

Office of Inspector General Semiannual Report to the Congress

April 1, 2000 through
September 30, 2000

Foreword

Since 1998, when I was appointed as EPA's Inspector General, the Office of Inspector General (OIG) has focused on making a real difference in assisting EPA with its mission of protecting human health and safeguarding the natural environment. I have always firmly believed that the OIG can be a force for positive change and I am committed to maintaining a workplace which promotes creativity, innovation, and teamwork.

As part of our journey to improve performance, OIG has invested in training to enable OIG staff to clearly understand their role in helping the Agency improve management and program operations. Specifically, all OIG staff have learned: (1) The Science of Leadership and the Art of Gaining Followers; (2) Malcolm Baldrige National Quality Award Criteria; (3) The Seven Habits of Highly Effective People; and (4) Building High Performance Organizations for the Twenty-First Century. Future learning opportunities will address team building, project management, program evaluation, activity-based costing, process management, benchmarking, and re-engineering.

We recently completed our second OIG Strategic Plan which builds on our past accomplishments, establishes new directions through FY 2005, and demonstrates our commitment to lead by example. Our new directions include:

- ! Performing program evaluations to provide Congress and the Agency with best practices, analyses, and recommendations to address the most serious management challenges, accomplish environmental objectives, and achieve Government Performance and Results Act goals;

- ! Partnering with others, including Federal and State auditors, evaluators, law enforcement officials and associations, with oversight responsibility for environmental issues to leverage resources to attain maximum environmental benefits; and

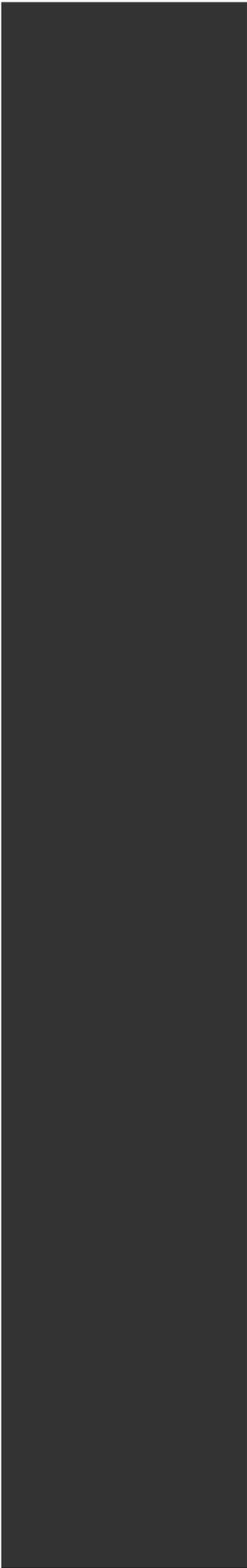
- ! Implementing human resource and knowledge management strategies to ensure that we have a diverse, highly-motivated, and accountable staff with the skill sets and tools needed to perform increasingly complex work.

In FY 2000, substantial progress was made in establishing an Office of Program Evaluation within the OIG. This Office will lead the design and implementation of program evaluations which are intended to build on traditional performance audits using sophisticated analytical tools, methodologies, and specialized skills applied with a broad perspective to guide policy and investment decisions. They involve the systematic measurement and analysis of environmental, economic, and other external outcomes, benefits, and results in relation to the application of resources, and legislative and policy initiatives. This new office has partnered with the EPA Office of Research and Development and Office of Water in two pilot studies helping to further develop the concept.

During the past six months, our quest for continuous improvement within the Agency and our own office has yielded significant results as evidenced by the audits and investigations summarized in this semiannual report.

I am encouraged by the positive change occurring within the OIG and by the continuing spirit of cooperation evident between Agency and OIG staff. Together, I am certain that we can resolve major management challenges, achieve impressive environmental results, and ensure a cleaner, healthier global environment.

Nikki L. Tinsley
Inspector General

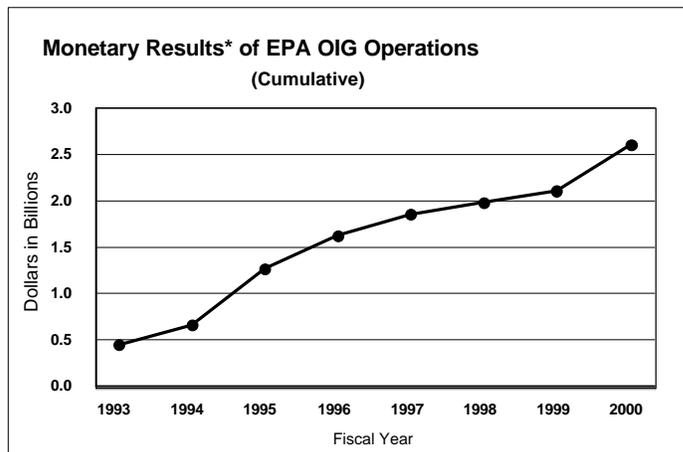


Profile of Activities and Results

Audit Operations (\$ in millions) OIG Managed Reviews: Reviews Performed by EPA, Independent Public Accountants and State Auditors	Audit Operations (\$ in millions) Other Reviews: Reviews Performed by Another Federal Agency or Single Audit Act Auditors
April 1, 2000 to September 30, 2000	April 1, 2000 to September 30, 2000
Fiscal 2000	Fiscal 2000
Questioned Costs * - Total \$1.7 \$51.1 - Federal 1.1 8.7	Questioned Costs * - Total \$ 0.8 \$ 4.2 - Federal 0.8 4.2
Recommended Efficiencies* - Federal 0 0	Recommended Efficiencies* - Federal \$ 0 \$ 0
Costs Disallowed to be Recovered - Federal \$ 6.7 \$ 21.6	Costs Disallowed to be Recovered - Federal \$ 1.0 \$ 1.5
Costs Disallowed as Cost Efficiency - Federal 0 0	Costs Disallowed as Cost Efficiency - Federal \$ 0 \$ 0
Reports Issued - OIG Managed Reviews: - EPA Reviews Performed By OIG: 32 59 - EPA Reviews Performed by - Independent Public Accountants: 0 0 - EPA Reviews Performed by State Auditors: 0 0	Reports Issued - Other Reviews: - EPA Reviews Performed by Another Federal Agency: 183 452 - Single Audit Act Reviews: 83 140
Total 32 59	Total 266 592
Reports Resolved (Agreement by Agency officials to take satisfactory corrective action.) *** 122 222	Agency Recoveries - Recoveries from Audit Resolutions of Current and Prior Periods (cash collections or offsets to future payments.)** \$5.6M

Investigative Operations		
Fines and Recoveries (including civil) \$70.8M	\$29M	
Investigations Opened	28	59
Investigations Closed	46	79
Indictments of Persons or Firms	15	32
Convictions of Persons or Firms	4	25
Administrative Actions Against EPA Employees/ Firms	28	35
Civil Judgments	9	13

- * Questioned Costs and Recommended Efficiencies subject to change pending further review in the audit resolution process.
- ** Information on recoveries from audit resolution is provided from EPA Financial Management Division and is unaudited
- *** Reports resolved are subject to change pending further review.



* Potential recoveries, savings and offsets from OIG recommendations, and criminal, civil and administrative actions

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The complete text of selected audits is available through the EPA OIG internet home page. [http: // www.epa.gov/oigearth](http://www.epa.gov/oigearth)

Section 1– Helping EPA Achieve Environmental Goals and Improve Programs

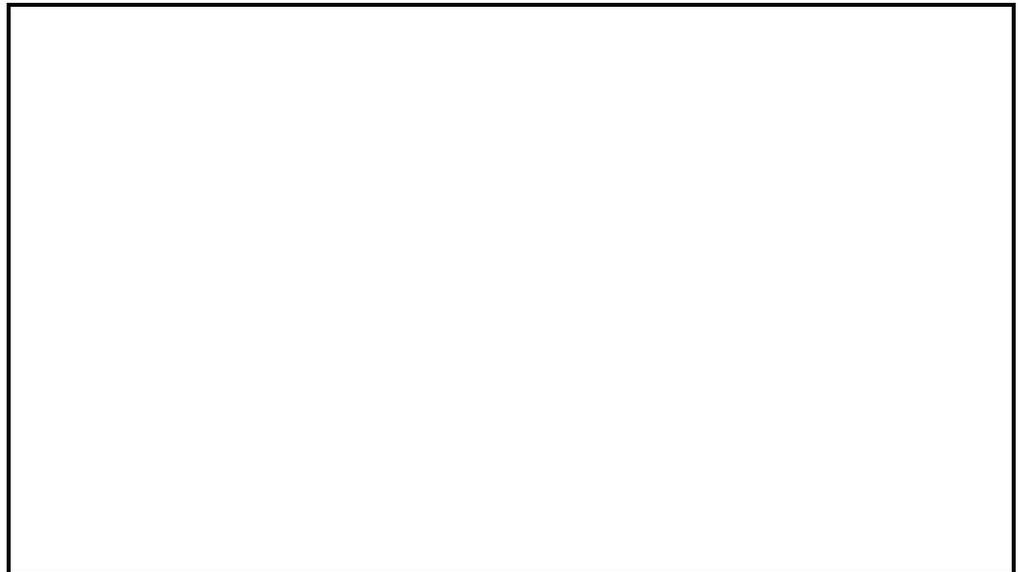
Program Audits and Investigations

Region 3 Needs to Increase Number of School Asbestos Inspections

At current staffing levels, EPA Region 3 was unable to perform an adequate number of inspections at schools to assure that school districts were complying with the Asbestos Hazard Emergency Response Act. Consequently, school children and employees may be subject to greater health risks. Due to budget and staff cuts, Region 3 only inspected a very small number of schools, and those inspections generally only occurred in response to specific tips or complaints. Moreover, at the time of our audit, EPA Headquarters was considering a “disinvestment” from the Agency’s asbestos inspection program.

Also, an unknown but possibly large percentage of the country’s 1,605 charter schools, attended by about 250,000 students nationwide, had never been inspected because EPA had not informed them of the Act’s mandate and that it applied to them. Furthermore, in some instances state inspectors found violations and assisted non-charter schools in complying but never reported the violations to EPA, resulting in the number of inspections being understated.

We recommended that EPA Region 3 devote the resources necessary to operate a viable asbestos inspection program. We also recommended that EPA Headquarters notify all charter schools of Asbestos Hazard Emergency Response Act mandates and develop a strategy to ensure that the charter schools comply with the Act. We issued the final report (2000-P-00024) on September 28, 2000. In response to the draft report, Region 3 initiated various corrective actions. A response to the final report is due December 27, 2000.



Water Quality Standards Program Needs More Emphasis

More than 20 years after Congress charged EPA with issuing criteria for 126 of the most persistent, prevalent, and toxic priority pollutants known at the time, EPA still had not developed criteria for 19 of the pollutants. EPA had not developed a systematic process for setting criteria development priorities that is driven by environmental concerns, and that uses data generated by other programs. As a result, many toxic pollutants were being discharged into the nation's waters without pollution prevention and detection controls in place. Because many states have limited ability to adopt water quality standards beyond federal standards, it is essential that EPA lead the way in developing water quality criteria.

Also, while the Clean Water Act made EPA responsible for approving state water quality standards, there were 45 state water quality standards submissions, dating back to 1994, awaiting EPA action. In addition, 25 years after EPA first required that states develop antidegradation policies and implementation plans, 15 states and territories still did not have plans. Lack of EPA guidance identifying what should be included in these plans contributed to the absence of several state antidegradation plans.

We recommended that EPA develop a process to proactively obtain and use data generated by its various program offices to identify those pollutants that warrant criteria development and to develop guidance on antidegradation implementation. We issued the final report (2000-P-00023) on September 29, 2000. In response to the draft report, EPA generally agreed with the recommendations, and to develop both the national guidance and a systematic approach for setting criteria development priorities. A response to the final report is due December 29, 2000.

State Stack Testing Not Consistently Implemented

EPA and the states inconsistently implemented the stack test portion of their air enforcement programs, due to unclear EPA guidance. Stack testing measures the amount of specific pollutants emitted through stacks at a facility. However, there was confusion and disagreement within EPA and between states and EPA regarding such issues as what stack test information should be reported, what *is* a stack test, and how tests should be performed and evaluated.

Without sufficient stack testing information, EPA does not know what facilities are being tested and how often, and facilities in some states may therefore be subject to less stringent testing requirements than in other states. For example, some regions require states to report stack test data into EPA's data base while other regions do not. In addition to the potential for health risks going undetected as a result of inadequate testing, the inconsistency in having these expensive tests done can result in an unfair advantage for untested firms.

We recommended that EPA headquarters work with its regions and states to issue national guidance on stack testing addressing identified concerns, and that EPA regions increase oversight of states' stack testing programs. We issued the final report (2000-P-00019) on September 11, 2000. In response to the draft report, EPA initiated various corrective actions. A response is due December 26, 2000.

Program Audits and Investigations

Stronger Controls Over Access to Sensitive Data on EPA's Mainframe Computer Needed

Better management oversight and additional administrative procedures are needed over the software that controls entry to EPA's mainframe computer to reduce potential misuse, manipulation, and destruction of information resources. The mainframe computer provides a national data repository for Agency environmental, administrative (including major financial systems), and scientific systems. Much of the data is sensitive.

We recommended that EPA improve controls over its software package that provides security for the mainframe computer including periodic security reviews of the access settings and users, and removing unnecessary access profiles.

The final report (2000-1-00330) was issued on June 30, 2000. In response to the report, EPA agreed with the audit findings and implemented corrective action for all report recommendations. In particular, the Agency implemented a process for regular review of security settings. Moreover, the Agency tasked system administrators to review their use of sensitive settings, certify that they understand the risks inherent in using these settings, and formally request and justify use of high-risk settings.

EPA Oversight of North Carolina's National Pollution Discharge Elimination System (NPDES) Needs Improvement

EPA Region 4 needs to expand and strengthen its oversight of North Carolina's NPDES enforcement program. The Region was unaware of continuing whole effluent toxicity violations and continuing permit violations by NPDES minor permitted facilities. Further, EPA generally did not overfile or take other comparable actions against facilities with continuing permit violations when North Carolina's actions were not timely or appropriate. Without changes, the Region cannot work with the State to improve water quality.

Our review disclosed the following specific problem areas requiring greater attention:

- North Carolina did not identify daily and weekly violations of permit limits, obtain agreements from permit violators to achieve compliance, or incorporate economic benefit analysis into its enforcement actions against permit violators.
- The State did not routinely inspect storm water industrial sites, monitor inspections of non-construction storm water sites, or review self-monitoring reports despite concerns regarding the need to reduce pollution from storm water run-off. Without a storm water program, the State could not assure that facilities were complying with storm water permits or taking all required measures to reduce pollution.
- The test methods North Carolina used to analyze discharges for chlorine and mercury were not always sensitive enough to determine compliance with permit limits and, thus, the potential harm to the environment.

Program Audits and Investigations

- The State did not issue NPDES permits that met applicable concentrated animal feeding operation permit regulations or include all applicable NPDES regulatory provisions in State animal feeding operation permits, even though manure and wastewater from feeding operations contribute significant pollutants.

We recommended that EPA take specific actions to correct the conditions reported. We issued the final report (2000-P-00025) on September 28, 2000. In response to the draft report, Region 4 generally agreed with our conclusions and to work with North Carolina to resolve many of our recommendations. Although North Carolina had concerns with some of our recommendations, State officials indicated they would work with EPA to develop a plan to address the issues in our report. A response to the final report is due December 27, 2000.

Multimedia Enforcement: Successes and Opportunities

EPA's Office of Enforcement and Compliance Assurance (OECA) encourages the use of multimedia enforcement (involving more than one media such as air, water, and land, or more than one law). However, we found that it has not developed a comprehensive plan that will increase the likelihood of success in this program. Specifically, OECA did not (a) establish a plan to manage the multimedia program; (b) clearly communicate its philosophy to EPA managers and staff; or (c) issue policies on how or when to use the multimedia approach as an enforcement tool.

Multimedia enforcement actions can achieve significant environmental benefits. For example, enforcement actions at three petroleum refineries resulted in \$5.8 million in penalties, \$12 million spent to correct violations, \$14.9 million for supplemental environmental projects, and a measurable reduction in many pollutants.

EPA's lack of written policies or plans resulted in variations in the effectiveness of regional approaches to multimedia. The success rates in identifying significant violations using multimedia inspections ranged from 55 to 100% of the time in the regions we reviewed. OECA did not know whether the multimedia approach was an effective or efficient tool for reducing noncompliance and improving the environment and human health.

The Agency addressed all report issues in response to the draft report. The Assistant Administrator stated he would use the audit report to reiterate OECA's management philosophy, the objectives of multimedia enforcement, and additional steps necessary to implement multimedia enforcement. To evaluate the effectiveness of multimedia enforcement, OECA will develop a consistent definition of multimedia enforcement, improve the collection of information on enforcement action benefits, and work to build into the Agency's cost accounting system information on the costs of all types of enforcement actions. We issued the final report (2000-P-000018) on June 30, 2000.

Improvements

Although EPA Region 6 generally implemented effective procedures to approve and evaluate Louisiana's water quality standards, the Region's oversight of Louisiana's

Program Audits and Investigations

Needed to Increase Effectiveness of Louisiana's Water Quality Program

water quality program was limited because the Region had not formally evaluated the adequacy of the Region's monitoring and reporting requirements under the Clean Water Act. The Region's ability to evaluate the program was limited by Louisiana's untimely and incomplete water quality planning documents. Without a formal evaluation, the Region cannot assure the Act's requirements are being met or that Louisiana has focused its water quality efforts on priority areas.

Louisiana could improve its water quality program by: using more sensitive test methods for standard setting, adopting EPA recommended bacteria criteria, clarifying its antidegradation implementation plan, and using biological monitoring. Louisiana had not adopted bacteria criteria that would better protect the public from gastrointestinal illnesses.

We recommended that EPA revise or develop policies and/or regulations that would require permittees to use the most sensitive test methods; establish national guidance on antidegradation implementation plans; and, through grant commitments, work with Louisiana to clarify its antidegradation implementation plan, adopt recommended bacteria criteria, and implement biological monitoring. We issued the final report (2000-P-00185-00022) on September 29, 2000. In response to the draft report, Region 6 generally agreed with the findings and recommendations, but Louisiana officials did not. A response to the final report is due December 29, 2000.

Plastics Manufacturers Agree to Pay \$400,000 Civil Penalty

Aeroquip Corporation, and Aeroquip-Vickers, Incorporated, entered into an agreement with the United States to pay \$400,000 in civil penalties for alleged violations of chlorofluorocarbon (CFC) requirements in the Clean Air Act. The agreement was reached on April 28, 2000, in U.S. District Court, Middle District of Georgia. The investigation disclosed that Aeroquip-Vickers submitted false documents to the EPA stating that certified technicians repaired equipment containing CFCs when they, in fact, did not, and they did not use CFC recovery equipment as required by the Clean Air Act. Restrictions on refrigerants such as CFCs are necessary to reduce the risk of depletion of the ozone layer caused by such substances. *This investigation was conducted jointly by the EPA OIG and the EPA Criminal Investigation Division.*

New Hampshire Company and its President Ordered to Pay \$40,000 for Environmental Cleanup

A Consent Decree issued in U.S. District Court ordered Bruce Migell and the Tilton Trust and Atlantic Battery Company, Inc., doing business as Surrette American Battery, to pay \$40,000 for reimbursement of cleanup costs incurred by the EPA at Surrette's facility in Northfield, New Hampshire. The decree, issued on May 18, 2000, in the District of New Hampshire, was the result of an OIG investigation focusing on false financial disclosures and a civil complaint filed by EPA on June 9, 1999, against Migell, the firm's president, and the company. The facility was used to manufacture deep-cycle batteries used in marine vehicles and industry. Hazardous substances such as lead and sulfuric acid used in the manufacturing process were disposed of at the site and released into the environment.

Agreement Reached to Reimburse EPA

Robert H. Book, former chairman and consultant to Photech, Inc., agreed on May 5, 2000, to pay EPA \$10,000 in a civil settlement agreement with the U.S. Attorney's Office, Western District of Pennsylvania. The amount represented reimbursement of

***\$10,000 in
Cleanup Costs***

costs EPA incurred to clean up the release and threatened release of hazardous substances at the Photech Superfund site in Rochester, New York. The OIG investigation centered on alleged false statements made by Book to EPA regarding his responsibility for the operation of Photech and his ability to pay for the cleanup. Pursuant to the Comprehensive Environmental Response, Compensation, and Liability Act, the EPA filed a civil suit on April 28, 2000, against Book to recoup \$577,113 in cleanup costs. Photech manufactured specialty photographic film at the site, and the process utilized significant amounts of hazardous substances that were disposed of at the site. Photech ceased operations in June 1990.

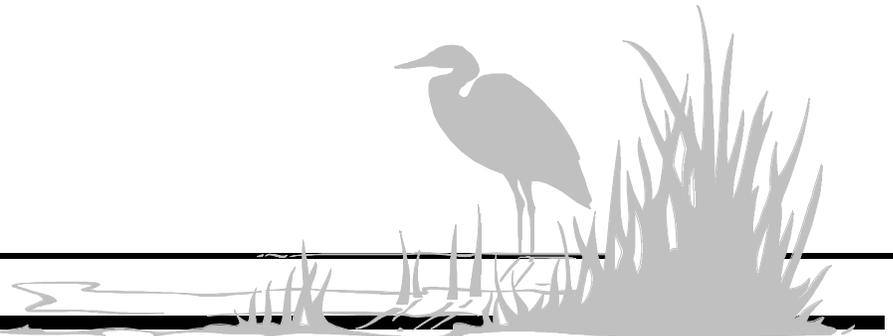
***Producer of
Purported
Environmental
Cleanup Product
and Retail Brokers
Ordered to Pay
\$2.5 Million for
Price Fixing
Scheme***

A civil judgment for \$2.5 million was entered in U.S. District Court against the former president of Exsorbet Industries Inc., of Arkansas and several other officials for price fixing. The judgment was entered on June 16, 2000, in the Northern District of Illinois, against Floyd Leland Ogle, former president of Exsorbet; Reuben Peters, a market maker; and Chicago stock brokers Albinas Kurkulis, Andrew Kurkulis, and Paul Kurkulis. In the Securities and Exchange Commission complaint filed on February 1, 1999, the defendants were alleged to have manipulated the price of Exsorbet stock by purchasing the stock for \$1 per share, artificially fixing the price of Exsorbet floating stock, and then selling the stock for \$13 per share. As part of the price fixing scheme, Ogle allegedly issued a forged EPA letter endorsing Exsorbet's oil absorbent peat moss, a product purportedly useful in environmental cleanups, and issued a false press release stating Exsorbet had obtained \$5 million in government contracts. *This investigation was conducted by the EPA OIG, the Federal Bureau of Investigation, and the Securities and Exchange Commission.*

Followup Audits

***Brownfields
Initiative to
Revitalize Urban
Areas Has
Progressed***

EPA has taken significant steps to implement our March 1998 recommendations. For example, the Brownfields pilot proposals were more focused on site assessment than they were before. Also, site assessment pilots were providing better quarterly reports to EPA. However, the loan program had been slow to make loans, and better reporting and documentation were needed in certain areas relating to site assessment pilots. The purpose of the Brownfields Initiative is to restore contaminated industrial

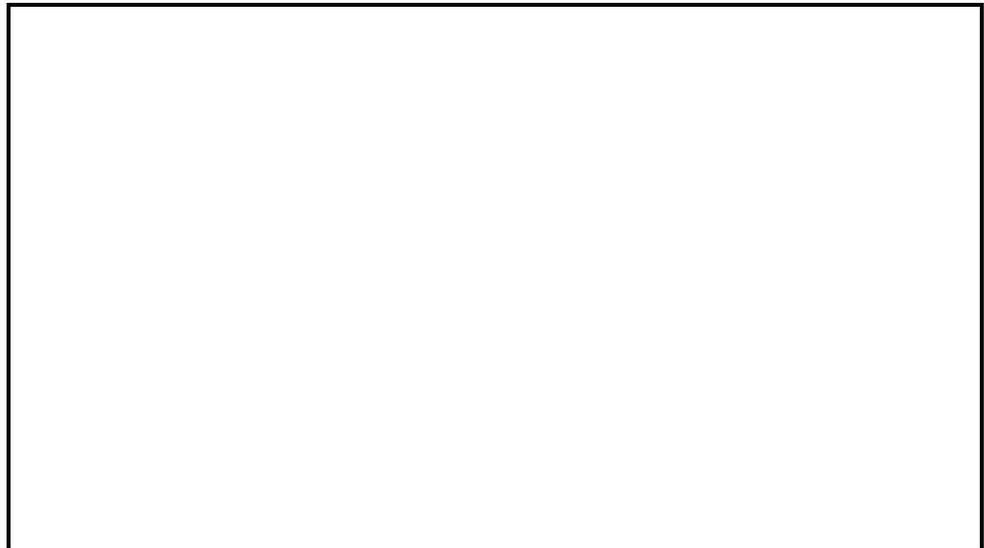


Followup Audits

and commercial facilities to productive use. We found the following areas in need of improvement:

- The Brownfields Cleanup Revolving Loan Fund grant program pilots had been slow to make loans. As of June 30, 2000, only about \$1 million of \$43 million available had been loaned, and only one cleanup had been completed. The Fund needs additional flexibility and time before its success can be fairly evaluated.
- Site assessment pilots needed to improve on the timeliness of their quarterly reports to EPA.
- The site assessment pilot selection process should be better documented. In general, the strength of regional quality assurance programs varied.

We recommended that EPA complete implementing our prior recommendations, revise and better document the results of the assessment pilot selection process, evaluate regional implementation of quality assurance guidelines, and clarify pilot reporting requirements. The Agency's response to our draft report included corrective actions that, when completed, will address the recommendations. We issued the final report (2000-P-00027) on September 29, 2000.



First Brownfield site (Las Vegas Armory) cleaned up using EPA revolving loan funds.

EPA Region 5 Still Needs to Improve Billings and Collections

We recommended in a March 1997 report that EPA Region 5 develop and implement time frames for preparing and reviewing bills for the oversight of cleanup work performed by Superfund responsible parties, as well as issue dunning letters timely. Although Region 5 substantially improved the timeliness of its oversight billings, our fiscal year 2000 followup audit found that Region 5 still needs further improvement.

The Region was still late in sending out dunning letters because it relied on a manual

process for tracking and issuing the letters. In April, 2000, EPA issued revised guidance that replaced the need for dunning letters with a requirement for a single notice before referral to the Department of Justice. As of April 2000, the Region had not implemented the new requirement because it doubted that it could obtain aging reports necessary to implement the new procedure.

We recommended that Region 5 request guidance on obtaining aging reports and benchmark with other offices to help implement the new collections guidance. We issued the final report (2000-P-00026) to Region 5 on September 28, 2000. In response to the draft report, the Region generally agreed with our recommendations. A response to the final report is due January 2, 2001.

Interagency Agreements Still Need Indirect Cost Rate Established

Our followup on a March 1995 audit “Interagency Agreements: Off-Loading at EPA” (Report No. 5400051) disclosed that while EPA made significant improvements in improving guidance and training related to agreements, EPA had not established an indirect cost rate to recover the full cost of doing work for another agency.

Specifically, EPA improved its guidance and training to: (1) justify why an Interagency Agreement rather than a procurement was chosen; (2) ensure that the cost of the proposed work was reasonable; and (3) obtain detailed cost information related to payments. Additionally, the Office of General Counsel opined that there was no legal prohibition against EPA paying another agency’s contractor directly under an Interagency Agreement.

However, EPA had not established an indirect cost rate to recover the full cost of doing work for another agency under an Interagency Agreement. As a result, EPA continues to transfer an unknown amount of its resources to other agencies, in violation of the Economy Act. In addition, despite the improvements made, we noted several areas where guidance and training could be improved.

We recommended that the Office of Administration and Resources Management assist the Office of the Chief Financial Officer in establishing an indirect cost rate to recover the full cost of work performed for another agency under an Interagency Agreement. We also recommended steps for EPA to update and strengthen its guidance documents and training. The final report (2000-P-00029) was issued on September 29, 2000. The Assistant Administrator, Office of Administration and Resources Management, generally agreed with the findings and recommendations in our followup report. A response to the final report is due December 29, 2000.

More Consistent Management Would Improve Region 8 Tribal Assistance

EPA Region 8 was not consistent in awarding and monitoring Tribal grants. Tribal Assistance Program (TAP) officials placed a high priority on external relationships, generally with the Tribes, and did not pay sufficient attention to grant management and internal relationships.

TAP’s inconsistent grants management gave the appearance to some regional staff

Financial Management

Program

that certain grants were illegal. Our review disclosed that Region 8 legally awarded all 137 Tribal grants managed by TAP between fiscal years 1996 and 1999. However, some grants included unallowable activities or had inadequate or untimely work plans and progress reports. In general, TAP appeared to advocate too strongly for Tribes, which sometimes hindered relationships between the Tribes and other program officials within Region 8.

We recommended that the Regional Administrator implement a new Region 8 policy on grant roles and responsibilities and balance TAP's external focus with internal program and grant management. We made other recommendations to improve procedures, including development of a systematic grant review process. We issued our final report (2000-P-00021) to the Regional Administrator on September 29, 2000. Region 8 initiated some steps to correct problems observed. The Region's response to the final report is due December 28, 2000.

Stronger Controls Needed to Improve Rhode Island Grants Management

We found that the Rhode Island Department of Environmental Management (Rhode Island) did not have adequate internal controls to ensure that over \$16.7 million in federal funds awarded to it since fiscal year 1996 were being managed appropriately. As a result, EPA had limited assurance that grant funds were used in accordance with workplans and met negotiated environmental targets.

The objectives of an internal control structure are to provide management with reasonable assurance that assets are safeguarded and transactions are executed appropriately. However, review of Rhode Island's management of over \$16.7 million in grants to help the State improve the quality of air, land, and water disclosed that Rhode Island:

- charged payroll expenses based on a budget rather than actual hours, and did not include the cost of leave as part of its fringe benefits rate;
- did not have a system in its Office of Air Resources to ensure charges to the Federal grants were allowable, allocable, and reasonable;
- lacked documentation to support that it had met the minimum cost sharing requirements;

- submitted multiple final Financial Status Reports with different ending balances, had excess Federal funds on hand, and made transfers without prior EPA approval; and
- did not maintain Title V operating permit fee revenue in accordance with either federal or state regulations.

*Ohio Needs to
Improve
Administration of
Superfund
Cooperative
Agreement*

We recommended that EPA work with Rhode Island to develop a corrective action plan that addresses the internal control weaknesses. Regional officials should then meet regularly with State officials to review progress. We issued our final report (2000-1-00416) on September 21, 2000. The Regional Administrator generally concurred with the findings and recommendations in the draft report, and indicated Rhode Island agreed to develop a detailed corrective action plan. The Region requested our assistance in reviewing the progress that Rhode Island makes towards meeting its planned actions.

The Ohio Environmental Protection Agency (Ohio) needs to improve its financial and program results reporting and its procedures for drawing down cash under a consolidated Superfund cooperative agreement that authorized \$5.5 million in federal funding.

On September 30, 1997, EPA Region 5 awarded Ohio a consolidated cooperative agreement for several different types of general and site-specific Superfund activities. The agreement, as amended, authorized federal assistance of \$5,528,747 and required State matching costs of \$192,732 through June 30, 2001. In general, Ohio was meeting the objectives of the cooperative agreement. However, we found the following:

- Ohio had not submitted accurate or timely Financial Status Reports. As a result, Region 5 was neither aware of the financial status of the program nor that Federal and State expenses were misstated.
- Ohio did not meet its 10 percent cost sharing requirement for core activities in fiscal years 1998 and 1999. As of September 30, 1999, Ohio had under-matched core activity expenses by more than \$76,000.
- Ohio's cash draw downs exceeded the Federal share of expenses under the cooperative agreement. As a result, Ohio frequently carried excess cash balances at the end of the month and occasionally did not request enough funds to cover expenses, resulting in a negative cash balance at the end of the month.

- Ohio had not always identified the site-specific activity performed in its fiscal year 1999 progress reports. As a result, Region 5 may not be able to recover more than \$45,000 of Ohio's payroll costs from responsible parties because the specific tasks were not always identified.

We recommended that the Regional Administrator for Region 5: (1) clarify reporting requirements for Ohio, (2) ensure that Ohio reconciles and confirms its cost sharing

Financial Management

Michigan Association's Accounting System Did Not Adequately Account for EPA Funds

requirements, (3) require Ohio to develop an effective method for determining cash needs, and (4) require Ohio to ensure that employees provide the description of the work required to support cost recovery efforts. The Regional Administrator and Ohio agreed to work together to resolve the issues and implement recommendations. We issued the final report (2000-P-00020) on September 15, 2000.

The Michigan Association of Conservation Districts (MACD) could not adequately account for almost \$169,000 of the \$300,000 in EPA funds it received through two grants, due to an inadequate accounting system. MACD, a non-profit organization established to represent and provide services to Michigan's 82 Conservation Districts, received two \$150,000 grants from EPA Region 5 to assist in promoting the use of native plants in Michigan. The two grants cover a four-year period ending September 30, 2001.

MACD's financial management system did not meet the minimum Federal requirements of supporting the authorized use of Federal funds and providing accurate financial statements. Consequently, MACD could not adequately account for almost \$169,000 in EPA funds. We were not able to reconcile MACD's claimed costs with its general ledger, and therefore could not identify the specific costs reported by MACD. In addition, MACD did not properly support its labor, indirect, or numerous other direct costs, and drew down EPA funds in advance of actual need. Also, MACD and EPA incorrectly included services of another Federal agency when negotiating the grantee's cost-sharing ratio.

We recommended that the Regional Administrator for Region 5 immediately suspend the two grants until MACD completes a series of corrective actions. In the event that MACD does not do so timely, we also recommended that the Regional Administrator terminate the grants and recover all unsupported costs. We issued the final report (2000-4-00059) on September 7, 2000. MACD has initiated several corrective actions in response to the draft report. A response to the final report is due by December 7, 2000.

Pesticide Reregistration Tracking Problems Continue

As part of our annual audit of the financial statements for the Pesticides Reregistration and Expedited Processing Fund (FIFRA Fund), we found that system problems continue to affect EPA's ability to accurately report on the status of pesticides reregistration. EPA is responsible for reassessing the safety of older pesticide registrations against modern standards as part of reregistration. EPA deposits fees for reregistration and tolerance activities into the FIFRA Fund, and each year prepares FIFRA financial statements that include information about EPA's progress in reregistering pesticides and assessing tolerances.

Financial Management

EPA Making Progress on FFMIA Recommendations

The fiscal year 1999 FIFRA financial statements were fairly presented. However, system problems continued to affect the EPA Office of Pesticide Programs' ability to accurately report on the status of reregistration. We had reported problems with the Office's Pesticide Regulatory Action Tracking System in prior FIFRA financial statement audit reports. At the time, program officials informed us that they had identified and corrected the problems. However, our fiscal year 1999 audit work finds that these problems continue and have resulted in the Office of Pesticide Programs reporting inaccurate reregistration data since 1989.

We recommended that the Office of Pesticide Programs convene a workgroup to address continuing system problems that affect its ability to accurately report on the status of product reregistration. The final report (2000-1-00278) was issued on May 25, 2000. On August 3, 2000, we received a response indicating EPA agreed to convene such a workgroup.

As a part of our annual audit of EPA's financial statements, the Federal Financial Management Improvement Act (FFMIA) of 1996 (Public Law 104-208) requires us to report on whether EPA's financial management systems comply substantially with applicable requirements.

On September 28, 2000, in response to our fiscal year 1999 financial statement report that noted the Agency was not in substantial compliance with FFMIA, the Acting Comptroller provided a corrective action plan with milestones for a number of audit findings and recommendations. This response included a remediation plan addressing planned actions for four specific noncompliance areas, as follows:

- ! Final corrective actions regarding improving the financial statement preparation process are planned to be completed by October 31, 2000.
- ! EPA reported significant progress since September 30, 1999, toward improving security plans for its core financial systems. Final corrective actions are planned to be completed by June 30, 2002.
- ! Final corrective actions are planned to be completed by March 31, 2001, regarding compliance with the Managerial Cost Accounting Standard. We are continuing to discuss the planned corrective actions with the Acting Chief Financial Officer.
- ! Final corrective actions regarding federal trading partner information are planned to be completed by December 31, 2000.

We will monitor and report on EPA's progress on completing corrective actions in the

Assistance Agreement Investigations

next semiannual report as well as in our fiscal 2000 financial statement audit report. The plan will be transmitted to the Office of Management and Budget with the annual A-11 budget submission in December 2000.

Embezzler Given 30-Month Prison Term, Ordered to Pay \$1.8 Million in Restitution

The former lead accountant of the National Asian Pacific Center on Aging (NAPCA) was sentenced in U.S. District Court to a 30-month prison term and ordered to pay \$1.8 million in restitution for his role in various embezzlement schemes. His daughter received probation as a result of her involvement.

On June 5, 2000, Wallace G. Jorgensen, former lead accountant for NAPCA, was sentenced in the Western District of Washington to 30 months imprisonment and

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3 years probation, and was ordered to pay \$1,802,546 restitution to NAPCA. He had pleaded guilty to embezzling property from a program receiving federal funds and falsifying an income tax return. On June 15, 2000, his daughter, Gina R. Jorgensen, was sentenced to 5 years probation, 30 days home confinement, and 100 hours of community service, following her pleading guilty to wire fraud.

The NAPCA, funded by EPA through the Senior Environmental Employment Program, is a non-profit organization whose mission is to serve the needs of older Asian and Pacific Americans throughout the United States through employment and training programs. Wallace Jorgensen devised various schemes in which he issued thousands of NAPCA payroll and travel advance checks to himself and immediate family members, embezzling in excess of \$1.8 million from 1993 through 1999. He also failed to report the income from the embezzled funds on his federal income tax returns, resulting in a tax loss of \$609,083.

Gina Jorgensen devised and executed a scheme to obtain a home mortgage loan. In application papers, she claimed to be employed by Jorgensen Construction, a fictitious company, variously claiming earnings of \$4,800 and \$5,700 per month. She also sent, via wire facsimile, a copy of her checking account monthly statement showing deposits of more than \$10,000, knowing that all the deposits were actually derived from funds provided by her father. *This investigation was conducted jointly by the EPA OIG, the Department of Labor OIG, the Federal Bureau of Investigation, and the Internal Revenue Service Criminal Investigation Division.*

Private Utility Company and its President Plead Guilty to Polluting Sarasota Bay Watershed;

South Bay Utilities, Inc., and its corporate president pleaded guilty in U.S. District Court to a criminal Information charging them with violating the Clean Water Act. In the plea agreement entered on May 15, 2000, in the Middle District of Florida, the defendants admitted to not disclosing to government officials that the waste water discharged by South Bay Utilities directly into Dryman Bay in Sarasota County, Florida, was not properly treated. As part of the plea, South Bay Utilities, Inc., and the corporate president, Paul L. Paver, will pay a total of \$1.75 million in restitution

***\$1.75 Million in
Restitution, Fines
Set***

and fines. Of that amount, \$1.2 million will be paid directly to three different Florida environmental trust funds for environmental restoration and enhancement projects.

Shortly after the utility's wastewater treatment plant came on line in 1976, its drain fields became saturated and were not able to process the amount of affluent discharged. To relieve the pressure on the drain fields, South Bay illegally installed underground bypass pipes without informing government regulators. After their installation, the pipes allowed affluent to flow through the storm water pipes directly into Dryman Bay, discharging about 1 ½ tons of nitrogen into Sarasota Bay annually.

Affluent contains nitrogen which can spawn algae blooms that deplete oxygen needed by fish and block sunlight essential to the growth of sea grass, a key source of food and shelter to marine life. The illegal bypass undermined EPA's efforts and investment of millions of dollars to restore the watershed. Sarasota County has closed the utility company and dismantled the wastewater plant. *This investigation was conducted jointly by the EPA OIG, the EPA Criminal Investigation Division, the Federal Bureau of Investigation, the Internal Revenue Service, the Florida Department of Law Enforcement, the Sarasota County Office of Pollution Control, and the Florida Department of Environmental Protection.*

***EPA Contractor
Enters Settlement
Worth
\$24.3 Million***

Kaiser Group International, Inc., entered into a settlement with the United States Attorney's Office under which the government will realize \$24 million in contract savings. The agreement, reached on September 15, 2000, in the Eastern District of Virginia, settled a federal False Claims Act case that involved the EPA and 17 other federal departments/agencies.

The settlement was the culmination of a lengthy investigation which disclosed that Kaiser (formerly ICF Kaiser International, Inc.) may have billed government contracts for computer center costs in excess of costs actually incurred. In addition, EPA OIG questioned costs relating to the allocability, allowability, and

Contract Investigations

reasonableness of Kaiser's direct and indirect costs dating back to their fiscal year ending February 28, 1985, due to unsatisfactory documentary support.

Under the terms of the settlement agreement, the government's potential contract savings could reach \$390.1 million pending verification of unbilled obligated fund balances by the 17 other federal departments/agencies. In settling the final rates, EPA to date will realize \$23.2 million in contract savings due to Kaiser's agreement to relinquish all rights in potential claims in the form of retainages, rate variances, costs, profits, and fees accrued or otherwise owed in connection with services provided under a schedule of government contracts from March 1, 1985 through December 31, 1999. Additionally, in settling the alleged false claims associated with the computer center overbilling, Kaiser agreed to forgo \$828,604 in repudiated claims against two Department of the Navy contracts. *This investigation was conducted jointly by the EPA OIG and the Nuclear Regulatory Commission OIG.*

In another case, Kaiser Group International, Inc., entered into a settlement agreement with the U.S. Attorney's Office for the Middle District of North Carolina in which Kaiser will forgo \$300,000 in repudiated claims to resolve civil claims arising under the federal False Claims Act. In the agreement, reached June 7, 2000, the United States alleged that Kaiser prematurely billed EPA, the Department of the Navy, and other federal agencies for subcontract and other direct costs that Kaiser had not yet paid. Such billing practices are prohibited by the Paid Cost Rule set forth in Section 52.216-7(b) of the Federal Acquisition Regulation. Kaiser denied any criminal misconduct, but agreed to forgo \$300,000 in outstanding claims submitted against a Department of the Navy contract. *This investigation was conducted jointly by the EPA OIG and the Naval Criminal Investigative Service.*

A group of current and former Lexington, Kentucky, residents were indicted in U.S. District Court on federal racketeering charges, arising from their participation in the Small Business Administration (SBA) minority preference contract set aside program. The indictments were filed on May 30, 2000, in the Eastern District of Kentucky, in connection with more than \$150 million in federal contracts awarded for environmental cleanup projects, mostly with EPA and the Department of Defense.

Pritnam Sabharwal, who headed the group, initially entered the SBA program with a business named Environmental Health Research and Testing, headquartered in Lexington. After graduating from the program in 1998, Pritnam Sabharwal allegedly obtained, in the name of his son, Paul Sabharwal, SBA minority preference status for another company he controlled, named Environmental Chemical Corporation. The

EPA Contractors Indicted on Federal Racketeering Charges

***Former Employees
of Laboratory
Charged in
30-Count
Indictment***

Sabharwals allegedly obtained the certification by fraudulently concealing from SBA the relationship between the two companies. Furthermore, minority certification was allegedly fraudulently obtained for a third company, purportedly headed by another son, Shaw Sabharwal.

The indictment further alleges that from 1990 through 1996, the Sabharwals and their associates engaged in other fraudulent activities, including fraud on auditors and investigators looking into contracts, fraud on a bank that loaned them money, fraud on a bankruptcy court, and fraud on a court in a criminal case in North Carolina. In addition, the indictment alleges two instances of bribery of a public official with regard to obtaining inside information on government contracts, and acts of audit obstruction and money laundering. Named as defendants in addition to Pritnam Sabharwal are his sons, Paul and Shawn Sabharwal; his wife, Jean D. Sabharwal; Harpreet Chadha, of North Carolina; and Dushyant Gulati, of Clearwater, Florida. *This investigation was conducted jointly by the EPA OIG and the Defense Criminal Investigative Service.*

A vice president and 12 former employees of Intertek Testing Services Environmental Laboratories, Inc. (ITS), were indicted in U.S. District Court on charges of conspiracy, mail fraud, wire fraud, and presenting false claims against the United States. The indictments were handed down on September 21, 2000, in the Northern District of Texas. ITS was formerly known as NDRC Laboratories, Inc., and Inchcape Testing Services Environmental Laboratories, Inc.

Between January 1994 and December 1997, ITS, a full service environmental testing laboratory, generated \$35.7 million in gross billings and performed environmental sample analysis on more than 59,000 separate environmental projects involving over 250,000 air, soil, liquids, pesticides, explosives, and nerve/chemical agents samples. These analyses were conducted for determining, among other things, the presence of known or suspected human cancer-causing contaminants.

The 30-count indictment charges that each of the 13 named defendants was involved in the conspiracy at some time during the period 1988 through 1997. The alleged conspiracy involved:

- ! altering data to make diagnostic instruments appear to be properly calibrated and within the quality control limits when they were not;
- ! falsely certifying that the equipment used to perform the analyses was properly calibrated and within the quality assurance/quality control criteria set by their clients and the EPA; and
- ! representing that samples analysis was done in accordance with contract specifications requiring specific procedures, quality controls, and assurance

Employee Integrity Investigations

methods.

This investigation was conducted jointly by the EPA OIG, the EPA Criminal Investigations Division, the Defense Criminal Investigative Service, the Army Criminal Investigation Command, and the Air Force Office of Special Investigations.

***Former EPA
Attorney Sentenced
to One Year
Probation, Fined
\$5,000***

Marc M. Radell, an attorney with the EPA Office of Regional Counsel in Chicago, was sentenced in U.S. District Court on charges of testifying falsely in a court ordered deposition during federal civil cases in Wisconsin. Radell was sentenced to one year probation, fined \$5,000, and ordered to perform 50 hours of community service. The sentencing occurred September 25, 2000, in the Eastern District of Wisconsin, following an August 2000 guilty plea by Radell to a misdemeanor charge of contempt of court. Prior to the sentencing, Radell voluntarily resigned his position with the EPA.

According to court documents, in 1996, the EPA granted the Menominee Indian Tribe, the Oneida Tribe of Indians of Wisconsin, and Lac du Flambeau Band of Lake Superior Chippewa Indians "Treatment as State" status under the Clean Water Act so that each group could develop a water quality standards program within their respective reservations. The state of Wisconsin filed civil lawsuits in federal district court challenging EPA's decision. The indictment charged that, during the course of

Section 2- Fostering Strong Working Relationships

Advisory and Assistance Services

this litigation, Radell and a co-defendant created and backdated EPA documents (factual analyses of substantial effects of non-Indian activities within each applicant's reservation). They were charged with falsely stating in affidavits and depositions that the documents were created in January 1996 and were relied on by the EPA to make its decisions when, in fact, the defendants created these documents in May 1996 after the lawsuits were filed.

The Treatment as State lawsuits were subsequently dismissed and the EPA was ordered to pay Wisconsin and other parties approximately \$369,000 in attorney's fees and court costs.

Former EPA Employee Sentenced for Theft

Adrenia L. Ward, a former computer specialist in EPA's Office of the Chief Financial Officer, was sentenced in U.S. District Court, District of Columbia, for theft. She was sentenced on June 27, 2000, to 3 years probation and 50 hours of community service, and was ordered to pay EPA \$4,941 in restitution and a \$25 special assessment fee. From June 1997 through March 1999, while employed by EPA, Ward used her government credit card to purchase computer equipment, audio equipment, a DVD player, and dozens of compact discs and videotapes for her personal use. To conceal these purchases, she intentionally did not list them on the purchase log she maintained and, on numerous occasions, falsely certified on a monthly Statement of Account that the purchases were for official business. A total of \$7,723 of the equipment was recovered during the investigation.

Auditor Site Visit Leads to Repairs at Ramapo Superfund Site

A site visit by EPA OIG auditors at the Ramapo Landfill, a Superfund site in Ramapo, New York, disclosed storm damage had remained unrepaired for close to a year. Two downchutes had been damaged by August 1999 rainstorms and the September 1999 Tropical Storm Floyd. The geocomposite cover along the downchutes was exposed down to the rubber impermeable membrane, with a two-foot-square opening in one section. No attempts had been made to repair the damage even though the EPA Remedial Project Manager and the Ramapo Director of Public Works had documented this damage in inspection reports. While the conditions did not pose an imminent danger to public health or the environment, the potential for substantial compromise of the integrity of the landfill cap and subsequent health risk existed as long as the conditions remained unrepaired.

Advisory and Assistance Services

As a result of an August 1, 2000, EPA OIG advisory memorandum urging correction of the situation, the Town of Ramapo obtained a grant from the Federal Emergency Management Agency to repair the damage. The town plans to redesign the site's surface drainage system so that it has sufficient capacity to control the runoff from a major storm and to repair the landfill cap.



Erosion to rubber membrane at Ramapo Superfund site.

The Ramapo Landfill, located about 35 miles northwest of New York City, had been used to dispose of refuse, including industrial and sewer sludge, waste from a pharmaceutical company, and asbestos.

EPA's Revised Strategic Plan: New Ideas Needed to Solve Old Problems

While the EPA Strategic Plan is correctly moving toward an outcome rather than output approach, it still needs significant changes to ensure that the Agency fully integrates the management processes of the Government Performance and Results Act (GPRA) into its operations.

Based on an analysis that we conducted of the revised Plan, we believe this Plan should reflect lessons learned from the previous plan and performance reports; new knowledge about the interrelationship of environmental issues; and an evaluation of customer/stakeholder/partner inputs about risks, priorities, benefits, and costs. This would create a clear map to better guide future action and accountability. Our analysis noted four major areas in need of improvement:

Management Challenges: We are particularly concerned that EPA's Strategic Plan does not address the Major Management Challenges with more than just a passing reference, despite the attention this area has received by

several Congressional committees, the Office of Management and Budget, the General Accounting Office, and the OIG. The Agency's Strategic Plan provides an opportunity for the Agency to demonstrate its intention and commitment for solving some of these long-standing problems.

Relationship Between Goals and Results: We are concerned that many of the goals appear to be abstract and do not create a system linkage of intermediate steps, actions, measures with future outcomes, and impacts. Goals are addressed independently, without an overall scheme for prioritization or interaction. There is no reference to the need for new environmental legislation that would create an eco-system or holistic approach repeatedly mentioned by stakeholders. Also, there is little if any reference to what resources will be needed to achieve the goals and how the Agency will hold its managers and implementers accountable.

Congressional and Stakeholder Consultation: We do not believe that this Plan reflects the consultations that EPA had with its customers and stakeholders. Therefore, it is difficult to determine whether the goals and strategies were developed with adequate consideration of the risks and priorities as viewed from outside EPA.

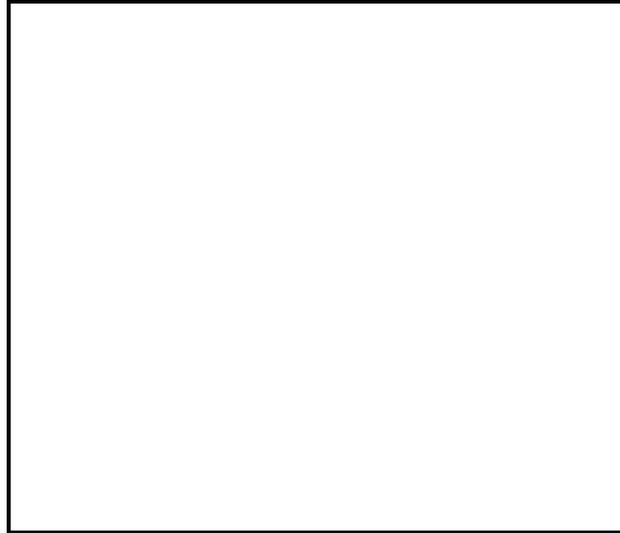
Data Quality, Capacity, and Measures: While the Plan generally acknowledges that the Agency's environmental performance measures and financial data are not complete, consistent, or reliable, this problem appears to be understated. We believe that the lack of such information undermines the fulfillment of GPRA and EPA's own objective of "Public Right to Know" about environmental results and the costs of achieving them. This also denies EPA management the information needed to make sound plans and decisions.

EPA OIG Creates Environmental Consortium to Achieve Government-wide Efficiencies

EPA OIG has created an innovative Environmental Consortium through the President's Council on Integrity and Efficiency and Executive Council on Efficiency and Integrity, forming partnerships throughout the federal government to achieve greater efficiencies and more effective solutions to cross-cutting environmental issues. The Consortium, established in May 2000, currently includes representatives from 19 executive agencies and the U.S. General Accounting Office. The Consortium was formed based on EPA OIG's recognition that environmental and waste management issues were Major Management Challenges commonly identified by a number of federal OIGs. Environmental mandates, issues, objectives, and challenges common among these agencies present a unique opportunity to provide better advice and recommendations to Congress from cross-agency reviews of potential gaps, conflicts, or duplications in laws/regulations, as well as agency performance plans and results. The Consortium illustrates how the OIG community can work together to improve Government and solve national issues. EPA OIG hopes to develop similar partnerships through the creation of State Environmental Roundtables.

Section 3 - Operating at the Highest Performance Level

In recognition of his role in coming up with the concept and then creating the Consortium, Michael Binder of the EPA OIG received a Special Achievement Award for Excellence from the President's Council on Integrity and Efficiency.



Michael Binder (on right) receives an award presented by Gaston Gianni, Vice Chair of the PCIE.

New OIG Strategic Plan Points Way to Customer-Focused Performance

The OIG has developed a new Strategic Plan, designed to provide a roadmap for increasing OIG's ability to work as a results-driven, customer-focused organization. The new Plan, which represents a major reworking of OIG's original Strategic Plan, is designed within the framework of the Government Performance and Results Act.

The new Plan is based on the concept of "starting with the end in mind," by linking OIG products and services through intermediate outputs and outcomes to anticipated environmental outcomes and impacts. The Plan was developed mostly from input and consultation with OIG staff, Agency management, the Office of Management and Budget, the General Accounting Office, and over 18 Congressional committee staffs.

The Plan features four goals:

- 1. Contribute to improved environmental quality and human health;*
- 2. Improve EPA's management and program operations;*
- 3. Produce timely, quality, and cost-effective products and services that satisfy customer needs; and*
- 4. Enhance diversity, innovation, teamwork, and competencies.*

Our Strategic direction through fiscal year 2005 highlights both new lines of business and organizational approaches to maximize the performance of OIG staff and provide highly significant products and services that positively influence the attainment of EPA's environmental goals. We will be:

- Performing program evaluations by multi-discipline teams, to improve accountability, reduce risks, and help EPA solve its most difficult environmental and operational issues;
- Partnering with others at both the federal and state levels to leverage resources, knowledge, best practices, and solutions across a wider scope of application; and
- Implementing human resource and knowledge management strategies to ensure a diverse, motivated, and competent staff.

We plan to measure our progress and performance by using a "balanced scorecard," combining intermediate outcomes, financial indicators, and customer satisfaction results.

The EPA Strategic Plan is available through our web site at www.epa.gov/oigearth.

*OIG Holds
Organization-Wide
Sessions to Stress
Importance of
Diversity*

The EPA OIG held several listening sessions during September to stress the importance of diversity within the organization and give employees the opportunity to share questions or concerns about issues of race, gender, religion, disability, age, or sexual orientation in the workplace. The listening sessions were held as part of OIG's actions to update its Diversity Action Plan.

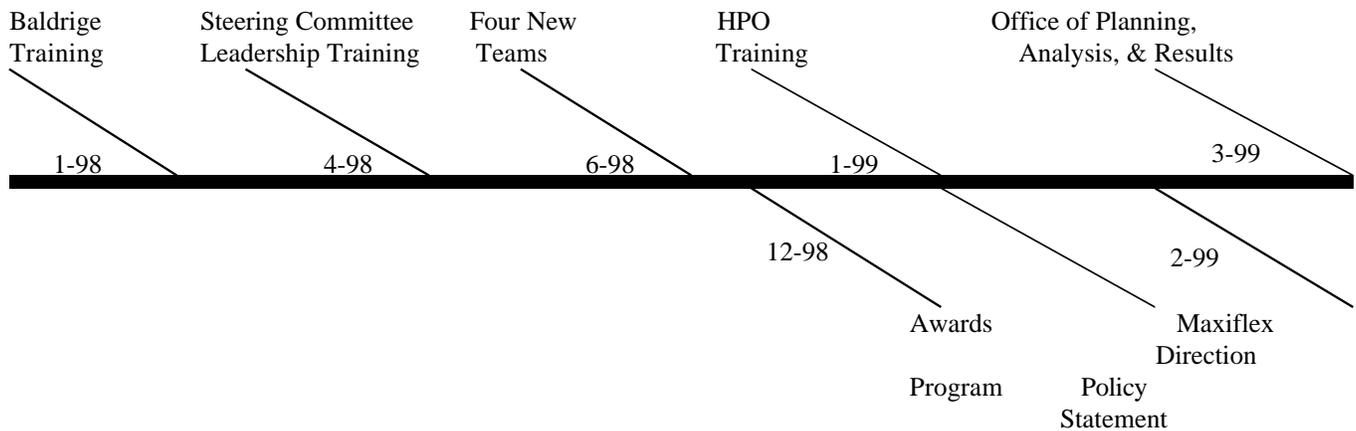
"Does the OIG have an environment where you want to come to work and do a good job ... is there an issue related to race, gender, sexual orientation, age, religion, or disability that makes you not want to work or affects your ability to do your job. If so, I want to hear about that issue?" These are some of the questions Nikki Tinsley, EPA Inspector General, asked attendees during listening sessions that she conducted with OIG staff.

"We need to have an ongoing awareness of the need for diversity," Ms. Tinsley said,

noting that ensuring diversity within OIG will be a continuing process that will involve listening to all employee concerns and holding senior management accountable for maintaining a diverse and fair workplace.

During the listening sessions, Ms. Tinsley asked for comments from personnel in the field offices. She also noted employees could provide input on a more private basis, such as by phone, email, or in-person meetings. The team updating the Diversity Action Plan will use the comments to develop recommendations to eliminate barriers toward achieving diversity and a healthy working environment.

Timeline for EPA OIG Journey



Nearly three years ago, the Office of Inspector General embarked on a journey to improve its work environment and productivity by gaining new skills and involving employees and customers in charting its course as “Agents of Positive Change.” Our progress is illustrated in the timeline above and summarized below.

January 1998: The journey started with a single step – a systems-oriented approach toward organizational performance as structured by the Malcolm Baldrige Award Criteria. All OIG staff learned to use the Baldrige criteria to assess OIG and EPA systems.

April 1998: The OIG Steering Committee, a small group of senior executives and managers, was established. The purpose of the Committee is to provide leadership and management decisions. In addition, the committee sponsored personal leadership training stressing the importance of active leadership. All OIG staff developed personal leadership skills.

June 1998: The OIG Steering Committee commissioned four improvement teams: (1) “Communications,” to enhance internal communications; (2) “Awards,” to support the new direction and teamwork; (3) “Process Improvement,” to streamline and improve core processes; and (4) “Strategic Planning,” to increase customer and stakeholder involvement and better assess and respond to external conditions.

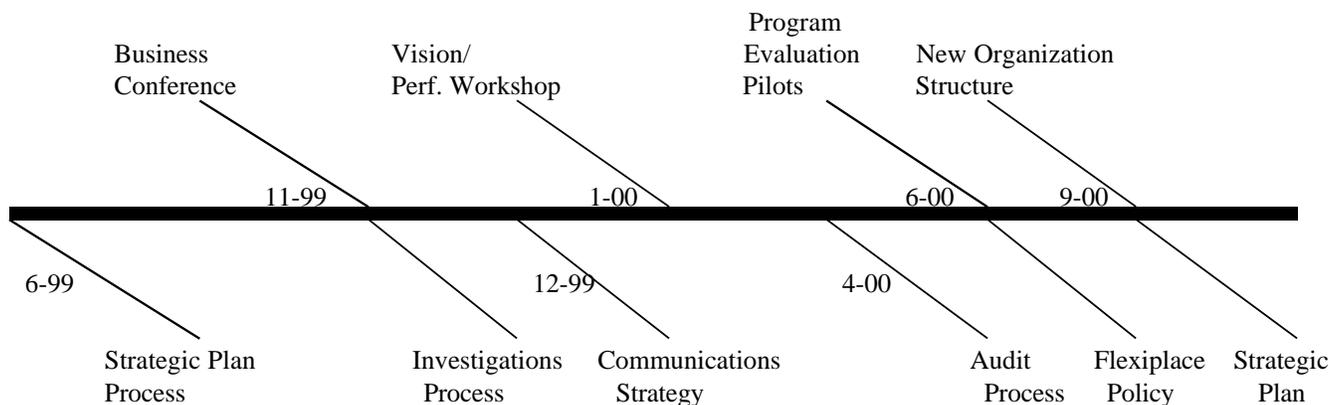
December 1998: The New Awards Program was initiated to reward OIG-wide accomplishments and teamwork.

January 1999: High Performance Organization training was introduced to all staff to explain the need for system-wide organizational change and improvement. An organizational climate survey known as the “Keys” instrument was introduced to assess the organization’s climate for innovation. A Maxiflex Policy was implemented to give employees more flexibility and enhance the quality of the work environment.

February 1999: OIG developed a Direction Statement, outlining our vision, declaring our values, defining high performance, and stating our leadership philosophy. This document became a definitive statement of our improvement efforts.

March 1999: We established the Office of Planning, Analysis, and Results (PAR), to provide centralized planning and evaluative capability. Also, OIG managers participated in enhancing the Direction Statement.

to Improved Performance



June 1999: The Strategic Planning Process Team presented the OIG Steering Committee with its recommendations for a Five-Year Strategic Plan. These suggestions stressed greater involvement of customers,

stakeholders, and employees, as well as changing various approaches. The Committee adopted the recommendations and assigned them to PAR for implementation.

November 1999: All OIG staff participated in a Theory of the Business Conference, which was organized around the Baldrige Award Criteria, to communicate our new direction and outline strategies. A new Investigations Process was also established to increase Agent authority and accountability while streamlining internal controls.

December 1999: The internal Communications Strategy was published, emphasizing the importance of personal involvement by all OIG staff members for open and continuous communications and placing greater emphasis on OIG's Intranet.

January 2000: The OIG Steering Committee engaged in a "Vision to Performance" workshop to give shape and structure to our Strategic Plan. Also, the Committee sponsored two new work teams ("Values to Behaviors" and "New Contract") to address human resource issues. All OIG staff received training in "The 7 Habits of Highly Effective People."

April 2000: A new, streamlined Audit Process was introduced to increase accountability, reduce cycle time, and improve product quality.

June 2000: The first Program Evaluation pilots were initiated to define evaluation objectives, scope, and testing of our approach to program evaluation. We also initiated a survey to assess staff perceptions of our middle managers and initiated a Flexiplace policy that allows staff to work up to two days a week at home. We implemented the behaviors performance element for all OIG staff.

September 2000: A new OIG organizational structure was announced. The new structure separates assignment management from human capital issues and manages the process through a matrixed organizational design, placing greater emphasis on productivity and customer satisfaction. We completed a new performance management system linking personal accountability to organizational goals which we will implement for all staff in January 2001 along with 360 feedback. We also implemented the Five-Year Strategic Plan, which adopts our new strategic goals and performance measures. Details on the Strategic Plan are on page 23 in this semiannual report.

