U.S. ENVIRONMENTAL PROTECTION AGENCY
OFFICE OF INSPECTOR GENERAL

Catalyst for Improving the Environment

Evaluation Report

EPA Needs to Improve Internal Controls to Increase Cost Recovery

Report No. 09-P-0144

April 27, 2009

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Abbreviations

CERCLA	Comprehensive Environmental Response, Compensation, and Liability Act
CERCLIS	Comprehensive Environmental Response, Compensation, and Liability Information System
EPA	U.S. Environmental Protection Agency
FY	Fiscal Year
GPRA	Government Performance and Results Act
IFMS	Integrated Financial Management System
NPL	National Priority List
OCFO	Office of the Chief Financial Officer
OECA	Office of Enforcement and Compliance Assurance
OIG	Office of Inspector General
OSWER	Office of Solid Waste and Emergency Response
PRP	Potentially Responsible Party
SCORPIOS	Superfund Cost Recovery Package Imaging and On-Line System
SIS	Superfund Information System
SOL	Statute of Limitations
SPIM	Superfund Program Implementation Manual
SSID	Site Spill Identification Number
ZZ	Non-site-specific Identifier Code

Cover photo: Hazardous containers at National Lacquer and Paint Company in Illinois. (Source: EPA photo)

U.S. Environmental Protection Agency
Office of Inspector General

09-P-0144
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At a Glance

Catalyst for Improving the Environment

Why We Did This Review

We evaluated the U.S. Environmental Protection Agency's (EPA's) Superfund cost recovery at a sample of non-National Priority List (NPL) removal sites. The objectives were to determine what internal controls EPA uses to (1) monitor cost recovery, (2) ensure potentially responsible party searches are completed and documented, (3) monitor costs attributed to generic site codes, (4) ensure removal milestones are documented in the Superfund database, and (5) ensure accurate cost recovery data.

Background

The Comprehensive Environmental Response, Compensation, and Liability Act (CERCLA, also known as Superfund) authorizes EPA to address releases of hazardous substances that require a rapid response. These actions (called removal actions) often require EPA to pay for cleanup costs before identifying a responsible party. CERCLA authorizes EPA to recover these costs.

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

To view the full report, click on the following link:
www.epa.gov/oig/reports/2009/20090427-09-P-0144.pdf

EPA Needs to Improve Internal Controls to Increase Cost Recovery

What We Found

Within a sample of removal actions we reviewed, EPA collected from responsible parties approximately 11 percent ($31.4 of $294.5 million) of the Federal Government's costs for conducting the removal actions. According to EPA, about another 30 percent ($86 million) of the costs are pending further government action. EPA attributed most of the remaining $177.1 million of unrecovered costs to a lack of viable potentially responsible parties (PRPs).

EPA has a control for monitoring the statute of limitations (SOL) on cost recovery. EPA reports show that the Agency has a high rate of success in addressing cost recovery requirements prior to the expiration of the SOL. However, EPA has limited controls in other key areas that affect its ability to recover the government's costs from responsible parties. These include limited oversight of PRP searches, inconsistent documentation of PRP searches, and data quality problems in EPA databases that track Superfund cleanup status and cost recovery. EPA also does not review and monitor charges made to all Superfund accounts so all appropriate site costs can be recovered. A sample of Superfund accounts used to capture removal costs shows as much as $25 million that EPA could potentially pursue for cost recovery, but has not.

What We Recommend

We recommend that EPA implement improved controls to (1) monitor PRP search completions, (2) document PRP searches consistently, (3) ensure data quality in EPA databases, and (4) review all appropriate Superfund accounts to ensure the government's costs are identified for possible recovery. EPA concurred with our recommendations with minor qualifications, and has proposed actions to address them. All recommendations are open with agreed-to actions pending. In its final response to this report, EPA should provide estimated or actual completion dates for recommendations 2-1 through 2-4; 3-1 and 3-2; and 4-1 through 4-3.

UNITED STATES ENVIRONMENTAL PROTECTION AGENCY
WASHINGTON, D.C. 20460

OFFICE OF
INSPECTOR GENERAL

April 27, 2009

MEMORANDUM

SUBJECT: EPA Needs to Improve Internal Controls to Increase Cost Recovery
Report No. 09-P-0144

FROM: Wade T. Najjum
Assistant Inspector General
Office of Program Evaluation

TO: Catherine McCabe
Acting Assistant Administrator
Office of Enforcement and Compliance Assurance

Maryann Froehlich
Acting Chief Financial Officer
Office of the Chief Financial Officer

Barry Breen
Acting Assistant Administrator
Office of Solid Waste and Emergency Response

This is our report on the subject evaluation conducted by the Office of Inspector General (OIG) of the U.S. Environmental Protection Agency (EPA). This report contains findings that describe the problems the OIG has identified and corrective actions the OIG recommends. The OIG responded to the Agency's draft report comments by making changes to the report and providing responses to EPA, as appropriate. This report represents the opinion of the OIG and does not necessarily represent the final EPA position. Final determinations on matters in this report will be made by EPA managers in accordance with established resolution procedures.

The estimated cost of this report – calculated by multiplying the project's staff days by the applicable daily full cost billing rates in effect at the time – is $621,682.

Action Required

In accordance with EPA Manual 2750, you are required to provide a written response to this report within 90 calendar days. Your response should include a corrective action plan for agreed upon actions, including actual or estimated milestone completion dates. We have no objections to the further release of this report to the public. This report will be available at http://www.epa.gov/oig.

If you or your staff have any questions, please contact Carolyn Copper, Director for Program Evaluation, Hazardous Waste Issues, at 202-566-0829 or copper.carolyn@epa.gov; or Steve Hanna, Project Manager, at 415-947-4527 or hanna.steve@epa.gov.

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Chapter 1
Introduction

Purpose

The purpose of this evaluation was to assess the U.S. Environmental Protection Agency's (EPA's) internal controls to ensure it is recovering Superfund removal costs from sites not on the National Priority List (NPL).

We addressed the following questions:

1. What internal controls does EPA use to monitor expenditures and cost recovery at non-NPL removal sites?
2. How does EPA ensure that potentially responsible party (PRP) searches are completed and documented for non-NPL removal sites?
3. What processes and controls does EPA (regions and Headquarters) use to monitor costs attributed to generic site spill identification number (SSID) codes?
4. What processes and controls does EPA (regions and Headquarters) use to ensure removal milestones are documented in the Comprehensive Environmental Response, Compensation, and Liability Information System (CERCLIS)?
5. What processes and controls do EPA (regions and Headquarters) use to ensure accuracy and consistency of Superfund Cost Recovery Package Imaging and On-Line System (SCORPIOS) data?

Background

The Comprehensive Environmental Response, Compensation, and Liability Act (CERCLA) authorizes EPA to expedite removing hazardous substances if these substances pose a threat. CERCLA authorizes EPA to recover Superfund cleanup expenses (costs) from responsible parties. In some cases, EPA pays for these removal actions and later recovers its costs from PRPs. However, the presence of viable PRPs, with their ability to pay cleanup costs, influences cost recovery. If no viable PRPs are associated with a removal site, or EPA does not locate viable PRPs, it may not be able to recover any Superfund expenditures at the site.

Cost Recovery

As part of its Superfund cost recovery process, EPA uses an automated system known as the Superfund Cost Recovery Package Imaging and On-Line System (SCORPIOS) to calculate Superfund site costs. SCORPIOS is a data repository from the EPA Integrated Financial Management System (IFMS). SCORPIOS

includes both direct Superfund costs from IFMS and indirect rates, which are developed on a region and fiscal year specific basis, from data contained in IFMS. Direct Superfund costs include personnel costs, travel, and contract costs, among others. Indirect Superfund costs reflect costs for managing facilities and other Superfund overhead costs not linked to specific sites. Superfund sites and major site actions, such as removals and cost recovery, are tracked in CERCLIS.

Noteworthy Achievements

According to EPA, their noteworthy achievements related to removal actions, removal expenditures, and cost recovery at non-NPL removal sites include:

- To address immediate threats to communities, EPA obligated more than $140.7 million to conduct and oversee 351 emergency response and removal actions in Fiscal Year (FY) 2007. These emergency response and removal actions ranged in size from a catastrophic explosion and fire in Danvers, Massachusetts, to a residential mercury release in Yakima, Washington.

- One of EPA's FY 2008 enforcement goals is to address cost recovery at all National Priority List and non-National Priority List sites with a statute of limitations (SOL) on total unaddressed past costs equal to or greater than $200,000. In FY 2008, EPA achieved this goal for 100 percent of these sites, and for an average of 99 percent of these sites from FY 2005- FY 2007.

- Superfund officials have emphasized to EPA staff that PRPs should perform removal actions whenever possible. PRPs completed approximately one-half of the non-NPL removals from FY 2000- FY 2007. In FY 2008, PRPs completed 51 non-NPL removal actions under EPA enforcement instruments with values estimated by EPA at over $60 million. In the last 5 years, PRPs completed 191 non-NPL removals with values estimated by EPA at over $260 million as a result of EPA enforcement efforts.

Scope and Methodology

We completed our work from March 2008 to February 2009 in accordance with Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the evaluation to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our objectives. We believe the evidence obtained provides a reasonable basis for our findings and conclusions based upon our objectives. We assessed internal controls over the cost recovery process for non-NPL Superfund sites.

We determined the internal controls EPA uses to monitor expenditures and cost recovery at non-NPL sites. From January 1, 2000, through December 31, 2007, there were 707 completed non-NPL removals in EPA's CERCLIS database for

Regions 5, 9, and 10. These removals include both EPA Superfund-financed and PRP-led removals, but do not include removals at proposed NPL sites. Using EPA's SCORPIOS database, we identified total costs for those sites. We identified site collection reports for 155 sites with costs greater than $500,000, which represents approximately 85 percent of the total costs. We provided the regions with summaries of these total cost and collections reports and asked specific questions related to each site in terms of sites that were billed, unbilled, or lacked an SSID, and the status of cost recovery efforts. In these responses, regional staff provided various explanations for unrecovered costs at each site. We did not review site files to verify the accuracy of these reasons. However, we were able to classify these reasons into several categories, to include a lack of viable PRPs, pending Government actions, or collected.

We examined internal controls by performing analyses to determine whether EPA was achieving cost recovery within the statute of limitations for all non-NPL removals with total costs greater $200,000. We analyzed CERCLIS data to determine whether EPA uses CERCLIS to track removal milestones (Question 1).

We conducted site file reviews at the regions and looked for cost recovery decision documents and PRP search records, and we reviewed policies and procedures for conducting PRP searches (Question 2). We obtained a list of non-specific site costs and the associated action codes from the Agency and checked this against agency guidance (Question 3). We conducted interviews with Regions 5, 9, and 10, and with the Office of Solid Waste and Emergency Response (OSWER), the Office of Enforcement and Compliance Assurance (OECA), and the Office of the Chief Financial Officer (OCFO) to determine relevant policies and procedures in place, including system controls, regarding the cost recovery process for non-NPL Superfund sites (Questions 1, 2, 3, 4, and 5). We obtained and analyzed selected data from SCORPIOS and CERCLIS to evaluate data quality between and within the systems (Questions 4 and 5).

Limitations

The following limitations potentially affect the interpretation of SCORPIOS information:

- Prior to 2001, EPA applied a different definition of indirect costs than it uses now. Because of this difference, applying the current indirect rate to past "direct" expenses may overstate or understate those past expenses.

- Depending upon when EPA issues bills, a provisional (i.e., draft) or final indirect rate is applied to the total costs. Because provisional and final rates may be different, if EPA calculates sites costs using a provisional rate, future attempts to reconstruct past costs may not show the same results. SCORPIOS maintains only one indirect rate per region for each year. After EPA finalizes the final rate, SCORPIOS overwrites the provisional rate with the final.

We reviewed a judgmental sample of 15 of 39 site files in regions 5, 9, and 10 with total site costs greater than $2 million to examine documentation for PRP searches, including using the PRP checklist. We selected these sites based on their total costs in excess of $2 million and because CERCLIS indicated cost recovery efforts were complete. None of the site files reviewed contained the checklist of PRP search tasks described in EPA's PRP Search Manual. EPA staff confirmed that no regions routinely use the PRP checklist.

Prior Evaluation Coverage

The following recent EPA Office of Inspector General (OIG) reports addressed regional cost recovery issues or data issues pertaining to Superfund. Findings from these reports included erroneous bills and delays in issuing the bills, as well as issues with data integrity in CERCLIS.

- *Comprehensive Environmental Response, Compensation, and Liability Information System (CERCLIS) Data Quality,* Report No. 2002-P-00016, September 30, 2002.
- *EPA Could Improve Its Redistribution of Superfund Payments to Specific Sites,* Report No. 2006-P-00027, July 31, 2006.
- *EPA Can Recover More Federal Superfund Money,* Report No. 08-P-0116, March 26, 2008.

Chapter 2
EPA Has Internal Controls to Recover Superfund Removal Costs, But Key Controls Need Improvement

Although EPA has some documented controls for conducting and documenting PRP searches, we found these controls are not followed. EPA does not consistently monitor PRP searches. Some regions have their own PRP search procedures, but EPA does not ensure PRP searches are consistently documented for all sites. PRP searches are a critical control in cost recovery. Limited controls in this area may result in missed cost recovery opportunities. EPA has an internal control to ensure that cost recovery at Superfund non-NPL removal sites is completed within the statute of limitations (SOL), but key controls for PRP searches need improvement.

Not All Costs Recovered at Non-NPL Removal Sites

Within a sample of removal actions we reviewed with costs greater than $500,000, EPA collected from responsible parties approximately 11 percent ($31.4 of $294.5 million) of the Federal Government's costs for conducting the removal actions. EPA staff gave reasons for not recovering all costs from these sites. According to EPA regional staff, about another 30 percent ($86 million) of the costs are pending further government action. EPA attributed most of the remaining $177.1 million of unrecovered costs to the lack of viable PRPs.

EPA Monitors the Statute of Limitations on Cost Recovery

EPA has an internal control for addressing Superfund removal cost recovery within the SOL. The Agency has a Government Performance and Results Act (GPRA) measure for meeting the SOL requirement and has reported almost 100 percent success. EPA staff stated they send a list out every year to address sites 18 months ahead of the SOL expiration. Based on our review of CERCLIS data, 22 of 152 (14.5 percent) removal sites appeared to have exceeded the SOL. However, our review confirmed that EPA had resolved the SOL issues at these sites. These sites appeared to have potential SOL issues in CERCLIS because regional staff had not updated CERCLIS to reflect the SOL resolution. In 2009, EPA plans to enhance the automated targeting of SOL sites.

EPA Oversight Needs to Include Routine Reviews of PRP Search Status

The PRP search process identifies PRPs for a site and establishes PRP liability, capability, and financial viability in order to compel PRPs to perform the response action or for the potential recovery of EPA's cleanup costs. PRP Search Starts and PRP Search Completions are program measures used to track PRP search progress and are identified in an Agency manual that describes how the Superfund program should be implemented. This manual is known as the Superfund Program Implementation Manual (SPIM).

For the sites in our evaluation, we found that EPA oversight of PRP searches needs improvement. EPA does not consistently track PRP search start or completion milestones in CERCLIS or other reports. Of the 561 sites with site spill identification numbers (SSIDs) in our sample, only 116, or 21 percent, had PRP search completion dates in CERCLIS. Therefore, based on information available in CERCLIS, we were unable to determine from a national oversight perspective whether regional staff completed PRP searches for non-NPL removal sites. This causes uncertainty regarding completion of this critical step in cost recovery. Because PRP searches are a critical control in cost recovery, improved oversight controls in this area could increase EPA's recovery of the Federal Government's costs for conducting Superfund removals.

EPA headquarters staff stated they do not oversee (monitor) the status of PRP searches through CERCLIS or Agency-wide reports. EPA provided summary examples of five separate regional procedures for monitoring PRP searches. These procedures vary among the regions and include generally using the date of the cost recovery decision document as the PRP search completion date, specific regional policies and procedures, documentation using a regional Enforcement First Report, and oversight by an enforcement coordinator. However, the effectiveness of these regional procedures is not verified by any Agency-wide reporting. The lack of Agency-wide PRP search reports and incomplete CERCLIS PRP search data provide little or no knowledge of the status of PRP searches at sites in each region or nationwide.

PRP Search Results Are Not Consistently Documented

We found that EPA regions 5, 9, and 10, do not use a standard process to document the results of PRP searches. Our review of Superfund site files shows a lack of consistent and clear documentation of PRP searches.

EPA published the PRP Search Manual Guidance (manual) in September 2003. The manual provides a framework for conducting complete and thorough PRP searches. The purpose of the PRP search is to identify the universe of PRPs with comprehensive evidence of liability at a site. The manual provides an outline of the general objectives of the PRP search, describes typical baseline and follow-up

PRP search tasks, and provides specific tools and references. The manual contains a checklist of PRP search tasks (see Table 1) and a checklist for removal/pre-remedial sites. Using the checklist is not required. According to EPA staff, regions use the checklist as a guide along with their professional experience to perform the PRP search. Staff further informed us that a one size fits all checklist is not appropriate due to difference in site-specific details, regions, and subject matter.

Checklist for PRP Search Tasks:	
1.	Agency Record Collection & File Review
2.	Title Search
3.	Interview with Government Officials
4.	Records Compilation
5.	Compliance History
6.	PRP Status/PRP History
7.	PRP Name and Address Update
8.	CERCLA 104(e) Letters
9.	Financial Status
10.	History of Site Operations
11.	Report preparation (PRP Search Report)
12.	Aerial photographs and Sanborn Maps
13.	CERCLA Subpoena Authority
14.	Field Survey
15.	Industrial Survey
16.	PRP File Review
17.	Private Citizen/PRP Interview
18.	EPA Investigations
19.	CERCLIS
20.	Waste Stream Inventory
21.	Process Chemistry Analysis
22.	Databases
23.	Financial Assessment
24.	Generator Ranking
25.	Property Appraisal/Property Survey

Table 1 – PRP Search Checklist.
(Source: EPA PRP Search Manual)

The SPIM requires that when a PRP search is complete, regions should document in the site file that they have met all reasonable achievable criteria. According to the SPIM, A PRP search completion constitutes the completion of the activities taken by the region to identify PRPs at a site. In conducting the PRP search, the region must consider which of the criteria outlined below are cost effective and reasonable to meet relative to the anticipated overall cleanup costs at the site. Upon completion, regions should document in the site file that they have met all reasonable achievable criteria. Criterion 1 is mandatory for all PRP search completions. The PRP search should ideally be completed prior to completion of cleanup negotiations; however, it is recognized that this may not be achievable in all situations. The recommended criteria for a thorough PRP search are:

1. Initiating a dialogue with early identified PRPs for the purpose of providing an opportunity for PRP input into the PRP search.
2. Collecting the financial and contribution data needed to perform equitable share calculations.
3. Following up on all leads as a way to identify parties to the site.
4. Making *de minimis* and non-exempt *de micromis* determinations for all parties at the site.
5. Categorizing all parties [e.g., Generator/Transporter, Owner/-Operator, Small Business ($2 million or less gross annual revenue and 25 or fewer employees), Municipal Solid Waste Contributor, etc.]; and
6. Performing a financial viability determination on all PRPs asserting ability-to-pay problems.

In our review of site files, we were unable to verify that the PRP search activities Regions 5, 9, and 10 performed were consistent with the manual guidance. PRP searches were not documented consistently in the site file.

Conclusions

EPA has an internal control for addressing Superfund removal cost recovery within the statute of limitations, and has reported almost 100 percent success with this measure. Cost recovery from non-NPL removal sites is between 10 and 40 percent. EPA staff attributed most of the unrecovered costs to a lack of viable PRPs. However, controls for tracking and documenting PRP searches lack consistent monitoring and verification. Improvements in oversight controls of PRP searches could potentially increase cost recovery for these sites.

Recommendations

We recommend the Assistant Administrator for Enforcement and Compliance Assurance:

2-1 Develop and implement a control to monitor the status and timeliness of PRP searches at non-NPL sites.

2-2 Develop standard and mandatory regional requirements for PRP search documentation that regions should complete as part of the cost recovery decision document (closeout memo).

2-3 Develop and implement a control to verify and monitor that regions have included PRP search documentation in the cost recovery decision document.

2-4 Update PRP search guidance to reflect the mandatory requirements for PRP search documentation.

Agency Comments and OIG Evaluation

The OIG made changes to the report based on the Agency's comments where appropriate. Appendix A provides the full text of the Agency comments and OIG response.

EPA generally agreed with all recommendations. For recommendation 2-1, EPA stated that it agreed with the purpose of the recommendation. In its comments, the Agency provided examples of ongoing activities it believed addressed recommendation 2-1 and demonstrated controls were in place. However, more is needed to ensure that these control activities are working as designed and intended. We discussed with the Agency additional actions needed, such as

documenting these activities in the SPIM. The Agency agreed to take additional actions.

The OIG agrees with OECA's response to recommendations 2-2 through 2-4. We accept OECA's proposed limitation to recommendations 2-2 and 2-3 to include only non-NPL removal sites with unaddressed past costs in excess of $200,000.

We agree that the proposed actions for recommendations 2-1 through 2-4, when implemented, will meet the intent of the recommendations. All recommendations are open with agreed-to actions pending. In its final response to this report, EPA should provide estimated or actual completion dates for these recommendations.

Chapter 3
EPA Does Not Routinely Review Some Superfund Accounts That Can Contain Recoverable Government Costs

EPA may be missing opportunities to recover the government's costs for conducting all Superfund removal activities. EPA may incur Superfund expenses before a formal site-specific cost account is established. When this happens, EPA can identify these costs under a general and non-site-specific Identifier Code (ZZ), and, after later review, transfer the costs if a site-specific account is established. However, EPA does not always review these costs for transfer to formal site-specific Superfund accounts. Doing so would then allow these costs to be reviewed for possible recovery. ZZ costs are large, yet EPA does not have internal controls for annually reviewing all ZZ costs. Our work has identified costs that should have been reviewed for proper coding or transfer to formal site-specific accounts.

EPA Does Not Review Non-Site-Specific Accounts

EPA's financial management system accounts for and accumulates response costs, such as removal costs, at a site-specific level. EPA financial systems formally track site-specific costs using unique site spill identification numbers (SSIDs). Generally, EPA establishes SSIDs when there is a reasonable expectation that a response action will occur. When EPA establishes an SSID, EPA can identify and track the Federal Government's site-specific costs that may later be recovered from responsible parties.

EPA engages in pre-removal activities at sites that do not have an SSID, such as preliminary site assessments. EPA uses the ZZ code to track these Superfund costs. When EPA's pre-removal activities do not result in a removal action, costs can remain categorized as ZZ costs. However, by the time EPA has taken a removal action, an SSID should be assigned, and EPA should reassign appropriate ZZ costs to the formal SSID. Following this process should allow all the Government's site costs to be tracked and identified for potential recovery.

Between calendar years 2000 and 2007, ZZ costs were approximately $90 million in Regions 5, 9, and 10. Nearly $25 million could be costs that can be assigned to a specific site for possible recovery, or should have been coded to another account. This has not occurred because neither the regions, nor OECA or OCFO Headquarters have implemented controls to annually review or monitor ZZ costs.

On December 23, 2008, OCFO, issued a directive titled *Direct Charging of Superfund Costs: Site Specific Cost Accounting Methods*, which includes the following statement regarding ZZ accounts:

> *The approving official, usually the project officer, should request adjustment of previous charges from the ZZ identifier to the site account during the first billing cycle after the site-specific SSID code is established. Intramural costs also should be adjusted during the first billing cycle after the site-specific SSID code is established.*

Recommendations

We recommend that the EPA Chief Financial Officer, in cooperation with the Assistant Administrator for Solid Waste and Emergency Response and the Assistant Administrator for Enforcement and Compliance Assurance, require Regions 5, 9, and 10 to:

3-1 Perform a review of regional ZZ accounts to verify the appropriate use of the code, and reassign costs to the appropriate account or SSID, including a summary of the reassignment of the estimated $25 million in miscoded ZZ costs.

We recommend that the EPA Chief Financial Officer, in cooperation with the Assistant Administrator for Solid Waste and Emergency Response and the Assistant Administrator for Enforcement and Compliance Assurance, require all EPA regions to:

3-2 Perform an annual review of ZZ accounts to verify the appropriate use of the code and reassign costs to the appropriate account or SSID.

Agency Comments and OIG Evaluation

The OIG made changes to the report based on the Agency's comments where appropriate. Appendix A provides the full text of the Agency comments and OIG response.

EPA concurred with all recommendations. EPA proposed limitations on the review of costs in recommendation 3-1 to include only extramural costs for the FYs 2005-2007. We accept these limitations, with the qualification that EPA provides documentation of the quantity of extramural costs in the summary of reassigned of costs. We agree with the proposed actions in response to recommendation 3-2, which will create an annual review process for ZZ expenditures.

We agree that the proposed actions for recommendations 3-1 and 3-2, when implemented, will meet the intent of the recommendations. All recommendations are open with agreed-to actions pending. In its final response to this report, EPA should provide estimated or actual completion dates for these recommendations.

Chapter 4
EPA Information Systems Necessary for Cost Recovery Have Data Integrity Problems

CERCLIS and SCORPIOS database systems lack internal controls necessary for effective cost recovery and have data quality problems that may affect EPA's ability to identify costs associated with a specific site. For example, the lack of a CERCLIS identification number (ID) or an invalid SSID in SCORPIOS, or major differences in the site name could cause regional staff to overlook some costs associated with a site. These data quality issues are caused by not routinely comparing data elements between and within the two systems. As a result, cost recovery could be compromised by difficulties in associating site costs with the appropriate SSID.

CERCLIS Sites Are Not Always Identified in SCORPIOS

Removal sites are identified in CERCLIS by their 12-digit CERCLIS ID, while cost recovery in SCORPIOS is based on the 4-digit SSID. CERCLIS contains information on site actions, while SCORPIOS contains information on total site costs and cost recovery. For effective cost recovery, costs associated with an SSID must be associated with the CERCLIS ID. This may be accomplished by storing both IDs in SCORPIOS, or by matching the sites in the two systems based on the site name.

CERCLIS contains data on approximately 62,000 Superfund sites, nationwide. SCORPIOS contains information on approximately 14,000 SSIDs assigned for site-specific cost recovery. We found the following limitations in associating site information between CERCLIS and SCORPIOS:

- Missing CERCLIS IDs – In SCORPIOS, the total costs and SSIDs for a site can be identified by querying on the CERCLIS ID. During the course of this review, we discovered some SSIDs without CERCLIS IDs. Analysis of SCORPIOS data revealed that CERCLIS IDs may be missing from up to 15 percent of SSIDs for sites in CERCLIS. Identifying the SSIDs and costs for these sites must therefore rely on less exact methods to identify the SSIDs, such as matching by the site names in CERCLIS and SCORPIOS. After discussing this issue, EPA regions have started adding CERCLIS IDs to sites in SCORPIOS.

- Different site names – Of sites in SCORPIOS with valid CERCLIS IDs, 59 percent have different site names than those in CERCLIS. Most of these appear to be minor discrepancies such as abbreviations, punctuation, or

additional characters at the end of one of the names. However, some of the names bear little resemblance to each other, and would be in different locations in an alphabetic list of site names. This can complicate the ability to correlate SCORPIOS SSID with CERCLIS sites, and could potentially reduce cost recovery.

SSIDs and Names in SCORPIOS Have Some Data Quality Problems

Complete cost recovery through SCORPIOS relies on validly identifying costs by the SSID. Some SSID data quality issues exist in SCORPIOS that could prevent the appropriate identification of costs for a site and thereby reduce potential cost recovery. These issues include:

- No site name associated with an SSID – Forty-four SSIDs have a name indicated as "Site name does not exist." An additional 46 SSIDs have names such as "Unknown," "Do not use – inactive," "SSID not used," or other text that indicates the SSID is a duplicate or inappropriate. However, costs can still be associated with these SSIDs in SCORPIOS, and some of these SSIDs have total costs listed. In these cases, any costs associated with the SSIDs could easily be overlooked when regions attempt to identify site-specific costs for recovery.

- Use of problematic characters in SSIDs – Some SSIDs contain special keyboard characters such as "!," "#," "$," "*," and "@." Some SSIDs have similar-looking values but use an "I" instead of a numeric "1" or an "O" instead a numeric "0." Mistakes can easily occur in keying these characters, by mistakenly typing or not typing a special character by using or not using the "shift" key, or by misreading an "I," "1," "O," or "0." As a result, site costs may be associated with an incorrect SSID.

- Different site names – Some sites have multiple SSIDs. Some of these sites have site names that are different from each other. In addition, some site names begin with a space or the word "the," which complicates an effort to locate a site by name on an alphabetic list.

EPA Public Information Systems Yield Different Results

EPA has at least three different Superfund Web-based queries accessible by the public. These systems are the CERCLIS Basic/Advanced queries, the Superfund Information System (SIS) and Envirofacts. These systems may yield different results to the same query, or misleading results to a query, that could misinform a member of the public attempting to obtain information on Superfund sites. Examples are:

- CERCLIS Basic/Advanced query is not updated – This query has not been updated with all data since January 9, 2003, but this qualification is not

readily apparent. As a result, queries may not provide the same information as SIS and Envirofacts. Further, the system provides different categories of searches than SIS does.

- SIS contains information not in Envirofacts – The Office of Environmental Information administers the Envirofacts database, and SIS may contain information that is different from or not present in EPA's Envirofacts. Data not present in Envirofacts includes sub-actions such as the issuance of notice letters, and actions that have a start date but no completion date.

- SIS queries are inconsistent – Some Superfund actions have a completion date but no start date. If these actions are queried by a start date range in SIS, no results will be found even though the action exists and has been completed. This situation can be misleading.

Conclusions

Various data quality issues within SCORPIOS, and data inconsistencies between SCORPIOS and CERCLIS, indicate missing internal controls that could reduce cost recovery. EPA's public information systems present potentially conflicting results by providing differing answers to similar queries among various systems.

Recommendations

We recommend the EPA Chief Financial Officer:

4-1 Implement process controls to ensure consistent site data in SCORPIOS and CERCLIS, including mechanisms to ensure valid CERCLIS IDs are included in SCORPIOS for all SSIDs.

4-2 Implement system controls to ensure only valid SSIDs exist in SCORPIOS, including processes to correct SSIDs without a site name and SSID values that have been incorrectly entered.

We recommend the EPA Assistant Administrator for Solid Waste and Emergency Response:

4-3 Until fixed, qualify the discrepancies among queries of EPA's public Internet data systems CERCLIS Basic/Advanced Query, SIS, and Envirofacts. These qualifications should include information on the Internet query sites that alerts the public to the potential differences among EPA's systems.

Agency Comments and OIG Evaluation

The OIG made changes to the report based on the Agency's comments where appropriate. Appendix A provides the full text of the Agency comments and OIG response.

EPA concurred with all recommendations. EPA proposed actions to address the data quality issues identified in recommendations 4-1 and 4-2, and to add additional disclaimers to address recommendation 4-3.

We agree that the proposed actions for recommendations 4-1 through 4-3, when implemented, will meet the intent of the recommendations. All recommendations are open with agreed-to actions pending. In its final response to this report, EPA should provide estimated or actual completion dates for these recommendations.

Status of Recommendations and Potential Monetary Benefits

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RECOMMENDATIONS						POTENTIAL MONETARY BENEFITS (in $000s)	
Rec. No.	Page No.	Subject	Status[1]	Action Official	Planned Completion Date	Claimed Amount	Agreed To Amount
2-1	8	Develop and implement a control to monitor the status and timeliness of PRP searches at non-NPL sites.	O	Assistant Administrator for Enforcement and Compliance Assurance			
2-2	8	Develop standard and mandatory regional requirements for PRP search documentation that regions should complete as part of the cost recovery decision document (closeout memo).	O	Assistant Administrator for Enforcement and Compliance Assurance			
2-3	8	Develop and implement a control to verify and monitor that regions have included PRP search documentation in the cost recovery decision document.	O	Assistant Administrator for Enforcement and Compliance Assurance			
2-4	8	Update PRP search guidance to reflect the mandatory requirements for PRP search documentation.	O	Assistant Administrator for Enforcement and Compliance Assurance			
3-1	11	Require Regions 5, 9, and 10 to perform a review of regional ZZ accounts to verify the appropriate use of the code, and reassign costs to the appropriate account or SSID, including a summary of the reassignment of the estimated $25 million in miscoded ZZ costs.	O	Chief Financial Officer, in cooperation with the Assistant Administrator for Solid Waste and Emergency Response and the Assistant Administrator for Enforcement and Compliance Assurance		$25,000	
3-2	11	Require all EPA regions to perform an annual review of ZZ accounts to verify the appropriate use of the code and reassign costs to the appropriate account or SSID.	O	Chief Financial Officer, in cooperation with the Assistant Administrator for Solid Waste and Emergency Response and the Assistant Administrator for Enforcement and Compliance Assurance			
4-1	15	Implement process controls to ensure consistent site data in SCORPIOS and CERCLIS, including mechanisms to ensure valid CERCLIS IDs are included in SCORPIOS for all SSIDs.	O	Chief Financial Officer			
4-2	15	Implement system controls to ensure only valid SSIDs exist in SCORPIOS, including processes to correct SSIDs without a site name and SSID values that have been incorrectly entered.	O	Chief Financial Officer			
4-3	15	Until fixed, qualify the discrepancies among queries of EPA's public Internet data systems CERCLIS Basic/Advanced Query, SIS, and Envirofacts. These qualifications should include information on the Internet query sites that alerts the public to the potential differences among EPA's systems.	O	Assistant Administrator for Solid Waste and Emergency Response			

[1] O = recommendation is open with agreed-to corrective actions pending
C = recommendation is closed with all agreed-to actions completed
U = recommendation is undecided with resolution efforts in progress

Appendix A

Agency Response to Draft Report and OIG Evaluation

OIG Note: The Agency response was dated and received March 19, 2009. Page numbers referenced in the Agency response refer to pages of the Draft Report, and may not be accurate references to pages in this final report.

MEMORANDUM

SUBJECT: Response to OIG Draft Evaluation Report, "EPA Needs to Improve Internal Controls to Increase Cost Recovery," Assignment Number: 2008-0004, February 17, 2009

FROM: Catherine R. McCabe
Acting Assistant Administrator

TO: Carolyn Copper, Director
Program Evaluation
Hazardous Waste Issues
Office of Inspector General

Thank you for giving us the opportunity to review the subject OIG draft evaluation report. The Office of Enforcement and Compliance Assurance (OECA), Office of the Chief Financial Officer (OCFO), and Office of Solid Waste and Emergency Response (OSWER) have reviewed the report, identified the lead office for each OIG recommendation, and responded to each recommendation. I am responding to the draft report on behalf of OECA, OSWER and OCFO. Our staffs have told us that this evaluation went smoothly and that they have a good working relationship with OIG staff. We appreciate your help to continually improve the Superfund program. We particularly appreciate your approach to the informal review of the discussion draft and your responsiveness to our ideas and suggestions.

OECA, OCFO, and OSWER provide the following comments in response to this report:

Recommendation 2.1: OIG recommends that the Assistant Administrator for Enforcement and Compliance Assurance develop and implement a control to monitor the status and timeliness of PRP searches at non-NPL sites.

OECA Response: OECA agrees with the purpose of this recommendation. OECA notes that it currently relies on a series of existing controls relating to the status and timeliness of PRP searches. OECA believes that taking an enforcement action against PRPs, either to perform the response action or to seek cost recovery, is indicative of a timely PRP search. OECA currently tracks these activities in CERCLIS. Another indicator that a PRP search is complete is the issuance of a decision not to pursue cost recovery. OECA also tracks these decisions in CERCLIS. As acknowledged in this report by the OIG, OECA has a process in place to ensure that either a cost recovery action is

taken or a decision is made not to pursue cost recovery prior to the expiration of the statute of limitations. This helps ensure that PRP search activities are completed in a timely manner. This process applies to all Superfund sites with unaddressed past costs greater than $200,000, including non-NPL removals. We believe a system of "controls" based on the monitoring of these elements will ensure that the timeliness of PRP searches is monitored adequately.

OIG Response: The steps identified in OECA's response to recommendation 2-1 appear to constitute sufficient information to measure the status and timeliness of PRP searches at non-NPL sites. However, this information functions as a control only if EPA staff monitors the information to ensure PRP searches are performed in a timely manner. In additional discussions, OECA has identified an existing report from CERCLIS that summarizes the information. This report and its use should be included the SPIM, and the anticipated date for changes to the SPIM should be included in EPA's 90-day response to this report. The recommendation is open with agreed-to actions pending.

Recommendation 2.2: OIG recommends that the Assistant Administrator for Enforcement and Compliance Assurance develop standard and mandatory requirements for PRP search documentation that Regions should complete as part of the cost recovery decision document (closeout memo).

OECA Response: OECA agrees with this recommendation. OECA agrees to modify its case conclusion/write-off guidance to require that, for non-NPL removal sites having unaddressed past costs greater than $200,000 where the region decides not to pursue cost recovery, the decision document/close out memorandum for that site will reference all PRP search documents used to make that decision and identify where those documents are located. Please note that the decision document memo, and the supporting documents it references, would be treated as enforcement sensitive and would not be subject to release under FOIA.

We plan to limit this requirement to decisions not to pursue cost recovery because for all other sites the PRP search activities are well documented in the "Findings of Fact" portion of any orders issued or in the 10-point settlement analysis associated with any judicial enforcement action.

OIG Response: The OIG accepts OECA's suggestion to limit the applicability of the guidance to sites with unaddressed past costs greater than $200,000. The recommendation is open with agreed-to actions pending.

Recommendation 2.3: OIG recommends that the Assistant Administrator for Enforcement and Compliance Assurance develop and implement a control to verify and monitor that regions have included PRP search documentation in the cost recovery decision document.

OECA Response: OECA agrees with this recommendation. OECA will perform an annual evaluation using a sample of non-NPL removals with unaddressed past costs greater than $200,000 where a decision was made not to pursue cost recovery. OECA will use criteria that include, but are not limited to, the number and dollar value of the decision documents in a given region during the prior fiscal year.

OIG Response: The OIG accepts OECA's suggestion to limit the annual evaluation to non-NPL removal sites with unaddressed past costs greater than $200,000, where a decision was made not to pursue cost recovery. The recommendation is open with agreed-to actions pending.

Recommendation 2.4: OIG recommends that the Assistant Administrator for Enforcement and Compliance Assurance update PRP search guidance to reflect the mandatory requirements for PRP search documentation.

OECA Response: OECA agrees with this recommendation. OECA will update the PRP search manual to reflect mandatory documentation requirements added to the case conclusion/write-off guidance as described in our response to recommendation 2.2.

OIG Response: The OIG agrees with OECA's proposed actions in response to recommendation 2-4. The recommendation is open with agreed-to actions pending.

Recommendation 3.1: OIG recommends that the EPA Chief Financial Officer, in cooperation with the Assistant Administrator for Solid Waste and Emergency Response and the Assistant Administrator for Enforcement and Compliance Assurance, require Regions 5, 9, 10 to perform a review of Region ZZ accounts from 2000 through 2007 to verify the appropriate use of the code and reassign the costs to the appropriate account or SSID, including a summary of the estimated $25 million in miscoded ZZ costs.

OCFO Response: OCFO partially agrees with this recommendation. Since the discussion draft was provided in December 2008, Region 5 has already conducted an initial review of its ZZ expenditures, and OCFO is working with Region 5 to document its redistribution efforts. OCFO will conduct similar efforts with Regions 9 and 10. However, according to CERCLA §113(g)(2)(A), the Statute of Limitations (SOL) for cost recovery is three years from completion of a removal action. Because the SOL will have expired for older expenditures, OCFO will limit the review to only FY 2005-FY 2007 expenditures. OCFO will also limit this FY 2005-FY 2007 expenditures review to extramural funds only, since approximately 95 percent of all ZZ costs in Regions 5, 9, 10 for this period were charged to contracts and grants.

OIG Response: The OIG accepts the OCFO's proposed limitations in the review of ZZ costs. However, we expect the OCFO to fully document and quantify these limitations in the summary of the estimated $25 million. The anticipated date of this summary should be included as a milestone in the 90-day response. The recommendation is open with agreed-to actions pending.

Recommendation 3.2: OIG recommends that the EPA Chief Financial Officer, in cooperation with the Assistant Administrator for Solid Waste and Emergency Response and the Assistant Administrator for Enforcement and Compliance Assurance, require all regions to perform an annual review of ZZ accounts to verify the appropriate use of the code and reassign costs to the appropriate code or SSID.

OCFO Response: OCFO agrees with this recommendation and will require each Region to perform an annual review of ZZ expenditures to verify the appropriate use of the ZZ SSID and associated codes, and to ensure that ZZ expenditures are redistributed to appropriate accounts, if

necessary. The annual certification validating these costs will be implemented as part of the Agency's annual Management Integrity Assurance Letter process starting in 2010.

OIG Response: The OIG agrees with the OCFO's proposed actions in response to recommendation 3-2. The recommendation is open with agreed-to actions pending.

Recommendation 4.1: OIG recommends that the EPA Assistant Administrator for Enforcement and Compliance Assurance and the Assistant Administrator for Solid Waste and Emergency Response implement process controls to ensure consistent site data in SCORPIOS and CERCLIS including mechanisms to ensure valid CERCLIS IDs are included in SCORPIOS for all SSIDs.

OCFO Response: This recommendation should be directed to OCFO, the owner of SCORPIOS.

OCFO agrees with this recommendation. OCFO wants to clarify that SCORPIOS contains non-Superfund site information because it is also used as cost recovery system for Brownfields, OPA (Oil Pollution Act), LUST (Leaking Underground Storage Tank) and other appropriations. These sites will not have CERCLIS IDs. Therefore, OCFO in conjunction with the Regions, OECA, and OSWER, will work to link Superfund site IDs with CERCLIS IDs for all those Superfund sites in SCORPIOS that receive a CERCLIS ID.

OIG Response: OIG agrees with the OCFO's proposed actions in response to recommendation 4.1. The action official will be changed in the report to the EPA Chief Financial Officer. The recommendation is open with agreed-to actions pending.

Recommendation 4.2: OIG recommends that the EPA Assistant Administrator for Enforcement and Compliance Assurance and the Assistant Administrator for Solid Waste and Emergency Response implement system controls to ensure only valid SSIDs exist in SCORPIOS including processes to correct SSIDs without a site name and SSID values that have been incorrectly entered.

OCFO Response: This recommendation should be directed to OCFO, the owner of SCORPIOS.

OCFO agrees with this recommendation and plans to implement system controls to ensure only valid site identifiers exist in SCORPIOS. OCFO will work with OECA, OSWER, and the Regions to review the SCORPIOS database, and take necessary actions to remove inaccurate site names and SSIDs from the database.

OIG Response: The OIG agrees with the OCFO's proposed actions in response to recommendation 4.2. The action official will be changed in the report to the EPA Chief Financial Officer. The recommendation is open with agreed-to actions pending.

Recommendation 4.3: OIG recommends that the EPA Assistant Administrator for Enforcement and Compliance Assurance and the Assistant Administrator for Solid Waste and Emergency Response, until fixed, qualify the discrepancies among queries of EPA's public Internet data systems CERCLIS Basic/Advanced Query, SIS, and Envirofacts. These qualifications should include information on the Internet query sites that alerts the public to the potential differences among EPA's systems.

OSWER Response: This recommendation should be directly solely to the Assistant Administrator for OSWER, the owner of CERCLIS.

OSWER agrees with this recommendation. For the CERCLIS basic and advanced query, the system currently contains the following disclaimer:

> Disclaimer
> The data contained in these reports are intended solely for use by employees of the U.S. Environmental Protection Agency (EPA) for management of the Superfund program. They are not intended for use in calculating Cost Recovery Statutes of Limitation and cannot be relied upon to create any rights, substantive or procedural, enforceable by any party in litigation with the United States. EPA reserves the right to change these data at any time without public notice.

OSWER proposes to add the following language to the disclaimer:

> Data elements may not be updated. Search capabilities may differ from other Superfund site search query pages and EPA's Envirofacts.

With respect to the Superfund Information System (SIS), OSWER proposes to add a disclaimer link to the SIS query page with the following language:

> The data contained in these reports are intended solely for use by employees of the U.S. Environmental Protection Agency (EPA) for management of the Superfund program. They are not intended for use in calculating Cost Recovery Statutes of Limitation and cannot be relied upon to create any rights, substantive or procedural, enforceable by any party in litigation with the United States. EPA reserves the right to change these data at any time without public notice.
>
> Data elements may not be updated. In accordance with the Superfund Program Implementation Manual (SPIM), not all actions require a start date or a completion date. Search capabilities may differ from other Superfund site search query pages and EPA's Envirofacts. The Envirofacts database is administered by the Office of Environmental Information, and the Superfund Information System may contain information which is different from, or not present in Envirofacts.

OIG Response: The OIG agrees with OSWER's proposed actions in response to recommendation 4-3. The action official will be changed in the report to the EPA Assistant Administrator for Solid Waste and Emergency Response. The recommendation is open with agreed-to actions pending.

ADDITIONAL COMMENTS:

OIG Response: We modified text of the report as appropriate, based on Agency comments in this section. Specific OIG comments are included in this section only in response to Agency comments on ZZ costs.

At a Glance –

"What We Found"

We ask that the second sentence in paragraph 2 of this section be modified to read: "EPA reports show that the Agency has a high rate of success in addressing cost recovery requirements prior to the expiration of the SOL." (Currently the sentence reads: EPA reports show that the Agency has a high rate of success in complying with cost recovery requirements within the SOL.)

Chapter 1, Introduction –

"Cost Recovery"

The second sentence of this section states that the Superfund Cost Recovery Package Imaging and On-Line System (SCORPIOS) includes both indirect and direct Superfund costs. Actually, SCORPIOS contains direct costs from IFMS and indirect rates which are developed, on a Region and Fiscal Year specific basis, from data contained in IFMS.

"Noteworthy Achievements"

We suggest the first sentence of the first bullet of this section be modified by changing the phrase "total past costs" to "total unaddressed past costs" to more accurately reflect OECA's GPRA goal.

We would like to include a statement with respect to OECA's accomplishments in the removal enforcement area, specifically, having PRPs perform removal actions rather than pursuing them in cost recovery. Therefore, we ask that you add the following bullet to this section:

- In FY 2008, PRPs completed 51 non-NPL removal actions under EPA enforcement instruments valued at over $60 million. In the last 5 years, PRPs completed 191 non-NPL removals valued at over $260 million as a result of EPA enforcement efforts.

"Scope and Methodology"

Paragraph 2 references 707 completed non-NPL removals during January 1, 2000 through December 31, 2007, in Regions 5, 9, and 10. We ask that the report explain that this number includes both Fund-lead and PRP-lead removals and does not include removals at Proposed NPL sites.

"Limitations"

We suggest the second sentence of the first bullet be changed to say: "Because of this difference, applying the current indirect rate to past "direct" expenses may overstate or understate those past expenses."

Chapter 2, "EPA Has Internal Controls to Recover Superfund Removal Costs, but Key Controls Need Improvement"

"EPA Does Not Oversee PRP Searches"

Although OECA does not review each individual PRP search, we do track when the regions compel PRPs to perform the response action or pursue PRPs for cost recovery. OECA has not engaged in routine reviews of regional decisions not to pursue cost recovery to ensure that those decisions are supported with adequate PRP search documentation; however, we have performed such reviews on an ad-hoc basis. We believe that a more appropriate title for this section would be: "EPA Oversight Needs to Include Routine Review of Decisions Not to Seek Cost Recovery" and ask that you consider making this change.

To reflect the dual purpose of PRP searches, we request that the first sentence of this section be changed to read as follows: "The PRP search process identifies PRPs for a site and establishes PRP liability, capability, and financial viability in order to compel PRPs to perform the response action or for the potential recovery of EPA's cleanup costs." This statement conveys EPA's first priority with respect to a PRP search, which is to obtain information necessary to get PRPs to perform the response action. Only in circumstances where there is the need to take action quickly (e.g., emergency removal actions) or in the absence of cooperative or viable PRPs is the primary goal of the PRP search to support cost recovery.

On page 6 the title of Table 1 (excerpted from the *PRP Search Manual*) is "PRP Search Checklist" rather than "PRP Checklist."

We recommend on Page 6 that the entire PRP Search Completion language from the SPIM be included rather than just including the criteria. As such, we request that the OIG insert the following language prior to the criteria:

> *A PRP search completion constitutes the completion of the activities taken by the region to identify PRPs at a site. In conducting the PRP search, the region must consider which of the criteria outlined below are cost effective and reasonable to meet relative to the anticipated overall cleanup costs at the site. Upon completion, regions should document in the site file that they have met all reasonable achievable criteria. Criterion 1 is mandatory for all PRP search completions. The PRP search should ideally be completed prior to completion of cleanup negotiations; however, it is recognized that this may not be achievable in all situations. The recommended criteria for a thorough PRP search are:*

We also want to make you aware that since the OIG began its research, these criteria have been modified in the revised version of the PRP Search Manual, which we're expecting to finalize in

2009, and also will be modified in the next revision of the SPIM. We've attached the modified criteria, for your reference.

Chapter 3, "EPA Does Not Review Some Superfund Accounts That Can Contain Recoverable Government Costs"

EPA requests that the title to this chapter be modified as follows: **"**EPA Does Not Routinely Review Some Superfund Accounts That Can Contain Recoverable Government Costs.**"**

The OIG report implies that the only reason that $25 million of ZZ costs have not been reassigned to an SSID is that they haven't been reviewed. While we agree with the need for Regions to review ZZ costs, we ask that the OIG Report acknowledge that there are legitimate reasons why some significant costs will remain in ZZ accounts. For example, many removal assessments do not result in an EPA removal action, and therefore an SSID is never established. Some of these assessments can be quite expensive, especially if they include laboratory costs.

OIG Response: The text in the report was modified to indicate that there can be reasons for costs remaining in ZZ accounts. The report correctly states that $25 million of ZZ costs could be costs that were incorrectly assigned because they were not reviewed by EPA. According to information supplied by EPA, ZZ costs were $90 million in Regions 5, 9, and 10. Almost $25 million of these costs appear to have been miscoded according to EPA's criteria in the SPIM.

"EPA Does Not Review Non-Site-Specific Accounts"

We ask that the OIG Report acknowledge a recent OCFO directive on Superfund site cost accounting. On December 23, 2008, OCFO, issued a directive titled *Direct Charging of Superfund Costs: Site Specific Cost Accounting Methods.* Among other things, this directive identifies a "key internal control" that directly addresses the need for Regions to provide EPA finance centers, in a timely manner, the site-specific accounting information needed to redistribute costs that were recorded with a ZZ identifier prior to establishment of an SSID code. Specifically, the directive says on page 11:

> The approving official, usually the project officer, should request adjustment of previous charges from the ZZ identifier to the site account during the first billing cycle after the site-specific SSID code is established. Intramural costs also should be adjusted during the first billing cycle after the site-specific SSID code is established.

Chapter 4, "EPA Information Systems Necessary for Cost Recovery Have Data Integrity Problems"

"EPA Public Information Systems Yield Different Results"

We request that the OIG clarify in the first bullet on page 13 that the Envirofacts database is administered by the Office of Environmental Information, and that the Superfund Information System may contain information which is different from or not present in EPA's Envirofacts.

We appreciate the opportunity to comment on the draft report. We look forward to working with you on this and other matters in the future. Should you have any questions regarding this response, please contact Gwendolyn Spriggs, OECA's Audit Follow-Up Coordinator, at 202-564-2439.

Attachment

cc: M. Owen (OIG)
B. Breen (OSWER)
M. Froehlich (OCFO)
M. Mulkey (OECA/OSRE)
E. Gilberg (OECA/OSRE)
J. Woolford (OSWER/OSRTI)
E. Southerland (OSWER/OSRTI)
D. Deitrich (OSWER/OEM)
D. Tulis (OSWER/OEM
M. Schneider (OECA/OAP)
S. Silzer (OCFO/OFM)
K. O'Brien (OCFO/OTS)
G. Spriggs (OECA/OAP)
J. Webster (OSWER)
K. Mainess (OCFO)
B. Freggens (OCFO)

Attachment

PRP Search Completions as defined in the revisions of the PRP Search Manual, currently in progress.

A PRP search completion constitutes the completion of the activities taken by the region to identify PRPs at a site. In conducting the PRP search, the region must consider which of the criteria outlined below are cost effective and reasonable to meet relative to the anticipated overall cleanup costs at the site. Upon completion, regions should document in the site file that they have met all reasonable achievable criteria. Criteria 1, below, is mandatory for all PRP search completions. The PRP search should ideally be completed prior to completion of cleanup negotiations; however, it is recognized that this may not be achievable in all situations. The recommended criteria for a thorough PRP search are:

1. PRPs have been afforded opportunities to participate in or contribute to the PRP search, and the information contributed has been verified and/or authenticated and incorporated into the PRP search;

2. All relevant and material leads from CERCLA Section 104(e) responses, interviews, and other primary or source documents have been pursued;

3. Sufficient information and evidence have been obtained to support the government's liability case, or determine that no viable PRPs exist or can be found;

4. PRPs have been categorized and financial and waste contribution information needed to perform orphan share calculations has been collected;

5. Ability to pay determination (including but not limited to the investigation and analysis of any applicable insurance coverage) have been made for those PRPs who have asserted inability to pay in good faith; and

6. General notice letters have been issued to all PRPs being pursued.

Appendix B

Distribution

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Acting Chief Financial Officer
Acting Assistant Administrator, Office of Enforcement and Compliance Assurance
Acting Assistant Administrator, Office of Solid Waste and Emergency Response
Acting Regional Administrator, Region 5
Acting Regional Administrator, Region 9
Acting Regional Administrator, Region 10
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Principal Deputy Assistant Administrator, Office of Enforcement and Compliance Assurance
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