



*This update highlights oversight activities of the U.S. Environmental Protection Agency Office of Inspector General from July 1 to September 30, 2024. Below are some activities of note.*

**Fraud Fighting.** An investigation the EPA OIG conducted jointly with law enforcement partners led to the recent [arrests](#) of a construction company's chief executive officer and foreperson for conspiracy to commit wire fraud related to the Newark Lead Service Line Replacement Program in New Jersey. These individuals and others allegedly intentionally failed to replace lead pipes as required, submitting false payment applications and misleading documentation to conceal uncompleted work, and taking credit for installing copper pipes that were already in place. This alleged fraud threatened not only public trust and safety but also the investment of Infrastructure Investment and Jobs Act, or IIJA, dollars. In another case of fraud, the OIG issued a [fraud alert](#) in July to call attention to a new scam targeting businesses with EPA Notice of Violation letters. The OIG and EPA received numerous complaints regarding these falsified letters, which bore the EPA logo and demanded payment for alleged environmental violations. The OIG coordinated with the Agency to distribute the alert to EPA employees, contractors, and recipients and to alert the public through news and social media platforms.

**Scientific Integrity.** In September, the OIG issued five [reports of investigation](#) addressing allegations of retaliation by EPA officials. Five Agency scientists reported retaliation for expressing differing scientific opinions in chemical assessments. They alleged they were further reprimanded for disclosing allegations of harassment, retaliation, and violations of EPA policy to the OIG. The reports of investigation individually address the specific retaliation allegations made by each scientist. These investigations underscore the indispensable role of the EPA OIG in protecting scientific integrity and whistleblowers at the EPA.

**Congressional Engagement.** In September, Inspector General Sean W. O'Donnell [testified](#) before a House subcommittee on the OIG's oversight of more than \$100 billion in supplemental appropriations under the IIJA and the Inflation Reduction Act, or IRA. The Inspector General provided an overview of the OIG's oversight of IIJA funding and discussed systemic issues that pervade numerous IIJA programs and increase the risk of fraud, waste, and abuse. He also discussed the OIG's oversight responsibilities and impediments, emphasizing the OIG's need for funding to oversee the EPA's IRA programs.

**Whistleblower Presentation.** In August, the OIG hosted its fourth annual whistleblower presentation to highlight the contributions of whistleblowers and provide information to EPA and U.S. Chemical Safety and Hazard Investigation Board, or CSB, employees regarding whistleblowing and whistleblower protections for federal employees. The event featured guest speaker Erika Cheung, who shared her experience as a key whistleblower in the Theranos fraud scandal. More than 1,100 EPA and CSB employees attended the event.

**Oversight Work.** Visit our website to see the [oversight products](#) we issued during the past three months, as well as [notifications](#) for new projects we initiated. See the [IIJA section](#) at the end of this newsletter for an update on our IIJA oversight efforts.

## By the Numbers

PRODUCTS  
ISSUED

20

PROJECTS  
INITIATED

9

RECOMMENDATIONS  
MADE

39

PROJECTS  
ONGOING

42

# EXPECTED ISSUANCES

Click on the title to read the project notification for reports we expect to issue in the first quarter of fiscal year 2025.

## [Evaluation of the EPA's 7th Drinking Water Infrastructure Needs Survey and Assessment and Resulting FY23 IIJA Allocation for Lead Service Line Replacement](#)

Our objective is to determine whether the design and execution of the 7th Drinking Water Infrastructure Needs Survey and Assessment were appropriate to create accurate allocations of infrastructure funds based on the lead-service-line-replacement needs in each state.

## [Audit of U.S. Chemical Safety and Hazard Investigation Board Improper Payments](#)

Our objective is to determine whether the CSB complied with the Payment Integrity Information Act in fiscal year 2023.



## [Audit of the EPA's Clean School Bus Program Rebate Recipient's Use of Funds](#)

Our objective is to determine the extent to which the EPA ensures that the recipients of the 2022 EPA Clean School Bus Program rebates manage funding in accordance with federal requirements.

## [Audit of the EPA's Fiscal Years 2024 and 2023 Consolidated Financial Statements](#)

Our objectives are to determine whether the EPA's (1) financial statements are fairly presented in all material respects in accordance with generally accepted accounting principles; (2) internal controls over financial reporting are in place; and (3) management has complied with applicable laws, regulations, contracts, and grant agreements that have a direct and material effect on the financial statements.

## [Audit of the EPA's Guidance for the Use of Infrastructure Investment and Jobs Act Drinking Water State Revolving Fund Emerging Contaminants Funding](#)

Our objective is to determine the extent to which the EPA provided state agency officials with guidance for the use of Drinking Water State Revolving Fund emerging contaminants funding, in accordance with the IIJA requirements and related federal implementation guidance.

## [Audit of the States' and the Commonwealth of Puerto Rico's Compliance with the Clean Water and Drinking Water State Revolving Fund Annual Financial Statement Audit Requirements](#)

Our objective is to determine whether the states and the Commonwealth of Puerto Rico complied with clean water and drinking water state revolving fund annual financial statement audit requirements for 2022.

## [Audit of the EPA's Central Data Exchange Access Security Controls](#)

Our objectives are to determine whether the EPA has established sufficient controls to prevent unauthorized access to the EPA's Central Data Exchange.

### **[Audit of the EPA's Fiscal Years 2022 and 2021 Toxic Substances Control Act Service Fee Fund Financial Statements](#)**

Our objectives are to determine whether: (1) the financial statements are fair presented in all material respects in accordance with generally accepted accounting principles; (2) the EPA's internal controls over financial reporting are in place; and (3) the EPA's management has complied with applicable laws, regulations, contracts, and grant agreements that have a direct and material effect on the financial statements.

### **[Audit of the EPA's Fiscal Years 2023 and 2022 Hazardous Waste Electronic Manifest System Fund Financial Statements](#)**

Our objectives are to determine whether: (1) the financial statements are fair presented in all material respects in accordance with generally accepted accounting principles; (2) the EPA's internal controls over financial reporting are in place; and (3) the EPA's management has complied with applicable laws, regulations, contracts, and grant agreements that have a direct and material effect on the financial statements.

### **[Audit of the EPA's Fiscal Years 2023 and 2022 Pesticide Reregistration and Expedited Processing Fund Financial Statements and Audit of the EPA's Fiscal Years 2023 and 2022 Pesticide Registration Fund Financial Statements](#)**

Our objectives are to determine whether: (1) the financial statements are fair presented in all material respects in accordance with generally accepted accounting principles; (2) the EPA's internal controls over financial reporting are in place; and (3) the EPA's management has complied with applicable laws, regulations, contracts, and grant agreements that have a direct and material effect on the financial statements.

### **[Audit of the EPA's Water Infrastructure Set-Aside Grants to Tribes](#)**

Our objective is to determine the extent to which the EPA prioritizes and awards Infrastructure Investment and Jobs Act funds to tribes through the Clean Water Indian Set-Aside Grant Program and the Drinking Water Infrastructure Grants Tribal Set-Aside Program, in accordance with applicable statutes, regulations, and EPA guidance.

### **[Audit of Sewer Overflow and Stormwater Reuse Municipal Grants Program](#)**

Our objective is to determine whether the EPA is managing its Overflow and Stormwater Reuse Municipal Grants program properly and timely in accordance with applicable laws, regulations, policies, and guidance.

### **[Quality Control Review of Bacon & Company's Fiscal Year 2022 Single Audit of the Narragansett Bay Commission](#)**

Our objective is to determine whether Bacon & Company, CPAs performed the fiscal year 2022 single audit of the Narragansett Bay Commission, Rhode Island in accordance with applicable auditing standards and federal requirements for single audits.

### **[Audit of EPA's Resolution of Improper Payments Identified through its State Revolving Fund Annual Review](#)**

Our objective is to determine whether the EPA appropriately identified and resolved improper payments during its annual review of the State Revolving Fund Program.

### **[Audit of the EPA Award of Drinking Water & Clean Water Earmark Grants](#)**

Our objective is to determine whether the EPA is awarding the fiscal year 2022 and 2023 water infrastructure earmark grants expeditiously and in accordance with federal requirements and EPA policies and procedures.





## IJA OVERSIGHT ACTIVITIES

The EPA OIG continues robust efforts to oversee more than \$60 billion the IJA provides the EPA for significant investments in the nation's water infrastructure, environmental cleanups, clean school buses, other clean air projects, and an expanded EPA workforce.

### Proactive Outreach

The EPA OIG continued its proactive outreach efforts. During the last quarter, our auditors and investigators presented at a variety of events to discuss process improvements, fraud prevention efforts, and other important issues related to the expenditure and oversight of IJA dollars. In July, our Deputy Assistant Inspector General for Audit participated in a panel on grants management at the 2024 Advance. Grow. Accelerate. Conference to highlight improvement opportunities in the grants management process. In August, senior auditors presented at the National Association of State Auditors, Comptrollers, and Treasurers Conference to share trends and findings from the OIG's completed IJA work and at the Association of Pacific Island Public Auditors, or APIPA, Conference to provide needed training and expanded approaches to build island governments' audit and accountability efforts. The APIPA conference included more than 500 participants from the U.S. territories of Guam, American Samoa, and the Commonwealth of the Northern Mariana Islands as well as the Freely Associated States of the Republic of Palau, Republic of the Marshall Islands, and the Federated States of Micronesia. Meanwhile, OIG investigators provided 7 fraud awareness briefings to more than 259 attendees who will receive, manage, or oversee IJA funding. In August, OIG special agents presented at the National Native American Law Enforcement Conference in Las Vegas, Nevada, to share information on tribal EPA IJA funding, fraud indicators, updated grant guidance, and reporting fraud. Special agents from several other federal agencies also participated in the event.

### Oversight Products Issued

During the past quarter, the OIG issued three oversight products related to the EPA's IJA spending, including an [evaluation](#) that found that the EPA needs to improve internal controls for selecting recipients of its Clean School Bus Program funds. While the EPA followed six of the seven requirements to select recipients, the Agency did not have sufficient internal controls to ensure that it selected recipients with eligible school buses and did not provide oversight to verify that applicants requesting funds specifically for zero-emission school buses have school districts with suitable local conditions for these types of buses. In a September [audit](#), we identified that the EPA's Brownfields Projects Program is on track to meet its goal of ensuring that at least 40 percent of program benefits go to disadvantaged communities. However, the Agency overestimated the percentage of benefits going to disadvantaged communities for fiscal year 2022 and should revise its projections to provide the public more accurate information. We also issued a [management implication report](#) to alert the Agency to an issue regarding mandatory audits of state revolving funds, or SRFs. The statutes creating the SRFs require states to conduct financial and compliance audits of their SRFs. The EPA's implementing regulations expressly or implicitly require, among other things, that the states send these audits to the OIG and that the OIG review the audits. The need for the OIG to review these SRF audits is particularly important in light of the approximately \$43.4 billion that the IJA appropriates to the SRFs. Until our request last year, however, the states have not submitted their audits to the OIG so that we can determine whether those audits meet regulatory requirements. Based on the response to our request for those audits and on subsequent audit work, at least nine states did not provide audit reports for their Clean Water SRF, and Drinking Water SRF Programs that, at a minimum, specifically identified the state's SRF financial information. This represents what the OIG estimates to be approximately \$13 billion in total assets at greater risk for fraud, waste, and abuse because of the failure to conduct and report the mandated audit. Furthermore, the EPA has announced that it will award nearly \$4.7 billion of IJA funds to these nine states.

See an up-to-date list of our ongoing and completed IJA work on our [website](#).