

# QUARTERLY UPDATE



*U.S. Environmental Protection Agency Office of Inspector General*



This update highlights oversight activities of the U.S. Environmental Protection Agency Office of Inspector General from July 1 to September 30, 2023. Below are some activities of note.

**Agency Outreach.** On September 28, Inspector General Sean W. O'Donnell met with the EPA administrator and his chief of staff to provide briefings on several recently issued audits and evaluations.

**Congressional Engagement.** On September 13, the IG testified at a House subcommittee hearing regarding the OIG's oversight of the EPA's \$5 billion Clean School Bus program. His opening statement is available [here](#).

**New website.** On August 31, the OIG launched its new, independent website, which moved from within the EPA's web page to a server hosted by the Council of the Inspectors General on Integrity and Efficiency and received a dramatic makeover. Our web development team redesigned the new site to improve layout, accessibility, transparency, and search functionality and to ensure that visitors can easily locate important information regarding the OIG Hotline and whistleblower protections.

**Whistleblower Appreciation Presentation.** On August 3, the OIG hosted its annual Whistleblower Appreciation Presentation for EPA and U.S. Chemical Safety and Hazard Investigation Board employees to celebrate the contributions of whistleblowers and educate attendees about whistleblower rights and protections. More than 1,000 attended.

**Ongoing work.** In addition to newly issued products and project notifications detailed on the following pages, we also continued work on several important oversight projects. A list of reports we expect to issue in the next quarter is available in the [Expected Issuances section](#).

**IIJA.** For an update on our oversight efforts related to the Infrastructure Investment and Jobs Act, or IIJA, see the dedicated [IIJA section](#).

## *By the Numbers*

**PRODUCTS  
ISSUED**  
18

**PROJECTS  
INITIATED**  
5

**RECOMMENDATIONS  
MADE**  
40

**PROJECTS  
ONGOING**  
36

# OVERSIGHT PROJECTS ISSUED

Click on the title to read the report.



## ***The EPA's Vulnerability Tracking and Remediation and Information Technology Procedures Review Processes Are Implemented Inconsistently***

July 5, 2023

We concluded that the EPA consistently implemented its information security policies and procedures, but quantitative and qualitative effectiveness measures are lacking. We identified deficiencies in the EPA's review of its information security procedures and tracking and remediation of known vulnerabilities.



## ***The EPA Could Improve Its Review of Drinking Water State Revolving Fund Programs to Help States Assist Disadvantaged Communities***

July 11, 2023

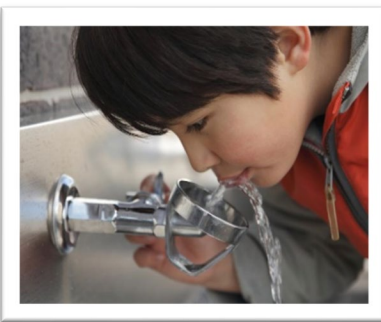
We determined that inadequate oversight by EPA regions and the underuse of set-asides affected states' ability to meet required minimum loan subsidies to assist disadvantaged communities. When states do not provide these loan subsidies, or do not provide them in a timely manner, disadvantaged communities may not be able to make the critical infrastructure improvements necessary to provide safe drinking water to residents.



## ***The EPA Should Update Its Strategy, Goals, Deadlines, and Accountability Framework to Better Lead Chesapeake Bay Restoration Efforts***

July 18, 2023

We found deficiencies in the EPA's leadership of the Chesapeake Bay Program, which is not on track to have all controls and practices in place by 2025 to meet its Total Maximum Daily Load, or TMDL, for excess nutrients. While the EPA has assisted the program in achieving reductions for the portion of pollution covered by the TMDL that falls under the Clean Water Act regulatory authority, the EPA has not fully embraced its leadership role to steer the partnership to address the most significant sources of remaining pollution covered by the TMDL.



## ***The EPA Should Determine What Interim Actions Can Be Taken to Immediately Notify the Public When Lead in Drinking Water Exceeds the Agency's Action Level***

July 20, 2023

While conducting work on an ongoing [audit](#), we issued this management alert to raise concerns that immediate public notifications are not being made for lead exceedances in drinking water that may pose a significant risk to public health. Although the EPA revised its drinking water regulations to require immediate public notification for exceedances, the compliance date for the updated regulations is not until October 16, 2024.



## ***Compendium of Open and Unresolved Recommendations: Data as of May 31, 2023***

July 27, 2023

We identified 113 recommendations, representing \$74.6 million in potential monetary benefits, for which the EPA has not implemented corrective actions. Along with an overview of all the recommendations, the Compendium details 15 recommendations we consider high-priority and 52 recommendations that have taken three years or longer to implement.

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# OVERSIGHT PROJECTS ISSUED CONTINUED

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## ***The EPA Lacks Complete Guidance for the New Chemicals Program to Ensure Consistency and Transparency in Decisions***

August 2, 2023

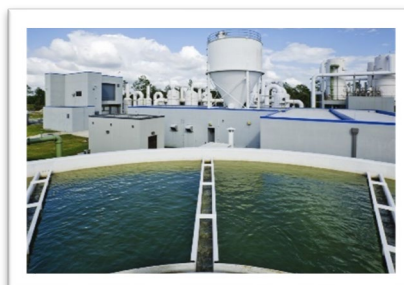
We determined that the EPA has not complied with applicable recordkeeping and quality assurance requirements when implementing the New Chemicals Program. Specifically, the New Chemicals Division, or NCD, has not finalized guidance for many of the program's activities, such as standard operating procedures for recordkeeping and conducting exposure and hazard assessments.



## ***The EPA Has Not Verified that Its Laboratories Comply with Hazardous Waste Requirements***

August 14, 2023

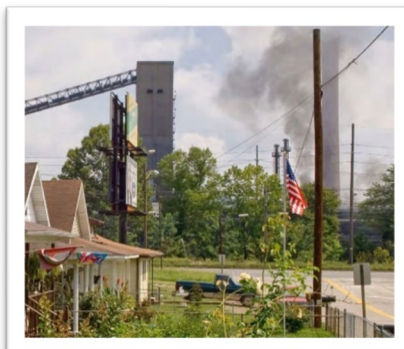
We found that, as of August 2022, neither the EPA nor authorized states had inspected most EPA labs to verify their compliance with Resource Conservation and Recovery Act hazardous waste requirements even after becoming aware of compliance issues. Additionally, OECA had not shared the compliance memorandums with authorized state RCRA programs, even though the EPA partners with the states to conduct inspections.



## ***EPA Guidance Removed States' Responsibilities for Monitoring State Revolving Fund Borrowers' Single Audit Reports***

August 15, 2023

While conducting work on an ongoing [audit](#), we issued this management alert to raise concerns that the EPA incorrectly advised states that they do not have to review single audits of nonfederal entities that borrow money from state revolving funds, contradicting federal law and hampering the states' and EPA's ability to protect against fraud, waste, and abuse.



## ***The EPA Needs to Further Refine and Implement Guidance to Address Cumulative Impacts and Disproportionate Health Effects Across Environmental Programs***

August 22, 2023

We identified that, although an EPA Region 4 initiative examined air, water, and waste issues in North Birmingham communities from 2012 to 2016, Region 4 programs took a largely siloed approach to identifying and addressing disproportionate health effects for disadvantaged communities surrounding the 35th Avenue Superfund site in North Birmingham, potentially limiting the Agency's ability to address cumulative impacts and preventing the EPA from fully assessing its progress in achieving equity and environmental justice.



## ***The EPA Should Enhance Oversight to Ensure that All Refineries Comply with the Benzene Fenceline Monitoring Regulations***

September 6, 2023

We determined that oversight by the EPA and delegated authorities has not ensured that all refineries that exceed the action level reduce their benzene concentrations at their fencelines. We also identified barriers that could prevent the EPA and delegated authorities from determining whether refineries exceed the action level.

***To see more of our reports, visit [www.EPAOIG.gov](http://www.EPAOIG.gov).***

# OVERSIGHT PROJECTS ISSUED CONTINUED

Click on the title to read the report.



## ***The EPA Should Determine How Its Elevation Policy Can More Effectively Address Risk to the Public***

September 7, 2023

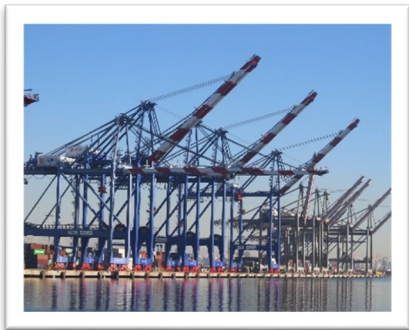
We found that EPA Region 5 drinking water staff overseeing Michigan did not use the Agency's elevation policy to alert the administrator when responding to the lead found in Benton Harbor's drinking water, even though the situation met four of five criteria outlined in the policy.



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

September 19, 2023

We identified that, while the EPA has strengthened controls over the Renewable Fuel Standard program in response to past instances of fraud, further controls are needed to ensure that only valid Renewable Identification Numbers, or RINs, are generated and sold on the RINs market.



## ***The EPA Needs to Address Increasing Air Pollution at Ports***

September 21, 2023

We determined that the EPA needs to collect additional data to successfully track air emissions near ports and develop guidance for using community group air-monitoring data. The Agency has not taken steps to address increases in air pollution at U.S. maritime ports beyond working with communities through the Ports Initiative, and is not fully tracking changes in air emissions from oceangoing vessels at ports, potentially putting human health at risk in near-port communities.



## ***The EPA Should Improve Management of Great Lakes Restoration Initiative Grants***

September 26, 2023

We found that the EPA did not award and monitor Great Lakes Restoration Initiative, or GLRI, grants in accordance with federal and Agency grants-management requirements. Budget narratives lacked the required cost information, and grant agreements did not include all applicable terms and conditions. We identified questionable project costs totaling \$611,756. EPA staff did not conduct required monitoring in a timely, accurate, or complete manner. EPA staff also did not maintain GLRI grant documentation in the official grant file as required by EPA policy, and grant records were missing.



## ***Management Implication Report: Lack of Readily Accessible Small Business Innovation Research Data***

September 28, 2023

We identified a concern that OIG and Agency staff are unable to readily search and access data, for either awarded contracts or nonawarded applications, from the EPA Acquisition System, or EAS. We also observed a lack of consistency in the format of information submitted to the EAS. These issues negatively impact our ability to detect and potentially prevent fraud within the SBIR Program. Agency staff also cannot reliably conduct accurate reviews of SBIR Program proposals.

# OVERSIGHT PROJECTS ISSUED CONTINUED

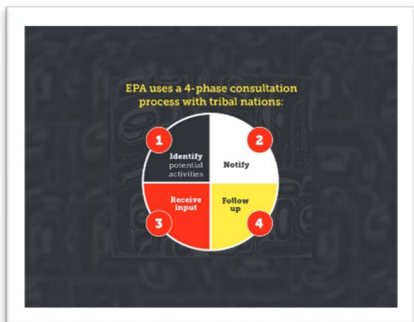
Click on the title to read the report.



## ***Status of Unliquidated Obligations for Programs Receiving Funding from the Infrastructure Investment and Jobs Act***

September 28, 2023

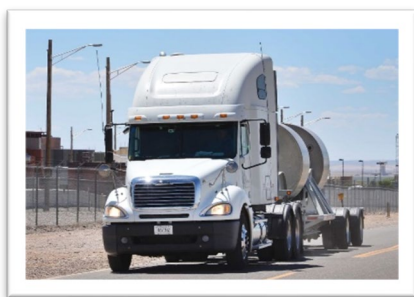
We determined that, from fiscal year 2018 through 2023, the EPA had over \$1.55 billion in unliquidated obligations with inactivity of 180 days or more, including about \$429 million in IJA funds in fiscal years 2022 and 2023. While environmental projects can often last for long periods of time and the ULOs may represent valid obligations, long periods between awarding and expending funds may indicate that the EPA is not maximizing its resources.



## ***The EPA Adhered to Tribal Consultation Policies for Pesticide Actions but Could Update Guidance to Enhance the Meaningful Involvement of Tribal Governments***

September 29, 2023

We concluded that EPA offices adhered to Agency policies for communication and coordination with tribal governments during the development of three actions related to restricted-use pesticides. However, we identified opportunities for the EPA to enhance the meaningful involvement of tribal governments in decision-making processes that affect Indian Country.



## ***Audit of the EPA's Fiscal Years 2022 and 2021 (Restated) Hazardous Waste Electronic Manifest System Fund Financial Statements***

September 29, 2023

We found the EPA's fiscal years 2022 and 2021 (restated) Hazardous Waste Electronic Manifest System Fund financial statements to be fairly presented and free of material misstatement. We did not identify any matters that we consider to be material weaknesses or significant deficiencies in the fund.

## INVESTIGATIONS

Click on the title to read the Department of Justice press release.

### ***Maryland Defense Contractor Sentenced to Almost Four Years in Federal Prison for Procurement Fraud***

On July 14, 2023, Cory Collin Fitzgerald Sanders was sentenced to 45 months in federal prison, followed by three years of supervised release, for wire fraud, false claims, and making and using a false document in connection with his companies' performance on federal contracts. He was also ordered to forfeit \$173,926.99 and to pay restitution of \$27,315.10. A federal jury convicted Sanders on March 6, 2023, after a nine-day trial. The EPA OIG investigated this matter jointly with the Navy Criminal Investigative Service, Army Criminal Investigation Division, Defense Criminal Investigative Service, and the OIGs for the U.S. Departments of Labor, State, Commerce, Interior, Homeland Security, Health and Human Services, and Justice.



### ***Company to Pay \$2.35 Million to Resolve Allegations of False Statements Relating to Energy Star Program***

On September 27, 2023, SMC Systems Inc., doing business as Skyetec, agreed to pay \$2.35 million to resolve allegations that it violated the Financial Institutions Reform, Recovery and Enforcement Act of 1989 between 2014 and 2021, by knowingly and intentionally making false statements to the EPA and other entities about the results of inspections it was performing under the EPA's Energy Star Program. On July 15, 2021, Skyetec was acquired by Quality Built, LLC, and reorganized as SMC Systems LLC. The EPA OIG investigated this matter jointly with the Department of Justice.

# OVERSIGHT PROJECTS INITIATED

Click on the title to read the project notification.

## [\*Evaluation of the EPA Office of Water's Guidance to State Revolving Fund Programs for Implementing Build America, Buy America Act Requirements\*](#)

August 24, 2023

Our objective is to determine the sufficiency of the Office of Water's guidance to the SRF programs for the implementation of Build America, Buy America Act requirements.

## [\*Evaluation of the EPA's Selection of Recipients of the Infrastructure Investment and Jobs Act Funding for Clean School Buses\*](#)

September 12, 2023

Our objective is to determine whether the EPA followed requirements for selecting recipients for the IJIA's Clean School Bus Program funds. We plan to conduct work within the Office of Air and Radiation.

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

September 12, 2023

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. The anticipated benefits of this audit include enhanced management and oversight of the Clean School Bus Program.

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

September 20, 2023

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.

## [\*Evaluation of Land-Use Controls at Resource Conservation and Recovery Act Corrective Action Sites\*](#)

September 25, 2023

Our objective is to determine the extent to which the EPA verifies that Resource Conservation and Recovery Act corrective action land-use controls remain in place to prevent human exposure and groundwater contamination at sites where contamination remains in place.

## EXPECTED ISSUANCES

We expect to issue reports for the following projects in the first quarter of fiscal year 2024. Click on the title to read the project notification.

**[Audit of Pollution Prevention Grants Reporting.](#)** Our objective is to determine whether the EPA accurately reports environmental results achieved from P2 grants and whether those results demonstrate alignment with the goals established for the program.

**[Audit of Great Lakes Restoration Initiative Grants Review.](#)** Our objective is to determine the extent to which EPA Great Lakes Restoration Initiative grants support the Agency's program goals for the Great Lakes.

**[Audit of EPA Oversight of State and Local Air Agency Identification of SM-80 Facilities.](#)** Our objective is to determine whether EPA oversight has assured that state and local agencies with large compliance-monitoring programs identify high-emitting synthetic minor facilities, known as SM-80s, in accordance with the EPA's Clean Air Act Compliance Monitoring Strategy.

**[Audit of the Integrated Risk Information System Security Access Controls.](#)** Our objective is to determine whether the EPA's Integrated Risk Information System database adheres to federal and Agency access control requirements.

**[Audit of the EPA's Internal Controls to Account for and Secure Laptops.](#)** Our objective is to determine whether EPA headquarters and select regional locations have sufficient internal controls to properly account for and secure laptops in their possession to prevent theft and misplacement.

**[Evaluation of the EPA's Response to Reported Incidents of Unintended Effects from Pet Collar Pesticides.](#)** Our objective is to determine whether (1) the EPA's response to reported pesticide incidents involving Seresto pet collars provides assurance that the collars can still be used without posing unreasonable adverse effects to human health and the environment and (2) the EPA adhered to pesticide registration requirements in its approval of Seresto pet collars.

# EXPECTED ISSUANCES CONTINUED

Click on the title to read the project notification.

**Evaluation of the EPA's Handling of Criminal Discovery.** Our objective is to determine whether the EPA's collection, retention, and production of mandatory criminal discovery material adhered to requirements.

**Audit of Jackson, Mississippi, Drinking Water Funding and Spending Decisions.** Our objective is to identify award and expenditure decisions at the state and local level related to the community water system in Jackson.

**Audit of the EPA's Fiscal Year 2022 Public Reporting of Infrastructure Investment and Jobs Act Financial and Award Data.** Our objective is to determine whether the EPA's reporting of fiscal year 2022 IIJA obligations and outlays in USAspending.gov is complete and accurate.

**Audits of the EPA's Oversight of the Clean Water State Revolving Fund.** Our objective is to determine whether the EPA is prepared to oversee IIJA funds invested in the Clean Water State Revolving Funds through the EPA's annual review process.

**Audit of the EPA's Registration and Expedited Processing Fund Fiscal Years 2022 and 2021 Financial Statement Audit Pursuant to the Federal Insecticide, Fungicide, and Rodenticide.** Our objective is to determine whether (1) the financial statements are fairly presented in all material respects in accordance with generally accepted accounting principles; (2) the EPA's internal control over financial reporting is in place; and (3) EPA's management has complied with applicable laws, regulations, contracts, and grant agreements.

**Audit of the EPA's Toxic Substances Control Act Service Fee Fund Fiscal Years 2021 and 2020 Financial Statement Audit Pursuant to the Toxic Substances Control, as amended.** Our objective is to determine whether: (1) the financial statements are fairly presented in all material respects in accordance with generally accepted accounting principles; (2) the EPA's internal control over financial reporting is in place; and (3) EPA's management has complied with applicable laws, regulations, contracts, and grant agreements.

**Audit of the EPA's Clean School Bus Program.** Our objective is to determine whether potential supply chain or production delays could impact the EPA's efforts to disburse and manage clean school bus program funds pursuant to section 71101 of the IIJA.

**Audit of Climate Change Resiliency in Clean Water State Revolving Fund Intended Use Plans.** Our objective is to determine to what extent (1) the EPA is providing guidance and reviewing states' Clean Water State Revolving Fund intended use plans to ensure that the plans, as they relate to climate change resiliency, meet the intent of the presidential policy directive to strengthen and maintain secure, functioning, and resilient critical infrastructure; and (2) the states, in their Clean Water State Revolving Fund planning, are considering climate change resiliency to safeguard federal investment, including the Infrastructure Investment and Jobs Act and annual appropriation funding.

**Audit of the Combined Sewage Overflow Tanks at Gowanus Canal Superfund Site.** Our objective is to determine the status of combined sewer overflow tank(s) construction at the Gowanus Canal Superfund site.

**Audit of the EPA's Issuance of Build America Buy America Act Waivers on Infrastructure Projects.** Our objective is to quantify the extent to which the EPA is issuing Build America, Buy America Act waivers for infrastructure projects.

**Evaluation of the Drinking Water State Revolving Fund Agencies' Perspectives on Their Capacity to Manage Infrastructure Investment and Jobs Act Funds.** Our objective is to identify (1) DWSRF agencies' perspectives on their capacity to manage IIJA funds and (2) obstacles that DWSRF agencies' administrators believe limit their capacity to manage IIJA funds.



**EPA OIG Hotline.** Anyone can file a complaint with the OIG Hotline regarding suspected fraud, waste, abuse, mismanagement, or misconduct involving EPA or CSB programs and operations.



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# IIJA OVERSIGHT ACTIVITIES

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

Our Office of Audit and Office of Special Review and Evaluation recently held planning summits to outline oversight projects for fiscal year 2024 and beyond. Drawing from “lessons learned” developed during their early IIJA work—as well as feedback from continuous outreach to stakeholders who will manage, receive, or oversee IIJA funding—the offices mapped out areas for targeted oversight. Among their ongoing IIJA audits and evaluations are new projects related to EPA guidance for the implementation of Build America, Buy America Act requirements and the EPA’s Clean School Bus Program.

In a September [hearing](#) before the House Energy and Commerce Committee’s Subcommittee on Oversight and Investigations, IG O’Donnell testified about the OIG’s oversight of the Clean School Bus Program. He provided context for two new projects and shared noteworthy preliminary findings from the OIG’s ongoing audit to determine whether potential supply chain or production delays could impact the EPA’s efforts to disburse and manage the \$5 billion of IIJA funding allocated for the program. He also outlined the program’s fraud vulnerabilities, including the ways funds are provided to recipients, unique requirements for destroying replaced buses, the increased risk presented by sub-programs, and the potential for overlapping funding from multiple federal agencies.

Meanwhile, our Data Analytics Directorate has continued to finetune our interactive [IIJA spending dashboard](#), which provides the public a visual outlay of how EPA funding offices and programs are disbursing IIJA funds. In August, we introduced new dashboard overlays that provide more information and new filters that allow users to see IIJA funding by program, pinpoint location, congressional district, and Justice40 tract. We’ve also added an option to see the status of our IIJA oversight projects.

