



U.S. ENVIRONMENTAL PROTECTION AGENCY

OFFICE OF INSPECTOR GENERAL

Annual Performance Report



Fiscal Year
2011



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To find out more about the U.S. Environmental Protection Agency
Office of Inspector General and its activities, visit our website at: <http://www.epa.gov/oig>.

Abbreviations

ARRA	American Recovery and Reinvestment Act of 2009
CSB	U.S. Chemical Safety and Hazard Investigation Board
EPA	U.S. Environmental Protection Agency
FMFIA	Federal Managers' Financial Integrity Act
FY	Fiscal year
GPRA	Government Performance and Results Act Modernization Act of 2010
NPDES	National Pollutant Discharge Elimination System
OIG	Office of Inspector General
OMB	Office of Management and Budget
WCF	Working Capital Fund

Hotline

To report fraud, waste, or abuse, contact us through one of the following methods:

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Message From the Inspector General

I am pleased to present the 10th Annual Performance Report of the U.S. Environmental Protection Agency (EPA) Office of Inspector General (OIG). This report summarizes OIG activity, performance, results, and challenges, and provides a financial accounting of resources for fiscal year (FY) 2011 compared to our FY 2011 annual performance targets. It also presents cumulative OIG results for FYs 2009–2011 compared to our annual performance targets. This report supplements, with greater quantitative and narrative detail, the OIG summary performance results presented in the Agency's *Fiscal Year 2011 Agency Financial Report* and *Fiscal Year 2011 Annual Performance Report*, available at <http://www.epa.gov/ocfopage>.



Arthur A. Elkins, Jr.

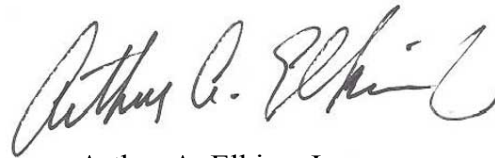
This document details the public benefit and return on investment provided by the OIG, both in annual increments and over the long term. Below is a partial list of the OIG's mission-related and operational performance achievements during FY 2011:

- Identified over \$82.4 million in EPA potential savings and recoveries
- Issued recommendations that resulted in over 77 environmental and business actions for improvement taken by EPA
- Identified 61 unimplemented OIG recommendations for action to improve Agency programs and operations
- Made key legislative recommendations to Congress to improve accountability and oversight of federal contracts
- Prepared semiannual compendiums to the Agency and Congress of unimplemented recommendations
- Issued reports on Agency major management challenges and internal control weaknesses for corrective action
- Continued to develop and transfer OIG applications into a common IT infrastructure
- Established the Office of the Chief of Staff in the Immediate Office of the Inspector General in FY 2011 to promote a strategic approach to OIG planning, resource management, and accountability
- Developed the OIG strategic planning framework of vision, mission, values, goals, and objectives for FYs 2012–2016

Based upon requirements of the American Recovery and Reinvestment Act of 2009 and Office of Management and Budget guidance, the OIG performed audits, evaluations, analyses, and investigations of EPA Recovery Act activities; provided training to hundreds of Recovery Act stakeholders on fraud prevention and detection techniques; and actively participated in activities of the Recovery Accountability and Transparency Board. The OIG reports monthly on Recovery Act activities, resource use, and plans.

EPA Office of Inspector General Annual Performance Report Fiscal Year 2011

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

A handwritten signature in black ink, reading "Arthur A. Elkins, Jr." in a cursive style.

Arthur A. Elkins, Jr.
Inspector General

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About the U.S. Environmental Protection Agency Office of Inspector General

The Office of Inspector General (OIG) is an independent office of the U.S. Environmental Protection Agency (EPA) that detects and prevents fraud, waste, and abuse to help the Agency protect human health and the environment more efficiently and cost effectively. Although we are part of EPA, Congress provides us with a budget line item separate from the Agency's to ensure our independence. The EPA OIG was created and is governed by the Inspector General Act of 1978, as amended (5 U.S.C. App. 3). The EPA Inspector General also serves as the inspector general for the U.S. Chemical Safety and Hazard Investigation Board (CSB).

OIG staff are physically located at headquarters in Washington, DC; at regional headquarters offices for all 10 EPA regions; and at other EPA locations including Research Triangle Park, North Carolina, and Cincinnati, Ohio.

The OIG developed the following strategic framework for fiscal years (FYs) 2012–2016 based upon statutory requirements for the EPA OIG; the statutory mission of EPA; and direct input from the OIG's stakeholders, managers, and staff.

Vision

Be the best in public service and oversight for a better environment tomorrow.

Mission

Promote economy, efficiency, effectiveness, and prevent and detect fraud, waste, and abuse through independent oversight of the programs and operations of the Environmental Protection Agency and Chemical Safety and Hazard Investigation Board.

Core Values

- **Customer Service:** Everyone deserves to be treated with fairness, respect, and dignity.
- **Integrity:** Our people and products are trustworthy.
- **Accountability:** We are individually and collectively responsible for all we do.

Goals and Objectives

Goal 1: Contribute to improved human health, safety, and environment.

Objectives

- Influence programmatic and systemic changes and actions that contribute to improved human health, safety, and environmental quality
- Add to and apply knowledge that contributes to reducing or eliminating environmental and infrastructure security risks and challenges
- Make recommendations to improve EPA and CSB programs

Goal 2: Contribute to improved EPA and CSB business practices and accountability.

Objectives

- Influence actions that improve operational efficiency and accountability, and achieve monetary savings
- Improve operational integrity and reduce risk of loss by detecting and preventing fraud, waste, abuse, or breach of security
- Identify best practices, risks, weaknesses, and monetary benefits to make recommendations for operational improvements

Goal 3: Be responsible stewards of taxpayer dollars.

Objectives

- Promote and maintain an accountable, results-oriented culture
- Ensure our products and services are timely, responsive, relevant, and provide value to our customers and stakeholders
- Align and apply our resources to maximize return on investment
- Ensure our processes and actions are cost effective and transparent

Goal 4. Be the best in government service.

Objectives

- Maintain the highest ethical standards
- Promote and maintain a diverse workforce that is valued, appreciated, and respected
- Enhance constructive relationships and foster collaborative solutions
- Provide leadership, training, and technology to develop an innovative and accomplished workforce

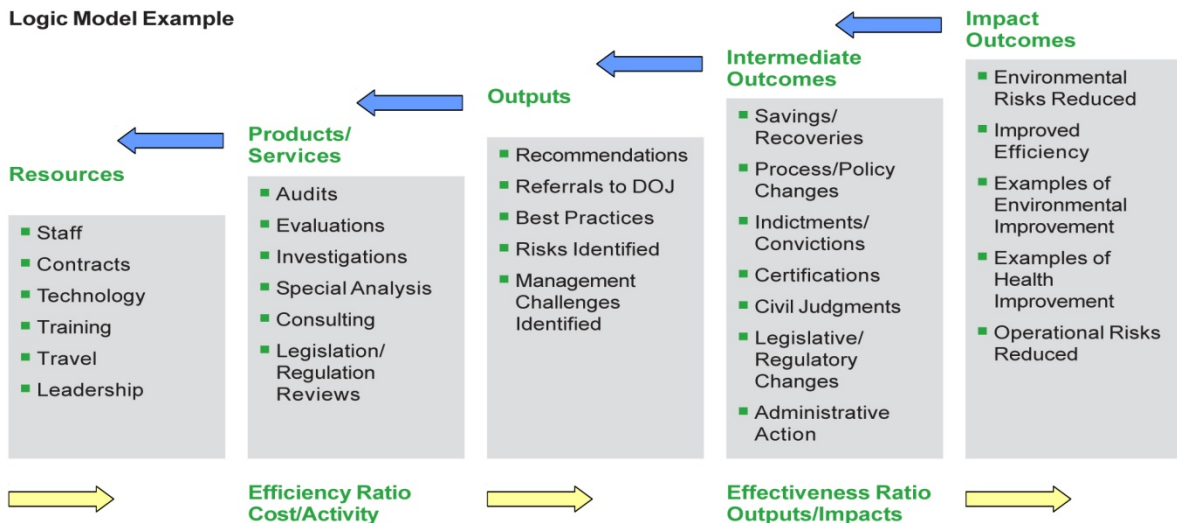
OIG Product and Service Lines for Strategic Areas of Performance

OIG activities can be divided among four main categories, with specialized product and service lines in each, through which it carries out its mission:

Program evaluations	Audits	Investigations	Management and public affairs
<ul style="list-style-type: none"> Air/Research and Development Water/Enforcement Superfund/Land Cross Media Special Reviews 	<ul style="list-style-type: none"> Financial Management Contracts and Assistance Agreements Information Resources Management Forensic Audits Risk Assessment and Program Performance Efficiency 	<ul style="list-style-type: none"> Financial Fraud Program Integrity Employee Integrity Laboratory Fraud Computer/Cyber Crimes 	<ul style="list-style-type: none"> Legislation/Policy and Regulation Review Audit Follow-Up Financial/Performance Management/Planning Human Capital Congressional/Public Affairs Publications and Web Management

Planning Our Work to Achieve Our Goals

We measure the return on our investment by how efficiently our resources are converted into products and how effectively our products drive outcomes. Desired outcomes include resolution of the Agency’s major management challenges, reducing risk, improving practices and program operations, and saving taxpayer dollars, leading to positive human health and environmental impacts and attainment of EPA’s strategic goals. The performance results in this report represent the ways we measure value, both quantitatively and qualitatively, in relation to the resources expended. The logic model diagram below shows how, starting with the end in mind, we align our organizational factors of performance to achieve our strategic goals.



Our annual performance and progress toward our strategic goals are shown in the next section in the scoreboard of results compared to the annual performance goal targets. The charts in the subsequent section demonstrate our long-term performance progress by comparing our results to our goal targets for FYs 2009–2011.

Scoreboard of OIG FY 2011 Performance Results Compared to FY 2011 Annual Performance Goal Targets

All results reported in FY 2011, from current and prior years' work, are as reported in the OIG Performance Measurement and Results System, the Inspector General Enterprise Management System, and the Inspector General Operations and Reporting System.

OIG FY 2011 Government Performance and Results Act Modernization Act of 2010 annual performance targets compared to FY 2011 results reported	Supporting measures
Goal: Contribute to human health and environmental quality through improved business practices, accountability, and integrity of program operations	
Environmental improvements/actions/changes Improvements in business/systems/efficiency Risks reduced or eliminated <i>Target: 334</i> <i>Reported: 315 (94.3%)</i> ●	1 Legislative/regulatory changes/decisions 77 Environmental or management policy, process, practice, control change actions taken 13 Best practices implemented 2 Environmental/health Improvements 5 Environmental or business risks/challenges eliminated 131 Certifications/validations/verifications/corrections 10 Actions taken or resolved prior to report issuance (not otherwise reported) 76 Recommendations reported as implemented previously identified unimplemented by OIG follow-up*
Environmental & business recommendations, challenges, best practices, risks identified, and ARRA technical briefings <i>Target: 903</i> <i>Reported: 2,011 (222.8%)</i> ●	525 Recommendations (for Agency/stakeholder action) 22 Critical congressional or public management concerns addressed 5 Best practices identified 31 Referrals for Agency action 8 New environmental or management operational risks or challenges identified 61 Unimplemented recommendations identified 1,263 Findings without controlled recommendations 96 Awareness briefings/outreach sessions (incl. ARRA)
Return on investment: Potential dollar return as percentage (120%) of OIG budget \$54.7 million <i>Target: \$65.6 million</i> <i>Reported: \$82.4 million (150.6%)</i> ●	<i>(in millions)</i> \$10.8 Questioned costs (<i>net EPA</i>) \$67.7 Recommended efficiencies, costs saved (<i>EPA</i>)** \$3.91 Fines, recoveries, settlements
Criminal, civil, and administrative actions reducing risk of loss/operational integrity <i>Target: 80</i> <i>Reported: 160 (200%)</i> ●	15 Criminal convictions 17 Indictments/informations/complaints 1 Civil actions 104 Administrative actions 24 Allegations disproved
Other (no targets established):	
Sustained monetary recommendations and savings achieved from current and prior periods: \$55.5 million	<i>(in millions)</i> \$0.8 Questioned costs sustained \$54.7 Cost efficiencies sustained or realized**
Sustained environmental and management recommendations for resolution action:	258 Sustained recommendations
American Recovery and Reinvestment Act of 2009 (ARRA) activity results (cumulative):	163 ARRA awareness briefings/outreach sessions (also counted above) 71 ARRA complaints received
Total reports issued: 721	85 OIG-produced reports 636 Reports by other audit entities with OIG oversight

* Reported by Agency as implemented of those previously reported by the OIG as unimplemented.

** Includes \$2.2 million in savings from investigative work.

● Target met or exceeded ● Target not met

OIG Strategic Cumulative Performance Results, FYs 2009–2011

This section demonstrates the EPA OIG annual progress in attaining its strategic performance goals for FYs 2009–2011 in compliance with the Government Performance and Results Act Modernization Act of 2010, known as GPRA.

Performance Progress

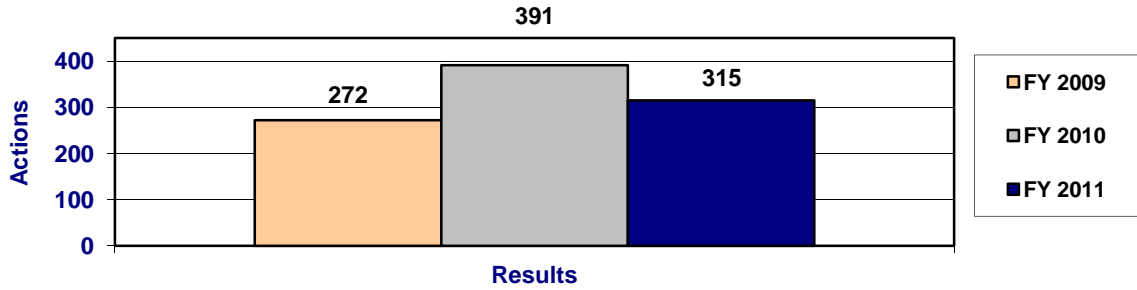
The OIG exceeded three of its four annual performance goal targets during FY 2011, with two of the targets significantly exceeded. For the fourth, the OIG achieved over 94 percent of the goal target. The OIG increased its focus on identifying cost efficiencies through performance audits and program evaluations. As a result, the OIG identified questioned costs, efficiencies and fines, settlements, and recoveries totaling over \$82.4 million. This amount represents a greater than 150 percent return on investment in potential monetary benefits alone when considering the OIG's FY 2011 annual budget. Additionally, EPA sustained over \$54.7 million in OIG monetary recommendations and savings from current and prior periods. During FY 2011, the OIG improved its overall quality and efficiency of its products by reducing the production cycle time and resources required to perform OIG work. The OIG also expanded its follow-up work, resulting in greater implementation of long-outstanding recommendations.

The OIG has not met all of its annual performance goal targets every year due primarily to the time delay between outputs and outcomes, which is beyond the OIG's control, and difficulty in staffing up to authorized levels upon which the targets were established. However, the charts on the next page demonstrate that the OIG has exceeded its aggregate cumulative GPRA targets for FYs 2009–2011.

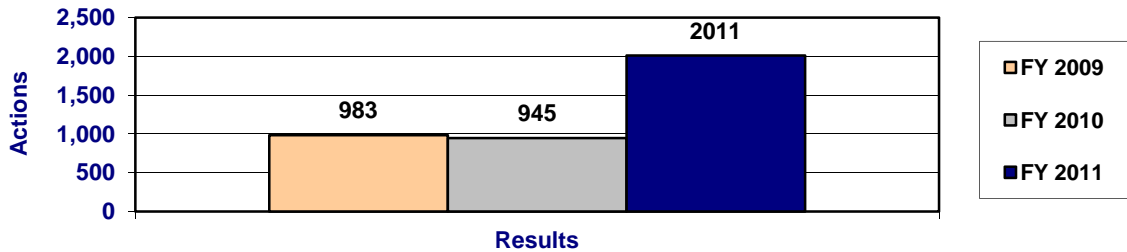
Challenges

The OIG continuously tests its controls and operating procedures to identify potential vulnerabilities and opportunities for improving product quality and accountability in the use of its resources. During FY 2011, the OIG identified the following issues as OIG-level weaknesses: (1) assignment time charging, (2) product timeliness, (3) monitoring Working Capital Fund (WCF) charges, (4) staffing; (5) policies and procedures, and (6) investigative case management. The OIG is continuing to improve its integration of information technology systems and data quality by applying new control tools and policies. The OIG is making significant progress in improving internal management weaknesses.

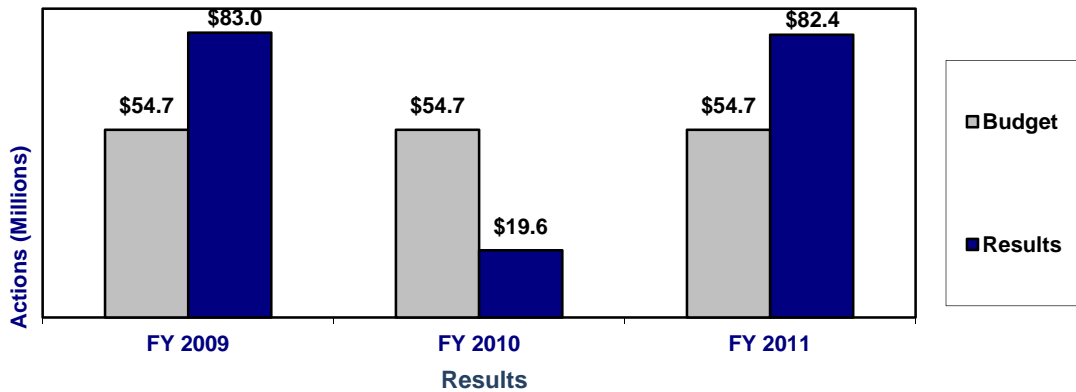
Annual Performance Goal (GPR): Environmental and business recommendations and risks from OIG audits, evaluations, inspections, and investigations



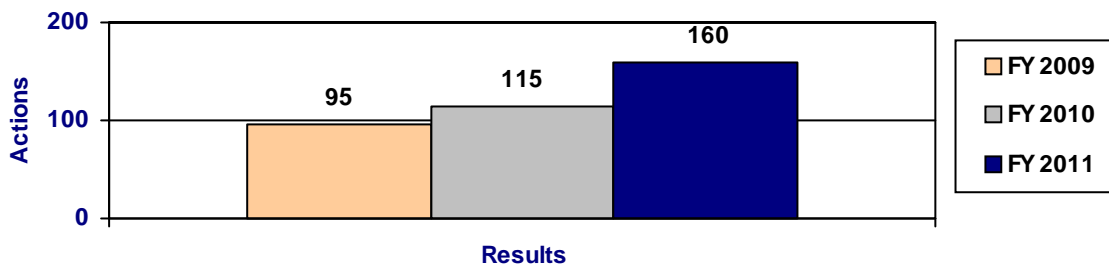
Annual Performance Goal (GPR): Environmental and business actions taken and risks reduced from OIG audit, evaluation, inspection, and investigation recommendations



Annual Performance Goal (GPR): OIG questioned costs, efficiencies, savings, fines, and recoveries from OIG audits, evaluations, and investigations



Annual Performance Goal (GPR): Criminal, civil, and administrative actions from OIG investigations



Summary of FY 2011 Performance Results by Product Line and Other Activities

Air/Research and Development

Air/Research and Development results summary

Reports issued: 5
Environmental and business outcomes
<ul style="list-style-type: none"> ➤ 1 legislative/regulatory change/decision ➤ 28 certifications, verifications, validations, or corrections
Environmental and business outputs
<ul style="list-style-type: none"> ➤ 20 recommendations for improvement
Sustained recommendations
<ul style="list-style-type: none"> ➤ 6 sustained environmental or business recommendations

Performance Highlights

EPA’s Endocrine Disruptor Screening Program Should Establish Management Controls to Ensure More Timely Results—Fourteen years after passage of the Food Quality Protection Act and Safe Drinking Water Act amendments, EPA’s Endocrine Disruptor Screening Program has not determined whether any chemical is a potential endocrine disruptor. EPA has not developed a management plan laying out the program’s goals and priorities or established outcome performance measures. We recommended that the Assistant Administrator for Chemical Safety and Pollution Prevention define and identify the universe of chemicals for screening and testing, develop and publish a standardized methodology for prioritizing the universe of chemicals, finalize criteria to evaluate testing data, and develop performance measures and a comprehensive management plan. <http://www.epa.gov/oig/reports/2011/20110503-11-P-0215.pdf>

Office of Research and Development Needs to Improve Its Method of Measuring Administrative Savings—EPA’s efforts to reduce its administrative costs are noteworthy, but EPA needs to improve its measurement mechanism for assessing the effectiveness of its initiatives to reduce those costs. In addition, we identified some concerns with EPA’s mechanism for assessing its initiatives. We recommended that the Assistant Administrator for Research and Development establish a more timely and accurate system to measure its effective use of resources and to allow the office to better manage its initiatives to reduce administrative costs. <http://www.epa.gov/oig/reports/2011/20110714-11-P-0333.pdf>

Observed Conditions at Five Deleted Superfund Sites—Conditions at two of five sites in EPA Region 3 that had been remediated and deleted from the National Priorities List may warrant additional EPA attention. Hyperspectral imaging data, on-site testing, and/or soil samples revealed issues at the Middletown Road Dump site in Annapolis, Maryland, and the Matthews Electroplating site in Roanoke County, Virginia. We recommended that Region 3 add the information in this report to the appropriate site-specific case files and assess whether any additional action is warranted for these two sites. <http://www.epa.gov/oig/reports/2011/20110803-11-P-0433.pdf>

Procedural Review of EPA’s Greenhouse Gases Endangerment Finding Data Quality Processes—EPA met statutory requirements for rulemaking and generally followed requirements

and guidance related to ensuring the quality of the supporting technical information. EPA’s guidance for assessing data generated by other organizations did not include procedures for conducting such assessments or require EPA to document its assessment. We recommended that the Assistant Administrator for Research and Development direct the EPA Science Policy Council to revise its *Peer Review Handbook* to accurately reflect Office and Management and Budget (OMB) requirements for peer review of highly influential scientific assessments, instruct program offices to state in proposed and final rules whether the action is supported by influential scientific information or a highly influential scientific assessment, and revise its assessment factors guidance. <http://www.epa.gov/oig/reports/2011/20110926-11-P-0702.pdf>

EPA Should Improve Guidance and Oversight to Ensure Effective Recovery Act-Funded Diesel Emissions Reduction Act Activities—Documentation of grant activities did not always demonstrate that funded Diesel Emissions Reduction Act work achieved the desired emissions reductions. Documentation errors could result in EPA overestimating emissions reductions. We recommended that the Assistant Administrator for Air and Radiation take action to develop oversight procedures for grantee progress reports, require that Diesel Emissions Reduction Act grant and subgrant agreements specify the emissions certification level or year of new engines installed, issue guidance defining eligible costs for early replacements of vehicles and engines for state grants, and recoup unsupported expenditures. <http://www.epa.gov/oig/reports/2011/20110301-11-R-0141.pdf>

Water/Enforcement

Water/Enforcement results summary

Reports issued: 4	
Environmental and business outcomes	
➤	1 EPA policy, directive, practice, or process change/decision
➤	1 action taken or resolved prior to report issuance (not reported)
Environmental and business outputs	
➤	13 recommendations for improvement
➤	4 environmental or business operational/control risks or challenges identified (including noncompliance)

Performance Highlights

EPA Lacks Internal Controls to Prevent Misuse of Emergency Drinking Water Facilities—EPA cannot accurately assess the risk of public water systems delivering contaminated drinking water from emergency facilities because of limitations in Safe Drinking Water Information System data management. We could find no federal regulatory requirement for EPA or states to oversee or monitor emergency facilities. As a result, neither EPA nor the states know the amount of risk that public water system customers may face. We recommended that the Assistant Administrator for Water develop standard code definitions, develop standard operating procedures for states for entering data into databases, and assess the risk associated with unauthorized use of emergency facilities and develop controls to mitigate that risk if necessary. <http://www.epa.gov/oig/reports/2011/20101012-11-P-0001.pdf>

Oversight of North Carolina’s Renewals of Thermal Variances—Region 4 has not adequately implemented management controls in its memorandum of agreement with North Carolina. Properly implemented controls would assure EPA that National Pollutant Discharge Elimination

System (NPDES) permits would comply with the Clean Water Act and applicable federal regulations. We recommended that Region 4 enforce the management controls of the NPDES memorandum of agreement; verify that thermal variances are protective of a balanced, indigenous population; and verify that permit fact sheets and public notices comply with federal regulations. <http://www.epa.gov/oig/reports/2011/20110509-11-P-0221.pdf>

Region 4 Should Strengthen Oversight of Georgia’s Concentrated Animal Feeding Operation Program—We found significant deficiencies in the Georgia Environmental Protection Division’s management and Region 4’s oversight of the Concentrated Animal Feeding Operation program. In addition, we identified a number of deficiencies for 34 of the 48 Georgia Concentrated Animal Feeding Operations inspected. We recommended that Region 4 implement controls to require enforcement data tracking, assure inspections are accurate and complete, and assure that the Georgia Environmental Protection Division takes timely and appropriate enforcement actions. <http://www.epa.gov/oig/reports/2011/20110623-11-P-0274.pdf>

Leaking Underground Storage Tank Recovery Act Grants Contained Requirements but Priority Lists Need More Oversight—Although the American Recovery and Reinvestment Act of 2009 (ARRA) grants we reviewed contained most of the requirements specified in Agency regulations and guidance, we noted that EPA (1) had not clarified to states whether municipally owned Leaking Underground Storage Tank sites would be eligible for ARRA funds, (2) had no plan to deobligate unspent ARRA funds from grant recipients, and (3) in many instances did not use state data to ensure that grants comply with site priority requirements. EPA corrected the first two deficiencies by spring 2010, and we recommended that the Assistant Administrator for Solid Waste and Emergency Response ensure that the Solid Waste Disposal Act site priority requirement is consistently incorporated into future Leaking Underground Storage Tank Trust Fund grant agreements. <http://www.epa.gov/oig/reports/2011/20101122-11-R-0018.pdf>

Superfund/Land

Superfund/Land results summary

Reports issued: 7
Environmental and business outcomes
<ul style="list-style-type: none"> ➤ 2 EPA policy, directive, practice, or process changes/decisions ➤ 1 best practice implemented ➤ 4 certifications, verifications, validations, or corrections
Environmental and business outputs
<ul style="list-style-type: none"> ➤ 2 critical congressional or public management concerns addressed ➤ 21 recommendations for improvement ➤ 3 referrals for Agency action
Return on investments
<ul style="list-style-type: none"> ➤ \$2.1 million questioned costs ➤ \$32.0 million recommended efficiencies, costs saved or avoided
Sustained recommendations
<ul style="list-style-type: none"> ➤ 1 sustained environmental or business recommendation

Performance Highlights

Website for Coal Combustion Products Partnership Conflicts With Agency Policies—EPA’s Coal Combustion Products Partnership website presented an incomplete picture regarding actual

damage and potential risks that can result from large-scale placement of coal combustion residuals. In its May 2010 proposed rule, EPA showed that environmental risks and damage can be associated with the large-scale placement of unencapsulated coal combustion residuals. We recommended that the Assistant Administrator for Solid Waste and Emergency Response direct immediate removal of the Coal Combustion Products Partnership website during the coal ash rulemaking process, and identify the breakdowns in management controls that allowed actions prohibited by EPA ethics policies to occur and implement controls to establish accountability. <http://www.epa.gov/oig/reports/2011/20101013-11-P-0002.pdf>

EPA Should Improve Its Oversight of Long-Term Monitoring at Wheeling Disposal Superfund Site in Missouri—Our independent sampling results from the Wheeling Disposal Superfund Site were generally consistent with the sampling data that Region 7 has obtained historically. However, when the responsible parties reported their annual monitoring results, Region 7 inadvertently allowed them to use incorrect and outdated surface water standards, and outdated ground water standards. We recommended that Region 7 ensure that accurate surface water and ground water standards are used to assess conditions at the site; laboratories use the correct analytic standards; the ecological risk assessment is completed; and excess levels of iron, aluminum, and any other compounds are controlled at the site. <http://www.epa.gov/oig/reports/2011/20101220-11-P-0034.pdf>

EPA Must Implement Controls to Ensure Proper Investigations Are Conducted at Brownfields Sites—EPA does not review all appropriate inquiries reports submitted by grantees to assure that they comply with federal requirements. Rather, EPA has relied on the environmental professional conducting the all appropriate inquiries to self-certify that requirements are met. We recommended that the Assistant Administrator for Solid Waste and Emergency Response establish accountability for compliant reports, to include those conducted under ARRA Brownfields grants; develop a plan to review all appropriate inquiries reports to determine the reports' compliance with documentation requirements; and establish criteria to determine whether noncompliant grantees should return federal grant money. <http://www.epa.gov/oig/reports/2011/20110214-11-P-0107.pdf>

EPA Promoted the Use of Coal Ash Products With Incomplete Risk Information—EPA did not follow accepted and standard practices in determining the safety of the 15 categories of coal combustion residuals beneficial uses promoted through its Coal Combustion Products Partnership program. Without proper protections, coal combustion residuals contaminants can leach into ground water and migrate to drinking water sources, posing significant public health concerns. We recommended that the Assistant Administrator for Solid Waste and Emergency Response define and implement risk evaluation practices for beneficial uses of coal combustion residuals, and determine if further action is warranted to address historical coal combustion residuals structural fill applications. <http://www.epa.gov/oig/reports/2011/20110323-11-P-0173.pdf>

EPA's Gulf Coast Oil Spill Response Shows Need for Improved Documentation and Funding Practices—EPA needs additional management controls to track and recover its Gulf Coast oil spill response costs. While response costs were charged to a site code, we were unable to determine the specific tasks associated with certain costs to ensure they were related to authorized activities. We recommended that the Chief Financial Officer implement controls to ensure that documentation supports authorized response activities and response bills and supporting cost documentation packages are clear and complete. We also recommended that the

Deputy Administrator work with Coast Guard counterparts to develop and ensure the timely implementation of an appropriate means of sharing EPA contractors' response cost documentation designated as confidential business information.

<http://www.epa.gov/oig/reports/2011/20110825-11-P-0527.pdf>

EPA Should Clarify and Strengthen Its Waste Management Oversight Role With Respect to Oil Spills of National Significance—As a support agency to the Coast Guard, EPA's oversight of the Gulf Coast oil spill waste management activities provided assurance that oil-contaminated waste was disposed of properly. However, EPA can be better prepared to respond to future Spills of National Significance. At the time of the spill, EPA did not have adequate waste management guidance for a spill of this magnitude. We recommended that the Assistant Administrator for Solid Waste and Emergency Response work with other federal partners to determine whether the National Contingency Plan and National Response Framework for waste management oversight and roles should be updated; complete waste management guidance in Area Contingency Plans; develop a model waste management plan; seek additional authorities, as needed, to perform waste management oversight in offshore Spills of National Significance; and update the 2002 guidance on the oil and gas exploration and production waste exemption.

<http://www.epa.gov/oig/reports/2011/20110926-11-P-0706.pdf>

EPA Progress on the 2007 Methamphetamine Remediation Research Act—EPA has met some, but not all, of its requirements under the Methamphetamine Remediation Research Act, known as the Meth Act. While EPA published an initial set of guidelines in 2009, it has not yet developed plans to periodically update the guidelines as required. We recommended that EPA determine the Agency's ability to implement the Meth Act requirements and communicate its plan to Congress. We recommended that the Associate Administrator for Congressional and Intergovernmental Relations and the Associate Administrator for Policy update several areas of the voluntary guidelines and develop internal controls to ensure legislative requirements are identified, tracked, and met. <http://www.epa.gov/oig/reports/2011/20110927-11-P-0708.pdf>

Cross Media

Cross Media results summary

Reports issued: 7	
Environmental and business outcomes	
➤	4 EPA policy, directive, practice, or process changes/decisions
Environmental and business outputs	
➤	12 recommendations for improvement

Performance Highlights

ENERGY STAR Label Needs to Assure Superior Energy Conservation Performance—EPA's implementation of the ENERGY STAR program has become inconsistent with the program's authorized purpose. We believe the program has sought to maximize the number of qualified products available at the expense of identifying products and practices that maximize energy efficiency. We recommended that the Assistant Administrator for Air and Radiation develop a strategic vision and program design that assures that the ENERGY STAR label represents superior energy conservation performance, and develop a set of goals and reliable measures to measure program benefits. <http://www.epa.gov/oig/reports/2011/20101028-11-P-0010.pdf>

EPA Needs to Assure Effectiveness of Antimicrobial Pesticide Products—As designed and implemented, the Antimicrobial Testing Program cannot assure the public that product label claims are valid. After nearly 19 years, over 40 percent of registered products have not been tested. We recommended that the Assistant Administrator for Chemical Safety and Pollution Prevention redesign the process to verify antimicrobial effectiveness. The new program should include testing that provides reasonable efficacy assurances for all registered tuberculocides, hospital-level disinfectants, registered sanitizers, and all subsequently registered products. Also, the program should provide an efficient sampling protocol that enables regulatory and enforcement actions as well as consistent monitoring of enforcement actions taken by EPA regions. <http://www.epa.gov/oig/reports/2011/20101215-11-P-0029.pdf>

EPA Needs an Agency-Wide Plan to Provide Tribal Solid Waste Management Capacity Assistance—EPA cannot determine whether its efforts are assisting tribal governments in developing the capacity to manage solid waste or reduce the risks of open dumps in Indian country. In addition, EPA's performance measures do not assess whether its efforts are effective in building solid waste management capacity in Indian country. EPA also lacks internal data controls to track the status of open dumps. We recommended that the Deputy Administrator develop an Agency-wide plan to implement consistent and effective tribal solid waste management capacity assistance. <http://www.epa.gov/oig/reports/2011/20110321-11-P-0171.pdf>

EPA's Plan to Reduce Agency Greenhouse Gas Emissions Is on Track to Meet Executive Order 13514 Requirements—EPA has completed its plan to reduce greenhouse gas emissions as required by Executive Order 13514. However, projected greenhouse gas emission reductions are contingent on the full funding and implementation of the plan's energy efficiency projects. We recommended that the Assistant Administrator for Administration and Resources Management describe changes to greenhouse gas emission reductions and/or reduction goals based on actual funding and status of projects, and make adjustments to the overall reduction goal as needed. <http://www.epa.gov/oig/reports/2011/20110412-11-P-0209.pdf>

EPA Actively Evaluating Effectiveness of Its BP and Enbridge Oil Spill Response Communications—EPA is actively evaluating the effectiveness of its spill response communications activities. Because we found that the Agency has several ongoing efforts focused on lessons-learned activities, we made no recommendations in this report. <http://www.epa.gov/oig/reports/2011/20110623-11-P-0273.pdf>

EPA's Voluntary Chemical Evaluation Program Did Not Achieve Children's Health Protection Goals—The Voluntary Children's Chemical Evaluation Program pilot did not achieve its goals to design a process to assess and report on the safety of chemicals to children. The pilot's design did not allow for desired outcomes to be produced. Specifically, the pilot had a flawed chemical selection process and lacked an effective communication strategy. We recommended that the Assistant Administrator for Chemical Safety and Pollution Prevention identify the chemicals with highest potential risk to children, apply the Toxic Substances Control Act regulatory authorities as appropriate for data collection, interpret results and disseminate information to the public, and include outcome measures that assure valid and timely results. <http://www.epa.gov/oig/reports/2011/20110721-11-P-0379.pdf>

EPA Faced Multiple Constraints to Targeting Recovery Act Funds—After obligating over \$7 billion in ARRA funds, EPA is unable, both on a programmatic and national basis, to assess the overall impact of those funds on economically disadvantaged communities or those most impacted by the recession. While EPA was able to track financial expenditures, it considered but could not execute an effort to track the distribution of its ARRA funds to economically disadvantaged communities. We recommended that the Deputy Administrator establish a clear and consistent regime that can address socioeconomic factors within the bounds of statutory and organizational constraints. <http://www.epa.gov/oig/reports/2011/20110411-11-R-0208.pdf>

Special Reviews

Special Reviews results summary

Reports issued: 5	
Environmental and business outcomes	
➤	1 EPA policy, directive, practice, or process change/decision
➤	1 environmental or business operational/control risk or challenge eliminated (including noncompliance)
Environmental and business outputs	
➤	1 critical congressional or public management concern
➤	6 recommendations for improvement
➤	1 referral for Agency action
Sustained recommendations	
➤	4 sustained environmental or business recommendations

Performance Highlights

Congressionally Requested Inquiry Into EPA’s Handling of Freedom of Information Act Requests—EPA does not have a process to filter Freedom of Information Act requests by political appointees. EPA policy permits releasing information at the lowest practicable level. Generally, political appointees are not involved in deciding Freedom of Information Act requests unless there is denial of information. We found exceptions, but political appointees were usually involved only to sign denials or partial denials. Freedom of Information Act coordinators provided regular status reports on the processing of Freedom of Information Act requests to managers at various levels within the office. No recommendations were made during this review. <http://www.epa.gov/oig/reports/2011/20110110-11-P-0063.pdf>

EPA Needs Better Agency-Wide Controls Over Staff Resources—EPA does not enforce a coherent program of position management to assure the efficient and effective use of its workforce. In addition, while some organizational elements have independently established programs to control their resources, there is no Agency-wide effort to ensure that personnel are put to the best use. We recommended that the Assistant Administrator for Administration and Resources Management establish an Agency-wide workforce program that includes controls to ensure regular reviews of positions for efficiency, effectiveness, and mission accomplishment. <http://www.epa.gov/oig/reports/2011/20110222-11-P-0136.pdf>

EPA Needs to Strengthen Management Controls Over Its Travel Authorization Process—EPA’s travel program lacks sufficient management controls to ensure that travel documents are properly routed and authorized. In addition, the EPA travel system allows unauthorized personnel to self-approve travel, and does not ensure that GovTrip routing lists are controlled to

ensure an independent review. We recommended that the Chief Financial Officer revise Agency guidance to prevent self-authorization of travel at any level; request that the General Services Administration change GovTrip to prevent self-authorization of travel and include audit trails to determine who made changes to routing lists; and develop scripts to determine whether travelers complied with policy for managing routing lists, run the scripts monthly, and investigate exceptions. <http://www.epa.gov/oig/reports/2011/20110510-11-P-0223.pdf>

An Overall Strategy Can Improve Communication Efforts at Asbestos Superfund Site in Libby, Montana—Region 8 does not have an overall communication strategy to guide, coordinate, and evaluate its communication efforts at the Libby Asbestos Superfund Site. Despite extensive communication efforts that exceed minimum Superfund requirements, Region 8 has not fully satisfied community concerns about health risk or effectively communicated the limitations of its risk assessment. We recommended that Region 8 ensure that Libby outreach products are readable for a general audience and implement a process for ongoing evaluation of Region 8’s communication. <http://www.epa.gov/oig/reports/2011/20110803-11-P-0430.pdf>

EPA Should Prepare and Distribute Security Classification Guides—EPA has not established any official classification guides even though EPA Administrators have taken original classification actions. Original classification actions involve someone with original classification authority assigning a classification level to a particular document. Executive Order 13526, *Classified National Security Information*, states that agencies with original classification authority shall prepare classification guides to facilitate the proper and uniform derivative classification of information. We recommended that the Administrator ensure the preparation, review, and approval of appropriate security classification guides that conform to the requirements of Executive Order 13526 and EPA’s *National Security Information* handbook. We also recommended that the Administrator ensure the distribution of classification guides to users of EPA’s originally classified information and to program offices that work in related subject areas. <http://www.epa.gov/oig/reports/2011/20110929-11-P-0722.pdf>

Contracts and Assistance Agreements

Contracts and Assistance Agreements results summary

Reports issued: 8	
Environmental and business outcomes	
➤	37 EPA policy, directive, practice, or process changes/decisions
➤	1 environmental/health improvement
➤	1 action taken or resolved prior to report issuance (not reported)
➤	1 certification, verification, validation, or correction
Environmental and business outputs	
➤	40 recommendations for improvement
Criminal, civil, and administrative actions	
➤	1 allegation disproved
Sustained recommendations	
➤	34 sustained environmental or business recommendations

Performance Highlights

EPA's Small Business Innovative Research Awards Should Include Additional Certifications to Reduce Risk—EPA's Small Business Innovative Research solicitations and contracts have certifications and contract clauses that address many of the government-wide Counsel of Inspectors General for Integrity and Efficiency suggestions. However, EPA does not require awardees to submit a certification against false statements when submitting the proposal and does not require a certification with the final report that addresses whether the report statements are true and completed. We recommended that the Assistant Administrator for Research and Development add a certification statement to the current requirements that funding applicants must submit prior to award, and require funding recipients to submit a certification statement with their final reports. <http://www.epa.gov/oig/reports/2011/20110330-11-N-0199.pdf>

Hotline Allegations Unsubstantiated, but Region 7 Contract Administration and Award Issues Identified—Hotline allegations that ARRA funds were obligated on the ASW Associates, Inc., contract, and that the contract was terminated for convenience, were not substantiated. However, we recommended that Region 7 revise the Region 7 peer review checklist to require review of the preaward file; provide clarification to contracting officers on time and materials contracts and annual invoice reviews; implement a process to ensure annual invoice reviews are completed by contracting officers; and prepare and submit a contractor performance evaluation for the ASW Associates, Inc., contract in the Contractor Performance Assessment Reporting System as required. <http://www.epa.gov/oig/reports/2011/20110504-11-P-0217.pdf>

EPA Needs to Reexamine How It Defines Its Payment Recapture Audit Program—EPA makes numerous efforts to recapture improper payments, but does not consider its activities to be a formal payment recapture audit program, as defined by OMB guidance. A payment recapture audit program is an agency's overall plan for risk analysis and the performance of payment recapture audits and recovery activities. We recommended that the Chief Financial Officer report the results of all activities when reporting on its payment recapture audit program in 2011. <http://www.epa.gov/oig/reports/2011/20110719-11-P-0362.pdf>

EPA's Contracts and Grants Workforce May Face Future Workload Issues—EPA should ensure that it has sufficient contracts and grants staff to perform both ARRA and non-ARRA activities. EPA emphasized ARRA activities, resulting in non-ARRA activities being delayed or not completed. We recommended that the Assistant Administrator for Administration and Resources Management have its office review the September 30, 2010, metrics and prepare action plans for any measure that did not meet its goal in 2010. We also recommended the developing of organization-wide performance measures to better manage activities. <http://www.epa.gov/oig/reports/2011/20101025-11-R-0005.pdf>

EPA's Terms and Conditions as Well as Process to Award Recovery Act Interagency Agreements Need Improvement—EPA did not clearly describe its responsibilities in the terms and conditions of the ARRA-funded interagency agreements, and thus did not effectively establish accountability. We recommended that EPA amend the terms and conditions for ARRA interagency agreements under the Superfund and Drinking Water State Revolving Fund programs, and revise its standard terms and conditions for use in future agreements to include EPA's roles and responsibilities. <http://www.epa.gov/oig/reports/2011/20101116-11-R-0016.pdf>

EPA Can Improve the Use of Financial Monitoring Reviews for Recovery Act Superfund Contracts—EPA is implementing the monitoring functions established in the contracts functional area of the EPA Recovery Act Stewardship Plan. EPA’s implementation of these functions should help ensure that a high degree of accountability is associated with the investment of ARRA funds. We recommended that the Assistant Administrator for Administration and Resources Management revise policies and procedures to ensure that financial monitoring review reports are distributed timely.
<http://www.epa.gov/oig/reports/2011/20110131-11-R-0081.pdf>

EPA Needs to Better Document Project Delays for Recovery Act Diesel Emission Reduction Act Grants—While Diesel Emission Reduction Act project officers were aware of ARRA grant project delays, they did not always document delays in EPA’s grants management system or, in some cases, take action to reduce the impact of project delays. We recommended that the Assistant Administrator for Administration and Resources Management revise the baseline and advanced monitoring report questions and corresponding guidance. We recommended that the Assistant Administrator for Air and Radiation verify that project officers document delays in baseline and advanced monitoring reports, institute corrective actions when delays occur, and regularly report on the progress. <http://www.epa.gov/oig/reports/2011/20110328-11-R-0179.pdf>

EPA and States Should Strengthen Oversight of Clean Water State Revolving Fund Recovery Act Projects—State oversight of Clean Water State Revolving Fund projects does not always ensure subrecipient compliance with ARRA. Some states did not conduct adequate oversight of subrecipient compliance with ARRA Buy American provisions, and the frequency of inspections varied among states. We recommended that the Assistant Administrator for Water implement a plan to supplement state inspections and require states to use an updated checklist during inspections, update checklists that regions use for semiannual reviews of state programs and establish deadlines for completing reviews, and analyze reviews of state programs for nationwide trends. <http://www.epa.gov/oig/reports/2011/20110824-11-R-0519.pdf>

Forensic Audits

Forensics Audits results summary

Reports issued: 16 *	
Environmental and business outcomes	
➤	84 certifications, verifications, validations, or corrections
➤	5 implemented recommendations previously reported as unimplemented
Environmental and business outputs	
➤	253 recommendations for improvement
➤	1 best practice identified
➤	1 referral for Agency action
➤	1,261 findings without controlled recommendations
Return on investments	
➤	\$8.7 million questioned costs
➤	\$1.1 million recommended efficiencies, costs saved or avoided
Criminal, civil, and administrative actions	
➤	2 administrative actions
Sustained recommendations	
➤	192 sustained environmental or business recommendations
➤	\$0.8 sustained questioned costs

* One of the reports contains sensitive information and is not summarized below.

Performance Highlights

Examination of Costs Claimed Under EPA Cooperative Agreement X83275501 Awarded to The Montana Physical Sciences Foundation—The grantee did not meet Code of Federal Regulations requirements for procurement. In particular, the grantee has an apparent, if not real, conflict of interest with its subcontractor; awarded a sole-source subcontract without a documented justification and a cost or price analysis; and did not amend the sole-source subcontract to cover a major change in project scope and extension of the project period. We recommended that the Assistant Administrator for Administration and Resources Management disallow and recover \$707,320 in costs claimed for the grantee's subcontract, and consider suspension and debarment proceedings against the grantee and its subcontractor.
<http://www.epa.gov/oig/reports/2011/20101108-11-4-0013.pdf>

American Recovery and Reinvestment Act Site Inspection of Sewer Pump Station Rehabilitation and Improvements, Town of Ball, Louisiana—At the time of our visit to this site, in May 2010, the construction contractor had suspended work while waiting for American-made materials and parts. Based upon our inspection, nothing came to our attention that would require action from the town. <http://www.epa.gov/oig/reports/2011/20101109-11-R-0014.pdf>

American Recovery and Reinvestment Act Site Inspection of the Clean Water State Revolving Fund Projects at the City of Long Beach, California—We toured four projects at this site in May 2010. We identified a wage compliance issue that merits attention from and action by the city, the California State Water Resources Control Board, and EPA.
<http://www.epa.gov/oig/reports/2011/20110201-11-R-0082.pdf>

American Recovery and Reinvestment Act Site Inspection of Sewer System Improvement Projects, City of Parma, Ohio—We conducted a site inspection of the Bradenton, Grantwood, and Manhattan Avenue sewer system improvement projects from June 28 through July 1, 2010. Based upon our site inspection, nothing came to our attention that would require action from the city, state, or EPA. <http://www.epa.gov/oig/reports/2011/20110202-11-R-0083.pdf>

American Recovery and Reinvestment Act Site Visit of the Denver Street Storage Project, City of Astoria, Oregon—We conducted a site visit in June 2010. We found that the city and the Oregon Department of Environmental Quality understated the number of jobs created or retained with ARRA funds, and for one of four contracts awarded, a change order did not meet applicable procurement requirements. We recommended that Region 10 require Oregon to require the city to correct the reported number of jobs created or retained, obtain the corrections, and submit corrected documentation to the federal government. We also recommended that the region require Oregon to disallow \$57,346 in costs incurred under the change order unless the city is able to show that the costs meet applicable Oregon requirements. <http://www.epa.gov/oig/reports/2011/20110322-11-R-0172.pdf>

American Recovery and Reinvestment Act Site Visit of the Comprehensive Sewer System Rehabilitation, Subsystem PS-5, Saugus, Massachusetts—We conducted a site visit in December 2009. Based upon our visit, no significant issues or concerns came to our attention that would require immediate action by the town, state, or EPA. <http://www.epa.gov/oig/reports/2011/20110329-11-R-0192.pdf>

American Recovery and Reinvestment Act Site Visit of Water System Improvement Project, Waleska, Georgia—We conducted a site visit in March 2010. We found that the city did not execute written contracts for engineering, inspection, and legal services, and did not prepare a cost or price analysis for its engineering services. However, we found no applicable federal, state, or local requirements that require the city to execute written contracts or prepare a cost or price analysis. We found no other problems that would require action from the city, state, or EPA. <http://www.epa.gov/oig/reports/2011/20110329-11-R-0193.pdf>

American Recovery and Reinvestment Act Site Visit of the Wastewater Treatment Facility Improvements Project, Perkins, Oklahoma—We conducted a site visit in April 2010. Based upon our review, we did not identify any issues that would require action by the Perkins Public Works Authority, state, or EPA. <http://www.epa.gov/oig/reports/2011/20110502-11-R-0214.pdf>

American Recovery and Reinvestment Act Site Visit of the Wastewater Treatment Facility Expansion, Town of Buckeye, Arizona—We conducted a site visit in October 2010. We found that the town was not in compliance with reporting requirements for jobs created or retained for the 9-month period ended September 30, 2010. We recommended that Region 9 require the Water Infrastructure Finance Authority of Arizona to direct the town to obtain, to the maximum extent possible, complete information on jobs created or retained with ARRA funding for the primary contractor and subcontractors; direct the town to correct the number of jobs created or retained; obtain the corrections for the reported number of jobs; and submit corrections to the federal government. <http://www.epa.gov/oig/reports/2011/20110509-11-R-0222.pdf>

American Recovery and Reinvestment Act Site Visit of the La Plata Water Treatment Plant Phase II Project, Aibonito, Puerto Rico—We conducted a site visit in August 2010. During our review, we were unable to determine the total hours worked for employees due to variances in labor hours reported on certified payroll reports and employee pay stubs. We recommended that Region 2 require that the Puerto Rico Aqueduct and Sewer Authority reconcile the payroll hours reported, verify that previously reported information reflects actual hours worked, and verify that future hours reported are supported by payroll reports and pay stubs. We also recommended that the region review the authority's reconciliation and verification responses and ensure compliance with ARRA. <http://www.epa.gov/oig/reports/2011/20110523-11-R-0232.pdf>

American Recovery and Reinvestment Act Site Visit of Sanitary Sewer System Improvements, Ingenio Community, Toa Baja, Puerto Rico—We conducted a site visit in August 2010. The Puerto Rico Aqueduct and Sewer Authority informed us of a potential Buy American noncompliance and the actions being taken to resolve the matter. Also, we identified two subcontract agreements that did not contain ARRA requirements. <http://www.epa.gov/oig/reports/2011/20110524-11-R-0233.pdf>.

American Recovery and Reinvestment Act Site Visit of Las Marias Potable Water System Phase IIA Project, Las Marias, Puerto Rico—We conducted a site visit in August 2010. Based upon our site visit, we did not identify any issues that would require action from the Commonwealth of Puerto Rico, Puerto Rico Aqueduct and Sewer Authority, or EPA. <http://www.epa.gov/oig/reports/2011/20110525-11-R-0241.pdf>

American Recovery and Reinvestment Act Site Visit of the Clifton Street Sewer Separation and Water Main Replacement Projects, Portland, Maine—We conducted a site visit in June 2009. The projects were performed jointly by the City of Portland, Maine (sewer separation) and Portland Water District (water main replacement). Based upon our site visit, we did not identify any issues that would require action from the city, the Portland Water District, or EPA. <http://www.epa.gov/oig/reports/2011/20110607-11-R-0248.pdf>

American Recovery and Reinvestment Act Site Visit of the Tower Chemical Superfund Site, Clermont, Lake County, Florida—We conducted a site visit in July 2010. Based upon our site visit, we did not identify any issues that would require action from the contractor or EPA. <http://www.epa.gov/oig/reports/2011/20110803-11-R-0431.pdf>

American Recovery and Reinvestment Act Site Visit of Wastewater Treatment Plant—Phase II Improvements Project, City of Ottawa, Illinois—We conducted site visits in October 2010, November 2010, and April 2011. The city could not provide sufficient documentation to support that some manufactured goods used on the project met ARRA Buy American requirements. We recommended that Region 5 employ the procedures set out in the Code of Federal Regulations to resolve the noncompliance on the Ottawa project. <http://www.epa.gov/oig/reports/2011/20110923-11-R-0700.pdf>

Financial Management

Financial Management results summary

Reports issued: 12	
Environmental and business outcomes	
➤	22 EPA policy, directive, practice, or process changes/decisions
➤	3 actions taken or resolved prior to report issuance (not reported)
➤	13 certifications, verifications, validations, or corrections
➤	24 implemented recommendations previously reported as unimplemented
Environmental and business outputs	
➤	42 recommendations for improvement
➤	23 unimplemented recommendations identified
Return on investments	
➤	\$21.9 million recommended efficiencies
➤	\$15.8 million monetary actions taken or resolved
Sustained recommendations	
➤	4 sustained environmental or business recommendations
➤	\$17.2 sustained efficiencies

Performance Highlights

Audit of EPA's Fiscal 2010 and 2009 Consolidated Financial Statements—We rendered an unqualified, or clean, opinion on EPA's Consolidated Financial Statements for FYs 2010 and 2009, meaning we found the statements to be fairly presented and free of material misstatement. However, in evaluating internal controls, we noted four deficiencies: (1) further improvements are needed in reviewing the Superfund state contract unearned revenue spreadsheets, (2) EPA should assess collectibility of federal receivables and record allowances for doubtful accounts as needed, (3) EPA needs to improve its controls for headquarters personal property, and (4) EPA needs to properly close the Fund Balance with Treasury when cancelling treasury symbols. We also found one noncompliance issue involving EPA's need to continue efforts to reconcile intragovernmental transactions. <http://www.epa.gov/oig/reports/2011/20101115-11-1-0015.pdf>

EPA Did Not Fully Comply With Guidance Regarding OMB Circular A-123 Unliquidated Obligation Reviews—Seventeen of 24 EPA regions and program offices did not fully comply with the guidance for conducting and reporting on their FY 2009 OMB Circular A-123 reviews of internal controls over the unliquidated obligations process. We recommended that the Chief Financial Officer develop and implement procedures to oversee the regional and program office A-123 unliquidated obligations internal control reviews, require regions and program offices to develop plans that address staffing and training for the reviews, develop a guide to assist those conducting the reviews, and implement standard performance measures to assess assurance letter completeness and timeliness. <http://www.epa.gov/oig/reports/2011/20110119-11-1-0069.pdf>

Fiscal Year 2010 and 2009 Financial Statements for the Pesticides Reregistration and Expedited Processing Fund—We rendered an unqualified opinion on EPA's FYs 2010 and 2009 financial statements for the Pesticides Reregistration and Expedited Processing Fund. We noted one significant deficiency in internal controls. EPA misapplied federal retirement benefit cost factors in calculating FY 2010 imputed cost related to the Civil Service Retirement System and the Federal Employees Retirement System, resulting in a material understatement of

\$340,772. The Agency corrected FY 2010 imputed costs in the fund's financial statements. <http://www.epa.gov/oig/reports/2011/20110310-11-1-0156.pdf>

Fiscal Year 2010 and 2009 Financial Statements for the Pesticide Registration Fund—We rendered an unqualified opinion on EPA's Pesticide Registration Fund financial statements for FYs 2010 and 2009. We noted one significant deficiency in internal controls. EPA misapplied federal retirement benefit cost factors in calculating FY 2010 imputed cost related to the Civil Service Retirement System and the Federal Employees Retirement System, resulting in an understatement of \$120,422. The Agency has corrected FY 2010 imputed costs in the fund's financial statements. <http://www.epa.gov/oig/reports/2011/20110310-11-1-0157.pdf>

Agreed-Upon Procedures on EPA's Fiscal Year 2011 Quarterly Financial Statements—As part of our review of EPA's financial statement reporting, we performed certain agreed-upon procedures on the Agency's FY 2011 first, second, and third quarter financial statements. We compared the statements with EPA's crosswalk, recomputed them for mathematical accuracy, and compared them with balances separately generated by the OIG. The links to the three reports on our reviews for the first through third quarters, respectively, follow. <http://www.epa.gov/oig/reports/2011/20110502-11-2-0213.pdf>
<http://www.epa.gov/oig/reports/2011/20110629-11-2-0300.pdf>
<http://www.epa.gov/oig/reports/2011/20110923-11-2-0699.pdf>

EPA Region 3 Reduced Unliquidated Obligations Under Water Program Assistance Agreements—We identified \$6,130,166 of unneeded funds for three assistance agreements awarded by EPA Region 3 to the District of Columbia, and the region deobligated those funds during the course of the audit. Deobligating the funds results in the funds being used for other environmental projects. Because Region 3 deobligated the funds during the course of our audit, we made no recommendations. <http://www.epa.gov/oig/reports/2011/20110315-11-P-0170.pdf>

EPA Should Reduce Unliquidated Obligations Under Expense Reimbursement Grants—We identified \$6.6 million of potentially unneeded funds that could have been deobligated for three Expense Reimbursement Grants awarded by EPA Regions 4 and 5 (\$3.3 million for Georgia, \$2.3 million for North Carolina, and \$1.0 million for Wisconsin). The regions either deobligated funds or extended the time period in which the funds needed to be used. Also, states did not adequately use the funds to provide training and certification to water system operators in accordance with requirements. <http://www.epa.gov/oig/reports/2011/20110516-11-P-0228.pdf>

EPA Should Bill Superfund Oversight Costs More Timely—On oversight billings for nine sites in Regions 1, 5, and 9, we found that Region 5 did not timely bill or did not bill approximately \$8.6 million in oversight costs for two sites. During our audit, Region 5 billed about \$1 million. We did not identify problems with oversight cost billings in Regions 1 or 9. We recommended that Region 5 develop a policy to require that oversight billings be issued at least annually, and procedures to help staff prepare oversight billings and resolve billing problems. We also recommended that Region 5 bill two potentially responsible parties for \$5.1 million incurred. <http://www.epa.gov/oig/reports/2011/20110922-11-P-0697.pdf>

EPA Should Update Its Fees Rule to Recover More Motor Vehicle and Engine Compliance Program Costs—EPA is not recovering all reasonable costs of administering the Motor Vehicle and Engine Compliance Program. Using the Agency's cost estimate for FY 2010, we found a

\$6.5 million difference between estimated program costs of \$24.9 million and fee collections of \$18.4 million. EPA has not conducted a formal cost study since 2004 to determine the actual program costs, and has not updated the annual fee adjustment formula in the 2004 fees rule. We recommended that the Assistant Administrator for Air and Radiation update the 2004 fees rule to increase the amount of program costs it can recover, and conduct biennial reviews of the program fee collections and the full cost of operating the program to determine whether EPA is recovering its costs. <http://www.epa.gov/oig/reports/2011/20110923-11-P-0701.pdf>

EPA’s Contract Oversight and Controls Over Personal Computers Need Improvement—EPA paid the Customer Technology Solutions contractor a total of \$489,734 over an 11-month period for 3,343 seats—a standard seat includes a leased computer with accessories and technical support—not ordered by the Agency during the period. Because EPA did not safeguard and track personal computers to ensure proper replacement and disposal in accordance with property regulations, it cannot account for 638 personal computers valued at over \$1 million. We recommended that the Assistant Administrator for Environmental Information and Chief Information Officer review and/or modify the Customer Technology Solutions contract to adjust the minimum standard seat requirement to eliminate monthly payments for computers that EPA will not need. <http://www.epa.gov/oig/reports/2011/20110926-11-P-0705.pdf>

Risk Assessment and Program Performance

Risks Assessment and Program Performance results summary

Reports issued: 6 *	
Environmental and business outcomes	
➤	6 EPA policy, directive, practice, or process changes/decisions
➤	5 actions taken or resolved prior to report issuance (not reported)
Environmental and business outputs	
➤	31 recommendations for improvement
➤	2 environmental or business operational/control risks or challenges identified (including noncompliance)
➤	5 referrals for Agency action
➤	4 awareness/technical briefings conducted
Sustained recommendations	
➤	2 sustained environmental or business recommendations

* One of the reports is on CSB and is discussed later, in the CSB section.

Performance Highlights

EPA Needs to Strengthen Internal Controls for Determining Workforce Levels—EPA’s policies and procedures do not include a process for determining employment levels based on workload as prescribed by OMB. Further, EPA does not determine the number of positions needed per mission-critical occupation using workforce analysis as required by the Office of Personnel Management. We recommended that the Chief Financial Officer amend guidance to require that the Agency complete a workload analysis for all critical functions to support the Agency’s budget request for full-time equivalents. We recommended that Office of Administration and Resources Management amend its workforce planning guidance to require that program offices and regions provide the number of positions needed for each mission-critical occupation. http://www.epa.gov/oig/reports/2011/20101220-11-P-0031_glance.pdf

EPA Should Further Connect the National Program Manager Process With Federal Guidance on Internal Control Risks—EPA has not fully integrated the Federal Managers' Financial Integrity Act (FMFIA) and national program manager processes. Activities conducted per the national program manager process support internal controls; however, the Office of the Chief Financial Officer did not connect these processes until midway through FY 2009 (in supplemental guidance) and in FY 2010 guidance. We recommended that the Chief Financial Officer assign national program managers primary responsibility for FMFIA reporting on internal controls for national programs and rely on the lead regional coordinator process for input from the regions, and direct regional personnel to report on administrative and financial internal control activities. <http://www.epa.gov/oig/reports/2011/20110118-11-P-0067.pdf>

Office of Research and Development Should Increase Awareness of Scientific Integrity Policies—The Office of Research and Development has internal controls that include policies, procedures, training, and peer review. However, the office should improve how it evaluates the effectiveness of its policies and procedures for scientific integrity and research misconduct. Currently, the office does not test its policies and procedures because the Agency asserts that few reported instances of misconduct means that misconduct generally does not occur. We recommended that the Assistant Administrator for Research and Development periodically test the effectiveness of controls in place to address scientific integrity and research misconduct, and initiate outreach with EPA offices to raise awareness on roles/responsibilities and reporting steps. <http://www.epa.gov/oig/reports/2011/20110722-11-P-0386.pdf>

Revisions Needed to National Contingency Plan Based on Deepwater Horizon Oil Spill—EPA and the manufacturer of Corexit completed required steps to include Corexit products on the National Contingency Plan Product Schedule. However, EPA has not updated the National Contingency Plan since 1994 to include the most appropriate efficacy testing protocol. We recommended that the Office of Solid Waste and Emergency Response establish policies to review and update contingency plans incorporating lessons learned during the Deepwater Horizon oil spill, clarify roles and responsibilities for Spills of National Significance, and develop a research plan on long-term health and environmental effects of dispersants. <http://www.epa.gov/oig/reports/2011/20110825-11-P-0534.pdf>

EPA Needs Workload Data to Better Justify Future Workforce Levels—EPA has not collected comprehensive workload data or conducted workload analysis in about 20 years. EPA does not require program offices to collect and maintain workload data, and the programs do not have databases or cost accounting systems in place to collect data on time spent on specific mission-related outputs. During our audit, we identified some basic concepts of workload modeling from which EPA could benefit. We recommended that the Chief Financial Officer conduct a pilot project requiring EPA offices to collect and analyze workload data on key project activities. <http://www.epa.gov/oig/reports/2011/201110914-11-P-0630.pdf>

Efficiency

Efficiency results summary

Reports issued: 3	
Environmental and business outcomes	
➤	3 EPA policy, directive, practice, or process changes/decisions
➤	1 environmental/health improvement
➤	9 best practices implemented
➤	1 Environmental or business operational/control risk or challenge reduced or eliminated
➤	1 actions taken or resolved prior to report issuance (not reported)
➤	1 certification, verification, validation, or correction
Environmental and business outputs	
➤	11 recommendations for improvement
➤	1 unimplemented recommendation identified
➤	5 referrals for Agency action
➤	4 awareness/technical briefings conducted
Sustained recommendations	
➤	1 sustained environmental or business recommendations

Performance Highlights

Agency-Wide Application of Region 7 NPDES Program Process Improvements Could Increase EPA Efficiency—Although Region 7 NPDES Kaizen event participants continued to follow up on commitments and action items identified, no single authority was responsible for tracking the process improvement outcomes. A Kaizen event is an activity that helps an organization find ways to operate more efficiently. Also, EPA did not have a process to develop and track quantifiable results and outcomes from the event. Further, EPA encountered barriers when planning the Kaizen event. We recommended that EPA identify process improvements from the Region 7 Kaizen event that can be applied elsewhere and develop a national policy on how to plan, design, and implement business process improvement events.

<http://www.epa.gov/oig/reports/2011/20110706-11-P-0315.pdf>

EPA Has Not Fully Implemented a National Emergency Response Equipment Tracking System—Although EPA spent \$2.8 million to develop and implement an Emergency Management Portal emergency equipment tracking module, EPA has not fully implemented the module, and the module suffers from operational issues. We recommended that the Assistant Administrator for Solid Waste and Emergency Response ensure that only essential equipment tracking data are required to be recorded and determine whether the this module is the most cost-efficient alternative. We also recommended that the Deputy Administrator mandate that regions and emergency response teams employ the national tracking system that EPA decides to use for emergency response equipment. <http://www.epa.gov/oig/reports/2011/20110913-11-P-0616.pdf>

EPA Should Improve Timeliness for Resolving Audits Under Appeal—EPA's efforts to resolve over \$55 million for audits under appeal in Regions 2 and 5 were not efficient, effective, or timely. We found that inadequate communication between audit follow-up coordinators and EPA personnel responsible for resolving audits under appeal, and policies were not complete, relevant, or consistent. Also, audits under appeal were not timely; 17 of 30 audits under appeal had been in resolution for 10 to 21 years. We recommended that the Office of the Chief Financial Officer ensure that the in-process revisions to EPA Manual 2750 include a communication

strategy, establish a finite number of reconsideration requests, and provide for consistency among policies. <http://www.epa.gov/oig/reports/2011/20110921-11-P-0687.pdf>

Information Resources Management

Information Resources Management results summary

Reports issued: 9 *	
Environmental and business outcomes	
➤	1 EPA policy, directive, practice, or process change/decision
➤	3 best practices implemented
➤	3 environmental or business operational/control risks or challenges eliminated (including noncompliance)
➤	9 implemented recommendations previously reported as unimplemented
Environmental and business outputs	
➤	52 recommendations for improvement
➤	1 unimplemented recommendation identified
➤	3 awareness/technical briefings
Sustained recommendations	
➤	16 sustained environmental or business recommendations

* One of the reports is on CSB and is discussed later, in the CSB section.

Performance Highlights

Fiscal Year 2010 Federal Information Security Management Act Report: Status of EPA’s Computer Security Program—The Agency continues to make progress in improving its information technology security. While EPA took steps to identify inactive network accounts, EPA offices do not take appropriate action to timely disable or terminate accounts. In addition, audit work during FY 2010 noted significant weaknesses with several aspects of EPA’s information security program. <http://www.epa.gov/oig/reports/2011/20101116-11-P-0017.pdf>

Improvements Needed in EPA’s Efforts to Replace Its Core Financial System—Processes do not ensure compliance with EPA’s Systems Life Cycle Management policies and procedures and, thus, provide reasonable assurance that efforts to replace the Agency’s core financial system achieve the desired results. We recommended that the Chief Financial Officer develop and implement formal procedures for future projects to ensure that the requirements document(s) and test plans are authorized by executive management prior to approving the system to move into the next phase of the life cycle. <http://www.epa.gov/oig/reports/2011/20101129-11-P-0019.pdf>

EPA Could Improve RCRAInfo Data Quality and System Development—This audit found that data in the Resource Conservation and Recovery Act Information System, which tracks hazardous waste handlers and shipment and receipt of hazardous waste, contains errors and is missing source documentation. Further, system owners did not follow the prescribed System Life Cycle Management testing procedures to validate the updated software and system. The report recommended that EPA implement a procedure for regional personnel to notify a state when changes are made to handler records, that provide guidance on retaining source documentation, and implement control procedures on updating documentation and reviewing the production database for test data. <http://www.epa.gov/oig/reports/2011/20110207-11-P-0096.pdf>

Improvements Needed in EPA's Network Traffic Management Practices—The Office of Environmental Information does not have consistent, repeatable intrusion detection system monitoring practices in place, which inhibits EPA's ability to monitor unusual network activity and thus protect Agency systems and associated data. The office also has not documented a methodology to aid in making decisions about potentially unusual network traffic. We recommended that the Office of Environmental Information develop and implement comprehensive log review policies and procedures, establish a management control process to review contractor performance, and update and approve the Wide Area Network security plan. http://www.epa.gov/oig/reports/2011/20110314-11-P-0159_glance.pdf

EPA Has Taken Steps to Address Cyber Threats but Key Actions Remain Incomplete—We issued previous reports and made recommendations that could help the Agency strengthen cyber security practices for combating Advanced Persistent Threats. However, some of those recommendations remain unimplemented, and we continue to find and report on similar weaknesses at other EPA locations. We recommended that the Assistant Administrator for Environmental Information and Chief Information Officer issue a memorandum stressing the importance of and expectation for completing audit recommendations, and strengthen processes for monitoring and completing all open and future audit recommendations by the agreed-upon milestone date. <http://www.epa.gov/oig/reports/2011/20110623-11-P-0277.pdf>

Results of Technical Network Vulnerability Assessment: EPA's National Health & Environment Effects Research Laboratory, Western Ecology Division—Vulnerability testing of EPA's National Health & Environment Effects Research Laboratory, Western Ecology Division, network conducted in March 2011 identified Internet Protocol addresses with numerous high-risk and medium-risk vulnerabilities. These vulnerabilities could expose EPA's assets to unauthorized access and potentially harm the Agency's network. We made recommendations to address these risks. http://www.epa.gov/oig/reports/2011/20110803-11-P-0429_glance.pdf

Results of Technical Vulnerability Assessment: EPA's Directory Service System Authentication and Authorization Servers—Vulnerability testing of EPA's directory service system authentication and authorization servers conducted in March 2011 identified authentication and authorization servers with numerous high-risk and medium-risk vulnerabilities. These vulnerabilities could expose EPA's assets to unauthorized access and potentially harm the Agency's network. We made recommendations to address these risks. http://www.epa.gov/oig/reports/2011/20110909-11-P-0597_glance.pdf

Region 9 Technical and Computer Room Security Vulnerabilities Increase Risk to EPA's Network—OIG technical vulnerability scans conducted at Region 9 headquarters revealed a multitude of high-risk and medium-risk vulnerabilities on Region 9 servers, desktops, and printers. The exploitation of vulnerabilities could greatly impact the network security posture of Region 9 headquarters and/or the entire EPA network by exposing Agency data, information, and configurations to unauthorized access. We made recommendations to address these risks. http://www.epa.gov/oig/reports/2011/20110930-11-P-0725_glance.pdf

Investigations

Investigative results summary

Investigations opened and closed
<ul style="list-style-type: none"> ➤ 84 investigations closed ➤ 131 investigations opened
Environmental and business outcomes
<ul style="list-style-type: none"> ➤ \$3.91 million fines, settlements, restitutions ➤ \$2.16 million cost efficiencies (also counted in total OIG efficiencies) ➤ 15 criminal convictions ➤ 1 civil action ➤ 17 indictments/informations/complaints ➤ 104 administrative actions ➤ 24 allegations disproved

Performance Highlights

Bid Rigging at New Jersey Superfund Sites—As a result of an OIG investigation, five men were sentenced in U.S. District Court for the District of New Jersey on criminal charges related to a bid rigging case at two New Jersey Superfund sites. Two of the men received prison sentences.

- On September 12, 2011, Robert P. Griffiths, a former executive of Bennett Environmental, Inc., was sentenced to 50 months in prison for participating in money-laundering and fraud conspiracies in connection with contracts at the Federal Creosote Superfund Site in Manville, New Jersey. Griffiths was also sentenced to pay a \$15,000 fine and \$4,644,379 in restitution, jointly and severally with other co-conspirators. Griffiths' sentencing follows his 2009 guilty plea to defrauding EPA with others by inflating the prices he charged to an EPA prime contractor and providing kickbacks to employees of that prime contractor at the Federal Creosote site. The co-conspirators were able to allocate at least \$43 million in fraudulently awarded subcontracts to Bennett Environmental, a Canada-based company that treats and disposes of contaminated soil, for work at the Federal Creosote site. Griffiths and his co-conspirators also conspired to commit international money laundering, and Griffiths made false statements to the U.S. Securities and Exchange Commission.
- On May 23, 2011, Norman Stoerr, a former contracts administrator for Severson Environmental Service of Niagara Falls, New York, was sentenced to 8 months of home detention and 60 months of probation, and was also ordered to pay a \$25,000 fine and \$391,228 in restitution, jointly and severally with other co-conspirators. Stoerr's sentencing follows his 2008 guilty plea to charges of fraud, bid rigging, and tax crimes. Stoerr solicited and accepted thousands of dollars in kickbacks in exchange for helping companies get lucrative subcontract work at the Federal Creosote site and the Diamond Alkali Superfund Site in Newark, New Jersey.
- On April 26, 2011, Victor Boski and his company, National Industrial Supply, were sentenced to 36 months' probation. He was also ordered to pay a \$25,000 fine and \$50,000 in restitution, jointly and severally with other co-conspirators. National Industrial Supply was ordered to serve 36 months' probation and pay a \$32,000 fine and \$50,000 in restitution, joint and severally with other co-conspirators. In March 2009, Boski and National Industrial Supply, an industrial pipes, valves, and fittings supply

company located in Middlesex, New Jersey, pleaded guilty to participating in a separate kickback and fraud conspiracy at the Federal Creosote and Diamond Alkali sites.

- On April 6, 2011, John Drimak and his company, JMJ Environmental, Inc., a Laurel Springs, New Jersey, wastewater treatment supply company, were sentenced to 18 months in prison to be followed by 36 months' probation. He was also ordered to pay a \$30,000 fine and \$283,242 in restitution, jointly and severally with other co-conspirators. JMJ Environmental was ordered to serve 12 months' probation and pay \$283,242 in restitution, jointly and severally with other co-conspirators. In July 2008, Drimak and JMJ Environmental pleaded guilty to bid rigging, fraud, and tax charges in connection with paying kickbacks for subcontracts for wastewater treatment supplies and services at the Federal Creosote and Diamond Alkali sites.
- On March 30, 2011, Zul Tejpar, Vancouver, Canada, was sentenced to 3 years' probation. He was also ordered to pay a \$15,000 fine and \$300,000 in restitution to EPA. Tejpar was a former vice president of Business Development for Bennett Environmental, Inc. Tejpar previously pled guilty to a one-count information, in which he was charged with providing and attempting to provide kickbacks to his co-conspirators at the Federal Creosote site.

To date, 10 individuals and 3 companies have been charged as part of this investigation. More than \$6 million in criminal fines and restitution have been imposed. *This case is being conducted with the Internal Revenue Service Criminal Investigation Division.*

Former Arkansas Department of Health Employees Sentenced—Two former employees of the Arkansas Department of Health were sentenced for falsely claiming meal and hotel expenses for 5 years while being paid under an EPA Drinking Water State Revolving Fund loan. On August 8, 2011, Craig Burger was sentenced in the Circuit Court of Pulaski County, Arkansas, to 8 years in prison to be followed by 12 years of supervised probation. He was also ordered to pay \$45,306 in restitution to the Arkansas Department of Health. On September 14, 2011, Mark Allen McIntosh was sentenced to 60 months of probation and 50 hours of community service, and ordered to pay a \$2,500 fine and \$275 in court costs. Under the State Revolving Fund loan, Burger and McIntosh were paid to visit community water systems to provide training and technical assistance to water operators.

Sentencing in Conspiracy to Defraud Idaho Department of Environmental Quality—As a result of an OIG investigation, Jorge Garcia and Karen Damberg Garcia, both of Boise, Idaho, were sentenced in U.S. District Court for the District of Idaho for conspiring to defraud the Idaho Department of Environmental Quality of EPA grant funds that were to be used to install diesel emission reduction equipment on school buses. Jorge Garcia was sentenced to 30 months in prison to be followed by 3 years of supervised release. Karen Garcia was sentenced to 5 months of probation with 10 months of home detention, also to be followed by 3 years of supervised release. The two were also ordered to pay \$42,333 in restitution to the Idaho Department of Environmental Quality. In 2008, Jorge Garcia was a project manager for the Idaho Department of Environmental Quality and was in charge of the school bus diesel emission reduction project. Using the name Emission Control Systems, the Garcias submitted a bid to the Idaho Department of Environmental Quality for the retrofit work, and Idaho awarded a \$332,320 contract to the

firm. The mechanic hired by Garcia to perform the work under the contract was not experienced in the work, resulting in improper installation that damaged school buses.

Sentencing in Wire Fraud in Commonwealth of the Northern Mariana Islands—As a result of an OIG investigation, on May 24, 2011, Martin Cabrera, former Vice President, Saipan Pacific Environmental Planning and Consulting, Saipan, was sentenced in the U.S. District Court for the District of Oregon to one count of wire fraud. Cabrera was previously indicted in the Judicial District of the Commonwealth of the Northern Mariana Islands, where the crime occurred. Cabrera was ordered to serve 3 years of supervised probation, and to pay \$8,650 in restitution to EPA and \$3,950 to the Commonwealth of the Northern Marianas Islands' Department of Public Lands. Cabrera was awarded a Department of Public Lands contract funded by EPA in May 2007 for completion of site assessments. Cabrera fraudulently used the identities and work experience of others in the contract proposal he submitted to the department, and produced no deliverables. Cabrera repeatedly failed to meet with Department of Public Lands to discuss his lack of performance and ultimately fled Saipan and moved to Oregon.

Former Northern Mariana Islands Official Guilty of Bribery—As a result of an OIG investigation, on September 23, 2011, Franz Reksid, former Special Assistant to the Secretary of Department of Public Lands in the Commonwealth of the Northern Mariana Islands, was found guilty of bribery in the U.S. District Court for the Northern Mariana Islands. From 2007 to 2009, Reksid was the special assistant to the Department of Public Lands secretary, responsible for managing the department's contracts with funding provided from EPA Brownfields grants. In February 2009, Reksid recommended that a 2007 contract to John Scott, President, All Hazards Management Professionals, LLC, Yona, Guam, be amended to include an additional \$200,000 for the cleanup and disposal of unexploded ordnance at the Marpi Village Homestead Site. While recommending the above-mentioned contract amendment to the Department of Public Lands secretary, Reksid sought and received from Scott a \$3,000 "loan." Former Department of Public Lands officials testified at Reksid's trial that he concealed from them his intentions to add \$200,000 to Scott's existing contract and never sought their approval for such a change order.

Montana Contractor and U.S. Department of Energy Agree to Settle Allegations—As a result of an OIG investigation, on October 14, 2010, a Montana contractor entered into an agreement with the U.S. Department of Energy to settle allegations related to the allowability of certain costs. The company will repay \$438,790 over a 2-year period. The Department of Energy issued the contract, and other agencies, such as the EPA, used the contract to have research conducted for their respective agency. In turn, each agency paid the Department of Energy an administrative fee. The investigation disclosed that the contractor billed the government for unallowable lobbying costs, trade mission costs, and severance pay. *This investigation was conducted jointly with the U.S. Department of Energy; the Federal Bureau of Investigation; the U.S. Army Criminal Investigative Command; the U.S. Air Force, Office of Special Investigations; and the Defense Criminal Investigative Service.*

Debarments in Arizona Fabricated Laboratory Documentation Case—As a result of an OIG investigation, on February 18, 2011, two individuals and five companies, all of Yuma, Arizona, were each debarred for a period of 3 years related to a case involving fabricated laboratory documentation. Two laboratory co-owners, Nancy Miller and Richard Miller, were debarred, along with Sunstate Environmental Laboratory; El Prado Water Company; Sunstate Utility Management; Sunstate Environmental Services; and Tierra Mesa Estates Water Company, Inc.

The debarment follows Nancy Miller's conviction and sentencing in April 2010. Miller was the co-owner of Sunstate Environmental Laboratories and performed environmental laboratory testing for drinking water and wastewater analysis. The investigation determined that Miller fabricated laboratory documentation to defraud her customers into believing she had reported the analyses correctly. These documents were false in that the laboratory tests were not performed. Sunstate is no longer a licensed laboratory in Arizona.

U.S. Chemical Safety and Hazard Investigation Board

CSB was created by the Clean Air Act Amendments of 1990. CSB's mission is to investigate accidental chemical releases at facilities, report to the public on the root causes, and recommend measures to prevent future occurrences. In FY 2004, Congress designated the EPA Inspector General to serve as the Inspector General for CSB. As a result, the EPA OIG has the responsibility to audit, evaluate, inspect, and investigate CSB's programs, and to review proposed laws and regulations to determine their potential impact on CSB's programs and operations. Details on our work involving CSB are at <http://www.csb.gov/service.default.aspx>.



Performance Highlights

EPA OIG Proposes Management Challenges for CSB—On August 3, 2011, the EPA OIG provided to CSB two management challenges:

- **Clarifying CSB's Statutory Mandate.** OMB Circular A-123 instructs agencies to design a management structure that helps ensure accountability for results as they develop and execute strategies for implementing agency programs and operations. CSB requested clarification from Congress in November 2009, but as of August 2011, CSB had not received a response. After Congress clarifies CSB's statutory mandate, we anticipate that it will be a challenge for CSB to collect data to measure results.
- **Promulgating a Chemical Incident Reporting Regulation.** CSB has not published a chemical incident reporting regulation as envisioned in the Clean Air Act Amendments. In 2008, the U.S. Government Accountability Office recommended that CSB publish a regulation requiring facilities to report all chemical accidents. In 2009, CSB notified the public of a proposed reporting regulation, but had not published the regulation as of August 2011. As CSB continues its efforts to implement a reporting regulation, it should consider how the regulation would coordinate with other chemical incident reporting requirements, the impact such a requirement will have on its resources, and the cost effectiveness associated with using an existing chemical incident reporting system.

Chemical Safety and Hazard Investigation Board Did Not Take Effective Corrective Actions on Prior Audit Recommendations—CSB did not take timely corrective actions to address 34 audit recommendations from 3 inspectors general and the U.S. Government Accountability Office. In four instances, it took CSB 4 years beyond the agreed-upon corrective actions date (or report date) to implement corrective actions. CSB's actions to address 13 recommendations were not completely effective and require additional corrective actions, and 7 recommendations are not yet completed. CSB's control environment and control activities do not ensure

accountability. On September 16, 2010, CSB announced an internal reorganization and appointed a managing director to oversee all aspects of CSB operations. We recommended that the CSB Chairman create a management control plan, take actions to fully address all outstanding audit recommendations, and further improve upon actions taken on previous recommendations. <http://epa.gov/oig/reports/2011/20110215-11-P-0115.pdf>

Evaluation of U.S. Chemical Safety and Hazard Investigation Board's Compliance With the Federal Information Security Management Act (Fiscal Year 2010)—CSB has an information security program in place that appears to be functioning as designed. CSB takes information security weaknesses seriously, as 8 of the 10 prior-year recommendations were resolved. However, the FY 2010 Federal Information Security Management Act assessment for CSB found insecure system protocols, default configuration settings, and unpatched network devices, which significantly elevated CSB's risk of system and data compromise by unauthorized users. The report made various recommendations to correct the deficiencies noted, including consistently performing vulnerability scans and documenting audit log reviews, implementing baseline configurations for network devices, and developing a contingency plan. <http://www.epa.gov/oig/reports/2011/20110308-11-P-0148.pdf>

Testimony

Performance Highlights

Testimony on Cutting EPA Spending—On October 12, 2011, Arthur A. Elkins, Jr., Inspector General for EPA, testified before the Subcommittee on Oversight and Investigations, Committee on Energy and Commerce, U.S. House of Representatives, during a hearing to discuss opportunities for cost savings and greater efficiencies within EPA. Over the last 5 years, EPA has averaged a little over 18,000 positions in its organizational structure with annual payroll costs of approximately \$2 billion. Efficient and effective operations require that an organization know what its workload is. The main objectives of assessing and predicting workload are to achieve an evenly distributed and manageable workload, and accurately determine resource levels needed. OIG work has identified other areas in which EPA could potentially realize cost savings or improve program efficiencies; these include EPA unliquidated obligations, space and facilities, information technology, administrative activities, and process improvements within EPA's water pollution control program. In a tight budget environment, EPA must find ways to better manage and utilize its resources and improve its operational efficiencies.

Testimony on Stimulus Status: Two Years and Counting—On May 4, 2011, Inspector General Elkins testified before the Committee on Transportation and Infrastructure, U.S. House of Representatives, during a hearing to discuss OIG work on EPA progress in implementing and monitoring ARRA projects. EPA's senior leadership has demonstrated a strong commitment to meeting ARRA requirements. Now that ARRA funds have been awarded, the OIG remains concerned that there may be insufficient EPA oversight to ensure that projects are completed timely and environmental objectives are achieved. As of April 25, 2011, EPA had only obligated about 73 percent of its management and oversight funds. While EPA was required to obligate its oversight funds before the end of FY 2011, many ARRA projects were not expected to have been completed by that date. Given the number and scope of ARRA-funded projects, effective oversight will be a challenge for EPA and its state partners. The OIG will continue to monitor and assess EPA's ARRA activities in these and other areas.

Testimony on EPA’s Major Management Challenges—On March 2, 2011, Inspector General Elkins testified before the Subcommittee on Interior, Environment, and Related Agencies, Committee on Appropriations, U.S. House of Representatives, during a hearing to discuss the significant management challenges facing EPA that the OIG identified for FY 2010. Our annual list of management challenges provides the OIG with the opportunity to inform EPA senior leadership, Congress, and the public about what we see as the most pressing issues facing EPA. We also offer recommendations on how EPA can address these challenges. EPA takes our management challenges seriously and has made some progress in addressing them, but we believe a more sustained and robust effort is needed to fully resolve them. We will continue to monitor and track EPA’s actions to address these challenges while looking to identify any emerging issues warranting attention.

OIG Enabling Support Programs

Performance Highlights

OIG FY 2012 Annual Plan Designed to Address Agency Risks—The OIG executed a planning process based upon the Enterprise Risk Management Integrated Framework Model developed by the Committee of Sponsoring Organizations of the Treadway Commission. This planning process resulted in the development of an FY 2012 strategy and work plan for the OIG that addresses EPA’s most significant environmental and management risks, priorities, and challenges. The plan is available at <http://www.epa.gov/oig/planning.htm>. The planning process included developing and updating a comprehensive compendium of risks, challenges, and opportunities for each Agency management and media area, as well as regional cross-goal and management issues. This plan is designed to adjust for new priorities and conditions while pursuing a program of work that leverages the greatest return on investment.

Peer Reviews Conducted—The most recent external peer review of the EPA OIG’s system of quality controls was conducted by the U.S. Department of Homeland Security for the period October 1, 2005, through September 30, 2008. The report, issued July 10, 2009, contained no recommendations, and the EPA OIG received a rating of *pass*. The EPA OIG had conducted an external peer review of the system of quality control for the audit organization of the Treasury Inspector General for Tax Administration for the period April 1, 2006, through March 31, 2009. Our report, issued February 3, 2010, contained no recommendations and provided the Treasury Inspector General for Tax Administration a rating of *pass*. Both peer reviews were completed in accordance with *Government Auditing Standards* and guidelines established by the Council of the Inspectors General on Integrity and Efficiency.

Legislation, Regulations, and Policies Reviewed—Section 4(a)(2) of the Inspector General Act requires the EPA OIG to review existing and proposed legislation and regulations relating to the programs and operation of EPA, and to make recommendations concerning their impact. We primarily base our comments on audit, evaluation, investigation, and legislative experiences, as well as our participation on the Council of the Inspectors General on Integrity and Efficiency. During this fiscal year, we reviewed 185 items of legislation, regulation, policy, and procedure that could affect EPA, and provided comments on 19. We also reviewed drafts of OMB circulars, memoranda, executive orders, program operations manuals, directives, and reorganizations. Some of the key items upon which we provided comments and suggestions included:

- **Proposed Revisions to EPA Order 1400.1 A3, *Preventing Violence in the Workplace*.** The revised order affirms EPA’s commitment to protect EPA and non-EPA employees while in EPA-controlled space or wherever official duties are performed. We identified apparent inconsistencies with the stated purpose of the document and provided a number of comments to help strengthen and clarify the policy.
- **National Security Staff’s Proposed Executive Order, *Structural Reforms to Improve the Security of Classified Networks and the Responsible Sharing and Safeguarding of Classified Information*.** The proposed executive order would direct certain structural reforms to ensure responsible sharing and safeguarding of classified information on computer networks. We identified a number of areas where we believe inspectors general could provide the needed oversight, expertise, and assistance.
- **S. 3480, *Protecting Cyberspace as a National Asset Act of 2010*.** We commented that cyber security is a concern that spans the federal government, not just homeland security and intelligence agencies, and that OIGs should be partners in combating cyber crime. We commented that OIGs should have an enhanced oversight role in their agencies’ cyber security programs and should fully participate in criminal and other investigations of attacks on agency computer systems and programs.
- **New Policy Standard and Procedure Documents for Resource Management Directive 2540-02, *Internal Controls*.** The proposed directive will include a policy standard and policy procedures that assist EPA employees in safeguarding financial transactions in accordance with OMB standards. We provided a number of comments to help strengthen and clarify the policy and procedures outlined in these documents.
- **Draft OMB Guidance on *Effective Measurement and Remediation of Improper Payments*.** We noted that the definition of a “payment recapture audit program” is integral to the implementation of the law and this guidance, as the law contains specific provisions for how funds collected under a payment recapture audit program can be used. The EPA OIG reviewed EPA’s description of its existing activities under the Improper Payments Elimination and Recovery Act of 2010 that OMB requested the Agency to submit previously. In that document, EPA did not consider activities it performs on contracts and grants that include a review of the allowability of payments or testing of transactions for erroneous payments as “payment recapture audits.”

Other Activities

OIG Follow-Up Improvements Increase Action on Outstanding Recommendations—

The OIG initiated a follow-up improvement strategy to examine ways to improve the monitoring, managing, reporting, and implementing of OIG recommendations. OMB Circular A-50 describes audit follow-up as an integral part of good management and a shared responsibility between Agency management and the OIG. Without attention to needed action on OIG recommendations by both the Agency and the OIG, the value and usefulness of OIG recommendations in achieving savings and cost reductions, eliminating or reducing risk, and promoting EPA’s program and operational effectiveness may be lost. Therefore, the OIG reviewed its own internal process and performance in transmitting audit and evaluation recommendations to the Agency and tracking the Agency’s progress. We identified a number opportunities for process and technical

improvements to ensure that all OIG recommendations are individually accounted for, directed to the proper Agency action official, and achieving resolution with appropriate corrective action plans. The OIG follow-up improvement strategy, which focuses on both OIG and Agency responsibilities for effective follow-up, is increasing the Agency's attention to, and accountability for, completing corrective action on recommendations.

Additionally, at the OIG's behest, EPA created an Agency-wide task force to review and revise EPA Manual 2750, to promote a better understanding of and compliance with audit management, resolution, and follow-up activity. Similarly, the OIG is carefully examining ways in which it can improve its internal report processes, leading to faster report resolution and greater accountability for unimplemented recommendations. The task force is led by the Office of the Chief Financial Officer, and the OIG is a participant. The OIG and Chief Financial Officer are working together to identify areas of mutual agreement for change.

OIG Reviews Agency's FY 2011 Draft Performance and Accountability Report. Our review of EPA's FY 2011 draft *Performance and Accountability Report* found that, overall, the report fulfills GPRA requirements. We generally did not verify the accuracy of the data. EPA continues to incorporate improvements in the report based on our suggestions from prior and current year reviews.

OIG-Reported Key Agency Management Challenges

The Reports Consolidation Act of 2000 requires the OIG to report on the Agency’s most serious management and performance challenges, known as the key management challenges. Management challenges represent vulnerabilities in program operations and their susceptibility to fraud, waste, abuse, or mismanagement. For FY 2011, the OIG identified five challenges. The Agency had taken sufficient action on two previous challenges, and they were removed from the list. The table below includes issues the OIG identified as key management challenges facing EPA, the years in which the OIG identified the challenge, and the relationship of the challenge to the Agency’s goals in its FY 2011–2015 Strategic Plan, found at <http://epa.gov/planandbudget/strategicplan.html>.

OIG-identified top major management challenges for EPA	FY 2009	FY 2010	FY 2011
The Need for a National Environmental Policy: Environmental quality depends on policies related to farming, energy, water, transportation, and federal land management. A national environmental policy would help EPA and other federal agencies to set national environmental goals and regulatory standards, particularly for problems that cross state or national borders, or pose risks to future generations.		•	•
Water and Wastewater Infrastructure: Over the next 20 years, EPA estimates that approximately \$1 trillion will be needed to pay for water and wastewater infrastructure. EPA needs to lead in developing a coherent federal strategy with states and local governments to assess and organize resources to meet water and wastewater infrastructure needs.	•	•	
Oversight of Delegations to States: Differences between state and federal policies, interpretations, strategies, and priorities require that EPA more consistently and effectively oversee its delegation of programs to the states, to assure that delegated programs achieve their intended goals.	•	•	•
Safe Reuse of Contaminated Sites: EPA's duty is to ensure that reused contaminated sites are safe for humans and the environment. EPA must strengthen oversight of the long-term safety of sites, particularly within a regulatory structure in which non-EPA parties have key responsibilities, site risks change over time, and all sources of contamination may not be removed.	•	•	•
Limited Capability to Respond to Cyber Security Attacks: EPA has a limited capacity to effectively respond to external network threats. Although the Agency has deployed new tools to improve its architecture, these tools raise new security challenges. EPA has reported that over 5,000 servers and user workstations may have been compromised from recent cyber security attacks. (Previous years reported under Homeland Security)	•	•	•
Reducing Domestic Greenhouse Gas: In response to a Supreme Court ruling in April 2007, EPA issued an endangerment finding that current and projected atmospheric concentrations of six greenhouse gas emissions threaten the public health and welfare of current and future generations. EPA must take significant actions to address the adverse impacts of these air pollutants.		•	
EPA’s Framework for Assessing and Managing Chemical Risks: EPA’s effectiveness in assessing and managing chemical risks is limited by its authority to regulate chemicals under the Toxic Substances Control Act. Chemicals manufactured before 1976 were not required to develop and produce data on toxicity and exposure, which are needed to properly and fully assess potential risks.		•	•

OIG Internal Management Challenges

GPRA requires that annual performance reports identify organizational management challenges. The OIG uses the results of its FMFIA internal control vulnerability assessment to identify and report on internal management challenges. As a result of its FY 2011 assessment, for the 12th straight year, the OIG reported no material weaknesses under FMFIA. Further, the OIG continues to make progress in addressing reported OIG-level weaknesses. Some weaknesses identified in FY 2010 were not fully resolved in FY 2011 because of their complexity.

OIG-level weaknesses (including new and previous issues currently being resolved)	FY 2009	FY 2010	FY 2011
Assignment time charging			✓
Independent contracting function		✓	
Product timeliness			✓
Secured/classified communications		✓	
Monitoring WCF charges			✓
Staffing		✓	✓
Records management	✓		
Follow-up on corrective actions—data quality	✓	✓	
Policies and procedures	✓	✓	✓
Investigative case management	✓	✓	✓

The OIG took the following steps during FY 2011 to improve internal management controls and operational efficiency and effectiveness, not necessarily in response to an identified weakness:

OIG Communications with the Agency

- Provided direct input to the Agency's infrastructure security, data integrity, and personally identifiable information protection.
- Identified and reported to the Agency on five major management challenges, eight Agency-level internal control weaknesses, and three office-level weaknesses.
- Prepared semiannual compendiums of unimplemented recommendations.
- Amended, with the Agency, the memorandum of understanding on OIG authority for its own contracting (executed in April 2010) to limit the scope of acquisition services that the OIG will perform to those \$25,000 and under.
- Identified 61 unimplemented OIG recommendations for action to improve Agency programs and operations; 76 previously reported unimplemented recommendations were completed.

OIG Financial Activities

- Continued to implement full costing of products and services through an improved cost accounting process for individual office direct product rates and overhead allocation rates.
- Accounted for 100 percent of OIG transactions in compliance with appropriations law and generally accepted accounting standards. Managed carryover balances and WCF Service Agreement through monthly Status of Resources Reports, providing full accountability for OIG funds and staff resources. Decreased carryover balances by \$3 million.
- Monitored and managed OIG funds so that 99 percent of expiring funds were used.

- Prepared a comprehensive *Annual Performance Report* demonstrating full accountability for the use of resources and performance results in relation to GPRA targets.

OIG Information Technology Developments

- Made nearly 100 percent of OIG products available electronically to the public (not including products with sensitive but unclassified information).
- Continued to develop and transfer OIG applications to a common information technology infrastructure.

OIG Process Activities

- Conducted a review of unliquidated obligations to identify any funds that could be put to better use. Reviewed 100 percent of the inactive unliquidated funds and deobligated funds where appropriate.
- Issued an internal review on OIG report recommendation follow-up and closeout processing, leading to a number of process and automated system changes to provide better control and quality assurance.
- Implemented several automated systems developed by the OIG Office of Mission Systems, including a Training Module to automate the individual development plan process, including training requests, approvals, and funding; and the consolidation of Continuing Professional Educations units records.
- Improved the quality of the OIG assignment planning process through application of advanced business case criteria.
- Provided training and technical documentation to improve both user understanding and technical input controls for the Inspector General Enterprise Management System and the Performance Measurement and Results System, resulting in quality of data and systems usability improving.
- Prepared an annual assignment plan with a rigorous assessment of Agency risks, investments, customer outreach, evaluation, prioritization, and selection process for the greatest potential return on investment.
- Created a series of process improvement workgroups to examine OIG product planning, production, reporting, and review. Identified a number of best practices and made a number of recommendations for performance improvement throughout the OIG.
- Conducted a strategic and annual planning outreach effort to OIG external stakeholders and a comprehensive internal SWOT (strengths, weaknesses, opportunities, and threats) analysis to identify areas for operational improvement and mission-directed areas for OIG attention in EPA.

OIG Human Resources Activities

- Conducted reviews of the OIG's progress in meeting continuing professional education requirements.
- Prepared additional performance standards supplementing the generic OIG critical elements to support the performance goals of certain OIG offices.
- Prepared contemporaneous funding and staffing projections under different scenarios to support organization-wide planning, spending, and staffing decisions.

Statistical Data

OIG FY 2011 Profile of Activities and Results

Audit/evaluation activity and Agency action			Investigative activity	
Reports issued				
▪ Reviews performed by OIG	85		▪ Investigations opened	131
▪ Single audit reviews	636		▪ Investigations closed	84
Total reports	721		▪ Pending investigations as of 9/30/11	210
Monetary results (dollars in millions)			▪ Indictments persons/firms	17
▪ Questioned EPA costs—OIG performed	\$10.8		▪ Convictions persons/firms	15
▪ Cost efficiencies—OIG performed*	\$67.7		▪ Administrative actions: EPA employees/firms	104
▪ Questioned EPA costs sustained (from current and prior periods)	\$0.8		▪ Civil judgments	1
▪ Cost efficiencies sustained (from current and prior periods)	\$54.7		▪ Fines and recoveries (in millions)	\$3.9
▪ Reports resolved (from current and prior periods)	721		▪ Cost savings (in millions)	\$2.2
▪ Agency recoveries (from current and prior periods)	\$3.9		▪ Prison time (in months)	230
			▪ Probation/Detention (in months)	18
			▪ Community service (in hours)	50
* includes \$2.2 million from investigative savings				
Audit resolution (in millions)		Questioned	Efficiencies	Other
Recommendations as costs			▪ Hotline inquiries received	252
▪ With no management decision start FY 2011 (33)	\$17.2	\$0.0	▪ Hotline inquiries closed	150
▪ Issued in FY 2011 (24)	\$10.8	\$7.5	▪ Hotline inquiries pending 9/30/11	118
▪ Total inventory—net (57)	\$28.0	\$7.5	▪ Referrals to other offices	252
▪ Agreed to/sustained by management or value of nonawards (not including prior to issuance) (9)	\$10.8	\$7.5	▪ Legislative/regulatory/policy items reviewed	185
▪ Not agreed to/sustained to by management (10)	\$1.1	\$1.1	▪ Legislative/regulatory/policy items upon which comments and suggestions were made	19
▪ With no management decision, end FY 2011 (23)*	*\$14.1	*\$12.3		
▪ Total audits with no final actions as of 9/30/11 which are over 365 days past acceptance of a management decision: 64 reports				
o Program	36			
o Assist agreements	10			
o Contract	0			
o Single audits	17			
o Financial statement	1			
▪ Reports with costs for which no management decision was made within 6 months of issuance at 9/30/11: 23	\$14.1	\$12.3		
▪ Reports resolved: 72				

* Any difference in number of reports and dollar amounts is due to adjustments and corrections made in our tracking system between semiannual reporting periods.

OIG FY 2011 Audit, Inspection, and Evaluation Report Resolution

In FY 2011, EPA was responsible for addressing OIG recommendations and tracking follow-up activities for 377 audits. The Agency achieved final action (completing all corrective actions associated with the audit) on 178 audits, which included program evaluation/program performance, assistance agreement, and single audits. This total excludes Defense Contract Audit Agency audits issued after January 1, 2009; these audits are discussed in a separate section below.

Category	Disallowed costs (financial audits)		Fund put to better use (performance audits)	
	No.	Value	No.	Value
A. Audits with management decisions but without final action at the beginning of the period	65	\$66,371,403	77*	\$ 80,070,565
B. Audits for which management decisions were made during the period (i) Management decisions with disallowed costs (12) and with better use funds (2) (ii) Management decisions with no disallowed costs (79) and with no better use funds (44)	91	853,496	46	9,647,000
C. Total audits pending final action during the period (A+B)	156	67,224,899	123	89,717,565
D. Final action taken during the period: (i) Recoveries a. Offsets b. Collection c. Value of property d. Other (ii) Write-offs (iii) Reinstated through grantee appeal (iv) Value of recommendations completed (v) Value of recommendations management decided should/could not be completed	108	39,960,302	57	13,880,370
E. Audits without final action at end of period (C – D)	48	27,264,597	74	75,837,195

* Includes all performance audits, including those without funds to be put to better use (efficiencies).

Final Corrective Action Not Taken. Of the 377 audits that EPA tracked, a total of 199 audits—including program evaluation/program performance, assistance agreement, contract, and single audits—were without final action and not yet fully resolved at the end of FY 2011. (The 13 audits with management decisions under administrative appeal by the grantee are not included in the 199 total; see discussion below.)

Final Corrective Action Not Taken Within 1 Year. Of the 199 audits, EPA officials had not completed final action on 52 audits (5 of which involve multiple offices) within 1 year after the management decision (the point at which the OIG and action official reach agreement on the corrective action plan). Because the issues to be addressed may be complex, Agency managers often require more than 1 year to complete the agreed-upon corrective actions. These audits are listed below by category—audits of program performance, single audits, and assistance agreements—and identified by title and responsible office. Additional details are at EPA’s website at <http://www.epa.gov/planandbudget/>.

EPA Office of Inspector General Annual Performance Report Fiscal Year 2011

Audits of Program Performance. Final action for program performance audits occurs when all corrective actions have been implemented, which may require more than 1 year when corrections are complex and lengthy. Some audits include recommendations requiring action by more than one office. EPA is tracking 44 audits in this category (4 of these involve multiple offices, indicated with +):

Office of Administration and Resources Management:

09-P-0087+ EPA Plans for Managing Counter Terrorism/Emergency Response Equipment
10-P-0002 Review of Hotline Complaint on Employee Granted Full-Time Work-at-Home Privilege

Office of Air and Radiation:

2005-P-00003 Additional Analysis of Mercury Emissions Needed Before Finalizing Rules for Coal-Fired Utilities
2005-P-00010 Evaluation of Clean Air Act Title V Operating Permit Quality
08-P-0206 Voluntary Greenhouse Gas Reduction Programs Have Limited Potential
09-P-0087+ EPA Plans for Managing Counter Terrorism/Emergency Response Equipment

Office of the Chief Financial Officer:

08-P-0116 EPA Can Recover More Federal Superfund Money
09-P-0087+ EPA Plans for Managing Counter Terrorism/Emergency Response Equipment
10-1-0029 Audit of 2009 and 2008 (Restated) Consolidated Financial Statements
10-P-0077+ EPA Needs to Improve Its Recording and Reporting of Fines and Penalties

Office of Enforcement and Compliance Assurance:

2001-P-00013 State Enforcement Effectiveness – National Audit
2005-P-00024 Limited Knowledge of Universe of Regulated Entities Impedes EPA
2007-P-00027 Benchmarking Other Organizations Statistically Valid Compliance Practices
08-P-0141 EPA Needs to Track Compliance with Superfund Cleanup Requirements
09-P-0092 EPA Can Improve Implementing Risk Management Program for Airborne Chemical Releases
09-P-0144 EPA Needs to Improve Internal Controls to Increase Cost Recovery
10-P-0007 EPA Oversight and Policy for High Priority Violations of Clean Air Act Need Improvement
10-P-0009+ EPA Needs a Better Strategy to Identify Violations of Section 404 of the Clean Water Act
10-P-0077+ EPA Needs to Improve Its Recording and Reporting of Fines and Penalties
10-P-0133 EPA Should Improve Its Oversight of Federal Agency Superfund Reviews
10-P-0066 EPA Needs a Coordinated Plan to Oversee Its Toxic Substances Control Act Responsibilities

Office of Environmental Information:

2007-P-00008 EPA Could Improve Controls over Mainframe Software
09-P-0127 EPA Has Improved its Response to Freedom of Information Act Requests

Office of Research and Development:

09-P-0232 EPA's Office of Research and Development Could Better Use FMFIA
09-P-0235 EPA Needs an Oversight Program for Protocol Gases
10-P-0042+ Lack of Final Guidance on Vapor Intrusion Impedes Efforts to Address Indoor Air Risks

Office of Solid Waste and Emergency Response:

2006-P-00013 Superfund Mandate: Program Efficiencies
2006-P-00007 More Information Is Needed on Toxaphene Degradation Products
2007-2-00003 Superfund Cooperative Agreement Obligations
2007-P-00002 Asbestos Cleanup in Libby Montana
08-P-0265 EPA Should Continue Efforts to Reduce Unliquidated Obligations in Brownfields Pilot Grants
10-P-0042+ Lack of Final Guidance on Vapor Intrusion Impedes Efforts to Address Indoor Air Risks
10-P-0133 EPA Should Improve Its Oversight of Federal Agency Superfund Reviews

Office of Water:

2002-P-00012 Controlling and Abating Combined Sewer Overflows
09-P-0223 EPA Needs to Accelerate Adoption of Numeric Nutrient Water Quality Standards
10-P-0009+ EPA Needs a Better Strategy to Identify Violations of Section 404 of the Clean Water Act
10-P-0081 EPA Needs Procedures to Address Delayed Earmark Projects
10-R-0057 EPA Needs Definitive Guidelines for Recovery Act and Future Green Reserve Projects

Region 1:

09-P-0119 Improved Management of Special Accounts Will Make More Funds Available

EPA Office of Inspector General Annual Performance Report Fiscal Year 2011

Region 2:

2007-P-0039 OIG Congressional Request-Ringwood Mines/Landfill Superfund
2007-P-0016 Ringwood Mines/Landfill Superfund Site

Region 3:

2007-P-0031 Chesapeake Bay Land Use
10-P-0055 Conditions at Wildcat Landfill Superfund Site in Delaware Call for Increased EPA Oversight

Region 9:

08-P-0196 Making Better Use of Stringfellow SF Special Accounts

Single audits. Final action for single audits occurs when nonmonetary compliance actions are completed. Achieving final action may require more than a year if the findings are complex or the grantee does not have the resources to take corrective action. Single audits are conducted of nonprofit organizations, universities, and state and local governments. EPA is tracking completion of corrective action on 11 single audits for the period beginning October 1, 2011.

Region 2:

2007-3-00139 State of New York, FY 2006

Region 9:

09-3-0234 Guam Waterworks Authority FY 2008
10-3-0164 Guam Waterworks Authority FY 2009

Region 10:

2002-3-00009 Iliama Village Council
2002-3-00042 Iliama Village Council
2003-3-00047 Stevens Village Council
2003-3-00117 Stevens Village Council
2003-3-00145 Circle Village Council
2004-3-00011 Northway Village Council
2006-3-00167 State of Alaska - FY 2003
2006-3-00168 State of Alaska - FY 2004

Audits of Assistance Agreements. Reaching final action for assistance agreement audits may require more than 1 year, as the grantee may appeal, refuse to repay, or be placed on a repayment plan that spans several years. EPA is tracking three audits in this category:

Region 2:

1989-9-01299 Nassau County, New York

Region 3:

2001-1-00101 Center for Chesapeake Communities Assistance Agreements

Region 5:

08-2-0039 Village of Laurelville, Ohio

OIG Reports With Unimplemented Recommendations by Program Office (as of September 30, 2011)

Office of Administration and Resources Management:

10-P-0002 Review of Hotline Complaint on Employee Granted Full-Time Work-at-Home Privileges
09-P-0087 EPA Plans for Managing Counter Terrorism/Emergency Response Equipment

Office of Enforcement and Compliance Assurance:

10-P-0009 EPA Needs a Better Strategy to Identify Violations of Section 404 of the Clean Water Act

Office of Research and Development:

10-P-0042 Lack of Final Guidance on Vapor Intrusion Impedes Efforts to Address Indoor Air Risks

Office of Water:

10-R-0057 EPA Needs Definitive Guidance for Recovery Act Future Green Reserve Projects
09-P-0223 EPA Needs to Accelerate Adoption of Numeric Water Quality

Region 3:

2007-P-00031 Development Growth Outpacing Progress in Watershed Efforts to Restore the Chesapeake Bay

OIG FY 2011 Budget and Resources Analysis Use and Allocation

The Department of the Interior, Environment, and Related Agencies Appropriations Act, 2011, provided the EPA OIG with an FY 2011 budget funding level of \$54,586,000. Additionally, ARRA provided the OIG with \$20,000,000 through FY 2012. In accordance with a congressional directive to increase its staffing level to that of prior years, and at the same time recruit staff to fulfill the oversight requirements of ARRA, the OIG is continuing a hiring initiative consistent with available funds. Additionally, during FY 2011, the OIG improved organizational efficiency by creating a new Office of the Chief of Staff. The chart below shows the OIG budget and staffing history for FYs 2000–2012.

Historical budget and manpower summary			
Fiscal year	Enacted budget (after rescissions where applicable)	On-board staff (as of October 1)	Expenditures (including carryover)
2000	\$43,379,700	340	\$39,364,100
2001	45,493,700	351	41,050,807
2002	45,886,000	354	45,238,608
2003	48,425,200	348	46,023,048
2004	50,422,800	363	52,212,862
2005	50,542,400	365	61,733,781
2006	50,241,000	350	49,583,584
2007	5,0459,000	326	48,658,217
2008	52,585,000	290	52,231,690
2009	54,696,000*	304	51,182,958*
2010	54,766,000*	316	51,725,199*
2011	54,586,000*	356	57,419,980*
2012	51,955,000*	339	TBD

* Exclusive of ARRA funds.

ARRA funding, cumulative spending, and balance available

ARRA funding FY 2009–2012	\$20,000,000
ARRA cumulative spending FY 2009–2011	12,387,011
ARRA balance available for FY 2012	\$ 7,612,989

Resource usage by appropriation

FY 2010 appropriation usage

<u>Account</u>	<u>\$ appropriation available</u>	<u>\$ appropriation used</u>	<u>% \$ appropriation used</u>
Management	\$44,721,000	\$44,376,125	99.2%
Superfund	9,975,000	9,865,628	98.9%
TOTAL	\$54,696,000	\$54,241,753	99.2%

FY 2011 FTE usage

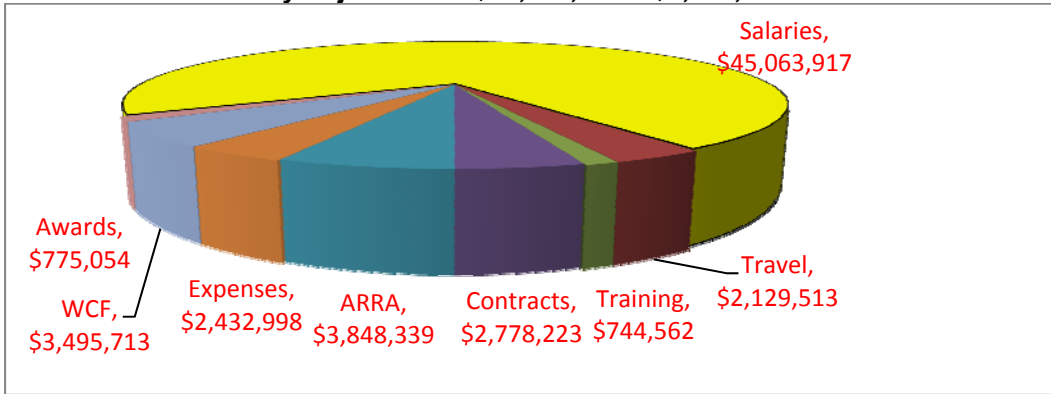
<u>Account</u>	<u>FY 11 FTE available</u>	<u>FY 11 FTE used</u>	<u>% FTE budget used</u>
Management	269.9	265.4	98.3%
Superfund	60.1	50.0	83.2%
ARRA	32.8	28	85.4%
TOTAL	362.8	343.3	94.6%

FY 2011 appropriation usage

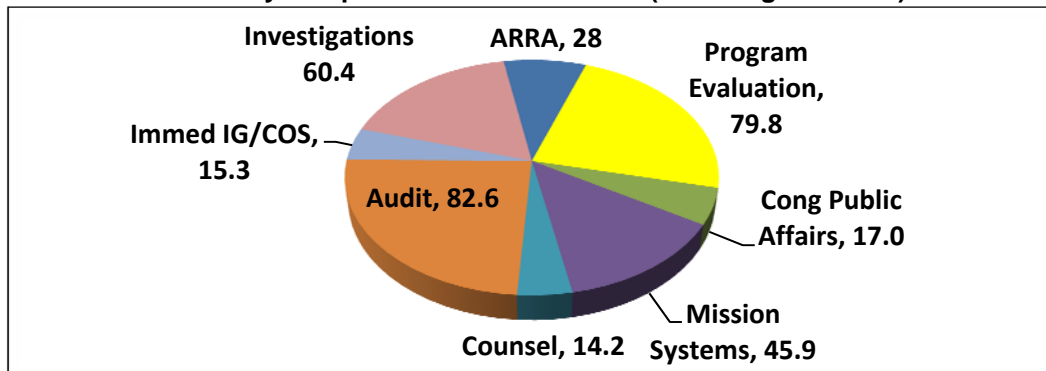
<u>Account</u>	<u>\$ appropriation available</u>	<u>\$ appropriation used</u>	<u>% \$ appropriation used</u>
Management	\$44,631,000	\$35,457,797	79.4%
Superfund	9,955,000	7,454,027	74.9%
TOTAL	\$54,586,000	\$42,911,824	78.6%

Unused FY 2010 funds were available through FY 2011; unused FY 2011 funds are available through FY 2012.

FY 2011 funds used by object class: \$57,419,980 + \$3,848,339 ARRA



FY 2011 FTE used by component: Total 343.3 FTE (including 28 ARRA)



OIG Financial Statement: Analysis of FY 2011 Fund Use

EPA OIG FY 2011 financial statement: sources, uses, and balance of funds

MANAGEMENT	FY 2010 carryover available in FY 2011	FY 2010 carryover used in FY 2011	FY 2010 lapsed funds	FY 2011 appropriation	FY 2011/2012 funds used	FY 2011 carryover to FY 2012	Total cost of FY 2011 operations	Total cost as % of FY 2011 appropriation
PC&B	\$10,005,216	\$9,730,564	\$274,651	\$37,131,000	\$28,946,213	\$8,184,787	\$38,676,777	104%
Travel	1,049,983	1,021,123	28,860	1,330,000	712,468	617,532	1,733,591	130%
Expenses	310,357	303,000	7,357	1,776,000	1,691,253	84,747	1,994,253	112%
Contracts	1,267,077	1,233,071	34,006	1,673,000	1,490,561	182,440	2,723,631	163%
WCF	243,152	243,152	0	2,634,000	2,617,303	16,697	2,860,455	109%
Grants	<u>0</u>	-	<u>0</u>	<u>87,000</u>	<u>0</u>	<u>87,000</u>	<u>90,000</u>	<u>103%</u>
Total Management	\$12,875,784	\$12,530,910	\$344,874	\$44,631,000	\$35,457,797	\$9,173,203	\$48,078,707	108%
SUPERFUND	FY 2010 carryover available in FY 2011	FY 2010 carryover used in FY 2011	FY 2010 lapsed funds	FY 2011 appropriation	FY 2011/2012 funds used	FY 2011 carryover to FY 2012	Total cost of FY 2011 operations	Total cost as % of FY 2011 appropriations
PC&B	\$1,337,735	\$1,245,636	\$92,099	\$7,637,000	\$5,916,557	\$1,720,443	\$7,162,193	94%
Travel	245,872	236,752	9,120	296,000	159,170	136,830	395,922	134%
Expenses	68,399	66,646	1,752	526,000	372,100	153,900	438,746	83%
Contracts	271,615	265,215	6,400	834,000	424,239	409,761	689,454	83%
WCF	0	0	0	643,000	581,962	61,038	635,258	99%
Grants	<u>0</u>	-	<u>0</u>	<u>19,000</u>	-	<u>19,000</u>	<u>19,700</u>	<u>104%</u>
Total Superfund	\$1,923,620	\$1,814,249	\$109,371	\$9,955,000	\$7,454,027	\$2,500,973	\$9,341,273	94%
Total Management & Superfund	\$14,799,404	\$14,345,159	\$454,245	\$54,586,000	\$42,911,824	\$11,674,176	\$57,419,980	105%

OIG Data Verification and Validation

As required by GPRA, the following is a discussion of sources, processes, and controls in place to provide the basis for assurance of data quality.

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

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

Methods, Assumptions, and Suitability: OIG performance results are a chain of linked events, starting with OIG outputs leading to subsequent actions taken by EPA or its stakeholders/partners to improve operational efficiency and environmental program delivery, reported as intermediate outcomes. The OIG can only control its outputs; it has no authority to implement its recommendations, which lead to environmental and management outcomes.

Quality Assurance/Quality Control Procedures: All performance data entered in the database require at least one verifiable source assuring data accuracy and reliability. Data quality assurance and control are performed as an extension of OIG products and services, subject to rigorous compliance with the Government Auditing Standards of the Comptroller General (2007 Revision), U.S. Government Accountability Office, GAO-07-731G, July 2007, available at <http://www.gao.gov/govaud/ybk01.htm>; and regularly reviewed by an independent OIG quality assessment review team and external independent peers. Each Assistant Inspector General certifies the completeness and accuracy of his or her respective performance data. Additionally, the EPA OIG earned a clean, or unmodified, opinion in FY 2009 through a rigorous peer review performed the previous year.

Data Limitations: All OIG staff are responsible for data accuracy in their products and services. However, human error or time lags can lead to incomplete, miscoded, or missing data in the system. Further, data supporting achievement of results often come from indirect or external sources that have their own methods or standards for data verification/validation.

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

Historic Planned Versus Actual Resources and Results, FYs 2009–2012

		FY 2009		FY 2010		FY 2011		FY 2012
	OIG appropriation:							
	Enacted	\$54,800,000		\$54,800,000		\$54,586,000		\$51,840,000
	Used	\$51,179,920		\$51,725,199		\$57,419,980		
	FTE:							(Pres. Bud.)
	Authorized	331.0		361.8		365.8		358.1
	Used	292.7		335.5/289.5* net		343.3/315.4* net		TBD
Annual performance measures	Supporting indicators	Target	Actual	Target	Actual	Target	Actual	Target
Environmental and business actions taken for improved performance from OIG work (outcomes)	<ul style="list-style-type: none"> o Policy, process, practice or control changes implemented o Environmental or operational risks reduced or eliminated o Critical congressional or public concerns resolved o Certifications, verification, or analysis for decision or assurance 	318	272	334	391	334	315	334
Environmental and business recommendations or risks identified for corrective action by OIG work (outputs)	<ul style="list-style-type: none"> o Recommendations or best practices identified for implementation o Risks or new management challenges identified for action o Critical congressional/public actions addressed or referred for action 	903	983	903	945	903	2011	903
Potential monetary return on investment in the OIG, as a percentage of the OIG budget (in millions)	<ul style="list-style-type: none"> o Recommended questioned costs o Recommended cost efficiencies and savings o Fines, penalties, settlements, restitutions 	120% \$65.7	150% \$83.3	120% \$65.7	36% \$19.6	120% \$65.6	150.6% \$82.4	110% \$57.0
Criminal, civil, administrative, and fraud prevention actions taken from OIG work	<ul style="list-style-type: none"> o Criminal convictions o Indictments/Informations o Civil judgments o Administrative actions (staff actions and suspension or debarments) 	80	95	75	115	80	160	85
Activity	<ul style="list-style-type: none"> o OIG-issued audit/evaluation reports 	N/A	66	N/A	83	N/A	85	N/A

Note: All targets are set, consistent with relative changes in funding. Outputs change in nearly direct proportion, while outcomes are further adjusted for growth because a lag generally occurs between all previous outputs (recommendations) before they come to fruition as outcomes (action on recommendations). N/A means no reporting targets were set.

* The latter (net) figure does not include funds, FTEs, or performance results associated with ARRA.

OIG Recovery Act Resources and Performance

ARRA is an unprecedented effort to jump start our economy, create or save millions of jobs, and address long-neglected challenges emerging in the 21st century. ARRA included \$7.2 billion for programs administered by EPA to protect and promote both green jobs and a healthier environment.

ARRA provides the EPA OIG with \$20 million through September 30, 2012, for oversight and review. The OIG is assessing whether EPA uses its \$7.2 billion of ARRA funds in accordance with its requirements and meets the accountability objectives as defined by OMB. The OIG is using the funds to determine whether:

- Funds are awarded and distributed in a prompt, fair, and reasonable manner
- Recipients and uses of funds are transparent to the public, and the public benefits of these funds are reported clearly, accurately, and in a timely manner
- Funds are used for authorized purposes and instances of fraud, waste, error, and abuse are mitigated
- Projects funded under ARRA avoid unnecessary delays and cost overruns
- Program goals are achieved, including specific program outcomes and improved results on broader economic indicators

For more information on the EPA OIG and its implementation of ARRA activities, visit <http://www.epa.gov/oig/recovery.htm>.

OIG ARRA Resource Use as of September 30, 2011:

- Total cumulative expenditures—\$12,387,011 (\$3,848,339 in FY 2011)
- Total cumulative FTE used—85.0 (28 in FY 2011)

Program accomplishments as of September 30, 2011

ARRA performance measures	FY 2011 results (12 months)*
Number of certifications, verifications, validations, or corrections	106
Number of EPA policies, directives, practices, or process changes/decisions	13
Number of awareness/technical briefings conducted	163
Number of best practices identified	2
Findings without controlled recommendations (from single audits)	1,137
Number of recommendations for improvement	160
Number of referrals for Agency action	9
Recommended efficiencies, costs saved or avoided (in millions)	\$2.8
Number of administrative actions	3
Number of allegations disproved	10
Civil actions	1
Number of sustained environmental or business recommendation	71
Fines, recoveries, settlements, restitutions (in millions)	\$0.2
Hotline complaints received	19

Note: All targets are set, consistent with relative changes in funding and staffing levels. Output targets change in nearly direct proportion to funding and staffing, while outcome targets are adjusted recognizing a time lag required for output products (recommendations) to be acted upon as intermediate outcomes, and then have to be recognized as having intended impact outcomes.

* The long-term targets set for the OIG extend until 2014. The oversight work of the OIG will continue after all the ARRA funds are spent or expired, recognizing that the time-lag for actions on audit recommendations by EPA and the time for investigative cases to come to fruition are beyond the control of the OIG.