the auditor cannot express an opinion, the reasons therefore will be stated in the audit report. The audit report will also contain appropriate explanatory information about the contents of the financial statements as may be necessary for full and informative disclosure about the financial operations of the organization, program, function, or activity audited. Violations of legal or other regulatory requirements, including instances of noncompliance, will be explained in the audit report.

c. Opinions on Internal Controls. External audit reports covering grantees in which EPA has a continuing interest, as well as internal audit reports covering EPA fiscal activities, will express an opinion regarding the adequacy of selected elements of the system of internal control.

d. Unresolved Prior Audit Findings. Some audit reports will list prior audit findings that have not been resolved. When appropriate, such prior audit findings will be updated and presented as findings of the current audit, along with applicable recommendations.

e. Views and Comments on Audit Reports. As prescribed in EPA Manual 2750, the views and comments of responsible auditee officials on the findings, conclusions, and recommendations of the audit will be considered and appropriately expressed in the final audit report.

f. General Comments. When necessary, the audit report will include informative general comments which do not involve audit findings (e.g., potential budget overruns, financial trends). Such comments will normally cover matters which are necessary to place the report in a proper perspective.

28. NATURE OF AUDIT FINDINGS AND RECOMMENDATIONS.

a. Audit Findings. Errors, weaknesses, deficiencies, problems, and the need for improvements are reported by the OIG in the form of audit findings. Audit findings include:

(1) Statement of condition (what is);

(2) Criteria (what should be);

(3) Effect (results of difference between what is and what should be); and

(4) Cause (why it happened).

b. Audit Recommendations. The OIG will include recommendations in its audit reports whenever the audit indicates that actions are needed to bring about improvements or to correct deficiencies. Recommendations will still be made even though the necessary actions have been promised or initiated. Audit recommendations are made directly to the official who has authority to the take recommended action. Recommendations calling for major policy or regulatory changes will be made to the appropriate Assistant Administrator or the General Counsel.

29. QUESTIONED AND SET ASIDE COSTS. Findings in audit reports may involve ineligible or questionable costs. Such costs will be identified in the caption of the findings as either questioned or set-aside costs.

a. Questioned Costs. Claimed or proposed costs that the auditor has concluded should not be reimbursed by the Government or incurred as part of project-eligible costs because they are not allowable under the provisions of applicable laws, regulations, policies, cost principles, or terms of the grant or contract.

b. Set-Aside Costs. A proposed or claimed amount which the auditor has not questioned but which the auditor cannot accept without additional information or evaluations and approvals by responsible Agency program officials.

30. SUSTAINED COSTS AND CASH RECOVERIES/SAVINGS. Set-aside or questioned costs which EPA management agrees are ineligible or unallowable and is committed to recover or offset against future payments are considered "sustained."

a. Costs to be Recovered. The Agency is committed to recover the sustained amount through billing and collecting from the grantee or contractor or through offsets against payments under existing and future grants or contracts.

b. Cost Efficiencies. Cost efficiencies represent estimated amounts which will be avoided as a result of management's commitment to implement auditors' recommendations. They include:

- Deobligations and/or reprogramming of funds as a result of OIG reviews of Agency programs;
- Costs proposed in contract or grant agreements which will not be incurred as a result of management's concurrence with pre-award recommendations; and
- Estimated costs associated with the Agency's, contractor, or grantee operations paid for with Federal funds which will not be incurred as a result of management's commitment to take or require recommended improvements.

CHAPTER 5--INVESTIGATIVE ACTIVITIES

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CHAPTER 5--INVESTIGATIVE ACTIVITIES

1. ORGANIZATIONAL ROLE. The investigative efforts of the OIG are directed toward promoting the integrity of Agency programs and personnel. The Office of Investigations is responsible for detecting and investigating indications or allegations of irregularities, or violations of Agency regulations or Federal criminal statutes.

2. MAJOR CATEGORIES OF INVESTIGATIONS.

a. Criminal Matters. Generally, the OIG investigates all criminal matters involving waste, fraud, and abuse by EPA employees, contractors or grantees. Pursuant to the Inspector General Act and a memorandum of understanding, the OIG refers all matters relating to bribery or attempted bribery, significant allegations of fraud which culpably involve an EPA employee and organized crime to the Federal Bureau of Investigation. Pursuant to a separate memorandum of understanding, the OIG refers all violations of EPA's environmental statutes to the EPA Office of Enforcement and Compliance Monitoring which investigates such matters.

b. Violations of the Standards of Conduct. The OIG generally investigates allegations against employees for unethical or other conduct prejudicial to the Government (40 CFR Part 3).

3. LIAISON WITH THE DEPARTMENT OF JUSTICE. Section (4)(d) of the Inspector General Act and 28 U.S.C. 535(b) require the Inspector General to report expeditiously to the Attorney General whenever the Inspector General has reasonable grounds to believe there has been a violation of Federal criminal law.

4. LIAISON WITH THE FEDERAL BUREAU OF INVESTIGATION AND USE OF FBI INFORMATION. By memorandum of understanding, the FBI provides investigative resources to the OIG, such as forensic analysis of physical evidence, and exchanges information with the OIG in mutual support of investigative matters.

Reports and other communications received from the FBI, or the contents of these documents, may be disseminated only to persons who need the information in their official capacity. Advance permission must be obtained from the Assistant Inspector General for Investigation before an FBI report or other document is copied, reproduced, paraphrased, quoted, or extracted from. No FBI document may be used as a part of, exhibit to, or reference in any report, file, or other record which may have a distribution broader than that outlined in this paragraph. FBI documents shall not be made available to the individuals investigated or their representatives.

5. REFERRALS TO OFFICE OF INSPECTOR GENERAL BY HEADQUARTERS PERSONNEL.

a. Referral to Immediate Supervisor. All Headquarters staff should report promptly to their supervisor (or other supervisory official within the chain of command up to the appropriate Assistant Administrator) all information or allegations indicating a possible irregularity or violation of law or regulation. Subordinate officials shall in no case delay or withhold transmittal of such information. Promptly upon receipt of such information, Assistant Administrators, division directors, and office supervisors shall transmit it along with any documents or evidence directly to the Assistant Inspector General for Investigations.

b. Referral to Office of Investigations.

(1) Promptly upon receipt of such information, the Assistant Administrators or General Counsel shall transmit the referral directly to the Assistant Inspector General for Investigations.

(2) Employees at Headquarters may report matters they believe should be investigated directly to the Office of Inspector General if they believe such a matter should not be reported to their supervisor or through the chain of command to the appropriate Assistant Administrator or General Counsel.

(3) Employees seeking confidentiality should report matters they believe should be investigated directly to the Office of Inspector General, as reporting through the chain of command precludes an employee's opportunity for confidentiality. (see chapter 3, paragraph 26).

6. REFERRALS TO OFFICE OF INSPECTOR GENERAL BY FIELD PERSONNEL. All field staff should report promptly to the appropriate Regional Administrator, division director, or office supervisor all information or allegations indicating a possible irregularity or violation of law or regulation. Subordinate officials shall in no case delay or withhold transmittal of such information. Promptly upon receipt of such information, Regional Administrators, division directors and office supervisors shall transmit it along with any documents or evidence directly to the Divisional Inspector General for Investigations serving their region.

Field employees are free to report to the Headquarters Office of Investigations or the appropriate Divisional Inspector General for Investigations any matter they believe should be investigated. This shall be done if the employees believe they should not report the matter directly to their superiors or if they wish confidentiality as provided for in the Inspector General Act.

7. REFERRALS OF BRIBERY. All Assistant Administrators and Regional Administrators will report to the OIG directly and promptly by telephone any allegations relating to bribery or attempted bribery of an Agency employee or the solicitation and/or acceptance of a bribe by an Agency employee.

8. INVESTIGATION WITHOUT REFERRALS OR REQUESTS. In carrying out the Inspector General's responsibilities for detecting and investigating irregularities and abuses and for providing a positive mechanism to help maintain the integrity of Agency activities, the Assistant and Divisional Inspectors General for Investigations are authorized to initiate investigations of cases falling within their areas of assigned responsibility without receipt of referrals from other sources or authorities. The Assistant or Divisional Inspectors General for Investigations generally shall advise the appropriate Assistant Administrator or other official of a pending investigation unless such notice would interfere with that investigation.

9. PROCESSING OF COMPLAINTS AGAINST EMPLOYEES. One of the Agency's most important assets is its personnel. Accordingly, complaints against members of the staff must be processed promptly. Protection must be provided against employee violations of EPA standards of conduct, regulations, or Federal criminal statutes and, at the same time, against unfounded accusations. While wrongdoing should be uncovered and corrective action taken with respect to the employee who has been found deficient in the discharge of his or her public trust, the maligned employee should be exonerated. Consequently, to help ensure the integrity of EPA operations and confidence of citizens in the government, any allegations of violations by Agency officials, employees, and temporary employees of the EPA standards of conduct (40 CFR Part 3) or of the provisions of Federal criminal statutes will be reported promptly to the OIG. Allegations of standard of conduct violations which are civil rights issues will be referred to the Office of Cvil Rights.

a. Referrals of Complaints of Discrimination in Agency Employment. Allegations of discrimination in EPA employment involving race, age, religion, color, sex, national origin or physical or mental handicaps are investigated by the EPA Office of Civil Rights.

b. Complaints Involving Other Federal Agencies. Complaints against employees of the Agency which fall within the cognizance of other Federal agencies will be referred directly and expeditiously to the appropriate agencies by the Office of Investigations.

c. Inquiry by the Office of Investigations. Complaints against employees of the Agency not referred to other cognizant agencies will be scheduled for timely investigation by the Office of Investigations. Complaints over which the Federal Bureau of Investigation has declined to exercise jurisdiction will also be investigated by the Office of Investigations.

10. DISTRIBUTION OF INVESTIGATIVE REPORTS. Distribution of reports of investigation is governed by the contents. Reports of investigation are distributed by the Assistant Inspector General for Investigations to the action officials. All requests for investigative information except from Congress or other Federal agencies will generally be treated as requests under the Freedom of Information Act and may only be released with concurrence of the Assistant Inspector General for Investigations.

11. RESTRICTION ON DISTRIBUTION AND USE OF INVESTIGATIVE REPORTS.

a. Marking of Investigative Reports. Investigative reports issued by the OIG and all correspondence relating to these reports, except responses to requests for reports under the Freedom of Information Act, will be marked "FOR OFFICIAL USE ONLY."

b. Review of Investigative Reports. Within the Agency, investigative reports may be reviewed only by persons who need the information in their official capacity. Officials receiving reports for review and consideration shall exercise every precaution to avoid embarrassment to the subject or any person who furnished information in connection with an investigation.

c. Distribution to the General Accounting Office. The GAO, upon request, will be furnished copies of investigative reports under the following conditions:

(1) That release of the report is not prohibited by law or other special circumstances.

(2) That the copies of investigative reports will not be transmitted to the GAO until Agency officials have had a reasonable opportunity to receive and examine the reports.

(3) That no further release of the reports will be made by GAO without prior clearance by the Inspector General.

d. Distribution to Law Enforcement Agencies Outside EPA. Investigative reports or information contained in the reports will be made available to other Federal offices of investigation and local law enforcement agencies with the concurrence of the Assistant Inspector General for Investigations and in conformity with procedures of the Privacy Act, where applicable.

e. Safeguarding and Disposition of Investigative Reports. While Agency officials have investigative reports in their possession, they will be responsible for ensuring that the reports and their contents are adequately safeguarded or maintained in a safe area. When Agency officials have determined that they have no further need for the investigative reports, the reports should be returned to the Office of Investigations.

12. ACTION ON INVESTIGATIVE REPORTS. Action officials to whom reports of investigation are sent are responsible for reviewing, adjudicating, and initiating appropriate administrative action within 120 days of the date the OIG sends the report to them. Investigations involving EPA employees must have action initiated within 30 days. Administrative action is initiated when the first documented action is taken by the action official leading to disposition of the case. Statements of intent are not considered actions initiated. Action officials are responsible for advising the OIG, in writing, of the action initiated. When action officials consider that final disposition of an investigative case has been effected, they will advise the Assistant Inspector General for Investigations of the full and complete administrative action taken. Assistance is available from the Office of General Counsel and the Personnel Management Division concerning appropriate administrative actions.

CHAPTER 6--MANAGEMENT AND TECHNICAL ASSESSMENT ACTIVITIES

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CHAPTER 6--MANAGEMENT AND TECHNICAL ASSESSMENT ACTIVITIES

1. GENERAL. The Assistant Inspector General for Management and Technical Assessment is responsible for initiating and carrying out OIG efforts concerning the prevention and detection of fraud, waste, and mismanagement in Agency programs and operations; evaluating management controls; reviewing and analyzing Agency issuances; initiating employee awareness programs, including the operation of the Hotline; coordinating personnel security investigations; preparing the IG's semiannual reports to Congress and "IG Highlights;" responding to Freedom of Information Act requests; coordinating debarment and suspension activities; and carrying out OIG administrative functions.

2. ORGANIZATION. The Office of Management and Technical Assessment is located in the OIG's Washington, D.C., Headquarters and comprises the Management and Administrative Services Division and the Technical Assessment and Fraud Prevention Division.

3. SEMIANNUAL REPORTS TO CONGRESS. The Administrative and Management Services Division is the focal point for production of the semiannual reports to Congress as required by section 5 of the Inspector General Act of 1978. The Management and Administrative Services Division plans the production schedule for report preparation and coordinates the development, collection, analysis, editing, and review of information for inclusion in the semiannual reports.

4. PERSONNEL SECURITY PROGRAM. The Assistant Inspector General for Management and Technical Assessment monitors the personnel security investigations conducted by the Office of Personnel Management and other agencies; evaluates investigative data received; and determines the security, suitability, and integrity of EPA employees and prospective employees in accordance with the requirements of Executive Order 10450, "Security Requirements for Government Employment."

5. EMPLOYEE AND PUBLIC AWARENESS PROGRAM. One of the most powerful ways of achieving the objectives of the OIG is an active program to inform EPA employees and program participants about the OIG and to make these individuals aware of their responsibility to prevent, detect, and report fraud, waste, and mismanagement. This employee and public awareness program is carried out through fraud information bulletins, hotline posters, "IG Highlights" (a digest of semiannual reports to Congress), published articles to EPA management and employees, brochures on the OIG operations, public service announcements, and mailings to EPA program participants.

6. REVIEW OF LEGISLATION AND REGULATIONS. As required by section 4(a)(2) of the Inspector General Act, reviews are made of existing or proposed legislation and regulations relating to programs and operations. In addition to providing comments within the Agency, the OIG can make recommendations to Congress on the impact of such legislation and regulations on the economy and efficiency in the administration of EPA programs and operations or the prevention and detection of fraud and abuse.

7. SUSPENSIONS AND DEBARMENTS. It is necessary that grants and contracts awarded by the Agency be made only to those who are honest and responsible and who comply with applicable rules and regulations. EPA regulations (40 CFR Part 32 and 48 CFR subpart 1509.5) authorize the Agency to deny any individual, organization, or unit of government the opportunity to participate in EPA-assisted programs or operations because of misconduct or poor performance. The Technical Assessment and Fraud Prevention Division coordinates implementation of these EPA regulations; maintains liaison with affected Agency components; and arranges for audit, engineering, and investigative support for Agency debarment and suspension actions.

8. HOTLINE. The OIG maintains a 24-hour, toll-free hotline for the receipt, screening, and disposition of complaints concerning the possible existence of any activity constituting a violation of law, rules, or regulations; mismanagement; gross waste of funds; abuse of authority; or a substantial and specific danger to the public health and safety. The hotline toll-free number is (800) 424-4000. EPA employees should dial 8-382-4977. (See chapter 3, paragraph 7.)

9. MANAGEMENT CONTROL EFFORTS. Experience has shown that mismanagement, waste, and abuse can often occur where there is a lack of proper management controls or where those controls are not followed or enforced. The Technical Assessment and Fraud Prevention Division provides assistance and advice to Agency officials in their efforts to implement management controls in EPA's programs and operations. OMB Circular A-123 requires that agencies review and improve internal controls to eliminate fraud, waste, and mismanagement in the Federal Government by outlining internal control standards and a system of Agency responsibilites and requirements to address the numerous instances of fraud, waste, and abuse of Government resources. Congress expressed support for this effort by passing the Federal Managers' Financial Integrity Act of 1982, 31 U.S.C. 3512. The act requires that internal accounting and administrative control standards be prescribed by the Comptroller General; annual evaluations of internal accounting and administrative controls be conducted by each executive agency; and an annual statement by the head of each agency be submitted to the President and the Congress. The annual statement is to address the agency's compliance with internal control standards and requirements prescribed by the Comptroller General.

The role of the OIG is to provide technical support and advice to the Agency and to conduct independent evaluations of the Agency's implementation of the act.

10. FRAUD PREVENTION ACTIVITIES. As the focal point for EPA's fraud prevention, the Technical Assessment and Fraud Prevention Division is responsible for developing and recommending (1) long-range strategies and goals to minimize the opportunities for the occurrence of fraud and waste in Agency programs and operations and (2) innovative techniques and systems for the detection of fraud. This effort includes:

a. Reviewing and analyzing Agency programs, activities, and functions to identify those areas vulnerable or sensitive to fraud and abuse.

b. Developing, coordinating, and conducting training courses, information, or presentations for OIG staff and appropriate EPA personnel in fraud detection and prevention techniques or activities and management control systems.

c. Operating as principal liaison with EPA and other government agencies on fraud control matters, including the President's Council on Integrity and Efficiency.

11. FREEDOM OF INFORMATION ACT REQUESTS. The Management and Administrative Services Division receives, coordinates, and responds to requests for information under the Freedom of Information Act. Requests are coordinated with the appropriate Assistant Inspector General to determine if the request can be honored in full or if there is any legal basis for denying all or part of the request. The OIG maintains a policy of full disclosure unless the material requested falls into one of nine exemptions which may limit its release.

12. ADMINISTRATIVE FUNCTIONS. The Management and Administrative Services Division is responsible for the administrative functions for the operation of the Office of Inspector General. These functions include processing personnel matters, developing and presenting the budget and related material, coordinating and issuing operational policies and procedures, managing space and equipment, and coordinating and carrying out Agency administrative regulations.

13. COMMITTEE ON INTEGRITY AND MANAGEMENT IMPROVEMENT. The Committee on Integrity and Management Improvement is part of the Agency's effort to eliminate fraud, waste, and mismanagement in EPA programs and operations. The Committee serves as the Administrator's main policy advisor on matters relating to fraud prevention and detection. The Committee, which is chaired by the Inspector General, consists of representatives from each of the Assistant Administrators, General Counsel and staff offices in EPA. As chairperson of the Committee, the Inspector General serves primarily in an advisory and coordinating capacity. Committee members participate in conducting studies or projects aimed at improving policies or procedures to prevent or detect fraud, waste, and mismanagement. The Technical Assessment and Fraud Prevention Division provides technical assistance and support to the Committee and its projects. See EPA Order 1130.1 on the Committee on Integrity and Management Improvement.