

Attachment—Additional Questions for the Record
The Honorable Sean W. O’Donnell, Inspector General, U.S. Environmental Protection Agency

The Honorable Earl L. “Buddy” Carter

1. In January 2024, the EPA Office of Inspector General (OIG) reported that EPA had underreported spending on USAspending.gov and made recommendations for EPA to increase the completeness and accuracy of the obligation and outlay information it reports on the website. In its response to the OIG, EPA said it would complete the implementation of all their recommendations in April 2024.

a. Has EPA been fully responsive to your recommendation?

The EPA has stated that it has completed all recommendations made in the report. We have one outstanding question to the Agency regarding its establishment of regular configuration audits to ensure that no unauthorized changes are made to the system that supports its USAspending.gov submission.

b. What improvements has EPA made?

The EPA has made process improvements, including establishing procedures to prevent and detect errors in the data it uses to report to USAspending.gov and testing to confirm the accuracy and completeness of its reporting in USAspending.gov.

c. Where does EPA still need to make necessary improvements?

The EPA made necessary improvements to its reporting in USAspending.gov during our audit fieldwork. The EPA corrected its FY 2022 reporting in USAspending.gov in May 2023 and made the necessary configuration changes in June 2023 to improve the accuracy and completeness of its future reporting. While the Agency has completed certain corrective actions in response to our recommendations, including an audit of the system, we remain concerned that its standard operating procedures do not establish a requirement to conduct configuration audits at regular intervals in the future. We have an outstanding question to the Agency regarding this matter.

2. The EPA has received an unprecedented amount of funding in a short amount of time, is regrowing its workforce, and has issued 74 regulations impacting nearly every sector of the economy.

a. Do you feel your office has sufficient resources to oversee and understand all of these regulations?

No. For more than a dozen years, my office has faced shrinking budgets while our responsibilities have grown. Our FY 2024 budget was lower than it was in FY 2011 while personnel and operational costs have increased significantly. We are funded for 128 fewer oversight professionals in 2024 compared to 2011, a decrease of over 35 percent. Over this same period, the EPA has expanded, seeing its budget effectively increased by nearly 13 percent. Practically, this means that we are now asked to oversee more core EPA work with fewer resources. Coupling these diminishing resources with a growing portfolio of mandated work has significantly constrained our independence and equated to less oversight of the EPA’s growing operations. Despite these challenges, the OIG has continued to be a sound investment of American tax dollars, providing independent, objective, and evidence-based oversight of the EPA and the U.S. Chemical Safety and Hazard Investigation Board. Over the last 12 months, we have identified nearly \$2 billion of potential monetary benefit, had 29 subjects charged related to allegations of fraud, and completed eight administrative investigations into senior employee misconduct and whistleblower retaliation. As mentioned throughout my testimony, we do anticipate similar challenges with IRA-funded programs. Unfortunately, the benefit of dedicated oversight dollars for the EPA was not built into the IRA, but we are pleased to see both the House and Senate include such funding into their respective FY 2025 appropriations bills.

b. Do career officials meet with your office to brief you on agency activities?

Career officials have met with my office to brief us on agency activity. We have had briefings with Agency officials on IJA and IRA program areas. Additionally, our audit and evaluation teams regularly meet with program and regional offices while conducting their oversight projects, including IJA-related audits and evaluations. For example, our audit and evaluation teams hold monthly status meetings where the Agency can share updates on their activities related to the assignment's objective. In addition, our audit, evaluation, and investigative leadership staff have monthly or quarterly meetings with the career staff leaders in EPA's Office of Water, Office of the Chief Financial Officer, and Office of Mission Support, which oversees the Office of Grants and Debarment, to discuss, among other things, enhanced coordination for IJA and IRA assistance agreements. And each year, our Office of Strategic Analysis and Results solicits feedback from EPA senior leadership on the top management challenges facing the Agency. Biennially, OSAR solicits feedback from a broader leadership audience that includes both senior and junior leadership at the EPA.

We have also met with career officials to discuss data management issues at the EPA. The acting Assistant Inspector General for the Office of Strategic Analysis and Results attends biweekly meetings with the EPA's Chief Data Officer to discuss ongoing improvements to the Agency's data cataloging and inventorying of its data systems and information. The Chief Data Officer also provides biweekly updates on the EPA's artificial intelligence initiatives and inventorying of applications in development and in use.

c. If so, how frequently do these meetings occur?

Please see the response to the preceding question as the frequency of these meetings vary.

3. As of June 2024, the EPA OIG recommendation that EPA update its scientific integrity policy to require notifying the OIG, is unresolved.

a. Has there been progress made in resolving the recommendation?

No. By way of background, Recommendation 5 from our March 2023 report recommended that the EPA "Update the EPA's Scientific Integrity Policy to require that the OIG be immediately notified of scientific integrity concerns, including advice queries and allegations, that relate to political interference or that assert risks to human health or the environment." Since issuance of our March 2023 report, we have had several meetings and other exchanges with Agency officials to resolve this recommendation. On November 12, 2024, we provided the Agency [our response](#) to their planned corrective actions. In it, we conveyed our continued disagreement with the Agency's proposed corrective action on the basis that they continue to give themselves flexibility to choose to communicate political interference with entities other than the OIG. The Agency continues to not recognize that the OIG is the only entity that can provide independent oversight of scientific integrity concerns and receive and investigate complaints and allegations without fear of improper influence. This is particularly important for complaints and allegations of political interference.

b. Has EPA welcomed input from the OIG in the EPA's update to its scientific integrity policy?

We have provided the EPA multiple rounds of comments on its draft scientific integrity policy. While the Agency has incorporated some of our suggestions, the last draft provided to the OIG did not resolve issues concerning the OIG's role in protecting scientific integrity and Agency employees' responsibilities for reporting their concerns to the OIG. It also did not make explicit reference to the disclosure of censorship relating to scientific research or analysis as a protected activity under the Whistleblower Protection Enhancement Act of 2012. The policy is still under the EPA's review.

4. EPA and the Biden Administration required borrowers (i.e. local water utilities) of State Revolving Fund loans made with Infrastructure Investment and Jobs Act to pay for and erect signs to exacting specifications (<https://www.epa.gov/grants/investing-america-signage-required-term-and-condition> and <https://www.epa.gov/invest/investing-america-signage>). These signs, for which photographic proof is required for compliance, mimic a campaign sign, are NOT required by statute, make no mention of Congress who the constitution mandate originate spending, and must attribute credit to President Biden for the funding.

a. Has the OIG quantified the amount of money spent and purchasing power lost by the Federal government and relevant communities because of compliance with this requirement?

Not as of yet, though we have proposed projects that would look at compliance with this requirement.

b. Is the OIG aware of any enforcement actions by EPA or the Justice Department for failure to properly or otherwise display the required sign at an SRF project?

No, we are not aware of any enforcement actions for failure to properly display the required signage.

c. Has the OIG investigated whether activities related to these signs violated the Hatch Act or any other Federal law or agency requirement on comingling official funds and activities with campaign related activities?

We have not initiated any investigations into this matter.

5. As you know, the IJIA provided \$15 billion in funding for lead service line replacements (LSLRs) through state revolving funds. Yet, the States that administer these revolving funds have no idea on the formula EPA used to allot this funding in 2023.

a. OIG issued a report on data reliability issues for IJIA allotments for LSLRs, how much do you attribute data management problems to some states receiving more funds?

Flawed data and data quality problems underpin the findings in our October 2024 evaluation report, [Inadequate Execution of the 7th DWINSA Lead Service Line Questionnaire Led to Flawed Data Being Used to Allot Lead Service Line Replacement Funds](#). The EPA lacked the rigorous internal controls needed to ensure data quality and reliability, and the EPA had a minimal data verification process for the LSL questionnaire responses. For example, over \$117 million was misallotted to Texas in FY 2023. For FY 2024, the EPA adjusted Texas's allotment based on that data mistake. As a result, Texas received the minimum allotment while several states received more funding in FY 2024. All told, we identified \$943.82 million in questioned costs and funds that could be put to better use. Our recommendation to the EPA to develop a process to identify any other unreliable LSL data should help align the allotments so that they are commensurate with the LSLR needs of each state.

b. Did EPA's corrected formula prevent states from receiving the appropriate amount of resources?

Flawed data and questioned allotments for Texas and Florida alone carry financial implications for the entire country, as an inflated projection for just one state means that fewer IJIA funds are available to other states. The EPA's formula for allotting the FY 2023 IJIA LSL funds was based on the projected number of LSLs in each state compared to the total number of projected LSLs in the country. But the EPA's approach lacked the rigorous internal controls needed to ensure data quality and reliability. As a result, funds did not accurately reflect the LSL replacement needs in each state. Therefore, we recommended that the EPA identify unreliable data, including the flawed data we discuss in our report, so that the allotted funds are commensurate with the LSLR needs of each state.

6. In 2022 and 2023, galvanized lines downstream of known lead lines and lines of unknown material were eligible for funding. On May 1, 2024 – 7 months into the 2024 fiscal year and without advance warning to the State managers of this program, EPA reversed course and made these galvanized lines ineligible – despite these lines subject to being considered “lead” under the Lead and Copper Rule and needing to be removed).

- a. Has the OIG looked at the impact of sudden changes like this on the project pipelines developed based with IJJA funding?

No, we have not looked at the impact of this change. We are aware of the EPA’s May 1, 2024, memorandum from Office of Ground Water and Drinking Water to EPA regional water division directors, titled “Implementing Lead Service Line Replacement Projects Funded by the Drinking Water State Revolving Fund.” We have not specifically examined the effects of this memorandum on potential lead service line replacement projects.

- b. Has the OIG looked at the consistency of protocols required for the distribution and use of this funding?

We reviewed the design and execution of the 7th Drinking Water Infrastructure Needs Survey and Assessment and whether it was appropriate to create accurate allotments of infrastructure funds based on the LSL replacement needs in each state. We have not reviewed the consistency of use of IJJA service line funding at the state or local level.

- c. Does the OIG have recommendations for future years to reduce uncertainty, prevent sudden declines State funding, limit wasted time and resources?

We made recommendations in our October 2024 report [*Inadequate Execution of the 7th DWINSA Lead Service Line Questionnaire Led to Flawed Data Being Used to Allot Lead Service Line Replacement Funds*](#) to ensure data reliability so that IJJA LSL allotments are commensurate with the LSL replacement needs of each state for past and remaining years of IJJA LSL replacement funding.

7. EPA was given over \$23.4 billion in IJJA funding to spend on clean water and drinking water state revolving funds.

- a. Have you been tracking how EPA is spending this money and how the states are using it?

Yes. We have established a [EPA IJJA Spending Dashboard](#) based on the information publicly available in [USAspending.gov](#). This dashboard enables both our auditors and the public to drill down to detailed information about the EPA’s IJJA spending, including by state.

Regarding how states are using these funds, our Office of Special Review and Evaluation reviewed New Mexico’s capacity to manage and use its IJJA funds for the Clean Water State Revolving Fund, or CWSRF, program. The report, [*New Mexico’s Capacity to Effectively Manage Clean Water Infrastructure Funds Faces Challenges*](#), examines how much IJJA funding the EPA allocated to New Mexico’s CWSRF and challenges New Mexico has in using the funds. This review is part of a series in which we are also evaluating the capacity of [South Carolina](#) and the [U.S. Virgin Islands](#).

- b. Is EPA requiring all the States to send in their compliance and financial audits?

The EPA has not required the states to submit their required audit to the EPA OIG for a determination of whether the state completed the audit or whether the state’s audit is otherwise satisfactory. However, Section 606(b) of the Clean Water Act requires that, “at least on an annual basis,” the EPA must “conduct or require each State to have independently conducted reviews and audits as may be deemed necessary or appropriate by the Administrator.” To this end, EPA regulations require that “[a]t least once a year the [regional administrator] (through the Office of the Inspector General) will

conduct, or require the State to have independently conducted, a financial and compliance audit of the SRF and the operations of the SRF.” EPA regulations also require that the audits be “submitted to the Office of the Inspector General within 30 days of completion.” The EPA OIG “may arrange for an EPA audit if the State fails to conduct the audit or if the State’s review is otherwise satisfactory.” 40 C.F.R. § 35.3165(d).

Similarly, section 1452(g)(4) of the Safe Drinking Water Act requires that there be a periodic “audit [of] all State loan funds” and that the state submit period reporting, including “the findings of the most recent audit of the fund and the entire State allotment.” Associated EPA regulations, therefore, provide that a state may “voluntarily agree to conduct annual independent audits which provide an auditor’s opinion on the DWSRF program financial statements, reports on internal controls, and reports on compliance with” legal, regulatory, and other requirements. The EPA OIG will arrange for the states that do not conduct independent audits to “be subject to periodic audits.” 40 C.F.R. § 35.3570(b).

Because the EPA OIG had not received a state’s SRF audit in many years, we sent out a letter requesting that each state send us their audits for the last three years. As a result of this request and work on a subsequent project, we determined that financial audits were not completed for nine of the states. So that the states may more easily submit their audits to the OIG, we are developing an intake system that will streamline the states’ submissions. We anticipate having this intake system in place by the second quarter of FY 2025.

c. If not, why are some states not being asked to send in their financial audits?

As noted in our March 2024 report, [*The EPA Should Improve Annual Reviews to Protect Infrastructure Investment and Jobs Act Grants to Clean Water State Revolving Funds*](#), the Office of Water’s annual review guidance on CWSRF audit requirements is inconsistent with program regulations in 40 C.F.R. § 35.3165(d), which require an annual audit of the CWSRF’s financial statements and its compliance with SRF program requirements. The Office of Water’s existing annual review guidance advises regional staff that a state can substitute a statewide single audit for an SRF audit; however, a statewide single audit does not always include testing of or reporting on the SRF’s financial statements or comply with SRF program requirements. The EPA has not required the states to submit their financial audits to the EPA OIG, as set forth in the associated regulations. Beginning with the state FY 2022 reporting cycle, the OIG is separately requesting the SRF financial statement audits.

8. Following up on \$100 million that Congress gave to Flint, Michigan for its lead-contaminated drinking water issues, IJA provided \$15 billion for lead service line replacements.

a. Has OIG done work on the Flint funding and whether Flint is following allotment guidance?
No, we have not specifically looked at funding for LSLR in Flint, Michigan.

b. Has your office discovered any irregularities with EPA-funded lead service line replacements?
Yes. In September 2024, we outlined in our report, [*The EPA Awarded WIIN Act Funds Consistent with Nearly All Guidance and Improved Its Processes to Increase Transparency of Funding Decisions*](#), the EPA’s award of funds under the 2016 Water Infrastructure Improvements for the Nation Act to replace lead service lines in disadvantaged communities. We found that the EPA awarded the funds consistent with nearly all guidance, and the Agency improved its processes to increase the transparency of funding decisions. We identified two documentation issues that the EPA experienced before it awarded funds. Agency staff reported to us that they had addressed one of these issues with additional controls and a new oversight structure within the Office of Water, and the other through a new standard operating procedure within the Office of Grants and Debarment.

In our report, [*Inadequate Execution of the 7th DWINSA Lead Service Line Questionnaire Led to Flawed Data Being Used to Allot Lead Service Line Replacement Funds*](#), we found that the design and execution of the 7th Drinking Water Infrastructure Needs Survey and Assessment did not result in allotments of lead service line, or LSL, funds that accurately reflected the LSL replacement needs in each state. The EPA used the responses to the survey's supplemental LSL questionnaire to project how many LSLs each state had, a number that it then used to determine how to allot the approximately \$2.8 billion of LSL replacement funds provided by the IJA for fiscal year 2023. The EPA's lack of rigorous internal controls over the LSL questionnaire responses resulted in significantly flawed data, which affected the Agency's LSL projections and ultimately the way the Agency allotted the FY 2023 IJA LSL funds. For the two states whose data we reviewed, the EPA's LSL projections were not accurate and resulted in \$343.73 million of questionable allotments to those two states for FY 2023. A data entry error in Texas's LSL questionnaire response caused the EPA to project that the state had about 95 percent more LSLs than if the data had been accurate.

For the FY 2024 IJA LSL allotments, the EPA corrected Texas's data errors, but it based Florida's allotment on data that did not align with our findings, leading to an additional \$200.03 million in questioned costs. Furthermore, if the EPA does not address these LSL data issues before it allots Florida's FYs 2025 and 2026 IJA LSL funds, that would result in \$400.06 million of funds that could be put to better use in states whose LSL replacement needs merit greater allotment percentages. In total, for the IJA LSL replacement appropriation, we identified \$943.82 million in questioned costs and funds that could be put to better use.

We have also identified criminal wrongdoing in the replacement of LSLs. In October 2024, a chief executive officer of a construction company and a foreperson for the company were arrested for their roles in a conspiracy to commit wire fraud in connection with the Newark LSLR program. The two subjects were each charged by complaint with conspiracy to commit wire fraud. As alleged in the complaint, the subjects intentionally failed to replace all lead pipes at certain locations as required under the terms of the relevant contracts, yet caused the submission of payment applications to Newark falsely representing that the company completed the work in accordance with the contracts. This is a joint investigation by the EPA OIG, the EPA Criminal Investigation Division, the U.S. Department of Labor Office of Inspector General, and the FBI.

c. What other issues do you think our committee needs pay careful attention to with lead service line funding?

We have previously identified data management as a top management challenge facing the EPA. Our recent work highlights the urgent need for the EPA to better manage data related to the SRF's generally and with respect to LSLs specifically. In October 2024, we issued a report, [*Management Implication Report: Poor Data Management Hinders Oversight of State Clean and Drinking Water State Revolving Fund Programs*](#), that found states are not consistently collecting and storing subrecipient and contractor data for clean and drinking water state revolving funds. For example, six states currently store their state revolving fund data in paper formats. The lack of structured, machine-readable data formats hinders the ability to conduct proactive oversight and utilize data analytics.

Additionally, our report, [*Inadequate Execution of the 7th DWINSA Lead Service Line Questionnaire Led to Flawed Data Being Used to Allot Lead Service Line Replacement Funds*](#), found a lack of rigorous internal controls to ensure data quality and reliability. The report's recommendations aim to ensure data reliability so that IJA LSLR allotments are commensurate with the LSLR needs of each state for past and remaining years of IJA funding.

9. Your Office issued a report on Jackson, Mississippi – where EPA began enforcement there once it conducted an onsite inspection in 2020.

a. What lessons can we learn from the experience in Jackson regarding single audit reports?

We learned that the EPA should follow up with passthrough entities to ensure that corrective actions are taken to address significant single audit findings. In August 2023, while conducting audit work on federal funding and spending decisions related to drinking water in Jackson, Mississippi, we issued a management alert, *EPA Guidance Removed States' Responsibilities for Monitoring State Revolving Fund Borrowers' Single Audit Reports*. We discovered that, due to the EPA's guidance advising states they were not required to review single audit reports, the state of Mississippi had not been reviewing Jackson's single audits. As noted in the management alert, if states are not using single audit reports as a tool to monitor federal funds that they distribute through the DWSRF and CWSRF, their ability, and by extension the EPA's ability, to protect DWSRF and CWSRF money against fraud, waste, and abuse is hampered. This was the case in Jackson, Mississippi.

Our management alert informed the Agency of the importance of single audit reports and how the reports are a valuable tool for ensuring that subrecipients comply with federal requirements and help with protecting federal funds from fraud, waste, and abuse. We also noted that passthrough entities and federal agencies should use single audit reports, as required by the Single Audit Act, to cost-effectively monitor and protect taxpayer dollars. Because of our management alert, the EPA changed their single audit guidance to the states.

b. Does EPA place the right emphasis on them?

We do not believe the EPA places the right emphasis on single audits. Based on the Federal Audit Clearinghouse, the EPA is a cognizant agency for 27 nonfederal entities in audit year 2023. This designation depends on the total direct funding to a nonfederal entity. Per 2 CFR §200.513, the cognizant agency for audit must be the federal agency that provides the largest amount of direct funding (as listed on the nonfederal entity's Schedule of Expenditures of Federal Awards, see § 200.510(b)) unless OMB designates a specific cognizant agency for audit. When the direct funding represents less than 25 percent of the total expenditures (as direct and subawards) by the nonfederal entity, then the federal agency with the predominant amount of total funding is the designated cognizant agency for audit. Prior to 2022, the EPA left the review of single audits to the OIG. Starting in 2022, the EPA took over the review of single audits; however, we are not aware of the EPA employing any auditors to conduct these reviews.

We also do not believe that the EPA places the right emphasis on single audits for passthrough entities like the state revolving funds. Single audits are an important tool in ensuring that recipients of federal grants and other forms of assistance have internal controls in place to ensure that the money will be used appropriately. Findings in a single audit can be serious, arising from such issues as charging unallowable costs to a grant or failing to follow the terms and conditions of a federal program. With respect to subrecipients, such as Jackson, Mississippi, the EPA is leaving the responsibility for the resolution of single audit findings to the passthrough entity. Instead, the EPA should ensure that the passthrough entity addresses and resolves any audit findings that impact the EPA's programs.

10. I understand that OIG has looked into the cybersecurity posture of our Nation's water treatment facilities. EPA and the National Security Council have struggled to improve the security posture of this sector through regulatory means at the Federal and state level.

a. Do you believe that moving water sector cybersecurity to the EPA Office of National Security would create a more meaningful opportunity to improve the cyber readiness of water treatment facilities nationally?

The decision as to which EPA program office that should manage this is a policy decision for the EPA involving things like personnel assignment and budget. Regardless of the EPA office involved with water sector cybersecurity oversight, the Agency should recognize the value that the OIG adds to this matter. Specifically, the OIG has criminal investigators with the necessary training and expertise to bring criminal charges against bad actors who exploit cyber security vulnerabilities. In November 2024, the OIG issued the Management Implication Report *Cybersecurity Concerns Related to Drinking Water Systems*, which identified 97 drinking water systems serving approximately 26.6 million users as having either critical or high-risk cybersecurity vulnerabilities. In addition, in November 2022, we issued [The EPA Met 2018 Water Security Requirements but Needs to Improve Oversight to Support Water System Compliance](#), which found that if water systems do not complete risk and resilience assessments or emergency response plans, they are more vulnerable to cyberattacks and other malevolent acts. The 19 percent of water systems that did not certify completion of these assessments and plans serve 40 million people.

b. Why?

From our oversight perspective, the most important characteristics for the office charged with water sector cybersecurity is that they possess experience in informing national security decisions and policymaking efforts, countering threats to EPA's equities and interests, expanding resources through effective partnerships, and providing a national capability to coordinate and integrate national security resources.

Our OIG Office of Investigations has found ONS to be a receptive partner in our efforts to oversee the EPA's support of the water and wastewater critical infrastructure sector and ONS's mission is consistent with the characteristics identified above.

11. Has digitizing compliance documents been a net-plus for States and the EPA?

Digitizing documents is the first step, but not the last, to assisting in the oversight of the significant amount of taxpayer dollars that are going through the EPA to the states. Moving from paper documentation to digitizing compliance documents is always a net-plus, but more still needs to be done. Collecting data in a digital format is essential to providing greater access to information for our oversight efforts. However, the EPA needs to structure the digitized documents and store that information in a database that can be searched. This final step is still lacking and is a challenge for the EPA.

One such program that is in need of better data management is the oversight of the state revolving funds. We issued a report in October 2024, [Management Implication Report: Poor Data Management Hinders Oversight of Clean and Drinking Water State Revolving Fund Programs](#), that identified six states who are collecting and storing subrecipient and contractor in paper formats. Thirty-six states indicated that they were storing their data in electronic formats. Digitizing compliance documents does make accessing information easier, but if the underlying data is not extracted and structured, then it is difficult to conduct proactive oversight using data analytics.

12. How are EPA's institutional controls, with regard to Superfund monies, being deployed regarding the new excise tax revenue it is receiving from IRA and IJA?

We review Superfund monies used as part of the annual Agency Consolidated financial statements audit. The Agency uses both appropriated and tax funds for Superfund clean-ups. We have not noted any issues in our review of the funds used or the associated internal controls in place.

- a. Is EPA in the best position to use this revenue for cleanups as soon as the tax revenue is received?
We will continue to review Superfund monies used as part of future annual Agency financial statement audits.

13. Pre-enactment revenue projections, based on the instatement of certain Superfund taxes in both the IJJA and IRA, have not been fully realized.

- a. Has OIG been tracking these shortfalls?

Yes, we reviewed the Agency's shortfall in our 2024 Agency Consolidated financial statement report and will continue to review the shortfall going forward. Our financial statement report notes that the IJJA invested \$3.5 billion in environmental remediation at Superfund sites and reinstated the Superfund chemical taxes. This funding will allow the EPA to initiate work on all backlogged remedial construction projects and accelerate cleanups at National Priority List sites across the country. The EPA estimated the FY 2024 tax collections to be about \$1.6 billion. In FY 2024, the EPA received an annual Superfund appropriation of \$538 million.

14. OIG recommended EPA require future Clean School Bus Program applicants provide sufficient application documentation, including eligibility documentation regarding their existing buses. The agency, though, concluded that requiring applicants to provide bus logs would be "burdensome;" arguing that it would be more effective to ask recipients to maintain these bus logs, in case they were audited by EPA after receiving the awards. Again, it seems that the EPA is more interested in getting these awards out quickly than doing its due diligence before handing out the money.

There is no EPA oversight to ensure that Clean School Bus Program applicants that intend to purchase zero-emission school bus replacements have school districts with suitable local conditions, as required by 42 U.S.C. § 16091(b)(3)(B) ("In making awards ... the Administrator shall take into account ... [l]ocal conditions, including the length of bus routes and weather conditions.") Zero-emission school buses have a maximum mileage range of 75 to 200 miles when compared to a range of up to 400 miles with propane and natural gas buses. Factors like extreme cold or heat can further reduce the range of zero-emission school buses. The Agency told us that it is the applicant's responsibility to assess the types of school buses suitable for its school district. However, the EPA did not require applicants seeking funding for zero-emission school bus replacements to submit a suitability analysis or attestation as part of their Clean School Bus Program applications. Because the EPA did not have this information, it cannot provide assurance that all the 2,272 zero-emission school bus replacements funded via the 2022 rebate competition will be suitably and effectively operational in the 358 recipient school districts they will serve. It would be an inefficient use of IJJA money if some of the funded zero-emission school buses do not work well in the recipients' school districts, as those funds could have otherwise been awarded to school districts with suitable conditions for zero-emission school buses.

- a. Do you agree that asking recipients to retain bus logs in case they are audited by EPA after receiving an award is more effective in preventing waste, fraud, and abuse than requiring applicants to provide this documentation in the first place? Why or why not?

As noted in our July 2024 evaluation report, [*The EPA Needs to Improve Internal Controls for Selecting Recipients of Clean School Bus Program Funds*](#), it is imperative that the Agency exercise due diligence before awarding funds to safeguard federal money by requiring all applicants to submit sufficient documentation and by reviewing this documentation to ensure that applicants meet eligibility requirements. For example, one mechanism by which the EPA could do this is the retention and review of bus logs.

- b. Some of these recipients are being awarded millions of dollars. I think that those seeking millions of dollars in taxpayer funding should have to provide adequate documentation in their applications for such funding, even if it is a little bit “burdensome.” Would you agree?

We discussed this issue in our response to the Agency’s planned corrective actions in our evaluation report. While post-award audits of recipients are important, the EPA plans to conduct such audits on *select* recipients, not all recipients. A pre-award review of *all* applications would help prevent potential fraud, waste, and abuse. Therefore, it is imperative that the Agency exercise due diligence *before* awarding funds to safeguard federal funds by requiring all applicants to submit sufficient documentation and by reviewing this documentation to ensure that applicants meet eligibility requirements. As stated previously, one mechanism by which the EPA could do this is the retention and review of bus logs. Without the submission and review of sufficient documentation, the EPA might award funds to ineligible applicants. It would be difficult for the Agency to recover spent funds from recipients that are subsequently determined to not meet all eligibility requirements.

15. The Infrastructure Investment and Jobs Act’s Build America, Buy America (BABA) language contains domestic production requirements for iron, steel, manufactured products and construction materials used in federally funded infrastructure projects. However, agencies may issue waivers for these requirements. In a May 2024 report, the Office of the Inspector General found that the EPA did not always track the use of waivers across the infrastructure projects it was funding. As such, the EPA may not be able to maximize the use of U.S. products and materials in its EPA funded projects, which was supposedly the goal of the BABA language. I understand that the EPA agreed with the Office of the Inspector General’s recommendation to develop and implement a system to track waiver use. The EPA stated that on March 8, 2024, the EPA deployed a new system that would allow it to track waiver use. The EPA had already issued 11 waivers by this point.

a. For example, the EPA had waived all BABA requirements for 2022 Clean School Bus rebates. The EPA and the Federal Highway Administration also issued time-limited waivers for electric vehicle chargers. The agency determined that waiving the domestic production requirements for electric vehicle chargers was in the public interest. So prior to implementing this new system, the EPA had no way to consistently track how often this waiver—and most of the other waivers—were being utilized? That is correct. At the time of the report, all 11 waivers that the EPA issued were general applicability waivers that can apply to multiple projects. Any award recipient can use the waivers if it meets the waiver guidelines. Other than the Water Infrastructure Finance and Innovation Act waiver, the EPA was not tracking how many times these waivers were used. After the issuance of our final report, we reviewed the EPA’s tracking tool to validate that it met the intent of the recommendation. While the tool tracks the application process and the workflow, it did not track how many times each waiver was used. Therefore, the recommendation remains open.

b. In its memorandum issuing the electric vehicle charger waiver, the EPA stated it would continue to meet with stakeholders and consult market research on the domestic electric vehicle charger manufacturing industry. Wouldn’t tracking waiver use potentially provide helpful information on whether a particular waiver was in the public interest and the domestic market for a particular product?

Tracking the waiver use would provide helpful and transparent information regarding the EPA’s ability to meet the intent of BABA.

c. As part of implementing the corrective action, did the EPA go back and add previously issued waivers to this system or take any action to track waivers issued prior to this point?

The EPA did go back and enter the previously issued waivers into the system; however, the system does not track the use of the waivers. Therefore, we are still unable to determine how many projects

used the waivers. We are unaware of any other action by the EPA to track the use of the waivers issued prior to the report.

16. Inflation Reduction Act appropriated to the EPA \$3 billion for Environmental and Climate Justice Block Grants. A new office, the Office of Environmental Justice and External Civil Rights, will be responsible for this funding, as well as other programming. The Committee previously pressed EPA for more information about how it will address some of the risks associated with programs this office will administer. We previously shared with EPA our concerns about the special interest activism and partisan activities of recipients under the Environmental Justice Thriving Communities Grantmaking Program. Committee members also highlighted challenges with conducting oversight over programs utilizing the “pass-through” model, under which EPA will provide funding to recipients and then entrust them to hand out smaller awards to other organizations, or subrecipients.

a. In the OIG’s most recent Top Management Challenges report, your office expressed concern about this new environmental justice program office being responsible for so much funding. Has your office had the opportunity to assess EPA’s efforts to stand up this new office and put in place proper mechanisms to monitor all of this new funding?

The OIG has two projects planned in FY 2025 to review how funds are managed in the Environmental Justice Program Office. The first project is an ongoing [*audit of the Environmental Justice Collaborative Problem-Solving Cooperative Agreement Program*](#). We are determining if Environmental Justice Collaborative Problem-Solving Cooperative Agreements are achieving project objectives and the EPA’s monitoring of these projects ensures funds are used as intended. The second project is the [*evaluation of Select Recipients of Environmental Justice Government-to-Government Program Grants*](#). We are determining whether select recipients of Environmental Justice Government-to-Government Program grants complied with program requirements and achieved intended goals and outcomes in support of the program’s objectives.

b. The OIG also stated it remains concerned about that office avoiding or omitting important internal controls in an attempt to disperse its funding to new recipients. Can you please elaborate on these concerns?

The IRA carries more risk of fraud, waste, and abuse than the IJA for two main reasons. First, it creates more new programs than the IJA, and new programs are inherently more prone to inefficiencies and errors than existing programs. Second, whereas most of the EPA’s IJA appropriations are no-year funds, the IRA appropriations have expiration dates ranging from the end of fiscal year 2024 to the end of fiscal year 2031. The pace of this spending, when conducted by newly created programs and received by new recipients, significantly increases the vulnerability of all parties to fraud and creates the potential for errors or inefficiencies in execution. The rapid implementation of the program, combined with the relatively narrow window of availability for such a significant amount of funding, may lead the EPA to expend the funds without fully establishing the internal controls that mitigate the risk of fraud, waste, and abuse.

Early in the process, I raised concerns before your committee about anti-fraud protections related to grants awarded by the Office of Environmental Justice and External Civil Rights and noted my office’s continuing efforts to work with the EPA to, among other things, strengthen contract and grant attestations; improve training to ensure that EPA contract and grant recipients are well informed on program rules, procedures, and reporting requirements; and establish internal controls that identify potential program risks. The Shortly thereafter, in March 2023, we issued [*Management Implication Report: Mitigation of Grant Fraud Vulnerabilities*](#), sharing suggestions on how the EPA could improve awareness of key fraud prevention and enforcement measures by grant recipients and subrecipients, such as those who would receive money from the Greenhouse Gas Reduction Fund.

For example, we suggested that the EPA's terms and conditions add requirements that recipients and subrecipients report suspected fraud, waste, or abuse to the OIG and requirements regarding whistleblower protection. The EPA incorporated these suggestions in the General Terms and Conditions effective October 1, 2023.

17. The South Coast Air Quality Management District has argued it can't reach federal air quality standards without major emissions cuts from sources regulated by the federal government, like trucks, trains and ships. Notably, the South Coast Air Quality Management District received a half-billion dollar IG grant for converting certain kinds of transportation in the Inflation Reduction Act.

a. Are you aware of communication between EPA and CARB regarding this grant?

The focus of our report, [*The EPA Did Not Ensure that Two of the Largest Air Oversight Agencies Identified and Inspected Potentially Significant Sources of Air Pollution*](#), was not on emissions or Air Quality Standards reported from South Coast related to the transportation sector, but rather on the quality of the data South Coast identified and reported for SM-80s. As such, we are not aware of communications between the EPA and CARB regarding this grant.

b. Did any of this communication focus on the South Coast Air Quality Management District's efforts to use federal or other legal levers to force stringent air requirements on transportation?

Please see response above.

c. Have you looked into regulatory coordination between California and EPA on transportation waivers for items that EPA may not otherwise be able to accomplish on its own – like mandated electric Locomotive replacement?

We do not have any completed or ongoing work in this area.

18. I appreciate the OIG's interest in the Class VI Well Program and the \$5 million in annual funding that IJA provides to EPA to improve its permitting efforts as well as delegating primacy to States to operate Class VI programs.

a. Are there any findings you are at liberty to share with the Committee today?

This is an ongoing report. We would be pleased to meet with the Committee to discuss our findings when the report is finalized and issued.

b. Can you share exactly when this fall you will be issuing a draft report of your oversight?

We expect to issue our final report in the spring of 2025.

19. To date, three states have been granted Class VI primacy by the EPA: North Dakota, Wyoming, and Louisiana. These approvals followed an unpredictable, long application review process that lasted multiple years. In recent months, I understand six states have begun pre-application and application activities for receiving Class VI primacy.

a. Is your office investigating why delays persist in this office on permitting – whether EPA issued Class VI or primacy applications, and what will be done to expedite the process?

Our Office of Special Review and Evaluation is evaluating whether the EPA is meeting its goal of permitting Class VI permits within the two years.

b. Will you commit to working with me to more fully explore the Underground Injection Control office's Class VI funding and operations?

My office is available to meet with you and your staff to discuss the report and share information on the UIC office's funding and operations.

20. The 'Clean School Bus Program' provisions in the Infrastructure Investment and Jobs Act (Section 71101 of Public Law 117—58 or IIJA), amended section 741 of the Energy Policy Act of 2005.

a. Did this amendment in IIJA to the Energy Policy Act section 741 create a new subsection (b)(3) that placed considerations on the awards made by the Environmental Protection Agency for clean and zero emissions school buses?

Yes, the IIJA made significant modifications to section 741 of the Energy Policy Act of 2005, 42 U.S.C. § 16091, including creating what is currently subsection (b)(3). In addition, the Consolidated Appropriations Act of 2023 (Pub. L. 117–328, div. O, title IV, § 405) also substantively amended section 741, although it did not specifically amend subsection (b)(3).

b. Did those considerations forbid EPA from emphasizing one enumerated criterion over others?

In EPA OIG July 2024 report, [*The EPA Needs to Improve Internal Controls for Selecting Recipients of Clean School Bus Program Funds*](#), we examined the EPA's implementation of these criteria and noted that one reading of the IIJA is that consideration of the four criteria applies to the review of individual applications and not to the program as a whole. However, the EPA decided to consider the four criteria when designing the program. This means that the EPA did not consider the lowest overall cost of bus replacement, local conditions, technologies that reduce the most emissions, or cost parity with regard to technology for each application. Additionally, while the IIJA states that the EPA "shall not give preference to any individual criterion," the EPA interpreted the statute to mean that the Agency could give preference to two or more criteria, and the EPA did so. Because the statutory text at issue is susceptible to multiple interpretations, the OIG concluded that the EPA's interpretation is not clearly inconsistent with text of the IIJA.

c. Where those enumerate award considerations the following: (1) the lowest overall bus replacement cost, (2) local conditions, including the length of bus routes and weather conditions, (3) technologies that most reduce emissions, and (4) whether award funds will bring new technologies to scale or promote cost parity between old technology and new technology?

Yes, section 741(b)(3) of the Energy Policy Act of 2005, as amended, 42 U.S.C. § 16091(b)(3), reads as follows:

(3) Considerations in making awards under paragraph (2)(B), the Administrator shall take into account the following criteria and shall not give preference to any individual criterion:

(A) Lowest overall cost of bus replacement.

(B) Local conditions, including the length of bus routes and weather conditions.

(C) Technologies that most reduce emissions.

(D) Whether funds will bring new technologies to scale or promote cost parity between old technology and new technology.

The Honorable Dan Crenshaw

1. You have previously highlighted that the unprecedented funding flowing through new programs created by the Inflation Reduction Act to new recipients in a compressed timeframe creates an elevated risk for fraud, waste, and abuse. In your opinion has your agency done enough to ensure that funds distributed through the Greenhouse Gas Reduction Fund are managed responsibly?

As mentioned in my testimony, we oversee the EPA's distribution of IRA funding; however, both the House and Senate FY 2025 appropriation bills provide for dedicated IRA funding for OIG oversight. The Agency has stated their concern about the lack of OIG funding, in part because they have also stated that they are

relying on the OIG to make sure that these funds are expended appropriately. We are further concerned that some of the systemic issues we observed in grants management and single audits prior to the Agency's implementation of IIJA funding could create similar problems in its IRA programs, such as the Greenhouse Gas Reduction Fund. In our August 2022 report [Considerations for the EPA's Implementation of Grants Awarded Pursuant to the Infrastructure Investment and Jobs Act](#) discusses deficiencies in the EPA's grant administration and oversight that denoted areas for improvements, which included strengthening its monitoring and reporting, establishing and implementing detailed work plans, and requiring adequate documentation to support grant payments. Also, we reported in [Considerations from Single Audit Reports for the EPA's Administration of Infrastructure Investment and Jobs Act Funds](#) that for programs that expected to receive IIJA funds, that most instances of the single audit non-compliances were in areas related to procurement, suspension and debarment, reporting, allowable costs, and cash management. We look forward to working further with Congress to address this resource issue and ensure proper oversight of IRA programs.

2. While the EPA administrator has publicly acknowledged the important role that your office plays ensuring that IIJA and IRA funds are spent properly, has the agency fully incorporated all of the guidance and suggestions that the OIG has provided to the EPA? If not, what suggestions have they failed to implement? As of November 2024, we have issued 41 recommendations stemming from our IIJA oversight work. Of those recommendations, 23 remain open, ten have been closed, and eight have been unresolved, meaning that the EPA has yet to agree with the corrective actions needed to address those recommendations. These recommendations have been identified across multiple reports and subject matter areas. Our most recent Semiannual Report to Congress will provide more detailed information on the reports and their recommendations.

3. While organizations receiving over \$750 million in federal funding will be subject to the single audit requirement—such as those selected to manage the National Clean Investment Fund—subgrantees receiving less than that amount will not be subject to the same requirement. Do you believe that the EPA has implemented sufficient guardrails to ensure that funds are administered properly through the National Clean Investment Fund?

The Uniform Administrative Requirements, Cost Principle, and Audit Requirements for Federal Awards, 2 C.F.R. part 200, requires any nonfederal entity that expends \$750,000 or more in federal funds in a fiscal year to undergo a single audit of its financial statements and federally funded programs. This threshold has increased to \$1 million for audits with periods beginning on or after October 1, 2024.

A subgrantee must expend at least \$1 million in federal funds during the subgrantee's fiscal year, to be subject to a single audit. The terms and conditions for the NCIF do address requirements for reporting from the subgrantee to the recipient, and from the recipient to the EPA's project officer. We have not conducted an audit of this fund to opine whether there are sufficient guardrails over funds administered under this new grant program.

4. EPA advisor Zealan Hoover previously testified that there are robust guardrails for subgrantees. What measures are in place to verify subgrantees are using the funds appropriately?

Mr. Hoover's testimony highlighted the importance of OIG oversight in safeguarding IRA funding and noted that we are a key guardrail in the fight against waste, fraud, and abuse. While the OIG did not receive dedicated funding for IRA oversight, we are pleased to see that both the House and Senate FY 2025 appropriations bills include funding for us to oversee the EPA's IRA programs and operations. That said, we have an ongoing IIJA project relevant to this topic. In March 2024, we initiated [Audit of the EPA's Oversight of State Subrecipient Monitoring in the Clean Water State Revolving Fund Program](#) to determine whether the EPA's guidance and oversight practices ensure that states are adequately monitoring the subrecipients of

IJA funds distributed via the CWSRF Program. We plan to issue a report in March 2025 that reviews how the states are overseeing subrecipients.

5. One of the programs created under the IRA is the so called “Solar for All” grant program. Part of the requirements for projects under this grant is the “Build American Buy America” sourcing requirements. Unfortunately, we know that China dominates the supply chain to solar panel components. Mr. O’Donnell do you have concerns about the potential for taxpayer funding going to Chinese solar component manufacturers?

We have an abiding concern about Buy American provisions across the board, including with respect to solar. The EPA’s guidance and oversight for compliance with these provisions is inadequate. Affected stakeholders have told us that they find the guidance so nebulous that they are deeply concerned they may not be complying with BABA requirements. Specifically, stakeholders said that there is enough “gray area” in the guidance for people to come in and make money or to take over that industry, where the manufacturers themselves have been pretty fastidious in trying to meet the spirit of BABA. This is one example of our concerns.

6. In your testimony you highlighted that in 2021 the EPA operated over 50 different systems to manage its numerous grant programs which made it impossible to standardize report data effectively and posed massive obstacles to automated fraud detection. Has the EPA made sufficient progress integrating its grant systems to ensure proper implementation of automated fraud detection systems?

We are unaware of any automated fraud detection systems that the EPA has implemented. There are still multiple systems that store grant data across the EPA. The EPA is currently working to update a data catalog across program offices and regions that will help to identify and improve where specific types of information, such as grant data, is being stored.

7. Throughout your testimony you illustrated a concerning trend of EPA personnel resisting bringing forward allegations of fraud. Do you believe that there is a culture of opposition to transparency among some EPA staffers? If yes, what changes need to be made by Congress or by EPA Administrator Regan in order to address the systemic resistance of transparency by EPA staff?

Earlier this year, we proclaimed 2024 the “Year of Fighting Fraud” and launched a new oversight campaign to ramp up our fraud prevention and detection efforts. Robust oversight also relies upon cooperation from the Agency. As noted in my testimony, preventing and detecting fraud, waste, and abuse is a shared responsibility among everyone in the EPA, from senior executives to staff. Despite the EPA administrator’s cooperative “tone from the top,” our efforts to vigorously pursue and root out fraud, waste, and abuse have often been frustrated by EPA staff. In June 2024, we issued [Management Implication Report: The EPA Failed to Comply with the OIG’s Preservation Requests for Access to Mobile Device Information](#), alerting EPA management to the need to ensure that mobile devices for separating employees are properly preserved and timely accessible to the Office of Inspector General to prevent the loss of evidence and other relevant records. This issue arose during an administrative investigation of a senior official for alleged ethics violations who was scheduled to separate from the Agency. The Agency failed to retain three mobile devices in a manner that would allow us or the Agency to retrieve records that may have been relevant to our investigation, despite our request to do so before the senior employee separated. And in September 2024, we issued [Management Implication Report: The EPA Did Not Properly and Timely Disclose Fraud in its Programs and Operations](#), identifying a concern regarding the EPA’s obligation to properly and timely disclose fraud to the OIG. Specifically, we found that the EPA failed to properly and timely disclose to the OIG unmistakable indicators of fraud against the EPA, the Clean Air Act, and the EPA’s programs and operations by a business entity owner. As a result of the EPA’s failure to properly disclose these indicators of fraud in a timely manner to the OIG, the U.S. Attorney’s Office declined to pursue criminal charges against the business entity owner involved.

To address this concern, the OIG has developed a proposal that clarifies the OIG's oversight jurisdiction, making clear that we have authority to investigate allegations of fraud, including false statements to the government (18 U.S.C. § 1001), by any person or entity that is subject to regulation by the U.S. Environmental Protection Agency. This will make clear that the EPA OIG will be able to track federal funds to the last the dollar, even when those federal funds have gone through passthrough entities like participants in the Greenhouse Gas Reduction Fund.

8. At one point in your testimony, you referenced a series of reports addressing allegations from five EPA scientists who reported retaliation for expressing differing scientific opinions in chemical assessments. I have been increasingly concerned by the lack of scientific integrity at the EPA's Office of Chemical Safety. Do you believe that reprisals against scientists who express differing opinions weakens the scientific integrity of the Agency?

According to the EPA's Scientific Integrity policy, science is the backbone of the EPA's decision-making. The expression of differing scientific opinions is necessary for independent, robust science. Under the EPA's Principles of Scientific Integrity, EPA employees must welcome differing views and opinions on scientific and technical matters as a legitimate and necessary part of the scientific process. Retaliation against scientists for expressing differing scientific opinions weakens scientific integrity and, correspondingly, undermines the Agency's ability to ensure its programs and operations are informed by sound science and rigorous, evidence-based decision-making.

The Honorable Russ Fulcher

1. Earlier this year, Chair Rodgers and Chair Carter wrote Administrator Regan a letter highlighting the Committee's significant concerns that \$600 million in grants provided through the Environmental Justice Thriving Communities Grantmaking program could be abused. In particular, this Committee is concerned that this program's broad funding can be abused by anti-development and left-wing activist groups to create opposition to essential energy projects. Has your office investigated these grant recipients? If so, what has your office uncovered about the use of funds? If not, do you plan to do so?

Currently we are not auditing the Thriving Communities Grantmaking program. However, in October 2024 we initiated an [audit of EPA's Environmental Justice Collaborative Problem-Solving Cooperative Agreement Program](#). Our objective is to determine whether the Environmental Justice Collaborative Problem-Solving Cooperative Agreement Program is achieving project objectives and whether the EPA's monitoring of these projects ensures funds are used as intended. The anticipated benefits of this audit include identifying potential improvements to the effectiveness, economy, and efficiency of these funds, which will lead to better assistance to underserved communities as they work to address environmental and public health challenges. With respect to investigations, we are not in a position to discuss any ongoing criminal, civil, or administrative investigations related to the Environmental Justice Thriving Communities Grantmaking program.

We have a number of projects planned in fiscal year 2025 related to the Thriving Communities Grantmaking program. We plan to audit the EPA's Institute of Sustainable Communities Cooperative Agreement, which is under the Environmental Justice Thriving Communities Technical Assistance Centers Program. The planned audit objective is to determine whether the Institute for Sustainable Communities' practices, procedures, and incurred costs comply with the agreement's terms and conditions and federal requirements. We also plan to evaluate the EPA's Environmental Justice Government-to-Government (EJG2G) Program. The EJG2G Program provides financial assistance at the state, local, territorial, and tribal level to support government activities that lead to measurable environmental or public health impacts in communities disproportionately

burdened by environmental harms. Recipients receive up to \$1 million. The proposed objective of that planned work is to determine whether select recipients of EJG2G program grants complied with program requirements and achieved intended goals and outcomes in support of the program's objectives.

We also plan to announce an audit based on a Hotline complaint concerning a contractor who received funds to help disadvantaged communities address environmental justice challenges. We will determine if this involves the Environmental Justice Thriving Communities Program.

2. Past EPA Office of Inspector General and Government Accountability Office reviews found that EPA faced challenges managing its grants. Do you anticipate similar challenges with IRA-funded programs? As mentioned throughout my testimony, we do anticipate similar challenges with IRA-funded programs. Unfortunately, the benefit of dedicated oversight dollars for the EPA was not built into the IRA, but as stated earlier we are glad to see both the House and Senate include such funding into their respective FY 2025 appropriations bills.