

May 1999

SUPERFUND

EPA Can Improve Its Monitoring of Superfund Expenditures



**Resources, Community, and
Economic Development Division**

B-282352

May 11, 1999

Congressional Requesters

The Environmental Protection Agency (EPA) spends about \$1.4 billion a year on the Superfund program to address the potential threats to human health and the environment resulting from hazardous waste sites. While EPA relies on cleanup contractors to study, design, and implement site cleanups, it undertakes a number of activities and incurs expenses that support the cleanups. Some of these support activities and costs are site-specific in nature, such as supervising cleanup contractors, performing laboratory analysis, and compelling private parties to perform cleanups for which they are responsible. Other support activities and costs are non-site-specific, such as management and administrative activities and expenses for rent and computer services. Each of EPA's 10 regional offices, as well as several headquarters units, carry out these activities. This is the third in a series of reports in which we have analyzed Superfund expenditures. The first report discussed trends in Superfund spending over a 10-year period.¹ The second analyzed the portion of Superfund spending that went to cleanup contractors.² As agreed with your offices, this report analyzes data for fiscal years 1996, 1997, and 1998 to determine (1) the relative shares of Superfund expenditures for contractor cleanup work, site-specific support, and non-site-specific support; (2) the activities carried out with EPA's cleanup support spending, particularly its non-site-specific spending; and (3) EPA's efforts to monitor and analyze how its regions and headquarters units spend Superfund resources, particularly the distribution of expenditures among contractor cleanup work, site-specific support, and non-site-specific support.

Results in Brief

Over the last 3 years, the share of total Superfund expenditures for contractor cleanup work was about 45 percent, but declined from about 48 percent in fiscal year 1996 to about 42 percent in fiscal year 1998. Over this period, expenditures for non-site-specific support were about 38 percent, whereas those for site-specific support were about 17 percent. However, we found substantial variation among EPA's regions in the shares of their expenditures devoted to each of these cost categories. For example, spending for non-site-specific support ranged from a low of 14 percent in EPA's Boston region to 30 percent in EPA's San Francisco region.

¹Superfund: Trends in Spending for Site Cleanups (GAO/RCED-97-211, Sept. 4, 1997).

²Superfund: Analysis of Contractor Cleanup Spending (GAO/RCED-98-221, Aug. 4, 1998).

EPA spends its support funds predominately on administrative activities. Although EPA classifies its Superfund expenditures into over 100 separate activity categories, we found that over 60 percent of all Superfund support expenditures (both site-specific and non-site-specific) were accounted for by three activities—general support and management, general enforcement support, and remedial support and management. Moreover, almost 80 percent of EPA’s non-site-specific spending was concentrated on these three administrative activities. For the three regions that we reviewed in detail, these non-site-specific expenditures were primarily personnel expenses for activities such as management, administrative and secretarial support, financial management, public affairs, and contract management. For the three headquarters units that we reviewed in detail, this spending was on items such as rent; information management; facilities operations and maintenance; program and policy development; and budgetary, financial, and administrative support.

EPA monitors the Superfund spending of its regions and headquarters units in several ways, including tracking whether funds are obligated at the expected rate and in compliance with the approved operating plan, and monitoring program accomplishments. However, EPA does not monitor or analyze the expenditures of its regions and units in terms of the relative shares of contractor cleanup costs, site-specific support costs, and non-site-specific support costs. Conducting such analyses would provide EPA with an additional tool to identify potential cost savings in Superfund spending, and we are therefore recommending that EPA regularly conduct such analyses.

Background

In 1980, the Comprehensive Environmental Response, Compensation, and Liability Act created the Superfund program to clean up highly contaminated hazardous waste sites. Under the act, EPA is authorized to compel the parties responsible for the contamination to perform the cleanup. EPA may also pay for the cleanup and attempt to recover the cleanup costs from the responsible parties. When EPA pays for the cleanup, the work is conducted by a private contractor who is directly hired by EPA, another federal entity, or a state.

Superfund contractors study and design cleanups, as well as manage and implement cleanup actions at sites on the National Priorities List (EPA’s list of the nation’s worst hazardous waste sites) or at sites where there are immediate threats from hazardous wastes. In our 1998 report on contractor cleanup spending, we reported that for remedial action

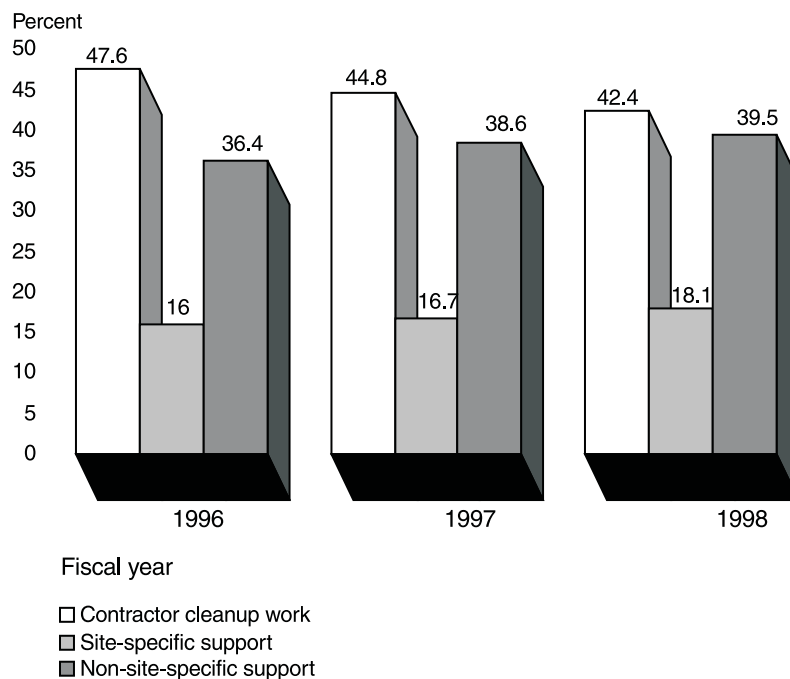
cleanups managed by EPA, about 71 percent of the costs charged by cleanup contractors was for the subcontractors who physically performed the cleanups—such as earthmoving and constructing treatment facilities. The remaining 29 percent went to the prime contractors for professional work, such as construction management and engineering services, and associated travel, overhead, and administrative costs and fees.

For the purpose of this report, contractor cleanup work includes all Superfund spending for the study, design, and implementation of cleanups. The remaining Superfund spending is classified as cleanup support, which includes both site-specific and non-site-specific support. Site-specific support consists of Superfund activities linked to a specific hazardous waste site, such as supervising cleanup contractors and conducting site analyses. Non-site-specific support consists of activities related to the overall Superfund program, rather than a specific site, and includes activities such as financial management and policy development.

Most Superfund Spending Is for Support Activities

The share of total Superfund expenditures for contractor cleanup work declined from about 48 percent in fiscal year 1996 to about 42 percent in fiscal year 1998. Over the same period, spending for site-specific support increased from about 16 percent of total Superfund expenditures to about 18 percent. Finally, the non-site-specific expenditures also increased from about 36 percent to over 39 percent. (See fig. 1.)

Figure 1: Superfund Spending for Contractor Cleanup Work, Site-Specific Support, and Non-Site-Specific Support, as a Percentage of Total Expenditures, Fiscal Years 1996 Through 1998



Note: Not all fiscal year percentages add to 100 percent because of rounding.

Source: GAO's analysis of EPA's data.

As the figure shows, the share of Superfund expenditures used for contractor cleanup work decreased between fiscal year 1996 and fiscal year 1997, and again in fiscal year 1998. EPA officials could not explain these changes in detail because they had not analyzed Superfund costs in this manner and were unaware of this decline until we presented the results of our analysis. Similarly, EPA officials were unaware of, and therefore did not have an explanation for, the changes in the other cost categories shown in figure 1 above. The actual expenditures for contractor cleanup work, site-specific support, and non-site-specific support for fiscal years 1996 through 1998 are shown in table 1.

Table 1: Superfund Expenditures for Contractor Cleanup Work, Site-Specific Support, and Non-Site-Specific Support, Fiscal Years 1996 Through 1998

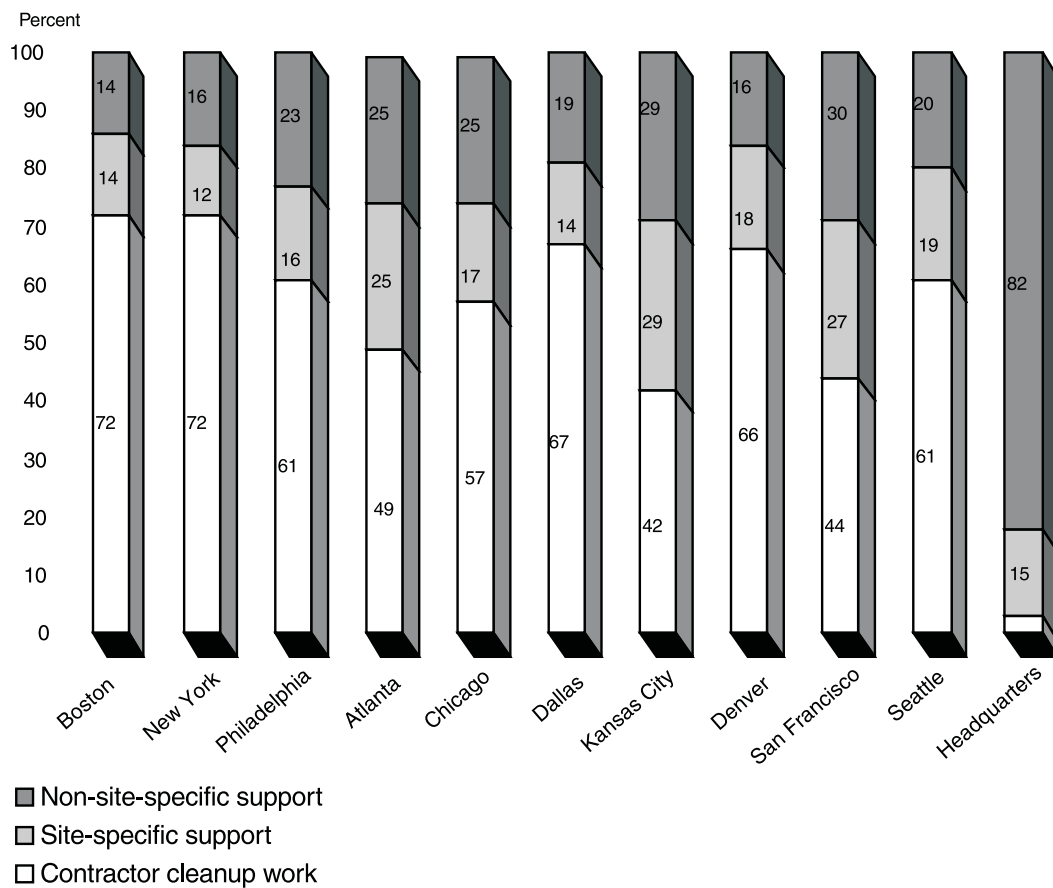
Dollars in millions				
Expenditure category	FY 1996	FY 1997	FY 1998	Total
Contractor cleanup work	\$685.4	\$649.5	\$595.3	\$1,930.2
Site-specific support	230.4	241.7	253.9	726.0
Non-site-specific support	524.9	559.6	553.9	1,638.4
Total	\$1,440.7	\$1,450.8	\$1,403.1	\$4,294.6

Source: GAO's analysis of EPA's data.

Expenditure Mix Varies Among Regions and Headquarters Units

Over the 3-year period of our analysis, the mix of spending for contractor cleanup work, site-specific support, and non-site-specific support varied substantially among EPA's regions and headquarters units. (See fig. 2.)

Figure 2: Types of Superfund Spending, by Regions and Headquarters, Fiscal Years 1996 Through 1998



Note: Not all regional percentages add to 100 percent because of rounding.

Source: GAO's analysis of EPA's data.

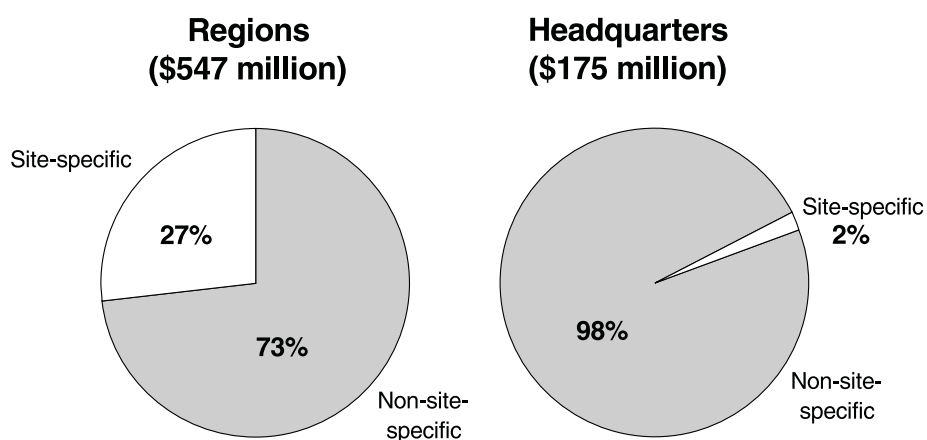
As shown in figure 2, the mix among contractor cleanup work, site-specific support, and non-site-specific support is substantially different between headquarters and the regions. This difference can be expected because headquarters functions are more related to administration and management, while the regions have primary responsibility for overseeing the implementation of cleanups. However, our analysis also identified

substantial variation among the regions in the mix of their expenditures. Specifically, expenditures for contractor cleanup work ranged from a low of 42 percent in EPA's Kansas City region to a high of 72 percent in EPA's Boston and New York regions. Site-specific support spending ranged from a low of 12 percent in EPA's New York region to a high of 29 percent in EPA's Kansas City region. Non-site-specific support ranged from a low of 14 percent to a high of 30 percent among EPA's regions. These differences in the relative shares of expenditures among these categories—more than double in some instances—raise questions about the factors underlying them. We discussed these variations with EPA headquarters officials. However, because EPA does not analyze Superfund expenditures in this manner, they did not have an explanation for the specific factors underlying these regional differences and whether they warrant action.

Most Superfund Personnel Spending Is for Non-Site-Specific Functions

We also examined EPA's Superfund personnel costs because they account for a significant share of all Superfund support costs. In total, over the last 3 years, about 21 percent of EPA's Superfund personnel expenses have been for site-specific functions and 79 percent for non-site-specific functions. As shown in figure 3, this breakdown varies substantially between regional personnel spending and headquarters personnel spending.

Figure 3: Mix of Superfund Personnel Spending, by Regions and Headquarters, Fiscal Years 1996 Through 1998



Source: GAO's analysis of EPA's data.

Over the 3-year period of our analysis, Superfund personnel spending totaled about \$722 million. Of this, about \$547 million was for regional personnel spending, and the remaining \$175 million was for headquarters personnel spending. Over this period, the breakdown between site-specific and non-site-specific personnel spending within the individual units (headquarters and each of the regions) remained relatively constant from year to year. However, we found that there was variation among the regions. For example, site-specific personnel spending for the 3-year period ranged from a low of 22 percent in one region to a high of about 33 percent in another region—a 50-percent difference between the lowest and highest regions. Because EPA headquarters does not analyze Superfund personnel costs in terms of the amount of site-specific and non-site-specific spending, the meaning of these differences is unclear.

EPA's Support Spending Is Predominately for Administrative Activities

In 1996, EPA implemented improvements to its Superfund accounting system to better track Superfund expenditures. EPA expected that these improvements would help it compile more detailed cost information to support the agency's efforts to recover costs from responsible parties and to improve internal tracking of Superfund financial data for management purposes. These improvements introduced over 100 categories to account for the activities that are paid for with Superfund money. Some of the categories capture activities that are site-specific, such as monitoring and supervising cleanups conducted by private parties, while other categories capture activities that are more administrative, such as maintaining automated data processing systems.

We found that Superfund spending is not evenly distributed among all the activity categories. Three of the more than 100 categories accounted for over 60 percent of all Superfund support costs (both site-specific and non-site-specific). These three categories are defined by EPA as follows:

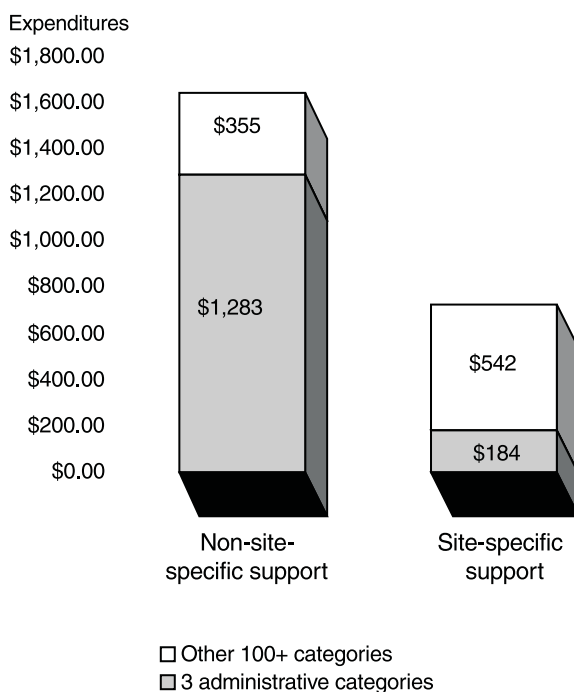
- General support and management—includes all activities associated with managing and evaluating costs for site characterization. Also includes the general support activities required to operate and maintain the Superfund program. Activities include, but are not limited to, the following contractual services: establishing, maintaining, and revising automated data processing systems, and conducting special studies to help determine programmatic direction in future years.
- General enforcement support—includes all activities associated with managing and evaluating the enforcement program. Activities include, but are not limited to, the following contractual services: establishing,

maintaining, and revising automated data processing systems, and conducting special studies to help determine programmatic direction in future years.

- Remedial support and management—includes all activities associated with managing and evaluating the remedial program.

Figure 4 shows EPA's spending for non-site-specific and site-specific support.

Figure 4: Categories of EPA's Superfund Support Expenditures, Fiscal Years 1996 Through 1998
(Dollars in Millions)



Source: GAO's analysis of EPA's data.

EPA's non-site-specific spending was more concentrated in these three administrative categories than its site-specific spending. Specifically, about 78 percent of EPA's non-site-specific spending was in the three administrative categories, compared to only 25 percent of the site-specific spending. Given the concentration of non-site-specific spending under

these three categories, we conducted a detailed analysis of 1 year's (fiscal 1997) non-site-specific spending under these three administrative categories for three EPA regions and the three headquarters offices that had the highest amount of Superfund spending—the Office of Administration and Resources Management, the Office of Enforcement and Compliance Assurance, and the Office of Solid Waste and Emergency Response.

For the three regions, most of the non-site-specific spending was on personnel items—such as management, administrative, and secretarial support—and general support activities, such as financial management, facility management, public affairs, and contract management. We found that some of this spending represented cost allocations to the Superfund program, while other spending was more directly related to specific program activities. For example, in all three regions we found that some of the non-site-specific costs had been allocated to the Superfund program for its share of expenses, such as the regional administrator's management, clerical, and administrative costs, regional motor pool expenses, and computer equipment and service costs. We also identified a few instances in which non-site-specific expenditures were more directly related to implementing cleanups, such as expenditures on annual physical examinations for staff who conduct field work at hazardous waste sites.

Among the headquarters units, the Office of Administration and Resources Management had non-site-specific Superfund expenditures for items such as rent, information management, and facilities operations and maintenance. The Office of Enforcement and Compliance Assurance had non-site-specific expenditures for items such as overall program direction; policy development; and budgetary, financial and administrative support. This Office also incurred expenses for criminal investigations and for activities such as field sampling and laboratory and forensic analyses in support of criminal cases. These expenses were recorded as non-site-specific to protect the confidentiality of ongoing criminal investigations. The Office of Solid Waste and Emergency Response had non-site-specific expenditures for personnel functions, such as developing national strategy programs, technical policies, regulations and guidelines, and for providing program leadership for such activities as community involvement, program planning and analysis, contract management, information management, and human and organizational services. This Office also incurred non-site-specific expenditures for contracted

functions such as worker training, analytic support for EPA's contract laboratory program, and information management support.

We also analyzed EPA's spending for site-specific support activities for fiscal years 1996 through 1998. We found that about \$184 million of the site-specific spending was in the three administrative categories. About \$542 million was in the other more than 100 categories, for activities such as developing information for enforcement cases, overseeing cleanups at federal facilities, conducting site analyses and studies, overseeing private party cleanups, conducting laboratory analysis, and supervising cleanup contractors.

EPA's Monitoring and Analysis of Superfund Expenditures

EPA regularly monitors and performs analyses of Superfund spending. These analyses, however, do not examine the breakdown of Superfund expenditures in terms of contractor cleanup work, site-specific support, and non-site-specific support. The Director of the Superfund office responsible for resources and information management provided a summary of the activities EPA undertakes to manage Superfund spending, including:

- monitoring whether regions and units obligate funds at the expected rate and in accordance with the agency's operating plan;
- conducting midyear reviews that focus on program accomplishments, contracts and grants, and resources management;
- reviewing contract management issues in all regions on a 3-year cycle; and
- monitoring inactive contracts to identify and deobligate funds that are no longer needed.

EPA's 1996 memorandum announcing improvements to its Superfund accounting system stated that one of the main benefits of the improvements would be to enable managers to more precisely account for site-specific and non-site-specific costs. The memo also stated that Superfund financial and programmatic managers would be able to track financial trends more accurately due to the increased level of financial detail now available in the accounting system. However, when we discussed our analyses with EPA officials, they told us that they do not perform the types of analyses we conducted.

During the course of our work, we noted that another federal agency that deals with the cleanup of hazardous wastes—the Department of Energy—has been analyzing its costs using a functional cost reporting

system since 1994. This system breaks costs down into functional categories—mission-direct and several categories of support costs, including site-specific support and general support. While not identical to the categories we used in our analyses, Energy’s functional cost categories are similar. In essence, Energy’s system compares the share of costs in the different categories among the agency’s operating units. If a unit’s costs in any given category vary significantly from the other operating units’, those costs are further analyzed to determine whether the differences are appropriate or whether they indicate areas for improvement. Department of Energy financial officials stated that the functional cost reporting system has resulted in support costs receiving increased attention by management and has been a helpful tool that has contributed to support costs declining faster than other costs—from 45 to 43 percent of total costs between fiscal years 1994 and 1997.

Conclusions

Detailed analyses of expenditure trends over time and among regions and headquarters units can be a valuable tool in identifying potential cost savings. While EPA’s Superfund accounting system contains the data necessary to perform such analyses, EPA has not done so, even though tracking site-specific and non-site-specific costs more accurately was one of the major benefits anticipated when the 1996 system improvements were made. Given the variation in spending shares for contractor cleanup work, site-specific support, and non-site-specific support among EPA’s regional and headquarters units, we believe that conducting such analyses would be a valuable tool in helping the agency to ensure that its Superfund resources are being used as wisely as possible.

Recommendation

In order to better identify opportunities for potential cost savings, we recommend that the Administrator, EPA, require the Assistant Administrator for Solid Waste and Emergency Response to expand the monitoring of Superfund expenditures to regularly analyze the breakdown of expenditures in terms of contractor cleanup work, site-specific spending, and non-site-specific spending. These analyses should compare such spending shares among EPA’s regional and headquarters units, and significant differences should be further analyzed to identify the underlying causes and to determine whether cost-saving corrective actions are warranted.

Agency Comments and Our Evaluation

We provided EPA with copies of a draft of this report for its review and comment. In a letter from EPA's Acting Assistant Administrator for Solid Waste and Emergency Response, EPA disagreed with our characterization that EPA's activities fall into three groups—contractor cleanup costs, site-specific support, and non-site-specific support—and stated that this division gives the erroneous impression that site-specific and non-site-specific support do not contribute substantially to the achievement of cleanups. We do not believe that our categorization of Superfund costs leads to this impression. In fact, the first paragraph of the report explicitly states that EPA undertakes a number of activities, both site-specific and non-site-specific, that support cleanups, including supervising cleanup contractors, compelling private parties to perform cleanups, and performing management and administrative activities. Furthermore, the body of the report provides numerous examples of the purposes served by both site-specific and non-site-specific spending. We believe that these examples demonstrate that many of the site-specific and non-site-specific support activities contribute to the achievement of cleanups.

The purpose of our analyses was to disaggregate Superfund expenditures to provide more detailed information on the specific functions served by this spending. This analytic method can be used (and is being used by the Department of Energy) to identify cost category differences among operating units that can lead to potential cost savings. Our report does not attempt to define or determine which expenditures are “cleanup activities,” but rather to describe the purposes for which Superfund money has been expended. According to EPA, cleanup response spending includes “lab analysis, engineering and technical analyses, project manager salaries, State/Tribal activities, community involvement activities, and oversight of responsible parties and many other activities necessary to achieve cleanups.” We agree that these activities support the cleanup of sites, as stated in this report. However, when these support costs are aggregated into the larger category of cleanup response, it is unclear what share of these costs are for work related to specific sites, as opposed to general program expenditures.

EPA also stated that our analyses failed to recognize Superfund appropriations used by other federal agencies. In fact, our analyses included Superfund expenditures by other federal agencies, and these expenditures were included under our site-specific and non-site-specific spending categories, as appropriate. The only substantial expenditures excluded from our review were made by the Agency for Toxic Substances

and Disease Registry, because these expenditures are made directly by that agency and are not reported in EPA's Superfund accounting system. EPA further stated that our analyses did not account for the expenditures private parties make to clean up Superfund sites that are the result of EPA's enforcement expenditures. We did not analyze private parties' expenditures to clean up hazardous waste sites because our focus was on federal Superfund expenditures. However, as part of our work for this assignment, we found that more than half of EPA's fiscal year 1997 enforcement expenditures was for management and administrative activities.

Notwithstanding EPA's concerns as discussed above, the agency agreed to consider analyzing Superfund spending in terms of site-specific and non-site-specific obligations and expenditures, as we recommended. The full text of EPA's comments is included as appendix II.

We conducted our review from September 1998 through April 1999 in accordance with generally accepted government auditing standards. See appendix I for our scope and methodology.

As arranged with your offices, unless you publicly announce its contents earlier, we plan no further distribution of this report until 30 days after the date of this letter. At that time, we will send copies to other congressional committees with jurisdiction over the Superfund program, and to the Honorable Carol M. Browner, Administrator, Environmental Protection Agency. We will also make copies available to others upon request.

If you have any further questions about this report, please call me at (202) 512-6111. Major contributors to this report are listed in appendix III.

David G. Wood

David G. Wood
Associate Director,
Environmental Protection Issues

List of Congressional Requesters

The Honorable Thomas J. Bliley, Jr.
Chairman, Committee on Commerce
House of Representatives

The Honorable Michael G. Oxley
Chairman, Subcommittee on Finance
and Hazardous Materials
Committee on Commerce
House of Representatives

The Honorable Bud Shuster
Chairman, Committee on Transportation
and Infrastructure
House of Representatives

The Honorable Sherwood C. Boehlert
Chairman, Subcommittee on Water
Resources and Environment
Committee on Transportation
and Infrastructure
House of Representatives

The Honorable James T. Walsh
Chairman, Subcommittee on VA, HUD,
and Independent Agencies
Committee on Appropriations
House of Representatives

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Abbreviations

EPA	Environmental Protection Agency
GAO	General Accounting Office
IFMS	Integrated Financial Management System

Scope and Methodology

To determine the share of annual Superfund spending for contractor cleanup work, site-specific support, and non-site-specific support for fiscal years 1996 through 1998, we obtained information from the Environmental Protection Agency's (EPA's) Integrated Financial Management System (IFMS). Using the IFMS information, we classified the cleanup support activities into spending for site-specific support and non-site-specific support for these fiscal years. We confirmed this classification with Office of Comptroller officials. In order to give a complete representation of cleanup support activities, we made one adjustment to the analyses included in our prior reports. Specifically, we included the costs for EPA personnel who supervise the cleanup contractors into the category for site-specific support. In our two prior reports, we had included these personnel in the contractor cleanup work category as EPA's accounting system does. This change has the effect of reducing the percentage of contractor cleanup work by about 1 percent from the level we had previously reported.

To determine what activities were carried out with EPA's cleanup support spending, particularly its non-site-specific spending, we used the IFMS information. We categorized the spending by EPA's budget action codes, which provided general activity descriptions for Superfund spending under the more than 100 action codes. To obtain more specific information for EPA's non-site-specific spending, we selected three regional offices—Philadelphia, Chicago, and Kansas City—for sampling. Among EPA's regions, the first two had the highest non-site-specific spending and the third had the lowest, based on fiscal year 1997 data, which was the most recent information for which we had a breakdown of total support spending at the time we made our selection. We also selected the three EPA headquarters units—the Office of Solid Waste and Emergency Response, the Office of Administration and Resources Management, and the Office of Enforcement and Compliance Assurance—with the highest levels of Superfund spending. We interviewed cognizant officials from the three regional offices and three headquarters units about the particular activities conducted under the various budget action codes for the non-site-specific spending, and obtained greater detail on the uses of this spending.

In a 1995 report on the IFMS, we found instances of inaccurate and incomplete data in the system.³ While we did not consider these instances to be representative of the overall integrity of the IFMS data, we recommended that EPA conduct statistical testing of the data, which EPA

³Superfund: System Enhancements Could Improve the Efficiency of Cost Recovery (GAO/AIMD-95-177, Aug. 25, 1995).

has done. During the course of our current review, officials of EPA's Office of Inspector General told us that in their opinion the IFMS has not led to any material misstatements in EPA's 1996 and 1997 annual financial statements and that they believed that the IFMS information was reliable for the purposes of our review. Finally, in discussing spending activities with officials from EPA's regional offices and headquarters units, we did not identify any material variations between the IFMS information and the underlying detailed records.

To ascertain how EPA monitors and analyzes its regions' and headquarters units' spending of Superfund resources, particularly for contractor cleanup work, site-specific support, and non-site-specific support, we met with EPA headquarters officials. These officials included representatives from EPA's Office of Solid Waste and Emergency Response—which is responsible for the Superfund program—and the Office of the Chief Financial Officer. We also obtained copies of pertinent documents describing EPA's monitoring and analysis procedures and related reports. In addition, we met with Department of Energy officials and obtained documentation on their Functional Cost Reporting System.

Comments From the Environmental Protection Agency



UNITED STATES ENVIRONMENTAL PROTECTION AGENCY
WASHINGTON, D.C. 20460

APR 20 1999

OFFICE OF
SOLID WASTE AND EMERGENCY
RESPONSE

Mr. Peter F. Guerrero, Director
Environmental Protection Issues
Resource, Community, and Economic Development Division
U.S. General Accounting Office
Washington D.C. 20548

Dear Mr. Guerrero:

The purpose of this letter is to transmit the U.S. Environmental Protection Agency's (EPA) comments on the findings and recommendation contained in the General Accounting Office (GAO) draft report Superfund: EPA Can Improve Its Monitoring of Superfund Expenditures (GAO/RCED-99-139). The objectives of this report were to determine the relative share of Superfund expenditures for contractor cleanup work, site-specific support, and non-site specific support; the activities carried out with EPA's cleanup support spending; and EPA's efforts to monitor and analyze how its Regions and HQ units spend Superfund resources. EPA does not agree with GAO's methodology, and we have some concerns regarding GAO's definition of cleanup and support categories of expenditures, particularly the categorization of enforcement activities.

First, EPA disagrees with GAO's characterization that EPA's activities fall into the 3 groups contractor cleanup costs, site-specific support, and non-site specific support. This division gives the erroneous impression that site-specific and non-specific support do not contribute substantially to the achievement of cleanups. Rather, EPA estimates cleanup response to comprise numerous activities, including site-and non-site specific activities, that directly support cleanup responses. EPA estimates that approximately 70% of its budget will be used for cleanup response. GAO's assertion, that "contractor cleanup costs" describes the extent of EPA's cleanup activity, neglects many key components of the cleanup process such as lab analyses, engineering and technical analyses, project manager salaries, State/Tribal activities, community involvement activities, oversight of responsible parties, and many other activities necessary to achieve cleanups. GAO's contractor cost computation also fails to recognize the \$175 million in annual Superfund appropriations used by other Federal agencies (e.g., ATSDR, USCG, NIEHS, FEMA, NOAA, DOJ) for cleanup, testing and assessment, and settlement negotiation.

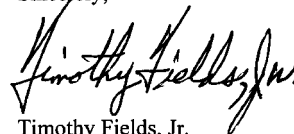
Appendix II
Comments From the Environmental
Protection Agency

We believe that GAO's analysis does not account for the estimated \$1 billion annual in cleanup expenditures by potentially responsible parties (PRPs) that result from enforcement expenditures characterized as site-specific and non-site specific support. In addition, placing significant emphasis on contractor cleanup expenditures does not fully account for the fact that Superfund cleanups are primarily funded by PRPs. As such, in the ideal situation where PRPs were conducting 100 percent of cleanups, EPA cleanup expenditures would be virtually zero. To focus simply on EPA contractor cleanup expenditures could create an unintended incentive for Regions to conduct more fund-financed cleanups in order to increase the percentage of cleanup spending, possibly at the expense of PRP funded cleanups. Inclusion of estimates of PRP spending on cleanups in the analysis would recognize the total amount of spending towards cleanup and eliminate the incentive for Regions to focus on EPA contractor spending at the expense of enforcement. In addition, EPA believes that those site-specific expenditures necessary to obtain PRP commitment and oversee implementation of PRP-lead cleanups, should be included in the definition of cleanup expenditures.

GAO states that while EPA tracks obligations and compliance with approved operating plans, the Agency does not analyze the expenditures of its Regions and Headquarters units using the methodology recommended by GAO. EPA agrees to consider an analysis of expenditures, as well as obligations, to further assist us in managing and overseeing program operations. EPA will further consider GAO's categories of site-specific and non-site-specific obligations and expenditures.

Thank you for the opportunity to comment on this draft report. If you have any questions about this response, please contact me.

Sincerely,



Timothy Fields, Jr.
Acting Assistant Administrator

Major Contributors to This Report

Resources,
Community, and
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