



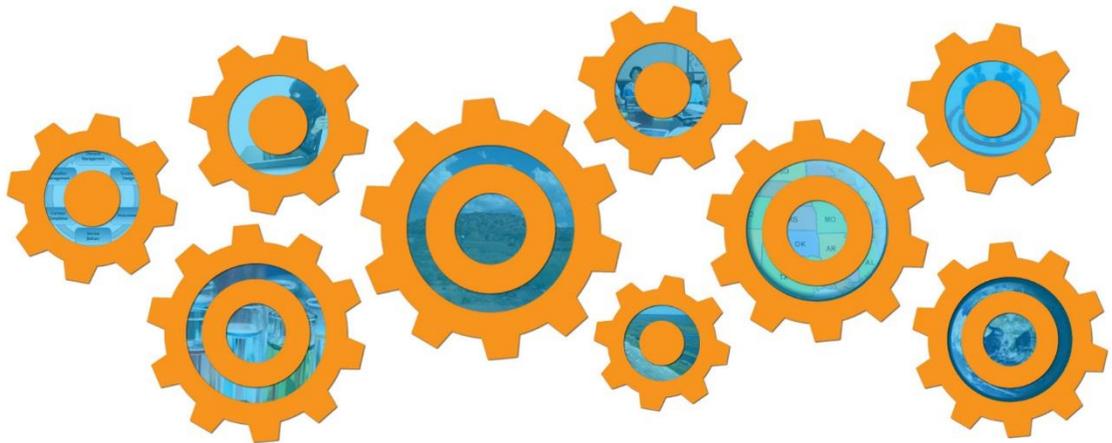
U.S. ENVIRONMENTAL PROTECTION AGENCY

OFFICE OF INSPECTOR GENERAL



FY 2015

EPA Management Challenges



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15-N-0164
May 28, 2015

Abbreviations

EPA	U.S. Environmental Protection Agency
FY	Fiscal Year
GAO	U.S. Government Accountability Office
OIG	Office of Inspector General
RCRA	Resource Conservation and Recovery Act

Are you aware of fraud, waste or abuse in an EPA program?

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At a Glance

What Are Management Challenges?

According to the Government Performance and Results Act Modernization Act of 2010, major management challenges are programs or management functions, within or across agencies, that have greater vulnerability to waste, fraud, abuse and mismanagement where a failure to perform well could seriously affect the ability of an agency or the federal government to achieve its mission or goals.

As required by the Reports Consolidation Act of 2000, the Office of Inspector General is providing the issues we consider as the U.S. Environmental Protection Agency's (EPA's) major management challenges for fiscal year 2015.

This report addresses all of the EPA's strategic goals and cross-agency strategies.

Send all inquiries to our public affairs office at (202) 566-2391 or visit www.epa.gov/oig.

The full report on management challenges is at: www.epa.gov/oig/reports/2015/20150528-15-N-0164.pdf

EPA's Fiscal Year 2015 Management Challenges

Attention to agency management challenges could result in stronger results and protection for the public, and increased confidence in management integrity and accountability.

The EPA Needs to Improve Oversight of States Authorized to Accomplish Environmental Goals:

- We have identified the absence of robust oversight by the EPA of the states authorized to implement environmental programs. Oversight of state activities requires that the EPA establish consistent national baselines that states must meet, and the EPA must monitor the states.

Limited Controls Hamper the Safe Reuse of Contaminated Sites:

- As the EPA promotes and encourages the redevelopment and reuse of contaminated properties, it must strengthen its oversight of the long-term safety of sites, particularly when non-EPA parties have key responsibilities.

The EPA Faces Challenges in Managing Chemical Risks:

- EPA needs to enhance program management and overcome statutory limitations on data availability to effectively ensure that the production and use of chemicals does not harm human health or the environment.

The EPA Needs to Improve Its Workload Analysis to Accomplish Its Mission Efficiently and Effectively:

- The EPA's program and regional offices have not conducted a systematic workload analysis or identified workforce needs for budget justification purposes; such analysis is critical to mission accomplishment.

The EPA Needs to Enhance Information Technology Security to Combat Cyber Threats:

- The EPA faces information security challenges involving risk management planning, implementation of security tools, computer security incident response capability, and follow-up on remediation actions taken.

The EPA Continues to Need Improved Management Oversight to Combat Fraud and Abuse and Take Prompt Action Against Employees Found to Be Culpable:

- Recent events and activities indicate a possible "culture of complacency" among some supervisors at the EPA regarding time and attendance controls, employee computer usage, real property management, and taking prompt action against employees.



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

THE INSPECTOR GENERAL

May 28, 2015

MEMORANDUM

SUBJECT: EPA’s Fiscal Year 2015 Management Challenges
Report No. 15-N-0164

FROM: Arthur A. Elkins Jr.

TO: Gina McCarthy, Administrator

We are pleased to provide you with a list of areas the Office of Inspector General considers as key management challenges confronting the U.S. Environmental Protection Agency (EPA). According to the Government Performance and Results Act Modernization Act of 2010, major management challenges are programs or management functions, within or across agencies, that have greater vulnerability to waste, fraud, abuse and mismanagement where a failure to perform well could seriously affect the ability of an agency or the federal government to achieve its mission or goals.

The Reports Consolidation Act of 2000 requires our office to report what we consider the most serious management and performance challenges facing the agency. We used audit, evaluation and investigative work, as well as additional analysis of agency operations, to identify the challenges presented in the attachment. Additional challenges may exist in areas that we have not yet reviewed, and other significant findings could result from additional work. We provide detailed summaries of each challenge in the attachment.

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Just as the U.S. Government Accountability Office does with its High Risk List, each year we assess the agency’s efforts against the following five criteria to justify removing a management challenge from the prior year’s list:

1. Demonstrated top leadership commitment.
2. Capacity – people and resources to reduce risks, and processes for reporting and accountability.
3. Corrective action plan – analysis identifying root causes, targeted plans to address root causes, and solutions.
4. Monitoring – established performance measures and data collection/analysis.

5. Demonstrated progress – evidence of implemented corrective actions and appropriate adjustments to action plans based on data.

While the EPA has made progress, we retained all six management challenges from last year's list due to persistent issues. We welcome the opportunity to discuss our list of challenges and any comments you might have.

Attachment

CHALLENGE: The EPA Needs to Improve Oversight of States Authorized to Accomplish Environmental Goals

CHALLENGE FOR THE AGENCY

In recent years, our work has identified the absence of robust oversight by the U.S. Environmental Protection Agency (EPA) of states authorized to implement environmental programs under several statutes. The EPA has made important progress, but recent and ongoing EPA Office of Inspector General (OIG) and U.S. Government Accountability Office (GAO) work continues to support this as an agency management challenge.



BACKGROUND

To accomplish its mission, the EPA develops regulations and establishes programs that implement environmental laws. Many federal environmental laws establish state regulatory programs that give states the opportunity to enact and enforce laws. The EPA may authorize states to implement environmental laws when they request authorization and the EPA determines a state capable of operating the program consistent with federal standards. The EPA performs oversight of state programs to provide reasonable assurance that they achieve national goals to protect human health and the environment. Oversight of state activities requires that the EPA establish consistent national baselines that state programs must meet, and monitor state programs to determine whether they meet federal standards.

The EPA relies heavily on authorized states to obtain environmental program performance data and implement compliance and enforcement programs. Forty-nine of 50 states administer Safe Drinking Water Act programs, 48 states are authorized to administer the Resource Conservation and Recovery Act (RCRA) hazardous waste program, 46 states administer point source programs under the Clean Water Act, and every state administers Title V of the Clean Air Act. These states perform a critical role in supporting the EPA's duty to execute and enforce environmental laws. However, the EPA has the authority and responsibility to oversee state programs, and to enforce environmental laws when states do not. Many EPA programs implement a variety of formal and informal oversight processes that are not always consistent across EPA regions and states.

THE AGENCY'S PROGRESS

The OIG has identified EPA oversight of authorized state programs as an agency management challenge since fiscal year (FY) 2008. The EPA has made progress in reviewing and measuring inconsistencies in its oversight of state programs, using EPA authority when states have failed to use their delegated authority, and revising EPA policies to improve consistency in oversight.

Since 2008, the EPA has made state oversight an EPA priority. The EPA developed a "key performance indicator" and included it in the EPA's FYs 2012 and 2013 Action Plans for Strengthening State, Tribal,

and International Partnerships. In 2013, the EPA developed the new performance indicator referred to as *Oversight of State Delegations Key Performance Indicator*. The EPA presented the new performance indicator in a 2013 report that identified a number of other improvement areas on the EPA's oversight and relationships with states. The EPA formed a senior-level workgroup that noted additional recommendations on state oversight, including improving consistency for identifying regional and state roles during EPA program review, and developed an initial set of common principles. The EPA is drafting a series of draft principles and best practices for state oversight activities for improving the oversight process for the National Pollutant Discharge Elimination System, Title V, and RCRA Subtitle C permitting programs. It plans to issue its report in the summer of 2015. EPA also adopted a cross-agency strategy on "Launching a New Era of State, Tribal, Local, and International Partnerships" in its FYs 2014–2018 Strategic Plan, and revised its planning and commitment-setting process beginning in FYs 2016–2017 to provide "earlier and more meaningful engagement with states and tribes."

The EPA has made positive changes in response to recommendations contained in our reports. For example, in 2009, we found that High Priority Violations under the Clean Air Act were not being addressed in a timely manner because regions and states did not follow policy, EPA headquarters did not oversee regional and state High Priority Violations performance, and EPA regions did not oversee state High Priority Violations performance. We recommended that the EPA revise the High Priority Violations policy to improve the EPA's ability to oversee High Priority Violation cases and clarify the roles and responsibilities of EPA headquarters and regions, the states, and local agencies. The EPA issued its revised policy in August 2014.

Our March 2014 quick reaction report identified continuing challenges the EPA faces in overseeing authorized state and U.S. territory environmental programs. In that report, we found that the U.S. Virgin Islands experienced a lapse in monitoring under the Beaches Environmental Assessment and Coastal Health Act—a portion of the Clean Water Act. The EPA had known of key challenges that the U.S. Virgin Islands' Department of Natural Resources was having with its beach monitoring program and had attempted to resolve the matters. However, sampling lapsed without the EPA's awareness. The EPA had not developed a contingency plan for ensuring that sampling of the USVI beaches continued or that the public was notified of sampling results, but did so after we issued our report.

WHAT REMAINS TO BE DONE

We continue to conduct reviews of the EPA's oversight of state authorized programs. For example:

- In an April 2015 report, in addition to the issue cited in the 2014 quick reaction report above, we found that the U.S. Virgin Islands has not met program requirements for numerous activities related to implementing Clean Air Act, Clean Water Act, Safe Drinking Water Act, and Underground Storage Tank/Leaking Underground Storage Tank programs. Moreover, EPA Region 2 oversight identified numerous program deficiencies in the U.S. Virgin Islands over the last few years, but the deficiencies continued. Since the EPA retains responsibility for programs implemented on its behalf, such as those in the U.S. Virgin Islands, we concluded that the agency needs to act to ensure that the public and environment are protected. We made 19 recommendations, ranging from withdrawing the U.S. Virgin Islands' authority to implement

EPA programs to providing additional EPA oversight. The EPA agreed and has committed to taking appropriate corrective actions, and the completion of actions is pending.

- In a February 2015 report, we found that EPA Region 8 is not conducting inspections at establishments that produce pesticides in North Dakota. Moreover, since 2011, Region 8 has failed to conduct inspections of pesticides imported into North Dakota. The failure to conduct inspections increases the risk that pesticides are not in compliance with federal law, which could result in potential risks from toxics being undetected and adverse human health and environmental impacts occurring. The EPA has committed to taking appropriate corrective actions, and the completion of actions is pending.
- In December 2014, we reported that the EPA does not obtain all required Drinking Water State Revolving Fund project data from states, despite grants that require states to input key project information into EPA databases. The EPA also does not always use annual reviews of state Drinking Water State Revolving Fund programs to assess project outcomes. We recommended that the EPA enforce grant requirements that states input all necessary data in the project-level tracking database and review data completeness as part of the EPA's annual review of state performance. We also recommended that the EPA enhance coordination between Drinking Water State Revolving Fund and Public Water System Supervision programs and periodically evaluate program results. The EPA agreed to these recommendations, and the completion of corrective actions is pending.
- In October 2014, we reported weaknesses in the EPA's oversight of state and local Title V programs' fee revenue practices. Title V permitting requirements are designed to reduce violations and improve enforcement of air pollution laws for the largest sources of air pollution, such as petroleum refineries and chemical production plants. We found that Title V program expenses often exceeded revenue even though the Clean Air Act requires these programs to be solely funded by permit fees. The agency's weaknesses in identifying and obtaining corrective actions for Title V revenue sufficiency and accounting practices, coupled with declining resources for some permitting authorities, jeopardizes state and local Title V program implementation. These weaknesses also increase the risk of permitting authorities misusing funds. We recommended that the EPA assess, update and re-issue its 1993 Title V fee guidance as appropriate; establish a fee oversight strategy to ensure consistent and timely actions to identify and address violations; emphasize and require periodic reviews of Title V fee revenue and accounting practices in Title V program evaluations; address shortfalls in staff expertise as regions update their workforce plans; and pursue corrective actions as necessary. The EPA has committed to taking appropriate corrective actions, and the completion of actions is pending.
- In September 2014, we issued a report on how effectively the EPA and states administer the Clean Water Act's "pretreatment" and permit programs. We found that the EPA is not adequately overseeing significant portions of most states' programs. EPA Region 9 is the only region that ensures that the states they oversee issue discharge permits to sewage treatment plants that include provisions for broad monitoring of hazardous chemicals from industrial users. Without this monitoring, sewage treatment plants may be unaware of hazardous chemicals discharged to them and have little knowledge of required hazardous waste discharge notifications. In addition, exceedances of chemical limits in permits and toxicity tests do not

trigger notification to enforcement programs. As a result, the EPA may not be ensuring that states are using permits to minimize potentially harmful contamination of water resources. The EPA has committed to taking appropriate corrective actions, and the completion of actions is pending.

- In 2012, we recommended that the EPA's Office of Solid Waste and Emergency Response require the EPA and states to enter into memorandums of agreement that reflect program changes from the 2005 Energy Policy Act and address oversight of municipalities conducting underground storage tank inspections. The EPA expects to finalize regulations by June 30, 2015. The EPA also announced in 2014 that it will be conducting its own evaluation of the effectiveness and protectiveness of third party programs in the underground storage tank inspection program.

While important progress has been made, our work continues to identify challenges throughout agency programs and locations, and many of our recommendations remain to be fully implemented. We continue to perform work in this area and will continue to monitor the agency's progress in addressing this challenge.

CHALLENGE: Limited Controls Hamper the Safe Reuse of Contaminated Sites

CHALLENGE FOR THE AGENCY

As the EPA promotes and encourages the redevelopment and reuse of contaminated properties, it must strengthen its oversight of the long-term safety of sites, particularly within a regulatory structure in which non-EPA parties have key responsibilities and authority but can lack resources to effectively carry out long-term oversight of reused contaminated sites.



Photo of the former Intel Mountain View Plant, Mountain View, California. (EPA photo)

BACKGROUND

Many contaminated sites, such as Superfund sites, must be monitored for decades because contamination is not fully removed or cleaned up, and controls to keep the public and environment protected from contamination must be maintained and enforced. The EPA has multiple and complex challenges to ensuring that long-term monitoring of contaminated sites is done and done properly. These include a regulatory structure in which the EPA has delegated authority or lacks the authority to ensure long-term monitoring is performed, and those who do have the authority lack resources and information to properly or fully execute long-term monitoring. The EPA's emphasis on reusing contaminated sites for a variety of purposes, including residential use, has amplified its existing challenges in ensuring that contaminated sites are safe and remain safe for reuse in the long term.

The EPA's FYs 2014–2018 Strategic Plan states that the EPA is establishing an Agency Priority Goal for FYs 2014–2015 to measure and report sites ready for anticipated use, which is a continuation of the Priority Goal for FYs 2012–2013. Ready for Anticipated Use is an indicator that the local, state or federal agency has determined that the necessary cleanup goals, engineering controls and institutional controls have been implemented at the site to make it available for a community's current or reasonably anticipated future use or reuse. The EPA's Superfund, RCRA corrective action, Leaking Underground Storage Tank and Brownfields cleanup programs all contribute to the Priority Goal to make sites ready for anticipated use.

THE AGENCY'S PROGRESS

According to the agency's FY 2014 financial report, the EPA has advanced significant efforts to oversee and manage the long-term stewardship of contaminated sites within its control to address the management challenges. For example, the EPA states that:

- The agency has developed a guide, *Institutional Controls: A Guide to Preparing Institutional Controls Implementation and Assurance Plans at Contaminated Sites*, that will assist regions in systematically establishing and documenting the activities associated with implementing and ensuring the long-term stewardship of institution controls. Among other things, these plans will provide information to stakeholders on the legal authorities for enforcing institutional controls, including relevant state laws, agency orders or agreements, or voluntary cleanup agreements.

- The agency will continue to encourage state and tribal response program funding of tracking and management systems for land use and institutional controls.
- The agency has developed general education and outreach materials about institutional controls and their importance in supporting safe land reuse. The EPA continues to include training sessions on institutional controls as part of its national Brownfields program. The EPA will also continue to develop and maintain information systems—such as “Cleanups in My Community”—to educate and inform the public regarding federally funded contaminated site assessment and cleanup activities.
- The agency is continuing to promote reuse and involves communities in clean-up and reuse discussions. The EPA will continue to explore tools to ensure appropriate reuse and enhance long-term protectiveness, including:
 - Ready for Reuse determinations (environmental status reports on site reuse).
 - Comfort and status letters (which convey status of the site remediation and liability issues).
 - EPA-funded reuse planning.
 - Site reuse fact sheets (which highlight critical remedial components in place, long-term maintenance activities and institutional controls).
- The most current toxicity values used when evaluating human risks follow a hierarchy of peer-reviewed toxicity value data. This hierarchy was issued in 2003 and expanded in 2013; further, the EPA has updated the toxicity values for two common chlorinated volatile contaminants often identified at Superfund sites as VI chemicals of concern—tetrachloroethylene (also known as perchloroethylene) and trichloroethylene.

WHAT REMAINS TO BE DONE

The OIG has made previous recommendations designed to help the Office of Solid Waste and Emergency Response manage this challenge. Some of the recommendations remain unimplemented. Specifically, our 2014 report, *EPA Needs to Improve Its Process for Accurately Designating Land as Clean and Protective for Reuse*, recommended that the office improve controls over its guidance, review and reporting of site reuse accomplishments. Until these recommendations are completed, the risk that designations may not be sufficiently protective of human health remains. Our 2013 report, *Lack of Final Guidance on Vapor Intrusion Impedes Efforts to Address Indoor Air Risks*, recommended that the office issue final vapor intrusion guidance. We also recommended that the office train EPA and state staff and managers and other parties on the newly updated, revised and finalized guidance document. These recommendations continue to be addressed by the Office of Solid Waste and Emergency Response.

We continue to conduct additional evaluation work related to this challenge and plan to issue additional reports in 2015. Until the Office of Solid Waste and Emergency Response improves its management controls for designating sites as Ready for Anticipated Use and maintains an accurate designation in the long term, and addresses unimplemented OIG recommendations on risks from vapor intrusion, we believe this issue should remain as a management challenge.

CHALLENGE: The EPA Faces Challenges in Managing Chemical Risks

CHALLENGE FOR THE AGENCY

The EPA's ability to effectively ensure that the production and use of chemicals does not harm human health or the environment is dependent upon statutory authorities, availability of data required by laws, and the effectiveness of the EPA's program management. Limited authorities and data on chemical toxicities and exposures inhibit the EPA's effective implementation of the laws that regulate chemical use and production. In addition, the EPA's management and oversight of its implementation of existing authorities and initiatives to reduce chemical risks are falling short in several programs.



BACKGROUND

The EPA manages chemical risks under several statutes. Under the Toxic Substances Control Act, the EPA is charged with the responsibility for assessing the safety of commercial chemicals and regulating those chemicals if there are significant risks to human health or the environment. The act places legal and procedural requirements on the EPA before the agency can compel the generation and submission of data on the health and environmental effects of existing chemicals. The act requires that the EPA demonstrate that certain health or environmental risks are likely before the EPA can require companies to develop and provide it with toxicity and exposure information. Even when the EPA has toxicity and exposure information and determines that chemicals pose an unreasonable risk, the agency has had difficulty banning or placing limits on the production or use of chemicals. The EPA has used its authority to limit or ban the use of only five chemicals since the act was enacted.

The EPA has developed a three-part strategy for addressing potential risks from existing chemicals:

- Identify existing chemicals for risk assessment and take actions as appropriate (the EPA's Existing Chemicals Program Strategy).
- Increase opportunities for industry to move toward using safer chemicals (the EPA's Design for the Environment and Green Chemistry programs).
- Increase public access to data on chemicals that have been developed by the EPA and/or provided by industry (the EPA's ChemView initiative).

Chemical risks are also managed under the Federal Insecticide, Fungicide, and Rodenticide Act and the Pollution Prevention Act. The Federal Insecticide, Fungicide, and Rodenticide Act regulates the sale and use of pesticides through the registration and labeling of pesticide products. Pesticides are widely used in agricultural, commercial and household settings and have the potential to pollute air, water and land. The Pollution Prevention Act established a national policy to achieve pollution prevention by reducing industrial pollution at its source. Pollution prevention is defined as reducing or eliminating waste at the source by modifying production processes, promoting the use of non-toxic or less-toxic

substances, implementing conservation techniques, and re-using materials rather than putting them into the waste stream.

THE AGENCY'S PROGRESS

In February 2012, the EPA issued its Existing Chemicals Program Strategy to pursue a multi-pronged approach focusing on risk assessment and reduction, data collection, screening, and furthering public access to chemical data and information. While it has made progress implementing this approach to manage Toxic Substances Control Act chemicals, at its current pace, it would take the EPA at least 10 years to complete risk assessments for the 83 chemicals identified in Toxic Substances Control Act work plans.

In 2013, the EPA launched ChemView—an online database with information on more than 1,500 chemicals designed to help businesses, consumers and others make more informed decisions about the chemicals they use. The EPA has also committed that by September 30, 2015, it will have completed more than 250 assessments of pesticides and other commercially available chemicals to evaluate risks they may pose to human health and the environment, including the potential for some of these chemicals to disrupt endocrine systems.

WHAT REMAINS TO BE DONE

To ensure the continued effectiveness of the various chemical programs, the agency will conduct several evaluations over the next 4 years. In FY 2015, the EPA will initiate a Pesticide Registration Review Program. The EPA plans to conduct the Integrated Pest Management in Schools Program Review in FY 2016, and the Endocrine Disruptors Screening Program Review and the Antimicrobial Testing Program Review in FY 2017. To help formulate Toxic Substances Control Act reform legislation, the EPA has set forth six essential reform principles that encompass the EPA's review authority, access to data, timeliness, transparency, safety of sensitive populations, and implementation funding.

The agency is also responding to program management and data availability challenges identified by the OIG and GAO:

- A 2014 OIG evaluation of the implementation of quality management policies in the EPA's Office of Pollution Prevention and Toxics' Risk Assessment Division found that, without a robust quality management system, the EPA risks making environmental and human health policy decisions that rest on a faulty foundation. The agency needs to complete planned internal quality assurance audits, an analysis of staff training needs, and a review quality assurance needs in other related divisions.
- A 2014 OIG report on the implementation of the Design for the Environment Safer Product Labeling Program found that strengthened controls in the program are needed to help consumers better identify safer products. The agency needs to complete a review of partnership agreement compliance, and develop transparent and adequately supported performance measures that capture the program's results.
- A 2014 OIG evaluation on the EPA's Conventional Reduced Risk Pesticide Program found that the number of newly registered reduced risk pesticides may continue to decline unless the EPA

can reduce barriers to industry participation. The agency needs to explore fees charged to applicants for reduced risk products when the authorizing statute is reauthorized and use available data to create a standardized measure for non-agricultural uses.

- A 2010 OIG evaluation of the EPA's policies, procedures and authority for managing risks posed by new chemicals found that the EPA had limitations in three processes intended to identify and mitigate new risks—assessment, oversight and transparency. The agency still needs to complete work to establish criteria and procedures for identifying classes of chemicals to undergo assessments for low-level and cumulative exposure assessments, and propose a regulation to establish sunset provisions for confidential business information claims.
- *Transforming EPA's Processes for Assessing and Controlling Toxic Chemicals* has been on GAO's High Risk List since 2009 due to concerns about the EPA's ability to conduct credible and timely assessments of the risks posed by chemicals. Specifically, GAO has highlighted the EPA's need to ensure that sufficient resources are dedicated to implement the Toxic Substances Control Act, and its ability to demonstrate progress by its risk assessment and risk reduction initiatives.

The OIG has initiated evaluations to determine the efficacy of the EPA's oversight of the states' implementation of Federal Insecticide, Fungicide, and Rodenticide Act programs and will also evaluate the EPA's oversight of genetically engineered corn registrants.

Given the work that remains—coupled with the size, complexity and significance of chemical risks to human health and the environment—we believe this issue warrants retention as an agency management challenge.

CHALLENGE: The EPA Needs to Improve Its Workload Analysis to Accomplish Its Mission Efficiently and Effectively

CHALLENGE FOR THE AGENCY

The EPA has not fully implemented controls and a methodology to determine workforce levels based upon analysis of the agency's workload. The EPA's program and regional offices have not conducted a systematic workload analysis or identified workforce needs for budget justification purposes. The EPA's ability to assess its workload and estimate workforce levels necessary to carry out that workload is critically important to mission accomplishment. Due to the broad implications for accomplishing the EPA's mission, we included this as an agency management challenge for 2013, 2014, and again this year.



BACKGROUND

In 2010, we reported that the EPA did not have policies and procedures requiring that workforce levels be determined based upon workload analysis. In 2011, we reported that the EPA does not require program offices to collect and maintain workload data. Without such data, program offices are limited in their ability to analyze their workload and justify resource needs. The GAO also reported that the EPA's process for budgeting and allocating resources does not fully consider the agency's current workload. In March 2010, the GAO reported that it had brought this issue to the attention of EPA officials through reports in 2001, 2005, 2008 and 2009.

Since 2005, EPA offices have studied workload issues at least six different times, spending nearly \$3 million for various contractors to study the issues. However, for the most part, the EPA has not used the findings resulting from these studies. According to the EPA, the results and recommendations from the completed studies were generally not feasible to implement.

The EPA's workload has continued to increase over the years while its workforce levels have declined. This trend is likely to continue, with downward pressure on budgets.

THE AGENCY'S PROGRESS

In response to the OIG and GAO reports, the EPA stated that it recognized the need to improve its ability to understand and quantify the workload of its component organizations and to make resource allocation decisions based on those assessments. The EPA said that it was committed to improving its analytical capabilities and examining workload measures to support the resource allocation process.

In 2013, we conducted a follow-up review of actions the EPA has taken to address previous OIG recommendations. We found that the EPA:

- Initiated pilot projects in Regions 1 and 6 to analyze the workload for air State Implementation Plans and permits as well as water grants and permits.

- Surveyed numerous front-line agency managers on the functions performed, thereby creating an inventory of common functions among program offices. The Office of the Chief Financial Officer also consulted with 23 other federal agencies about their workload methodologies. As a result of that analysis, the EPA selected an approach referred to as the “Table Top” method used by the U.S. Coast Guard. The method is designed to use subject matter experts as well as actual data to provide estimates of workload. The Table Top approach provides flexibility in implementation, which allows for differences in organizational functions and workloads rather than attempting to fit all regions and programs into a one-size-fits-all approach. The EPA has conducted limited testing on this approach within two program areas—grants and Superfund Cost Recovery. According to EPA officials, while the methodology appears promising for grants, it became overly complicated for Superfund Cost Recovery.

During 2014, the EPA continued to test the workload models in other areas, including:

- Working with Grant Project Officers to evaluate and try to balance uneven workloads.
- Developing a Project Officer Estimator Tool for organizations to examine Project Officer workloads.
- Working with Grants Specialists to refine the Interagency & Grants Estimator Tool.
- Submitting a Draft Funds Control Manual to the Office of Management and Budget and receiving and incorporating that office’s comments.

WHAT REMAINS TO BE DONE

The EPA continues to test the Table Top approach for conducting workload analysis in the EPA’s grants program. The Office of the Chief Financial Officer is in the process of updating its Funds Control Manual to provide program offices and regions with guidance on collecting and using data for workload analysis. While the EPA continues to take action to improve its workload analysis capabilities, agencywide implementation is far from complete and will require a concerted effort by all program managers. The EPA’s ability to assess its workload and estimate workforce levels necessary to carry out that workload is critically important to mission accomplishment. As such, we are maintaining workload analysis as a management challenge for FY 2015 and we will continue to monitor agency progress.

CHALLENGE: The EPA Needs to Enhance Information Technology Security to Combat Cyber Threats

CHALLENGE FOR THE AGENCY

The EPA's information security challenge stems from five key areas: (1) risk management planning, (2) security information and event management tool implementation, (3) computer security incident response capability and network operation integration, (4) computer security incident response capability relationship building, and (5) audit follow-up to ensure timely and effective actions are being taken to remediate cyber security weaknesses identified. Management oversight underlies all five areas and needs to ensure comprehensive implementation of the information security program throughout the agency; and that offices follow through with executing EPA policies, procedures and practices, as well as taking timely and effective actions to remediate cyber security weaknesses identified.



BACKGROUND

The EPA, like other federal agencies, has adapted to the increase of global Internet usage to become more citizen-focused and enhance its business operations. The EPA's decentralized structure to implement security controls makes it increasingly important for the EPA's executives to adopt information technology and cyber security strategies that ensure these practices are fully integrated throughout the agency.

The EPA previously had significant deficiencies in the following security areas: Continuous Monitoring Management, Configuration Management, Risk Management, Plans of Action and Milestones, and Contractor Systems. While the EPA has made plans to address many of these areas, weaknesses continue to exist. The EPA needs senior leadership emphasis; follow-through to ensure planned corrective actions are taken, are taken timely, and are effective at remediating the cyber security deficiencies identified via various sources including OIG reports; and an oversight structure that ensures implementation of key information security practices. Without such actions, the EPA will continue to not realize a fully implemented information security program or have effective processes to identify, respond to and correct security vulnerabilities that place agency data and systems at risk.

THE AGENCY'S PROGRESS

The agency acknowledges that advanced persistent cyber threats pose a significant challenge. The EPA has to prioritize its security funds and make some hard choices on where/how to expend its security resources. Within these budget constraints, the agency indicated it has undertaken a number of actions, including implementing specific automated tools to address cyber security challenges. The following are examples from the EPA's FY 2014 *Agency Financial Report* of activities the agency is conducting to improve cyber security:

- Reviewing users with container administrator access rights and reducing the number of users per program or regional office with this level of access to no more than three.
- Conducting continuous monitoring of privileged user access to the Decision Support System—including roles, responsibilities and procedures—to ensure that the activities of privileged users are appropriate.
- Continuing to expand the Security Information and Event Management tool’s field of coverage to encompass as many enterprise assets as possible.
- Tracking remediation activities from audits, continuous monitoring assessments and server vulnerability scans via the Plan of Actions & Milestones Monitoring and Validation Process.
- Conducting monthly vulnerability scans and transmitting the results to Information Security Officers and system owners for remediation according to agency policy.
- Developing role-based training and credentialing programs that encompass all agency roles with significant information security responsibilities. Roles have been documented using standard terminology and definitions of responsibilities.

Based on discussions with the EPA, the agency is finalizing the specific training requirements for the roles with the biggest impact on security and has initiated a workgroup under the Information Security Task Force to review and make recommendations on the plan. The agency is also making plans to implement a new credentialing program for the identified roles, which will also be reviewed by the task force.

Our 2011 report on the key actions EPA needs to take to combat cyber threats highlights the need for more management vigilance to address this challenge. In particular, our audit highlighted the growing concerns and made recommendations that could help the agency strengthen cyber security practices. However, some of those recommendations remain unimplemented, and we continue to find and report on similar weaknesses at other EPA locations. We noted that the EPA should address open recommendations, be proactive in implementing agreed-upon actions without further delay, and take steps to improve cyber security practices throughout the entire agency.

According to our 2014 audit report on training personnel with significant information security responsibilities, the EPA’s decentralized structure provides management with the flexibility to tailor information security controls to address local needs. However, the structure proves to be problematic in ensuring that controls are consistently implemented agencywide and that weaknesses are properly reported for remediation tracking. The EPA’s leadership must continue to meet the information technology and cyber security challenge head on as it defines ways to protect its infrastructure and the data within the network. Stronger executive leadership—with emphasis on enhancing the information technology management control structure and holding EPA offices accountable for following the structure—is needed. OIG audit work, including our FY 2014 Federal Information Security Management Act report, continues to highlight the need for management to take recommended actions to strengthen information technology security practices pivotal to combating the growing cyber threat. Without immediate action, the EPA will not have the requisite tools to implement an effective, risk-based security program capable of addressing the most sophisticated threats on the horizon.

WHAT REMAINS TO BE DONE

The EPA acknowledges that advanced persistent threats pose a significant challenge for all federal agencies. Our recent reports identified five areas that need to be addressed to meet cyber security challenges:

1. Establishing methods to control network access and evaluate inactive accounts.
2. Strengthening internal control processes for monitoring and completing corrective actions for agreed-to audit recommendations.
3. Developing a vulnerability remediation program and incorporating needed modifications to the agency's vulnerability management standard operating procedure. This includes implementing oversight to ensure EPA offices correct known vulnerabilities and provide training on the use of vulnerability reporting tools and management reports.
4. Implementing the drafted training requirements for the roles with the biggest impact on information by the end of the fourth quarter of FY 2015 and providing additional training options specific to the federal information security environment and EPA information security roles.
5. Developing and implementing management oversight processes of the audit follow-up process for cyber security deficiencies to provide adequate monitoring to ensure:
 - Corrective actions for all open recommendations are completed by the originally agreed-upon completion dates.
 - Appropriate supporting documentation is maintained and readily available.
 - Data are recorded accurately in the EPA's Management Audit Tracking System.
 - The corrective actions taken actually fix the deficiency that led to the recommendation.
 - The offices continue to use the improved processes.

CHALLENGE: The EPA Continues to Need Improved Management Oversight to Combat Fraud and Abuse and Take Prompt Action Against Employees Found to Be Culpable

CHALLENGE FOR THE AGENCY

Recent events and activities indicate a possible “culture of complacency” among some supervisors at the EPA regarding time and attendance controls, employee computer usage, real property management and taking prompt action against employees. As stewards of taxpayer dollars, EPA managers must emphasize and reemphasize the importance of compliance and ethical conduct throughout the agency and ensure it is embraced at every level of the organization.



BACKGROUND

The EPA employs over 15,000 people at its headquarters, 10 regional offices, and numerous laboratories and other locations. The agency’s size necessitates effective communication, oversight and management. Issues we noted recently could lead the public to conclude that there is a lack of commitment to management policies and internal control at the EPA:

- Based on work we did in response to fraud committed over more than a dozen years by an EPA Senior Policy Advisor, we have initiated several audits to determine whether internal control deficiencies exist, and have recently completed assignments on retention pay and passports:
 - a. The EPA did not comply with Office of Management and Budget regulations or agency policies for retention pay, resulting in unauthorized bonuses being paid. These bonuses were paid due to management confusion, lack of adequate system controls, and lack of follow-up by managers and Human Resources.
 - b. The EPA did not comply with guidance over the control of agency passports. Of the 417 passports reported to be in the agency’s possession, 199 could not be located. This happened because the agency did not adequately maintain its passport database and was not enforcing passport guidance.
- Additional audits are in process regarding hiring practices, time and attendance, overtime, and administrative leave. Our early warning report on administrative leave identified eight employees who had administrative leave totaling 20,926 hours and cost the government an estimated \$1,096,868.

In some cases, the agency has not taken prompt action on OIG Reports of Investigation that substantiate employee misconduct, which delays holding employees accountable. Some examples are:

- In June 2013, our Office of Investigations determined that an EPA senior executive employee failed to adequately oversee another EPA employee’s travel vouchers and time and attendance, as the person’s responsibilities required. Our investigation revealed that the senior executive

approved or authorized the approval of fraudulent time and attendance and travel vouchers for this EPA employee from 2000 to 2010. A Report of Investigation was submitted to the Office of Air and Radiation on April 17, 2014, and the senior executive employee retired on February 28, 2015, without administrative action ever being taken.

- In December 2013, a Report of Investigation was issued to the Office of Administration and Resources Management concerning a senior executive employee who, the investigation found, had engaged in private business activities during official work time and misused government property. During the period of the investigation, this employee received a Presidential Meritorious Rank Award for \$33,928. In November 2014, approximately 11 months after we issued the Report of Investigation, the EPA issued a Notice of Proposed Removal of the employee. The employee has been on paid administrative leave since November 2014 and is appealing the decision.
- In November 2013 and May 2014, respectively, EPA management was made aware that two EPA employees, in two separate cases, were viewing and downloading pornography on EPA computers during work hours. The investigations disclosed that the employees spent approximately 1 to 6 hours a day viewing and downloading pornography. On March 24, 2015, both employees received a Notice of Proposed Removal from the EPA for the misconduct. One employee retired and the other is appealing the decision and remains on paid administrative leave.

We previously reported this as a concern in our report, *The EPA Needs to Respond More Timely to Reports of Investigation* (Report No. 2007-M-00003, issued May 7, 2007). In that report, we found that it took the EPA, on average, almost 200 days to initiate disciplinary action when EPA policies required action within 30 days of an OIG Report of Investigation. We also found that the EPA did not take severe enough disciplinary action considering the nature of the misconduct. We made various recommendations, including assuring that disciplinary actions are sufficient and appropriate, and re-evaluating the 30-day reporting requirement. The agency generally agreed with our recommendations, although, the agency has yet to revise its April 1998 “Disciplinary Process Handbook” to consider a timeframe more in line with the length of time necessary to accomplish the EPA’s disciplinary process. We noted in 2007 that we would like to see the agency make more of a commitment to dealing with employee misconduct. The agency’s response at that time was “to explore modifying our current leadership development program and mentoring and coaching activities to emphasize to supervisors and managers the importance of holding employees accountable for performance and conduct issues.” However, lingering issues remain, as noted in the bullets above.

Lastly, one EPA office has impeded OIG investigations. EPA’s Office of Homeland Security, which is a component of the Office of the Administrator, is an administratively created component with no law enforcement or investigative authority. Its mission is to serve as the agency’s liaison for intelligence and homeland security issues. EPA’s Office of Homeland Security continues to impede the OIG by withholding critical information about a variety of activities it conducts—or information it possesses—about matters within OIG purview. EPA’s Office of Homeland Security fails to refer certain information to the OIG. Among these matters are employee misconduct, cyber intrusions, and matters which the Office

of Homeland Security defines as “intelligence” or national security information, even though OIG employees have the requisite security clearances for access to that information. In addition, EPA’s Office of Homeland Security continues to employ one or more criminal investigators, armed with firearms, despite the fact that the office has no authority to engage in law enforcement or investigations.

THE AGENCY’S PROGRESS

Travel and Time and Attendance Fraud:

- The agency completed internal control assessments over the following sensitive payment areas: executive payroll approvals, employee departures, statutory pay limits, parking and transit subsidy, retention incentives, travel reimbursements exceeding the government rate, and executive travel approvals. The agency will codify these new controls into EPA Travel Policy and affected Travel Delegations 1-17-A, 1-17-B and 1-17-C. Also, the agency will track implementation of these actions and assess progress through the agency’s FY 2015 Office of Management and Budget Circular A-123 process.
- The latest corrective actions regarding the internal control assessments are planned to be completed by September 2015.

Management of Real Property:

- The agency agreed with recommendations in our report, *EPA Needs Better Management of Personal Property in Warehouses* (Report 15-P-0033, issued December 8, 2014), and provided corrective actions with estimated completion dates. All nine recommendations we made are resolved and corrective actions are completed or ongoing.
- The agency indicated it will issue policy guidance for warehouses that requires the tracking of non-accountable property, the accounting of all electronics-type property and all accountable and sensitive property, and the recording of all property in warehouses in the agency’s asset management system. EPA’s Office of Administration and Resources Management will update its contracts accordingly for the three warehouses it operates (Landover, Research Triangle Park and Cincinnati).
- The agency indicated it will issue guidance requiring EPA Senior Resource Officials to (1) assess annually the operations of their warehouses, to efficiently and effectively manage them and to make needed adjustments to their contracts as necessary; (2) assess annually used and unused square feet, to consolidate warehouse space and the storage of personal property located within the same city or metropolitan area; (3) annually assess the warehouses and the need to store property items, to find costs savings and efficiencies in warehouse operations; (4) conduct periodic unannounced visits to warehouses, to guard against unauthorized use of government resources; and (5) perform an annual certification of non-accountable property residing in those warehouses.
- The agency indicated it will implement a new mandated property management system and provide guidance on incorporating emerging technologies along with best practices to generate efficiencies and enhanced internal controls.
- The agency indicated it will develop and disseminate best practices for inventory and storage to warehouse managers at Landover, Research Triangle Park and Cincinnati, and to property management officers.

WHAT REMAINS TO BE DONE

While the EPA is making progress, the agency needs to continue to confront this culture of complacency. Failure to do so could seriously affect agency resources, impacting the ability of the agency to achieve its mission and goals. Additionally, the EPA also needs to increase supervision over computer misuse to prevent unauthorized access attempts and inappropriate misuse, as well as verify results and accomplishments achieved during telework.

The agency should take affirmative measures to communicate its commitment to internal controls. Commitment is not demonstrated by a one-time memo and a new policy. The message must be communicated repeatedly throughout the organization by many means, both formal and informal, to reinforce a strong “tone at the top.”