



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

OFFICE OF
THE INSPECTOR GENERAL

January 13, 2000

50318348

MEMORANDUM

SUBJECT: OIG Fiscal 2000 Audit Plan and Performance Plan

FROM: John C. Jones (Acting) *John C. Jones*
Assistant Inspector General for
Planning, Analyses, and Review

TO: Inspector General
Assistant Inspector General for Audit
Assistant Inspector General for Investigations
Counsel to the Inspector General
Deputy Assistant Inspectors General for Audit
Divisional Inspectors General for Audit
Headquarters Office Directors
Audit Branch Managers

I am sending you the in-house version of the OIG 2000 Audit Plan and the Office of Audit Fiscal 2000 Performance Plan. This version of the Plan is "FOR OIG USE ONLY." However, individual assignment writeups can be given to Agency officials if an entrance conference has been scheduled or the assignment is in process. As you meet with Agency officials, please discuss the Plan and follow-up on their submissions of audit suggestions.

The resource schedule uses the Prime Audit Tracking System terminology as the IGOR systems terminology and classifications have not been finalized. Hopefully, within the next month or two, we can, with the DIGAs input, issue a revised plan using the IGOR classifications and terminology. That timeframe should also allow us to better incorporate the resource impacts associated with the strategic and tactical planning projects

Please ensure that new starts not included in the Plan are sent E-mail to Alan Melberger, Office of Planning, Analyses, and Review so that they can be included in the quarterly updates.



Please send any comments concerning the Audit Plan to Gary L. Johnson on (202) 260-4915. Comments on the Performance Plan can be provided to Kenneth D. Hockman, Office of Audit, on (202) 260-1076.

Attachment



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SEP 23 1999

THE INSPECTOR GENERAL

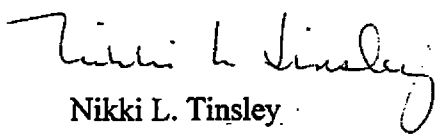
MEMORANDUM

TO: The Administrator
Deputy Administrator
Assistant Administrators
Associate Administrators
Chief Financial Officer
General Counsel
Regional Administrators

It is my pleasure to present the Office of Inspector General's (OIG) FY 2000 Audit Plan. We remain committed to helping EPA meet its strategic goals by focusing on environmental results. Additionally, we will continue to expand our role as "agents of positive change" through additional assistance and consultation services to improve EPA's capability and awareness in performance management and accountability.

Again, as part of our audit planning process, we solicited Agency management officials' input in identifying areas that may require audit presence or oversight or to identify areas on potential or emerging problems requiring our involvement. We also conducted customer surveys which provided valuable insight and guidance for more responsive products and services. This ensures that we focus our work on the areas of the greatest potential for improving economy, efficiency, and effectiveness in the delivery of Agency programs.

Planning is an ongoing process that requires constant monitoring and modification. As circumstances or requirements change, we will revise our annual plan. Accordingly, we request your views on the plan and continue to seek your suggestions on how the OIG can best meet your needs in accomplishing the Agency's mission of delivering the best programs possible to protect the environment and human health. We will be pleased to discuss this plan and any other ideas with you and your representatives.


Nikki L. Tinsley

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Vision, Mission, and Values

Our Vision

The Office of Inspector General's vision is to be "*agents of positive change*" striving for continuous improvement in EPA's management and program operations, and in our own offices. We cannot achieve our vision by working alone. Therefore, we will work cooperatively with others who are committed to protecting human health and safeguarding the natural environment, always vigilant to maintaining our independent and impartial perspective while serving as a helpful advisor. We will continue refining our business processes and practices, and maintain our emphasis on reinventing our organization to better serve our customers and clients.

Our Mission

The statutory mission of the Office of Inspector General (OIG) is to conduct and supervise independent audits and investigations of Agency programs and operations. The OIG promotes economy, effectiveness, and efficiency and deters and prevents fraud, waste, and mismanagement in Agency programs and operations. The Inspector General keeps the Administrator and Congress fully informed of problems in Agency programs and operations.

IG's two basic roles:

- Find and report on current problems and
- Foster good program management to prevent future problems

Our Values

OIG values guide us in our day-to-day operations, express the standards and ideals we strive to achieve and maintain in performing our mission. The Office of Inspector General is committed to:

1. Quality, timely, cost-effective products and services that best satisfy customers' diverse needs,
2. Personal integrity,
3. Leading by example,
4. Dignity, respect, fairness, honesty and courtesy, and
5. Honoring commitments.

Strategic Goals

In December 1996 the OIG issued its Strategic Plan covering fiscal years 1997 through 2002. The Strategic Plan established three goals: (1) help EPA achieve its environmental goals by improving the performance and integrity of EPA programs and operations, by safeguarding and protecting the Agency's resources, and by clearly reporting the results of our work; (2) foster strong working relationships; and (3) operate at the highest performance level. The goals established in this plan provide the framework for the activities that we propose to conduct as part of our Annual Audit Plan and Performance Plan. The Annual Audit Plan serves as a catalyst for directing OIG resources to those areas which are the most effective in helping us to carry out our mission and to achieve our vision and strategic goals. The Annual Performance Plan serves as a link between our strategic goals, annual goals, and annual budget.

OIG Strategic Goals:

- Help EPA achieve its environmental goals
- Foster strong working relationships
- Operate at the highest possible performance level

Overall, the OIG sees its mission as identifying not only problems, but also solutions. Our mission effectiveness is achieved by (1) focusing our activities on the right issues at the right time, (2) performing the work professionally, and (3) reporting the results of our work to achieve maximum impact and encourage expeditious corrective action.

Keys to mission effectiveness

- Relevance
- Timeliness
- Credibility
- Communication

Over the last several years, as part of our reengineering efforts, in addition to providing the traditional audit services, we have provided advisory and agency assistance services at the request of Agency management. We will continue to work in partnership with Agency program and management officials to improve the economy, efficiency, effectiveness, and integrity of their programs and operations. We are also working with state agencies and other EPA partners to properly implement major assistance programs. With today's challenges of efficiently managing operations and effectively dealing with the increasing pressure for controlling costs, we will continue to pursue enhancements to our own, as well as the Agency's efficiency and effectiveness.

Toward fully achieving the concept of ONE OIG, the Office of Audit is incorporating law enforcement and investigative concerns throughout its audit planning process, and is expanding its joint participation with the OIG Office of Investigations on Agency contract and assistance agreement issues to identify and reduce systemic risks and vulnerabilities.

FY 2000 Outcomes

Using our three strategic goals as a guide, we plan to achieve the following outcomes in FY 2000:

- Produce a work plan that focuses on EPA's 10 Strategic Goals, incorporating input from the internal OIG organization, Agency management, Congress and other stakeholders;
- Improve the quality, usability, and timeliness of our work products and services;
- Further foster a cooperative and productive atmosphere and working relationship with Agency program management officials and other partners with common goals to help them improve the delivery of environmental results; and
- Help EPA identify and resolve its Top Management Challenges and effectively implement the Government Performance and Results Act.

EPA'S TOP MANAGEMENT CHALLENGES

In support of Agency efforts to achieve its strategic goals, the OIG has identified the following top 10 priority management issues which must be addressed by EPA. We will review the Agency's progress in resolving these issues.

- | | |
|---|--|
| 1. Accountability | 6. Use of Inefficient Contract Types |
| 2. Environmental Data Information Systems | 7. Agency Relationship with Contractors |
| 3. EPA Oversight of Enforcement Activities | 8. Oversight of Assistance Agreements |
| 4. Quality Assurance Plans | 9. Resources to Enhance Employee Competencies |
| 5. Backlog of National Pollutant Discharge Elimination System Permits | 10. EPA's Automated Information Systems Security Plans |

Annual Audit Plan

As part of its responsibility in accomplishing its mission, the Office of Audit prepares an Annual Audit Plan each September outlining its annual strategy to implement the Office of Inspector General Strategic Plan. The Plan focuses on increasing our efforts as catalysts for change by providing our customers with independent and objective information necessary to improve program delivery and promote the integrity and the effectiveness of Agency programs and operations.

As part of our audit planning process, we contacted EPA senior and program managers to seek their input in identifying areas that may require OIG presence or oversight or to identify those areas where they believe we best can serve their needs. We maintain a

continuing liaison with key congressional committees to identify areas of concern or interest to members or their constituents, and to obtain their views on potential or emerging problems requiring OIG involvement. We obtained ideas and suggestions from a variety of sources including our staff members, prior audits by our staff and the General Accounting Office, and results of Federal Managers' Financial Integrity Act reviews. We also surveyed our EPA customers to determine how we can improve the delivery of our products and services to better meet their needs.

To maximize the impact of our work, we considered many factors in developing this plan including:

- statutory and regulatory requirements;
- adequacy of internal control systems;
- relatively new programs or functions;
- management needs;
- Federal participation in terms of resources or regulatory authority;
- prior audit history;
- results of other evaluations;
- availability of audit resources; and
- customer needs and concerns.

The Plan incorporates suggestions received from Agency management which identified areas for improved program operations and activities. The Plan culminates a combined effort to identify potential auditable areas. These suggestions were examined and ranked considering both the Agency initiatives and mission, the OIG's responsibilities, and other additional considerations and special concerns. We believe our audit efforts will provide the necessary audit coverage that will ultimately contribute to improvements in the Agency's most critical programs, organizations, functions, and activities. Our audits of the Agency's programs will include more thorough evaluations of the management control systems and use of risk-based assessments. We will focus more of our program audits on improving the effectiveness of environmental programs and/or streamlining processes so program operations can be completed more efficiently and economically.

Use of Audit Resources

For FY 2000, the Office of Audit expects to have 241 work years of effort available from in-house resources, an 18 FTE reduction from the 259 level the OIG Audit Plan had in FY 1999. The FTE reduction is mainly due to increased employee payroll costs and the establishment of two new offices within the OIG – Office of Planning, Analysis and Results and Office of Evaluation. Some of the initial staffing for the two new offices will come from existing Office of Audit FTE.

Independent public accounting firms and technical support contractors provide additional support to the Office of Audit. Audit services from other Federal agencies such as the Department of Health and Human Services and the Defense Contract Audit Agency also supplement our direct audit resources on a reimbursable basis. Other Federal agencies' time is not included in our resource estimates.

To address the wide variety of EPA programs and activities, we have grouped our work into five functional areas:

Functional work areas

- Program audits
- Assistance Agreement audits
- Contract audits
- Financial Statement audits
- Audit Advisory & Agency Assistance Services

Program Audits determine the extent to which the desired results or benefits envisioned by the Administration and Congress are being achieved; review the economy, efficiency and effectiveness of operations; determine the extent of compliance with applicable laws and regulations; assist EPA in implementing the Results Act by selectively verifying and validating performance measures, data, and results and by reviewing the propriety of performance plans.

Assistance Agreement Audits are audits of EPA's State Revolving Fund program, Performance Partnership Grants, interagency agreements and assistance agreements, all of which provide assistance to state, local and tribal governments, universities and nonprofit recipients and account for about half of EPA's budget. We will audit both the financial and performance aspects, building on the Single Audit Act and focusing on resource-intensive, high-risk programs.

Contract Audits are audits of EPA contractors' indirect cost proposals, preaward, interim and final contracts cost submissions. These audits determine the eligibility, allocability, and reasonableness of costs claimed by contractors and assure that EPA pays only for what it requests and receives. The OIG has assumed audit cognizance of 10 major contractors and will monitor the contract universe to identify high-risk contractors. In addition, the Defense Contract Audit Agency provides contract audit services, on a reimbursable basis, at the majority of EPA's contractors.

Financial Statement Audits are reviews of the Agency's financial systems and statements to ensure that its accounting information is accurate, reliable and useful, and complies with applicable laws and regulations. Our objective is to assist EPA in making improvements in the financial management processes and controls which will provide better information for decisions promoting the greatest possible environmental results.

Audit Advisory and Agency Assistance Services are nontraditional services that we offer to management. They offer a mix of products and services to give managers information they need in a more expedient manner and to assist EPA management in assessing and/or implementing control systems and processes.

With the limited audit resources available, the Office of Audit can only accomplish a portion of its total workload requirements. When establishing the sequence in which audits will be performed, we consider the assignment's priority and resource availability to assure that assignments are conducted in an efficient and effective manner. Final allocation of the Office's resources reflects management needs; susceptibility of programs and activities to fraud, waste, and abuse; significance of operations; congressional interest; and prior audit history.

Audit Issue Areas and Coverage of EPA Strategic Goals

While the OIG has its own strategic plan, the planning of our work supports the goals, objectives, and strategies outlined in EPA's Strategic Plan. The OIG has organized and prioritized its FY 2000 workload to ensure that audits and advisory and assistance services help the Agency to reach its goals and objectives, pursue its strategies, and monitor its success indicators.

Relationship Between Audit Issue Areas and Coverage of Agency Strategic Goals

| <i>Audit Issue Areas→</i> | Water Quality | Assurance Agreements | Contracts | Financial Systems | Better Waste Mgt | Enforcement and Compliance Assurance | Other Emerging Issues |
|----------------------------------|---------------|----------------------|-----------|-------------------|------------------|--------------------------------------|-----------------------|
| EPA Strategic Goals | | | | | | | |
| 1. Clean Air | | | | | | | ✓ |
| 2. Clean & Safe Water | ✓ | ✓ | | | | | ✓ |
| 3. Safe Food | | ✓ | | ✓ | | | ✓ |
| 4. Preventing Pollution | | | | | ✓ | | ✓ |
| 5. Better Waste Management | | | | | ✓ | | |
| 6. Global and Cross Border Risks | ✓ | | | | ✓ | | ✓ |
| 7. Right to Know | | | | | ✓ | | ✓ |
| 8. Sound Science | | | | | | | ✓ |
| 9. Credible Deterrent | ✓ | ✓ | | | ✓ | ✓ | |
| 10. Effective Management | | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ |

Audit Initiatives

The Plan demonstrates our sustained efforts to improve the efficiency and effectiveness of Agency programs and operations and our cooperative efforts with Agency management to help achieve desired program results. The Plan's audit initiatives as collectively identified by Agency management and the OIG, when implemented, will contribute to the Agency's long-term effectiveness and achievement of its mission.

| Relationship of Planned Audit Products and Services to → | | | AGENCY RESULTS |
|---|--|---|---|
| Means → | Intermediate Output → Measures | Audit Outcome → Measures | Agency Outputs Outcomes/Impacts |
| ☆Program Audits ☆Assistance Agreement Audits ☆Contract Audits ☆Financial Statement Audits ☆Advisory and Assistance Services | ■ Questioned Costs ■ Recommended Efficiencies ■ Reports Issued ■ Reports Resolved ■ Agency Recoveries (from prior periods) ■ Legislative, Regulatory or Policy Items Reviewed ■ % of planned audits started ■ % of audits completed within plan ■ % of EPA measures verified/validated ■ Number of Agency workgroups/projects | 1. Potential monetary value of recommendations, questioned costs, savings and recoveries 2. Examples of recommendations, advice and actions leading to improved business practices and attainment of Agency goals. 3. Overall customer/client satisfaction with audit products and services | ✓ Legislative Change ✓ Regulatory Change ✓ Policy Change ✓ Practice Change ✓ Enforcement Actions ✓ Industry, State, Grantee Monitoring ✓ Not Recovered, Offset Avoided ✓ Improved Controls ✓ Improved Compliance ✓ Risk Reduction ✓ Improved Environment ✓ Improved Efficiency |

Program Audits

As discussed earlier, the Office of Audit provides audit and advisory services that: (1) fulfill the mission of the Inspector General Act; (2) are highly responsive to the needs of customers, clients, and stakeholders; (3) support the attainment of Agency Strategic Goals; and (4) help the Agency resolve its top management challenges. In the program audits area, we focus on "issue areas" based on relative risk, materiality, and importance to EPA. "Issue areas" are highly important environmental programs to which we direct our resources over a 3- to 5-year period. Our objective in establishing "issue areas" is to provide EPA with a comprehensive, independent assessment of the programs to help EPA better carry out its mission. For FY 2000 we have designated four "issue areas": water quality, assistance agreements, better waste management, and enforcement and compliance assurance. In addition, we will supplement our work in the "issue areas" with

other audits to provide balanced coverage of EPA's programs and operations. These audits are included as Information Resources Management and Other Emerging Issues.

Water Quality

The Clean Water Act is the primary legislation addressing water quality programs. The Act's goal is to restore and maintain the Nation's surface waters. Where attainable, the Act seeks to restore water uses to fishable and swimmable. The Clean Water Act has been up for reauthorization since 1994.

The Clean Water Act required a consistent national approach for maintaining, improving, and protecting water quality while allowing states flexibility to implement their own programs. To implement the Clean Water Act requirements, EPA developed a regulatory approach which included: setting water quality standards, including the standards in the discharge permits, and enforcing against violators. This approach has led to improvements, but has not fully solved the water quality problems.

The Office of Water plans to continue to rely on the water quality standards to meet the Clean Water Act requirements and to ensure that the gains in water quality made over the last two decades are not lost. Also, Office of Water plans to continue supplementing this approach with alternative techniques including:

- Implementing programs on a watershed basis;
- Using geographical targeting to involve all the stakeholders in characterizing problems and in determining and implementing solutions, such as Great Lakes, Chesapeake Bay, Gulf of Mexico and the National Estuary Program;
- Encouraging more advanced monitoring techniques; and
- Mixing enforcement with education, voluntary compliance, and volunteer efforts.

Goals

Our long-term goal is to provide audit and advisory services which provide Agency program managers useful information to promote economy, efficiency, and effectiveness of water quality programs, and to determine the extent to which desired results or benefits envisioned by Congress are being achieved.

Short-term goals are:

- Assist Agency personnel in developing meaningful EPA and state performance measures for tracking progress in attaining the clean water goal; and
- Conduct audits in the core program areas of environmental and pollution standards, pollution control programs, monitoring, and reporting.

During FY 2000, our work will concentrate on three of the Agency goals which support water related objectives: Clean and Safe Water (Goal 2), Preventing Pollution and Restoring Risk in Communities, Homes, Workplaces and Ecosystems (Goal 4), and A Credible Deterrent to Pollution and Greater Compliance with the Law (Goal 9).

Implementation Plans

In FY 2000, we plan to finish the following audits relating to water quality:

- Louisiana Water Quality Standards, Monitoring, and Reporting;
- EPA Water Quality Standards, Reporting, and Regional Oversight;
- Nonpoint Source Program and Grant Oversight; and
- Region 2's Implementation and Management of Combined Sewer Overflows.

We also plan to start the following audits in FY 2000:

- National Pollution Discharge Elimination System Enforcement;
- National Pollution Discharge Elimination System Sanitary Sewer Overflows;
- Enforcement of National Pollution Discharge Elimination System Permits in Region 4;
- Region 5's Upper Mississippi River Program;
- Monitoring for Water Quality; and
- Region 5's Coastal Environmental Management Program.

Assistance Agreements

In its December 1996 Strategic Plan, the Office of Inspector General identified Assistance Agreement Management as a priority environmental program. Many of EPA's assistance agreements receive regular audit coverage as part of the single audit process whereby state or local auditors or independent public accountants conduct an annual audit of a recipient's costs and assistance programs. However, because of the continuing large dollar amounts represented by assistance agreements in EPA's budget and the importance of these agreements to overall mission accomplishment, the OIG will focus its auditing to various aspects of assistance agreements. Also, since FY 1996 EPA has included Grants Close Outs and Oversight of Assistance Agreements as a material weakness in its Integrity Act Report to the President and Congress. According to the 1998 Integrity Act Report, FY 2000 is the year that corrective action will be completed.

Over the past few years, the OIG has performed several audits of assistance agreements. Many of the audits have shown the need for increased attention and oversight by EPA's grants administration and program offices. However, most of the audits focused on individual regions, programs, and entities. As a result, the Agency contends that the conditions identified in the audit reports are isolated instances and thus do not apply to the overall administration of EPA assistance agreements. Because of this contention, we have determined that future audit efforts in this area should focus on specific issues evaluated nationally. This approach will enable us to determine if there are systemic problems with EPA's management of its assistance programs and work together with Agency managers to identify solutions.

Goals

Our overall objective is to review both the financial and performance aspects of assistance agreements awarded to various entities, not only to determine if systemic problems exist in EPA's management and oversight of assistance agreements, but to identify solutions. By performing work in this area, we will help the Agency to determine if:

- The scope and goals of the assistance agreements are being achieved in accordance with Government laws and regulations;
- Funds are being effectively managed;
- The Agency is receiving what it is paying for; and
- The program results contribute to achieving EPA's environmental mission.

Implementation Plans

To achieve these goals, we plan to perform work in several major areas:

- Non-competitive Assistance Agreements;
- Directed Subcontracting;
- Product Accomplishment;
- Integrated Grants Management System Data Quality;
- EPA's oversight responsibilities;
- Litigation and Lobbying Costs;
- Equipment; and
- Interagency Agreements (IAGs).

Implementation Plans

In FY 2000, we plan to finish the following audits relating to assistance agreements:

- Review of Rhode Island's Grant Management; and
- Coordinating Science Planning and Grant Making.

We also plan to start the following audits in FY 2000:

- Directed Subcontracting;
- Noncompetitive Assistance Agreements;
- Litigation and Lobbying Costs; and
- Interagency Agreements.

Better Waste Management

Improper waste management threatens the health of people, endangers wildlife, and harms vegetation and natural resources. Uncontrolled hazardous and toxic substances can

migrate to ground water, surface water, and air. Consequently, such wastes can affect streams, lakes, rivers, water supplies, and the air we breathe.

Goal 5 of EPA's Strategic Plan, "Better Waste Management, Restoration of Contaminated Waste Sites, and Emergency Response," addresses the issue of better waste management. Goal 5 states:

America's wastes will be stored, treated, and disposed of in ways that prevent harm to people and to the natural environment. EPA will work to clean up previously polluted sites restoring them to uses appropriate for surrounding communities, and respond to and prevent waste-related or industrial accidents.

A principal objective of this goal is to reduce or control the risks posed to human health and the environment through better waste management and restoration of abandoned and active waste sites. In partnership with states, tribal governments, the public, and other stakeholders, EPA reduces and controls the risks at Superfund, Brownfields, Resource Conservation and Recovery Act (RCRA), and Underground Storage Tank (UST) sites. To achieve this objective, the Agency seeks to apply the fastest and most effective waste management and cleanup methods that are available. In addition, the Agency tries to involve the affected communities in the environmental decision making process. Finally, the Agency also employs research and enforcement strategies to further reduce the risks from exposures to hazardous waste.

Goal 5 includes both Superfund and RCRA issues. The OIG's December 1996 Strategic Plan identifies both these programs as major areas where we will focus our work.

Goals

America's wastes need to be stored, treated, and disposed in ways that prevent harm to people and to the environment. In our August 1999 Better Waste Management Issue Area Plan for fiscal years 2000 and 2001, we identified six priority issue areas that we will address during the two-year period starting in FY 2000:

- Productive Land Use and Reuse;
- Related Superfund and RCRA Program Overlap Concerns;
- State and Tribal Roles;
- Enforcement;
- Individual Site and Overall Program Management; and

- Decision Making and Site Assessment.

By addressing these six priority areas, we intend to (1) determine the extent to which desired results or benefits envisioned by Congress are achieved, (2) provide EPA program managers useful information to promote economy, efficiency, and effectiveness of both programs, and (3) provide OIG auditors with an audit planning tool that sets the framework for targeting individual audits.

Implementation Plans

In FY 2000, we plan to finish the following audits relating to better waste management:

- RCRA Financial Assurance Requirements;
- RCRA Hanford Hazardous Waste Storage Tanks;
- Government Performance Results Act under RCRA;
- Enforcement of RCRA Permits and Orders;
- RCRA Significant Non-Complier Identification and Enforcement;
- Lowry Landfill Superfund Site Remedy Review;
- EPA's Superfund Cost Recovery Actions;
- Region 2's Collection of Superfund Oversight Costs;
- Effectiveness of Containment Remedies in Region 4; and
- Interim Record of Decision -- Petosky Manufacturing Company Superfund Site.

We also plan to start the following audits in FY 2000:

- RCRA Paperwork Burden Reduction;
- Illegal Dumping of Hazardous Waste;
- RCRA Hazardous Waste Import/Export;
- Hazardous Waste Monitoring and Compliance of Region 2's Universities and Colleges;

- Unaddressed NPL-Caliber and Near NPL-Caliber Superfund Sites;
- Superfund State Contracts in Region 5;
- Oversight of State and Tribal Superfund Programs;
- Site Assessment for the National Priorities List;
- Superfund Post Construction Completion Management;
- Quality of GPRA Data in CERCLIS;
- Formerly Used Defense Sites;
- Recycling of Superfund Sites;
- Oversight of Superfund Cleanup Actions for the Hanford Site;
- Region 4's Implementation of Superfund Enforcement Reforms;
- Followup of Region 5's Billing and Collection of Accounts Receivable;
- EPA Assistance to State and Local Government on Mitigating the Environmental and Human Health Effects of Urban Sprawl; and
- Followup Review of Superfund Brownfields Program: Potential for Urban Revitalization.

Enforcement and Compliance Assurance

EPA's goal, as stated in its strategic plan, is to ensure full compliance with laws intended to protect human health and the environment. Within the framework of this goal, EPA's objectives are to:

- Identify and reduce significant noncompliance in high priority program areas, while maintaining a strong enforcement presence in all regulatory program areas; and
- Promote the regulated communities' voluntary compliance with environmental requirements through compliance incentives and assistance programs.

The Office of Enforcement and Compliance Assurance (OECA) plans to implement a range of approaches to achieve the full compliance goal, including: (1) continuing a traditional core enforcement program; (2) improving the Agency's ability to define high priority portions of the regulated community and set challenging targets for improving their compliance; (3) increasing the use of injunctive relief provisions and supplemental environmental projects to achieve environmental restoration and cleanup; (4) working with state, tribal, and local governments and other Federal agencies to promote environmental protection; and (5) expanding current efforts to improve compliance through incentives and assistance activities.

The Office of Audit's issue area plan provides a comprehensive approach for evaluating the enforcement and compliance assurance program. When our planned work is fully implemented, we will have evaluated:

- Enforcement activity at the regional and state levels in the major media programs of air, water quality, and hazardous waste;
- Specific aspects of enforcement activities, such as the use of supplemental environmental projects, multimedia enforcement, activities aimed at ensuring Federal facilities are in compliance, and criminal and civil enforcement coordination;
- Actual results of enforcement activities, including whether compliance with injunctive relief requirements has been achieved and penalties have been collected;
- The compliance assistance program, such as the compliance assistance centers and other activities required under the Small Business Regulatory Enforcement Fairness Act; and
- Whether the enforcement and compliance program's overall management systems are functioning appropriately to meet the needs of Agency management under the Government Performance and Results Act, in the areas of data management, planning and accountability, and measuring environmental outcomes and indicators.

Goals

During FY 2000, our planned audits will focus on three Agency goals: "A Credible Deterrent to Pollution and Greater Compliance with the Law" (Goal 9); "Effective Management" (Goal 10); and "Expansion of Americans' Right to Know about their Environment" (Goal 7).

Implementation Plans

In FY 2000, we plan to complete the following audits:

- Compliance with Regional Enforcement Agreements in Regions 2, 5, and 6;
- Supplemental Environmental Projects;
- Government Performance and Results Act Implementation in OECA; and
- Multimedia Enforcement Activities.

In FY 2000, we plan to start the following audits:

- Actions to Improve OECA Data Management.
- Compliance with State Enforcement Agreements; and
- Quality of the GPRA Data in the Enforcement DOCKET System.

Information Resources Management

A sound information resources management (IRM) infrastructure and efficient, responsive information systems are critical to EPA's ability to achieve its environmental mission. In response to OIG recommendations, the Agency originally declared Information Systems Security Plans a Presidential-level weakness in its 1997 Integrity Act Report. Audit work in this area supported the conclusion that the Agency's security plans continued to be inadequate to protect EPA data and resources and security plans were again reported as a weakness in the 1998 Integrity Act Report. The Agency relies on its information systems to collect, process, store and disseminate vast amounts of information which is used to safeguard and improve the environment. The information that EPA uses must be accurate, reliable and accessible to authorized users in order for the Agency to meet its organizational goals. This information assists the Agency in making sound regulatory and program decisions.

EPA must manage its information resources to provide integrated information to the public, businesses, educational, environmental and community-based organizations, other Federal agencies and governmental entities. The public, management and numerous other organizations are potential customers that use Agency information resources that could impact human health and the environment.

Over the past couple of years we have addressed a number of high-level issues which posed immediate threats to the security of Agency information systems, and the efficient and effective use of Agency data and resources.

Goal

Our information resources program supports EPA's Strategic Plan Goal 10, "Effective Management," by focusing on the reliability, and accuracy of the various information systems, information, and the resulting financial statements.

Implementation Plans

In our continuing effort to assist the Agency in achieving its IRM goals, we will complete the following audits in FY 2000:

- IBM Mainframe Operating System Access Controls;
- EPA's Computer Security Program; and
- Dial-in Security for Region 8's Network.

In FY 2000, we plan to start the following audits:

- Quality of the GPRA Data in the Enforcement DOCKET System (This is part of the Enforcement Issue Area); and
- Quality of the GPRA Data in CERCLIS. (This audit is part of the Better Waste management Issue Area)

In addition, during FY 2000, we will update system information to develop a strategic plan for auditing data quality in those Agency information systems which support EPA's 10 Strategic Goals. We will also complete an assessment of an EPA contractor's general and application ADP controls. Furthermore, we will participate in the Agency's efforts to replace the Agency payroll system and Essential Data Quality Indicators workgroup.

EPA's Implementation of the Results Act

The Government Performance and Results Act (the Results Act) promotes a new focus on results, accountability, service quality and customer satisfaction in Federal agencies. The Results Act links planning and budgeting with results. Strategic and annual performance plans sets goals and specify measurements which are used to evaluate results. Members of Congress have asked the OIGs to develop a Results Act review plan to examine agency

performance plans, and verify selected data and accounting systems that support an agency's performance reports.

Consistent with the IG Act, we have been actively promoting improvement of EPA operations by overseeing effective implementation of the Results Act's provisions and assisting Agency managers to institutionalize its principles into day-to-day operations. The OIG first reported on EPA's implementation of the Results Act in 1996, but we have been reporting on EPA data quality issues for several years.

Implementation Plans

In FY 2000 we will continue to assist EPA in evaluating the accomplishment of its goals, and ensure the adequacy of accountability systems and development of meaningful performance measures. Our audits will continue to selectively evaluate the accuracy, adequacy, and reliability of data needed to measure performance and environmental results from Agency operations, its grantees, and contractors. We will also continue to review EPA's cost accounting procedures, processes, and systems to accumulate the costs of carrying out each of its goals.

Additionally, we will develop new tools and approaches for integrating reviews of and assistance for Agency Results Act implementation into its products and services. For example, we will survey Agency data systems and sources for selected goals and measures, and we will review selected performance measures identified in the FY 1999 Overview of EPA's Financial Statements.

Other Emerging Issues

The Office of Audit will also be conducting other audits to provide balanced coverage of the Agency's programs and operations. These audits supplement our work in the various "issue areas." Agency managers requested some of these assignments while others either reflect our legislatively mandated work or we have identified as opportunities for improving Agency programs and operations.

In FY 2000, we plan to finish the following audits in this area:

- Whistle Blower Protection at EPA;
- Greening EPA;
- Managing Printed Materials at EPA;
- Followup Review on the Narragansett Lab;

- Followup Review on Pesticides;
- Region 3's Children's Health Initiative on the Asbestos Hazard Emergency Response Act; and
- Air Enforcement -- Stack Testing.

We also plan to start the following audits in FY 2000:

- Use of Synthetic Minor Source Classification in the Title V Operating Permit Program;
- Puerto Rico Environmental Quality Board;
- Border XXI Program Issue Area Plan;
- Children's Health Risk Initiatives Program; and
- Pesticide Residue and Tolerance Setting.

Financial Audits of Assistance Agreements

EPA accomplishes a large part of its environmental mission through numerous assistance programs awarded as grants and cooperative agreements to state, local and tribal governments, universities, and nonprofit recipients. Today assistance programs account for about half of the Agency's total budget.

During FY 2000 we will focus our work in the following areas: State Revolving Fund (SRF) program, Performance Partnership Grants, and Superfund cooperative agreements.

Our overall objectives are to ensure that the scope and goals of the assistance agreements are being achieved, funds are being effectively managed, and the Agency is receiving what it is paying for.

As resources allow, we will audit other assistance agreements based on our continuing risk assessment activities and on Agency and congressional requests.

State Revolving Fund Program

The Water Quality Act of 1987 mandated the establishment of the State Revolving Fund (SRF) program as a replacement to the construction grants program. The SRF program has two primary objectives. First the SRF program provides financial assistance to state governments in establishing a water pollution control revolving fund for constructing municipal treatment works. Second, the SRF program provides financial assistance for developing and implementing non-point source management programs and estuary management plans. EPA awards capitalization grants to the states, which in turn make low interest loans and other forms of financial assistance available to municipalities.

The very nature of EPA's involvement in municipal wastewater treatment facilities is changing from project management to a complex financing program in which EPA is in partnership with the states. The importance of point source pollution and the high level of SRF funding makes the SRF a critical program from an audit standpoint.

Goals

Our goals are to:

- Conduct independent and objective audits of the SRF program, promoting economy, efficiency, and effectiveness;
- Work with SRF program managers to improve program operations and effectiveness; and
- Be proactive and involved in the SRF program, review existing procedures, and suggest improvements.

These goals support EPA's Strategic Plan Goal 10, "Effective Management," which seeks to "establish a management infrastructure that will set and implement the highest quality standards for effective internal management and fiscal responsibility." In addition, they support EPA's Strategic Plan Goal 2, "Clean and Safe Water," which seeks to "protect and improve our water resources."

Implementation Plans

We designed the following activities to implement a strategic approach to reach our goals:

- Review Clean Water State Revolving Fund financial statement audits available from the 41 states conducting these audits, and provide the

program offices with information on the usability of this financial information.

- Work with several states conducting audits to voluntarily improve the usability of the financial information.
- Conduct financial statement opinion audits, and reports on internal controls and compliance in about one-third of the remaining 10 states.

We have been working with and will continue to work with Agency SRF coordinators to improve program operations and effectiveness. When requested, we will continue to assist EPA regional officials, as consultants, in their annual reviews of state SRF operations.

Performance Partnerships Grants

A Performance Partnership Grant (PPG) is a multi-program grant made to a state or tribal agency from funds allocated and otherwise available for a specific environmental program. PPGs give the states and tribes the option to combine funds from two or more grants so they have the flexibility to address their highest environmental priorities while continuing to address core program commitments. PPGs are part of the National Environmental Performance Partnership System (NEPPS). EPA designed NEPPS to: give states a stronger role in priority setting; focus scarce resources on their highest priorities; and tailor the amount and type of EPA oversight to an individual state's performance. A state or tribe may implement NEPPS without a PPG.

As part of the Administration's program to "Reinvent Environmental Regulation," President Clinton announced Performance Partnership Grants on March 15, 1995. PPGs are a part of EPA's continuing effort to reinvent government and build state and tribal environmental protection. The new system recognizes the vital role states play in environmental protection and provides the flexibility states need to design strategies that meet their own conditions and needs. PPGs encourage states and tribes to integrate strategic goals such as pollution prevention and community-based environmental protection into their program planning. Additionally, the Agency designed PPGs to encourage improved environmental performance by linking program goals with program outcomes, increase the use of environmental indicators and program performance measures, and decrease reporting of outputs and activities. Performance measures, negotiated between the region and each state or tribe, will gauge progress in meeting agreed upon goals.

We have been working with the Agency in a partnership role to ensure that it has developed proper policies and procedures for the NEPPS and related endeavors, (e.g.,

Environmental Performance Agreements and PPGs). During the past year we have actively participated in the Agency's NEPPS workgroups.

Goal

Our overall goal is to provide useful information to EPA program managers so they may oversee the PPG and NEPPS programs effectively and efficiently to obtain improved environmental results. Our performance partnership program supports EPA's Strategic Plan Goal 10, "Effective Management," by focusing on accountability for internal controls, and information. The PPG also supports various other EPA's Strategic Plan Goals such as Goal 1, "Clean Air"; Goal 2, "Clean and Safe Water"; and Goal 4, "Preventing Pollution and Reducing Risk in Communities, Homes Workplaces and Ecosystems."

Implementation Plans

To meet our goal, we will continue to provide an early warning of problems and suggestions for improvements to help PPG recipients achieve performance goals.

In FY 1999, all field divisions assisted the regions and the states in the implementation of their Performance Partnership Grants. This includes performing short-term management assessment reviews with regional management officials and reviewing regional implementation and oversight of the Performance Partnership Grant Program.

Specifically, we plan to complete the following reviews in FY 2000:

- Management Assessment Reviews in Region 2; and
- Implementation and Oversight of Performance Partnership Grants in Region 5.

Superfund Cooperative Agreements

The Superfund Amendments and Reauthorization Act requires the Office of Inspector General to audit a sample of cooperative agreements with states carrying out response clean-up actions. We perform financial and compliance audits of cooperative agreements with states and political subdivisions. Some of our audits also review program performance.

Goals

Our overall goal is to improve the management of extramural resources through carefully planned audits. Our audits of Superfund cooperative agreements support EPA's Strategic Plan Goal 10, "Effective Management;" and EPA's Strategic Plan Goal 5, "Better Waste Management, Restoration of Contaminated Waste Sites, and Emergency Response".

Implementation Plans

We will continue our mandated coverage of selected cooperative agreements.

In FY 2000, we plan to conduct the following reviews relating to Superfund cooperative agreements:

- A review of either the state of Ohio's or Wisconsin's Cooperative Agreement in Region 5; and
- A review of the state of Delaware's Cooperative Agreement in Region 3.

Financial Audits of Contracts

EPA gets much of its work done and produces many of its major products through contracts. Without an effective contract function, EPA's mission of protecting human health and the environment is threatened or impaired. The OIG is committed to assisting EPA in ensuring that it pays only for the services and products it requests and receives.

Historically, the OIG has focused its financial contract audit resources on large-dollar, Superfund contractors. However, more recently, we have broadened our focus to include not only small Superfund contractors, but also non-Superfund contractors. We have assisted EPA's and other Federal agencies' procurement functions in the award, administration, and close out of contracts; provided assistance to the OIG's Office of Investigations; and performed audits of contracts to prevent and detect fraud, waste and abuse.

In 1999, the OIG established the position of Senior Audit Advisor to the Assistant Inspector General for Audit in order to enhance our detection of fraudulent activity and OIG proactive efforts to identify areas vulnerable to fraud. The Senior Audit Advisor will (1) work closely with the Deputy Assistant Inspector General for Investigations to provide expert and timely advice and assistance to the Assistant Inspectors General and the Divisional Inspectors General to facilitate the exchange of information between auditors and investigators, and (2) assist in operational planning for the Office of Audit

and the Office of Investigations. The Senior Audit Advisor will be primarily responsible for generating referrals of potentially fraudulent activity to the Office of Investigations, developing proactive initiatives, and augmenting strategies to identify program vulnerabilities.

Goals

The OIG's Office of Audit has three goals for its financial contract audit program:

- Support EPA's and other Federal agencies' procurement functions with needed audits and advisory services to assist in the award, administration, and close out of contracts;
- Provide the Office of Investigations with needed contract audit, consulting, and accounting services to support its civil and criminal investigations; and
- Prevent and detect instances of contract fraud, waste, and abuse.

Our financial contract audit program supports EPA's Strategic Plan Goal 10, "Effective Management," by focusing on accountability for contract dollars.

Implementation Plans

Our financial contract audit program includes seven work functions:

- Audit cognizance at selected contractors;
- Support for Office of Investigations;
- Oversight of the DCAA contract audit program for EPA contracts;
- Advisory and assistance services for EPA and other Federal agency procurement officials;
- Special request audits;
- Special self-initiated audits; and
- Support for OIG evaluation of EPA environmental work accomplished through contracts.

While we plan to perform work in each of these seven functions during FY 2000, we will

emphasize two functions. Our primary emphasis will be on cognizance at selected EPA contractors of importance to the Agency. At cognizant contractor locations, we can perform the full range of contract audit services including forward pricing reviews, incurred cost audits, system reviews, Cost Accounting Standards audits, and joint Financial Monitoring Reviews with EPA's Office of Acquisition Management. Our other most important functions will be to support the OIG Office of Investigations with needed contract audit, consulting, and accounting services for its procurement-related investigations and to support the efforts of the Senior Audit Advisor.

Financial Statement Audits

A major effort, encompassing all aspects of EPA activities, is our annual audit of the Agency's financial statements required by the Government Management Reform Act. During these audits, we test the accuracy of the EPA's financial statements, evaluate controls, and determine whether the Agency has complied with applicable laws and regulations. Our objective in performing these audits is to help EPA improve its financial management processes, systems, and controls, in order to provide better decision-making information. Accurate and timely financial information, including costs of the Agency's various programs, is essential to ensuring EPA achieves the greatest possible environmental results with the resources it has been provided. Our audit work will result in reports on EPA's Agency-wide financial statements, as well as the financial statements for the Working Capital Fund and the Pesticide Reregistration and Expedited Processing Fund. During FY 2000, we will also continue to work with the Agency on its implementation of new cost accounting procedures.

Goal

Our goal is to provide quality audit and advisory services that result in improvements in the accuracy, timeliness, and reliability of Agency financial information, thereby, allowing EPA's managers to direct the Agency's resources in ways that maximize achievement of the Agency's mission. This is in line with EPA's Strategic Plan Goal 10, "Effective Management," which seeks to establish a management infrastructure which will set and implement the highest quality standards for effective internal management and fiscal responsibility.

Implementation Plans

To implement these goals, we will:

- Perform financial statement audits that will assist the Agency in improving

financial management processes, systems, and internal controls;

- Use the required audits of financial statements as a tool for identifying areas for further analysis, and for helping management improve financial management and program performance;
- Advise Agency managers on developing sound financial reporting processes and systems that accumulate information on the cost of EPA's programs and are integrated with systems containing program information; and
- Participate in Agency work groups which examine ways to improve Agency financial operations.

In FY 2000 we plan to complete the following financial statement audits:

- FY 1999 Agency-wide Financial Statements;
- FY 1999 Working Capital Fund Financial Statements; and
- FY 1999 Pesticide Reregistration and Expedited Processing Fund Financial Statements.

We will also plan to start the FY 2000 audits of these same entities during the second half of FY 2000.

Audit Advisory and Agency Assistance Services

We know that we can only achieve our mission by working closely and cooperatively with Agency managers. To do this, we are committed to maintaining an open flow of communication with EPA management.

In addition to traditional audits, we offer a mix of products and services to give managers information and advice they need in a more expedient manner and to assist EPA management in assessing and/or implementing control systems and processes. We are committing significant resources to provide independent advisory, assistance, or other services to EPA managers and their partners. Examples of advisory and assistance services we can offer to program offices follow.

Advisory Services

The Office of Audit can provide advisory services to assist management in improving operations and assessing the best way to do business. Using this approach, we can advise managers with independent assessments of programs, functions, and procedures. Such reviews can be used in such areas as bench marking to identify best practices, business reengineering, establishing and documenting performance measures. The services can be customized to provide the type of information that is most useful to the requestor.

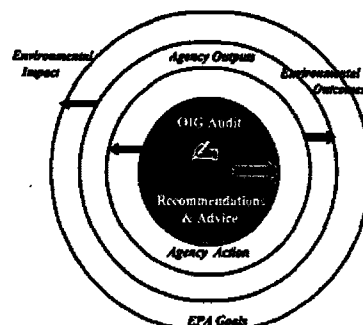
Assistance Services

We can also make staff members available to assist EPA managers in improving their operations. For example, our auditors work with program staff in assessing the adequacy of management controls used to operate Agency processes. Our auditors assist program staff to assess business and financial statements risks, the controls that mitigate those risks, and overall compliance with policies and procedures. Audit staff can be detailed to assist EPA managers in a variety of activities such as establishing improved control and accountability systems, strengthening performance measures and accomplishments reporting, or developing systems to monitor program operations on a nationwide basis, and developing programs to improve management competencies and provide training.

Based on our knowledge of the subject area, we can advise management of potential problems and risks which need to be addressed in implementing new laws and regulations. For example, we have historically assisted the Agency in drafting general grant regulations and state revolving fund procedures. We will provide representatives to address meetings or functions on agreed upon subjects. We are always ready to discuss areas or items of interest where we can share information with or be of assistance to EPA.

Prospective Agency Improvements, Outputs, Outcomes and Environmental Impacts From FY 2000 Audit Products

OIG audits are planned based on their anticipated value toward influencing resolution of the Agency's top management challenges, reducing risk, and improving practices or outputs leading to attainment of EPA's Strategic Goals. Below are examples of prospective EPA outputs and outcomes potentially resulting from Agency acceptance of currently planned FY 2000 audit products. Environmental impacts are logical extensions of actions taken on audit recommendations and advice as shown.



Creating a Nexus or Link Between OIG Audit Products and Environmental Impacts/Goals

Prospective Results by Audit Issue Area with Linkage to Agency Concerns

| Water Quality | Agency Goal(s) | Top Mgmt Challenge(s) |
|--|----------------|-----------------------|
| <input type="checkbox"/> Increased number of water sheds protected or restored. | 2, 6 | 1, 8 |
| <input type="checkbox"/> Percentage of population with clean and safe water | 2, 9 | 3 |
| <input type="checkbox"/> Inspections, administrative/compliance orders | 9, 2 | 3 |
| <input type="checkbox"/> Greater compliance/reduction in pollution/cleaner water | 2, 9 | 1, 8 |
| <input type="checkbox"/> Number of reports of impaired water along the Mississippi River | 2 | 1 |
| <input type="checkbox"/> Percentage of aquatic communities with healthy water | 2 | 1, 2, 4 |
| <input type="checkbox"/> Number of states with approved water quality standards/consistent adoption of Clean Water Act standards | 2 | 1, 2 |

| Assistance Agreements and Financial Management | Agency Goal(s) | Top Mgmt Challenge(s) |
|---|----------------|-----------------------|
| <input type="checkbox"/> Construction grant closeouts/deobligation of grant funds | 10 | 1 |
| <input type="checkbox"/> Percentage of population with better treatment of water | 2 | 8 |
| <input type="checkbox"/> Number and quality of pesticides re-registration for safety of foods | 3 | 1 |

| Better Waste Management | Agency Goal(s) | Top Mgmt Challenges |
|--|----------------|---------------------|
| <input type="checkbox"/> Quality and propriety of enforcement actions for timely and appropriate site resolution | 5 | 3 |
| <input type="checkbox"/> Number of site construction remedies to control risks to human health and the environment | 5 | 3 |
| <input type="checkbox"/> Better policies and actions in cleaning up Brownfields - reducing urban sprawl | 5 | 3 |
| <input type="checkbox"/> Better assessment and addressing of non NPL site actions | 5 | 3 |
| <input type="checkbox"/> Better oversight of state and tribal cleanups to control risks | 5 | 3 |
| <input type="checkbox"/> Improvement in EPA oversight and cleanup of Formerly Used Defense Sites to reduce risks in schools and other living and working areas | 5 | 3 |
| <input type="checkbox"/> Quality of information used for critical management and Congressional decision making (GPRA) | 5 | 3 |
| <input type="checkbox"/> Quality and propriety of RCRA inspections for reducing risks from transboundary toxics | 5, 10 | 1, 2 |
| <input type="checkbox"/> Improved cleanup for recycling and reuse of hazardous waste sites | 5, 6 | 3 |
| <input type="checkbox"/> Number of RCRA hazardous waste facilities, inspections and civil referrals for improved level of RCRA compliance and corrective actions that decrease in threat of exposure to the public | 5 | 3 |
| <input type="checkbox"/> Number of NPL sites cleaned up for reduction of risk to public health | 5, 9 | 3 |
| | 5 | 3 |

| Enforcement and Compliance Assurance | | Agency Goal(s) | Top Mgmt Challenges |
|--------------------------------------|---|----------------|---------------------|
| <input type="checkbox"/> | Integrity of data used to manage enforcement actions and Congressional decision making -measures for 23 APGs (GPRA) | 9, 10 | 1, 2, 3 |
| <input type="checkbox"/> | Better enforcement actions for better compliance (relationship of enforcement and follow-up actions to level of compliance) | 9 | 3 |

| Other Emerging Issues | | Agency Goal(s) | Top Mgmt Challenges |
|--------------------------|---|----------------|---------------------|
| <input type="checkbox"/> | Quality of air stewardship strategies - percentage of people with healthier indoor air | 1, 4, 8 | 8 |
| <input type="checkbox"/> | Reduction of cross border environmental risks (air, water, hazardous waste, contingency plans) | 6 | 3 |
| <input type="checkbox"/> | Percentage of places using integrated holistic partnership approaches to ensure a sustainable environment | 7, 8 | 1 |
| <input type="checkbox"/> | Number of pesticide tolerance reassessments; percentage of population with safe food | 3, 4 | 1, 2, 4, 9 |

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FY2000 Allocation

| FY 2000 | EAD | MAD | SAD | NAD | CAD | WAD | FAD | INT | HAD | AAAS | EXT | WCD | ENG&SCI | IO | TOTAL |
|---|------|------|------|------|------|------|------|------|------|------|------|------|---------|------|-------|
| STAFF ALLOCATION | | | | | | | | | | | | | | | |
| Assistance Agreements | 400 | 200 | 75 | | | | | | | | | | | | |
| Construction Grant Closeout | 250 | 675 | | 445 | 200 | 200 | 50 | | | | | | | | 725 |
| Other Asst Agree -SRF | 20 | 70 | | | 200 | 750 | | | | | 300 | | | | 2070 |
| Contracts | 420 | | | 180 | 0 | 80 | | | | | 50 | | | | 1080 |
| EPA Financial Statements | 400 | 300 | 640 | 660 | 105 | 175 | 2240 | | | 318 | 300 | 2330 | | | 3280 |
| EPA Program Audits | 1820 | 2445 | 1370 | 2140 | 2120 | 885 | 160 | 500 | 2750 | 1985 | | | 1000 | | 4838 |
| Assist Investigations | 150 | 0 | 200 | 80 | 125 | 400 | | | 150 | | | | | 140 | 17155 |
| Professional Support | 210 | 225 | 140 | 280 | 250 | 250 | | | | | | 70 | | 490 | 1245 |
| Supervision | 280 | 150 | 140 | 210 | 140 | 200 | 140 | 140 | 140 | 110 | 140 | 140 | 140 | 210 | 1915 |
| | | | | | | | | | | | | | | | 2280 |
| Total Management | 3950 | 4065 | 2565 | 3975 | 3140 | 2970 | 2540 | 640 | 3040 | 2413 | 780 | 2540 | 1140 | 840 | 34808 |
| SUPERFUND | | | | | | | | | | | | | | | |
| Assistance Agreements | | 40 | | 30 | | 10 | | | | | | | | | |
| Contracts | 980 | | 50 | 240 | | 200 | | | | | 50 | | | | 130 |
| EPA Financial Statements | 200 | 50 | 165 | 190 | 45 | 50 | 560 | | | | 100 | 1170 | | | 2740 |
| EPA Program Audits | 610 | 160 | 700 | 435 | 1020 | 995 | 40 | 300 | 1700 | 82 | | | 400 | | 1342 |
| Assist Investigations | 50 | 0 | 120 | 0 | 25 | 110 | | | | 655 | | | | 60 | 7015 |
| Professional Support | 90 | 50 | 60 | 120 | 110 | 110 | | 80 | 60 | 50 | | 30 | 60 | 210 | 255 |
| Supervision | 120 | 35 | 60 | 90 | 60 | 65 | 60 | | | | 60 | 60 | 60 | 90 | 780 |
| | | | | | | | | | | | | | | | 930 |
| Total Superfund | 2050 | 335 | 1035 | 1225 | 1260 | 1430 | 660 | 360 | 1760 | 787 | 210 | 1260 | 460 | 360 | 13192 |
| TOTAL DIRECT STAFFDAYS | 6000 | 4400 | 3600 | 5200 | 4400 | 4400 | 3200 | 1000 | 4800 | 3200 | 1000 | 3800 | 1600 | 1200 | 47800 |
| Admin Support | 400 | 200 | 200 | 400 | 200 | 200 | 200 | 200 | 200 | 0 | 200 | 200 | 0 | 0 | 2600 |
| Technical Support | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| TOTAL TIME | 6400 | 4600 | 3800 | 5600 | 4600 | 4600 | 3400 | 1200 | 5000 | 3200 | 1200 | 4000 | 1600 | 1200 | 50400 |
| 2000 STAFFING LEVELS | 32 | 23 | 19 | 28 | 23 | 23 | 17 | 6 | 25 | 16 | 6 | 20 | 8 | 6 | 252 |
| 2000 AUTHORIZED STAFFING | 29 | 24 | 20 | 28 | 22 | 25 | 18 | 6 | 26 | 18 | 5 | 20 | 8 | 3 | 252 |
| (Per J. Rauch, 10/28/99) | | | | | | | | | | | | | | | |
| As Divisions that are over the authorized staff levels established by James Rauch lose staff the bat of that FTE would be given | | | | | | | | | | | | | | | |
| given to a Division that is under Mr. Rauch's allocation of FTEs. | | | | | | | | | | | | | | | |

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FY2000 Allocation

| SUMMARY | TOT EAD | TOT MAD | TOT SAD | TOT NAD | TOT CAD | TOT WAD | FAD | INT | HAD | AAAS | EXT. | WCD | ENG&SCI | IO | TOTAL |
|--------------------------|---------|---------|---------|---------|---------|---------|------|------|------|------|------|------|---------|------|-------|
| Assistance Agreements | 670 | 985 | 75 | 475 | 400 | 1010 | 0 | 0 | 0 | 0 | 400 | 0 | 0 | 0 | 4015 |
| Contracts | 1400 | 0 | 50 | 400 | 0 | 280 | 0 | 0 | 0 | 0 | 400 | 3500 | 0 | 0 | 6030 |
| EPA Financial Statements | 600 | 350 | 805 | 850 | 150 | 225 | 2800 | 0 | 0 | 400 | 0 | 0 | 0 | 0 | 6180 |
| EPA Program Audits | 2430 | 2605 | 2070 | 2575 | 3140 | 1860 | 200 | 800 | 4450 | 2840 | 0 | 0 | 1400 | 0 | 24170 |
| Assist to Investigations | 200 | 0 | 200 | 200 | 150 | 400 | 0 | 0 | 150 | 0 | 0 | 0 | 0 | 200 | 1500 |
| Supervision | 400 | 185 | 200 | 300 | 200 | 265 | 200 | 200 | 200 | 160 | 200 | 200 | 200 | 300 | 3210 |
| | 5700 | 4125 | 3400 | 4800 | 4040 | 4040 | 3200 | 1000 | 4800 | 3200 | 1000 | 3700 | 1600 | 500 | 45105 |
| PROF SUP. CLERICAL | 700 | 475 | 400 | 800 | 1470 | 560 | 200 | 200 | 200 | 0 | 200 | 300 | 0 | 700 | 5285 |
| TOTAL STAFF RESOURCES | 6400 | 4600 | 3800 | 5600 | 5510 | 4600 | 3400 | 1200 | 5000 | 3200 | 1200 | 4000 | 1800 | 1200 | 50400 |

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Program Audits Water Quality

Work in Process

| | |
|---|------|
| Louisiana Water Quality Standards, Monitoring and Reporting | WQ 1 |
| EPA Water Quality Standards, Monitoring and Reporting, and Regional Oversight | WQ 2 |
| Nonpoint Source Program and Grant Oversight | WQ 3 |
| Region 2's Implementation and Management of Combined Sewer Overflows | WQ 4 |

New Starts

| | |
|---|-------|
| National Pollution Discharge Elimination System Enforcement | WQ 5 |
| National Pollution Discharge Elimination System Sanitary Sewer Overflows | WQ 6 |
| Enforcement of National Pollution Discharge Elimination System Permits in Region 4 | WQ 7 |
| Region 5's Upper Mississippi River Program | WQ 8 |
| Monitoring for Water Quality | WQ 9 |
| Region 5's Coastal Environmental Management Program | WQ 10 |

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LOUISIANA WATER QUALITY STANDARDS, MONITORING, AND REPORTING

Background

The Clean Water Act is the principal law that addresses the quality of the nation's waters. The Clean Water Act requires states develop water quality standards and monitor attainment of those standards. EPA is responsible for reviewing and approving each state's water quality standards and for oversight of each state's water quality monitoring program. The Clean Water Act requires each state submit biannual reports to EPA describing the water quality in the state. These reports, as well as other information accumulated by state water quality monitoring programs, provide essential information for national and regional decisions regarding water quality and assessing progress in controlling pollution of the nation's waters.

If the water quality standard (goal) for a surface water is not met, states report the surface water as impaired and develop a total maximum daily load (TMDL) for the surface water. In developing a TMDL, states identify all sources of pollution, including point and nonpoint, and assess compliance with National Pollution Discharge Elimination System permits.

Reason for Selection

Water is essential to all forms of life. Water quality is an important concern in all states. Several lawsuits have been brought against EPA and several states regarding water quality standards. States may not have effectively used TMDLs as a reference for determining progress in restoring the quality of impaired waters. Further, Office of Water personnel have expressed concerns over the consistency and accuracy of state biannual water quality reports.

Expected Benefits

We expect to identify and recommend improvements in state efforts to:

- Establish water quality standards,
- Develop comprehensive monitoring programs,
- Identify impaired waters, and
- Report accurately on water quality.

The audit will provide the state and regions with useful information to help ensure that they identify and address water quality priorities.

Audit Objectives

The audit will address the following questions:

- Has the state implemented effective procedures to develop water quality standards that will protect the state's water quality?
- Has the state implemented effective procedures to test and assess the quality of all appropriate waters in the state?
- Are state reports on water quality complete, accurate, and useful to program management?
- Has the Region implemented effective procedures to approve state water quality standards, and evaluate the state's water quality standard setting, testing, assessing, and reporting.

Scope

We will review state implementation of Clean Water Act requirements to establish surface water quality standards, monitor, and report on surface water quality. The TMDL program will not be reviewed. However, we will evaluate whether the water quality monitoring program is providing the information needed for development of TMDLs and whether completed TMDLs are being effectively used by states to improve the quality of impaired waters.

We will review the region's oversight of state water quality standards, monitoring plans, and quality assurance plans. We will also review regional management agreements and state annual workplans for performance measures related to state water quality programs.

Location and Resources

The Office of Inspector General has completed audits of water quality standards, monitoring and reporting in Missouri, Colorado, Arkansas, Ohio, Maryland, Oregon, New Jersey, and Mississippi. Fieldwork is in process in Louisiana and will require approximately 40 days for completion. The Engineering and Science Staff has provided assistance for these audits.

EPA WATER QUALITY STANDARDS, REPORTING AND REGIONAL OVERSIGHT

Background

The Clean Water Act is the primary legislation addressing water quality programs. Its objective is to restore and maintain the quality of the nation's surface waters. The Clean Water Act requires states to adopt water quality standards. These standards are an important basis for state actions to control and remedy water pollution. EPA regions are responsible for reviewing and approving states' water quality standards. In addition to establishing water quality goals for the waterbody, the water quality standards serve as the regulatory basis for pollutant discharge limits in the state discharge permitting programs, and also provide the basis for non-regulatory nonpoint source controls.

The Clean Water Act requires EPA to develop water quality criteria and provide guidance for states' use in developing the states' water quality standards. Water quality criteria describe the maximum quantity of specific pollutants that may be in waters and not cause impairment of the designated use of the water, for example, fishable or swimmable. The Clean Water Act requires EPA to develop and publish water quality criteria for all "listed" pollutants. To date, EPA has issued criteria for 100 of the 126 priority toxic pollutants listed in the Clean Water Act.

When adopting water quality standards, states classify waters according to how they can be used, such as for drinking water supply, fishing, and swimming. Once states assign water use classifications, the Clean Water Act requires states to adopt water quality criteria to protect the uses. States are required to review their water quality standards once every 3 years and obtain EPA approval for the standards.

Reasons for Selection

Water is one of our vital resources and must be protected. One of EPA's strategic goals is for clean and safe water. This goal includes insuring our surface water, such as lakes, rivers, wetlands, and oceans sustain human health, support and maintain aquatic life, and provide for both recreational and economic activities. EPA and states developed water quality programs to protect surface waters by identifying how the water is to be used, setting standards to meet the use, and then monitoring and reporting on how well the water quality supports the use. EPA and states use their water quality information as a basis for, and to measure performance of, their programs to control and clean up water pollution.

OIG is conducting a series of state water quality audits to develop a national picture of the performance of state water quality programs. OIG selected a variety of states where audits could identify best practices and needed improvements. Though many of the state audits are still in

progress, a number of issues related to ambiguous EPA guidance and inconsistent EPA regional oversight appear to be manifesting in the various states. Inconsistencies led to non-comparability among the states and can greatly reduce the clarity of a national water quality picture.

We found that although toxic pollutants may be found in state waters, states do not always adopt water quality criteria to limit the amount of the pollutant that can be present and still support the waters designated uses. The Clean Water Act requires the states to adopt water quality criteria if the pollutant could reasonably interfere with state designated uses. EPA regions have various interpretations of "reasonably interfere with state designated uses". There appears to be confusion and inconsistencies in EPA's position on adoption of water quality criteria to protect human health in waters used as drinking water supplies. Also, we plan to assess the potential impacts of what appears to be other inconsistencies in regional guidance.

Expected Benefits

We expect to identify and recommend improvements in EPA's efforts to:

- Ensure states adopt water quality standards for necessary toxic pollutants,
- Protect waters used as drinking water sources, and
- Identify inconsistencies and resulting impacts of EPA regional oversight.

Audit Objectives

The audit will address the following questions:

- At what point does EPA require states to adopt water quality criteria for toxic priority pollutants, and are there inconsistencies in this requirement from region to region?
- How should waters used as drinking water sources be protected?
- What impact does inconsistent regional oversight of state's water quality programs have on individual states and national comparability between states?

Scope

The audit will characterize national issues manifested in the state water quality standards, monitoring, and reporting audits. We will review and discuss EPA policy and guidance for states' identification of pollutants to be regulated and the need to adopt water quality criteria. We will review and assess EPA policy and position regarding adoption of water quality criteria

to protect drinking water supplies. We will identify and assess the impacts of inconsistent regional oversight on state water quality programs and on national reporting.

Location and Resources

The Central Audit Division is conducting this work at EPA headquarters. We have budgeted approximately 250 staff days for fiscal 2000 for this audit. This audit may require the assistance of the Engineering and Science Staff.

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NONPOINT SOURCE PROGRAM AND GRANT OVERSIGHT

Background

In 1987, Congress enacted section 319 of the Clean Water Act, establishing a national program to control nonpoint sources of water pollution. The Clean Water Act established a national approach of relying on state programs for managing nonpoint source pollution. The Clean Water Act required states to assess the extent of nonpoint source pollution, develop and implement a management plan, and report on nonpoint source pollution in the water quality assessment reports. All states have EPA approved nonpoint source programs and are eligible for grants and state revolving funds to implement their programs. EPA primarily provides funding for demonstration projects for the state programs.

The program has evolved significantly since its inception. In its 1997 guidance, EPA stated its role in the nonpoint source program would shift away from grants oversight toward technical assistance and support. EPA's approach would be to work closely with states and give them programmatic and technical support as they moved toward a more independent level of program implementation. EPA would reduce its state oversight when a state adopted nine key program elements and demonstrated a proven track record of effective implementation.

Reasons for Selection

CAD audited the nonpoint source programs in Region 8 states in fiscal 1997. The report included recommendations to update state nonpoint source management plans, develop and finalize nonpoint source policy papers, and develop a strategy to build states' capacity to operate their nonpoint source programs without reliance on section 319 funding. Similar issues may exist in other states and regions.

Expected Benefits

The audit would ensure states are following Federal regulations and are maintaining adequate records and documentation. Further, the audit would assist regions in ensuring states upgrade their nonpoint source management programs to meet the required elements.

Audit Objectives

The audit objectives will answer the following questions:

- Did the Region establish targets and implement a plan for pollution abatement consistent with the Region's share of EPA's objectives to reduce nonpoint source

pollution?

- Did state management plans ensure funds were directed toward high priority and valued activities?
- Were benefits from projects measured and did the results meet pollution abatement targets?
- Were costs claimed allowable, reasonable, and allocable to projects and were grants promptly closed?

Scope

OIG staff will meet discuss with regional program and administrative staff, and appropriate state and local grantees to identify and prioritize the individual state programs that should be audited. The audit will evaluate reporting systems and documentation for compliance with program requirements.

Location and Resources

Work is being conducted in Region 7 and selected state water quality offices. This audit may be conducted in other regions. The audit will require 250 staff days; 100 days has been allocated to fiscal 2000.

REGION 2'S IMPLEMENTATION AND MANAGEMENT OF COMBINED SEWER OVERFLOWS

Background

EPA regulations recognized combined sewer overflows as potentially serious pollution sources and provided for corrective actions under the construction grant program. Combined sewer systems carry sanitary wastewater and storm water in the same pipe to sewage treatment plants. In periods of rainfall or snow melt, the waste water volume can exceed the capacity of the sewer system or treatment plant resulting in a combined sewer overflow. These overflows contain not only storm water, but also untreated human and industrial wastes, toxic material, and floating debris and are discharged directly into the water. To control the effects of overflows, federal regulations require that sewage treatment plants obtain national pollutant discharge elimination system permits that limit the effects of the combined sewer overflows.

Reasons for Selection

Combined sewer systems serve 950 communities with approximately 40 million people, primarily in the Northeast and Great Lakes regions. Most of the systems are in older cities with populations less than 10 thousand. State water quality assessments have shown combined sewer overflows to be responsible for water quality impairments, beach closures, fish kills, and shellfish bed closures. Combined sewer overflows and other "wet weather" pollution sources cause about half of the estuary contamination.

In 1994, EPA issued a combined sewer overflow policy to decrease overflows and achieve water quality standards. EPA reports that, as of April 1998, slightly more than half of the combined sewer communities are implementing the basic controls identified in the combined sewer overflow policy. About half of the remaining communities are required in a permit or order to implement the basic controls in the next year or two. EPA is monitoring the states' implementation of the policy and is conducting a Government Performance and Results Act pilot project on the combined sewer overflow permit implementation.

Expected Benefits

Reductions in combined sewer overflows should enhance compliance with the Clean Water Act and should help EPA meet its goal of achieving clean water through the reduction of point source pollutant discharges. The combined sewer policy is expected to:

- Reduce the number of overflows by 85 percent nationwide;
- Reduce loadings of suspended solids from 3.7 billion pounds to 1.29 billion pounds annually; and
- Reduce discharges of oxygen-demanding pollutants from 1,150 million pounds to 635 million pounds annually.

Analysis of combined sewer overflow policy and implementation would help ensure that permitting authorities limit combined sewer overflows as required.

Audit Objectives

The audit will address the following questions:

- To what extent are states implementing EPA's combined sewer policy and are these procedures decreasing pollution from combined sewer overflows?
- Has EPA identified appropriate measurements for pollution from combined sewer overflows and developed an adequate process for obtaining accurate and reliable data for the measurements?

Scope

We will review the adequacy of states' procedures for permitting combined sewer overflows and measuring and reporting on environmental impact of combined sewer overflows. We will review permit limits to determine the basis for the limits and whether permittees identified all overflows.

Location and Resources

The Eastern Audit Division is reviewing the combined sewer overflows in the states in Region 2. Audit work will also be required in the Region 2 headquarters. The audit should take approximately 300 staff days and be completed in fiscal 2000.

NATIONAL POLLUTANT DISCHARGE ELIMINATION SYSTEM ENFORCEMENT

Background

The Clean Water Act established the National Pollutant Discharge Elimination System (NPDES) permit program in 1972 as the centerpiece of the national water pollution control efforts. The Act required every public and private organization discharging wastes directly into navigable water to have an NPDES permit. Generally, the permits are issued to industries and municipal sewage treatment plants and establish limits on the concentration and quantity of specific pollutants that may be discharged. Besides pollutant discharge limitations, the permits contain monitoring requirements, reporting provisions, and possibly compliance schedules. Though the permits program originally focused on municipal and non-municipal facilities, focus has expanded to regulate other pollution sources including pretreatment, storm water, combined sewer, and sludge programs.

EPA and states with delegated programs are required to report major permittee discharge monitoring data into the Permit Compliance System, EPA's national database for capturing the data. Once entered in the system, monitoring data can be evaluated for compliance with permit requirements. The system provides an overall permit inventory that is used as an operational and management tool for tracking permit issuance, compliance, and enforcement actions. If a permittee is in non-compliance with its permit, EPA and/or the state should take enforcement actions necessary to enforce the permit, ranging from calls and letters to civil and criminal judicial actions including fines and penalties.

The enforcement program's goal is to improve environmental quality through compliance with environmental laws. EPA guidance states that the NPDES permit program will be effective only to the extent that EPA systematically takes timely and appropriate enforcement action against violators to achieve full compliance with the Clean Water Act.

Reasons for Selection

Water is one of our vital resources and must be protected. One of EPA's ten strategic goals is for clean and safe water. This goal includes ensuring our surface waters, such as lakes, rivers, wetlands, and oceans, sustain human health, support and maintain aquatic life, and provide for both recreational and economic activities. The NPDES permits program is EPA's primary regulatory tool for controlling pollutant discharges into surface waters.

An OIG audit of Region 10's NPDES permits enforcement identified problems. Region 10 was not performing committed compliance inspections or follow-up on identified permit non-compliance. Significant violators were not dealt with appropriately or timely. Decisions not to

take action against violators were not documented. Region 10 did not have adequate procedures to track citizen complaints or ensure that all discharges were adequately regulated.

By doing a review in Region 5 that is similar to the review done in Region 10, we will determine if similar problems exist in Region 5.

Expected Benefits

We expect to identify and recommend improvements in Region 5 and/or related state efforts to:

- Implement the NPDES permits program;
- Enforce compliance with NPDES permits; and
- Identify alternative actions taken to bring non-compliers back into compliance.

An audit will advise management of the effectiveness of the NPDES monitoring and enforcement process, and provide Region 5 and/or states with useful information to help ensure they identify and address water quality priorities.

Audit Objectives

The audit will determine if the regional and/or state implementation of the permit program has protected states' water quality. The audit will address the following questions:

- Has the Region 5 and/or state enforcement program adequately ensured compliance with permit conditions, including pollution discharge limits and compliance schedules?
- Did Region 5 and/or the state take appropriate and timely enforcement actions against permittees in significant noncompliance?
- Has Region 5 monitored the states' implementation of the permits program and established controls to ensure that water quality goals are met?

Scope

The audit will include a review of regional implementation of the NPDES permit program, and oversight of state-delegated programs, to evaluate the adequacy of controls to ensure effective permits are monitored and enforced. The review will include an evaluation of inspection reports, monitoring reports, compliance reports, and the adequacy of information recorded in the Permit Compliance System.

Location and Resources

A 50 staff day survey will be conducted to identify areas for improvement in Region 5's NPDES permit program and to select one or two states for detailed audit work. We expect the audit to take about 150 staff days.

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NATIONAL POLLUTANT DISCHARGE ELIMINATION SYSTEM
SANITARY SEWER OVERFLOWS

Background

A sanitary sewer overflow (SSO) can spill raw sewage into basements or out of manholes and onto city streets, playgrounds and into streams, before it can reach a treatment facility. SSOs occasionally occur in almost every sewer system even though systems are intended to collect and contain all the sewage that flows into them. When SSOs happen frequently, however, it means something is wrong with the system. The problems that cause chronic SSOs include:

- Too much rainfall or snowmelt infiltrating through the ground into leaky sanitary sewers, which are not intended to hold rainfall or to drain property;
- Sewers and pumps too small to carry sewage from newly-developed subdivisions or commercial areas;
- Blocked, broken or cracked pipes and other equipment or power failures that keep the system from doing its job; and
- A deteriorating sewer system.

The total number of SSOs that annually occur nationwide is not known. However, separate sanitary sewer systems exist in all 50 states. In some areas they might not be reported or are underreported to EPA and state environmental agencies. EPA is currently in the process of evaluating the extent of SSOs across the country.

Reasons for Selection

EPA has found that SSOs caused by poor sewer collection system management pose a substantial health and environmental challenge in some parts of the nation. The response to this challenge varies considerably from state to state. Many municipalities have asked for national consistency in the way permits are considered for wastewater discharges, including SSOs, and in enforcement of the law prohibiting unpermitted discharges.

SSOs can contain high levels of pathogenic organisms, suspended solids, floatables, oil and grease, nutrients, toxic and other pollutants. Because SSOs contain raw sewage they can carry bacteria, viruses, protozoa (parasitic organisms), helminths (intestinal worms), and borroughs (inhaled molds and fungi). The diseases they cause range in severity from mild gastroenteritis to life-threatening ailments such as cholera, dysentery, hepatitis, and severe gastroenteritis.

A key concern with SSOs which enter rivers, lakes, streams, or brackish waters is their effect on water quality and the impairment of aquatic life. When bodies of water cannot be used for drinking water, fishing, or recreation society experiences an economic loss. Tourism and water front home values may fall; fishing and shellfish harvesting may be restricted or halted; and beaches may be closed.

Expected Benefits

Reductions in sanitary sewer overflows should enhance compliance with the Clean Water Act and should help EPA meet its goal of achieving clean water through the reduction of point source pollutant discharges.

Also, since the estimated cost to abate SSOs is estimated in the multi-billion dollar range, we could assist EPA management in reaching short and long term solutions.

Audit Objectives

The audit will determine the magnitude of the SSO issue and what actions EPA and the states are taking to address it.

Scope

The audit will cover current SSO activities.

Location and Resources

The Eastern Audit Division will review the sanitary sewer overflows in states within Regions 1 and 2. Audit work will also be required at EPA Headquarters. The audit should take approximately 300 staff days.

ENFORCEMENT OF NATIONAL POLLUTANT DISCHARGE
ELIMINATION SYSTEM PERMITS IN REGION 4

Background

EPA, under requirements of the Clean Water Act, established the National Pollutant Discharge Elimination System (NPDES) as the primary control over point source discharges of pollutants into the navigable waters of the United States. The Act requires that every public and private entity discharging wastes directly into the Nation's waters obtain a NPDES permit. These permits establish limits on the quantities of specific pollutants that may be discharged. The Act provides authority to permitting agencies to propose and collect fines for NPDES permit violations.

The Clean Water Act authorized EPA to delegate NPDES permit program authority to states tribes. All of the states in Region 4 currently have delegated programs except for Florida which has not received authority to issue permits for stormwater and combined sewer overflows (CSOs). Florida has been delegated the authority to issue all other types of NPDES permits. Generally the permits are issued to industries, municipal sewage treatment plants and stormwater dischargers.

Reason for Selection

A prior 1989 audit of Region 4's NPDES program disclosed that Georgia and Alabama were not effectively enforcing against violations of NPDES permits by publicly owned wastewater treatment facilities. Management of enforcement programs was inadequate. Enforcement actions were untimely or were not elevated when previous actions proved ineffective in bringing discharges into compliance. Financial penalties were not used. In addition, 32 percent of the facilities did not meet permit limitations within the time frames set for compliance.

Recently, the NPDES program within Region 4 has come under severe criticism for failing to bring pollutant discharges into compliance with permit limitations. Advocacy groups have petitioned the Region to withdraw program delegations to Georgia and Alabama. Georgia municipalities and environmental groups have expressed strong concern over continued pollution of the southern Chattahoochee River. Lawsuits have been filed and won against the State environmental agency and the permit violators. In Alabama, conflict of interest allegations have been made against the State agency responsible for NPDES permitting and compliance. The allegations criticized the State agency for inadequate permit review. Additionally, Region 4 has considered withdrawing NPDES delegations to Alabama and Mississippi.

Expected Benefits

The audit will provide EPA management with an evaluation of the effectiveness of Region 4 and delegated state NPDES enforcement programs in obtaining compliance with permits, penalizing significant violators, and controlling point source pollution of the Region 4's waters.

Audit Objectives

The audit will determine if:

- States have properly monitored permit compliance and taken appropriate enforcement actions against violators; and
- Region 4 has provided proper program oversight to ensure that effective NPDES enforcement programs have been established in each state.

Scope

The audit will cover current regional and selected state NPDES enforcement programs. We will also review enforcement actions against permit violators over a judgmentally determined time period.

Location and Resources

This audit is an assist assignment in support of Central Audit Division's FY 2000 emphasis on NPDES enforcement. Southern Audit Division will perform the audit at Region 4 and states selected during the audit survey. We estimate that the audit will take 300 staff days.

REGION 5'S UPPER MISSISSIPPI RIVER PROGRAM

Background

The Mississippi River is over 2,350 miles long and its drainage basin includes 30 states and 2 Canadian provinces. The Mississippi directly flows through 4 EPA regions and 10 states, eventually feeding the Gulf of Mexico, and providing 90 percent of its fresh water. The Mississippi's 1993 flood caused the Gulf of Mexico's hypoxia or dead zone to double in size. The Mississippi's pollution problems include excess nutrients from agricultural runoff, sediments, and point source pollution.

EPA's Mississippi River efforts are based primarily in the regions. EPA Region 5 has a place based team, the Upper Mississippi River team, to coordinate efforts for the Region 5 portion of the river. The EPA Office of Water underwrites the Gulf of Mexico Program Office which Region 4 is closely linked to. Region 6 has overseen the Lower Mississippi Delta Initiative. At this time, Region 7 does not have any special programs for the river. Environmental groups have identified that states on opposite sides of the river have different water quality standards and different fish advisories.

The Clean Water Act is the primary legislation addressing water quality programs. The Act's goal is to restore and maintain the Nation's surface waters.

Reason for Selection

The Region 5 Upper Mississippi Team uses many community based approaches with the states and local communities. The team also tries to address non-point source pollution through voluntary efforts. An audit of this regional team effort would provide insight to how the nontraditional programs operate and whether they are successful. An audit would also determine whether efforts actually improve water quality or habitat in the Upper Mississippi.

The Upper Mississippi River falls under the EPA Government Performance and Results Act goal, "Clean and Safe Water," with the following objectives, and subobjectives:

- 2.2.2. Increase Wetlands Area--In 1999, EPA will provide funding support to community-based projects for watershed restoration including restoration of wetlands and river corridors in 160 watersheds.
- 2.3.2 Reduce Non-Point source Sediment and Nutrient Loads--In support of the Clean Water Action Plan, 10 additional States will upgrade their non-point source programs to ensure that they are implementing dynamic and effective non-point source programs that are designed to achieve and

maintain beneficial uses of water.

- 2.3.3. Decision Support Tools and Weather Flow Control Technologies--By FY 2003, deliver support tools, such as watershed models, enabling water resource planners to select consistent, appropriate watershed management solutions and alternative, less costly wet weather flow control technologies.

The Central Audit Division (CAD) Water Quality Issue Area Plan also includes a Gulf of Mexico Program Office audit, currently scheduled for FY 2001. This audit would seek to address many coordination issues related to the Mississippi River. An audit of the Region 5 efforts in the Upper Mississippi River would contribute to the OIG's later Gulf of Mexico Program Office audit. There are no previous OIG or GAO reports on the Mississippi. This audit may lead to follow on assignments in other regional offices.

Expected Benefits

An audit report to Region 5 management would provide the region with an assessment of the efficiency and effectiveness of Upper Mississippi River efforts. This audit would also contribute to the planned CAD Gulf of Mexico Program Office audit.

Audit Objectives

The survey will be an overview of EPA Region 5 Upper Mississippi River work, focusing on the Upper Mississippi River Team strategy, coordination, and community based efforts. Questions to consider include:

- What is the team's overall strategy for the Upper Mississippi River?
- How does the team coordinate efforts of the relevant programs within EPA (other regions), with states bordering the river, and with the Gulf of Mexico Program Office?
- Does the team try to promote consistency of actions in states bordering the river?
- How has the team impacted water quality and habitat of the Upper Mississippi River?

Scope

The scope of the survey would be primarily EPA Region 5's Upper Mississippi River efforts and coordination with Minnesota, Wisconsin, and Illinois. The scope would also include how

Region 5 works with Regions 4, 6, 7, and the Gulf of Mexico Program Office.

Location and Resources

NAD will perform a 130 day survey in Chicago with possible visits to Minnesota, Wisconsin, and/or Illinois to determine whether further audit work is warranted and, if so, the scope and objectives of the audit.

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MONITORING FOR WATER QUALITY

Background

Water quality monitoring information is used to protect human health, to preserve and restore healthy ecology conditions, and to sustain a viable economy. Monitoring is a crucial element throughout the water quality-based decision making process. The Clean Water Act specifies that states and interstate agencies, in cooperation with EPA, establish water quality monitoring systems necessary to review and revise water quality standards, assess designated use attainment, calculate Total Maximum Daily Loads (TMDLs), assess compliance with permits, and report on conditions and trends in ambient waters. Monitoring is an information collection tool for many program needs.

40 CFR 130.4, Water quality monitoring, requires states to establish appropriate monitoring methods and procedures (including biological monitoring) necessary to compile and analyze data on the quality of waters of the United States. The regulations further requires that water monitoring programs include the collection and analysis of physical, chemical, and biological data, and quality assurance and control programs to assure scientifically valid data.

Monitoring provides data for: identifying impaired waters; assessing compliance with water quality-based controls; evaluating whether the TMDL and control actions that are based on the TMDL protect water quality standards. States should also ensure that effective monitoring programs are in place for evaluating nonpoint source control measures. Skewed emphasis on chemical testing could result in the state not identifying impaired waters. An advanced monitoring program could assess the overall ecological integrity of an aquatic ecosystem.

Reason for Selection

Water is one of our vital resources and must be protected. One of EPA's 10 strategic goals is for clean and safe water. This goal includes ensuring our surface waters, such as lakes, rivers, wetlands, and oceans sustain human health, support and maintain aquatic life, and provide for both recreational and economic activities. EPA cannot manage advancements toward this goal without monitoring data.

An audit in Colorado reported the state had a monitoring plan that appeared to comprehensively evaluate state waters; however, the types of techniques used in monitoring primarily focused on identifying the amount of chemicals in the waters. The states' extent of more advanced monitoring techniques to more wholly assess the condition of the waters was limited. OIG recommended the state devote resources to expand the monitoring techniques used to assess the overall health of state waters. A more advanced assessment of state water quality would consider

biological data and other waterbody stressors, in combination with the results of chemical analysis.

In other state water quality standards, monitoring, and reporting audits the percentage of actual state waters monitored tended to be low. Clean Water Act requirements for state monitoring programs are vague. Though the permits program is self-monitoring, many states devote large resources to monitoring water below discharges. There may be an inverse relationship between the quantity of waters monitored and the quality of those waters. Lawsuits filed in several states require monitoring to support TMDL development which further stretch monitoring resources.

Expected Benefits

The audit will apprise management of the extent and effectiveness of monitoring activities and provide regions and/or states with useful information to help ensure they identify and address water quality priorities. We expect to identify and recommend improvements in regional and/or state efforts to:

- Direct monitoring strategies to: target water quality impairments, assess appropriateness of water quality criteria, and protect designated uses; and
- Expand the use of advanced monitoring techniques to develop trend data to assess the waters ecological health.

Audit Objectives

The overall objective will be to determine if EPA and state agencies are redirecting monitoring efforts to focus on vulnerable water bodies. The audit will address the following questions:

- What is the extent of monitoring and what monitoring methods are used?
- Is monitoring conducted to identify problems, correct problems, or to support trend development?
- Will the monitoring plans developed fulfill GPRA data needs?

Scope

The audit will include an evaluation of the type and extent of monitoring methods used to assess the condition of state waters. We will evaluate the states monitoring plan to determine the rationale for decisions. We will identify program decisions and program redirections made based on monitoring results.

Location and Resources

The Central Audit Division will perform a 125 day survey within Region 7 to determine whether further audit work is warranted, and, if so, the scope and objectives of the audit.

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REGION 5'S COASTAL ENVIRONMENTAL MANAGEMENT PROGRAM

Background

The Coastal Environmental Management program provides funding for grants to states, tribes, and not-for-profit institutions under Section 104(b)(3) of the Clean Water Act for management of coastal watersheds. A five percent cost match from the grant recipients is required. EPA Headquarters provides national oversight, coordinates EPA's coastal and marine activities, and develops policy and technical guidance. Regions work directly with the state and local agencies, the regulated community, and the public to implement the program.

The goal of the program is to restore the physical, chemical, and biological integrity of the Nation's estuaries and coastal ecosystems. EPA plans to accomplish the goal through existing controls on point source discharges, use of the watershed protection approach, emphasis on coastal waters in need of attention, and encouragement of environmental managers to use existing regulatory authority and resources more effectively to solve environmental problems.

Region 5 is responsible for part of EPA's program, because it has almost 5,000 miles of coast and over 10 million people live in coastal areas within the region. According to the Region 5 Water Division, the vast majority of its funds are used for contracts, interagency agreements, and contracts to support the development and implementation of Lakewide Management Plans (LaMPs) and Remedial Action Plans (RAPs). Region 5 also uses Coastal Environmental Management funds to support FTE for these activities.

Reason for Selection

The OIG's Water Quality Issue Area Plan highlighted the Coastal Environmental Management program as a high priority for review, because the funds may duplicate existing core programs. Other OIG audit work has also identified concerns with the program funding, including whether the grants are used as supplemental funding for other program areas. Finally, it is questionable whether the funds are being used to accomplish the program goals, because, while Region 5 uses the funds to advance the LaMPs and RAPs, a recent audit of the Great Lakes National Program Office found that little progress was being made in completing the documents.

The Coastal Environmental Management program falls under two of the EPA Government Performance and Results Act goals: *Clean and Safe Water* (Objective 2.2.1 - Conserve and Enhance Nation's Waters, Restore and Protect Watersheds) and *Reduction of Global and Cross-Border Environmental Risks* (Objective 6.1.4 - Reduce Transboundary Threats: Shared North American Ecosystems, Restoring Integrity of Great Lakes Basin Ecosystem).

Expected Benefits

An audit report to Region 5 management would provide an assessment of whether the Coastal Environmental Management program is meeting its goals and could improve the Region's implementation of the program. It could also evaluate what environmental or health impacts EPA is getting for the funds used. This audit would contribute to the OIG's Water Quality Issue Area.

Audit Objective

The survey will determine how Region 5 operates its Coastal Environmental Management program and how it uses the appropriated funding.

Scope

The survey will look at Region 5's implementation of the Coastal Environmental Management program, including the various divisions, offices, and teams that use the funds.

Location and Resources

NAD will perform a 150 day assistance agreement-related performance audit survey in Region 5 to determine whether further audit work is warranted and, if so, the scope and objectives of the audit.

Program Audits Agency Assistance

Work in Process

| | |
|--|------|
| Review of Rhode Island's Grant Management | AA 1 |
| Coordinating Grant Making and Science Planning | AA 2 |

New Starts

| | |
|--|------|
| Directed Subcontracting | AA 3 |
| Noncompetitive Assistance Agreements | AA 4 |
| Litigation and Lobbying Costs | AA 5 |
| Interagency Agreements | AA 6 |

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RHODE ISLAND'S GRANT MANAGEMENT

As this is primarily a financial assignment, no write up is required.

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COORDINATING GRANT MAKING AND SCIENCE PLANNING

Background

Since 1994, EPA Science has been listed as an Agency level weakness in EPA's annual Integrity Act Report to the President and Congress. As of that date, the Agency publically recognized the need to develop and integrate an EPA-wide scientific and technical strategic services plan. Because of the new Government Performance and Results Act (GPRA) strategic planning requirements, the Office of Research and Development (ORD) is reconsidering the need for a separate EPA Science strategic plan.

In its fiscal 1999 budget submission, ORD expressed its budget request in terms of the ten Agency goals enumerated in EPA's strategic plan. The Research Strategies Advisory Committee (RSAC) of the Science Advisory Board (SAB) reviewed ORD's budget request and found it to be clear, well-organized, goal-based and following the intent of GPRA. However, RSAC recommended adding budget projections for the out-years, expressed concern about the adequacy of the resource levels, and also strongly recommended that the Agency develop criteria for determining success of the research.

While GPRA can be used as ORD's mechanism to bring strategic planning to its science projects, it has not yet been used to coordinate all of the Agency's research efforts. Program offices other than ORD and regional offices also fund research through assistance awards (coded R, CR, or X in GICS). These projects need not be coordinated with ORD prior to award, nor do the results of this research need to be shared with ORD post award.

Reasons for Selection

In order to correct the now five year old Agency-level weakness in its science planning, EPA must develop an Agency-wide--not just ORD-wide--process. This audit will assist in that effort by identifying and quantifying non-ORD research efforts.

Expected Benefits

Developing a consistent and coordinated process for funding research projects will enable the Agency to focus limited resources on the Agency's highest priorities and correct the Agency weakness reported in the Integrity Act Report.

Audit Objectives

The audit will determine:

- How non-ORD research projects are selected for funding;
- Funding totals (by strategic goal) for non-ORD research;
- Whether and what coordination exists among program and regional offices for funding and sharing results of research; and
- Whether improvements can be made to better coordinate research efforts.

Scope

The audit will look at R, CR, and X coded grants in GICS which were active or closed in fiscal 1998.

Location and Resources

The audit is being conducted at EPA Headquarters and select regions.

DIRECTED SUBCONTRACTING

Background

Under an assistance agreement, EPA transfers money, property, services or anything else of value to support or stimulate an activity to accomplish a public purpose rather than to acquire property or services for the direct benefit of EPA. The EPA Project Officer's Manual, Appendix C titled *EPA's Involvement in Grantee Personnel and Contractor Selection under Grants and Cooperative Agreements*, reaffirms the regulatory requirements regarding relationships between EPA employees and assistance recipients.

EPA's Code of Conduct states that EPA employees must not use their Government positions to "coerce, or appear to coerce, anyone to provide any financial benefit to themselves or others" (40 CFR 3.103(d)). The Code also states that EPA employees "must not take any action, whether specifically prohibited or not, which would result in or create the reasonable appearance of giving preferential treatment to any organization or person" (40 CFR 3.103(d)(2)). Additionally, EPA regulations for procurement under assistance state that "the recipient shall conduct all procurement transactions in a manner that provides maximum open and free competition" (40 CFR 33.230(a)).

While EPA has the responsibility to manage assistance agreements, EPA employees must make certain that they do not become involved in certain areas of personnel and recipient procurement. EPA employees may not:

- Direct the hiring, firing, promoting, disciplining, or rewarding of recipient personnel or contractors under assistance agreements;
- Direct a recipient to award a contract to a specific individual or firm;
- Participate in the negotiation or award of a contract under an assistance agreement;

Reasons for Selection

The OIG needs to review, on a systematic basis, EPA's oversight and role in subcontract awards and administration matters by assistance agreement recipients. Audits of specific assistance agreements have revealed some areas that need improvement such as regional intervention in subcontractor work and supervision of subcontractor staff.

Expected Benefits

The audit will test controls over EPA involvement with grantee personnel and contractor selection for work under assistance agreements.

Audit Objectives

The audit will determine if EPA's involvement in grantee personnel and contractor selection for work under assistance agreements is in accordance with EPA's Project Officer's Manual, Appendix C titled *EPA Involvement In Grantee Personnel and Contractor Selection under Grants and Cooperative Agreements*.

Scope

A sample of assistance agreements will be selected from Integrated Grants Management System (IGMS) and will include all applicant types except states.

Location and Resources

The audit will be performed in fiscal year 2000 and WAD will be the lead division. Once a nationwide sample is selected, other divisions will be requested to provide assistance.

NONCOMPETITIVE ASSISTANCE AGREEMENTS

Background

One of the primary purposes of the Federal Grant and Cooperative Agreement Act of 1977 is to encourage competition in the award of federal financial assistance to the maximum extent practicable. Competition is needed in order to fairly and objectively identify and fund, based on merit, the best possible projects proposed by applicants, and thereby more effectively achieve program objectives.

The Office of Management and Budget (OMB) has issued guidelines on administering competition-based financial assistance programs for use by federal agencies. An interagency study group convened to examine competition in financial assistance programs. They determined that financial assistance award processes should include three basic elements to ensure effective competition:

- Widespread solicitation of eligible applicants and disclosure of essential application and program information in written solicitations;
- Independent application reviews that consistently apply written program evaluation criteria; and
- Written justifications for award decisions that deviate from recommendations made by application reviewers.

EPA officials are responsible for ensuring that there is adequate justification for assistance agreements awarded noncompetitively. On May 31, 1994, the EPA Deputy Assistant Administrator for Administration and Resources Management sent a memorandum to all Senior Resource Officials (SROs) addressing SRO responsibilities. One responsibility he specified was to ensure that there is "adequate justification for assistance agreements awarded noncompetitively" when reviewing assistance funding packages.

Reason for Selection

On March 31, 1999, the OIG issued an audit on the Center for Chesapeake Communities (CCC), a non-profit organization receiving EPA funds. This audit disclosed that EPA awarded a noncompetitive cooperative agreement to the CCC without adequate justification. Awarding the cooperative agreement noncompetitively, without adequate justification, created an appearance of preferential treatment that compromised the integrity of the Chesapeake Bay Program. Awarding a noncompetitive cooperative agreement without adequate justification also seriously challenges the concept of free and open competition embraced by the Agency.

The CCC report recommended Region III terminate the existing cooperative agreement awarded to the CCC and attempt to award a new one competitively. Region III officials agreed with these recommendations. However, Region III's response also stated that the Bay Program was following normal and customary practice, and Agency policy provides a considerable degree of discretion to the Program Manager to make determinations of the need for formal competition.

On September 30, 1998, the OIG issued another report addressing similar concerns regarding competition. This audit report titled *Pre-award Management of EPA Assistance Agreements*, found that 21 of 26 noncompetitive awards did not include the required justifications for the noncompetitive award.

Expected Benefits

The audit would identify opportunities to improve the Agency's process for funding the best possible projects to more effectively achieve its strategic goals.

Audit Objectives

The audit will determine if:

- The Agency is promoting competition in order to identify and fund the highest quality projects, and
- The justifications for not competing are adequate.

Scope

The audit will focus on assistance agreements awarded noncompetitively to all applicant types.

Location and Resources

The audit will be performed in fiscal year 2000 and MAD will be the lead division. Once a nationwide sample is selected, other divisions will be requested to provide assistance.

LITIGATION AND LOBBYING COSTS

Background

The federal government awards assistance agreements amounting to billions of dollars each year to a wide variety of recipients. EPA expends over 50 percent of its total annual budget on assistance awards in the form of grants, cooperative agreements, and interagency agreements. EPA's assistance agreement awards, over the past five years, has averaged \$4 billion annually.

Reason for Selection

There is growing congressional concern that some organizations receiving Federal grants and cooperative agreements could either directly or indirectly be using some of those funds to support litigation against the federal government or to lobby the government. Such use of federal funds is legally prohibited in accordance with OMB Circular A-122, Cost Principles for Non-Profit Organizations. Attachment B, item 10.e.(4)g indicates that costs of legal, accounting, and consultant services, and related costs, incurred in connection with defense against the federal government claims or appeals, antitrust suits, or the prosecution of claims or appeals against the federal government, are unallowable. Also, lobbying costs are prohibited by item 25a which indicates that costs associated with most kinds of lobbying activities are unallowable for reimbursement. Effective post-award management and oversight of assistance agreements is necessary to assure that the taxpayer's funds are being used for the purposes for which they were intended and not for litigation against the US Government or for lobbying.

This audit complements the Agency's Strategic Goal 10-Effective Management. Specifically, Goal 10.2 Management Services, Administration and Stewardship which provides for management services and operations to enable the Agency to meet its fiduciary responsibilities and achieve its environmental mission.

Expected Benefits

This audit will determine if EPA's assistance recipients are properly accounting for litigation and lobbying expenses.

Audit Objectives

The audit will assess:

- If EPA's recipients are incurring litigation and lobbying expenses;

- How recipients are identifying and excluding litigation and lobbying expenses when claiming reimbursement under assistance agreements; and
- Compliance with applicable laws, regulations and agreement conditions.

Scope

EPA's Grants Administration Division has provided a listing of non-profit recipients that are pursuing litigation against EPA. The sample for this audit will be selected from the recipients identified on the Grants Administration Division's listing of "Grants to EPA Litigants" that was provided to the OIG.

Location and Resources

The audit will be performed in fiscal year 2000 by NAD. The audit will be performed at EPA and selected assistance recipient locations.

INTERAGENCY AGREEMENTS

Background

Interagency Agreements (IAGs) are written agreements between federal agencies under which goods and services are provided in exchange for monetary reimbursement, or where services are provided without the exchange of funds. Using IAGs, EPA can transfer funds to other federal agencies to purchase goods and services from another agencies' contractor. Likewise, other agencies can make purchases from EPA contractors. Such interagency purchasing is authorized by the Economy Act of 1932 (31 U.S.C. 1535). The authority to review, approve and execute IAGs is delegated to EPA's Grants Administration Division.

Effective October 1, 1995, in response to the Federal Acquisition Streamlining Act of 1994, Federal Acquisition Regulation (FAR) Part 17.5, Interagency Acquisitions Under the Economy Act, was revised to require that each Economy Act transaction be supported by a Determination and Finding, approved by a contracting officer, that an interagency acquisition is in the best interest of the Government. This meant that Economy Act transactions would have to be approved by EPA's Office of Acquisition Management.

Reasons for Selection

On March 31, 1995, the OIG issued Audit Report No. E1FMG4-13-0061-5400051, titled *Interagency Agreements: Off-Loading at EPA Headquarters*. The report identified poor management practices, and noncompliance with the Economy Act. When we issued this audit report, the Economy Act was the dominant authority cited for IAGs. We have been told informally by OAM representatives that the number of Economy Act IAGs has dropped dramatically since the FAR change. It appears likely that the program offices are citing improper authorities for IAGs to:

- Make interagency purchases without OAM approval, and
- Accept interagency orders from others while avoiding the Economy Act requirement for full cost recovery (failing to recover the full cost of the transaction augments the purchasing agency's appropriation).

Expected Benefits

The audit would identify opportunities to improve the Agency's processes for controlling expenditures, identify unauthorized purchases, and demonstrate augmentation of appropriations.

Audit Objective

The audit will determine whether non-Economy Act transactions are being properly executed and managed.

Scope

The audit will focus on interagency agreements initiated in the most recent complete fiscal year.

Location and Resources

The audit will be performed in fiscal year 2000 and NAD will perform the audit. Work will be conducted at EPA Headquarters and Cincinnati, OH.

Program Audits Better Waste Management

Work in Process

| | |
|--|--------|
| RCRA Financial Assurance Requirements | BWM 1 |
| RCRA Hanford Hazardous Waste Storage Tanks | BWM 2 |
| Performance Measure Data for GPRA Goals | BWM 3 |
| Enforcement of RCRA Permits and Orders | BWM 4 |
| RCRA Significant Non-Complier Identification and Enforcement | BWM 5 |
| Lowry Landfill Superfund Site Remedy Review | BWM 6 |
| EPA's Superfund Cost Recovery Actions | BWM 7 |
| Region 2's Collection of Superfund Oversight Costs | BWM 8 |
| Effectiveness of Containment Remedies in Region 4 | BWM 9 |
| Interim Record of Decision | |
| -- Petoskey Manufacturing Company Superfund Site | BWM 10 |

Audit coverage of the Superfund practices is also included in some of the other initiatives such as Financial Contract Audit Strategy.

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Program Audits Better Waste Management

New Starts

| | |
|--|--------|
| RCRA Paperwork Burden Reduction | BWM 11 |
| Illegal Dumping of Hazardous Waste | BWM 12 |
| RCRA Hazardous Waste Import/Export | BWM 13 |
| Hazardous Waste Monitoring and Compliance of Region 2 Universities and Colleges | BWM 14 |
| Unaddressed NPL-Caliber and Near NPL-Caliber Superfund Sites | BWM 15 |
| Superfund State Contracts in Region 5 | BWM 16 |
| Oversight of State and Tribal Superfund Programs | BWM 17 |
| Site Assessment for the National Priorities List | BWM 18 |
| Superfund Post Construction Completion Management | BWM 19 |
| Quality of GPRA Data in CERCLIS | BWM 20 |
| Formerly Used Defense Sites (FUDS) | BWM 21 |
| Recycling of Superfund Sites | BWM 22 |
| Oversight of Superfund Cleanup Actions for the Hanford Site | BWM 23 |
| Region 4's Implementation of Superfund Enforcement Reforms | BWM 24 |
| Followup of Region 5's Billing and Collection of Accounts Receivable | BWM 25 |
| EPA Assistance to State and Local Government on Mitigating the Environmental and Human Health Effects of Urban Sprawl | BWM 26 |
| Followup Review of Superfund Brownfields Program: Potential for Urban Revitalization | BWM 27 |

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RCRA FINANCIAL ASSURANCE REQUIREMENTS

Background

Facilities which treat, store, or dispose of hazardous waste (TSD) are required to assure that there are adequate funds available to take care of any problems, e.g., a hazardous waste release to the environment, when the facility closes. Subtitle C of the Resource Conservation and Recovery Act (RCRA) requires TSDs to obtain an operating permit. In addition, an owner or operator of a TSD is required to develop a plan for closing the facility in the future when hazardous wastes are no longer accepted for treatment, storage, or disposal. The facility must keep the plan on file during its active life. To assure that funds are available to pay for closing and possible problems stemming from closure activities, facilities are required to meet certain financial assurance requirements. One purpose of financial assurance is to minimize the risk that RCRA sites will need cleanup under Superfund. Owners and operators of land disposal facilities are also required to establish a plan for postclosure and financial assurance for postclosure care. The postclosure period is normally 30 years after closure. During this time period, activities such as maintenance and ground-water monitoring are conducted to preserve the integrity of the disposal system. Financial assurance options available for closure and postclosure are insurance, financial test, trust fund, surety bond, letter of credit, and corporate guarantee or any combination of these. RCRA inspectors review the closure plans and financial assurances during facility inspections.

Reasons for Selection

In spite of financial assurance requirements, TSDs have closed with insufficient funds available for closure activities. Agency data suggest that some facilities may be underestimating their closure costs or, when trust funds are used for financial assurance, overestimating the time frame for depositing funds. More information is needed on the characteristics of facility closure plans and financial assurances for facilities which have closed with insufficient funds and those which have closed with sufficient funds. This audit suggestion was developed in cooperation with Office of Solid Waste staff.

Expected Benefits

An analysis of facility closures could identify causes of insufficient financial assurances and improvements needed in the permitting and inspection processes to prevent further problems.

Audit Objectives

The audit will determine whether the permitting and inspection processes could be improved to ensure facilities have adequate financial assurance for closure and postclosure.

Scope

Information on TSDs which have closed, including facilities with adequate financial assurance and those with inadequate financial assurance, will be reviewed. RCRA permitting and inspection processes relative to financial assurance will also be reviewed.

Location and Resources

Work will be conducted in EPA Headquarters and one or more selected regions and states as necessary.

RCRA HANFORD WASTE STORAGE TANKS

Background

The Resource Conservation and Recovery Act (RCRA) regulates the management of hazardous waste and improves waste disposal practices. The goals set by RCRA are to protect human health and the environment, to reduce waste and conserve energy and natural resources, and to reduce or eliminate the generation of hazardous wastes as expeditiously as possible.

The U.S. Department of Energy's (DOE) Hanford Site is located in southeastern Washington State. The Columbia River flows in a southeastern direction through the northern part of the site and forms much of its eastern boundary. It has been reported that the site is one of the most contaminated sites in the world. As of 1995, about 175,000 people lived immediately downstream in and near the cities of Kennewick, Pasco, and Richland.

At the Hanford Site, DOE and its predecessor agencies produced materials for nuclear weapons from the 1940s until mid-1989. DOE estimates that these production activities resulted in about 450 billion gallons of liquid waste. DOE released most of this waste directly into the ground through about 300 cribs¹, ponds, and trenches that are now awaiting final cleanup. DOE is storing about 54 million gallons of the most radioactive and hazardous wastes in 177 underground tanks pending permanent disposal.

DOE operates and has operated since November 19, 1980, a hazardous waste management facility engaged in the treatment, storage, and disposal of hazardous wastes which are subject to regulation under RCRA and/or the Washington State Hazardous Waste Management Act. The Hanford site has been separated into (treatment, storage or disposal) TSD Units and TSD Groups which are subject to permitting and closure requirements of RCRA.

The cleanup of the Hanford Site is being conducted under the Hanford Federal Facility Agreement and Consent Order signed by DOE, EPA, and the Washington State Department of Ecology (the state).

The purpose (besides cleanup) of the agreement is to ensure compliance with RCRA for TSD Units including requirements covering permitting, compliance, closure, and post-closure care. The agreement has designated the State as the lead regulatory agency for all RCRA matters at the Hanford Site. EPA provides support to the State on RCRA technical and regulatory matters and has assisted in the development of the States' hazardous waste program.

¹A crib is an underground structure designed to allow liquid wastes to percolate to the soil.

Reasons for Selection

There are some indications that DOE is not meeting its deadlines as GAO recently reported that DOE was required to begin retrieving wastes from the first tank by October 31, 1997, and complete the retrieval of wastes from all single-shell tanks by 2018. DOE did not begin retrieving wastes from the first tank by the required date. DOE requested an extension to November 30, 1998. A GAO evaluator who worked on this report stated that while the probability of a catastrophic event is small, the likelihood, of an environmental disaster is almost a certainty.

Expected Benefits

An audit of the RCRA activities at Hanford would provide an independent evaluation of the effectiveness of the State's efforts and determine if EPA needs to be more involved.

Audit Objectives

The audit survey would be directed at assessing:

- The seriousness of the environmental risks at the Hanford Site, and
- Whether the State is effectively regulating the TSD Units at the Site.

Scope

RCRA activities at DOE's Hanford, WA site.

Location and Resources

Survey work would be performed at DOE's Hanford, WA site, the State's offices in Olympia, WA, and EPA Region 10. Assistance will be required from the OIG's Engineering and Science Staff.

PERFORMANCE MEASURE DATA FOR GPRA GOALSBackground

To comply with the Government Performance and Results Act (GPRA), EPA has established measurable, quantitative goals and objectives as part of its strategic planning process. EPA's long-term strategic goals will be used as the basis to establish the Agency's annual performance goals and will be reflected in the day-to-day functions and activities of its managers and staff. The Agency's Annual Plan will describe specific annual performance goals, annual measures of outputs and outcomes, and activities aimed at achieving the performance goals that will be carried out during the year. The Annual Performance Reports will track progress towards meeting the goals and objectives in the Strategic Plan.

The Office of Solid Waste and Emergency Response (OSWER) 1999 Annual Plan Request to Congress identified as Objective #1: Reduce or Control Risks to Human Health. Specifically:

By 2005, EPA and its partners will reduce or control the risks to human health and the environment at over 375,000 contaminated Superfund, RCRA, UST, and Brownfield sites. (Total comprises 1,200 NPL and 480 non-NPL sites; 2,475 RCRA facilities; 370,000 LUST cleanups initiated or completed; and 1,500 Brownfield properties.)

The Office of Solid Waste (OSW) established Annual Performance Goals in both 1998 and 1999, which, if accurately reported, should provide a reflection of progress in achieving environmental results. For instance :

- In 1998, 150 (10%) High Priority RCRA sites will have human exposures to toxins controlled;
- In 1998, 75 (5%) High Priority RCRA sites will have toxic releases to groundwater controlled;
- In 1999, 127 High Priority RCRA sites will have human exposure to toxins controlled for a cumulative total of 277 (18%); and
- In 1999, 69 High Priority RCRA sites will have toxic releases to groundwater controlled for a cumulative of 144 (10%).

Reasons for Selection

Annual Performance Goals are the means used for reporting to Congress and the American people how well the Agency is doing in meeting its stated objectives. If GPRA is used by Congress in accordance with its original intent, Agency progress--or lack thereof--can provide justification to fund in part or in full the Agency's budget request for the upcoming fiscal year.

Expected Benefits

It is important to the Agency and to Congress that Annual Performance Reports be consistent and accurate. Independent verification of baseline data and initial progress at an early point in the process will enable the Agency to correct any deficiencies and use its data with confidence.

Audit Objectives

The audit will answer the following questions:

- Is Annual Performance information being reported consistently and accurately?
- Is the baseline data accurate?
- Was progress reported correctly?

Scope

Using one or more of the OSW performance goals, the OIG will validate baseline and progress data for 1998 and 1999.

Location and Resources

The audit can be performed by several Audit Divisions simultaneously as a coordinated effort, or by one Audit Division gathering data from several Regions. The audit should be begun as early in the fiscal year as possible so that corrective action--if needed--can be taken timely.

ENFORCEMENT OF RCRA PERMITS AND ORDERS

Background

According to an October 1997 GAO report, under the requirements of the Resource Conservation and Recovery Act's Corrective Action Program, the nearly 3,700 nonfederal facilities that treat, store, or dispose of hazardous waste in the United States could spend about \$16 billion to clean up their properties contaminated by hazardous substances. The Corrective Action Program attempts to minimize the federal cleanup burden by having current operating facilities clean up their hazardous waste contamination, thereby preventing them from becoming Superfund sites. The companies that perform cleanups under the program include, for example, chemical manufacturers and waste disposal companies. Although the Corrective Action Program has been in effect since 1984, concerns have been raised that companies are not cleaning up their facilities quickly enough and that the properties remain contaminated, posing risks to public health and the environment.

The Agency requires corrective action through permits or corrective action orders. The permits or orders should include time lines or schedules for the corrective action. States, if they are authorized to do so, or EPA can issue the permits or orders. Ultimately, if the RCRA corrective action program cannot enforce cleanup of these sites, some have speculated that they may become Superfund sites. At the same time officials indicated their concern of "tough" enforcement leading to bankruptcies.

Reasons for Selection

Administrator Browner identified Resource Conservation and Recovery Act (RCRA) corrective action as one of the Agency's eight highest priorities for the next fiscal year. Under the Government Performance and Results Act (GPRA) effort, RCRA officials have identified approximately 1,700 high priority facilities that need RCRA corrective action. Agency officials have asked the OIG to assist them in determining how the cleanup efforts at these high priority facilities are proceeding, whether or not the cleanups have time lines in the permits or orders, and how the facilities are complying with the schedules. Officials also want to know whether states or EPA are making progress at interim status facilities where orders or permits have not yet been issued. Finally, Agency officials wanted to know if the performance partnership agreements were preventing regions from getting the data needed to show progress EPA is making toward its GPRA goal.

Expected Benefits

We would perform an audit requested by EPA management to assist them in achieving their GPRA goals for the management and oversight of the cleanups. This review would help Agency

management send a message to EPA and state staff that Headquarters management is placing a high priority on RCRA corrective action cleanups. According to the officials, our review would also help the regional officials determine what their exact oversight role should be.

Audit Objectives:

The objectives of this audit are to determine if:

- Are EPA and state officials establishing corrective action schedules in permits orders or other agreements, and ensuring effective compliance with those schedules?
- Are there any roadblocks (i.e., performance partnership agreements) to getting the data needed to show progress made by EPA toward its GPRA goal?
- Are human health and the environment being affected by a lack of attention to enforcement of RCRA permits and orders?

Scope

We would review a sample of the high priority facilities in selected regions.

Location and Resources

This survey will be conducted by HAD at EPA Headquarters and one or more EPA regions.

RCRA SIGNIFICANT NON-COMPLIER IDENTIFICATION AND ENFORCEMENT

Background

EPA's March 15, 1996, Resource Conservation and Recovery Act (RCRA) Enforcement Response Policy (ERP) defines two types of violators: Significant Non-Compliers (SNC) and other Secondary Violators (SV). The 1996 ERP defines SNCs:

SNCs are those facilities which have caused actual exposure or a substantial likelihood of exposure to hazardous waste or hazardous waste constituents; are chronic or recalcitrant violators; or deviate substantially from the terms of a permit, order, agreement or from RCRA statutory or regulatory requirements.

SVs are defined as violators which do not meet the criteria for SNCs:

SVs are typically first time violators and/or violators which pose no actual threat or a low potential threat of exposure to hazardous waste or constituents. A facility classified as a SV should not have a history of recalcitrant or non-compliant conduct. Violations associated with a SV should be of a nature to permit prompt return to compliance with all applicable rules and regulations.

This represents a change from the categories of violators defined in the previous ERP issued December 1987. In the 1987 ERP there were three categories of violators defined: High Priority Violators, Medium Priority Violators, and Low Priority Violators.

If a facility is an SV, according to the ERP, an informal enforcement action is the minimally appropriate enforcement response. In an informal enforcement action, a facility receives a notification of its non-compliance and must correct the non-compliance by an established date. Compliance assistance efforts as set forth in the Compliance Incentives for Small Business policy may also be offered to an SV. A formal enforcement action with economic sanctions is appropriate for a facility which has been designated as an SNC or for an SV which has failed to return to compliance following an informal enforcement action. Formal enforcement initiates a civil, criminal, or administrative process resulting in an enforceable agreement or order. Compliance assistance in lieu of formal enforcement would not be appropriate for an SNC.

Although EPA is responsible for developing the RCRA hazardous waste program, states play a crucial role in implementing the program. RCRA encourages EPA to authorize states to run their own hazardous waste programs as an alternative to direct implementation by EPA. In addition, the recently developed National Environmental Performance Partnership System is intended to

further state program self-management and flexibility while improving environmental and programmatic accountability to Congress and the public. Accountability is also essential for measuring performance and meeting the requirements of the Government Performance and Results Act. RCRA significant non-compliance is a performance measure for OECA's objective to identify and reduce significant non-compliance in high priority areas.

Reasons for Selection

States have a direct and significant impact on the significant non-compliance performance measure. State inspectors conduct a large proportion of RCRA inspections, and states are primarily responsible for identifying SNCs and taking formal enforcement actions against them. During previous audit work we found indications that enforcement of RCRA regulations by states may not always be consistent with or as stringent as enforcement by EPA. Therefore, it is important to determine whether states are identifying SNCs in accordance with federal policy. For the RCRA hazardous waste program to be effective in reducing risks to human health and the environment, it is essential that facilities out of compliance with RCRA regulations be identified and brought back into compliance.

Expected Benefits

An audit to evaluate state and regional effectiveness in SNC identification and enforcement could promote consistency across RCRA programs in states and regions, improve accountability, and reduce risks to human health and the environment from hazardous waste.

Audit Objective

The audit will answer the following questions:

- Did violator classifications and enforcement actions comply with the EPA's hazardous waste Enforcement Response Policy in effect at the time?
- Did enforcement actions return the violators to compliance and was the return to compliance documented?

Scope

We will review RCRA enforcement files in Region 8 and one or two selected states. We will compare information in the files with state or regional enforcement actions taken against facilities and interview officials concerning enforcement processes and individual cases.

Location and Resources

Fieldwork will be conducted in Region 8 and one or two selected states. We estimate the review will take approximately 340 staff days.

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LOWRY LANDFILL SUPERFUND SITE REMEDY REVIEWBackground

The Lowry Landfill Superfund Site (Lowry Landfill) is located approximately fifteen miles southeast of Denver in Arapahoe County. From 1966 until 1980, Lowry Landfill received both solid and liquid wastes from municipal and industrial sources. In addition, a regional wastewater treatment plant disposed of sludge at the Lowry Landfill from 1969 until 1986.

EPA began a preliminary assessment of the Lowry Landfill in 1982. Initially, the site did not score high enough to be placed on EPA's National Priorities List. However, EPA re-evaluated the site in 1983 and added it to the National Priorities List in 1984.

In 1994, EPA issued a Record of Decision which addressed the cleanup remedies for the six operable units at the site. The six operable units included: shallow groundwater and subsurface liquids, landfill solids, landfill gas, soil, surface water, and deep groundwater. Because of allegations made regarding operable unit 1 (shallow groundwater and subsurface liquids), our audit will focus on that operable unit only. EPA changed its Record of Decision in 1995 and again in 1997 as a result of information provided in Explanations of Significant Differences reports (reports). EPA's initial Record of Decision was designed for on-site treatment of groundwater. The 1997 report changed the design to provide only pretreatment before discharge to the public sewer. The revised remedy for operable unit 1 led to the specific allegations.

Public allegations assert that this remedy is unacceptable because unsafe levels of radioactive wastes exist in the groundwater, and the proposed pretreatment plant will not adequately remove these unsafe wastes prior to discharge. The allegations claim that the EPA remedy was based on data which conflicted with other available data. The allegations further assert that the selected remedy for operable unit would not be protective of human health. For example, workers at the public wastewater treatment plant receiving the wastewater would be exposed to unsafe levels of radiation. Additionally, after being concentrated in the wastewater sludge, these unsafe, radioactive wastes would be land-applied to cropland used to grow food for human consumption.

EPA Region 8 disputes these allegations. Specifically, the Region claims that the radioactive wastes in the shallow groundwater are at "safe" levels and will not harm human health. EPA is proceeding with implementation of the selected remedy for operable unit 1 this summer.

Reasons for Selection

Public allegations raised concerns regarding EPA's actions at this site. We need to determine if the selected remedy is adequately supported. Western Investigations Division conducted an inquiry, found no criminal wrongdoing, and referred the allegation to the Central Audit Division

(CAD) for review of program performance issues. Also, Region 8 expressed interest in having this review performed to determine any validity to the allegations.

Expected Benefits

Our audit will determine if EPA has taken the steps necessary to ensure that the selected remedy adequately protects human health and the environment.

Objectives

The objectives of the audit will be to answer the following questions:

- Has EPA collected sufficient data to reasonably characterize any and all radioactive contamination at the site?
- Has EPA evaluated all relevant, available data in its decisions?
- Has EPA performed adequate quality assurance of all radioactive contamination data at the site?
- Are EPA site remediation decisions adequately supported?
- Is EPA responsible for the impacts resulting from the wastewater treatment plant land application of contaminated sludge?

Scope

The audit team will review and evaluate available correspondence, studies, reports, and other pertinent data and interview appropriate EPA and non-EPA individuals that have knowledge of the Lowry Landfill.

Location and Resources

We will conduct this audit using a joint team approach consisting of Central Audit Division auditors and an Engineering and Science Staff member in the Denver office. Most of the fieldwork will be completed in fiscal 1999. We estimate approximately 50 staff days will be needed to complete the fieldwork and report in fiscal 2000.

EPA'S SUPERFUND COST RECOVERY ACTIONS

Background

In 1980 Congress passed the Comprehensive Environmental Response, Compensation and Liability Act (CERCLA) which established the Superfund program to clean up the Nation's hazardous waste sites. Since then, Congress has allocated billions of dollars to clean up hazardous waste sites; however, it will not be sufficient to solve the problem. For example, Superfund has received \$8.9 billion in appropriations in its first decade and later received about \$1.6 billion in annual funds. Now, the Superfund program uses about one-quarter of the Agency's total resources.

While much of the funds have come from a Trust Fund ("Superfund") established from special taxes on petroleum and chemicals, recovering costs from responsible parties is also an important aspect of funding the cleanups. The Agency has also been working to get responsible parties when possible to clean up sites. However, the Agency may not always be able to get the responsible parties to clean up the site or may not be able to identify or locate any responsible parties. Thus, the Agency may be relying more and more on cost recovery actions as a major source of funding for cleanups.

Reasons for Selection

EPA Superfund cost recovery actions are crucial because they are one of the most important methods used in the clean-up process for hazardous waste sites. Although the taxes levied on petroleum and chemicals expired December 31, 1995, Congress currently has not reauthorized the Superfund legislation. Thus, Agency cost recovery actions are the major source of replenishment of the trust fund.

GAO, in its February 1997 High-Risk Series on Superfund Program Management, indicated that Superfund cost recovery is a high risk issue area for EPA. The Agency tries to get PRPs to voluntarily clean up their own sites; however, when they do not, using cost recovery techniques is the approach the Agency uses to get the work completed. Recovering clean-up costs and funds will allow EPA to increase the number of sites that will receive attention, thus, helping to alleviate the increasing hazardous waste threats to the public and environment.

Expected Benefits

The OIG Superfund Issue Area plan lists enforcement as a high priority area and cost recovery would address this issue. The OIG has done a previous audit in 1986 and a follow-up review in 1990 on cost recovery. Both times significant problems were found. Since then, little OIG work

has been done on this issue except for our work on oversight billings. At the present time, an OIG audit would identify areas and make recommendations to improve the Agency's cost recovery activities.

Audit Objectives

The objectives of the survey will be:

- To identify the problems associated with obtaining reimbursement for cleanups that were funded by the Trust Fund; and
- To determine the current status and overall adequacy of the Agency's efforts to achieve cost recovery.

Scope

The work will be conducted in the EPA Headquarters Office of Emergency and Remedial Response within EPA's Office of Solid Waste and Emergency Response. In addition, the decision on whether to visit a selected region or two would be determined during the survey.

Location and Resources

The Headquarters Audit Division will need about 90 staff days to complete the survey phase of the assignment.

REGION 2's COLLECTION OF OVERSIGHT COSTS

Background

The Comprehensive Environmental Response, Compensation and Liability Act of 1980 (CERCLA) authorizes EPA to compel Responsible Parties (RPs) to clean up hazardous waste sites, or the Agency can conduct the cleanup and demand payment from the RPs. An objective of Superfund enforcement is to place ultimate responsibility for the costs of cleaning up Superfund sites on those who contributed to the problem. Recoveries may be accomplished through negotiation or as a result of legal action against parties. EPA tries to recover costs for (1) past expenditures, (2) future work that EPA will do at the site, or (3) the costs of EPA overseeing cleanup work that the RPs may perform under contract at the site. Regional offices are responsible for billing and collecting accounts receivable from oversight activity at sites it monitors. The billings are usually based on the terms of the applicable legal instruments (consent decree, consent order etc.).

For example, an administrative order on consent may involve the performance of work and reimbursement for past and future response costs incurred by EPA in connection with various site activities. Sometimes the reimbursement of past costs is required within a specific number of days (i.e., 90 days) of the effective date of the order. However, concerning the reimbursement of the future response costs, the instrument may contain language such as "at various times after the effective date of this order, or on a yearly basis" when EPA will submit to Respondent a bill for payment. Reimbursement requests are accompanied by a printout of cost data in EPA's financial management system report (SCORES) that shall serve as the sole basis for payment demanded by EPA.

In Region 2, the Emergency Remedial Response Division (ERRD) Program Support Branch requests Financial Management Branch (Finance) to prepare a reconciled SCORES report for all oversight costs for a specific Superfund site for a specific period. In most cases, after approval by appropriate ERRD program personnel, the itemized cost summary and bill for collection (BFC) or in some cases a Demand Letter (DL) is sent to the RP for payment and an account receivable should be established. However, during the FY 98 Financial Statement audit ERRD informed us that in many cases the Region might only issue a DL and/or SCORES Report to the RP asking for payment without an official BFC. These DLs are not recorded as receivables until collected and tracked.

Reasons for Selection

The FY 96, 97 and 98 Financial Statement Audits noted weaknesses in the oversight billing and collection process. Oversight billings and collections had also been under scrutiny by GAO and

OIG. Although the Region took actions to clear the billings backlog after the issuance of the August 1998 OIG audit on Region 2's Billing of Superfund Oversight Costs, weaknesses were still noted during the FY 98 Financial Statement audit.

Specifically, the Region recorded accounts receivables for 63 BFCs (\$22.2 million) issued in FY 98, but collected only \$6.4 million (27 bills). As of October 29, 1998, 71 percent of FY 98 billings remained uncollected. Historically, RPs almost always challenged oversight billings for billing old costs and requested extensive supporting documentation to support billed amounts. Because the billing period for 18 FY 98 bills encompassed as long as 9 years, and 3 between 10 to 13 years, disputes are likely to occur. Collections will be further delayed while the Region responds to the parties' claim, participates in discussion to resolve differences, and gathers necessary documentation.

Additionally, in many cases the Region chooses to issue DLs instead of BFCs for oversight costs. Our review of 5 DLs (\$1,363,706) issued in FY 1998 and 99 revealed that although they generally provided billing information (e.g., where to forward funds) and stated that EPA might initiate action if funds are not received within a specified time frame, they were not recorded in IFMS as accounts receivables. Since these DLs were not tracked, we could not determine the potentially unrecorded accounts receivable or collection amounts, which could be material from the financial statement point of view.

Expected Benefits

An audit of this area would help to determine the status of collections of oversight bills. In addition, it would quantify potentially unrecorded oversight costs related to the Demand Letters. Because DLs are not recorded until collected, a review of DLs issued and collected will also show the actual ratio between collection and receivables arising out of these DLs. Moreover, the review will determine whether multiple or duplicate bills are being issued for the same oversight costs to the same or multiple parties. Since 24 BFCs (approximately 40 percent) were issued in September 1998 (the last month of the fiscal year), we would determine if shortcuts were taken in order to meet the Region's commitment.

Audit Objectives

The audit will determine:

- Whether the Region is timely collecting oversight billings that have been issued;
- Reasons why issued costs were subsequently eliminated or reduced; and
- The financial effect the demand letters had on oversight billings and collections.

Scope

The audit will focus on the uncollected oversight billings resulting from BFCs and DLs for FYs 1996 - 1999.

Location and Resources

The audit will be initiated at Region 2 and may be expanded to other Regions if needed. We estimate that 125 staff days will be needed for this audit.

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EFFECTIVENESS OF CONTAINMENT REMEDIES IN REGION 4

Background

Congress established the Superfund program in 1980 with the passage of the Comprehensive Environmental Response, Compensation, and Liability Act (CERCLA). CERCLA was amended in 1986 by the Superfund Amendments and Reauthorization Act (SARA). The Superfund program provided Federal authority and funds to identify and clean up hazardous wastes through emergency removal actions or long term remedial actions. Improper disposal of hazardous wastes has resulted in approximately 1,300 National Priorities List (NPL) sites posing threats to human health and the environment.

EPA has cleaned up hazardous waste sites using remedies deemed appropriate for particular location of the hazardous waste site and the contaminants present at the site. These remedies could be classified into two broad categories. Permanent treatment and containment remedies. Permanent remedies usually entail the removal of contaminants from the site to a level considered safe for human health and the environment. Containment remedies do not remove the contaminants but are designed to treat the waste on-site or preclude the migration of the hazardous waste from the site. The hazardous materials may be excavated and buried in a particular area of the site. The waste may be encased in a concrete material to preclude leaching into the surrounding soil. When contaminants are buried on site a cap is usually placed over the treated waste.

Reasons for Selection

In the past, Region 4 has often used containment remedies, such as waste solidification and onsite burial/containment, to expedite site cleanups. Permanent remedies that required removal of the hazardous material from the site were extremely time consuming and costly. During prior audits of Region 4 Superfund activities, auditors were informed that several containment remedies were failing only a couple of years after the site cleanups had been completed. Caps were leaking or solidified wastes were leaching into the soil. Region 4 had to spend millions mobilizing contractors to these sites to resolve problems with the initial remedies.

Expected Benefits

The audit will provide EPA management with an evaluation of the effectiveness of Region 4's use of containment remedies in removal actions, as well as NPL site cleanups.

Audit Objectives

The audit will address the following questions:

- What is the extent of Region 4's current use of containment remedies versus permanent treatment during removal and remedial actions?
- Does the region's/state's oversight activities ensure that remedies achieve their intended environmental goals efficiently and provide adequate protection for human health and environment?

Scope

The audit will include a review of the types of remedies used by Region 4 over the last ten years during both removal and remedial actions.

Location and Resources

The Southern Audit Division will perform a survey of Region 4 remedy selections and subsequent problems to determine whether an audit is warranted. An estimated 150 staff days will be needed for the survey.

INTERIM RECORD OF DECISION -
PETOSKEY MANUFACTURING COMPANY SUPERFUND SITE

Background

In June 1993, EPA indicated that Petoskey Manufacturing Company (PMC) was one of the most hazardous sites in the nation and listed PMC in the Comprehensive Environmental Response, Compensation, and Liability Act's (Superfund) National Priorities List. PMC is located in the City of Petoskey, MI, near Lake Michigan and about 600 feet from the City of Petoskey's Ingalls Shore Municipal Well (Ingalls). Contamination in the soil at the PMC site consisted of trichloroethylene (TCE), xylene, and toluene. TCE was also detected (1) in the groundwater in the vicinity of PMC, and (2) at Petoskey's Ingalls Shore Municipal Well (Ingalls), which was the major source of drinking water for 7,000 permanent and 4,000 seasonal residents. In 1984 the city built a new municipal supply well as its primary source of drinking water. Ingalls continued as a source of drinking water to 15 percent of the city's residents.

PMC, the State of Michigan, and EPA have been studying the site for more than ten years to determine what alternative to select to clean-up the site. In 1987, PMC entered into a consent order with EPA to conduct a remedial investigation and feasibility study (RI/FS) of the site. In 1990 PMC filed for bankruptcy, EPA redesignated the site as a state-lead, and began funding the Superfund RI/FS activities through the Michigan Department of Natural Resources (MDNR). A year later, EPA proposed that MDNR continue its overall responsibility for the Superfund site, while EPA Region 5 would determine for Ingalls the amount of risk posed by the presence of TCE in the well and its remedial alternatives, if the risk exceeded acceptable levels.

In June 1995, EPA Region 5 issued an interim Record of Decision (ROD) recommending a remedy for the site. The selected remedy included on-line treatment of groundwater for Ingalls. Air stripping was identified as the appropriate treatment technology to address the groundwater problems. Also, to address the State of Michigan's concerns, the Region included carbon treatment as a contingent remedy in the ROD.

The ROD allowed the City of Petoskey to defray part its cost to replace Ingalls. Region 5 awarded a Cooperative Agreement to the State. The Cooperative Agreement allowed \$1.2 million for the air stripper, or \$1.4 million for the carbon treatment, depending on the final selected remedy.

Reason for Selection

Office of Inspector General received a complaint concerning improprieties at the Ingalls site. The complaint alleged that:

- Region 5's ROD remedy selection for an air stripper and subsequent offer to defray part of the city's expense to replace Ingalls is unwarranted because the 1991 EPA Region 5 study of the well indicated that EPA should take no action at the well.
- Region 5 inflated the cost estimates of the remedy alternatives.

EPA's statements within the interim ROD indicated concerns about the Superfund Trust Fund paying for the construction of a new drinking water source for Ingalls. The ROD indicated that EPA cannot justify expending Superfund monies to replace Ingalls when the drinking water supply is already safe. The decision also stated the new drinking water source in Petoskey be considered an enhancement to the Ingalls remedy, however, the enhancement is not necessary for the protection of human health and the environment, and would not conflict with or be inconsistent with the selected ROD interim remedy.

The survey falls under the EPA Strategic Goal 5, Better Waste Management.

Expected Benefits

An audit report to Region 5 management would provide an assessment of whether the Ingalls ROD remedy: (1) contributed to the improvement of the environment and (2) the remedy's estimated costs were reasonable. Also, the audit would contribute to OIG's Better Waste Management Issue Area.

Survey Objectives

The survey will focus on determining if the allegations are accurate, and if so, what actions Region 5 management needs to implement to redress the problems.

Scope

The survey will look at Region 5's, Michigan's, and the City of Petoskey's actions concerning Ingalls and the implementation of interim ROD.

Location and Resources

NAD is performing a 100 day survey in Chicago with visits to Michigan to determine whether further audit work is warranted and, if so, the scope and objectives of the audit.

RCRA PAPERWORK BURDEN REDUCTION

Background

To comply with the 1995 Paperwork Reduction Act (PRA), the Office of Solid Waste (OSW) is working to achieve a 40 percent reduction in its RCRA Subtitle C paperwork requirements by the year 2001. The PRA calls for a 25 percent paperwork burden reduction by 1998 and five percent per year reductions for the next three years. In order to achieve its share of EPA's 40 percent goal, OSW analyzed its paperwork requirements to identify potential reductions and sought input from EPA and state stakeholders about which requirements might be restructured or eliminated. A list of burden reduction ideas was developed from this process. In May 1999, OSW plans to publish these ideas in a Notice of Data Availability in the *Federal Register*.

Reasons for Selection

OSW would like OIG assistance in evaluating the frequency of use, the need for this information, and the usefulness of the information that is sent to EPA and/or the implementing state agency. Such an analysis could help OSW determine whether this information needs to be sent to EPA and/or state, or whether it can just be maintained on site. OSW believes that receiving less information will reduce EPA's administrative and data management burden. OSW also believes that this will save time and money for the regulated community and states.

Expected Benefits

OSW is faced with conflicting goals: burden reduction and need for information from states and the regulated community to run the RCRA program. OIG's analysis could help OSW establish a reasonable balance between these needs.

Audit Objectives

The audit will address the following questions:

- To what extent is the regulated community complying with these RCRA reporting requirements?
- What would be a reasonable balance between paperwork reduction and the need for information to run the RCRA program?

Scope

Specifically, OIG will look at the 300+ notices, certification, and reports that OSW has identified to see how this information is used by EPA and implementing state agencies, how the information is maintained, and how many of the notices, certifications and reports are actually sent to EPA. In addition to conducting informational interviews, OIG will help review comments on the *Federal Register* notice, comments from the workgroup, and OECA policies and procedures related to these items.

Location and Resources

Headquarters Audit Division will conduct work at EPA Headquarters. Work might also be performed in other locations such as EPA regions, states, or the regulated community.

ILLEGAL DUMPING OF HAZARDOUS WASTES

Background

EPA has several laws that address the issue of illegal dumping. For example, language that concerns the illegal dumping of hazardous wastes can be found in the following acts: (1) The Resource Conservation and Recovery Act (RCRA) prohibits illegal dumping of hazardous waste. (2) The Toxic Substances Control Act prohibits the illegal dumping of PCBs. (3) The Clean Water Act addresses the discharge of hazardous pollutants into navigable water. (4) The Marine Protection, Research and Sanctuaries Act (often called the Ocean Dumping Act) concerns the discharge of hazardous wastes into the oceans. These acts all address the serious nature of illegal dumping of hazardous wastes into all aspects of our environment. The illegal nature of dumping of hazardous wastes only further complicates and adds to the environmental problems the nation already faces.

Reasons for Selection

Illegal dumping of hazardous wastes poses a serious risk to human health and the environment. For example, one occurrence of illegal dumping can pollute a community's source of drinking water. In addition, the OIG Hotline has received numerous complaints of instances of illegal dumping of hazardous waste. Many of these complainants have been referred to the OECA Criminal Investigation Division. Additional information is needed to identify if hazardous waste producers (i.e., companies, industries, or manufacturers) commit acts of illegal dumping due to weak controls or an absence of controls. In addition, enforcement of economic and legal penalties would be evaluated to determine if prosecution or fines are sufficient enough to dissuade illegal dumping.

Expected Benefits

This audit will result in recommendations for improving EPA's role to determine ways to reduce the number of instances of illegal dumping of hazardous wastes. The audit will further identify instances of illegal dumping and improve EPA's effectiveness to prevent and address this issue. These expected benefits will serve to reinforce EPA's commitment to protect human health and the environment.

Audit Objectives

The audit would answer the following questions:

- What EPA controls may be weak or lacking that cause illegal dumping to occur?

- What improvements can be made in OECA's existing enforcement system to help reduce future instances of illegal dumping?

Scope

The survey would be initially performed in Headquarters with visits to regions and states as needed. The audit would focus on the same strategy.

Location and Resources

The survey will be conducted by the Headquarters Audit Division.

RCRA HAZARDOUS WASTE IMPORT/EXPORT

Background

Resource Conservation and Recovery Act (RCRA) regulations contain specific requirements for hazardous waste imports and exports. The provisions are intended to ensure that hazardous waste imports and exports are handled in a manner that is protective of human health and the environment. These hazardous waste shipments are also governed by various international treaties and agreements.

In general, there are stronger RCRA requirements on hazardous waste exporters than on hazardous waste importers. Exporters of hazardous waste must notify EPA at least 60 days before the waste is scheduled to leave the country. EPA must obtain written consent from the receiving country before the waste can be exported. If the receiving country agrees to accept the waste, EPA sends the exporter an Acknowledgment of Consent. The written consent must be attached to the manifest which accompanies the waste.

Reasons for Selection

In part due to some highly visible international cases, there are questions as to whether there are adequate controls in place over hazardous waste imports and exports in this country and whether there is sufficient implementation of existing controls. RCRA regulations require importers to notify the EPA Regional Administrator (RA) four weeks before receiving waste from a foreign source. There is no RCRA requirement for consent from the RA or from EPA Headquarters for imports of hazardous waste into the United States. However, some countries may require consent from the United States before waste can be sent here, and there may be other requirements resulting from agreements made between the United States and countries sending or receiving hazardous waste. In cases where the exporting country requires consent from the United States, EPA Headquarters relies on an EPA Region for information about the facility the waste is being sent to in order to make a decision on whether to accept the waste.

Expected Benefits

The OIG could help determine whether controls are sufficient or whether additional controls are needed over hazardous waste imports and exports.

Audit Objectives

The audit will address the following questions:

- Is there sufficient implementation of existing controls over hazardous waste

imports and exports?

- Is there a need for additional controls over hazardous waste imports and exports?

Scope

Regulations, international agreements, and implementation of policies and procedures relative to hazardous waste imports and exports will be reviewed.

Location and Resources

Headquarters Audit Division will conduct the work in EPA Headquarters and selected regions.

HAZARDOUS WASTE MONITORING AND COMPLIANCE
OF REGION 2 UNIVERSITIES AND COLLEGES

Background

The Resource and Recovery Act (RCRA) was enacted in 1976 to establish a framework for the safe disposal of increasing volumes of waste being generated in this country. The goals of RCRA are to protect human health and the environment, reduce waste and conserve energy and natural resources, and reduce or eliminate the generation of hazardous waste. The RCRA enforcement program was established to ensure that the regulatory and statutory provisions of RCRA are met and to compel return to compliance where necessary. Enforcement activities include compliance monitoring of hazardous waste handlers and prompt legal action where non-compliance is discovered. EPA and authorized states can pursue administrative, civil, or criminal actions as a means of coercing facilities to return to compliance.

As the RCRA program has been implemented by the states there has been much variation in the way the program has been implemented. Some states have been more effective than others in the manner in which they have enforced RCRA regulations. The enforcement component of RCRA is a critical one, since the program is preventive in nature. The goal of Subtitle C of RCRA is to ensure the effective management of hazardous waste and forestall the creation of additional Superfund sites. Consequently, enforcement of Subtitle C regulations is essential to ensure that environmental requirements are being followed.

Reason for Selection

University and college campuses often house laboratories, waste treatment facilities, power plants, and vehicle maintenance facilities that are subject to RCRA regulations. University and college facilities can have the potential to cause serious environmental and public health problems if they are not properly managed. For example, EPA Region 1 has recently taken enforcement action against three New England universities for environmental law violations. We would like to know if there are similar situations in Region 2.

Expected Benefits

An evaluation of hazardous waste compliance monitoring and enforcement at the more than 200 universities and colleges in Region 2 will help identify priority issues and strategies for addressing them. Improvements in hazardous waste management will result in less risk of pollution released on university and college campuses and surrounding communities.

Audit Objectives

The audit will:

- Evaluate hazardous waste compliance monitoring and enforcement for universities and colleges; and
- Identify priority issues and strategies for addressing them.

Scope

The audit will cover hazardous waste compliance monitoring and enforcement of universities and colleges in Region 2 during the last three fiscal years.

Location and Resources

The Eastern Audit Division will conduct the audit in Region 2 and the states of New York and New Jersey.

UNADDRESSED NPL-CALIBER AND NEAR NPL-CALIBER SUPERFUND SITES

Background

The Comprehensive Environmental Response Compensation and Liability Act (CERCLA), commonly known as Superfund, was enacted in 1980 and amended in 1986. This law provided broad Federal authority and resources to respond directly to releases or threatened releases of hazardous substances that could endanger human health or the environment. As of August 1998, about 1,200 sites were on the National Priorities List (NPL). These are EPA's list of seriously contaminated sites needing cleanup under its Superfund program.

However, according to EPA's Superfund data base, the potential risk of over 3,000 additional sites have been evaluated serious enough to be eligible for the NPL and are currently classified by EPA as "awaiting a [NPL] decision." Because in recent years EPA's top priority has been to complete cleanups at sites already on the NPL, relatively few new sites were added to the list. In addition during the foreseeable future, EPA officials have stated repeatedly that only 40-50 new sites yearly will be added to the NPL. Thus, state and tribal governments are left to cope with NPL-caliber and near NPL-caliber sites because EPA will not be able to timely address the sites. Because the NPL-caliber site universe is too large for the Federal Government to deal with effectively, serious environmental concerns at these hazardous waste sites may go untreated and be present for extended periods of time.

Reasons for Selection

State and tribal governments are not always able to deal with all the sites. States and tribes face such factors as a lack of resources, inadequate state or tribal Superfund laws, or lack of responsible parties to finance site cleanup. For example, during an April 1999 Superfund meeting, a South Carolina government official indicated the state has a site in the middle of a residential area. Even though the state has invested over \$2.5 million, the site has not been fully cleaned up. In addition, the state has five other similar NPL-caliber and near NPL-caliber sites which it cannot fund nor get EPA interested in helping. This is not an isolated instance but is similar to other state or tribal site cleanup situations as well.

State officials also noted that the definition of scoring a site as NPL caliber seems to be a moving target. This may be due to state and tribal efforts to partially clean up sites where there are "hot spots." Even with cleanup of hot spots (the worst pollution at or near the surface which is usually cleaned up via a Federal or state removal), significant site pollutants such as ground water pollution often remains. Thus, cooperation and coordination between EPA and State and tribal governments may not always provide an effective and lasting environmental solution for each site.

Expected Benefits

The audit will result in recommendations for improvements in EPA's coordination with state and tribal governments to effectively foster site cleanups and environmental progress. Some expected improvements would be to:

- Impact environmental results by fostering more cleanup progress on NPL-caliber and near NPL-caliber sites;
- Improve the timeliness of cleanup progress; and
- Increase the effectiveness of EPA and state/tribal working relationships.

Audit Objectives

The audit would answer the following questions:

- What kinds of NPL-caliber and near NPL-caliber sites exist?
- Do EPA and the states have plans to address NPL-caliber and near NPL-caliber sites and is sufficient progress being made?
- What factors limit EPA and the states' ability to address NPL-caliber and near NPL-caliber sites?
- Is human health and the environment (HH&E) affected by a lack of attention to these kinds of sites?

Scope

The survey would be initially performed in Headquarters with visits to regions, states, and tribes, as needed to evaluate cleanup progress and state/tribal and regional relations and memorandums of understanding. The audit phase would focus on the same strategy.

Location and Resources

The survey will be conducted by Headquarters Audit Division.

SUPERFUND STATE CONTRACTS IN REGION 5

Background

When EPA assumes the lead for a Superfund site remedial action (RA) in a state, the state's role is described in a State Superfund Contract (SSC). The SSC is a joint, legally binding agreement that clarifies the EPA's and the state's responsibilities to complete the RA. It also documents special program requirements and State assurances before the RA occurs. One important assurance is the state's commitment to share costs. Section 104 of the Comprehensive Environmental Response, Compensation, and Liability Act of 1980 requires the state to provide 10 percent of the remedial action's cost at privately owned or operated sites or 50 percent at a publicly operated site.

EPA regulations permit states to pay its RA cost share through in-kind-services. Under the provisions of 40 CFR 3.6815, the state can enter into a support agency cooperative agreement (CA) with EPA. The agreement allows the state to provide equipment and services to satisfy the agreement's cost share requirement and reduces its RA cost share by the cost of those services.

Reasons for Selection

Region 5 has used CAs to pay the state's RA cost share in multiple SSCs. During the fiscal 1997 Financial Statement audit, we found that EPA had deferred more than \$1 million of the states payments, in return for the state performing in-kind-services. In the future, Region 5 expects to increase the use of the CA within the SSCs. The Region's Comptrollers Office does not have information or assurances that states performed the in-kind-services.

Expected Benefits

The audit will provide assistance to the Region in evaluating whether the states provided comparable value of its in-kind-services, instead of paying cash for its share of RA costs

Audit Objectives

The audit will determine whether:

- States performed in-kind-services which benefitted the RA action,
- States had evidence that it incurred equipment and service costs equal to its share of the RA costs, and

- Region 5 reviewed the state's submission of performing in-kind-services and properly accounted for the transaction in the Agency's financial accounting system.

Scope

The audit will cover Region 5 SSCs, where language allows in-kind services to offset the state's RA cost share. The audit will focus on the state's ability to satisfy the requirements under the SSC and CA and Region 5's ability to verify and accurately record the costs.

Location and Resources

Northern Audit Division will perform a 90 day audit in Region 5. The audit will include travel to several states in Region 5.

OVERSIGHT OF STATE AND TRIBAL SUPERFUND PROGRAMS

Background

Congress established the Superfund program in 1980 with passage of the Comprehensive Environmental Response, Compensation, and Liability Act (CERCLA). CERCLA was amended in 1986 by the Superfund Amendments and Reauthorization Act (SARA). The Superfund program provides federal authority and funds to identify and clean up hazardous waste sites. Improper disposal of hazardous wastes has resulted in almost 1,300 National Priority List (NPL) sites where water is unfit to drink, air is dangerous to breathe, and soil is unsafe for human contact. Contamination from these hazardous waste sites often affects groundwater, further damaging resources and putting human health and the environment at risk. Current estimates indicate that one in four Americans live within four miles of an NPL site.

Currently, of the approximately 1,300 NPL sites nationwide, states have assumed lead responsibility for about 140 sites. We are not aware of any tribal lead sites. Recent reports by the National Academy of Public Administration (NAPA) and the General Accounting Office (GAO) have indicated that states and tribes could play a greater role in Superfund implementation. NAPA claimed that sites could be cleaned up faster by states where the states had the capability and desire for the role. GAO reported in April 1997, that a majority of states are capable of taking the lead in implementing all or part of the Superfund cleanup process. Also, many of the Environmental Protection Agency's (EPA) recent initiatives have advocated the use of partnerships with states, tribes, local governments, and other stakeholders to combine resources to more effectively address environmental problems.

Reasons for Selection

While EPA has delegated most other environmental programs to states and tribes, Superfund remains largely an EPA program. Congress has expressed interest in a shift of Superfund responsibility to states in recent Superfund reauthorization testimony. Many stakeholders point to EPA's difficulty in cleaning up the sites. EPA now takes over ten years to clean up a site. Stakeholders also cite the number, duration, and costs of studies and legal fees before EPA initiates any actual cleanup work. Some states are hesitant to submit hazardous sites for inclusion on the NPL as a result of the time and costs to respond under Superfund. EPA has initiated many innovative approaches in Superfund, some of which may address many of the state and tribal issues with the program. Increased involvement by states and tribes in the Superfund program could lead to more timely, less costly cleanups and improved protection of the environment.

Expected Benefits

Our audit would identify the capacity and interest of states and tribes to assume greater responsibility for implementation of the Superfund program and cleanup of hazardous waste sites. This audit would identify impediments to states and tribes assuming the additional responsibilities. We would also try to identify the level of oversight necessary for EPA to ensure satisfactory state and tribe performance. The audit would recommend ways EPA could more effectively involve states and tribes in the Superfund program. Increased state and tribe involvement would hopefully produce more timely and cost effective cleanup of existing Superfund sites plus earlier discovery and remediation of sites that threaten public health and the environment.

Audit Objectives

Our overall objective is to determine if increased participation by state and tribal governments would result in the more timely and cost effective cleanup of Superfund hazardous waste sites. The audit will focus on the following specific questions:

- What obstacles exist to states and tribes assuming increased responsibility for Superfund cleanups (funding, cleanup standards, etc.)?
- What should EPA do to increase the level of participation of states and tribes in cleanup of hazardous waste sites under Superfund?
- To what extent might performance partnership agreements help increase state and tribal participation?
- To what extent might increased state and tribal participation speed cleanups and contribute to improved protection of human health and the environment?

Scope

We will review EPA, state, and tribal government capabilities and relationships to determine if states and tribes have adequate resources and expertise to effectively take the lead on cleanup of Superfund sites.

Location and Resources

Central Audit Division-Denver will initiate an audit in Region 8. We estimate this audit will require 250 staff days.

SITE ASSESSMENT FOR NATIONAL
PRIORITIES LIST

Background

The site assessment program determines response priorities for threatened or actual releases of hazardous substances, pollutants or contaminants, in accordance with section 104(b)(1) of CERCLA, as amended. The program conducts preliminary assessments and site inspections, and ranks sites according to their danger to public health and the environment. EPA places those sites considered the most significant threats or potential threats to public health and the environment on the National Priorities List (NPL). EPA ranks sites using a standard system, called the Hazard Ranking System (HRS).

The GAO recently surveyed approximately 3,000 sites which were 1) in the CERCLIS database, 2) had a site inspection draft score of 28.5 or above, and 3) for which EPA had not made a final listing decision. The GAO identified 1,789 sites that were potentially eligible for placement on the NPL. Of these, EPA or State officials identified 232 that may be listed on the NPL in the future. Currently, however, at the most, about 40-50 additional sites per year are planned to be added to the NPL; and half of those will be newly discovered sites. Thus, it will take several years to address the current site backlog.

Reasons for Selection

The GAO recommended that EPA develop a timetable for characterizing the risks associated with the potentially eligible sites, take any appropriate cleanup measures in the interim, and develop a timetable for determining whether the EPA or state will be responsible for cleaning up individual sites and notifying the public of the determination. The GAO's recommendations and the fact that only 44 sites have been added to the NPL since April 1997 indicate that the EPA has not provided timely assessment of potential NPL sites. In addition, 21 states have not had a site added to the NPL since 1994 with the State of Mississippi having only one site on the list dated June 1986. This indicates that the states may be applying pressure to keep sites off the NPL and/or the EPA has not been timely with their assessments of potential sites. Also, the possibility exists that sites are not being added to the NPL in an effort to meet or exceed GPRA goals and objectives.

Expected Benefits

The audit will provide an evaluation of the site assessment program. The evaluation will include determinations as to whether the agency is providing timely and accurate assessments of potential NPL sites and whether selected sites are being inappropriately excluded from the NPL.

Audit Objectives

The objectives of the audit will answer the following questions:

- Does EPA's current NPL list reflect our national priorities?
- Are there sites not on the NPL that pose a greater threat than NPL sites?
- Does the EPA have an excessive back log of potential NPL sites? If so, why?
- Is EPA's HRS still an effective decision tool for use in placing sites on the NPL?

Scope

An initial survey of the site assessment program will be conducted in Headquarters and two regional offices. The audit will focus on the processes of site assessment and procedures for adding sites to the NPL.

Location and Resources

The initial survey can be conducted in Region 4 and one other region. Depending on the results of the initial survey, an audit could be expanded to other locations.

SUPERFUND POST CONSTRUCTION COMPLETION MANAGEMENT

Background

Operation and maintenance (O&M) site activities protect the integrity of the agreed upon remedy for a site. EPA is responsible for oversight of O&M activities. In most cases a state or PRP (Potentially Responsible Party) initiates O&M activities once a remedy has accomplished the remedial goals and objectives listed in the record of decision (ROD) and when a site is determined to be operational and functional based on state and Federal reviews. Site remedies are considered to be operational and functional for Superfund-lead sites after the elapsing of one year after construction completion or at the point the site is deemed to be functioning properly and operating as designed. Typical sites that require O&M activities are those involving ground water monitoring, surface water treatment, ground water extraction treatment, landfill caps, and gas collection systems. The continued effectiveness of the remedy is the goal of the O&M process. The state or PRP assumes the responsibility for the following four components of O&M: (1) inspection, (2) sampling and analysis, (3) routine maintenance and (4) reporting.

Reasons for Selection

The increasing number of Superfund construction completion sites has created a significant workload for all EPA Regional Superfund Programs. At the end of FY98, five hundred eighty-five (585) Superfund sites had completed all phases of construction completion. A large number of these sites require attention and management subsequent to the completion of construction activities (at remedial sites and at a limited number of removal sites). An important component of post construction activities to ensure the protectiveness of a remedy is EPA's obligation to oversee the prescribed operations and management procedures contained in the ROD and /or settlement agreement for a site. Limited OIG review and evaluation of O&M activities has been done to date.

Expected Benefits

This review would show whether O&M activities are conducted in a manner that is protective of human health and the environment (HH&E). The review would also provide the Agency with indicators of the level of HH&E protectiveness achieved prior to the mandated five-year review for Superfund sites. As a result, the evaluation of the O&M process would help EPA identify "best" and "worst" practices for ensuring the protectiveness of HH&E following site construction completion.

Audit Objectives

The objectives of this audit are to address the following questions:

- Do EPA and the states ensure that O&M activities are carried out in accordance with the terms and conditions of the settlement agreement or ROD?
- How does EPA ensure the consistency and timeliness of O&M activities and oversight?
- Do O&M activities impact the re-use and redevelopment of a site?

Scope

Results of the survey for this audit would determine the selection of a region or regions for fieldwork.

Location and Resources

Audit work will be conducted at EPA Headquarters and one or more EPA regions. The Engineering and Science Staff will also be consulted to evaluate and validate scientific documentation.

QUALITY OF GPRA DATA IN CERCLIS

Background

In October 1998, several Committee Chairmen in the House of Representatives tasked the IG community with verifying and validating selected data sources and information systems used to report on agency Government Performance and Results Act (GPRA) annual performance goals. In December 1998, the Senate also suggested the IG community verify and validate the accuracy and reliability of the performance data used to report on the Agency's GPRA annual performance goals. *Verifying* is the process of determining whether or not the data in the system is accurate and complete (i.e., reliable), whereas *validating* will entail determining if the Agency's chosen key performance measures are consistent with its strategic and annual performance goals. To help ensure the Agency effectively implements GPRA, the OIG developed a GPRA Implementation Review Plan. As part of this plan, we will perform audits of the reliability of key, automated Agency systems used to report GPRA information to Congress. The OIG established a workgroup to determine the priority in which automated systems should be examined. We envision performing one to two data quality system audits each year, over the span of several years.

The Comprehensive Environmental Response, Compensation, and Liability Information System (CERCLIS) is the official repository for site and non-site specific Superfund data in support of the Comprehensive Environmental Response, Compensation, and Liability Act. The third generation of CERCLIS, CERCLIS3, is an integrated information system designed to support the evolving business needs of the Superfund program. CERCLIS3 provides a single source for Superfund program information, linking site managers with program managers, community involvement personnel with enforcement officials, Regions with headquarters, and Superfund staff with Congress and the general public.

Reasons for Selection

The timely, accurate, consistent, and complete entry of data into CERCLIS is essential to evaluating Agency progress in achieving a number of its annual performance goals related to better waste management, restoration of contaminated waste sites, and emergency response. Furthermore, obtaining and maintaining reliable data is essential to the success of EPA's GPRA process. Preliminary OIG analysis disclosed that CERCLIS data is used to support a number of externally-reported performance measures associated with vital GPRA annual performance goals. In addition, performing this audit will respond to the Congressional request to verify and validate data used to report on the Agency's GPRA goals.

Expected Benefits

By performing the audit, we will be able to determine and, if necessary, make recommendations to improve the reliability and appropriateness of principal components of current CERCLIS data, which are used to evaluate and report on EPA's progress in achieving established environmental goals.

Audit Objectives

The audit will:

- Assess if CERCLIS data reported to Congress for GPRA purposes is reliable (i.e., timely, accurate, consistent, complete);
- Determine why data is unreliable if that is the case;
- Determine what steps can be taken to improve the reliability of the data, if the data is unreliable; and
- Determine if the data is a meaningful measure of the annual performance goal.

Scope

The audit will evaluate the reliability and appropriateness of specific CERCLIS data elements, used in support of externally-reported GPRA performance measures and annual performance goals. Furthermore, the data elements chosen for audit will compliment on-going OIG issue area audit plans. We will construct one or more statistically valid, attribute sampling plans in order to limit the amount of staffing and travel resources needed to verify the accuracy, timeliness and completeness of CERCLIS data against source documentation.

Locations and Resources

The audit will be conducted at EPA Headquarters, Washington, D.C.; and other EPA regional locations, as determined during the survey phase. AAAS will oversee the technical audit of CERCLIS, and will contribute an audit manager and two staff auditors to the audit. However, AAAS audit staff do not possess sufficient knowledge of the Superfund program area to fully understand and analyze raw CERCLIS data. The successful execution of fieldwork analysis will rely on choosing an extra auditor who has a thorough knowledge and understanding of the Superfund issue area. The Headquarters Audit Division is the Superfund issue area lead, and will provide the additional team member. Other divisions may also need to provide assistance in gathering and evaluating source documents against pre-established, verification standards. We

estimate that the survey and audit will require a total of 750 staff days, because the audit team will need to examine source documentation from a variety of regional and state locations to draw statistically valid conclusions regarding data quality.

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FORMERLY USED DEFENSE SITES (FUDS)

Background

These sites may be former radar stations, weather stations, landfills, and other ex-military sites; yet today, they can be homes, schools, businesses, municipalities that have been built on these sites. For example, currently there are about 1,000 FUDS in Region 10 alone. In addition, there are 11 FUD sites in Ohio that are now schools that are being investigated because of extreme contamination that resulted in several cases of sickness. Currently, the military is performing cleanup at only 20% of these sites under DOD's Defense Environmental Restoration Program (DERP). Under DERP, the Corps of Engineers evaluates the sites by looking at the physical characteristics, without regulatory oversight from EPA or the states. The Corps issues a lot of "No Further Action" (NOFA) decisions. Yet, these instances indicate that human health and the environment can be affected if these former sites are not properly cleaned up.

However, EPA officials believe that EPA would come to a different conclusion. In fact, EPA believes that the NOFA decisions under DERP may not be sound scientifically nor environmentally. EPA is in the process of doing oversight at some of these sites. In addition, EPA has questioned what NOFA actually means. While DOD uses NOFA when they believe they are not responsible for the site clean-up, the NOFA decision does not necessarily mean that a cleanup is not needed. Sometimes, NOFA decisions are in reality merely DOD's opinion that it's not their problem.

Many FUDS are also the responsibility of land management agencies such as BLM and the Forest Service. These agencies have a policy that does not allow them to collect data on DOD sites due to the fact that the Corps has its own assessment under DERP. The Superfund law for Federal Facilities (CERCLA Section 120) puts responsibility on the agency concerned to do the assessment (PA/SI) and submit this data to EPA so that EPA can do the ranking for NPL purposes. However, EPA believes that the Corps assessments do not always meet the given requirements under CERCLA.

Reasons for Selection

EPA has expressed an interest in the OIG's help with the FUDS issue, specifically looking at how the military assesses these sites. EPA believes that DOD's program needs to be changed because it's contrary to CERCLA. In addition, EPA's oversight authority needs to be clarified. EPA has leverage with land management agencies and can issue a 104e request to a private party. However, it is unfair to make private parties pay while the Federal government does not. Finally, EPA is interested in determining whether the correct information is being used to decide a NOFA decision, and does the decision meet environmental criteria?

Expected Benefits

The audit will result in recommendations to improve EPA's involvement in the FUDS program. In addition, coordination with DOD and other Federal agencies will be improved on how to address future FUDS sites before they cause problems.

Audit Objectives

The audit would answer the following questions:

- Does EPA have plans to address FUD sites and is sufficient progress being made?
- What factors limit EPA and the states ability to address FUD sites?
- Is human health and the environment affected by a lack of attention to FUD sites?

Scope

The survey would be initially performed in Headquarters and Region 10 with visits to other regions as necessary to evaluate FUD sites. The audit phase would focus on the same strategy.

Location and Resources

The audit will be conducted by the Headquarters Audit Division and Western Audit Division.

RECYCLING OF SUPERFUND SITES

Background

Congress established the Superfund program in 1980 with passage of the Comprehensive Environmental Response, Compensation, and Liability Act (CERCLA). CERCLA was amended in 1986 by the Superfund Amendments and Reauthorization Act (SARA). The Superfund program provides federal authority and funds to identify and clean up hazardous waste sites. At least three rounds of administrative reforms have been developed to improve the performance of the Superfund program. Recently, an initiative has been used to promote the reuse, or recycling, of Superfund sites so that sites can be cleaned and turned into useful spaces simultaneously. Some Superfund sites reuses have been: Home Depot store parking lot, recreated wetlands, and a championship golf course.

Reasons for Selection

While EPA has begun this innovative approach to site reuse, some questions have occurred. Has the OSWER directive on recycling Superfund sites been successfully implemented on a national basis? Have some regions been more/less successful in implementing the future use policy? What are the economic benefits/drawbacks of appropriate land reuse for Superfund sites?

Expected Benefits

Our survey would identify the whether regions have properly implemented OSWER Directive 9355.7-04, May 25, 1995, Land Use in the CERCLA Remedy Selection. This survey would identify progress made and impediments to further progress in planning environmentally sound future uses of Superfund sites prior to cleanup. Additionally, the survey would address the lessons learned in the pilot projects that have already been completed. The resulting audit would recommend ways EPA could more effectively involve the regions and other stakeholders in promoting the reuse policy.

Audit Objectives

Our overall objective is to determine if increased participation in planning for future site uses would be cost effective for cleanups and promote more environmentally sound reuses of Superfund hazardous waste sites. The audit will focus on the following specific questions:

- How have regions implemented the land reuse policy for Superfund sites in the remedy selection process?

- To what extent have pilot projects been useful in redirecting the Superfund cleanup program so that the recycling policy is implemented and site land is reused in an environmentally sound and prudent manner?
- What should EPA do to increase the level of participation of regions and stakeholders in the recycling process?
- To what extent might the land reuse policy speed or slow cleanups and contribute (or not) to improved protection of human health and the environment?

Scope

HAD will conduct the review at EPA Headquarters and at least two regions, in addition to work with other stakeholders.

Location and Resources

We estimate this audit will require 250 staff days.

OVERSIGHT OF SUPERFUND CLEANUP
ACTIONS FOR THE HANFORD SITE

Background

The Hanford Site is the world's largest environmental cleanup project. For Fiscal 1999, the cleanup budget was about \$1.6 billion. Two-thirds of all nuclear waste in the DOE complex is located there. The site has 72 Superfund areas as a result of waste disposal activities during the production of weapons-grade plutonium from 1943 to 1989. Those disposal activities have resulted in approximately 200 square miles of groundwater contamination. For example, the radionuclides tritium and strontium-90 have been found in the groundwater at concentrations that have exceeded the State of Washington's standards by 26 and 2,325 times, respectively. This contaminated groundwater is located within one-quarter mile of the Columbia River and estimates are that it will reach the river in 20 years or less.

The Columbia River runs through more than 50 miles of the site. Its many uses include irrigation water for farming and drinking water for communities downriver. Approximately 1 million people reside directly downriver and 450,000 people reside within a 50 mile radius of the site.

Reasons for Selection

This audit would provide an OIG review of cleanup activities and would be under EPA's Strategic Goal: Better Waste Management, Restoration of Contaminated Waste Sites, and Emergency Response. The audit would also support one of the goal's objectives, which is to reduce or control the risks to human health and the environment at over 375,000 contaminated Superfund, RCRA, Underground Storage Tank, and Brownfield sites by 2005.

Expected Benefits

This audit would provide an independent assessment of the effectiveness of the Superfund Cleanup Program for the Hanford site.

Audit Objectives

The audit will assess whether EPA's oversight of the Superfund Cleanup Program provides sufficient protection to human health and the environment. The audit will focus on answering the following specific questions:

- How effective is EPA oversight of cleanup activities at the Hanford Site in achieving compliance with CERCLA requirements?
- Do cleanup activities for Superfund areas at the Hanford Site provide adequate protection to human health and the Columbia River?

Scope

The audit will evaluate EPA oversight of cleanup activities of Hanford Site Superfund areas that pose the most significant threat to human health and the environment.

Location and Resources

The audit will be conducted at Region 10 by the Western Audit Division. It is estimated that 500 staff days will be needed for this audit.

REGION 4 IMPLEMENTATION OF SUPERFUND ENFORCEMENT REFORMS

Background

In order to address fairness and other issues in the settlement process, EPA initiated several reforms. These reforms included improved PRP identification, orphan share funding, special accounts, and de minimis/de micromis settlements. These reforms were designed to increase fairness, encourage PRP settlement, and preclude protracted litigation over liability for cleanup costs at National Priority List (NPL) sites. Improved PRP searches attempt to identify all or the largest manageable number of PRPs at each site. EPA had been accused of identifying only a few PRPs at NPL sites which forced these PRPs to pursue "fair share" costs from unnamed PRPs through litigation.

Under the orphan share reform, EPA agrees to pay a portion of the orphan share (portion of cleanup costs owed by insolvent, defunct, or unidentified PRPs) in return for a quick settlement from cooperating PRPs who agree to perform non-time critical removals. The special account reform allows regions to set-aside PRP payments for future cleanup costs in special interest-bearing accounts. These funds are to be used as an incentive to PRPs to settle by offering a portion of the account to PRPs as reimbursement for cleanup costs. To preclude litigation between major PRPs and de micromis parties, EPA promulgated a reform that protected de micromis parties from lawsuits. This protection has taken the form of EPA lump sum settlements with de micromis PRPs or de micromis waiver language inserted into consent decrees with major PRPs.

Reason for Selection

Proper implementation of these reforms is critical to EPA's effort to increase fairness as well as help expedite settlements of enforcement-led cleanups. A report by the Chemical Manufacturers Association indicated that some EPA regions have not effectively implemented these reforms or have not maximized the use of the reforms. According to information provided by Region 4, seven Unilateral Administrative Orders (UAO) were issued in Fiscal Year 1997 based on the equitable issuance and expanded PRP search reforms. Orphan shares, representing approximately \$15 million in past costs, were offered in settlements for three Superfund sites. Region 4 personnel indicated that de micromis settlements were resource intensive and none had been requested or done. However, we did note some de minimis settlements in the Region 4 documentation on orphan shares.

Expected Benefits

This audit would provide an independent assessment of the success of the cited enforcement

reforms in providing fairness in settlements, reducing litigation, and helping in the overall cleanup process at Superfund sites.

Audit Objectives

We expect to determine

- Has EPA effectively implemented certain Superfund liability reforms and properly utilized the reforms in all appropriate PRP settlements?
- Have the reforms increased fairness and helped in the overall PRP settlement/cleanup process?

Scope

This audit will evaluate the implementation, use, and effectiveness of EPA enforcement reforms in Region 4 with the exception of special accounts. The special account initiative is the subject of a current, ongoing audit and the effectiveness of this reform will be evaluated as a part of that audit effort. This audit will evaluate actions taken by Region 4 to implement the remaining enforcement reforms. The audit will focus on Region 4 Superfund sites where the reforms have been used. The audit will also try to identify sites where use of the reforms appeared appropriate but the reforms were not instituted.

Location and Resources

The audit will be conducted at Region 4 by the Southern Audit Division. It is estimated that 200 staff days will be needed for this audit.

FOLLOW-UP OF REGION 5'S BILLING AND COLLECTION OF
ACCOUNTS RECEIVABLE

Background

In 1980, Congress passed the Comprehensive Environmental Response, Compensation, and Liability Act (CERCLA). The law established, in the Department of Treasury, the "Hazardous Substance Response Trust Fund" (Superfund Trust Fund). Since the law's initial passage, Congress has authorized about \$12 billion in funding. Through appropriations, Congress established the amount of funds that EPA can use. EPA withdraws monies from the Trust Fund as needed to cover disbursements.

Congress has not renewed the CERCLA taxing authority, used to collect taxes on crude and petroleum oil and on the sale or use of certain chemicals, as well as an environmental tax on corporations. Since the expiration of the taxing authority, the amount in the Trust Fund can only increase through recovery of cleanup costs from Responsible Parties (RP), interest, fines, and penalties paid by individuals and entities, and general revenues.

Lawmakers have begun to explore ways to collect the more than \$50 billion in past debts (not including taxes) owed to the U.S. Government. A portion of these receivables have been created by various EPA programs, Superfund being the most significant. For FY 1997¹, EPA had over \$750 million of outstanding Superfund Trust Fund accounts receivable.

Recovery may be accomplished through negotiation with or legal action against RP. The costs EPA tries to recover may be for (1) past expenditures, (2) future work that EPA will do at the site, or (3) EPA overseeing cleanup work that the RP performs under contract at the site. These funds are used to replenish the Superfund Trust Fund.

Region 5 is responsible for the billing and collecting of accounts receivable resulting from EPA oversight of Superfund cleanups within its regional boundaries. Federal Court action (i.e., consent decrees, consent orders) requires EPA to bill the RP annually for oversight costs. The accounting office maintains the cost information and prepares the billing. The Office of Regional Counsel and the Program Office review the oversight bills for validity.

Reason for Selection

A prior OIG review showed that Region 5 needed to improve its ability to timely send bills and recover debts from RPs. Region 5's procedures for billing and collecting accounts receivable

¹ Last fiscal year in which OIG opined on EPA's financial statements.

contained weaknesses which hindered its ability to timely recover debts owed the Federal Government and Region 5 was unable to timely record numerous accounts receivable which were established through judicial actions. As a result, the OIG recommended that the Region: (1) develop and implement specific time frames for preparing, reviewing, and finalizing Superfund billings to the RP, and (2) timely issue the RP follow-up notices. A follow-up review is needed to assess the Region's progress to improve its Superfund billing and collection efforts. This review supports two EPA goals: (1) Goal 5.1.3.120, Better Waste Management, and (2) Goal 10.2.1.257, Effective Management.

Expected Benefits

A follow-up review would identify corrective actions that the Region has taken, is taking, or still needs to take, to effectively improve its Superfund billing and collection processes. These improvements will result in replenishment of the Trust Fund and increased confidence that the EPA recovers monies from polluters.

Audit Objectives

The follow-up review will determine if the Region implemented the recommendations and continued to make further improvements to the receivable and collection process after the issuance of OIG's Billing and Collection of Accounts Receivable report on March 26, 1997. The specific objectives are to determine if the Region:

- Promptly sends RPs a Superfund bill;
- Timely sends follow-up notices on unpaid balances;
- Coordinates its divisions' efforts to timely prepare and review bills; and
- Timely records Superfund receivables.

Scope

The scope of this review should include Region 5's activities efforts to improve the Superfund billing and collection process for FY 1997 to the present. The review will include assessing the success of the improvements and their effects on timely issuing bills and collection notices.

Location and Resources

The Northern Audit Division will perform a 120 staff day CFO-related performance audit follow-up in Region 5. The review will include discussions with the Comptroller Office, Office of Regional Counsel, and Office of Superfund.

EPA ASSISTANCE TO STATE AND LOCAL GOVERNMENTS
ON MITIGATING THE ENVIRONMENTAL AND
HUMAN HEALTH EFFECTS OF URBAN SPRAWL

Background

Outward growth that is characterized as sprawling, low-density, fragmented, automobile-dependent development is commonly referred to as urban sprawl. Sprawling development can occur in rural and urban areas and can encompass residential, commercial, and industrial zones. According to research, some negative impacts of urban sprawl include overpopulation, traffic congestion, reduced green space, and increased pollutants in air and water.

EPA envisions communities where development and redevelopment activities enhance the environment while contributing to economic prosperity and community well-being. While EPA recognizes that state and local governments are responsible for determining patterns of growth, EPA also recognizes a federal role in providing support (e.g., making investments, creating incentives and removing barriers, promoting collaborations, and providing funds, information and tools) to communities that are grappling with the challenges associated with improving and sustaining both environment and human health. Through this role, EPA can work with its state and local partners to meet national environmental goals for clean air, water, and land.

In 1998, EPA created a Sustainable Urban Environments (SUE) effort that is headed by the Deputy Associate Administrator of State and Local Relations, Office of Congressional and Intergovernmental Relations, and supported by a taskforce. This effort is intended to complement and strengthen existing activities of EPA by encouraging a coordinated, integrated organizational approach to understanding and responding to the impacts of continued urbanization on environmental quality and human health. One of the key emphases of the effort will be an analysis of whether EPA regulations, policies, or programs create barriers or disincentives that encourage sprawl or growth with negative environmental consequences. The result of this analysis will be used to target specific EPA actions to reduce or eliminate these barriers or disincentives.

Reasons for Selection

EPA does not regulate land-use and has no plan to get involved in the land development business. However, current development trends are undercutting the environmental improvements that EPA has achieved over the past 25 years. As a result, EPA needs to continue to address the environmental impact from urban sprawl and determine how best to work with states and local governments to mitigate the environmental and human health effects. In addition, environmental data are showing the effects land-use and development are having on the environment, resulting in a direct impact on EPA's ability to achieve measurable environmental

results in line with its goals. In order to provide a complete picture under the Government Performance and Results Act requirements, EPA must monitor and assess the impacts urban sprawl has on its goals.

Expected Benefits

This audit will provide information to help EPA better define what its role should be to address urban sprawl. In addition, the audit will help identify what EPA can do to continue to achieve environmental goals while, at the same time, assisting communities to sustain themselves and make their own decisions on growth, development, and environmental protection.

Audit Objectives

The audit objectives will be to answer the following questions:

- What does existing research indicate are the environmental and human health effects of urban sprawl?
- What are EPA's authorities to address these effects?
- What assistance has EPA offered to state and local governments to help mitigate the effects of urban sprawl and to promote sustainable urban environments?
- What additional EPA assistance might be helpful?

Scope

We will review EPA headquarters efforts to address urban sprawl and its impact on the environment and human health, including evaluating the work resulting from the Sustainable Urban Environments (SUE) effort. We plan to conduct work in Region 8 and possibly additional regions, as well as state and local governmental offices, that have conducted activities related to mitigating the impact of urban sprawl.

Location

Fieldwork will be in Region 8 and EPA headquarters offices and possibly other regional and state and local government offices. We estimate the review will take approximately 300 staff days.

**FOLLOW-UP REVIEW OF SUPERFUND BROWNFIELDS PROGRAM:
POTENTIAL FOR URBAN REVITALIZATION**

Background

To help the nation address environmental concerns associated with the redevelopment and reuse of industrial and commercial properties, EPA established the Brownfields Economic Redevelopment Initiative. EPA defines Brownfields as abandoned, idled, or underutilized industrial and commercial facilities where expansion or redevelopment is complicated by real or perceived environmental contamination.

Over the past several years EPA has provided grants to state and local governments to conduct site assessment pilot projects. More recently EPA has provided additional funding to aid in the cleanup of these sites. There has been approximately 300 Brownfields grants issued to date.

Reasons for Selection

In March 1998 the OIG issued an audit report which found that while state and local governments were spending grant funds properly, the initiative could have more impact if the funds were used to conduct site assessments at facilities which have the greatest potential for redevelopment. Further, we found that quality assurance requirements were not always being followed which could call into question the cleanup decisions at these sites.

The Brownfields initiative is EPA's flagship program for sustainable economic redevelopment. It will be at the forefront of the upcoming Presidential elections. Thus, the OIG should be prepared to provide an independent assessment of the initiative.

Expected Benefits

The follow-up will determine if EPA has implemented the corrective action agreed to from the original report and could assess the effectiveness of those recommendations.

Audit Objectives

The objectives of the audit will be to follow-up on the recommendations from the March 1998, Audit Report, Brownfields: Potential for Urban Revitalization.

Scope

The scope will cover the Agency's activities from the issuance of our last audit up until the present time. The audit will focus specifically on EPA's corrective actions and any additional

steps taken by the Agency to further this program.

Location and Resources

The review will be conducted by Headquarters Audit Division. Approximately 120 staff days will be necessary to conduct the review.

Program Audits Enforcement and Compliance Assurance

Work in Process

| | |
|--|-------|
| Compliance with Regional Enforcement Agreements in Regions 2, 5, and 6 | ENF 1 |
| Supplemental Environmental Projects | ENF 2 |
| Government Performance and Results Act Implementation in OECA | ENF 3 |
| Multimedia Enforcement Activities | ENF 4 |

New Starts

| | |
|---|-------|
| Actions to Improve OECA Data Management | ENF 5 |
| Compliance with State Enforcement Agreements | ENF 6 |
| Quality of the GPRA Data in the Enforcement DOCKET System | ENF 7 |

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COMPLIANCE WITH REGIONAL ENFORCEMENT AGREEMENTS
IN REGIONS 2, 5, AND 6

Background

Many of the laws the U.S. Environmental Protection Agency (EPA) administers contain provisions that allow EPA to take enforcement actions to require compliance. Enforcement plays an important role in EPA achieving its mission of improving and preserving the environment. A primary goal of enforcement is to bring violators into compliance with laws and regulations. Unless this happens, the enforcement action will not be effective.

Enforcement actions, both administrative and judicial, generally set out what the violator must do to comply with the law or regulation. The enforcement agreement may also include reporting requirements whereby EPA can monitor whether the violator is complying with the enforcement action and ultimately with the law or regulation. To provide an incentive for compliance, enforcement actions may include stipulated penalties that violators must pay if they do not meet the requirements of the actions.

Reasons for Selection

The Office of Enforcement and Compliance Assurance (OECA) issued a report of enforcement statistics for fiscal year 1997, which showed, among other things, whether violators were complying with consent decrees. Nationally, regions had not reported on the status of 73% of their 1,327 active decrees or had reported the status as unknown. The following was shown for Regions 2, 5, and 6 for fiscal year 1997:

| | <u>Region 2</u> | <u>Region 5</u> | <u>Region 6</u> |
|---------------------------------|-----------------|-----------------|-----------------|
| Number of active decrees | 131 | 383 | 90 |
| <u>Status of compliance</u> | | | |
| In compliance | 3 | 0 | 0 |
| In violation, action taken | 0 | 0 | 0 |
| In violation, action planned | 0 | 0 | 0 |
| In violation, no action planned | 0 | 0 | 0 |
| Not reported or unknown | 128 | 383 | 90 |

OECA's enforcement statistics do not address compliance with administrative orders. Based upon the survey work performed in Region 5, it appears that enforcement agreements are not being adequately monitored and further enforcement actions are not being taken when a facility is not complying with an agreement.

Expected Benefits

Our work would provide the Agency with an evaluation of whether enforcement actions are effective in achieving compliance with laws and regulations. Complete compliance with enforcement agreements is important for ensuring protection of the environment and human health. The audit may also provide the Agency with suggestions for improving how it monitors compliance with enforcement agreements.

Audit Objectives

Our audit will answer the following questions:

- Do regions adequately monitor compliance with enforcement agreements?
- Do regions take further enforcement actions if companies do not comply with enforcement agreements, including the use of stipulated penalties?
- How does OECA oversee regional activities to ensure compliance with enforcement agreements?

Scope

The audit will be performed in OECA and Regions 2, 5, and 6. The audit will cover the Clean Water, Safe Drinking Water, Underground Injection Control, Resource Conservation and Recovery, and Air programs. We will review administrative orders, consent orders, and consent decrees.

Location and Resources

The Northern Audit Division will lead the audit, with assistance from the Eastern and Central Audit Divisions.

SUPPLEMENTAL ENVIRONMENTAL PROJECTS

Background

Supplemental Environmental Projects (SEPs) are environmentally beneficial projects, which a defendant agrees to undertake in exchange for a penalty reduction as part of an enforcement action. While penalties play an important role in environmental protection by deterring violations and creating a level playing field, SEPs can play an additional role in securing significant environmental or public health protection and improvements. According to the September 1997 EPA Strategic Plan, Agency officials plan to increase the use of SEPs in enforcement settlements.

EPA has established criteria for regions to use in determining what types of projects are permissible, how penalties can be mitigated by SEPs, and the terms under which SEPs may become part of a settlement. Defendants are legally liable for satisfactorily completing a SEP. OECA reports the environmental or health-related benefits of SEPs as part of its Annual Accomplishments reports. Impacts from SEPs will also be included as part of OECA's performance measures, under the environmental and human health improvements initiated as a result of EPA enforcement actions.

Reasons for Selection

As mentioned above, the Agency plans to increase the use of SEPs. However, Agency officials were concerned that some of the SEPs might not have met the requirements in the Agency's SEP Policy. Officials were also concerned that some defendants did not satisfactorily complete the SEPs and spend the agreed upon resources for them. As a result, EPA may not have obtained the agreed upon environmental and health benefits.

Expected Benefits

Our work would provide the Agency with an evaluation of how SEPs are used and whether the defendants generally meet the agreed-upon terms for the SEP's cost and results. We could also provide useful information relating to OECA's performance measures.

Audit Objectives

The survey would answer the following questions:

- Did the SEPs meet the criteria established in the SEP Policy in effect at the time?
- Has EPA established effective management controls to ensure that defendants

satisfactorily complete SEPs and spend the agreed-upon dollar amounts?

- Does EPA obtain sufficient information about the environmental or health effects of SEPs for its performance measures?

Scope

The survey would be performed at one or two regions. The survey may include all programs that include SEPs in their enforcement settlements. Some assistance from the Engineering and Science Staff or EPA officials may be required to evaluate the technical aspects of the SEPs. Site visits to companies that have used SEPs in enforcement agreements may also be required to verify the SEPs have been completed.

Location and Resources

Southern Audit Division (SAD) is performing a survey to determine the scope and objectives of an audit. Possible regions for the survey/audit include Regions 4 and 6. In fiscal year 1997, Regions 4 and 6 each completed about 20% of the total number of case settlements with SEPs (52 and 58, respectively, of the total 266). These regions also had the highest dollar value of SEPs. Region 4 claimed almost 40% (\$39.1 million) of the total national value of SEPs, while Region 6 claimed about 12% (\$10.5 million). If we proceed to an audit, SAD will lead the audit, with assistance from other divisions as needed.

GOVERNMENT PERFORMANCE AND RESULTS ACT
IMPLEMENTATION in OECA

Background

The Results Act requires Federal agencies to develop long-term strategic plans with goals, objectives, and performance measures. The Results Act also requires agencies to prepare annual performance plans and reports. Agencies will use performance measures to indicate in annual reports the results of their activities and their progress toward meeting annual goals.

OECA officials have contributed program goals, objectives, and sub-objectives to the Agency strategic plan. They have also initiated the National Performance Measures Strategy (Strategy) in 1997 to develop and implement an enhanced set of performance measures. The Strategy was designed to measure not only program activities, but also: (1) the impact of OECA's activities on environmental and human health problems, (2) the levels of compliance in regulated populations, and (3) the environmental or human health improvements by regulated entities. These measures are a tool for managing programs more strategically and for complying with the Results Act.

Reasons for Selection

The measures included in annual performance reports may be used by Congress and the public to assess the value of OECA's activities and to justify continued funding. Congressional members have recently expressed concern that Federal agencies' actions under the Results Act have not met the goal of showing taxpayers what they are getting for their dollars.

As part of the OIG's Results Act audit strategy, each OIG issue area must include work at the Headquarters/National Program Manager level to evaluate Results Act requirements.

Expected Benefits

Our work would provide the Agency with an evaluation of OECA's (1) efforts to help EPA implement the Results Act, including an assessment of OECA's goals, objectives, and sub-objectives for enforcement and compliance assurance; and (2) performance measures and their ability to indicate: (a) the impact on environmental and human health problems, (b) the levels of compliance in regulated populations, and (c) the environmental or human health improvements by regulated entities.

Audit Objectives

The audit would answer the following questions:

- Do OECA's goals, objectives, and sub-objectives satisfy the Results Act requirements for Federal agencies?
- Do OECA's performance measures adequately portray OECA's enforcement and compliance assurance accomplishments?

Scope

The OIG will evaluate OECA's goals and the related objectives, sub-objectives, and performance measures. This may include reviewing OECA's fiscal year 2000 annual plan and the fiscal year 1999 annual report, if available.

Location and Resources

The audit would be performed at OECA Headquarters by any audit division.

MULTIMEDIA ENFORCEMENT ACTIVITIES

Background

Historically, EPA has enforced environmental laws by focusing on violations of individual statutes at individual facilities. EPA recently developed a multimedia enforcement approach to address companies on a comprehensive, corporate-wide basis. This approach would allow the Agency to use resources more efficiently and maximize the environmental results from enforcement actions. According to EPA's 1997 Annual Report on Reinvention, a corporate-wide enforcement strategy would eliminate the need for Federal and state governments to bring multiple cases to achieve the same final outcome. Also, a comprehensive enforcement action might require company-wide changes with potential for long-term environmental benefits. Multimedia focused activities, including enforcement actions, reflect the goals of federal reinvention and underlie much of the Agency's enforcement reorganization. For FY 2000/2001, OECA officials moved multimedia enforcement from a cross cutting priority to part of the core program in recognition of the experiences gained, successes generated and resources already committed to the program.

Reasons for Selection

As mentioned above, multimedia enforcement can allow the Agency to use resources more efficiently and maximize the environmental results from enforcement actions. EPA officials were concerned that the Agency was not taking a multimedia approach to enforcement in areas where it would be most beneficial.

Expected Benefits

Our work would provide an (1) assessment of the current multimedia enforcement activities and possible suggestions for improving them; and (2) evaluation of regional multimedia enforcement efforts to identify best practices.

Survey Objectives

The survey would answer the following questions:

- What organizational structures are Headquarters and Regions using to support multimedia enforcement programs?
- What role do multimedia enforcement actions serve within regional enforcement strategies?

- What have been the results of regional multimedia inspections?
- What benefits have multimedia activities realized?

Scope

The survey will be limited to Headquarters and two regions. If an audit is performed, the scope will be expanded to include at least two more regions. The regions selected will include those with both centralized and decentralized enforcement functions.

Location and Resources

NAD is performing a 125 day survey in Headquarters, Region 5, and one other region.

ACTIONS TO IMPROVE OECA DATA MANAGEMENT

Background

Prior OIG and GAO audit reports have shown that enforcement and compliance data are not always accurate or complete. OECA also performed its own review of 10 data systems and found numerous problems with them. Based on these findings, OECA created the Enforcement and Compliance Information initiative, a long-range project to minimize data entry, reduce costs, enhance capability for electronic data submission, and make data more accessible. To implement this effort, OECA may need to make a large investment of resources. For instance, one OECA Data Management official estimated that it would take \$40 million over a five year period for OECA to improve its data systems. OECA must also coordinate data system usage with other EPA program offices. Most media-specific systems are operated primarily by the media programs (i.e., the Air Program maintains the AIRS database, which contains a subsystem with enforcement and compliance data.)

Reasons for Selection

Several OECA officials indicated that data management was a high risk area within the enforcement and compliance assurance program. Poor data quality can have a significant impact on OECA's ability to report on performance measures under the Results Act. Poor data can also impact OECA's ability to manage its program, including its efforts to target action against the most serious environmental violations.

Expected Benefits

An OIG review of OECA's actions to improve data management would provide the Agency with (1) an evaluation of OECA's progress so far and (2) identification of any additional actions that need to be taken to improve information systems for enforcement and compliance data.

Audit Objectives

The audit would answer the following questions:

- What plans and guidelines has OECA developed to address its data management problems?
- Has OECA effectively contributed to ongoing Office of Information Resource Management initiatives to address data management issues Agency-wide?
- What additional actions can OECA take to strengthen its data management?

Scope

One or two data systems would be selected for review.

Location and Resources

The audit will be performed at OECA Headquarters, with some potential for regional work as well. HAD will perform this assignment, with help from the ADP Audits and Assistance Staff.

COMPLIANCE WITH STATE ENFORCEMENT AGREEMENTS

Background

Many of the laws the U.S. Environmental Protection Agency's (EPA) administers contain provisions that allow EPA, or non-federal agencies operating a federal program, to take enforcement actions to require compliance.¹ Enforcement plays an important role in achieving EPA's mission of improving and preserving the environment. A primary goal of enforcement is to bring violators into compliance with laws and regulations. Unless this happens, the enforcement action will not be effective.

Enforcement actions, both administrative and judicial, generally set out what the violator must do to comply with the law or regulation. The enforcement agreement may also include reporting requirements whereby EPA and non-federal agencies can monitor whether the violator is complying with the enforcement action and ultimately with the law or regulation. To provide an incentive for compliance, enforcement actions may include stipulated penalties that violators must pay if they do not meet the requirements of the actions.

Reasons for Selection

The Office of Enforcement and Compliance Assurance (OECA) issued a report of enforcement statistics for fiscal year 1997, which showed, among other things, whether violators were complying with consent decrees. Nationally, regions had not reported on the status of 73% of their 1,327 active decrees or had reported the status as unknown. OECA's enforcement statistics do not address compliance with administrative orders. OECA officials also stated that they did not have information on how or if non-federal agencies track compliance with enforcement agreements.

Expected Benefits

Our work would provide the Agency with an evaluation of whether enforcement actions are effective in achieving compliance with laws and regulations. Complete compliance with enforcement agreements is important for ensuring protection of the environment and human health. The audit may also provide non-federal agencies with suggestions for improving how they monitor compliance with enforcement agreements.

¹The term "non-federal agencies" includes states, tribes, and local agencies.

Audit Objectives

Our survey would answer the following questions:

- Do non-federal agencies adequately monitor compliance with enforcement agreements?
- Do non-federal agencies take appropriate actions if companies do not comply with enforcement agreements, including the use of stipulated penalties?
- How does OECA oversee non-federal agency activities to ensure compliance with enforcement agreements?

Scope

The survey will be performed in selected states, and will cover all media programs, except Superfund. We will review enforcement agreements that require violators to take some type of action to return to compliance.

Location and Resources

WAD will perform a survey to determine the scope and objectives of an audit.

QUALITY OF GPRA DATA in the ENFORCEMENT DOCKET SYSTEM

Background

In October 1998, several Committee Chairmen in the House of Representatives tasked the IG community with verifying and validating selected data sources and information systems used to report on agency Government Performance and Results Act (GPRA) annual performance goals. In December 1998, the Senate also suggested the IG community verify and validate the accuracy and reliability of the performance data used to report on the Agency's GPRA annual performance goals. *Verifying* is the process of determining whether or not the data in the system is accurate and complete (i.e., reliable), whereas *validating* will entail determining if the Agency's chosen key performance measures are consistent with its strategic and annual performance goals. To help ensure the Agency effectively implements GPRA, the OIG developed a GPRA Implementation Review Plan. As part of this plan, we will perform audits of the reliability of key, automated Agency systems used to report GPRA information to Congress. The OIG established a workgroup to determine the priority in which systems should be examined. We envision performing one to two data quality system audits each year, over the span of several years.

The Enforcement Docket System (DOCKET) is a comprehensive national, automated system for tracking civil litigation from case development to conclusion. The system is also useful for the issuance of administrative actions (e.g., administrative orders) under all environmental statutes. DOCKET also includes facility and defendant information.

Reasons for Selection

The timely, accurate, consistent, and complete entry of data into DOCKET is essential to evaluating Agency progress in achieving a number of annual performance goals related to deterring pollution and achieving greater compliance with the law (i.e., GPRA goal 9). Furthermore, obtaining and maintaining reliable data is essential to the success of EPA's GPRA process. Preliminary OIG analysis disclosed that DOCKET data is used to support 22 externally-reported performance measures associated with vital GPRA annual performance goals. Performing this audit will respond to the Congressional request to verify and validate data used to report on the Agency's GPRA goals.

Expected Benefits

By performing this audit, we will be able to determine and, if necessary, make recommendations to improve the reliability and appropriateness of principal components of current DOCKET data,

which are used to evaluate and report on EPA's progress in achieving GPRA-established environmental goals.

Audit Objectives

The audit will:

- Assess if DOCKET data reported to Congress for GPRA purposes is reliable (i.e., timely, accurate, consistent, complete);
- Determine why data is unreliable if that is the case;
- Determine what steps can be taken to improve the reliability of the data, if the data is unreliable; and
- Determine if the data is a meaningful measure of the annual performance goal.

Scope

The audit will evaluate the reliability and appropriateness of specific DOCKET data elements, used in support of externally-reported GPRA performance measures and annual performance goals. Furthermore, the data elements chosen for audit will compliment on-going OIG issue area audit plans. We will construct one or more statistically valid, attribute sampling plans in order to limit the amount of staffing and travel resources needed to verify the accuracy, timeliness and completeness of DOCKET data against source documentation.

Locations and Resources

The audit will be conducted at EPA Headquarters, Washington, D.C., and other EPA regional locations to be determined during survey phase. AAAS will oversee the technical audit of DOCKET, and will contribute an audit manager and two staff auditors to the audit. The Northern Audit Division is the enforcement issue area lead, and will provide a team member. Other divisions may also need to provide assistance in gathering and evaluating source documents against pre-established, verification standards. We estimate that the audit will require a total of 750 staff days, because the audit team will need to examine source documentation from a variety of regional locations to draw statistically valid conclusions regarding data quality.

Program Audits Information Resources Management

Work in Process

| | |
|--|-------|
| IBM Mainframe Operating System Access Controls | IRM 1 |
| EPA's Computer Security Program | IRM 2 |
| Dial-in Security for Region 8's Network | IRM 3 |

New Starts

| | |
|---|--------|
| Quality of the GPRA Data in the Enforcement DOCKET System | ENF 7 |
| (This is included as part of the Enforcement and Compliance Area) | |
| Quality of GPRA Data in CERCLIS | BWM 20 |
| (This is included as part of Better Waste Mangement Area) | |

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IBM MAINFRAME OPERATING SYSTEM ACCESS CONTROLS

Background

EPA's Enterprise Technology Services Division (ETSD) operates a state-of-the-art, 10-processor International Business Machines (IBM) 9021-9X2 mainframe computer at the National Computer Center (NCC), located at Research Triangle Park, North Carolina. This mainframe supports large-scale data processing and provides a national data repository for Agency environmental, administrative, and scientific systems. With over 9,000 registered users, the mainframe provides resources vital to accomplishing the Agency's mission. These users are located in EPA offices at the Agency's headquarters in Washington, DC, its 10 regional offices, and various laboratories and other facilities across the country. The environmental security software NCC uses on its mainframe computer is the Resource Access Control Facility (RACF). RACF provides a mechanism through which users can protect data and define who may access the data.

Loss of mainframe processing capability would have a material impact on the Agency's ability to carry out its environmental mission. Many environmental and administrative support programs would be severely impacted by a service disruption. For example, the Safe Drinking Water Information System and the Aerometric Information Retrieval System maintain critical environmental data related to drinking water and airborne pollution, respectively. The information in the Safe Drinking Water Information System is used by EPA to monitor approximately 175,000 public water systems. Also, EPA's major financial systems are stored and maintained on the mainframe. These include, the Integrated Financial Management System, the Contractor Payment System, and the Grants Information and Control System. Therefore, even a temporary loss of service would seriously affect the Agency's ability to process critical financial transactions to carry out its important environmental missions.

Reasons for Selection

Because of limited resources, we designed a three-year plan to assess Agency general controls over computer based systems which control the Agency's financial systems operations. The audit selection was based on the following:

- Assurance that the Agency is actively maintaining security and integrity of the mainframe operating systems;
- Continuing Agency financial statement audit work under the Government Management Reform Act; and

- GAO recommendations to perform full-scope general controls work in support of the OIG's Annual Financial Statement Audit.

The ADP Audits and Assistance Staff Strategic Plan for ADP General Control Work distributed the review of mainframe operating system controls over a three year period, starting in fiscal 1998. Mainframe controls are a critical general control area in the three year review plan.

Expected Benefits

Access controls should provide reasonable assurance that computer resources (data files, application programs, and computer-related equipment) provide an acceptable level of protection to minimize risk of unauthorized modification, disclosure, loss, or impairment. This particular audit will limit its review to RACF security options.

Audit Objective

Determine if RACF implementation provides effective and efficient protection over EPA's information technology resources.

Scope

The audit will examine eight RACF Resource classes (i.e., APPL, Facility, JES Spool, Nodes, Oper Commands, Surrogate, VTAMAPPL, and RACFVARS); SETROPTS settings, Superusers, and group-related user attributes (e.g., group-SPECIAL). The audit will focus on the Enterprise Technology Services Division within EPA's Office of Information Resources Management, as well as contractor staff who are responsible for mainframe systems control at RTP. We will use judgemental sampling methodology, whenever appropriate, to limit the amount of staffing resources needed to evaluate the adequacy of RACF security options. Furthermore, application-specific mainframe access controls, such as RACF dataset rules and CICS transaction rules, will be evaluated separately under subsequent audits.

Location and Resources

Much of the audit work can be done via computer by the ADP Audits and Assistance Staff (AAAS), located at EPA Headquarters in Washington, D.C. However, AAAS will need to travel to RTP to conduct interviews and perform other field work. The audit will require 250 staff days.

EPA'S COMPUTER SECURITY PROGRAM

Background

EPA depends on its information and automated information resources to fulfill its mission. The lack of security in Agency general support systems and major applications can have a significant impact on the Agency's ability to achieve its mission. Much of EPA's environmental information is provided by its stakeholders, including state and local governments and the regulated community. EPA must assure its stakeholders that the integrity and, where necessary, confidentiality of the data they provide will not be compromised. The inability to provide this assurance would undermine EPA's credibility.

EPA's information resources provide vital support in achieving Agency initiatives such as electronic reporting and public access. Electronic reporting depends on the ability to secure data as it enters EPA's data processing environment, authenticate the supplier of the data, ensure non-repudiation, and maintain a chain-of-custody to ensure that data can be used for enforcement action if necessary. For EPA's public access initiatives to be successful, the Agency's information systems must provide accurate and timely information while ensuring that EPA information resources are protected from unauthorized access and modification.

Reasons for Selection

A prior OIG report on Computer Systems Integrity reported that EPA has not established a comprehensive computer systems security program. The report stated the Agency has not:

(1) completed required risk analyses, security reviews, certifications, and updated security plans for its sensitive information systems; or (2) established mandatory security awareness training for officials involved in the management, use, or operation of its sensitive systems.

GAO cited in its September 1996 report, entitled "INFORMATION SECURITY Opportunities for Improved OMB Oversight of Agency Practices," that weak information security is a widespread problem that puts billions of dollars of Federal assets at risk of theft, misuse, or loss, and threatens vast amounts of sensitive data. In addition to losses and inappropriate disclosures, weaknesses such as poor controls over access to data and inadequate disaster recovery plans diminish the reliability of the enormous amounts of electronically maintained information essential for delivering federal services, assessing the success of federal programs, and monitoring agency performance. GAO reported the underlying cause is that agencies have not implemented information security programs that establish appropriate policies and controls and routinely monitor their effectiveness.

Expected Benefits

This audit could identify problem areas or deficiencies that, if not corrected, may leave the Agency vulnerable to:

- Unauthorized disclosure, alteration, or malicious destruction of critical/sensitive information;
- Computer processing interruptions; and
- Computer-related fraud and abuse.

Audit Objectives

The audit will evaluate the effectiveness of EPA's computer security program. Specifically, the audit will determine if the Agency has:

- Implemented an oversight function to ensure that security policies are consistently implemented within the Headquarters and regional offices;
- Identified all of its computer systems (i.e. general support and major applications) containing sensitive information; and
- Provided employees with adequate training to carry out their information security responsibilities.

Scope

This will be an Agency-wide audit. We will review the Agency's:

- Inventory of computer systems,
- Computer security plans, and
- Computer security training program.

The primary offices to be visited will be the Office of Administration and Resources Management and the Office of Information Resources Management. The methodology will be fully developed during the survey phase of the audit.

Location and Resources

This audit is being conducted at EPA Headquarters and other selected offices to be determined during the survey phase of the audit. The audit will require 350 staff days.

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DIAL-IN SECURITY FOR REGION 8's NETWORK

Background

The Environmental Protection Agency Enterprise Technology Services Division (ETSD) provides the centrally managed Automated Data Processing (ADP) and telecommunications infrastructures required to support the Agency's mission. Without proper controls over dial-up access confidential and sensitive data may be disclosed during telecommunication transmissions.

Dial-in users who are not in physical proximity to a network connection frequently use the public telephone networks to dial into the internal network. Any individual having the proper equipment can attempt to gain access to the internal network through the public network. The security risks vary depending on the type of dial-in connection established with the public networks.

Connections through public switched data network are established in a manner similar to that of connections in a public telephone network. The public switched data network publishes lists of telephone numbers, which any individual can use to connect to the network.

Controls over the public data network use include the following:

- Using services offered by the public data network that require authorization, identification, and verification to access the network itself or particular nodes on the network itself or particular nodes on the network;
- Using services that limit access to a particular node to a certain subset of network locations (such as closed-user groups on packet switched networks;)
- Using services that disconnect users after entry of a specified number of incorrect identification codes (e.g., user ID, password;) and
- Reviewing any reports of attempted violations and usage statistics provided by the public data network.

Reasons for Selection

Based on the Telecommunications Regional Survey, we concluded that the Agency does not have adequate controls over external modems at the desktops. The security risks associated with remote access vary, depending on the type of dial-in connection established through the public networks.

In addition, the Agency does not monitor dial-in violations. Monitoring dial-in violations could help identify and possibly prevent unauthorized individuals from accessing Agency data by establishing and implementing formal policies and procedures that require all dial-in accesses to be logged and monitored for security incidents.

Expected Benefits

An audit of the Agency's network dial-in security will enable the Office of the Inspector General (OIG) to determine if the network access numbers are easily obtained and if logical dial-in security controls are adequate.

Audit Objectives

This audit will focus on the following objectives:

- Determine if the dial-in controls currently implemented by the region adequately secure dial-in access;
- Determine if the region is logging and auditing all dial-in attempts to their systems;
- Perform penetration testing and evaluate the region's responses to various access attempts;
- Determine if the region has implemented controls to prevent the compromise of other sites on EPA's Network from their systems; and
- Determine if any terminated employees have dial-in access to the network.

Scope

An audit will be conducted in fiscal year 1999. From the number of telecommunication areas found to be of audit interest, this particular risk area ranked the highest and should receive priority audit status. The audit will also determine whether appropriate security standards and requirements have been developed and documented for dial-in access to Agency networks. The audit will be conducted in the Washington, D.C. metropolitan area and selected regional locations.

Location and Resources

The audit will be conducted by the ADP Audits and Assistance Staff, stationed at EPA

IGOR Code PPI

Headquarters, Washington, D.C. The audit will be conducted at Headquarters and selected regions. The survey will require 300 staff days.

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IGOR Code PPE

QUALITY OF GPRA DATA in the
ENFORCEMENT DOCKET SYSTEM

(Included in Enforcement and Compliance Assurance Area at ENF 7)

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IGOR Code PPS

QUALITY OF GPRA DATA in CERCLIS

(Included in Better Waste Management Area at BWM 20)

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Program Audits Other Emerging Issues

Work in Process

| | |
|---|---------|
| Whistleblower Protection at EPA | OTHER 1 |
| Greening EPA | OTHER 2 |
| Managing Printed Materials at EPA | OTHER 3 |
| Followup Review on the Narragansett Lab | OTHER 4 |
| Followup Review on Pesticides | OTHER 5 |
| Region 3's Children's Health Initiative Relating to the Asbestos Hazard Emergency Response Act | OTHER 6 |
| Air Enforcement--Stack Testing | OTHER 7 |

New Starts

| | |
|---|----------|
| Use of Synthetic Minor Source Classification in the Title V Operating Permit Program | OTHER 8 |
| Puerto Rico Environmental Quality Board | OTHER 9 |
| Border XXI Program | OTHER 10 |
| Children's Health Initiative Program | OTHER 11 |
| Pesticide Residue and Tolerance Setting | OTHER 12 |

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WHISTLEBLOWER PROTECTION AT EPA

Background

The Whistleblower Protection Act (WPA) was established to strengthen and improve protection for the rights of Federal employees, to prevent reprisals, and to help eliminate wrongdoing within the Government. The Act mandates that employees should not suffer adverse consequences for exercising their right to testify or to refuse to violate the law. Agencies heads are responsible for ensuring that all employees are informed of their rights and remedies under whistleblower protection laws. Whistleblower protection provisions are also written into the six environmental statutes and in the Inspector General Act. Federal employees, may either seek whistleblower protection from the Office of Special Counsel and the Merit Systems Protection Board under the WPA or from the Department of Labor under the environmental statutes. Corrective and disciplinary actions may be ordered if it is determined that retaliation occurred.

Reasons for Selection

There has been recent Congressional interest involving alleged retaliation taken against whistleblowers at EPA. In addition, a national whistleblower organization recently sent a letter to EPA's Administrator, asserting that EPA has failed to protect whistleblowers and requesting that EPA take action to ensure whistleblowers are properly protected.

Expected Benefits

The report would provide the Agency with an assessment of whether EPA is satisfying the requirements and intent of whistleblower protection laws.

Audit Objectives

The objectives of the review are to answer the following questions:

- Is EPA adequately ensuring that all employees are informed of their rights and remedies under whistleblower protection laws?
- Is the Agency taking appropriate action to protect whistleblowers from retaliation?

Scope

The review will be conducted at EPA Headquarters, within the Office of Administration and Resources Management and Office of General Counsel. Related work will also be performed

within the Office of Special Counsel and Department of Labor, as necessary.

Location and Resources

Fieldwork is being conducted by the Headquarters Audit Division. We started the fieldwork in July 1999. We estimate that the review will take 200 staff days.

GREENING EPABackground

Within the last two years the President of the United States signed two Executive Orders that address greening the government through several pollution prevention measures. The two Orders are Executive Order 13123 and 13101.

Executive Order 13123, June 3, 1999, *Greening the Government Through Efficient Energy Management*. This Order imposes: (1) specific energy performance compliance standards on all federal facilities, and (2) outlines energy efficiency and resource conservation objectives that agencies are to strive to achieve in the source of redesigning, constructing, and operating these facilities. Agencies must submit annual reports to the President, communicating the progress they have made and the initiatives they have taken in support of the executive order.

Executive Order 13101, September 14, 1998, *Greening the Government Through Waste Prevention, Recycling, and Federal Acquisitions*. This Order requires EPA to develop: (1) guidance for evaluating federal facilities' compliance with affirmative procurement requirements and addressing environmentally preferable purchasing, and (2) a database on environmentally preferable purchasing pilot projects, as some of its Agency-specific responsibilities. The Order also requires all executive agencies to establish and track their progress toward goals for waste prevention and recycling, along with identifying an agency environmental executive. The Order strengthens and replaces the Executive Order 12873, "*Federal Acquisition, Recycling, and Waste Prevention*," which challenges federal agencies to act as a model for public and private institutions by developing and implementing cost-effective waste prevention and recycling activities that both conserve the nation's disposal capacity and simultaneously stimulate economic development in recycling industries.

A revised Order that will cover the use of "green" vehicles has not been signed to date. When signed, the Order will update Executive Order 13031, *Federal Alternative Fueled Vehicle Leadership*. The future Order will ensure that the Federal Government exercise leadership in the displacement of petroleum consumption through the use of alternative fuel vehicles (AFV), alternative fuels, and improvements in fleet fuel efficiency. Each Federal agency will be required to develop and implement aggressive plans to (1) reduce its average motor vehicle gasoline and diesel consumption per vehicle by at least 20 percent by fiscal 2005 in comparison with fiscal year 1999 and (2) fulfill the AFV acquisition requirements established by the Act while increasing their use of alternative fuels.

With the current and future issuance of these Executive Orders on "greening the government" Federal agencies including EPA are expected to operate in a more environmentally-responsible manner. EPA's pollution prevention management program is organized through a steering committee led by the Agency's Office of Administration. In response to the pollution prevention requirements of Executive Order 12856, August 3, 1993, *Federal Compliance With Right-to Know Laws and Pollution Prevention Requirements*, the committee reports annually EPA's pollution prevention efforts internally to the Federal Facilities Enforcement Office in the Office of Enforcement and Compliance Assurance. The report describes EPA's programs that cover all aspects of facility operations, from laboratory hazardous waste generation to office paper recycling.

EPA, like all executive agencies, must attempt to comply with the requirements of these orders, in addition to its Agency-specific responsibilities for establishing certain criteria for meeting some of them. Agency officials have questioned whether EPA's operations are as environmentally-responsible as they should be. The Agency is not perceived as being at the forefront of efforts to improve the environmental performance of the government.

Reasons for Selection

EPA should be setting the standard for other agencies to follow in terms of "greening the government," literally and figuratively. The progress the Agency makes in implementing its responsibilities under the recent executive orders will have impact on the government's effect on our environment.

Expected Benefits

This assignment will help the Agency evaluate the impact of its operations on the environment and identify opportunities to lead the way to a "greener government."

Audit Objectives

The objectives of the audit are to determine:

- What 'greening' requirements have been established for EPA by Laws and Executive Orders?
- Specifically, what steps EPA has taken to implement its responsibilities under Executive Orders, 13101, 13123, and the upcoming revision to 13031?
- How well is the Agency doing compared to the other executive agencies in achieving the orders' objectives?

- What additional steps should EPA take to become a leader in the process of "greening the government?"

Scope

The review will focus on Agency-wide activities that support the Executive Orders.

Location and Resources

The work will be performed in Headquarters and regions if needed.

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MANAGING PRINTED MATERIALS AT EPA

Background

EPA prints, distributes, and stores millions of pages of printed materials each year. In fiscal 1997 alone, EPA printed 110 million pages at a cost of approximately \$5 million. To put this volume in visual context, 110 million pages placed end-to-end would almost circle the globe. Stacked on top of each other, these pages would be higher than three Mount Everests. Staggering as these numbers may be for one year, these figures only represent jobs that went through EPA's printing office. They do not include printing performed by program office contractors or program/regional office duplication (Xeroxing). The printing office has indicated that the request for printed materials has declined slightly over the past few years.

The Office of Administration and Resources Management, through its Information Resources Management Division, manages the National Service Center for Environmental Publications (NSCEP), located in Cincinnati, Ohio. It is the Agency's focal point for access to and distribution of more than 5,000 EPA publications and more than 300 EPA forms. NSCEP assists EPA in maintaining current holdings, providing public access to the holdings, distributing publications, recycling out of date publications and archiving the holdings. NSCEP has a published catalog--EPA National Publications Catalog--which offers current Agency publications available from EPA Headquarters, Regions, and Laboratories on a wide variety of environmental issues. The Office of Research and Development also has a facility in Cincinnati (the ORD Publications Office) which maintains and distributes ORD-generated publications.

In April 1995, the EPA Administrator launched the Paper-less Office Campaign to reduce EPA's paper consumption by 15% during the first year. The Agency has made efforts to encourage the use of electronic communications such as E-mail and LANs. In recent years, EPA has made ever-increasing amounts of information available through the inter- and intranet. Enhancements in electronic communications, the Print Shop's print-on-demand capabilities, and EPA's emphasis on the Paper-less Office should have contributed to reductions in total numbers of copies printed, distributed and stored in Cincinnati.

Reasons for Selection

The audit was requested by an Agency program official. By minimizing the number of printed materials produced, EPA saves printing and storage costs and promotes the goals of the Paper-less Office Campaign.

Expected Benefits

The audit would identify opportunities to improve the Agency's processes for controlling the quantity and cost of producing and storing paper documents.

Audit Objectives

The audit will answer the following questions:

- Do program/regional offices have an adequate process for determining quantities of documents to be printed and stored?
- Are publications being disposed of timely?
- Is EPA continuing to use less paper in its printing and duplicating?
- Are there opportunities to reduce the volume and cost of paper generated annually by EPA?

Scope

This audit will focus on cost savings and waste minimization by eliminating the printing and copying of unneeded materials and the storing of obsolete or unused publications.

Location and Resources

The Headquarters Audit Division is conducting this audit at EPA Headquarters, at NSCEP and the ORD Publications Office, and in select regions.

FOLLOWUP REVIEW ON THE NARRAGANSETT LABBackground

Within EPA's Office of Research and Development, the National Health & Environmental Effects Research Lab (NHEERL) located in Research Triangle Park, North Carolina is the Agency's focal point for scientific research on the effects of contaminants and environmental stressors on human health and ecosystem integrity. One of NHEERL's Divisions, the Atlantic Ecology Division (AED) in Narragansett, Rhode Island studies the effects of contaminants and other stressors on the coastal waters and watersheds of the Atlantic seaboard.

The Eastern Audit Division (EAD) issued an audit report titled *Management of Extramural Resources at the Environmental Research Laboratory, Narragansett, Rhode Island* on June 16, 1993. EAD reported that, "The management at Narragansett did not operate the laboratory with effective management controls in place, to ensure the integrity of its operation. EAD found: (1) favoritism in the procurement of contracts; (2) misuse of EPA research contracts, cooperative agreements, and interagency agreements; (3) inadequate contract management controls; (4) inappropriate use and control of the imprest fund; (5) non-compliance with time and attendance policies; and (6) incomplete Confidential Disclosure Statements.

Reasons for Selection

An Eastern Investigations Division (EID) Investigator interviewed AED staff from November 1998 to February 1999 regarding allegations on a maintenance contract. AED's internal auditor stated that the contract management controls and procedures have not changed since 1993. The same OIG audit report could be written again today. Some other indicators based upon Investigative review include:

- Potential Favoritism - The current maintenance contractor has the same staff as the prior two contractors. In 1993, the OIG reported favoritism in the award of the maintenance contract.
- Potential Inadequate Contract Oversight - The current maintenance contractor has not provided all the services included in its contract and may be overbilling EPA to have other contractors provide services. EPA took bids from other contractors to update architectural drawings even though the current maintenance contractor is required to do this. In 1993, the OIG reported that the lab staff did not adequately oversee contractor activities.

Expected Benefits

The audit will assure EPA's integrity in awarding contracts on a competitive basis. Poor oversight of contract wastes resources and prevents EPA from fulfilling its environmental mission.

Audit Objectives

Our audit will determine if.

- Contracts were bid competitively;
- EPA personnel provided adequate oversight of contractors to assure that work was completed in accordance with contract provisions, the statement of work, and other applicable regulations;
- EPA properly used contracts, interagency agreements, and cooperative agreements as intended to help accomplish the Agency's research mission.

Scope

Our follow-up will concentrate on contract bidding and oversight since those were the two areas which resulted in leads from the OIG Investigator's review. We do not plan to follow-up on all the findings reported in the 1993 OIG report. While the OIG Investigator's review did not indicate problems with AED's use of contracts, grants, cooperative agreements, and interagency agreements; we included this in our review because it was a significant issue in the 1993 report.

Location and Resources

Audit work is being conducted at the AED in Narragansett, Rhode Island by EAD staff. No technical support is anticipated.

FOLLOWUP REVIEW ON PESTICIDES

Background

Pesticides are chemicals or biological substances used to control unwanted plants, insects, fungi, rodents, or bacteria. In determining whether to permit the marketing of a pesticide and how to regulate its use, EPA balances potential risks against the benefits that may be derived from the pesticide's use. EPA regulates the use of pesticides under the authority of two laws, the Federal Insecticide, Fungicide, and Rodenticide Act (FIFRA) and the Federal Food, Drug and Cosmetic Act (FFDCA). The Office of Pesticide Programs, within the Office of Prevention, Pesticides and Toxic Substances (OPPTS), is responsible for carrying out EPA's responsibilities for regulating pesticides. The Office of Compliance Monitoring, also within OPPTS, is responsible for enforcing pesticide laws and administering the Good Laboratory Practices program.

The pesticide program has developed a variety of regulatory and educational activities to protect human health and the environment from the harmful effects of pesticides. These include registering pesticides for specific uses, setting tolerances for pesticide residues on food, setting standards to protect workers who are exposed to pesticides, certifying and training pesticide applicators, and educating consumers about pesticide use and exposure. The three largest pesticide program activities, in terms of personnel and funding, are registration, reregistration and special review.

Reasons for Selection

A prior OIG review of the pesticides program showed that the program needed to focus on improving its management processes. The review found that the goal of these improvements should be to (1) prioritize what needs to be done and direct resources to the highest priority items and (2) take steps to free-up resources in the future. As a result, the prior OIG report recommended that the pesticide program improve management processes and information management, up-date regulations, and ensure the integrity of scientific data. A follow-up review is needed to ensure that the pesticide program is effectively improving management processes.

Expected Benefits

A follow-up review would identify corrective actions that the pesticide program has taken, is taking, or needs to take, to effectively improve management processes. These improvements will result in cost savings and increased public confidence in the program.

Audit Objectives

The overall objective is to determine if the pesticide program continued to make management improvements. Specifically, we are attempting to answer the following questions:

- Was the pesticide information management system improved?
- Were regulations, policies, and procedures developed and improved?
- Was a study of resource usage and needs performed?
- Were actions taken to improve data integrity continued?
- Were any changes made to pesticide laws which inhibit performance of program activities?

Scope

The scope of this review should include OPPTS activities related to management improvements for fiscal years 1994 to 1997. The areas for review should include all areas of the pesticide program, except enforcement and food safety. Enforcement was not included in the prior report since states and regions have the responsibility for enforcement. Food safety was not included because the activities are carried out in conjunction with U.S. Department of Agriculture and OIG audits are generally limited to EPA activities.

Location and Resources

The Northern Audit Division is performing a 150 staff day follow-up review at the Office of Pesticide Programs located in Washington, D.C. The review may also include meeting with state officials and registrants to discuss the operations of the pesticide program.

REGION 3'S CHILDREN'S HEALTH INITIATIVE RELATING TO THE
ASBESTOS HAZARD EMERGENCY RESPONSE ACT

Background

Children today face significant and unique threats from a range of environmental hazards. Environmental health hazards that threaten children range from asthma-inducing air pollution and lead-based paint in older homes, to treatment-resistant microbes in drinking water and persistent industrial chemicals that may cause cancer or induce reproductive or developmental changes.

Since 1995, EPA has considered the environmental health risks of infants and children in all risk assessments, risk characterizations, and public health standards set for the United States. In September 1996, the Administrator announced a national agenda to protect children's health from environmental threats which called for a national commitment to ensure a healthy future for our children.

On April 21, 1997, President Clinton signed an Executive Order which requires all federal agencies to: (1) assign a high priority to addressing health and safety risks to children; (2) coordinate research priorities on children's health; and (3) ensure that their standards take into account special risks to children.

In May 1997, Administrator Browner established the Office of Children's Health Protection to ensure the implementation of the President's Executive Order as well as her national agenda. The mission of this Office is to make the protection of children's health a fundamental goal of public health and environmental protection. The Office will support and facilitate Agency efforts to protect children's health from environmental threats.

Region 3 is actively engaged in programs that promote the Administrator's national agenda, and complement the President's Executive Order for protecting children's health. The Region recognizes that children's environmental health issues are a top priority, and have initiated regional projects and activities that are targeted for protecting children from environmental threats. One such Children's Health Initiative is the Asbestos Hazard Emergency Response Act (AHERA) Program. This act governs the management of asbestos-containing materials in both public and private schools from kindergarten through grade 12. Among other things, it requires that each local education agency perform inspections to identify asbestos-containing materials in the schools; develop, implement and update asbestos management plans, and take appropriate response actions. The goals of this regional project are to increase inspections of school asbestos management plans and abatement activities at schools.

Asbestos fibers can cause serious health problems. If inhaled, asbestos can cause lung cancer, mesothelioma (a cancer of the chest and abdominal linings), and asbestosis (irreversible lung scarring that can be fatal). Symptoms of these disease do not show up until many years after exposure.

EPA estimates that there are asbestos-containing materials in most of the nation's approximately 106,000 primary and secondary schools. It is most commonly used in schools as insulation and in building materials. It has also been found in floor and ceiling tile, cement pipe, corrugated-paper pipe wrap, acoustical and decorative insulation, and pipe and boiler insulation. Substantial amounts of asbestos, particularly in sprayed form, have been used in school buildings, especially during the period 1946 through 1972.

Reasons for Selection

There is no federal health standard regulating the concentration of asbestos in noncommercial environments such as schools. In addition, regional personnel asserted that there are some schools which have not yet developed and implemented a management plan. Consequently, children may be exposed to hazardous health risks in the school buildings they use each day.

Expected Benefits

With the Agency's and President's commitment to protecting children's health, this audit will provide recommendations for improvement in the AHERA program. More effective implementation of this Children's Health Initiative should help EPA meet its goal of protecting children's health.

Audit Objectives

This survey will determine if EPA's AHERA program is protecting children from the environmental threats associated with asbestos exposure in schools. We will assess whether there has been increased emphasis on this program because of its classification as a Children's Health Initiative. Specifically, we will focus on whether EPA:

- Increased the number of inspections and reinspections of school asbestos management plans;
- Identified schools that have not yet developed management plans; and
- Initiated actions to further educate the local education agencies on the importance of adhering to the AHERA requirements.

Scope

The survey will include the inspections of the asbestos management plans and abatement activities at both public and private schools in Region 3. The audit may include a visit to one or two schools that are targeted for an inspection by regional personnel.

Location and Resources

The Mid-Atlantic Audit Division is conducting a 75 staff day survey in Waste and Chemicals Management Division in Region 3.

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AIR ENFORCEMENT-STACK TESTING

Background

Federal law does not prescribe mandatory stack testing for major facilities, however, discussions with Agency officials indicated that some state regulations may require that stack tests are performed at a specified frequency. If state regulations do not address stack testing, the facility's permit should require testing at a specified frequency. The lack of Federal authority may cause inconsistency in stack tests requirements between states. Specifically, whether they need to be performed and, if so, how often.

There is a subset of major facilities for which compliance with the Clean Air Act can only be determined through stack testing. A Level-2 inspection does not adequately determine compliance at these facilities. Because of the importance of stack testing, EPA should be monitoring whether these stack tests are being performed and what is done with those facilities that fail the test. It appears that Agency officials do not have assurance that stack tests are performed often enough, and that those found in violation are handled appropriately.

Reasons for Selection

- We received a request to review stack testing in the air program. It is believed that: a) states are not performing stack tests on a regular basis; b) when stack tests are performed and indicate that the facility is violating the Clean Air Act, states may not be taking appropriate enforcement actions; and c) states may not be reporting stack test violations in the Aerometric Information System (AIRS) database.
- Data reviewed from AIRS, indicates in the last ten years 14 states or territories have conducted stack tests in less than 5% of their major facilities.
- EPA does not track the number of major facilities required to conduct stack tests. As a result, EPA may not know the universe of facilities requiring stack tests.
- EPA requires the states to enter into AIRS the dates stack tests were completed, however, the results of the stack tests are not a reporting requirement.

Expected Benefits

A report would be issued to Agency management with recommendations to improve EPA's oversight of the states enforcement of stack testing requirements.

Audit Objectives

The audit would determine the:

- Completeness and accuracy of AIRS stack testing data reported by the states,
- Frequency of stack testing among the major facilities, and
- Consequences associated with failing a stack test.

Scope

We issued a survey to the 10 EPA Regions regarding their oversight of the state stack testing programs. In September, we evaluated the 10 regional responses and plan to visit several regions during October and November.

Location and Resources

In fiscal 2000, the Mid-Atlantic Audit Division, with assistance from other field division will do reviews in selected states.

USE OF SYNTHETIC MINOR SOURCE CLASSIFICATION IN THE TITLE V OPERATING PERMIT PROGRAM

Background

The Title V permit program requires all major air pollution sources (i.e. sources that emit more than 100 tons per year) to apply for and obtain an operating permit from the applicable approved permitting agency (State or EPA). Associated with the issuance of the permit is the requirement that the permitted source pay a fee based upon its emission rate. Per EPA regulation, a major source can limit its hours of operation or production capacity such that its emissions fall below the 100 tons per year threshold. In doing so, the source is defined as a "synthetic minor source." These stipulations are written into the source's permit conditions in order to provide enforcement mechanisms to ensure the source limits its operation to those prescribed. By being defined as a minor source, the source is no longer required to pay a fee.

Reason for Selection

The Office of Air Quality Planning and Standards (OAQPS) along with the state and local agencies initially made estimates regarding the universe of major sources and the potential fees to be collected from these sources. As more and more states gain approval of their Title V permit program and begin to issue permits, the universe of major sources appears to be less than estimated due partially to sources using the synthetic minor source definition. This reduces the amount of fees generated by the permit program which was designed to be self-sustaining and also adds an additional workload in the permitting of minor sources.

Expected Benefits

We would inform Agency Air program managers as to whether synthetic minor permits were being obtained correctly and the impact upon potential revenue associated with Title V permits.

Audit Objectives

We would assess whether synthetic minor permits are being obtained correctly and any impact on anticipated fees from Title V operating permits.

Scope

Synthetic minor source classifications obtained in fiscal years 1998 and 1999.

Location and Resources

The survey will be performed at OAQPS offices in Durham, NC and at selected EPA Regional, state, and local offices. We estimate that the survey will take 75 days.

PUERTO RICO ENVIRONMENTAL QUALITY BOARDBackground

The Environmental Public Act, Law No. 9 of June 18, 1970 as amended, established the environmental program of the Commonwealth of Puerto Rico, created the Environmental Quality Board (EQB), and assigned the duties, functions and responsibilities of the EQB for the protection of the Puerto Rico environment. The act also designated the EQB as the agency of the Commonwealth of Puerto Rico in charge of administering any Federal environmental programs related with the functions entrusted to the Board by Law. EQB receives large sums of EPA funds each year to either manage or implement various environmental programs. Funds are provided in the form of grants, contracts and cooperative agreements to provide the Commonwealth with financial resources to manage or implement environmental programs. Each program is funded by EPA based on a percentage factor of Federal to State funds. EPA funding is provided in two categories: general funds generated from tax dollars and Superfund generated from special tax legislation. Each funding category is supposed to be used for specific programs. The dollars generated under Superfund can only be used for Superfund efforts while the general funds are used for non-Superfund programs. EQB received more than \$70 million in grants from Region 2 from FY90 to FY98 to manage and perform activities associated with environmental issues under EPA's control.

Reasons for Selection

Over the past fifteen years, the Office of Inspector General has received numerous audit reports performed by independent certified public accountants that reported various program and financial management deficiencies by EQB. These A-128, Single Audit Reports have disclosed that:

- EQB's accounting and financial management systems are not adequate and do not allow for the preparation of financial statements and Federal reports in accordance with accepted accounting principles applicable to governmental entities;
- EQB used Superfund dollars to pay expenditures incurred in non-Superfund related programs;
- EQB made direct labor charges to EPA programs which lacked adequate time and attendance records; and
- EQB did not comply with Federal grantors fund matching requirements.

The continuing and repetitive nature of these deficiencies raise questions regarding the ability of the Commonwealth or Region II to effectively manage the EPA grant programs in Puerto Rico. Also there has been a reluctance on the part of the Commonwealth to take a strong stance on known instances of grantee waste, abuse, and mismanagement under the construction grant program. With respect to the air and water programs, the Commonwealth continually failed to take enforcement actions or to impose penalties or fines for chronic violators. EQB used Superfund dollars to pay expenditures incurred in other non-Superfund related programs. EBB made large equipment procurement only days before grants expired and used this equipment on other programs which may or may not be EPA related.

Expected Benefits

Disclosure of the causes for program deficiencies in a consolidated report that covers several media should result in an improvement in the overall quality of Puerto Rico's environment. This would occur through a more effective administration of the EPA grant programs, and a more vigorous enforcement of environmental laws by both the Commonwealth of Puerto Rico and the Region. The special review will assure that grant funds were expended in accordance with all program requirements. Proper corrective actions and changes in management would reduce EPA's vulnerability to fraud, program manipulation, and other program irregularities. In addition, EPA would realize a cost savings through EBB's remodeling their management and program standards for better utilizations of program funds.

Audit Objectives

The objectives of the audit will be to:

- Determine, by evaluation of EBB's books, reports, and other documents, for fiscal years 1995 thru 1998 that actual cost incurred and benefits gained were in compliance with the requirements of the grants or cooperative agreements; and
- Determine if cost claimed/recorded under the various grant programs was reasonable, allowable and allocable to the sponsored project.

Scope

EAD would conduct a special review of EQB. The special review will include an evaluation of all EPA programs administered by EQB. Our evaluation should cover the success or failure of the programs, the reasonableness of expenditures, the validity of the reported progress of each program and the benefit received for the funds expended. We will also evaluate the adequacy of the Region 2's oversight.

Location and Resources

EAD will perform the review at EQB and EPA Region 2. We estimate that the review will use 150 staff days and \$20,000 for travel cost to Puerto Rico and New York. The audit may also require the assistance of both an engineer and investigator.

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BORDER XXI PROGRAM

Background

Border XXI is a comprehensive program designed to achieve a clean environment, protect public health and natural resources, and encourage sustainable development along the U.S./Mexico border region. The ecosystems, watersheds, and air basins that make up the environment and natural resource base of the border region transcend political boundaries. Regardless of where they originate, border environmental problems significantly impact communities and ecosystems on both sides of the border.

Over the last 30 years, the border region has experienced a dramatic surge in population and industrialization. This growth has exceeded the existing infrastructure capabilities of the region, and has led to inadequate sewage treatment and hazardous and solid waste infrastructure, insufficient drinking water supplies, and dramatic impacts on habitats and the biodiversity they support. Increased urbanization and the lack of paved roads have also impacted air quality along the border.

Because addressing these border environmental concerns requires a coordinated binational response, the Border XXI Program includes binational participation from federal, state, and local governments, Indian tribes, international institutions, academia, non-governmental organizations, the private sector, and border citizens and communities. The program is implemented through nine binational Workgroups that integrate the efforts of participating entities and define specific projects to achieve the program's objectives. The Workgroups initiated under the program are: (1) Air, (2) Contingency Planning and Emergency Response, (3) Enforcement and Compliance Cooperation, (4) Environmental Health, (5) Environmental Information Resources, (6) Hazardous and Solid Waste, (7) Natural Resources, (8) Pollution Prevention, and (9) Water. Each year, the nine workgroups develop Annual Implementation Plans that identify federal funding levels for a given year and, based upon available funds, describes specific projects that will advance the program's long term objectives.

Funding for implementing the program is based on annual appropriations by the Congress and by Mexico's Ministry of Finance. Since the initiation of Border XXI in 1996, approximately \$600 million in funds have been appropriated by Congress and utilized to fund various projects identified by the nine workgroups.

Reason for Selection

Border XXI is directly related to the Agency's strategic goals, *Goal No. 6: Reduction of Global and Cross-Border Environmental Risks*. This goal includes the reduction of environmental and human health risks along the U.S./Mexico Border by working with the border states and Mexico

to meet ambient air quality standards, increase water infrastructure, reduce hazardous waste disposal, and put in place chemical accident contingency plans. This, combined with the newness of the program, the significance of funds appropriated, and the OIG's limited knowledge of the program is the reason for selection.

Expected Benefits

The primary benefit is to gain insight into the program and its goals. This will enable the development of a plan that will provide an overall strategy for reviewing the Border XXI Program.

Audit Objectives

The plan will:

- Identify the desired results or benefits envisioned by Congress;
- Provide EPA managers useful information to promote economy, efficiency, and effectiveness of the program; and
- Provide OIG auditors with an audit planning tool that provides the framework for targeting and performing individual audits.

Scope

The issue area plan will focus on the all aspects and activities of the program, including the nine workgroups.

Location and Resources

The Central Audit Division-Dallas will perform the survey at Region 6 and 9 and other state and local offices, as deemed necessary. Approximately 400 days are estimated to complete the survey and develop a comprehensive approach.

CHILDREN'S HEALTH RISK INITIATIVE PROGRAMS

Background

Children are exposed to a wide variety of toxic substances that can affect their health. Because of their smaller bodies and faster metabolisms, children are disproportionately affected by some pollutants and toxic substances, and face significant health and developmental threats. In addition, children's behavior patterns, such as playing close to the ground and hand-to-mouth activities, can increase their exposure to potential toxics in the environment. Damage to developing organ systems may carry lifelong consequences.

Poor indoor and outdoor air quality are linked with an increased incidence of children's respiratory illnesses, especially asthma. The Centers for Disease Control report that the asthma death rate doubled between 1980 and 1993. Also, lead levels in children under six, living in large metropolitan areas or older housing, remain disproportionately high. This exposure can severely impact their development and cause acute health problems. In addition, the overall incidence rate of new childhood cancers has increased between 1973 and 1994. Trends in some cancer types suggest the need for a closer examination of the underlying factors leading to disease in children, including the role played by environmental contaminants. For example, children's brain tumors and leukemia have been linked with pesticide use in and around the home and lead-based paint in older homes. Furthermore, children may be at increased risk compared to other groups from exposure to contaminated fish and disease-causing organisms in sewage-contaminated water.

Since 1995, EPA has considered the environmental health risks of infants and children in all risk assessments, risk characterizations, and public health standards set for the United States. In September 1996, the Administrator announced a National Agenda to protect children's health from environmental threats and called for a national commitment to ensure a healthy future for our children.

The President's April 21, 1997, Executive Order required all Federal Agencies to: (1) assign a high priority to addressing health and safety risks to children; (2) coordinate research priorities on children's health; and (3) ensure that their standards take into account special risks to children. In May 1997, the EPA Administrator established the Office of Children's Health Protection (OCHP) to make the protection of children's health a fundamental goal of public health and environmental protection.

In Region 2, environmental threats to children's health are manifested in exceedingly high incidences of childhood asthma in the South Bronx, East Harlem and portions of Puerto Rico. Region 2 is supporting various projects - from creating safe houses that reduce exposure to asthma triggers, to teaching sufferers how to better manage their disease. The Region is also

working with the Ironbound neighborhood of Newark, New Jersey on a children's health pilot program (Children's Health Champion Campaign) designed to help communities identify primary environmental risks to children, set community-specific risk reduction goals and design a plan to achieve these goals.

Also, exposure to environmental factors that contribute to lead poisoning and asthma is one goal of EPA-New England's Urban Environmental Initiative in Hartford, Connecticut. EPA is working with Hartford grassroots organizations to raise awareness about these health concerns. EPA is also assisting the University of Connecticut Cooperative Extension System to improve volunteer training programs and support a comprehensive review of all existing environmental health data in Hartford. A coalition of city officials, health care professionals and community leaders is being formed to evaluate this data, identify gaps and collect new information.

Reason for Selection

The Agency's FY 1999 Annual Plan has made the protection of children's health a fundamental goal of public health and environmental protection. This Annual Plan builds on that commitment with a \$33 million investment (\$8 million increase over 1998) for the Assessing Health Risks to Children Agenda. This is a high-priority for the Agency since children face significant and unique health threats and are often more heavily exposed and more vulnerable than adults to toxins in the environment. When we protect the health of the children, we protect the health of all Americans.

During FY 1999, Region 2's Asthma Program has 20 projects in process with total funds of \$1,724,500. As of March 1999, the Region completed seven projects (total \$383,347). One of these projects, the Harlem Prevention Center Community-University Partnership Grant, addressed the environmental health concerns (related to asthma) of the Northern Manhattan community. In addition, projects such as Open Airways - NYS ALA and The Indoor Air Quality Tools for Schools, involved American Lung Association training of New York State school nurses to teach children to manage their own asthma. Due to the extreme popularity of the Open Airways program, in the winter of 97-98 the program was translated into Spanish to reach out to the Spanish-speaking populations where high asthma rates are found.

These projects were funded in various ways (e.g. Indoor Air Allocation, Community-based Environmental Protection, Environmental Justice, Clean Air, a special Headquarters joint-initiative, Urban Initiative, and OCHP funds). Moreover, in October 1999, OCHP will provide additional funding for implementing the action plan developed by the currently OCHP funded project.

In August 1998 the Clinton Administration established the first research centers dedicated solely to studying children's environmental health hazards. Eight leading research institutions (two from New York) jointly funded by EPA and HHS were selected to receive between \$1.2 and \$1.5

million to perform targeted research into children's environmental health and translate their scientific findings into intervention and prevention strategies by directly working with community groups. In New York, the Mount Sinai School of Medicine and Columbia University School of Public Health received \$1.4 and \$1.48 million grants to perform targeted research in this area.

Expected Benefits

A review of this area will provide the Agency with an evaluation of whether the program is being effectively planned and managed. It will also determine if procedures are adequate to achieve the program goals of protection children's health. If problems are noted, recommendations will be made to improve the program's operation.

Audit Objectives

The objectives of the audit would be to:

- Evaluate the overall effectiveness of the Regional Children's Health Risk Initiative programs;
- Identify specific children's health initiatives (e.g. air pollution induced asthma, lead poisoning, etc.) for more extensive review;
- Determine whether there are adequate controls over research funds and whether these funds are used for the intended purposes; and
- Determine specific problem areas that warrant more detailed audit work.

Scope

The audit will review all grants and cooperative agreements related to the Children's Health Initiative awarded in Region 1 and 2 from the beginning to 1999.

Location and Resources

The audit will be initiated at Region 1 and 2 and expanded to other regions, if needed.

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PESTICIDE RESIDUES AND TOLERANCE SETTING

Background

Pesticides have a number of benefits for US agriculture, but depending on toxicity and duration of exposure, pesticides may also have impacts on human health and the environment. EPA regulates pesticide use in the United States through the registration and licensing of pesticides under the Federal Insecticide, Fungicide, and Rodenticide Act (FIFRA) and the establishment of tolerances under the Federal Food, Drug, and Cosmetic Act (FFDCA). The Food Quality Protection Act (FQPA) of 1996 amended both FIFRA and FFDCA and established a number of new goals, standards, and requirements for EPA that are designed to better protect human health and the environment. For example, the Act requires that EPA set tolerances that will be protective of infants and children. It also requires that EPA reevaluate over 9,000 tolerances according to a schedule resulting in 100% review by 2006. Furthermore, both FQPA and a 1996 amendment to the Safe Drinking Water Act (SDWA) require EPA to develop and implement a screening program for possible endocrine disruption by pesticides and other chemicals.

EPA has a strategic goal of pollution prevention and risk management including reduction of pesticide exposure to the public and ecosystem; EPA also has a 1999 performance goal of a 10% reduction from 1995 levels of incidences of pesticide poisonings and plans to focus on preventing accidental and deliberate misuse of pesticides, particularly in low income communities. The President's Budget for 1999 included a \$50.6 million request for funds to ensure that the risk from pesticides to the public and the environment is reduced. There are several EPA programs designed to meet these goals. For example, programs designed to protect ground water from pesticide pollution include the Pesticide Environmental Stewardship Program (PESP) and the State Management Plans (SMP).

Reasons for Selection

Several studies have been published which raise concern over pesticides use in the United States. A 1993 National Academy of Sciences (NAS) report highlighted concerns about pesticides in the diets of infants and children. A Consumer Union report, "How safe is our produce?" published in the March 1999 Consumer Reports indicated that some produce had residues above the level considered safe for children even though most were below the legal limits. A recent Environmental Working Group report also called for an emergency ban of methyl parathion because of health risks to children under 6. It is essential that EPA's processes for setting tolerances and for reviewing tolerances comply with the new legal requirements under FQPA.

Expected Benefits

Assist the Agency in establishing a strategy to ensure compliance with FQPA requirements of reevaluating all tolerance limits by 2006 and for anticipating compliance with 15 year cycle review of tolerance limits. If a strategy has already been established, this audit would ensure that the Agency is meeting its goals and those established by FQPA to set tolerance limits that are protective of children and the environment. These activities will help to ensure that the US food supply is safe for infants and children.

Audit Objectives

The objectives of this audit are to address the following questions:

- Has EPA established a process to ensure that it meets the goal of 100% reevaluation of tolerance levels by 2006?
- Are EPA tolerance level reviews being conducted in accordance with FQPA requirements?
- Does EPA have sufficient resources including a sufficient number of appropriately qualified personnel to accomplish the tolerance reviews?
- Has EPA developed and implemented appropriate guidelines for those pesticides with tolerance levels that will not meet the safety standard and whose loss to US agriculture would cause "a significant disruption in domestic production of an adequate, wholesome, and economical food supply?"
- Has EPA established a process to ensure that it will meet its goal to reduce risk due to pesticides from 1995 levels?
- Has EPA coordinated its registration and labeling procedure to ensure safe use in households and commercial establishments for children and the environment, including wildlife concerns, particularly in regard to the Migratory Bird Act?

Scope

This survey would review EPA's requirements for registering and licensing pesticides and setting and reevaluating tolerances under FIFRA, FFDCA and FQPA and may address associated labeling requirements. Given the number and complexity of the issues to be addressed, we anticipate planning a series of audits.

Location and Resources

HAD will perform the survey at Headquarters and two regional offices.

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PERFORMANCE PARTNERSHIP GRANTS

Performance Partnership Grant Program

Implementation and Oversight in Region 5 PPG 1

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IMPLEMENTATION AND OVERSIGHT OF PERFORMANCE PARTNERSHIP GRANTS IN REGION 5

Background

A Performance Partnership Grant (PPG) is a multi-program grant made to a state or tribal agency from funds allocated and otherwise available for categorical grant programs. PPGs give states and tribes the option to combine funds from two or more categorical grants into one or more PPGs. PPGs are part of the Environmental Protection Agency's (EPA) effort to increase state and tribal environmental protection capacity. PPGs are designed to allow states and tribes to more effectively administer statutory, regulatory and non-regulatory programs, and enable them to develop innovative multi-media activities that are difficult to fund with separate categorical grants.

Although PPGs provide states and tribes with more flexibility to achieve their highest environmental priorities, the Agency still holds them accountable for accomplishing program commitments. These commitments may consist of environmental indicators, performance measures (including measures of activity), or narrative descriptions of program activities. The success of the Environmental Performance Partnership Agreement (EnPPA)/PPG depends on the Agency's skill in negotiating agreements with states and tribes that provide flexibility as well as adequate financial and programmatic accountability. In addition, increased flexibility does not equate to no EPA oversight. The Agency's oversight provides the assurance that EnPPA/PPG commitments are met and that any needed improvements in the program are made.

Reasons for Selection

EPA is entering the third year of the EnPPA/PPG program. Guidance typically provided to the regions for negotiation of the EnPPAs/PPGs is broad based with little specificity. The Office of Inspector General (OIG) made a commitment to EPA to provide an early warning of problems and suggestions for improvements in the EnPPA/PPG program. OIG should review the controls in place and determine how EPA regional staff oversee the PPG program, particularly in evaluating effectiveness and efficiency. As a partner with EPA, our reports should identify and highlight management issues early.

Expected Benefits

The audit will provide the EPA Region 5 management with information on whether Region 5 has effectively implemented and overseen the EnPPA/PPG program and where improvements are needed.

Audit Objectives

The objectives of the review will be to answer the following questions:

- Is EPA Region 5 effectively implementing the EnPPA/PPG program to ensure that recipients accomplish overall PPG objectives?
- Has EPA Region 5 negotiated work plans that include adequate financial and programmatic accountability?
- Does EPA Region 5's oversight ensure that recipients accomplish work plan objectives and use funds efficiently and effectively?

Scope

The audit will be an evaluation of Region 5 and how well it has planned and implemented the EnPPA/PPG program.

Location and Resources

The audit will be conducted at EPA Region 5 and take an estimated 200 staff days. It may also include site visits to state and/or tribal offices within Region 5.

FINANCIAL STATEMENT AUDITS

EPA's Fiscals 1999 and 2000 Financial Statements FINANCIAL STATEMENT 1

EPA's Fiscals 1999 and 2000 Working Capital

Fund Financial Statements FINANCIAL STATEMENT 2

Fiscals 1999 and 2000 Pesticide Reregistration and Expedited Processing

Fund Financial Statements FINANCIAL STATEMENT 3

Note: The fiscal 1999 assignments are similar to the fiscal 2000 assignments. For that reason copies of the writeups for the 1999 assignments were not included.

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EPA'S FISCAL 2000 FINANCIAL STATEMENTSBackground

The Government Management Reform Act of 1994 (GMRA) requires EPA and other Federal agencies to prepare Agency-wide financial statements. The Act also requires each Inspector General to complete an audit of these financial statements by March 1. In addition, GMRA requires audited government-wide financial statements. Treasury is responsible for preparing the government-wide statements, and the General Accounting Office is responsible for auditing them. The fiscal 2000 audited government-wide financial statements must be submitted to the President and Congress by March 31, 2001.

Reasons for Selection

The audit will assist the Agency in making any remaining improvements needed in financial management systems and controls. In addition, the audit will meet the requirements of not only the GMRA, but also Section 111(g) of SARA which requires the Inspector General to audit payments, obligations, reimbursements, and other uses of the Superfund to assure that the Superfund Trust Fund is being properly administered. The General Accounting Office will rely on our audit work to form an opinion on the government-wide financial statements.

Expected Benefits

The audit will promote improvements in accounting processes, financial management systems, and other related controls to assure the issuance of reliable financial information and to hinder fraud, waste, and abuse of Agency resources. These improvements should assist Agency managers in efficiently and effectively carrying out their programs. In addition, the audit should enhance the production of complete, reliable, timely, and consistent financial information for OMB and Congress to use in financing and evaluating Agency programs.

Audit Objectives

The audit will determine whether:

- the financial statements are fairly presented,
- adequate internal controls related to the financial statements are in place,
- the Agency complied with applicable laws and regulations, and

- the Agency completed corrective actions on prior audit recommendations.

Scope

The audit will cover the Agency's fiscal 2000 financial statements. The guidance provided by OMB and GAO for performing financial statement audits will be used in performing the audit.

Location and Resources

This audit will be performed at EPA Headquarters offices; selected regional offices; and the financial management centers at Research Triangle Park, Cincinnati and Las Vegas. This is a multi-divisional audit with the Financial Audit Division designated the lead division. The ADP Audits and Assistance Staff will provide assistance in reviewing automated controls, retrieving data and performing statistical sampling.

EPA'S FISCAL 2000 WORKING CAPITAL FUND FINANCIAL STATEMENTS

Background

A Working Capital Fund (WCF or Fund) is a revolving fund where the costs of goods and services are charged to users on a fee-for-service basis. EPA's WCF consists of those services that EPA's WCF Board has determined are suitable for the Fund. These services are costed and priced, and the appropriate adjustments are made to show the costs of these services in the budgets of the Agency's program offices, rather than the Office of Administration and Resources Management's budget.

Rates are to be set to recover the full cost of services provided by the Fund, including accrued leave, depreciation of equipment, amortization of ADP software and systems. The Agency is authorized to retain an amount not to exceed four percent of the Fund's total annual income. Any amounts greater than this reserve are to be returned to the Treasury.

Reasons for Selection

This is one of the Agency's first initiatives to look at the cost of operations with the goal of improving the management of resources. In addition, the WCF Board Charter states that the fiscal integrity of the Fund will be assured through the Agency's annual audited financial statements and WCF Board oversight.

Expected Benefits

The audit will help ensure that the Agency has reliable information on the costs of its activities. Reliable financial information is critical to helping EPA managers become more aware of costs, so they can look for opportunities to make improvements or adjustments.

Audit Objectives

The objectives of this audit are to determine if:

- The Working Capital Fund (WCF) financial statements are fairly presented;
- EPA management has established an internal control structure which provides reasonable assurance that the Fund is properly accounted for, its assets are safeguarded, and its transactions are executed in compliance with laws and regulations which could have a material effect on the financial statements; and

- EPA management complied with applicable laws and regulations which, if not followed, could have a direct and material effect on the financial statements.

Scope

The audit will cover EPA's fiscal 2000 WCF financial statements.

Location and Resources

The audit will be conducted at EPA Headquarters and the Enterprise Technology Services Division at Research Triangle Park, NC.

**FISCAL 2000 PESTICIDE REREGISTRATION
AND EXPEDITED PROCESSING FUND FINANCIAL STATEMENTS**

Background

The 1988 amendments to the Federal Insecticide, Fungicide, and Rodenticide Act (FIFRA) mandated the accelerated reregistration of all pesticide products registered prior to November 1, 1984. EPA is required to reregister these products since health and environmental standards have become more precise and sophisticated than they were when the products were originally registered. In order to accelerate the reregistration process, Congress authorized EPA to collect fees from pesticide registrants that are deposited into the FIFRA Fund.

During fiscal 1996, Congress passed the Food Quality Protection Act. The Act reauthorizes collection of fees through the year 2001 to complete the review of older pesticides to ensure they meet current standards. The Office of Pesticide Programs within the Office of Prevention, Pesticides, and Toxic Substances is responsible for reregistering pesticide products.

Reasons for Selection

The Food Quality Protection Act requires the Inspector General to conduct an annual audit of the FIFRA fees collected and disbursed, the amounts appropriated to match the fees, and the performance measures reported for the Fund.

Expected Benefits

The audit will assist the Agency in making any needed improvements to its systems and controls. These improvements should assist Office of Pesticide Programs' managers in efficiently and effectively carrying out their program activities. In addition, the audit should enhance the production of complete, reliable, timely, and consistent financial and performance information for OMB and Congress to use in financing and evaluating EPA's pesticide reregistration activities.

Audit Objectives

The audit will determine whether:

- the FIFRA Fund financial statements, including the performance measurement information, are fairly presented;
- an adequate internal control structure for the Fund, including the Fund's

performance measures, was in place; and

- the Agency complied with applicable laws and regulations that could materially affect the Fund's financial statements.

Scope

The audit will cover the Agency's fiscal 2000 FIFRA financial statements.

Location and Resources

The audit will be conducted at EPA Headquarters. The ADP Audits and Assistance Staff will provide assistance in retrieving data.

Fiscal Year 2000

**Office of Audit Performance Plan
EPA Office of Inspector General**

Date 9/23/99

Approved Nikki L. Tinsley
Nikki L. Tinsley
Inspector General

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Introduction

We are committed to helping EPA achieve its vital environmental mission, serving as positive change agent, helpful advisor, and constructive critic. We will continue to work in partnership with Agency program and management officials to improve the economy, efficiency, effectiveness, and integrity of their programs and operations.

In carrying out its environmental mission, EPA administers millions of dollars of programs, both internal and external to the government, making it vulnerable to various financial abuses. The Office of Audit provides the Agency objective evaluations and constructive advice and recommendations which reduce risk, improve service delivery, identify opportunities for savings, and promote accountability. Our audits allow the Agency to make better use of its resources by ensuring it maximizes returns from expenditures and pays for only what it receives.

This performance plan details specific, measurable performance goals for FY 2000, based on the long-term organizational goals set forth in the OIG Strategic Plan issued in December 1996.

During FY 2000, we will periodically measure our progress using performance indicators identified in this plan. Our programs, operations, and strategies will be modified as necessary in response to the results of these evaluations. When modifications are made, the key criterion will be the value that we can bring to our customers.

Our Vision

In March 1994, the Federal Government's Inspectors General developed a Vision Statement which we have adopted as our own:

We are agents of positive change striving for continuous improvement in our agency's management and program operations, and in our own offices.

Our Mission

EPA's Office of Inspector General was established in January 1980, pursuant to the Inspector General Act of 1978, as amended. The mission of the Office of Inspector General (OIG) is to:

- Conduct and supervise independent audits and investigations of Agency programs and operations;
- Promote economy, effectiveness, and efficiency within the Agency;
- Prevent and detect fraud and abuse in Agency programs and operations;
- Review and make recommendations regarding existing and proposed regulations relating to Agency programs and operations; and
- Keep the Agency head and Congress fully informed of problems in Agency programs and operations.

OIG Values

The EPA OIG fosters a workplace which promotes creativity, innovation and teamwork, where individuals are valued, challenged and productive. To that end, we place great value on:

- Quality, timely, cost-effective products and services that best satisfy customers' diverse needs,
- Personal integrity,
- Leading by example,
- Dignity, respect, fairness, honesty and courtesy, and
- Honoring commitments.

Linking Resources to Results

Congress passed the Government Performance and Results Act (GPRA) because it believed Federal agencies needed clearly defined goals and performance information if they were going to be successful in improving overall results. GPRA advanced the concept of establishing a set of performance goals and measures that would help agencies plan, budget, and determine progress in achieving their long-term goals. Performance plans and measures provide a link between the long-term and annual

performance goals and results. As a result, Federal agencies linked performance and budget preparation to communicate better which programs were working and providing good value.

In EPA's FY 2000 President's budget, the Office of Audit established the following annual performance goals and measures which will be reported to the Office of Management and Budget and the Congress. The Office of Audit's annual performance goals, measures, and results are designed to accumulate into those reporting measures.

Annual Performance Goal

Provide timely, independent auditing and consulting services responsive to the needs of our customers and stakeholders by identifying means and opportunities for increased economy, efficiency, and effectiveness in achieving environmental results

| <u>Performance Measures</u> | <u>Target Results</u> |
|--|-----------------------|
| Dollar Value of Recommendations, Questioned Costs, Savings | \$64.0 million |
| IG Recommendations and Actions | 63 |
| Overall Customer and Stakeholder Satisfaction With Audit Products and Services (Timeliness, Relevancy, Usefulness, and Responsiveness) | 75 percent |

Strategic Goals

In December 1996 the OIG issued its first Strategic Plan covering fiscal years 1997 through 2002. The Strategic Plan established three goals:

- (1) Help EPA achieve its environmental goals by improving the performance and integrity of EPA programs and operations, by safeguarding and protecting the Agency's resources, and by clearly reporting the results of our work;
- (2) Foster strong working relationships; and
- (3) Operate at the highest performance level.

FY 2000 Outcomes

Using these goals as a guide, we plan to achieve the following outcomes in FY 2000:

- Produce a work plan that focuses on EPA's 10 Strategic Goals, incorporating input from the internal OIG organization, Agency management, Congress and other stakeholders;
- Improve the quality, usability, and timeliness of our work products and services;
- Further foster a cooperative and productive atmosphere and working relationship with Agency program and management officials to help them improve the delivery of environmental results;
- Help EPA identify and resolve its Top Management Challenges and effectively implement the Government Performance and Results Act; and
- Ensure that our staff has the necessary information technology and expertise to carry out the audits that support our goals.

The Office of Audit's specific, measurable performance goals for FY 2000 are listed below. Reaching these performance goals will assist us in achieving our three strategic goals.

Strategic Goal 1:

Help EPA achieve its environmental goals by improving the performance and integrity of EPA programs and operations, by safeguarding and protecting the Agency's resources, and by clearly reporting the results of our work

Strategic Objectives:

- Focus resources on the Agency's major goals and objectives to not only identify preventive measures but also operational, financial, and technical improvements.
- Produce timely, high quality products that improve the efficiency of Agency operations and provide more effective delivery of environmental programs.

Annual Performance Goal: Provide the Agency objective evaluations and constructive advice and recommendations which reduce risk, improve service delivery, identify opportunities for savings, and promote accountability.

Office of Audit, EPA Office of Inspector General

| Criteria for Achieving Annual Performance Goal | Definition | Performance Measures |
|---|---|---|
| Work Prioritization | To better serve EPA, Congress, and other stakeholders, the Office of Audit will focus a major portion of its work towards addressing the ten strategic, long term goals outlined in EPA's Strategic Plan. By organizing our workload toward the EPA's Strategic Plan, the Office of Audit ensures that our audits and advisory and assistance services help the Agency to reach its visions and goals, pursue its strategies, and monitor its success indicators. | <ul style="list-style-type: none"> Degree to which resources (percentage of staff time) were deployed in addressing EPA's Strategic Plan goals Development of a planning process aligning all work to strategic goals and achievement of environmental outcomes |
| Risk Reduction | We will focus our program audits primarily on issues based on their relative risk, materiality, and importance to EPA's mission; other audits are conducted in response to Congressional or Agency requests. More than 60 percent of our program audits will result in recommendations for improving the effectiveness of environmental programs and/or streamlining processes. Additionally, 25 percent of our extramural program audits will focus improving the results received at a lower overall cost. We will initiate 75 percent of the new audits planned for FY 2000. | <ul style="list-style-type: none"> Percentage of program audits focused on effectiveness of environmental programs and/or streamlining processes Percentage of extramural program audits focused on delivery of programs and lowering costs Percentage of new assignments in the Annual Audit Plan started and/or those assignments not started replaced with more significant assignments with time-sensitive issues needing review |
| Improved Service Delivery | We will meet EPA's needs by completing audits of EPA contractors' indirect cost proposals, preaward, interim and final contracts cost submissions timely. We will work to reduce the incurred cost audit backlog by completing 80 percent of our cognizant contractors within 2 years of receiving an acceptable cost submission, and complete 80 percent of each division's financial contract audit plan for the high risk EPA contractors. | <ul style="list-style-type: none"> Percentage of incurred cost audits completed within 2 years of receipt of acceptable submission Percentage of planned work at each cognizant contractor completed |

Office of Audit, EPA Office of Inspector General

| Criteria for Achieving Annual Performance Goal | Definition | Performance Measures |
|---|---|---|
| Savings Opportunities | <p>In the assistance agreement area, we will focus our limited resources on the larger, more high risk programs which constitute about 70 percent of EPA's total assistance program funds—State Revolving Fund (SRF) program, Performance Partnership Grants (PPG), and grants to Indian tribes.</p> <p>We will continue the legislatively mandated audit coverage of selected Superfund cooperative agreements by performing a minimum of two audits.</p> | <ul style="list-style-type: none"> • Number of Clean Water State Revolving Fund financial statement audits reviewed • Number of states where financial statement opinion audits and reports on internal controls and compliance conducted • Number of audits of Superfund cooperative agreements completed |
| Accountability | <p>We will review the Agency's financial systems and statements to ensure that the Agency's accounting information is accurate, reliable and useful, and complies with applicable laws and regulations.</p> | <ul style="list-style-type: none"> • Agency financial statement audits issued by March 1, 2000 • Opinion rendered on Agency's consolidated financial statements, system of internal controls, and compliance with laws and regulations |
| GPRA Activities | <p>We will assess the effectiveness of EPA's processes for implementing GPRA by examining the alignment of selective program/operational goals to resources, measures, and results. We will selectively verify the reliability and accuracy of reported performance results by assessing and evaluating the quality, source and controls of data. We will also validate the usefulness of selected measures as appropriate indicators of progress toward EPA's annual and strategic goals, and assess Agency progress in resolving top management challenges. From these assessments, we will help the Agency improve its alignment of plans and measures, the quality of data, and application of its resources.</p> | <ul style="list-style-type: none"> • Number of goals, objectives, processes assessed for alignment • Survey of Agency data systems and sources for selected goals • Number of partnerships created with state/local governments for review of source data • Creation of program evaluation unit to review and validate measures • Assessments of Agency progress resolving top management challenges |

Office of Audit, EPA Office of Inspector General

| Criteria for Achieving Annual Performance Goal | Definition | Performance Measures |
|---|---|---|
| Timely Products | <p>We will deliver our products more to Agency management and the decision makers in sufficient time to make informed decisions.</p> <p>We will plan and execute our assignments so the products are available when needed by our customers 80 percent of the time.</p> | <ul style="list-style-type: none"> • Reduce by an additional 5 percent , a total of 30 percent from base year (FY 1997), the elapsed time from assignment initiation to draft report issuance • Percentage of products that are timely and responsive to user needs |
| Best Practices and Follow up | <p>We will strive to continually improve the quality and usefulness of our products by (1) identifying and highlighting "best practices" in key program areas which could be adopted by other organizational components and programs and (2) working with Agency managers to effect a positive change in the direction of Agency programs through timely implementation of our recommendations.</p> | <ul style="list-style-type: none"> • Percentage of OIG reports where recommendations are accepted and/or implemented • Number of "best practices" identified |

Strategic Goal 2:**Foster strong working relationships****Strategic Objectives:**

- Solicit and use customer feedback in planning and performing our work.
- Promote available advice and assistance services.

Annual Performance Goal: To become more customer driven to provide products and services of significant benefit to our customers.

| Criteria for Achieving Annual Performance Goal | Definition | Performance Measures |
|---|---|---|
| Outreach Initiatives | <p>We will continue to foster a cooperative and productive atmosphere and working relationship with Agency program and management officials to improve the economy, efficiency, effectiveness and integrity of their programs and operations.</p> <p>We will actively seek out and communicate information not only with the Agency but also among congressional staff, OIG offices, other external organizations such as DCAA, and all our customers.</p> <p>We will survey our customers to determine their needs/expectations, if we have addressed their concerns, and that our products and services are useful for decision making. Further, we will take appropriate action based on constructive feedback from our customers for improving our products and services.</p> | <ul style="list-style-type: none"> • Number of significant requests received and the number/percentage fulfilled • Number of outreach activities and/or other means of publicity regarding our operations; the prevention and detection of fraud, waste, abuse, and mismanagement; and the implementation of "sound management" practices • Percentage of positive ratings from customers regarding the quality and value of our products and services • Degree our actions/plans are influenced and reinforced by customer input |

Office of Audit, EPA Office of Inspector General

| Criteria for Achieving Annual Performance Goal | Definition | Performance Measures |
|---|--|--|
| Requests for assistance | <p>We will respond to all customer requests for advice and assistance as well as seek out opportunities to provide such services consistent with the mandates of the Inspector General Act.</p> <p>We will serve as participants on Agency and inter-Agency work and focus groups designed to improve management processes, controls, and systems, when requested.</p> | <ul style="list-style-type: none"> • Feedback on advice and assistance provided Agency to better achieve Agency goals and objectives • Frequency of joint participation or lead on work and focus groups |

Strategic Goal 3:**Operate at the highest performance level****Strategic Objectives:**

- Continuously review and assess our organizational structure and operations to determine areas of potential improvements and cost savings and take appropriate action.
- Identify and use new technologies and approaches to our work.
- Maintain an effective staff training program.

Annual Performance Goal: Provide leadership for a positive OIG culture change in the way we do our work.

| Criteria for Achieving Annual Performance Goal | Definition | Performance Measures |
|--|--|---|
| Leadership, Team Work, and Innovativeness | Leadership, team work, and innovativeness are several of our key values. Staff members will develop and apply innovative techniques and organizational processes that complement internal and Agency goals. We will foster an environment of creativity that encourages staff members to test new methods and adopt improved processes. During FY 2000 staff members will receive training focusing on leadership and team work. | <ul style="list-style-type: none"> Percentage of staff members trained Number of classes presented to staff members Satisfaction rating on the value of training |
| Training | To operate at the highest performance level, we need a staff possessing the necessary technical skills and knowledge for tasks required. | <ul style="list-style-type: none"> Percentage of staff meeting Yellow Book training requirements |
| Continuous improvements and quality processes | We will take advantage of new technologies, especially information technology, to improve the efficiency and effectiveness of our operations. We will also review and re-engineer our procedures and processes to ensure our products and services are accurate, complete, useful, and timely. | <ul style="list-style-type: none"> Percentage of auditors having adequate information technology systems, capabilities, and knowledge to perform their assignments Re-engineering/process improvement projects started and completed to streamline auditing and reporting processes |

Office of Audit Resources Needed

For fiscal year 2000, the Office of Audit expects to have a budget of \$22.7 million, which will be used to support:

- A total of 241 full time (FTE) positions and associated travel and operational costs;
- Technical support contractors; and
- Audit services, on a reimbursable basis, from other Federal agencies such as Defense Contract Audit Agency and Department of Health and Human Services. As part of their audits of grant or contract recipients receiving funds from various sources, these agencies will audit the EPA funds involved and bill us our proportional share.

Our budget of \$22.7 million directly supports our Strategic Goals and Objectives for the FY 2000 performance period.

Distribution of FY 2000 Resources to Achieve Established Goals

| <i>Strategic Goal</i> | <i>Resources</i> |
|--|------------------------|
| 1 Help EPA achieve its environmental goals | \$19.75 million |
| 2 Foster strong working relationships | \$ 1.59 million |
| 3 Operate at the highest performance level | \$ 1.36 million |
| Total | \$22.70 million |

Verification and Validation of Performance

We will evaluate our progress toward meeting our goals and objectives through annual performance reporting. We will collect information and verify from various sources to assess our achievements. Sources include automated tracking system; feedback from our customers, clients, and staff members; surveys; and selected follow up reviews.

The major sources of key performance data are the Inspector General Operations and Reporting (IGOR) system, customer surveys, and selected follow up reviews. The IGOR system is an integrated tracking system for the OIG and includes a module for the Office of Audit. The reports generated by IGOR are used by Office of Audit

management to monitor progress, workload assignments, and the costs, timeliness, and efficiency of audit products (reports, memorandums, and briefings), and employee time. Data accuracy is subject to reviews by Office of Audit management, and OIG Management Assessment Review team, and a peer review team from another Federal Office of Inspector General. Each Headquarters and divisional staff member is responsible for data integrity and accuracy. Customer surveys measure the timeliness, relevancy, usefulness, and responsiveness of our products and services. Follow up reviews validate the relevancy and effectiveness of our work involvement toward the achievement of environmental outputs and outcomes.