



At a Glance

Why We Did This Review

Emissions from diesel exhaust can lead to serious health conditions like asthma and allergies, and can worsen heart and lung disease, especially in vulnerable populations such as children and the elderly. These emissions can also damage plants, animals, crops, and water resources. Under the authority of the American Recovery and Reinvestment Act of 2009, the U.S. Environmental Protection Agency awarded almost \$3 million to the Railroad Research Foundation to reduce diesel emissions by repowering five locomotives in Baton Rouge, Louisiana, an ozone nonattainment area.

Our objective was to determine whether the Railroad Research Foundation used these funds to fulfill its obligations under the terms of the agreement and applicable laws and regulations.

This report addresses the following EPA Goal or Cross-Cutting Strategy:

- *Taking action on climate change and improving air quality.*

For further information, contact our Office of Congressional and Public Affairs at (202) 566-2391.

The full report is at:
www.epa.gov/oig/reports/2013/20130620-13-R-0297.pdf

Air Quality Objectives for the Baton Rouge Ozone Nonattainment Area Not Met Under EPA Agreement 2A-96694301 Awarded to the Railroad Research Foundation

What We Found

The Railroad Research Foundation has not complied with the requirements of cooperative agreement 2A-96694301. We identified the following noncompliance issues:

- The five repowered locomotives were not operating in the Baton Rouge area as originally proposed and expected by the EPA. As a result, the inhabitants in the Baton Rouge ozone nonattainment area were not receiving the benefits of the lower diesel emissions expected by the EPA when it approved the project.
- Costs of \$4,614 for various indirect activities under a service agreement were not allowable under federal cost principles and the terms of the agreement.
- Costs of \$16,512 for the foundation's indirect costs were not supported because the cooperative agreement did not authorize indirect costs for the entire project period.

Recommendations and Responses

We recommend that the regional administrator for Region 6:

1. Recover federal funds of \$2,904,578 unless the foundation provides a verifiable and enforceable remedy to reduce diesel emissions in the Baton Rouge ozone nonattainment area, as required by the cooperative agreement.

In the event that all federal funds are not recovered under the first recommendation, we recommend that the regional administrator for Region 6:

2. Recover the \$4,614 claimed for unallowable other costs.
3. Recover the excess indirect cost of \$16,512, or consider funding the foundation's indirect cost for the entire project period.

The foundation did not agree with the draft report's recommendation to repay all federal funds, and proposed a possible remedy to achieve compliance with the cooperative agreement. The foundation agreed with the unallowable salary cost but disagreed with the questioned indirect costs. EPA Region 6 agreed with our recommendations and will seek appropriate cost recoveries.