



# QUARTERLY UPDATE | April 2024

This update highlights oversight activities of the U.S. Environmental Protection Agency Office of Inspector General, or EPA OIG, from January 1 to March 31, 2024. Below are some activities of note.

## 2024: Year of Fighting Fraud

In January, we issued our [FY 2024 Oversight Plan](#) and, for the first time ever, a report detailing our [Investigative Priorities](#). Guided by top management challenges facing the EPA and U.S. Chemical Safety and Hazard Investigations Board, or CSB, the approaches described in these documents provide a blueprint for upping the ante in our fight against fraud, waste, and abuse in EPA and CSB programs. To that end, we kicked off 2024 with a new oversight campaign dubbed the “Year of Fighting Fraud,” ramping up our efforts to leverage data-driven and innovative methods to root out misconduct and mismanagement. As part of this campaign, in February 2024, we issued a [fraud alert](#) and associated podcast to highlight an increasingly common and costly form of cybercrime known as business email compromise. We shared this alert directly with EPA stakeholders who could be affected by this scheme and worked with the Agency to distribute the alert to EPA grant recipients and applicants. With the influx of more than \$100 billion in supplemental appropriations under the Infrastructure Investment and Jobs Act and Inflation Reduction Act, enhanced prevention, detection, and deterrence are more important than ever.

## Inspector General State-Level Outreach

Earlier this year, Inspector General Sean O’Donnell led staff visits to Montana and Missouri to meet with officials from the EPA, state environmental agencies, and U.S. Attorney’s Offices. The meetings provided an important opportunity to discuss the OIG’s oversight work and gain insights from state-level stakeholders on their challenges and concerns related to key oversight areas like fraud prevention, the State Revolving Fund program, and cybersecurity, among others. While in Montana, the OIG cohort also visited the Anaconda Co. Smelting and Silver Bow Creek/Butte Area Superfund sites. During their visit to Missouri, the group toured a bus company’s fleet yard to see the EPA’s Clean School Bus program in action. We have two ongoing projects related to this \$5 billion program—an [audit](#) of the EPA’s oversight of how rebate recipients manage program funds and an [evaluation](#) of the EPA’s process for selecting recipients for program funds.

## Ongoing Work

In addition to newly issued products and project notifications detailed on the following pages, we 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.

## Infrastructure Investment and Jobs Act Oversight

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

## *By the Numbers*

PRODUCTS  
ISSUED

17

PROJECTS  
INITIATED

15

RECOMMENDATIONS  
MADE

25

PROJECTS  
ONGOING

40

CUSTOMER SERVICE

INTEGRITY

ACCOUNTABILITY

# OVERSIGHT PROJECTS ISSUED

Click on the title to read the report.



## [\*\*\*The EPA Needs to Improve the Completeness and Accuracy of the Obligation and Outlay Information That It Reports in USAspending.gov\*\*\*](#)

January 9, 2024

We determined that the EPA's initial reporting of its FY 2022 spending in USAspending.gov was not complete or accurate. As a result, its FY 2022 award-level obligations were underreported by \$1.2 billion, and its FY 2022 award-level outlays were underreported by \$5.8 billion. The EPA also did not report its IJIA outlays and underreported coronavirus pandemic-related outlays.



## [\*\*\*Office of Investigations Overview and Investigative Priorities\*\*\*](#)

January 17, 2024

We identified four investigative priorities for FY 2024: environmental infrastructure, grant fraud, program fraud, and laboratory fraud.



## [\*\*\*Fiscal Year 2024 Oversight Plan\*\*\*](#)

January 17, 2024

We described our planned and ongoing oversight projects. The plan reflects the priority work that the OIG believes is necessary to keep the EPA, the CSB, and Congress fully informed about issues related to the administration of Agency programs and operations.



## [\*\*\*Audit of the EPA's Fiscal Years 2022 and 2021 \(Restated\) Pesticide Registration Fund Financial Statements\*\*\*](#)

January 18, 2024

We rendered an unmodified opinion on the EPA's FYs 2022 and 2021 (restated) Pesticide Registration Fund financial statements. We noted one significant deficiency.



## [\*\*\*OIG Report to the Office of Management and Budget on the EPA's and CSB's Implementation of Recommendations Related to Purchase and Travel Card Programs\*\*\*](#)

January 31, 2024

We found that, as of January 31, 2024, the EPA and CSB have no outstanding OIG recommendations related to their travel and purchase card programs.



## [\*\*\*OIG Report to the Office of Management and Budget on the EPA's Semi-Annual Report on Purchase Charge Card Violations\*\*\*](#)

January 31, 2024

We found no additional information inconsistent with the EPA's violation report for the reporting period and we received no allegations of misuse of the government purchase card for the semiannual period.



### [\*The EPA's Enhanced Personnel Security Program Is on Track, but Challenges to Full Implementation Remain\*](#)

February 8, 2024

We determined that the EPA has successfully met all milestones and requirements to date to implement the director of National Intelligence's enhanced personnel security program. However, the Agency faces the challenge of ensuring it has sufficient capacity to meet continuous vetting requirements by the March 30, 2026 milestone.



### [\*The Office of Criminal Enforcement, Forensics and Training Incorporated Essential Discovery Elements into Its Policies and Procedures, but Additional Training Could Improve Awareness\*](#)

February 15, 2024

We did not identify any specific circumstances where the EPA did not adhere to criminal discovery requirements regarding the collection, retention, and production of material. However, we found that some special agents employed investigative procedures that deviated from procedures.



### [\*Perspectives on Capacity: Managing Drinking Water State Revolving Fund Infrastructure Investment and Jobs Act Funding\*](#)

February 27, 2024

We found that Drinking Water State Revolving Fund, or DWSRF, state administrators agreed that their agencies had the organizational capacity necessary to manage the DWSRF IIJA funds awarded to their states. However, a few state DWSRF administrators expressed concerns about meeting state financial matching requirements and identifying projects eligible for DWSRF IIJA funding. Some also disagreed that their agencies had enough staff and sufficient guidance to manage DWSRF IIJA funds.



### [\*The EPA Needs to Determine Whether Seresto Pet Collars Pose an Unreasonable Risk to Pet Health\*](#)

February 29, 2024

We found that the EPA's response to reported pesticide incidents involving Seresto pet collars has not provided assurance that they can be used without posing unreasonable adverse effects to the environment, including pets.



### [\*Central Data Exchange System Identity Data Are Unreliable\*](#)

March 5, 2024

We identified issues with data quality and data integrity in the EPA's Central Data Exchange system that may negatively affect the EPA's decision-making and communication of programmatic information about the environment.



### [\*\*Lack of Vulnerability Remediation for Weaknesses Identified Within the Central Data Exchange System Increases the Risk of Cyberattacks\*\*](#)

March 5, 2024

We identified significant unresolved vulnerabilities in the EPA's Central Data Exchange system. These vulnerabilities increase the risk of threat actors gaining unauthorized access to the system and connected program services.



### [\*\*Infrastructure Investment and Jobs Act Progress Report—Year Two\*\*](#)

March 7, 2024

Our second annual IJA progress report provides updates on our oversight of the EPA's execution of that funding through January 31, 2024.



### [\*\*Management Implication Report: The EPA Has Insufficient Internal Controls for Detection and Prevention of Procurement Collusion\*\*](#)

March 12, 2024

We identified concerns regarding lack of internal control methods within the EPA for identifying and preventing collusion and anticompetitive behavior with respect to procurement solicitations stored in the EPA Acquisition System.



### [\*\*The EPA Should Improve Annual Reviews to Protect Infrastructure Investment and Jobs Act Grants to Clean Water State Revolving Funds\*\*](#)

March 14, 2024

We found that the EPA's Office of Water has not always ensured the EPA regional offices adhered to the Clean Water State Revolving Fund, or CWSRF, annual review guidance.



### [\*\*Multiple Factors Contributed to the Delay in Constructing Combined Sewer Overflow Tanks at the Gowanus Canal Superfund Site in New York City\*\*](#)

March 21, 2024

We identified factors that led to a substantial cost increase and schedule delays in the construction of two combined sewer overflow tanks at the Gowanus Canal Superfund site, including that the EPA waited years before penalizing New York City for noncompliance or setting a deadline for tank construction to be completed.



### [\*\*U.S. Chemical Safety and Hazard Investigation Board Fiscal Year 2023 and 2022 Financial Statement Audit\*\*](#)

March 28, 2024

An independent auditor rendered a qualified opinion on the CSB's FYs 2023 and 2022 financial statements. However, the CSB's budgetary accounting for recording lease obligations in prior years did not comply with U.S. generally accepted accounting principles; therefore, the auditor advised the CSB that all financial statements audited from FYs 2016 through 2022 contain material errors and should no longer be relied upon.

# INVESTIGATIONS

Click on the title to read the press release.

## [\*Ten Defendants Arrested on Federal Indictments Related to a Multi-Million Dollar Fraud Scheme\*](#)

On February 7, 2024, the EPA OIG participated in a joint law enforcement operation in Maryland to arrest ten defendants and execute three search warrants related to an alleged money laundering conspiracy. This criminal network allegedly used more than 50 bank accounts to launder more than \$9.5 million in proceeds from various fraud schemes, including romance scams, lottery scams, and business email compromise. The EPA OIG investigated this matter jointly with Homeland Security Investigations, Internal Revenue Service-Criminal Investigation, and the Defense Criminal Investigative Service.



## [\*Man Sentenced and Fined for Violating Clean Air Act\*](#)

On February 21, 2024, Rodolfo Rodriguez was sentenced to ten months in prison followed by three years of supervised release for violating the Clean Air Act. Rodriguez was also ordered to pay a \$302,320 fine and \$24,404.60 in restitution to the State of North Carolina. According to court records, from July 2019 to November 2022, Rodriguez fraudulently coded 3,779 vehicles that would have otherwise failed the required State emissions inspection. The EPA OIG investigated this matter jointly with the EPA Criminal Investigation Division.

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# OVERSIGHT PROJECTS INITIATED

Click on the title to read the project notification.

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

January 2, 2024

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

## [\*Audit of the Brownfields Program Implementation of Justice40 Initiative goals and Related Requirements for Infrastructure Investment and Jobs Act-Funded Projects\*](#)

January 3, 2024

Our objective is to determine whether the EPA Brownfields program implemented Justice40 Initiative goals and related requirements for IIJA-funded projects.

## [\*Audit of the EPA National Center for Radiation Field Operations Preparedness\*](#)

January 8, 2024

Our objective is to determine to what extent the EPA NCRFO has the capability—including appropriate management and internal control, resources, and staff qualifications—to successfully perform its roles and responsibilities in preparing for and responding to radiological incidents.

**[Audit of the EPA's Resolution of Improper Payments Identified Through Its Annual Review of the State Revolving Fund Program](#)**

January 16, 2024

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's Grants Workforce Planning](#)**

January 29, 2024

Our objective is to determine whether the EPA's grants workforce planning efforts are in accordance with federal requirements and address the workload for grants administered under annual and supplemental appropriations.

**[Audit of the EPA's Management of Its High-Value Asset Program](#)**

January 29, 2024

Our objective is to determine to what extent the EPA has managed its high-value asset program in accordance with the requirements of Office of Management and Budget memorandum M-19-03, Strengthening the Cybersecurity of Federal Agencies by enhancing the High Value Asset Program.

**[Evaluation of the South Carolina Clean Water State Revolving Fund Program's Capacity to Manage Infrastructure Investment and Jobs Act Funding](#)**

January 31, 2024

Our objective is to determine South Carolina's capacity to manage and use IJA funds for its CWSRF Program.

**[Audit of the EPA's Compliance with the Federal Information Security Modernization Act for Fiscal Year 2024](#)**

February 1, 2024

Our objective is to assess the EPA's compliance with the Office of Management and Budget's FY 2023-2024 Inspector General Federal Information Security Modernization Act (FISMA) Reporting Metrics, dated February 10, 2023.

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

February 26, 2024

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.

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

March 5, 2024

Our objectives are 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 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 Fund Financial Statements](#)**

March 5, 2024

Our objectives are 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 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 and Pesticide Registration Fund Financial Statements\*\*](#)

March 5, 2024

Our objectives are 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 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 Oversight of State Subrecipient Monitoring in the Clean Water State Revolving Fund Program\*\*](#)

March 5, 2024

Our objective is to determine whether the EPA's guidance and oversight practices ensure that states are adequately monitoring the subrecipients of IJIA funds distributed via the Clean Water State Revolving Fund Program.

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

March 12, 2024

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.

[\*\*Evaluation of the EPA's Oversight of State and Local Ambient Air Monitoring Operating Schedules\*\*](#)

March 19, 2024

Our objective is to determine whether the EPA's oversight and implementation of air quality monitoring resulted in underreported air pollution.

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## EXPECTED ISSUANCES

Click on the title to read the project notification for reports we expect to issue in the third quarter of fiscal year 2024.

[\*\*Audit of the Awarding, Monitoring, and Performance of EPA Great Lakes Restoration Initiative Grants\*\*](#)

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.

[\*\*U.S. Chemical Safety and Hazard Investigation Board's Compliance with the Federal Information Security Modernization Act for FY 2023\*\*](#)

The objective of the audit is to assess the CSB's compliance with the Office of Management and Budget's Fiscal Year 2023-2024 Inspector General Federal Information Security Modernization Act of 2014 (FISMA) Reporting Metrics.

[\*\*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 Compliance with the Public Notification Requirements Under Section 2106 of the Water Infrastructure Improvements for the Nations Act\*\*](#)

Our revised objective is to assess the EPA Office of Water's preparation to implement the public notification requirements under section 2106 of the Water Infrastructure Improvements for the Nation, or WIIN, Act, as incorporated in Safe Drinking Water Act §1414(c)(2) and codified in 42 U.S.C. §300g-3(c).

### **[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 the EPA's Payment Integrity Information Act for Fiscal Year 2023 Reporting](#)**

Our objectives are to determine whether the EPA complies with the Payment Integrity Information Act of 2019 for fiscal year 2023 reporting and to evaluate the EPA's corrective action plans and efforts to prevent and reduce improper payments from prior audit recommendations

### **[Audit of the EPA's Oversight of State and Local Air Agencies 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.

### **[Review of the EPA's 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

### **[Audit of EPA's Compliance with the FISMA Act for 2023](#)**

Our objective is to assess the EPA's compliance with the Office of Management and Budget's Fiscal Year 2023 Inspector General FISMA Reporting Metrics.

### **[Audit of the EPA's Replacement of Lead Service Lines in Disadvantaged Communities](#)**

Our objective is to determine whether the EPA distributed Water Infrastructure Improvements for the Nation, or WIIN, Act funds to replace lead service lines in disadvantaged communities in adherence with applicable guidance

### **[Audit of EPA's Guidance for the Use of IIJA Drinking Water State Revolving Fund Emerging Contaminants](#)**

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 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 State's and Commonwealth of Puerto Rico's Compliance with the Clean Water and Drinking Water SRF 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.

### **[Evaluation of the Effectiveness of IIJA Funding at American Creosote Works, Inc. Superfund Site in Pensacola, Florida](#)**

Our objective is to determine the circumstances of, and the EPA's response to, noncompliance with the Safe Drinking Water Act at the City of Jackson's community water system.

[Evaluation of the Effectiveness of the EPA's Community Engagement Regarding the Findett Corp. Superfund Site in St. Charles, Missouri](#)

Our objective is to determine whether the EPA adhered to federal laws, regulations, and EPA guidance pertaining to community engagement standards and practices at the Findett Corp. Superfund Site.

[Evaluation of the Financial Capacity of New Mexico's Clean Water State Revolving Fund Program to Manage Infrastructure Investment and Jobs Act Funding](#)

Our objective is to determine the financial capacity of the New Mexico Environment Department to manage its IJA funding for the CWSRF program.

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

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**REPORT  
FRAUD  
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& ABUSE**

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888.546.8740**

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THEFT AND MISUSE OF GOVERNMENT PROPERTY  
MISMANAGEMENT AND WASTE OF FUNDS  
PROGRAM FRAUD  
LABORATORY FRAUD  
CONFLICT OF INTEREST  
COMPUTER CRIMES  
CONTRACT, PROCUREMENT, AND GRANT FRAUD  
ABUSE OF AUTHORITY  
EMPLOYEE MISCONDUCT



## IIJA OVERSIGHT ACTIVITIES

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

### Proactive Outreach

The EPA OIG continued its proactive outreach efforts. During this reporting period, the Inspector General personally visited EPA officials, law enforcement partners, and state-level stakeholders in Montana and Missouri to discuss fraud prevention efforts and other concerns related to the expenditure and oversight of IIJA dollars. In addition, our investigators provided seven fraud awareness briefings to more than 325 attendees who will receive, manage, or oversee IIJA funding. Additionally, we reached out directly to state revolving fund managers and EPA grant recipients and applicants to share our February [fraud alert](#) regarding an increasingly prevalent scheme called business email compromise and to ensure that these stakeholders are aware of the OIG Hotline as an avenue for reporting suspected fraud, waste, abuse, or other misconduct.

### Oversight Products Issued

During the past quarter, the OIG issued three oversight reports related to the EPA’s IIJA spending, including an [evaluation](#) outlining obstacles that could affect Drinking Water State Revolving Fund agencies’ capacity to effectively manage \$26.7 billion in IIJA funding for critical water infrastructure projects. Another [audit](#) outlined improvements the EPA can make to ensure proper oversight of roughly \$12.7 billion the Clean Water State Revolving Fund program will receive through the IIJA. The findings in these reports could help the EPA take proactive measures to ensure efficient stewardship of tens of billions of taxpayer dollars. Another [audit](#) identified that the EPA did not include any of its IIJA outlays in the fiscal year 2022 obligations and outlays it reported on [USAspending.gov](#). We also issued our [IIJA Progress Report—Year Two](#), which provides a comprehensive overview of our ongoing and completed IIJA oversight work.

### Clean School Bus Program Oversight

The OIG has continued work on two projects to provide oversight of the EPA’s \$5 billion Clean School Bus program—an [evaluation](#) to determine whether the Agency followed requirements for selecting recipients for program funds and an [audit](#) to assess the extent to which the EPA ensures that recipients of the program’s 2022 rebates manage program funds in accordance with requirements. During the quarter, our auditors conducted site visits to observe operations and interview officials at school districts, bus manufacturing plants, and contractors in Arizona, Illinois, Oklahoma, Ohio, Georgia, North Carolina, South Carolina, and Puerto Rico. We expect to issue the audit report with our findings in the next quarter.

### IIJA Oversight Information

The [IIJA Oversight](#) page of our public website provides an up-to-date accounting of our ongoing and completed IIJA work as well as an IIJA Spending Dashboard that is updated daily. The dashboard informs the public of current EPA obligations and outlays for IIJA projects, providing a visual and interactive tool to see where and how IIJA funds are being used across the country.