



OFFICE OF INSPECTOR GENERAL

*Catalyst for Improving the Environment*

## **Early Warning Report**

# **Making Better Use of Superfund Special Account Funds for Thermo Chem**

**Report No. 2007-S-00002**

**August 20, 2007**



# At a Glance

*Catalyst for Improving the Environment*

## Why We Did This Review

In February 2006, the Office of Inspector General recommended that the U.S. Environmental Protection Agency (EPA) timely review Superfund special accounts to ensure funds are used consistent with its guidance. We followed up on EPA's progress in implementing this recommendation by evaluating EPA's use of special accounts that had high available balances or were at least 10 years old.

## Background

Section 122(b)(3) of the Comprehensive Environmental Response, Compensation, and Liability Act (CERCLA), as amended by the Superfund Amendments and Reauthorization Act, authorizes EPA to retain and use funds received in settlements to address CERCLA response actions contemplated in the settlement agreements. EPA retains these funds in site-specific accounts, called "special accounts," which are subaccounts within the EPA Hazardous Substance Superfund (Trust Fund).

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

**To view the full report, click on the following link:**  
[www.epa.gov/oig/reports/2007/20070820-2007-S-00002.pdf](http://www.epa.gov/oig/reports/2007/20070820-2007-S-00002.pdf)

## ***Making Better Use of Superfund Special Account Funds for Thermo Chem***

### **What We Found**

We found that Region 5 missed an opportunity to make timely and better use of the funds in the Thermo Chem special account. In 2004, Region 5 staff recommended the reclassification of approximately \$2.8 million from the Thermo Chem special account. However, these funds were not reclassified because the site managers were unaware that action was needed or required. In addition, while EPA's guidance states that "Regions" are responsible for identifying special accounts having balances that are more than anticipated future site needs, it does not specify the title of the regional official responsible for doing so or responsible for processing the reclassification.

Region 5 could have used the \$2.8 million (approximately) to begin construction at other sites in the Region. For example, according to EPA's Web site, in Fiscal Year 2005, EPA stated that the Ottawa Radiation (Areas 1, 4, 9, & 11, and Illinois Power) site did not receive new construction funding. Region 5 could have used the reclassified funds to begin construction at this site in Fiscal Year 2005.

Recently, Region 5 updated future planned uses for the account funds. Approximately \$524,000 of the account funds are not planned for future use.

### **What We Recommend**

We recommend that the Region 5 Administrator reclassify approximately \$2.8 million (plus additional accrued costs) of the Thermo Chem special account to fund other priority response activities. We also recommend that the Region 5 Administrator reclassify, or transfer to the Trust Fund (as appropriate) approximately \$524,000 of the Thermo Chem special account that has no planned future use.



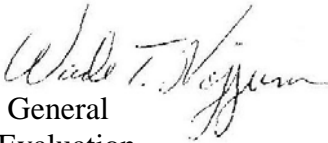
UNITED STATES ENVIRONMENTAL PROTECTION AGENCY  
WASHINGTON, D.C. 20460

OFFICE OF  
INSPECTOR GENERAL

August 20, 2007

**MEMORANDUM**

**SUBJECT:** Making Better Use of Superfund Special Account Funds for Thermo Chem  
Report No. 2007-S-00002

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

**TO:** Mary Gade  
Region Administrator  
EPA Region 5

This memorandum is to inform you of Office of Inspector General (OIG) findings that require immediate action regarding Region 5's special account management of the Thermo Chem Superfund site.

The OIG is conducting a review of (1) U.S. Environmental Protection Agency (EPA) regions' utilization of special account funds for a sample of accounts with high available balances, and (2) EPA regions' utilization of special account funds for accounts that are 10 years or older. During our review of selected Region 5 accounts that were at least 10 years old, we found:

- Region 5 has not reclassified approximately \$2.8 million from the Thermo Chem special account, as recommended in the Region's April 12, 2004, Cost Recovery Closeout Action memorandum for the site. This is inconsistent with EPA guidance (OSWER # 9275.1-03) on managing Superfund special accounts. When these funds are reclassified, they can fund other Region 5 response activities.
- Reclassification did not occur because the site managers were unaware that action was needed or required. In addition, while EPA's guidance states that "Regions" are responsible for identifying special accounts having balances that are more than anticipated future site needs, it does not specify the title of the regional official responsible for doing so or responsible for processing the reclassification. Our review of the Thermo Chem special account caused Region 5 to recognize the need to timely reclassify.

- Region 5 could have used the \$2.8 million (approximately) to begin construction at other sites in the Region. For example, according to EPA's Web site, in Fiscal Year 2005, EPA stated that the Ottawa Radiation (Areas 1, 4, 9, & 11, and Illinois Power) site did not receive new construction funding. Region 5 could have used the reclassified funds to begin construction at this site in Fiscal Year 2005.
- The Thermo Chem special account was established in 1995 and has approximately \$6 million available, as of May 31, 2007.<sup>1</sup> However, no funds have been disbursed from the account as of this date. Recently, Region 5 updated future planned uses for the account funds. Approximately \$524,000 of the account funds are not planned for future use.
- On July 17, 2007, the Remedial Project Manager for the Thermo Chem site stated that Region 5's Superfund Division will take steps to reclassify approximately \$2.8 million from Thermo Chem's special account and take other actions to better account for site-related charges that should be funded from the Thermo Chem special account. Additional costs have accrued since the Cost Recovery Closeout Action memorandum was issued in 2004; thus, additional costs could be reclassified.

We recommend that the Region 5 Administrator:

- 1) Reclassify approximately \$2.8 million (plus additional accrued costs) of the Thermo Chem special account to fund other priority response activities.
- 2) Reclassify, or transfer to the Trust Fund (as appropriate), approximately \$524,000 of the Thermo Chem special account that has no planned future use.

Please provide a written response to the findings and recommendations within 15 days from the date of this memorandum. Your response should include milestones for each of the recommendations. Please email an electronic version of your response that complies with section 508 of the Rehabilitation Act to Carolyn Copper at [copper.carolyn@epa.gov](mailto:copper.carolyn@epa.gov).

Our final report will include other OIG findings related to Superfund special account management improvements in Region 5, and other Regions, as appropriate. We will include your final response to the issues identified in this memorandum. If there are questions, I can be reached at (202) 566-0827 or [najjum.wade@epa.gov](mailto:najjum.wade@epa.gov), or Carolyn Copper can be reached at (202) 566-0829 or [copper.carolyn@epa.gov](mailto:copper.carolyn@epa.gov).

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<sup>1</sup> On 8/7/07, we obtained a "checkbook" report from ORBIT for this account as of 8/7/07. However, the date of the most recent entry is May 31, 2007.

## **Status of Recommendations and Potential Monetary Benefits**

RECOMMENDATIONS						POTENTIAL MONETARY BENEFITS (in \$000s)	
Rec. No.	Page No.	Subject	Status <sup>1</sup>	Action Official	Planned Completion Date	Claimed Amount	Agreed To Amount
1	2	Reclassify approximately \$2.8 million (plus additional accrued costs) of the Thermo Chem special account to fund other priority response activities.	O	Region 5 Administrator		\$2,800	
2	2	Reclassify, or transfer to the Trust Fund (as appropriate), approximately \$524,000 of the Thermo Chem special account that has no planned future use.	O	Region 5 Administrator		\$524	

<sup>1</sup> 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

## ***Distribution***

Regional Administrator, Region 5  
Assistant Administrator, Office of Enforcement and Compliance Assurance  
Assistant Administrator, Office of Solid Waste and Emergency Response  
Chief Financial Officer  
Principal Deputy Assistant Administrator, Office of Solid Waste and Emergency Response  
Principal Deputy Assistant Administrator, Office of Enforcement and Compliance Assurance  
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Enforcement Coordinator, Region 5  
Resource Management Division, Region 5  
Remedial Project Manager, SFD, Region 5  
Office of Regional Counsel, Region 5  
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