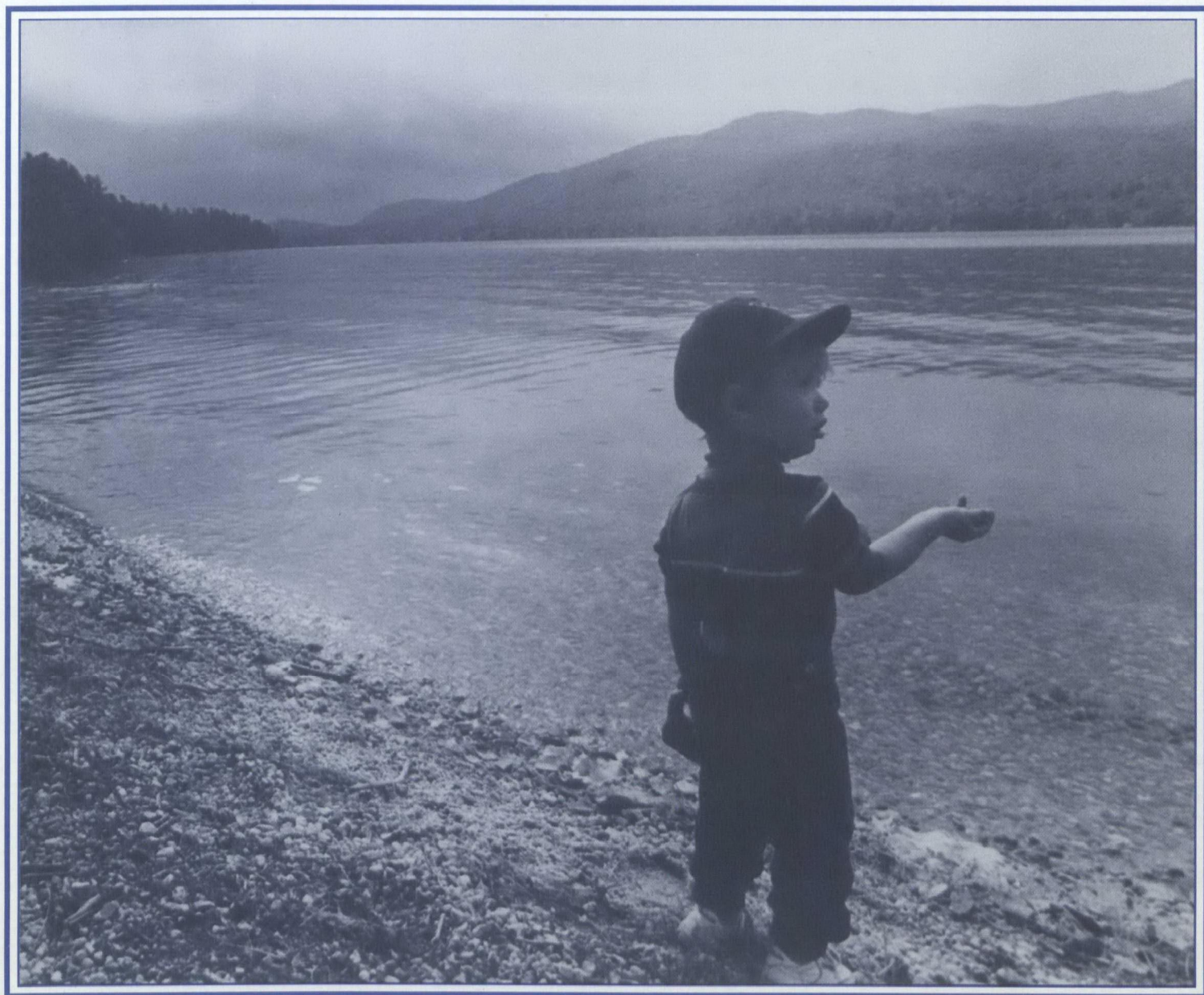




1997 Integrity Act Report To The President And Congress

Federal Managers' Financial
Integrity Act (P.L. 97-255)

October 1, 1996 - September 30, 1997



Cover photo by Steve Delaney



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

DEC 19 1997

THE ADMINISTRATOR

The President
The White House
Washington, DC 20500

Dear Mr. President:

I am pleased to report that the Environmental Protection Agency's (EPA) management and financial controls, with several exceptions noted, provide reasonable assurance that the Agency's programs and resources are protected from fraud, waste, and mismanagement. In my judgment, EPA has achieved the intent of the *Federal Managers' Financial Integrity Act* (P.L. 97-255), to prevent problems through systematic review and evaluation of the Agency's programs and operations.

My assurance to you is based on EPA's annual self-evaluations, conducted in accordance with the Office of Management and Budget's (OMB) national management integrity guidance under Circular A-123, *Management Accountability and Control*. Over the last year, EPA's Assistant and Regional Administrators have carried out this policy by exercising personal judgment in reviewing their operations and in identifying, correcting, or reporting significant issues that affect the management integrity of the Agency's environmental programs.

In October 1997, my Senior Leadership Council (SLC) invited senior managers from EPA's principal oversight agencies -- OMB, the General Accounting Office (GAO) and EPA's Inspector General -- to present their views of the Agency's most significant management problems. This annual discussion with some of EPA's toughest evaluators in government is of great value in challenging the Agency's own estimates of success in managing our environmental programs.

Our senior managers held follow-up meetings with our oversight colleagues to clarify positions and to provide the latest information on EPA's progress in addressing issues identified at the meeting. I am pleased to report that these sessions enabled all parties to gain a better understanding and appreciation of each other's perspectives, and to maintain a continuing dialogue on difficult management questions.

The SLC met again in November 1997 to review the results of EPA's self-evaluations, including the Assistant and Regional Administrators' formal responses to OMB's, GAO's, and the Office of Inspector General's material weakness candidates. The SLC then developed its recommendations on the status of EPA's management control weaknesses and financial non-conformances for my final decision, which I am conveying to you in this report.

As a result of this systematic Agency-wide evaluation process, I am pleased to advise you that EPA corrected three of its five material management control weaknesses: 1) *Environmental Data Quality*, 2) *Accounting System-Related Financial Management Problems*, and 3) *Information Resources Management Planning and Investment*. These weaknesses were identified by EPA more than six years ago, and their final correction this year reflects the results of sustained senior management attention during this Administration.

Two material weaknesses are scheduled for correction in FY 1999 and FY 2002 respectively: 1) *Grants Close Out and Oversight of Assistance Agreements*, and 2) *Construction Grants Close Out*. EPA is making excellent progress in closing out its open grant commitments and in deobligating and reusing or returning expired funds to the U.S. Treasury. I am also pleased to report that EPA corrected its three longstanding financial non-conformances with government-wide accounting standards, bringing the Agency into compliance with those requirements.

Finally, I am identifying one new material weakness: *Information Systems Security Plans*. EPA's major information systems may be at risk due to incomplete or inadequate security plans. This area had been identified as a vulnerability by EPA's information resources managers and the Office of Inspector General, and is scheduled for correction in FY 1999. The plans and corrective action milestones for these weaknesses are contained in the enclosures to this report.

With your sustained leadership and support, I will continue my efforts with the Congress, our State and Tribal partners, and the American people to protect the integrity of EPA's programs as we develop and carry out common sense, cost effective, and flexible strategies to protect public health and the environment.

Sincerely,

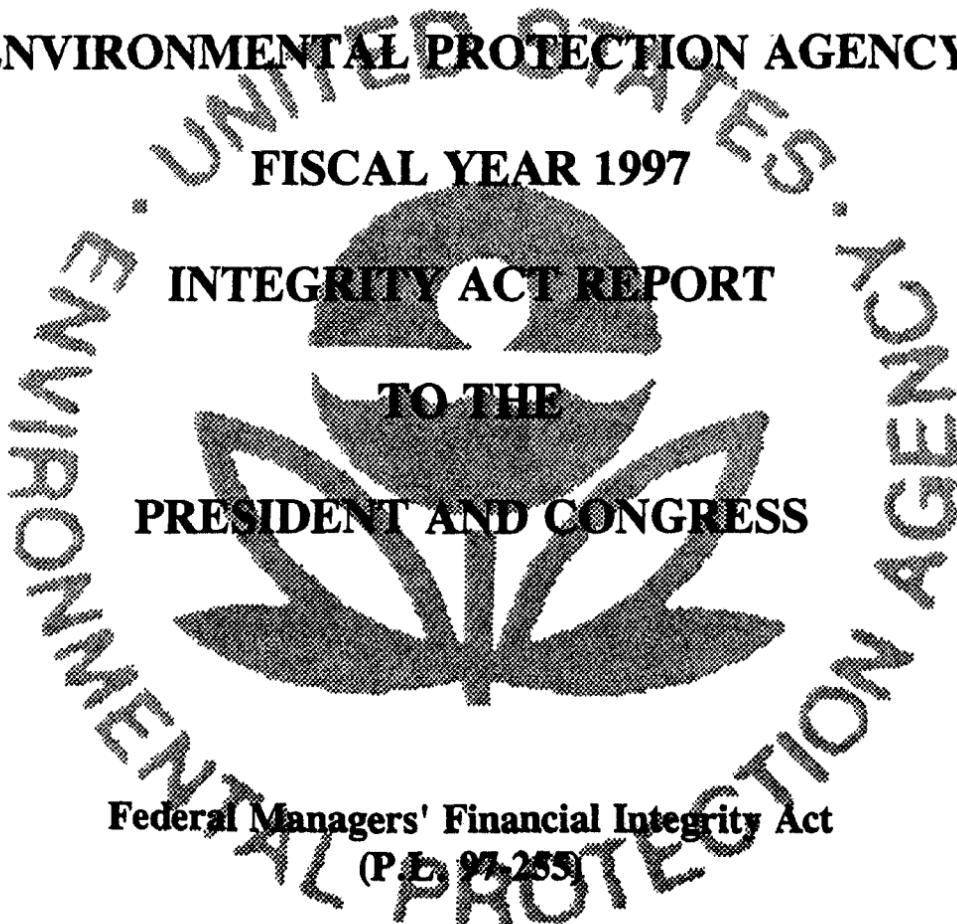


Carol M. Browner

Enclosures

Identical letters sent to The Honorable Albert Gore, Vice President of the United States, as President of the Senate, and to The Honorable Newt Gingrich, Speaker of the House of Representatives.

UNITED STATES
ENVIRONMENTAL PROTECTION AGENCY
FISCAL YEAR 1997
INTEGRITY ACT REPORT
TO THE
PRESIDENT AND CONGRESS

The seal of the United States Environmental Protection Agency is a circular emblem. It features a stylized flower with three leaves at the base and a sun-like circle at the top. The words "UNITED STATES ENVIRONMENTAL PROTECTION AGENCY" are written in a circular path around the central flower.

Federal Managers' Financial Integrity Act
(P.L. 97-255)

October 1, 1996 - September 30, 1997

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ENCLOSURE A

STATISTICAL SUMMARY OF PERFORMANCE

1997 INTEGRITY ACT REPORT U.S ENVIRONMENTAL PROTECTION AGENCY

Integrity Act Section 2	NUMBER OF MATERIAL WEAKNESSES		
	Number reported for the first time in:	For that year, number that have been corrected:	For that year, number still pending:
Prior Years	42	42	0
1995 Report	0	0	0
1996 Report	2	0	2
1997 Report	1	0	1
Total	45	42	3

Of the total number corrected, how many were corrected in 1997? 3

Integrity Act Section 4	NUMBER OF FINANCIAL NON-CONFORMANCES		
	Number reported for the first time in:	For that year, number that have been corrected:	For that year, number still pending:
Prior Years	18	18	0
1995 Report	0	0	0
1996 Report	0	0	0
1997 Report	0	0	0
Total	18	18	0

Of the total number corrected, how many were corrected in 1997? 3

ENCLOSURE B

SUMMARY OF MATERIAL WEAKNESSES AND SCHEDULE OF CORRECTIVE ACTIONS

1997 INTEGRITY ACT REPORT U.S. ENVIRONMENTAL PROTECTION AGENCY

NEW MATERIAL WEAKNESSES	FISCAL YEAR FIRST REPORTED	LAST YEAR'S CORRECTION DATE (FY)	CURRENT CORRECTION DATE (FY)	Page
1. Information Systems Security Plans	1997	N/A	1999	B-2
CARRY OVER MATERIAL WEAKNESSES	FISCAL YEAR FIRST REPORTED	LAST YEAR'S CORRECTION DATE (FY)	CURRENT CORRECTION DATE (FY)	Page
1. Grants Close Outs and Oversight of Assistance Agreements	1996	1998	1999	B-4
2. Construction Grants Close Out	1996	2002	2002	B-6
CORRECTED MATERIAL WEAKNESSES	FISCAL YEAR FIRST REPORTED	LAST YEAR'S CORRECTION DATE (FY)	FINAL CORRECTION DATE (FY)	Page
1. Environmental Data Quality	1992	1997	1997	B-8
2. Accounting System-Related Financial Management Problems	1992	1997	1997	B-10
3. Information Resources Planning & Investment	1992	1997	1997	B-12



ENVIRONMENTAL PROTECTION AGENCY FY 1997 INTEGRITY ACT REPORT

<input checked="" type="checkbox"/> Material Weakness	<input type="checkbox"/> Financial Non-conformance	<input type="checkbox"/> Agency Weakness
<input checked="" type="checkbox"/> New	<input type="checkbox"/> Corrected	<input type="checkbox"/> Carryover

TITLE: *Information Systems Security Plans*

DESCRIPTION: Office of Inspector General (OIG) audits identified that security plans for many of the Agency's major applications and general support systems are deficient or non-existent, potentially placing the respective Agency organizations in a state of non-compliance with Federal and Agency regulations. Security plans serve as a management control mechanism to assist officials in the implementation of Agency security policies and in protecting valuable information technology (IT) resources. Each POH is required to develop and implement their own information security program based on EPA's Information Security Program requirements. Organizational security programs are to include the development, maintenance, and management reviews of information security plans; to date, this has not occurred. At risk is the possible unauthorized access, use, modification, or destruction of EPA information resources that could result from exploitation of vulnerabilities.

CORRECTIVE ACTION STRATEGY: EPA's corrective action strategy will assist EPA organizations with security program development. EPA will: 1) provide assistance at both Primary Organization Head and Security Plan Developer organizational levels; 2) develop a model information security program that provides a framework for the managerial role in organizational security planning and oversight; 3) disseminate detailed guidance with explicit examples and narratives for security plan development for major applications and general support systems; and 4) develop security plans for the Agency's telecommunications network and EPA's National Computer Center computer platforms. This latter action addresses a vulnerability at a single location attached to the EPA telecommunications network that has the potential to make other users of the network vulnerable at other locations, and will ensure that Agency users understand the minimum security controls that must be in place and followed when using these services.

RESULTS INDICATORS: As a means of ensuring that security plans are continuing to be addressed, EPA's Chief Information Officer (CIO) will issue an annual call to Primary Organization Heads requiring certification of information security planning activities and accomplishments in their respective organizations. EPA's Information Security Program Manager will perform spot checks of security plans to test the effectiveness of EPA's guidance.

RESPONSIBLE MANAGER:

Mark A. Day, Acting Director
Office of Information Resources Management

ENVIRONMENTAL PROTECTION AGENCY

FY 1997 INTEGRITY ACT REPORT

TITLE: *Information Systems Security Plans*

APPROPRIATIONS/ACCOUNTS:			
<input checked="" type="checkbox"/> EPM	<input type="checkbox"/> SF	<input type="checkbox"/> B&F	<input type="checkbox"/> Oil Spills
<input type="checkbox"/> S&T	<input type="checkbox"/> LUST	<input type="checkbox"/> IG	<input type="checkbox"/> STAG
<input type="checkbox"/> FIFRA			
<input type="checkbox"/> Other			
PACE OF CORRECTIVE ACTION:			
Fiscal Year First Identified:	1997		
Original Targeted Correction Date:	1999		
Correction Date In Last Year's Report:	N/A		
Current Correction Date:	1999		
Explanation for Change in Date:	Not Applicable		
MAJOR CORRECTIVE ACTION MILESTONES	ORIGINAL TARGET DATE	CURRENT TARGET DATE	ACTUAL COMPLETION DATE
1. Issue First Annual Call by EPA's Chief Information Officer for Certification of Security Planning Activities by POHs.	3/98	3/98	
2. Develop and Make Available to POHs OARM Information Security Program Manual.	6/98	6/98	
3. Develop a Security Plan for EPA's National Computer Center's Computing Platforms per OMB Circular A-130, Appendix III Requirements.	6/98	6/98	
4. Develop an EPA Telecommunications Network Security Plan per OMB Circular A-130, Appendix III Requirements.	6/98	6/98	
5. Test and Validate the Effectiveness of Security Plan Guidance and Plans in Correcting the Problem.	9/98	9/98	



1997 INTEGRITY ACT REPORT U.S. ENVIRONMENTAL PROTECTION AGENCY

<input checked="" type="checkbox"/> Material Weakness	<input type="checkbox"/> Financial Non-conformance	<input type="checkbox"/> Agency Weakness
<input type="checkbox"/> New	<input type="checkbox"/> Corrected	<input checked="" type="checkbox"/> Carryover

TITLE: *Grants Close Outs and Oversight of Assistance Agreements*

DESCRIPTION:

EPA's Office of Inspector General (OIG) found that neither Project Officers (POs) nor the Grants Administration Division (GAD) adequately managed assistance agreements. Agency project files lacked documentation to show that EPA monitored progress on the projects or required recipients to complete projects and submit the required close out documentation. This lack of oversight created a significant backlog of assistance agreements to be closed out.

CORRECTIVE ACTION STRATEGY:

EPA's strategy to improve assistance agreement management is to: 1) establish a team of grants and program staff to develop and implement creative ways to realign grants administration responsibilities to devote more time to post award grants management; 2) develop a policy on Grants Management Officer (GMO) oversight responsibilities; 3) emphasize post award management in PO training; 4) develop a policy on PO roles and responsibilities to address issues such as site visits, monitoring expenditures and improving record retention methods; and 5) develop and implement a validation strategy to evaluate the effectiveness of the PO training.

RESULTS INDICATORS:

EPA is taking aggressive action to close assistance agreements that have become inactive. As of September 30, 1997 EPA has trained more than 3,000 Project Officers and 150 Grants Specialists; and closed out more than 8,000 grants, reducing the backlog from 18,000 to under 10,000. EPA will measure progress in correcting the material weaknesses by closely monitoring the close out of remaining grants. Regions will conduct Management Effectiveness Reviews using GAD's review protocol. GAD will perform Management Oversight Reviews with Regional offices and the Headquarters GMOs to ensure that corrective actions are being completed. GAD will use the Project Officer Validation Study to ensure that corrective actions are working to correct weaknesses.

RESPONSIBLE MANAGER:

Harvey Pippen, Director, Office of Grants and Debarment
Office of Administration and Resources Management (OARM)

1997 INTEGRITY ACT REPORT

U.S. ENVIRONMENTAL PROTECTION AGENCY

TITLE: *Grants Close Outs and Oversight of Assistance Agreements*

APPROPRIATIONS/ACCOUNTS:				
<input checked="" type="checkbox"/> EPM	<input checked="" type="checkbox"/> SF	<input checked="" type="checkbox"/> B&F	<input checked="" type="checkbox"/> Oil Spills	<input checked="" type="checkbox"/> FIFRA
<input checked="" type="checkbox"/> S&T	<input checked="" type="checkbox"/> LUST	<input checked="" type="checkbox"/> IG	<input checked="" type="checkbox"/> STAG	<input type="checkbox"/> Other _____
PACE OF CORRECTIVE ACTION:				
Fiscal Year First Identified:		1996		
Original Targeted Correction Date:		1998		
Correction Date In Last Year's Report:		1998		
Current Correction Date (FY):		1999		
Explanation for Change in Date:		In July 1996 EPA proposed a corrective action date of FY 2000 to Congress. EPA has since determined that the close out backlog will be completed by December 1998, FY 1999.		
MAJOR CORRECTIVE ACTION MILESTONES		ORIGINAL TARGET DATE	CURRENT TARGET DATE	ACTUAL COMPLETION DATE
1. Develop Older Grants Close Out Strategy and Resolve Generic Close Out Issues.		12/96	3/98	3/98*
2. Develop GMO Oversight Responsibility Policy.		4/97	12/97	
3. Close Out 50% of Pre-1990 Physically Completed Grants.		7/98	7/98	
4. Study to Realign Grants Operations Branch to Allow More Time for Post Award Administration.		7/97	7/97	7/97
5. Develop/Implement PO Training Validations Strategy.		10/97	10/97	
6. Issue Policy on PO Roles and Responsibilities With Emphasis on Post Award Administration.		12/97	12/97	
7. Train EPA Staff.		Ongoing	Ongoing	
8. Implement the Recommendations from the Realignment Study. Projected Savings: 30%.		12/98	12/98	
9. Develop Assistance Files Documentation Procedures Fact Sheet.		12/97	12/97	
10. Develop PO Refresher Course.		12/98	12/98	
11. Implement PO Training Class Changes from the Validation Strategy.		9/98	9/98	



1997 INTEGRITY ACT REPORT U.S. ENVIRONMENTAL PROTECTION AGENCY

<input checked="" type="checkbox"/> Material Weakness	<input type="checkbox"/> Financial Non-conformance	<input type="checkbox"/> Agency Weakness
<input type="checkbox"/> New	<input type="checkbox"/> Corrected	<input checked="" type="checkbox"/> Carryover

TITLE: *Construction Grants Close Out*

DESCRIPTION:

Of the more than \$50 billion in construction grants awarded in the last 20 years, grants totaling \$12 billion had not been closed out at the end of FY 1996. In 1990, EPA developed the Construction Grants Completion/Closeout Strategy to expedite completion and close out of this program and to reallocate resources to other activities. In 1992 EPA designated this area as an Agency weakness since the program still involved many billions of dollars, and EPA was concerned that lack of Agency-wide attention might result in the loss of resources to properly complete the program. Without sufficient oversight resources, the close out process could slow down to an unacceptable pace, and risk development of problems resulting from loss of institutional knowledge, loss of records, and loss of ability to manage over an extended period of time. Millions of dollars in potentially ineligible program costs might not be available for reimbursement for reuse on other high priority state clean water projects.

CORRECTIVE ACTION STRATEGY:

The Agency has developed and implemented a strategy to expedite project audits that are on the critical path to project close out. This new process allows program officials to close out a greater number of projects without requesting an audit, and expedites scheduling and completion of necessary audits. The Agency will continue to work with Regions and states to develop revised projections consistent with the audit strategy. Regions are making excellent progress in meeting goals, but the rate of progress in several Regions is a concern. The Agency will: 1) increase the priority of, and attention to, administrative completions, audits and dispute resolution, and close outs; 2) assure that close out resources are directed to organizational units where resource inadequacy impedes more rapid completion and close out of projects; and 3) develop plans in each Region with specific actions to successfully close out the program.

RESULTS INDICATORS:

At the end of FY 1990 there were 5,860 projects with a grant amount of \$34 billion remaining to be closed out. By the end of FY 1996 there were 1,085 projects totaling \$12.1 billion remaining to be closed out. At the end of FY 1997 there were 643 projects totaling \$8.1 billion remaining to be closed out. In June 1997 EPA issued a strategy that contains actions to be taken in each location to successfully accomplish close out of the program. The Agency will develop other options to more effectively close out the program as action plans are implemented. By the end of FY 1999, only four Regions are projected to have ten or more projects remaining to be closed out.

RESPONSIBLE MANAGER:

Michael B. Cook, Director, Office of Wastewater Management
Office of Water (OW)

1997 INTEGRITY ACT REPORT

U.S. ENVIRONMENTAL PROTECTION AGENCY

TITLE: *Construction Grants Close Out*

APPROPRIATIONS/ACCOUNTS:				
<input type="checkbox"/> EPM	<input type="checkbox"/> SF	<input type="checkbox"/> B&F	<input type="checkbox"/> Oil Spills	<input type="checkbox"/> FIFRA
<input type="checkbox"/> S&T	<input type="checkbox"/> LUST	<input type="checkbox"/> IG	<input type="checkbox"/> STAG	<input checked="" type="checkbox"/> Other: <u>CG</u>
PACE OF CORRECTIVE ACTION:				
Fiscal Year First Identified:	1996*			
Original Targeted Correction Date:	2002			
Correction Date In Last Year's Report:	2002			
Current Correction Date (FY):	2002			
Explanation for Change in Date:	*Identified as an Agency Weakness in 1992; reclassified as a material weakness in 1996.			
MAJOR CORRECTIVE ACTION MILESTONES	ORIGINAL TARGET DATE	CURRENT TARGET DATE	ACTUAL COMPLETION DATE	
1. Update state strategies	First Quarter Annually	First Quarter Annually	First Quarter Annually	
2. Monitor achievement of commitments for administrative completion/closeout	3/31 and 9/30 Annually	3/31 and 9/30 Annually	3/31 and 9/30 Annually	
3. Issue progress reports	4/93	Periodically as required	Periodically as required	
4. Assistant Administrator level memo to Regions that need to take corrective actions.	N/A	11/96	11/96	
5. Complete strategy for addressing remaining projects awaiting closeouts.	N/A	4/97	6/97	
6. Administrative completion of all construction grants projects.	9/95	9/99		
7. Close out of all construction grants projects	9/97	9/02		



1997 INTEGRITY ACT REPORT U.S. ENVIRONMENTAL PROTECTION AGENCY

<input checked="" type="checkbox"/> Material Weakness	<input type="checkbox"/> Financial Non-conformance	<input type="checkbox"/> Agency Weakness
<input type="checkbox"/> New	<input checked="" type="checkbox"/> Corrected	<input type="checkbox"/> Carryover

TITLE: *Environmental Data Quality*

DESCRIPTION:

EPA organizations that make or use environmental measurements are required to maintain a Quality Assurance (QA) program to assure that environmental data of the appropriate type and quality are collected to support Agency decisions. The General Accounting Office (GAO) and EPA's Office of Inspector General (OIG) have criticized the Agency for failing to systematically plan and assess the integrity of the Agency's environmental data measurement program.

CORRECTIVE ACTION STRATEGY:

ORD focused top management attention on the importance of QA to improve environmental data quality supporting Agency decisions. ORD provided QA compliance status reports and distributed policies and regulations to all senior managers. During FY 1997, ORD continued its management assessments and provided training on QA policies and practices. Since FY 1992, ORD has reviewed quality assurance programs in the forty affected Agency organizations. In FY 1997, ORD focused attention on completing revisions to the Agency quality management policies and requirements, following up corrective actions requested after management assessments, and developing training for the Agency quality community. By EPA Order, responsibility for current, documented, and implemented Quality Management Plans (QMPs) is the continuing responsibility of EPA program and Regional offices.

RESULTS INDICATORS:

ORD is working with Agency organizations to achieve their full compliance with the QMP requirements. ORD is also monitoring responses to corrective action plans generated from the findings of its management assessments. Deficiencies most often cited are: 1) incomplete implementation of the QMP; 2) inadequate training of staff; and 3) inadequate oversight of intramural (including State, local and Tribal assistance programs) and extramural environmental measurement programs. Currently thirty-six of the forty covered EPA organizations have approved QMPs in place; two QMPs have expired and are under revision; the two remaining EPA organizations have declared their lack of approved QMPs as Agency management control weaknesses in FY 1998.

RESPONSIBLE MANAGER:

Henry L. Longest II, Acting Assistant Administrator
Office of Research and Development (ORD)

1997 INTEGRITY ACT REPORT

U.S. ENVIRONMENTAL PROTECTION AGENCY

TITLE: *Environmental Data Quality*

APPROPRIATIONS/ACCOUNTS:				
<input checked="" type="checkbox"/> EPM	<input checked="" type="checkbox"/> SF	<input type="checkbox"/> B&F	<input checked="" type="checkbox"/> Oil Spills	<input checked="" type="checkbox"/> FIFRA
<input checked="" type="checkbox"/> S&T	<input checked="" type="checkbox"/> LUST	<input type="checkbox"/> IG	<input type="checkbox"/> STAG	<input type="checkbox"/> Other
PACE OF CORRECTIVE ACTION:				
Fiscal Year First Identified:			1992	
Original Targeted Correction Date:			1994	
Correction Date In Last Year's Report:			1997	
Current Correction Date (FY):			1997	
Explanation for Change in Date:			Not Applicable	
MAJOR CORRECTIVE ACTION MILESTONES	ORIGINAL TARGET DATE	CURRENT TARGET DATE	ACTUAL COMPLETION DATE	
1. Include QA performance standard in all senior manager's performance agreements.	12/95	12/95	3/96	
2. Distribute schedule for planned FY 1996 Management Systems Reviews.	12/95	12/95	1/96	
3. Develop Agency-wide generic training on definitions, principles, and practices.	3/96	3/96	9/96	
4. Submit Quality Manual and revised QA Order to Agency Directives Clearance Process.	4/94	11/97	11/97	
5. Develop dispute resolution procedures on QA-related documentation and implementation issues.	4/96	4/96	10/96	
6. Complete action plans responding to unresolved QM corrective actions and report in QM Annual Report and Work Plan.	11/96	11/96	11/96	
7. Make QA documentation/implementation status a standing agenda item for management meetings.	12/96	3/97	Ongoing	



1997 INTEGRITY ACT REPORT U.S. ENVIRONMENTAL PROTECTION AGENCY

<input checked="" type="checkbox"/> Material Weakness	<input type="checkbox"/> Financial Non-conformance	<input type="checkbox"/> Agency Weakness
<input type="checkbox"/> New	<input checked="" type="checkbox"/> Corrected	<input type="checkbox"/> Carryover

TITLE: *Accounting System-Related Financial Management Problems*

DESCRIPTION:

While EPA's Integrated Financial Management System (IFMS) meets the Joint Financial Management Improvement Program core accounting system requirements, specific systems-related problems have impaired EPA's ability to provide complete, and timely data for Agency decision-making and asset control. These problems initially included: 1) incomplete user manuals and system documentation; 2) inadequate automated project cost accounting capability; 3) incomplete interfaces with programmatic and administrative systems; and 4) inadequate financial management reports. By the beginning of FY 1997 EPA had corrected all deficiencies except for the Fixed Asset System, which was implemented in FY 1997, correcting the remaining problem.

CORRECTIVE ACTION STRATEGY:

EPA's strategy was to implement the Fixed Asset System (FAS) module and issue new policies and procedures to address the new function in IFMS. The Agency implemented FAS in FY 1997 and trained users in the Servicing Finance Offices (SFOs).

RESULTS INDICATORS:

EPA's key success measure is complete, reliable, and timely financial data to support effective Agency decision-making. Final results indicator was to implement the FAS and issue new policies and procedures; this has been accomplished in FY 1997.

RESPONSIBLE MANAGER:

Jack Shipley, Acting Comptroller, Office of the Comptroller
Office of the Chief Financial Officer (OCFO)

1997 INTEGRITY ACT REPORT

U.S. ENVIRONMENTAL PROTECTION AGENCY

TITLE: *Accounting System-Related Financial Management Problems*

APPROPRIATIONS/ACCOUNTS:				
<input checked="" type="checkbox"/> EPM	<input checked="" type="checkbox"/> SF	<input checked="" type="checkbox"/> B&F	<input checked="" type="checkbox"/> Oil Spills	<input type="checkbox"/> FIFRA
<input checked="" type="checkbox"/> S&T	<input checked="" type="checkbox"/> LUST	<input checked="" type="checkbox"/> IG	<input checked="" type="checkbox"/> STAG	<input type="checkbox"/> Other
PACE OF CORRECTIVE ACTION:				
Fiscal Year First Identified:			1989	
Original Targeted Correction Date:			1990	
Correction Date In Last Year's Report:			1997	
Current Correction Date (FY):			1997	
Explanation for Change in Date:			Not applicable	
MAJOR CORRECTIVE ACTION MILESTONES	ORIGINAL TARGET DATE	CURRENT TARGET DATE	ACTUAL COMPLETION DATE	
1. Complete final on-site verification reviews.	6/93	N/A	6/93	
2. Conduct Strategic and Master Plan Study.	3/93	N/A	7/93	
3. Complete Property System Requirement Study.	1/94	N/A	6/94	
4. Implement Version 5.1e of IFMS - User Manuals and System Documentation	2/94	N/A	5/94	
5. Develop Funds Management Requirements.	9/93	N/A	9/94	
6. Complete enhancements to produce accurate reports.	6/94	N/A	9/94	
7. Develop Project Cost Accounting Requirements.	9/93	N/A	9/94	
8. Implement interface between IFMS and GICS.	9/93	N/A	7/95	
9. Eliminate Automated Document Control Register.	6/94	N/A	9/94	
10. Replace FMS function in CPARS.	2/95	N/A	4/95	
11. Install Project Cost Accounting System.	9/95	N/A	9/95	
12. Implement Fixed Asset System.	7/96	2/97	9/97	



1997 INTEGRITY ACT REPORT U.S. ENVIRONMENTAL PROTECTION AGENCY

☒ Material Weakness

☐ Financial Non-conformance

☐ Agency Weakness

☐ New

☒ Corrected

☐ Carryover

TITLE: *Information Resources Planning and Investment*

DESCRIPTION: OIG and GAO believed that material management control weaknesses resulted in duplication, inefficiency, cost overruns, and delays in developing and implementing EPA information systems, and caused ineffective Agency management of ADP contracts, data quality deficiencies, exposure of sensitive data to unnecessary risk, and inability to support EPA's cross-media mission. The lack of a cohesive information management planning and investment review process, top management commitment, and sufficient resources to support Information Resources Management (IRM) impede a comprehensive Agency-wide assessment of environmental risks and solutions.

CORRECTIVE ACTION STRATEGY: The elements of EPA's original three-phased corrective action strategy remain as originally proposed and updated last year to reflect new *Information Technology Management Reform Act* (ITMRA) requirements. The goal of the strategy was to implement an effective IRM planning and investment process that ensures the Agency's Information Technology (IT) investments effectively support both its mission and management goals by: 1) developing a research plan and comprehensive action plan; 2) establishing policies and procedures to formalize Agency IT planning; and 3) implementing pilot projects to build the knowledge necessary to refine Agency planning processes and adopt IT capital planning best practices. Key accomplishments include: a) appointment of an Agency Chief Information Officer (CIO) to strengthen EPA's central IRM authority; b) designation of the Agency's IRM Executive Steering Committee (ESC) as the IRM Investment Review Board; and c) issuance of the Agency's first formal 5-Year IRM Plan and integrated IRM Strategic Plan. By the summer of 1997, EPA had implemented a formal Capital Planning and Investment Control process that ensures IT investments effectively support the Agency's mission. Completion of this step is in addition to the core elements of the strategy as outlined in 1995.

RESULTS INDICATORS: Key success measures for IRM planning and investment include: 1) more effective mission support as proposed investments are evaluated based on a cohesive, Agency-wide IRM Strategic and Implementation Plan; 2) increased data quality for better decision-making; and 3) reduced costs from integrated planning and budgeting and coordinated systems development. The integrity of the process will be indicated by a reduction in the number of instances of systems duplication, identification of additional opportunities for integration, better control of costs, and earlier detection and resolution of delays in system implementation. The ESC conducted project review to ensure that: 1) IT investments yield appropriate mission benefits; 2) new development projects are not duplicative; and 3) costs and schedules are followed. These reviews will consider whether Agency guidance supports the IT Capital Planning and Investment Control process, and will support efforts to validate the effectiveness of the corrective action strategy and will provide valuable data for refining the program.

RESPONSIBLE MANAGER:

Mark Day, Acting Director, Office of Information Resources Management
Office of Administration and Resources Management (OARM)

**1997 INTEGRITY ACT REPORT
U.S. ENVIRONMENTAL PROTECTION AGENCY**

TITLE: *Information Resources Planning and Investment*

APPROPRIATIONS/ACCOUNTS:				
<input checked="" type="checkbox"/> EPM	<input checked="" type="checkbox"/> SF	<input checked="" type="checkbox"/> B&F	<input checked="" type="checkbox"/> Oil Spills	<input type="checkbox"/> FIFRA
<input checked="" type="checkbox"/> S&T	<input checked="" type="checkbox"/> LUST	<input checked="" type="checkbox"/> IG	<input checked="" type="checkbox"/> STAG	<input type="checkbox"/> Other
PACE OF CORRECTIVE ACTION:				
Fiscal Year First Identified:			1992	
Original Targeted Correction Date:			1995	
Correction Date In Last Year's Report:			1997	
Current Correction Date (FY):			1997	
Explanation for Change in Date:			Not applicable	
MAJOR CORRECTIVE ACTION MILESTONES	ORIGINAL TARGET DATE	CURRENT TARGET DATE	ACTUAL COMPLETION DATE	
1. Establish Program Office planning process.	9/93	N/A	9/93	
2. Establish central review capability.	12/93	N/A	12/93	
3. Initiate pilot integrated planning cycle.	5/94	N/A	5/94	
4. Publish formal Integrated IRM Plan	12/94	N/A	4/95	
5. Finalize planning procedures and guidance.	2/95	N/A	11/95	
6. Initiate Agency-wide IRM 5-Year Plan process.	5/95	N/A	11/95	
7. Issue Agency-wide IRM 5-Year Plan.	3/96	N/A	3/96	
8. Establish Pilot Investment Review Board Process	5/96	N/A	7/96	
9. Initiate pilot investment reviews.	7/96	6/97	6/97	
10. Complete Pilot Investment Review process, revise and issue Agency-wide capital planning guidance.	4/96	9/97	7/97	

ENCLOSURE C

SUMMARY FINANCIAL NON-CONFORMANCES AND SCHEDULE OF CORRECTIVE ACTIONS

1997 INTEGRITY ACT REPORT U.S. ENVIRONMENTAL PROTECTION AGENCY

CORRECTED FINANCIAL NON-CONFORMANCES	FISCAL YEAR FIRST REPORTED	LAST YEAR'S CORRECTION DATE (FY)	CURRENT CORRECTION DATE (FY)	Page
1. Regional/General Ledger Superfund Accounts Receivables	1989	1997	1997	C-2
2. Property Accounting Process	1983	1997	1997	C-4
3. Accounting System Interfaces	1985	1997	1997	C-6



1997 INTEGRITY ACT REPORT U.S. ENVIRONMENTAL PROTECTION AGENCY

<input type="checkbox"/> Material Weakness	<input checked="" type="checkbox"/> Financial Non-conformance	<input type="checkbox"/> Agency Weakness
<input type="checkbox"/> New	<input checked="" type="checkbox"/> Corrected	<input type="checkbox"/> Carryover

TITLE: *Regional/General Ledger Superfund Accounts Receivables*

NON-CONFORMANCE TYPE AND DESCRIPTION: Core Financial System

EPA's Integrated Financial Management System (IFMS) accounts receivable module lacked the capabilities to automatically process the unique Superfund requirements of compound interest and flexible installment receivables. IFMS enhancements in recent years and alternative procedures now allow EPA to adequately account for the installments and compound interest. Therefore the Agency has discontinued national support for implementation of the Superfund Accounts Receivable Collection Tracking System (CTS).

CORRECTIVE ACTION STRATEGY:

The Agency decided to discontinue national support for implementation of the CTS system to automatically account for installment receivables and compound interest due to cost-benefit concerns. IFMS enhancements in recent years and alternative procedures are being employed in lieu of CTS to account for Superfund installment receivables and compound interest. All other corrective actions have been completed

RESULTS INDICATORS:

Key results indicators include updated and accurate IFMS user documentation, enhanced accounts receivable installment functions within IFMS, and financial information in reporting formats that meet user requirements.

RESPONSIBLE MANAGER:

Jack Shipley, Acting Comptroller, Office of the Comptroller
Office of the Chief Financial Officer (OCFO)

1997 INTEGRITY ACT REPORT

U.S. ENVIRONMENTAL PROTECTION AGENCY

TITLE: *Regional/General Ledger Superfund Accounts Receivable*

APPROPRIATIONS/ACCOUNTS:				
<input checked="" type="checkbox"/> EPM	<input checked="" type="checkbox"/> SF	<input checked="" type="checkbox"/> B&F	<input checked="" type="checkbox"/> Oil Spills	<input checked="" type="checkbox"/> FIFRA
<input checked="" type="checkbox"/> S&T	<input checked="" type="checkbox"/> LUST	<input checked="" type="checkbox"/> IG	<input checked="" type="checkbox"/> STAG	<input type="checkbox"/> Other
PACE OF CORRECTIVE ACTION:				
Fiscal Year First Identified:	1989			
Original Targeted Correction Date:	1990			
Correction Date In Last Year's Report:	1997			
Current Correction Date (FY):	1997			
Explanation for Change in Date:	Not applicable			
MAJOR CORRECTIVE ACTION MILESTONES	ORIGINAL TARGET DATE	CURRENT TARGET DATE	ACTUAL COMPLETION DATE	
1. Install enhancements to Accounts Receivable module to handle debt servicing.	12/92	N/A	5/93	
2. Conduct third round of on-site verification reviews.	6/93	N/A	6/93	
3. Implement Version 5.1e of IFMS: - User Manuals; and - System Documentation	2/94 2/94	N/A N/A	5/94 5/94	
4. Complete enhancements to produce reports: - Standard Form 220.9; and - Supplemental Accounts Receivable Reports.	6/94 6/94	N/A N/A	11/95 11/95	
5. Provide training on accounting and managing receivables	8/94	N/A	5/94	
6. Install Superfund Accounts Receivable Collection Tracking System and interface with IFMS to automate accounting for installments and compound interest.	2/94	3/97	Agency decision to rely on IFMS enhancements and alternative procedures, 9/97	



1997 INTEGRITY ACT REPORT U.S. ENVIRONMENTAL PROTECTION AGENCY

<input type="checkbox"/> Material Weakness	<input checked="" type="checkbox"/> Financial Non-conformance	<input type="checkbox"/> Agency Weakness
<input type="checkbox"/> New	<input checked="" type="checkbox"/> Corrected	<input type="checkbox"/> Carryover

TITLE: *Property Accounting Process*

NON-CONFORMANCE TYPE AND DESCRIPTION: Core Financial Subsidiary System

Property values were recorded in the Agency's General Ledger accounts and reconciled with data contained in the Personal Property Accountability System (PPAS). Internal reviews identified continuing problems in reconciling financial data recorded in the General Ledger to individual items in PPAS. The Agency formed a Quality Action Team (QAT) which recommended procuring a property module compatible with EPA's Integrated Financial Management System (IFMS), and developed an implementation strategy that would integrate financial accounting (IFMS General Ledger) with property accountability. In FY 1997 EPA implemented the Fixed Asset Systems (FAS) module, which is an integral component of IFMS.

CORRECTIVE ACTION STRATEGY:

EPA's corrective action strategy was to: 1) examine policies, procedures and EPA requirements; 2) reconcile data; 3) develop user manuals and provide training prior to installing the system; and 4) install the FAS module. These actions were completed in FY 1997

RESULTS INDICATORS:

EPA's key success measures are integration of accounting and accountability for property and increased accuracy of property records. PPAS is no longer in use and the Financial Management Offices and Property Management Offices are now using the IFMS FAS module to account for and track Agency property purchases.

RESPONSIBLE MANAGER:

Jack Shipley, Acting Comptroller, Office of the Comptroller
Office of the Chief Financial Officer (OCFO)

1997 INTEGRITY ACT REPORT

U.S. ENVIRONMENTAL PROTECTION AGENCY

TITLE: *Property Accounting Process*

APPROPRIATIONS/ACCOUNTS:				
<input checked="" type="checkbox"/> EPM	<input checked="" type="checkbox"/> SF	<input checked="" type="checkbox"/> B&F	<input checked="" type="checkbox"/> Oil Spills	<input checked="" type="checkbox"/> FIFRA
<input checked="" type="checkbox"/> S&T	<input checked="" type="checkbox"/> LUST	<input checked="" type="checkbox"/> IG	<input checked="" type="checkbox"/> STAG	<input type="checkbox"/> Other
PACE OF CORRECTIVE ACTION:				
Fiscal Year First Identified:	1983			
Original Targeted Correction Date:	1989			
Correction Date In Last Year's Report:	1997			
Current Correction Date (FY):	1997			
Explanation for Change in Date:	Not applicable			
MAJOR CORRECTIVE ACTION MILESTONES	ORIGINAL TARGET DATE	CURRENT TARGET DATE	ACTUAL COMPLETION DATE	
1. Revise policy and procedures for identifying and capitalizing property and recommending opportunities for automated interface between IFMS and PPAS.	9/93	N/A	3/93	
2. Present QAT recommendations to process owners.	7/93	N/A	7/93	
3. Develop implementation strategy for recommendations accepted by process owners.	1/94	N/A	6/94	
4. Install Property Accounting System Module.	7/96	2/97	9/97	



1997 INTEGRITY ACT REPORT U.S. ENVIRONMENTAL PROTECTION AGENCY

<input type="checkbox"/> Material Weakness	<input checked="" type="checkbox"/> Financial Non-conformance	<input type="checkbox"/> Agency Weakness
<input type="checkbox"/> New	<input checked="" type="checkbox"/> Corrected	<input type="checkbox"/> Carryover

TITLE: *Accounting System Interfaces*

NON-CONFORMANCE TYPE AND DESCRIPTION: Core Financial System

Internal reviews identified problems with capability of key Agency administrative systems to electronically interface with the Integrated Financial Management System (IFMS), as required by OMB Circular A-127: *Financial Management Systems*, to avoid duplication of data entry. EPA had identified two systems, the Fixed Asset System (FAS) module and the Superfund Accounts Receivable Collection Tracking System (CTS) that required interface with IFMS. EPA decided to discontinue national support for implementation of CTS due to cost-benefit concerns; in FY 1997 EPA implemented the FAS module, resolving the remaining problem.

CORRECTIVE ACTION STRATEGY:

EPA's corrective action strategy was to install the Fixed Asset System (FAS) followed by implementation of the CTS. While CTS has been discontinued, the FAS module has been implemented and users have been trained and are using the module.

RESULTS INDICATORS:

EPA installed, tested an operational FAS module. The Financial Management Offices and Property Management Offices are using the FAS module to account for and track property purchases. PPAS is no longer in use. SFOs have received FAS training.

RESPONSIBLE MANAGER:

Jack Shipley, Acting Comptroller, Office of the Comptroller
Office of the Chief Financial Officer (OCFO)

1997 INTEGRITY ACT REPORT U.S. ENVIRONMENTAL PROTECTION AGENCY

TITLE: *Accounting System Interfaces*

APPROPRIATIONS/ACCOUNTS:				
<input checked="" type="checkbox"/> EPM	<input checked="" type="checkbox"/> SF	<input checked="" type="checkbox"/> B&F	<input checked="" type="checkbox"/> Oil Spills	<input checked="" type="checkbox"/> FIFRA
<input checked="" type="checkbox"/> S&T	<input checked="" type="checkbox"/> LUST	<input checked="" type="checkbox"/> IG	<input checked="" type="checkbox"/> STAG	<input type="checkbox"/> Other
PACE OF CORRECTIVE ACTION:				
Fiscal Year First Identified:		1985		
Original Targeted Correction Date:		1990		
Correction Date In Last Year's Report:		1997		
Current Correction Date (FY):		1997		
Explanation for Change in Date:		Not applicable		
MAJOR CORRECTIVE ACTION MILESTONES	ORIGINAL TARGET DATE	CURRENT TARGET DATE	ACTUAL COMPLETION DATE	
1. Analyze disposition of historical FMS data.	9/93	N/A	10/93	
2. Eliminate ADCR.	6/94	N/A	9/94	
3. Finalize project cost accounting requirements.	9/93	N/A	9/94	
4. Install project cost accounting requirements.	9/95	N/A	9/95	
5. Implement interface between IFMS and regional GICS.	9/93	N/A	7/95	
6. Implement replacement for FMS historical data.	3/95	N/A	9/95	
7. Replace FMS function in CPARS.	2/95	2/95	4/95	
8. Implement MARS view of historical data.	7/95	N/A	9/95	
9. Implement account number changes.	10/95	N/A	10/95	
10. Implement Fixed Asset System.	10/92	2/97	9/97	
11. Install CTS and interface it with IFMS to automate accounting for Superfund installment receivables and compounding interest calculations.	1/96	3/97	Agency decision to discontinue CTS support 9/97.	

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