

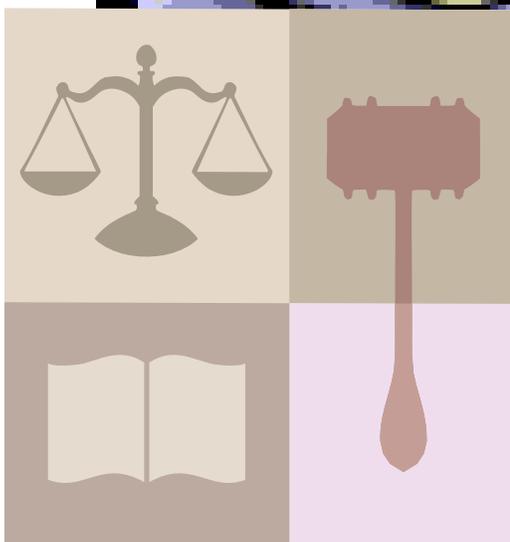
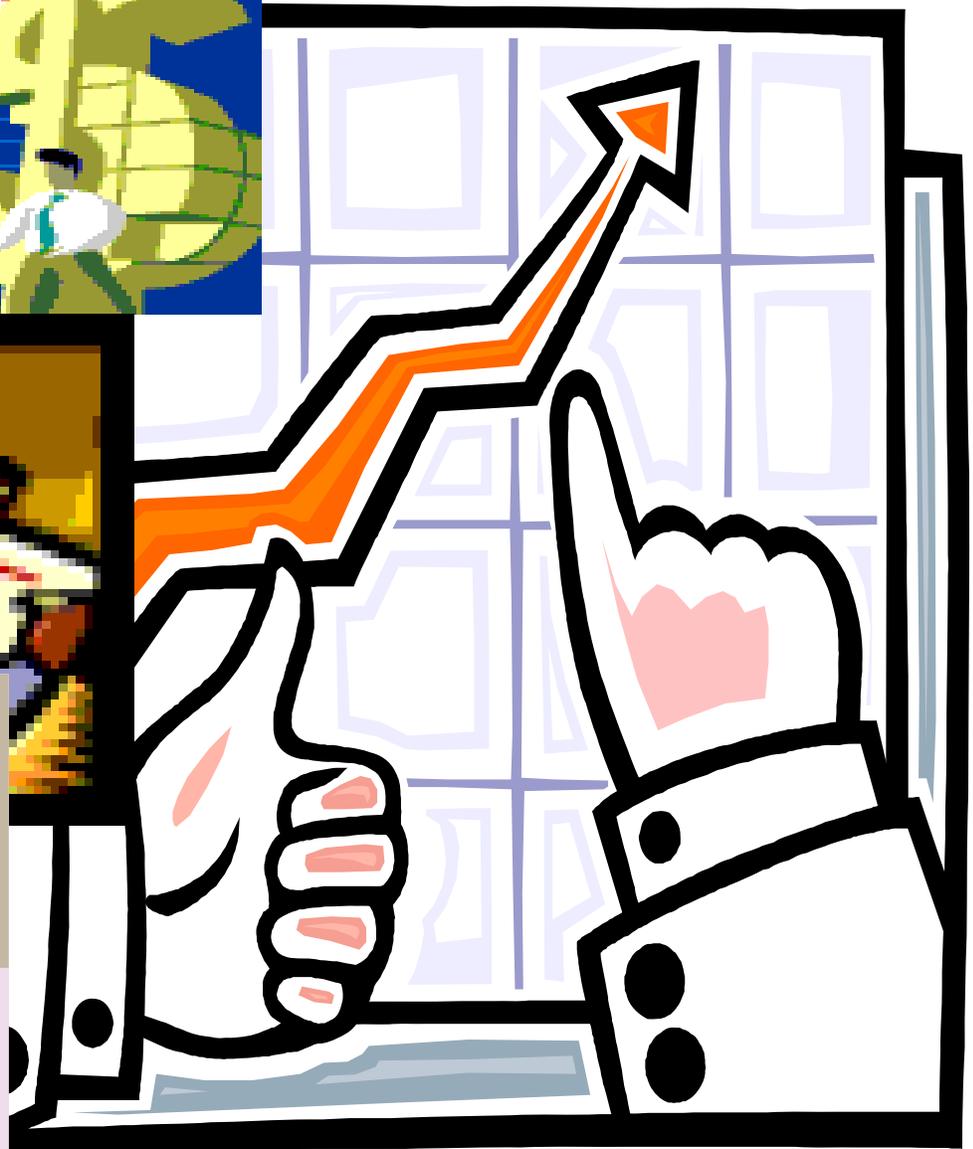


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OFFICE OF INSPECTOR GENERAL

Catalyst for Improving the Environment

Annual Performance Report Fiscal Year 2007



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Foreword and Overview

I am pleased to present the sixth Annual Performance Report of the U.S. Environmental Protection Agency's (EPA's) Office of Inspector General (OIG). This report presents statistical and narrative summaries of OIG performance results for Fiscal Year (FY) 2007 compared to our FY 2007 Annual Performance Targets. It also presents cumulative OIG results for FY 2003 through 2007 compared to the OIG Annual Performance Goals. Of special interest for FY 2007, the EPA OIG questioned \$56.3 million in costs; identified nearly \$40 million in cost efficiencies; and recorded almost \$5 million from fines, restitutions, and settlements, with over \$53 million in questioned costs and efficiencies sustained from recommendations of current and prior periods.

This report supplements, in greater statistical and narrative detail, the OIG summary performance results presented in EPA's FY 2007 Performance Accountability Report available at www.epa.gov/ocfopage. It also includes items required by the Government Performance and Results Act specific to the OIG, such as financial summaries and management challenges, as well other relevant measures of performance activity and accountability.

Based on the performance measures and results from this and prior OIG Annual Performance Reports, we are continuing to make significant improvements in applying performance measures to demonstrate our value added. In FY 2007, the OIG worked collaboratively with the Agency Office of the Chief Financial Officer to strengthen the Agency's audit management resolution and began implementing a systematic post close-out followup process to account for and report on completing agreed-upon Agency actions from OIG recommendations. The OIG conducted a comprehensive Agency risk assessment based upon previous OIG reviews and risk assessments to identify systemic areas of vulnerabilities for future OIG review. Based on previous OIG recommendations, the Agency improved its management of grants, enabling that area to be removed from the list of the Top Ten Management Challenges. Also in FY 2007 the OIG identified new cross-cutting themes to guide its future work and added a new Risk and Performance Assessment product line. The OIG concluded its work in providing timely audit, evaluation, and investigative support for EPA and the government-wide hurricane emergency response effort. Additionally, the OIG has shifted resources from support to mission production work to improve overall output productivity, received a "clean" opinion on the quality of its work through a rigorous peer review, and won an A-76 competition for its Financial Statement Audits as a Most Efficient Organization.

We rely upon our customers and stakeholders to inform us about the quality of our performance while helping us identify and reduce areas of risk. Please do not hesitate to contact me for any reason, as one of my personal goals is to build constructive relationships that promote the economic, efficient, and effective delivery of EPA's mission.



Bill A. Roderick
Deputy Inspector General

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About the EPA OIG

Vision

We are catalysts for improving the quality of the environment and Government through problem prevention and identification, and cooperative solutions.

Mission

Add value by promoting economy, efficiency, and effectiveness within EPA and the delivery of environmental programs. Inspire public confidence by preventing and detecting fraud, waste, and abuse in Agency operations and protecting the integrity of EPA programs.

Goals

1. Contribute to Improved Human Health and Environmental Quality

Objectives

- Influence programmatic and systemic changes and actions that contribute to improved human health and environmental quality.
- Add to and apply knowledge that contributes to reducing or eliminating environmental and infrastructure security risks and challenges.
- Identify recommendations, best practices, risks, and opportunities to leverage results in EPA programs and among its partners.

2. Contribute to Improved Business Practices and Accountability

Objectives

- Influence actions that improve operational efficiency and accountability, resolve public concerns and management challenges, and achieve monetary savings.
- Improve operational integrity and reduce risk of loss by detecting and preventing vulnerabilities to fraud, abuse, or breach of security.
- Identify recommendations, best practices, risks, weaknesses, opportunities for savings, and operational improvements.

3. Continuously Improve OIG Products and Services

Objectives

- Improve the timeliness, responsiveness, and value of our products and services to our clients and stakeholders.
- Apply technology, innovation, leadership, and skill proficiency for motivated staff and highly regarded products.
- Align organization plans, performance, measurement, processes, and follow-up for a cost-accountable results culture.
- Maximize use of available resources.
- Develop constructive relationships to leverage resources effectively and foster collaborative solutions.

OIG Product and Service Lines for Strategic Areas of Performance

Performance Evaluations

- Air
- Water
- Land
- Cross Media

Financial/Information Technology Audits

- Financial Statements
- Contracts
- Assistance Agreements
- Information Technology

Investigations

- Financial Fraud
- Program Integrity
- Employee Integrity
- Laboratory Fraud
- Computer Crimes

Public Liaison/ Advisory/Analysis

- Legislation/Policy Regulation Review
- Special Review
- Public Inquiry/ Outreach
- President's Council on Integrity and Efficiency

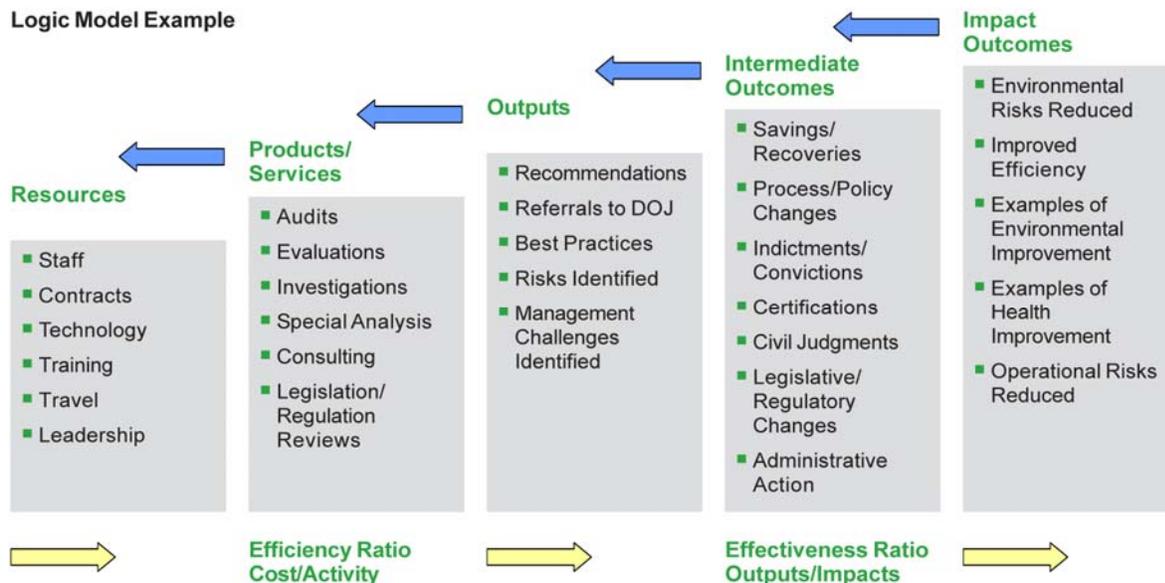
Linking Our Work to Outcomes and Impacts

All of our work is planned based on the anticipated contribution to influencing resolution of the Agency's major management challenges, reducing risk, improving practices and program operations, and saving taxpayer dollars, leading to positive human health and environmental impacts and attaining EPA's Strategic Goals.

Planning Starts with the End in Mind

We measure the return on our investment by how efficiently our resources are converted into products, and how effectively our products drive outcomes.

Logic Model Example



Performance Presented in a Hierarchy of Related Measures

The Logic Model diagram above demonstrates how we “Start With the End in Mind” to align our organizational factors of performance for achieving our strategic goals. The performance results in this report represent the ways we measure value added along this continuum, both quantitatively and qualitatively, in relation to the resources expended. Our annual performance and progress toward our strategic goals is demonstrated by the Scoreboard of Results compared to the FY 2006 Annual Performance Goal Targets. Our long-term performance progress is demonstrated by the charts comparing our results against our goal targets for FY 2003 to FY 2007.

Scoreboard of OIG Fiscal 2007 Performance Results Compared to Fiscal 2007 Annual Performance Goal (APG) Targets

All results reported in Fiscal 2007, from current and prior years' work, are as reported in OIG Performance Measurement and Results System and IGOR.

OIG FY 2007 Government Performance and Results Act Annual Performance Targets Compared to Fiscal 2007 Results Reported	Supporting Measures
Goal: Contribute to Human Health and Environmental Quality Through Improved Business Practices, Accountability, and Integrity of Program Operations	
Environmental Improvements/Actions/Changes Improvements in Business/Systems/Efficiency Risks Reduced or Eliminated Target: 318; Reported: 464 (146%) ●	7 Legislative/regulatory changes/decisions 7 Examples of environmental improvement 5 Environmental best practices Implemented 19 Management best practices Implemented 27 Environmental policy, process, practice, control change actions 115 Management policy, process, practice, control changes actions 268 Certifications/validations/verifications/corrections 16 Environmental/mgt risks reduced/eliminated
Environmental & Business Recommendations, Challenges Best Practices and Risks Identified Target: 925; Reported: 949 (103%) ●	26 Environmental recommendations <i>(for Agency/stakeholder action)</i> 784 Management recommendations <i>(for Agency/stakeholder action)</i> 28 Critical congressional or public mgt. concerns addressed 12 Environmental best practices identified 59 Management best practices identified 19 Referrals for Agency action 13 NewFMFIA/A-123/mgt challenges/risks identified 8 Environmental risks identified
Return on Investment: Potential \$ Return as Percentage of OIG Budget \$50.4 Million Target: \$75.6 M; Reported: \$ 95.2 (126%) ●	<i>(Dollars in Millions)</i> \$ 56.3 Questioned costs <i>net EPA</i> \$ 29.7 Recommended efficiencies, costs saved <i>(EPA)</i> \$ 5.0 Fines, recoveries, settlements \$ 4.2* Additional efficiencies not in resolution process
Criminal, Civil, and Administrative Actions Reducing Risk of Loss/Operational Integrity Target: 80; Reported: 103 (129%) ●	10 Criminal convictions 21 Indictments/informations/complaints 4 Civil judgments/settlements/filings 68 Administrative actions
Sustained Monetary Recommendations and Savings Achieved from Current and Prior Periods: \$ 53.4 M Sustained Environmental and Management Recommendations Sustained for Resolution: 354 (no goals established)	<i>(Dollars in Millions)</i> \$ 36.3 Questioned costs sustained \$ 17.1* Cost efficiencies sustained or realized 15 Environmental recommendations sustained 339 Management recommendations sustained

* \$2 million in efficiencies from investigative operations was sustained but not submitted through Agency resolution process.

OIG Strategic Cumulative Performance Results FYs 2003-2007

This section demonstrates the EPA OIG annual progress in attaining its Strategic Performance Goals for FY 2003 through FY 2007 in compliance with the Government Performance and Results Act. OIG performance can best be considered and evaluated over a period of several years rather than a single year. A lengthy time lag may occur before the outcome actions can come to fruition and be substantiated.

Performance Progress

The OIG has significantly exceeded its performance goals during FY 2007 as many time-lagged actions from current and prior years' recommendations are coming to fruition. The OIG has also increased its focus on identifying cost efficiencies through performance audits and program evaluations. Among the results, the OIG identified questioned costs and efficiencies, totaling over \$90 million and over \$5 million in fines, settlements, and recoveries. Also, EPA sustained over \$53 million in OIG monetary recommendations and savings from current and prior periods. During the fiscal year, the OIG improved its overall efficiency and productivity despite a smaller workforce, by converting a number of overhead staff and resources to direct product-line functions, reducing the production cycle time and resources required to perform OIG work. Three examples include reducing staff days required to perform the EPA financial statement audit, which resulted in EPA winning an A-76 competitive sourcing challenge; creating a new Risk Assessment, and creating follow-up product lines. Also, the OIG received a "clean" or "unmodified" opinion through a rigorous peer review certifying the quality of its auditing and evaluation work. While the OIG has not met all of its Annual Performance Goal targets every year due to the time delay and variable nature of OIG results, the charts on the next page demonstrate that the OIG has exceeded its aggregate cumulative Government Performance and Results Act (GPRA) targets for FYs 2003-2007.

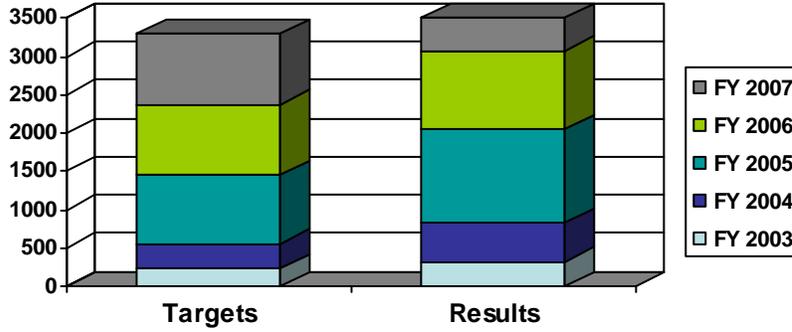
Challenges

During FY 2007, the OIG identified three issues this year as OIG-level weaknesses pertaining to Information Technology, Product Timeliness, and Quality Office Security – Controls over Equipment. The OIG is continuing to improve its information technology and data quality by applying new tools to consolidate, integrate, or replace its many specific-use databases and systems. The OIG is improving its product timeliness and quality by streamlining its processes and organizational structure. The OIG is also working to provide greater followup on actions the Agency has agreed to take as a result of OIG recommendations. Also, during FY 2008, the OIG is initiating a new Product Line on Risk Assessment and Program Performance and will be revising its Strategic Plan.

Environmental and Business Recommendations or Risks

Identified for Corrective Action

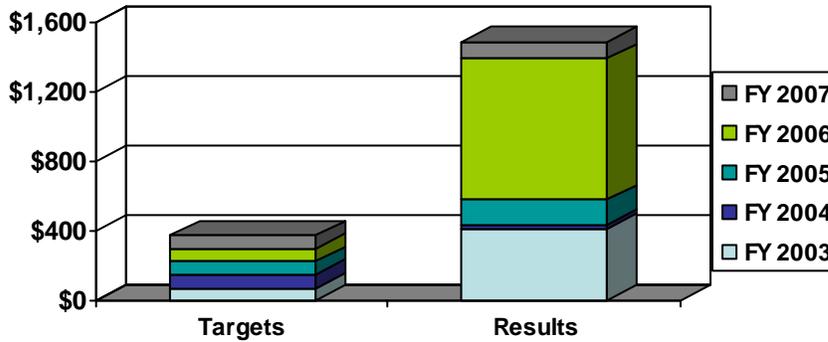
Cumulative Results FY 2003-2007



Return on the Annual Dollar Investment in the OIG Annual

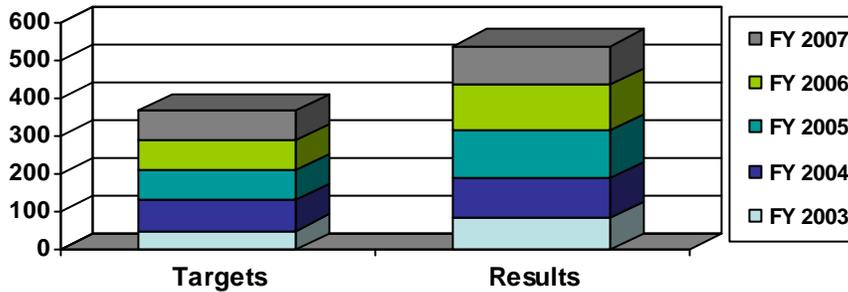
Targets: 150% of the Budget in Millions

Cumulative Results FY 2003-2007



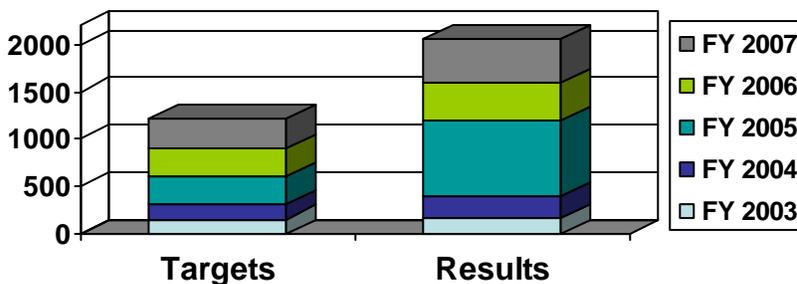
Criminal, Civil, Administrative and Fraud Prevention Actions

Cumulative Results FY 2003-2007



Environmental and Business Actions Taken for Improved Agency Performance and Risk Reduction

Cumulative Results FY 2003-2007



Summary of FY 2007 Performance Results by Product Line

AIR

Air Return on Investment Summary
<ul style="list-style-type: none">▪ Reports Issued: 3▪ Total Staff Days: 1,515▪ Total Cost: \$983,720 (net of overhead)
Environmental and Business Results
<ul style="list-style-type: none">• 10 Environmental/Management Recommendations• 1 Legislative Change• 6 Environmental Policy, Process Changes• 2 Environmental Risk Reduced• 1 Environmental Critical Public/Cong. Issues Resolved• 3 Environmental Risks Identified• 4 Recommendations Sustained

Performance Highlights

In the OIG report, *EPA Relying on Existing Clean Air Act Regulations to Reduce Atmospheric Deposition to the Chesapeake Bay and its Watershed*, we found that EPA's Chesapeake Bay Program Office is relying on anticipated nitrogen deposition reductions from Clean Air Act (CAA) regulations already issued by EPA, combined with anticipated reductions from other non-air sources, to meet water quality goals for the Bay watershed. EPA estimates that CAA regulations already issued will reduce nitrogen that falls directly into the Bay, as well as nitrogen deposited to the Bay watershed, by 19.6 million pounds annually by 2010. Accordingly, State and EPA strategies do not include additional air reduction activities specifically designed to clean up the Bay. Many State activities being implemented to meet national air quality standards should have the co-benefit of reducing nitrogen deposition in the Bay watershed, including four Chesapeake Bay watershed States adopting legislation and/or regulations that go beyond EPA's air regulations. We recommended that the EPA Region 3 Regional Administrator instruct the Chesapeake Bay Program Office to use the results of emissions monitoring studies of animal feeding operations to determine what actions and strategies are warranted to address nitrogen deposition to the Bay from such operations. <http://www.epa.gov/oig/reports/2007/20070228-2007-P-00009.pdf>

In the OIG report, *EPA's Oversight of the Vehicle Inspection and Maintenance Program Needs Improvement*, we found that:

- Properly implemented, inspection and maintenance (I/M) programs ensure that poorly performing vehicles are identified and timely repaired.
- EPA has not ensured that States have fully met their I/M program commitments.

- Because State I/M programs generally do not have access to the databases of each other, they have been unable to verify the outcome of many vehicles that failed their I/M tests.
- EPA does not have reasonable assurance that emission reductions claimed by some I/M programs were achieved.

We recommended that EPA obtain and evaluate all required I/M reports to ensure that the programs are operating effectively, and follow up with States on significant issues identified; provide more technical assistance and guidance to States, and work with State I/M programs to follow up on vehicles with no known final outcome to a degree proportional to the problem.

<http://www.epa.gov/oig/reports/2007/20061005-2007-P-00001.pdf>

In the OIG report, *EPA Did Not Properly Process a Hospital Disinfectant and Sanitizer Registration*, we found that EPA's Office of Pesticides Program-Antimicrobials Division (OPP-AD) did not properly process registration for an antimicrobial pesticide. Specifically: OPP-AD did not properly recognize that the antimicrobial pesticide product contained a new active ingredient and did not collect the \$50,000 registration fee. Staff consistently indicated a former manager exerted verbal pressure for them to approve the product reviewed contributing to a working environment of distrust, fear, and confusion. OPP-AD branch management did not resolve all science reviewers' concerns regarding the product leading EPA enforcement officials asking the registrant to voluntarily withdraw the product from the marketplace. We recommend that the Director, Office of Pesticides Program, establish procedures to determine the accuracy of active ingredient status and to assign responsibilities, document and resolve discrepancies between staff concerns and management decisions, and document the resolution of data deficiencies. We also recommend surveying staff to determine if they still have concerns about their work environment and, if so, take steps to resolve their issues. In addition, we recommend performing a detailed root cause analysis of products similar to the one that failed to identify why a significant number of antimicrobial products are not effective.

<http://www.epa.gov/oig/reports/2007/20070329-2007-P-00018.pdf>

WATER

Water Return on Investment Summary
<ul style="list-style-type: none">• Reports Issued: 8• Total Staff Days: 3,153• Cost: \$2,047,305 (net of overhead)
Environmental and Business Results
<ul style="list-style-type: none">• 36 Environmental/Management Recommendations• 1 Regulatory Change• 11 Environmental/Management Policy, Process Changes• 4 Example of Environmental Improvement• 1 Environmental Risks Identified• 1 Environmental Risks Reduced• 9 Environmental Best Practices Identified• 5 Environmental Certifications/Validations• 7 Environmental Critical Public/Cong. Issues Resolved• 1 New Management Challenge/FMFIA Risk Identified• 3 Recommendations Sustained

Performance Highlights

In the OIG reports, *Development Growth Outpacing Progress in Watershed Efforts to Restore the Chesapeake Bay*, and *Saving the Chesapeake Bay Watershed Requires Better Coordination of Environmental and Agricultural Resources*, we found that not only will EPA and its Chesapeake Bay watershed partners not meet load reduction goals for developed lands by 2010 as established in the *Chesapeake 2000* Agreement, but also new development is increasing nutrient and sediment loads at rates faster than restoration efforts are reducing them. Despite significant efforts to improve water quality in the Chesapeake Bay watershed, excess nutrients and sediment continue to impair progress. Improving water quality conditions in the Bay is necessary to support living resources throughout the ecosystem, which in turn supports commercial and recreational uses, such as fishing/shell fishing. As a result, we recommended and the Agency agreed that the EPA Chesapeake Bay Program Office Director prepare and implement a strategy for reversing the trend of increasing nutrient and sediment loads from developed and developing lands. In addition, the EPA Region 3 Water Protection Division Director should establish a storm water permitting approach that achieves greater nutrient and sediment reductions. EPA also agreed to improve coordination and collaboration with its Bay partners and the agricultural community for reducing nutrients and sediment EPA by executing a new Memorandum of Agreement with the U.S. Department of Agriculture (USDA) that specifically identifies tasks and timeframes for meeting shared goals in the cleanup of the Chesapeake Bay watershed EPA. We also recommended that USDA should assign a senior level official to coordinate with EPA's Chesapeake Bay Program and review the feasibility of targeting USDA funds geographically. <http://www.epa.gov/oig/reports/2007/20070910-2007-P-00031.pdf>, and <http://www.epa.gov/oig/reports/2007/20061120-2007-P-00004.pdf>

In the OIG report, *Federal Facilities in Chesapeake Bay Watershed Generally Comply with Major Clean Water Act Permits*, EPA and the States are doing well managing how

major Federal facilities comply with their NPDES permits. In EPA's last reporting period (2004), major Federal facilities in the Chesapeake Bay watershed had a lower rate of Significant Noncompliance than other Federal and non-Federal major-permit facilities nationwide. <http://www.epa.gov/oig/reports/2007/20070905-2007-P-00032.pdf>

In the OIG report, *EPA Can Improve Its Oversight of Audit Followup*, several actions in response to individual recommendations from seven OIG reports directed to the Office of Water (OW) and two OIG reports directed to the Office of Enforcement and Compliance Assurance (OECA) were delayed past milestone dates agreed to by the OIG. Implications from these results and opportunities for improvement are widespread across the Agency's audit follow-up action process. We recommended that OW and OECA implement EPA Order 2750 and biannually review audit management information for accuracy and completeness. We also recommend that OW and OECA follow the certification process for closing out reports, maintain a list of corrective actions taken, and obtain OIG approval for significant changes to corrective action plans. We recommended, and the Chief Financial Officer agreed, to take several steps, including monitoring EPA Order 2750 compliance throughout the Agency; reporting to Congress the report names and reasons for delay past 365 days for completing corrective actions as required under EPA Order 2750 and the IG Act; ensuring the validity and reliability of data in MATS by documenting a quality assurance plan; issuing necessary guidance; and providing refresher training to Audit Followup Coordinators. <http://www.epa.gov/oig/reports/2007/20070524-2007-P-00025.pdf>

In the OIG report, *Better Enforcement Oversight Needed for Major Facilities with Water Discharge Permits in Long-Term Significant Noncompliance*, we found that EPA did not provide effective enforcement oversight of major facilities with National Pollutant Discharge Elimination System permits in long-term significant noncompliance. While flexibility is required in a national program, EPA inconsistently applied guidance defining timely formal actions. In addition, EPA and States also did not maintain complete and accurate records of National Pollutant Discharge Elimination System compliance and enforcement activities. Many region and State files were incomplete, and data in EPA's information systems were incomplete and inaccurate. Further, regions and States did not report inspection-related violations in EPA's Permit Compliance System. We recommend that the Assistant Administrator for the Office of Enforcement and Compliance Assurance clarify and implement guidance regarding facilities in significant noncompliance, implement a quality assurance program, and establish controls allowing EPA leadership to identify significant noncompliance by bacteria-only violators. <http://www.epa.gov/oig/reports/2007/20070514-2007-P-00023.pdf>

In the OIG report, *EPA's Allowing States to Use Bonds to Meet Revolving Fund Match Requirements Reduces Funds Available for Water Projects*, we demonstrated that EPA can greatly increase the amount of funds available for loans to State water projects by revising its regulations and policies to restrict States from using bonds to meet their Revolving Fund Matching requirements. The current policy has resulted in \$937 million less being available for loans to States since the inception of the State Revolving Fund (SRF) programs. We recommend that the Assistant Administrator for Water revise its regulations and policy on State match options to no longer allow States to use bonds repaid from the SRF to meet State match requirements. The Office of Management and Budget agreed that based on the amount that could have been available in the past, much more money can be leveraged for State water projects by EPA revising its regulations and policy on State match options to no longer allow States to meet its matching fund requirement with bonds repaid from the SRF.

<http://www.epa.gov/oig/reports/2007/20070329-2007-P-00012.pdf>

In the OIG report, *Total Maximum Daily Load Program Needs Better Data and Measures to Demonstrate Environmental Results*, we found that EPA does not have comprehensive information on the outcomes of the total maximum daily load (TMDL) program nationwide, nor national data on TMDL implementation activities. Although EPA and States are responsible for implementing point source TMDLs, EPA cannot identify all of the permitted dischargers that should receive or have received wasteload allocations. We recommend that the Assistant Administrator for the Office of Water require regions to ensure that the National TMDL Tracking System is complete; report information on TMDL implementation activities and on the water quality improvements associated with TMDLs; and clarify terminology, activities included, and other elements of the TMDL development measures, and the surface water program's efficiency and effectiveness measures.

<http://www.epa.gov/oig/reports/2007/20070919-2007-P-00036.pdf>

LAND

Land Return on Investment Summary
<ul style="list-style-type: none"> • Reports Issued: 7 • Total Staff Days: 3,516 • Total Cost: \$2,283,009 (net of overhead)
Environmental and Business Results
<ul style="list-style-type: none"> • \$3.32 Million Cost Efficiencies (not including \$9.3M in Superfund Cooperative Agreements) • 2 Environmental Recommendations • 4 Environmental Policy, Process Changes • 2 Environmental Risks Identified • 2 Environmental Certifications/Validations • 3 Environmental Critical Public/Cong. Issues • 30 Recommendations for Management Improvement • 11 Management Actions Taken • 7 Best Management Practices Identified

- 10 Best Management Practices Implemented
- 3 Examples of Environmental Improvements
- 1 FMFIA Management Challenge Identified
- 10 Environmental/Management Certifications
- 4 Environmental Best Practices Identified
- 3 Environmental Best Practices Implemented

Performance Highlights

In the OIG report, *Superfund's Board of Directors Need to Evaluate Actions to Improve the Superfund Program*, we found that EPA completed its work to determine the financial impact of RCRA-regulated facilities on the Superfund program. The Agency is still assessing the financial impacts of non-RCRA facilities on the Superfund program. However, we found that some of EPA's planned actions to address its *Study* recommendations were different than the actions recommended. We recommend that the Board review a sample of the implemented *Study* recommendations to confirm that the actions taken were complete and responsive to the original *Study* recommendation(s).

<http://www.epa.gov/oig/reports/2007/20070801-2007-P-00029.pdf>

In the OIG report, *EPA Needs to Take More Action in Implementing Alternative Approaches to Superfund Cleanups*, we found that EPA has not implemented effective management tools or controls for the Superfund Alternative (SA) approach, specifically:

- EPA has not finalized the universe of SA sites.
- EPA does not have controls over designating SA sites in Superfund information systems or documenting hazard assessments for SA sites.
- EPA only measures results at SA sites for one of six Superfund cleanup measures.

We recommended EPA track and report cleanup progress at SA sites, and improve its communications, information, and transparency about the SA approach.

<http://www.epa.gov/oig/reports/2007/20070606-2007-P-00026.pdf>

In the OIG report, *EPA Can Improve Its Managing of Superfund Interagency Agreements with U.S. Army Corps of Engineers*, EPA needs to better justify and support its decisions to enter into Superfund Interagency Agreements (IAGs) with the Corps. Decision memorandums used to justify awarding Superfund IAGs to the Corps did not contain comparisons of alternatives considered, nor did EPA develop independent cost estimates. This occurred because EPA generally believes the Corps has more construction and contracting expertise to manage Superfund projects than its own personnel. As a result, EPA has limited assurance that the Superfund IAGs it awards to the Corps are based on sound decisions. EPA regions have initiated some corrective actions, but further steps are needed. EPA needs to develop its own independent cost estimates for Corps in-house costs, conduct cost analysis of alternatives when determining whether to use the Corps, and document actions taken. EPA also needs to require the Corps to improve the format of its monthly reports,

use the Intra-governmental Payment and Collection System to reimburse the Corps for its in-house costs, address the \$2.5 million in Management and Support fees being held by the Corps, include terms in future IAGs to allow better monitoring, and develop a plan on using feedback reports.

<http://www.epa.gov/oig/reports/2007/20070430-2007-P-00021.pdf>

In the OIG report, *EPA Has Improved Five-Year Review Process for Superfund Remedies, But Further Steps Needed*, we found since our last review in 1999, EPA has taken actions to improve the five-year review process, including issuing the *Comprehensive Five-Year Review Guidance*, providing training, and reducing the review backlog but needs to take additional steps to better support and communicate conclusions, continue to improve review timeliness, and provide fuller assurance that cleanup actions protect human health and the environment. We recommended that EPA (1) expand the scope of quality assurance reviews of five-year review reports, and revise guidance to define short- and long-term protectiveness determinations; (2) evaluate the regions' workloads and available resources for five-year reviews for meeting due dates; and (3) use data in a new information system to measure the effectiveness and impacts of five-year reviews.

<http://www.epa.gov/oig/reports/2007/20061205-2007-P-00006.pdf>

In the OIG report, *EPA Needs to Plan and Complete a Toxicity Assessment for the Libby Asbestos Cleanup*, we identified significant issues that we believe are critical to a successful cleanup in Libby, Montana:

- EPA has not completed a toxicity assessment of amphibole asbestos necessary to determine the safe level for human exposure. Therefore, EPA cannot be sure that the Libby cleanup sufficiently reduces the risk that humans may become ill or, if ill already, get worse.
- EPA's public information documents *Living with Vermiculite and Asbestos in Your Home* are inconsistent about safety concerns.

We recommend EPA:

- Fund and execute a comprehensive amphibole asbestos toxicity assessment to determine (1) the effectiveness of the Libby removal actions, and (2) whether more actions are necessary. The toxicity assessment should include the effects of asbestos exposure on children. The EPA Science Advisory Board should review the toxicity assessment and report to the Office of the Administrator and the Libby Community Advisory Group whether the proposed toxicity assessment can sufficiently protect human health.
- Review and correct any statements that cannot be supported in any documentation mailed or made available to Libby residents regarding the safety of living with or handling asbestos until EPA confirms those facts through a toxicity assessment.

<http://www.epa.gov/oig/reports/2007/20061205-2007-P-00002.pdf>

In the OIG report, *EPA's Management of Interim Status Permitting Needs Improvement to Ensure Continued Progress*, we found that interim status is a temporary designation, but some units have existed for as many as 25 years without formal issuance or denial of a permit, or other regulatory controls. As of 2005, EPA had attained the "controls in place" designation for 89 percent of RCRA hazardous waste facilities. However, EPA's continued progress may be compromised because (1) the Agency has not sufficiently documented some changes to the baseline it uses to measure progress; (2) EPA does not prioritize its National Permitting Goal activities according to the potential risks posed by hazardous waste facilities or units, including the amount of time a unit may have been operating without required controls; (3) EPA does not monitor the creation of "new" interim status units in its reporting and tracking system (RCRAInfo); and (4) RCRAInfo lacks other system controls to protect data integrity and data quality, which may lead to losing historical information needed to track permit status. Despite data quality problems, RCRAInfo data are available for public use without appropriate disclaimers. To ensure valid progress in achieving "controls in place" at interim status units, we recommended that the Assistant Administrator for Solid Waste and Emergency Response:

- Implement a process to document changes to the GPRA National Permitting Goal baseline.
- Review State GPRA National Permitting Goal projections for 2008 and 2011 to identify opportunities for prioritizing facilities based on risk, including time in interim status.
- Oversee designating "new" interim status units in RCRAInfo.
- Implement RCRAInfo system controls to ensure data integrity and improve data quality.

<http://www.epa.gov/oig/reports/2007/20061204-2007-P-00005.pdf>

In the OIG report, *Making Better Use of Superfund Special Account Funds for Thermo Chem*, we found that Region 5 missed an opportunity to make timely and better use of the funds in the Thermo Chem special account. In 2004, Region 5 staff recommended reclassifying approximately \$2.8 million from the Thermo Chem special account for program use. However, these funds were not reclassified because the site managers were unaware that action was needed or required. We recommended that the Region 5 Administrator: (1) reclassify approximately \$2.8 million (plus additional accrued costs) of the Thermo Chem special account to fund other priority response activities; and (2) reclassify, or transfer to the Trust Fund (as appropriate) approximately \$524,000 of the Thermo Chem special account that has no planned future use.

<http://www.epa.gov/oig/reports/2007/20070820-2007-S-00002.pdf>

CROSS MEDIA

Cross Media Return on Investment Summary
<ul style="list-style-type: none"> • Reports Issued: 8 • Total Staff Days: 2,543 • Total Cost: \$1,651,221 (net of overhead)
Environmental and Business Results
<ul style="list-style-type: none"> • \$1.5 Million Cost Efficiencies • 1 Environmental Risk Identified • 1 Environmental Certification/Validation • 4 Environmental Critical Public/Cong. Issue Resolved • 2 Management Actions Taken • 30 Environmental/ Management Recommendations • 11 Environmental Policy changes • 1 Environmental Risk Reduced • 1 Example of Environmental Improvement • 10 Environmental Recommendation Sustained

Performance Highlights

In the OIG report, *Energy Star Program Can Strengthen Control Protecting the Integrity of the Label*, the OIG recommended ways EPA can improve the public confidence in the Energy Star Program by strengthening requirements and procedures over how products qualify for and earn the Energy Star label. As a result of the OIG reviewing the EPA Energy Star product labeling program processes, the Agency agreed with OIG recommendations for improvements, including determining the need for spot testing, to assure the integrity of the Energy Star label for consumers of home and office products. EPA disagreed with many of our conclusions, but stated it had implemented many of the recommendations. However, EPA's planned actions do not address the intent of our recommendations, and we consider the issues unresolved. <http://www.epa.gov/oig/reports/2007/20070801-2007-P-00028.pdf>

In a joint effort between the EPA and DOI, at the request of EPA's Administrator, the two agencies wrote *Promoting Tribal Success in EPA Programs*. The OIG found that tribes have made progress in overcoming barriers to successful management of environmental programs. As a result, we recommended that EPA further build on successful practices by promoting innovation as the key for tribes to maximize the effectiveness of their programs through:

- *Collaboration and Partnerships*. Many of the successful projects result from efforts to foster good communication and positive relationships. Tribes work cooperatively with Federal agencies, other tribes, State and local governments, educational institutions, and the private sector.
- *Education and Outreach*. Tribes educate the community regarding environmental programs. Further, tribes value community input and understand that project success often depends on community support.
- *Expanding Resources*. Based on its size, capacity, and structure, each of the visited tribes has its own processes for finding sources of revenue to ensure sustainability of natural resource and environmental programs.

<http://www.epa.gov/oig/reports/2007/20070503-2007-R-00022.pdf>

In the OIG report, *Assessment of EPA's Projected Pollutant Reductions Resulting from Enforcement Actions and Settlements*, we found that the accuracy and reliability of EPA's projected pollutant reductions for Fiscal Years 2003-2006 depended on the specific program in which an enforcement action took place. Also, we found that EPA has improved its internal control process for ensuring more accurate pollutant reduction estimates from concluded enforcement cases.

<http://www.epa.gov/oig/reports/2007/20070724-2007-B-00002.pdf>

In the OIG report, *Overcoming Obstacles to Measuring Compliance: Practices in Selected Federal Agencies*, the OIG found that Federal regulatory agencies with missions and obstacles similar to EPA use statistical methods to generate compliance information. These Federal programs extensively use statistical methods to identify and analyze risk, set goals, develop strategies to manage the most significant risks, and report their accomplishments. The programs we reviewed used practical approaches to overcome similar obstacles as those in OECA, and could potentially apply to OECA's programs. We recommended, and the Agency agreed, that the Assistant Administrator for Enforcement and Compliance Assurance establish a plan of action, with milestones, to incorporate statistical methods to demonstrate the results of EPA's enforcement and compliance strategies. Also, OECA can coordinate with the in-house statistical expertise in EPA's Office of Research and Development and Office of Environmental Information to help develop statistical models and evaluate external proposals.

<http://www.epa.gov/oig/reports/2007/20070620-2007-P-00027.pdf>

In the OIG report, *Performance Track Could Improve Program Design and Management to Ensure Value*, we found that Performance Track did not have clear plans that connect activities with its goals, and include performance measures that show if it achieves anticipated results. We recommended, and the Agency agreed to:

- Design a comprehensive strategic plan to connect activities with goals and to encourage staff and management to focus on program goals and member commitments.
- Design the program to measure and report on performance related to activities and goals.
- Maintain centralized databases for compliance screening and program member information so that it can readily demonstrate that members meet program criteria.
- Encourage member facilities to set and achieve commitments so that the public has a clear idea of what results members will actually produce.
- Include assessing member leadership in compliance and toxic releases in the program criteria.

<http://www.epa.gov/oig/reports/2007/20070329-2007-P-00013.pdf>

In the OIG report, *Strategic Agricultural Initiative Needs Revisions to Demonstrate Results*, we found that the Strategic Agricultural Initiative (SAI) program does not have performance measurement tools or performance measures in place to demonstrate how it fulfills its unique role of helping growers transition away from Food Quality Protection Act high-risk pesticides or to facilitate continuous improvement. The program does not have a strategic plan or similar documents that link project mission and goals, logic model, performance measures, and the data collected by the program. Headquarters and the regions have inconsistent priorities for implementing the program. The SAI databases, which are used to gather data on project performance, lack definitions and structure, and thus contain incomplete and extraneous information. We recommended that EPA develop a needs assessment for the SAI program to demonstrate how it fulfills its role in meeting Food Quality Protection Act requirements and a strategic plan which sets clear priorities for the direction of the program. For the SAI Projects database, the Agency should create guidance, standards, and procedures for data collection into these databases and data and results should be shared with stakeholders. <http://www.epa.gov/oig/reports/2007/20070926-2007-P-00040.pdf>

In the OIG report, *Voluntary Programs Could Benefit from Internal Policy Controls and a Systematic Management Approach*, we found that EPA has no Agency-wide policies that require voluntary programs to collect comparable data or conduct regular program evaluations to determine program success and environmental impact. EPA lacks internal controls that outline specific ways to determine the success or failure of EPA's overall voluntary program effort. Changes to voluntary program definitions and expanding the scope of the program has caused confusion and difficulty for EPA program offices. EPA does not have a system to develop, test, and market new programs. EPA also lacks a system to evaluate existing programs. Further, EPA lacks a systematic method to design, evaluate, and model programs that are effective at achieving environmental results. OIG recommends that the Deputy Administrator provide the Associate Administrator for the Office of Policy, Economics, and Innovation with the authority to develop, implement, and oversee mandatory Agency-wide management policies for voluntary programs. Further, those mandatory policies should implement a systematic management approach similar to a research and development model, and develop specific definitions or criteria that outline the general intent and function for the groups or categories of EPA voluntary programs that are currently implemented. <http://www.epa.gov/oig/reports/2007/20070925-2007-P-00041.pdf>

CONGRESSIONAL AND PUBLIC LIAISON

Congressional and Public Liaison Return on Investment Summary
<ul style="list-style-type: none"> • Reports Issued: 6 • Total Staff Days: 1,312 • Total Cost: \$919,712 (net of overhead)
Environmental and Business Results
<ul style="list-style-type: none"> • \$50,000 Cost Efficiency • 27 Environment/Management Actions Taken • 21 Environmental/Management Recommendations • 7 Environmental Critical Public/Cong. Issues Resolved • 2 Allegations Disproved • 1 Environmental Risk Identified • 5 Recommendations for Management Improvement • 4 Examples of Environmental Improvements • 2 Environmental Risks Reduced • 18 Congressional Testimonies/Briefings

Performance Highlights

In the OIG report, *Environmental Justice Concerns and Communication Problems Complicated Cleaning Up Ringwood Mines/Landfill Site*, we did not find evidence that EPA's actions or decision making to investigate or remediate environmental conditions at the Ringwood Mines/Landfill site were affected by the area's racial, cultural, or socioeconomic status. However, we did find that problems with communications and relationships impeded effective cooperation between EPA and residents. We recommend that the Regional Administrator, Region 2:

- Address the Ringwood community's perception of unfair treatment and concerns regarding completely cleaning up the site by ensuring that the new Record of Decision includes a detailed comparison of current and prior site investigations and cleanups.
- Prepare and implement a new community involvement plan for the Ringwood site.
- Help the community correct the deficiencies in the Community Advisory Group so its meetings are regularly held and productive.
- Increase communication with the community about Region 2 efforts to ensure that the Ford Motor Company properly performs the correct work at the site.

<http://www.epa.gov/oig/reports/2007/20070402-2007-P-00016.pdf>

ASSISTANCE AGREEMENTS

Assistance Agreements Return on Investment Summary
<ul style="list-style-type: none">• Reports Issued: 15 (152 Single Audits)• Total Staff Days: 3,442• Total Cost: \$2,344,935 (net of overhead)
Environmental and Business Results
<ul style="list-style-type: none">• \$38.1 Million in Questioned Costs (\$8.6 M from Single Audits)• \$ 9.3 Million Cost Efficiencies• 3 Best Management Practices Identified• 5 Management Actions Taken• 589 Recommendations for Management Improvement• 10 Environmental/Management Best Practices Identified• 1 Corrected Management Challenge

Performance Highlights

In the OIG report, *Number of and Cost to Award and Manage EPA Earmark Grants, and the Grants' Impact on the Agency's Mission*, we found that between January 1, 2005, and March 31, 2006, EPA awarded 444 earmark grants totaling \$454 million, accounting for about 13 percent of EPA grant dollars awarded. EPA also spent about \$4.9 million to award and manage the 444 grants. Our review of 86 earmark grants found that 82 were for projects aimed at contributing to EPA's Strategic Plan mission and goals. Grant work plans for the other four grants did not demonstrate how the projects would promote EPA goals:

- A non-profit organization used about half its grant funds to purchase computers for a high school and support student trips between the United States and the U.S. Virgin Islands.
- A university studied noise levels from parked, idling trains.
- A local government did not identify how two of the earmark grants were going to achieve the objectives stated in the work plans or how the projects would impact the environment.

<http://www.epa.gov/oig/reports/2007/20070522-2007-P-00024.pdf>

In the OIG report, *Ozone Transport Commission Incurred Costs Under EPA Assistance Agreements XA98379901, OT83098301, XA97318101, and OT83264901*, we questioned \$2,723,706 of the \$9,042,706 in reported outlays because the recipient claimed unallowable outlays for contractual services, indirect costs, and in-kind costs. Specifically, the recipient: (1) did not compete contracts, justify sole-source procurements, or perform cost analysis of contracts; (2) claimed indirect costs without approved indirect rates; and (3) did not maintain adequate documentation for in-kind costs used as recipient match. We recommended that EPA should recover questioned outlays of \$2,723,706 unless the recipient provides sufficient documentation to support the related claimed costs in accordance with Federal regulations. We also recommended that EPA direct the recipient to implement procedures to address issues relating to procurement of contracts, indirect cost rates, and documentation of in-kind costs, and monitor the

recipient's sub-recipient and procurement activities until EPA is assured that the recipient is consistently meeting Federal requirements. <http://www.epa.gov/oig/reports/2007/20070731-2007-4-00068.pdf>

In the OIG report, *The Environmental Careers Organization Reported Outlays for Five EPA Cooperative Agreements*, we found that the recipient did not comply with the financial and program management standards. We questioned \$6,027,814 of claimed costs because the recipient could not support its costs, did not maintain adequate records, and drew funds in excess of its needs. We recommended that the Director for the Grants and Interagency Agreements Management Division address the questioned costs by (1) recovering payments of \$4,750,342 unless the recipient can comply with accounting requirements; (2) recover payments of \$1,277,472 incurred for ineligible costs; (3) rescind the final indirect cost rate approved for the fiscal year ended December 31, 2004; and (4) require the recipient to establish policies and procedures for relocating interns that comply with OMB Circular A-122. Due to the significance of these findings, we also recommended that EPA stop work on all active agreements and not award any new agreements until the recipient meets minimum financial management requirements and repays all disallowed costs. <http://www.epa.gov/oig/reports/2007/20070625-2007-4-00065.pdf>

In the OIG report, *International City/County Management Association Reported Outlays Under Seven Selected Cooperative Agreements*, we found that the reported Federal outlays by the International City/County Management Association (recipient) on the Financial Status Reports do not present fairly, in all material respects, the allowable outlays incurred in accordance with the terms and conditions of the grants and applicable EPA regulations. We questioned \$1,007,858 of the \$9,871,025 in reported outlays because the recipient claimed unallowable outlays for contractual services, sub-grant costs, indirect labor and facilities costs, and in-kind costs. We recommend that EPA: (1) disallow the questioned outlays of \$78,298 that were prohibited by law; (2) obtain sufficient documentation to support the remaining questioned outlays of \$929,560 in accordance with EPA regulations or disallow the costs from Federal grant participation; and (3) direct the recipient to establish procedures to address issues relating to procurement of contracts, management of sub-recipients, and documentation of in-kind costs. <http://www.epa.gov/oig/reports/2007/20061128-2007-4-00026.pdf>

In the OIG report, *Grants Competition Needed*, we found that grants management has been a significant challenge for EPA for several years. At the recommendation of the OIG, EPA issued an Order requiring some grants to be competed. To evaluate EPA's progress, we assessed whether (1) the Order promoted competition, and (2) the competitions were fair and open. We recommended in our report that EPA increase competition by eliminating the justification for non-competition routinely used for those organizations that represent the interests of States, tribes, and local governments (what EPA called "co-regulators"). On April 3, 2007,

Assistant Administrator Luis Luna signed a memo to the Deputy Administrator Marcus Peacock entitled *Elimination of the Co-Regulator Organization Grants Competition Exception*. In the memo, AA Luna states that they will eliminate the automatic exception to competition for co-regulators as of Oct. 1, 2007, because it has been difficult to administer and has been criticized by the OIG and Congress. On April 9, DA Peacock approved the following approach: eliminate the exception as of 10/1/07; allow using the public interest exception for co-regulators where it makes sense; and by October 2010, OARM will do a lessons learned study to see how eliminating the exception worked out. We believe this action, taken because of our grants competition audit, will increase competition.

In the OIG report, *America's Clean Water Foundation Incurred Costs for EPA Assistance Agreements X82835301, X783142301, and X82672301*, we found that the Foundation did not comply with the financial, program management, and procurement standards and regulations. The Foundation's procurement practices and procedures did not comply with the grant regulations, including awarding a contract to a member of its Board of Directors. As a result, we questioned the Federal share claimed of \$25,372,590 and recommend that the Director for the Grants Administration Division:

- Disallow and recover the Federal share claimed of \$25,372,590, and recover payments made of \$25,173,266, unless the Foundation reconstructs its accountings records to meet the required financial management standards.
- Rescind provisional indirect rates for fiscal years ended June 30, 2005, and June 30, 2006.
- Require the Foundation to obtain single audits for fiscal years ending June 30, 2003, 2004, and 2005.
- Require the Foundation to prepare and submit overdue Standard Form 272 *Federal Cash Transactions Reports*.
- Disallow contract costs procured, claimed, and administered in violation of the requirements in Title 40 CFR Part 30.
- Disallow contract costs that were not authorized under the contract terms.
- Stop work on all active grants.
- Do not award any new grants until the Foundation meets minimum financial management requirements and repays all disallowed costs.

<http://www.epa.gov/oig/reports/2007/20070220-2007-4-00045.pdf>

CONTRACTS

Contracts Return on Investment Summary

- **Reports Issued: 13** (198 DCAA Reports)
- **Total Staff Days: 2,763**
- **Total Cost: \$1,882,625** (net of overhead)

Environmental and Business Results

- \$ 11.8 Million in Questioned Costs (\$9.3 M from DCAA)
- \$ 13.1 Million in Cost Efficiencies (\$13 M from DCAA)
- 3 Environmental Recommendations
- 31 Agency Management Actions Taken
- 103 Recommendations for Improvement
- 8 Best Management Practices Identified
- 8 Best Management Practices Implemented
- 1 Legislative Change
- 1 Environmental Critical Public Issue Addressed
- 251 Management Certifications

Performance Highlights

In the OIG report, *Interagency Agreements to Use Other Agencies' Contracts Need Additional Oversight*, we found that while improving some interagency contracting processes, EPA entered into some interagency contracts without meeting all requirements. EPA often entered into interagency contracts without conducting cost reasonableness assessments, or identifying alternatives, such as determining whether EPA's in-house acquisition staff should acquire the services or products for them. We recommended that the Assistant Administrator for the Office of Administration and Resources Management:

- Provide guidance to project officers on conducting cost reasonableness assessments and identifying alternatives before using IAG contracts.
- Strengthen training to include how to develop independent government cost estimates or other appropriate cost information, conduct cost reasonableness assessments, and identify alternatives.
- Ensure that the Grants Administration Division requires that the IAG decision memorandum better explains why an IAG is more cost effective, and include an evaluation of cost reasonableness assessments in reviews.

<http://www.epa.gov/oig/reports/2007/20070327-2007-P-00011.pdf>

In the OIG report, *New Housing Contract for Hurricane Katrina Command Post Reduced Costs but Limited Competition*, we found that Contract EP-R6-06-03 contained several improvements over the previous housing contracts for the Metairie incident command post. The new contract terms were more flexible, allowing for various options regarding the numbers of trailers to be leased. It also resulted in a price reduction for each trailer (including some services) to \$95 per day per trailer compared to over \$300 under the prior contracts. We found that both EPA's Office of Administration and Resources Management personnel and Region 6 procurement staff worked together diligently to attempt to refine the statement of work and make sure that the requirements did not

limit competition. These personnel performed admirably and deserve much of the credit for reducing costs. We recommend that the contract's statement of work exclude unnecessary and ambiguous requirements that limit competition.

<http://www.epa.gov/oig/reports/2007/20070329-2007-P-00015.pdf>

In the OIG report, *Examination of Financial Management Practices of the National Rural Water Association, Duncan, Oklahoma*, we found that the National Rural Water Association's (NRWA's) method of allocating indirect costs over total direct costs is contrary to the requirements of the Office of Management and Budget (OMB) Circular A-122. From March 1, 1999, to February 29, 2004, EPA grants may have been over-allocated by \$2,021,821 in indirect costs. We also found that NRWA's procedures do not identify all unallowable costs. NRWA's direct and indirect costs may include unallowable costs and would conflict with its assertion in the cost allocation plan that only allowable costs are allocated to specific grants and programs. We recommend that the Director of the Grants Administration Division obtain final negotiated indirect cost rates for NRWA; require NRWA to develop written procedures to (a) identify unallowable costs in accordance with OMB Circular A-122, and (b) develop written procedures for preparing cash draws.

<http://www.epa.gov/oig/reports/2007/20070620-2007-P-00027.pdf>

In response to a previous OIG report on purchasing using the GSA schedule, we recommended that the Assistant Administrator for the Office of Administration and Resources Management:

- 1) Provide examples on EPA's Intranet of adequate justifications for limiting competition.
- 2) Emphasize Quality Assessment Plan requirements for evaluating the effectiveness of market research, justifying limiting competition, developing IGCEs, and using the FSS order checklist.
- 3) For the order to obtain an intern, ensure the unauthorized commitment entered into by the program office is ratified.
- 4) Require the Office of Acquisition Management to market the benefits of online procurement tools such as FedBid. OAM concurred with all four recommendations and indicated it would post good examples of justifications for limiting competition on its Website. OAM also indicated it will emphasize, in a report to be issued by September 30, 2007, Quality Assessment Plan requirements for effective market research, justifications for limiting competition, developing IGCEs, and using the FSS checklist. OAM plans to ratify the unauthorized commitment by October 2007, and conducted several training sessions on Fedbid. It will continue to promote procurement tools such as Fedbid and e-Buy through various means. OAM's actions taken and planned meet the intent of our recommendations and should improve the Agency's use of FSS orders.

FINANCIAL

Financial Return on Investment Summary
<ul style="list-style-type: none"> • Reports Issued: 8 • Total Staff Days: 5,474 • Total Cost: \$3,599,022 (net of overhead)
Business Results
<ul style="list-style-type: none"> • 7 Certifications • 3 Agency Management Policy, Practice Change • 13 Recommendations for Improvement • 6 Management Recommendations Sustained

Performance Highlights

In the OIG report, *State of New Hampshire Drinking Water State Revolving Fund Program Financial Statements for the Year Ended June 30, 2005*, we rendered an unqualified opinion on the New Hampshire Drinking Water State Revolving Fund (DWSRF) Program financial statements for the year ended June 30, 2005, noting various weaknesses in internal controls. We qualified our opinion on compliance with applicable laws and regulations. We recommended that EPA require the New Hampshire Department of Environmental Services coordinate with the State Treasury for documentation on cash and investment transactions, properly reconcile subsidiary schedules, develop and implement procedures for reviewing and reporting transactions, and develop training on the accounting system. We also recommended that EPA require the State to deposit \$228,436 to correct the underfunded State matching funds, establish subcodes for each set-aside, and implement a policy for Single Audit report review.

<http://www.epa.gov/oig/reports/2007/20070226-2007-1-00044.pdf>

RISK ASSESSMENT AND PROGRAM PERFORMANCE

Performance Highlights

In the OIG report, *Using the Program Assessment Rating Tool as a Management Control Process*, the OIG found that the Program Assessment Rating Tool (PART) is a good diagnostic tool and management control process to assess program performance and focus on achieving results. However, as currently designed, programs can be rated "adequate" with a passing PART score of just 50 percent. Low passing scores heightens the risk that actual program results may not be achieved, and detracts from PART's overall focus on program results. We recommended that OMB modify the Performance Improvement Initiative criteria to provide incentives for program managers to raise Program Results/Accountability PART scores; and increase the transparency of PART results to demonstrate the relationship between results and the overall PART ratings. We recommended, and the Agency agrees, that the EPA Deputy Administrator (1) increase using program evaluation to improve program performance by establishing policy/ procedures requiring program evaluations of EPA's

programs, (2) designate a senior Agency official responsible for conducting and supporting program evaluations, and (3) allocate sufficient funds/ resources to conduct systematic evaluations on a regular basis.

<http://www.epa.gov/oig/reports/2007/200709-P-00033.pdf>

INFORMATION TECHNOLOGY & BUSINESS SYSTEMS

Information Technology & Business Systems Return on Investment Summary
<ul style="list-style-type: none"> • Reports Issued: 7 • Total Staff Days: 2,222 • Total Cost: \$1,430,968
Environmental and Business Results
<ul style="list-style-type: none"> • 43 Recommendations for Improvement • 21 Agency Management Policy, Process Changes • 24 Management Recommendations Sustained • 10 Management Challenges or Risks Identified • 1 Management Risks Corrected

Performance Highlights

In the OIG report, *EPA Needs to Strengthen Its Privacy Program Management Controls*, the OIG reported that although EPA has progressed toward establishing its Privacy Program, EPA needs to set up a more comprehensive management control structure to govern and oversee the program by establishing goals, activities, and measuring progress. We recommended, and the Agency agreed, that the EPA Office of Environmental Information's Director, Office of Information Collection, establish goals and performance measures for the program and update the Agency's Privacy Program policies and procedures; establish a process for managing and monitoring compliance; and that the Director work with the Office of Administration and Resources Management to develop sample cascading goals and objectives that managers to establish Privacy Program accountability processes. The Agency agreed with these recommendations.

<http://www.epa.gov/oig/reports/2007/20070917-2007-P-00035.pdf>

In the OIG report, *Improved Management Practices Needed to Increase Use of Exchange Network*, we found that partners in EPA's Exchange Network's could fully utilize the Network by

- Improving its methods for selecting and prioritizing which data flows to implement.
- Completing measurements of Network initiatives to ensure investments are delivering expected results.
- Improving its internal system development practices to ensure EPA offices perform cost benefit analyses for new or upgraded environmental systems.
- Strengthening its policies to define when offices should utilize the Network for receiving environmental information.

The OIG recommended, and the Agency agreed, that the Office of Environmental Information (OEI):

- Execute the Exchange Network Marketing and Communications plan and evaluate data;
- Develop a new plan for completing the Exchange Network performance measures project;
- Develop policies and procedures to guide program offices to use the Network and conduct Exchange Network Cost Benefit Analysis, and Include the Exchange Network in the Enterprise Architecture.

<http://www.epa.gov/oig/reports/2007/20070820-2007-P-00030.pdf>

In the OIG report, *EPA Needs to Strengthen Financial Database Security Oversight and Monitor Compliance*, we found weaknesses in how EPA offices (1) monitor databases for known security vulnerabilities, (2) communicate the status of critical system patches, and (3) monitor using and accessing database administrator accounts and privileges. We recommend that OCFO, the Office of Environmental Information (OEI), and the Office of Research and Development address areas where EPA could improve. Specifically, we recommended, and the Agency agreed, that:

- OCFO update process to require program/regional offices to actively monitor the security status of systems that share data with IFMS.
- OEI strengthen followup procedures for obtaining complete responses from program and regional offices regarding high-level critical system patch alerts,
- The system owners for each reviewed application correct all identified weaknesses and develop a Plan of Action for all noted deficiencies.

<http://www.epa.gov/oig/reports/2007/20070329-2007-P-00017.pdf>

In the OIG report, *EPA Could Improve Processes for Managing Contractor Systems and Reporting Incidents*, we found that EPA had defined the specific requirements for contractor systems, but had not established procedures for identifying all contractor systems. Without all relevant security incident data, EPA may not accurately inform senior Agency officials regarding the performance and security of the Agency's network. We recommended that EPA:

- Assign responsibilities for posting and updating EPA's Web-site on weaknesses associated with contractor systems.
- EPA update its guidance for identifying contractor systems.
- Establish formal procedures to ensure that all responsible program offices update and maintain their EPA-specific contract clauses.
- Update the Agency's computer security incident guide to cover reporting instructions for all locations, establish a target date for when it will configure the Agency's anti-virus software to utilize the central reporting feature, train Information Security Officers on new procedures, and provide Information Security Officers with computer security incident reports.

<http://www.epa.gov/oig/reports/2007/20070111-2007-P-00007.pdf>

U.S. CHEMICAL SAFETY AND HAZARD INVESTIGATION BOARD

Performance Highlights

In the OIG report, *U.S. Chemical Safety and Hazard Investigation Board (CSB) Should Track Adherence to Closed Recommendations*, we found that recipients have adhered to closed recommendations issued by CSB. Although CSB has continued to increase its investigative productivity, it does not follow up on closed recommendations to track adherence. As a result, CSB may be unaware of whether report recipients continue to adhere to recommended safety procedures or return to prior practices. We recommended that CSB (1) revise its guidance, Board Order 022, to include followup on closed recommendations; and (2) follow up on a sample of closed recommendations every 3 years and analyze whether adherence and/or recipient conditions have changed. <http://www.epa.gov/oig/reports/2007/20070326-2007-P-00010.pdf>

INVESTIGATIONS

Investigative Return on Investment Summary
<ul style="list-style-type: none"> ● 99 Investigations Closed ● 44 Investigations Opened ● Total Staff Years: 58.8 ● Total Cost: \$10,355,680
Environmental and Business Results
<ul style="list-style-type: none"> ● \$5 Million in Fines, Settlements, Restitutions ● \$2 Million in Cost Efficiencies ● 9 Environmental Risk Reduced ● 1 Environmental Risks Identified ● 5 Convictions of Persons or Firms ● 21 Indictments/Informations of Persons or Firms ● 4 Civil Judgments/ Settlements/ Filings ● 68 Administrative Actions ● 15 Referrals for Agency Action ● 2 Environmental Best Practices Implemented

Performance Highlights

As a result of an OIG investigation, Hassan Ali Raza was sentenced to 41 months imprisonment followed by 3 years probation on conspiracy charges, ordered to perform 200 hours of community service, and pay \$3,185,344 in restitution and assessments. The sentence stems from charges that Raza was charged with importing luxury vehicles into the United States that did not meet the U.S. Department of Transportation or EPA vehicle standards for sale and use on U.S. roads. *This investigation was conducted jointly with the Department of Homeland Security Immigration and Customs Enforcement and the U.S. Department of Transportation OIG with assistance from the Department of Homeland Security's Customs and Border Patrol, the U.S. Department of Transportation's National Highway Traffic Safety Administration, and the EPA Office of Transportation and Air Quality. (Case Cost: \$282,780)*

LMI & Associates (LMI) and its owners, Larry and Laura McClure, of DeSoto, Texas, agreed to pay \$15,000 to settle a civil false claims case. The Government claimed that LMI and the McClures submitted a \$6,200 invoice to EPA, which it paid, for work that was not authorized by EPA nor performed by LMI. Prior to reaching this settlement, the McClures and LMI were debarred from Government contracting for 3 years. Both McClures were indicted by the State of Texas for defrauding EPA and were each charged with theft, a felony under Texas law. *(Case Cost: \$16,008)*

As a result of an OIG investigation involving an EPA grantee, the EPA Office of Grants and Debarment estimates that EPA saved \$1,962,925. Since 1989, EPA has awarded more than \$50 million in grants to the grantee. The investigation determined that, since at least 1997, the grantee improperly treated its Government agreements as fixed rate rather than cost reimbursable resulting in "surplus" funds that the grantee failed to return to the Government. The investigation further determined that the grantee did not track all of its costs as required by Federal Regulations. As a result of the investigation, EPA terminated the program and the grant. *This investigation was a joint effort of the OIGs of the General Services Administration, U.S. Department of Agriculture, and U.S. Department of Commerce. (Case Cost: \$127,028)*

Jason Scardecchio was sentenced to 1 year and 1 day in prison, followed by 36 months of supervised release and ordered to pay \$12,105 in restitution and assessments after pleading guilty to charges of mail fraud and improperly removing asbestos. Scardecchio a supervisor with Indoor Air Quality, Inc., Phoenixville, Pennsylvania, its owner, Wallace Heidelberg, and the company were sentenced for similar charges. As a result of the convictions, all three defendants were determined to be ineligible to receive government contracts or benefits at the Phoenixville location until the underlying conditions that caused the Clean Air Act offense have been corrected. *The investigation was conducted jointly with the EPA Criminal Investigation Division, with help from the Occupational Safety and Health Administration. (Case Cost: \$323,562)*

Gulf Services Contracting, Inc. (GSC), an asbestos and lead abatement contractor located in Theodore, Alabama, was sentenced after pleading guilty to a charge of fraud. Michael Thomas Burge, president and owner, and Jonathan Valle, supervising foreman, were also sentenced as a result of their guilty pleas to submitting false statements to the government. GSC was placed on probation for 5 years and ordered to pay \$96,851 in fines and assessments. Burge and Valle were fined \$5,000 and \$1,000 respectively and both sentenced to home detention for 4 months, placed on 3 years probation, and ordered to pay a \$100 special assessment. GSC lied to the government about the identities and qualifications of employees who performed asbestos and lead removal on various military installations in Florida, Alabama, and Mississippi, as well as other abatement work on schools and municipal projects putting the public at risk. *This investigation was conducted jointly with the EPA Criminal Investigation Division; FBI; Defense Criminal Investigative Service; Naval*

Criminal Investigative Service; Air Force Office of Special Investigations; and Department of Homeland Security, Immigration and Customs Enforcement. (Case Cost: \$189,122)

While admitting no wrongdoing, Liberty Analytical Corporation entered into a \$200,000 Civil Settlement Agreement to settle allegations that the company submitted false claims to EPA. Compuchem Environmental, a division of Liberty Analytical, Cary, North Carolina, failed to properly calibrate gas chromatograph/mass spectrometer (GC/MS) instruments used in analyzing samples from EPA Superfund sites as was required. The investigation determined that quality control standards were routinely bypassed, in that improper calibration procedures extended the “run time” of the GC/MS instruments, producing false analytical data. Some analysts admitted that they had been following this procedure since as early as 1992. Three Compuchem analysts involved in the improper calibration practice pleaded guilty and received probation, fines or restitution, community service, and were subsequently debarred. *(Case Cost: \$133,869)*

Duratek Federal Services (DFS) pleaded guilty to unlawfully discharging refuse into a waterway without a permit. DFS was sentenced to a \$10,000 fine, \$290,000 in restitution, and a \$125 special assessment. DFS managed a multi-celled, above ground, U.S. Department of Energy waste management facility in Oak Ridge, Tennessee. The contact water ponds were expected to be tested to ensure that the level of both radioactive contaminants and chemical constituents were within the acceptable levels before the water could be released into nearby Bear Creek. Following heavy rains, to avert pond failure, the landfill manager, without notifying or consulting with any Duratek management, pumped the water from one of the contact water ponds into a drainage ditch that ran directly into Bear Creek, knowing the water in the contact pond exceeded the allowable contaminant amounts for release. As a result, 350,000 to 400,000 gallons of water containing radionuclides were discharged directly into Bear Creek. *The investigation was conducted jointly with the Tennessee Environmental Crimes Joint Task Force. (Case Cost: \$10,875)*

In the OIG report, *EPA Needs to Respond More Timely to Reports of Investigation*, we found that while EPA took disciplinary action where deemed appropriate, it did not take the actions timely, or in some cases were significantly less than appropriate. EPA policies require the Agency to initiate disciplinary actions within 30 days from the date the OIG’s Office of Investigations issues a Report of Investigation. However, EPA took an average of almost 200 days to do so. According to several EPA action officials, EPA may not take disciplinary action within 30 days because the Agency cannot complete the process recommended in the EPA Disciplinary Process Handbook within 30 days. We recommend that the EPA Deputy Administrator (1) consider a timeframe more in line with the time necessary to accomplish EPA’s disciplinary process; (2) when the Agency is unable to meet established timeframes, provide an action plan that minimize the risks of continued misconduct pending final disciplinary action; (3) assure that disciplinary actions taken in employee integrity and misconduct cases are sufficient and appropriate. <http://www.epa.gov/oig/reports/2007/20070507-2007-M-00003.pdf>

OIG ENABLING SUPPORT PROGRAMS

- The Immediate Office of the Inspector General
 - The Office of Planning, Analysis and Results
 - The Office of Mission Systems*
 - The Office of Human Capital
 - The Office of Inspector General Counsel
 - The Office of Congressional and Public Liaison*
- * also have mission product lines.*

Support Return on Investment Summary
<ul style="list-style-type: none"> • Total Staff Years: 62.4 (20% of total OIG FTE) • Total Cost: \$8,963,448 (18% of total OIG costs) • Program Contract & Support Costs \$3,639,628 (7.5%)
Internal (OIG) and External (EPA) Business Results
<ul style="list-style-type: none"> • 16 Recommendations for Management Improvement • 1 New Management Challenges/FMFA Risks Identified • 3 Agency Management Actions Taken • 1 Certification • 6 Recommendations Sustained • 58 OIG Reports Scored in Quality Measurement Process

Performance Highlights

New Follow-up Initiatives Promotes Better Program and Management Results: To improve the economy, efficiency, and effectiveness of Agency programs and operations, the OIG initiated a new procedure to conduct and report the results of followup reviews to Agency Leadership on the status of EPA actions taken on OIG recommendations. An OIG report on the Agency’s follow-up process recommended how the Agency could better manage resolving audit/evaluation recommendations for greater performance and operational accountability. As a result, OCFO acted to improve follow-up performance by conducting joint training with the OIG, issuing strong Agency-wide guidance on the requirements for managing audit recommendations, and requiring certifying completed actions. This combined effort is promoting greater accountability and diligence by EPA in implementing the actions for improved operations and program management.

Implementation of Cost Accounting Methodology: To determine the costs of specific OIG work products associated with disaster relief, the OIG developed and applied cost accounting methodology to all OIG mission products and services. The OIG cost accounting model, developed in compliance with Generally Accepted Cost Accounting Principles and Standards (separating costs into the traditional categories of direct, indirect, and overhead [general and administrative]), grouped costs by office and products. We developed an overhead cost rate that was consistently applied to incremental costs of specific products and services, resulting in fully-loaded billable staff-day costs. We validated the model by equating the cost of total billable hours to the total budget expended. The success in applying this methodology is demonstrated in the total costs reported for the work of each product line, and in the appendix listing the cost of each OIG report issued.

Outreach Planning With Agency Leadership: The OIG implemented a combination of risk-based and a customer-

driven planning process to develop an FY 2008 work plan that addresses EPA's most significant environmental and management risks, priorities, and challenges. About a third of the planned assignments resulted from stakeholder input. The planning process featured an Agency-wide risk assessment based on historical OIG work, Agency FMFIA assessments, major management challenges, and GAO high-risk assessments. It also included recent input from EPA leadership and results of interviews with Agency leadership on risks, challenges, priorities, and opportunities for Agency-wide management, media-specific areas, and regional issues. As a result, the OIG developed new cross-Agency themes of Research, Data Validation, Enforcement, and Homeland Security to guide future work.

Legislation, Regulation and Policy Review: The OIG analyzed 45 legislative, regulatory, or policy items. It made recommendations and suggestions for improvements and/or additions on 27. Items on which the OIG made significant recommendations include Generally Accepted Government Auditing Standards Draft Revision, which were modified based on our input; Personal Identity Verification and Smart Card Policy for Assistance Recipients; Proposed Revision to Resources Management Directive System 2520, *Administrative Control of Appropriated Funds*, Exposure Draft 3.1; EPA's FY 2006 Performance and Accountability Draft Report; Proposed Reorganization of the Office of Criminal Enforcement, Forensics, and Training, Office of Enforcement and Compliance Assurance; Draft EPA Order: EPA Personal Identity Verification and Smart Card Program; EPA Working Capital Fund Charter; and amendments to the IG Act.

EPA OIG Leads PCIE Training of New Federal Auditors:

EPA OIG staff played an important role in developing and presenting key training courses for Government auditors through the President's Council on Integrity and Efficiency (PCIE). With the dissolution of the Inspector General Audit Training Institute, a collaborative effort among the Inspector General audit community filled a critical gap to provide basic training in professional competencies through five 2-week sessions of intensive classes for nearly 200 entry-level personnel from 22 Federal Inspector General and Department of Defense audit organizations. Several EPA OIG staff were key task force organizers, helped develop the curriculum, instructional and presentation materials, and were instructors for the following topics: Overview of the Government Auditing Standards; Evidence, Documentation, and Determining Significance of Results and Sufficiency of Evidence; Inspector General Act; Audit Planning; Fraud Detection; Followup; Communications; Reporting; and Behavioral Aspects of Auditing for Change.

OIG Receives "Clean Opinion" on External Peer Review:

EPA OIG received an unmodified opinion in an external peer review covering the fiscal year ended September 30, 2005. This means that the OIG's system of internal control for the audit and evaluation function in effect for that year was designed to meet the requirements of the quality control standards established by the Comptroller General of the United States for a Federal Government audit organization. This review was a milestone for the OIG since it was the first external peer review that included work completed by its

Office of Evaluation. The U.S. Postal Service OIG conducted the peer review in accordance with guidelines established by the President's Council on Integrity and Efficiency.

OIG Implements Streamlined Quality Assurance Process: In FY 07, the OIG fully implemented a process to apply specific quality measurement criteria to 57 major OIG reports. The process continually monitors the OIG's efforts to consistently provide products that meet these specific criteria, including adherence to GAGAS and all OIG policies and procedures. The goal of this measuring process is to assess trends in quality so that necessary adjustments can be made to policies and procedures or other OIG activities. The criteria to assess quality include factors such as (a) cost, (b) documentary reliability of evidence, (c) timeliness in preparing reports, (d) readability of reports including whether reports are clear, concise, convincing, logical, and relevant. An Inspector General Statement was issued on October 10, 2006, that fully explains the process and all the criteria used to measure reports.

OIG Reported Key Agency Management Challenges

The Reports Consolidation Act of 2000 requires the OIG to report on the Agency’s most serious management and performance challenges, known as the Key Management Challenges. Management Challenges represent vulnerabilities in program operations and their susceptibility to fraud, waste, abuse, or mismanagement. This fiscal year, the OIG identified three new Challenges. The Agency took sufficient action on three previous challenges and they were removed from the list. The table below includes issues the OIG identified as Key Management Challenges facing EPA and the relationship of the issues to the Agency’s Strategic Plan and the President’s Management Agenda.

EPA’s Top Major Management Challenges Reported by the Office of Inspector General	FY 2005	FY 2006	FY 2007	Link to EPA Strategic Goal	Link to President’s Management Agenda
Managing for Results: * Focusing on the logic of design, measures of success (outputs and outcomes), and measures of efficiency, so that EPA programs and processes can be set up to evaluate results and make necessary changes.	●	●	●	Cross-Goal	Integrating Performance & Budget
Agency Efforts in Support of Homeland Security: Implementing a strategy to effectively coordinate and address threats.	●	●	●	Cross-Goal	Homeland Security
Data Standards and Data Quality: ** Improving the quality of data used to make decisions and monitor progress, and data accessibility to EPA’s partners.	●	●	●	Cross-Goal	E-Gov
Emissions Factors for Sources of Air Pollution: Reliable emission factors and data are needed for targeting the right control strategies, ensure permitting is done properly, and measure the effectiveness of programs in reducing air pollution.		●	●	Goal 1	
Workforce Planning: *** Implementing a strategy that will result in a competent, well-trained, and motivated workforce.	●	●	●	Cross-Goal	Human Capital
Voluntary Programs: **** Applying voluntary approaches and innovative or alternative practices to provide flexible, collaborative, market-driven solutions for measurable results.		●	●	Cross-Goal	
Efficiently Managing Water and Wastewater Resources and Infrastructure: Current drinking water, treatment and supply, and wastewater treatment and disposal systems are wearing out and will take huge investments to replace, repair, and construct facilities.		●	●	Goal 2	
Information Technology Systems Development and Implementation: Overseeing information technology projects to ensure they meet planned budgets and schedules.		●	●	Cross-Goal	E-Gov
Data Gaps: Deciding what environmental and other indicators will be measured, providing data standards and common definitions to ensure that sufficient, consistent, and usable data are collected.		●	●	Cross-Goal	E-Gov
Privacy Program: Integrating policies and controls into EPA’s E-Government and other systems infrastructure for the protection of personal identifiable information.			●	Cross-Goal	E-Gov Homeland Security

* From FY 2004 and 2005. Working Relationships with the States and Linking Mission to Management were consolidated into Managing for Results.

** From FY 2004 and 2005. Information Resources Management and Data Quality were consolidated into Data Standards and Data Quality.

*** FY 2006 and 2006 titled Human Capital Management.

**** FY 2006 titled Voluntary, Alternative, and Innovative Practices and Programs.

OIG FY 2007 Resource Use and Allocation

FY 2006 Appropriation - Final Utilization Rate

<u>Account</u>	<u>\$ Appropriation Available</u>	<u>\$ Appropriation Used</u>	<u>% \$ Appropriation Used</u>
Management	\$36,896,858	\$36,879,994	100.0%
Superfund	<u>13,334,489</u>	<u>13,330,304</u>	<u>100.0%</u>
TOTAL	\$50,231,347	\$50,210,298	100.0%

FY 2007 Appropriation Usage

<u>Account</u>	<u>\$ Appropriation Available</u>	<u>\$ Appropriation Used</u>	<u>% \$ Appropriation Used</u>
Management	\$37,111,000	\$33,419,716	90.1%
Superfund	<u>13,336,853</u>	<u>12,099,470</u>	<u>90.7%</u>
TOTAL	\$50,447,853	\$45,519,186	90.2%

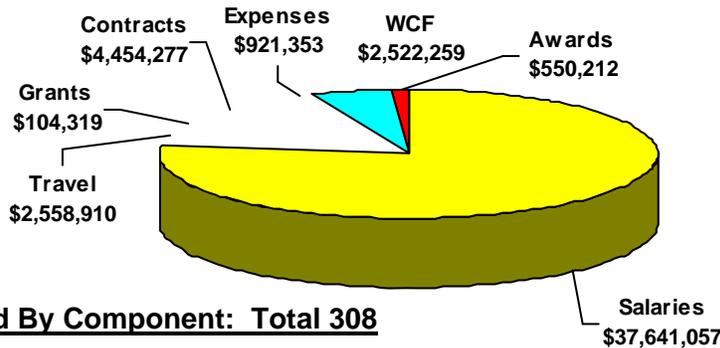
FY 2007 FTE Usage

<u>Account</u>	<u>FY 07 FTE Available</u>	<u>FY 07 FTE Used</u>	<u>% FTE Budget Used</u>
Management	(on board 10/1/06 238) 268.0	224.2	83.7%
Superfund	(on board 10/1/06 88) <u>93.8</u>	<u>84.0</u>	<u>89.5%</u>
TOTAL	(on board 10/1/06 326) 361.8	308.1	85.1%

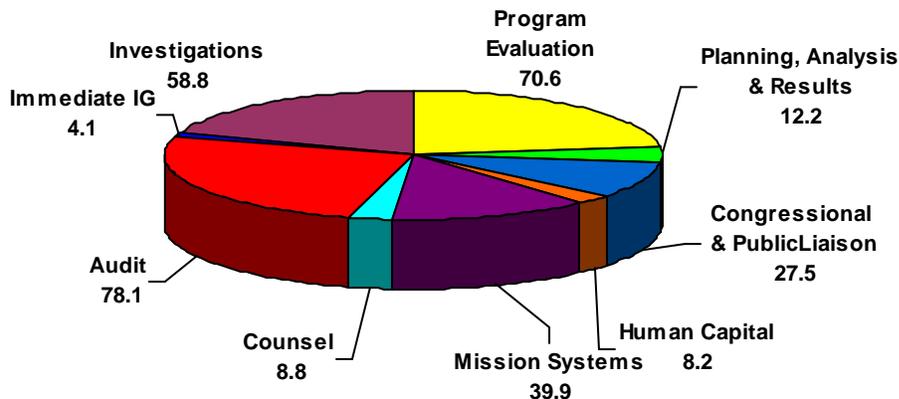
*FY 2006 funds were available through FY 2007

**Unused FY 2007 funds are available through FY 2008

FY 2007 Funds Used (FY 06 Carryover and FY 07 Appropriation) By Object Class: \$48,752,387 (97% of FY 07 Appropriation)



FY 2007 FTEs Used By Component: Total 308



OIG Management Challenges

In fiscal 2007, for the eighth straight year, the OIG reported no material weaknesses under the Federal Managers' Financial Integrity Act. Further, the OIG continues to make progress in addressing reported OIG-level weaknesses. Several of the weaknesses identified in FY 2006 were not fully resolved in FY 2007 because of their complexity.

OIG - Level Weakness	2005	2006	2007
Records Management - Controls Over Equipment			
Information Technology			
OIG Intranet/Internet			
Product Timeliness and Quality			
Follow-up on Corrective Actions			
Data Quality			
Office Security – Controls Over Equipment			

The OIG took the following steps to assess and improve management controls:

- Scored specific quality characteristics of all reports issued by the OIG during fiscal 2007.
- Revised the *Project Management Handbook*.
- Developed policies and procedures on funds control; communications devices; purchase cards; policy development; external review of regulations; policies and exposure drafts; independence; efficiencies (funds put to better use); reviewing report resolution status codes; and resolving unsupported costs claimed under assistance agreements.
- Received an unmodified opinion in an external peer review recently completed by the U.S. Postal Service (USPS), which assessed complying with Government Auditing Standards requirements.
- Conducted a records management review of seven OIG offices.
- Reviewed and commented on 56 regulatory and policy issues, and Agency directives.
- Completed the self-study courses “E-Mail Records Training” and “Telework.”
- Delivered training to Office of Public and Congressional Liaison (OCPL) and Office of Program Evaluation (OPE) staff on the 2007 changes to Government Auditing Standards.
- Issued the January 2007 OIG FY 2006 annual performance report demonstrating specific progress on OIG goals.
- Provided hands-on training to OIG staff on the Inspector General Enterprise Management System (IGEMS) to all field offices and piloted the new functions OIG-wide.
- Reconciled working capital fund information on site licenses of software in OPE.
- Conducted periodic inventories of (issued and stored) firearms, badges, credentials, and other law enforcement equipment.
- Reviewed the usage of all law enforcement vehicles, resulting in approximately \$24,000 savings.
- Launched The Inspector General Enterprise Resource (TIGER) system, our new electronic case management system for the Office of Investigations.
- Initiated and processed paperwork to recoup student loan repayments from students who had received loan payments and were departing OIG prior to meeting work commitments.
- Completed the OPM Performance Appraisal Assessment Tool evaluation of the OIG Performance Appraisal and Review System.
- Developed an implemented an OIG Policy on Follow-up to conduct reviews on the status of Agency actions taken on OIG recommendations.
- Collaborated with the Agency Office of Chief Financial Officer on helping the Agency strengthen its audit management and follow reporting process.

Appendices

Profile of FY 2007 OIG Performance Activity

Audit/ Evaluation Activity and Agency Action		Investigative Activity	
Reports Issued			
▪ Reviews performed by OIG	71	▪ Investigations opened	44
▪ Reviews by another Federal Agency	198	▪ Investigations closed	99
▪ Single Audit Reviews	152	▪ Pending investigations as of 9/30/07	111
TOTAL Reports	421	▪ Indictments persons/firms	21
Monetary Results		▪ Convictions persons/firms	10
▪ Questioned costs (in millions)	\$56.3	▪ Administrative actions: EPA employees/firms	68
▪ <i>Questioned costs from DCAA/OIG coordinated</i>	\$9.3	▪ Civil judgments	4
▪ Cost efficiencies (in millions)	*\$33.9	▪ Fines and recoveries (in millions)	\$5.0
▪ <i>Cost efficiencies from DCAA/OIG coordinated</i>	\$13.0	▪ Prison time in months	185
▪ Costs sustained (from current and prior periods)	\$53.4	▪ Suspended time in months.	120
▪ Reports resolved (from current and prior periods)	236	▪ Probation in months	636
▪ Agency recoveries (from current and prior periods)	\$1.6	▪ Community service in hours	408
<i>*Includes \$4.2 in efficiencies not in the resolution process, of which \$2 is from investigative operations</i>			
Audit Resolution (Dollars in Millions)	Questioned	Efficiencies	Other
Recommendations as Costs			
▪ With no management decision start FY 2007 (80)	\$117.3	\$5.6	▪ Hotline complaints received
▪ Issued in FY 2007 (92)	\$56.1	\$29.7	▪ Hotline complaints opened
▪ Agreed to/sustained by management or value of nonawards (<i>not including prior to issuance</i>) (67)	\$36.3	\$15.1	▪ Hotline complaints closed
▪ Not agreed/sustained to by management (42)	\$83.20	\$5.6	▪ Public inquiries addressed
▪ With no management decision, end FY 2007 (131)	\$54.0	\$14.5	▪ Referrals to other offices
<i>Percent of total costs agreed to by mgmt.</i>	21%	43%	▪ Legislative/regulatory/policy items reviewed
▪ Total audits with no Federal actions as of 9/30/07 which are over 365 days past issuance date: 45 reports			
▪ Reports with costs for which no management decision was made within 6 months of issuance at 9/30/07: 26 reports	\$37.00	\$13.01	
Audit Resolution Reported by EPA			
▪ Audits with management decision but without final action start FY 2007 (60)	\$63.5	\$41.4	
▪ Audits for which management decisions were reached in FY 2007	\$31.7	\$ 5.8	
▪ Total audits pending final action during FY 2007	\$95.2	\$47.2	
▪ Final action taken during FY 2007	\$32.6	\$.02	
▪ Audits without final action end of FY 2007	\$62.6	\$27.2	
<i>Percent \$ value final action taken FY 2007</i>	34.4%	0.05%	

Listing of OIG Reports, Timeliness, and Costs

Report Number	Report Name	Calendar Days in Production	Staff Days	Total Cost
2007-P-00001	Effectiveness of Vehicle Inspection and Maintenance Programs	699	749	\$572,990
2007-P-00006	Superfund Five Year	755	694	\$528,328
2007-1-00001	2005 FIFRA FINANCIAL STATEMENTS	629	278	\$219,302
2007-P-00023	Clean Water Compliance and Enforcement	827	634	\$482,798
2007-1-00002	2005 PRIA FINANCIAL STATEMENTS	656	255	\$201,751
2007-P-00004	Nonpoint Source BMPs in Chesapeake Bay Restoration	593	546	\$419,571
2007-4-00019	E&E SubK Admin Noncomp - Cost Impact	570	105	\$86,680
2007-P-00034	Groundwater Contamination Panola County TX	873	430	\$375,251
2007-P-00005	Review of RCRA Interim Status Permits	567	642	\$492,224
2007-1-00037	SRF-New Hampshire 2005 Clean Water Audits	633	129	\$107,112
2007-4-00026	AA - International City County Management Association	515	283	\$233,944
2007-P-00026	Status of Superfund Alternative Sites with No Signed Agreement	704	750	\$585,365
2007-M-00001	OECA AND OSWER	473	257	\$200,562
2007-P-00018	EPA DID NOT PROPERLY PROCESS HOSPITAL DISINFECTANT	598	14	\$12,265
2007-P-00015	HURRICANE KATRINA	555	933	\$777,801
2007-4-00027	AA - National Rural Water Assoc - Congressional	427	75	\$62,939
2007-4-00052	REPORT ON EXAMINATION OF CONTRACTOR FY2001 I/C-E&E	542	406	\$338,546
2007-P-00007	MANAGING CONTRACTOR SYSTEMS AND REPORTING INCIDENTS	463	639	\$532,887
2007-P-00003	Voluntary Program Cost and Measurement Census	399	404	\$315,286
2007-1-00044	SRF-New Hampshire 2005 Drinking Water Audit	502	162	\$135,051
2007-P-00030	EPA's Implementation of Electronic Data Collection In	669	749	\$625,311
2007-P-00008	EPA COULD IMPROVE CONTROLS OVER MAINFRAME SOFTWARE	466	173	\$143,942
2007-P-00022	AA - Tribal Program Implementation Issues	547	568	\$474,327

Report Number	Report Name	Calendar Days in Production	Staff Days	Total Cost
2007-P-00031	CHESAPEAKE BAY LAND USE	677	998	\$783,488
2007-P-00027	Benchmarking Other Organizations' Statistically Valid Compliance	587	557	\$436,623
2007-P-00017	EPA'S IMPLEMENTATION OF DATABASE SECURITY	497	484	\$403,805
2007-2-00003	Superfund Cooperative Agreement Obligations	273	377	\$314,288
2007-P-00012	AA-SRF Policy Review	418	490	\$408,920
2007-1-00019	2006 AGENCY F/S - GENERAL	282	4636	\$2,960,000
2007-P-00020	FY2006 Peer Review of Commerce	432	335	\$262,821
2007-4-00063	E&E FY 2005 Adequacy Review	420	170	\$141,988
2007-P-00009	Air Deposition Reduction Activities in Chesapeake Bay Restoration	330	466	\$365,120
2007-P-00011	Review of Interagency Contracts	356	356	\$297,056
2007-2-00001	2006 PAYROLL AUP	187	74	\$58,370
2007-1-00020	GFRS	226	20	N/A
2007-4-00062	Application Controls Over E&E's Time & Expense System	402	117	\$97,794
2007-4-00034	E&E Voucher Review - DACW56-02-G-1001	252	53	\$43,944
2007-4-00033	E&E 2006 Floorcheck	251	75	\$62,746
2007-4-00045	AA-America's Clean Water Foundation-Grant Cost	298	93	\$77,785
2007-P-00021	EPA Contracting Through The Corps of Engineers	349	282	\$235,813
2007-1-00070	2006 FIFRA Financial Statement Audit	378	344	\$277,826
2007-1-00071	2006 PRIA Financial Statement Audit	378	304	\$252,724
2007-P-00039	OIG Congressional Request--Ringwood Mines/Landfill Superfund	493	710	\$558,650
2007-P-00013	Evaluation of NEPT	307	325	\$258,662
2007-P-00028	Effectiveness of Energy Star	427	430	\$338,079
2007-M-00002	OSWER AND OW	167	295	\$231,090
2007-P-00029	RCRA Referrals to Superfund	406	314	\$246,432

Report Number	Report Name	Calendar Days in Production	Staff Days	Total Cost
2007-P-00025	Follow-Up on Actions in Response to OIG Water Reports	314	142	\$112,105
2007-4-00078	CHEYENNE RIVER SIOUX TRIBE	431	268	\$224,142
2007-P-00036	Planning for Future TMDL Reviews	412	233	\$183,547
2007-4-00065	ENVIRONMENTAL CAREERS ORGANIZATION	312	318	\$266,248
2007-P-00040	Strategic Agricultural Initiative (SAI)	403	390	\$307,569
2007-4-00068	OZONE TRANSPORT COMMISSION	326	250	\$209,016
2007-P-00010	Facility Adherence to the CSB's Closed Recommendations	190	111	\$87,636
2007-P-00016	Ringwood Mines/Landfill Superfund Site	194	321	\$287,341
2007-P-00002	Asbestos Cleanup in Libby Montana	76	289	\$254,856
2007-B-00001	OFFICE OF INTERNATIONAL AFFAIRS	173	155	\$122,075
2007-P-00024	Impact of Earmarks	219	342	\$286,226
2007-P-00035	EPA'S PROTECTION OF PII & PRIVACY PROGRAM	339	110	\$91,793
2007-P-00041	VPS COULD BENEFIT FROM INTERNAL POLICY CONTROLS	341	168	\$132,391
2007-P-00019	CHEMICAL SAFETY BOARD - FISMA & PII REPORT FOR FY06	185	543	\$44,825
2007-1-00023	2006 CSB Financial Statement Audit	36	12	N/A
2007-S-00001	CSB Personnel Activities	212	188	\$169,678
2007-S-00002	Superfund Special Accounts	290	148	\$116,743
2007-P-00032	Chesapeake Bay Federal Facilities Compliance with the CWA	273	234	\$184,914
2007-4-00053	Mixed Funding Claim Number Two - Bofors-Nobel	85	35	\$28,943
2007-4-00064	Mixed Funding Claim No 2 - Armour Road	144	27	\$22,413
2007-4-00056	York Oil CERCLA Response Claims 3 and 4	72	40	\$33,018
2007-P-00037	PROGRESS IN USE OF FSS ORDERS, BUT MORE ACTION NEEDED	189	217	\$181,758
2007-P-00038	Lake Anna Permit	155	69	\$54,842
2007-2-00030	City of Huron South Dakota	95	30	\$24,868
2007-S-00003	FY 2007 FISMA Evaluation	146	13	\$11,076

Report Number	Report Name	Calendar Days in Production	Staff Days	Total Cost
2007-2-00040	FALLON, NV – EPA GRANTS X98989101 AND XP97914901	135	49	\$40,855
2007-4-00069	York Oil Mixed Funding Claim No 5	56	.5	\$313
2007-2-00039	MIDDLETOWN GRANT REVIEW	95	5	\$4,179
2007-B-00002	OMB Briefing on Emissions Projections for Air Enforcement	193	301	\$237,584

76 OIG Reports Produced and Issued, including 2 Memo Reports, 2 Briefings, 1 Peer Review

Comparison of Production Statistics FY 04 to FY 07					
	FY 2004	FY 2005	FY 2006	FY 2007	Avg. for Period
Total Number of Reports	57	65	65	71 (net)	64.5
Avg. Calendar Days Elapsed	351**	380**	288**	383**	350
Avg. Staff Days Charged	341**	331**	278.3**	297**	312
Avg. Loaded Cost.	\$259,357**	\$257,056**	\$231,005**	\$239,215**	\$246,658**
Financial Statement Audit Report * (year issued, but most work done prior FY)					
Calendar Days Elapsed	210	283.5	298.7	281.5	
Direct Staff Days Charged	6,110 (30.6 FTE)	5,270 (28 FTE)	5,019 (25 .6FTE)	4,636 (22.5 FTE)	
Loaded Cost	\$3,50,000	\$3,126,000	\$2,,970,000	\$2,833,000	

*includes FIFRA and PRIA requirements

**not including Financial Statement Audit shown separately

Financial Statement Audit costs as presented are direct costs + indirect costs

OIG Financial Statement: Analysis of FY 2007 Fund Use and Carryover Balances

MANAGEMENT	FY 06 Carryover <u>Avail in 07</u>	FY 06 Carryover <u>Used in 07</u>	FY 06 Lapsed <u>Funds</u>	FY 2007 <u>Approp.</u>	FY 07 Funds <u>Used in 07</u>	FY 2007 <u>Carryover</u>	Total Cost of FY 07 <u>Operations</u>	Total Cost as % of <u>07 Approp</u>
PC&B	\$57,074	\$135,189	(\$78,115)	\$29,823,000	\$27,960,529	\$1,862,471	\$28,095,718	94%
Travel	(9,303)	(10,092)	789	1,812,000	1,337,523	474,477	1,327,431	73%
Expenses	364,203	351,302	12,901	748,000	304,794	443,206	656,096	88%
Contracts	2,053,784	1,973,288	80,496	2,161,000	1,296,257	864,743	3,269,545	151%
WCF	(255,930)	(256,023)	93	2,449,000	2,449,000	0	2,192,977	90%
Grants	<u>4,830</u>	<u> </u>	<u>700</u>	<u>118,000</u>	<u>71,613</u>	<u>46,387</u>	<u>75,743</u>	<u>64%</u>
Total Mgmt	\$2,214,658	\$2,197,794	\$16,864	\$37,111,000	\$33,419,716	\$3,691,284	\$35,617,510	96%
	4,130							
SUPERFUND	FY 06 Carryover <u>Avail in 07</u>	FY 06 Carryover <u>Used in 07</u>	FY 06 Lapsed <u>Funds</u>	FY 2007 <u>Approp.</u>	FY 2007 <u>Used in 07</u>	FY 2007 <u>Carryover</u>	Total Cost of FY 07 <u>Operations</u>	Total Cost as % of <u>07 Approp</u>
PC&B	(\$327,231)	(\$263,396)	(\$63,835)	\$11,116,053	\$10,358,947	\$757,106	\$10,095,551	91%
Travel	700,679	695,773	4,906	588,000	530,706	57,294	1,226,479	209%
Site Travel	5,000	5,000	0	0	0	0	5,000	
Expenses	163,618	158,253	5,365	341,800	107,004	234,796	265,257	78%
Contracts	716,769	659,405	57,364	690,000	525,327	164,673	1,184,732	172%
WCF	(221,633)	(221,718)	85	551,000	551,000	0	329,282	60%
Grants	<u>2,390</u>	<u> </u>	<u>300</u>	<u>50,000</u>	<u>26,486</u>	<u>23,514</u>	<u>28,576</u>	<u>57%</u>
Total SF	\$1,039,592	\$1,035,407	\$4,185	\$13,336,853	\$12,099,470	\$1,237,383	\$13,134,877	98%
	2,090							
Total Mgmt & SF	\$3,254,250	\$3,233,201	\$21,049	\$50,447,853	\$45,519,186	\$4,928,667	\$48,752,387	97%

Usage of expiring 2006 funds = greater than 99.95%

OIG Data Verification and Validation

Performance Database: The OIG Performance Measurement and Results System captures and aggregates information on an array of measures in a logic model format, linking immediate outputs with long-term intermediate outcomes and results. OIG performance measures are designed to demonstrate value added by promoting economy, efficiency, and effectiveness; and preventing and detecting fraud, waste, and abuse as described by the Inspector General Act of 1978 (as amended). Because intermediate and long-term results may not be realized for several years, only verifiable results are reported in the year completed.

Data Source: Designated OIG staff enter data into the systems. Data are from OIG performance evaluations, audits, research, court records, EPA documents, data systems, and reports that track environmental and management actions or improvements made and risks reduced or avoided. OIG also collects independent data from EPA's partners and stakeholders.

Methods, Assumptions, and Suitability: OIG performance results are a chain of linked events, starting with OIG outputs leading to subsequent actions taken by EPA or its stakeholders/partners reported as intermediate outcomes to improve operational efficiency and environmental program delivery. The resulting improvements in operational efficiency, risks reduced/eliminated, and conditions of environmental and human health are reported as outcomes. The OIG can only control its outputs, and has no authority, beyond its influence, to implement its recommendations that lead to environmental and management outcomes.

Quality Assurance/Quality Control Procedures: All performance data submitted to the database require at least one verifiable source assuring data accuracy and reliability. Data quality assurance and control are performed as an extension of OIG products and services, subject to rigorous compliance with the Government Auditing Standards of the Comptroller General Government Auditing Standards (2003 Revision), Government Accountability Office, *GAO-07-731G*, July 2007; available on the Internet at www.gao.gov/govaud/ybk01.htm, and regularly reviewed by an independent OIG Quality Assessment Review Team, and external independent peer reviews. Each Assistant Inspector General certifies the completeness and accuracy of his or her respective performance data. Additionally, the EPA OIG earned a "clean" or unmodified opinion in FY 2007 through a rigorous peer review performed the previous year.

Data Limitations: All OIG staff are responsible for data accuracy in their products and services. However, a possibility of incomplete, miscoded, or missing data in the system could exist due to human error or time lags. Data supporting achievement of results are often from indirect or external sources, with their own methods or standards for data verification/validation.

Error Estimate: The error rate for outputs is estimated at +/-2%, while the error rate for outcomes is presumably greater because of the longer period needed for realizing results and difficulty in verifying a nexus between our work and subsequent impacts beyond our control. Errors tend to be those of omission.

OIG Future Annual Performance Targets (FYs 2007-2008)

Annual Performance Measures	Supporting Indicators	FY 2007 Targets	FY 2008 Targets*
Environmental and Business Actions Taken for Improved Performance from OIG Work	<ul style="list-style-type: none"> ○ Policy, process, practice or control changes implemented ○ Environmental or operational risks reduced or eliminated ○ Critical congressional or public concerns resolved ○ Certifications, verification, or analysis for decision or assurance 	318	334
Environmental and Business Recommendations or Risks Identified for Corrective Action by OIG Work	<ul style="list-style-type: none"> ○ Recommendations or best practice identified for implementation ○ Risks or new management challenges identified for action ○ Critical congressional/public actions addressed or referred for action 	925	971
Potential Monetary Return on Investment in the OIG, as a Percentage of the OIG Budget	<ul style="list-style-type: none"> ○ Recommended questioned costs ○ Recommended cost efficiencies and savings ○ Fines, penalties, settlements, restitutions 	150% (\$72.6 Million)	120% (without DCAA work)
Criminal, Civil, Administrative and Fraud Prevention Actions Taken from OIG Work	<ul style="list-style-type: none"> ○ Criminal convictions ○ Indictments/Informations ○ Civil judgments ○ Administrative actions (staff actions and suspension or debarments) 	80	80

- All targets are set, consistent with relative changes in funding. Outputs change in nearly direct proportion, while outcomes are further adjusted for growth because a lag generally occurs between all previous outputs (recommendations) before they come to fruition as outcomes (action on recommendations).