



UNITED STATES ENVIRONMENTAL PROTECTION AGENCY
WASHINGTON, DC 20460

**OFFICE OF
INSPECTOR GENERAL**

November 16, 2012

MEMORANDUM

SUBJECT: New Audit Notification: Internal Controls Over Renewable Fuel Credits
Assignment No. OA-FY13-0009

FROM: Melissa M. Heist /s/
Assistant Inspector General for Audit

TO: Gina McCarthy
Assistant Administrator for Air and Radiation

The EPA Office of Inspector General (OIG) is initiating preliminary research regarding the controls in place over the Renewable Fuel Standard program. The Renewable Fuel Standard program established the first renewable fuel volume mandate in the United States. It also created a credit trading program where renewable fuel produced or imported is assigned a Renewable Identification Number that can be traded from one party to another. In recent years, improperly created Renewable Identification Numbers have been created and sold without any manufacture of corresponding biofuels, resulting in millions of dollars of fraud. The objective of our preliminary research is to:

Determine whether EPA's Renewable Fuel Standard program has established controls to manage Renewable Identification Numbers and whether those controls are effective.

We will arrange a mutually agreeable time to discuss our objectives and planned work, ideally within the next 15 days. We will answer any questions you have about the preliminary research process, including our methods used to gather and analyze data and potential next steps. To expedite our review, we request that you provide us the information contained in the attachment to this memorandum by November 30, 2012.

If you or your staff has any questions, please contact me at (202) 566-0899 or heist.melissa@epa.gov; the Product Line Director, Patrick Gilbride, at (303) 312-6969 or gilbride.patrick@epa.gov; or the Project Manager, Erin Barnes-Weaver, at (303) 312-6871 or barnes-weaver.erin@epa.gov.

Attachment

cc: Christopher Grundler, Acting Director, Office of Transportation and Air Quality,
Office of Air and Radiation
Cynthia Giles, Assistant Administrator for Enforcement and Compliance Assurance
Susan Shinkman, Director, Office of Civil Enforcement, Office of Enforcement and
Compliance Assurance
Maureen Hingeley, Audit Follow-Up Coordinator, Office of Air and Radiation
Gwendolyn Spriggs, Audit Follow-Up Coordinator, Office of Enforcement and
Compliance Assurance
Arthur A. Elkins, Jr., Inspector General
Charles Sheehan, Deputy Inspector General
Aracely Nunez-Mattocks, Chief of Staff, Office of Inspector General
Alan Larsen, Counsel to the Inspector General
Carolyn Copper, Assistant Inspector General for Program Evaluation
Eileen McMahon, Assistant Inspector General for Congressional and Public Affairs
Patrick Sullivan, Assistant Inspector General for Investigations
Richard Eyer mann, Deputy Assistant Inspector General for Audit

OIG Document Request

We located many documents online and excluded those from our request. The remaining items below are those we request that you address by November 30, 2012.

1. A briefing with Renewable Fuel Standard (RFS) program administrators from the Office of Transportation and Air Quality to gain an understanding on the RFS program. Specifically, some of the items we would like to discuss include:
 - EPA's roles and responsibilities in the RFS program;
 - Controls in place over the RFS program;
 - Resources (including budget and FTEs) EPA has committed to the operation of the RFS program;
 - Policies and procedures for creating, tracking, and verifying Renewable Identification Numbers (RINs);
 - Results of industry meetings in July, August, and November 2012; and
 - Current status of proposed regulations and other initiatives (e.g. Quality Assurance Plan proposal).
2. Flowchart or diagram depicting the RFS/RIN program/process.
3. The Fiscal Year 2012 OAR Federal Managers' Financial Integrity Act (FMFIA) assurance letter¹ notes the Agency has ongoing internal reviews of the RFS program. Please provide any reports that have been produced as a result of these internal reviews, as well as additional information including the objectives of these reviews and the names of lead contacts on these efforts.

¹ See http://intranet.epa.gov/ocfo/management_integrity/FY2012/assurance_letter/oar_-_fy_2012_assurance_letter.pdf (bottom of PDF page 65 of 76).