



Office Of The Inspector General Audit Plan

October 1, 1999 Through
September 30, 2000





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

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THE INSPECTOR GENERAL

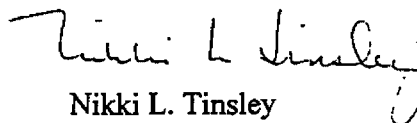
MEMORANDUM

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:

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.

Functional work areas

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

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	Assistance Agreements	Contracts	Financial Systems	Better Waste Mgt	Enforcement and Compliance Assistance	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 ✓ To 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.

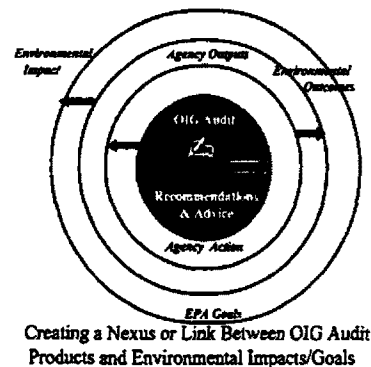
Assistance Services

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.



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

