



At a Glance

The EPA Must Improve Controls and Integrate Its Information System to Manage Fraud Potential in the Renewable Fuel Standard Program

Why We Did This Audit

To accomplish this objective:

The U.S. Environmental Protection Agency Office of Inspector General conducted this audit to determine whether the EPA's Moderated Transaction System and Quality Assurance Program include controls to identify and reduce the generation and trading of invalid Renewable Identification Numbers, which are used to demonstrate compliance with renewable fuel standards.

The Renewable Fuel Standard program requires that a certain volume of renewable fuel be used to replace or reduce petroleum-based transportation fuel, heating oil, or jet fuel. Refineries can purchase renewable fuel with Renewable Identification Numbers attached or acquire the numbers on the Renewable Identification Number market. Since the program began, the EPA has documented nearly 339 million fraudulent Renewable Identification Numbers and fraudulent sales of about \$87 million.

To support these EPA mission-related efforts:

- *Compliance with the law.*
- *Improving air quality.*
- *Operating efficiently and effectively.*

To address these top EPA management challenges:

- *Mitigating causes and adapting to impacts of climate change.*
- *Enforcing environmental laws and regulations.*

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What We Found

The EPA has strengthened controls over the Renewable Fuel Standard, or RFS, program since its inception, primarily in response to several instances of companies generating and selling fraudulent Renewable Identification Numbers, or RINs. However, further controls are needed to ensure that only valid RINs are generated and sold on the RIN market. The EPA has not implemented controls to prevent a producer from entering more RINs than the producer is able to generate based on its registered capacity. The EPA also allows firms that provide RIN verification services to provide other services for producers, which may reduce the audit provider's independence. As a result, the EPA does not have reasonable assurance that the program is achieving its goals of reducing greenhouse gas emissions and expanding the nation's renewable fuels sector.

We also found that the EPA's system for tracking and overseeing RIN reporting has not been integrated with other RIN-related systems, including the system used to track RIN transactions. Integration has been slowed by limited program resources, security and confidentiality concerns, and ever-expanding RFS program data needs. This lack of integration places a significant burden on staff to address information requests and has caused data-quality problems, including missing or incomplete reports, that must be addressed to improve RFS program implementation.

The EPA can further strengthen program controls to better ensure the integrity of the RINs market and meet goals for increased use of renewable fuels.

Recommendations and Planned Agency Corrective Actions

We recommend that the assistant administrator for Air and Radiation upgrade the program's controls to ensure compliance with key regulatory requirements and develop a process to verify RIN data entered in the EPA Moderated Transaction System. We also recommend that the EPA develop a process to reduce the likelihood of Quality Assurance Program auditor conflicts of interest; communicate requirements, expectations, and consequences to program auditors to minimize the likelihood that invalid RINs are verified; and track audit firm consulting services. Further, we recommend that the EPA integrate its system to facilitate oversight of RFS rules and regulations. The Agency agreed with our recommendations and provided acceptable planned corrective actions with estimated milestone dates. We consider the recommendations resolved with corrective actions pending.

Noteworthy Achievements

The Office of Transportation and Air Quality has implemented numerous controls to track RINs and reduce RIN fraud since the RFS program began, such as an engineering review, attest engagement, and EPA Moderated Transaction System implementation.