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Annual
Superfund Report
to the Congress
for Fiscal 1999

ANNUAL SUPERFUND REPORT TO THE CONGRESS FOR FISCAL 1999

May 2000

Required by
Section 111(k) of the
Comprehensive Environmental Response, Compensation,
and Liability Act of 1980 (CERCLA),
as amended by the Superfund Amendments and
Reauthorization Act of 1986 (SARA)

**OFFICE OF THE INSPECTOR GENERAL
U.S. ENVIRONMENTAL PROTECTION AGENCY**

FOREWORD

This report covers fiscal 1999 activities, and is our 13th Annual Superfund Report to the Congress. The Superfund Amendments and Reauthorization Act of 1986 (SARA) requires the Office of the Inspector General (OIG) to audit the Superfund program annually and to report to Congress annually on these audits.

In addition to reviewing Agency performance, we also take a proactive role to help the Environmental Protection Agency (EPA) prevent future problems. During fiscal 1999, we assisted EPA management in a number of ways. We conducted a review to assist the Agency in developing contract provisions and a statement of work to foster a more effective second round of START (Superfund Technical Assessment and Response Team) contracts. We did an analysis for the Deputy Administrator of steps EPA could take to provide greater assurance that laboratory fraud will be deterred and detected. We continued to help the Agency improve its Superfund environmental data quality by reviewing draft Agency documents and meeting with program officials. We reviewed State cost share documentation for the Bunker Hill Superfund site for Region 10. We helped the Agency improve its five-year review program by commenting on draft versions of new guidance for the program. We continued to participate in a number of work groups and other activities to help the Agency improve its management of information resources.

In our eighth and latest audit of the Hazardous Substance Superfund financial statements, we found that the financial statements for the Superfund were fairly presented, except for the effects, if any, of adjustments that may have been necessary to correct the amounts reported as Other Financing Sources in the Statement of Changes in Net Position and the related effects on Equity and Net Costs of Operations. We qualified our opinion because of multiple and untimely submissions, significant errors, and lack of accounting support. EPA's financial systems and methodologies to account for costs by strategic goals cannot be relied on. Additionally, EPA's security plans for its core financial systems continued to contain

significant deficiencies.

The Government Performance and Results Act requires EPA to develop plans on intended accomplishments, measure how well it is doing, make appropriate decisions based on the information gathered, and communicate information about performance to Congress and the public. To do this, EPA developed a strategic plan with ten goals and during fiscal 1999 began tracking the cost to achieve each of its goals. We found that the Agency's methodology for accumulating costs by goal could not be relied upon.

We previously reported concerns that security plans for EPA's core financial systems were not compliant with Federal financial management system requirements. Our work continues to show significant deficiencies for fiscal 1999. As a result, we continue to report the issue as a noncompliance with the Federal Financial Management Improvement Act (FFMIA). Additional developments for fiscal 1999 support the listing of computer security controls as a material weakness. EPA's Acting CFO stated that potential vulnerabilities in the Agency's mainframe computer and network servers are an exception to Agency FFMIA compliance.

Our review of the Agency's program to defer Superfund sites to the Resource Conservation and Recovery Act (RCRA) program found that many of the sites were not being addressed. Only 2 per cent of the approximately 3,000 sites deferred have been cleaned up, and only 29 per cent are in the RCRA corrective action workload. The Agency made deferral decisions without sufficient communication between the Superfund and RCRA programs. In addition, the Agency did not issue deferral guidance until the program was well underway, and there was either misinterpretation or inconsistent application of the deferral policy. In response to our audit, the Agency indicated it would work with the states to update site characterizations, determine which program has available resources and legal authority to address sites starting with those posing the highest risk, improve collaboration between the Superfund and

RCRA programs, and strengthen deferral procedures.

We followed up on our 1995 audit of the Agency's implementation of the statutory requirement to review every five years whether site remedies continue to be protective. We found that the backlog of uncompleted reviews had increased substantially in the intervening years. We also found that several of the reports did not state conclusions on the protectiveness of remedies or did not adequately support the conclusions made. In addition, half of the reports we reviewed which contained recommendations to take corrective actions did not identify who was responsible for taking these actions. Finally, EPA was generally not communicating the results of five-year reviews to those living near these sites. In response to our audit, the Agency developed a three-year strategy to eliminate the backlog of reviews, and took steps to address the deficiencies in review reports, and developed procedures to better communicate review results.

We reviewed the Agency's administrative reform to encourage greater use of special accounts to ensure that funds received in settlements with responsible parties at Superfund sites were available for future response actions at those specific sites. EPA increased the number of special accounts from 35 to 112 since the reform was implemented, with continued growth expected. However, we found a few weaknesses in the administration of the accounts. EPA's general ledger balances did not agree with its special accounts data

base, earned interest was not posted timely, regions inconsistently used the accounts, and settlement documents did not always distinguish between receipts for past and future costs. In response to our audit, the Agency is taking steps to address these weaknesses.

Our Superfund investigative efforts continued to produce fines, restitutions, recoveries, and convictions for fraud and other improper actions of EPA contractors. False claims and fraud in the analyzing of samples from Superfund sites continued to be the primary bases for indictments and convictions related to Superfund work. Our Office of Investigations also put considerable effort into proactive Superfund investigations, with a special emphasis on contracting for removals and remediation.

The Administration proposed in its fiscal 1998 budget to eliminate the requirement to issue this report, along with the specific annual audits the report is required to summarize. This report is largely duplicative of our semiannual reports. Elimination of the specific audit requirements would allow us to focus our audit efforts each year on those areas where they can be most productive. We hope the Congress will take this action.

We will continue to help Agency management deliver the most effective and efficient Superfund program through a comprehensive program of audits, investigations, fraud prevention, and cooperative efforts with Agency management.

Nikki L. Tinsley
Inspector General

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PURPOSE

We provide this report pursuant to section 111(k) of the Comprehensive Environmental Response, Compensation, and Liability Act (CERCLA) of 1980, as amended. The Superfund Amendments and Reauthorization Act (SARA) of 1986 amended that section of CERCLA to add several annual requirements for the Inspector General of each Federal agency carrying out CERCLA authorities. These requirements include four audit areas and an annual report to Congress about the required audit work. This report covers fiscal 1999 OIG Superfund activities. We discuss the required four audit areas below.

This report contains chapters on the mandated audit areas. We also summarize other significant Superfund audit work, assistance to EPA management, and Superfund investigative work. We exceed the statutory requirements by providing Congress with the significant results of other Superfund work we do under our Inspector General Act authorities, not just that specifically mandated in section 111(k) of CERCLA.

Trust Fund

CERCLA requires ". . . an annual audit of all payments, obligations, reimbursements, or other uses of the Fund in the prior fiscal year. . . ." We now meet this requirement through the financial statement audit

required by the Government Management Reform Act.

Claims

CERCLA requires an annual audit to assure ". . . that claims are being appropriately and expeditiously considered . . ." Since SARA did not include natural resource damage claims as allowable Fund expenditures, the only claims provided in CERCLA, as amended, are response claims.

Cooperative Agreements

CERCLA requires audits ". . . of a sample of agreements with States (in accordance with the provisions of the Single Audit Act) carrying out response actions under this title . . ." We perform financial and compliance audits of cooperative agreements with States and political subdivisions. Some of our audits also review program performance.

Remedial Investigations/Feasibility Studies (RI/FS)

CERCLA requires our ". . . examination of remedial investigations and feasibility studies prepared for remedial actions . . ." We discuss our approach to this requirement in a chapter of this report.

BACKGROUND

The Comprehensive Environmental Response, Compensation, and Liability Act of 1980 (CERCLA), Public Law 96-510, enacted on December 11, 1980, established the "Superfund" program. The purpose of the Superfund program is to protect public health and the environment from the release, or threat of release, of hazardous substances from abandoned hazardous waste sites and other sources where other Federal laws do not require response. CERCLA established a Hazardous Substance Response Trust Fund to provide funding for responses ranging from control of emergencies to permanent remedies at uncontrolled sites. CERCLA authorized a \$1.6 billion program financed by a five-year environmental tax on industry and some general revenues. CERCLA requires EPA to seek response, or payment for response, from those responsible for the problem, including property owners, generators, and transporters.

The Superfund Amendments and Reauthorization Act of 1986 (SARA), Public Law 99-499, enacted October 17, 1986, revised and expanded CERCLA. SARA reinstated the environmental tax and expanded the taxing mechanism available for a five-year period. It authorized an \$8.5 billion program for the 1987-1991 period. It renamed the Trust Fund the Hazardous Substance Superfund. The Budget Reconciliation Act of 1990 reauthorized the program for three additional years and extended the taxing mechanism for four additional years. Congress has continued to fund Superfund after expiration of the authorization and the taxing mechanism.

The basic regulatory blueprint for the Superfund program is the National Oil and Hazardous Substances Contingency Plan (NCP), 40 CFR Part 300. The NCP was first published in 1968 as part of the Federal Water Pollution Control Plan, and EPA has substantially revised it three times to meet CERCLA requirements. The NCP lays out two broad categories of response: removals and remedial response. Removals are relatively short-term responses and modify an earlier program under the Clean Water

Act. Remedial response is long-term planning and action to provide permanent remedies for serious abandoned or uncontrolled hazardous waste sites.

CERCLA recognized that the Federal Government can only assume responsibility for remedial response at a limited number of sites representing the greatest public threat. Therefore, EPA must maintain a National Priorities List (NPL), updated at least annually. The NPL consists primarily of sites ranked based on a standard scoring system, which evaluates their threat to public health and the environment. In addition, CERCLA allowed each State to designate its highest priority site, without regard to the ranking system.

CERCLA section 104(c)(3) does not allow EPA to fund remedial actions unless the State in which the release occurs enters into a contract or cooperative agreement with EPA to provide certain assurances, including cost sharing. At most sites, the State must pay 10 percent of the costs of remedial action. EPA may fund 100 percent of site assessment activities (preliminary assessments, site inspections), remedial planning (remedial investigations, feasibility studies, remedial designs), and removals. For facilities operated by a State or political subdivision at the time of disposal of hazardous substances, the State must pay 50 percent of all response costs, including removals and remedial planning previously conducted.

CERCLA sections 104(c)(3) and 104(d) authorize EPA to enter into cooperative agreements with States or political subdivisions to take, or to participate in, any necessary actions provided under CERCLA. A cooperative agreement serves to delineate EPA and State responsibilities for actions to be taken at the site, obtains required assurances, and commits Federal funds. EPA uses cooperative agreements to encourage State participation in the full range of Superfund activities - site assessment, remedial, removal, and enforcement.

ASSISTANCE TO EPA MANAGEMENT

Besides performing audits and investigations, the OIG responds to EPA management requests for review of vulnerable program areas and OIG input in the development of regulations, manuals, directives, guidance, and procurements. These are efforts to prevent problems that might later result in negative audit findings or investigative results. The OIG reviews and comments on draft documents prepared by Agency offices. OIG staff also participates in conferences and EPA work groups to provide input. The OIG continued to be active in fiscal 1999 in such assistance to EPA management in the Superfund area. We summarize below some of our major activities assisting management.

Improvement of START-2 Contracts

The OIG conducted a review to assist Agency management in developing contract provisions and a statement of work to foster more effective START-2 (Superfund Technical Assessment and Response Team) contract performance. START contracts support EPA's site assessment, response, prevention and preparedness, and some technical support activities. START-2 is the second round of these contracts. In an advisory report (99M0019) dated September 30, 1999, we suggested EPA address several areas during the START-2 acquisition process to help optimize contractor performance:

- ! EPA should not dictate the use of dedicated staff in START-2. Dedicated staff may not always be kept busy. The use of dedicated staff does not further the Office of Management and Budget's performance based-strategy of specifying the tasks to be performed rather than the staff or method to perform the task. The Agency believes some dedicated staff is necessary but will work to reduce the use of dedicated staff based on the contract requirements.
- ! EPA should develop incentives to encourage exceptional contractor performance. The Agency believes that the performance-focused statement of

work and the use of multiple awards provide the contractor with sufficient incentives to perform well.

- ! EPA should include contract provisions which address the requirement for the contractor to implement an EPA approved quality management plan. It is important to have a system in place to ensure data quality since the data is used in EPA's decision making and enforcement actions. The Agency included data quality requirements in the contract clauses and solicitation.

Laboratory Fraud: Deterrence and Detection

Following a voluntary disclosure to the Agency of data integrity problems at a private laboratory, the Deputy Administrator, requested that we determine what the Agency could do to detect and prevent fraudulent activities. The laboratory had analyzed samples from Superfund sites, and also did analytical work for EPA and other Federal agencies in connection with other environmental programs. We worked very closely with Agency staff in examining this area in response to this request.

In a memorandum dated June 25, 1999, we suggested to the Acting Deputy Administrator steps the Agency could take to provide greater assurance that laboratory fraud will be deterred and detected:

- ! Provide training for Agency or state on-site auditors/inspectors, as well as individuals responsible for reviewing laboratory data, to incorporate fraud detection techniques into their daily work.
- ! Promote ethics in environmental testing laboratories through outreach and training.
- ! Provide individuals performing environmental testing with appropriate contacts to report possible misconduct (e.g., OIG Hotline).
- ! Explore emerging electronic methods for

screening laboratory data. In addition, assume a leadership role in the standardization of electronic data deliverables.

- ! Incorporate accreditation, or a quality system demonstration, as a mandatory requirement in all program areas.
- ! Develop or improve guidance and training specific to the planning process to assist data users in determining laboratory quality assurance/quality control necessary and appropriate for the intended use of the data.
- ! Ensure information systems used to track laboratory data are current and complete.

Environmental Data Quality

We continued to work with the Agency as it implemented recommendations from several audits we did on environmental data quality in Superfund. During fiscal 1999, we reviewed several draft requirements and guidance documents. We also met with Agency quality assurance officials to discuss their plans for improvements

Bunker Hill Cost Share

EPA Region 10 asked us to review the cumulative cost share credit reported by the Idaho Division of Environmental Quality for the Bunker Hill Superfund Site for the year ended June 30, 1997. The purpose was to identify any material weaknesses in the State's methodology and documentation which could result in a future disallowance of claimed match credits. Our review identified several areas where the State needed to improve its procedures and documentation to prevent disallowance of claimed match credits. We provided our results to the Region in a memorandum (9400006) dated January 22, 1999.

Five-Year Reviews

During and after our audit of the Superfund Five-Year Review Program, we commented on draft versions of the Agency's *Comprehensive Five-Year Review Guidance*. We evaluated the documents and commented that the draft guidance clearly

described the purpose of the reviews, program requirements, need for assessments of remedy protectiveness, and the importance of communicating with affected communities. We also indicated that the site inspection checklist, report template, and sample report included in the guidance should prove helpful to those conducting reviews. We pointed out, however, that a planned change in the start date for conducting the reviews could be a disincentive for completing the initial five-year reviews. The Agency planned to take our concerns into account when developing its final guidance.

Information Resources Management

We continued to participate in various Agency-level workgroups associated with EPA's initiative to Reinvent Environmental Information. In fiscal 1999, we participated in work groups addressing environmental data quality and data gaps. We continued to participate in the Data Quality Initiative and the Information Integration Initiative. In addition, we participated in work groups on replacing the travel management system, developing a Budget Allocation System, and replacing the EPA payroll system.

Better Waste Management Issue Area Plan

In addition to strategic and annual audit planning, the OIG uses issue area plans to identify issues we need to address beyond the current audit period. At the beginning of the latest issue area planning effort, we invited officials from several program offices to participate with OIG staff during our initial issue area planning meeting. This approach ensured that Agency personnel were involved at the very beginning of our planning sessions. Their ideas helped identify significant issues in Superfund and Resource Conservation and Recovery Act operations that improved the overall OIG planning process. By incorporating their viewpoints and insights early in the process, we were able to better target our OIG resources in support of the Better Waste Management goal in EPA's *Strategic Plan*. We also met with Agency officials after the sessions to obtain their comments on the draft plan. This helped ensure that the issues were both accurately described and

significant enough to merit audit attention.

HAZARDOUS SUBSTANCE SUPERFUND

The Government Management Reform Act requires Federal agencies to prepare annual audited financial statements. The requirement for audited financial statements was enacted to help bring about improvements in agencies' financial management practices, systems and controls so that timely, reliable information is available for managing Federal programs. One of the major entities covered by these financial statements is the Hazardous Substance Superfund Trust Fund. The EPA OIG's requirement to audit EPA's financial statements also meets our CERCLA audit requirement to annually audit the Superfund Trust Fund, which we previously referred to as our Trust Fund audit. The following summary of our fiscal 1999 financial statement audit relates to all findings resulting from our audit of EPA's financial statements, including the Hazardous Substance Superfund.

Superfund Receives Qualified Opinion on Financial Statements

We qualified our opinion on the Agency's 1999 financial statements for Superfund and the Agency as a whole because of multiple and untimely submissions, significant errors, and lack of accounting support. EPA's financial systems and methodologies to account for costs by strategic goals cannot be relied on. Additionally, EPA's security plans for its core financial systems continued to contain significant deficiencies.

We Found That

The financial statements fairly presented the:

- ! assets, liabilities, and net position;
- ! net costs;
- ! changes in net position;
- ! budgetary resources; and
- ! reconciliation of net costs to budgetary obligations

for the Superfund Trust Fund as a whole as of and for the year ended September 30, 1999, in accordance with the applicable

basis of accounting, except for the effects, if any, of adjustments that may have been necessary to correct the amounts reported as Other Financing Sources in the Statement of Changes in Net Position and the related effects on Equity and Net Costs of Operations. This category in the statements consists primarily of appropriations to EPA from trust funds held at the Department of the Treasury, of which the Superfund Trust Fund is by far the largest.

Material Internal Control Weaknesses

1. Process for Preparing Financial Statements

Although we were able to render opinions on EPA's financial statements, weaknesses existed in the Agency's process for preparing the fiscal 1999 financial statements that resulted in the Agency being unable to provide us with complete, accurate and reliable statements, footnotes and supplemental information by the agreed upon dates.

In addition, the Government Performance and Results Act requires EPA to develop plans on intended accomplishments, measure how well it is doing, make appropriate decisions based on the information gathered, and communicate information about performance to Congress and the public. To do this, EPA developed a strategic plan with ten goals and during fiscal 1999 began tracking the cost to achieve each of its goals. We found that the Agency's methodology for accumulating costs by goal could not be relied upon to fairly state costs by goal. The Agency had originally planned to present its Statement of Net Cost by goal. After we expressed concern about the Agency's ability to fairly present its costs by goal, Agency management decided to present EPA's costs for the Superfund Trust Fund and All Other Appropriated Funds rather than present the information by goal. Weaknesses in this area also affect the quality of cost accounting data Agency managers have available for decision making.

Although the Agency made some improvements in its financial statement preparation processes, the financial statements provided to us for the purpose of expressing an opinion were incomplete and contained significant errors. The financial statements that we used as a basis for rendering our opinions were not received until late February 2000. Further, significant audit effort was needed to assist the Agency in improving the presentation of the financial statements and to resolve preparation issues in order for the Agency to obtain the best possible audit opinions by March 1, 2000. The Agency needed to make further improvements in its financial statement preparation process. These improvements would improve the accuracy and reliability of financial information used to prepare financial statements after the end of the year, as well as the data that is available on an ongoing basis throughout the year to manage EPA's environmental programs.

2. Computer Security Controls

The OIG previously reported that security plans for EPA's core financial systems did not comply with Federal financial management system requirements. We found continued significant deficiencies for fiscal 1999. As a result, we continued to report the issue as a noncompliance with the Federal Financial Management Improvement Act (FFMIA). Additional developments supported the listing of computer security controls as a material weakness. EPA's Acting Chief Financial Officer (CFO), in his Management Representation letter to us, listed potential vulnerabilities in the Agency's mainframe computer and network servers as an exception to Agency FFMIA compliance. Also, a current, more comprehensive review by the General Accounting Office (GAO) indicated that EPA weaknesses "pose a serious threat to the integrity of EPA's information systems; and if uncorrected could allow unauthorized users to take control of EPA's network operations." The problems were of such magnitude that the security program was rendered ineffective.

Relying on the work of GAO and our efforts, and considering the concerns noted by the Acting CFO, we concluded that computer security controls were a material weakness.

Reportable Conditions

Reportable conditions are significant internal control weaknesses that could adversely affect EPA's ability to ensure: (1) transactions are executed in accordance with applicable laws; (2) assets are safeguarded against loss from unauthorized acquisition, use, or disposition; and (3) transactions are properly recorded, processed, and summarized to permit the preparation of reliable financial statements and Required Supplemental Stewardship Information in accordance with Federal accounting standards. The reportable conditions we identified involved the need for improvements in the following areas:

1. Reviewing Unliquidated Obligations

The Agency did not timely identify and deobligate unnecessary funds during its annual review of inactive obligations. Therefore, the Agency conducted a "special review" so it could accurately report its open obligations in the Agency's financial statements. The special review identified \$14.6 million of open obligations which should have been deobligated by September 30, 1999 in addition to \$10 million which should have been deobligated based on the fiscal 1998 special review. Our fiscal 1999 audit work also identified another \$6.3 million which should have been deobligated by September 30, 1999.

2. Managing Accounts Receivable

During fiscal 1999, the Agency continued its efforts to improve controls in the accounts receivable area. However, we continued to find: (1) accounts receivable that were not recorded and billed timely, (2) accounts receivable balances in the Agency's Integrated Financial Management System (IFMS) were not reconciled to subsidiary records, (3) outstanding receivables were not timely followed up on and written off, and (4) collection transactions were not properly recorded. Consequently, some accounts receivable may not be correctly valued and timely collected. These problems were primarily caused by Offices of Regional Counsel and program offices not timely forwarding documentation needed to manage accounts receivable to the financial management offices.

3. Approving Interagency Agreement Invoices

Some Agency project officers were not fulfilling one of their program oversight duties, timely reviewing and approving interagency agreement invoices. Some project officers were also not obtaining and reviewing supporting cost documentation for amounts billed by other agencies. The Agency needed to continue making improvements in this area, so that it could be sure that payments are only made for costs billed that are valid and allowable under the terms of its interagency agreements.

4. Accounting for Capitalized Property

For a number of years, we have reported that EPA needed to improve accounting for its property. Although the Agency has been addressing weaknesses in its accounting for property, our fiscal 1999 audit work disclosed the need for further corrective actions. We again found some property that was either not recorded at all or not recorded timely and accurately. In addition, we found weaknesses in the reconciliation of property information in the Agency's accounting system with information contained in the property subsystem. When property is not accurately accounted for, it increases the risk of theft, loss or misuse of the property.

5. Documenting Automated Controls Within the Agency's Accounting System

We continued to be unable to assess the adequacy of the automated internal control structure as it related to automated input, processing and output controls for the accounting transactions contained in IFMS. The Agency initiated a work group to replace the Agency payroll system, and the Agency's budget request indicated a desire to replace IFMS in the near future. An active data dictionary would simplify conversion of data in implementing future financial systems.

Noncompliance Issues

We did not identify any instances of noncompliance with laws and regulations that would result in material misstatements to the audited financial statements. However,

we did note the following significant noncompliance issues:

1. EPA made disbursements for grants that were funded from more than one appropriation using the oldest available funding (appropriation) first which may or may not have been the appropriation that benefitted from the work performed. Thus, EPA was not complying with Title 31 U.S.C. 1301 which requires EPA to match disbursements to the benefitting appropriation. Even though this instance of noncompliance did not result in a material misstatement of EPA's financial statements, it was a significant issue the Agency must address.
2. During fiscal 1999, the Agency reviewed its user fees in accordance with the requirements of the CFO Act and provisions of Office of Management and Budget (OMB) Circular A-25, *User Charges*. The Acting CFO still needed to follow through to either institute, revise, or update its user fees or obtain exceptions from OMB for the user fees identified during the 1997 review, as updated by the 1999 review.
3. The Federal Financial Management Improvement Act (FFMIA) requires us, during our annual financial statement audits, to determine whether EPA's financial management systems substantially comply with Federal financial management system requirements, applicable accounting standards, and the Standard General Ledger at the transaction level.

We found EPA was not in substantial compliance with the FFMIA requirements because of weaknesses in: (1) the Agency's process for preparing financial statements, and (2) its computer security controls. We also identified the following instances of substantial noncompliance with FFMIA requirements.

- ◆ EPA's methodology for accumulating and reporting costs by the Agency's ten strategic goals could not be relied upon to fairly state the Agency's costs to achieve each goal. Weaknesses in this area affected the quality of cost

accounting data EPA managers had available during fiscal 1999 to manage their programs. In addition, the Agency was not in compliance with Statement of Federal Financial Accounting Standards (SFFAS) No. 4 that requires EPA to: (1) determine the full costs of its activities, (2) accumulate and report cost of activities on a regular basis for management information purposes, and (3) use appropriate costing methodologies to accumulate and assign costs to outputs.

- ◆ EPA was unable, in most cases, to report its intra-governmental assets and liabilities by trading partner because finance offices were not coding transactions to show this information. The Treasury Financial Manual requires agencies to report trading partner information, so Treasury can eliminate intra-governmental transactions when it prepares the Financial Report of the United States Government. Agencies also need this information to manage their assets and liabilities.

PRIOR AUDIT COVERAGE

During previous financial audits, we reported weaknesses that impacted our audit objectives in the areas of:

- ! the Agency's process for preparing financial statements, including the Statements of Budgetary Resources and Financing;
- ! recording unbilled Superfund oversight costs;
- ! accounting for and managing Superfund accounts receivable;
- ! accounting for and controlling property;
- ! recording accrued liabilities for grants;
- ! approving payments for interagency agreements;
- ! identifying, tracking and reporting EPA's environmental liabilities;
- ! recording revenue for Superfund state contracts;
- ! documenting IFMS;

- ! complying with federal financial management system security requirements;
- ! accounting for payments for grants funded from multiple appropriations;
- ! reconciling the components of Superfund net position;
- ! identifying and allocating indirect costs;
- ! reviewing Agency fees; and
- ! allocating costs to the Superfund Trust Fund.

The Agency has taken many actions and initiatives to resolve prior financial statement audit issues. We recognize that the issues are complex and require extensive, long-term corrective actions and coordination by the CFO with other parts of the Agency before they can be completely resolved. However, we noted that a number of issues remained unresolved after several years.

On January 13, 2000, the Office of the Chief Financial Officer (OCFO) and the OIG jointly sponsored a meeting with a number of Agency senior managers to discuss our concerns about the audit management process and the length of time management was taking to complete corrective action on some of our older audit recommendations. The purpose of this meeting was to ensure a clear understanding of the roles, responsibilities and processes needed to implement a quality audit management program.

We acknowledge that EPA updated its policy in fiscal 1999 to enhance the audit management process (EPA Order 2750, *Audit Management Process*, revised December 3, 1998). Nevertheless, the Agency's Audit Follow-up Official, OCFO, agreed on a number of additional actions to ensure senior management devotes appropriate resources and priority attention to our prior audit issues and that management's semiannual reports to Congress appropriately discuss progress and status on these issues. Because of OCFO's efforts to further strengthen and enhance the audit management process, we will monitor progress during fiscal 2000 to determine if we need to make any audit recommendations concerning the audit follow-up process and management's reporting of progress made on corrective action plans to Congress. Our office will continue to work with the OCFO in

helping them to resolve all audit issues resulting from our financial statement audits.

What Action Was Taken

We issued our final report (00100231) to the Acting CFO on February 29, 2000. In responding to our draft report, the Acting CFO agreed that EPA needed to make further improvements to its process for preparing financial statements. However, he did not agree that weaknesses we identified in the financial statement preparation process warranted categorization as a material weakness, or indicated that the Agency was unable to provide managers with accurate and reliable information for use on a day-to-day basis to manage Agency programs. The Acting CFO also disagreed with our conclusion that the Agency is in noncompliance with the requirements of SFFAS No. 4, *Managerial Cost Accounting Concepts and Standards for the Federal Government*. The Acting CFO agreed with many of the recommendations and indicated corrective actions are planned or ongoing to implement those recommendations.

We continue to support the Agency's efforts to improve its processes for preparing timely, reliable financial statements. In particular, we look forward to working with the Agency to improve the cost accounting information available to Agency managers to use in carrying out their environmental programs. We did not change our classification of the reported material weakness and noncompliance issues. The Agency's response to our final report is due by May 30, 2000.

COOPERATIVE AGREEMENTS AND CREDITS

In fiscal 1999, we issued three reports reviewing costs on cooperative agreements with states, and one report on credits claimed as State cost share. The combined financial results of these reviews were as follows:

| FINANCIAL RESULTS OF FISCAL 1999 SUPERFUND COOPERATIVE AGREEMENT AND CREDITS COST REPORTS | | |
|---|---------------|-------------|
| | Federal Share | Total Costs |
| Amount audited | \$1,598,140 | \$1,786,857 |
| Ineligible costs ¹ | 2,093 | 2,326 |
| Unsupported costs ² | 601,756 | 668,618 |
| Unnecessary/unreasonable costs ³ | 46,400 | 53,653 |
| 1. Costs questioned because of an alleged violation of a provision of a law, regulation, contract, grant, cooperative agreement or other agreement or document governing the expenditure of funds. 2. Costs questioned because, at the time of the audit, they were not supported by adequate documentation and/or had not been approved by responsible program officials. 3. Costs questioned because they were not necessary or not reasonable. | | |

We summarize the State credits report below.

Costs Not Allocated Between Sites for New Jersey Cost Share Credit

EPA Region 2 requested we audit the costs claimed by the New Jersey Department Environmental Protection's (NJDEP) as credit for its required State cost share for Superfund remedial action at the Bridgeport Rental and Oil Services, Inc. site. CERCLA allows States to be credited for costs spent on remedial action at sites before they were listed on the Superfund National Priorities List. NJDEP claimed a credit of \$678,555 for costs of a water line extension which provided an alternative water supply to residences affected by contaminated water. The water line extension was necessary due to contamination from both this site and the Chemical Leaman Tank Lines, Inc. site, for which EPA had conducted a removal action.

We Found That

The State incurred most of the costs, \$668,618, for a contract with Logan Township. We were not provided with the information needed to allocate Logan Township's costs between the sites and determine which costs met CERCLA criteria for cost share eligibility, so we questioned all of those costs as unsupported. In addition, we questioned \$2,326 in State indirect costs as ineligible since CERCLA only allows direct, out-of-pocket expenditures to count as credits toward State cost shares.

We Recommended That

The Regional Administrator, Region 2:

- ! Disallow the questioned costs.
- ! Complete a technical evaluation of the contract activities before granting credit for eligible costs claimed. Any costs related to investigation or design should be disallowed.

What Action Was Taken

We issued our final report (9910223) to the Regional Administrator, Region 2, on July 14, 1999. EPA Region 2 has obtained

agreement from NJDEP to provide the documentation needed to close this audit, and plans to visit NJDEP in May 2000 to obtain this documentation.

REMEDIAL INVESTIGATIONS AND FEASIBILITY STUDIES

During the ten-year period from 1988 to 1998 the OIG's Engineering and Science Staff (ESS) issued two dozen reviews of remedial investigations and feasibility studies (RI/FS). These reviews focused on the Agency's conformance with National Contingency Plan (NCP) requirements primarily at Fund-lead Superfund sites for which a Record of Decision had been issued. At these sites, the RI/FS planning process had been completed for one or more Operating Units. While each report of review contained suggestions for improvements in the planning process that could be implemented in subsequent site planning, we generally found RI/FS planning for the reviewed sites was generally consistent with the NCP.

As a part of these reviews, we determined the availability of sampling and analysis plans (SAPs), as required by the NCP. SAPs consist of Quality Assurance Project Plans (QAPPs) and Field Sampling Plans. We reviewed these plans for applicability and coverage of individual site characterization activities. However, we generally did not critically review these plans against available, and sometimes emergent Agency quality assurance guidance.

In 1994, the OIG's Central Audit Division, encouraged by Region 8 quality assurance staff, undertook a review of the thoroughness and completeness of sampling and quality assurance planning at Superfund sites in the Region. We reported on this review in January 1995. This was the first of

a series of reviews to determine the pervasiveness of less than full adherence to the NCP requirements and Agency guidance and policies regarding preplanning of environmental data collection. We have since issued seven additional audit reports addressing quality assurance in the Superfund program, including a comprehensive national report issued in September 1999. This effort involved several OIG field divisions and the ESS.

As we have indicated in our reports addressing quality assurance in Superfund site cleanups, proper planning for site data collection is critical. Development of data quality objectives (DQOs) and associated QAPPs enables collection of the appropriate amount and type of site data of sufficient confidence for cleanup decisions. When this planning stage has been inadequate, site remediation decisions have been based on data of unknown quality. In addition, we have identified instances of the misuse of public funds in production of unusable data, necessitating resampling and analysis.

While we have not recently conducted the type of RI/FS review we did in prior years, the OIG has continued to examine quality assurance and other aspects of Superfund site characterization and evaluation of remedial action alternatives. We have also assisted the Agency by reviewing drafts of guidance documents on the quality assurance process. We intend to continue with this approach.

RESPONSE CLAIMS

Section 111(a)(2) of CERCLA, as amended by SARA, authorizes EPA to pay any claim for response costs incurred by "any other person" as a result of carrying out the NCP. Additionally, section 122(b)(1) of CERCLA, as amended by SARA, authorizes the President to reimburse Potentially Responsible Parties (PRPs) for "certain costs of actions under the agreement that the parties have agreed to perform but which the President has agreed to finance." The President delegated this authority to the EPA Administrator under Executive Order 12580, January 26, 1987, who further delegated it to EPA's Office of Solid Waste and Emergency Response. Authority for decisions regarding claims against the Fund is currently delegated to the Director, Office of Emergency and Remedial Response.

PRPs are required to enter into a Preauthorized Decision Document (PDD) with EPA to cover work for which some costs will be reimbursed. The PDD specifies the work to be performed, the portion of the cost that EPA will reimburse, and the procedures through which the PRPs can make claims for reimbursement.

During fiscal 1999, we issued one memorandum concerning our review of a response claim. Other response claims were pending for our review during the year, but we had not received the information needed to complete those reviews. Our response

claim reviews are not audits, but rather follow instructions in the Agency's claims guidance for the claims adjuster.

Bypass 61 Groundwater Contamination Site

We reviewed claimed costs of \$1,476,285 for work performed to clean up the Bypass 601 Groundwater Contamination site in Concord, North Carolina. Under the PDD for the site, the MSR Site Remediation Group cleaning up the site is entitled to submit up to three claims covering 30.84 per cent of eligible costs, not to exceed a total of \$3,754,000. This was the first claim submitted, and was for costs incurred from February 17, 1994 to March 13, 1998.

The purpose of our review was to determine if the MSR Group: (1) submitted a perfected claim; (2) developed an accounting system which adequately recorded, segregated, and supported all claimed costs; and (3) assured that all claimed costs were reasonable, allowable, and allocable under provisions of the Federal Acquisition Regulation. In our memorandum of June 14, 1999, we reported that the claim was supported except for an overstatement of \$1,000 due to a math error. The MSR Group agreed with our finding. We recommended that the claim be accepted, with the reduction of \$1,000 in the total claimed costs.

INTERNAL AUDITS AND SPECIAL REVIEWS

In addition to reviews required by CERCLA, as amended, we conduct other reviews of EPA's management of the Superfund program. We summarize below some particularly significant internal audits completed in fiscal 1999 not summarized elsewhere in this Report.

EPA's RCRA Deferral Program Has Not Maximized Cleanups

Since 1983 Superfund officials have transferred cleanup responsibility to the Resource Conservation and Recovery Act (RCRA) program for approximately 3,000 sites. The intent of the policy was to maximize the overall number of cleanups by deferring sites to RCRA, thus preserving the CERCLA Trust Fund for sites for which no other cleanup authorities were available.

Since only 29 percent of the deferred sites are in the RCRA corrective action workload, the remaining 71 percent are not likely to be cleaned up in the near future. The Resource Conservation and Recovery Act Information System (RCRIS) indicates that less than 2 percent of deferred sites have been cleaned up. About one-third of the deferred sites in our sample would be potentially eligible for placement on the National Priorities List.

Our review of sites not in the corrective action workload found that in the four regions sampled almost 67 percent (210 of 313) of the sites should not have been deferred from Superfund to RCRA. Deferral decisions were made without sufficient communication between RCRA and Superfund program officials to determine which authority would best address the site. In addition, the Agency did not issue deferral guidance until the program was well underway, and there was either misinterpretation or inconsistent application of the deferral policy. The sampled sites have been in EPA's inventory for 17 years on average, and less than 1 percent of them have been cleaned up.

Almost 10 percent of the total number of sites coded as deferred to the RCRA program were not found in RCRIS because of coding errors, system incompatibilities with

CERCLIS, insufficient communication between the two programs, and weak deferral procedures. EPA is generally unaware of the status of cleanups. For some sites, the states informed us that actions had been taken or were underway which were not reflected in RCRIS.

We recommended that the Acting Assistant Administrator for Solid Waste and Emergency Response work with states to update site characterizations; determine which program has available resources and legal authority to address sites starting with those that pose highest risk; improve communication and collaboration between Superfund and RCRA officials; and strengthen procedures for deferring sites.

Agency Action

We issued the final report (9100116) to the Acting Assistant Administrator for Solid Waste and Emergency Response on March 31, 1999. In response to the draft report, the Acting Assistant Administrator indicated that the recommendations would improve the efficiency of the deferral process, and his Office was prepared to reassess many of the site management decisions to ensure that EPA and state responses protect human health and the environment. In response to the final report, he provided milestones for implementing report recommendations.

Backlog of Superfund Five-Year Reviews Increased Nearly Threefold

The Superfund statute requires that remedial actions, where hazardous substances, pollutants, or contaminants remain on-site, be reviewed every five years to assure that human health and the environment continue to be protected. Some of EPA's five-year reviews have found that corrective actions were needed.

In March 1995, we reported that EPA had not performed a substantial number of reviews because of the low priority Agency

management gave them. Our follow-up audit found that the backlog of reviews had increased from 52 to 143 overdue reviews. Further, a growing number of sites will require the reviews since the use of containment remedies has been increasing. To effectively address the backlog, EPA may need to spend approximately \$1 million above the current spending level each year for the next three years.

As of March 1999, EPA issued 63 percent of reviews an average of 17 months after required due dates. As a result, EPA did not inform those in affected communities or the Congress about whether corrective actions were warranted as early as it should have.

In nine of 32 five-year reports we examined EPA did not state conclusions on the protectiveness of site remedies or did not adequately support the conclusions made. Half of the reports reviewed which contained recommendations did not identify who was responsible for taking corrective actions.

We recommended that the Assistant Administrator for Solid Waste and Emergency Response designate the backlog of five-year reviews as a weakness under the Federal Managers' Financial Integrity Act; consider the need for a Government Performance and Results Act performance measure for the reviews; and ensure that reports contain an adequately supported statement of protectiveness.

Agency Action

We issued the final report (99P0218) to the Assistant Administrator for Solid Waste and Emergency Response on September 30, 1999. In response to the draft report, the Assistant Administrator generally agreed with the findings and most of the recommendations. He provided milestones for implementing the recommendations. In response to the final report, he reaffirmed those milestones and provided milestones for one recommendation we revised between the draft and final reports.

Superfund Special Accounts Understated

In October 1995, EPA announced its intention to encourage greater use of special accounts as a means to ensure that settlement funds received, and interest earned, were available for future response actions for a specific site. This administrative reform assists in providing an incentive for early settlement with Potentially Responsible Parties (PRP) and, thereby, reducing litigation costs. Through June 1998, EPA had established 112 special accounts with settlement receipts of \$383 million, an additional \$64 million in earned interest, and \$41 million in disbursements. Since the reform was implemented, the number of accounts opened increased from 35 to 112 or 320 percent, with continued growth expected in the future.

We found that EPA's general ledger balances did not agree with its special account data base, earned interest had not been posted for six months, there was inconsistent use of the accounts between regions, and PRP settlement documents did not always delineate between what should be past or future cost receipts. General ledger balances were understated by \$93 million in settlement receipts, \$8 million in earned interest, and \$96 million in disbursements. Also, regional personnel were not always aware of special accounts.

We made recommendations to the Chief Financial Officer (CFO) and to the Assistant Administrator for Enforcement and Compliance Assurance (OECA) that would improve the use and administration of special accounts.

Agency Action

We issued the final report (99P0214) to the CFO and Assistant Administrator for OECA on September 28, 1999. In response to the draft report, the CFO and OECA agreed with some of our recommendations and indicated some actions they were taking to improve the administration of special accounts. In response to the final report, the Agency provided timetables for corrective actions for most of our recommendations.

INVESTIGATIVE ACTIVITY

The OIG Office of Investigations (OI) continued a major proactive investigative effort in the Superfund program. Over the last four years, monetary fines, restitution, and recoveries resulting from investigations totaled more than \$14 million. The OI continued to focus on all stages of the Superfund program, with a special emphasis on contracting for removals and remediation. As a result of OI proactive efforts in prior years, we continued to initiate criminal investigations across the nation. We saw a corresponding increase in the number of civil cases filed as a result of this investigative activity. We expect to see a continued increase in significant civil actions as OI's investigative emphasis on major Agency contracting continues to increase.

During fiscal 1999, our Superfund investigative efforts resulted in five indictments, five convictions, and nine civil/administrative actions. Monetary fines, restitution, and recoveries resulting from investigations totaled \$2,900. At the end of fiscal 1999, we had 69 active Superfund investigations, 36 percent of all active OIG investigations at EPA.

We give examples of Superfund investigative activity with results in fiscal 1999 in the following synopses.

Former California Lab Supervisor Pled Guilty to Falsifying Laboratory Testing Data

On November 19, 1998, Gene Kong Lee, a former supervisor at Anlab Analytical Laboratories, a Sacramento company that specialized in water and waste water testing, pled guilty to one count of falsifying laboratory test data. In July 1998, Lee was indicted in U.S. District Court, Eastern District of California, on charges that he falsified test results and submitted a false claim of \$10,500 to EPA for payment. The testing was performed during the cleanup of a Superfund site in Davis, California. Lee, a gas chromatography/mass spectrometry supervisor at Anlab, manipulated the computer-generated test data to make the results appear to meet quality assurance criteria and to avoid performing quality

control measures. Also, Lee falsely reported the sampling analyses were done within specified holding times when he knew this was untrue. Previously, two operators Lee supervised at Anlab, Xiaomang Pan and Brett Huffman Williams, pled guilty to misdemeanor charges of fraudulent demand and aiding and abetting for their action in falsifying the laboratory results by manipulating the data. This investigation was conducted jointly by the EPA OIG and the EPA Criminal Investigation Division.

Chemist and Supervisor Pled Guilty to Falsifying Laboratory Analyses

On July 21, 1999, Valerie Smith, a laboratory chemist, and Mark Bevan, a laboratory supervisor, each pled guilty in United States District Court, Eastern District of North Carolina, to making a false statement and aiding and abetting others in the commission of making a false statement. In May 1999, Smith and Bevan, employees of CompuChem Environmental Corporation of Cary, North Carolina, were charged with conducting improper gas chromatograph/mass spectrometer analyses on samples taken from hazardous waste sites nationwide and falsely certifying that the analyses complied with all EPA contract requirements. The EPA relies on the testing data provided by laboratories participating in the Contract Laboratory Program to assess threats to public health and the environment and to determine where and when remedial action is needed.

California Laboratory Owner/Officer Charged with Submitting False Analytical Data

On February 3, 1999, Blayne Hartman, owner and officer of Transglobal Exploration Geochemistry, was indicted in U.S. District Court, Central District of California. The indictment charged that Hartman submitted analytical data relating to soil gas samples collected at the Mayco Pump property, located in the San Fernando Valley Superfund site, to the Los Angeles Regional Water Quality Control Board. Hartman claimed that the laboratory equipment had been properly calibrated to analyze for

various contaminants when he knew that the equipment had not been properly calibrated and had falsified a portion of the calibration data. On February 11, 1999, EPA suspended Hartman from participation in federal assistance, loan, and benefit programs and from all federal procurement. Between February 16 and March 1, 1999, EPA also suspended Transglobal Exploration Geochemistry and suspended Transglobal Exploration & Geoscience, Inc.; Transglobal Environmental Geochemistry, Inc.; and HP Labs as affiliates of Hartman. Subsequently, EPA lifted the suspension of HP Labs as the result of an interim compliance agreement.

FISCAL 1999 SUPERFUND REPORTS

NOTE: The EPA-OIG changed information systems during fiscal 1999 from the Prime Audit Tracking System (PATS) to the Inspector General Operations Reporting (IGOR) system. All reports issued in fiscal 1999 have IGOR numbers, but many were originally issued with PATS numbers. We include both numbers for these reports. We are using here a standard format for the IGOR number, but the front of these reports sometimes presents the number in a different format.

Internal and Management Reports

| <u>IGOR Number</u> | <u>PATS Number</u> | <u>Description</u> | <u>Date</u> |
|--|--------------------|--|-------------|
| Reviews Related to Statutory Requirements (other than IG Act) | | | |
| 99P0172 | 9100024 | Superfund Annual Report to Congress Review- Fiscal 1995-96 | 1/27/99 |
| 99P0173 | 9100084 | Superfund Annual Report to Congress Review- Fiscal 1997 | 3/16/99 |
| Other Performance Audits | | | |
| 99P0193 | 9100116 | Deferrals to RCRA Program | 3/30/99 |
| 99P0218 | | Five-Year Reviews | 9/30/99 |
| 99M0002 | | Orphan Share - Region 5 | 5/19/99 |
| 99P0214 | | Special Accounts | 7/31/99 |
| 99P0070 | 9100109 | State Superfund Contracts - Region 4 | 3/16/99 |
| Advisory and Assistance Reviews | | | |
| 99S0075 | 9400006 | Bunker Hill, ID, Site Matching Funds Reporting | 1/22/99 |
| 99S0073 | 9400007 | Removals Quality Assurance Guidance | 1/25/99 |
| 99M0019 | | START 2 Contractor Performance | 9/30/99 |

Cooperative Agreement Reports

| | | | |
|---------|--|---|---------|
| 9920212 | | AZ Department of Water Resources | 8/27/99 |
| 9910223 | | NJ Dept. of Environmental Protection - Bridgeport Credits | 7/11/99 |
| 99M0013 | | TX Natural Resource Commission - remedial responses | 8/11/99 |
| 9910215 | | TX Natural Resource Commission - Sikes Disposal Pit | 7/16/99 |

Interagency Agreement Reports

| | | | |
|---------|---------|---|---------|
| 9910191 | 9100075 | Agency for Toxic Substances & Disease Registry- Fiscal 1997 | 1/13/99 |
| 9910312 | | Army Corps of Engineers - Fiscal 1998 | 9/30/99 |

FISCAL 1999 SUPERFUND REPORTS

Contract Reports

| <u>I GOR</u> <u>Number</u> | <u>PATS</u> <u>Number</u> | <u>Auditee/Description</u> | <u>Date</u> |
|--|------------------------------|---|-------------|
| Initial Pricing Reviews (Preaward Audits) | | | |
| 99S0008 | 9400011 | C&C Johnson & Malholtra, DC | 2/ 8/99 |
| 9910007 | 9100082 | Lockheed Marietta, NJ | 1/27/99 |
| 9910212 | | S & D Environmental Services, Inc. - Accounting System | 7/15/99 |
| 9920212 | | Westinghouse Remediation Services, Inc., FL | 8/11/99 |
| Incurred Costs | | | |
| 9910016 | 9100086 | Bechtel Group, Inc. - 1995 | 2/ 8/99 |
| 9910232 | | Black & Veatch Special Projects Corp., MD - 1997 | 7/23/99 |
| 9910238 | | Camp, Dresser & McKee - Fiscal 1996-97 | 7/28/99 |
| 9910216 | | Camp, Dresser & McKee - Fiscal 1997 Corporate | 7/19/99 |
| 9910226 | | CDM Federal Programs Corp., VA - Fiscal 1996- 97 | 7/21/99 |
| 9910018 | 9100010 | CET Environmental Services, Inc., CO - 1992 | 10/15/98 |
| 9910020 | 9100011 | CET Environmental Services, Inc., CO - 1993 | 10/15/98 |
| 9910019 | 9100009 | CET Environmental Services, Inc., CO - 1994 | 10/15/98 |
| 9910299 | | CET Environmental Services, Inc., CO - 1995 | 9/24/99 |
| 9910297 | | CET Environmental Services, Inc., CO - 1996 | 9/24/99 |
| 9910298 | | CET Environmental Services, Inc., CO - 1997 | 9/24/99 |
| 9910017 | 9100031 | CH2M Hill, Inc., CO - 1994 | 10/28/98 |
| 9910214 | | CH2M Hill, Inc., CO - 1995 | 7/15/99 |
| 9910021 | 9100007 | DPRA, Inc., KS - 4/1/96-3/31/97 | 10/ 7/98 |
| 9910023 | 9100113 | Dynamac Corp., MD - 1996 | 3/26/99 |
| 9910249 | | Dyncorp, Inc. - Fiscal 1996 | 8/31/99 |
| 9910220 | | Earth Technology Remediation Service, VA - Fiscal 1996 | 7/21/99 |
| 9910010 | 9100049 | Ebasco Services, Inc., NY - 1993 | 11/13/98 |
| 9910235 | | Ebasco Services, Inc. (Foster Wheeler), NJ - 1997 | 7/26/99 |
| 9910311 | | Ecology & Environment, Inc., NY - Fiscal 1993 | 9/30/99 |
| 9910011 | 9100037 | EENSP (Viar), VA - 1995 | 11/ 2/98 |
| 9910027 | 9100124 | Environmental Technology, Inc., VA - 1/1/95- 8/25/95 | 4/ 8/99 |
| 9910067 | 9100131 | Environmental Quality Management, Inc., OH - 1995 | 4/30/99 |
| 9910218 | | Environmental Quality Management, Inc., OH - 1996 | 7/20/99 |
| 9910307 | | Environmental Quality Management, Inc., OH - 1997 | 9/29/99 |
| 9910032 | 9100001 | Four Seasons Industrial Services, NC - 1996 | 10/ 1/98 |
| 9910025 | 9100036 | Four Seasons Industrial Services, NC - 1997 | 11/ 2/98 |
| 9910012 | 9100023 | Hazardous & Medical Waste, MD - 1995 | 10/21/98 |
| 9910014 | 9100008 | Hughes STX Corp., MD - Fiscal 1994 | 10/15/98 |
| 9910013 | 9100002 | Hughes STX Corp., MD - Fiscal 1995 | 10/ 1/98 |
| 9910022 | 9100121 | Integrated Lab/RAO Enterprises, NC - Fiscal 1997 | 4/ 8/99 |

Contract Reports

| <u>I GOR</u> <u>Number</u> | <u>PATS</u> <u>Number</u> | <u>Auditee/Description</u> | <u>Date</u> |
|-------------------------------|------------------------------|---|-------------|
| 9910250 | | IT Corp. - Fiscal 1996 | 9/7/99 |
| 9910031 | 9100028 | Lockheed Martin Environmental Services, TX - 1995 | 10/28/98 |
| 9910242 | | Malcolm Pirnie, Inc. - Fiscal 1992 | 8/10/99 |
| 9910308 | | Malcolm Pirnie, Inc. - Fiscal 1993 | 9/30/99 |
| 9910026 | 9100138 | OHM Remediation Services Corp., OH - 1997 | 4/30/99 |
| 9910029 | 9100137 | OHM Remediation Services Corp., OH - 1998 | 4/30/99 |
| 9910015 | 9100087 | Resource Applications, Inc., VA - 1995 | 2/8/99 |
| 9910009 | 9100052 | Rust Environmental & Infrastructure, Inc., NC - 1993 | 11/13/98 |
| 9910028 | 9100130 | S-Cubed, CA - 6/1/94-7/31/95 | 4/23/99 |
| 9910024 | 9100125 | Sverdrup Corp., MD - 1997 | 4/15/99 |

FISCAL 1999 SUPERFUND REPORTS

Contract Reports (Continued)

| <u>I GOR</u> <u>Number</u> | <u>PATS</u> <u>Number</u> | <u>Auditee/Description</u> | <u>Date</u> |
|--|------------------------------|--|-------------|
| <i>Incurred Costs (Continued)</i> | | | |
| 9910195 | | TAMS Consultants, Inc., NY - 1997 | 6/23/99 |
| 9910279 | | Technology & Management Service, Inc., MD - Fiscal 1990-94 | 9/17/99 |
| 9910281 | | Technology & Management Service, Inc., MD - Fiscal 1990-94 | 9/21/99 |
| 9910278 | | Technology & Management Service, Inc., MD - Fiscal 1995-96 | 9/17/99 |
| 9910262 | | Tetra Tech, Inc., CA - Fiscal 1996 | 9/ 7/99 |
| 9910033 | 9100056 | Tetra Tech Env. Mgmt., Inc./PRC Env. Mgmt., Inc., IL - 1994 | 11/19/98 |
| 9920030 | 9200004 | URS Consultant Corp., CA - 11/1/95-10/31/96 | 3/ 5/99 |
| <i>Final (Closeout) Audits</i> | | | |
| 9910227 | | Acurex Corp., CA - Contract 68-W8-0100 | 7/22/99 |
| 9910035 | 9100057 | Black & Veatch Special Projects Corp., MD - ARCS - 1995 | 11/19/98 |
| 9910233 | | Black & Veatch Special Projects Corp., MD - ARCS - 1995 | 7/26/99 |
| 9910040 | 9100090 | CMC, Inc., KY - Team Subcontractor | 2/17/99 |
| 9910037 | 9100062 | Foster Wheeler Environmental Corp., NJ - ARCS - 1994/95 | 12/16/98 |
| 9910036 | 9100063 | Foster Wheeler Environmental Corp., NJ - ARCS - 1996 | 12/16/98 |
| 99S0068 | 9400005 | PEI Associates, OH - ERCS | 1/15/99 |
| 9910034 | 9100051 | Roy F. Weston, Inc., PA - 11/1/82-12/31/88 | 11/13/98 |
| 9910260 | | Roy F. Weston, Inc., PA - Contract No. 68- 01-7367 | 9/ 1/99 |
| 9910180 | 9100029 | TAMS Consultants, Inc., NY - ARCS - 1993 | 10/28/98 |
| 9910181 | 9100030 | TAMS Consultants, Inc., NY - ARCS - 1994 | 10/28/98 |
| 9910038 | 9100045 | TAMS Consultants, Inc., NY - ARCS - 1995 | 11/ 5/98 |
| 9910039 | 9100098 | Techlaw, Inc., CO - 11/16/89-9/30/94 | 3/ 5/99 |
| <i>Internal Controls</i> | | | |
| 99S0186 | | Ecology & Environment, Inc., NY - Delinquent Disc. Statemts | 8/ 4/99 |
| 99S0187 | | Ecology & Environment, Inc., NY - Floorcheck | 9/29/99 |
| 9920255 | | Westinghouse Remediation Services, Inc., FL - Acctg. System | 9/ 1/99 |
| <i>Cost Accounting Standards</i> | | | |
| 9910047 | 9100140 | Bechtel National, Inc., CA - Disclosure Statement | 4/30/99 |
| 9910048 | 9100139 | Bechtel System & Infrastructure, Inc., CA - Disc. Statement | 4/30/99 |
| 9910219 | | DPRA, Inc., KS - CAS 408 Fiscal 1999 | 7/21/99 |
| 9910241 | | DPRA, Inc., KS - CAS 412 | 7/29/99 |

Contract Reports (Continued)

| | | | |
|-----------------------------|---------|---|----------|
| 9910240 | | DPR A, Inc., KS - CAS 416 | 7/29/99 |
| 9910046 | 9100044 | DPR A, Inc., KS - CAS 418 | 11/ 4/98 |
| 99M0009 | | Ecology & Environment, Inc., NY - Revised Disc. Statement | 7/ 8/99 |
| 99S0076 | 9400002 | Reidel Environmental Services, OR - Dioxin Consulting | 10/21/98 |
| 9910269 | | URS Greiner, WA - CAS 404 | 9/ 9/99 |
| 9910271 | | URS Greiner, WA - CAS 408 | 9/10/99 |
| 9910272 | | URS Greiner, WA - CAS 410 | 9/10/99 |
| 9910273 | | URS Greiner, WA - CAS 418 | 9/10/99 |
| Assistance to Agency | | | |
| 99S0069 | 9400001 | Environmental Quality Mgmt., Inc., OH-Prime definitization | 10/ 8/98 |

FISCAL 1999 SUPERFUND REPORTS

Contract Reports (continued)

| <u>I GOR</u> <u>Number</u> | <u>PATS</u> <u>Number</u> | <u>Auditee/Description</u> | <u>Date</u> |
|---|------------------------------|---|-------------|
| System Surveys and Other Contract Audits | | | |
| 9910043 | 9100085 | Environmental Engineering, CO - Accounting system | 2/ 8/99 |
| 99M0018 | | Malcolm Pirnie, Inc. - 1999 Floorcheck | 9/28/99 |
| 9910045 | 9100014 | Roy F. Weston, Inc., PA - 1998 Floorcheck | 10/19/98 |
| 9910276 | | Roy F. Weston, Inc., PA - Disclosure Statement Cost Impact | 9/15/99 |
| 9910041 | 9100041 | Sverdrup Civil, Inc., MI - 1997 Floorcheck | 11/ 3/98 |
| 9910203 | | Sverdrup Civil, Inc., MI - 1999 Floorcheck | 7/12/99 |
| 9910042 | 9100040 | Sverdrup Environmental, Inc., MI - 1997 Floorcheck | 11/ 3/98 |
| 9910270 | | TAMS Consultants, Inc., NY - 1999 Floorcheck | 9/10/99 |
| 9910263 | | Tetra Tech, Inc., CA - Accounting System and Billing System | 9/ 7/99 |
| 9910264 | | Tetra Tech, Inc., CA - Accounting System and Billing System | 9/ 7/99 |
| 9910292 | | Tetra Tech, Inc., CA - Accounting System and Billing System | 9/23/99 |
| 9910044 | 9100114 | Toeroek Associates, CO - Accounting review | 3/26/99 |

APPENDIX 1: AVAILABILITY OF REPORTS

Most of the internal and management audit reports we issue are available to the public upon request. Many of our financial reports contain Confidential Business Information and are not available for full public release.

We make audit reports for which we expect the widest public interest available on the World Wide Web at <<http://www.epa.gov/oigearth/oarept.htm>>. Printed copies of reports may be requested from:

U.S. Environmental Protection Agency
Office of the Inspector General
Office of Audit (Mail Code 2421)
1200 Pennsylvania Ave., N.W.
Washington, DC 20460
(202) 260-1106

APPENDIX 2: ACRONYMS AND ABBREVIATIONS

| | |
|--------|---|
| Acctg. | Accounting |
| ARCS | Alternative Remedial Contracting Strategy |
| AZ | Arizona |
| CA | California |
| CAS | Cost Accounting Standard |
| CERCLA | Comprehensive Environmental Response, Compensation, and Liability Act of 1980, as amended |
| CFO | Chief Financial Officer |
| CO | Colorado |
| Corp. | Corporation |
| DC | District of Columbia |
| Dept. | Department |
| Disc. | Disclosure |
| DQO | Data quality objective |
| Env. | Environmental |
| EPA | Environmental Protection Agency (U.S.) |
| ERCS | Emergency Response Cleanup Services (EPA contracts) |
| ESS | Engineering and Science Staff (EPA OIG) |
| FFMIA | Federal Financial Management Improvement Act |
| FL | Florida |
| GAO | General Accounting Office |
| ID | Idaho |
| IFMS | Integrated Financial Management System (EPA) |
| IG | Inspector General |
| IGOR | Inspector General Operations Reporting (EPA OIG) |
| IL | Illinois |
| Inc. | Incorporated |
| KS | Kansas |

| | |
|-------|---|
| KY | Kentucky |
| MD | Maryland |
| Mgmt. | Management |
| MI | Michigan |
| MO | Missouri |
| NC | North Carolina |
| NCP | National Oil and Hazardous Substances Contingency Plan, 40 CFR Part 300 |
| NJ | New Jersey |
| NJDEP | New Jersey Department of Environmental Protection |
| NPL | National Priorities List |
| NY | New York |
| OCFO | Office of the Chief Financial Officer (EPA) |
| OECA | Office of Enforcement and Compliance Assurance (EPA) |
| OH | Ohio |
| OI | Office of Investigations (EPA OIG) |
| OIG | Office of the Inspector General |
| OMB | Office of Management and Budget |
| OR | Oregon |
| PA | Pennsylvania |
| PATS | Prime Audit Tracking System (EPA OIG) |
| PDD | Preauthorized Decision Document |
| PRC | Planning Research Corporation |
| PRP | Potentially Responsible Party |
| QAPP | Quality Assurance Project Plan |
| RCRA | Resource Conservation and Recovery Act |
| RCRIS | Resource Conservation and Recovery Act Information System |
| RI/FS | Remedial Investigation/Feasibility Study |
| SAP | Sampling and Analysis Plan |
| SARA | Superfund Amendments and Reauthorization Act of 1986 |

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| SFFAS | Statement of Federal Financial Accounting Standards |
| START | Superfund Technical Assessment and Response Team (EPA contract) |
| TX | Texas |
| U.S. | United States |
| U.S.C. | United States Code |
| VA | Virginia |
| WA | Washington |