

A *udit*

R *eport*



DEFENSE LOGISTICS AGENCY
WASTEWATER TREATMENT SYSTEMS

Report No. D-2001-087

March 26, 2001

Office of the Inspector General
Department of Defense

Form SF298 Citation Data

Report Date <i>("DD MON YYYY")</i> 26Mar2001	Report Type N/A	Dates Covered (from... to) <i>("DD MON YYYY")</i>
Title and Subtitle Defense Logistics Agency Wastewater Treatment Systems		Contract or Grant Number
		Program Element Number
Authors		Project Number
		Task Number
		Work Unit Number
Performing Organization Name(s) and Address(es) OAIG-AUD (ATTN: AFTS Audit Suggestions) Inspector General, Department of Defense 400 Army Navy Drive (Room 801) Arlington, VA 22202-2884		Performing Organization Number(s) D-2001-087
Sponsoring/Monitoring Agency Name(s) and Address(es)		Monitoring Agency Acronym
		Monitoring Agency Report Number(s)
Distribution/Availability Statement Approved for public release, distribution unlimited		
Supplementary Notes		
Abstract This audit is part of the overall audit, "DoD Wastewater Treatment Systems," (Project No. D2000CK-0216). The overall audit is being jointly conducted by the Inspector General, DoD, and the Army, Navy, Air Force audit agencies. The Office of the Assistant Deputy Under Secretary of Defense (Environmental Quality) (ADUSD [EQ]) requested we perform this audit to determine whether the Services and Defense Logistics Agency (DLA) were consistently and accurately reporting the number of Clean Water Act (CWA) permits and permitted systems and the number of systems in compliance with the CWA. This report discusses DLA reporting for the CWA. An overall report will summarize the audit results of the Services and DLA.		
Subject Terms		
Document Classification unclassified		Classification of SF298 unclassified
Classification of Abstract unclassified		Limitation of Abstract unlimited

Number of Pages	
------------------------	--

16	
----	--

Additional Copies

To obtain additional copies of this audit report, visit the Inspector General, DoD, Home Page at www.dodig.osd.mil/audit/reports or contact the Secondary Reports Distribution Unit of the Audit Followup and Technical Support Directorate at (703) 604-8937 (DSN 664-8937) or fax (703) 604-8932.

Suggestions for Future Audits

To suggest ideas for or to request future audits, contact the Audit Followup and Technical Support Directorate at (703) 604-8940 (DSN 664-8940) or fax (703) 604-8932. Ideas and requests can also be mailed to:

OAIG-AUD (ATTN: AFTS Audit Suggestions)
Inspector General, Department of Defense
400 Army Navy Drive (Room 801)
Arlington, VA 22202-4704

Defense Hotline

To report fraud, waste, or abuse, contact the Defense Hotline by calling (800) 424-9098; by sending an electronic message to Hotline@dodig.osd.mil; or by writing to the Defense Hotline, The Pentagon, Washington, DC 20301-1900. The identity of each writer and caller is fully protected.

Acronyms

ADUSD(EQ)	Assistant Deputy Under Secretary of Defense (Environmental Quality)
CWA	Clean Water Act
DLA	Defense Logistics Agency
MoM	Measure of Merit
NPDES	National Pollutant Discharge Elimination System



INSPECTOR GENERAL
DEPARTMENT OF DEFENSE
400 ARMY NAVY DRIVE
ARLINGTON, VIRGINIA 22202-4704

March 26, 2001

MEMORANDUM FOR DEPUTY UNDER SECRETARY OF DEFENSE
(ENVIRONMENTAL SECURITY)
DIRECTOR, DEFENSE LOGISTICS AGENCY

SUBJECT: Audit Report on Defense Logistics Agency Wastewater Treatment Systems
(Report No. D-2001-087)

We are providing this report for your information and use. No written response to this report was required, and none was received. Therefore, we are publishing this report in final form. The Office of the Assistant Deputy Under Secretary of Defense (Environmental Quality) requested the audit to review whether DoD was consistently reporting the number of permits and permitted systems covered by the Clean Water Act and the number of systems in compliance with the Clean Water Act.

We appreciate the courtesies extended to the audit staff. For additional information on this report, please contact Mr. Joseph P. Doyle at (703) 604-9349 (DSN 664-9349) (jdoyle@dodig.osd.mil) or Mr. Michael J. Tully at (703) 604-9347 (DSN 664-9347) (mtully@dodig.osd.mil). See Appendix B for the report distribution. The audit team members are listed inside the back cover.

A handwritten signature in black ink, reading "Thomas F. Gimble", is positioned above the printed name.

Thomas F. Gimble
Acting
Deputy Assistant Inspector General
for Auditing

Office of the Inspector General, DoD

Report No. D-2001-087

(Project No. D2000CK-0216)

March 26, 2001

Defense Logistics Agency Wastewater Treatment Systems

Executive Summary

Introduction. The audit is part of the overall audit, “DoD Wastewater Treatment Systems,” (Project No. D2000CK-0216). The overall audit is being jointly conducted by the Inspector General, DoD, and the Army, Navy, and Air Force audit agencies. The Office of the Assistant Deputy Under Secretary of Defense (Environmental Quality) requested the audit to determine whether the Services and the Defense Logistics Agency were reporting the correct Clean Water Act information. The Clean Water Act requires wastewater dischargers, to include Federal facilities, to have permits that establish pollution limits, and specifies monitoring and reporting requirements. This report discusses the Defense Logistics Agency Clean Water Act reporting. An overall report will be issued to summarize the audit results of the Services and the Defense Logistics Agency.

Objectives. The overall audit objective was to determine whether the Defense Logistics Agency was accurately and consistently reporting the number of permits and permitted systems covered by the Clean Water Act and the number of systems in compliance with the Clean Water Act. In addition, we evaluated how well the Defense Logistics Agency was managing its resources for wastewater treatment systems. We also reviewed the management control program, as it related to the overall objective.

Results. The Defense Logistics Agency was consistently and accurately reporting the numbers of wastewater treatment systems, permits, and permitted systems in compliance and covered by the Clean Water Act. The Defense Logistics Agency reported for the first half of FY 2000, that they had 36 Clean Water Act permits, 38 permitted systems and 35 permitted systems in compliance with their permit requirements. However, Defense Logistics Agency components experienced difficulties in properly reporting and categorizing their permits and systems to Defense Logistics Agency headquarters because of confusion over the DoD Clean Water Act Measure of Merit definitions. Our concerns with DoD Clean Water Act Measure of Merit definitions will be addressed in our overall summary report. Additionally, the Defense Logistics Agency was adequately planning for repairs, upgrades and replacement of their wastewater treatment systems. They estimated in the first half of FY 2000, a total of six nonrecurring wastewater projects for FYs 2000 and 2001, at an approximate cost of \$3.7 million. The Defense Logistics Agency management controls were effective in that we identified no material management control weakness. See Appendix A for details on the management control program.

Management Comments. We provided a draft of this report on February 9, 2001. No written response was required, and none was received. Therefore, we are publishing this report in final form.

Table of Contents

Executive Summary	i
--------------------------	---

Introduction

Background	1
Objectives	2
Defense Logistics Agency Wastewater Treatment Systems	3

Appendixes

A. Audit Process	
Scope and Methodology	6
Management Control Program Review	7
Prior Coverage	7
B. Report Distribution	8

Background

This audit is part of the overall audit, “DoD Wastewater Treatment Systems,” (Project No. D2000CK-0216). The overall audit is being jointly conducted by the Inspector General, DoD, and the Army, Navy, Air Force audit agencies. The Office of the Assistant Deputy Under Secretary of Defense (Environmental Quality) (ADUSD [EQ]) requested we perform this audit to determine whether the Services and Defense Logistics Agency (DLA) were consistently and accurately reporting the number of Clean Water Act (CWA) permits and permitted systems and the number of systems in compliance with the CWA. This report discusses DLA reporting for the CWA. An overall report will summarize the audit results of the Services and DLA.

Clean Water Act. The CWA requires wastewater dischargers, including Federal facilities, to have permits that establish pollution limits, and specifies monitoring and reporting requirements. Primary authority for the implementation and enforcement of the CWA rests with the Environmental Protection Agency. National Pollutant Discharge Elimination System (NPDES) permits regulate household and industrial wastes that are collected in sewers and treated at municipal wastewater treatment plants. NPDES permits also regulate industrial point sources that discharge into other wastewater collection systems, or that discharge directly into receiving waters. NPDES permits are issued either by the Environmental Protection Agency or by a state having permitting authority from the Environmental Protection Agency.

DoD Environmental Compliance. DoD Instruction 4715.6, “Environmental Compliance,” April 24, 1996, requires the Deputy Undersecretary of Defense (Environmental Security) to monitor DoD environmental compliance. DoD Instruction 4715.6 established a measure of merit (MoM) for measuring DoD compliance with its NPDES permits under the CWA. DoD compliance with the MoM is determined by the:

- total number of NPDES wastewater permitted systems, and
- number of systems meeting NPDES permit standards.

In May 1998, the Deputy Under Secretary of Defense (Environmental Security) revised the MoM so that DoD would not only focus on maintaining compliance, but also look at pollution prevention alternatives as the means for achieving and maintaining compliance. The revised MoM to meet this goal was divided into two parts:

- all DoD CWA permitted water pollution control systems and activities shall be in compliance with their permit requirements, and
- increase CWA pollution prevention nonrecurring investments to 15 percent of the total CWA nonrecurring investments (combined pollution prevention and compliance) by FY 2004.

In order to monitor the military Services and DLA progress, ADUSD(EQ) requires DLA and the Services to semiannually report the number of CWA

permits, permitted systems, and permitted systems in compliance with the CWA. Additionally, ADUSD(EQ) requires them to report the total number of nonrecurring projects and associated costs that are required to achieve or maintain 100 percent compliance with the CWA standards. Components are to include pollution prevention projects that are cost-effective measures.

Objectives

The overall audit objective was to determine whether DLA was accurately and consistently reporting the number of permits and permitted systems covered by the CWA and the number of systems in compliance with the CWA. In addition, we evaluated how well DLA was managing its resources for wastewater treatment systems. The management control program, as it related to the overall objective, was also reviewed. See Appendix A for a discussion of the audit scope and methodology and our review of the management control program.

Defense Logistics Agency Wastewater Treatment Systems

DLA consistently and accurately reported the number of wastewater permits and permitted systems covered by the CWA and the number of systems in compliance with the CWA. As of March 31, 2000, DLA reported 36 CWA permits, 38 permitted systems, and 35 systems in compliance. Additionally, DLA was adequately planning for repairs, upgrades, and replacement of their wastewater treatment systems. As of March 31, 2000, DLA estimated a total of six nonrecurring wastewater projects through FY 2001 at an approximate cost of \$3.7 million.

Reporting of Wastewater Clean Water Act Information

ADUSD(EQ) Data Call. The ADUSD(EQ) issued semiannual data calls to the military Services and DLA for the Environmental Quality In Progress Review. These data calls required the Services and DLA to submit their total number of CWA permits, permitted systems, and permitted systems in compliance with the CWA. They were also required to report nonrecurring projects and costs necessary to ensure their wastewater systems maintained 100 percent compliance with the CWA. The ADUSD(EQ) provided a formatted table in the Environmental Quality In Progress Review data calls, that required the military Services and DLA to categorize their permits and permitted systems into one of six categories. The six categories were: domestic NPDES, industrial NPDES, stormwater NPDES, other permitted wastewater systems, discharge to publicly owned treatment works, and other clean water act activities. The “Definitions and Instructions for CWA Measure of Merit,” April 14, 1998 (CWA MoM definitions), specified the CWA permits and permitted systems to be included under each category, and it also specified what constituted a compliant system.

DLA Reporting of Permits and Permitted Systems. DLA was consistently and accurately reporting the total number of wastewater permits, and permitted systems, and the number of systems in compliance with the CWA. The DLA, Environmental Quality and Safety Policy Office, Compliance Team (DLA, Environmental Team) provided their components with the ADUSD(EQ) data call request, that included the CWA MoM definitions, and the ADUSD(EQ) formatted table. Usually, the DLA component personnel responsible for managing the wastewater treatment systems completed the information request and submitted it to the DLA, Environmental Team. The DLA, Environmental Team, reviewed the components’ submissions and made changes to correct inaccurate reporting or categorizations by the DLA components prior to submitting the figures to ADUSD(EQ).

DLA Component Reporting. DLA components experienced difficulties when information on permits and systems were reported and categorized to the DLA, Environmental Team. DLA personnel experienced these difficulties because the CWA MoM definitions were ambiguous and did not address the vast differences in the structure of the systems and the permit language that caused them to possibly report or categorize information improperly.

-
- One component had not reported, prior to FY 2000, permits and systems related to two-groundwater treatment systems that it operated. The component had not previously reported this information because the CWA MoM definitions did not address groundwater treatment systems.
 - A component reported six industrial NPDES permits and permitted systems; however, the DLA, Environmental Team determined that there were actually six stormwater NPDES permits and permitted systems.
 - A component reported one other permitted wastewater treatment system permit for two reporting periods when, in fact, it was a water usage agreement. The agreement was not a permit for wastewater system operation or for wastewater discharge and should not have been reported.
 - Another component reported three discharges to publicly owned treatment work permits and permitted systems for several reporting periods, when they did not have any permits. They had a water bill, not a permit specifying discharge limits.
 - A component operated a groundwater remediation system that discharged wastewater to a publicly owned treatment work. The component had a state permit to operate the system, and a local agency permit to discharge the treated wastewater to the publicly owned treatment work. Both permits had monitoring and reporting requirements. The component reported that they had one discharge to a publicly owned treatment work permit and permitted system. They did not report the state permit, because the state permit authorized them to operate the system and not discharge from the facility. Based on the CWA MoM definitions, we could not conclude whether the DLA component should report the state permit, and if they were to report it, how should they categorize it.

Reporting Noncompliant Systems. DLA components expressed confusion over whether a system was compliant or noncompliant. Most DLA components considered a system compliant until it received a notice of violation from the regulating authority.

CWA MoM Definition of a Noncompliant System. CWA MoM defines a compliant system as one that does meet permit requirements 100 percent of the time and/or does not have a new or open notice of violation. Officials from the Office of the ADUSD(EQ) reiterated the guidance specified in the CWA MoM definitions, that a system must meet 100 percent of its permit requirements. However, they noted that judgment was necessary to determine whether a system was compliant or noncompliant. For example, they stated that a system that exceeded one of its daily requirements once during a month but was within its monthly requirements probably should be reported as compliant.

DLA System Compliance. Generally, the DLA wastewater treatment systems were in compliance with permit requirements. We reviewed discharge monitoring reports for 13 systems for a 6-month period and noted only 1 system that routinely tested out of compliance. DLA had not reported this system as

noncompliant because no violation notice was received. Four systems had exceeded one or more daily permit requirement in the 6-month period, but DLA had not reported them as noncompliant, except the one system that received a notice of violation. In the FY 2000 first half Environmental Quality Program Review Data Call submission to ADUSD(EQ), DLA reported three systems as noncompliant, each system had received a notice of violation.

The DLA, Environmental Team accurately and consistently reported the number of permits, permitted systems, and systems in compliance even though DLA components experienced difficulties in properly reporting and categorizing their permits and permitted systems, and determining system compliance. We believe that ADUSD(EQ) needs to further clarify the guidance concerning permits, permitted systems and noncompliant systems. Therefore, we are not making any recommendations to DLA.

Planning

DLA installations were adequately planning for the maintenance, upgrade, and replacement of their wastewater systems, especially when regulators or outside parties suggested improvements. We found that DLA installations were adequately planning projects to replace sewer pipes, upgrade pump stations and flow meters, and repair systems to prevent groundwater infiltration. The DLA, Environmental Team used the information reported to them to ensure that any nonrecurring projects identified in a DLA component submission were also included in their budget request. DLA did not use the reported MoM data for any other management purposes.

Summary

DLA was consistently and accurately reporting their CWA information to the ADUSD(EQ), in spite of the confusion over the categorization of permits and permitted systems and what constituted a noncompliant system. The ambiguous nature of the CWA MoM definitions caused DLA components to experience difficulties in properly reporting and categorizing their permits, permitted systems, and systems in compliance. We will address our concerns with the CWA MoM definitions in our overall summary report.

Appendix A. Audit Process

Scope and Methodology

Work Performed. We coordinated the audit with the Office of the Assistant Deputy Under Secretary of Defense (Environmental Quality). We reviewed DoD policies and procedures related to reporting the number of CWA permits, permitted systems, compliant systems, and nonrecurring projects and associated costs. Additionally, we reviewed wastewater permits, discharge monitoring reports, permit regulator inspection reports, planned wastewater systems project information from 1991 through 2000. Additionally we reviewed DLA's Environmental Quality Program Review submissions for the second half of FY 1998, first and second halves of FY 1999, and the first half of FY 2000. We judgmentally selected five DLA installations and organizations to review. Based on DLA's first half of FY 2000 Environmental Quality Program Review, we reviewed 13 of 36 (36 percent) permits and 15 of 38 (40 percent) permitted systems. We reviewed the management control program as it applied to our audit objectives.

We coordinated the audit with the Service audit agencies that are conducting their own audits of the Service's wastewater treatment system permits, permitted systems, and resources management.

DoD Functional Area Reform Goals. Most major DoD functional areas have also established performance improvement reform objectives and goals. This report pertains to achievement of the following functional area objectives and goals.

Environment Functional Area. Objective: Achieve compliance with applicable Executive Orders and Federal, State, and inter-state, regional, and local statutory and regulatory environmental requirements.

Goal: Number of new, open unresolved, and closed enforcement actions applicable environmental statutes. **(ENV-2.1) Goal:** Compliance with National Pollutant Discharge Elimination System (NPDES) permits under 33 U.S.C. 1251-1387 for wastewater systems as determined by the total number of NPDES permitted wastewater systems. **(ENV-2.3.1) Goal:** Compliance with NPDES permits under 33 U.S.C. 1251-1387 for wastewater systems as determined by the number of wastewater systems meeting NPDES permit standards. **(ENV-2.3.2)**

General Accounting Office High-Risk Area. The General Accounting Office has identified several high-risk areas in the DoD. This report provides coverage of the Defense Infrastructure area.

Use of Computer-Processed Data. We did not rely on computer-processed data.

Audit Type, Dates, and Standards. We performed this economy and efficiency audit from June 2000 through January 2001 in accordance with auditing standards issued by the Comptroller General of the United States, as implemented by the Inspector General, DoD. Accordingly, we included tests of management controls considered necessary.

Contacts During the Audit. We visited or contacted individuals and organizations within the DoD, as well as four state Environmental Offices (California, Pennsylvania, South Carolina and Virginia). Further details are available upon request.

Management Control Program Review

DoD Directive 5010.38, "Management Control (MC) Program," August 26, 1996 and DoD Instruction 5010.40, "Management Control (MC) Program Procedures," August 28, 1996, require DoD organizations to implement a comprehensive system of management controls that provides reasonable assurance that programs are operating as intended and to evaluate the adequacy of the controls.

Scope of Review of the Management Control Program. We reviewed the adequacy of management controls over DLA wastewater systems. Specifically, we reviewed management controls over obtaining permits for all required wastewater systems, maintaining the wastewater systems in accordance with their permits, and reporting the number of permits and systems to ADUSD(EQ). Because we did not identify a material weakness, we did not assess management's self-evaluation.

Adequacy of Management Controls. The DLA management controls we reviewed were adequate; we identified no material management control weaknesses.

Prior Coverage

No prior coverage has been conducted on the subject during the last 5 years.

Appendix B. Report Distribution

Office of the Secretary of Defense

Under Secretary of Defense for Acquisition, Technology, and Logistics
Deputy Under Secretary of Defense (Environmental Security)
Assistant Deputy Under Secretary of Defense (Environmental Quality)
Under Secretary of Defense (Comptroller)
Deputy Chief Financial Officer
Deputy Comptroller (Program/Budget)

Department of the Army

Auditor General, Department of the Army

Department of the Navy

Naval Inspector General
Auditor General, Department of the Navy

Department of the Air Force

Assistant Secretary of the Air Force (Financial Management and Comptroller)
Auditor General, Department of the Air Force

Other Defense Organization

Director, Defense Logistics Agency

Non-Defense Federal Organizations

Office of Management and Budget
General Accounting Office

Congressional Committees and Subcommittees, Chairman and Ranking Minority Member

Senate Committee on Appropriations
Senate Subcommittee on Defense, Committee on Appropriations
Senate Committee on Armed Services
Senate Committee on Governmental Affairs
House Committee on Appropriations
House Subcommittee on Defense, Committee on Appropriations
House Committee on Armed Services
House Committee on Government Reform
House Subcommittee on Government Efficiency, Financial Management, and
Intergovernmental Relations, Committee on Government Reform
House Subcommittee on National Security, Veterans Affairs, and International Relations,
Committee on Government Reform
House Subcommittee on Technology and Procurement Policy, Committee on
Government Reform

Audit Team Members

The Contract Management Directorate, Office of the Assistant Inspector General for Auditing, DoD, prepared this report. Personnel of the Office of the Inspector General, DoD, who contributed to the report are listed below.

Paul J. Granetto
Joseph P. Doyle
Michael J. Tully
Michael E. Baker
Tracy L. Smelley