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June 2006

OFFICE OF INSPECTOR GENERAL

*Catalyst for Improving the Environment*

# Annual Performance Report Fiscal Year 2005

A Statistical Summary and Compendium of OIG  
Performance Results and Accountability Information



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

OFFICE OF  
INSPECTOR GENERAL

June 1, 2006

**FOREWORD**

I am pleased to present the fourth Annual Performance Report for the U.S. Environmental Protection Agency (EPA) Office of Inspector General (OIG). This report presents statistical and narrative summaries of OIG performance results for Fiscal Year (FY) 2005 compared to our annual performance targets. It also presents cumulative OIG results for the period FY 2001 through 2005 compared to the OIG annual performance goals for the same 5-year period. It is particularly important to consider the subsequent results of OIG activity over a longer period than 1 year, since there is a significant time lag in recognizing environmental and human health impacts influenced by our work. The results of our investigative activities are dependent on highly variable levels of criminal/civil activity, and a lengthy series of prosecutive actions by the courts.

This report supplements, in greater statistical and narrative detail, the OIG summary performance results presented in EPA's FY 2005 Performance and Accountability Report, available at [www.epa.gov/ocfopage](http://www.epa.gov/ocfopage), and provides additional items required by the Government Performance and Results Act, such as management challenges, as well other relevant measures of performance activity.

This and prior OIG Annual Performance Reports indicate we are continuing to make significant improvements in applying performance measures to demonstrate the impact of our work. In FY 2006, the OIG is working to measure internal management activity and apply cost accounting to improve the efficiency of our operations, products, and services. We are working to link OIG performance goals and measures to specific expectations for each manager and staff member. This will improve our understanding of how daily staff performance helps achieve organizational goals, and will enable us to improve accountability. We will also implement a system to track the Agency's completion of agreed-upon actions recommended by the OIG.

We rely upon our customers and stakeholders to inform us about the quality of our performance, address risks, and add value. 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.

Sincerely,

A handwritten signature in black ink, appearing to read "Bill A. Roderick".

Bill A. Roderick  
Acting 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 followup 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 Audits and Evaluations

- Air
- Water
- Land
- Cross Media

### Financial/ Systems Audits

- Business Systems
- Financial Statements
- Contracts
- Assistance
- Agreements
- Computer Security

### Investigations

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

### Public Liaison/ Advisory/Analysis

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

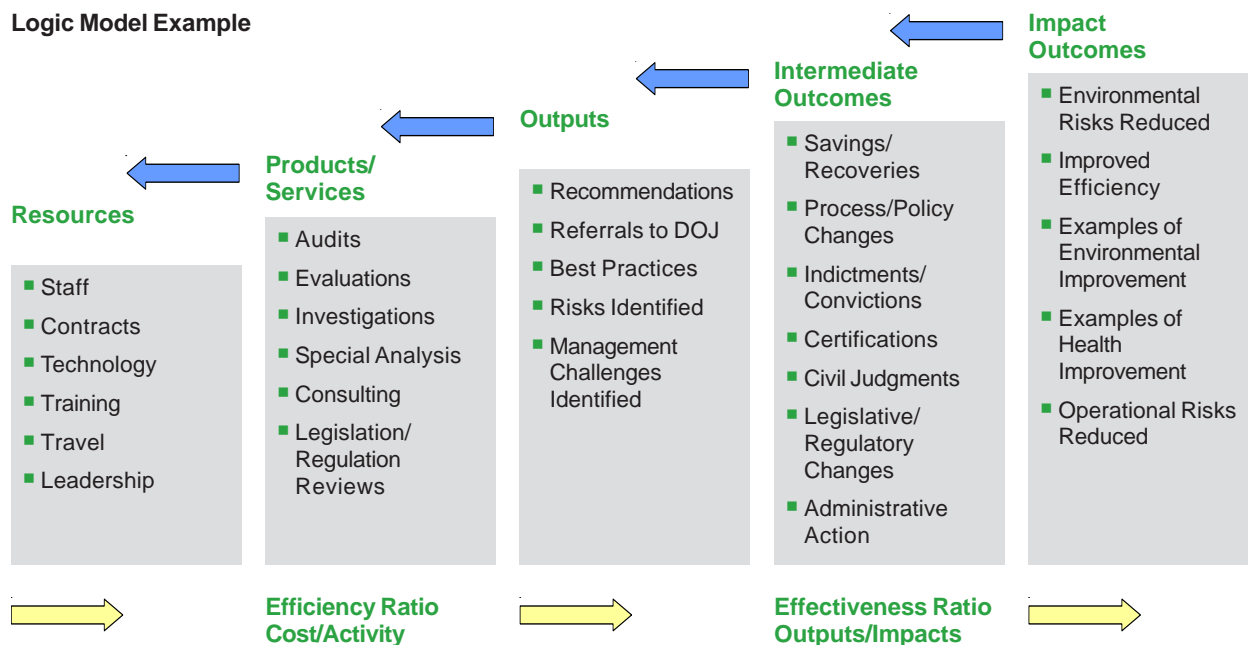
## Linking Our Work to Outcomes and Impacts

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 performance results in this report are presented in a hierarchy, starting with several summaries and a scorecard, followed by detailed measures and examples of results by goal for FY 2004, and as cumulative totals for FY 2001- 2004, toward accomplishing the OIG Strategic Goals. We collected the information presented in this report from the OIG's Performance Measurement and Results System (PMRS) and the Inspector General Operational Reporting (IGOR) system, both dependent upon input by OIG staff, and from EPA's Integrated Financial Management System.

# Scoreboard of Results

## Results Compared to FY 2005 Annual Performance Goal Targets

All results reported in FY 2005, from current and prior years' work, in OIG Performance Measurement and Results System. (Except where noted, information verified and subject to OIG Data Quality Policy.)

Strategic Goals; With Government Performance and Results Act Annual Performance Targets Compared to FY 2005 Results Reported	Supporting Measures
<b>Goal 1. Contribute to Improved Human Health and Environmental Quality</b>	
<b>Environmental Improvements/Actions/Changes</b> <ul style="list-style-type: none"> <li>▪ Target: 45</li> <li>▪ Reported: 35 (78%)</li> </ul>	<ul style="list-style-type: none"> <li>0 Legislative changes/decisions</li> <li>5 Regulatory changes/decisions</li> <li>27 EPA policy, process, practice changes</li> <li>1 Examples of environmental improvement</li> <li>2 Best environmental practices implemented</li> </ul>
<b>Environmental Risks Reduced or Eliminated</b> <ul style="list-style-type: none"> <li>▪ Target: 23</li> <li>▪ Reported: 35 (152%)</li> </ul>	<ul style="list-style-type: none"> <li>15 Environmental risks reduced/eliminated</li> <li>1 Certifications/validations/verifications</li> <li>19 Critical congressional/public issues addressed</li> </ul>
<b>Environmental Recommendations, Best Practices, Risks Identified</b> <ul style="list-style-type: none"> <li>▪ Target: 95</li> <li>▪ Reported: 112 (118%)</li> </ul>	<ul style="list-style-type: none"> <li>60 Environmental recommendations</li> <li>34 Environmental best practices identified</li> <li>18 Environmental risks identified</li> </ul>
<b>Goal 2. Improve EPA's Management, Accountability, and Program Operations</b>	
<b>Return on Investment: Potential dollar return as percentage of OIG budget (\$50.5 million)</b> <ul style="list-style-type: none"> <li>▪ Target: \$75.8 million (150%)</li> <li>▪ Reported: \$143.8 million (285%)</li> </ul>	<i>(dollars in millions)</i> \$ 79.5 Questioned costs <sup>1</sup> \$ 13.4 Recommended efficiencies, costs saved <sup>2</sup> \$ 50.9 Fines, recoveries, settlements
<b>Criminal, Civil, and Administrative Actions Reducing Risk of Loss/Operational Integrity</b> <ul style="list-style-type: none"> <li>▪ Target: 80</li> <li>▪ Reported: 125 (156%)</li> </ul>	<ul style="list-style-type: none"> <li>15 Criminal convictions</li> <li>23 Indictments/informations/complaints</li> <li>4 Civil judgments/settlements/filings</li> <li>83 Administrative actions</li> </ul>
<b>Improvements in Business/Systems/Efficiency</b> <ul style="list-style-type: none"> <li>▪ Target: 220 <sup>3</sup></li> <li>▪ Reported: 724 (329%)</li> </ul>	<ul style="list-style-type: none"> <li>47 Policy process, practice, control changes</li> <li>306 Corrective actions on FMFIA/mgt. challenges</li> <li>24 Best practices implemented</li> <li>325 Certifications/validations/verifications</li> <li>9 Allegations disproved</li> <li>13 Critical congressional or public management concerns addressed</li> </ul>
<b>Recommendations, Best Practices, Challenges Identified</b> <ul style="list-style-type: none"> <li>▪ Target: 800 <sup>3</sup></li> <li>▪ Reported: 1119 (140%)</li> </ul>	<ul style="list-style-type: none"> <li>1059 Recommendations</li> <li>35 Best practices identified</li> <li>8 FMFIA/management challenges identified</li> <li>17 Referrals for OIG or Agency action</li> </ul>
<b>Goal 3. Continuously Improve OIG Products and Services (Internally Reported - Not Audited)</b>	
<ul style="list-style-type: none"> <li>▪ Partners in collaborative products/services 358</li> <li>▪ Requests to testify at hearings/presentations 40</li> <li>▪ Management innovations implemented 16</li> <li>▪ Assignments performed by request/mandate 93%</li> <li>▪ FTE usage rate 94%</li> </ul>	<ul style="list-style-type: none"> <li>▪ Savings from mgt. improvements \$60,000</li> <li>▪ Products electronically accessible 90%</li> <li>▪ PCIE projects/activities led 5</li> <li>▪ Legs/regs/policies reviewed / timely 40 / 100%</li> <li>▪ Expiring funds used 99.9%</li> </ul>

<sup>1</sup> Includes \$0.9 million of costs resolved prior to report issuance, not in resolution process

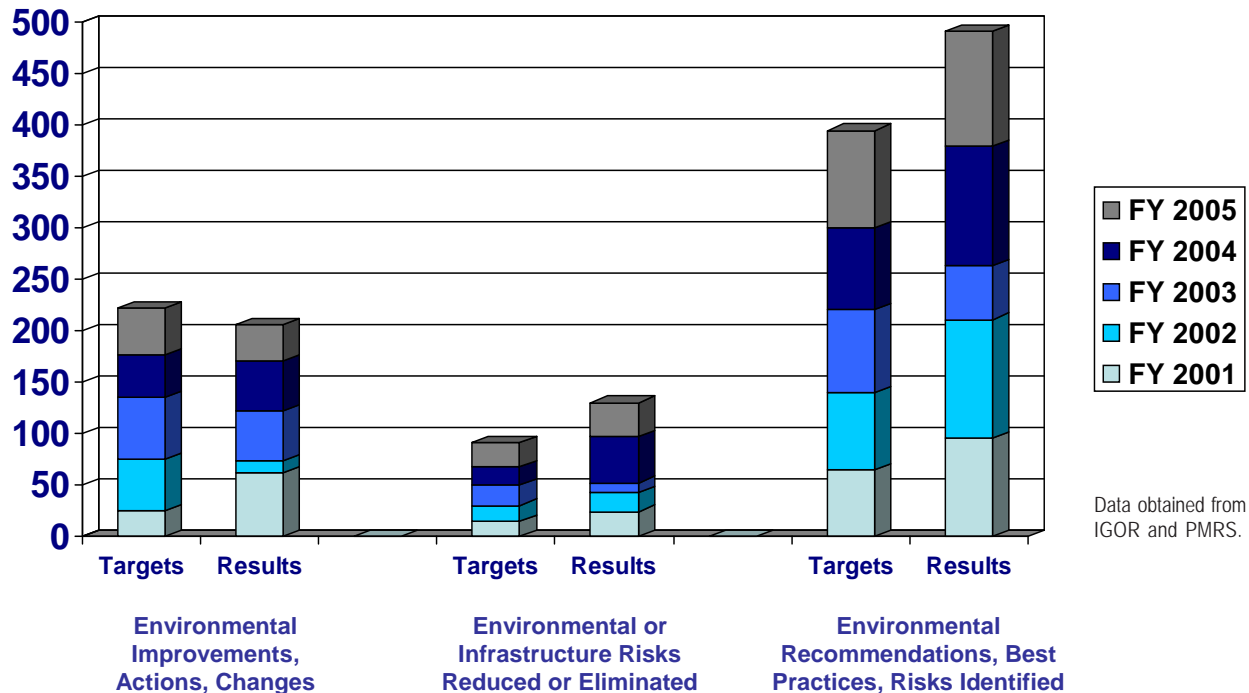
<sup>2</sup> Includes \$0.1 million of savings from investigations, not in resolution process

<sup>3</sup> Targets increased since the last Semiannual Report to Congress to reflect Single Audit results

# FY 2005 Results by OIG Strategic Goal and Objective

## GOAL 1: Contribute to Improved Human Health and Environmental Quality

### Targets and Results for Goal 1 Objectives



- In response to a recommendation in a 2003 OIG report, *Significant Modifications Needed to Ensure Success of Fort Worth Asbestos Demolition Method*, EPA's National Center for Environmental Innovation issued a memorandum that provides peer review guidance for EPA innovation projects. This memorandum requiring peer review is an important step toward ensuring that innovation projects protect human health and the environment. (Air)
- An OIG investigation resulted in a deferred prosecution agreement with a California environmental services corporation to settle allegations that the company falsified environmental analysis data. In accordance with the terms of the agreement, prosecution and any civil actions will be deferred for a period of 48 months, providing the company abides by the conditions of the agreement, including implementing a rigorous quality control process and donating \$1.1 million to the Environmental Project and the Environmental Circuit Prosecutor Project for environmental enforcement, education, and training in the State of California. After the company successfully completes the deferred prosecution program set out in the agreement, the Government will close its case and not file any criminal or civil actions. (Laboratory Fraud)
- Three changes, which strengthened the cap-and-trade program for reducing emissions from coal-fired electric utilities, were made to the Clean Air Mercury Rule. As a result of issues raised in the OIG report, *Additional Analysis of Mercury Emissions Needed Before EPA Finalizes Rules for Coal-Fired Electric Utilities*, a small emitters exemption and safety valve price limit on allowances were deleted from the rule. In addition, allowances for utilities located on tribal lands were included. (Air)

- An OIG review, *Progress Made in Monitoring Ambient Air Toxics, But Further Improvements Can Increase Effectiveness*, found air toxics monitoring was conducted in only 10 percent of the 50 census tracts with the estimated highest cumulative cancer risks from air toxics exposure. As a result of OIG recommendations, EPA has included an additional ranking factor for local monitoring projects, which considers the level of risk posed by air toxics in a local area applying for a monitoring grant. Awarding monitoring grants to high risk areas will help those areas develop strategies to reduce the public's exposure and risk. (*Air*)
- As recommended by an OIG report, *Efforts to Manage Backlog of Water Discharge Permits Need to Be Accompanied by Greater Program Integration*, EPA is continuing efforts to improve water quality by addressing NPDES permit backlog and overall program integration with point source programs that support the permit program, national NPDES permit backlog GPRA measures and management, and NPDES permit program and backlog management on the State level. (*Water*)
- The Department of Homeland Security relies on EPA to support the sampling operations for the BioWatch program, an early-warning system designed to detect the release of biological agents in the air. An OIG report, *EPA Needs to Fulfill Its Designated Responsibilities to Ensure Effective BioWatch Program*, identified oversight of sampling operations, assessing alternative technologies, and consequence management planning as areas needing improvement in the BioWatch program. EPA agreed with the report and has begun working with regions to address issues identified. (*Cross-Media*)
- As a result of recommendations in a 2004 OIG report, *States Making Progress on Source Water Assessments, But Effectiveness Still to Be Determined*, EPA's Office of Ground Water and Drinking Water issued new guidance on program measures to better determine results of source water protection strategies and activities. In addition, EPA issued guidance on disseminating source water information to balance security and public right-to-know concerns. (*Water*)
- An OIG report, *EPA Region 10 Needs to Improve Oversight of Remediation Activities at the Hanford Superfund 100K-Area*, recommended that the Region 10 Administrator monitor progress toward meeting K Basin milestones, including spent nuclear fuel removal, and take appropriate enforcement actions if milestones are not completed in a timely manner. Complete removal of the spent nuclear fuel was completed in October 2004. This significant achievement has reduced risks of radionuclide releases to the air, soil, ground water, and Columbia River. (*Land*)
- In responding to the Hurricane Katrina disaster, the EPA Administrator required EPA senior management to read the 2003 OIG report, *EPA's Response to the World Trade Center Collapse*, for lessons learned. As a result, two specific actions were taken by EPA. EPA decided to 1) disclose information publicly as soon as it was received and judged to be sound, supportable information; and 2) ensure that risk decisions were based on sound science. In particular, EPA convened a meeting of the EPA Science Advisory Board over the 2005 Labor Day weekend to review and comment on EPA's sediment sampling plan in the aftermath of Katrina. (*Air*)
- EPA Region 4 launched a new Atlantic Steel redevelopment Web site as a result of recommendations in an OIG report, *Review of Changes to the Atlantic Steel Transportation Control Measure*. The Web site includes a forum for public comment. (*Air*)
- A 2004 OIG report, *Stronger Leadership Needed to Develop Environmental Measures for Clean Water State Revolving Fund*, stated that the Agency was unable to measure environmental results from actions taken to utilizing resources from the Clean Water State Revolving Fund (CWSRF) and

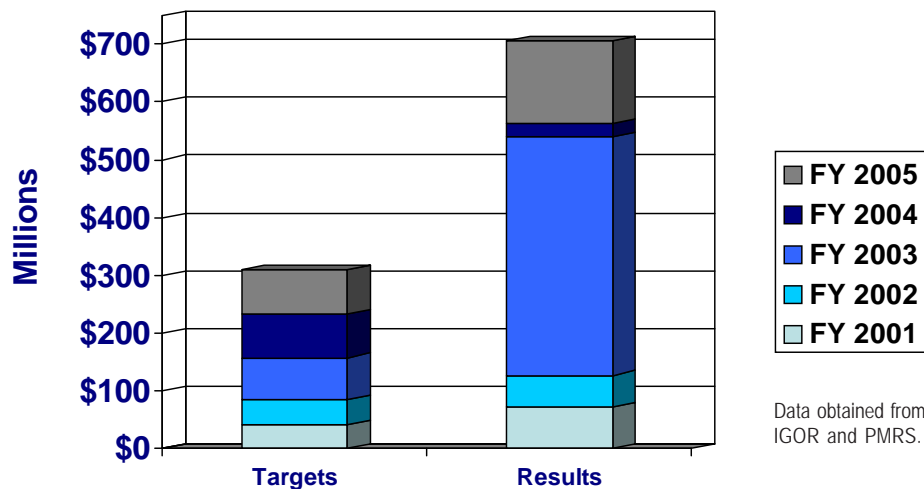


recommended that EPA develop and track environmental measures for the CWSRF. As a result, the Office of Water issued a grant for States to work on developing environmental measures for CWSRF projects. One of the new performance activity measures in EPA's FY 2006 national water program guidance would measure the number of State revolving loan fund programs that have instituted means of measuring the loans' outcomes. (*Assistance Agreements*)

- In the OIG report, *Substantial Changes Needed in Implementation and Oversight of Title V Permits If Program Goals Are To Be Fully Realized*, concerns with five key aspects of Clean Air Act Title V operating permits were identified: permit clarity, statements of basis, monitoring provisions, annual compliance certifications, and practical enforceability. Of 11 report recommendations for environmental improvement, EPA has implemented actions resolving 7 recommendations. (*Air*)
- Region 4 took actions to address community concerns regarding site cleanup as a result of the 2004 OIG report, *Review of Actions at Escambia Treating Company Site, Pensacola, Florida*. The region conducted public meetings with the Escambia community in February 2005, updated the Community Involvement Plan, and sent a copy of the plan to the site repository in Pensacola, Florida. (*Public Liaison*)
- As a result of a recommendation in the OIG report, *Ombudsman Review of the Marjol Battery Site, Throop, Pennsylvania*, EPA and the Pennsylvania Department of Environmental Protection agreed to take corrective action at the Marjol Battery Site. They agreed to drill nine additional holes at the site to evaluate the potential for mine fires, which had been a concern for the borough and nearby residents. (*Public Liaison*)

## GOAL 2: Contribute to Improved Business Practices and Accountability

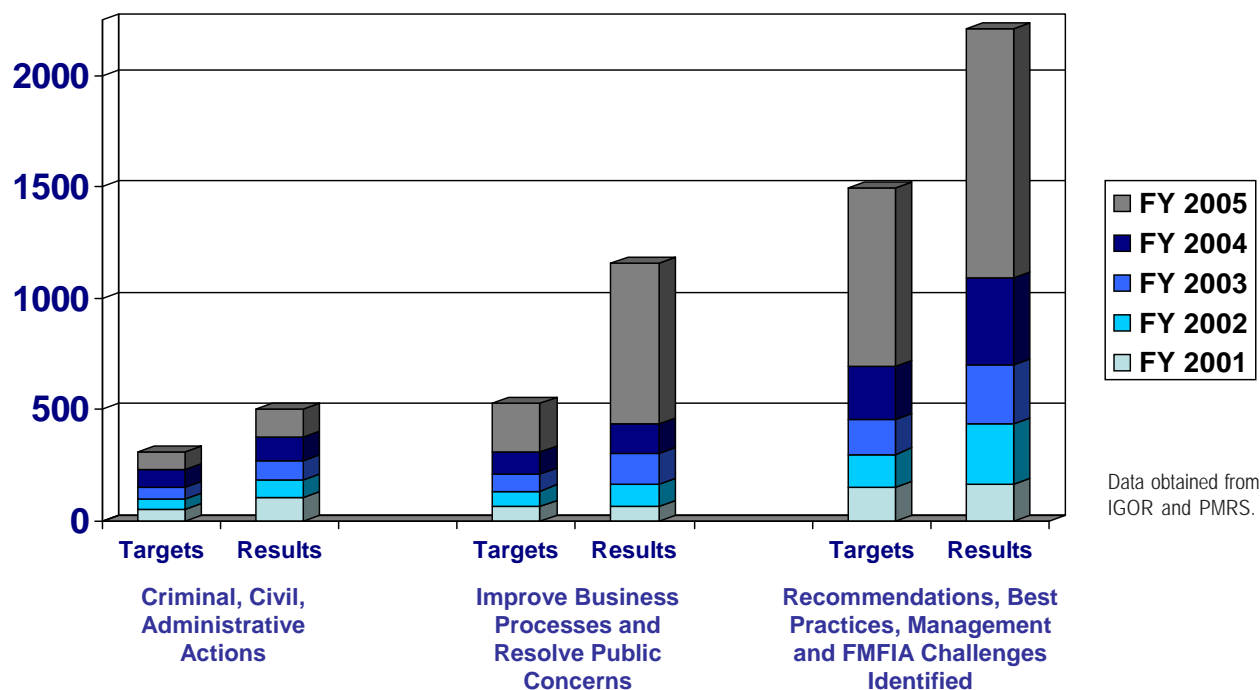
### Cumulative Potential Dollar Return From Questioned Costs, Efficiencies, Savings, Fines, and Recoveries



- A joint OIG investigation with numerous Federal organizations resulted in a contractor, PriceWaterhouseCoopers, repaying the Government \$41.9 million to settle allegations that it made false claims for travel reimbursement. (*Financial Fraud*)
- A joint OIG investigation with the Defense Criminal Investigative Service resulted in a \$6.5 million settlement on claims that the contractor, Arthur D. Little, Inc., overbilled the Federal Government by improperly shifting costs uniquely associated with its commercial contracts onto Federal contracts. (*Financial Fraud*)

- EPA changed its requirements for screening contractor employee candidates as a result of the OIG investigation of Intertek Testing Services. The Agency’s new requirement that contractors check the Excluded Parties Listing System (EPLS), as part of the screening process for employee candidates on certain types of EPA contracts, was approved by the Office of Management and Budget on April 4, 2005. The EPLS contains the names of parties who have been excluded from Federal procurement and nonprocurement programs. (*Laboratory Fraud*)
- For a third consecutive year, EPA has earned a “green light” designation among Federal agencies for its financial management. The OIG rendered an unqualified, or clean, opinion on EPA’s financial statements for FY 2004. The OIG continues to recommend improvements to EPA’s internal controls. Agency actions on OIG recommendations have led to continuous improvements in EPA’s financial reporting, contributing to the public’s trust in EPA. (*Financial Management*)
- Based on recommendations in the OIG report, *EPA Needs to Compete More Assistance Agreements*, EPA revised Order 5700.5 (now Order 5700.5A1, effective January 15, 2005) emphasizing that EPA should first seek ways to compete assistance agreements before it decides that competition is not possible. The Order additionally clarifies the requirements for noncompetitive justifications by improving definitions and providing examples, defines possible conflicts of interest when evaluating and awarding competitive assistance agreements, requires all reviewers for each competition to certify in writing that they are free from conflicts of interest, and reinforces grants management officer responsibilities. (*Assistance Agreements*)
- To improve the efficiency and effectiveness of solving regional environmental issues, Region 6 has finalized partnership guidelines and issued elevation protocols with three of its States: New Mexico, Oklahoma, and Texas. These agreements, promoting collaboration and disagreement resolution between Region 6 and its States, resulted from earlier OIG recommendations to Region 6 in a 2003 report, *EPA Region 6 Needs to Improve Oversight of Louisiana Environmental Programs*. In response to that report, the Region established new procedures with Louisiana and subsequently decided to implement the same procedures with all of its States. (*Assistance Agreements*)
- Based on a 2004 OIG report, *EPA Prepared to Implement Strategic Human Capital Management Activities But Challenges Remain*, EPA is incorporating measures in its Annual Plan and Annual Report that reflect achievement of the Agency’s human capital strategies. Moreover, EPA’s budget process now includes human capital management considerations such as how resource changes may impact the Human Capital Strategic Plan and, specifically, how proposed FTE changes impact mission critical competencies, skill mix, and local human capital plans. (*Business Systems*)
- As a result of a joint investigation with the Federal Bureau of Investigations, Johnny Lee Napier pled guilty to embezzling Federal funds. He was sentenced to 9 months in prison, 3 years probation and ordered to pay a \$104,000 fine. Napier was the project manager on three grants awarded by EPA to train and certify people in asbestos and lead paint removal. (*Financial Fraud*)
- Harry B. Still, Jr., a former general manager of the Bay Minette Utilities Board, Bay Minette, Alabama, pled guilty to filing a false statement under the Clean Water Act. Still, who filed a false discharge monitoring report with the Alabama Department of Environmental Management, was sentenced to 12 months probation and was ordered to pay a \$3,000 fine. The OIG conducted the investigation jointly with the Federal Bureau of Investigation, EPA Criminal Investigation Division, and Alabama Attorney General’s Office. (*Laboratory Fraud*)

## Cumulative Actions to Improve Agency Management, Accountability, and Public Confidence



Data obtained from IGOR and PMRS.

FY 2005 target revised for Improved Business Processes and Addressing Public Concerns from 105 to 220  
 FY 2005 target revised for Recommendations, Best Practices, Challenges/Risks Identified from 220 to 800

- Tetra Tech, Inc., while admitting no wrongdoing, agreed to pay more than \$400,000 to settle allegations that it overbilled costs on its Government contracts. The OIG investigation found that Tetra Tech billed estimated rates that were in excess of the actual costs for computer services and reproduction costs. (*Financial Fraud*)
- As a result of an OIG investigation, Antoine Michael Perry, a former EPA contractor employee, was found guilty of using a computer to cause damage. Perry was sentenced to 4 months in prison, 3 years of probation including 4 months home detention, and ordered to pay \$5,000 in restitution to EPA. The investigation determined that after Perry's employment with the contractor was terminated, Perry gained access to the EPA network and deleted files, changed user passwords, and turned the system off. (*Computer Crimes*)
- An employee of Boyko Petroleum Services, Michael Klusaritz, received 21 months in prison and was ordered to pay more than \$112,000 in restitution for mail fraud and making false statements. The OIG and EPA Criminal Investigation Division, in a joint investigation, determined that Klusaritz caused Boyko to prepare and mail fraudulent environmental test reports in connection with the Underground Storage Tank Closure Reports. The reports were falsified to make it appear that no contamination existed. Thus, Boyko's customers could avoid expenses that would have been incurred if contamination had been detected. (*Financial Fraud*)
- The OIG continues to operate a Technical Vulnerability Assessment Laboratory (TVAL) within the Office of Investigations. The TVAL is a cooperative effort that involves the OIG Offices of Investigations and Audit and includes EPA's Office of Environmental Information and information security community. By performing its assessments of networks for vulnerabilities and weaknesses in-house, the Agency recognizes cost savings on each assessment and gains more expertise in information

system security. Recent assessments included the Agency payroll and travel systems, as well as a complete assessment of a regional network of over 2,200 computers. As a result of the assessments, some of which disclosed severe or high-level vulnerabilities, the Agency immediately took corrective actions. (*Computer Crimes*)

- The OIG questioned \$21.2 million in expenditures related to EPA grants awarded to the Puerto Rico Environmental Quality Board during a 5-year period that ended June 30, 2003. Questioned costs were based on the results of Single Audit Act reviews. (*Assistance Agreements*)
- The OIG reported, in *Region 10's Grant for Alaska Village Safe Water Program Did Not Meet EPA Guidelines*, that six ineligible projects totaling \$4.8 million were included in the grant award and needed to be removed. The OIG recommended that Region 10 suspend work under the grant until all pre-award steps are completed and controls are established to ensure that Region 10 fulfills all EPA requirements before awarding grants. (*Assistance Agreements*)
- EPA awarded over \$25.9 million to Oregon under a cooperative agreement for remedial redesign, remedial action, and long-term response action at a former wood-treating facility, the McCormick and Baxter Superfund site in Portland, Oregon. The OIG recommended in its report, *Oregon Department of Environmental Quality Reported Outlays under Cooperative Agreement V99060103*, that EPA revoke the State's self-certification of its procurement systems, require Oregon to make other improvements, and disallow questioned costs of over \$2 million. (*Assistance Agreements*)
- EPA awarded three cooperative agreements to the Natural Resources Defense Council (NRDC) totaling over \$3 million. The OIG questioned over \$1.4 million of reported outlays because the NRDC did not maintain the necessary documentation to fully support its reported costs, as required by Federal regulations. As a result of the OIG report, *Natural Resources Defense Council Reported Outlays Under EPA Cooperative Agreements CX82546101, CS82675101, and XA83033101*, the NRDC has implemented new time-keeping procedures to require employees to account for all work activities. (*Assistance Agreements*)
- An EPA grant recipient, the Health Effects Institute, did not maintain documentation, as required by Federal regulations, to support over \$2 million in reported costs. EPA awarded over \$ 18.7 million to the Health Effects Institute to conduct and evaluate research and testing related to the health effects of emissions from automobiles and other environmental pollutants. The OIG questioned the \$2 million in a report, *Reported Outlays Under EPA Grant R828112-01 Health Effects Institute*, and recommended that EPA take steps to ensure the recipient addresses its financial management weaknesses. (*Assistance Agreements*)
- At the request of EPA OIG, the Defense Contract Audit Agency (DCAA) performed audits of EPA contracts that resulted in over \$1.2 million of sustained recommended efficiencies and questioned costs. The OIG DCAA monitoring team identified an additional \$2.1 million of questioned costs and efficiencies included in the DCAA audits. (*Contracts*)
- EPA's current Response Action Contracts assign to EPA a disproportionate share of the risk of cost overruns; expose EPA to the risk of loss of funds through litigation; limit competition; and forego potential cost savings associated with other approaches to contracting, such as Performance-Based Service Acquisition. EPA generally agreed with recommendations in the OIG report, *Response Action Contracts: Structure and Administration Need Improvement*, for improving the contract structure and administration of Response Action Contracts. (*Contracts*)

# Our People

## Progress in Filling Skill Gaps From FY 2004 to FY 2005

The OIG is making significant progress in implementing its Human Capital Plan to align its staffing skill mix to match the its strategic goals and product lines. During FY 2005, the OIG was able to satisfy better than 76 percent of its identified skill gaps, which at one time were reported as an OIG Management Level Weakness (Challenge).

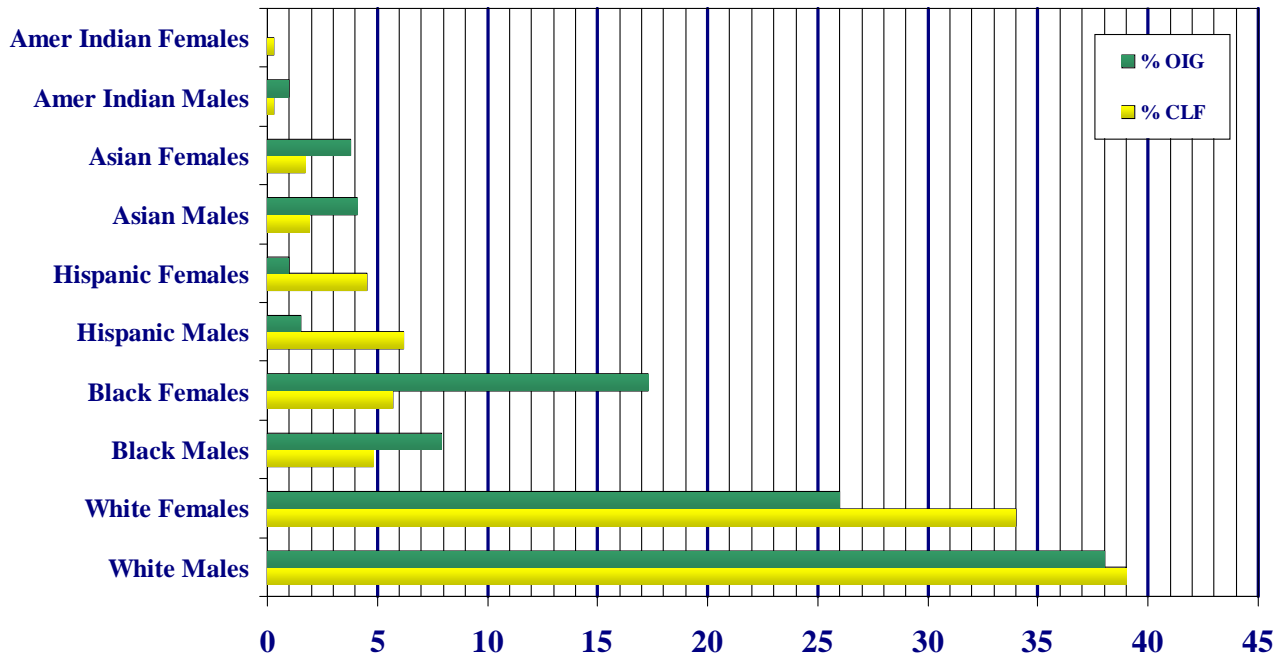
<b>Series</b>	<b>Skill Gap</b>	<b>Progress Filling Gap</b>	<b>Percent of Gap Filled</b>
Program Analyst	47	43	91%
Criminal Investigator	16	13	81%
Financial Auditor	13*	11*	85%
Social Scientist	17	10	59%
Environmental Scientist	8	3	38%
IT Auditor	9	3	33%
Computer Specialist	3	2	66%
Operations Research Specialist	3	1	33%
<b>TOTAL</b>	<b>116</b>	<b>86</b>	<b>76%</b>

\* The skill gap for Financial Auditor represented excess staff; progress involved a redistribution of staff.

## FY 2005 OIG Parity With the Civilian Labor Force

The OIG is 92.2 percent in parity with the civilian labor force.

### FY 2006 OIG Diversity Compared to the Civilian Labor Force



The OIG workforce overall is 91.2 percent in relative parity with the civilian labor force for the designated categories. Staff categories where the OIG has significant under-representation are White Females and Hispanic Males and Females.

# Our Resources

## OIG FY 2005 Resource Use and Allocation

### FY 2004 Appropriation - Final Utilization Rate

<u>Account</u>	<u>\$ Appropriation Available</u>	<u>\$ Appropriation Used</u>	<u>% \$ Appropriation Used</u>
Management	\$36,587,700	\$36,580,750	100.0%
Superfund	13,136,037	13,118,367	99.9%
TOTAL	\$49,723,737	\$49,699,117	100.0%

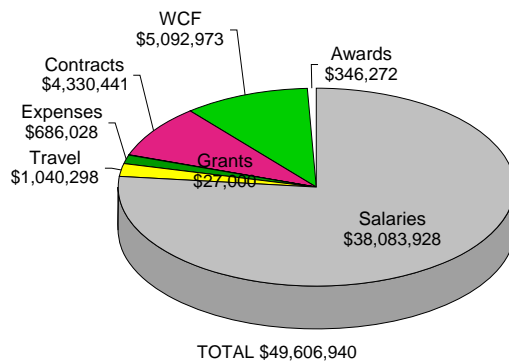
### FY 2005 Appropriation Usage

<u>Account</u>	<u>\$ Appropriation Available</u>	<u>\$ Appropriation Used</u>	<u>% \$ Appropriation Used</u>
Management	\$37,646,400	\$37,270,463	99.0%
Superfund	12,896,000	12,336,477	95.7%
TOTAL	\$50,542,400	\$49,606,940	98.1%

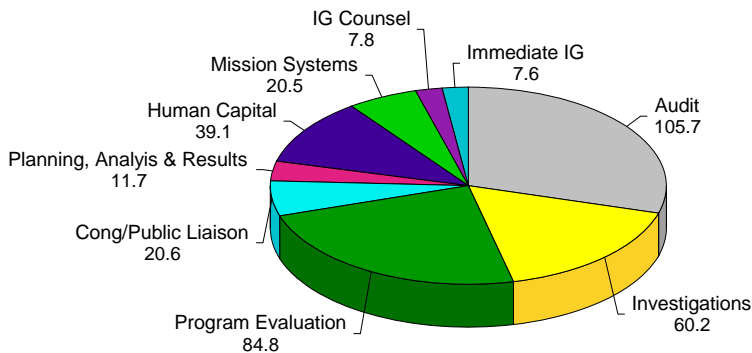
### FY 2005 FTE Usage

<u>Account</u>	<u>FY 2005 FTE Available</u>	<u>FY 2005 FTE Used</u>	<u>% FTE Budget Used</u>
Management	274.0	271.1	98.9%
Superfund	94.0	86.9	92.4%
TOTAL	368.0	358.0	97.3%

## FY 2005 Distribution of Funds Used By Object Class



## FY 2005 Distribution of FTEs Used: Total 358



# Appendix 1: OIG's Top Management Challenges

## OIG Management Challenges

In FY 2005, for the seventh 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. The weaknesses identified in FY 2004 were not fully resolved in FY 2005 because of their complexity.

OIG-Level Weakness	FY 2003	FY 2004	FY 2005
Records Management	✓	✓	✓
Human Resource Systems (Includes Skill Gaps)	✓		
IGOR (Information Technology)	✓	✓	✓
OIG Intranet/Internet	✓	✓	✓
Product Timeliness and Quality	✓	✓	✓
Followup on Corrective Actions	✓	✓	✓
Background Investigation/Security Process	✓		

In FY 2005, the OIG took the following steps to improve management controls:

- Developed policies and/or procedures on annual planning, OIG Internet and Intranet, reviewing report resolution status, followup policy, and post closeout followup.
- Procuring and overseeing the development and implementation of The Inspector General Enterprise Resources (TIGER) information system.
- Revised the Training Information System (TIS) to track continuing professional education for staff.
- Improved procedures for handling legal matters, including Freedom of Information Act requests.
- Utilized success indicators developed by OPM to assess our performance.
- Issued the fourth OIG Annual Performance Report demonstrating specific progress on OIG's Strategic Goals, including a balanced scorecard of financial, customer service, timeliness, and effectiveness measures.
- Developed the Law Enforcement Tracking System (LETS) to provide a consolidated repository of information necessary to ensure compliance with the requirements for Statutory Law Enforcement Authority.
- Completed the quality assurance reviews of Office of Investigations (OI) Northeastern Resource Center (NERC), October 2004, and OI Headquarters, November 2004, under the OI Inspection Program.
- Conducted periodic inventories of (issued and stored) firearms, badges, credentials, and other law enforcement equipment.
- Implemented a reorganization of the immediate office of the Inspector General.
- Performed an OIG-wide comprehensive review of the OIG Purchase Card System.
- OIG staff completed the self-study courses "Information Security Awareness" and "Interacting with Contractors."
- Instituted a new organization-wide assignment evaluation process, including developing of an assignment assessment database.
- Developed a prototype for organization-wide activity process and performance metrics leading to an executive dashboard and subordinate management productivity controls.

## Appendix 2: EPA's Top Management Challenges

### Historical Perspective Top Management Challenges as Reported by OIG

Below is the list of Top Management Challenges that the OIG has reported to EPA each year since 2003. While EPA is making progress in resolving its Major Management Challenges, several have been longstanding problems. The following table shows which challenges have been listed from 2003 through 2005 and their relationship to the President's Management Agenda.

EPA's Top Major Management Challenges Reported by the OIG	FY 2003	FY 2004	FY 2005	Link to President's Management Agenda
Linking Mission and Management: Development of more outcome-based strategic and annual targets in collaboration with partners.	✓	★	★	Integrating Performance & Budget
Agency Efforts in Support of Homeland Security: Implementing a strategy to effectively coordinate and address threats.	✓	✓	✓	
Superfund Evaluation and Policy Identification: Improving the usefulness of internal evaluations, and implementing program policy decisions.		✓	✓	
Information Resources Management and Data Quality: Improving the quality of data used to make decisions and monitor progress.	✓	✓	✓	E-Gov
EPA's Use of Assistance Agreements to Accomplish Its Mission: Improving the management of the billions of dollars of grants awarded by EPA.	✓	✓	✓	Financial Performance
Challenges in Addressing Air Toxics Program: Reducing air toxic emissions by improving measurement of risk assessment and progress.	✓	✓	✓	
Human Capital Management: Implementing a strategy that will result in a competent, well-trained, and motivated workforce.	✓	✓	✓	Human Capital
Information Security: Protecting information systems by preventing intrusion and abuse of systems, and protecting integrity of data.	✓	✓	✓	E-Gov

★ In FY 2004 and 2005 Working Relationships with the States was consolidated in "Linking Mission to Management"



## Appendix 3: Looking to the Future

### FY 2005 OIG Performance Targets (with targets FY 2006 - 2008)

Crosswalk between OIG Strategic Plan Objectives/Measures & EPA Annual Performance Plan Goals (APGs)

OIG STRATEGIC GOALS / EPA OIG APG	2006	2007	2008
<b>FY 2005 OIG GOAL 1 / EPA APG 1: Improve human health and environmental quality by identifying 80 recommendations, risks, or best practices; contributing to reduction or elimination of 18 environmental risks; and 42 changes or actions influencing positive environmental or health impacts.</b>			
<b>Objective Measures and Targets:</b>			
<ul style="list-style-type: none"> <li>■ Environmental Improvements/Changes/ Actions (legislative, regulatory, policy, directives, best practices, environmental, or health improvements): Intermediate Outcome and Outcome Measures</li> </ul>	50	55	58
<ul style="list-style-type: none"> <li>■ Environmental Risks Reduced/Eliminated Certifications, Verifications, Validations: Outcome Measures</li> </ul>	28	33	38
<ul style="list-style-type: none"> <li>■ Recommendations, Risks, or Best Practices Identified: Output Measures</li> </ul>	105	115	120
<b>FY 2005 OIG GOAL 2 / EPA APG 2: Improve EPA's business and program operations by identifying 240 recommendations, potential savings, and recoveries for 150% annual investment in OIG; 100 actions for better business operations; and 80 criminal, civil, or administrative actions reducing risk of loss/integrity.</b>			
<b>Objective Measures and Targets:</b>			
<ul style="list-style-type: none"> <li>■ Potential Dollar Return on Savings, Questioned Costs, Improved Business Practices, Recoveries, Fines, Settlements: Outcome Measures</li> </ul>	150% ROI	150% ROI	150% ROI
<ul style="list-style-type: none"> <li>■ Criminal, Civil Administrative Actions Reducing or Eliminating Risk of Loss and Operational/Data Integrity: Intermediate Outcome Measures</li> </ul>	80	80	80
<ul style="list-style-type: none"> <li>■ Improvements in Business/Systems/Efficiency (Actions Taken on Mgt Challenges, Certifications, Best Practices, Policies, Regulations): Outcome Measures</li> </ul>	225*	230*	240*
<ul style="list-style-type: none"> <li>■ Recommendations Made or Weakness, Best Practices Identified: Output Measures</li> </ul>	820*	840*	860*

\* Revised to account for inclusion of Single Audits

## Appendix 4: OIG FY 2005 Program Activity

Audit/Evaluation Activity and Agency Action			Investigative	
<b>Reports Issued</b>			■ Investigations Opened	157
■ Reviews Performed by OIG	65		■ Investigations Closed	141
■ Reviews by Another Federal Agency	305		■ Pending Investigations as of 9/30	218
■ Single Act Audit Reviews	245		■ Indictments of Persons/Firms (arrests)	23
TOTAL Reports	615		■ Conviction of Persons/Firms	15
■ Questioned Costs	\$ 79.5 M		■ Administrative Action EPA Employees/Firms	83
■ Cost Efficiencies	\$ 13.4 M		■ Civil Judgments	4
■ Reports Resolved (from current & prior years)	263		■ Allegations Disproved	9
■ Agency Recoveries (from current & prior years)	\$ 1.3 M		■ Fines and Recoveries (including civil & savings)	\$ 50.9 M
Audit Resolution		(Dollars in Millions)	Other	
<b>Recommendations as Costs</b>			■ Hotline Complaints Received	474
■ With no management decision start FY05	\$ 53.20 *	\$ 3.58 *	■ Hotline Complaints Opened	27
■ Issued in FY05	\$ 47.27	\$ 9.01	■ Hotline Complaints Closed	18
■ Agreed to by management or value of nonawards	\$ 4.51	\$ 4.00	■ Public Inquiries Addressed	138
■ Not agreed to by management or value of nonawards	\$ 5.14	\$ 0.00	■ Legislative/Regulatory Items Reviewed	40
■ With no management decision, end FY05	\$ 89.60	\$ 9.50	■ President's Council on Integrity and Efficiency (PCIE) Projects Led/Developed	5
<i>Percent of total agreed to by management</i>	4.5%	29.2%		
■ Audits with no Federal action as of 9/30/05 which are over 365 days past issuance date		125		
■ Reports for which no management decision was made within six months of issuance at 9/30/05		39		
<b>Audit Resolution Reported by EPA</b>				
■ Audits with management decisions but without final action beginning FY05	\$ 74.30	\$ 0.00		
■ Audits for which management decisions were reached in FY05	\$ 4.50	\$ 2.90		
■ Total audits pending final action during FY05	\$ 78.50	\$ 2.90		
■ Final action taken during FY05	\$ 7.60	\$ 0.90		
■ Audits without final action end of FY05 (Carried as opening balance in FY06)	\$ 71.20	\$ 2.00		
<i>Percent Audit \$ Value Final Action Taken FY05</i>	9.7%	31.0%		

\* \$1.1 M was recategorized from questioned costs to cost efficiencies during FY 05



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