

**A REVIEW OF
ENVIRONMENTAL AUDITING
ACTIVITIES
IN FEDERAL AGENCIES**

SUBMITTED TO:

**U. S. ENVIRONMENTAL PROTECTION AGENCY
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A REVIEW OF ENVIRONMENTAL AUDITING
ACTIVITIES IN FEDERAL AGENCIES

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DISCLAIMER

This report was furnished to the U.S. Environmental Protection Agency by Engineering-Science, 10521 Rosehaven Street, Fairfax, Virginia, in fulfillment of Subcontract No. EPA 08-3, Contract No. 68-01-7252, Work Assignment 9, in cooperation with Policy, Planning, and Evaluation, Inc. of Vienna, VA. The opinions, findings, and conclusions expressed are those of the authors and not necessarily those of the U.S. Environmental Protection Agency. Similarly, mention of company or product names should not be considered as an endorsement either by the U.S. Environmental Protection Agency or by Engineering-Science.

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CHAPTER 1

INTRODUCTION

Environmental auditing is defined as use of a systematic, documented, periodic, and objective review by regulated entities of facility operations and practices related to meeting environmental requirements. Audits can be designed to verify compliance with environmental regulatory requirements, evaluate the effectiveness of environmental management systems already in place, and to assess risks from regulated or unregulated materials and practices. In this way, environmental auditing can be an effective tool in an overall environmental management program.

These concepts are reflected in EPA's environmental auditing policy statement (51 FR 25004, July 9, 1986; see Appendix A of this report). Environmental auditing over the last several years has increasingly been used to aid federal environmental program management. Just as managers of industrial facilities need to know the status of their operations with respect to environmental compliance and to identify potential environmental problems, managers of federal facilities need to be able to monitor and control the environmental impacts of their operations.

Many federal agencies and departments are very cognizant of environmental auditing procedures and principles. To encourage the development of such programs, EPA sponsored a conference for federal agencies on environmental auditing in February 1984. Among the subjects discussed were goals of environmental auditing, designing auditing programs, and specific audit procedures. Since that time, a number of agencies have started auditing programs, and other agencies have studied how auditing could be initiated. The purpose of this report is to review the status of current environmental auditing activities of Federal agencies, and to report any trends that have begun to emerge.

Information was collected for this report in a number of different ways. First, published documents such as the recent report by the U.S. Government Accounting Office* were collected and reviewed for up-to-date information on auditing activities. Second, files of U.S. Environmental

* "Hazardous Waste: Federal Civil Agencies Slow to Comply with Regulatory Requirements," U.S. Government Accounting Office, GAO/RCED-86-76, Washington, DC, May 1986.

Protection Agency offices involved with federal auditing activities were reviewed to assess the scope and type of agencies' auditing programs. Finally, follow up phone calls to certain key agency contacts were made to obtain information not otherwise available. The results of this investigation are presented in Chapters 2 and 3.

CHAPTER 2

SUMMARY OF EXISTING ENVIRONMENTAL AUDITING PROGRAMS

This chapter presents in a tabular form a summary of federal agency environmental auditing activities for agencies that either have or are actively developing an environmental auditing program (Table 2.1). Agencies that do not currently have environmental auditing programs were not included in the table. However, information concerning each of the 36 agencies reviewed can be found in Chapter 3.

Key information about each existing environmental auditing program is presented. In each case, the following information is presented:

1. Program Status - Programs are categorized as follows:
 - o Comprehensive program - A formal permanent auditing program has been established within the agency, including at least an evaluation of facility compliance with all applicable federal, state, and local environmental regulations. A comprehensive program will generally have many, if not all, of the program elements identified in EPA's environmental auditing policy statement (see Appendix A).
 - o Partial program - A formal permanent auditing program has been established within the agency, but the scope is focused on one or more specific topical areas. Agencies with partial programs may or may not have specific auditing procedures or plans for determining which facilities to audit.
 - o Program under development - Developing programs may be characterized by one or more activities such as: hiring a contractor to develop an auditing protocol; initiation of the first formal comprehensive audit; audits conducted on a limited number of topical areas with firm plans for expansion into other areas; or a management commitment to start a program during FY 87.
2. Number of Facilities - The number of facilities currently audited as part of the agency's formal program is indicated.
3. Frequency of Audit - How often the number of facilities are audited or are planned to be audited is indicated.
4. Written Environmental Auditing Procedures - This column indicates whether a formal protocol for auditing is used during the audits.

TABLE 2.1

SUMMARY OF FEDERAL AGENCY ENVIRONMENTAL AUDITING ACTIVITIES

Dept/ Agency	Program Status	Number of Facilities in Program	Established Frequency of Audits	Written Procedures	Current Program Scope	Source of Auditing Staff
AGR/ Forest Service	Partial	Planned at 20 sites per 2-3 Regions/year	Dependent on facility type	Water and wastewater, among others	Water, wastewater, underground storage tanks, RCRA, CERCLA	Agency
COM	Under develop- ment (started Nov. 1986)	5 (planned)	To be determined	Yes (being developed)	Comprehensive	Agency & Contractor
DOD/Dept. of the Air Force	Comprehensive	40	No set frequency	Yes	Comprehensive	Agency & Contractor
DOD/ Dept. of the Army	Comprehensive	AMC-40 Others-11	AMC - annual Others - 3 to 5 yrs.	AMC - planned Others -under development	Comprehensive	AMC- Contractor Others-AEHA
DOD/ Defense Logistics Agency	Comprehensive	24	Every 3 yrs.	Yes	Comprehensive	AEHA
DOD/Dept. of the Navy	Partial	No set number	No set frequency	Yes	RCRA	Agency
DOE	Comprehensive (Started April 1986)	40 (planned)	Every 2 yrs.	Yes	Comprehensive	Agency
EPA	Comprehensive	13-15 per year	Every 3 yrs.	Yes	Comprehensive	Contractor

KEY TO DEPARTMENTS AND AGENCY ABBREVIATIONS

AGR -Agriculture
 AMC -Army Materiel Command
 COM -Commerce
 DOD -Defense
 DOE -Energy
 EPA -Environmental Protection Agency
 GSA -General Services Administration
 HHS -Health and Human Services
 NASA -National Aeronautics and Space Administration
 TVA -Tennessee Valley Authority
 DOT -Transportation
 TRE -Treasury

KEY TO "SOURCE OF AUDITING STAFF"

Agency -Internal Agency staff
 AEHA -Auditing by the Army Environ-
 mental Health Agency
 Contractor -Contractor auditing

CONTINUED ON
 NEXT PAGE

TABLE 2.1--Continued

Agency	Program Status	Number of Facilities in Program	Established Frequency of Audits	Written Procedures	Current Program Scope	Source of Auditing Staff
GSA	Partial; revised program under development	To be determined	To be determined	Yes	PCBs, incinerators, asbestos, and storage tanks	Agency & Contractor
HHS/Food & Drug Admin.	Under development	2	No set frequency	Yes (being developed)	Comprehensive (planned)	Agency & Contractor
HHS/Nat. Institute of Health	Comprehensive	12	Every 2 yrs.	Yes	Comprehensive program, issue-by-issue audits	Agency
NASA	Comprehensive	9	To be determined	Yes	Comprehensive	Contractor
TVA	Comprehensive	30 (to date)	Major facilities every 2 years; Others every 3 years	Yes	Comprehensive	Agency
DOT/Coast Guard	Partial	50 audited within last 3 years	No set frequency	No	RCRA Compliance	Agency & Contractor
TRE/Bureau of Engrav. & Printing	Under development	To be determined	To be determined	To be determined	Comprehensive (planned)	Contractor
TRE/Bureau of the Mint	Under development (started 1986)	4	Annual	No	Water and hazardous waste	Agency

KEY TO DEPARTMENT AND AGENCY ABBREVIATIONS

AGR -Agriculture
 AMC -Army Materiel Command
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 DOD -Defense
 DOE -Energy
 EPA -Environmental Protection Agency
 GSA -General Services Administration
 HHS -Health and Human Services
 NASA -National Aeronautics and Space Administration
 TVA -Tennessee Valley Authority
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 TRE -Treasury

KEY TO "SOURCE OF AUDITING STAFF"

Agency -Internal Agency Staff
 AEHA -Auditing by the Army Environmental Health Agency
 Contractor -Contractor Auditing

5. Current Program Scope - This column indicates whether current auditing activities are limited to certain environmental regulations or impacts.
6. Agency/Contractor Auditing - The source of auditing personnel (such as internal agency staff or a contractor's staff) is indicated.

A number of conclusions can be drawn from this information. Of the 36 agencies (or organizational units) reviewed in this report, 22 agencies do not currently have an environmental auditing program as described above under "Program Status". As explained previously, this situation does not indicate that those agencies are not involved in environmental management activities such as inspections, recordkeeping, and good operation and maintenance procedures. Many of those agencies do in fact have significant commitment to such activities as collecting, reviewing, and acting on environmental information from their facilities (see Chapter 3).

Five agencies currently are in the process of developing environmental auditing programs. Each of these agencies has either started visiting facilities, or has made a management commitment to develop a program during FY 87. Four agencies are actively implementing partial programs; one of these is GSA, which is currently developing a more comprehensive program. Eight agencies presently have established formal comprehensive environmental auditing programs, generally containing most, if not all, of the environmental auditing program elements recommended by EPA in its July 1986 environmental auditing policy statement (Appendix A). For example, seven of the eight agencies that are indicated as having established programs have formal written auditing procedures; the Army Materiel Command is developing such procedures. Five of the eight agencies that have established programs use contractors to conduct audits (at least partially). All of the agencies that conduct environmental audits themselves are organized in a way to assure independent review, such as including special "environmental auditing" sections or staff from department headquarters. An environmental staff person from each facility many times performs as part of the audit team, but the headquarters staff is ultimately responsible to report audit recommendations.

Other trends appear to be evident from Table 2.1. While there is no set frequency of auditing for an individual facility, every two to three years seems to be typical. Most current and developing programs are focusing comprehensively on all relevant environmental regulations and impacts. To the extent that some programs concentrate on certain issues, hazardous waste and water quality appear to be receiving the most emphasis. A detailed description of each federal agency included in the report follows in Chapter 3.

CHAPTER 3

INFORMATION ON FEDERAL AGENCIES' ENVIRONMENTAL AUDITING ACTIVITIES

This chapter presents an agency-by-agency description of environmental and auditing-related activities. After each program description (including a contact's name, address, and telephone number), are specific details of individual programs. In each case, the following information is presented:

1. Program Status: Categorizes programs in the same way as in Chapter 2; "Program Status" therefore describes the current state of an agency's environmental auditing activities. If "No program" is indicated, then the agency has no specific environmental auditing program (as described on p. 2-1) as a part of its overall environmental management activities. Other environmental compliance activities may of course be proceeding. If an agency currently has no program, auditing program information as described below is indicated as not applicable (NA).
2. Program Scope: To the extent that an agency has an environmental auditing program, indicates how comprehensive in terms of environmental issues the audits are designed to be. For example, if audits are only designed to review compliance with RCRA regulations, this focus will be reflected under "Program Scope."
3. Agency/Contractor Auditing: Indicates whether audits are primarily conducted by agency personnel, contractors, or a combination of the two.
4. Responsible Office(s): Provides a perspective on how an auditing program is organized, the responsible offices, and/or organizational units are presented. Generally, if the facilities or environmental office of an agency's headquarters is responsible for an auditing program (even if a contractor does the audits), then "Headquarters" is indicated.
5. Auditing Purpose: Lists three distinct purposes for on-going programs. "Compliance Analysis" is focused on whether or not specific compliance with environmental regulations is assessed (e.g., regulations established under RCRA). "Management Review" is oriented towards ensuring that effective management systems are in place and functioning. "Liability Assessment" is oriented towards comprehensive evaluation

of facilities' overall environmental impacts, regardless of whether or not those impacts are specifically regulated.

6. Audit Frequency: Indicates how often individual facilities are required to be audited.

FEDERAL AGENCY AUDITING REVIEW

Agency/Department: Agricultural Research Service/
Department of Agriculture

Contact/Title: Ray Leaman, Director,
General Service Division

Address: Room 329, Building 003
BARC West
Beltsville, MD 20705

Phone Number: (301) 344-3522

Program Description: The Agricultural Research Service (ARS) presently has no formal environmental auditing program. ARS has about 140 facility locations with facilities ranging from small (two-men) research laboratories to operations with hundreds of staff utilizing several buildings. The area offices (regional) cover a several-state area. The ARS performs annual safety and health inspections from their area offices. ARS has sent its facilities a questionnaire concerning RCRA, CERCLA, TSCA, and FIFRA compliance. ARS hopes that the questionnaire will help them evaluate their overall compliance status and to assess their environmental auditing needs.

Program Status: No program*

Program Scope: NA

Agency/Contractor Auditing: NA

Responsible Office(s): NA

Auditing Purpose: Compliance Analysis NA
Management Review NA
Liability Assessment NA

Audit Frequency: NA

*As described on p. 2-1.

FEDERAL AGENCY AUDITING REVIEW

Agency/Department: Farmers Home Administration/
Department of Agriculture

Contact/Title: John Hansel, Program Support Staff

Address: Room 6309
Washington, DC 20250

Phone Number: (202) 382-9619

Program Description: FmHA has no environmental auditing program in place, but they are interested in environmental auditing programs to determine potential liability when FmHA guarantees a business loan or takes temporary possession of business or farm property. FmHA does an environmental assessment for loan guarantees on new businesses or business expansions (e.g. a boat building business wants a loan to expand its business) or when selling a business or farm property that is to be used for a purpose other than originally intended. The FmHA assessments are primarily concerned with buried hazardous wastes.

Program Status: No program*

Program Scope: NA

Agency/Contractor Auditing: NA

Responsible office(s): NA

Auditing Purpose:	Compliance Analysis	<u>NA</u>
	Management Review	<u>NA</u>
	Liability Assessment	<u>NA</u>

Audit Frequency: NA

*As described on p. 2-1.

FEDERAL AGENCY AUDITING REVIEW

Agency/Department: Forest Service/Department of Agriculture

Contact/Title: Bill Opfer, Environmental Health Engineering

Address: 14th St. and Independence Ave., S.W.
Washington, DC 20250

Phone Number: (202) 235-8019; (202) 447-4689 - Staff Office

Program Description: The Forest Service auditing program is under development. The Forest Service has had a monitoring program in place for about three years concerning environmental matters, covering over 6,000 ranger stations, campgrounds and picnic areas. Many of the facilities have some form of water treatment (drinking water), waste treatment (septic tank or some waste process), and underground storage tanks. The agency has policies and procedures for evaluating most of the environmental areas, using primarily sanitary engineers in field visits. Headquarters office will typically monitor 20 sites in 2-3 regions each year; regional offices monitor many additional sites each year. The cost of visiting a site is several hundred dollars per site. When a facility is visited, a written critique is sent to the facility. The Regions generally provide Headquarters with a corrective action report (although this is not required).

The Forest Service believes that in the future they will have to emphasize environmental programs related to RCRA and CERCLA. Some planning effort has been recently started in these areas. Environmental Health Engineering at headquarters has responsibility for policy guidance, while regional offices have technical compliance responsibilities.

Program Status: Partial program established

Program Scope: Will include water, wastewater, underground storage tank requirements, RCRA and CERCLA

Agency/Contractor Auditing: Agency

Responsible office(s): Headquarters and Regional Offices

Auditing Purpose:	Compliance Analysis	<u>YES-partial</u>
	Management Review	<u>YES-partial</u>
	Liability Assessment	<u>NO</u>

Audit Frequency: Varies by program and/or type of facility

FEDERAL AGENCY AUDITING REVIEW

Agency/Department: Department of Commerce

Contact/Title: Ed Wilczynski, Acting Chief, Ecology and Conservation Division

Address: NOAA Ecology and Conservation Division (BF/ECD),
Room #6814, U.S. Department of Commerce, Washington,
D.C. 20230

Phone Number: (202) 377-5181

Program Description: The Department of Commerce is initiating an environmental auditing program scheduled to begin in November 1986. Six sites will be audited at first and then more will be audited if the audits uncover problems. The audits will examine five types of facilities: NOAA fisheries laboratories, NBS underground storage tanks, NOAA vessel and ship support facilities, the EDA Wisconsin Steel site, and the Patent and Trademark Office microfiche processing facility. NOAA is responsible for 25 research vessels that are periodically maintained in ship support facilities, such as the one in Miami. The cost of total audit contract is \$35,000. Possible future sites include other Economic Development Administration (EDA) sites (businesses that were lent money, went bankrupt, and were acquired by EDA), NOAA printing shops, and miscellaneous vehicle fueling and maintenance operations. Audits will be conducted over a one to three day period by the contractor and personnel from the agency (either Ed Wilczynski or David Cottingham). The written procedures are being developed by the contractor. EPA has conducted formal training for NOAA regional safety personnel in auditing procedures.

The Ecology and Conservation Division is now in the budget office, but is likely to be transferred soon to the newly proposed Office of the Chief Scientist, NOAA. It will remain in the Office of the NOAA Administrator, separate from the five NOAA line offices.

Program Status: Program under development; was scheduled to begin in November 1986

Program Scope: Plan abbreviated audits of all media

Agency/Contractor Auditing: Contractor plus one agency representative

Responsible office(s): Headquarters

Auditing Purpose:	Compliance Analysis	<u>YES</u>
	Management Review	<u>YES</u>
	Liability Assessment	<u>NO</u>

Audit Frequency: Not specified

FEDERAL AGENCY AUDITING REVIEW

Agency/Department: Department of the Air Force/Department of Defense

Contact/Title: Capt. Gail Graben, Environmental Engineering
Project Office

Address: Headquarters Air Force/LEEV
Bolling AFB, DC 20332

Phone Number: (202) 767-4616

Program Description: The Air Force's environmental auditing program began 2 years ago and thus far between 30 and 40 facilities have been audited. The Air Force program consists of pilot programs run by individual commands rather than a standard agency wide program. The typical audit team consists of 3 or 4 people and they spend approximately one week in the field per audit. The makeup of the team varies between commands, but generally consists of either contractors or environmentally trained Air Force personnel. A typical audit costs \$25,000 - \$30,000 if performed by contractors and \$12,000 - \$15,000 if performed by Air Force personnel. Air Force Headquarters has developed a written auditing procedure and it is used as a guideline by the various commands. Following an audit, the facility receives a written report of the audit findings. The commands have the responsibility to see that audit recommendations are implemented.

Program Status: Comprehensive program established

Program Scope: Comprehensive audits of all environmental media

Agency/Contractor Auditing: Combination

Responsible office(s): Each command

Auditing Purpose:	Compliance Analysis	<u>YES</u>
	Management Review	<u>NO</u>
	Liability Assessment	<u>NO</u>

Audit Frequency: No set frequency

FEDERAL AGENCY AUDITING REVIEW

Agency/Department: Army Corps of Engineers,
Natural Resources Management Branch

Contact/Title: Mr. Carl Brown, Chief

Address: HQUSACE (DAE-CWO-R), 20 Massachusetts Ave., N.W.
Washington, DC 20314

Phone Number: (202) 272-1789

Program Description: The civil works section of the Army Corps of Engineers has management responsibilities for locks and dams on intercoastal waterways in the U.S. The Corps generates and/or disposes of hazardous materials in the form of oils, solvents, PCB's, and contaminated dredged material. Environmental compliance is handled by personnel at the district level. Headquarters broadly reviews the management activities of district personnel. The Corps currently does not have an environmental auditing program.

Program Status: No program*

Program Scope: NA

Agency/Contractor Auditing: NA

Responsible office(s): NA

Auditing Purpose:	Compliance Analysis	<u>NA</u>
	Management Review	<u>NA</u>
	Liability Assessment	<u>NA</u>

Audit Frequency: NA

*As described on p. 2-1.

FEDERAL AGENCY AUDITING REVIEW

Agency/Department: Department of the Army, Army Environmental Office/
Department of Defense

Contact/Title: Col. Thomas Magness, Chief

Address: HQDA (DAEN-ZCE), Washington, DC 20310-2600

Phone Number: (202) 694-1163

Program Description: The Department of the Army has a total of approximately 300 facilities. The audit program is established, but individual commands have responsibility for their own facilities' program; commands are therefore at different stages of development. In the past three years, 11 audits have been conducted (exclusive of audits performed at facilities of the Army Materiel Command -see program description on the following page). Each audit has included air, water, and hazardous waste regulatory reviews. Personnel responsible for conducting the audits include personnel from the Army Environmental Hygiene Agency (AEHA), and individual facility personnel (with environmental backgrounds). The team usually consists of 8 to 10 people and each audit takes 3 to 5 days to complete. AEHA is preparing written procedures so that audits can be conducted by other personnel. A written report is prepared following each audit, and each command is responsible for following up on audit recommendations. Future plans include a comprehensive written audit protocol.

Program Status: Comprehensive program established

Program Scope: Comprehensive audits of all media; also production of guidance to commands concerning comprehensive audit procedures

Agency/Contractor Auditing: Each command and the Army Environmental Hygiene Agency

Responsible office(s): Each command

Auditing Purpose: Compliance Analysis	<u>YES</u>
Management Review	<u>YES</u>
Liability Assessment	<u>NO</u>

Audit Frequency: Every 3 to 5 years

FEDERAL AGENCY AUDITING REVIEW

Agency/Department: Department of the Army, Army Materiel Command
(AMC)/Department of Defense

Contact/Title: Mr. Bill Hasselkus, Chief - Environmental Quality
Assurance

Address: Headquarters, Army Materiel Command
5001 Eisenhower Avenue
Alexandria, VA 22333

Phone Number: (703) 274-9016

Program Description: The AMC's environmental auditing program began one year ago and thus far approximately 50 out of 65 AMC facilities have been audited. The typical audit team consists of 3 or 4 people and they spend approximately one week in the field per audit. The team is made up of technical environmentally trained contractors. The typical audit costs \$15,000 to perform. AMC has planned formal written procedures for conducting audits though these procedures have not yet been finalized. Following an audit, the facility receives a written report of the audit findings. AMC is responsible to see that audit recommendations are implemented. AMC plans to switch to in-house auditing after all facilities have been audited once by contractors.

Program Status: Comprehensive program established

Program Scope: Comprehensive audits of all environmental media

Agency/Contractor Auditing: Contractor

Responsible office(s): Headquarters

Auditing Purpose:	Compliance Analysis	<u>YES</u>
	Management Review	<u>YES</u>
	Liability Assessment	<u>NO</u>

Audit Frequency: Annual

FEDERAL AGENCY AUDITING REVIEW

Agency/Department: Defense Logistics Agency/Department of Defense

Contact/Title: Mr. Dennis Lillo, Environmental Protection Specialist

Address: Environmental Protection Office
Cameron Station
Alexandria, VA 22304

Phone Number: (703) 274-6967

Program Description: The DLA is a separate agency within DoD that runs storage depots and supply centers. The DLA's environmental auditing program began 2 years ago and thus far 24 out of its 25 facilities have been audited. All media (i.e. air, water, hazardous waste) are included in the audit. The typical audit team consists of 5 or 6 people and they spend approximately 2 weeks in the field per audit. The team is made up from the Army Environmental Hygiene Agency plus one representative from headquarters. A typical audit costs \$15,000 - \$25,000 to perform. The DLA has a formal written auditing procedure which they follow. The staff is trained in auditing procedures. After a facility has been audited, the facility receives a written report of the audit findings. The DLA does follow up to ensure that audit recommendations are implemented.

Program Status: Comprehensive program established

Program Scope: Comprehensive audit of all environmental media

Agency/Contractor Auditing: Army Environmental Hygiene Agency
and one representative from Headquarters

Responsible office(s): Headquarters Environmental Protection Office

Auditing Purpose:	Compliance Analysis	<u>YES</u>
	Management Review	<u>YES</u>
	Liability Assessment	<u>YES</u>

Audit Frequency: Each facility once every 3 years

FEDERAL AGENCY AUDITING REVIEW

Agency/Department: U.S. Navy/Department of Defense

Contact/Title: Carl Zillig

Address: Office of the Chief of Naval Operations (OP 45),
Department of the Navy
Washington, DC 20350

Phone Number: (202) 433-2069

Program Description: The Navy has conducted environmental inspections for some time. The current auditing program, which is part of its over-all environmental activities, is focused on RCRA. Six regional offices of the Navy Energy and Environmental Support Command are responsible for the audits, which include teams of one to three people who spend one to four days at a facility. Audit teams use a guideline for their audits, and reports are sent by the Energy and Environmental Support Command to the facility and to responsible Command Admirals with a cover letter. (Facilities which are audited may involve operations of more than one command.) About 100 facilities a year have been audited in this way, but auditing is only one of the environmental responsibilities of the regional office staff and there is no established frequency for auditing of any particular facility.

Program Status: Partial program

Program Scope: Predominantly RCRA facility audits

Agency/Contractor Auditing: Agency

Responsible office(s): 6 regional engineering commands

Auditing Purpose: Compliance Analysis YES
Management Review YES
Liability Assessment NO

Audit Frequency: No set frequency

FEDERAL AGENCY AUDITING REVIEW

Agency/Department: Department of Energy

Contact/Title: John Barker, Director, Office of Environmental
Audit and Compliance

Address: 1000 Independence Avenue, S.W.
Washington, DC 20585

Phone Number: (202) 252-5680

Program Description: The Department of Energy (DOE) is responsible for the government's energy research and development programs, defense-related activities, and other special energy programs such as the strategic petroleum reserves. To carry out these responsibilities, the Department owns, and operates through contractual arrangements, many different facilities. These facilities include plutonium and nuclear weapons producing plants, metals processing plants, strategic oil reserves, electrical power transmission facilities, and energy-related and environmental and bio-medical research laboratories. To assess the environmental impacts of its operations, DOE has initiated an environmental survey which will ultimately serve to establish priorities and develop long-range planning for correcting environmental problems and reducing potential risks. In addition, the Office of Environmental Audit and Compliance is to develop a program of environmental audits which will be undertaken at the conclusion of the survey in late 1988.

The survey includes on-site reviews of the physical environmental conditions at individual facilities, interviews with key personnel, and sampling and analysis of areas of potential environmental risk. The projected budget for the survey effort is \$60 million. The survey is being managed under the leadership of an Office Director with experience in environmental auditing and compliance matters, and conducted by 5 teams led and managed by DOE environmental professionals with experience in environmental auditing and environmental regulatory compliance. The DOE teams are supplemented with technical experts provided by a contractor. Team members, including contractor support, are trained in-house in detailed auditing procedures and environmental regulation. The survey is then conducted through the use of a written manual which details procedures and protocols to be followed. The on-site survey activities of each site are documented by a written draft report. The draft report is then revised to include the results of the sampling and analysis performed at the particular site. Ultimately, a final report covering all facilities will be written to document the entire survey, and will include the prioritization of areas of environmental risk for corrective action. The continuing program of environmental audits to be initiated after the completion of the survey is currently being developed. DOE has not yet decided whether the audits will begin only after the Survey is completed, on the frequency of facility audits, or whether smaller facilities will be included.

(continued on p. 3-14)

Department of Energy (continued)

Program Status: Comprehensive program established (survey phase)

Program Scope: Comprehensive audits including all environmental
media

Agency/Contractor Auditing: Combination

Responsible Office(s): Headquarters (Office of Environmental Audit
and Compliance)

Auditing Purpose:	Compliance Analysis	<u>YES</u>
	Management Review	<u>YES</u>
	Liability Assessment	<u>YES</u>

Audit Frequency: To be determined

FEDERAL AGENCY AUDITING REVIEW

Agency/Department: U.S. Environmental Protection Agency

Contact/Title: Karen Reed, Manager, Environmental Compliance Program

Address: 401 M Street S.W.
Washington, DC 20460

Phone Number: (202) 382-3646

Program Description: EPA initiated an environmental auditing program in early 1986. The present emphasis of the program is the multi-media environmental auditing of EPA facilities (particularly laboratories). EPA had a protocol developed by a consultant for auditing its laboratory facilities. Consultant teams were hired to perform the audits with an EPA representative accompanying the team on some audits. EPA expects to have 13 audits completed in fiscal year 1986 (FY 86), and all its laboratory facilities audited by the end of FY88.

The audit team members have environmental, chemistry and occupational health backgrounds. After an audit, a draft report is written and submitted to the EPA's Environmental Compliance Program Manager. The draft report and recommendations for corrective actions are then sent to the audited facility. This facility in turn reviews and comments on the draft report sending the comments and an Action Plan to Headquarters. A final report is developed which then goes to the audited facility. The final report and the Action Plan are distributed to EPA Regional Offices and to the appropriate state. The environmental audits require 2-4 auditors at a facility for 2 to 3 days and the cost per audit (including travel) is between \$8,000 and \$10,000. Auditing at EPA is the responsibility of the Headquarters Occupational Health and Safety Staff.

Program Status: Comprehensive program established

Program Scope: Comprehensive audits of all environmental media

Agency/Contractor Auditing: Contractor with Headquarters support

Responsible Office(s): Headquarters

Auditing Purpose:	Compliance Analysis	<u>YES</u>
	Management Review	<u>YES</u>
	Liability Assessment	<u>YES</u>

Audit Frequency: Planned for once each 3 years

FEDERAL AGENCY AUDITING REVIEW

Agency/Department: General Services Administration

Contact/Title: Jeff Bauer, Chief, Safety and Environmental
Management Branch, Public Building Service

Address: Room 4312, 18th and F Sts., N.W.
Washington, DC 20405

Phone Number: (202) 566-1464

Program Description: GSA owns and operates buildings and has a total of 7,000 buildings they are contractually involved with. GSA has had a very limited form of environmental auditing in the regions for about 5 years, but mainly in the areas of asbestos and PCBs. For the last year, GSA has made an effort to establish a centralized and broader (multi-media) environmental auditing program using a contractor. GSA owns and operates buildings and has a total of 7,000 buildings they are contractually involved with.

The regional audits consist of two to three auditors visiting a building site for a half-day or a depot for three days, and utilizing a RCRA/CERCLA protocol developed by a contractor. The auditors' backgrounds usually include fire protection, industrial health and environmental engineering. GSA Regions have had some survey forms for inspecting incinerators, oil tanks, PCBs, and asbestos. (The staff attends some seminars and short courses on such subjects as hazardous waste site assessments.) When a Regional Office visits a field facility, a report is written and sent to the field facility. The Regional Office follows up on the report to ensure field office corrections. The audit program is now being centralized to achieve consistency across Regions and to make the audits more comprehensive.

Program Status: Program under development; partial program
established

Program Scope: Audit mainly for PCBs, asbestos, incinerators, and
oil tanks

Agency/Contractor Auditing: Combination

Responsible Office(s): Regional offices presently, but program
will be transferred to headquarters

Auditing Purpose:	Compliance Analysis	<u>YES</u>
	Management Review	<u>NO</u>
	Liability Assessment	<u>NO</u>

Audit Frequency: To be determined

FEDERAL AGENCY AUDITING REVIEW

Agency/Department: Food and Drug Administration/Department of Health
and Human Services

Contact/Title: William H. Hoffman, Chief
Long Range Facilities Planning Staff

Address: Food and Drug Administration
Rm 10-63 (HFA 205)
5600 Fishers Lane
Rockville, MD 20850

Phone Number: (301) 443-4432

Program Description: A pilot environmental auditing program is currently under development. The program will address multi-media pollution control topics. The major focus of concern will be disposal of hazardous chemical wastes from agency laboratories. Current plans are to have a contractor develop a pilot auditing program for the FDA and initiate it in FY 1987.

Program Status: Program under development

Program Scope: Planned comprehensive audits for all media

Agency/Contractor Auditing: Combination for pilot audits

Responsible Office(s): Headquarters

Auditing Purpose:	Compliance Analysis	<u>YES</u> (planned)
	Management Review	<u>YES</u> (planned)
	Liability Assessment	<u>NO</u>

Audit Frequency: To be determined

FEDERAL AGENCY AUDITING REVIEW

Agency/Department: Indian Health Service
Division of Environmental Health/Department of
Health and Human Services

Contact/Title: Bruce R. Chelikowsky
Chief, Environmental Management Branch

Address: Parklawn Building
5600 Fishers Lane
Rockville, MD 20850

Phone Number: (301) 443-1054

Program Description: The program of the Indian Health Service is oriented towards a review of selected inspection reports focused on compliance. The Service's inspections or surveys cover a broad range of facilities, ranging from hospitals to restaurants, many of which are owned and operated by other government agencies. Compliance with the requirements of federal environmental statutes is one issue addressed in the Service's inspections.

Program Status: No program*

Program Scope: NA

Agency/Contractor Auditing: NA

Responsible Office(s): NA

Auditing Purpose:	Compliance Analysis	<u>NA</u>
	Management Review	<u>NA</u>
	Liability Assessment	<u>NA</u>

Audit Frequency: NA

*As described on p. 2-1.

FEDERAL AGENCY AUDITING REVIEW

Agency/Department: National Institute of Health/Department of
Health and Human Services

Contact/Title: Harvey Rogers, Chief, Environmental Protection Branch

Address: Bldg. 13, Room 2E63
9000 Rockville Pike
Bethesda, MD 20892

Phone Number: (301) 496-3537

Program Description: The National Institute of Health has a main campus (300 acres with 40 buildings) in Bethesda, MD, and several smaller facilities in other parts of the country. The National Institute of Health has an active environmental auditing program and has been performing audits for fifteen months. They have performed almost a dozen audits at the main campus. Each audit is on a different issue, such as hazardous waste, air pollution discharges, or infectious waste. The audit team generally consists of three persons (an environmental auditing expert, a scientist from a laboratory, and an administrative person), and requires 2-3 days of field work. The environmental staff receive short courses and seminars on environmental regulations and the environmental experts conduct a one-day training session before each audit. Written audit reports are prepared and followed up with an action report. The auditing function rests with the Environmental Protection Branch and other scientists and administrative people are trained to execute the audits with the environmental experts of the branch. Audit protocols have been written for two of the major field stations and a third one is presently being developed. In the near future NIH will be promoting the implementation of environmental auditing at their field stations.

Program Status: Comprehensive program established

Program Scope: Separate audits for each environmental medium

Agency/Contractor Auditing: Agency

Responsible Office(s): Headquarters, Environmental Protection
Branch

Auditing Purpose:	Compliance Analysis	<u>YES</u>
	Management Review	<u>YES</u>
	Liability Assessment	<u>YES</u>

Audit Frequency: Once every 2 years

FEDERAL AGENCY AUDITING REVIEW

Agency/Department: Department of Housing and Urban Development

Contact/Title: Antionette Sebastian/Community Planner

Address: Environmental Planning Division
Room 7152
451 7th Street, S.W.
Washington, DC, 20410

Phone Number: (202) 755-7225

Program Description: HUD has no formal auditing program in place at the present time. HUD plans to develop a program in the future. Currently, the department only manages single and multiple family housing in the interim before foreclosure (90 days to 1-1/2 years). They are at most small quantity generators of hazardous waste. The only environmental problems identified to date include asbestos, lead (from pipes), and disposal of cleaning and print shop materials.

Program Status: No program*

Program Scope: NA

Agency/Contractor Auditing: NA

Responsible Office(s): NA

Auditing Purpose: Compliance Analysis	<u>NA</u>
Management Review	<u>NA</u>
Liability Assessment	<u>NA</u>

Audit Frequency: NA

*As described on p. 2-1.

FEDERAL AGENCY AUDITING REVIEW

Agency/Department: Department of the Interior (Departmental level)

Contact/Title: Bruce Blanchard, Director, Office of Environmental
Project Review

Address: Office of Environmental Project Review
18th and C Sts., N.W. (MS-4239)
Washington, DC 20240

Phone Number: (202) 343-3891

Program Description: The Department of the Interior has no formal auditing program at the departmental level. They have approximately 26,000 structures that are principally offices or residences containing two to four people. RCRA and specifically small quantity generator regulations are of primary interest. They are conducting an in-house review to determine which facilities are in fact small quantity generators.

Program Status: No program* at the departmental level

Program Scope: NA

Agency/Contractor Auditing: NA

Reponsible Office(s): NA

Auditing Purpose:	Compliance Analysis	<u>NA</u>
	Management Review	<u>NA</u>
	Liability Assessment	<u>NA</u>

Audit Frequency: NA

*As described on p. 2-1.

FEDERAL AGENCY AUDITING REVIEW

Agency/Department: U.S. Fish and Wildlife Service/ Department of
the Interior

Contact/Title: Larry Shanks, Chief, Division of Environmental
Contaminants

Address: Fish and Wildlife Service
(DEC/HAM-401)
Washington, DC 20240

Phone Number: (202) 343-5452

Program Description: The Fish and Wildlife Service currently has no environmental auditing program. The Fish and Wildlife Service is very decentralized, so much of the responsibility for complying with environmental regulations rests with each individual facility. Fish and Wildlife conducts surveys to determine potential CERCLA sites, for example, but neither the Division of Environmental Contaminants nor the Resource Contaminant Assessment Division have inspectors (at headquarters). Field people obtain training such as an introduction to contaminant laws and safety at Leetown, VA, a contaminant chemistry course at Columbia, Missouri, and the hazardous materials handling at Edison, NJ.

Program Status: No program*

Program Scope: NA

Agency/Contractor Auditing: NA

Responsible Office(s): NA

Auditing Purpose:	Compliance Analysis	<u>NA</u>
	Management Review	<u>NA</u>
	Liability Assessment	<u>NA</u>

Audit Frequency: NA

*As described on p. 2-1.

FEDERAL AGENCY AUDITING REVIEW

Agency/Department: Bureau of Indian Affairs/Department of the Interior

Contact/Title: George Farris, Chief - Environmental Affairs

Address: Mail Code 4558
1951 Constitution Ave
Washington, DC 20240

Phone Number: (202) 343-4541

Program Description: The Bureau of Indian Affairs manages lands designated as Indian reservations. The audit program is in the developmental stage. The bureau plans to hire a contractor to conduct the Bureau's first audits. The contractor would be responsible for having written audit procedures and producing an audit report. The Bureau has not decided who will be responsible for audit follow up.

Program Status: No program*

Program Scope: NA

Agency/Contractor Auditing: NA

Responsible Office(s): NA

Auditing Purpose: Compliance Analysis	<u>NA</u>
Management Review	<u>NA</u>
Liability Assessment	<u>NA</u>

Audit Frequency: NA

*As described on p. 2-1.

FEDERAL AGENCY AUDITING REVIEW

Agency/Department: Bureau of Land Management/Department of Interior

Contact/Title: David Williams, Chief, Division of Planning and
Environmental Coordination (760)

Address: Bureau of Land Management (909 Premier Building)
Department of the Interior
Washington, D.C. 20240

Phone Number: (202) 653-8824

Program Description: The Bureau of Land Management (BLM) manages approximately 300 million acres of federal lands. The Bureau issues permits to operations that are located on federal land, such as oil and gas drilling, facilities and pipelines; grazing; mining of minerals; timber operations; recreation; and power plants and transmission lines. The majority of BLM offices are managed by GSA. At the present time, BLM has no environmental auditing program.

Program Status: No program*

Program Scope: NA

Agency/Contractor Auditing: NA

Responsible Office(s): NA

Auditing Purpose:	Compliance Analysis	<u>NA</u>
	Management Review	<u>NA</u>
	Liability Assessment	<u>NA</u>

Audit Frequency: NA

*As described on p. 2-1.

FEDERAL AGENCY AUDITING REVIEW

Agency/Department: Minerals Management Service/Department
of Interior

Contact/Title: John Gull, Chief, Environmental Assessment Division

Address: Reston, VA 22091

Phone Number: (703) 343-2097

Program Description: The Minerals Management Service has no buildings of their own and has no laboratory facilities. Their prime environmental area of interest is in regulating the oil drilling performed by corporations. They do not have an environmental auditing program.

Program Status: No program*

Program Scope: NA

Agency/Contractor Auditing: NA

Responsible Office(s): NA

Auditing Purpose: Compliance Analysis	<u>NA</u>
Management Review	<u>NA</u>
Liability Assessment	<u>NA</u>

Audit Frequency: NA

*As described on p. 2-1.

FEDERAL AGENCY AUDITING REVIEW

Agency/Department: Bureau of Mines, Division of Property
Department of the Interior

Contact/Title: Paul W. Johnson

Address: Mail Station 215
2401 E Street, N.W.
Washington, D.C. 21240

Phone Number: (202) 634-4750

Program Description: The Bureau of Mines operates approximately fourteen field research laboratories across the country. At this time, they do not have an environmental auditing program in place.

Program Status: No program*

Program Scope: NA

Agency/Contractor Auditing: NA

Responsible Office(s): NA

Auditing Purpose:	Compliance Analysis	<u>NA</u>
	Management Review	<u>NA</u>
	Liability Assessment	<u>NA</u>

Audit Frequency: NA

*As described on p. 2-1.

FEDERAL AGENCY AUDITING REVIEW

Agency/Department: National Park Service/Department of the Interior

Contact/Title: Mr. Don Herring, Chief, Maintenance Branch

Address: P.O. Box 37127
Washington, DC 20013

Phone Number: (202) 343-7040

Program Description: The National Park Service does not currently have an environmental auditing program. They perform inspections, but there are no written procedures for the inspections. The Park Service plans to develop a formal auditing program in the future.

Program Status: No program*

Program Scope: NA

Agency/Contractor Auditing: NA

Responsible Office(s): NA

Auditing Purpose:	Compliance Analysis	<u>NA</u>
	Management Review	<u>NA</u>
	Liability Assessment	<u>NA</u>

Audit Frequency: NA

*As described on p. 2-1.

FEDERAL AGENCY AUDITING REVIEW

Agency/Department: Bureau of Reclamation, Office of Environmental
Technical Services/Department of the Interior

Contact/Title: Mr. George Wallen, Chief, Office of Environmental
Technical Services

Address: Code D-150, P.O. Box 25007
Denver, CO 80225

Phone Number: (303) 236-9336

Program Description: The Bureau of Reclamation is the construction arm of the Department of Interior. The Bureau of Reclamation runs an inspection program through its Denver office that is primarily concerned with hazardous waste management. The Bureau does not presently have an environmental auditing program.

The current inspection program began approximately 18 months ago. There are 6 regional offices each of which has a number of facilities under its control. The inspection team generally consists of three people - one from the Denver office and two regional people. These personnel have technical backgrounds and spend 2 days in the field per inspection. The cost of an inspection is \$800 - \$1,000. There is no written inspection procedure. Inspection findings are included in a travel report and submitted to the facility. The regional director is responsible for following up on inspection recommendations. The inspectors do not receive training in conducting environmental audits.

Program Status: No program*

Program Scope: NA

Agency/Contractor Auditing: NA

Responsible Office(s): NA

Auditing Purpose:	Compliance Analysis	<u>NA</u>
	Management Review	<u>NA</u>
	Liability Assessment	<u>NA</u>

Audit Frequency: NA

*As described on p. 2-1.

FEDERAL AGENCY AUDITING REVIEW

Agency/Department: Department of Justice

Contact/Title: Annette Perry, Space Management Specialist

Address: 1425 K Street, N.W.
Suite 700
Washington, DC 20530

Phone Number: (202) 633-2180

Program Description: The Department of Justice is made up of six bureaus: the Drug Enforcement Agency (DEA), the Federal Bureau of Investigation (FBI), the U.S. Marshall Service, the Immigration and Naturalization Service (INS), the Bureau of Prisons, and the Offices of Boards and Divisions. The DEA and FBI have laboratories and would be concerned with RCRA requirements. The Bureau of Prisons has waste treatment facilities, manufacturing processes, hospital facilities, and steam generating facilities in various locations in the United States. The Department or the Bureaus have no environmental auditing program at the present time. Environmental concerns at present are the responsibility of each Bureau Safety Office. The Department is interested in developing audit programs for the DEA, FBI, and Bureau of Prisons in the future.

Program Status: No program*

Program Scope: NA

Agency/Contractor Auditing: NA

Responsible Office(s): NA

Auditing Purpose:	Compliance Analysis	<u>NA</u>
	Management Review	<u>NA</u>
	Liability Assessment	<u>NA</u>

Audit Frequency: NA

*As described on p. 2-1.

FEDERAL AGENCY AUDITING REVIEW

Agency/Department: National Aeronautics and Space Administration

Contact/Title: Ms. Joyce Jatko, Real Estate Management Branch

Address: 400 Maryland Ave., S.W.
Washington, DC 20546

Phone Number: (202) 453-1962

Program Description: NASA's environmental auditing program began 2 years ago and 21 NASA facilities have been audited. The audits cover all applicable environmental regulations and the overall environmental management of the facilities. The typical audit team consists of 3 or 4 people and they spend between 3 and 5 days in the field per audit. The audit team is made up of environmentally trained contractors. A typical audit costs \$30,000 - \$50,000 to perform. The audit contractors have standard written procedures for conducting the audits. Following an audit, the facility receives a written report of the audit findings. Currently, no follow-up action is taken to ensure that audit recommendations are implemented. Audits may be contracted out by either headquarters or the facility itself.

Program Status: Comprehensive program established

Program Scope: Comprehensive audit of all environmental media

Agency/Contractor Auditing: Contractor

Responsible Office(s): Headquarters

Auditing Purpose:	Compliance Analysis	<u>YES</u>
	Management Review	<u>YES</u>
	Liability Assessment	<u>YES</u>

Audit Frequency: No specified frequency

FEDERAL AGENCY AUDITING REVIEW

Agency/Department: U.S. Postal Service

Contact/Title: Ed Wandelt, National Environmental Coordinator

Address: 475 L'Enfant Plaza West, S.W.
Washington, D.C. 20260

Phone Number: (202) 268-3135

Program Description: The U.S. Postal Service has several environmental programs and is interested in environmental auditing. The Postal Service has over 7,000 large buildings (over 5,000 sq. ft.) in urban areas. They have approximately 300 vehicle maintenance repair facilities, 10 bulk mail centers (about 100,000 sq. ft. with alot of automation), and 300 general mail facilities. Many of these facilities use substances currently regulated under TSCA and RCRA.

The Postal Service has an Environmental Task Force which is comprised of members from several departments. The Postal Service has five regions and each region has an environmental coordinator. The Postal Service has annual occupational health and safety inspections and has performed surveys of PCB transformers, asbestos, and underground storage tanks.

The Postal Service is most concerned about old industrial sites acquired for the development of large post offices, because of the possibility of buried hazardous wastes and resulting liability. As a result, the services performs environmental assessments of sites for 30,000 sq. ft. buildings or greater, checking the sites for hazardous waste. At this time a formalized environmental auditing program is not planned.

Program Status: No program*

Program Scope: NA

Agency/Contractor Auditing: NA

Responsible Office(s): NA

Auditing Purpose:	Compliance Analysis	<u>NA</u>
	Management Review	<u>NA</u>
	Liability Assessment	<u>NA</u>

Audit Frequency: NA

*As described on p. 2-1.

FEDERAL AGENCY AUDITING REVIEW

Agency/Department: Smithsonian Institution

Contact/Title: Jolanda Janczewski, Acting Chief, Safety Division

Address: 955 L'Enfant Plaza
Suite 3300
Washington, DC 20560

Phone Number: (202) 287-3611

Program Description: The Smithsonian does not currently conduct environmental audits. The Smithsonian conducts annual occupational health and safety inspections which they hope to broaden to include environmental auditing. They have a staff of inspectors, a few of which have some environmental background, who observe and note environmental problem areas on their inspections. The Smithsonian has a number of research facilities and many of the museums have some type of laboratory included in their facility. They also have some electroplating and painting operations. The Safety Division plans to incorporate an environmental auditing program in their annual inspection program.

Program Status: No program*

Program Scope: NA

Agency/Contractor Auditing: NA

Responsible Office(s): NA

Auditing Purpose:	Compliance Analysis	<u>NA</u>
	Management Review	<u>NA</u>
	Liability Assessment	<u>NA</u>

Audit Frequency: NA

*As described on p. 2-1.

FEDERAL AGENCY AUDITING REVIEW

Agency/Department: Tennessee Valley Authority

Contact/Title: John Thurmond, Head, Environmental Compliance
Auditing

Address: 309 Walnut Street, Room 227
Summer Place Building
Knoxville, TN 37902

Phone Number: (615) 632-6601

Program Description: TVA began conducting environmental compliance audits in 1980. A formal auditing program was established in 1984, with the overall purpose of evaluating and verifying environmental compliance, and providing information to TVA management. The facilities audited include: 12 coal-fired steam plants; four gas turbine installations; three nuclear plants; 29 hydroelectric plants; one pumped storage facility; the National Fertilizer Development Center; and a large number of minor facilities and activities. Major facilities are audited at least once every two years and most minor facilities once every three years. Audits vary in length from one day to over a week depending upon the facility being audited. Audits encompass all environmental media, utilizing formal audit procedures. Formal written reports are prepared and submitted to management of the audited facility, the General Manager of TVA, and the Board of Directors. All findings are tracked on a computerized tracking system. TVA's annual environmental auditing budget is about \$270,000, including audits of private firms under contract for hazardous waste disposal.

The audit program consists of four members, a program head and three lead auditors. It is located in the Environmental Quality Staff which has corporate wide environmental compliance responsibilities. Occasionally persons with special expertise from other TVA organizations and the private sector are used to supplement audit teams. Lead auditors are experienced and trained in auditing standards and techniques, and the program adheres to recognized standards of professional internal auditing as established by the Institute of Internal Auditors and the Comptroller General of the United States. Lead auditors maintain close contact with environmental auditors from other agencies and private industry.

Program Status: Comprehensive program established

Program Scope: Comprehensive audit of all environmental media

Agency/Contractor Auditing: Agency

Responsible Office(s): Corporate Headquarters/Compliance and
Permitting Group

(continued on p. 3-34)

Tennessee Valley Authority (continued)

Auditing Purpose: Compliance Analysis YES
Management Review YES
Liability Assessment YES

Audit Frequency: Major facilities - every 2 years
Minor facilities - every 3 years

FEDERAL AGENCY AUDITING REVIEW

Agency/Department: U.S. Coast Guard/Department of Transportation

Contact/Title: William McGovern, Chief
Environmental Compliance Section

Address: U.S. Coast Guard Headquarters (G-ECV-5B)
2100 Second Street, S.W.
Washington, DC 20593-0001

Phone Number: (202) 267-1944

Program Description: The Coast Guard operates numerous air stations and search and rescue stations in addition to their vessel fleet. Their environmental emphasis over the last three years has been on RCRA compliance, and their audits to date have been limited to RCRA issues. Facilities have been audited each year since 1984 according to the resources available, and as of the end of 1986, 50 facilities have been audited. Audit teams have consisted of at least one representative each from Headquarters, a district Coast Guard office, and a contractor provided by the Defense Logistics Agency. No formal protocols are utilized. Written reports are submitted to Headquarters and to the management of the audited facility. Audits to date have cost less than \$5,000 each.

Program Status: Partial program established

Program Scope: RCRA compliance

Agency/Contractor Auditing: NA

Responsible Office(s): Headquarters

Auditing Purpose: Compliance Analysis	<u>YES</u>
Management Review	<u>NO</u>
Liability Assessment	<u>NO</u>

Audit Frequency: No set frequency

FEDERAL AGENCY AUDITING REVIEW

Agency/Department: Federal Aviation Administration/Department
of Transportation

Contact/Title: Tony Fazio, Economist

Address: FAA-AEE110
800 Independence Avenue
Washington, DC 20591

Phone Number: (202) 267-3564

Program Description: The FAA owns and maintains thousands of radar towers and communication link systems throughout the United States. The FAA does not have an environmental auditing program and tentatively has no plans to implement one. A contractor conducted a survey of 40 sites this year located in one of their nine regions, and found only 2 or 3 contained a small amount of waste oil and stored cans of solvent. The solvent will soon be replaced with aerosol spray cans (for cleaning contacts). They do plan for the contractor to conduct a similar study for another region to verify that environmental issues are of minimal concern. The FAA thinks that an environmental auditing program will be unnecessary.

Program Status: No program*

Program Scope: NA

Agency/Contractor Auditing: NA

Responsible Office(s): NA

Auditing Purpose:	Compliance Analysis	<u>NA</u>
	Management Review	<u>NA</u>
	Liability Assessment	<u>NA</u>

Audit Frequency: NA

*As described in p. 2-1.

FEDERAL AGENCY AUDITING REVIEW

Agency/Department: Federal Highway Administration/Department of
Transportation

Contact/Title: Bernard Landry, Safety Engineer

Address: HMS-4, 400 7th St., S.W.
Washington, DC 20590

Phone Number: (202) 366-0630

Program Description: FHWA has three material testing laboratories, a research laboratory in McLean, Virginia, and several laboratory trailers which they use on highway construction sites. While the FHWA presently has no environmental auditing program, it does have a safety inspection program that includes monitoring the handling and disposal of chemicals. FHWA uses a large quantity of solvents for testing asphalt, and therefore has some underground storage tanks and two hazardous waste storage tanks. FHWA Headquarters inspects the laboratories at least every other year, and is interested in tracking the chemicals at each facility from purchase through disposal.

Program Status: No program*

Program Scope: NA

Agency/Contractor Auditing: NA

Responsible Office(s): NA

Auditing Purpose:	Compliance Analysis	<u>NA</u>
	Management Review	<u>NA</u>
	Liability Assessment	<u>NA</u>

Audit Frequency: NA

*As described in p. 2-1.

FEDERAL AGENCY AUDITING REVIEW

Agency/Department: Bureau of Engraving and Printing/Department of the Treasury

Contact/Title: Barbara Vaudreuil, Manager, Research and Development Division

Address: Bureau of Engraving and Printing
14th and C Street, S.W.
Washington, DC 20228

Phone Number: (202) 447-1361

Program Description: The Bureau manufactures plates, cylinders, and inks which are used in-house to print paper currency, postage stamps and other security documents. The main environmental concerns addressed by the Bureau are VOC emissions, waste water discharges, and hazardous wastes from the inks and solvents used in manufacturing securities and from laboratory operations. At the present time, the Bureau has an active and formal environmental compliance program. Under this program, the Bureau's Environmental Subcommittee reviews equipment, materials and processes for environmental compliance, obtains permits, performs monitoring and record-keeping, and submits reports to federal and local environmental authorities. The Bureau has committed to establish an internal environmental auditing program during FY 87.

Program Status: Program under development

Program Scope: Comprehensive audit of all media (planned)

Agency/Contractor Auditing: Contractor (planned)

Responsible Offices: Office of the Assistant Director,
Research & Engineering

Purpose: Compliance Analysis - YES (planned)
Management Review - YES (planned)
Liability Assessment - NO

Frequency: Biannual

FEDERAL AGENCY AUDITING REVIEW

Agency/Department: Bureau of the Mint/Department of Treasury

Contact/Title: Jerome Rellen, Chief, Assay Division

Address: Assay Division
633 3rd Street, N.W.
Washington, DC 20001

Phone Number: (202) 376-0982

Program Description: The Bureau of the Mint started an auditing program in 1986. They plan to audit each of their four coin processing plants each year. The audits cover mainly water and hazardous waste concerns at each facility, including laboratories. They have no written formal auditing procedures at present, but plan to develop procedures for use in the future. The audit team includes the Chief and two safety officers. Written reports of each audit are prepared and corrective recommendations are followed up.

Program Status: Program under development

Program Scope: Audits cover water and hazardous waste concerns

Agency/Contractor Auditing: Agency

Responsible Office(s): Headquarters (Assay Division)

Auditing Purpose:	Compliance Analysis	<u>YES</u> (planned)
	Management Review	<u>NO</u>
	Liability Assessment	<u>NO</u>

Audit Frequency: Annual (planned)

FEDERAL AGENCY AUDITING REVIEW

Agency/Department: Veterans Administration

Contact/Title: Jim Lefter, Associate Director
Engineering Service

Address: Office of Facilities (088C)
Veterans Administration
810 Vermont Ave, N.W.
Washington, DC 20420

Phone Number: (202) 233-3663

Program Description: The Veterans Administration (VA) has been conducting environmental and occupational health evaluations since 1976. Among other activities, the VA has sent out questionnaires to its medical centers concerning RCRA type waste, which it plans to follow up the questionnaire with some site visits. Much of the actual waste management responsibility is decentralized (at each medical center). The VA is realigning some of the environmental responsibilities at this level and it may be some time before a clear definition of their future needs is possible. While the VA currently has no environmental auditing program, it is planning to assess its environmental auditing needs.

Program Status: No program*

Program Scope: NA

Agency/Contractor Auditing: NA

Responsible Office(s): NA

Auditing Purpose: Compliance Analysis	<u>NA</u>
Management Review	<u>NA</u>
Liability Assessment	<u>NA</u>

Audit Frequency: NA

*As described in p. 2-1.

APPENDIX A

EPA ENVIRONMENTAL AUDITING POLICY STATEMENT

Environmental Protection Agency

**Wednesday
July 9, 1986**

Part IV

**Environmental
Protection Agency**

**Environmental Auditing Policy Statement;
Notice**

**ENVIRONMENTAL PROTECTION
AGENCY**

DPE-FRL-3046-6)

**Environmental Auditing Policy
Statement****AGENCY:** Environmental Protection
Agency (EPA).**ACTION:** Final policy statement.

SUMMARY: It is EPA policy to encourage the use of environmental auditing by regulated entities to help achieve and maintain compliance with environmental laws and regulations, as well as to help identify and correct unregulated environmental hazards. EPA first published this policy as interim guidance on November 8, 1985 (50 FR 46504). Based on comments received regarding the interim guidance, the Agency is issuing today's final policy statement with only minor changes.

This final policy statement specifically:

- Encourages regulated entities to develop, implement and upgrade environmental auditing programs;
- Discusses when the Agency may or may not request audit reports;
- Explains how EPA's inspection and enforcement activities may respond to regulated entities' efforts to assure compliance through auditing;
- Endorses environmental auditing at federal facilities;
- Encourages state and local environmental auditing initiatives; and
- Outlines elements of effective audit programs.

Environmental auditing includes a variety of compliance assessment techniques which go beyond those legally required and are used to identify actual and potential environmental problems. Effective environmental auditing can lead to higher levels of overall compliance and reduced risk to human health and the environment. EPA endorses the practice of environmental auditing and supports its accelerated use by regulated entities to help meet the goals of federal, state and local environmental requirements. However, the existence of an auditing program does not create any defense to, or otherwise limit, the responsibility of any regulated entity to comply with applicable regulatory requirements.

States are encouraged to adopt these or similar and equally effective policies in order to advance the use of environmental auditing on a consistent, nationwide basis.

DATES: This final policy statement is effective July 9, 1986.

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SUPPLEMENTARY INFORMATION:**ENVIRONMENTAL AUDITING
POLICY STATEMENT****I. Preamble**

On November 8, 1985 EPA published an Environmental Auditing Policy Statement, effective as interim guidance, and solicited written comments until January 7, 1986.

Thirteen commenters submitted written comments. Eight were from private industry. Two commenters represented industry trade associations. One federal agency, one consulting firm and one law firm also submitted comments.

Twelve commenters addressed EPA requests for audit reports. Three comments per subject were received regarding inspections, enforcement response and elements of effective environmental auditing. One commenter addressed audit provisions as remedies in enforcement actions, one addressed environmental auditing at federal facilities, and one addressed the relationship of the policy statement to state or local regulatory agencies. Comments generally supported both the concept of a policy statement and the interim guidance, but raised specific concerns with respect to particular language and policy issues in sections of the guidance.

General Comments

Three commenters found the interim guidance to be constructive, balanced and effective at encouraging more and better environmental auditing.

Another commenter, while considering the policy on the whole to be constructive, felt that new and identifiable auditing "incentives" should be offered by EPA. Based on earlier comments received from industry, EPA believes most companies would not support or participate in an "incentives-based" environmental auditing program with EPA. Moreover, general promises to forgo inspections or reduce enforcement responses in exchange for companies' adoption of environmental auditing programs—the "incentives" most frequently mentioned in this context—are fraught with legal and policy obstacles.

Several commenters expressed concern that states or localities might

use the interim guidance to *require* auditing. The Agency disagrees that the policy statement opens the way for states and localities to require auditing. No EPA policy can grant states or localities any more (or less) authority than they already possess. EPA believes that the interim guidance effectively encourages *voluntary* auditing. In fact, Section II.B. of the policy states: "because audit quality depends to a large degree on genuine management commitment to the program and its objectives, auditing should remain a voluntary program."

Another commenter suggested that EPA should not expect an audit to identify all potential problem areas or conclude that a problem identified in an audit reflects normal operations and procedures. EPA agrees that an audit report should clearly reflect these realities and should be written to point out the audit's limitations. However, since EPA will not routinely request audit reports, the Agency does not believe these concerns raise issues which need to be addressed in the policy statement.

A second concern expressed by the same commenter was that EPA should acknowledge that environmental audits are only part of a successful environmental management program and thus should not be expected to cover every environmental issue or solve all problems. EPA agrees and accordingly has amended the statement of purpose which appears at the end of this preamble.

Yet another commenter thought EPA should focus on environmental performance results (compliance or non-compliance), not on the processes or vehicles used to achieve those results. In general, EPA agrees with this statement and will continue to focus on environmental results. However, EPA also believes that such results can be improved through Agency efforts to identify and encourage effective environmental management practices, and will continue to encourage such practices in non-regulatory ways.

A final general comment recommended that EPA should sponsor seminars for small businesses on how to start auditing programs. EPA agrees that such seminars would be useful. However, since audit seminars already are available from several private sector organizations, EPA does not believe it should intervene in that market, with the possible exception of seminars for government agencies, especially federal agencies, for which EPA has a broad mandate under Executive Order 12088 to

provide technical assistance for environmental compliance.

Requests for Reports

EPA received 12 comments regarding Agency requests for environmental audit reports, far more than on any other topic in the policy statement. One commenter felt that EPA struck an appropriate balance between respecting the need for self-evaluation with some measure of privacy, and allowing the Agency enough flexibility of inquiry to accomplish future statutory missions. However, most commenters expressed concern that the interim guidance did not go far enough to assuage corporate fears that EPA will use audit reports for environmental compliance "witch hunts." Several commenters suggested additional specific assurances regarding the circumstances under which EPA will request such reports.

One commenter recommended that EPA request audit reports only "when the Agency can show the information it needs to perform its statutory mission cannot be obtained from the monitoring, compliance or other data that is otherwise reportable and/or accessible to EPA, or where the Government deems an audit report material to a criminal investigation." EPA accepts this recommendation in part. The Agency believes it would not be in the best interest of human health and the environment to commit to making a "showing" of a compelling information need before ever requesting an audit report. While EPA may normally be willing to do so, the Agency cannot rule out in advance all circumstances in which such a showing may not be possible. However, it would be helpful to further clarify that a request for an audit report or a portion of a report normally will be made when needed information is not available by alternative means. Therefore, EPA has revised Section III.A., paragraph two and added the phrase: "and usually made where the information needed cannot be obtained from monitoring, reporting or other data otherwise available to the Agency."

Another commenter suggested that (except in the case of criminal investigations) EPA should limit requests for audit documents to specific questions. By including the phrase "or relevant portions of a report" in Section III.A., EPA meant to emphasize it would not request an entire audit document when only a relevant portion would suffice. Likewise, EPA fully intends not to request even a portion of a report if needed information or data can be otherwise obtained. To further clarify this point EPA has added the phrase,

"most likely focused on particular information needs rather than the entire report," to the second sentence of paragraph two, Section III.A. Incorporating the two comments above, the first two sentences in paragraph two of final Section III.A. now read: "EPA's authority to request an audit report, or relevant portions thereof, will be exercised on a case-by-case basis where the Agency determines it is needed to accomplish a statutory mission or the Government deems it to be material to a criminal investigation. EPA expects such requests to be limited, most likely focused on particular information needs rather than the entire report, and usually made where the information needed cannot be obtained from monitoring, reporting or other data otherwise available to the Agency."

Other commenters recommended that EPA not request audit reports under any circumstances, that requests be "restricted to only those legally required," that requests be limited to criminal investigations, or that requests be made only when EPA has reason to believe "that the audit programs or reports are being used to conceal evidence of environmental non-compliance or otherwise being used in bad faith." EPA appreciates concerns underlying all of these comments and has considered each carefully. However, the Agency believes that these recommendations do not strike the appropriate balance between retaining the flexibility to accomplish EPA's statutory missions in future, unforeseen circumstances, and acknowledging regulated entities' need to self-evaluate environmental performance with some measure of privacy. Indeed, based on prime informal comments, the small number of formal comments received, and the even smaller number of adverse comments, EPA believes the final policy statement should remain largely unchanged from the interim version.

Elements of Effective Environmental Auditing

Three commenters expressed concerns regarding the seven general elements EPA outlined in the Appendix to the interim guidance.

One commenter noted that were EPA to further expand or more fully detail such elements, programs not specifically fulfilling each element would then be judged inadequate. EPA agrees that presenting highly specific and prescriptive auditing elements could be counter-productive by not taking into account numerous factors which vary extensively from one organization to another, but which may still result in effective auditing programs.

Accordingly, EPA does not plan to expand or more fully detail these auditing elements.

Another commenter asserted that states and localities should be cautioned not to consider EPA's auditing elements as mandatory steps. The Agency is fully aware of this concern and in the interim guidance noted its strong opinion that "regulatory agencies should not attempt to prescribe the precise form and structure of regulated entities' environmental management or auditing programs." While EPA cannot require state or local regulators to adopt this or similar policies, the Agency does strongly encourage them to do so, both in the interim and final policies.

A final commenter thought the Appendix too specifically prescribed what should and what should not be included in an auditing program. Other commenters, on the other hand, viewed the elements described as very general in nature. EPA agrees with these other commenters. The elements are in no way binding. Moreover, EPA believes that most mature, effective environmental auditing programs do incorporate each of these general elements in some form, and considers them useful yardsticks for those considering adopting or upgrading audit programs. For these reasons EPA has not revised the Appendix in today's final policy statement.

Other Comments

Other significant comments addressed EPA inspection priorities for, and enforcement responses to, organizations with environmental auditing programs.

One commenter, stressing that audit programs are *internal* management tools, took exception to the phrase in the second paragraph of section III.B.1. of the interim guidance which states that environmental audits can 'complement' regulatory oversight. By using the word 'complement' in this context, EPA does not intend to imply that audit reports must be obtained by the Agency in order to supplement regulatory inspections. 'Complement' is used in a broad sense of being in addition to inspections and providing something (i.e., self-assessment) which otherwise would be lacking. To clarify this point EPA has added the phrase "by providing self-assessment to assure compliance" after "environmental audits may complement inspections" in this paragraph.

The same commenter also expressed concern that, as EPA sets inspection priorities, a company having an audit program could appear to be a 'poor performer' due to complete and accurate reporting when measured against a

company which reports something less than required by law. EPA agrees that it is important to communicate this fact to Agency and state personnel, and will do so. However, the Agency does not believe a change in the policy statement is necessary.

A further comment suggested EPA should commit to take auditing programs into account when assessing all enforcement actions. However, in order to maintain enforcement flexibility under varied circumstances, the Agency cannot promise reduced enforcement responses to violations at all audited facilities when other factors may be overriding. Therefore the policy statement continues to state that EPA may exercise its discretion to consider auditing programs as evidence of honest and genuine efforts to assure compliance, which would then be taken into account in fashioning enforcement responses to violations.

A final commenter suggested the phrase "expeditiously correct environmental problems" not be used in the enforcement context since it implied EPA would use an entity's record of correcting nonregulated matters when evaluating regulatory violations. EPA did not intend for such an inference to be made. EPA intended the term "environmental problems" to refer to the underlying circumstances which eventually lead up to the violations. To clarify this point, EPA is revising the first two sentences of the paragraph to which this comment refers by changing "environmental problems" to "violations and underlying environmental problems" in the first sentence and to "underlying environmental problems" in the second sentence.

In a separate development EPA is preparing an update of its January 1984 *Federal Facilities Compliance Strategy*, which is referenced in section III. C. of the auditing policy. The Strategy should be completed and available on request from EPA's Office of Federal Activities later this year.

EPA thanks all commenters for responding to the November 8, 1985 publication. Today's notice is being issued to inform regulated entities and the public of EPA's final policy toward environmental auditing. This policy was developed to help (a) encourage regulated entities to institutionalize effective audit practices as one means of improving compliance and sound environmental management, and (b) guide internal EPA actions directly related to regulated entities' environmental auditing programs.

EPA will evaluate implementation of this final policy to ensure it meets the above goals and continues to encourage

better environmental management, while strengthening the Agency's own efforts to monitor and enforce compliance with environmental requirements.

II. General EPA Policy on Environmental Auditing

A. Introduction

Environmental auditing is a systematic, documented, periodic and objective review by regulated entities¹ of facility operations and practices related to meeting environmental requirements. Audits can be designed to accomplish any or all of the following: verify compliance with environmental requirements; evaluate the effectiveness of environmental management systems already in place; or assess risks from regulated and unregulated materials and practices.

Auditing serves as a quality assurance check to help improve the effectiveness of basic environmental management by verifying that management practices are in place, functioning and adequate. Environmental audits evaluate, and are not a substitute for, direct compliance activities such as obtaining permits, installing controls, monitoring compliance, reporting violations, and keeping records. Environmental auditing may verify but does not include activities required by law, regulation or permit (e.g., continuous emissions monitoring, composite correction plans at wastewater treatment plants, etc.). Audits do not in any way replace regulatory agency inspections. However, environmental audits can improve compliance by complementing conventional federal, state and local oversight.

The appendix to this policy statement outlines some basic elements of environmental auditing (e.g., auditor independence and top management support) for use by those considering implementation of effective auditing programs to help achieve and maintain compliance. Additional information on environmental auditing practices can be found in various published materials.²

¹ "Regulated entities" include private firms and public agencies with facilities subject to environmental regulation. Public agencies can include federal, state or local agencies as well as special-purpose organizations such as regional sewage commissions.

² See, e.g., "Current Practices in Environmental Auditing," EPA Report No. EPA-230-08-83-006, February 1984; "Annotated Bibliography on Environmental Auditing," Fifth Edition, September 1985, both available from: Regulatory Reform Staff, PM-223, EPA, 401 M Street SW, Washington, DC 20460.

Environmental auditing has developed for sound business reasons, particularly as a means of helping regulated entities manage pollution control affirmatively over time instead of reacting to crises. Auditing can result in improved facility environmental performance, help communicate effective solutions to common environmental problems, focus facility managers' attention on current and upcoming regulatory requirements, and generate protocols and checklists which help facilities better manage themselves. Auditing also can result in better-integrated management of environmental hazards, since auditors frequently identify environmental liabilities which go beyond regulatory compliance. Companies, public entities and federal facilities have employed a variety of environmental auditing practices in recent years. Several hundred major firms in diverse industries now have environmental auditing programs, although they often are known by other names such as assessment, survey, surveillance, review or appraisal.

While auditing has demonstrated its usefulness to those with audit programs, many others still do not audit. Clarification of EPA's position regarding auditing may help encourage regulated entities to establish audit programs or upgrade systems already in place.

B. EPA Encourages the Use of Environmental Auditing

EPA encourages regulated entities to adopt sound environmental management practices to improve environmental performance. In particular, EPA encourages regulated entities subject to environmental regulations to institute environmental auditing programs to help ensure the adequacy of internal systems to achieve, maintain and monitor compliance. Implementation of environmental auditing programs can result in better identification, resolution and avoidance of environmental problems, as well as improvements to management practices. Audits can be conducted effectively by independent internal or third party auditors. Larger organizations generally have greater resources to devote to an internal audit team, while smaller entities might be more likely to use outside auditors.

Regulated entities are responsible for taking all necessary steps to ensure compliance with environmental requirements, whether or not they adopt audit programs. Although environmental laws do not require a regulated facility to have an auditing program, ultimate responsibility for the environmental

performance of the facility lies with top management, which therefore has a strong incentive to use reasonable means, such as environmental auditing, to secure reliable information of facility compliance status.

EPA does not intend to dictate or interfere with the environmental management practices of private or public organizations. Nor does EPA intend to mandate auditing (though in certain instances EPA may seek to include provisions for environmental auditing as part of settlement agreements, as noted below). Because environmental auditing systems have been widely adopted on a voluntary basis in the past, and because audit quality depends to a large degree upon genuine management commitment to the program and its objectives, auditing should remain a voluntary activity.

III. EPA Policy on Specific Environmental Auditing Issues

A. Agency Requests for Audit Reports

EPA has broad statutory authority to request relevant information on the environmental compliance status of regulated entities. However, EPA believes routine Agency requests for audit reports³ could inhibit auditing in the long run, decreasing both the quantity and quality of audits conducted. Therefore, as a matter of policy, EPA will *not* routinely request environmental audit reports.

EPA's authority to request an audit report, or relevant portions thereof, will be exercised on a case-by-case basis where the Agency determines it is needed to accomplish a statutory mission, or where the Government deems it to be material to a criminal investigation. EPA expects such requests to be limited, most likely focused on particular information needs rather than the entire report, and usually made where the information needed cannot be obtained from monitoring, reporting or other data otherwise available to the Agency. Examples would likely include situations where: audits are conducted under consent decrees or other settlement agreements; a company has placed its management practices at issue by raising them as a defense; or state of mind or intent are a relevant element of inquiry, such as during a criminal investigation. This list

is illustrative rather than exhaustive, since there doubtless will be other situations, not subject to prediction, in which audit reports rather than information may be required.

EPA acknowledges regulated entities' need to self-evaluate environmental performance with some measure of privacy and encourages such activity. However, audit reports may not shield monitoring, compliance, or other information that would otherwise be reportable and/or accessible to EPA, even if there is no explicit 'requirement' to generate that data.⁴ Thus, this policy does not alter regulated entities' existing or future obligations to monitor, record or report information required under environmental statutes, regulations or permits, or to allow EPA access to that information. Nor does this policy alter EPA's authority to request and receive any relevant information—including that contained in audit reports—under various environmental statutes (e.g., Clean Water Act section 308, Clean Air Act sections 114 and 208) or in other administrative or judicial proceedings.

Regulated entities also should be aware that certain audit findings may by law have to be reported to government agencies. However, in addition to any such requirements, EPA encourages regulated entities to notify appropriate State or Federal officials of findings which suggest significant environmental or public health risks, even when not specifically required to do so.

B. EPA Response to Environmental Auditing

1. General Policy

EPA will not promise to forgo inspections, reduce enforcement responses, or offer other such incentives in exchange for implementation of environmental auditing or other sound environmental management practices. Indeed, a credible enforcement program provides a strong incentive for regulated entities to audit.

Regulatory agencies have an obligation to assess source compliance status independently and cannot eliminate inspections for particular firms or classes of firms. Although environmental audits may complement inspections by providing self-assessment to assure compliance, they are in no way a substitute for regulatory oversight. Moreover, certain statutes (e.g. RCRA) and Agency policies

establish minimum facility inspection frequencies to which EPA will adhere.

However, EPA will continue to address environmental problems on a priority basis and will consequently inspect facilities with poor environmental records and practices more frequently. Since effective environmental auditing helps management identify and promptly correct actual or potential problems, audited facilities' environmental performance should improve. Thus, while EPA inspections of self-audited facilities will continue, to the extent that compliance performance is considered in setting inspection priorities, facilities with a good compliance history may be subject to fewer inspections.

In fashioning enforcement responses to violations, EPA policy is to take into account, on a case-by-case basis, the honest and genuine efforts of regulated entities to avoid and promptly correct violations and underlying environmental problems. When regulated entities take reasonable precautions to avoid noncompliance, expeditiously correct underlying environmental problems discovered through audits or other means, and implement measures to prevent their recurrence, EPA may exercise its discretion to consider such actions as honest and genuine efforts to assure compliance. Such consideration applies particularly when a regulated entity promptly reports violations or compliance data which otherwise were not required to be recorded or reported to EPA.

2. Audit Provisions as Remedies in Enforcement Actions

EPA may propose environmental auditing provisions in consent decrees and in other settlement negotiations where auditing could provide a remedy for identified problems and reduce the likelihood of similar problems recurring in the future.⁵ Environmental auditing provisions are most likely to be proposed in settlement negotiations where:

- A pattern of violations can be attributed, at least in part, to the absence or poor functioning of an environmental management system; or
- The type or nature of violations indicates a likelihood that similar noncompliance problems may exist or occur elsewhere in the facility or at other facilities operated by the regulated entity.

³ An "environmental audit report" is a written report which candidly and thoroughly presents findings from a review, conducted as part of an environmental audit as described in section II.A., of facility environmental performance and practices. An audit report is not a substitute for compliance monitoring reports or other reports or records which may be required by EPA or other regulatory agencies.

⁴ See, for example, "Duties to Report or Disclose Information on the Environmental Aspects of Business Activities," Environmental Law Institute report to EPA, final report, September 1985.

⁵ EPA is developing guidance for use by negotiators in structuring appropriate environmental audit provisions for consent decrees and other settlement negotiations.

An effective environmental auditing system will likely include the following general elements:

I. Explicit top management support for environmental auditing and commitment to follow-up on audit findings. Management support may be demonstrated by a written policy articulating upper management support for the auditing program, and for compliance with all pertinent requirements, including corporate policies and permit requirements as well as federal, state and local statutes and regulations.

Management support for the auditing program also should be demonstrated by an explicit written commitment to follow-up on audit findings to correct identified problems and prevent their recurrence.

II. An environmental auditing function independent of audited activities. The status or organizational locus of environmental auditors should be sufficient to ensure objective and unobstructed inquiry, observation and testing. Auditor objectivity should not be impaired by personal relationships, financial or other conflicts of interest, interference with free inquiry or judgment, or fear of potential retribution.

III. Adequate team staffing and auditor training. Environmental auditors should possess or have ready access to the knowledge, skills, and disciplines needed to accomplish audit objectives. Each individual auditor should comply with the company's professional standards of conduct. Auditors, whether full-time or part-time, should maintain their technical and analytical competence through continuing education and training.

IV. Explicit audit program objectives, scope, resources and frequency. At a minimum, audit objectives should include assessing compliance with applicable environmental laws and evaluating the adequacy of internal compliance policies, procedures and personnel training programs to ensure continued compliance.

Audits should be based on a process which provides auditors: all corporate policies, permits, and federal, state, and local regulations pertinent to the facility; and checklists or protocols addressing specific features that should be evaluated by auditors.

Explicit written audit procedures generally should be used for planning audits, establishing audit scope, examining and evaluating audit findings, communicating audit results, and following-up.

V. A process which collects, analyzes, interprets and documents information sufficient to achieve audit objectives. Information should be collected before and during an onsite visit regarding environmental compliance(1), environmental management effectiveness(2), and other matters (3) related to audit objectives and scope. This information should be sufficient, reliable, relevant and useful to provide a sound basis for audit findings and recommendations.

a. *Sufficient* information is factual, adequate and convincing so that a prudent, informed person would be likely to reach the same conclusions as the auditor.

b. *Reliable* information is the best attainable through use of appropriate audit techniques.

c. *Relevant* information supports audit findings and recommendations and is consistent with the objectives for the audit.

d. *Useful* information helps the organization meet its goals.

The audit process should include a periodic review of the reliability and integrity of this information and the means used to identify, measure, classify and report it. Audit procedures, including the testing and sampling techniques employed, should be selected in advance, to the extent practical, and expanded or altered if circumstances warrant. The process of collecting, analyzing, interpreting, and documenting information should provide reasonable assurance that audit objectivity is maintained and audit goals are met.

VI. A process which includes specific procedures to promptly prepare candid, clear and appropriate written reports on audit findings, corrective actions, and schedules for implementation.

Procedures should be in place to ensure that such information is communicated to managers, including facility and corporate management, who can evaluate the information and ensure correction of identified problems. Procedures also should be in place for determining what internal findings are reportable to state or federal agencies.

VII. A process which includes quality assurance procedures to assure the accuracy and thoroughness of environmental audits. Quality assurance may be accomplished through supervision, independent internal reviews, external reviews, or a combination of these approaches.

Footnotes to Appendix

(1) A comprehensive assessment of compliance with federal environmental regulations requires an analysis of facility performance against numerous environmental statutes and implementing regulations. These statutes include: Resource Conservation and Recovery Act, Federal Water Pollution Control Act, Clean Air Act, Hazardous Materials Transportation Act, Toxic Substances Control Act, Comprehensive Environmental Response, Compensation and Liability Act, Safe Drinking Water Act, Federal Insecticide, Fungicide and Rodenticide Act, Marine Protection, Research and Sanctuaries Act, Uranium Mill Tailings Radiation Control Act.

In addition, state and local government are likely to have their own environmental laws. Many states have been delegated authority to administer federal programs. Many local governments' building, fire, safety and health codes also have environmental requirements relevant to an audit evaluation.

(2) An environmental audit could go well beyond the type of compliance assessment normally conducted during regulatory inspections, for example, by evaluating policies and practices, regardless of whether they are part of the environmental system or the operating and maintenance procedures. Specifically, audits can evaluate the extent to which systems or procedures:

1. Develop organizational environmental policies which: a. implement regulatory requirements; b. provide management guidance for environmental hazards not specifically addressed in regulations;

2. Train and motivate facility personnel to work in an environmentally-acceptable manner and to understand and comply with government regulations and the entity's environmental policy;

3. Communicate relevant environmental developments expeditiously to facility and other personnel;

4. Communicate effectively with government and the public regarding serious environmental incidents;

5. Require third parties working for, with or on behalf of the organization to follow its environmental procedures;

Through this consent decree approach and other means, EPA may consider how to encourage effective auditing by publicly owned sewage treatment works (POTWs). POTWs often have compliance problems related to operation and maintenance procedures which can be addressed effectively through the use of environmental auditing. Under its National Municipal Policy EPA already is requiring many POTWs to develop composite correction plans to identify and correct compliance problems.

C. Environmental Auditing at Federal Facilities

EPA encourages all federal agencies subject to environmental laws and regulations to institute environmental auditing systems to help ensure the adequacy of internal systems to achieve, maintain and monitor compliance. Environmental auditing at federal facilities can be an effective supplement to EPA and state inspections. Such federal facility environmental audit programs should be structured to promptly identify environmental problems and expeditiously develop schedules for remedial action.

To the extent feasible, EPA will provide technical assistance to help federal agencies design and initiate audit programs. Where appropriate, EPA will enter into agreements with other agencies to clarify the respective roles, responsibilities and commitments of each agency in conducting and responding to federal facility environmental audits.

With respect to inspections of self-audited facilities (see section III.B.1 above) and requests for audit reports (see section III.A above), EPA generally will respond to environmental audits by federal facilities in the same manner as it does for other regulated entities, in keeping with the spirit and intent of Executive Order 12088 and the EPA *Federal Facilities Compliance Strategy* (January 1984, update forthcoming in late 1986). Federal agencies should, however, be aware that the Freedom of Information Act will govern any disclosure of audit reports or audit-generated information requested from federal agencies by the public.

When federal agencies discover significant violations through an environmental audit, EPA encourages them to submit the related audit findings and remedial action plans expeditiously to the applicable EPA regional office (and responsible state agencies, where appropriate) even when not specifically required to do so. EPA will review the audit findings and action plans and either provide written approval or

negotiate a Federal Facilities Compliance Agreement. EPA will utilize the escalation procedures provided in Executive Order 12088 and the EPA *Federal Facilities Compliance Strategy* only when agreement between agencies cannot be reached. In any event, federal agencies are expected to report pollution abatement projects involving costs (necessary to correct problems discovered through the audit) to EPA in accordance with OMB Circular A-106. Upon request, and in appropriate circumstances, EPA will assist affected federal agencies through coordination of any public release of audit findings with approved action plans once agreement has been reached.

IV. Relationship to State or Local Regulatory Agencies

State and local regulatory agencies have independent jurisdiction over regulated entities. EPA encourages them to adopt these or similar policies, in order to advance the use of effective environmental auditing in a consistent manner.

EPA recognizes that some states have already undertaken environmental auditing initiatives which differ somewhat from this policy. Other states also may want to develop auditing policies which accommodate their particular needs or circumstances. Nothing in this policy statement is intended to preempt or preclude states from developing other approaches to environmental auditing. EPA encourages state and local authorities to consider the basic principles which guided the Agency in developing this policy:

- Regulated entities must continue to report or record compliance information required under existing statutes or regulations, regardless of whether such information is generated by an environmental audit or contained in an audit report. Required information cannot be withheld merely because it is generated by an audit rather than by some other means.

- Regulatory agencies cannot make promises to forgo or limit enforcement action against a particular facility or class of facilities in exchange for the use of environmental auditing systems. However, such agencies may use their discretion to adjust enforcement actions on a case-by-case basis in response to honest and genuine efforts by regulated entities to assure environmental compliance.

- When setting inspection priorities regulatory agencies should focus to the extent possible on compliance performance and environmental results.

- Regulatory agencies must continue to meet minimum program requirements

(e.g., minimum inspection requirements, etc.).

- Regulatory agencies should not attempt to prescribe the precise form and structure of regulated entities' environmental management or auditing programs.

An effective state/federal partnership is needed to accomplish the mutual goal of achieving and maintaining high levels of compliance with environmental laws and regulations. The greater the consistency between state or local policies and this federal response to environmental auditing, the greater the degree to which sound auditing practices might be adopted and compliance levels improve.

Dated: June 28, 1986.

Lee M. Thomas,
Administrator.

Appendix—Elements of Effective Environmental Auditing Programs

Introduction: Environmental auditing is a systematic, documented, periodic and objective review by a regulated entity of facility operations and practices related to meeting environmental requirements.

Private sector environmental audits of facilities have been conducted for several years and have taken a variety of forms, in part to accommodate unique organizational structures and circumstances. Nevertheless, effective environmental audits appear to have certain discernible elements in common with other kinds of audits. Standards for internal audits have been documented extensively. The elements outlined below draw heavily on two of these documents: "Compendium of Audit Standards" (©1983, Walter Willborn, American Society for Quality Control) and "Standards for the Professional Practice of Internal Auditing" (©1981, The Institute of Internal Auditors, Inc.). They also reflect Agency analyses conducted over the last several years.

Performance-oriented auditing elements are outlined here to help accomplish several objectives. A general description of features of effective, mature audit programs can help those starting audit programs, especially federal agencies and smaller businesses. These elements also indicate the attributes of auditing EPA generally considers important to ensure program effectiveness. Regulatory agencies may use these elements in negotiating environmental auditing provisions for consent decrees. Finally, these elements can help guide states and localities considering auditing initiatives.

6. Make proficient personnel available at all times to carry out environmental (especially emergency) procedures;

7. Incorporate environmental protection into written operating procedures;

8. Apply best management practices and operating procedures, including "good housekeeping" techniques;

9. Institute preventive and corrective maintenance systems to minimize actual and potential environmental harm;

10. Utilize best available process and control technologies;

11. Use most-effective sampling and monitoring techniques, test methods, recordkeeping systems or reporting protocols (beyond minimum legal requirements);

12. Evaluate causes behind any serious environmental incidents and establish procedures to avoid recurrence;

13. Exploit source reduction, recycle and reuse potential wherever practical; and

14. Substitute materials or processes to allow use of the least-hazardous substances feasible.

(7) Auditors could also assess environmental risks and uncertainties.

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