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Annual Superfund Report to the Congress for Fiscal 1991

ANNUAL SUPERFUND REPORT TO THE CONGRESS FOR FISCAL 1991

September 1992

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

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

FOREWORD

This report covers fiscal 1991 activities, and is our fifth Annual Superfund Report to the Congress. The Superfund Amendments and Reauthorization Act of 1986 (SARA) requires the Office of the Inspector General (OIG) to audit the Superfund program annually and to report to Congress annually on these audits.

The beginning of the Superfund program created new and unique cost accounting requirements. EPA has responded to these new requirements over the years by significantly improving its accounting and documentation of Superfund costs on a site-specific basis. However, in its fiscal 1991 Federal Managers' Financial Integrity Act (FMFIA) report, EPA listed five material nonconformances in its accounting system, the Integrated Financial Management System (IFMS). The three highest priority nonconformances were also reflected in our fiscal 1991 Trust Fund audit report. Two of these were the lack of centralized capability to record, bill and write-off accounts receivable, and inadequate reconciliation to external Treasury Department reports. Our Trust Fund audit found that accounts receivable and collections were often not recorded timely, and the report aging accounts receivable EPA generated for the Treasury Department was not accurate or reliable. A third nonconformance was inadequate reconciliation between the Personal Property Accountability System (PPAS) and IFMS. We found accountable property items recorded as disbursements in IFMS were often not recorded in PPAS at year end, or were recorded inaccurately.

SARA requires the EPA Administrator to submit to Congress an annual Superfund progress report each January 1 covering activities during the prior fiscal year. EPA submitted its third such report, due January 1, 1991, on February 25, 1992. SARA requires the OIG to review that report for reasonableness and accuracy. SARA also requires that the Agency report include our report. Our review of the Agency's report found that information in the report for the most part was reasonable and accurate. However, we noted a continued problem with Comprehensive Environmental Response, Compensation, and Liability Information System (CERCLIS) data integrity. We also issued a separate report on the timeliness of the Agency reports. We found that failure to emphasize to data providers the need for the data included in the report, failure of some other Federal agencies to provide data timely, and lengthy OMB reviews contributed to the lateness of the reports.

SARA requires the OIG to annually review claims to determine if they are being appropriately and expeditiously considered. In fiscal 1991, EPA paid its first response claim to a potentially responsible party (PRP) under a mixed funding agreement. We therefore performed our first annual audit of response claims. We found significant internal control weaknesses in the commitment and obligation of funds. EPA had not properly and timely recorded obligations for any of the ten sites for which it had entered into preauthorization agreements allowing PRPs to submit response claims. EPA had also failed to bill PRPs for its remedial and oversight costs at the site for which it paid its first claim.

Our reviews of the Agency's performance in managing the Superfund program also found significant deficiencies. We reviewed EPA's compliance with the SARA requirement for initiation of 175 new remedial actions (RAs) at National Priorities List (NPL) sites by October 16, 1989. EPA claimed initiation of 178 new RAs by that date. We judgmentally selected 42 of these claimed RA starts to review, and found 28 did not meet the criteria listed in SARA. EPA Headquarters did not adequately control and document the RA reporting process. EPA procedures for identifying and defining RAs used different criteria than those established by SARA. Further, the new RAs did not always address the most contaminated sites on the NPL, as Congress intended.

We completed our reviews of EPA's oversight of responsible party cleanup activities under settlement agreements. We found EPA (1) delayed cleanups by taking between 7 and 36 months to review settlement deliverables, (2) was not aggressive in assessing stipulated penalties for missing settlement milestone dates, and (3) did not adequately oversee its enforcement support contractors.

We continued a major investigative effort into the Contract Laboratory Program (CLP). This complex investigation found fraud committed by a number of EPA contractors. In fiscal 1991, this effort produced a number of convictions and settlements of cases. Fines and recoveries amounted to almost \$3.5 million, and one settlement agreement resulted in a cost avoidance of \$3 million. Our auditors also reviewed the adequacy of selected EPA operational controls over the CLP. We found that EPA did not obtain and safeguard all original CLP documentation which might be useful in litigation, failed to consistently use important quality assurance measures, and sometimes paid for unused data or data of limited use.

In addition to reviewing Agency performance, we also take a proactive role to help EPA management prevent future problems. This includes review of draft documents and participation in EPA work group meetings. During fiscal 1991, we continued to help an Agency work group on technical assistance grants to citizens' groups. We also participated in an Agency task force to review and improve EPA policies and procedures for closeout of grants, cooperative agreements and interagency agreements, and the deobligation of unused funds from them.

We are addressing difficulties in providing timely and adequate audit and investigative coverage of major EPA contracts, many of which support the Superfund program. We are requesting additional resources to respond timely to audit requests from Agency contract managers, and to identify contractor fraud, abuse and mismanagement. We are improving coordination with other Federal audit organizations responsible for auditing many EPA contractors. For several major Superfund contractors, we have assumed Federal audit responsibilities formerly held by others. We are placing auditors at some major contractors to provide ongoing audit coverage. We intend to audit major EPA cost-type contracts on a regular schedule to identify problems for correction during the terms of the contracts.

We began preparing a new long range strategic plan for Superfund audits and investigations during fiscal 1991, and completed it in fiscal 1992. We will

use this plan in developing our annual audit and investigative plans for fiscal years 1993-96.

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


John C. Martin
Inspector General

TABLE OF CONTENTS

PURPOSE	1
BACKGROUND	2
HAZARDOUS SUBSTANCE SUPERFUND	4
RESPONSE CLAIMS	10
COOPERATIVE AGREEMENTS AND GRANTS	14
ALASKA DEPARTMENT OF ENVIRONMENTAL CONSERVATION	14
ARIZONA DEPARTMENT OF ENVIRONMENTAL QUALITY - FOLLOW-UP	17
BROWARD COUNTY, FLORIDA	19
LOUISIANA DEPARTMENT OF ENVIRONMENTAL QUALITY	20
MASSACHUSETTS DEPARTMENT OF ENVIRONMENTAL PROTECTION - MULTI-SITE	21
MASSACHUSETTS DEPARTMENT OF ENVIRONMENTAL PROTECTION - P.S.C. RESOURCES	23
NEW HAMPSHIRE DEPARTMENT OF ENVIRONMENTAL SERVICES	25
NEW MEXICO HEALTH AND ENVIRONMENT DEPARTMENT	27
NEW YORK STATE DEPARTMENT OF ENVIRONMENTAL CONSERVATION	28
OKLAHOMA DEPARTMENT OF HEALTH - COMPASS INDUSTRIES SITE	30
OKLAHOMA DEPARTMENT OF HEALTH - SAND SPRINGS SITE	31
RHODE ISLAND DEPARTMENT OF ENVIRONMENTAL MANAGEMENT	32
SOUTH CAROLINA DEPARTMENT OF HEALTH AND ENVIRONMENTAL CONTROL	33
TEXAS WATER COMMISSION	35
WASHINGTON DEPARTMENT OF ECOLOGY - COLBERT LANDFILL SITE	37
WASHINGTON DEPARTMENT OF ECOLOGY - COMMENCEMENT BAY SITE	38
WASHINGTON DEPARTMENT OF ECOLOGY - CORE PROGRAM	41
UNIVERSITY OF CINCINNATI - SOIL LEAD DEMONSTRATION GRANT	42
REGION 1 SUPERFUND COOPERATIVE AGREEMENT DEOBLIGATIONS	43
REMEDIAL INVESTIGATIONS AND FEASIBILITY STUDIES	45
SOUTHERN MARYLAND WOOD TREATING SITE, HOLLYWOOD, MARYLAND	45
LOUISIANA-PACIFIC SITE, OROVILLE, CALIFORNIA	46

EPA Office of the Inspector General Annual Superfund Report to the Congress for Fiscal 1991

PERFORMANCE AUDITS AND SPECIAL REVIEWS	50
POST-SARA REMEDIAL ACTION STARTS MANDATE	50
OVERSIGHT OF POST-SETTLEMENT ACTIVITIES	53
CONTRACT LABORATORY PROGRAM	58
CONTRACTOR PROPERTY OVERSIGHT SPECIAL REVIEW	62
SITE CLEANUP DOCUMENTS EARLY WARNING ALERT	63
REGION 1 MEDICAL MONITORING PROGRAM ALLEGATION REVIEW ..	64
EMERGENCY WAIVER CRITERIA SPECIAL REVIEW	66
INTERAGENCY AGREEMENTS	68
AGENCY FOR TOXIC SUBSTANCES AND DISEASE REGISTRY	68
U.S. ARMY CORPS OF ENGINEERS	68
FEDERAL EMERGENCY MANAGEMENT AGENCY	68
DEPARTMENT OF THE INTERIOR	69
INTERNAL REVENUE SERVICE	69
DEPARTMENT OF JUSTICE	69
NATIONAL AERONAUTICS AND SPACE ADMINISTRATION	69
NATIONAL INSTITUTE OF ENVIRONMENTAL HEALTH SCIENCES	70
CONTRACTS	71
ENVIRONMENTAL HEALTH RESEARCH AND TESTING	72
GUARDIAN ENVIRONMENTAL SERVICES	74
OHM REMEDIATION SERVICES CORP.	76
ASSISTANCE TO EPA MANAGEMENT	78
REVIEW OF AGENCY'S SUPERFUND PROGRESS REPORT	80
REPORT REVIEW FOR SUBMISSION IN AGENCY REPORT	80
REGION 4 ACCOMPLISHMENTS REPORT	81
REGION 5 ACCOMPLISHMENTS REPORT	82
TIMELINESS REPORT	83
INVESTIGATIVE ACTIVITY	84
EXHIBIT I - EPA HAZARDOUS SUBSTANCE SUPERFUND SCHEDULE OF OBLIGATIONS FOR FISCAL 1991	92
EXHIBIT II - EPA HAZARDOUS SUBSTANCE SUPERFUND SCHEDULE OF DISBURSEMENTS FOR FISCAL 1991	96
EXHIBIT III - SUPERFUND AUDIT REPORTS ISSUED DURING FISCAL 1991	99
APPENDIX: ACRONYMS AND ABBREVIATIONS	103

PURPOSE

This report is provided pursuant to section 111(k) of the Comprehensive Environmental Response, Compensation, and Liability Act (CERCLA) of 1980, as amended. The Superfund Amendments and Reauthorization Act (SARA) of 1986 amended that section of CERCLA to add several annual requirements for the Inspector General of each Federal agency carrying out CERCLA authorities. These requirements include four audit areas and an annual report to Congress about the required audit work. This report covers fiscal 1991 audits of Superfund activities. The required four audit areas are discussed below.

This report contains chapters on three of the mandated audit areas. We also summarize other Superfund audit work, assistance to EPA management and Superfund investigative work performed during fiscal 1991. We exceed the statutory requirements by providing Congress with the significant results of all of our Superfund work.

Trust Fund

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

Claims

CERCLA requires an annual audit to assure ". . . that claims are being appropriately and expeditiously considered" Since SARA did not include natural resource damage claims as allowable Fund expenditures, the only claims provided in CERCLA, as amended, are response claims. The first claim was paid late in fiscal 1991. Our first claims audit is summarized in this report.

Cooperative Agreements

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

Remedial Investigations/Feasibility Studies (RI/FS)

CERCLA requires our ". . . examination of remedial investigations and feasibility studies prepared for remedial actions" Our RI/FS examinations review the adequacy of the studies to provide a sound technical basis for remedial action decisions. These examinations may be done as part of audits of EPA management or as special reviews by our technical staff.

BACKGROUND

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

CERCLA was revised and expanded by the Superfund Amendments and Reauthorization Act of 1986 (SARA), Public Law 99-499, enacted October 17, 1986. SARA reinstituted the environmental tax and expanded the taxing mechanism available for a five-year period. It authorized an \$8.5 billion program for the 1987-1991 period. It renamed the Trust Fund the Hazardous Substance Superfund. The Budget Reconciliation Act of 1990 reauthorized the program for three additional years and extended the taxing mechanism for four additional years.

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

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

CERCLA section 104(c)(3) does not allow EPA to fund remedial actions unless the State in which the release occurs enters into a contract or cooperative agreement with EPA to provide certain assurances, including cost sharing. At most sites, the State must pay 10 percent of the costs of remedial action. EPA may fund 100 percent of site assessment activities (preliminary assessments, site inspections), remedial planning (remedial investigations, feasibility studies, remedial designs), and removals. For facilities operated by a State or political subdivision at the time of disposal of hazardous substances,

the State must pay 50 percent of all response costs, including removals and remedial planning previously conducted.

CERCLA sections 104(c)(3) and 104(d) authorize EPA to enter into cooperative agreements with States or political subdivisions to take, or to participate in, any necessary actions provided under CERCLA. A cooperative agreement serves to delineate EPA and State responsibilities for actions to be taken at the site, obtains required assurances, and commits Federal funds. EPA uses cooperative agreements to encourage State participation in the full range of Superfund activities - site assessment, remedial, removal and enforcement.

HAZARDOUS SUBSTANCE SUPERFUND

SCOPE AND OBJECTIVES

We contracted with an independent public accounting (IPA) firm to perform an audit of EPA's Schedules of Obligations and Disbursements for the Hazardous Substance Superfund (Superfund) for the fiscal year ended September 30, 1991. The IPA firm examined, on a test basis, financial management records at EPA's Servicing Finance Offices and accounting points located at four of the ten regional offices, the National Contract Payment Division in Research Triangle Park, North Carolina, the Cincinnati Financial Management Center and Headquarters. The six regional offices and the Las Vegas Financial Management Center excluded from audit field work accounted for only 6.5 percent of fiscal 1991 disbursements.

As part of the audit, the IPA firm selectively tested (using statistical and non-statistical samples) obligation and disbursement transactions. The objectives of this audit were to determine if EPA:

- a. Presented the Schedules of Obligations and Disbursements fairly, in all material respects, in accordance with applicable laws, regulations and guidelines;
- b. Complied with laws and regulations which, if not followed, might have a material effect upon the Schedules of Obligations and Disbursements; and
- c. Established an adequate control environment, accounting system and control procedures to ensure the reliability of applicable financial management records.

The audit also included a review of the status of findings and recommendations included in the prior audit reports for fiscal years 1989 and 1990. In addition, the IPA firm performed agreed-upon procedures regarding certain financial management and personal property records for fiscal 1991.

FINDINGS

1. Financial Results of Audit

For fiscal 1991, EPA reported obligations of \$1,583,598,838 and disbursements of \$1,353,486,899. The IPA firm questioned specific obligations and disbursements from sampled transactions. The majority of questioned costs resulted from lack of documentation or recording errors. When the IPA firm projected the transactions resulting in questioned costs to the universes of obligations and disbursements, the projected questioned amounts were not considered material in relation to the amounts reported. We detail the financial results of this audit in Exhibits I and II. In the opinion of the IPA firm, except for a scope limitation regarding the allowability and allocability of certain general support services costs, the Schedules of Obligations and

Disbursements presented fairly, in all material respects, the obligations and disbursements of EPA's Superfund for fiscal 1991, on the basis of accounting prescribed by the Office of Management and Budget (OMB).

SUMMARY OF FINANCIAL RESULTS OF AUDIT		
	Obligations	Disbursements
Amount audited	\$1,583,598,838	\$1,353,486,899
Amount accepted	1,575,345,645	1,350,158,774
Ineligible costs¹	0	7,353
Unsupported costs²	8,253,193	3,320,772
Misclassified costs³	114,752	656,774
<ol style="list-style-type: none"> 1. Costs questioned because of an alleged violation of a provision of a law, regulation, contract, grant, cooperative agreement or other agreement or document governing the expenditure of funds. 2. Costs questioned because, at the time of the audit, they were not supported by adequate documentation and/or had not been approved by responsible program officials. 3. Costs resulting from transactions in which an incorrect Superfund account number is charged, an incorrect object class is charged or complete accounting data is not recorded. Misclassified costs are not questioned for audit purposes. 		

2. Improvements Needed in Reporting and Recording Accounts Receivable and Collections

EPA needed to improve in the areas of classifying and reporting receivables, recording receivables timely, and recording collections timely. The receivables aging report EPA generated for reporting to the Department of the Treasury was not accurate or reliable. The IPA firm found that 39 receivables totaling \$18,166,622 and eight collections totaling \$1,073,485 were not recorded timely in the Agency's financial management system. The IPA firm also found that six receivables totaling \$2,473,645 which should have been recorded in fiscal 1991 were not recorded until fiscal 1992. The effectiveness of EPA's management of accounts receivable was hampered by the lack of accurate and reliable reports. Also, EPA's failure to record receivables and collections timely may affect the collectability of receivables, interest and penalties.

The IPA firm recommended that EPA complete proposed corrective actions for accounts receivable.

3. Improvements Needed in Accounting for and Controlling Personal Property

During our review of 348 accountable property items, costing \$2,599,963, the IPA firm noted that 141 items costing \$1,287,463 were not recorded in the Agency property records. Also, the IPA firm found the following weaknesses in accounting for personal property: 76 accountable property items, costing \$592,346, were incorrectly entered in the Personal Property Accountability System (PPAS); EPA did not complete reconciliations of physical inventories to the PPAS at some locations; and EPA did not perform annual inventories and

walk-through inspections for laboratories at some locations. Past audits and internal control reviews showed similar weaknesses. As a result, EPA property could be subject to waste, loss, unauthorized use and misappropriation. Also, EPA has inaccurate property records as a result of not recording property items in the PPAS.

The IPA firm recommended that EPA:

- Make sure that ordering and obligating documents for property and equipment purchases are forwarded to facilities personnel where the property is to be received.
- Enforce the policy requiring property to be received only by authorized property management personnel at each location.
- Issue a policy requiring annual certifications from the appropriate Regional Administrators and Assistant Administrators that the annual physical inventories and walk-through inspections of laboratories were performed and the physical inventories reconciled to the official PPAS records within the fiscal year.

4. Certain Allocable Costs Were Not Allocated to Superfund

EPA did not charge \$2,404,921 of allocable general support services costs and personnel costs to the Superfund program because expense ceilings were reached before the end of the fiscal year. These costs were absorbed by the Salaries and Expenses appropriation. If EPA had charged allocable support and personnel costs to Superfund after it reached budgetary ceilings, it would have exceeded the administrative expense ceiling in the budget by at least \$1,690,119.

The IPA firm recommended that EPA obtain a written opinion from the Office of General Counsel on the legality of charging Superfund administrative expenses to the Salaries and Expenses appropriation. If this practice is determined to be improper, the Office of General Counsel should provide guidance on appropriate corrective action.

5. Nonpayroll Documentation and Recording Errors

The IPA firm questioned \$8,253,193 of nonpayroll obligations as unsupported transactions and identified \$114,752 of misclassified costs from its statistical samples. EPA needs to improve its preparing of justifications when Superfund money is obligated, date stamping of obligating documents upon receipt, forwarding of obligating documents timely to the Financial Management Officers (FMOs), and timely posting of obligations to the Integrated Financial Management System (IFMS).

The Agency's proposed corrective actions on this finding were responsive to recommendations in the draft report. Therefore, the IPA firm made no additional recommendations in the final report.

6. *Lack of Approvals and Inadequate Reviews of Disbursements*

The IPA firm questioned \$3,312,690 of nonpayroll disbursements as unsupported transactions and identified \$652,870 as misclassified costs from its statistical samples. EPA needs to improve its obtaining, reviewing and approving Automated Clearing House payments; timely and accurate completion of Project Officers' approval forms; and training of individuals responsible for preparing procurement requests about the importance of charging the correct object class codes.

The Agency's proposed corrective actions on this finding were responsive to recommendations in the draft report. Therefore, the IPA firm made no additional recommendations in the final report. However, the IPA firm suggested that EPA implement the proposed corrective actions more quickly.

7. *Inadequate Reviews and Lack of Documentation for Personnel Compensation Costs*

The IPA firm questioned \$15,435 of personnel compensation disbursements as ineligible or unsupported transactions and identified \$3,904 as misclassified costs from its statistical samples. The questioned costs resulted from errors in recording redistributions of hours, unrecorded redistributions of hours, missing documentation supporting transactions, account number data and hours not in agreement with source information, incorrect pay rates, time sheets not signed by employees or supervisors, and input and adjustment errors. EPA needs to improve its training of designated agents and timekeepers in reviewing time cards, time sheets and RCB-3A reports.

The Agency's proposed corrective actions on this finding were responsive to recommendations in the draft report. Therefore, the IPA firm made no additional recommendations in the final report.

8. *Internal Control Weaknesses in Program and Financial Management*

EPA's Federal Managers' Financial Integrity Act (FMFIA) fiscal 1991 report listed the following five material nonconformances in the Agency's accounting system:

- Lack of centralized capability to record, bill and write-off accounts receivable.
- Inadequate reconciliation to external Treasury Department reports.
- Inadequate reconciliation between PPAS and IFMS.
- Failure to convert general ledger accounts from the Financial Management System, the prior accounting system, to the IFMS.
- Need for more automation of the exchange of information between IFMS and other administrative systems.

The Agency's proposed corrective actions on this finding were responsive to recommendations in the draft report. Therefore, the IPA firm made no additional recommendations in the final report.

AGENCY RESPONSE

In response to the draft audit report, the Agency stated it:

- Had conducted accounts receivable reviews in all ten regions.
- Had established quarterly meetings with Department of Justice (DOJ) officials and program counterparts to ensure effective implementation of new lockbox procedures.
- Is updating Resources Management Directive 2550D, which contains all policies and procedures for financial management of the Superfund program.
- Had established an Accounts Receivable Work Group to identify system-related problems and develop appropriate corrective action plans, including the development of new status codes for delinquent receivables.
- Had developed an action plan to enhance IFMS reporting capabilities.
- Would obtain missing annual inventory, inspection and reconciliation certifications.
- Would obtain property records and corrections certifications for property items detailed in the report.
- Had completed a Congressionally directed study of the Agency's Superfund administrative charging practices. The study report stated that charging Superfund administrative expenses to the Salaries and Expenses appropriation is legal.
- Has procedures in place to review and redistribute the administrative ceiling among the Responsible Planning and Implementation Offices.
- Would review and resolve questioned transactions.
- Would issue a memorandum to allowance holders on the need for valid and reasonable Superfund justifications.
- Would issue a memorandum to program officials on the importance of timely forwarding obligating documents to FMOs.
- Would issue a memorandum to FMOs re-emphasizing the importance of date stamping obligating documents, and reviewing for correctness, completeness and approvals before entering into IFMS in a timely manner.

- **Would issue a memorandum reminding program officials to ensure correct object class codes are used in procurement requests.**
- **Would issue a memorandum reminding FMOs of the importance of reviewing documents for proper approvals and accuracy of accounting data.**
- **Would issue a memorandum reminding FMOs of the importance of meeting prompt payment requirements.**
- **Would issue a memorandum reminding designated agents and timekeepers of the available training.**
- **Would issue a policy on certification of prior year unliquidated obligations.**

We issued the final audit report (P1SFF1-11-0026-2100660) on September 30, 1992. EPA has 90 days to respond to the report.

RESPONSE CLAIMS

BACKGROUND

EPA may pay a claim for response costs incurred by "any other person" under CERCLA section 111(a)(2). It may reimburse potentially responsible parties (PRPs) for "certain costs of actions under the agreement that the parties have agreed to perform but which the President has agreed to finance" under CERCLA section 122(b)(1).

EPA uses three different types of mixed funding settlements - preauthorization, cash-out and mixed work. Response claims arise from preauthorization. Under preauthorization, EPA approves in advance a PRP conducting a response action and allows the PRP to submit claims against the Fund for an agreed portion of the response costs. EPA will reimburse response costs only to those who have reached a preauthorized mixed funding agreement with EPA. EPA documents this approval in a Preauthorization Decision Document (PDD).

The PDD defines the scope of work for which a PRP is eligible to seek reimbursement, identifies when it may submit claims and sets a ceiling on the amount of such claims. EPA policy allows PRPs to submit claims only at the completion of discrete portions of the response action, while the PRP is in compliance with the settlement agreement, and for at least \$250,000.

A PRP starts the preauthorized mixed funding process by submitting a settlement offer to EPA. If EPA finds the offer satisfactory, it reaches an agreement in principle with the PRP. The PRP then submits an application for preauthorization. If EPA finds the application acceptable, it issues a PDD. The PDD becomes an attachment to the consent decree or administrative order on consent. The PRP then undertakes the response action at the site.

After completion of a discrete portion of the agreed response action, the PRP first submits a claim to non-settling PRPs for reimbursement. If the non-settling PRPs do not pay within 60 days, the PRP sends the claim to EPA for reimbursement. EPA reviews the work performed and the costs claimed by the PRP. EPA then pays its agreed portion of all allowable, reasonable and necessary costs for the response action.

EPA had entered into ten preauthorized mixed funding agreements at the time of our audit. The ten agreements provided for responses estimated to cost about \$160 million, of which EPA's share would be about \$35 million.

EPA paid its first claim for reimbursement for a preauthorized mixed funding site on June 13, 1991. The PRP claimed about \$13 million for the construction of site facilities at the MOTCO Superfund site in EPA Region 6. EPA's Procurement and Contract Management Division reviewed ("adjusted") this claim. The claims adjusters recommended acceptance of about \$2.8 million for reimbursement, and EPA paid the adjusted amount.

SCOPE AND OBJECTIVES

CERCLA Section 111(k) requires the Inspector General to conduct an annual audit to determine if claims are being appropriately and expeditiously considered. For fiscal 1991, we reviewed the one claim EPA paid and the preauthorization process. Our audit objectives were to:

- a. Assess EPA's accounting policies and procedures for preauthorized mixed funding settlements;
- b. Determine if claims for reimbursement are being appropriately and expeditiously considered; and
- c. Determine if EPA has collected oversight costs from the responsible parties in accordance with the terms specified in the MOTCO consent decree.

We reviewed EPA's policies and procedures, including those in draft, for the preauthorized mixed funding (response claims) process. Sections of our review focused solely on the MOTCO site in Region 6 because MOTCO was the only preauthorized site for which EPA had paid a claim. We also reviewed the commitment and obligation of funds for all preauthorized mixed funding sites.

FINDINGS

1. Improvements Needed in the Commitment and Obligation of Funds

We found significant internal control weaknesses in the commitment and obligation of funds. EPA did not record, did not record timely, or improperly recorded \$35 million in commitments and obligations in the Agency's Integrated Financial Management System (IFMS). Of the ten agreements where obligation should have occurred, all ten were recorded late (between 112 and 429 days), or improperly recorded. Further, before we brought this to EPA's attention for corrective action, five of the ten had not been recorded in IFMS, the Agency's official accounting system. Without reserving sufficient funds to pay obligations, and reserving them timely, EPA can not be sure that funds will be available to cover claims. It also risks violating the Anti-Deficiency Act.

2. Improvements are Needed in the Response Claims Review Process

EPA paid \$2.8 million for the first preauthorized response claim when there was inadequate assurance of eligibility of all reimbursed costs and PRP compliance with the settlement agreement. Before approval of payment, EPA guidance requires a detailed review of each response claim to determine whether claimed costs are eligible for reimbursement and whether the PRPs complied with the settlement agreement. The complex nature of each response claim requires the combined talents of the Remedial Project Manager (RPM), an Office of Regional Counsel (ORC) attorney and claims adjusters to conduct the review. However, in evaluating the first preauthorized response claim, EPA did not require written reports from the RPM or ORC on their portions of the detailed review. Although the RPM and the ORC were responsible for evaluating significant complex issues, only the claims adjusters were required to submit a written report. Consequently, the process provided inadequate

assurance of PRP compliance, and we could not determine the depth of the reviews by the RPM and ORC. In addition, the lack of written reports from the RPM and ORC might have resulted in EPA paying the PRP too much.

3. Cost Collection Efforts for the MOTCO Site

EPA had not billed PRPs for \$1.1 million of EPA's remedial and oversight costs for the MOTCO site incurred through August 1990. The consent decree provided for EPA to annually recover costs for source control and oversight starting in 1988. EPA incurred such costs in 1988, 1989, 1990 and 1991, but had not billed or collected for them. Since the completion of our audit field work, EPA has billed for costs incurred through August 1990.

RECOMMENDATIONS

We recommended that EPA:

- Periodically reconcile preauthorized site commitments and obligations with information contained in IFMS.
- Delegate responsibility for ensuring sufficient funds are committed and obligated to its Coordinating Official for response claims.
- Develop proper procedures for the timely commitment and obligation of funds.
- Correct sites inappropriately obligated.
- Develop and implement Resources Management Directive 2550D, Chapter 11 for response claims.
- Require the RPM and ORC to review the documentation provided by the PRPs showing compliance with the PDD and certify that the documentation is correct and complete. The RPM and the ORC should provide written reports to the decision official for their portions of the response claim review. The reports should address any technical evaluations provided to the claims adjusters, all relevant components required for a site Close Out Report, and any additional analyses performed to determine compliance with all terms and conditions of the settlement agreement.
- Modify the preauthorized mixed funding guidance to require the ORC to verify and document, at the time of claim review, that EPA has billed and collected costs in accordance with the terms of the consent decree. Furthermore, EPA should include language in the consent decrees allowing EPA to offset PRP claims by amounts owed to EPA.
- Review the remaining nine preauthorized mixed funding agreements to determine if EPA has billed and collected costs in accordance with the terms of the respective consent decrees.

- Collect the \$1.1 million billed to the MOTCO PRPs for the 1987 through 1990 costs, and bill and collect the costs for August 1990 through March 1992 in accordance with the consent decree.

AGENCY RESPONSE

In response to our draft report, EPA stated it:

- Will make sure that all preauthorized site commitments and obligations are reflected in IFMS.
- Will draft desk procedures to make sure that sufficient funds are committed and obligated for all mixed funding preauthorized sites. In addition, the Coordinating Official will periodically obtain copies of IFMS reports to ensure that preauthorized site commitments and obligations are reconciled with information within IFMS.
- Drafted guidance detailing procedures for the commitment and obligation of funds sufficient to satisfy claims against the Superfund. The final procedures will be reflected in final Agency guidance no later than 90 days from promulgation of the final Response Claims Procedures rule in the *Federal Register*. EPA will also track timeliness as defined by the EPA Comptroller.
- Will establish obligations account numbers for committed claims and correct any inappropriately obligated sites.
- Is updating Resources Management Directive 2550D, which contains all policies and procedures for financial management of the Superfund program. EPA will determine what further guidance is needed for response claims.
- Will require certifications and appropriate supporting documentation by the RPM and the ORC. In addition, EPA will require the PRPs to document, as part of each claim, their compliance with the terms and conditions of the PDD.
- Will review other mixed funding settlements for compliance with the terms of the consent decrees concerning the recovery of oversight cost.
- Will consider, in future negotiations, use of offsets between eligible reimbursement cost and the recovery of oversight costs.
- Will require the ORC to verify that EPA has documented and billed for the recovery of oversight costs.

We issued the final audit report (E9HHF2-11-0031-2100662) on September 30, 1992. EPA has 90 days to respond to the report.

COOPERATIVE AGREEMENTS AND GRANTS

In fiscal 1991, we issued sixteen audit reports on Superfund cooperative agreements, one follow-up report on a State's management of Superfund cooperative agreements, one audit report on a Superfund research grant and one audit report on a region's deobligation of funds not needed for Superfund cooperative agreements. The combined financial results of the financial audits of Superfund cooperative agreements and grants were as follows:

FINANCIAL RESULTS OF FISCAL 1991 SUPERFUND COOPERATIVE AGREEMENT AND GRANT AUDIT REPORTS		
	Federal Share	Total Costs
Amount audited	\$65,887,559	\$72,884,746
Amount accepted	58,223,810	63,908,765
Ineligible costs ¹	3,763,498	4,432,157
Unsupported costs ²	3,900,251	4,543,824
Unnecessary/unreasonable costs ³	0	0
1. Costs questioned because of an alleged violation of a provision of a law, regulation, contract, grant, cooperative agreement or other agreement or document governing the expenditure of funds. 2. Costs questioned because, at the time of the audit, they were not supported by adequate documentation and/or had not been approved by responsible program officials. 3. Costs questioned because they were not necessary or not reasonable.		

We summarize all of the audits related to Superfund cooperative agreements and grants below.

ALASKA DEPARTMENT OF ENVIRONMENTAL CONSERVATION

Scope and Objectives

We contracted with an independent public accounting (IPA) firm to perform a final audit of a cooperative agreement awarded to the Alaska Department of Environmental Conservation (ADEC) to identify and rank hazardous waste sites. Our audit objectives were to determine:

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

The audit covered costs claimed by ADEC from June 28, 1985 through January 31, 1988.

Findings

1. ADEC's Internal Controls Need Strengthening

ADEC needed to strengthen its internal financial management controls to meet Federal regulations. We found (a) ADEC did not equitably allocate leave and fringe benefit costs in accordance with Federal regulations, (b) two instances where employee time sheets did not agree with corresponding travel charges, (c) unsupported charges for duplications services and supplies, and (d) ADEC failed to file required Federal Cash Transaction Reports for seven of the ten quarters of the cooperative agreement. As a result, we questioned \$13,793 of ineligible costs and \$319 of unsupported costs.

2. ADEC Claimed Costs Not Covered By the Scope of the Project

ADEC claimed costs for services related to six sites which EPA Region 10 had not approved and were ineligible under the cooperative agreement. Therefore, we questioned \$78,236 in costs allocable to these sites as ineligible.

3. ADEC's File Maintenance Needs Improvement

ADEC needed to improve its file maintenance to meet Federal requirements. The cooperative agreement files were disorganized and missing key documents.

4. ADEC Failed to Comply with Special Conditions

ADEC failed to comply with special conditions of the cooperative agreement requiring (a) submission of forms indicating if any subagreements were awarded to minority or women-owned businesses, (b) submission of site inspection work plans by July 1, 1986, (c) written permission from EPA to shift funds among sites or begin field work on specific sites, and (d) EPA approval for site inspection work plans before beginning field work.

5. ADEC Claimed Ineligible Costs

We questioned an additional \$23,470 as ineligible because costs were (a) moving costs not allowed under the cooperative agreement, (b) not incurred by subcontractors, (c) claimed as handling charges and determined to be excess profit, and (d) for a video seminar unrelated to the purpose of the cooperative agreement.

FINANCIAL RESULTS OF AUDIT		
	Federal Share	Total Costs
Amount audited	\$490,381	\$490,381
Amount accepted	374,563	374,563
Ineligible costs ¹	115,499	115,499
Unsupported costs ²	319	319
Unnecessary/unreasonable costs ³	0	0
1. Costs questioned because of an alleged violation of a provision of a law, regulation, contract, grant, cooperative agreement or other agreement or document governing the expenditure of funds. 2. Costs questioned because, at the time of the audit, they were not supported by adequate documentation and/or had not been approved by responsible program officials. 3. Costs questioned because they were not necessary or not reasonable.		

Recommendations

We recommended that EPA Region 10:

- Require ADEC to establish procedures so that it:
 - Allocates leave costs equitably in accordance with OMB Circular A-87.
 - Maintains supporting documentation showing the source and application of all funds.
 - Reconciles travel reimbursement claims to employee time sheets.
 - Files financial reports timely.
 - Maintains files in accordance with Federal requirements.
 - Complies with all cooperative agreement special conditions.
- Disallow the costs questioned for Federal participation, and recover Federal funds paid exceeding the amounts accepted in the audit report.

Agency Response

This audit had not been resolved at the time we prepared this report.

ARIZONA DEPARTMENT OF ENVIRONMENTAL QUALITY - FOLLOW-UP

Scope and Objectives

We performed a special review of corrective actions taken on recommendations of our prior audit report on Letter-of-Credit (LOC) Privileges for the Arizona Department of Environmental Quality (ADEQ) (Report No. E1AW7-09-0181-79031), dated September 3, 1987. The ADEQ is the Arizona State agency primarily responsible for receiving and administering EPA grants and cooperative agreements. The purpose of the follow-up review was to determine the effectiveness of the Region's actions in correcting the previously reported conditions. The specific objectives of our review were to determine whether:

- a. The Region took the corrective actions indicated in its response to the audit recommendations;
- b. The corrective actions were implemented timely; and
- c. The actions were effective in correcting the conditions addressed in the previous report.

Due to its limited scope, the review was not an audit following the Government Auditing Standards (1988 Revision) issued by the Comptroller General of the United States.

Findings

1. Region Took Satisfactory Action To Correct Previously Reported LOC Findings

In response to our previous report, the Region advised us it was not giving ADEQ LOC privileges at that time. Instead, the Region placed the ADEQ on the reimbursement method of funding. The Region satisfactorily carried out its action plan. It completed its efforts in April 1988 and then gave ADEQ LOC privileges.

2. Region Later Learned of Additional Weaknesses Impacting LOC

A consulting firm retained by the Region to review ADEQ's accounting processes and procedures reported the following on November 17, 1988:

- ADEQ's system for reporting actual labor charges was still in development and not available for recording costs under the Superfund cooperative agreements.
- ADEQ's system for recording costs by Superfund site and type of cost could only accumulate costs for a limited number of sites.
- ADEQ distributed employee leave costs to sites each pay period rather than on a fiscal year basis. The allocation base was also questionable.

- ADEQ did not reconcile travel claims to make sure they were consistent with the employee's labor charges for the same time period.
- ADEQ did not charge certain motor pool vehicle costs to the appropriate Superfund sites.
- ADEQ did not include the acquisition cost of vehicles in the costs used to develop vehicle mileage rates.
- ADEQ did not have invoices available to support all material and supply disbursements.
- Services provided by the Office of the Attorney General to ADEQ were based on budgeted, not actual costs.

The Region sent a letter to the Director of ADEQ on October 15, 1990, stating it would pursue grant sanctions against ADEQ because corrective action had not been accomplished. ADEQ's appeal of this decision was still under review at the time of this review.

3. Region Needs to Monitor ADEQ's Compliance with Single Audit Requirements

The Region did not have a procedures to follow up with grant recipients on the status of their Single Audits. As of December 12, 1990, the Region had not received a copy of ADEQ's Single Audit report for the fiscal year ended June 30, 1988, even though it was issued on June 16, 1989.

Recommendations

We recommended that EPA Region 9:

- Expeditiously address the ADEQ appeal and impose sufficiently strident sanctions to encourage ADEQ to immediately correct all the accounting weaknesses identified in the consulting firm's report. If it failed to obtain corrective action in the near future, it should suspend additional grant and cooperative agreement payments and/or terminate the agreements.
- Develop and implement procedures to contact grant and cooperative agreement recipients regularly to make sure they are meeting their Single Audit requirements.

Agency Response

In response to our report, EPA Region 9 indicated:

- New senior managers at ADEQ were committed to implement corrective actions.
- It had placed ADEQ's Superfund multi-site and core program cooperative agreements on a reimbursement basis.

- It would routinely compare its list of agencies for whom EPA is cognizant with its logbook of Single Audit reports received. It will follow up with agencies who have not submitted the required report.

BROWARD COUNTY, FLORIDA

Scope and Objectives

We performed a limited scope review of the costs claimed under a cooperative agreement awarded to Broward County, Florida, for a remedial : action project at the Davie Landfill site. Our objective was to determine whether the costs claimed were reasonable and eligible for EPA reimbursement. Our audit covered costs claimed by Broward County from June 30, 1988 through June 30, 1990.

Findings

1. Reasonableness of Change Orders Not Documented and Work Outside the Agreement's Scope

The County did not document the reasonableness of change orders of \$531,653. The County did not document why the increased quantities did not reduce the unit price, as required by Federal regulations. In addition, the County spent \$352,580 of the \$531,653 to create a County park at the site. This work was beyond that needed to remove and dispose of the sludge lagoon contents, and constituted ineligible construction costs.

2. Broward County Failed to Award to Low Bidder

Broward County awarded a contract to clean up the site at a cost of \$76,993 over the low bid. Federal regulations require that selection of the successful bidder be principally on the basis of price. Instead of using price as the primary determinant, the County awarded the contract based upon legal technicalities.

FINANCIAL RESULTS OF AUDIT		
	Federal Share	Total Costs
Amount audited	\$1,052,336	\$2,104,673
Amount accepted	748,013	1,496,027
Ineligible costs ¹	304,323	608,646
Unsupported costs ²	0	0
Unnecessary/unreasonable costs ³	0	0
1. Costs questioned because of an alleged violation of a provision of a law, regulation, contract, grant, cooperative agreement or other agreement or document governing the expenditure of funds. 2. Costs questioned because, at the time of the audit, they were not supported by adequate documentation and/or had not been approved by responsible program officials. 3. Costs questioned because they were not necessary or not reasonable.		

Recommendations

We recommended that EPA Region 4 not participate in the ineligible costs, and recover funds due EPA.

Agency Response

In response to our audit report, EPA Region 4 reviewed the costs questioned, and accepted all claimed costs. The Army Corps of Engineers reviewed the change orders, and found them to be necessary and reasonable despite our audit finding that the County failed to follow proper procurement procedures. EPA found the work questioned as outside the scope of the cooperative agreement to be the most cost effective alternative. EPA also found that the low bid was non-responsive, and the County properly awarded the contract. The OIG continued to have reservations about the use of the Superfund for purposes that seemed to go beyond what was needed to clean up the site. However, the OIG recognized that the State required this work before it would issue a permit to close the landfill. Therefore, we accepted the audit response as a management decision and did not refer it to the Audit Resolution Board.

LOUISIANA DEPARTMENT OF ENVIRONMENTAL QUALITY

Scope and Objectives

We contracted with an independent public accounting firm to perform a final audit of a cooperative agreement awarded to the Louisiana Department of Environmental Quality (LDEQ) for remedial activities at the Old Inger site. Our audit objective was to determine whether costs claimed were reasonable and allowable under the terms of the cooperative agreement and applicable regulations. The audit covered costs claimed by LDEQ from September 29, 1982 through June 30, 1990.

Finding**LDEQ Billed Excessive Overhead Costs**

LDEQ billed excessive overhead costs of \$524 by not applying the correct overhead rate of the contractor who conducted the remedial investigation/feasibility study.

FINANCIAL RESULTS OF AUDIT		
	Federal Share	Total Costs
Amount audited	\$1,900,329	\$2,013,466
Amount accepted	1,899,805	2,012,942
Ineligible costs ¹	524	524
Unsupported costs ²	0	0
Unnecessary/unreasonable costs ³	0	0
1. Costs questioned because of an alleged violation of a provision of a law, regulation, contract, grant, cooperative agreement or other agreement or document governing the expenditure of funds. 2. Costs questioned because, at the time of the audit, they were not supported by adequate documentation and/or had not been approved by responsible program officials. 3. Costs questioned because they were not necessary or not reasonable.		

Recommendation

We recommended that EPA Region 6 not participate in the ineligible costs, and recover funds due EPA.

Agency Response

In response to the audit report, EPA Region 6 disallowed the questioned costs.

MASSACHUSETTS DEPARTMENT OF ENVIRONMENTAL PROTECTION - MULTI-SITE***Scope and Objectives***

We contracted with an IPA firm to perform a final audit of a cooperative agreement awarded to the Massachusetts Department of Environmental Protection (MDEP) to identify and rank hazardous waste sites, and conduct management assistance for ten sites. The audit objective was to determine the allowability of costs claimed. The audit covered costs claimed by MDEP from April 1, 1985 through September 30, 1989.

Findings**1. MDEP'S Cash Management System Needs Improvement**

MDEP's cash management system maintained cash in excess of MDEP's immediate needs for seven of the ten letter of credit drawdowns tested for calendar years 1986 and 1987.

2. MDEP Needs to Monitor Its Drawdown Policies

MDEP requested letter of credit drawdowns without specifying for which sites and activities the funds were to be used, as required by the cooperative agreement. Instead MDEP drew and deposited all funds into a general pool of cash under a non-site-specific account, and allocated funds in excess of needs for pre-remedial (non-site-specific) activities to remedial activities which must be site specific. Additionally, MDEP exceeded the EPA authorized budget for some remedial activities, and had to obtain subsequent approval.

3. MDEP Failed to Submit Progress Reports Timely

MDEP failed to file 16 of the 17 quarterly reports within the time required by the agreement.

4. MDEP Claimed Ineligible Costs

MDEP claimed \$13,017 in excessive indirect costs by using an incorrect indirect cost rate.

FINANCIAL RESULTS OF AUDIT		
	Federal Share	Total Costs
Amount audited	\$3,751,296	\$3,751,296
Amount accepted	3,738,279	3,738,279
Ineligible costs ¹	13,017	13,017
Unsupported costs ²	0	0
Unnecessary/unreasonable costs ³	0	0
1. Costs questioned because of an alleged violation of a provision of a law, regulation, contract, grant, cooperative agreement or other agreement or document governing the expenditure of funds. 2. Costs questioned because, at the time of the audit, they were not supported by adequate documentation and/or had not been approved by responsible program officials. 3. Costs questioned because they were not necessary or not reasonable.		

Recommendations

We recommended that EPA Region 1:

- Require MDEP to establish and effectively monitor cash forecasting procedures to limit requests for Federal funds to immediate needs, and to comply with the required letter of credit drawdown procedures.
- Require MDEP to institute and monitor drawdown policies to ensure adequate projections and forecasted budget needs.
- Require MDEP to develop appropriate administrative procedures to ensure that progress reports are submitted timely.
- Not participate in the questioned costs, and recover funds due EPA.

Agency Response

In response to the audit report, EPA Region 1 disallowed \$6,287 of the claimed costs.

**MASSACHUSETTS DEPARTMENT OF ENVIRONMENTAL PROTECTION -
P.S.C. RESOURCES**

Scope and Objectives

We contracted with an IPA firm to perform a final audit of a cooperative agreement awarded to the Massachusetts Department of Environmental Protection (MDEP) for a remedial investigation and feasibility study at the P.S.C. Resources site in Palmer, Massachusetts. The audit objective was to determine the allowability of the costs claimed. The audit covered costs claimed by MDEP from October 1, 1987 through September 30, 1989.

Findings

1. MDEP'S Cash Management System Needs Improvement

MDEP'S cash management system maintained Federal cash in excess of MDEP's immediate needs for the period April 1988 through May 1989 in violation of EPA regulations.

2. MDEP Did Not Submit Progress Reports Timely

MDEP did not submit progress reports within thirty days after the end of each Federal fiscal quarter as required by the cooperative agreement. Instead MDEP submitted only two reports during a two-year period.

3. MDEP Did Not Retain Records

MDEP did not retain records necessary to reconcile personnel costs for the Federal 1988 fiscal year, as required by EPA regulations.

4. MDEP Did Not Record All Indirect Costs.

MDEP did not record all indirect costs claimed to the project's Budgetary Control Register. As a result, we were unable to reconcile indirect costs claimed.

5. MDEP Claimed Unsupported Contractual Costs

MDEP claimed \$162,842 of contractual costs in excess of the contractor invoices. MDEP stated that the amount claimed was in error and corrections were reflected in their later reports.

FINANCIAL RESULTS OF AUDIT		
	Federal Share	Total Costs
Amount audited	\$591,874	\$591,874
Amount accepted	429,032	429,032
Ineligible costs¹	0	0
Unsupported costs²	162,842	162,842
Unnecessary/unreasonable costs³	0	0
1. Costs questioned because of an alleged violation of a provision of a law, regulation, contract, grant, cooperative agreement or other agreement or document governing the expenditure of funds. 2. Costs questioned because, at the time of the audit, they were not supported by adequate documentation and/or had not been approved by responsible program officials. 3. Costs questioned because they were not necessary or not reasonable.		

Recommendations

We recommended that EPA Region 1:

- Require MDEP to establish and effectively monitor cash forecasting procedures to limit requests for Federal funds to immediate needs.
- Require MDEP to submit progress reports timely.
- Require MDEP to retain its records in accordance with EPA regulations.
- Require MDEP to record all related costs in the project's Budgetary Control Register.

- **Assure that MDEP's subsequent quarterly and interim reports reflect the correction of the \$162,842 error.**

Agency Response

In response to the audit report, EPA Region 1 indicated MDEP had documented the correct amounts submitted on the most recent interim financial status report. EPA reviewed the documents and considered them responsive and acceptable.

NEW HAMPSHIRE DEPARTMENT OF ENVIRONMENTAL SERVICES

Scope and Objectives

We performed an audit of cooperative agreements awarded to the New Hampshire Department of Environmental Services (NHDES). These included site-specific, multi-site and core cooperative agreements. Our audit objectives were to determine whether:

- a. NHDES had implemented previous audit report recommendations;
- b. State financial management, procurement, accounting, contract administration and property management controls were adequate to assure that costs claimed and reported are allocable to the cooperative agreements; and
- c. Financial management systems were adequate to ensure the timely close-out of the cooperative agreements.

Our audit covered the period January 1, 1988 through December 31, 1990.

Findings

1. NHDES Needs to Maintain Evidence that Cost Analyses of Contract Amendments Were Performed

NHDES did not provide evidence that cost analyses were performed, as required by Federal regulations, for approved contract amendments in excess of \$25,000. This resulted in approval of cost amendments of \$809,154 without evidence of cost analysis. Therefore, excessive costs may have been incurred under the cooperative agreement.

2. NHDES Needs to Submit Financial Status Reports (FSRs) Timely

FSRs were not submitted timely by NHDES as required by Federal regulations. Four of six cooperative agreements terminated between April 1984 and November 1990 did not have FSRs submitted within 90 days after the termination of the cooperative agreement as required by Federal regulations.

3. NHDES Needs to Account for Travel and Payroll Costs Accurately

NHDES did not accurately account for site-specific travel and payroll costs. Travel vouchers filed for fiscal 1990 were not in agreement with site-specific payroll charges. Six of thirteen travel transactions reviewed had errors in site-specific charges, resulting in funds being incorrectly charged.

Recommendations

We recommended that EPA Region 1:

- Instruct NHDES to provide evidence that a cost analysis of the amendments was performed. EPA should disallow costs not adequately supported as reasonable.
- Instruct NHDES to develop, implement and submit to the Region for approval procedures to ensure that all future proposed cost amendments in excess of \$25,000 receive a documented cost analysis prior to approval. Further, NHDES must document the contract files to provide evidence that a cost analysis was performed in accordance with Federal regulations.
- Instruct NHDES to provide for Regional review the State's newly developed internal tracking system to ensure cooperative agreement activities are reported in accordance with applicable Federal regulations.
- Monitor the implementation of the State's newly developed internal tracking system.
- Instruct NHDES to develop a travel voucher which would list times of arrivals and departures at individual site locations.
- Instruct NHDES to periodically review travel vouchers and time sheets to verify the accuracy of site-specific charges.
- Instruct NHDES to develop a procedure for preparation and submittal of time sheets and travel vouchers for review within the same time period.
- Instruct NHDES to submit for Regional approval newly developed NHDES procedures to ensure compliance with site-specific travel and payroll requirements.
- Instruct NHDES to provide assurance to the Region of accurate accounting for site-specific travel and payroll costs charged to cooperative agreements.

Agency Response

In response to our audit report, EPA Region 1 indicated:

- NHDES has developed and submitted procedures to EPA for performing cost analyses of architect/engineer service contracts and amendments. EPA reviewed the procedures and considered them acceptable.
- NHDES conducted internal reviews of the four contract amendments identified in the audit report, and documented them by memorandums to the file. EPA reviewed this data and found that the reviews adequately supported the reasonableness of the costs charged.
- NHDES has developed and submitted procedures to EPA for tracking cooperative agreement activities, including the specific dates when FSRs are due and when they are issued, and dates when cooperative agreements terminate. EPA reviewed the tracking report and found that all FSR submissions were current.
- NHDES had developed a procedure to monitor travel and payroll costs. It identified past errors in specific site charges and made adjustments to appropriate accounts. NHDES Grants Management personnel will perform a random sampling of travel vouchers and time sheets quarterly to verify accuracy.

NEW MEXICO HEALTH AND ENVIRONMENT DEPARTMENT

Scope and Objectives

We contracted with an IPA firm to perform an interim audit of a cooperative agreement awarded to the New Mexico Environmental Improvement Division (NMEID), part of the Health and Environment Department. EPA awarded the agreement for identification and ranking of hazardous waste sites, forward planning and management assistance at a number of New Mexico sites.

Our audit objective was to determine whether the costs claimed were reasonable and allowable under the terms of the cooperative agreement and applicable regulations. The audit covered costs claimed by NMEID from December 31, 1984 through March 31, 1990.

Findings

1. NMEID Claimed Unsupported and Ineligible Costs

NMEID claimed labor costs for an employee no longer working on the Superfund project, and for another employee whose time sheet could not be located. NMEID's method of allocating leave costs did not comply with Federal requirements. NMEID claimed unsupported equipment and contractual costs. NMEID claimed costs for contract payments at rates in excess of those allowed by the contract.

2. NMEID Needs to Comply With Property Management Standards

The equipment list supplied by NMEID did not include the cost of the equipment of the date of purchase, both items required by Federal regulations.

FINANCIAL RESULTS OF AUDIT		
	Federal Share	Total Costs
Amount audited	\$1,580,448	\$1,580,448
Amount accepted	1,430,313	1,430,313
Ineligible costs ¹	34,592	34,592
Unsupported costs ²	115,543	115,543
Unnecessary/unreasonable costs ³	0	0
1. Costs questioned because of an alleged violation of a provision of a law, regulation, contract, grant, cooperative agreement or other agreement or document governing the expenditure of funds. 2. Costs questioned because, at the time of the audit, they were not supported by adequate documentation and/or had not been approved by responsible program officials. 3. Costs questioned because they were not necessary or not reasonable.		

Recommendation

We recommended that EPA Region 6 not participate in the questioned costs, and recover funds due EPA.

Agency Response

In response to the audit report, EPA Region 6 disallowed \$13,132 of NMEID's claimed costs, and billed NMEID for that amount.

NEW YORK STATE DEPARTMENT OF ENVIRONMENTAL CONSERVATION

Scope and Objectives

We contracted with an IPA firm to perform a interim audit of a cooperative agreement awarded to the New York State Department of Environmental Conservation (NYSDEC) for remedial activities at the Love Canal site in Niagara Falls, New York. The audit objective was to determine the allowability and allocability of costs claimed under the cooperative agreement. The audit covered costs claimed by NYSDEC from July 12, 1982 through June 30, 1989.

Findings

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

NYSDEC did not submit its FSRs within 90 days of completion of an activity as required by the cooperative agreement. NYSDEC instead only submitted the FSRs annually.

2. NYSDEC Did Not Report All Expenditures on FSRs Timely

NYSDEC did not report all expenditures on FSRs timely. The FSR for the period ended June 30, 1989, covered only costs incurred through March 31, 1987 for the New York State Department of Health. That Department lagged two years in reporting costs on the FSR. Those expenditures applicable to the period April 1, 1987 to June 30, 1989 had not been reported to EPA although cash drawdowns were made concurrently with the payments of the expenditures.

3. NYSDEC's Financial Reporting System Did Not Track Costs by Project

NYSDEC was unable to break down costs by contract and vendor for contractual and construction costs incurred and reported on the FSR for the period ended June 30, 1989. NYSDEC could not reconcile contractual and construction costs reported by the accounting system with the cumulative contract payments reported by the vendor, nor with the costs reported on the FSR.

4. NYSDEC Claimed Ineligible and Unsupported Costs

NYSDEC claimed \$953,392 of personnel, travel, supplies construction/contractual services, force account, fringe benefit and other expenses that were not supported by documentation, in excess of the approved budget, or for unallowable interest on late payments.

FINANCIAL RESULTS OF AUDIT		
	Federal Share	Total Costs
Amount audited	\$25,873,162	\$27,933,986
Amount accepted	24,950,379	26,980,594
Ineligible costs ¹	1,389	1,390
Unsupported costs ²	921,394	952,002
Unnecessary/unreasonable costs ³	0	0
1. Costs questioned because of an alleged violation of a provision of a law, regulation, contract, grant, cooperative agreement or other agreement or document governing the expenditure of funds. 2. Costs questioned because, at the time of the audit, they were not supported by adequate documentation and/or had not been approved by responsible program officials. 3. Costs questioned because they were not necessary or not reasonable.		

Recommendation

We recommended that EPA Region 2 not provide Federal funding for the ineligible costs and evaluate the appropriateness of funding the unsupported costs.

Agency Response

This audit had not been resolved at the time we prepared this report.

OKLAHOMA DEPARTMENT OF HEALTH - COMPASS INDUSTRIES SITE

Scope and Objectives

We contracted with an IPA firm to perform an interim audit of a cooperative agreement awarded to the Oklahoma State Department of Health (OSDH) for remedial activities at the Compass Industries site. The audit objective was to determine whether costs claimed were reasonable and allowable under the terms of the cooperative agreement and applicable regulations. The audit covered costs claimed by OSDH from June 29, 1984 through December 31, 1989.

Finding

OSDH Claimed Ineligible Costs of \$30,434

The IPA questioned costs related to unallowable contractor interest costs, contractual costs exceeding the contract price and excessive contractor overhead charges.

FINANCIAL RESULTS OF AUDIT		
	Federal Share	Total Costs
Amount audited	\$1,147,518	\$1,147,518
Amount accepted	1,117,084	1,117,084
Ineligible costs ¹	30,434	30,434
Unsupported costs ²	0	0
Unnecessary/unreasonable costs ³	0	0
1. Costs questioned because of an alleged violation of a provision of a law, regulation, contract, grant, cooperative agreement or other agreement or document governing the expenditure of funds. 2. Costs questioned because, at the time of the audit, they were not supported by adequate documentation and/or had not been approved by responsible program officials. 3. Costs questioned because they were not necessary or not reasonable.		

Recommendation

We recommended that EPA Region 6 not participate in the questioned costs, and recover funds due EPA.

Agency Response

In response to the audit report, EPA Region 6 disallowed \$34,434 of OSDH's claimed costs, and billed OSDH for \$26,174 that had been paid by EPA in excess of the costs it accepted.

OKLAHOMA DEPARTMENT OF HEALTH - SAND SPRINGS SITE***Scope and Objectives***

We contracted with an IPA firm to perform an interim audit of a cooperative agreement awarded to the Oklahoma State Department of Health (OSDH) for remedial activities at the Sand Springs Petrochemical Complex site. The audit objective was to determine whether costs claimed were reasonable and allowable under the terms of the cooperative agreement and applicable regulations. The audit covered costs claimed by OSDH from June 29, 1984 through December 31, 1989.

Finding**OSDH Claimed Ineligible Costs of \$46,906**

The IPA questioned unallowable contractor interest costs and excessive contractor overhead charges.

FINANCIAL RESULTS OF AUDIT		
	Federal Share	Total Costs
Amount audited	\$1,564,834	\$1,564,834
Amount accepted	1,517,928	1,517,928
Ineligible costs ¹	46,906	46,906
Unsupported costs ²	0	0
Unnecessary/unreasonable costs ³	0	0
1. Costs questioned because of an alleged violation of a provision of a law, regulation, contract, grant, cooperative agreement or other agreement or document governing the expenditure of funds. 2. Costs questioned because, at the time of the audit, they were not supported by adequate documentation and/or had not been approved by responsible program officials. 3. Costs questioned because they were not necessary or not reasonable.		

Recommendation

We recommended that EPA Region 6 not participate in the questioned costs, and recover funds due EPA.

Agency Response

In response to the audit report, EPA Region 6 disallowed \$46,906 of OSDH's claimed costs, and billed OSDH for \$42,146 that had been paid by EPA in excess of the costs it accepted.

RHODE ISLAND DEPARTMENT OF ENVIRONMENTAL MANAGEMENT

Scope and Objectives

We performed an audit of the administration of Superfund cooperative agreements by the Rhode Island Department of Environmental Management (RIDEM). We performed final audits on three site-specific remedial cooperative agreements for the Picillo Farm, Western Sand and Gravel, and Davis Liquid Waste sites, and two core program cooperative agreements. We had previously performed interim audits of the Picillo Farm and Western Sand and Gravel agreements. In addition, we performed interim audits of active cooperative agreements to identify and rank hazardous waste sites, for management assistance at National Priorities List sites, and for the core program. Our audit objectives were to determine whether:

- a. RIDEM exercised adequate controls through its financial management, procurement, accounting, contract administration and property management systems to assure that costs claimed and reported are allocable to the cooperative agreements;

- b. Costs reported and claimed were reasonable, allowable and allocable to the cooperative agreements; and
- c. Financial management systems and controls were adequate to allow for the proper identification and accountability of costs and cost recovery actions by EPA.

The audit covered costs claimed by RIDEM through December 31, 1990.

Finding

RIDEM Needs to Conduct Physical Inventories

RIDEM had not conducted inventories of non-expendable equipment as required by EPA and the State since 1988. The lack of inventories was due to oversight, an unawareness of property management requirements and other workload priorities. As a result, RIDEM had inadequate property management controls and limited deterrence to theft and loss of property. Accordingly, Federal funds could potentially be spent unnecessarily to replace lost or stolen property which had not been properly controlled.

Recommendations

We recommended that EPA Region 1 direct RIDEM to:

- Develop procedures to make sure that periodic inventories are conducted. These procedures should require reconciliation of the results of inventories as needed.
- Provide the Region with results of the physical inventory RIDEM was conducting.

Agency Response

In response to the audit report, EPA Region 1 indicated that RIDEM had provided a copy of its procedures for conducting periodic inventories and the results of its recent physical inventory. EPA considered these documents responsive and acceptable.

SOUTH CAROLINA DEPARTMENT OF HEALTH AND ENVIRONMENTAL CONTROL

Scope and Objectives

We performed a limited scope interim audit of the costs claimed under two cooperative agreements awarded to the South Carolina Department of Health and Environmental Control (SCDHEC) for the core program and for management assistance. Our audit objectives were to determine whether:

- a. Costs incurred/claimed were reasonable and eligible for EPA reimbursement; and

- b. SCDHEC was aggressively pursuing the program objectives set forth in the cooperative agreements.

The audit covered costs incurred/claimed by SCDHEC from April 1, 1988 through February 28, 1991.

Findings

1. SCDHEC Needs to File Required Financial Status Report

SCDHEC failed to submit Financial Status Reports annually as required by the cooperative agreements. These reports were due 90 days after the end of each Federal fiscal year. In addition, SCDHEC submitted the Reports based on budgeted expenditures rather than actual costs incurred, as required by the cooperative agreements.

2. SCDHEC Needs to Improve Letter of Credit Drawdown Procedures

SCDHEC did not use site specific identifiers for letter-of-credit drawdowns as required by a special condition of one cooperative agreement. EPA needed theses to adequately determine the charges associated with the final site cleanup cost.

3. Lack of Progress In Accomplishment of Goals

SCDHEC was not making timely progress in accomplishing program goals. At the time of the audit, 50 percent of the budget period had expired but only 6.6 percent of budgeted cost had been incurred. Based on the amount of time spent and dollars incurred, SCDHEC apparently had not devoted the required resources needed to timely accomplish the cooperative agreement goals.

FINANCIAL RESULTS OF AUDIT		
	Federal Share	Total Costs
Amount audited	\$1,357,373	\$1,482,135
Amount accepted	1,357,373	1,482,135
Ineligible costs¹	0	0
Unsupported costs²	0	0
Unnecessary/unreasonable costs³	0	0
1. Costs questioned because of an alleged violation of a provision of a law, regulation, contract, grant, cooperative agreement or other agreement or document governing the expenditure of funds. 2. Costs questioned because, at the time of the audit, they were not supported by adequate documentation and/or had not been approved by responsible program officials. 3. Costs questioned because they were not necessary or not reasonable.		

Recommendations

We recommended that EPA Region 4:

- Require SCDHEC submit Financial Status Reports timely based on actual costs incurred.
- Monitor SCDHEC's drawdowns to be sure that each letter-of-credit drawdown identifies the specific site on which the effort was expended.
- Require SCDHEC to comply with the letter-of-credit Users Manual when making future grant or cooperative agreement drawdowns.
- Evaluate SCDHEC's progress in accomplishing program goals and determine if the amount of funds awarded needs to be adjusted.

Agency Response

In its response to the audit report, Region 4 stated that it will:

- Require SCDHEC to submit Financial Status Reports in a timely manner, based on actual costs incurred.
- Monitor drawdowns to ensure specific site identification as required by grant conditions. In addition, SCDHEC must reconcile funds in the core program and not draw down additional funds until any excess balance has been used.
- Monitor progress under the cooperative agreement and encourage SCDHEC to contact them if it encounters any difficulties in fulfilling its obligations under the agreement.

TEXAS WATER COMMISSION

Scope and Objectives

We contracted with an IPA firm to perform a final audit of a cooperative agreement awarded to the Texas Water Commission (TWC) for remedial activities at the Geneva Industries site. The audit objective was to determine whether costs claimed were reasonable and allowable under the terms of the cooperative agreement and applicable regulations. The audit covered costs claimed by TWC from December 28, 1983 through August 31, 1990.

Findings

1. Change Order Was Not Documented with Cost Analysis

TWC approved a \$3,298,679 change order with its contractor due to differing site conditions without conducting a formal cost analysis, as required by an EPA regulation. Therefore, the IPA could not determine the

reasonableness of the change order price and questioned the amount of the change order.

2. Contractor Charged Excessive Overhead Rates

The contractor charged, and TWC paid, overhead rates in excess of those determined by audit in some cases, or by the contractor itself in others. Therefore, we questioned \$36,799 of contractor overhead charges.

FINANCIAL RESULTS OF AUDIT		
	Federal Share	Total Costs
Amount audited	\$20,357,339	\$22,493,867
Amount accepted	17,354,424	19,157,434
Ineligible costs ¹	3,002,915	3,336,433
Unsupported costs ²	0	0
Unnecessary/unreasonable costs ³	0	0
1. Costs questioned because of an alleged violation of a provision of a law, regulation, contract, grant, cooperative agreement or other agreement or document governing the expenditure of funds. 2. Costs questioned because, at the time of the audit, they were not supported by adequate documentation and/or had not been approved by responsible program officials. 3. Costs questioned because they were not necessary or not reasonable.		

Recommendation

We recommended that EPA Region 6 not participate in the questioned costs, and recover funds due EPA.

Agency Response

In response to the audit report, EPA Region 6 stated it had:

- Requested and received a deviation from EPA regulations requiring a cost analysis on all negotiated change orders exceeding \$10,000. EPA did not require negotiation of the change order because of a hostile negotiating environment, adverse market conditions and indications that the bid unit price would have been raised had it been renegotiated.
- Received final approved indirect cost rates for the contractor from the Defense Contract Audit Agency, and adjusted the allowed amounts accordingly.
- Disallowed \$35,497 in total costs, of which \$32,073 is the Federal share.

WASHINGTON DEPARTMENT OF ECOLOGY - COLBERT LANDFILL SITE

Scope and Objectives

We contracted with an IPA firm to perform a final audit of a cooperative agreement awarded to the Washington State Department of Ecology (WDOE) for a remedial investigation/feasibility study of the Colbert Landfill. The audit objectives were to determine:

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

The audit covered costs claimed by WDOE from May 1, 1984 through September 30, 1987.

Findings

1. WDOE's Procurement Procedures Need Improvement

WDOE did not obtain EPA approval before awarding a contract under the agreement, although its procedures did not ensure procurements complied with Federal regulations and it had agreed to prior EPA review and approval of any procurement actions. In addition, WDOE (a) did not perform cost and price analysis as required by Federal regulations, (b) awarded a cost-plus-percentage-of-cost work assignment unallowable under Federal regulations, and (c) did not have written justification in the procurement files for the type of subagreement as required by Federal regulations.

2. WDOE Needs to Allocate Employee Leave Equitably

WDOE needed to establish procedures for equitable allocation of holiday, sick and annual leave costs to cost objectives as required by Federal regulations. WDOE allocated leave costs based upon the judgement of the supervisor.

3. WDOE Claimed Other Ineligible and Unsupported Costs

WDOE claimed \$200 in travel costs not shown to be necessary and reasonable and \$586 in indirect costs in excess of the final negotiated indirect cost rate.

FINANCIAL RESULTS OF AUDIT		
	Federal Share	Total Costs
Amount audited	\$542,434	\$1,937,263
Amount accepted	320,370	1,144,178
Ineligible costs ¹	9,155	32,696
Unsupported costs ²	212,909	760,389
Unnecessary/unreasonable costs ³	0	0
1. Costs questioned because of an alleged violation of a provision of a law, regulation, contract, grant, cooperative agreement or other agreement or document governing the expenditure of funds. 2. Costs questioned because, at the time of the audit, they were not supported by adequate documentation and/or had not been approved by responsible program officials. 3. Costs questioned because they were not necessary or not reasonable.		

Recommendations

We recommended that EPA Region 10:

- Require WDOE to establish procedures to make procurements and allocate leave costs in accordance with Federal requirements.
- Disallow the costs questioned for Federal participation, and recover Federal funds paid exceeding the amounts accepted in the audit report.

Agency Response

This audit had not been resolved at the time we prepared this report.

WASHINGTON DEPARTMENT OF ECOLOGY - COMMENCEMENT BAY SITE

Scope and Objectives

We contracted with an IPA firm to perform a final audit of a cooperative agreement awarded to the Washington State Department of Ecology (WDOE) for a remedial investigation/feasibility study of the Commencement Bay Nearshore/Tideflats site. The audit objectives were to determine:

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

The audit covered costs claimed by WDOE from April 14, 1983 through March 31, 1989.

Findings

1. WDOE's Procurement Procedures Need Improvement

WDOE did not obtain EPA approval before awarding a contract under the agreement, although its procedures did not ensure procurements complied with Federal regulations and it had agreed to prior EPA review and approval of any procurement actions. In addition, WDOE (a) did not perform cost and price analysis as required by Federal regulations, (b) awarded a cost-plus-percentage-of-cost work assignment unallowable under Federal regulations, (c) awarded a contract non-competitively contrary to Federal regulations, (d) did not obtain conflict of interest certifications from bidders or offerors as required by the cooperative agreement, (e) did not have required documentation in their procurement files, and (f) did not have evidence of making good faith efforts to solicit minority and women-owned businesses in three of the four contracts reviewed.

2. WDOE Needs to Allocate Employee Leave Equitably

WDOE needed to establish procedures for equitable allocation of holiday, sick and annual leave costs to cost objectives as required by Federal regulations. WDOE allocated leave costs based upon the judgement of the supervisor.

3. WDOE Failed to Allocate Cost Between EPA and the Center for Disease Control (CDC)

WDOE did not allocate the costs incurred for the Ruston portion of the agreement between the CDC and EPA in accordance with a special condition requiring reimbursement of EPA for that portion of the study relating to human health.

4. WDOE's Property Management System Needs Improvement

WDOE's disposal of computer equipment purchased under the agreement did not comply with Federal regulations. In addition, WDOE did not consistently perform required physical inventories of equipment.

5. WDOE Claimed Other Ineligible and Unsupported Costs

WDOE claimed \$5,754 for a personal computer system not used for the project, \$8,038 for contractual costs incurred after the cut-off date for the task, \$856 in indirect costs in excess of the final negotiated indirect cost rate, and \$9,661 in the same indirect costs charged to two different accounts.

FINANCIAL RESULTS OF AUDIT		
	Federal Share	Total Costs
Amount audited	\$2,897,650	\$2,973,941
Amount accepted	279,643	287,006
Ineligible costs ¹	130,763	134,206
Unsupported costs ²	2,487,244	2,552,729
Unnecessary/unreasonable costs ³	0	0
1. Costs questioned because of an alleged violation of a provision of a law, regulation, contract, grant, cooperative agreement or other agreement or document governing the expenditure of funds. 2. Costs questioned because, at the time of the audit, they were not supported by adequate documentation and/or had not been approved by responsible program officials. 3. Costs questioned because they were not necessary or not reasonable.		

Recommendations

We recommended that EPA Region 10:

- Require WDOE to improve its procurement system to meet Federal requirements or obtain EPA's approval before awarding contracts.
- Require WDOE to allocate holiday and leave costs in accordance with Federal requirements.
- Require WDOE to revise its property management policies and procedures to include Federal equipment disposal requirements.
- Require WDOE to install controls to ensure timely performance of physical inventories of personal property.
- Disallow the costs questioned for Federal participation, and recover Federal funds paid exceeding the amounts accepted in the audit report.

Agency Response

This audit had not been resolved at the time we prepared this report.

WASHINGTON DEPARTMENT OF ECOLOGY - CORE PROGRAM***Scope and Objectives***

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

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

The audit covered costs claimed by WDOE from September 1, 1987 through September 30, 1988.

Finding**WDOE's Internal Controls Need Strengthening**

WDOE needed to strengthen its internal controls in order to comply with Federal requirements to maintain a financial management system that consistently records and allocates costs. WDOE inequitably allocated leave and benefit costs, and made unedited and unreviewed entries into the accounting system that did not reconcile to employee time cards.

FINANCIAL RESULTS OF AUDIT		
	Federal Share	Total Costs
Amount audited	\$250,000	\$288,479
Amount accepted	224,282	258,928
Ineligible costs ¹	25,718	29,551
Unsupported costs ²	0	0
Unnecessary/unreasonable costs ³	0	0
<ol style="list-style-type: none"> 1. Costs questioned because of an alleged violation of a provision of a law, regulation, contract, grant, cooperative agreement or other agreement or document governing the expenditure of funds. 2. Costs questioned because, at the time of the audit, they were not supported by adequate documentation and/or had not been approved by responsible program officials. 3. Costs questioned because they were not necessary or not reasonable. 		

Recommendations

We recommended that EPA Region 10:

- Disallow costs questioned for Federal participation, and obtain recovery of Federal funds paid in excess of the amount accepted in this report.
- Require the WDOE to make the following improvements to their financial management system:
 - Develop an agency-wide leave rate, consisting of employee holiday and leave costs to be applied against direct labor costs; or allocate employee leave and fringe benefit costs on an equitable basis in accordance with Office of Management and Budget (OMB) Circular A-87.
 - Add a review and edit function to the payroll accounting system to make sure that only supportable direct labor charges are made to the cooperative agreement.

Agency Response

This audit had not been resolved at the time we prepared this report.

UNIVERSITY OF CINCINNATI - SOIL LEAD DEMONSTRATION GRANT

Scope and Objectives

We performed an interim audit of an EPA demonstration grant awarded to the University of Cincinnati (UC) College of Medicine in Cincinnati, Ohio. The grant's primary purpose was to determine whether the blood lead levels of small children are effectively reduced by procedures to reduce the lead concentration in soil and exterior dust and in house dust. The audit objective was to determine whether the costs claimed by UC were reasonable, allocable and allowable under the terms of the award. The audit covered costs claimed by UC from September 30, 1988 through June 30, 1990.

Finding

UC Claimed Excessive Overhead Charges

UC claimed excessive overhead charges due to application of the on-campus rather than the off-campus overhead rate and an incorrect calculation of the base to which the overhead rate was applied.

FINANCIAL RESULTS OF AUDIT		
	Federal Share	Total Costs
Amount audited	\$2,530,585	\$2,530,585
Amount accepted	2,482,322	2,482,322
Ineligible costs ¹	48,263	48,263
Unsupported costs ²	0	0
Unnecessary/unreasonable costs ³	0	0
1. Costs questioned because of an alleged violation of a provision of a law, regulation, contract, grant, cooperative agreement or other agreement or document governing the expenditure of funds. 2. Costs questioned because, at the time of the audit, they were not supported by adequate documentation and/or had not been approved by responsible program officials. 3. Costs questioned because they were not necessary or not reasonable.		

Recommendation

We recommended that EPA Region 5 make sure that UC reduced its incurred grant costs by the amount of the questioned costs.

Agency Response

In response to our audit report, EPA Region 5 indicated that UC agreed with the audit funding and had reduced its incurred costs by the questioned amount.

REGION 1 SUPERFUND COOPERATIVE AGREEMENT DEOBLIGATIONS

Scope and Objectives

We performed a special review of Region 1's management of Superfund cooperative agreement unliquidated obligations. During an audit of the administration of Superfund cooperative agreements by the New Hampshire Department of Environmental Services, we identified a need to improve Regional management of unliquidated obligations of these agreements. Our review objective was to determine if other States within Region 1 also had Superfund cooperative agreement funds that should have been deobligated.

Due to its limited scope, the review was not an audit following the Government Auditing Standards (1988 Revision) issued by the Comptroller General of the United States.

Finding

Region 1 Needed to Improve Its Management of Superfund Cooperative Agreement Unliquidated Obligations

Region 1 needed to make more effective use of Superfund cooperative agreement funds so they do not lay idle as invalid, unpaid obligations on projects where they may no longer be needed. We reviewed 10 of 25 cooperative agreements with expired budget periods. All ten had excess funds, totaling \$1,310,336, that could have been deobligated. As a result, these funds could not be used for other priority Superfund site actions. This condition was caused by a lack of Regional internal controls to monitor the completion dates of cooperative agreements, ensure required grantee reports were requested and received, and ensure that funds were deobligated timely.

Recommendations

We recommended that EPA Region 1:

- Establish and implement an internal control system to track Superfund site completion dates to ensure required reports are received from grantees and funds are expeditiously deobligated.
- Identify and timely deobligate any excess Superfund unliquidated cooperative agreement funds for the grants we did not review.

Agency Response

In response to our report, EPA Region 1 indicated it had:

- Prepared an action plan to implement the report's recommendations.
- Requested and received final FSRs for seven sites.
- Deobligated \$263,440 for one cooperative agreement.

REMEDIAL INVESTIGATIONS AND FEASIBILITY STUDIES

In fiscal 1991, we issued a technical report on remedial investigation/feasibility study (RI/FS) activities at the Southern Maryland Wood Treating site. The OIG Technical Assistance Staff conducted this review. That report contained no recommendations, and required no response from the Agency. We also conducted a special review of RI activities at the Louisiana-Pacific site. The reviews are summarized below.

SOUTHERN MARYLAND WOOD TREATING SITE, HOLLYWOOD, MARYLAND

Scope and Objectives

Our review objectives for the Southern Maryland Wood Treating site in Hollywood, Maryland, were to:

- a. Determine if the RI/FS formed an adequate basis for selection of a remedial action; and
- b. Evaluate the contract management of EPA Region 3 to determine if the Region took all reasonable and necessary measures to ensure a successful RI/FS process for the site.

Our review considered all phases of the RI/FS, the Record of Decision (ROD) and current information on the design of the site remediation.

Conclusions

1. The RI/FS was incomplete. Site sampling provided conflicting data on shallow groundwater pollution, the causes of which were not investigated. Also, important site characteristics were not adequately addressed in the RI/FS.

The RI/FS report presented two sets of sampling data which provided conflicting data on the extent of groundwater contamination. One set of samples was taken in 1986. A second set was taken in 1988 at the same monitoring wells. There were measurable differences in the analyses of these two sets of samples which should have raised the concern of site investigators and been explained in the report.

The RI/FS report did not include an evaluation of possible impacts of removal activities on the characterization of contaminant levels on the site. There were 188 containers containing residues from the removal action on the site. These were to be taken care of during the remedial action (RA), but were not mentioned in the RI/FS report. The final report on the removal activities indicated that problems during the removal resulted in the spreading of contaminants in an area sampled during the later Phase II RI. While a memorandum indicated that Phase II activities would be modified to address this issue, we found no indication that adequate modifications were made.

- 2. The FS activities were not performed in a manner to produce reasonably accurate estimates of remediation cost. Quantities of materials to be remediated may have been underestimated and alternative and innovative technologies may not have been properly considered.**

The 1988 FS incorrectly calculated the amounts of contaminated material to be remediated. It also did not adequately consider the construction methods to be used in the remediation of the area of contaminated shallow groundwater. The FS proposed a slurry wall to contain the area of contaminated shallow groundwater. The soil quantity in this zone was estimated as 90,000 cubic yards. The slurry wall was not a practical option due to the topography of the site, the need for a structural wall since dewatering would be required to implement the remediation plan, and other physical features of the site. The U.S. Army Corps of Engineers in 1989 designed a revised containment wall of steel sheet pile to provide the needed structural strength. The Corps also provided a revised alignment which would contain 171,000 cubic yards of potentially contaminated soils. The revised wall design would significantly increase the cost of wall construction and soil treatment. The FS estimated that 1,400 cubic yards of contaminated soil were to be remediated in the land treatment area, when the correct volume was 14,000 cubic yards. The FS failed to mention the excavated pond soils storage pile, the decontamination pads or the 188 containers of contaminated material resulting from the removal action.

The original work plan recognized the need for treatability studies for bioremediation alternatives. However, funds for this purpose were transferred to source and site characterization activities.

- 3. The management of the RI/FS did not produce a document that was timely, cost effective or complete.**

The work plan provided for the RI/FS to "be conducted in three (3) phases to facilitate a more comprehensive, efficient and expedient approach to sampling and analysis at the site." However, the phased approach actually resulted in piecemeal approvals and contributed to delays and increased cost. The RI/FS cost about \$370,000 more than originally estimated and was 22 months late. The RI/FS lacked a consistent and comprehensive approach to work plan implementation. Most documents submitted were never finalized. A formal Quality Assurance Project Plan was not prepared. The contractor approved the final RI/FS without allowing sufficient time for EPA to provide comments on the draft and to consider comments. We documented report deficiencies in site characterization, estimated soil volumes to be remediated, and evaluations of alternative remedial technologies. The report likely significantly underestimated the cost of the containment and soil incineration portion of the selected remedy.

LOUISIANA-PACIFIC SITE, OROVILLE, CALIFORNIA

Scope and Objectives

We performed a special review of EPA Region 9's administration and management of the Louisiana-Pacific (L-P) Superfund site in Oroville, California,

in response to a Congressional inquiry. The Congressional inquiry was prompted by concerns of the Louisiana-Pacific Corporation that EPA RI/FS work duplicated the Corporation's RI/FS work, and that EPA's RI/FS was too expensive. Our overall purpose was to determine whether the Region's administrative controls were adequate to ensure the timely and cost effective completion of the RI/FS. Our specific review objectives were to determine whether:

- a. The costs charged to the RI/FS appear reasonable and necessary and in accordance with applicable Superfund guidance; and
- b. EPA's RI/FS tasks were comparable to specific work elements conducted by L-P and, if so, how the costs of each compared.

Our review fieldwork was conducted through August 1990, and included site activities from the proposed listing of the site on the NPL in October 1984 up to the preparation of the draft RI report. This was a special review and not an audit following the Government Auditing Standards (1988 revision) issued by the Comptroller General of the United States.

Findings

1. Region 9 Generally Conducted the L-P RI/FS Consistent with Agency Policy and Guidance

We found that Region 9 conducted the L-P RI/FS in a manner generally consistent with existing Agency policy and guidance. However, we noted some administrative control weaknesses which are summarized below.

2. EPA RI/FS Not Comparable to L-P Investigation

The independent L-P investigation was not conducted under the authority of CERCLA, applicable regulations or EPA guidance. Furthermore, it did not have EPA oversight and review. Therefore it was not an RI as defined by Federal law and was not comparable to an RI/FS governed by legal and regulatory standards.

3. Controls Over RI/FS Costs and Performance Need Improvement

The EPA RPM was dependent on EPA's contractor for the development of work plans, schedules, budgets and cost reports. The Region did not prepare independent cost estimates for the L-P RI/FS tasks. We found little documentation to indicate the RPM closely monitored the RI/FS costs or progress. The RPM's award fee recommendations were not always consistent with contractor performance problems documented in the Region's records. Increased oversight and control of contractor performance under cost reimbursement contracts is needed to assure that EPA receives cost effective and timely completion of RI/FS tasks. Failure to implement adequate controls can result in project delays and cost overruns.

4. Site Files Were Not Current and Complete

The RPM's files on the L-P site were not current and complete. Contractor performance, work status, financial status and Regional review comments were not consistently maintained. Various technical and managerial review comments were missing from the site files. The RPM did not keep copies of product drafts or his review comments. Formal review comments were not prepared or maintained on contract deliverables. Monthly progress reports were not submitted or maintained by the RPM. We concluded that the RPM's records did not comply with Agency contract management manual requirements.

Recommendations

We recommended that EPA Region 9:

- Require RPMs to prepare and use independent RI/FS cost estimates for evaluating contractor cost proposals.
- Assure that RPMs comply with Agency guidance for monitoring and controlling Superfund contractor performance. RPMs should review contractor monthly status reports to determine project progress and review contractor invoices for reasonableness.
- Require RPMs to obtain adequate justifications from contractors for increases, delays and contract overruns.
- Revise Region 9 guidance on award fees for consistency with the Federal Acquisition Regulations. Award fees should only be awarded when the contractor has performed at a satisfactory or better level.
- Establish and maintain Superfund site files consistent with Agency contract management guidelines.

Agency Response

In response to our draft report, EPA Region 9 indicated:

- EPA has developed and is providing a Work Assignment Manager training course for RPMs to improve their performance in areas described in the OIG report.
- The Region has increased the number of staff in the project officer role, reducing the number of work assignments they monitor, and thereby enabling them to provide more effective support to the Work Assignment Managers.
- The Region established a Technical Support Section of Regional experts and technical specialists to support the RPMs in monitoring quality and progress of contract deliverables.

- **Region 9 Guidelines and Manager's Transmittal Memo for Independent Government Cost Estimates were issued.**
- **The Region established a Voucher Coordinator.**

In response to the final report, EPA Region 9 further indicated it:

- **Issued a memorandum directing the preparation of independent government cost estimates for all Architect-Engineer work assignments in excess of \$25,000.**
- **Was completing automation of its voucher verification tracking system.**
- **Followed EPA guidelines on documentation of contractor Work Plan Revision Requests.**
- **Followed EPA national policy on award fees.**

PERFORMANCE AUDITS AND SPECIAL REVIEWS

In addition to reviews required by CERCLA, as amended, we conducted other reviews of EPA's management of the Superfund program. We summarize below performance audits and special reviews completed in fiscal 1991.

POST-SARA REMEDIAL ACTION STARTS MANDATE

Scope and Objectives

We performed an audit of EPA's compliance with requirements in the Superfund Amendments and Reauthorization Act of 1986 (SARA) for initiation of 175 new remedial actions (RAs) at National Priorities List (NPL) sites by October 16, 1989. In a report entitled *Commencement of Post-SARA Remedial Actions*, EPA claimed 178 new RA starts during the timeframe specified in SARA. Our audit objectives were to:

- a. Determine whether RAs claimed by EPA complied with SARA criteria for the 175 initial RA starts on NPL sites;
- b. Evaluate EPA's system for identifying and reporting RA starts and the adequacy of controls at the regional and Headquarters levels to assure the integrity and accuracy of RA data received and the compliance of reported RA starts with established criteria; and
- c. Determine whether EPA complied with Congressional intent as to the type of remedial activities reported and the priority of sites on which RAs were initiated.

We limited the scope of the audit to the 178 initial RAs reported by EPA for the period October 17, 1986 through October 16, 1989, in compliance with section 116(e) of SARA. We selected Regions 2, 3 and 4 for review because they reported 86 (48 percent) of the 178 claimed RA starts, and Regions 2 and 3 reported over 42 percent of their RA starts during the last 75 days of the reporting period. We also selected Region 10 because it reported four of its five (80 percent) RA starts during the last 75 days. We generally limited our review to the 91 RA starts reported by these four regions. We selected a judgmental sample of 42 of these RA starts for review. We selected these sites because they were started in the last 75 days or there were other indicators of potential problems. Because we selected our sample based on indicators of potential problems, our conclusions on the sample may represent the worst case situation and should not be directly extrapolated to the total universe of 178 sites.

Findings

1. Inadequate Controls, Conflicting Criteria, and Misinformation Resulted in an Overstatement of Post-SARA Remedial Actions Reported to Congress

Our review of the judgmental sample of 42 of the 178 claimed post-SARA RA starts disclosed 28 sites where initial RAs were claimed for (1) subsequent RAs; (2) pre-cleanup site preparation, remedial designs and work plans; (3) isolated, insubstantial cleanup actions; (4) noncontinuous cleanup actions; and/or (5) contract awards where physical on-site activity had not begun at the time of our audit or began many months after the post-SARA reporting period. In addition, an RA start outside our sample was reported for a non-NPL site. The June 1986 NPL indicated that 91 of the 178 post-SARA RA sites claimed by EPA had one or more operable units completed prior to SARA. SARA specified that the RA starts be for "substantial and continuous physical on-site remedial action," sites on the NPL and sites for which no RA had begun before enactment of SARA. EPA improperly claimed site activities as RA starts because of (1) insufficient EPA Headquarters control and documentation of the RA reporting process to ensure the quality, integrity and reliability of RA data received; (2) inadequate Headquarters planning, review and evaluation of RAs reported by regions; (3) conflicting criteria between SARA and EPA procedures for identifying and defining RAs; and (4) failure of Headquarters and regional management to properly communicate SARA RA requirements to Remedial Project Managers (RPMs).

2. Post-SARA Remedial Actions Did Not Always Address the Most Contaminated Sites as Reflected on the NPL

Contrary to Congressional intent, EPA did not ensure that post-SARA RAs addressed the most hazardous sites on the NPL. The House Public Works and Transportation Committee report on SARA stated that, "Attempts by the Administrator to avoid such resource commitments needed to meet commencement targets set out in the schedule *by systematically addressing less hazardous or less costly sites first would be contrary to the Committee's intent and contrary to the requirement of the Act.*" (emphasis added) Of the 178 post-SARA RA starts reported to Congress, 72 or over 40 percent represented actions at sites in the lower 40th percentile of the NPL. EPA had recorded no initial RA start for 264 of the top 300 sites on the June 1986 NPL. These conditions occurred because EPA had not set priorities for remedial activities based on NPL ranking, and had no established system for planning and tracking RAs in relation to NPL priorities. By the time of our audit, EPA had implemented an Environmental Priority Setting Initiative which assesses remedial priorities based on environmental criteria. Because of this action, we made no recommendations on this finding.

3. Critical Documentation and Procedures for Headquarters and Regional Identification of Post-SARA Remedial Actions Were Contradictory, Inadequate, or Nonexistent

EPA did not implement a formal controlled process for reporting SARA accomplishments. As a result, Headquarters and regional documentation of the RA identification process, and therefore control of the process, was almost

nonexistent. EPA had ineffective and conflicting RA reporting procedures. We found little or no documentation at the regional and Headquarters levels of the decision-making process for individual RA sites and how or what criteria were applied for selecting sites for the Congressional report. Headquarters could not locate any documentation to support the starts claimed in Region 2. RA start dates for 102 (57 percent) of the 178 post-SARA RAs reported to Congress on October 17, 1989, did not agree with RA start dates in CERCLIS (as of December 28, 1990), the EPA's primary tracking system for remedial activities. For seven of the conflicting dates, CERCLIS showed pre-SARA start dates while post-SARA start dates were reported to Congress. In addition to the 102 conflicting dates, another 14 claimed post-SARA RA starts showed no RA start date in CERCLIS 14 months after the post-SARA reporting period ended.

Recommendations

We recommended that EPA:

- Revise current procedures for identifying RA starts to bring Agency guidance in line with Congressional intent and clearly delineate between pre-cleanup activities and RAs.
- Inform regional staffs of the specific site activities that constitute an RA, and the definitive criteria for identifying future post-SARA RA starts.
- Review records for the 91 sites shown in the June 1986 NPL listing as having pre-SARA RAs to determine whether post-SARA RAs reported were first RA starts for these sites.
- Review the 178 RA starts reported to Congress to ensure that RAs reported met SARA requirements, and delete any where statutory requirements were not met.
- Review and revise the *Commencement of Post-SARA Remedial Activities* report to more accurately reflect actual accomplishments.
- Refine and expand the quality control of the formal RA planning and reporting system so that future post-SARA RA starts are reported accurately and reliably.
- Completely document the decision-making process used by Headquarters and regional staff to identify Agency accomplishments included in external reports.
- Require regional certification of data reported for inclusion in the list of 200 RA starts required by SARA between October 17, 1989 and October 16, 1991.
- Establish proper controls and retention requirements at Headquarters and regional levels for documentation supporting EPA's report on the additional 200 RA starts.

- Reconcile differences in post-SARA RA start dates reported to Congress and dates contained in CERCLIS.

Agency Response

In response to the draft report, EPA indicated it:

- Had provided guidance to the regions on the 200 RA starts and tracking activities, and would provide more detailed guidance to reflect the lessons learned on the 175 RA starts.
- Reviewed the 91 sites in which the June 1986 NPL indicated actions had been completed, and found none where an RA contract had been awarded.
- Would thoroughly investigate each RA start reported to determine if the sites still meet SARA requirements and Congressional intent.
- Was refining and expanding the system for documenting progress toward the 200 RA starts.
- Would require regional certification of all sites for the 200 RA starts mandate.

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

- Issued a June 1991 Final Status Report on the 178 Post-SARA RA starts reported.
- Delineated procedures and documentation requirements for reporting accomplishments in the *Superfund Program Management Manual*, and reemphasized in an Office of Solid Waste and Emergency Response (OSWER) Directive the need for source documentation for accomplishments reported.
- Would advise the regions to keep a complete set of RA start questionnaires in their central files, as well as copies of individual questionnaires with site files.
- Was correcting CERCLIS for discrepancies in dates.

OVERSIGHT OF POST-SETTLEMENT ACTIVITIES

Scope and Objectives

We completed reviews of oversight of Superfund post-settlement activities by Region 1 and Region 5. We issued reports on these reviews and a consolidated report in fiscal 1991. We completed reviews of Region 2 and Region 3 in fiscal 1990 and summarized them in our last report. The purpose of these reviews was to determine the timeliness and effectiveness of regional post-settlement activities. The specific objectives of our reviews were to determine whether EPA was:

- a. Adequately monitoring compliance with settlements and taking effective measures when parties are not in compliance;
- b. Assessing and collecting applicable penalties and damages for noncompliance; and
- c. Adequately monitoring enforcement support contractors' oversight of PRP post-settlement compliance.

Our reviews primarily focused on EPA initiated settlement documents issued between October 1986 and March 1990. A judgmental sample of 39 of 207 sites was chosen from Comprehensive Environmental Response, Compensation, and Liability Information System (CERCLIS) printouts listing settlement documents. Because our sample was judgmental, we cannot make statistical projections from them. Most of the settlement documents issued by the regions during our review period were for RI/FS activities and our sample reflected that fact.

We issued separate audit reports for Region 1 and Region 5 and a consolidated report to the Assistant Administrator for Solid Waste and Emergency Response and the Acting Assistant Administrator for Enforcement. The findings for the two regions reviewed were similar. We have not separately summarized the findings by region, but do summarize the responses of the regions as well as EPA Headquarters.

Findings

1. EPA Needs to Correct Practices that Contribute to Site Cleanup Delays

The performance of Superfund cleanup work was unnecessarily delayed after EPA reached settlements with potentially responsible parties (PRPs). The review and approval of PRP documents and plans submitted to initiate and conduct work took from 7 to 36 months at 24 of 39 sites reviewed. EPA assigned remedial project managers (RPMs) the brunt of site responsibility without providing adequate support, supervision, policy guidance and procedures, or monitoring tools. RPMs acted with great independence within a sometimes lengthy review process. This freedom of action led to inconsistency and varied decision making. The lengthy review and approval process caused delays in Superfund cleanup actions, increasing the potential for adverse public health effects and further environmental degradation.

2. EPA Needs to be More Aggressive in Assessing Stipulated Penalties

EPA was not considering stipulated penalties for noncompliance with settlement milestone dates. The regions did not take aggressive enforcement action, basically limiting their actions to verbal negotiations or warning letters and only seeking penalties in extreme instances. The regions were reluctant to assess stipulated penalties because they did not want to inhibit progress on site cleanups. In our review of 15 sites where noncompliance occurred, we found the regions assessed PRPs only \$45,000 in three cases. EPA did not assess potential penalties of \$4,855,500 in seven other cases where stipulated penalties would have been appropriate. In addition, we reviewed two other

cases where potential judicial sanctions could have totaled \$8,125,000 had EPA referred the cases for enforcement action. As a result, there was little or no inducement for PRPs to comply with compliance order requirements. This lack of enforcement encourages PRPs to delay implementing important provisions of settlement documents, which leads to unnecessary delays in the overall cleanup process. Such delays can be detrimental to public health and the environment.

3. Oversight of Technical Enforcement Support (TES) Contractors Needs Improvement

EPA needed to improve its oversight of TES contractors. Specifically, regions did not conduct and document quality assurance audits, contractor office reviews or field oversight reviews. These conditions occurred because of inadequate monitoring of RPMs by supervisors, lack of written procedures and low priorities or insufficient resources assigned to certain tasks. As a result, EPA had limited assurance that TES tests or records were reliable or accurate and contractors were performing work as required.

Recommendations

We recommended that EPA:

- Develop policy for use in all administrative orders on consent setting specific timeframes for EPA review and approval of PRP submissions.
- Develop and issue guidance on extending settlement document due dates and documenting of these decisions.
- Implement guidance including the June 1991 OSWER Directive 9835.1(c) to streamline the PRP submission review process to eliminate the tendency toward multiple revisions and reviews. One possibility would be to limit the number of revisions.
- Develop and implement a standard post-settlement automated tracking system for use by all regions. The system should track PRP deliverable submission milestone dates and EPA responses.
- Establish national guidelines for scheduling, performing and documenting periodic quality assurance audits, contractor office reviews and field oversight visits.
- Aggressively pursue the option of stipulated penalties when PRPs are generally in noncompliance with settlement document requirements. Regions should provide written justification of decisions not to pursue stipulated penalties.
- Use the dispute resolution process as an effective mechanism to resolve differences with PRPs.

Agency Consolidated Headquarters Response

In response to the draft report, EPA stated it:

- Recently issued guidance which included a flow chart with time ranges for PRP deliverable reviews, detailed instructions on conducting PRP submittal reviews, and specific RPM responsibilities and oversight activities.
- Established the capability in EPA's automated national information system to identify settlement compliance status. In addition, two regions have developed detailed prototype systems which enable managers to track the status of milestones in settlements and the status of enforcement response.
- Will be evaluating the use of stipulated penalties with the intention of developing guidance documents to ensure their greater use.
- Periodically conducts TES contract management reviews in the regions as part of its national oversight of TES contracts.
- Is updating the TES User's Manual. It will include guidance and checklists for conducting reviews of EPA regional and contractors' offices as well as an audit checklist for field offices.

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

- Established "time windows" for EPA review time of PRP submittals in a June 1991 guidance document. EPA stated that fixed time limits would not give the regions the flexibility it needs to review PRP submittals.
- Established an Agency workgroup to develop guidance that will address the process and criteria for granting extensions to settlement due dates.
- Distributed the June 1991 OSWER Directive to RPMs in all regional offices and trained regional staff on the guidance. This guidance limits the number of document revisions to one.
- Implemented tracking requirements for PRP submissions, EPA's review of the submissions and milestone dates on January 1, 1992.
- Issued a final OSWER Directive on November 12, 1991, outlining regional tracking requirements.
- Continues its evaluation of stipulated penalty use. An evaluation report will be issued during the second quarter of fiscal 1992.
- Outlined the dispute resolution process and encouraged its use in the June 1991 OSWER Directive.

- Scheduled reviews in fiscal 1992 of TES contracts management for all regions and included all TES contractors' offices.
- Will finalize the updated version of the TES Users Manual during fiscal 1992. The manual will contain an audit checklist for field office audits and recommendations on when to conduct these audits.
- Is currently developing the statement of work for the next generation of TES contracts. The new contracts will include requirements for more frequent field audits when field work is conducted under these contracts.

Agency Regional Responses

Each region reviewed also stated in responses to draft and final audit reports that it was taking regional actions which would correct the deficiencies cited in the reports. We summarize these actions below by region.

Region 1

- Would develop an automated system to record, track and monitor enforcement actions.
- Would develop policy and guidelines for monitoring and tracking of enforcement actions. The policy will identify major/minor deliverables and PRP communication procedures. It will address timeframes for resubmitting deliverables and will present guidelines for developing realistic deliverable schedules.
- Prepared stipulated penalty guidance in June 1990 stressing the importance of compliance monitoring and the merits of penalties as an economic incentive for complying with orders.
- Will monitor compliance more closely and use their enforcement authority when appropriate.
- Will implement the national guidance on quality assurance audits for the TES contractors when issued.
- Will conduct semi-annual regional audits using the information and format included in the national audit guidance.

Region 5

- Will provide instructions on project manager workload and guidance for granting and documenting extensions for PRP deliverables.
- Would issue a memorandum requiring the use of the latest model enforcement documents in the appropriate situations.
- Is implementing a compliance tracking system which will allow managers to monitor compliance with all enforcement actions.

- Will modify their regional tracking system when the national compliance tracking policy is issued.
- Is developing guidance on the invocation and documentation of stipulated penalties.
- Will contact Department of Justice to gather the appropriate materials and set the necessary procedures to facilitate assessing statutory penalties.
- Will emphasize the use of current stipulated penalties language in conjunction with instructions on use of model settlement documents in negotiations.
- Revised the memorandum of understanding between the two divisions involved in approving the quality assurances plans for the PRP cleanups to include a framework for monitoring compliance with its provisions (using an internal control review process).

CONTRACT LABORATORY PROGRAM

Scope and Objectives

The Contract Laboratory Program (CLP) consists of laboratories under contract to EPA which produce chemical data analyses of samples from potential and confirmed Superfund hazardous waste sites for EPA regions' use. The objectives of this audit were to determine whether:

- a. Original CLP analytical documentation was properly safeguarded;
- b. Two major regional program controls, use of performance evaluation samples and data evaluation oversight, were sufficient to help ensure the integrity of CLP data;
- c. Regional reviews of CLP test results (data packages) were timely and effective;
- d. EPA was paying full price for unacceptable or partially acceptable data packages; and
- e. Decisions were made using questionable data packages.

We performed our fieldwork from August 1989 through May 1990 at EPA Headquarters, the Sample Management Office (contractor provided) and Regions 2, 3, 4, 7 and 8. We sent a questionnaire to six regions to get information on the methods they used to evaluate CLP laboratories' performance. We talked with Superfund remedial project managers in Regions 2, 3 and 8.

Findings

1. EPA Needs to Safeguard All Original CLP Documents that May be Useful in Legal Proceedings

EPA did not obtain and safeguard all original documentation which was generated when samples from Superfund sites were analyzed by CLP laboratories. Shortly after a CLP laboratory completes work for EPA, it sends the results of this work, and supporting documents (called a data package), to the appropriate regional office and other authorized parties. However, various documents were not always sent with the data package. Generally, these documents included original chain of custody records. EPA regions did not obtain or safeguard some of these records because the Agency's existing policies did not require them to.

As a result, the Agency risked not having documentation that may be needed to (a) obtain restitution from companies that contaminated a Superfund site, and (b) investigate fraud cases against CLP laboratory personnel. In addition, when documentation was discarded, as happened in Region 7, the Agency wasted the money it spent to have the documentation collected, reviewed and delivered to Region 7.

2. Guidance and Standards Needed to Ensure Adequate Oversight of Data Review Contractors and to Instruct Regional Offices in the Use of Test Samples

EPA regional offices were not consistent in their use of two important quality assurance measures. First, regions followed different practices in using performance evaluation (PE) samples to monitor CLP laboratories' performance. Regional use of PE samples was not a requirement of the CLP. However, two regions used them regularly, while the other eight regions rarely used them, or did not use them at all (since we completed our original fieldwork additional regions have started using PE samples). Second, regions followed different practices in monitoring the data validation process. For example, some regions rechecked (revalidated) a certain percentage of CLP data review reports (validations), while at least one region did not confirm whether anyone completed an initial validation.

This lack of consistency in both using and monitoring quality assurance measures could have resulted in regional offices making different decisions regarding the quality and use of comparable CLP data. In addition, when the oversight given to the process of checking CLP analyses is minimal, a region risks citing unvalidated samples in important Agency documents. One reason validation is important is that it sometimes keeps CLP test results from being used. For example, Region 2 officials estimated that approximately eight percent of CLP test results in Region 2 were not used because of problems that were only detected during validation or oversight of the validation process (oversight may include revalidation).

3. EPA Needs to Complete Its Improvements to the Internal Controls over the SAS Contracting and Payment Process

EPA's internal controls, at the time of our audit fieldwork, were not sufficient to protect the Agency from paying Special Analytical Services (SAS) contractors for laboratory results which were not used for the region's intended purpose. We reviewed 32 cases in four regions where the regions found problems with CLP analyses and recommended that payments be reduced or not made. These cases were brought to our attention by regional officials. We estimated that these "problem" cases represented approximately 5.5 percent of all cases in these four regions. We found no reductions in payments were made for poor quality based on the regions' recommendations in 18 of the 32 cases. In five additional cases, partial payments were made but the data results were not used. As a result, EPA paid at least \$161,463 for unused data or data of limited use. These payments show the Agency's internal procedures and controls did not always protect it from paying the full invoiced amount for analyses found to be useless or of limited use.

Recommendations

We recommended that EPA:

- Issue guidance requiring Agency officials to take consistent actions to obtain documentation files (which may be needed for legal proceedings) that remain on contractors' premises.
- Develop regional plans to implement the guidance, including designation of a responsible manager, milestone dates, and designation of resources to accomplish the plans.
- Establish national policy and guidance on the use of PE samples.
- Issue guidelines for oversight of contractors performing data validations and make sure these guidelines are followed.
- Clarify the Agency's national policy on validation of all CLP samples cited in key Agency documents (including RODs, RI reports and FSs); and require validation of sufficient CLP samples in sensitive cases.
- Confirm whether this policy has been followed with existing Agency RODs, RI reports, and FSs that are still being used.
- Implement the revised SAS subcontract.
- Include an evaluation factor for a laboratory's SAS technical quality as shown by past performance.
- Review Sample Management Office to make sure these new procedures are followed.
- Issue guidance instructing that all SAS contract deliverables be reviewed timely for contractual compliance, and stressing the

importance of formal, timely written notice when regional data validation reviews find technical or contractual problems with the data.

Agency Response

In response to our draft report, EPA stated it:

- **Asked the National Enforcement Investigations Center (NEIC) to identify all documentation files that have not been safeguarded. The NEIC will help the regions to obtain documentation.**
- **Would provide guidance to the regions for obtaining documentation files.**
- **Would develop a national program for inserting blind PE materials into cases of regular site samples.**
- **Implemented the revised SAS subcontract and increased eligibility factors for SAS subcontracts.**

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

- **Was developing an implementation plan for obtaining documentation files.**
- **Designated the Environmental Services Division Director in each region as the management official responsible for obtaining documentation files.**
- **Would allow each region to establish its own approach to recovering missing documentation files based on regional program priorities and guidance.**
- **Was developing guidance and minimal standards for use of performance evaluation samples.**
- **Was assisting the regions in establishing repositories of PE samples.**
- **Was developing a priority workplan for implementing guidance on oversight of contractors performing data validation.**
- **Completed implementation of Basic Ordering Agreements for the SAS contract services.**
- **Strengthened SAS eligibility requirements to include factors for SAS technical quality demonstrated by past performance.**
- **Continuously monitors the SAS operations to ensure compliance with procedures.**

- Would send letters to the regions instructing them on the need for timely data review.

CONTRACTOR PROPERTY OVERSIGHT SPECIAL REVIEW

Scope and Objectives

We performed a special review of EPA's oversight of contractor property control systems. This issue came to our attention while conducting a survey of Government property in the hands of contractors. Our review included all three EPA contract management offices - Headquarters, Cincinnati and Research Triangle Park. This was a special review and not an audit following the Government Auditing Standards (1988 revision) issued by the Comptroller General of the United States.

Findings

1. Initial Reviews of Property Control Systems Not Completed

At the time of our review, EPA had completed property control system reviews for only 26.4 percent of its contractors with Government property. These contractors possessed 38.7 percent of Government property under contractor control. The Federal Acquisition Regulations (FAR) require Federal agencies to review and approve the property control system of any contractor that possesses Government assets to make sure its procedures are adequate to protect Government interests. If a contractor fails to correct its system after being notified of deficiencies by the reviewing agency, the contractor is liable for loss of Government property. If the agency approves *or fails to review the system*, the contractor's liability is limited to cases of willful misconduct or lack of good faith on the part of the contractor's management personnel. The number of completed system reviews may have been limited, in part, because of duplication of effort on the part of the three EPA offices. The offices were also inconsistent in the acceptance of reviews by other Federal agencies. The FAR directs agencies to accept the review and approval of a contractor's property control system by other Federal agencies. While two of EPA's contract management offices approved systems based on other Federal agency approvals unless there was a reason to question it, the third office routinely reviewed systems approved by another agency.

2. Subsequent Compliance Reviews Not Performed

As of January 1991, EPA had performed follow-up compliance reviews for only 24.3 percent of its contractors with Government property. These contractors controlled 38.4 percent of Government property in the hands of contractors. EPA had never reviewed the four largest contractors, in terms of dollar value of Government property held. It had not reviewed 16 contractors with property over \$500,000. Two of the offices stated they were unable to conduct additional reviews due to insufficient staff and limited travel budgets. EPA issued a policy in 1990 requiring annual compliance reviews of contractors holding Government property valued at \$500,000 or more, and reviews every three years for those holding property with less value. EPA scheduled fiscal 1991 reviews to meet the annual compliance review policy.

Recommendations

We recommended that EPA document the completion of corrective actions it was taking and establish a timeliness standard for completing initial property control system reviews for new contractors.

Agency Response

In response to the draft report, EPA indicated it believed that its contract property administration program now complied with the OIG recommendations. EPA had taken final action on property control systems accounting for 85 percent of the property assigned to contractors. In response to the final report, EPA indicated it had completed action on all contractor property systems except for contracts being closed, a contract under which no Government property has been provided, a contract for which no system had yet been submitted for review, and a contract for which the initial system submission was unsatisfactory.

SITE CLEANUP DOCUMENTS EARLY WARNING ALERT

Scope and Objectives

We issued an early warning alert based on findings by an independent public accounting (IPA) firm during a financial audit of an EPA Region 3 removal subcontractor. That audit included testing of EPA's official removal site cleanup documentation. The IPA firm performed its testing at EPA facilities in Philadelphia, Pennsylvania; Edison, New Jersey; and Washington, D.C. The OIG had found similar conditions in Region 3 during three prior audits.

Findings

1. Deficient Labor and Equipment Field Records

EPA's entry and exit logs for on-scene personnel and equipment were deficient at 18 of the 21 Superfund sites tested. Daily work orders were deficient at 15 of the 21 sites. EPA's On-Scene Coordinators (OSCs) should have used the logs and work orders to approve the contractor's costs shown on their EPA Forms 1900-55 (dailies).

2. Late OSC Reviews and Certifications of Dailies

At five of the largest of the 21 sites tested, OSCs approved dailies an average of 38.84 days after the dates covered. Dailies are the principal records of each day's site cleanup costs. The OSCs' untimely approvals raise concerns about the effectiveness of their cost control efforts and the accuracy of the contractor's claims.

Recommendations

We recommended that EPA Region 3 review the IPA firm's findings, communicate the findings to appropriate Superfund managers and respond to the findings.

Agency Response

In response to the report, EPA Region 3 indicated it had taken the following actions since the removal actions reviewed had been completed:

- Created and filled Field Administrative Specialist positions to assist OSCs with their administrative and financial duties.
- Developed a Field Administrative Protocol which clarified the roles and responsibilities of OSCs and Field Administrative Specialists to ensure thorough, consistent application of cost accounting and administrative support at removal sites.
- Initiated an internal site management review process covering cost management, contract interpretation and application, and records maintenance.
- Developed a Field Handbook and Audit Program covering field audit procedures for site start-up and ongoing cost accounting and administrative support.

REGION 1 MEDICAL MONITORING PROGRAM ALLEGATION REVIEW

Scope and Objectives

We performed a review of allegations about the Region 1 medical monitoring program. The complainant alleged that:

- Examinations had been provided to ineligible EPA employees at a cost of about \$800 each.
- The medical monitoring contractor had not properly disclosed pertinent medical information obtained from employees' medical examinations to EPA staff as required by its contract.

In addition to reviewing these allegations, we also determined whether:

- The contract was procured and executed according to generally accepted government contracting procedures and was in the best interest of the Agency.
- The Regional staff established and implemented controls to ensure that only eligible staff receive medical examinations, billings are accurate, and proper oversight is maintained over the administration of the contract.

This was a special review and not an audit following the Government Auditing Standards (1988 revision) issued by the Comptroller General of the United States.

Findings

1. Complainant's Allegations Were Not Substantiated

We found no evidence to substantiate the allegations. The Region generally complied with established Regional procedures and policies regarding the medical monitoring program.

2. Contract Was Properly Procured and Executed

The contract was procured and executed in accordance with generally accepted government contracting standards. Satisfactory price analysis was performed for the medical examinations, which had a price of \$469 each.

3. Region Needs to Strengthen Contract Administration

We could not determine the accuracy of the contractor's listing of employees who were actually given an examination. Most Regional divisions kept records of employees scheduled for examinations, but did not confirm whether the employees actually received an examination. The contractor's monthly invoices contained the number of examinations provided, but did not include the names of employees examined. The contractor did provide an annual listing of employees examined, but the Region did not verify the listing. As a result, the Region was not able to detect if there were billing errors.

Recommendations

We recommended that EPA Region 1:

- Develop a control register maintained by the Project Officer that accounts for eligibility, scheduling and proof of examination.
- Require employees or the responsible division to provide the Project Officer with written certification that the medical examination was obtained.
- Require the contractor to provide with each invoice a listing of employees examined.

Agency Response

In response to our final report, EPA Region 1 stated it:

- Would discuss with each division contact the need to carefully track and record appointments, and to provide the Project Officer with a copy of the record periodically.
- Would meet with the contractor to develop a mutually acceptable and simple way for the Project Officer to assure validation of the invoices.
- Had requested Headquarters to provide an independent expert evaluation of the Region's medical monitoring program.

EMERGENCY WAIVER CRITERIA SPECIAL REVIEW

Scope and Objectives

We performed a special review of EPA's processing of emergency waivers of the \$2 million and 12 month statutory limits on removal actions. The primary objective of this review was to identify potential deficiencies in Agency criteria for establishing the existence of emergencies warranting such waivers.

Our review covered 26 emergency waivers approved by EPA between October 1988 and June 1990. Our evaluation was limited to OSWER operations and documentation. No review was conducted at the regions where the requests for waivers originated.

This was a special review and not an audit following the Government Auditing Standards (1988 revision) issued by the Comptroller General of the United States.

Findings

The emergency waivers included in our review were generally supported by documentation in the files of the Emergency Response Division. However, documentation submitted by the regions was not always consistent or complete. The Emergency Response Division sometimes had to obtain additional information from the regions or add clarifying addenda to the waiver requests before approval. EPA's guidance for removal actions did not define key elements that support a waiver of the statutory limits on removal actions. EPA had not established criteria or parameters to identify emergency situations justifying a waiver request or defined the term "immediate risk" (to public health and the environment) used to document emergency conditions. Processing time for the 26 waivers ranged from 6 to 135 days, with an average processing time of 34 days from receipt of the formal request to approval. EPA's goal was to process emergency waivers within 21 calendar days.

Recommendations

We made no recommendations in the final report because the Agency had taken action during the review to correct the deficiencies found.

Agency Response

During the course of our review, EPA took the following actions:

- Issued revised *Action Memorandum Guidance* which should improve the overall documentation of action memorandums and related emergency waiver requests.
- Reviewed action memorandums at each region as part of the 1990 OSWER reviews of regional operations.

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

- Planned a follow-up to the review of action memorandum quality.
- Was examining the exemption request and approval process at Headquarters to determine where greater efficiencies can be obtained in processing these documents.

INTERAGENCY AGREEMENTS

EPA enters into interagency agreements (IAGs) with several other Federal agencies to perform Superfund tasks. The Offices of Inspector General or other audit organizations of the receiving agencies audit the cost records for these agreements and/or their agency's performance. The EPA OIG also issues these audit reports to EPA with a cover letter, which includes recommendations for EPA action if appropriate. In fiscal 1991, we issued eight of these reports to EPA management. We summarize the eight audits below by agency audited. We did not recommend any EPA actions on any of these audits. CERCLA requires other Inspectors General, like EPA's, annually to audit their agency's use of the Superfund and report on that audit to the Congress.

AGENCY FOR TOXIC SUBSTANCES AND DISEASE REGISTRY

The Department of Health and Human Services (HHS) OIG audited the Agency for Toxic Substances and Disease Registry (ATSDR) Superfund costs for fiscal 1987 through 1989. The ATSDR was mandated by CERCLA to perform health assessments at Superfund sites and to develop and maintain an inventory on toxic substances and toxic health problems. During the audit of costs incurred during the three year period, HHS OIG found that generally, transactions were properly and accurately recorded and reported. However, the accounting system used by ATSDR at the time of the OIG's audit did not meet EPA's requirements of identifying costs for work at specific toxic waste sites. The HHS OIG identified this problem as a material internal control weakness for which they issued a later separate report.

U.S. ARMY CORPS OF ENGINEERS

The U.S. Army Audit Agency audited the fiscal 1989 Superfund financial transactions of the U.S. Army Corps of Engineers (COE). In general, the COE properly supported and accurately recorded and reported Superfund obligations and disbursements. The Audit Agency reported that obligations and disbursements were generally supported by valid contracts, contract modifications, or interdistrict agreements. Obligation amounts were correct and were for valid Superfund projects. However, there were two obligations (for \$31,833 and \$847) recorded at one site that were not supported. The COE took corrective action to resolve this oversight.

FEDERAL EMERGENCY MANAGEMENT AGENCY

The Federal Emergency Management Agency (FEMA) OIG audited FEMA's administration of the permanent and temporary relocation components of the Superfund program for fiscal 1990. Generally, expenditures were for eligible purposes and were supported by documentation. The FEMA OIG did report ineligible and unsupported payments for which they questioned \$15,300 in costs. In addition, contractor cost of \$239,007 had not been recorded in FEMA's accounting records because of timing differences and a computer programming problem which delayed the recording of some costs. FEMA management agreed to correct the minor problems noted in the report.

DEPARTMENT OF THE INTERIOR

The Department of the Interior (DOI) OIG performed an audit of costs claimed in fiscal 1989 by the Office of Environmental Affairs in the Office of the Secretary. The DOI OIG concluded that except for travel questioned costs, the Office maintained accurate and complete cost records for Superfund activities. The DOI OIG reported that the Office claimed \$15,283 for travel which did not occur. As a result of recommendations made in the audit report, DOI took corrective action.

INTERNAL REVENUE SERVICE

The Internal Revenue Service (IRS) provides EPA with 1) statistical tabulations of environmental taxes and 2) administrative services to Region 5. The IRS Inspection Service reviewed fiscal 1989 costs incurred for IRS IAGs. The Inspection Service reported that IRS reasonably charged its cost to EPA.

DEPARTMENT OF JUSTICE

The Department of Justice (DOJ) OIG performed a financial and compliance audit of the Environment and Natural Resources Division (ENRD) costs incurred in fiscal 1989. The ENRD is responsible for the conduct and control of all litigation arising under Superfund. The DOJ OIG found that ENRD procured routine accounting, reporting and support services totaling over \$500,000 from an accounting firm under an expert witness agreement, whereas these services should have been acquired under a formal contract pursuant to the Federal Acquisition Regulations (FAR). In addition, the ENRD did not provide EPA with the report on minority business utilization for contracting activities as required by SARA.

Although ENRD's procurement method did not result in questioned costs by the DOJ OIG, ENRD did not have the necessary assurance that the required accounting, reporting, and support services are being obtained at the most reasonable price. The DOJ OIG recommended that ENRD initiate procurement action consistent with the FAR requirements.

The DOJ OIG also recommended that ENRD take needed action to fully comply with the requirement for a minority business utilization report.

NATIONAL AERONAUTICS AND SPACE ADMINISTRATION

The National Aeronautical and Space Administration (NASA) performed research and development of a prototype instrument to analyze soil and water samples at hazardous waste sites for trace elements such as lead or arsenic. The cost of the IAG also included the production and delivery of this instrument to EPA. The EPA and NASA shared the cost of this effort at 75 and 25 percent, respectively. The NASA OIG audit found that NASA properly supported and accurately recorded and reported all Superfund monies provided under the IAG. In addition, the report stated that the deliverable, the prototype instrument, was delivered to EPA in May 1989.

FINANCIAL RESULTS OF AUDIT		
	Federal Share	Total Costs
Amount audited	\$226,575	\$226,575
Amount accepted	226,575	226,575
Ineligible costs¹	0	0
Unsupported costs²	0	0
Unnecessary/unreasonable costs³	0	0
<ol style="list-style-type: none"> 1. Costs questioned because of an alleged violation of a provision of a law, regulation, contract, grant, cooperative agreement or other agreement or document governing the expenditure of funds. 2. Costs questioned because, at the time of the audit, they were not supported by adequate documentation and/or had not been approved by responsible program officials. 3. Costs questioned because they were not necessary or not reasonable. 		

NATIONAL INSTITUTE OF ENVIRONMENTAL HEALTH SCIENCES

The HHS OIG audited National Institute of Environmental Health Sciences (NIEHS) Superfund costs for fiscal 1987 through 1989. The NIEHS receives Superfund monies to carry out health related activities such as training personnel engaged in hazardous waste removals and studying short and long-term effects of exposure to specific chemicals. The HHS OIG's audit found that NIEHS generally administered the funds in accordance with Superfund legislation. However, the HHS OIG could not express an opinion on \$251,281 of personnel costs because documentation supporting the costs could not be found and NIEHS had internal control weaknesses in recording and reporting obligations.

CONTRACTS

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

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

During fiscal 1991, we issued 39 Superfund contract audit reports. Of these, 20 were initial pricing reviews in which we reviewed costs proposed by offerors or bidders seeking EPA contract awards. Because these are only proposed costs, our reviews do not question costs but rather recommend as efficiencies costs which we believe EPA should not incur. The combined financial results of the initial pricing reviews were as follows:

Total Costs Audited	\$ 412,903,400
Total Recommended Efficiencies	\$ 183,268,195

We issued 10 reports on incurred costs under EPA contracts. The financial results of these audits were as follows:

Total Costs Audited	\$ 18,693,576
Total Costs Accepted	\$ 14,753,445
Total Costs Ineligible ¹	\$ 1,339,604
Total Costs Unsupported ²	\$ 2,600,527
Total Costs Unnecessary/Unreasonable ³	\$ 0

¹ Costs questioned because of an alleged violation of a provision of a law, regulation, contract, grant, cooperative agreement, or other agreement or document governing the expenditure of funds.

² Costs questioned because, at the time of the audit, they were not supported by adequate documentation and/or had not been approved by responsible program officials.

³ Costs questioned because they were not necessary or not reasonable.

In addition, we issued five reports on proposed indirect cost rates, two system survey reports and two program review reports on EPA contractors.

The OIG can choose to have the audits performed by in-house staff, independent public accounting firms or another Federal audit agency. During fiscal 1991, our Superfund financial and compliance audits of contracts were performed as follows:

Audits Performed by OIG Staff	3
Audits Performed by Independent Public Accountants	30
Audits Performed by Defense Contract Audit Agency	6

Exhibit III contains a listing of all Superfund audit reports issued by the OIG during fiscal 1991.

We summarize five particularly significant contract audit reports covering three Emergency Response Cleanup Services (ERCS) contractors below.

ENVIRONMENTAL HEALTH RESEARCH AND TESTING

Scope and Objective

We contracted with an IPA firm to perform an interim audit of an ERCS contract with Environmental Health Research and Testing, Inc. (EHRT). The audit objective was to determine whether costs incurred under two delivery orders were reasonable and allowable under the terms of the contract and applicable regulations. The audit covered costs claimed by EHRT from March 28, 1988 through April 1, 1991.

Findings

1. Required Cost and Pricing Data Not Submitted

The contractor did not submit cost and pricing data for a subcontract for \$334,856. The Federal Acquisition Regulations (FAR) require contractors to submit cost and pricing data supporting the proposed price on negotiated procurement actions over \$100,000. The President of the subcontractor was the son of EHRT's owner. The subcontractor's costs were originally billed as prime contractor costs. EPA's Contracting Officer discovered the arrangement and required the contractor to bill the costs as subcontractor costs and enter into a contract with the subcontractor. The transfer of the costs and the execution of the subcontract took place after the subcontractor had completed work. In addition, key contract responsibilities were delegated to the subcontractor without EPA's approval. We questioned all costs for the subcontract as ineligible.

2. EHRT Selected High Bidder as Subcontractor Without EPA Contracting Officer Approval

EHRT selected the highest of four bidders for site security services. The second lowest bidder was rejected because of alleged unsatisfactory performance in the past, but the contractor's files did not adequately document

the unsatisfactory performance. The other two bidders were ejected because they had no record of performance with EPA, and were not given an opportunity to provide references on job performance. Although the subcontractor was paid about \$200,000 and EPA Contracting Officer approval is required for procurement actions over \$25,000, the action was not sent to the Contracting Officer for approval. We questioned the difference (\$94,236) between the lowest bidder's price and the highest bidder's price as ineligible.

3. EHRT Claimed Unsupported Costs

The contractor claimed \$5,802 of personnel cost that were billed as overtime and could not be supported by time sheets. The contractor also claimed \$17,240 for a passenger van the contract required to be billed at cost. However, EHRT's accounting system does not accumulate costs for individual equipment items.

FINANCIAL RESULTS OF AUDIT		
	Federal Share	Total Costs
Amount audited	\$4,779,068	\$4,779,068
Amount accepted	4,326,934	4,326,934
Ineligible costs ¹	429,092	429,092
Unsupported costs ²	23,042	23,042
Unnecessary/unreasonable costs ³	0	0
1. Costs questioned because of an alleged violation of a provision of a law, regulation, contract, grant, cooperative agreement or other agreement or document governing the expenditure of funds. 2. Costs questioned because, at the time of the audit, they were not supported by adequate documentation and/or had not been approved by responsible program officials. 3. Costs questioned because they were not necessary or not reasonable.		

Recommendations

We recommended that EPA contracting officials adjust the eligible costs in accordance with our determination and take appropriate action to recover the excess funds paid to the contractor.

Agency Response

In response to the audit report, EPA Region 3 indicated:

- EPA's analysis of the costs of the subcontractor referenced in Finding 1 above found that the billed rates were reasonable. EPA also performed selected reviews to verify personnel, and no deficiencies were noted. EPA certified and accepted the services performed by the subcontractor. Based on the principle of equitable doctrine, the EPA Contracting Officer (CO) allowed all costs claimed for this subcontract.

- The EPA CO conducted an extensive market survey to determine a fair and reasonable rate for security services. The CO determined that \$46,472, the difference between the CO market analysis and the highest bidder's price, is ineligible and will recover excess funds paid to the contractor.
- The CO disallowed the \$5,802 of unsupported overtime costs.
- The CO directed EHRT to compute the costs associated with vans and passenger vehicles. The CO disallowed \$1,724 representing profit, and reserves the possibility of further disallowance if EHRT's computations to verify incurred costs are inadequate.

GUARDIAN ENVIRONMENTAL SERVICES

Scope and Objectives

We contracted with an IPA firm to perform an interim audit of two ERCS contracts with Guardian Environmental Services, Inc. The audit objective was to determine the allowability of direct costs claimed under the contracts. The audit covered costs claimed by Guardian from the inception of the contracts through June 30, 1990.

Findings

1. Guardian Environmental Services, Inc. Had Material Weaknesses in Its Internal Control Structure

The contractor had material weaknesses involving the internal control structure and its operation. Guardian did not:

- Maintain an accounting system to report costs under EPA contracts, but instead used EPA's Removal Cost Management System.
- Maintain written accounting procedures.
- Require initialization of changes to time sheets.
- Maintain adequate segregation of duties.
- Document cash payments to employees.
- Identify and segregate unallowable costs.

2. Guardian Environmental Services, Inc. Claimed Ineligible Costs

The contractor claimed \$406,443 of costs ineligible under the terms of the contract and the Federal Acquisition Regulations. The ineligible costs included (1) \$391,136 of unauthorized equipment, materials and personnel costs; (2) \$11,248 of unallowable items included in the overhead rates; (3) \$3,228 of personnel costs billed at incorrect billing rates; and (4) \$831 of duplicate travel costs.

3. Guardian Environmental Services, Inc. Claimed Unsupported Costs

The contractor claimed (1) \$510,215 of equipment, personnel and material costs lacking backup documentation; (2) \$244,145 of unit rate materials costs based on an incorrect billing method; and (3) \$42,134 of overhead costs associated with unsupported unit rate materials costs. In addition, the IPA considered \$385,346 of overhead costs unsupported because the overhead rate had not yet been audited.

FINANCIAL RESULTS OF AUDIT		
	Federal Share	Total Costs
Amount audited	\$5,732,303	\$5,732,303
Amount accepted	4,144,020	4,144,020
Ineligible costs ¹	406,443	406,443
Unsupported costs ²	1,181,840	1,181,840
Unnecessary/unreasonable costs ³	0	0
1. Costs questioned because of an alleged violation of a provision of a law, regulation, contract, grant, cooperative agreement or other agreement or document governing the expenditure of funds. 2. Costs questioned because, at the time of the audit, they were not supported by adequate documentation and/or had not been approved by responsible program officials. 3. Costs questioned because they were not necessary or not reasonable.		

Recommendations

We recommended that EPA:

- Require Guardian to provide evidential matter for unsupported costs.
- Make sure that Guardian reimburses EPA for ineligible costs.
- Make sure that Guardian establishes and maintains an adequate internal control structure and complies with all provisions of the contract.

Agency Response

In response to the audit report, EPA Region 3 indicated it:

- Would require Guardian to provide evidential matter for costs EPA considered unsupported under the terms of the contract. The CO determined that some costs questioned in the audit were allowable, and reserved the possibility of allowing certain other costs without additional documentation upon definitization of the delivery orders.
- Would require Guardian to reimburse EPA for \$7,863 in ineligible costs for duplicate travel charges and incorrect billings of overtime hours.

The CO allowed charges for which there were no daily work orders based on other evidence of EPA authorization of the work.

- Had required Guardian to implement an acceptable accounting system, documented in writing, and develop related improvements in its internal controls. Guardian now requires the signing and initialing of time sheets, maintains segregation of duties and has written procedures to document cash payments to employees for meals and incidental expenses. EPA required Guardian to:
 - Identify and segregate indirect costs;
 - Develop procedures to control equipment utilization records;
 - Develop equipment rates; and
 - Identify and segregate unallowable/allowable costs.

OHM REMEDIATION SERVICES CORP.

Scope and Objective

We contracted with an IPA firm to perform reviews of management costs claimed by OHM Remediation Services, Corp. under three different ERCS contracts. The management part of the contracts was performed on a cost-plus-award fee basis. Management efforts encompassed all managerial, financial, administrative and clerical functions needed to support and track performance of the cleanup activities.

The objective of the three reviews was to determine whether costs billed were reasonable, allowable and allocable under the terms of the contract, and in accordance with appropriate Federal regulations. The reviews covered cost claimed for different periods for each of the three contracts.

Findings

1. OHM Billed In Excess of Actual Costs

OHM claimed \$403,703 in excess of actual costs, including labor, travel, other direct costs and overhead.

2. OHM Claimed Unsupported Costs

OHM claimed \$507,802 for overhead costs for two years for which costs were not auditable due to the unacceptability of OHM's accounting system. OHM claimed an additional \$63,870 for travel costs not supported by documentation, labor costs for which a final rate had not yet been negotiated with EPA, and associated overhead costs.

FINANCIAL RESULTS OF AUDITS		
	Federal Share	Total Costs
Amount audited	\$3,631,519	\$3,631,519
Amount accepted	2,656,144	2,656,244
Ineligible costs ¹	403,703	403,703
Unsupported costs ²	571,672	571,672
Unnecessary/unreasonable costs ³	0	0
<ol style="list-style-type: none"> 1. Costs questioned because of an alleged violation of a provision of a law, regulation, contract, grant, cooperative agreement or other agreement or document governing the expenditure of funds. 2. Costs questioned because, at the time of the audit, they were not supported by adequate documentation and/or had not been approved by responsible program officials. 3. Costs questioned because they were not necessary or not reasonable. 		

Recommendations

We recommended that EPA:

- Recover the entire questioned ineligible costs.
- Require OHM to provide documentation to support the questioned unsupported costs. If OHM could not provide supporting documentation, we recommend that EPA either negotiate a lump sum settlement (for unauditable overhead rates applicable to one contract) or recover the costs (for the remaining two contracts).

Agency Response

In response to the audit report, EPA negotiated final costs with OHM for all three contracts. For two of the contracts, the negotiated final costs agreed exactly with the audit recommendations. For the contract with the unauditable overhead rates, the EPA Contracting Officer worked closely with the OIG in reaching figures for allowable costs. OHM removed all costs from the overhead pool that appeared in any way to be unallowable.

ASSISTANCE TO EPA MANAGEMENT

In addition to performing audits and investigations, the OIG responds to EPA management requests for OIG input in the development of regulations, manuals, directives, guidance and procurements. These are proactive efforts to prevent problems that might later result in negative audit findings or investigative results. The OIG reviews and comments on draft documents prepared by Agency offices. In some instances, an OIG staff person attends meetings of an EPA work group to provide input. Fiscal 1991 was an active year for OIG preventive assistance to EPA management in the Superfund area. In addition to assisting EPA management, we coordinate with other Federal agencies. We also seek to improve Superfund audit and investigative capabilities of our OIG and of other Federal OIGs.

Technical Assistance Grants

The EPA Administrator requested in fiscal 1987 that the OIG work closely with the Superfund office to develop and administer the technical assistance grants program. This program assists groups of persons affected by Superfund sites. Because these grants are awarded to small groups without grants experience or much administrative structure, the Administrator recognized that this program presented special management challenges. In response to this request, in fiscal 1991 the OIG continued to participate in the technical assistance grants work group by reviewing the draft final rule.

Closeout/Deobligation of Assistance Agreements

We have been part of the Agency's Superfund Closeout/Deobligation Task Force. EPA established this Task Force to review and improve EPA policies and procedures for closeout of grants, cooperative agreements and interagency agreements, and the deobligation of unneeded funds from them. During fiscal 1991, we participated in Task Force conference calls and commented on draft policies and procedures.

Coordination with Other Agencies

Since EPA manages the Hazardous Substance Superfund (Trust Fund), EPA's OIG took on the task of informing the Federal OIG community (as well as appropriate audit organizations) of the mandated audit requirements. The Superfund Amendments and Reauthorization Act of 1986 (SARA) requires "... the Inspector General of each department, agency or instrumentality of the United States which is carrying out any authority . . ." under SARA to conduct an annual audit of uses of the Superfund. In July 1987, we formed a work group of representatives from several OIGs and other audit organizations of those Federal departments or agencies with significant Fund-financed responsibilities under CERCLA or Executive Order 12580. The objectives of our work group are to:

- Clarify the statutory requirement;

- Coordinate schedules and reports under the mandatory annual audit requirement;
- Discuss funding mechanisms for the mandatory audit work; and
- Discuss program areas of concerns or audit findings.

Because of the experience gained from performing audits in past years, we held no work group meetings this year. However, individual meetings with staff of other OIGs and audit organizations were held in response to individual needs.

Superfund Orientation Course

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

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

We require all OIG employees and OIG audit services contractor employees performing Superfund audits to take this course. We also offer the course to other Federal OIGs and audit organizations who perform audits in their own agencies. We presented this course to three OIG audit divisions in fiscal 1991. We planned additional presentations for fiscal 1992 for all remaining OIG auditors and investigators doing Superfund work. We include the course in the *OIG Training and Development Sources* course catalog.

REVIEW OF AGENCY'S SUPERFUND PROGRESS REPORT

Section 301(h) of CERCLA, as amended by SARA, requires that, "On January 1 of each year the Administrator of the Environmental Protection Agency shall submit an annual report to Congress of such Agency on the progress achieved in implementing this Act during the preceding fiscal year." The provision also requires the inclusion of seven specific areas in the report. CERCLA requires the Inspector General to review this report "... for reasonableness and accuracy and submit to Congress, as a part of such report a report on the results of such review."

The third Annual Report was due to Congress on January 1, 1991, covering fiscal 1990 activities. The report was not signed by the EPA Administrator until February 12, 1992. Our review of the report was submitted on February 11, 1992, to the Administrator (Audit Report No. E1SFF1-11-0015-2100237). Most of our audit work for this review was conducted during fiscal 1991.

In addition to the report we are required to submit as a part of the Agency's report, we issued three other reports in connection with our review. Two of these reports were submitted to the EPA regions we reviewed about the accomplishments they claimed in CERCLIS. Since the Agency corrected the accomplishments we questioned in their report to Congress, we did not discuss the details of our regional findings in our report on the Agency report. The third was a report on the timeliness of the Agency reports to Congress. We summarize all four reports below.

REPORT REVIEW FOR SUBMISSION IN AGENCY REPORT

For the most part, the Annual Report was reasonable and accurate. However, the Agency did not always rely on the Comprehensive Environmental Response, Compensation, and Liability Information System (CERCLIS), the Agency's primary Superfund information system, when preparing the Annual Report.

CERCLIS contained data needed to comply with several of the statutory requirements for the Annual Report. However, when some sections of the Annual Report were prepared, either another information source was used or the CERCLIS data were revised because of a lack of confidence in CERCLIS data integrity. The lack of CERCLIS data integrity resulted in EPA officials and EPA contractor staff spending extensive time manually reviewing the data before using it for the Annual Report. We confirmed the problems with CERCLIS data integrity through reviews of data from two EPA regions.

We also noted a significant change in policy regarding the Superfund Innovative Technology Evaluation (SITE) program. Initially, Agency projects were excluded from the demonstration program. The program involved demonstrations by private sector participants, with the Agency evaluating the results. However, two of the SITE demonstrations identified in this Annual Report were Agency, not private developer, projects. Neither the Annual

Report nor the SITE Program Report to Congress identify the policy change, although they both describe Agency demonstrations as part of the SITE Program.

REGION 4 ACCOMPLISHMENTS REPORT

Scope and Objectives

We reviewed selected Superfund accomplishments claimed by EPA Region 4 for fiscal 1990. The purpose of our review was to determine whether the Region could properly support its reported accomplishments. The accomplishments we evaluated were either the start or completion of a Superfund action defined in the Superfund Program Management Manual (SPMM) for fiscal 1990.

We selected a random sample of 115 accomplishments from a universe of 1,047 fiscal 1990 accomplishments claimed by Region 4 in CERCLIS. The universe included the following types of accomplishments: preliminary assessments completed, site inspections completed, RI/FSs started, RI/FSs completed, remedial designs (RDs) started, RAs started, removals started and removals completed. For the sampled accomplishments, we determined the appropriateness of the claimed accomplishments by comparing the supporting documentation to the Superfund Comprehensive Accomplishments Plan (SCAP) definition in the SPPM. We questioned the appropriateness of the claimed accomplishments when Region 4 officials could not provide documentation showing the SCAP definition was met during fiscal 1990.

Our final special report was issued on March 31, 1992 (E1SFG1-11-0015-2400030).

Findings

1. Most Accomplishments Were Properly Supported

We found that 103 (90 percent) of the 115 sampled accomplishments were appropriately supported. This was a considerable improvement from fiscal 1988, when we found only 56 percent of the accomplishments we reviewed were appropriately supported. However, we questioned 12 claimed accomplishments (10 percent). We questioned one accomplishment because the SCAP definition was not met, five accomplishments because they were not achieved during fiscal 1990 and six because of a definitional disagreement between Headquarters and Region 4 (see finding below).

2. Definition of Accomplishment for RI/FS Starts at Federal Facilities Is Unclear

We questioned six accomplishments because Region 4 claimed them prematurely because they interpreted the SCAP definition for RI/FS starts at Federal facilities differently than Headquarters officials. Headquarters maintained that the letter of intent for a site Federal Facilities Agreement/Interagency Agreement needed to be signed before a first RI/FS start could be claimed. A subsequent RI/FS start could be claimed if the Agreement was signed, or the Agreement was elevated to Headquarters for

issue resolution. Region 4 claimed starts done in the spirit of such an agreement, even if it had not actually been signed. After our fieldwork was completed, a Headquarters official suggested a change to the definition. We found the suggested change still unclear.

Recommendations

We recommended that EPA Region 4 correct the CERCLIS date on the accomplishments we questioned. We recommended that the Headquarters Office of Federal Facilities Enforcement clarify the SCAP definition for a Federal facility RI/FS start.

Agency Response

In response to our draft report, EPA Region 4 indicated it had corrected the Federal facilities starts in CERCLIS and that EPA Headquarters was revising the SCAP definition. In response to our final report, EPA Region 4 further indicated it had corrected all accomplishments in question in CERCLIS.

REGION 5 ACCOMPLISHMENTS REPORT

Scope and Objectives

We reviewed selected Superfund accomplishments claimed by EPA Region 5 for fiscal 1990. The purpose of our review was to determine whether the Region could properly support its reported accomplishments. The accomplishments we evaluated were either the start or completion of a Superfund action defined in the Superfund Program Management Manual (SPMM) for fiscal 1990.

We selected a random sample of 124 accomplishments from a universe of 834 fiscal 1990 accomplishments claimed by Region 5 in CERCLIS. The universe included the following types of accomplishments: preliminary assessments completed, site inspections (SIs) completed, RI/FSs started, RI/FSs completed, RDs started, RAs started, removals started and removals completed. When we identified some forward-dated accomplishments in the random sample, we judgmentally expanded the sample of site inspections completed by ten. For the sampled accomplishments, we determined the appropriateness of the claimed accomplishments by comparing the supporting documentation to the Superfund Comprehensive Accomplishments Plan (SCAP) definition in the SPPM. We questioned the appropriateness of the claimed accomplishments when Region 5 officials could not provide documentation showing the SCAP definition was met during fiscal 1990.

Our final special report was issued on March 31, 1992 (E1SFG1-11-0015-2400031).

Finding

Most Accomplishments Were Properly Supported

We found that 114 (92 percent) of the 124 randomly sampled accomplishments were appropriately supported. This was a considerable improvement from fiscal 1988, when we found only 73 percent of the accomplishments we reviewed were appropriately supported. However, we questioned 10 randomly sampled accomplishments (8 percent) and five judgmentally sampled accomplishments claimed by the Region. We questioned three accomplishments because the SCAP definition was not met, eight accomplishments because they were not achieved during fiscal 1990 and four because of data entry errors. Regional officials told us they sometimes entered incorrect dates to ensure that all accomplishments were listed in CERCLIS, or because they had met their targeted goals for the fiscal year. They indicated that after they met their fiscal year goal for SIs completed, they forward dated additional SI completions into the following fiscal year.

Recommendation

We recommended that EPA Region 5 correct the CERCLIS date on the accomplishments we questioned.

Agency Response

In response to our draft report, EPA Region 5 indicated:

- It had corrected CERCLIS dates on accomplishments.
- Took steps to ensure that correct dates for SI completions are entered into CERCLIS.
- Conducted an internal control review on data accuracy, and assigned specific responsibility for accuracy of data entry to an Environmental Protection Assistant in the Site Assessment Section.

In response to our final report, EPA Region 5 further indicated it had reviewed the CERCLIS database and found that all corrections had been made.

TIMELINESS REPORT

Scope and Objectives

We reviewed the reasons why the Agency has not met the statutory deadline of January 1 for submitting the annual report. We examined the report planning and oversight process, and the methods the report coordinator used to obtain information. We reviewed the relevant legislative history. We interviewed Agency, Office of Management and Budget and two senior Congressional staffers.

Our final special report was issued on March 31, 1992 (E1SFG1-11-0015-2400033).

Findings

1. EPA Information Can Be Provided More Timely

The report coordinator failed to adequately emphasize the deadline for receiving report information. Some officials supplying information were not aware that the information was for the Agency's report to Congress. Therefore, officials providing information often gave it too low a priority.

The Agency has waited for the President's annual budget for information on the current and following fiscal years in the resource estimates section. This is released after the due date for the report. The Agency's Out Year Liability Model could be used to provide information more timely. It is already used for later year estimates.

EPA uses abstracts of Records of Decision (RODs) as the descriptions of feasibility studies required by statute. An EPA contractor prepares these abstracts. We found that the regional offices did not always supply copies of their RODs to Headquarters promptly. In addition, there was a contractor work load problem because 63 percent of the fiscal 1990 RODs were signed in September 1990.

2. Information Obtained From Other Agencies Delays the Report

EPA must obtain from other Federal agencies information on Federal facility RODs and the use of minority businesses in the Superfund work of other agencies. Some agencies did not provide this information to EPA timely.

3. OMB Review Also Delays Report

Administration policy requires the report to be reviewed by the Office of Management and Budget (OMB). For the first four annual reports, OMB has taken between 78 and 183 days to review each report. This has been a substantial part of the delay in issuing the reports.

Recommendations

We recommended that EPA:

- Stress the due date and the urgency of providing information to those providing information for the report.
- Consider using the Out Year Liability Model, instead of the President's budget, to estimate the resources needed to complete all duties under CERCLA.
- Consider an alternate method of preparing the feasibility study summaries for the report.
- Consider including the timely preparation of RODs for the report in each Remedial Project Manager's standards.

- Encourage other Federal agencies to submit information more timely.
- Continue to ask OMB in writing each year to expedite its review of the report.
- Continue to offer a briefing to the OMB examiner each year on the resource information and significant changes from prior reports.
- Meet with OMB officials to discuss how EPA can assist OMB in performing its review more efficiently.
- Check with OMB every month on the status of its review of the report.
- Request that Congress consider adjustments to the due date, the report contents or both.

Agency Response

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

- Stress the due date and urgency in requesting information for the fiscal 1992 report.
- Bring the audit recommendation on use of the Out Year Liability Model to OMB's attention.
- Consider an alternate method of preparing the RODs and ROD abstracts so that they are provided earlier.
- Continue to ask OMB in writing to expedite its review of the report.
- Continue to offer a briefing to OMB on the report and any significant changes from prior reports.
- Request to meet with OMB officials to discuss how EPA can assist OMB in performing its review more efficiently.
- Check with OMB every month on the status of its review of the report.
- Recommend that the due date and contents of the report be adjusted to be realistically achievable.

INVESTIGATIVE ACTIVITY

During fiscal 1991, our Superfund investigative efforts resulted in 21 indictments and 18 convictions. Fines and recoveries, including those associated with civil actions, amounted to approximately \$3.46 million. One settlement agreement resulted in a cost avoidance of \$3 million. At the end of fiscal 1991, we had 49 active Superfund investigations underway, 26 percent of all active OIG investigations at EPA.

The OIG Office of Investigations has a major investigative initiative underway within the Superfund program, directed at fraud in the Contract Laboratory Program (CLP). Laboratory analyses under the CLP are the empirical basis for the entire Superfund program. Based on testing for the presence of hazardous chemicals by these laboratories, the Superfund program decides which cleanups to initiate and how to carry them out. Fraudulent analyses could result in a danger to the public health and safety as well as the unnecessary expenditure of cleanup funds. In addition, fraudulent analyses could hinder the Department of Justice's efforts to collect the cost of cleanups from the responsible parties. We achieved significant results during fiscal 1991. Several actions resulting from the contract laboratory investigations are described below.

Contract Laboratory Vice President Sentenced To Maximum Prison Term

A two year investigation of a laboratory by the OIG resulted in the first indictment of a laboratory participating in the Contract Laboratory Program and the indictment of two officers of the firm. MetaTrace, Inc., of Earth City, Missouri, one of several approved testing laboratories that receives samples from Superfund sites for chemical analysis, pled guilty to a felony information charging the submission of false statements to EPA. The investigation disclosed that the firm and its officers routinely falsified data generated for the Agency for sites on the National Priorities List. Laboratory personnel had manipulated results for calibration and check standards during gas chromatograph/mass spectrometer (GC/MS) analysis in order to show that a group of environmental sample results were fully compliant with protocol criteria when, in fact, they were not.

Dr. Carol Byington, Executive Vice President, pled guilty to a one count felony information and was sentenced on July 22, 1991, to five years imprisonment, the maximum penalty under the law, and a \$20,000 fine. Kenneth Baughman, a vice president, pled guilty to a one count felony information and was sentenced to five years probation and fined \$10,000. The corporation was sentenced to five years probation and was fined \$400,000. The corporation and Dr. Byington have been debarred from further participation in Agency programs. The laboratory, a wholly owned subsidiary of TRC Corporation, was sold during the investigation.

California Laboratory Pled Guilty, Was Fined \$500,000, and Agreed to Pay \$805,000 in Civil Action

Six former employees of the Environmental Chemistry Laboratory of the Science Applications International Corporation (SAIC), in La Jolla, California, were indicted and pled guilty to charges of making false statements to EPA, aiding and abetting the making of false statements to EPA, and aiding and abetting the conversion of Government money. In addition, SAIC was indicted and pled guilty to charges of making false statements to EPA.

EPA contracted with SAIC to perform analyses on samples taken from Superfund sites. The purposes of these analyses were to (1) determine the amount and identity of the hazardous substances, (2) establish priorities among the sites so that the most dangerous sites could be cleaned up first, and (3) help in identifying the parties responsible so that EPA could obtain reimbursement for the cleanup costs.

In its contract with SAIC, EPA required that volatile organic analyses be performed within ten days, so that certain chemicals would not dissipate. Penalties were assessed for lateness. In addition, the contract required that sample analysis equipment be tuned and calibrated every twelve hours to ensure accuracy. The joint investigation by the EPA OIG and the Federal Bureau of Investigation uncovered backdating of sample test results in order to avoid the penalty. Also, SAIC manipulated the sample analysis equipment test data to fraudulently reflect the accuracy of analysis equipment.

Five of the six former employees convicted were sentenced to probation. In April 1991, Thomas Cullen, former divisional manager of the Environmental Chemistry Laboratory at SAIC, was sentenced to five years supervised probation and assessed a \$2500 fine. In August 1991, SAIC pled guilty to ten felony counts and agreed to pay a criminal fine of \$500,000. As part of an overall settlement between SAIC and the Government, SAIC agreed to pay \$805,000 (EPA \$745,000 and the Air Force \$60,000) for the civil claims arising from the same conduct, making the total settlement (both civil and criminal) over \$1.3 million. Of this amount, \$350,000 has been returned to the Agency appropriation.

Major Testing Firm Fined \$1 Million

United States Testing Company of Hoboken, New Jersey, a subsidiary of SGS North America, Inc., (a part of the SGS Group, the world's largest inspection and testing company with over 21,000 employees in 140 companies), pled guilty in April 1991 to making false statements to EPA. The court ordered the company to pay a \$100,000 criminal fine and to repay the entire contract price of \$869,486.90 as restitution to the United States.

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

U.S. Testing has been suspended from Government contracting.

Connecticut Company Backdated Results, Used Unapproved Laboratory

YWC, Inc., a wholly-owned subsidiary of SRK Holding, Inc. based in Connecticut, pled guilty in December 1990 to two charges of making false statements to EPA and was fined \$500,000.

EPA's contract with YWC required the company to analyze Superfund site water samples within seven days of receipt and soil samples within ten days. YWC's York Laboratories Division facility in Monroe, Connecticut, was an approved CLP site. YWC was charged with backdating over 60 analyses and using a then-unapproved laboratory to do the analyses.

In addition to the criminal fine, YWC also entered into a civil and administrative settlement. Under the civil settlement, YWC agreed to pay EPA \$150,000 in damages for the defective samples. In the administrative settlement, YWC agreed that the two laboratories involved in the fraud, located in Monroe, Connecticut, and Whippany, New Jersey, would not take on further Government-financed work.

Prosecutive activity continued in fiscal year 1992, resulting in the conviction and sentencing of YWC's vice president, Robert Q. Bradley. These actions will be discussed in next year's report.

Louisiana Contract Laboratory Employees Indicted

The EPA Analytical Operations Branch, in conjunction with the OIG, identified several indicators of potential fraudulent activity and reviewed data tapes in 1990 to identify possible fraud in the Contract Laboratory Program. Environmental Industrial Research Associates, Inc., St. Rose, Louisiana, was identified through the analysis as a potential target for investigation. Concurrent interviews of several employees after business hours by a team of OIG investigators and auditors resulted in the discovery of significant manipulation of data by the company. Three employees were indicted on July 30, 1991, charged with conspiracy to submit false claims to EPA.

Metro Container Corporation and Metro-Enterprise Container Corporation Chief Executive Officer Indicted

A superseding indictment added another defendant to a Pennsylvania pollution case. Louis Maslow, the chief executive officer and majority owner of two former Trainer, Pennsylvania firms, Metro Container Corporation and Metro-Enterprise Container Corporation, was indicted on June 4, 1991, charged with filing false statements to EPA. Sidney S. Levy, President and one of the owners of Metro, and Steven Zubrin, a Metro maintenance supervisor, were indicted in August 1990, charged with criminal violations of two Federal environmental statutes, the Resource Conservation and Recovery Act and the Clean Water Act, and with conspiracy to violate these statutes.

A joint investigation by the EPA OIG, the EPA Office of Enforcement, and the Federal Bureau of Investigation was initiated after a criminal investigation by the EPA OIG of another allegation involving the Superfund program found evidence of serious environmental violations.

As part of the joint investigation, a search was executed at the site by staff of the EPA's National Enforcement Investigation Center (NEIC). NEIC personnel excavated portions of the site where Metro conducted a drum recycling business. Buried drums were uncovered and numerous site samples showed the presence of hazardous waste in the yard and in the building. In addition, the contaminants were detected in a pipe leading from the Metro facility to Stoney Creek, a tributary of the Delaware River.

All of the defendants in this case will be sentenced on February 28, 1992.

Settlement Obtained in Rocky Mountain Analytical Laboratory Case

The Rocky Mountain Analytical Laboratory (RMAL) in Arvada, Colorado, a Corning, Inc. entity, reported single Inductively Coupled Plasma exposure readings as the average of multiple readings in violation of its CLP contracts. Reviews of pertinent records and interviews of former employees corroborated that single exposure readings were taken and reported until early 1986, when RMAL began doing multiple exposure readings. The alleged violations occurred more than five years ago; outside the statute of limitations for criminal prosecution. The United States Attorney's office declined prosecution because of lack of sufficient evidence and because of the statute problem. The EPA Office of General Counsel, Inspector General Division, expressed interest in pursuing civil action against RMAL to recover more than \$1 million for charges made by RMAL when they were violating contract provisions.

On August 6, 1991, Enseco Inc., Corning Lab Services, Inc., and Corning Inc. (the Corning entities) paid the Government \$1.1 million. The payment was part of a global settlement agreement under which EPA agreed to terminate its June 25, 1991, government-wide suspension and proposed debarment of the Corning entities. Under the settlement agreement, the Corning entities made the \$1.1 million payment to settle allegations that Enseco and its predecessor, RMAL, Inc., had submitted false claims under six EPA Contract Laboratory Program contracts. The \$1.1 million has been returned to EPA's Superfund program. In addition, Enseco agreed to give up its contract claim against EPA, which amounted to approximately \$3 million, including accrued interest. Finally, the Corning entities agreed to implement a contract compliance plan and an ethics policy to assure EPA that the Corning entities are presently responsible to do business with the Government.

Two Employees of Geo-Con, Inc. are Indicted

Two employees of Geo-Con, Inc., Terry Lee Tebben and Daniel Workman, were indicted on August 7, 1991, and charged with fraud in connection with the cleanup of a Superfund site at Bruin Lagoon, Butler County, Pennsylvania.

EPA funded a \$4 million contract with Geo-Con to clean up the lagoon, which was contaminated with sulfuric and hydrochloric acid, as well as other contaminants. The adjacent Bruin Oil Company had used the lagoon for disposal of wastes since the 1930's.

Tebben allegedly used the finger of a rubber glove and grease to cover up the air monitors required by the contract, causing them to give false readings

on the amount of hazardous gases being released, thus endangering public health and safety.

The contract also required Geo-Con to treat any water which became contaminated as a result of the cleanup. The company was to be reimbursed at a rate of \$0.30 per gallon of water treated. Workman allegedly pumped air through the water metering system, leading to \$62,000 in false claims for reimbursement for water treated.

In fiscal 1992, both Tebben and Workman entered guilty pleas and were suspended from participating in government contracting. The pleas and resulting actions will be discussed in next year's report.

Texas Contractor Found Guilty and Sentenced to Imprisonment

Chem-Tle Environmental Services of San Antonio, Texas, and two of its officers were sentenced on December 13, 1990, following an investigation of false claims submitted to EPA on charges for an emergency removal of dioxin contamination in the State of Kentucky.

EPA Region 4 awarded a contract to Chem-Tle as a qualified 8(a) minority contractor. As part of the approval process, the contractor certified it had quality assurance specialists which, in fact, it had never hired. EPA Region 4 contract personnel, during a routine audit, discovered that several suspicious claims had been submitted by the contractor. Further investigation by the Office of Investigations confirmed that false claims had been submitted on several items under the contract, but the Agency had caught all the false statements and had not paid for services not received except for those claims for quality assurance.

The contractor and two officers were indicted on June 25, 1990, charged with the submission of false claims to EPA. Both officers pled guilty. On December 13, 1990, the corporation was sentenced to five years probation. Thomas L. Ewing, President, was sentenced to ten months imprisonment and three years supervised probation, and ordered to make restitution of \$52,567.26 to EPA. B. F. Rippey, Operations Manager, was sentenced to five years probation and ordered to perform 200 hours of community service. EPA acted to suspend and disbar all these entities from Government contracts.

Duo at I-CHEM Research, Inc., Indicted

Anita C. Rudd, Marvin W. Rudd and I-CHEM Research, Inc., of Hayward, California, were indicted November 30, 1990, on charges of conspiring to make false claims to EPA. Marvin Rudd is also charged with one count of using false documents.

From June 1983 until December 1987, I-CHEM was EPA's sole supplier of contaminant-free sample containers used to collect site samples for analysis and evaluation by the CLP. The indictment charges that I-CHEM and the Rudds conspired to make false claims to EPA for providing the containers. The indictment alleged that I-CHEM shipped sample containers to authorized EPA

requesters without actually performing the required quality control testing on the containers, notwithstanding certifications by I-CHEM to that effect.

**UNITED STATES
ENVIRONMENTAL PROTECTION AGENCY
WASHINGTON, D.C.**

**HAZARDOUS SUBSTANCE SUPERFUND
SCHEDULE OF OBLIGATIONS
FISCAL YEAR ENDED SEPTEMBER 30, 1991**

<u>Description</u>	<u>Total</u>	<u>Accepted</u>	<u>Questioned Costs</u>		<u>Misclassified Costs⁹</u>
			<u>Ineligible⁴</u>	<u>Unsupported⁵</u>	
Personnel Compensation & Benefits	\$ 176,418,158	\$ 176,418,158	\$ -	\$ -	\$ -
Travel and Transportation of Persons	11,655,144	11,655,144	-	-	-
Transportation of Things	655,034	655,034	-	-	-
Rent, Communications and Utilities	25,947,719	25,947,719	-	-	-
Printing and Reproduction	1,266,380	1,266,380	-	-	-
Other Contractual Services	1,147,607,120	1,139,477,555	-	8,129,565	-
Supplies and Materials	4,304,498	4,304,498	-	-	-
Equipment	12,036,963	12,013,335	-	23,628	50,912
Land and Structures	564,139	564,139	-	-	-
Grants, Subsidies and Contributions	203,146,013	203,046,013	-	100,000	63,840
Insurance Claims and Indemnities	1,303	1,303	-	-	-
Miscellaneous Receipts	<u>(3,633)</u>	<u>(3,633)</u>	<u>-</u>	<u>-</u>	<u>-</u>
GRAND TOTALS	<u>\$1,583,598,838</u>	<u>\$1,575,345,645</u>	<u>\$ -</u>	<u>\$8,253,193</u>	<u>\$114,752</u>

The accompanying notes are an integral part of this schedule.

⁴ Costs questioned because of an alleged violation of a provision of a law, regulation, contract, grant, cooperative agreement or other agreement or document governing the expenditure of funds.

⁵ Costs questioned because, at the time of the audit, they were not supported by adequate documentation and/or had not been approved by responsible program officials.

⁹ Costs resulting from transactions in which an incorrect Superfund account number is charged, an incorrect object class is charged or complete accounting data is not recorded. Misclassified costs are not questioned for audit purposes.

**EXHIBIT I
(continued)**

**UNITED STATES
ENVIRONMENTAL PROTECTION AGENCY
WASHINGTON, D.C.**

**HAZARDOUS SUBSTANCE SUPERFUND
NOTES TO SCHEDULE OF OBLIGATIONS
FISCAL YEAR ENDED SEPTEMBER 30, 1991**

1. *Summary of Significant Accounting Policies*

The Schedule of Obligations was prepared for audit purposes from information provided by the EPA Financial Management Division based on financial information contained in the Integrated Financial Management System (IFMS) for the fiscal year ended September 30, 1991. EPA's policy is to prepare the *Report on Budget Execution* (SF-133), from which this schedule is derived, in conformity with accounting policies and procedures that are prescribed by the Office of Management and Budget (OMB), which is a comprehensive basis of accounting other than generally accepted accounting principles. This schedule is not intended to present either the financial position or the financial results of operations in conformity with generally accepted accounting principles.

Obligations, as presented in this Exhibit, were reported by the Financial Management Division from the *Year to Date Obligation and Expended Totals Report*, prepared from information contained in the IFMS General Journal File for the current fiscal year appropriation. Total obligations from this report amounted to \$1,583,598,838. The total reported obligations above were compared to total obligations of \$1,584,550,625, as shown on the *Report on Budget Execution* (SF-133), submitted to the OMB on November 21, 1991. The difference between the obligations reported to us and the obligations reported to OMB amounted to \$952,242. The difference was reconciled by adding to, or subtracting from the *Money Available by Appropriation* (a monthly report), certain general ledger account balances as of September 30, 1991, to determine the obligations incurred and reported to OMB. The reconciling items consist of miscellaneous receipts, uncollected debt allowances, discounts lost, and reimbursements, which should not be included in obligations reported to OMB, and have been consistent reconciling items in prior years.

2. *Miscellaneous Receipts*

Included in the Schedule of Obligations are Miscellaneous Receipts, amounting to (\$3,633), for which there were no object classes assigned to the transactions in the General Journal File of IFMS. We were informed by EPA officials that no object class was required for certain transactions such as year-

EXHIBIT I
(continued)

end accruals and cash receipts. This amount on the schedule was immaterial in relation to total obligations.

3. Recording Transactions - Obligations - Nonpayroll

Obligations are amounts of materials and supplies, orders placed, contracts awarded, services ordered, travel authorized and similar transactions during a given period that will require payments during the same or future periods. Such amounts reflect adjustments for differences between obligations previously recorded and actual disbursements to liquidate those obligations. The term includes both obligations that have matured (legal liabilities) and those that are contingent upon some future performance, such as providing services or furnishing materials. Obligations recorded in this schedule represent funds obligated in the current fiscal year against the current fiscal year's appropriation, which may include carry-over authority from prior years. Obligations are recorded for budgetary purposes at the time they are incurred.

4. Recording Transactions - Obligations - Payroll

Payroll obligations are based upon actual personnel compensation and benefits recorded biweekly in the payroll subsystem (EPAYS) plus accruals at month-end and year-end. Personnel compensation obligations amounted to \$146,184,459, which, based on EPA policy, were recorded as obligations for budgetary accounting purposes for fiscal 1991.

5. Legal Limitations - Authorized Funds and Administrative Expense Ceiling

Funding for the Superfund program is achieved through a separate annual, no-year appropriation. The legal limitation set by Congress on the Superfund appropriation requires the Agency to stay within an administrative expense ceiling. Congressional intent was to limit intramural expenses to ensure that the primary function of Superfund for cleaning up hazardous waste sites was protected. Intramural expenses are used to support staff and activities internal to EPA. By Agency policy, the legally binding administrative expense ceiling placed on the Superfund appropriation is managed by the Office of the Comptroller through a distribution of specific ceilings to the individual Responsible Planning and Implementation Offices.

Public Law 101-507 provided funding to carry out the CERCLA, as amended, with \$1,616,228,000 for fiscal 1991, to be derived from the Hazardous Substance Superfund, plus sums recovered on behalf of the Hazardous Substance Superfund in excess of \$135,000,000 during fiscal 1991, with all such funds to remain available until expended. The law also provides no more than \$233,000,000 be available for administrative expenses.

Our analysis of the administrative expenses for the year indicated that the Superfund program recorded obligations of \$232,285,198 for these types of expenses, which were within the dollar limitation set by Congress. The Agency

**EXHIBIT I
(continued)**

defined administrative expenses to include all object classes in the Schedule of Obligations except Other Contractual Services, Land and Structures, and Grants, Subsidies and Contributions.

We noted that, due to the administrative expense ceiling, the Agency did not record obligations of \$2,370,939 which should have been allocated to Superfund for general support services costs at Headquarters and Region 2. Also, the Agency did not record an estimated \$33,982 of personnel costs to Superfund from an allocation methodology for personnel costs at the Cincinnati Financial Management Center. We also found that Region 5 did not allocate all support costs to Superfund from its allocation plan. Region 5 did not disclose the amount that would have been allocable had the allocations been continued through year-end. These costs that were not allocated would have increased the administrative expenses above the legal limit set by Congress. These unallocated expenses were absorbed by the Salaries and Expenses appropriation. (See Finding 4 for additional details.) Further, we did not perform procedures at all locations. Additional administrative expenses may have been incurred at these locations that were not allocated to Superfund which would have further increased the administrative expenses above the legal limit.

**UNITED STATES
ENVIRONMENTAL PROTECTION AGENCY
WASHINGTON, D.C.**

**HAZARDOUS SUBSTANCE SUPERFUND
SCHEDULE OF DISBURSEMENTS
FISCAL YEAR ENDED SEPTEMBER 30, 1991**

<u>Description</u>	<u>Total</u>	<u>Accepted</u>	<u>Questioned Costs</u>		<u>Misclassified Costs⁹</u>
			<u>Ineligible⁷</u>	<u>Unsupported⁸</u>	
Personnel Compensation & Benefits	\$ 180,592,810	\$ 180,577,375	\$7,353	\$ 8,082	\$ 3,904
Travel and Transportation of Persons	11,406,567	11,406,567	-	-	-
Transportation of Things	560,175	560,175	-	-	-
Rent, Communications and Utilities	25,828,766	25,828,766	-	-	-
Printing and Reproduction	882,855	882,855	-	-	-
Other Contractual Services	941,739,773	940,601,274	-	1,138,499	3,947
Supplies and Materials	5,068,689	5,068,689	-	-	-
Equipment	18,991,290	18,991,290	-	-	648,923
Land and Structures	57,189	57,189	-	-	-
Grants, Subsidies and Contributions	186,852,101	186,852,101	-	2,174,191	-
Insurance Claims and Indemnities	3,127	3,127	-	-	-
Miscellaneous Receipts and Disbursements - Net	<u>(18,496,443)</u>	<u>(18,496,443)</u>	<u>-</u>	<u>-</u>	<u>-</u>
GRAND TOTALS	<u>\$1,353,486,899</u>	<u>\$1,350,158,774</u>	<u>\$7,353</u>	<u>\$3,320,772</u>	<u>\$656,774</u>

The accompanying notes are an integral part of this schedule.

⁷ Costs questioned because of an alleged violation of a provision of a law, regulation, contract, grant, cooperative agreement or other agreement or document governing the expenditure of funds.

⁸ Costs questioned because, at the time of the audit, they were not supported by adequate documentation and/or had not been approved by responsible program officials.

⁹ Costs resulting from transactions in which an incorrect Superfund account number is charged, an incorrect object class is charged or complete accounting data is not recorded. Misclassified costs are not questioned for audit purposes.

**EXHIBIT II
(Continued)**

**UNITED STATES
ENVIRONMENTAL PROTECTION AGENCY
WASHINGTON, D.C.**

**HAZARDOUS SUBSTANCE SUPERFUND
NOTES TO SCHEDULE OF DISBURSEMENTS
FISCAL YEAR ENDED SEPTEMBER 30, 1991**

1. *Summary of Significant Accounting Policies*

The Schedule of Disbursements was prepared for audit purposes from information provided by the EPA Financial Management Division based on financial information contained in the Integrated Financial Management System (IFMS) for the fiscal year ended September 30, 1991. EPA's policy is to prepare the *Report on Budget Execution* (SF-133), from which this schedule is prepared, in conformity with accounting policies and procedures that are prescribed by the Office of Management and Budget (OMB), which is a comprehensive basis of accounting other than generally accepted accounting principles. This schedule is not intended to present either the financial position or the financial results of operations in conformity with generally accepted accounting principles.

Disbursements, as presented in this Exhibit, were reported by the Financial Management Division from a combination of disbursement data for treasury symbols 68-20X8145 and 68-20M8145 taken from the *Year To Date Disbursement Totals Report*, prepared from information contained in the IFMS General Journal File. Total disbursements from this report amounted to \$1,353,486,899. The total reported disbursements agreed to total outlays of \$1,353,486,899 from the *Report on Budget Execution* (SF-133), submitted to the OMB on November 21, 1991.

2. *Miscellaneous Receipts and Disbursements - Net*

The Schedule of Disbursements includes (\$18,496,443) for which no object classes were assigned to the transactions. We were informed by Agency officials that no object classes were required for input of certain transactions. The majority of transactions with no object classes were processed as automatic disbursements which were offsetting transactions affecting Accounts Payable, Non-Federal in the general ledger. Also, a small number of transactions with large dollar amounts were processed as cash receipts in balance sheet transfers, which do not affect disbursements by object class.

**EXHIBIT II
(Continued)**

The transaction codes for cash receipts were used to debit general disbursements and credit various general ledger accounts for advances previously recorded as disbursements. The cash receipt transactions were used to reverse the original transaction when funds were received for reimbursements, such as travel advances, collection of Superfund State Contracts, and Interagency Agreements. These transactions should have been credited to the same object class codes as the original transactions. This coding occurs on the accounts payable/expense accounts for these transactions, which affects the Statement of Operations. However, the Agency cannot provide object class information for these transactions from the disbursements accounts. However, the transactions with no object classes do not materially affect the Schedule of Disbursements taken as a whole, or any of the line items reported by major object class.

3. Recording Transactions - Nonpayroll

Disbursements represent the amount of cash outlays made to liquidate obligations. These cash outlays represent funds disbursed during the current fiscal year against either prior years' or current year's appropriations. Nonpayroll disbursements are recorded on the cash basis of accounting.

4. Recording Transactions - Payroll

Personnel compensation disbursements are recorded biweekly in the payroll subsystem (EPAYS). The detailed payroll transactions are recorded in the Paymerge file of this subsystem. The Paymerge file contains current year disbursement transactions and prior years' redistributions of disbursements adjusting site specific and other account numbers. This data is transferred to the IFMS general ledger file at a summary level. The disbursements presented in Exhibit 2 include disbursements from all current year and prior year adjustments.

5. Recording Transactions - Property and Equipment

EPA's policy is to capitalize property and equipment with a cost greater than \$5,000 and a useful life of two years or greater. Disbursements for equipment recorded in this Exhibit are presented on a cash basis, including capitalized and non-capitalized items.

6. Depreciation

Depreciation accounting recognizes the cost of depreciable property, plant or equipment as an operating expense over the estimated useful life of the assets. Depreciation is not recorded in this Exhibit because it is a non-cash item.

SUPERFUND AUDIT REPORTS ISSUED DURING FISCAL 1991

INTERNAL AND MANAGEMENT AUDITS AND SPECIAL REVIEWS

<u>Final Report Number</u>	<u>Description</u>	<u>Audit Control Number</u>	<u>Date Report Issued</u>
<i>Reviews Required By CERCLA</i>			
1100026	EPA PROGRESS REPORT REVIEW, FISCAL 1989	E1SFF0-11-0018	10/18/90
1300054	MANAGEMENT OF LOUISIANA-PACIFIC RI, CA	E1SG*8-09-0143	3/29/91
1400053	RI/FS REVIEW, SO. MD. WOOD TREATING, MD	E1SGG9-14-0012	9/26/91
1100385	TRUST FUND AUDIT, FISCAL 1990	P1SFF0-11-0032	9/16/91
<i>Performance Audits</i>			
1100411	CONTRACT LABORATORY PROGRAM	E1SKE9-11-0047	9/24/91
1100431	OVERSIGHT OF POST-SETTLEMENTS-CONSOLIDATED	E1SJEO-02-0157	9/30/91
1100133	OVERSIGHT OF POST-SETTLEMENTS - REGION 1	E1SJDO-01-0145	2/27/91
1100149	OVERSIGHT OF POST-SETTLEMENTS - REGION 5	E1SJDO-05-0195	3/29/91
1100155	POST-SARA REMEDIAL ACTION STARTS MANDATE	E1SGC0-04-0407	3/30/91
<i>Follow-Up Review</i>			
1400005	ARIZONA DEQ COOPERATIVE AGREEMENTS	E1SFG0-09-0117	1/31/91
<i>Special Reviews</i>			
1400014	ALLEGATION-HEALTH RESOURCES CONTRACT	E6FGG1-01-0082	3/26/91
1400046	CONTRACTOR PROPERTY OVERSIGHT	E1SFG1-05-0018	9/27/91
1400025	COOPERATIVE AGMT. DEOBLIGATIONS-REGION 1	E1SGG1-01-0184	6/18/91
1400028	EMERGENCY WAIVER CRITERIA	E1SHG0-04-0103	8/14/91
1400059	SITE CLEANUP DOCUMENTS-EARLY WARNING REV.	E1SHT1-03-0396	9/27/91

SUPERFUND AUDIT REPORTS ISSUED DURING FISCAL 1991

<u>Final Report Number</u>	<u>Auditee</u>	<u>Audit Control Number</u>	<u>Date Report Issued</u>
COOPERATIVE AGREEMENTS AND GRANTS			
1100156	ALASKA DEPT. OF ENV. CONSERVATION-PA/SI	P5CG*8-10-0084	3/29/91
1100175	BROWARD COUNTY, FL - DAVIE LANDFILL	E5CGL1-04-0055	4/10/91
1300069	LOUISIANA DEPT OF ENV QUALITY-OLD INGER	P5GFNO-06-0116	5/20/91
1100384	MASSACHUSETTS DEPT OF ENV PROT-MULTI-SITE	P5BGL0-01-0154	9/16/91
1100383	MASSACHUSETTS DEPT OF ENV PROT-PSC RES.	P5BGL0-01-0155	9/13/91
1100430	NEW HAMPSHIRE DEPT. OF ENVIRONMENTAL SERV.	E5FGL1-01-0114	9/30/91
1300016	NEW MEXICO HEALTH & ENV. DEPT.-MULTI-SITE	P5BGN0-06-0111	11/ 2/90
1100423	NEW YORK ST. DEPT OF ENV. CONS.-LOVE CANAL	P5BGL0-02-0196	9/27/91
1300041	OKLAHOMA DEPT. OF HEALTH-COMPASS INDUSTRIES	P5BFNO-06-0117	3/ 6/91
1300042	OKLAHOMA DEPT. OF HEALTH-SAND SPRINGS SITE	P5BGN0-06-0118	3/ 8/91
1100313	RHODE ISLAND DEPT. OF ENVIRONMENTAL MGMT.	E5FGL1-01-0083	7/11/91
1300113	SOUTH CAROLINA DEPT OF HEALTH & ENV. CONTR.	E5BFN1-04-0224	9/26/91
1300080	TEXAS WATER COMM.-GENEVA INDUSTRIES RI/FS	P5BFNO-06-0210	6/19/91
1100104	UNIVERSITY OF CINCINNATI - SOIL LEAD DEMO.	E5BKL0-05-0402	1/16/91
1100146	WASHINGTON DEPT OF ECOLOGY-COLBERT LANDFILL	P5CG*8-10-0076	3/20/91
1300066	WASHINGTON DEPT OF ECOLOGY-COMMENCEMENT BAY	P5CGN0-10-0011	5/ 7/91
1300047	WASHINGTON DEPT OF ECOLOGY-CORE PROG.-FY88	P5CHN9-10-0155	3/26/91
INTERAGENCY AGREEMENTS			
1100393	AGENCY TOXIC SUB. & DISEASE REG.-FY87-89	H5BFL1-11-0034	9/16/91
1100005	ARMY CORPS OF ENGINEERS-FISCAL 1989	M5BFL1-11-0011	10/12/90
1100392	FED. EMERGENCY MGMT. AGENCY-RELOCATION	M5BFL1-11-0033	9/16/91
1100387	INTERIOR DEPT.-OFFICE OF SECRETARY-FY89	M5BFL1-11-0032	9/16/91
1100427	INTERNAL REVENUE SERVICE-FISCAL 1989	M5BFL1-11-0038	9/30/91
1100438	JUSTICE DEPARTMENT-FISCAL 1989	M5BFL1-11-0018	9/30/91
1100054	NAT'L AERONAUTICS & SPACE ADMINISTRATION	M5BFL1-11-0013	10/31/90
1100429	NATIONAL INSTITUTES OF HEALTH-FISCAL 87-89	H5BFL1-11-0037	9/30/91

EXHIBIT III
3 OF 4**SUPERFUND AUDIT REPORTS
ISSUED DURING FISCAL 1991****CONTRACT AUDITS**

<u>Final Report Number</u>	<u>Auditee</u>	<u>Audit Control Number</u>	<u>Date Report Issued</u>
Preaward Proposals			
1300094	CLEMENT INTERNATIONAL, INC., VA	P9AKN1-03-0327	8/ 7/91
1300106	CLEMENT INTERNATIONAL, INC., VA	P9AKN1-03-0355	9/13/91
1100208	GEOPEX LTD., NC	D9AHL1-04-0309	5/ 3/91
1100283	GREYSTONE ENVIRONMENTAL SERVICES, CO	D9AKL1-08-0082	7/ 2/91
1300107	ICF, INC., VA	P9AKN1-03-0356	9/16/91
1100279	LOCKHEED ENGINEERING & SCIENTIFIC, TX	D9AKL1-06-0124	7/ 1/91
1400044	MAECORP, INC., IL-ERCS 3 REGION 5	P9AHP1-05-0297	9/20/91
1400045	MAECORP, INC., IL-ERCS 3 REGION 5	P9AHP1-05-0296	9/23/91
1300085	OHM REMEDIATION SERVICES, OH-ERCS 3 REG. 1	P9AHN1-05-0191	7/ 9/91
1400035	OHM REMEDIATION SERVICES, OH-ERCS 3 REG. 2	P9AHP1-05-0313	9/ 6/91
1400036	OHM REMEDIATION SERVICES, OH-ERCS 3 REG. 2	P9AHP1-05-0313	9/ 6/91
1300040	OHM REMEDIATION SERVICES, OH-ERCS 3 REG. 4	P9AHN1-05-0135	2/28/91
1400034	OHM REMEDIATION SERVICES, OH-ERCS 3 REG. 5	P9AHP1-05-0281	9/ 6/91
1300063	PRC EMI, IL	E9AKN1-05-0206	5/ 1/91
1300030	REIDEL ENVIRONMENTAL SERVICES, OR	P9AHN1-10-0009	1/29/91
1300052	REIDEL ENVIRONMENTAL SERVICES, OR-ERCS R4	P9AHN1-10-0022	3/27/91
1100370	S&D ENGINEERING SERVICES, NJ	P9AHL1-02-0110	9/ 6/91
1100282	URIBE & ASSOCIATES, CO	D9AHL1-08-0083	7/ 2/91
1400008	WESTINGHOUSE-HAZTECH, GA	P9AHP1-04-0100	3/ 6/91
Interim Audits			
1400055	CDM FEDERAL PROGRAMS CORPORATION, VA	E9BGP1-03-0333	9/27/91
1100075	ECOLOGY AND ENVIRONMENT, NY	D9BGL1-02-0049	12/17/90
1300110	ENVIRONMENTAL HEALTH, KY	P9BHN1-04-0317	9/23/91
1300101	GUARDIAN ENVIRONMENTAL SERVICES, DE	P9BHN0-03-0382	8/29/91
1400031	OHM REMEDIATION SERVICES, OH-ERCS ZONE 1	P9BHP0-05-0292	8/19/91
1400032	OHM REMEDIATION SERVICES, OH-ERCS ZONE 2	P9BHP0-05-0293	8/19/91
1100002	ROGERS AND ASSOC. ENGINEERING CORP., UT	D9BGL1-08-0001	10/ 2/90
1100159	WW ENGINEERING & SCIENCE, MI-FISCAL 1989	P9BGL0-05-0266	3/29/91
Final Audits			
1100102	BES ENVIRONMENTAL SPECIALISTS, PA	P9CHL9-03-0070	1/16/91
1300013	OHM REMEDIATION SERVICES, OH-ERCS Z1 FY85-6	P9CHN9-05-0178	10/26/90

SUPERFUND AUDIT REPORTS ISSUED DURING FISCAL 1991

CONTRACT AUDITS (continued)

<u>Final Report Number</u>	<u>Auditee</u>	<u>Audit Control Number</u>	<u>Date Report Issued</u>
<i>Indirect Costs</i>			
1300114	ICF INFORMATION TECHNOLOGY, VA	P9DXN1-03-0387	9/26/91
1100087	MAECORP, INC., IL-ERCS 2 REG. 5-FISCAL 1988	P9DHL9-05-0348	12/20/90
1400030	OHM REMEDIATION SERVICES, OH-FISCAL 1989	P9DHP0-05-0378	8/19/91
1400040	OHM REMEDIATION SERVICES, OH-FISCAL 1989	P9DHP1-05-0285	9/11/91
1100108	REIDEL ENVIRONMENTAL SERVICES, OR-FY86	P9DHL9-10-0110	1/24/91
1100166	WW ENGINEERING & SCIENCE, MI-FISCAL 1989	P9DGL0-05-0265	4/ 4/91
<i>System Surveys</i>			
1100367	CH2M HILL, OR-CAS BD DISCLOSURE STATEMENT	P9EGL1-10-0040	8/29/91
1300021	OHM REMEDIATION SERVICES, OH-ACCT FOLLOW-UP	P9EHN0-05-0079	12/12/90
<i>Financial Management Reviews</i>			
1400052	DONOHUE, WI-ARCS REGION 5	P9FGP1-05-0411	9/26/91
1400056	WW ENGINEERING & SCIENCE, MI	E9FFP1-05-0442	9/27/91

APPENDIX: ACRONYMS AND ABBREVIATIONS

ADEC	Alaska Department of Environmental Conservation
ADEQ	Arizona Department of Environmental Quality
ARCS	Alternative Remedial Contracting Strategy
ATSDR	Agency for Toxic Substances and Disease Registry
CA	California
CDC	Center for Disease Control
CERCLA	Comprehensive Environmental Response, Compensation, and Liability Act of 1980, as amended
CERCLIS	Comprehensive Environmental Response, Compensation, and Liability Information System, the Superfund management information system
CFR	Code of Federal Regulations
CLP	Contract Laboratory Program
CO	Contracting Officer <i>or</i> Colorado
COE	Corps of Engineers (U.S. Army)
DE	Delaware
DOI	Department of the Interior
DOJ	Department of Justice
EHRT	Environmental Health Research and Testing, Inc.
ENRD	Environment and Natural Resources Division (DOJ)
EPA	Environmental Protection Agency
ERCS	Emergency Response Cleanup Services
FAR	Federal Acquisition Regulations
FEMA	Federal Emergency Management Agency
FL	Florida

FMFIA	Federal Managers' Financial Integrity Act
FMO	Financial Management Officer
FS	Feasibility Study
FSR	Financial Status Report
FY	Fiscal year
GA	Georgia
GC/MS	Gas chromatograph/mass spectrometer
HHS	Department of Health and Human Services
IAG	Interagency agreement
IFMS	Integrated Financial Management System (EPA)
IL	Illinois
IPA	Independent public accounting (firm)
IRS	Internal Revenue Service
KY	Kentucky
LDEQ	Louisiana Department of Environmental Quality
LOC	Letter-of-Credit
L-P	Louisiana-Pacific
MD	Maryland
MDEP	Massachusetts Department of Environmental Protection
MI	Michigan
NASA	National Aeronautics and Space Administration
NC	North Carolina
NCP or National Contingency Plan	National Oil and Hazardous Substances Contingency Plan, 40 CFR Part 300
NEIC	National Enforcement Investigations Center (EPA)
NHDES	New Hampshire Department of Environmental Services
NIEHS	National Institute of Environmental Health Sciences

NJ	New Jersey
NMEID	New Mexico Environmental Improvement Division
NPL	National Priorities List
NY	New York
NYSDEC	New York State Department of Environmental Conservation
OH	Ohio
OIG	Office of the Inspector General
OMB	Office of Management and Budget
OR	Oregon
ORC	Office of Regional Counsel (EPA)
ORD	Office of Research and Development (EPA)
OSC	On-Scene Coordinator
OSDH	Oklahoma State Department of Health
OSWER	Office of Solid Waste and Emergency Response (EPA)
PA	Preliminary Assessment <i>or</i> Pennsylvania
PE	Performance evaluation
PA/SI	Preliminary Assessment/Site Inspection
PDD	Preauthorization Decision Document
PPAS	Personal Property Accounting System (EPA)
PRP	Potentially Responsible Party
RA	Remedial Action
RD	Remedial Design
RI	Remedial Investigation
RIDEM	Rhode Island Department of Environmental Management
RI/FS	Remedial Investigation/Feasibility Study
RMAL	Rocky Mountain Analytical Laboratory

ROD	Record of Decision
RPM	Remedial Project Manager
SAIC	Science Applications International Corporation
SARA	Superfund Amendments and Reauthorization Act of 1986
SAS	Special Analytical Services
SCAP	Superfund Comprehensive Accomplishments Plan
SCDHEC	South Carolina Department of Health and Environmental Control
SF	Standard Form
SI	Site Inspection
SITE	Superfund Innovative Technology Evaluation program
SPMM	Superfund Program Management Manual
TES	Technical Enforcement Support (EPA contracts)
Trust Fund	Hazardous Substance Superfund
TWC	Texas Water Commission
TX	Texas
UC	University of Cincinnati
UT	Utah
VA	Virginia
WDOE	Washington Department of Ecology
WI	Wisconsin