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May 2007

OFFICE OF INSPECTOR GENERAL

Catalyst for Improving the Environment

Semiannual Report to Congress



October 1, 2006 - March 31, 2007

EPA Inspector General

The Inspector General Act of 1978, as amended, requires the Inspector General to (1) conduct and supervise audits and investigations relating to programs and operations of the Agency; (2) provide leadership and coordination, and make recommendations designed to (a) promote economy, efficiency, and effectiveness; and (b) prevent and detect fraud and abuse in Agency programs and operations; and (3) fully inform the Administrator and the Congress about problems and deficiencies identified by the Office of Inspector General relating to Agency programs and operations.

Vision

We are catalysts for improving the quality of the environment and Government through problem prevention and identification, and cooperative solutions.

Mission

Add value by promoting economy, efficiency, and effectiveness within EPA and the delivery of environmental programs. Inspire public confidence by preventing and detecting fraud, waste, and abuse in Agency operations and protecting the integrity of EPA programs.

**To find out more about the U.S. Environmental Protection Agency's
Office of Inspector General and its activities, visit our Website at**

<http://www.epa.gov/oig>

Cover photos: *From top:* Vehicles on a highway causing air pollution; an interim status carbon regeneration facility; and the Libby, Montana, mine site (EPA photos).



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Message to Congress

During this semiannual period, in testimony before the House Energy and Commerce Subcommittee on Environment and Hazardous Materials, I discussed the Office of Inspector General's (OIG's) recommendations on how the U.S. Environmental Protection Agency (EPA) can better leverage its limited resources. As the available funding for discretionary programs declines, it will be even more critical to find ways to better manage and utilize resources. I pointed out during my testimony that during Fiscal Year 2006 my office questioned \$87 million in costs; identified nearly \$692 million in cost efficiencies; and recorded almost \$31 million from fines, restitutions, and settlements. This represents a potential return on investment of over \$16 for every dollar invested in the OIG.

I have undertaken a number of initiatives during the semiannual period to make the OIG more efficient and effective. These initiatives have involved competing commercial work, closing sites that do not have an EPA presence, reducing overhead, and co-locating more supervisors with their immediate staffs. We are concluding our first ever EPA-wide business risk assessment, focused on the high level internal control framework and past audit coverage of EPA, to help guide our future direction in audits, evaluations, and investigations. More details on these initiatives, as well as recent OIG budget history, follow.

I am proud to note that the EPA OIG received an unmodified opinion in a recently completed peer review covering Fiscal Year 2005. This means that the OIG's system of internal control for the audit and evaluation function in effect for that year was designed to meet Federal quality control standards.

Throughout the year, the OIG receives numerous requests to conduct audits, evaluations, and reviews. During this semiannual period we published several reports that were the result of specific requests from Congress and EPA officials.

In response to a congressional request, we looked at the various efforts EPA has been undertaking to clean up the Chesapeake Bay watershed. We found that EPA must improve its coordination with its Chesapeake Bay partners and the agricultural community – particularly the U.S. Department of Agriculture – to better reduce nutrients and sediment entering the watershed. As specifically requested, we also looked at the impact of air pollution control activities on the watershed. We found that EPA is relying on existing Clean Air Act regulations to reduce nitrogen depositing from the air into the watershed.

Our most recent review of asbestos contamination in Libby, Montana, based on another congressional request, found that EPA has not completed a toxicity assessment of asbestos in the community. Therefore, EPA cannot be sure that human exposure is at acceptable levels. As a result of our review, EPA agreed to fund and execute a toxicity assessment.

We also reviewed grant funding provided to the National Rural Water Association based on a congressional request and found that the association's method of allocating indirect costs was contrary to regulations and may have resulted in an over-allocation of more than \$2 million to EPA grants. In other reviews, we questioned \$25 million in grants awarded to America's Clean Water Foundation, as well as \$1 million awarded to the International City/County Management Association. Also, we noted that EPA policies and procedures allowing States to use bonds repaid from the State Revolving Fund to meet State Revolving Fund match requirements are resulting in fewer dollars being available for water projects; the Office of Management and Budget agreed with our position that EPA should no longer allow this practice.

We continued our work in reviewing EPA voluntary programs and examined EPA's National Environmental Performance Track program to see how it achieves EPA's goals. Performance Track is a public-private partnership that encourages members to improve the environment through using environmental management systems, local public outreach, and public reporting for results. We found that the program did not have clear plans that connected activities with its goals, and did not have performance measures that show if it achieved anticipated results.

This semiannual report includes details on these and other issues, including a number of investigations that resulted in payments to the Federal Government and criminal, civil, or administrative actions. We will continue to work with the Agency and Congress, serving as a catalyst for improving the environment.



Bill A. Roderick
Acting Inspector General

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A Catalyst for Results

Various Actions Taken as a Result of OIG Work

During this reporting period, the U.S. Environmental Protection Agency (EPA) agreed to take various actions as a result of Office of Inspector General (OIG) work. The following actions related to the OIG's two external goals.

To contribute to improved human health and environmental quality...

- EPA agreed to execute a new Memorandum of Agreement with the U.S. Department of Agriculture that specifically identifies tasks and timeframes for meeting shared goals in the cleanup of the Chesapeake Bay watershed.
- EPA agreed to require regions to obtain and evaluate all required reports related to vehicle inspection and maintenance programs to ensure that programs are operating effectively, and to provide more technical assistance and guidance to States.
- EPA agreed to connect National Environmental Performance Track activities with goals, and measure and report on performance related to activities and goals.
- EPA agreed to fund and execute a toxicity assessment of asbestos in Libby, Montana, so it can be sure human exposure is at acceptable levels.
- EPA agreed to review State National Permitting Goal projections for hazardous waste facility interim status permits to identify opportunities for prioritizing facilities based on risk.

To improve EPA's management, accountability, and program operations...

- EPA agreed to deobligate approximately \$9.5 million of Superfund cooperative agreement funds, thus making them available for other purposes.
- EPA agreed to strengthen its procedures for using interagency contracts by enhancing guidance, procedures, and training.
- EPA agreed it must assess whether to continue the current practice of allowing States to meet matching requirements by using monies in the State Revolving Funds. We estimate this practice has reduced the amount of money available for loans by \$937 million. The Office of Management and Budget agreed with our position that EPA should no longer allow this practice.
- EPA will resolve questioned costs of \$25,372,590 from America's Clean Water Foundation and \$1,007,858 from the International City/County Management Association.
- EPA agreed to update guidance for identifying contractor information technology systems and establish formal procedures for updating contract clauses.

We provide details on these and other issues throughout this semiannual report.

Management Initiatives

During Fiscal Year (FY) 2006, the Acting Inspector General initiated a general restructuring effort to compete commercial work, close sites without an EPA presence, reduce overhead, and begin to shift the organization to implement the management approach of assigning on-site staff to on-site supervisors where possible without undue hardship on employees.

The first restructure element, a competition action for the financial statement audit of EPA, is on track to be completed in FY 2007. Most other Cabinet-level departments contract out the financial statement audits, and the Acting Inspector General initiated a competitive sourcing study to determine which method would be least expensive. This effort was actually begun in late FY 2006, but put into abeyance because of funding uncertainty from November 2006 to February 2007. The funding uncertainty is resolved and the study is ongoing. If contractors win the competition, no OIG employees will be affected because the OIG has reduced its end strength enough, largely through attrition, to accommodate the cost of the financial audit. After the competition, the number of auditor and evaluator staff working on performance audits or program evaluations should result in about the same as before the competition. This will be accomplished by converting the current financial audit staff to performance audit or hiring new staff.

Second, in late FY 2006, the Acting Inspector General closed the Sacramento and Los Angeles field sites and shifted the staff to the San Francisco office. Two of the staff elected to separate from the OIG. The Acting Inspector General also elected to move eight support staff into direct audit and evaluation work, and shifted one audit group to the Office of Congressional and Public Liaison. This action put a higher percentage of the OIG staff into production work and added to the quick-reaction capability of the OIG. The Acting Inspector General also transferred a senior supervisory auditor to the Office of Investigations to develop and produce audit reports for management issues that come to the surface during investigations.

To assist in this restructuring, the Acting Inspector General began an effort in early FY 2006 to obtain Voluntary Separation Incentive Payment/Voluntary Early Retirement Authority (VSIP/VERA) buyout authority. The VSIP/VERA authority was approved in January 2007 and 10 employees voluntarily left the OIG. These additional vacancies provide the opportunity for moving five former support staff billets into production. The Acting Inspector General continues to study the support and management overhead of the OIG in an effort to find more opportunities to put more Full-Time Equivalents (FTE) into direct production.

Last on restructuring, the Acting Inspector General will soon be initiating some reassignments of staff to experiment with the potential improvement in productivity that could come from assigning staff at a particular site to a supervisor at the same site. Currently, a typical team would be a supervisor based in Denver with a team member in Philadelphia and another team member in Atlanta. If this experiment proves the effectiveness of the concept, the long-term goal will be to gradually adopt this organizational approach for the existing field sites.

Finally, the OIG is now completing an Agency-wide business risk assessment. This effort, called a macro-risk assessment, was undertaken to evaluate the high level internal control framework and past audit coverage of the EPA to determine if the OIG should refocus on different and more important areas than the current emphasis would allow. Our initial impressions are that some other functional areas of the Agency need a greater share of audit and evaluation effort, and a greater emphasis on auditing and investigating for financial fraud may be timely. These findings, as well as others, will be used to develop the FY 2008 work plan.

OIG Taking Needed Budget Actions

The FY 2008 President's Budget requests \$45.2 million for the OIG. This represents a reduction of \$5.3 million from the FY 2007 Enacted Budget. The OIG's current onboard staff level as of May 4, 2007, is 302. The Acting Inspector General believes this level brings the OIG into line with the size of other OIGs of similarly sized departments. Congress has not made any decisions on the FY 2008 President's Budget, so the OIG must await the outcome.

The OIG is planning to generate significant FY 2007 carryover funds to help with FY 2008 expenses. The Acting Inspector General has reinitiated the competitive sourcing study of the EPA financial statement audit, and a portion of these carryover funds will be used for that purpose should it become necessary to contract out the work as a result of the study. It is important to note that the OIG carefully manages carryover funds and has consistently achieved a 99-percent obligation rate. The OIG is prepared to implement whatever FY 2008 budget is enacted by Congress without undue hardship on employees. Below is an historical summary of OIG funding and personnel levels since FY 2000:

Historical Budget and Manpower Summary

Year	Enacted Budget (after rescissions where applicable)	On-Board FTEs (as of October 1)	Expenditures (includes carryover)	Carryover to Next Year
2000	\$43,379,700	340	\$39,384,100 / 335.6	\$7,592,558
2001	\$45,493,700	351	\$41,050,807 / 354.9	\$11,767,797
2002	\$45,886,000	354	\$45,238,608 / 351.5	\$12,163,850
2003	\$48,425,200	348	\$46,023,048 / 347.2	\$14,200,799
2004	\$50,422,800	363	\$52,212,862 / 360.4	\$12,044,248
2005	\$50,542,400	365	\$61,733,781 / 358.2	\$935,460
2006	\$50,241,000	350	\$49,583,584 / 337.1	\$3,254,250
2007	\$50,459,000	326	\$47,914,000 / 311.8*	\$5,697,000*

* projected through 9/30/07

Historically, the OIG has experienced significant delays in filling vacant positions. When the OIG received its first 2-year appropriation for FY 1998, carryover amounts occurred at the end of that fiscal year and continued thereafter due to unused Personnel Compensation and Benefits funds. In May 2004, the Deputy Inspector General instructed Assistant Inspectors General to make hiring a top priority in an effort to

accomplish more audits, investigations, and evaluations, and decrease the amount of carryover funds by the end of FY 2005.

Carryover was reduced by September 30, 2005 when OIG expenditures reached a record level of nearly \$62 million for the fiscal year. However, it became apparent in early FY 2006 that the OIG could face major budget reductions in FY 2007 and beyond (proposed \$1.8 million reduction from the FY 2006 Enacted Budget for FY 2007). Therefore, OIG senior management decided to plan for the anticipated funding reductions by placing a freeze on hiring (there were some exceptions for critical positions) and reducing other expenses where possible. The Acting Inspector General also intended to utilize the hiring freeze to provide attrition to free up funds for contracting out the financial statement audit of EPA, should that have become necessary after a competitive sourcing study. The lack of hiring resulted in lower spending in areas beyond salaries, including travel and training. Consequently, OIG spending substantially decreased in FY 2006 to \$49.6 million and the FTE utilization rate dropped more than 20 FTE. However, in February 2007, the continuing resolution passed by Congress provided an increase of approximately \$1.9 million over the previous short-term continuing resolutions passed earlier in the fiscal year.

As noted earlier, during FY 2006, the Acting Inspector General initiated a competitive sourcing study for the financial statement audit of EPA. In early FY 2007, funding uncertainty resulted in the study being put into abeyance. The resources that had been set aside for the competition and carried over into FY 2007 are being used for other priority needs and have factored into the projected carryover from FY 2007 to FY 2008.

Significant OIG Activity

Air

Helping to make air safe and healthy to breathe.

EPA Needs to Improve Oversight of Vehicle Inspection and Maintenance Programs

Review of vehicle inspection and maintenance programs disclosed that while substantial emissions reductions have been achieved, EPA has not ensured that States have met their program commitments.

About 237 million cars and other vehicles were registered in the United States in 2004. Emissions from onroad mobile sources account for a significant amount of three key pollutants in our Nation's air (51 percent of carbon monoxide, 34 percent of nitrogen



Vehicle air emissions cause significant air pollution (EPA photo).

oxides, and 29 percent of hydrocarbons). The percentages are even higher in major urban areas. Congress's strategy to deal with emissions from mobile sources includes a vehicle inspection and maintenance program. Properly implemented, inspection and maintenance programs ensure that poorly performing vehicles are identified and timely repaired. These programs are a key component of pollution control strategies for major urban areas.

A detailed review of EPA Region 3 disclosed that four of the region's five programs reported from 12 to 22 percent of vehicles that failed an inspection had no known final outcome. We noted it could take more than a year for a failed vehicle to be resolved, if ever. The fifth program did not report

this measure to EPA and, since September 2005, had been using a less stringent testing program than required.

Our nationwide survey of all 10 EPA regions, as well as our work in Region 3, indicated EPA has not been obtaining sufficient information to ensure that States are meeting their inspection and maintenance program commitments. Of the 34 programs nationwide, 14 had either never submitted required reports or the regions were unsure the reports were submitted over the 5-year period reviewed, 4 had not submitted reports timely, and 5 had mixed results. Also, EPA regions only audited/evaluated 9 of the 34 programs, and EPA had reduced resources for overseeing and assisting these programs.

We made recommendations to EPA to, among other things, require that regions obtain and evaluate all required reports to ensure that programs are operating effectively, and

provide more technical assistance and guidance to States. EPA generally agreed with our recommendations and is taking corrective actions.

(Report No. 2007-P-00001, EPA's Oversight of the Vehicle Inspection and Maintenance Program Needs Improvement, October 5, 2006 – Report Cost: \$962,231)

EPA Relying on Existing Regulations to Reduce Atmospheric Deposition to Chesapeake Bay

EPA is relying on existing Clean Air Act regulations to reduce the depositing of nitrogen from the air into the Chesapeake Bay watershed as part of Agency efforts to clean up the watershed.

In response to a request from U.S. Senator Barbara A. Mikulski of Maryland to look into EPA efforts to clean up the Bay, we looked at the impact of air pollution control activities. EPA estimates that nitrogen depositing back to the earth from the atmosphere accounts for approximately 32 percent of the manmade nitrogen load to the Bay and is a significant contributor to continuing water quality problems.

EPA estimates that Clean Air Act regulations already issued will reduce nitrogen that falls directly into the Bay, as well as nitrogen deposited to the Bay watershed, by 19.6 million pounds annually by 2010. State efforts to meet National Ambient Air Quality Standards for ozone and fine particulate matter should result in additional reductions. Accordingly, EPA and State strategies do not include additional air reduction activities specifically designed to clean up the Bay.

Whether these nitrogen reduction strategies will be successful remains to be seen. However, EPA acknowledges that its overall goal of cleaning up the Bay by 2010 will not be met. EPA plans to meet with its Chesapeake Bay Program partners in 2007 to re-visit the strategy for cleaning up the Bay.

If additional reductions in air emissions are needed to clean up the Bay, one potentially significant source of deposition not currently controlled is ammonia emissions from animal feeding operations. We recommended that EPA instruct the Chesapeake Bay Program Office to use the results of animal feeding operations emissions monitoring studies to determine what actions and strategies are warranted to address nitrogen deposition to the Bay from such operations. EPA concurred with our recommendation.

(Report No. 2007-P-00009, EPA Relying on Existing Clean Air Act Regulations to Reduce Atmospheric Deposition to the Chesapeake Bay and its Watershed, February 28, 2007 - Report Cost: \$360,529)

Better Environmental/Agricultural Coordination Needed to Save Chesapeake Bay Watershed

EPA must improve coordination with its Chesapeake Bay partners and the agricultural community to better reduce nutrients and sediment entering the Bay watershed.

Despite significant efforts, excess nutrients and sediment continue to impair the Bay's water quality. At the current rate of progress, the watershed will remain impaired for decades, despite a goal to clean up the Bay by 2010. Improving water quality conditions in the Bay is necessary to support living resources throughout the ecosystem, which in turn supports commercial and recreational uses such as fishing/shellfishing.

We looked at the impact of the agricultural community on the Bay watershed as a result of a request from U.S. Senator Barbara A. Mikulski of Maryland. To adequately consider agricultural issues, we conducted our review through a partnership with the U.S. Department of Agriculture (USDA).

Few of the agricultural best management practices in tributary strategies have been implemented because the agricultural community considers many of these practices as either unprofitable or requiring significant changes in farming techniques. States have provided substantial funding but acknowledged additional funding is needed. At the Federal level, applications for USDA's technical and financial assistance went unfunded.

Members of the agricultural community have been reluctant to participate with EPA because of EPA's regulatory enforcement role, and USDA could significantly assist EPA with this community. However, USDA has not coordinated a Department-wide strategy or policy to address its commitment as a Chesapeake Bay partner.

We recommended that EPA execute a new Memorandum of Agreement with USDA that specifically identifies tasks and timeframes for meeting shared goals in the cleanup of the Bay. Further, the two agencies should agree to a method to track progress, and should revisit State tributary strategies. EPA and USDA generally concurred.

(Report No. 2007-P-00004, Saving the Chesapeake Bay Watershed Requires Better Coordination of Environmental and Agricultural Resources, November 20, 2006 – Report Cost: \$419,374)

Interim Status Permitting for Hazardous Waste Facilities Needs Improvement

Some hazardous waste facility units have had a temporary “interim status” designation for as many as 25 years without formal issuance or denial of a permit or other regulatory controls.

Under the Resource Conservation and Recovery Act, when new hazardous waste statutes or regulations are implemented, units that already exist may continue operating in interim status by notifying EPA. They may remain in interim status until issuance or denial of a permit.



An interim status carbon regeneration facility (EPA photo).

EPA includes interim status in its National Permitting Goals under the Government Performance and Results Act. As of 2005, EPA had attained the “controls in place” designation for 89 percent of the applicable hazardous waste facilities. However, EPA’s continued progress may be compromised because of inadequate baseline documentation, prioritizing, monitoring new units, and data system controls.

To better ensure progress, we recommended that EPA implement a process to document changes to the Government Performance and Results Act National Permitting Goal baseline. We further recommended reviewing State National Permitting Goal projections for 2008 and 2011 to identify opportunities for prioritizing

facilities based on risk, including time in interim status. We also made recommendations related to data quality. EPA generally concurred with our recommendations.

(Report No. 2007-P-00005, EPA’s Management of Interim Status Permitting Needs Improvement to Ensure Continued Progress, December 4, 2006 – Report Cost: \$480,000)

Five-Year Review Process for Superfund Remedies Improved, But Further Steps Needed

Since our last review in 1999, EPA has taken actions to improve the five-year review process for Superfund sites. However, additional steps are needed to support and communicate conclusions, improve review timeliness, and provide fuller assurance that cleanup actions protect human health and the environment.

EPA’s Superfund five-year review process examines the remedies at hundreds of Superfund sites where hazardous substances remain at levels that potentially pose an

unacceptable risk. The purpose is to determine whether remedies protect human health and the environment.

Since our last review, EPA has issued the *Comprehensive Five-Year Review Guidance*, provided training, and reduced the review backlog. Nonetheless, while our examination of 39 five-year review reports issued between Fiscal Years 2002 and 2004 did not determine whether remedies were successful at protecting human health and the environment, we found that:

- 21 percent did not fully support conclusions on protectiveness
- 21 percent did not provide protectiveness conclusions that were complete
- 21 percent did not have sufficient information to implement recommendations
- 23 percent did not meet public notification requirements

We recommended that EPA expand the scope of quality assurance reviews of five-year review reports, and revise guidance to more clearly define short- and long-term protectiveness determinations. We also recommended evaluating region workloads, and using data in a new information system module to measure review effectiveness and impacts. EPA generally concurred with our recommendations.

(Report No. 2007-P-00006, EPA Has Improved Five-Year Review Process for Superfund Remedies, But Further Steps Needed, December 5, 2006 – Report Cost: \$530,299)

EPA Could Improve Designing and Managing the Performance Track Program

EPA highlights Performance Track as a model for partnership programs, referring to it as the “gold standard” among its partnership programs. However, we found that the absence of a comprehensive, cohesive strategic plan and the presence of underperforming facilities threaten the integrity and value of the Performance Track program.

Performance Track is a public-private partnership that encourages members to improve the environment through using environmental management systems, local public outreach, and public reporting for results. EPA designed Performance Track to recognize and encourage members that demonstrate strong environmental performance beyond current requirements.

We examined EPA’s National Environmental Performance Track program to see how it achieves EPA’s goals. We found that the program did not have clear plans that connected activities with its goals, and did not have performance measures that show if it achieves anticipated results. In our sample of Performance Track members we found that most members do not achieve all of their environmental commitments. However, they achieved environmental improvements averaging 16 percent over their baselines over 3 years. Our analysis also showed that most members demonstrate “top performance,” beyond the average for their peers, for two environmental indicators: compliance and toxic releases. However, some facilities had more compliance problems or released more pounds of toxic substances than the average for their peers.

We recommended that EPA connect activities with goals, and that the program measure and report on performance related to activities and goals. EPA should maintain centralized databases so that it can readily demonstrate that members meet program criteria. Also, EPA should encourage members to set and achieve commitments so that the public has a clear idea of what results members actually produce.

(Report No. 2007-P-00013, Performance Track Could Improve Program Design and Management to Ensure Value, March 29, 2007 – Report Cost: \$228,572)

Partnership Programs Provide Benefits

Partnership programs serve both regulated and nonregulated customers.

Over the last few years, EPA has worked to develop new types of environmental solutions. Now the Agency relies more heavily on partnership programs (formerly called “voluntary programs”) to help protect the environment. These diverse programs provide a variety of benefits to several different customer groups, including some nongovernmental organizations and the public.

Some partnership programs build on EPA's traditional regulatory efforts, but are not intended as substitutes for regulations. Other programs work to address environmental concerns not governed by Federal regulations, such as recycling and climate change. All 54 headquarters partnership program managers interviewed said their programs contributed to at least one EPA strategic goal; 38 reported that their programs contributed to more than one goal.

EPA spends more than \$350 million per year on partnership programs, but continues to have difficulty defining, identifying, and characterizing these programs. We will need to further evaluate whether EPA has sufficient oversight procedures in place to assure the effective management and implementation of this overall effort.

(Report No. 2007-P-00003, Partnership Programs May Expand EPA's Influence, November 14, 2006 – Report Cost: \$293,349)

Partnership Program Distribution	
Office of Air and Radiation	23
Office of Prevention, Pesticides, and Toxic Substances	12
Office of Water	8
Office of Solid Waste and Emergency Response	6
Office of the Administrator	3
Office of Acquisition and Resources Management	1
Office of Research and Development	1

Source: EPA Program Offices

Use of Bonds to Meet State Revolving Fund Match Requirements Reduces Funds Available

EPA regulations and policies allowing States to use bonds repaid from State Revolving Fund (SRF) interest to meet SRF match requirements are resulting in fewer dollars being available for water projects.

Congress created the Clean Water and Drinking Water SRFs to provide States with a continuous source of funding for needed water projects. The laws require States to contribute to the SRF from State monies a match of 20 percent of a Federal capitalization grant.

We found that 20 States have used the Clean Water SRF to repay bonds issued to meet SRF-required matches, and 16 of those States also did so for the Drinking Water SRF. EPA has already noted that significant funding gaps exist between the SRF funds needed and those available, and we found that this practice increases the gap. We estimated that this practice has resulted in \$937 million less being available for loans since the inception of the SRF programs.

Also, four States used short-term bonds for their State match and then retired those bonds from SRF funds within a week of issuing them. As a result, essentially no additional funds were made available for water projects.

We recommended that EPA revise its regulations and policy on State match options to no longer allow States to use bonds repaid from the SRF to meet State match requirements. EPA responded that while it supports the State match policy decisions that were made at the inception of the programs, it also believes it is appropriate to assess the impacts under current conditions. The Office of Management and Budget, in a letter on management challenges, indicated it agreed with our position that EPA should revise its regulations and policy on State match options to no longer allow States to use bonds repaid from the SRF to meet State match requirements.

State Match Options Allowed by EPA

1. State Appropriation
2. General Obligation Bonds Proceeds
3. General Obligation Debt Repaid by SRF
4. General Obligation Bonds Placed in SRF
5. SRF Match Revenue Bond
6. Pledged Repayment from State Loans Program
7. Local Contribution

(Report No. 2007-P-00012, EPA's Allowing States to Use Bonds to Meet Revolving Fund Match Requirements Reduces Funds Available for Water Projects, March 29, 2007 – Report Cost: \$402,233)

Source: EPA 832-B-97-003, *State Match Options for the State Revolving Fund Program*, February 1997

America's Clean Water Foundation Claimed Costs of \$25,372,590 Questioned

America's Clean Water Foundation did not comply with financial, program management, and Federal procurement standards for assistance agreements received. Consequently, we questioned the Federal share claimed of \$25,372,590.

EPA awarded three assistance agreements to the Foundation to perform environmental risk assessments at agricultural facilities and to assist States, tribes, and territories in complying with the Clean Water Act. However, we noted that the Foundation's procurement practices did not comply with grant regulations. We also noted numerous problems related to documentation, properly recording transactions, and submitting required reports. Consequently, we recommended that EPA:

- Disallow the Federal share claimed of \$25,372,590 and recover payments made of \$25,173,266, unless the Foundation reconstructs its accountings records to meet Federal requirements.
- Disallow contract costs not authorized under the contract terms.
- Stop work on all active grants.
- Not award any new grants until the Foundation meets minimum financial management requirements and repays all disallowed costs.

(Report No. 2007-4-00045, America's Clean Water Foundation Incurred Costs for EPA Assistance Agreements X82835301, X783142301, and X82672301, February 20, 2007 – Report Cost: \$221,225)

International City/County Management Association Reported Outlays of \$1,007,858 Questioned

In our opinion, the reported Federal outlays by the International City/County Management Association on financial status reports did not present fairly, in all material respects, allowable outlays incurred based on grant terms and conditions and applicable EPA regulations.

EPA awarded seven cooperative agreements to the Association for multiple tasks. The agreements totaled \$9,916,441. Work included radon and indoor air pollution reduction and education, establishing the local government environmental assistance network, maintaining the smartgrowth network, supporting entities affected by hazardous waste sites, and water security training.

We questioned \$1,007,858 of the \$9,871,025 in reported outlays because the recipient claimed unallowable outlays for contractual services, subgrant costs, indirect labor and facilities costs, and in-kind costs. The Association did not compete contracts, justify sole source procurements, or perform cost analysis of contracts. Also, we noted deficiencies related to documentation for subgrants and in-kind costs. Further, the Association claimed indirect costs prohibited by law.

We recommended that EPA disallow questioned outlays of \$78,298 prohibited by law, and either obtain sufficient documentation to support the remaining questioned outlays of

\$929,560 or disallow them. We also recommended having the Association establish needed procedures.

(Report No. 2007-4-00026, International City/County Management Association Reported Outlays Under Seven Selected Cooperative Agreements, November 28, 2006 – Report Cost: \$219,815)

National Rural Water Association Did Not Properly Allocate Indirect Costs

The National Rural Water Association's (NRWA's) method of allocating indirect costs was contrary to the requirements of the Office of Management and Budget's Circular A-122, and may have resulted in an over-allocation of more than \$2 million to EPA grants.

NRWA is a federation consisting of State associations representing 49 States. NRWA is a nonprofit organization providing technical assistance, training, and legislative representation to water providers serving rural communities. Since October 2000, EPA has provided over \$70 million to NRWA to provide assistance to rural water systems.

NRWA did not exclude subcontracts or subawards from its indirect cost allocation base. As a result, EPA grants incurred a disproportionate amount of indirect costs. For the 5-year period ending February 29, 2004, EPA grants may have been over-allocated \$2,021,821 of indirect costs.

In addition, NRWA's procedures did not identify all unallowable costs. The Association also did not consistently record costs based on the actual activity performed. As a result, NRWA's direct and indirect costs may include unallowable costs. Further, NRWA drawdowns for State associations' costs were based on budget amounts and not actual expenditures. Accordingly, NRWA may have provided cash advances in excess of the State associations' immediate needs.

We recommended the Director of EPA's Grants Administration Division obtain final negotiated indirect cost rates for the Association, and require the Association to develop written procedures to identify unallowable costs and prepare cash draws.

(Report No. 2007-4-00027, Examination of Financial Management Practices of the National Rural Water Association, Duncan, Oklahoma, November 30, 2006 – Report Cost: \$228,820)

New Hampshire State Revolving Fund Programs Received Unqualified Opinions

We rendered unqualified opinions on the Clean Water and Drinking Water SRF program financial statements for the State of New Hampshire for the program year ended June 30, 2005.

Congress created these two SRFs to provide States with a continuous source of funding for needed water projects. Although we rendered an unqualified opinion on both

programs, we noted material weaknesses in internal controls that could adversely affect State recording and reporting. For both programs, we noted problems regarding the State reconciling cash and investment balances to the general ledger, or reconciling the general ledger to original source documents. This resulted in numerous unrecorded transactions and errors going undetected.

We also qualified our opinion on compliance with applicable laws and regulations for both programs due to problems related to monitoring Single Audits of subrecipients. For the Drinking Water program, we also noted that the required State match was underfunded by \$228,436, and set-aside costs were not separated and identifiable by the actual costs.

We made various recommendations to correct the internal control weaknesses and compliance issues noted for both programs. These recommendations included EPA requiring the State to: obtain up-to-date documentation for cash and investment transactions, develop and implement procedures for reviewing and reporting accounting transactions, and develop training on the accounting system. For the Drinking Water program, we recommended having the State deposit \$228,436 to correct the underfunded State matching funds.

(Report No. 2007-1-00037, State of New Hampshire Clean Water State Revolving Fund Program Financial Statements for the Year Ended June 30, 2005, issued February 7, 2007 – Report Cost: \$106,798; and Report No. 2007-1-00044, State of New Hampshire Drinking Water State Revolving Fund Program Financial Statements for the Year Ended June 30, 2005, issued February 26, 2007 – Report Cost: \$134,635)

New Housing Contract for Katrina Command Post Reduced Costs but Limited Competition

A contract to provide for office space and housing for EPA personnel working on Hurricane Katrina response operations contained several improvements over the previous housing contracts, reducing trailer costs from over \$300 to only \$95 per day per trailer. However, EPA still did not adequately compete the contracts.



Trailers used by EPA (EPA OIG).

In October 2005, EPA Region 6 established a command post in Metairie, Louisiana, for response operations to address the catastrophic damage caused by Hurricane Katrina. After the initial contracts used to obtain office space and trailers expired, EPA competitively awarded a new contract in March 2006 at an estimated value of \$980,765.

Despite improvements, the statement of work for the new contract contained unnecessary and ambiguous requirements that limited competition. Specifically, EPA:

- Overstated the need for land
- Sought unneeded kitchen space, refrigerators, and microwaves
- Did not consider multi-story office space
- Unnecessarily required a 6-foot fence
- Did not clearly indicate whether private rooms per person were needed

These requirements made it difficult for hotels and apartment complexes to compete for EPA's business. EPA largely based its requirements on what it already had rather than what its future requirements would be.

Because EPA plans to award two national blanket purchasing agreements to provide emergency technical support and logistical services as a result of one of our prior reports, no recommendations were made.

(Report No. 2007-P-00015 New Housing Contract for Hurricane Katrina Command Post Reduced Costs but Limited Competition, March 29, 2007 – Report Cost: \$108,420)

Interagency Agreements to Use Other Agencies' Contracts Need Additional Oversight

While EPA has improved interagency contracting processes, the Agency entered into some interagency contracts without meeting all requirements. Awarding the contracts in-house rather than using an interagency contract has the potential to save money.

Interagency contracts are contracts awarded by one Federal agency but available to others for use, generally for a fee.

EPA often entered into interagency contracts without conducting cost-reasonableness assessments or identifying alternatives, such as determining whether EPA's in-house acquisition staff should acquire the services or products for them. EPA project officers preferred the speed and convenience of interagency contracts. However, awarding contracts in-house has the potential for saving money.

We recommended that EPA provide guidance to project officers on cost-reasonableness assessments and identifying alternatives before entering into an interagency contract. We also recommended that EPA strengthen training in this area, and ensure that the Grants Administration Division includes an evaluation of cost-reasonableness assessments in its reviews of interagency agreement management. EPA generally agreed with our recommendations, but deferred action pending issuance of Government-wide guidance by the Office of Federal Procurement Policy.

(Report No. 2007-P-00011, Interagency Agreements to Use Other Agencies' Contracts Need Additional Oversight, March 27, 2007 – Report Cost: \$287,000)

EPA Earns Unqualified Opinion on Financial Statements

EPA earned an unqualified opinion on its FY 2006 financial statements. However, we noted two reportable conditions involving internal controls, and an instance of noncompliance.

Our unqualified, or clean, opinion means that we found EPA's financial statements to be fairly presented and free of material misstatements. The reportable conditions represent significant deficiencies in designing or operating internal controls. The two reportable conditions were:

- EPA implemented two accounting processes in FY 2006 that led to misstatements of the Agency's bad debt expense, revenue, contra revenue, advance accounts, and unearned revenue accounts. The processes included reclassifying receivables older than 2 years as currently not collectible, and transferring the receivables and related allowance accounts from regional financial management offices to financial management centers.
- EPA did not properly account for advance funding agreements with other Federal Government agencies. EPA recorded advances disbursed under interagency agreements as expenses instead of assets. As a result, EPA overstated expenses and understated assets by \$55,982,983.

EPA was also in noncompliance with regulations relating to reconciling intragovernmental transactions. EPA did not reconcile material activity and balances with the Department of Health and Human Services during the year, and had out-of-balance situations with many other agencies.

EPA agreed with the issues raised and indicated it will take needed corrective actions.

(Report No. 2007-1-00019, Audit of EPA's Fiscal 2006 and 2005 Consolidated Financial Statements, November 15, 2006 – Report Cost: \$2,561,416)

Pesticide Funds' Statements Earn Unqualified Opinions

We rendered unqualified opinions on the FY 2005 financial statements for two funds used for managing pesticides fees.

The Pesticides Reregistration and Expedited Processing Fund (known as the FIFRA fund) is used to deposit fees collected to expedite pesticide reregistration. The Pesticide Registration Fund (known as the PRIA fund) was created in March 2004 to expedite new registrations for certain pesticides in exchange for registration fees.

In addition to providing a clean opinion for both funds, we did not identify any material internal control weaknesses. However, we noted one reportable condition, which applied to both funds. EPA's Washington Finance Center recorded adjusting and correcting

entries for both FIFRA and PRIA collections in the Integrated Financial Management System without adequately documenting the errors, corrections, or modifications. We did not identify any noncompliances that would result in a material misstatement to the audited financial statements.

We recommended that the Washington Finance Center adequately document adjusting and correcting entries entered in the Integrated Financial Management System. Officials agreed with our recommendation and began corrective action.

(Report No. 2007-1-00001, Fiscal 2005 and 2004 Financial Statements for the Pesticides Reregistration and Expedited Processing Fund, October 10, 2006 – Report Cost: \$208,916; and Report No. 2007-1-00002, Fiscal 2005 and 2004 (restated) Financial Statements for the Pesticide Registration Fund, January 9, 2007 – Report Cost: \$191,932)

Deobligations for Superfund Cooperative Agreements with New York and New Jersey Noted

The Office of Inspector General examined the status of funds obligated for Superfund Cooperative Agreements for two States and noted funding that could be deobligated.

For New York, \$486,744 could have been deobligated. EPA continued to amend and extend the project period and award amounts for the agreement, even though some sites were completed. This agreement, awarded in 1987 for an initial period of 18 months, was amended 21 times.

For New Jersey, EPA identified \$9.1 million for deobligation in its FY 2006 deobligation plan, prepared in November 2005. However, as of September 2006 the deobligations had not occurred.

For one of three cooperative agreements we reviewed in New York, costs incurred totaling \$3 million were not billed timely. In New Jersey, two multi-site cooperative agreements totaling about \$3.4 million were not billed timely, resulting in unused obligated funds remaining idle.

(Report No. 2007-2-00003, Information Concerning Superfund Cooperative Agreements with New York and New Jersey, October 30, 2006 – Report Cost: \$307,000)

Processes to Manage Computer Systems and Reporting Incidents Could Be Improved

EPA needs better procedures to ensure identification of all contractor systems and that EPA offices follow computer security incident response policy.

EPA uses contractors to operate the Agency's information technology resources. These contractors annually review their systems' compliance with established information security requirements and record the results in EPA's security monitoring database.

Although EPA defined the specific requirements for contractor systems, EPA had not established procedures to ensure offices identify all contractor systems. Also, EPA had not ensured that information security requirements were accessible to the contractors and appropriately maintained. As a result, EPA system inventories may not include all appropriate contractor systems, and contractors may not be implementing adequate security safeguards.

In addition, although EPA offices were aware of the Agency's computer security incident response policy, many offices lacked reporting procedures, had not fully implemented automated monitoring tools, and did not provide sufficient training on local procedures. EPA offices also lacked network attack trend information necessary to implement proactive defense measures. As a result, there was no consistency in how, what, and when EPA offices reported computer security incidents or kept senior Agency officials informed on network security attacks.

We recommended that EPA assign duties and responsibilities for maintaining and updating information posted on EPA's Website, update guidance for identifying contractor systems, and establish formal procedures for updating contract clauses. We also recommended that EPA update its computer security incident guide, and establish a target date for configuring anti-virus software. Also, EPA should provide training on new procedures, and provide Information Security Officers with computer security incident reports. The Agency generally agreed with our recommendations.

(Report No. 2007-P-00007, EPA Could Improve Processes for Managing Contractor Systems and Reporting Incidents, January 11, 2007 – Report Cost: \$466,534)

Financial Database Security Oversight Needs Strengthening

We discovered weaknesses in how EPA offices (1) monitor databases for known security vulnerabilities, (2) communicate the status of critical system patches, and (3) monitor the use of and access to database administrator accounts and privileges.

EPA's core financial application – the Integrated Financial Management System – shares data with many financial management system databases. Inadequate security controls could result in a breach and compromise data integrity.

We recommended that EPA update the Memorandum of Understanding process to include formal security standards that require the program/regional offices to actively monitor the security status of systems that share data with the Integrated Financial Management System. We also recommended that EPA improve followup procedures involving high-level critical system patch alerts. Additionally, we recommended that the system owners for each reviewed application correct the system weaknesses identified. The Agency agreed with all of our recommendations.

(Report No. 2007-P-00017, EPA Needs to Strengthen Financial Database Security Oversight and Monitor Compliance, March 29, 2007 – Report Cost: \$356,118)

EPA Could Improve Controls Over Mainframe System Software

EPA has several weaknesses in its internal controls over mainframe system software that could potentially compromise data integrity.

The EPA OIG contracted with KPMG, LLP (KPMG) to audit EPA's mainframe system software. KPMG noted several weaknesses, such as roles and responsibilities not being clearly assigned; policies, procedures, and guides needing to be strengthened; and security settings not being effectively configured or implemented.

KPMG recommended that the EPA Office of Environmental Information improve management oversight and review of primary support contractor activity and clearly assign roles and responsibilities to ensure personnel are held accountable; ensure procedures are performed in accordance with existing Federal guidance; strengthen existing policies, procedures, and guides; and appropriately configure and implement security settings for sensitive datasets and programs. The Agency agreed with some of the recommendations but disagreed with others.

(Report No. 2007-P-00008, EPA Could Improve Controls Over Mainframe System Software, January 29, 2007 – Report Cost: \$554,209)

EPA Needs to Complete a Toxicity Assessment in Libby, Montana

EPA has not completed a toxicity assessment of asbestos in Libby, Montana, so it cannot be sure human exposure to Libby asbestos is at acceptable levels.

After 1999 media reports called attention to Libby citizens' health problems, EPA officials requested that we review EPA's actions in cleaning up asbestos contamination. In January 2000, due to citizen concerns, EPA started sampling and analyzing lawn and garden products that contained vermiculite mined at Libby. In March 2001, we reported



The Libby mine site (EPA photo).

that EPA had addressed asbestos contamination at other sites, but had failed to institute controls that might have protected Libby's citizens from the health effects of asbestos contamination. In 2002, EPA began an emergency response cleanup.

In our most recent review, based on a request by Montana's two Senators, we found that EPA has neither planned nor completed a risk and toxicity assessment of the Libby asbestos to determine an acceptable level of human exposure. Thus, EPA cannot be sure that the ongoing Libby cleanup is sufficient to prevent humans from contracting asbestos-related diseases. Also, EPA presented inconsistent positions on safety issues in two public information documents.

As a result of our review, EPA agreed to fund and execute a toxicity assessment. EPA also agreed to replace the public information documents on Libby asbestos.

(Report No. 2007-P-00002, EPA Needs to Plan and Complete a Toxicity Assessment for the Libby Asbestos Cleanup, December 5, 2006 – Report Cost: \$254,856)

EPA Did Not Properly Process a Disinfectant's Registration; \$50,000 Fee Not Assessed

EPA's Office of Pesticides Program-Antimicrobials Division did not properly process registration for an antimicrobial pesticide used primarily as a hospital disinfectant. This resulted in a \$50,000 registration fee not being assessed.

A hotline complaint alleged that EPA improperly registered a pesticide product in 2004, over staff concerns and without the required fee. The product reviewed is a disinfectant and sanitizer designed to kill bacteria and viruses on hard, non-porous, inanimate surfaces, primarily in hospital patient areas.

EPA did not properly recognize that the product contained a new active ingredient, which in the case of this product would result in a \$50,000 registration fee. EPA also did not address staff concerns about a former EPA manager exerting pressure on the staff to approve the product, nor did EPA resolve all science reviewers' concerns regarding the product. The product subsequently failed tests and EPA asked the manufacturer to voluntarily withdraw the product, which it has done.

We recommended that the EPA Office of Pesticides Program establish procedures to determine the accuracy of active ingredient status, resolve discrepancies between staff concerns and management decisions, and document the resolution of data deficiencies. EPA generally agreed to take necessary corrective actions.

(Report No. 2007-P-00018, EPA Did Not Properly Process a Hospital Disinfectant and Sanitizer Registration, March 29, 2007 – Report Cost: \$300,881)

Hotline Activity

The following table provides EPA OIG Hotline activity regarding complaints of fraud, waste, and abuse in EPA programs and operations that occurred during the past semiannual period:

	Semiannual Period (October 1, 2006 - March 31, 2007)
Inquiries and Complaints Received During Period	352
Issues Handled by EPA OIG	90
Inquiries Addressed Without Opening a Complaint	88
Complaints Opened	2
Complaints Closed	4
Complaints Open - Beginning of Period	12
Complaints Open - End of Period	10
Issues Referred to Others	262
EPA Program Offices	50
EPA Criminal Investigation Division	14
Other Federal Agencies	34
State/Local Agencies	164

Special Operations

Additional Guilty Pleas and Sentencings in Software Piracy Case

On November 9, 2006, four defendants each pled guilty in U.S. District Court for the District of Nevada to a charge of criminal infringement of a copyright. On February 20, 2007, a fifth defendant pled guilty to the same charge. The defendants were members of a computer software piracy group known as the “Rogue Warriorz,” a secretive underground organization that illegally altered and distributed copyrighted software, movies, and games over the Internet.

The 5 defendants were among 21 persons indicted in June 2002 and subsequently convicted as part of “Operation Bandwidth,” a 2-year-long, multi-agency undercover operation to identify and prosecute entities and individuals involved with illegal access to computer systems and the piracy of proprietary software utilizing storage sites in the Internet.

At least 18 members of the group were hackers who had illegally accessed EPA computer systems to further the reproduction and distribution scheme. Four defendants were each sentenced to 12 months probation with credit for time served and ordered to pay a \$25 special assessment. The fifth defendant was sentenced to 36 months probation with credit for time served and ordered to pay a \$100 special assessment.

This investigation is being conducted jointly with the Federal Bureau of Investigation and the Defense Criminal Investigative Service. (Case Cost: \$566,483)

Financial Fraud

Company Supervisor Sentenced for Using Improper Asbestos Removal Practices

On October 18, 2006, Jason Scardecchio was sentenced in U.S. District Court for the Eastern District of Pennsylvania to 1 year and 1 day in prison followed by 36 months of supervised release. In addition, he was ordered to pay a special assessment of \$300 and restitution in the amount of \$11,805. This sentence resulted from Scardecchio’s guilty plea to charges of mail fraud and improperly removing asbestos.

Scardecchio was employed as a supervisor by Indoor Air Quality, Inc., Phoenixville, Pennsylvania. In July 2006, the company’s owner, Wallace Heidelberg, and the company itself were sentenced for similar charges. On December 18, 2006, as a result of the convictions, all three defendants were determined to be ineligible to receive government contracts or benefits at the Phoenixville location until the underlying conditions that caused the Clean Air Act offense have been corrected.

Heidelmark, Scardecchio, and Indoor Air Quality, Inc., removed asbestos from homes and commercial buildings in the Philadelphia area. The indictment, issued in August 2005, charged the defendants with mail fraud, false statements, and failure to comply with Federal requirements for removing and handling asbestos.

The defendants operated a scheme to defraud homeowners by promising to use proper techniques in removing asbestos from their residences. The defendants routinely failed to use the promised techniques; instead, they removed asbestos without adequate water and failed to keep the removed asbestos adequately wet. The defendants also regularly falsified air testing at the conclusion of asbestos removal jobs by sending blank, unused air sample canisters to a testing lab instead of an air sample from the residence where the removal job occurred. The defendants would then tell the homeowners that the building's air had passed the post-removal air test.

The investigation was conducted jointly with the EPA Criminal Investigation Division, with cooperation from the Occupational Safety and Health Administration. (Case Cost: \$323,562)

Asbestos and Lead Abatement Contractor and Others Sentenced

On December 8, 2006, Gulf Services Contracting, Inc. (GSC), an asbestos and lead abatement contractor located in Theodore, Alabama, was sentenced in U.S. District Court for the Southern District of Alabama as a result of a guilty plea to one charge of major fraud. On the same day, Michael Thomas Burge, president and owner, and Jonathan Valle, supervising foreman, were also sentenced as a result of their guilty pleas to submitting false statements to the government.

GSC was placed on probation for 5 years and ordered to pay a fine of \$96,451 and a special assessment of \$400. Burge and Valle were both sentenced to home detention for 4 months, placed on probation for 3 years, and ordered to pay a \$100 special assessment. Burge was ordered to pay a \$5,000 fine and Valle a \$1,000 fine.

GSC lied to the government about the identities and qualifications of employees who performed asbestos and lead removal on various military installations in Florida, Alabama, and Mississippi, as well as other abatement work on schools and municipal projects. GSC was using undocumented aliens with falsified asbestos training certificates to perform the asbestos abatement work and issued false certificates to individuals whose true names were not on the certificates and who had no training on asbestos abatement. GSC also provided false immigration and Social Security identification to its undocumented alien employees.

This investigation was conducted jointly with the EPA Criminal Investigation Division; the Federal Bureau of Investigation; the Defense Criminal Investigative Service; the Naval Criminal Investigative Service; the Air Force Office of Special Investigations; and the Department of Homeland Security, Immigration and Customs Enforcement. (Case Cost: \$189,122)

Laboratory Fraud

EPA Contract Laboratory Settles Civil Suit for \$200,000

On November 16, 2006, while admitting no wrongdoing, Liberty Analytical Corporation entered into a \$200,000 Civil Settlement Agreement with the U.S. Attorney's Office for the Eastern District of North Carolina to settle allegations that the company submitted false claims to EPA.

Compuchem Environmental, a division of Liberty Analytical, Cary, North Carolina, provided false analytical data to EPA under the Superfund Analytical Services Contract Laboratory Program. Specifically, the company failed to properly calibrate gas chromatograph/mass spectrometer (GC/MS) instruments used in the analysis of samples from EPA Superfund sites. Each invoice submitted to EPA that contained false analytical data resulted in a false claim.

The investigation determined that quality control standards were routinely bypassed, in that improper calibration procedures extended the "run time" of the GC/MS instruments, therefore producing false analytical data. Some analysts admitted that they had been following this procedure since as early as 1992. Three Compuchem analysts involved in the improper calibration practice were criminally charged and entered guilty pleas in U.S. District Court. All three analysts received probation, fines or restitution, and community service, and were subsequently debarred. Because of missing data, it was not possible to determine which samples were affected by improper calibration and, therefore, which Superfund sites were potentially affected. Compuchem has been a part of the EPA Contract Laboratory Program since the 1980s.

(Case Cost: \$133,869)

Waste Management Facility Contractor Pleads Guilty

On December 20, 2006, Duratek Federal Services (DFS) pled guilty in the U.S. District Court for the Eastern District of Tennessee, Knoxville, to unlawfully discharging refuse into a waterway without a permit. DFS was sentenced to a \$10,000 fine, \$290,000 in restitution, and a \$125 special assessment.

DFS managed a multi-celled, above ground U.S. Department of Energy waste management facility in Oak Ridge, Tennessee. The disposal facility was constructed as a series of waste disposal cells. Stormwater was diverted around the disposal cells, but rainwater that fell on the cells was pumped to one of four contact water ponds. The contact water ponds were expected to be tested to ensure that the level of both radioactive contaminants and chemical constituents were within the acceptable levels before the water could be released into nearby Bear Creek.

During September 2002, the area experienced heavy rains as a result of the remnants of a hurricane. This resulted in very high levels of water in the contact water ponds. Additional heavy rainfall was anticipated. To avert a failure of the ponds, the landfill

manager, without notification to or consultation with any Duratek management, pumped the water from one of the contact water ponds into a drainage ditch that ran directly into Bear Creek. Prior to pumping the water into the drainage ditch, the manager knew the water in the contact pond exceeded the allowable contaminant amounts for release. As a result, 350,000 to 400,000 gallons of water containing radionuclides were discharged directly into Bear Creek.

The investigation was conducted jointly with the Tennessee Environmental Crimes Joint Task Force. (Case Cost: \$10,875)

During the semiannual period, the OIG performed several audits and evaluations specifically requested by Congress.

U.S. Senator Barbara A. Mikulski of Maryland requested us to evaluate progress being made by the Chesapeake Bay Program in reducing nutrient loadings into the Bay's watershed. Stakeholders have expressed concerns that the Bay will not meet its 2010 reduction goals, and thus EPA would not be able to remove the Bay from the Agency's impaired waters list. As part of our response to the request, we issued two reports:

- Our review of the impact of the agricultural community on the Bay's watershed found that EPA must improve coordination with its Bay partners and the agricultural community to better reduce nutrients and sediments. The agricultural community has been reluctant to participate with EPA because of EPA's regulatory enforcement role, and the U.S. Department of Agriculture could significantly assist EPA with this community. Further details are on page 7.
- We also looked at the impact of air pollution control activities on the Bay's watershed. Actions being taken by EPA in response to Clean Air Act regulations have reduced the deposit of nitrogen into the Bay watershed, although these actions were being taken to reduce air pollution rather than to clean the watershed. Further details are on page 6.

Additional reviews, on the impact of urban land and point source pollution on the Chesapeake Bay watershed, are in progress.

In response to a request by Montana's two U.S. Senators, we found that EPA has neither planned nor completed a risk and toxicity assessment of asbestos contamination in Libby, Montana, to determine an acceptable level of human exposure. Thus, EPA cannot be sure that the ongoing cleanup at the Libby Superfund site is sufficient to prevent humans from contracting asbestos-related diseases. Further details are on page 22.

Our review of grant funding for the National Rural Water Association as a result of a request from U.S. Senator James Jeffords of Vermont found that the Association's method of allocating indirect costs was contrary to requirements. This method may have resulted in an over-allocation of more than \$2 million to EPA grants. Further details are on page 14.

Acting Inspector General Testifies on How EPA Can Leverage Its Limited Resources

On March 1, 2007, Acting Inspector General Bill Roderick testified before the House Energy and Commerce Subcommittee on Environment and Hazardous Materials during a hearing on EPA's FY 2008 budget request. Mr. Roderick specifically testified on how EPA can leverage its limited resources by improving operating efficiencies and management, focusing on key OIG work in the areas of Superfund, Brownfields, and the Office of Underground Storage Tanks.

“An issue of primary and current concern in the Superfund program is the sufficiency of funding for cleanups,” Mr. Roderick said. The Superfund Trust Fund has decreased over the years, to the extent that in FYs 2004 and 2005, all Superfund appropriations came from general tax revenue rather than the Trust Fund. “Superfund must compete for revenue along with other discretionary programs, which have received decreased portions of Federal dollars over time.”

Past OIG work has shown a funding shortfall for non-Federal Superfund sites, as well as the financial impact of hardrock mining sites on the Trust Fund. The OIG also “noted several organizational and accounting obstacles have impacted EPA’s ability to efficiently and effectively manage its Superfund resources.”

Policy and organizational impediments have also prevented EPA from better managing its Brownfields resources, said Mr. Roderick. “Because the authority for Brownfields resources is dispersed, offices with responsibility for program resources are not in alignment in their efforts to define and track Brownfields costs, and staff resources cannot be accounted for and efficiently utilized.”

Given the particular interests of the Subcommittee, Mr. Roderick also testified on the OIG’s prior and ongoing work on EPA’s partnership programs and environmental justice efforts. OIG annual performance measures were also cited in Mr. Roderick’s testimony. For FY 2006, the OIG questioned \$87 million in costs; identified nearly \$692 million in cost efficiencies; and recorded almost \$31 million from fines, restitutions, and settlements. “This represents a potential return on investment of over \$16 for every dollar invested into the OIG,” Mr. Roderick said.

“If EPA’s overall budget continues to shrink in the future, it will be even more critical that it find ways to better manage and utilize its resources and improve its operational efficiencies,” said Mr. Roderick. “I believe the OIG has been a positive agent of change by making significant contributions toward helping EPA in those areas.”

Chemical Safety and Hazard Investigation Board

The U.S. Chemical Safety and Hazard Investigation Board (CSB) was created by the Clean Air Act Amendments. The Board's mission is to investigate accidental chemical releases at facilities, to report to the public on the root causes, and to recommend measures to prevent future occurrences.

In FY 2004, Congress designated the EPA OIG to serve as the Inspector General for the CSB. As a result, the EPA OIG has the responsibility to audit, evaluate, inspect, and investigate CSB's programs, and to review proposed laws and regulations to determine their potential impact on CSB's programs and operations.

The U.S. Chemical Safety and Hazard Investigation Board Should Track Closed Recommendations

Since it was established in 1998, through 2006, the CSB has issued 379 safety recommendations. It has closed 164 safety recommendations directed to facilities, corporations, trade associations, and State and Federal agencies. However, the CSB does not conduct followup on closed recommendations to track adherence. As a result, CSB may be unaware of whether report recipients continue to adhere to recommended safety procedures or return to prior practices. Followup on closed recommendations would give CSB an opportunity to obtain feedback from its customers that could improve CSB's practices.

We recommended that CSB revise its guidance to include followup on closed recommendations, and follow up on a sample of closed recommendations every 3 years, to analyze whether adherence and/or conditions have changed. CSB concurred with our recommendations, but did not address the frequency of analyzing closed recommendations as we suggested.

(Report No. 2007-P-00010, U.S. Chemical Safety and Hazard Investigation Board Should Track Adherence to Closed Recommendations, March 26, 2007 – Report Cost: \$28,670)

Board Earns Unqualified Opinion on Financial Statements

CSB earned an unqualified opinion on its FY 2006 and 2005 financial statements. The statements were found to be presented fairly, in all material respects, and in conformity with applicable standards. Further, no material weaknesses involving internal controls over financial reporting were noted, nor were any instances of noncompliance with certain provisions of laws and regulations noted.

The audit was performed by an independent accounting firm. We reviewed the firm's report and related documentation, and found no instances in which the audit did not comply, in all material respects, with generally accepted auditing standards.

For FY 2006, CSB reported a net cost of operations of \$9.2 million. For that year, CSB completed two full investigations, three case studies, and two safety bulletins. In addition, CSB closed 72 recommendations from previous investigations, significantly more than in any prior year.

We transmitted the financial statements report to CSB on November 14, 2006. The financial statements report is incorporated into CSB's FY 2006 Performance and Accountability Report, which can be found at: http://www.csb.gov/legal_affairs/docs/.

Other Activities

EPA OIG Earns Unmodified Opinion in Peer Review

EPA OIG received an unmodified opinion in an external peer review recently completed covering the fiscal year ended September 30, 2005. This means that the OIG's system of internal control for the audit and evaluation function in effect for that year was designed to meet the requirements of the quality control standards established by the Comptroller General of the United States for a Federal Government audit organization. This review was a milestone for the OIG since it was the first external peer review that included work completed by its Office of Evaluation. In response to suggestions in the external peer review report, the OIG completed or is planning additional improvements to its work.

The U.S. Postal Service OIG conducted the peer review in accordance with guidelines established by the President's Council on Integrity and Efficiency and the Executive Council on Integrity and Efficiency, and issued its report on December 11, 2006. Government Auditing Standards promulgated by the Comptroller General of the United States require government audit organizations to undergo a periodic external peer review.

New Policy Initiated to Improve Accountability for Actions on OIG Recommendations

As part of its effort for promoting economy, efficiency, and effectiveness of Agency programs and operations, and a results oriented culture, the OIG initiated a new policy and procedure to conduct followup reviews on the status of actions taken by EPA on OIG recommendations.

EPA currently self-reports on the number of OIG reports for which there are completed actions. The Agency does so through Audit Followup Coordinators in each EPA component in Headquarters and the regions. However, these reports are not independently verified to assess whether the reported actions specifically and conclusively address what Action Officials agreed to do in the (decision) close-out process.

The new OIG process will verify and report on the status of Agency actions relating to specific OIG recommendations as (1) "Agency improvement accomplishments" when actions are confirmed as complete, (2) "actions in progress" when they are on schedule as planned, or (3) "unimplemented or incomplete actions" when not verified to be on schedule or complete in accordance with the agreed-to plan.

The OIG will report the results of its followup reviews to the Deputy Administrator and the appropriate Assistant Administrator for their attention to actions requiring completion, or as recognition for successfully implementing needed improvements. We believe that this process will provide additional accountability and encourage diligence in implementing management and program improvements.

EPA Could Improve the Timeliness of its Followup Actions

According to Office of Management and Budget Circular A-50, Audit Followup is a shared responsibility of both the OIG and the Agency. Because accountability for followup is of significant importance, the Inspector General Act requires both the OIG and the Agency to report on the status and timeliness of action on OIG reports. The OIG reports on the timeliness of Agency decisions to sustain recommended questioned costs, along with the dollar amounts involved, and agreement by the OIG with action plans to resolve management recommendations. Similarly, the Agency is required to report on timeliness of completed actions taken on reports for which decisions have been previously made.

Charts A and B demonstrate the status of Agency decisions made on OIG reports for each semiannual reporting period since March 2003, along with the dollar values associated with those reports. Charts C and D demonstrate the status of completed Agency actions claimed on OIG reports for which Agency decisions were made for each semiannual reporting period since March 2003, along with the dollar values associated with those reports. Chart E demonstrates the aging of reports closed during the semiannual period ending March 31, 2007.

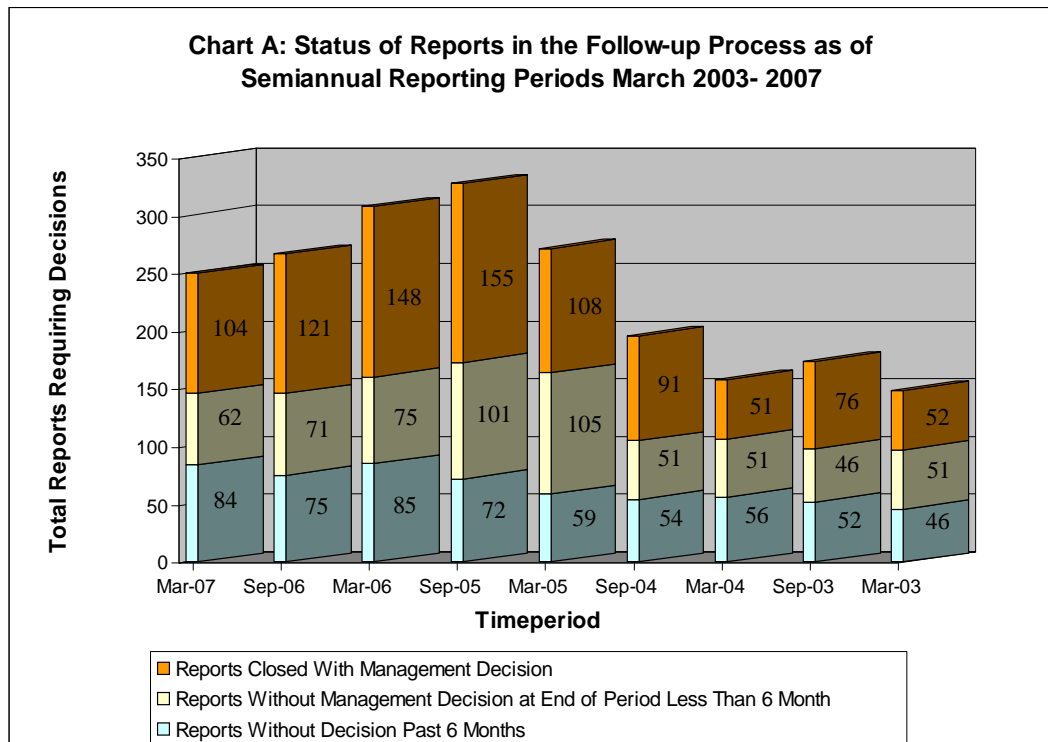


Chart B: Status of Dollar Value in the Follow-up Process as of Semiannual Reporting Periods March 2003-2007

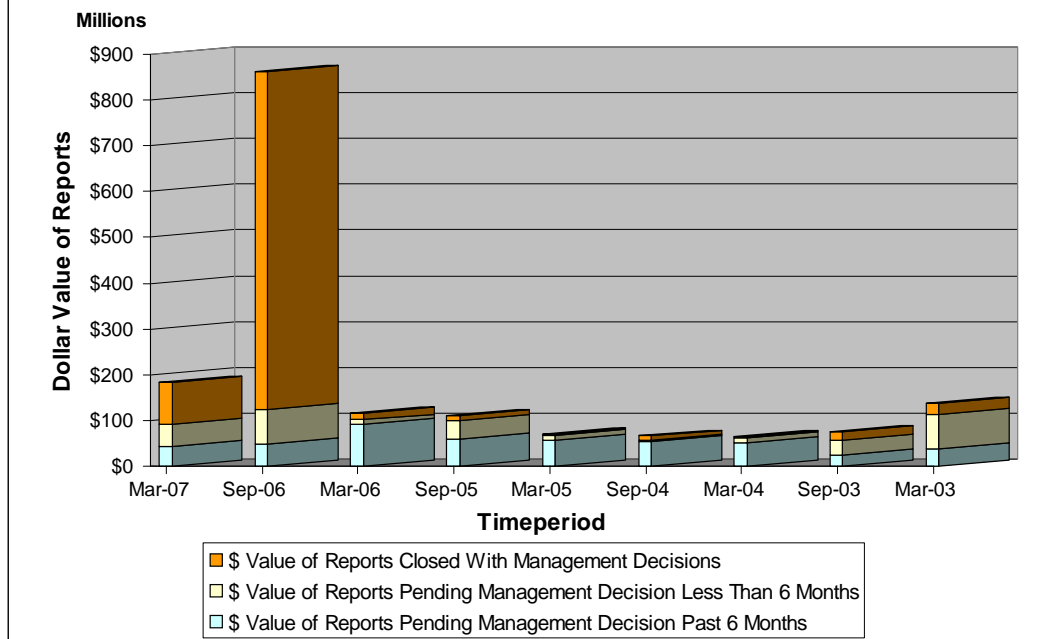
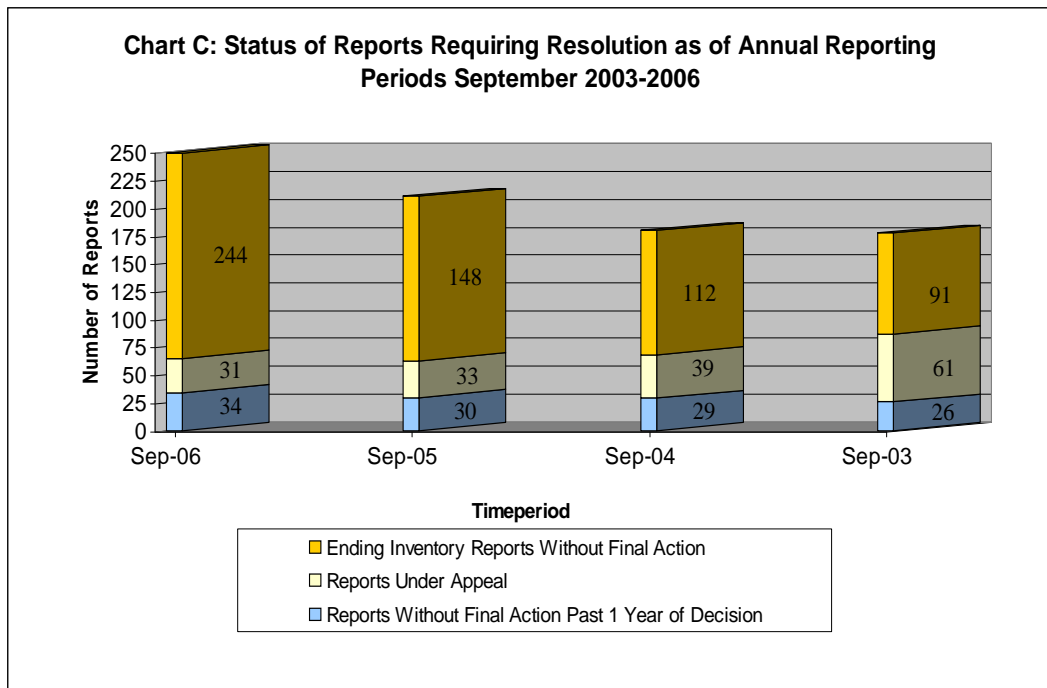
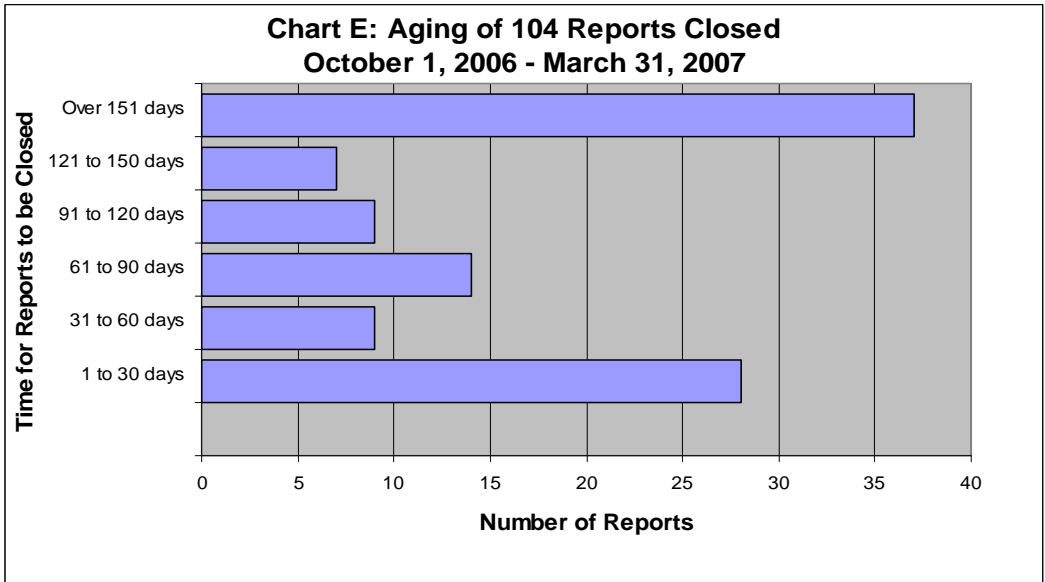
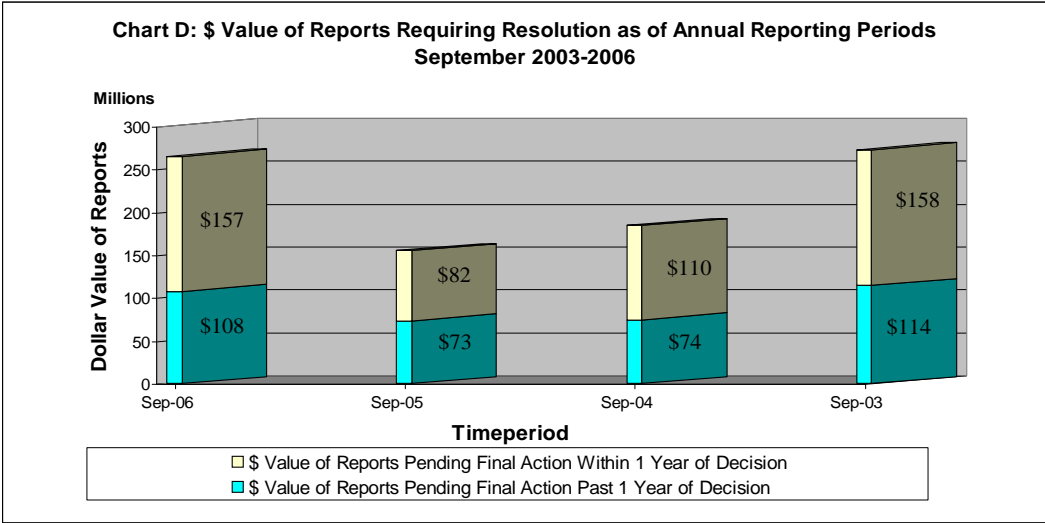


Chart C: Status of Reports Requiring Resolution as of Annual Reporting Periods September 2003-2006





Legislation, Regulations, and Policies Reviewed

Section 4 (a) of the Inspector General Act requires the Inspector General to review existing and proposed legislation and regulations relating to the program and operation of EPA and to make recommendations concerning their impact. The primary basis for our comments are the audit, evaluation, investigation, and legislative experiences of the OIG, as well as our participation on the President's Council on Integrity and Efficiency. Additionally, we review and recommend policies to promote improved administration and to prevent and detect fraud and abuse in EPA programs and operations.

During the reporting period, we reviewed 21 proposed changes to legislation, regulations, policy, and procedures that could affect EPA, and provided comment on 13 of those reviewed. We also reviewed drafts of Office of Management and Budget circulars, program operations manual, directives, and reorganizations. Details on several items follow.

EPA's FY 2006 Performance and Accountability Draft Report. The EPA OIG provided comments and suggestions on the draft of the "Management's Discussion and Analysis" section for EPA's "FY 2006 Performance and Accountability Report," including:

Little Mention of EPA's Partners and Collaborators. EPA relies on its partners, such as States and grantees, to accomplish much of its mission. Other Federal agencies also have an important role as collaborators, and in some cases may have conflicting program objectives. We commented that this performance report did not distinguish the relative roles EPA's partners and collaborators have in achieving its goals.

Mercatus Center Prescriptive About How EPA's Performance and Accountability Report Could be Improved. Using the Mercatus criteria for Public Benefit, Transparency and Leadership, we commented that this report had most of the elements for being highly effective but it could be better organized. The report could include more balance in reporting successes and progress, as well as failures and future implications.

No Perspective About the Relative Effort or Cost Invested in Performance. The draft report said that the Agency was doing a better job of aligning costs to results. We suggested that a summary of results and actions in relation to risks should be associated with an approximate amount of resources expended. Relative value and return on investment are important attributes of transparency.

Proposed Reorganization of the Office of Criminal Enforcement, Forensics, and Training, Office of Enforcement and Compliance Assurance. According to the proposed Functional Statement, Immediate Office, the Professional Integrity and Quality Assurance Staff conducts investigations concerning allegations of serious misconduct and/or concerning matters that impact the integrity of Office of Criminal Enforcement, Forensics, and Training. However, in accordance with EPA Manual 6500, "*Functions and Activities of the Office of Inspector General*," the OIG Office of Investigations

generally investigates allegations against EPA employees for ethical or other conduct prejudicial to the Government (violations of the Standards of Ethical Conduct). We recommended that the Functional Statement, Immediate Office, should be clarified to state that any type of investigation of EPA employees (criminal, civil, or administrative involving allegations of fraud, waste, or abuse) has to be sent to the OIG.

Draft EPA Order - EPA Personal Identity Verification and Smart Card Program.

The Federal Information Processing Standards describe the mandatory as well as optional items for the identification card. In reviewing the Federal Information Processing Standards regarding the optional items, we noted that two areas of the badge allowed for Agency-specific information. The examples given were to use this space to identify “Emergency Responders” and “Law Enforcement.” The proposed EPA order made no provisions for these optional designations. We commented that using these two areas would be helpful for proper identification of Agency employees, including the OIG’s Special Agents, Special Agents from EPA’s Criminal Investigation Division, and other Agency responders in a time of emergency.

EPA Working Capital Fund Charter. The OIG made specific recommendations for changes in the EPA Working Capital Fund charter to improve the accountability and transparency of cost structure, revenue, and transactions; and to establish clear objectives for improving economy, efficiency, and effectiveness of Working Capital Fund operations and performance. The changes were adopted and ratified by the Working Capital Fund Board. Further, the OIG proposed changes requiring annual audits to be conducted or supervised by the OIG to ensure independent reporting.

Statistical Data

Profile of Activities and Results

Audit Operations Office of Inspector General Reviews	
October 1, 2006 to March 31, 2007 (dollars in millions)	
Questioned Costs *	
■ Total	\$26.8
■ Federal	\$26.7
Recommended Efficiencies *	
■ Federal	\$9.3
Costs Disallowed to be Recovered	
■ Federal	\$3.1
Costs Disallowed as Cost Efficiency	
■ Federal	\$9.3
Reports Issued - Office of Inspector General Reviews	31
Reports Resolved (Agreement by Agency officials to take satisfactory corrective actions) **	104

Audit Operations Other Reviews (Reviews Performed by Another Federal Agency or Single Audit Act Auditors)	
October 1, 2006 to March 31, 2007 (dollars in millions)	
Questioned Costs *	
■ Total	\$189.6
■ Federal	\$10.6
Recommended Efficiencies *	
■ Federal	\$13.0
Costs Disallowed to be Recovered	
■ Federal	\$1.5
Costs Disallowed as Cost Efficiency	
■ Federal	\$0
Reports Issued - Other Reviews	
■ EPA Reviews Performed by Another Federal Agency	116
■ Single Audit Act Reviews	75
■ Total	191
Agency Recoveries	
Recoveries from Audit Resolutions of Current and Prior Periods (cash collections or offsets to future payments) ***	\$1.0

Investigative Operations	
October 1, 2006 to March 31, 2007 (dollars in millions)	
Fines and Recoveries (including civil) ****	\$0.71
Cases Opened During Period	17
Cases Closed During Period *****	65
Indictments/Informations/Complaints of Persons or Firms	2
Convictions of Persons or Firms	8
Civil Judgments/Settlements/Filings	1

* Questioned Costs and Recommended Efficiencies are subject to change pending further review in the audit resolution process. Total Questioned Costs include contracts of other Federal agencies.

** Reports Resolved are subject to change pending further review.

*** Information on Recoveries from Audit Resolutions is provided by EPA's Financial Management Division and is unaudited.

**** Total includes actions resulting from joint investigations.

***** Includes three cases closed in a prior period.

Audit Report Resolution

Status Report on Perpetual Inventory of Reports in Resolution Process for Semiannual Period Ending March 31, 2007

Report Category	No. of Reports	Report Issuance (\$ in thousands)		Report Resolution Costs Sustained (\$ in thousands)	
		Questioned Costs	Recommended Efficiencies	To Be Recovered	As Efficiencies
A. For which no management decision was made by October 1, 2006 *	146	\$117,384	\$5,566	\$4,085	\$20
B. Which were issued during the reporting period	222	37,316	22,368	597	9,300
C. Which were issued during the reporting period that required no resolution	118	0	0	0	0
Subtotals (A + B - C)	250	154,700	27,934	4,682	9,320
D. For which a management decision was made during the reporting period	104	77,165	14,866	4,682	9,320
E. For which no management decision was made by March 31, 2007	146	77,535	13,068	0	0
F. Reports for which no management decision was made within 6 months of issuance	84	42,657	0	0	0

* Any difference in number of reports and amounts of questioned costs or recommended efficiencies between this report and our previous semiannual report results from corrections made to data in our audit tracking system.

Status of Management Decisions on Inspector General Reports

This section presents statistical information as required by the Inspector General Act of 1978, as amended, on the status of EPA management decisions on reports issued by the OIG involving monetary recommendations. As presented, information contained in Tables 1 and 2 cannot be used to assess results of reviews performed or controlled by this office. Many of the reports were prepared by other Federal auditors or independent public accountants. EPA OIG staff do not manage or control such assignments. Auditees frequently provide additional documentation to support the allowability of such costs subsequent to report issuance.

Table 1 - Inspector General-Issued Reports with Questioned Costs for Semiannual Period Ending March 31, 2007 (dollar value in thousands)

Report Category	Number of Reports	Questioned Costs *	Unsupported Costs
A. For which no management decision was made by October 1, 2006 **	73	\$117,384	\$97,115
B. New reports issued during period	40	37,316	3,013
Subtotals (A + B)	113	154,700	100,128
C. For which a management decision was made during the reporting period	46	77,165	71,873
(i) Dollar value of disallowed costs	30	4,682	670
(ii) Dollar value of costs not disallowed	16	72,483	71,203
D. For which no management decision was made by March 31, 2007	67	77,535	28,255
Reports for which no management decision was made	45	42,657	26,845

* Questioned costs include the unsupported costs.

** Any difference in number of reports and amounts of questioned costs between this report and our previous semiannual report results from corrections made to data in our audit tracking system.

Table 2 - Inspector General-Issued Reports with Recommendations that Funds Be Put to Better Use for Semiannual Period Ending March 31, 2007 (dollar value in thousands)

Report Category	Number of Reports	Dollar Value
A. For which no management decision was made by October 1, 2006 *	7	\$5,566
B. Which were issued during the reporting period	4	22,368
Subtotals (A + B)	11	27,934
C. For which a management decision was made during the reporting period	8	14,866
(i) Dollar value of recommendations from reports that were agreed to by management	2	9,320
(ii) Dollar value of recommendations from reports that were not agreed to by management	6	5,546
(iii) Dollar value of non-awards or unsuccessful bidders		
D. For which no management decision was made by March 31, 2007	3	13,068
Reports for which no management decision was made within 6 months of issuance	0	0

* Any difference in number of reports and amounts of funds put to better use between this report and our previous semiannual report results from corrections made to data in our audit tracking system.

Audits with No Final Action as of March 31, 2007, Which Are Over 365 Days Past the Date of the Accepted Management Decision (Including Audits in Appeal)

Audits	Total	Percentage
Program	27	73%
Assistance Agreements	0	0%
Contract Audits	0	0%
Single Audits	10	27%
Financial Statement Audits	0	0%
Total	37	100%

Summary of Investigative Results

Summary of Investigative Activity During Period

Cases open as of October 1, 2006	166
Cases opened during period	17
Cases closed during period *	65
Cases pending as of March 31, 2007	118

Investigations Pending by Type as of March 31, 2007

	Superfund	Management	Total
Contract	5	12	17
Assistance Agreement	0	24	24
Employee Integrity	1	22	23
Program Integrity	1	11	12
Computer Crime	0	5	5
Laboratory Fraud	6	25	31
Other	2	4	6
Total	15	103	118

Results of Prosecutive Actions

	EPA OIG Only	Joint **	Total
Criminal Indictments / Informations / Complaints	1	1	2
Convictions	1	7	8
Civil Judgments / Settlements / Filings	1	0	1
Fines and Recoveries (includes Civil)	\$200,345	\$511,582	\$711,927
Prison Time	0 months	45 months	45 months
Prison Time Suspended	0 months	0 months	0 months
Probation	0 months	324 months	324 months
Community Service	8 hours	0 hours	8 hours

Administrative Actions

	EPA OIG Only	Joint **	Total
Suspensions	3	0	3
Debarments	5	5	10
Voluntary Exclusions	2	1	3
Other Administrative Actions	9	7	16
Total	19	13	32

* Includes three cases closed in a prior period.

** With another Federal agency.

Scoreboard of Results

Scoreboard of Results at Mid-Year (March 31, 2007) Compared to FY 2007 Annual Performance Goal Targets

All results reported in FY 2007, from current and prior years' work, as reported in the OIG Performance Measurement and Results System and the Inspector General Operations Reporting system. All data not verified.

Strategic Goals; With OIG Government Performance and Results Act Annual Performance Targets Compared to FY 2007 Results Reported	Supporting Measures
Goal: Contribute to Human Health and Environmental Quality Through Improved Business Practices, Accountability, and Integrity of Program Operations¹	
Environmental Improvements/Actions/Changes Improvements in Business/Systems/Efficiency Risks Reduced or Eliminated <ul style="list-style-type: none"> ▪ Target: 318 ▪ Reported: 257 (80.9%) 	5 Legislative/regulatory changes/decisions 3 Best environmental practices implemented 11 Management best practices implemented 12 Environmental policy, process, practice, control changes 41 Management policy, process, practice, control changes 180 Certifications/validations/verifications/corrections 5 Environmental risks reduced/eliminated
Environmental and Business Recommendations Challenges, Best Practices, and Risks Identified <ul style="list-style-type: none"> ▪ Target: 925 ▪ Reported: 451 (48.8%) 	10 Environmental recommendations (for Agency/stakeholder action) 388 Management recommendations (for Agency/stakeholder action) 8 Critical congressional/public management concerns addressed 5 Best environmental practices identified 27 Best management practices identified 7 Referrals for Agency action 1 New FMFIA/A-123/Management challenge/risk identified 5 Environmental risks identified
Return on Investment: Potential dollar return as percentage of OIG budget (\$50.4 million) <ul style="list-style-type: none"> ▪ Target: \$75.6 million ▪ Reported: \$60.3 million Federal (79.8%) 	<i>(dollars in millions)</i> \$ 37.3 Questioned costs (Federal) \$ 22.3 Recommended efficiencies, costs saved (Federal) \$ 0.7 Fines, recoveries, settlements
Criminal, Civil, and Administrative Actions Reducing Risk of Loss/Operational Integrity <ul style="list-style-type: none"> ▪ Target: 80 ▪ Reported: 43 (54%) 	8 Criminal convictions 2 Indictments/informations/complaints 1 Civil judgments/settlements/filings 32 Administrative actions
Sustained Monetary Recommendations and Savings Achieved from Current and Prior Periods <ul style="list-style-type: none"> ▪ Target: no goal established ▪ Savings: \$14 million ▪ Recommendations sustained for resolution: 212 	<i>(dollars in millions)</i> \$ 4.7 Questioned costs sustained (Total) \$ 9.3 Cost efficiencies sustained or realized 9 Environmental recommendations sustained 203 Management recommendations sustained

¹ This scoreboard, which represents OIG external performance reporting requirements under the Government Performance and Results Act, consolidates similar measures that were previously presented separately as Goal 1 (environmental) and Goal 2 (business practices). The Office of Management and Budget, seeking to reduce the number of "vital-few" measures Government-wide, has specifically endorsed this change.

Appendices

Appendix 1 - Reports Issued

The Inspector General Act requires a listing, subdivided according to subject matter, of each report issued by the OIG during the reporting period. For each report, where applicable, the Inspector General Act also requires a listing of the dollar value of questioned costs and the dollar value of recommendations that funds be put to better use.

Report Number	Title	Final Report Issued	Questioned Costs			Recommended Efficiencies (Funds Be Put To Better Use)
			Ineligible Costs	Unsupported Costs	Unreasonable Costs	
PERFORMANCE REPORTS						
2007-P-00001	Effectiveness of Vehicle Inspection and Maintenance Programs	5-Oct-07	0	0	0	0
2007-P-00002	Asbestos Cleanup in Libby Montana	5-Dec-06	0	0	0	0
2007-P-00003	Voluntary Program Cost and Measurement Census	14-Nov-06	0	0	0	0
2007-P-00004	Nonpoint Source BMPs in Chesapeake Bay Restoration	20-Nov-06	0	0	0	0
2007-P-00005	Review of RCRA Interim Status Permits	30-Nov-06	0	0	0	0
2007-P-00006	Superfund Five-Year Reviews	30-Nov-06	0	0	0	0
2007-P-00007	Managing Contractor Systems and Reporting Incidents	11-Jan-07	0	0	0	0
2007-P-00008	EPA Could Improve Controls Over Mainframe Software	29-Jan-07	0	0	0	0
2007-P-00009	Air Deposition Reductions Activities in Chesapeake Bay	28-Feb-07	0	0	0	0
2007-P-00010	Facility Adherence to the CSB's Closed Recommendations	23-Mar-07	0	0	0	0
2007-P-00011	Review of Interagency Contracts	27-Mar-07	0	0	0	0
2007-P-00012	Assistance Agreements-State Revolving Fund Policy Review	28-Mar-07	0	0	0	0
2007-P-00013	Evaluation of National Environmental Performance Track Program	29-Mar-07	0	0	0	0
2007-P-00015	Hurricane Katrina New Housing Contract	29-Mar-07	0	0	0	0
2007-P-00017	EPA's Implementation of Database Security	29-Mar-07	0	0	0	0
2007-P-00018	Hospital Disinfectant Registration	29-Mar-07	0	0	0	\$50,000
	TOTAL PERFORMANCE REPORTS = 16		\$0	\$0	\$0	\$50,000
ASSISTANCE AGREEMENT REPORTS						
2007-1-00037	SRF-New Hampshire 2005 Clean Water	5-Feb-07	0	0	0	0
2007-1-00044	SRF-New Hampshire 2005 Drinking Water	26-Feb-07	\$228,486	0	0	0
2007-2-00003	Superfund Cooperative Agreement Obligations	26-Oct-06	0	0	0	\$9,300,000
2007-4-00026	AA-International City/County Management Association	28-Nov-06	\$78,298	\$929,560	0	0
2007-4-00027	AA-National Rural Water Association-Congressional	30-Nov-06	0	0	0	0
2007-4-00045	AA-America's Clean Water Foundation	20-Feb-07	\$25,372,590	0	0	0
	TOTAL ASSISTANCE AGREEMENT REPORTS = 6		\$25,679,374	\$929,560	\$0	\$9,300,000
SINGLE AUDIT REPORTS						
2007-3-00001	Nebraska, State of - FY 2005	2-Oct-06	0	0	0	0
2007-3-00002	North Carolina, State of - FY 2005	2-Oct-06	0	0	0	0
2007-3-00003	Blackfeet Tribe of the Blackfeet Indian Reservation, FY 2004	2-Oct-06	0	0	0	0
2007-3-00004	Wayne, Charter County of - FY 2003	4-Oct-06	0	\$931,614	0	0
2007-3-00005	Florida, State of - FY 2005	4-Oct-06	\$2,637,816	0	0	0
2007-3-00006	Hopeland Band of Pomo Indians - FY 2004	10-Oct-06	0	0	0	0
2007-3-00007	Havasupai Tribe - FY 2003	10-Oct-06	0	0	0	0
2007-3-00008	Havasupai Tribe - FY 2004	10-Oct-06	0	0	0	0
2007-3-00009	Arkansas Construction Assist-FY2004	11-Oct-06	0	0	0	0
2007-3-00010	Chitina Traditional Indian Village Council FY 2004	12-Oct-06	0	0	0	0
2007-3-00011	Lynchburg, City of - FY 2005	16-Oct-06	0	0	0	0
2007-3-00012	Lummi Indian Business Council FY 2004	17-Oct-06	0	0	0	0
2007-3-00013	Pit River Tribe, FY 2004	19-Oct-06	0	0	0	0
2007-3-00014	Ramona Band of Cahuilla Mission Indians, FY2002	19-Oct-06	0	0	0	0
2007-3-00015	Muckleshoot Indian Tribe FY 2004	20-Oct-06	0	0	0	0
2007-3-00016	Roswell, City of FY 2004	24-Oct-06	0	0	0	0
2007-3-00017	Colorado, State of - FY 2005	26-Oct-06	0	0	0	0
2007-3-00018	Big Valley Rancheria Band of Pomo Indians, FY 2004	2-Nov-06	0	0	0	0
2007-3-00019	Ninilchik Traditional Council FY 2004	2-Nov-06	0	0	0	0
2007-3-00020	La Jolla Band of Luiseno Indians, FY 2004	2-Nov-06	0	0	0	0
2007-3-00021	New York University School of Medicine - FY 2005	3-Nov-06	0	0	0	0
2007-3-00022	Rochester, University of - FY 2004	6-Nov-06	0	0	0	0
2007-3-00023	Research Foundation of the State University of NY - FY 2004	6-Nov-06	0	0	0	0
2007-3-00024	Orutsararmuit Native Council FY 2004	7-Nov-06	0	0	0	0
2007-3-00025	Coyote Valley Band of Pomo Indians, FY 2003	16-Nov-06	0	0	0	0

Report Number	Title	Final Report Issued	Questioned Costs			Recommended Efficiencies (Funds Be Put To Better Use)
			Ineligible Costs	Unsupported Costs	Unreasonable Costs	
2007-3-00026	Coyote Valley Band of Pomo Indians, FY 2004	16-Nov-06	0	0	0	0
2007-3-00027	Port Authority of the City of St. Paul, FY 2004	16-Nov-06	0	0	0	0
2007-3-00028	Three Affiliated Tribes - FY 2004	20-Nov-06	0	0	0	0
2007-3-00029	United States Virgin Islands - FY 2003	20-Nov-06	0	0	0	0
2007-3-00030	United States Virgin Islands - FY 2004	20-Nov-06	0	0	0	0
2007-3-00031	New York University - FY 2005	21-Nov-06	0	0	0	0
2007-3-00032	Clarkson University - FY 2005	21-Nov-06	0	0	0	0
2007-3-00033	Caddo Nation of Oklahoma, FY 2005	4-Dec-06	0	\$19,000	0	0
2007-3-00034	New York, State of - FY 2005	4-Dec-06	0	0	0	0
2007-3-00035	National Environmental Health Association - FY 2004	5-Dec-06	0	0	0	0
2007-3-00036	Little River Band of Ottawa Indians, MI, FY 2003	7-Dec-06	0	0	0	0
2007-3-00037	Alfred University - FY 2005	11-Dec-06	0	0	0	0
2007-3-00038	Lake County - FY 2005	11-Dec-06	\$6,761	0	0	0
2007-3-00039	Yankton Sioux Tribe - FY 2004	11-Dec-06	0	0	0	0
2007-3-00040	Delaware Nation, FY 2005	12-Dec-06	0	\$28,903	0	0
2007-3-00041	University of New Orleans Research and Technology Foundation	12-Dec-06	0	0	0	0
2007-3-00042	Nooksack Indian Tribe, FY 2003	15-Dec-06	0	0	0	0
2007-3-00043	Emeryville, City of FY 2004	19-Dec-06	0	0	0	0
2007-3-00044	Pala Band of Mission Indians, FY 2005	19-Dec-06	0	\$533,460	0	0
2007-3-00045	Nevada System of Higher Education, FY 2005	19-Dec-06	0	0	0	0
2007-3-00046	San Diego State University Foundation, FY 2004	21-Dec-06	0	0	0	0
2007-3-00047	Cahto Tribe of the Laytonville Rancheria, FY 2004	8-Jan-07	0	0	0	0
2007-3-00048	Wake Forest University - FY 2004	9-Jan-07	0	0	0	0
2007-3-00049	Laurens County Water & Sewer - FY 2004	9-Jan-07	0	0	0	0
2007-3-00050	Georgia Tech Research Corp and Georgia Inst. of Tech. - FY 2005	10-Jan-07	0	0	0	0
2007-3-00051	United Keetoowah Band of Cherokee Indians of Oklahoma, FY 04	11-Jan-07	0	0	0	0
2007-3-00052	Enlarged Hepzibah Public Service District, FY 2005	11-Jan-07	0	0	0	0
2007-3-00053	Nooksack Indian Tribe FY 2004	11-Jan-07	0	0	0	0
2007-3-00054	Diamond, City of - FY 2006	16-Jan-07	0	0	0	0
2007-3-00055	North East, Town of - FY 2005	16-Jan-07	0	0	0	0
2007-3-00056	Concurrent Technologies Corporation, FY 2004	25-Jan-07	0	0	0	0
2007-3-00057	Harbor Branch Oceanographic Institution, Inc. - FY 2004	25-Jan-07	0	0	0	0
2007-3-00058	Concurrent Technologies Corporation, FY 2005	25-Jan-07	0	0	0	0
2007-3-00059	Utah, State of FY 2005	6-Feb-07	0	0	0	0
2007-3-00060	Connecticut, State of FY 2003	6-Feb-07	0	\$137,109	0	0
2007-3-00061	Montana, State of FY 2005	8-Feb-07	0	0	0	0
2007-3-00062	Connecticut, State of FY 2004	12-Feb-07	0	0	0	0
2007-3-00063	Illinois Institute of Technology - FY 2005	13-Feb-07	0	0	0	0
2007-3-00064	Auburn University - FY 2005	21-Feb-07	0	0	0	0
2007-3-00065	Stevens Institute of Technology - FY 2005	21-Feb-07	0	0	0	0
2007-3-00066	Alabama, University of (Tuscaloosa) - FY 2004	22-Feb-07	0	0	0	0
2007-3-00067	Missouri, University of - FY 2005	22-Feb-07	0	0	0	0
2007-3-00068	Illinois, State of FY 2005	26-Feb-07	0	0	0	0
2007-3-00069	Pueblo of Zia, NM, FY 2005	26-Feb-07	0	0	0	0
2007-3-00070	Kashia Band of Pomo Indians FY 2004	6-Mar-07	0	0	0	0
2007-3-00071	Pleasant Point Passamaquoddy Tribal Council, FY 2004	8-Mar-07	0	0	0	0
2007-3-00072	Ione Band of Miwok Indians, FY 2003	8-Mar-07	0	\$433,663	0	0
2007-3-00073	Michigan Department of Environmental Quality, State-of-2005	19-Mar-07	0	0	0	0
2007-3-00075	Pennsylvania, Commonwealth of FY 2005	20-Mar-07	0	0	0	0
2007-3-00076	Southern Alleghenies Conservancy, FY 2004	22-Mar-07	0	0	0	0
TOTAL SINGLE AUDIT REPORTS = 75			\$2,644,577	\$2,083,749	\$0	\$0
OIG-ISSUED CONTRACT REPORTS						
2007-4-00019	E&E SubK Admin Noncomp - Cost Impact	2-Nov-06	0	0	0	0
2007-4-00033	E&E 2006 Floorcheck	21-Dec-06	0	0	0	0
2007-4-00052	E&E Report on Examination of Contractor FY 2001 I/C	30-Mar-07	\$71,680	0	\$43,919	0
TOTAL OIG-ISSUED CONTRACT REPORTS = 3			\$71,680	\$0	\$43,919	\$0
DCAA CONTRACT REPORTS						
2006-2-00033	CDM Federal Programs Corp. - FY 1999 CACS 68-W9-0024	3-Oct-06	\$34,559	0	0	0
2007-1-00003	Stratus Consulting, Inc. - FY 12/31/2004 Incurred Cost	3-Oct-06	0	0	0	0
2007-1-00004	National Academy of Public Admin - FY 9/30/2004 I/C	3-Oct-06	0	0	0	0
2007-1-00005	SCS Engineers - FY 03/31/2002 Incurred Cost	3-Oct-06	0	0	0	0
2007-1-00006	FEV Engine Technology - FY 12/31/2004 Incurred Cost	19-Oct-06	\$60,731	0	0	0
2007-1-00007	Gannett Fleming Inc. - FY 12/31/2004 Incurred Cost	24-Oct-06	0	0	0	0
2007-1-00008	Bionetics Corporation FY 2003 Incurred Cost	24-Oct-06	0	0	0	0
2007-1-00009	Syracuse Research Corporation - FY 2005 Incurred Cost	24-Oct-06	0	0	0	0
2007-1-00010	SRI International - FY 2005 I/C	24-Oct-06	\$705	0	0	0
2007-1-00011	DPRA, Inc. - FY 3/31/2005 Incurred Cost	25-Oct-06	\$3,550	0	0	0
2007-1-00012	ICF Inc c/o ICF Consulting Group-FYs 2002-2003 Incurred Cost	27-Oct-06	\$150,601	0	0	0
2007-1-00013	Dynamac Corporation - FY 2003 Incurred Cost	30-Oct-06	0	0	0	0
2007-1-00014	General Sciences Corporation-FY2001 Incurred Cost	1-Nov-06	0	0	0	0
2007-1-00015	ManTech Environmental Technology, Inc-FY 2003 Incurred Cost	7-Nov-06	\$1,336	0	0	0

Report Number	Title	Final Report Issued	Questioned Costs			Recommended Efficiencies (Funds Be Put To Better Use)
			Ineligible Costs	Unsupported Costs	Unreasonable Costs	
2007-1-00016	URS Corporation (c/o URS Greiner, Inc.)-FY2001 Incurred Cost	13-Nov-06	\$1,328,189	0	0	0
2007-1-00017	Hagler Bailly-FY97 Incurred Cost	13-Nov-06	\$24,125	0	0	0
2007-1-00018	Arctic Slope Region Corp. Aerospace- FY 2002 Incurred Cost	13-Nov-06	\$27,343	0	0	0
2007-1-00021	Excalibur Associates, Inc. - FY 2005 I/C	21-Nov-06	0	0	0	0
2007-1-00022	Booz Allen & Hamilton- FY 2002 Incurred Cost	1-Dec-06	\$246,127	0	0	0
2007-1-00024	Wilson Environmental - FY 2005 I/C	12-Dec-06	0	0	0	0
2007-1-00025	Sonoma Technology, Inc. - FY 12/31/2005 Incurred Cost	22-Dec-06	0	0	0	0
2007-1-00026	Welso Federal Services - FY 09/30/2005 Incurred Cost	8-Jan-07	0	0	0	0
2007-1-00027	E2, Inc. - FY 12/31/2004 Incurred Cost	10-Jan-07	\$2,161	0	0	0
2007-1-00028	E2, Inc. - FY 12/31/2003 Incurred Cost	10-Jan-07	0	0	0	0
2007-1-00029	Tetra Tech NUS, Inc.-FY2002 Incurred Cost	16-Jan-07	0	0	0	0
2007-1-00030	Arctic Slope Region Corp. Aerospace- FY 2001 Incurred Cost	17-Jan-07	\$36,196	0	0	0
2007-1-00031	Enterprise Technology Management - FY 12/31/2004 I/C	17-Jan-07	\$26,972	0	0	0
2007-1-00032	Booz-Allen & Hamilton, Inc. -- FYE 3/31/2003 Incurred Cost	17-Jan-07	\$196,029	0	0	0
2007-1-00033	Science Applications Int'l Corp. - FY 2004 Incurred Cost	19-Jan-07	0	0	0	0
2007-1-00034	Versar, Inc. - FY 6/30/2004 Incurred Cost	23-Jan-07	\$2,055	0	0	0
2007-1-00035	Battelle Memorial Institute - Columbus - FY 9/30/2005 I/C	25-Jan-07	\$63,423	0	0	0
2007-1-00036	Parsons Infrastructure & Technology - FYE 12/31/2004 I/C	25-Jan-07	\$9,975	0	0	0
2007-1-00038	OAO Corporation-FY2001 Incurred Cost	5-Feb-07	\$1,324	0	0	0
2007-1-00039	Herrera Environ. Consultants- FY 2004 Incurred Cost	7-Feb-07	\$399	0	0	0
2007-1-00040	TRC Environmental Consultants - FY 06/30/2000 I/C	8-Feb-07	\$306,792	0	0	0
2007-1-00041	E2, Inc. - FY 2005 I/C	8-Feb-07	0	0	0	0
2007-1-00042	TRC Environmental Corp. - FY 06/30/2001 I/C	20-Feb-07	\$2,942,255	0	0	0
2007-1-00043	SoBran, Inc. - FY 09/30/2005 I/C	21-Feb-07	0	0	0	0
2007-1-00045	Washington Group International(Morrison Knudsen)-FY 2002 I/C	22-Feb-07	\$1,893	0	0	0
2007-1-00046	EG&G Automotive Research - FY 12/31/2004 Incurred Cost	7-Mar-07	0	0	0	0
2007-1-00047	URS Corp. c/o URS Greiner, Inc FYE 10/31/2002 Incurred Cost	8-Mar-07	\$4,232	0	0	0
2007-1-00048	Environmental Mgt Support - FYE 12/31/2004 Incurred Cost	19-Mar-07	0	0	0	0
2007-1-00049	Indus Corporation - FYE 12/31/2003 Incurred Cost	20-Mar-07	0	0	0	0
2007-1-00050	Integrated Laboratory Systems - FYE 9/30/2004 Incurred Cost	21-Mar-07	\$812	0	0	0
2007-1-00051	EERGC c/GE Energy & Envl Resrc - FYE 6/30/2004 Incurred Cost	21-Mar-07	0	0	0	0
2007-1-00052	Business Technologies & Solutions, Inc. - FY 12/31/2004 I/C	21-Mar-07	0	0	0	0
2007-1-00053	KBM Group, Inc. - FY 12/31/2005 Incurred Cost	22-Mar-07	0	0	0	0
2007-1-00054	Shaw Environmental, Inc. - FYE 8/31/2004 Incurred Cost	22-Mar-07	\$233,408	0	0	0
2007-1-00055	Tetra Tech EMI - FYE 10/3/2004 Incurred Cost	26-Mar-07	\$83,224	0	0	0
2007-1-00056	Tetra Tech, Inc. - FY 9/30/2004 Incurred Cost	28-Mar-07	0	0	0	0
2007-2-00002	Aqua Terra Consultants - FYE 6/27/2004 Incurred Cost	24-Oct-06	0	0	0	0
2007-2-00005	Legin Group, Inc.-FY2002 Incurred Cost	1-Nov-06	0	0	0	0
2007-2-00006	Arctic Slope Region Corp. Aerospace- FY 2000 Incurred Cost	1-Nov-06	0	0	0	0
2007-2-00007	Legin Group, Inc. - FY 2003 Incurred Cost	2-Nov-06	0	0	0	0
2007-2-00008	Advanced Technologies Systems Inc. - 12/31/2004 I/C	6-Nov-06	0	0	0	0
2007-2-00009	D & R International, LTD. - FY 12/31/2004 Incurred Cost	6-Nov-06	0	0	0	0
2007-2-00010	Universe Technologies, Inc. - FYE 12/31/2003 Incurred Cost	22-Nov-06	0	0	0	0
2007-2-00011	MDB, Inc. - Voucher Review	28-Nov-06	0	0	0	0
2007-2-00012	The Johnson Company - Preaward - PR-HQ-06-13341	18-Dec-06	0	0	0	\$4,576
2007-2-00013	IBM Business Consulting Services - Preaward - PR-HQ-05-1251	21-Dec-06	0	0	0	\$13,013,609
2007-2-00014	CGI Federal, Inc. - Preaward - PR-HQ-05-12521	21-Dec-06	0	0	0	0
2007-2-00015	Portage Environmental, Inc. - FY 2004 Incurred Cost	22-Dec-06	0	0	0	0
2007-2-00016	ABT Associates Inc.-CACS 68-DO-0020	9-Jan-07	\$44,149	0	0	0
2007-2-00017	Mabbett & Associates, Inc. - Proposal PR-HQ-06-13341	16-Jan-07	0	0	0	0
2007-2-00018	Tetra Tech NUS Inc.-FY 2002 RAC 68-W6-0045	16-Jan-07	\$40,461	0	0	0
2007-2-00019	Tetra Tech FW, Inc. - FY 2004 RAC 68-W9-8214	23-Jan-07	0	0	0	0
2007-2-00020	TechLaw, Inc. - FY 9/30/2004 Incurred Cost	31-Jan-07	0	0	0	0
2007-2-00021	CH2M Hill, Inc. (INC) - FY 2006 General EDP Controls	6-Feb-07	0	0	0	0
2007-2-00022	Limno-Tech, Inc. - FY 3/31/2005 Incurred Cost	8-Feb-07	0	0	0	0
2007-2-00023	Innovar Environmental, Inc-Preaward Accounting System Survey	9-Feb-07	0	0	0	0
2007-2-00024	PG Environmental, LLC - Preaward - PR-CI-06-10850	20-Mar-07	0	0	0	0
2007-4-00001	Stratus Consulting, Inc. - FY 2005 Accounting System Review	3-Oct-06	0	0	0	0
2007-4-00002	National Academy of Sciences - FY 2006 CAS 412	11-Oct-06	0	0	0	0
2007-4-00003	Battelle - BCO - FY 2006 Labor Cost Charging QTRs 1,2,3&4	16-Oct-06	0	0	0	0
2007-4-00004	Mactec Engineering & Consulting, Inc. - CAS 416	17-Oct-06	0	0	0	0
2007-4-00005	Mactec Engineering & Consulting, Inc. - CAS 412	17-Oct-06	0	0	0	0
2007-4-00006	Battelle - BCO - FY 2006 MAAR 13	23-Oct-06	0	0	0	0
2007-4-00007	DPRA, Inc. - CFY 2006 Floor Checks	24-Oct-06	0	0	0	0
2007-4-00008	CH2M Hill Inc (INC) - FY 2004 CAS 412-Pension Cost	23-Oct-06	0	0	0	0
2007-4-00009	CH2M Hill Inc (LTD) - CAS 416	24-Oct-06	0	0	0	0
2007-4-00010	CH2M Hill Inc (INC) - FY 2004 Compensation System Review	24-Oct-06	0	0	0	0
2007-4-00011	National Academy of Sciences-FY06ElectronicTimekeep'g System	24-Oct-06	0	0	0	0
2007-4-00012	Syracuse Research Corporation - FY 2006 MAAR 6	24-Oct-06	0	0	0	0
2007-4-00013	Tetra Tech Corp. - FY 2006 CAS 403	24-Oct-06	0	0	0	0
2007-4-00014	Metcalf & Eddy, Inc - FY 2006 CAS 404	25-Oct-06	0	0	0	0
2007-4-00015	Eastern Research Group - CAS 410 Compliance	25-Oct-06	0	0	0	0

Report Number	Title	Final Report Issued	Questioned Costs			Recommended Efficiencies (Funds Be Put To Better Use)
			Ineligible Costs	Unsupported Costs	Unreasonable Costs	
2007-4-00016	Foster Wheeler Environmental Corp.-FY2003 MAAR 6-Floorcheck	30-Oct-06	0	0	0	0
2007-4-00017	Systems Research & Applications - FY 2006 CAS 408	1-Nov-06	0	0	0	0
2007-4-00018	Foster Wheeler Envtl Corp-FY2003 Contract Over/Underpayments	2-Nov-06	0	0	0	0
2007-4-00020	DPRA, Inc. - Paid Vouchers Review	2-Nov-06	0	0	0	0
2007-4-00021	SAIC - Company 1 - FY 2006 CAS 411	6-Nov-06	0	0	0	0
2007-4-00022	Eastern Research Group - FY 2005 MAAR 6 FloorCheck	8-Nov-06	0	0	0	0
2007-4-00023	SAIC - Company 6 - FY 2006 Disclosure Statement	9-Nov-06	0	0	0	0
2007-4-00024	Systems Research & Applications-FY 2006 Rev CAS Disc Statem	13-Nov-06	0	0	0	0
2007-4-00025	Alpine Geophysics, LLC - Preaward Accounting System Review	21-Nov-06	0	0	0	0
2007-4-00028	Mabbett and Assocites, Inc. - Preaward - PR-HQ-06-13341	30-Nov-06	0	0	0	0
2007-4-00029	EG&G - FY 2006 Labor Floor Checks	5-Dec-06	0	0	0	0
2007-4-00030	Tetra Tech EMI - CAS 410	7-Dec-06	0	0	0	0
2007-4-00031	The Johnson Company - Preaward Accounting Survey	7-Dec-06	0	0	0	0
2007-4-00032	The Johnson Company - Financial Capability	7-Dec-06	0	0	0	0
2007-4-00035	IBM Federal, Inc. - FY 2006 Labor ICAP	21-Dec-06	0	0	0	0
2007-4-00036	EG&G - FY 2006 Billing System Audit	22-Dec-06	0	0	0	0
2007-4-00037	FEV Engine Technology - FY 2006 MAAR 6 Floor Check	22-Dec-06	0	0	0	0
2007-4-00038	Weston Solutions - FY 2006 Floor Checks	8-Jan-07	0	0	0	0
2007-4-00039	IBM Federal, Inc. - FY 12/2006 Paid Voucher Review	8-Jan-07	0	0	0	0
2007-4-00040	Weston Solutions, Inc. - FY 2006 Compensation Audit	8-Jan-07	0	0	0	0
2007-4-00041	Weston Solutions, Inc. - FY 2006 Financial Control Risk	9-Jan-07	0	0	0	0
2007-4-00042	Mabbett & Associates, Inc. - Financial Condition Risk Assess	16-Jan-07	0	0	0	0
2007-4-00043	Weston Solutions, Inc. - FY 2006 CAS 416	7-Feb-07	0	0	0	0
2007-4-00044	Innovar Environmental, Inc. - Preaward Accounting System	9-Feb-07	0	0	0	0
2007-4-00046	SAIC - Company 9 - FY 2006 Financial Cond Risk Assess	26-Feb-07	0	0	0	0
2007-4-00047	PG Environmental, LLC - Preaward Accounting Survey System	26-Feb-07	0	0	0	0
2007-4-00048	Shaw Environmental & Infrastructure, Inc. - CAS 418	27-Feb-07	0	0	0	0
2007-4-00049	SAIC - Company 6 - FY 2006 CAS 410	2-Mar-07	0	0	0	0
2007-4-00050	Eastern Research Group - FY 2007 MAAR 6 Floor Check	22-Mar-07	0	0	0	0
2007-4-00051	Eastern Research Group - CAS 412-413	29-Mar-07	0	0	0	0
	TOTAL DCAA CONTRACT REPORTS = 116		\$5,863,026	\$0	\$0	\$13,018,185
FINANCIAL STATEMENT REPORTS						
2007-1-00001	2005 FIFRA Financial Statements	10-Oct-06	0	0	0	0
2007-1-00002	2005 PRIA Financial Statements	9-Jan-07	0	0	0	0
2007-1-00019	2006 Agency Financial Statements - General (Master)	15-Nov-06	0	0	0	0
2007-1-00020	GRRS	17-Nov-06	0	0	0	0
2007-1-00023	2006 CSB Financial Statement Audit	1-Dec-06	0	0	0	0
2007-2-00001	2006 Payroll AUP	9-Oct-06	0	0	0	0
	TOTAL FINANCIAL STATEMENT REPORTS = 6		\$0	\$0	\$0	\$0
SPECIAL REVIEW REPORTS						
	TOTAL SPECIAL REVIEW REPORTS = 0		\$0	\$0	\$0	\$0
	TOTAL REPORTS ISSUED = 222		\$34,258,657	\$3,013,309	\$43,919	\$22,318,235

Appendix 2 - Reports Issued Without Management Decisions

The Inspector General Act requires a summary of each audit report issued before the commencement of the reporting period for which no management decision has been made by the end of the reporting period (including the date and title of each such report), an explanation of the reasons such management decision has not been made, and a statement concerning the desired timetable for achieving a management decision on each such report. (The OIG provides the summary on the status of the report, and the date and title of each such report. The Agency provides the explanation of the reasons management decision has not been made, and a statement concerning the desired timetable for achieving a management decision on each such report.)

IG Followup Status Codes of Agency's Response at 03/31/2007:

- [] No Response
- 0 Resolution Pending Receipt of Additional Information
- 1 Proposed Response Received Awaiting Final Determination
- 2 Incomplete Response Received
- 3 Proposed Response Received in Review Process
- 5 Report Reactivated/Awaiting Response
- 6 Resolution Under Negotiation in Headquarters
- 7 Referred to Audit Resolution Board

Office of the Administrator

Report No.: 2006-P-00034

Title: Environmental Justice Survey

Issued: 09/18/2006

We recommended that the Deputy Administrator (1) require the Agency's program and regional offices to identify which programs, policies, and activities need environmental justice reviews and require these offices to establish a plan to complete the necessary reviews; (2) ensure that environmental justice reviews determine whether the programs, policies, and activities may have a disproportionately high and adverse health or environmental impact on minority and low-income populations; (3) require each program and regional office to develop, with the assistance of the Office of Environmental Justice (OEJ), specific environmental justice review guidance, which includes protocols, a framework, or directions for conducting environmental justice reviews; and (4) designate a responsible office to (a) compile the results of environmental justice reviews, and (b) recommend appropriate actions to review findings and make recommendations to the decision-making office's senior leadership. The Agency accepted our recommendations.

EXPLANATION OF THE REASONS MANAGEMENT DECISION HAS NOT BEEN MADE

The OIG did not accept the Agency response to this audit because it does not fully respond to three of the four recommendations. The OIG is currently working with the Office of Enforcement and Compliance Assurance (OECA) and OEJ to resolve the outstanding issues. OECA and OEJ are preparing the revised Agency response and expect resolution by April 20, 2007.

DESIRED TIMETABLE FOR ACHIEVING A MANAGEMENT DECISION

Expected resolution by April 20, 2007

IG Followup Status as of: 03/30/2007 [2]

Office of Air and Radiation

Report No.: 2004-P-00033

Title: Effectiveness of Strategies to Reduce Ozone Precursors

Issued: 09/29/2004

The Agency's response generally agreed with the report's findings except for the use of National Emissions Inventory (NEI) data as an indicator as to whether selected nonattainment areas had achieved ozone precursor emission reductions required by the Act. EPA's response indicated that NEI emissions data were not of sufficient quality and did not contain emission data in the proper units of measure needed to adequately determine the amount of emission reductions achieved by individual nonattainment areas. However, EPA has promoted the NEI as the highest quality emissions data available, has used the data for regulatory planning and support, and continues to use the data for national, regional, and State emission trends in publicly released reports. As such, the NEI data are the best available indicator of whether individual nonattainment areas have met the precursor emission reductions required by the Act; analysis of the precursor emissions data in NEI will help EPA ensure that permanent ozone reductions have been achieved, as required by the Act.

EPA provided an action plan to the OIG that provided a partial list of actions planned in response to our report and we closed 8 of the 25 recommendations (3-1, 3-4, 3-6, 6-2, 6-3, 8-1, 8-2, and 8-4). We sent a memo to EPA in May 2005 explaining that, once the final Milestone Compliance Demonstration (MCD) rule is promulgated, we may close out 6 additional recommendations (2-2, 3-3, 5-1, 5-2, 5-3, and 5-5), if the MCD rule adequately addresses these recommendations. Additionally, we explained that we may be able to close 6 other recommendations (2-1, 5-3, 5-4, 6-1, 7-1, and 7-2) that the Agency was considering in concert with its efforts to address the recommendations of the National Academy of Sciences/ National Research Council's CAAAC Air Quality Management work group. We also explained that we needed more specifics about the action(s) being taken or planned to address other recommendations (3-2, 3-5, 4-1, 4-2, 8-3, 8-5). Subsequently, in May 2006 we met with management and staff of EPA/RTP's State and Local Programs Group/Air Quality Policy Division of OAQPS, and were told that the Agency had decided not to issue the MCD rule. Instead, the Agency planned to issue guidance to EPA regions that they could share with their States. They explained that such guidance would be faster than a regulatory approach and there were only a limited number of areas at the time that fell into the serious, severe, or extreme non-attainment category under the new .08 ppm, 8-hour ozone standard. Staff acknowledged that more areas may come under these categories in the future. We do not agree that guidance is an acceptable alternative to following through on the CAA's mandate to promulgate rules requiring that States demonstrate progress in reducing precursor emissions, including a reliable method to measure ozone precursor emission reduction efforts. Regarding the recommendations of the CAAAC Air Quality Management work group, the Agency formed an ongoing quality management task force. OAQPS officials said they would wait until the Agency task force report comes out before they develop any other plan to address the OIG's open recommendations. We will continue to follow up on the Agency's actions regarding our Ozone Precursor Emissions report.

EXPLANATION OF THE REASONS MANAGEMENT DECISION HAS NOT BEEN MADE Seeking Assistant Administrator guidance on whether to issue an MCD rule or guidance. Expect resolution by November 2007.

DESIRED TIMETABLE FOR ACHIEVING A MANAGEMENT DECISION Expect resolution by November 2007.

IG Followup Status as of: 03/30/2007 [2]

Report No.: 2005-P-00003
Title: Development of the Proposed MACT for Utility Units
Issued: 02/02/2005

EPA submitted its response to our final report on Maximum Achievable Control Technology standards for utilities on May 4, 2005. Based on this response we agreed to close out two recommendations, hold three recommendations in abeyance pending the outcome of litigation, and hold four recommendations open pending receipt of a corrective action plan for implementing those recommendations. After EPA's initial response to our report, the Agency decided to open the Clean Air Mercury Rule (CAMR) for reconsideration on October 28, 2005. On January 25, 2006, the Agency requested an extension for completing its response to our report for all seven open recommendations until the rule reconsideration process was completed. On February 2, 2006, we granted the Agency's request for an extension. The reconsidered CAMR rule was issued May 31, 2006, essentially unchanged from the earlier rule. On June 19, 2006, about 16 States filed lawsuits challenging EPA's reconsidered CAMR rule, and on January 12, 2007 these and other suits were combined into one case which is pending before the U.S. Court of Appeals - DC Circuit. Since our report raised questions about the data and process EPA used in developing CAMR, we will hold the recommendations in abeyance until the Court's ruling in which event they may be applicable if the Agency conducts additional mercury analyses. We will continue to monitor Agency actions regarding the findings and recommendations in our February 2005 report.

EXPLANATION OF THE REASONS MANAGEMENT DECISION HAS NOT BEEN MADE
Resolution continues to be on hold; beyond Agency control

DESIRED TIMETABLE FOR ACHIEVING A MANAGEMENT DECISION
IG Followup Status as of: 03/30/2007 [0]

Report No.: 2006-P-000017
Title: Emissions Factors Management, Use, and Benefits
Issued: 03/22/2006

EPA generally agreed with our report and provided a corrective action plan to the OIG in August 2006 that enabled the OIG to close 9 of 13 recommendations. We followed up with the Office of Air and Radiation in March 2007 and confirmed that the Agency issued a Quality Management Plan in October 2006 calling for data used for the development of emissions factors to meet data quality requirements; thus, we can now close Rec. 3-2(e). We will continue to monitor the Agency's actions regarding the findings and recommendations in our March 2006 Emissions Factors report.

EXPLANATION OF THE REASONS MANAGEMENT DECISION HAS NOT BEEN MADE
The Office of Air and Radiation continues discussions with the IG to close out the remaining three items. Expect resolution November 2007.

DESIRED TIMETABLE FOR ACHIEVING A MANAGEMENT DECISION
Expect resolution by November 2007.

IG Followup Status as of: 03/30/2007 [2]

Report No.: 2006-P-00025
Title: Mercury Hotspots Analysis Under CAMR
Issued: 05/11/2006

Due to the uncertainties associated with the Agency's analysis of the potential for mercury hotspots, the OIG recommended that the Acting Assistant Administrator for Air and Radiation work with the Assistant Administrator for the Office of Research and Development to develop and implement a mercury monitoring plan, including milestones and responsible program offices for implementing each component of the plan, to: (1) assess the impact of CAMR, if adopted, on mercury deposition and fish tissue; and (2) evaluate and refine, as necessary, mercury estimation tools and models.

EPA generally agreed with our report and provided a corrective action plan to the OIG in August 2006. After assessing the Agency corrective action plan, the OIG kept the above recommendation open pending the receipt of additional information from the Agency. The Agency responded to our request with additional information, but indicated that it was unsure as to whether fish tissue sampling, specifically, would continue beyond 2008 due to budget limitations. Because data from fish tissue is necessary to monitor the impact of CAMR and the potential for mercury hotspots, the OIG replied to the Agency in January 2007 that the recommendation would remain open. We will review the final Agency budget to determine if a fish tissue sampling plan is a part of the EPA's activities for 2008. Thus, a resolution to this recommendation is on hold while we await final Agency budget information.

EXPLANATION OF THE REASONS MANAGEMENT DECISION HAS NOT BEEN MADE
On hold by OIG beyond Agency control

DESIRED TIMETABLE FOR ACHIEVING A MANAGEMENT DECISION

IG Followup Status as of: 03/30/2007 [0]

Financial Analysis & Rate Negotiation Service Center

Report No.: 1997-2-00006
Title: CET Internal Control Review
Issued: 01/27/1997

Review of the Internal Control structure determined: (1) Davis Bacon Act Billing rates were not based on the contracted Davis Bacon Act Multiplier; (2) accounting procedures may not identify fully depreciated equipment; and (3) employees were not complying with timekeeping policies.

EXPLANATION OF THE REASONS MANAGEMENT DECISION HAS NOT BEEN MADE
Resolution on hold beyond Agency control

DESIRED TIMETABLE FOR ACHIEVING A MANAGEMENT DECISION

IG Followup Status as of: 03/30/2007 [0]

Report No.: 1999-1-00019
Title: CET Environmental Services Inc. – FY 1992-1993 Incurred Cost
Issued: 10/15/1998

DCAA questioned \$27,410 of the contractor's claimed EPA direct costs.

EXPLANATION OF THE REASONS MANAGEMENT DECISION HAS NOT BEEN MADE
Resolution on hold beyond Agency control

DESIRED TIMETABLE FOR ACHIEVING A MANAGEMENT DECISION

IG Followup Status as of: 03/30/2007 [0]

Report No.: 1999-1-00020
Title: CET Environmental Services Inc. – FY 1994 Incurred Cost
Issued: 10/15/1998

DCAA questioned \$9,160 of the contractor's claimed EPA direct costs.

EXPLANATION OF THE REASONS MANAGEMENT DECISION HAS NOT BEEN MADE
Resolution on hold beyond Agency control

DESIRED TIMETABLE FOR ACHIEVING A MANAGEMENT DECISION

IG Followup Status as of: 03/30/2007 [0]

Report No.: 1999-1-00018
Title: CET Environmental Services Inc. – FY 1992 Incurred Costs
Issued: 10/15/1998

DCAA questioned \$5,712 of the contractor's claimed EPA direct costs.

EXPLANATION OF THE REASONS MANAGEMENT DECISION HAS NOT BEEN MADE
Resolution on hold beyond Agency control

DESIRED TIMETABLE FOR ACHIEVING A MANAGEMENT DECISION

IG Followup Status as of: 03/30/2007 [0]

Report No.: 1999-1-00299
Title: CET Environmental Services Inc. – FY 1995 Incurred Costs
Issued: 09/24/1998

DCAA questioned \$12,920 of the contractor's claimed EPA direct costs.

EXPLANATION OF THE REASONS MANAGEMENT DECISION HAS NOT BEEN MADE
Resolution on hold beyond Agency control

DESIRED TIMETABLE FOR ACHIEVING A MANAGEMENT DECISION

IG Followup Status as of: 03/30/2007 [0]

Report No.: 1999-1-00297
Title: CET Environmental Services Inc. – FY 1996 Incurred Costs
Issued: 09/24/1998

DCAA questioned some of the contractor's indirect expenses.

EXPLANATION OF THE REASONS MANAGEMENT DECISION HAS NOT BEEN MADE
Resolution on hold beyond Agency control

DESIRED TIMETABLE FOR ACHIEVING A MANAGEMENT DECISION

IG Followup Status as of: 03/30/2007 [0]

Report No.: 1999-1-00298

Title: CET Environmental Services Inc. – FY 1997 Incurred Costs

Issued: 09/24/1998

DCAA questioned \$3,699 of EPA's claimed direct costs because the rates used exceeded allowable equipment rates.

EXPLANATION OF THE REASONS MANAGEMENT DECISION HAS NOT BEEN MADE
Resolution on hold beyond Agency control

DESIRED TIMETABLE FOR ACHIEVING A MANAGEMENT DECISION

IG Followup Status as of: 03/30/2007 [0]

Report No.: 2002-1-00158

Title: CET Environmental Services Inc. – FY 1999 Incurred Costs

Issued: 08/29/2002

DCAA questioned \$118,846 of EPA's claimed direct costs.

EXPLANATION OF THE REASONS MANAGEMENT DECISION HAS NOT BEEN MADE
Resolution on hold beyond Agency control

DESIRED TIMETABLE FOR ACHIEVING A MANAGEMENT DECISION

IG Followup Status as of: 03/30/2007 [0]

Report No.: 2002-1-00163

Title: CET Environmental Services Inc. – FY 1998 Incurred Costs

Issued: 09/11/2002

DCAA questioned \$19,160 of direct costs under an EPA contract. These costs relate to equipment usage rates.

EXPLANATION OF THE REASONS MANAGEMENT DECISION HAS NOT BEEN MADE
Resolution on hold beyond Agency control

DESIRED TIMETABLE FOR ACHIEVING A MANAGEMENT DECISION

IG Followup Status as of: 03/30/2007 [0]

Report No.: 2003-1-00002

Title: CET Environmental Services Inc. – FY 2000 Incurred Costs

Issued: 10/04/2002

DCAA questioned \$4,417 of EPA's direct costs due to equipment usage rates.

EXPLANATION OF THE REASONS MANAGEMENT DECISION HAS NOT BEEN MADE
Resolution on hold beyond Agency control

DESIRED TIMETABLE FOR ACHIEVING A MANAGEMENT DECISION

IG Followup Status as of: 03/30/2007 [0]

Report No.: 2004-1-00099
Title: Lockheed Martin Services Group - FYE 12/31/2002 Incurred Cost
Issued: 08/23/2004

DCAA questioned indirect costs of \$3,595,399, of which \$2,128 is applicable to EPA contracts. DCAA qualified the audit results pending receipt of assist audit reports.

EXPLANATION OF THE REASONS MANAGEMENT DECISION HAS NOT BEEN MADE
Resolution on hold beyond Agency control

DESIRED TIMETABLE FOR ACHIEVING A MANAGEMENT DECISION

IG Followup Status as of: 03/30/2007 [0]

Report No.: 2005-1-00171
Title: Advanced Technologies Systems, Inc. – FY 2003 Incurred Costs
Issued: 09/26/2005

DCAA questioned indirect costs for FYs 2001-2003.

- Applicable to FY 2001: \$13,904
- Applicable to FY 2002: \$6,891
- Applicable to FY 2003: \$13,928

Audit on hold due to other cognizant Federal Agency (DOE).

EXPLANATION OF THE REASONS MANAGEMENT DECISION HAS NOT BEEN MADE
Resolution on hold beyond Agency control

DESIRED TIMETABLE FOR ACHIEVING A MANAGEMENT DECISION

IG Followup Status as of: 03/30/2007 [0]

Report No.: 2006-4-00016
Title: Shaw Environmental & Infrastructure, Inc. – FY 2005 Billing Sys
Issued: 10/14/2005

The contractor's billing system and related internal control polices and procedures were considered inadequate in part, resulting in a delay of the contract closeout process.

Audit on hold due to other cognizant Federal Agency (DoD).

EXPLANATION OF THE REASONS MANAGEMENT DECISION HAS NOT BEEN MADE
Resolution on hold beyond Agency control

DESIRED TIMETABLE FOR ACHIEVING A MANAGEMENT DECISION

IG Followup Status as of: 03/30/2007 [0]

Report No.: 2006-1-00007
Title: ABT Associates Inc. – FY 2001 Incurred Cost
Issued: 10/14/2005

DCAA questioned claimed direct costs and some of the contractor's proposed indirect rates.

Questioned Costs – Direct:	\$15,585
Questioned Costs – Indirect:	<u>\$157,383</u>
Total Questioned Costs	\$172,968

Audit on hold due to other cognizant Federal Agency (AID).

EXPLANATION OF THE REASONS MANAGEMENT DECISION HAS NOT BEEN MADE
Resolution on hold beyond Agency control

DESIRED TIMETABLE FOR ACHIEVING A MANAGEMENT DECISION

IG Followup Status as of: 03/30/2007 [0]

Report No.: 2006-2-00004
Title: Tetra Tech FW, Inc.- FY 2003 RAC 68-W9-8214
Issued: 10/28/2005

Based on DCAA's analysis, there was a net difference of \$474 between the contractor's RAC claimed amount and incurred costs/ less ceiling rate adjustment. DCAA qualified the report awaiting the Corporate audit results.

Audit on hold due to other cognizant Federal Agency (DoD).

EXPLANATION OF THE REASONS MANAGEMENT DECISION HAS NOT BEEN MADE
Resolution on hold beyond Agency control

DESIRED TIMETABLE FOR ACHIEVING A MANAGEMENT DECISION

IG Followup Status as of: 03/30/2007 [0]

Report No.: 2006-4-00046
Title: SAIC – FY 2004 Compensation System Review
Issued: 12/14/2005

In DCAA's opinion, the contractor's compensation system was inadequate. DCAA found deficiencies that may result in unreasonable costs.

Audit on hold due to other cognizant Federal Agency (DoD).

EXPLANATION OF THE REASONS MANAGEMENT DECISION HAS NOT BEEN MADE
Resolution on hold beyond Agency control

DESIRED TIMETABLE FOR ACHIEVING A MANAGEMENT DECISION

IG Followup Status as of: 03/30/2007 [0]

Report No.: 2006-1-00030
Title: National Academy of Sciences FYE 12/31/2003 Incurred Cost
Issued: 03/13/2006

In DCAA's opinion, the contractor's claimed direct costs are acceptable. However, DCAA questioned total indirect costs of \$130,136, of which \$1,172 is applicable to EPA contracts.

Audit on hold due to other cognizant Federal Agency (ONR).

EXPLANATION OF THE REASONS MANAGEMENT DECISION HAS NOT BEEN MADE
Resolution on hold beyond Agency control

DESIRED TIMETABLE FOR ACHIEVING A MANAGEMENT DECISION

IG Followup Status as of: 03/30/2007 [0]

Report No.: 2006-1-00031
Title: Computer Sciences Corp. (CSC) - CFYE 3/31/2002 Incurred Cost
Issued: 03/15/2006

DCAA questioned \$519,860 of the contractor's claimed direct and indirect costs.

Questioned Costs - Direct	\$474,083
Questioned Costs - Indirect	<u>45,777</u>
Total Questioned Costs	\$519,860

Audit on hold due to other cognizant Federal Agency (DoD).

EXPLANATION OF THE REASONS MANAGEMENT DECISION HAS NOT BEEN MADE
Resolution on hold beyond Agency control

DESIRED TIMETABLE FOR ACHIEVING A MANAGEMENT DECISION

IG Followup Status as of: 03/30/2007 [0]

Report No.: 2006-4-00094
Title: Computer Sciences Corporation - FY 2006 Floor Check
Issued: 04/18/2006

In DCAA's opinion, certain contractor labor practices require corrective action to improve the reliability of the contractor's labor accounting system.

Audit on hold due to other cognizant Federal Agency (DoD).

EXPLANATION OF THE REASONS MANAGEMENT DECISION HAS NOT BEEN MADE
Resolution on hold beyond Agency control

DESIRED TIMETABLE FOR ACHIEVING A MANAGEMENT DECISION

IG Followup Status as of: 03/30/2007 [0]

Report No.: 2006-1-00043
Title: Black & Veatch Special Projects Corp.-FY2001 Incurred Cost
Issued: 04/20/2006

DCAA accepted the contractor's claimed direct costs but questioned the proposed indirect rates. Total questioned costs were \$27,754 in indirect pools and (\$413,064) in indirect base costs. EPA's share of questioned costs are \$5,476 and (\$81,498), respectively.

Audit on hold due to other cognizant Federal Agency (DoD).

() = upward adjustment

EXPLANATION OF THE REASONS MANAGEMENT DECISION HAS NOT BEEN MADE
Resolution on hold beyond Agency control

DESIRED TIMETABLE FOR ACHIEVING A MANAGEMENT DECISION

IG Followup Status as of: 03/30/2007 [0]

Report No.: 2006-4-00100
Title: Black & Veatch SPC- FY 2005 MAAR 6 (Floor Check)
Issued: 05/08/2006

Based on DCAA's review, certain contractor labor practices require corrective action to improve the reliability of the contractor's labor accounting system. DCAA also noted other matters involving the timekeeping system and related internal controls which, although not considered to be significant deficiencies, are detailed in the report.

Audit on hold due to other cognizant Federal Agency (DoD).

EXPLANATION OF THE REASONS MANAGEMENT DECISION HAS NOT BEEN MADE
Resolution on hold beyond Agency control

DESIRED TIMETABLE FOR ACHIEVING A MANAGEMENT DECISION

IG Followup Status as of: 03/30/2007 [0]

Report No.: 2006-1-00045
Title: Tetra Tech EC, Inc. - FY 10/1/2004 Incurred Cost
Issued: 05/12/2006

DCAA questioned claimed direct costs and proposed indirect rates. DCAA unresolved \$21,016,981 in subcontract costs and \$5,482,558 in claimed corporate allocation costs pending receipt of the assist audits. Total EPA costs questioned are \$2,138.

Audit on hold due to other cognizant Federal Agency (DoD).

EXPLANATION OF THE REASONS MANAGEMENT DECISION HAS NOT BEEN MADE
Resolution on hold beyond Agency control

DESIRED TIMETABLE FOR ACHIEVING A MANAGEMENT DECISION

IG Followup Status as of: 03/30/2007 [0]

Report No.: 2006-4-00115
Title: Battelle - ICAPS - FY 2006 EDP System
Issued: 06/29/2006

In DCAA's opinion, the contractor's Information Technology system's general internal controls were inadequate in part. In DCAA's judgment, these deficiencies could adversely affect the organization's ability to record, process, summarize and report direct and indirect costs in a manner that is consistent with applicable Government contract laws and regulations.

Audit on hold due to other cognizant Federal Agency (DCMA).

EXPLANATION OF THE REASONS MANAGEMENT DECISION HAS NOT BEEN MADE
Resolution on hold beyond Agency control

DESIRED TIMETABLE FOR ACHIEVING A MANAGEMENT DECISION

IG Followup Status as of: 03/30/2007 [0]

Report No.: 2006-4-00120
Title: National Academy of Sciences - FY 2006 Info Tech System
Issued: 07/20/2006

DCAA determined that the contractor's Information Technology system general internal controls are inadequate in part.

Audit on hold due to other cognizant Federal Agency (ONR).

EXPLANATION OF THE REASONS MANAGEMENT DECISION HAS NOT BEEN MADE
Resolution on hold beyond Agency control

DESIRED TIMETABLE FOR ACHIEVING A MANAGEMENT DECISION

IG Followup Status as of: 03/30/2007 [0]

Report No.: 2006-1-00056
Title: Computer Sciences Corp- Applied Tech Div. -CFY 3/31/2003 I/C
Issued: 07/20/2006

DCAA questioned claimed direct costs of \$60,066,944 and proposed indirect costs of \$4,921,265. DCAA unresolved \$81,021,865 in subcontract costs pending receipt of the assist audits. EPA questioned direct costs are \$187,481.

Audit on hold due to other cognizant Federal Agency (DoD).

EXPLANATION OF THE REASONS MANAGEMENT DECISION HAS NOT BEEN MADE
Resolution on hold beyond Agency control

DESIRED TIMETABLE FOR ACHIEVING A MANAGEMENT DECISION

IG Followup Status as of: 03/30/2007 [0]

Report No.: 2006-1-00057
Title: Black & Veatch Spec. Proj. Corp.-FY2002 Incurred Cost
Issued: 07/27/2006

In DCAA's opinion, the contractor's claimed direct costs are acceptable, however, the contractor's proposed indirect rates were adjusted. EPA's portion of the questioned costs is \$8,118 out of the total government questioned costs of \$11,137.

Audit on hold due to other cognizant Federal Agency (DoD).

EXPLANATION OF THE REASONS MANAGEMENT DECISION HAS NOT BEEN MADE
Resolution on hold beyond Agency control

DESIRED TIMETABLE FOR ACHIEVING A MANAGEMENT DECISION

IG Followup Status as of: 03/30/2007 [0]

Report No.: 2006-1-00070
Title: CH2M Hill, Inc. - FY 12/31/2004 Incurred Cost
Issued: 09/12/2006

DCAA determined that the contractor's claimed direct costs are acceptable, however, DCAA questioned \$2,775,189 proposed indirect costs. Also, DCAA qualified \$8,312,653 in claimed subcontract costs for which the requested assist audits have not been received.

Audit on hold due to other cognizant Federal Agency (DoD).

EXPLANATION OF THE REASONS MANAGEMENT DECISION HAS NOT BEEN MADE
Resolution on hold beyond Agency control

DESIRED TIMETABLE FOR ACHIEVING A MANAGEMENT DECISION

IG Followup Status as of: 03/30/2007 [0]

Report No.: 2006-4-00165
Title: National Academy of Sciences - FY 2006 Indirect/ODC System
Issued: 09/27/2006

In DCAA's opinion, the contractor service centers cost system and related internal control policies and procedures are inadequate in part. DCAA examination noted certain significant deficiencies in the design or operation of the Indirect/Other Direct Costs system process.

Audit on hold due to other cognizant Federal Agency.

EXPLANATION OF THE REASONS MANAGEMENT DECISION HAS NOT BEEN MADE
Resolution on hold beyond Agency control

DESIRED TIMETABLE FOR ACHIEVING A MANAGEMENT DECISION

IG Followup Status as of: 03/30/2007 [0]

Report No.: 2006-4-00169
Title: National Academy of Sciences - FY 2006 Labor System
Issued: 09/27/2006

In DCAA's opinion, the contractor's labor system and related internal control policies and procedures are inadequate in part. DCAA's examination noted certain significant deficiencies in the design or operation of the internal control structure.

EXPLANATION OF THE REASONS MANAGEMENT DECISION HAS NOT BEEN MADE
Resolution on hold beyond Agency control

DESIRED TIMETABLE FOR ACHIEVING A MANAGEMENT DECISION

IG Followup Status as of: 03/30/2007 [0]

Grants Administration Division

Report No.: 1995-1-00001
Title: Clark Atlanta University
Issued: 09/30/1995

Clark Atlanta University (a) did not properly establish the Center for Environmental Policy, Education, and Research; (b) mismanaged the cooperative agreement; and (c) did not ensure the allowability of costs.

EXPLANATION OF THE REASONS MANAGEMENT DECISION HAS NOT BEEN MADE
The Grants Administration Division (GAD) has exchanged information with OIG, requested additional information from Clark Atlanta University, and prepared a draft final determination letter (FDL) on the audit report. On January 8, 2007, OIG provided additional comments on GAD's proposed FDL, but agreed that GAD could issue it. GAD is incorporating OIG's comments and preparing to submit the final determination to OGC for final review prior to issuance on April 30, 2007.

DESIRED TIMETABLE FOR ACHIEVING A MANAGEMENT DECISION
Expected resolution by May 1, 2007

IG Followup Status as of: 03/30/2007 [2]

Report No.: 2002-2-00008
Title: MBI International Assistance Agreement
Issued: 01/29/2002

MBI did not have adequate justification to support the award of sole source contracts. Also, MBI's procurement practices did not meet Federal requirements. As a result, \$1,301,365, consisting of \$1,201,857 in contract costs and \$99,508 in consultant costs, is not eligible for Federal reimbursement. Further, there were apparent conflicts of interest between MBI, its subsidiary (GRT), and companies created by GRT.

EXPLANATION OF THE REASONS MANAGEMENT DECISION HAS NOT BEEN MADE
GAD is working with the recipient regarding some complex issues and expects the FDL by November 2007.

DESIRED TIMETABLE FOR ACHIEVING A MANAGEMENT DECISION
Expected resolution by November 2007

IG Followup Status as of: 03/30/2007 [5]

Report No.: 2003-S-00001
Title: Region 7 Grants Protective
Issued: 05/29/2002

We questioned over \$2 million because the Coordinating Committee on Automotive Repair (CCAR) did not account for the funds in accordance with Federal rules, regulations, and terms of the agreement.

EXPLANATION OF THE REASONS MANAGEMENT DECISION HAS NOT BEEN MADE
EPA has requested additional information to substantiate the costs, but CCAR has not responded. EPA will follow up with CCAR and issue the final determination disallowing costs by April 2007.

DESIRED TIMETABLE FOR ACHIEVING A MANAGEMENT DECISION
Expected resolution by April 2007

IG Followup Status as of: 03/30/2007 [2]

Report No.: 2003-3-00113
Title: American Indian Science & Engineering Society 1999-2001
Issued: 04/23/2003

Costs were not approved or were not supported. Questioned costs totaled \$104,760.

EXPLANATION OF THE REASONS MANAGEMENT DECISION HAS NOT BEEN MADE
There are three reports under review for the years 1999 - 2000. The report includes findings of inadequate internal controls and questioned costs totaling \$163,125. The report has been reviewed and the recipient's responses to the findings are being reviewed. The response submitted indicates that procedures have been implemented and the conditions no longer exist. However, GAD has received the audit report for audit period 2002. Although the report does not question any costs, it indicates some of the pre-existing internal control issues still exist. GAD is working on determining appropriate resolution and recommendations to resolve the findings. Final determination is expected October 2007.

DESIRED TIMETABLE FOR ACHIEVING A MANAGEMENT DECISION
Expected resolution by October 2007

IG Followup Status as of: 03/30/2007 [5]

Report No.: 2003-3-00114
Title: American Indian Science & Engineering Society 1999-2001
Issued: 04/23/2003

Costs were not approved and not supported. Questioned costs totaled \$58,365.

EXPLANATION OF THE REASONS MANAGEMENT DECISION HAS NOT BEEN MADE
There are 3 reports under review for the years 1999 - 2000. The report includes findings of inadequate internal controls and questioned costs totaling \$163,125. The report has been reviewed and the recipient's responses to the findings are being reviewed. The response submitted indicates that procedures have been implemented and the conditions no longer exist. However, GAD has received the audit report for audit period 2002. Although the report does not question any costs, it indicates some of the pre-existing internal control issues still exist. GAD is working on determining appropriate resolution and recommendations to resolve the findings. Final determination is expected October 2007.

DESIRED TIMETABLE FOR ACHIEVING A MANAGEMENT DECISION
Expected resolution by October 2007

IG Followup Status as of: 03/30/2007 [5]

Report No.: 2003-3-00121
Title: Association of State & Interstate Water Pollution Control Agencies FY 2001
Issued: 05/07/2003

Grantee drew down \$93,986 in excess of expenditures for three EPA programs.

EXPLANATION OF THE REASONS MANAGEMENT DECISION HAS NOT BEEN MADE
Resolution on hold beyond Agency control.

DESIRED TIMETABLE FOR ACHIEVING A MANAGEMENT DECISION

IG Followup Status as of: 03/30/2007 [0]

Report No.: 2003-4-00120
Title: Geothermal Heat Pump Consortium, Inc.-Costs Claimed
Issued: 09/30/2003

Questioned \$1,153,472 due to material financial management deficiencies.

EXPLANATION OF THE REASONS MANAGEMENT DECISION HAS NOT BEEN MADE
The findings included lack of adequate procurement systems, inadequate internal controls, possible lobbying, and questioned costs of \$1,153,472. The recipient has provided evidence of implementing adequate internal controls and procurement systems. Their financial records have been submitted and reviewed as of November 2005. GAD needs to make a determination as to how much of the total expended grant dollars we will accept as valid grant charges. Final determination is expected June 2007.

DESIRED TIMETABLE FOR ACHIEVING A MANAGEMENT DECISION

Expected resolution by June 2007

IG Followup Status as of: 03/30/2007 []

Report No.: 2004-4-00014
Title: Consumer Federation of America Foundation-Costs Claimed
Issued: 03/01/2004

EPA awarded the cooperative agreements to the Consumer Federation of America Foundation based on applications that showed labor and other operating costs. The Foundation did not have any employees, space, or overhead expenses. Instead, the Consumer Federation of America, an ineligible lobbying organization, performed the work. Also, the recipient did not manage the funds according to Federal regulations. As a result, we questioned over \$4 million.

EXPLANATION OF THE REASONS MANAGEMENT DECISION HAS NOT BEEN MADE
The Office of General Counsel resolved the legal issues and GAD has completed the draft FDL. The Office of General Counsel on January 17, 2007, advised GAD to put the FDL on hold pending resolution of some legal issues regarding sub-award policy. GAD expects final FDL in April 2007.

DESIRED TIMETABLE FOR ACHIEVING A MANAGEMENT DECISION

Expected resolution by April 2007

IG Followup Status as of: 03/30/2007 []

Report No.: 2005-3-00036
Title: National Indian Health Board, FY 2002
Issued: 12/30/2004

The Board was allocating salary costs to grants based on pre-determined formulas. No support, in the form of time sheets, was located for those allocations. Also, amounts charged to various grants were not always supported by original documentation. Therefore, we questioned \$31,960 as unsupported.

EXPLANATION OF THE REASONS MANAGEMENT DECISION HAS NOT BEEN MADE
The report identified inadequate documentation and incorrect allocation of expenditures. The recipient has submitted its corrective action plan implementing the recommendations. The recipient needs to provide confirmation that the corrective actions were completed. GAD needs additional time to allow the recipient to provide the additional information. Final determination is expected April 2007.

DESIRED TIMETABLE FOR ACHIEVING A MANAGEMENT DECISION
Expected resolution by April 2007

IG Followup Status as of: 03/30/2007 []

Report No.: 2005-3-00069
Title: Water Environment Research Foundation FY 2002
Issued: 01/25/2005

The Foundation did not prepare an indirect cost rate proposal for FY 2002 in accordance with the conditions of its EPA assistance agreements.

EXPLANATION OF THE REASONS MANAGEMENT DECISION HAS NOT BEEN MADE
GAD is working with recipient on the additional information requested. GAD expects FDL in June 2007.

DESIRED TIMETABLE FOR ACHIEVING A MANAGEMENT DECISION
Expected resolution by June 2007

IG Followup Status as of: 03/30/2007 []

Report No.: 2005-3-00071
Title: Water Environment Research Foundation FY 2003
Issued: 01/25/2005

The Foundation did not submit an indirect cost rate proposal according to the conditions of its EPA assistance agreements.

EXPLANATION OF THE REASONS MANAGEMENT DECISION HAS NOT BEEN MADE
GAD is working with recipient on the additional information requested. GAD expects FDL in June 2007.

DESIRED TIMETABLE FOR ACHIEVING A MANAGEMENT DECISION
Expected resolution by June 2007

IG Followup Status as of: 03/30/2007 []

Report No.: 2005-3-00123
Title: GAS Technology Institute and GAS Research Institute
Issued: 03/10/2005

For the seven contracts tested, the GAS Technology Institute did not obtain the required suspension and debarment certifications for subawards and covered contracts.

EXPLANATION OF THE REASONS MANAGEMENT DECISION HAS NOT BEEN MADE
Final determination letter is in GAD's signature chain and is expected in April 2007.

DESIRED TIMETABLE FOR ACHIEVING A MANAGEMENT DECISION
Expected resolution by April 2007

IG Followup Status as of: 03/30/2007 []

Report No.: 2005-3-00148
Title: American Registry of Pathology FY 2002
Issued: 04/06/2005

DCAA performed an incurred cost audit of the Research and Development Federal Cluster and questioned \$356,574, which it deemed to be unallowable, relating to direct and indirect costs. DCAA did not identify the amount applicable to EPA funding. Recipient did not have specific controls in place to determine that vendors were not suspended or debarred by the federal government.

EXPLANATION OF THE REASONS MANAGEMENT DECISION HAS NOT BEEN MADE
The FDL is in the GAD signature chain and should be signed in April 2007.

DESIRED TIMETABLE FOR ACHIEVING A MANAGEMENT DECISION
Expected resolution by April 2007

IG Followup Status as of: 03/30/2007 []

Report No.: 2005-3-00217
Title: American Indian Science and Engineering Society - FY 2002
Issued: 06/30/2005

The Society held \$19,289 in deferred revenue for EPA grant, Surveys, Studies, Investigations, and Special Purpose.

EXPLANATION OF THE REASONS MANAGEMENT DECISION HAS NOT BEEN MADE
There are three reports under review for the years 1999 - 2000. The report includes findings of inadequate internal controls and questioned costs totaling \$163,125. The report has been reviewed and the recipient's responses to the findings are being reviewed. The response submitted indicates that procedures have been implemented and the conditions no longer exist. However, GAD has received the audit report for audit period 2002. Although the report does not question any costs, it indicates some of the pre-existing internal control issues still exist. GAD is working on determining appropriate resolution and recommendations to resolve the findings. Final determination is expected October 2007.

DESIRED TIMETABLE FOR ACHIEVING A MANAGEMENT DECISION
Expected resolution by October 2007

IG Followup Status as of: 03/30/2007 []

Report No.: 2005-3-00225

Title: Association of State/Interstate Water Pollution Control Adm- FY 2003

Issued: 09/12/2005

1. The Association does not have adequate procedures in place to accurately track and record grant balances. Significant adjustments after the fiscal-year end were required to properly report grant balances. 2. The Association's books of accounts are not accurately maintained on an accrual basis. Significant adjustments were required after year-end to accrue balances in accordance with generally accepted accounting principles. As a result, the audited financial statements reflected results that were significantly different from internal management reports. 3. Discrepancies in the net disbursements reported on the SF-272s for several grants for the reporting periods ended December 31, 2002, and June 30, 2003, were noted. In addition, cumulative disbursements reported for the same period did not reconcile to the general ledger for these same periods. 4. Association does not have adequate procedures to ensure that payments to hourly employees are correct and are adequately supported. In addition, timesheets for several off-site employees were not signed by either the employee or a supervisor with knowledge of the activities.

EXPLANATION OF THE REASONS MANAGEMENT DECISION HAS NOT BEEN MADE
Resolution on hold beyond Agency control.

DESIRED TIMETABLE FOR ACHIEVING A MANAGEMENT DECISION

IG Followup Status as of: 03/30/2007 [0]

Report No.: 2005-3-00226

Title: Association of State/Interstate Water Pollution Control Adm- FY 2002

Issued: 09/12/2005

Recording of grant expenditures was not done accurately or on a timely basis during the year. The recording of fringe benefits related to direct grant salaries and wages and the recording of indirect costs associated with total direct grant costs were not done monthly. In addition, direct salaries and wages were incorrectly recorded to the NPS grant after the grant period expired. An adjustment was made to properly record these costs to the integrated grant. Because the grants have expired, costs totaling \$11,276 are being questioned due to over-requesting funds in excess of supported costs.

EXPLANATION OF THE REASONS MANAGEMENT DECISION HAS NOT BEEN MADE
Resolution on hold beyond Agency control.

DESIRED TIMETABLE FOR ACHIEVING A MANAGEMENT DECISION

IG Followup Status as of: 03/30/2007 [0]

Report No.: 2005-3-00236

Title: Geothermal Heat Pump Consortium, Inc. - FY 2003

Issued: 09/21/2005

Auditee did not have adequate segregation of duties, due to small size of organization.

EXPLANATION OF THE REASONS MANAGEMENT DECISION HAS NOT BEEN MADE
The grantee outsourced the segregation of duties and GAD is in the process of writing the FDL. GAD expects resolution by August 2007.

DESIRED TIMETABLE FOR ACHIEVING A MANAGEMENT DECISION

Expected resolution by August 2007

IG Followup Status as of: 03/30/2007 []

Report No.: 2005-3-00247
Title: Civil Engineering Research Foundation FY 2003
Issued: 09/21/2005

The auditee did not have fully supporting records and a well-documented approach for its bid process for three subagreements awarded under nine contracts sampled for review. Additionally, the auditee's policies and procedures did not contain a written code of conduct for its employees engaged in procurement activities.

EXPLANATION OF THE REASONS MANAGEMENT DECISION HAS NOT BEEN MADE
Final determination letter is in GAD's signature chain and is expected in April 2007.

DESIRED TIMETABLE FOR ACHIEVING A MANAGEMENT DECISION
Expected resolution by April 2007

IG Followup Status as of: 03/30/2007 []

Report No.: 2006-3-00006
Title: Alfred University, FY 2004
Issued: 10/13/2005

The University's current accounting system provides certified payroll information on an individual grant basis. However, the payroll distribution system does not provide a proportionate breakdown of each employee's total time between each sponsored program he/she may be working on and other non-sponsored activities. The auditor questioned costs of \$649,506, but could not determine the direct impact upon EPA's program.

EXPLANATION OF THE REASONS MANAGEMENT DECISION HAS NOT BEEN MADE
Separating EPA's funds from the lump sum identified in the findings of the second audit. Preparing request for supporting documentation to send to Alfred University. The final determination letter should be ready by April 2007.

DESIRED TIMETABLE FOR ACHIEVING A MANAGEMENT DECISION
Expected resolution by April 2007

IG Followup Status as of: 03/30/2007 []

Report No.: 2006-3-00026
Title: National Association for Equal Opportunity in Higher Education, FY 2004
Issued: 11/09/2005

1. At commencement of audit field work, the auditor noted that many asset and liability accounts were not properly reconciled. Significant time was spent reconciling accounts as of June 30, 2004, that should have been reconciled on a monthly basis. 2. During testing of cash disbursements and compliance with allowable costs/cost principles for major Federal programs, the auditor found the following: 3 out of 60 (5%) expenditures had no supporting documentation available; and 5 out of 60 (9%) expenditures were not properly authorized. Total expenditures selected for testing totaled \$183,526, of which \$5,313 was identified as questioned costs. A portion of these questioned costs pertain to EPA grant funds. Therefore, EPA needs to either obtain adequate supporting documentation for the travel questioned, or recover the costs. 3. During testing, the auditor noted the following: 1 out of 14 (7%) payroll transactions had no supporting documentation (approved timesheets) available; and 7 out of 7 (100%) employees' personnel files were not complete with up-to-date information.

EXPLANATION OF THE REASONS MANAGEMENT DECISION HAS NOT BEEN MADE
GAD has reviewed the report and has prepared a draft final determination letter. The report included findings regarding inadequate accounting practices. The recipient submitted the

requested documentation on November 2006. Closeout of the audit is not being recommended pending resolution of \$108,000 remaining under one of their grants. Final determination is expected September 2007.

DESIRED TIMETABLE FOR ACHIEVING A MANAGEMENT DECISION
Expected resolution by September 2007

IG Followup Status as of: 03/30/2007 []

Report No.: 2006-3-00077
Title: Rand Corporation, The – FY 2003
Issued: 03/07/2006

The auditor's review of the property taxes indicated that the FY 2002 property taxes were paid and due in FY 2002 and recorded as prepaid expense. Rand expressed and claimed the cost in FY 2003.

EXPLANATION OF THE REASONS MANAGEMENT DECISION HAS NOT BEEN MADE
The recipient is compiling the additional documentation and will provide confirmation that the corrective actions were completed and send to GAD. GAD expects the FDL in May 2007.

DESIRED TIMETABLE FOR ACHIEVING A MANAGEMENT DECISION
Expected resolution by May 2007

IG Followup Status as of: 03/30/2007 []

Report No.: 2006-3-00076
Title: Rand Corporation, The – FY 2002
Issued: 03/07/2006

An employee did not remain employed with Rand for at least 1 year from the date of relocation. Rand did not have formally approved written policies and procedures for the overall accounting system. Rand did not conduct independent compliance testing of its internal controls. In addition, Rand needed to establish an internal audit function to conduct the testing.

EXPLANATION OF THE REASONS MANAGEMENT DECISION HAS NOT BEEN MADE
The recipient is compiling the additional documentation and will provide confirmation that the corrective actions were completed and send to GAD. GAD expects the FDL in May 2007.

DESIRED TIMETABLE FOR ACHIEVING A MANAGEMENT DECISION
Expected resolution by May 2007

IG Followup Status as of: 03/30/2007 []

Report No.: 2006-3-00111
Title: National Tribal Environmental Council, Inc. – FY 2003
Issued: 05/15/2006

Quarterly Financial Status Reports (FSR 269) were not prepared or submitted to the Environmental Protection Agency.

EXPLANATION OF THE REASONS MANAGEMENT DECISION HAS NOT BEEN MADE
GAD has reviewed the report and has prepared a draft final determination letter. The report included findings regarding inadequate accounting practices. The recipient submitted the

requested documentation in November 2006. However, the documentation was deemed inadequate and additional documentation has been requested. Per the recipient, they have requested the information from archived records and will submit to GAD by the end of March 2007. The FDL is in signature chain in GAD. GAD expects FDL by end of April 2007.

DESIRED TIMETABLE FOR ACHIEVING A MANAGEMENT DECISION

Expected resolution by April 2007

IG Followup Status as of: 03/30/2007 []

Report No.: 2006-3-00112

Title: AWWA Research Foundation – FY 2004

Issued: 05/15/2006

The Foundation did not fulfill all of its responsibilities as a pass-through entity. The Foundation did not: (a) monitor the activities of sub-recipients to ensure that Federal awards are used for authorized purposes; (b) ensure that sub-recipients expending \$500,000 or more in Federal awards during the sub-recipients' fiscal year have met the audit requirements; (c) issue a management decision on audit findings within 6 months after receipt of the sub-recipient's audit report and ensure that the sub-recipient took appropriate and timely corrective action, and (d) consider whether sub-recipient audits necessitated adjustments of the Foundation's own records.

EXPLANATION OF THE REASONS MANAGEMENT DECISION HAS NOT BEEN MADE

GAD is currently reviewing the findings and additional documentation is requested from the recipient. GAD expects the FDL in June 2007.

DESIRED TIMETABLE FOR ACHIEVING A MANAGEMENT DECISION

Expected resolution by June 2007

IG Followup Status as of: 03/30/2007 []

Report No.: 2006-4-00122

Title: AA - ASIWPCA

Issued: 07/31/2006

The Association did not comply with the financial and program management standards and the procurement standards promulgated in Title 40 CFR, Subchapter B, Part 30. The Association (1) could not provide support for any of its general journal entries; (2) included duplicate recorded costs in its accounting system; (3) could not always trace grant draws to the accounting records; (4) could not always support labor charged to the EPA grants; (5) could not support the recorded indirect costs; (6) did not record all of its program income; (7) did not have adequate written procedures for determining reasonable, allocable, and allowable costs; (8) drew EPA grant funds in excess of the funds needed; and (9) did not complete the required single audits for fiscal years ended June 30, 2004, and June 30, 2005. As a result, we questioned as unsupported a total of \$1,883,590 in EPA grant payments for seven grants.

EXPLANATION OF THE REASONS MANAGEMENT DECISION HAS NOT BEEN MADE

GAD is waiting for finalization of pre-award certification from the recipient and will review all documentation. GAD expects FDL in September 2007.

DESIRED TIMETABLE FOR ACHIEVING A MANAGEMENT DECISION

Expected resolution by September 2007

IG Followup Status as of: 03/30/2007 []

Report No.: 2006-3-00199
Title: Howard University, FY 2005
Issued: 09/07/2006

The University had numerous program noncompliances related to timekeeping, funds matching, subrecipient monitoring, financial reporting, and equipment disposal.

EXPLANATION OF THE REASONS MANAGEMENT DECISION HAS NOT BEEN MADE
GAD has requested additional documentation from the recipient. Final determination is expected in April 2007.

DESIRED TIMETABLE FOR ACHIEVING A MANAGEMENT DECISION
Expected resolution by April 2007

IG Followup Status as of: 03/30/2007 []

Report No.: 2006-3-00201
Title: American Water Works Association, FY 2004
Issued: 09/13/2006

Association did not comply with its existing procurement policies and procedures. There were two instances where the Association could not produce adequate procurement records in accordance with OMB Circular A-110.

EXPLANATION OF THE REASONS MANAGEMENT DECISION HAS NOT BEEN MADE
GAD is currently reviewing the information provided by the recipient. GAD expects FDL in June 2007.

DESIRED TIMETABLE FOR ACHIEVING A MANAGEMENT DECISION
Expected resolution by June 2007

IG Followup Status as of: 03/30/2007 []

Office of Environmental Information

Report No.: 2006-P-00036
Title: Evaluation of Drinking Water Laboratory Procedures
Issued: 09/21/2006

Within the drinking water sample analysis process we identified hundreds of vulnerabilities that are not addressed by EPA's process. These vulnerabilities can compromise the integrity of the analysis process and the quality of data produced. Many of these vulnerabilities were identified by the OIG in 1999 and the Agency's own review in 2002, with no action by the Agency. Moreover, States that have implemented new techniques to detect laboratory integrity problems have found additional deficiencies, inappropriate procedures, and even cases of fraud. Their findings and those of our own investigators show integrity can be, and has been, compromised.

EXPLANATION OF THE REASONS MANAGEMENT DECISION HAS NOT BEEN MADE
OIG attended a meeting of the Quality and Information Council Steering Committee (QIC SC) on March 15, 2007. The purpose was for OEI and the QIC SC to obtain a better understanding of the OIG's concerns and to inform the OIG of the function and processes of the QIC SC in information policy development. At the conclusion of the meeting, the QIC SC Chair suggested that the OIG attend future QIC SC meetings to provide ongoing dialogue among the OIG, OEI, and other Agency offices via the QIC SC to resolve this issue. OEI is attempting to resolve this issue by December 2007.

DESIRED TIMETABLE FOR ACHIEVING A MANAGEMENT DECISION
Expected resolution by December 2007

IG Followup Status as of: 03/30/2007 [1]

Office of Water

Report No.: 2005-P-00025

Title: Challenges/Opportunities to Implement the Watershed Approach

Issued: 09/21/2006

If EPA is committed to the watershed approach, it needs to make improvements in four key elements: (1) integrating watershed activities into its core water programs, (2) addressing stakeholder concerns to increase their participation, (3) refining and improving key aspects of its strategic planning process, and (4) improving the water performance measurement system.

EXPLANATION OF THE REASONS MANAGEMENT DECISION HAS NOT BEEN MADE
The Office of Water responded to the OIG with additional information to address the recommendations for this audit.

DESIRED TIMETABLE FOR ACHIEVING A MANAGEMENT DECISION
Expected resolution by April 2007

IG Followup Status as of: 03/30/2007 [2]

Report No.: 2006-S-00005

Title: AA – National Rural Water Association - Congressional

Issued: 09/05/2006

Under its grants, NRWA is not required to measure the environmental outcomes of the technical assistance activities it provides. As a result, the environmental benefits could not be determined. EPA grants awarded to NRWA, after January 1, 2005, include outputs but do not link the outputs to environmental outcomes and measures.

EXPLANATION OF THE REASONS MANAGEMENT DECISION HAS NOT BEEN MADE
Office of Water is working with OIG to firm up corrective actions to be taken on this audit and expects resolution by April 30, 2007.

DESIRED TIMETABLE FOR ACHIEVING A MANAGEMENT DECISION
Expected resolution by April 2007

IG Followup Status as of: 03/30/2007 []

Report No.: 2006-P-00036

Title: Evaluation of Drinking Water Laboratory Procedures

Issued: 09/21/2006

Within the drinking water sample analysis process we identified hundreds of vulnerabilities that are not addressed by EPA's process. These vulnerabilities can compromise the integrity of the analysis process and the quality of data produced. Many of these vulnerabilities were identified by the OIG in 1999 and the Agency's own review in 2002, with no action by the Agency. Moreover, States that have implemented new techniques to detect laboratory integrity problems have found additional deficiencies, inappropriate procedures, and even cases of fraud. Their findings and those of our own investigators show integrity can be, and has been, compromised.

EXPLANATION OF THE REASONS MANAGEMENT DECISION HAS NOT BEEN MADE
The Office of Water continues to work with the OIG on corrective actions as related to the recommendations in this audit. Office of Water expects resolution by June 2007.

DESIRED TIMETABLE FOR ACHIEVING A MANAGEMENT DECISION
Expected resolution by June 2007

IG Followup Status as of: 03/30/2007 [2]

R2 - Office of Policy & Management

Report No.: 2005-3-00153
Title: Puerto Rico Department of Agriculture FY 1999
Issued: 04/19/2005

The internal control structure over Federal program requirements was inadequate. The accounting system is not in accordance with Generally Accepted Accounting Principles. Prior year reportable conditions remain uncorrected since years 1995-1996. Per Region 2 on 3/21/06, auditee under corrective action plan.

EXPLANATION OF THE REASONS MANAGEMENT DECISION HAS NOT BEEN MADE
Grantee is now on a Corrective Action Plan. Questioned costs are currently being reviewed by CPA firm, and disposition of all costs should be known by April 30, 2007. Audit is anticipated to be resolved by June 30, 2007.

DESIRED TIMETABLE FOR ACHIEVING A MANAGEMENT DECISION
Expected resolution by June 2007

IG Followup Status as of: 03/30/2007 []

Report No.: 2005-3-00154
Title: Puerto Rico Department of Agriculture FY 2000
Issued: 04/19/2005

Department had unresolved prior year audit findings in which documentation was not available to support costs. Per Region 2 on 3/21/06, auditee under corrective action plan.

EXPLANATION OF THE REASONS MANAGEMENT DECISION HAS NOT BEEN MADE
Grantee is now on a Corrective Action Plan. Questioned costs are currently being reviewed by CPA firm, and disposition of all costs should be known by April 30, 2007. Audit is anticipated to be resolved by June 30, 2007.

DESIRED TIMETABLE FOR ACHIEVING A MANAGEMENT DECISION
Expected resolution by June 2007

IG Followup Status as of: 03/30/2007 []

Report No.: 2005-3-00156
Title: Puerto Rico Environmental Quality Board - FY 1999
Issued: 05/05/2005

Due to costs questioned in specific findings and lack of accounting records, we questioned all costs. Per Region 2, on 3/15/06, HQ has approved grantee's indirect rates, so that grantee can submit final payments and FSRs. As of 9/30/06, Region 2 had conducted an on-site review in August 2006. Region 2 estimates it will take at least 6 months to complete the outstanding Corrective Action Plan items.

EXPLANATION OF THE REASONS MANAGEMENT DECISION HAS NOT BEEN MADE
Grantee is on a Corrective Action Plan. Remaining questioned costs, including indirect costs, are currently being reviewed by CPA firm, and disposition of all costs should be known by August 31, 2007. Audit should be resolved by September 30, 2007.

DESIRED TIMETABLE FOR ACHIEVING A MANAGEMENT DECISION
Expected resolution by September 2007

IG Followup Status as of: 03/30/2007 []

Report No.: 2005-3-00157
Title: Puerto Rico Environmental Quality Board - FY 2000
Issued: 05/05/2005

Due to the costs questioned in specific findings and lack of accounting records, we questioned all costs. Per Region 2, on 3/15/06, HQ has approved grantee's indirect rates, so that grantee can submit final payments and FSRs. As of 9/30/06, Region 2 had conducted an on-site review in August 2006. Region 2 estimates it will take at least 6 months to complete the outstanding Corrective Action Plan items.

EXPLANATION OF THE REASONS MANAGEMENT DECISION HAS NOT BEEN MADE
Grantee is on a Corrective Action Plan. Remaining questioned costs, including indirect costs, are currently being reviewed by CPA firm, and disposition of costs should be known by August 31, 2007. Resolution of audit should take place by September 30, 2007.

DESIRED TIMETABLE FOR ACHIEVING A MANAGEMENT DECISION
Expected resolution by September 2007

IG Followup Status as of: 03/30/2007 []

Report No.: 2005-3-00158
Title: Puerto Rico Environmental Quality Board - FY 2001
Issued: 05/05/2005

Due to costs questioned in specific findings and lack of accounting records, we questioned all costs. Per Region 2, on 3/15/06, HQ has approved grantee's indirect rates, so that grantee can submit final payments and FSRs. As of 9/30/06, Region 2 had conducted an on-site review in August 2006. Region 2 estimates it will take at least 6 months to complete the outstanding Corrective Action Plan items.

EXPLANATION OF THE REASONS MANAGEMENT DECISION HAS NOT BEEN MADE
Grantee is on a Corrective Action Plan. Remaining questioned costs, including indirect costs, are currently being reviewed by CPA firm, and disposition of costs should be known by August 31, 2007. Resolution of audit should take place by September 30, 2007.

DESIRED TIMETABLE FOR ACHIEVING A MANAGEMENT DECISION
Expected resolution by September 2007

IG Followup Status as of: 03/30/2007 []

Report No.: 2005-3-00159
Title: Puerto Rico Environmental Quality Board - FY 2002
Issued: 05/05/2005

Due to costs questioned in specific findings and lack of accounting records, we questioned all costs. Per Region 2, on 3/15/06, HQ has approved grantee's indirect rates, so that grantee can submit final payments and FSRs. As of 9/30/06, Region 2 had

conducted an on-site review in August 2006. Region 2 estimates it will take at least 6 months to complete the outstanding Corrective Action Plan items.

EXPLANATION OF THE REASONS MANAGEMENT DECISION HAS NOT BEEN MADE
Grantee is on a Corrective Action Plan. Questioned costs have been reviewed with minimal disallowances. After agreement of indirect cost rates, grantee will request reimbursement of indirect costs; this is estimated to be completed by June 30, 2007. Disposition of costs should be known by August 31, 2007. Audit is anticipated to be resolved by September 30, 2007.

DESIRED TIMETABLE FOR ACHIEVING A MANAGEMENT DECISION
Expected resolution by September 2007

IG Followup Status as of: 03/30/2007 []

Report No.: 2005-3-00168
Title: Puerto Rico Environmental Quality Board - FY 2003
Issued: 05/05/2005

Because EQB's accounting records were inadequate, we questioned all expenditures. Per Region 2, on 3/15/06, HQ has approved grantee's indirect rates, so that grantee can submit final payments and FSRs. As of 9/30/06, Region 2 had conducted an on-site review in August 2006. Region 2 estimates it will take at least 6 months to complete the outstanding Corrective Action Plan items.

EXPLANATION OF THE REASONS MANAGEMENT DECISION HAS NOT BEEN MADE
Grantee is on a Corrective Action Plan. Questioned costs have been reviewed with minimal disallowances. After agreement of indirect cost rates, grantee will request reimbursement of indirect costs; this is estimated to be completed by June 30, 2007. Disposition of costs should be known by August 31, 2007. Audit is anticipated to be resolved by September 30, 2007.

DESIRED TIMETABLE FOR ACHIEVING A MANAGEMENT DECISION
Expected resolution by September 2007

IG Followup Status as of: 03/30/2007 []

Report No.: 2005-3-00199
Title: Puerto Rico Water Pollution Control Revolving Fund
Issued: 06/27/2005

The Fund's administrative expenses of \$184,646 were not reviewed and certified by an independent public accounting firm recognized by EPA. Per Region 2, grantee indicated that its corrective action plan would be completed by 4/30/06. Region 2 will then complete its report resolution. As of 9/30/06, Region 2 had conducted an on-site review in August 2006. Region 2 estimates it will take at least 6 months to complete the outstanding Corrective Action Plan items.

EXPLANATION OF THE REASONS MANAGEMENT DECISION HAS NOT BEEN MADE
Grantee is on a Corrective Action Plan. Questioned costs have been reviewed with minimal disallowances. After agreement of indirect cost rates, grantee will request reimbursement of indirect costs; this is estimated to be completed by June 30, 2007. Disposition of costs should be known by August 31, 2007. Audit is anticipated to be resolved by September 30, 2007.

DESIRED TIMETABLE FOR ACHIEVING A MANAGEMENT DECISION
Expected resolution by September 2007

IG Followup Status as of: 03/30/2007 []

Report No.: 2006-3-00068
Title: Caribbean Environmental & Development Institute FY 1999
Issued: 02/22/2006

Accounting records did not comply with EPA regulations, property and equipment lists were not updated, financial information did not agree with general ledgers, left-over cash from prior grants was used to fund current grants, and monies received from EPA exceeded amount claimed as expenditures by \$152,027.

EXPLANATION OF THE REASONS MANAGEMENT DECISION HAS NOT BEEN MADE
Grantee submitted financial documentation in August 2006 which has been reviewed, but additional documentation is needed to determine approval of costs. EPA instruction to grantee for CPA cost review will be issued by April 30, 2007. Audit is anticipated to be resolved by December 30, 2007.

DESIRED TIMETABLE FOR ACHIEVING A MANAGEMENT DECISION
Expected resolution by December 2007

IG Followup Status as of: 03/30/2007 []

Report No.: 2006-3-00069
Title: Caribbean Environmental & Development Institute FY 2000
Issued: 02/22/2006

Accounting records did not provide information in compliance with EPA regulations, property and equipment lists were not updated, Financial Status Reports could not be reconciled to general ledgers, cash from expired grants was used to pay current expenditures, and the Institute received \$68,467 in monies from EPA in excess of their claimed expenditures.

EXPLANATION OF THE REASONS MANAGEMENT DECISION HAS NOT BEEN MADE
Grantee submitted detailed cost documentation in August 2006, which has been reviewed; additional documentation is needed to determine approval of costs. EPA by April 30, 2007 will require grantee CPA review of costs. Audit is anticipated to be resolved by December 30, 2007.

DESIRED TIMETABLE FOR ACHIEVING A MANAGEMENT DECISION
Expected resolution by December 2007

IG Followup Status as of: 03/30/2007 []

Report No.: 2006-3-00164
Title: Puerto Rico, Commonwealth of, EQB – FY 2004
Issued: 07/20/2006

The EQB fiscal control and accounting procedures were not adequate to provide the financial information necessary for the efficient administration of the entity's operation. EQB did not: 1) complete the physical inventory of the property and equipment; 2) maintain an adequate numerical sequence in the subsidiary of property and equipment; and 3) include certain additions of property and equipment in the property and equipment listing which were acquired with the Air Pollution Control program funds. The Board did not submit its: Financial Close-Out Report for the Air Pollution Control (A00207801) and Performance Partnership (BG992934-03-0) grants; the Interim Financial Status Reports for Air Pollution Control (A00207803) and Performance Partnership (BG992934-03) grants; and the Progress and Inventory Reports for the Air Pollution Control (A00207803), Performance Partnership (BG992934-03-0 and BG992934-04-0), and HAZMAT grants in a timely manner. The auditors noted significant differences between the amounts reported in the Schedule of Expenditures of Federal Awards, the EQB internal accounting records,

and the transactions recorded in the reports issued by the Puerto Rico Treasury Department.

EXPLANATION OF THE REASONS MANAGEMENT DECISION HAS NOT BEEN MADE
Grantee is on a Corrective Action Plan. Indirect cost rates applicable to these grants have recently been approved in final, and grantee will submit final payments and FSRs by June 30, 2007. Audit is expected to be resolved by September 30, 2007.

DESIRED TIMETABLE FOR ACHIEVING A MANAGEMENT DECISION
Expected resolution by September 2007

IG Followup Status as of: 03/30/2007 []

R4 – Office of Policy Management

Report No.: 2006-3-00163
Title: Sequatchie County
Issued: 07/10/2006

1. The government-wide financial statements were not presented in accordance with generally accepted accounting principles. Sequatchie County did not identify and determine the historical value of its capital assets and the related depreciation amounts of these assets. 2. Receivables and payables were not determined and recorded on the accounting records for various funds as required by generally accepted accounting principles. 3. The County had deficiencies in its purchasing procedures. No formal purchase order system exists and in several instances invoices were paid without documentation that goods had been received or services had been rendered. This is a repeat finding from the prior year. 4. The auditor identified the following payroll deficiencies: a) payroll deduction amounts were not reconciled monthly; b) supervisors did not sign employee time sheets to indicate their review and approval; and c) there were no authorizations for employee gross pay on file. 5. Inventory records were not maintained for all assets owned by the County. Generally accepted accounting principles require accountability for all county-owned assets. This is a repeat finding from the prior year. 6. Duties were not segregated adequately among County employees. Officials and employees responsible for maintaining accounting records were also involved in receipting, depositing, and/or disbursing funds.

EXPLANATION OF THE REASONS MANAGEMENT DECISION HAS NOT BEEN MADE
The draft Call Letter to the grantee is currently under review. Resolution is expected by August 2007.

DESIRED TIMETABLE FOR ACHIEVING A MANAGEMENT DECISION
Expected resolution by August 2007

IG Followup Status as of: 03/30/2007 []

Report No.: 2006-3-00162
Title: Sequatchie County
Issued: 07/10/2006

The auditor noted the following deficiencies in the County's purchasing procedures: a) the County did not have a formal purchase order system; b) invoices were paid without documentation that goods had been received or services had been rendered; c) several invoices were paid without them being marked "paid," thus some invoices were paid more than once; d) the County paid late charges on several invoices, even though the County's cash flow was sufficient to pay bills as they became due. The payment of these late

charges increased the cost of the goods and services to the County unnecessarily. The payment of late charges with grant monies is not an appropriate use of grant funds; e) the auditor noted several expenditures that were not directly related to County business, and the county had not adopted a policy providing for these types of expenditures. 2. The auditor noted numerous adjustments that were made to the general ledger that did not include proper supporting documentation for the adjustments. The auditor disallowed many of these adjustments in the financial statements of the audit report. 3. Inventory records were not maintained for all assets owned by the County. Generally accepted accounting principles require accountability for all County-owned assets. 4. The County did not inventory, value and record its general fixed assets as required by generally accepted accounting principles. 5. The County had not adopted a system of central accounting, budgeting, and purchasing. Establishing a central system would significantly improve internal controls over the accounting, budgeting and purchasing process.

EXPLANATION OF THE REASONS MANAGEMENT DECISION HAS NOT BEEN MADE
The draft Call Letter to the grantee is currently under review. Resolution is expected by August 2007.

DESIRED TIMETABLE FOR ACHIEVING A MANAGEMENT DECISION
Expected resolution by August 2007

IG Followup Status as of: 03/30/2007 []

Report No.: 2006-3-00208
Title: South Carolina, State of – FY 2005
Issued: 09/26/2006

1. The Department of Health and Environmental Control accounting records for the EPA Performance Partnership Grant (BG-9841705-3) did not reconcile to the Federal draws reported on the Federal Cash Transaction Report. 2. The Department of Natural Resources Schedule of Federal Financial Assistance (SFFA) had several errors such as numerous incorrect CFDA numbers, grant titles, grant numbers, and fund sources code, and the beginning fund balances did not agree to the 2004 SFFA ending fund balances. 3. The Department of Natural Resources did not monitor its subrecipients to ensure compliance with the Single Audit Act Amendments of 1996, OMB Circulars A-133 and A-102 "Common Rule," Federal awarding agency program regulations, and the terms and conditions of the award.

EXPLANATION OF THE REASONS MANAGEMENT DECISION HAS NOT BEEN MADE
The draft Call Letter to the grantee is currently under review. Resolution is expected by August 2007.

DESIRED TIMETABLE FOR ACHIEVING A MANAGEMENT DECISION
Expected resolution by August 2007

IG Followup Status as of: 03/30/2007 []

R8 – Regional Administrator

Report No.: 2006-3-00190
Title: Rosebud Sioux Tribe, FY 2004
Issued: 08/21/2006

In connection with the administration of several programs, the Tribe utilized primarily program budgets to record payroll costs to multiple activities. However, no comparisons of actual costs to budgeted distributions based on monthly reports were made.
EXPLANATION OF THE REASONS MANAGEMENT DECISION HAS NOT BEEN MADE
We have contacted the Tribe requesting additional information. Awaiting a response. We anticipate a resolution by December 2007.

DESIRED TIMETABLE FOR ACHIEVING A MANAGEMENT DECISION
Expected resolution by December 2007

IG Followup Status as of: 03/30/2007 []

R9 – Policy & Management Division

Report No.: 2006-3-00169
Title: Cortina Indian Rancheria of CA FY 2001
Issued: 08/02/2006

The Rancheria did not have adequate internal controls over EPA expenditures. Therefore, we questioned all costs.

EXPLANATION OF THE REASONS MANAGEMENT DECISION HAS NOT BEEN MADE
Because of the complexity and the large number of repeat findings, Region 9 consulted with EPA-HQ to contract with a CPA firm to re-examine the tribe's financial management capabilities. We have recently received the report of an on-site visit and will advise the tribe of requisite corrective actions to re-establish financial management integrity. We are currently consulting with EPA-HQ on the questioned costs associated with the findings. The region is asking the tribe for additional documentation to verify eligible costs. The FDL is targeted for June 30, 2007.

DESIRED TIMETABLE FOR ACHIEVING A MANAGEMENT DECISION
Expected resolution by June 2007

IG Followup Status as of: 03/30/2007 []

Report No.: 2006-3-00170
Title: Cortina Indian Rancheria of CA FY 2002
Issued: 08/02/2006

The Rancheria did not have adequate internal controls over fixed assets, accounting transactions, draw downs, payroll, and indirect costs. Therefore, we questioned all costs.

EXPLANATION OF THE REASONS MANAGEMENT DECISION HAS NOT BEEN MADE
Because of the complexity and the large number of repeat findings, Region 9 consulted with EPA-HQ to contract with a CPA firm to re-examine the tribe's financial management capabilities. We have recently received the report of an on-site visit and will advise the tribe of requisite corrective actions to re-establish financial management integrity. We are currently consulting with EPA-HQ on the questioned costs associated with the findings. The Region is asking the tribe for additional documentation to verify eligible costs. The FDL is targeted for June 30, 2007.

DESIRED TIMETABLE FOR ACHIEVING A MANAGEMENT DECISION
Expected resolution by June 2007

IG Followup Status as of: 03/30/2007 []

Report No.: 2006-3-00171
Title: Cortina Indian Rancheria of CA FY 2003
Issued: 08/02/2006

The Rancheria did not have adequate internal controls over fixed assets, accounting transactions, bank accounts, cash draw downs, programmatic and financial reporting, and bank deposits. Therefore, we questioned all expenditures.

EXPLANATION OF THE REASONS MANAGEMENT DECISION HAS NOT BEEN MADE
Because of the complexity and the large number of repeat findings, Region 9 consulted with EPA-HQ to contract with a CPA firm to re-examine the tribe's financial management capabilities. We have recently received the report of an on-site visit and will advise the tribe of requisite corrective actions to re-establish financial management integrity. We are currently consulting with EPA-HQ on the questioned costs associated with the findings. The Region is asking the tribe for additional documentation to verify eligible costs. The FDL is targeted for June 30, 2007.

DESIRED TIMETABLE FOR ACHIEVING A MANAGEMENT DECISION
Expected resolution by June 2007

IG Followup Status as of: 03/30/2007 []

Report No.: 2006-3-00172
Title: Cortina Indian Rancheria of CA FY 2004
Issued: 08/02/2006

The Rancheria did not have adequate internal controls over fixed assets, accounting transactions, cash flows, bank deposits, employee loans, programmatic and financial reporting, and indirect costs. Therefore, we questioned all EPA expenditures.

EXPLANATION OF THE REASONS MANAGEMENT DECISION HAS NOT BEEN MADE
Because of the complexity and the large number of repeat findings, Region 9 consulted with EPA-HQ to contract with a CPA firm to re-examine the tribe's financial management capabilities. We have recently received the report of an on-site visit and will advise the tribe of requisite corrective actions to re-establish financial management integrity. We are currently consulting with EPA-HQ on the questioned costs associated with the findings. The region is asking the tribe for additional documentation to verify eligible costs. The FDL is targeted for June 30, 2007.

DESIRED TIMETABLE FOR ACHIEVING A MANAGEMENT DECISION
Expected resolution by June 2007

IG Followup Status as of: 03/30/2007 []

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