



U.S. Environmental Protection Agency

OFFICE OF INSPECTOR GENERAL

# Annual Performance Report Fiscal Year 2013



Scan this mobile code to learn more about the EPA OIG.

U.S. Environmental Protection Agency  
Office of Inspector General (Room 2491T)  
1200 Pennsylvania Avenue, NW  
Washington, D.C. 20460  
(202) 566-2391

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

CSB	U.S. Chemical Safety and Hazard Investigation Board
EPA	U.S. Environmental Protection Agency
FY	Fiscal year
GPRA	Government Performance and Results Act Modernization Act of 2010
OIG	Office of Inspector General

### Hotline

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

**email:** [OIG\\_Hotline@epa.gov](mailto:OIG_Hotline@epa.gov)  
**phone:** 1-888-546-8740  
**fax:** 1-202-566-2599  
**online:** <http://www.epa.gov/oig/hotline.htm>  
**write:** EPA Inspector General Hotline  
1200 Pennsylvania Avenue, NW  
Mailcode 2431T  
Washington, DC 20460

### Suggestions for Audits or Evaluations

To make suggestions for audits or evaluations, contact us through one of the following methods:

**email:** [OIG\\_WEBCOMMENTS@epa.gov](mailto:OIG_WEBCOMMENTS@epa.gov)  
**phone:** 1-202-566-2391  
**fax:** 1-202-566-2599  
**online:** [http://www.epa.gov/oig/contact.html#Full\\_Info](http://www.epa.gov/oig/contact.html#Full_Info)  
**write:** EPA Inspector General  
1200 Pennsylvania Avenue, NW  
Mailcode 2410T  
Washington, DC 20460

## Message From the Inspector General

---

I am pleased to present this Annual Performance Report of the U.S. Environmental Protection Agency (EPA) Office of Inspector General (OIG). This report summarizes OIG activities, performance, results and challenges, and provides a financial accounting of resources for fiscal year 2013 compared to our annual performance targets. It also compares cumulative OIG results for fiscal years 2011–2013 to annual performance targets.

This document details the public benefit and return on investment provided by the OIG, both in annual increments and over the long term. For example, during the year, the OIG identified:

- \$122 million in EPA potential savings and recoveries.
- 624 recommendations to improve agency programs, operations, human health and the environment, including key legislative recommendations to Congress.
- 215 environmental and business actions taken for improvement of EPA operations or reduced risks.



Arthur A. Elkins Jr.

OIG investigations accounted for 256 criminal, civil and administrative enforcement actions, including charges against a senior policy advisor, John C. Beale, for the theft of nearly \$900,000 in pay and expenses. Additionally, our investigators participated in the joint federal Deepwater Horizon taskforce, resulting in a criminal recovery of \$4.4 billion related to the BP oil spill.

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 in this regard, as one of my personal goals is to build constructive relationships that promote the economic, efficient and effective delivery of the EPA's mission.

A handwritten signature in black ink that reads "Arthur A. Elkins Jr." in a cursive style.

Arthur A. Elkins Jr.  
Inspector General

# *Table of Contents*

---

<b>About the U.S. Environmental Protection Agency Office of Inspector General .....</b>	<b>1</b>
OIG Product and Service Lines .....	1
OIG Strategic Plan.....	2
<b>OIG Cumulative Performance Results, FYs 2011-2013 .....</b>	<b>3</b>
<b>Scoreboard of OIG FY 2013 Performance Results .....</b>	<b>4</b>
<b>FY 2013 OIG-Issued Reports Addressing EPA Themes and Cross-Cutting Strategies.....</b>	<b>5</b>
<b>Performance Results and Highlights for FY 2013.....</b>	<b>10</b>
Office of Program Evaluation.....	10
Office of Audit .....	14
Office of Investigations .....	21
U.S. Chemical Safety and Hazard Investigation Board.....	25
<b>OIG-Reported Key Agency Management Challenges.....</b>	<b>26</b>
<b>OIG Internal Management Challenges .....</b>	<b>27</b>

## **Appendices**

<b>A</b>	<b>OIG FY 2013 Budget and Resources Analysis Use and Allocation.....</b>	<b>28</b>
<b>B</b>	<b>Historic Planned Versus Actual Resources and Results, FYs 2009–2013 .....</b>	<b>29</b>
<b>C</b>	<b>OIG Data Verification and Validation.....</b>	<b>30</b>

## 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 promotes economy, efficiency and effectiveness—as well as 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 the 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 (P.L. 95-452). The EPA OIG also serves as the Inspector General for the U.S. Chemical Safety and Hazard Investigation Board (CSB).

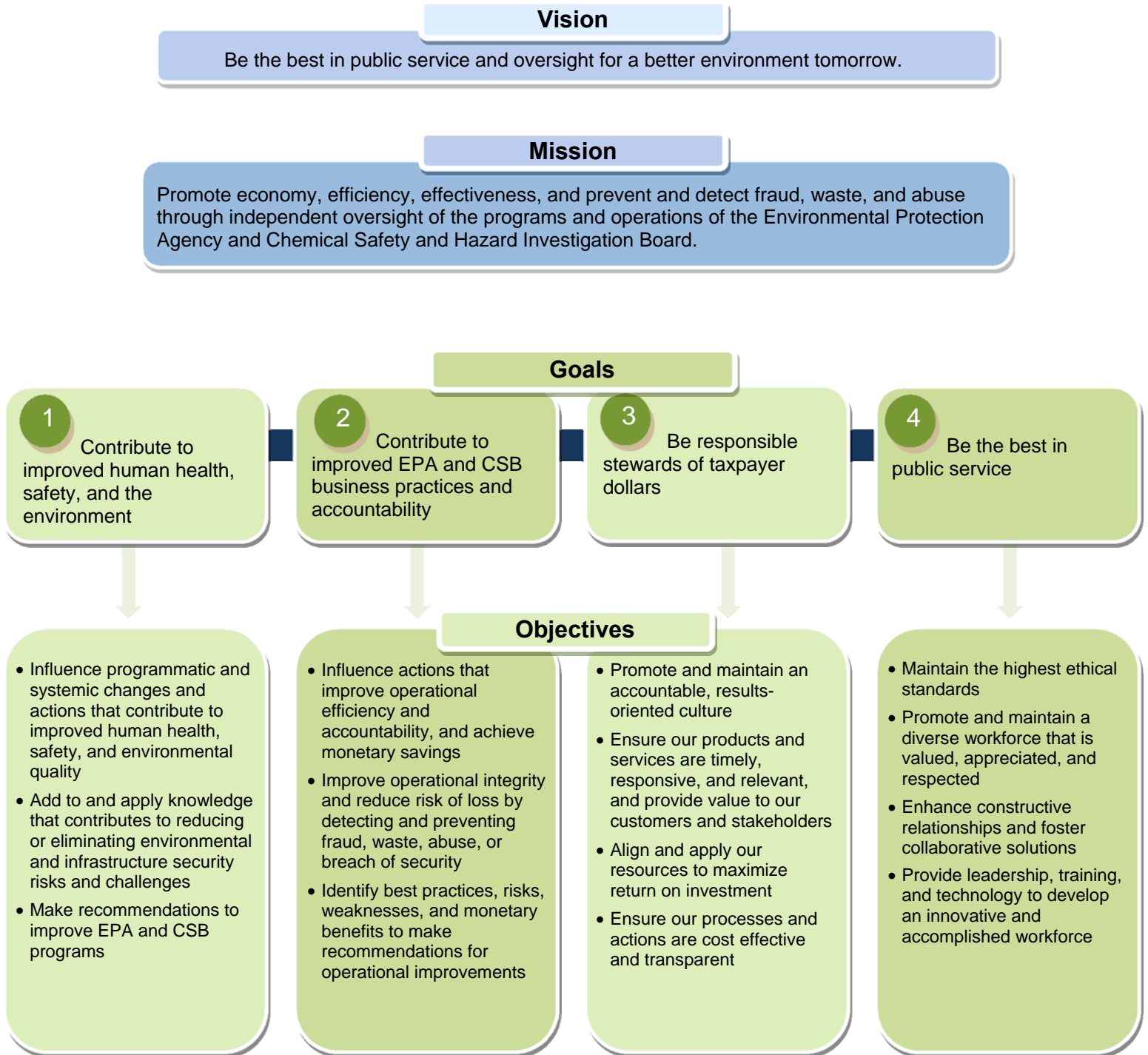
### OIG Product and Service Lines

OIG staff are physically located at headquarters in Washington, D.C.; at regional headquarters offices for all 10 EPA regions; and at other EPA locations including Research Triangle Park, North Carolina, and Cincinnati, Ohio. OIG activities can be divided among four main categories, with specialized product and service lines in each, through which the OIG carries out its mission. The categories and product/service lines in fiscal year (FY) 2013 were as follows:

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

## OIG Strategic Plan

The OIG developed its strategic plan for FYs 2012–2016 based upon statutory requirements for the EPA OIG; the statutory mission of the EPA; and direct input from the OIG’s stakeholders, managers and staff. Key elements from the OIG’s strategic plan follow.



## OIG Cumulative Performance Results, FYs 2011–2013

This section demonstrates the EPA OIG’s annual progress in attaining its strategic performance goals for FYs 2011–2013 as per the Government Performance and Results Act Modernization Act of 2010, known as GPRA.

The OIG exceeded three of its four annual performance goal targets during FY 2013, with the three targets significantly exceeded. With an increased focus on identifying cost efficiencies through performance audits and program evaluations, the OIG identified questioned costs, cost efficiency savings, fines, settlements and recoveries totaling over \$122 million. This amount represents a 248-percent return on investment in potential monetary benefits alone when considering the OIG’s FY 2013 annual budget and sequestration reductions.

Additionally, the EPA agreed to over \$23.6 million in OIG monetary recommendations and savings from current and prior periods. Many of the benefits that result from our work cannot be measured in dollar terms. During FY 2013, OIG had 471 non-financial accomplishments. Such accomplishments included 256 criminal, civil or administrative enforcement actions, and 215 actions taken by the agency to improve the management of EPA programs.

A primary factor for the OIG not meeting all of its annual performance goal targets is the time delay between outputs and outcomes—the time between when we make our recommendations and when the agency actually acts upon them—which is beyond the OIG’s control. However, the charts on the next page demonstrate that the OIG has exceeded its aggregate cumulative GPRA targets for FYs 2011–2013.



## Scoreboard of OIG FY 2013 Performance Results (Compared to FY 2013 Annual Performance Goal Targets)

Our work is designed to help the EPA reduce risk, improve practices and program operations, and save taxpayer dollars so that the agency can better protect the environment. The information below shows the taxpayers’ return on investment for the work performed by the EPA OIG. All results reported in FY 2013, from current and prior year work, are based on the annual performance goals and plans established through implementation of GPRA.

<b>Annual Performance Goal 1: Environmental and business outcome actions taken or realized by the EPA (based on OIG recommendations)</b>	
<b>Target: 256 (adjusted)</b> <b>Reported: 215</b> (84% of goal)	<b>Supporting measures</b> 194 Environmental and management actions implemented or improvements made 19 Critical congressional and public concerns addressed 2 Legislative or regulatory changes made
<b>Annual Performance Goal 2: OIG environmental and business output recommendations, awareness briefing or testimony (for agency action)</b>	
<b>Target: 654 (adjusted)</b> <b>Reported: 1,003</b> (153% of goal)	<b>Supporting measures</b> 624 Environmental and management recommendations or referrals for action 309 Environmental and management certifications, verifications and validations 11 Environmental and management risks and vulnerabilities identified 59 External awareness briefings, training or testimony given
<b>Annual Performance Goal 3: Monetary return on investment – potential monetary return on investment as percentage (125%) of budget</b>	
<b>Target: 125% return on investment</b> <b>Reported: \$122 million*</b> (248% return on investment)	<b>Supporting measures (dollars in millions)</b> \$37.55 Questioned costs \$83.10 Recommended efficiencies, costs saved \$1.34 Fines, penalties, settlements and restitutions*
<b>Annual Performance Goal 4: Criminal, civil and administrative actions reducing risk or loss/operational integrity</b>	
<b>Target: 90</b> <b>Reported: 256</b> (284% of goal)	<b>Supporting measures</b> 19 Criminal convictions 34 Indictments, information and complaints 4 Civil actions 90 Administrative actions (other than debarments or suspensions) 92 Suspension of debarment actions 17 Allegations disproved

\* Does not include \$4.4 billion in criminal settlement from the EPA Office of Investigations’ joint-effort work on the BP oil spill.



## FY 2013 OIG-Issued Reports Addressing EPA Themes and Cross-Cutting Strategies

OIG Report	Report Number	Making a Visible Difference in Communities Across the Country	Addressing Climate Change and Improving Air Quality	Taking Action on Toxics and Chemical Safety	Protecting Water: A Precious, Limited Resource	Launching a New Era of State, Tribal and Local Partnerships	Embracing EPA as a High Performing Organization	Working Toward a Sustainable Future	Advancing Science, Research and Technological Innovation
Improvements Needed in Estimating and Leveraging Cost Savings Across EPA	13-P-0028						X		
Congressionally Requested Information on EPA Utilization of Integrated Risk Information System.	13-P-0127								X
New Procedures Aided Region 5 in Reducing Unliquidated Obligations	13-P-0145						X		
EPA Needs to Improve Air Emissions Data for the Oil and Natural Gas Production Sector	13-P-0161		X	X					
EPA Can Further Reduce Space in Under-Utilized Facilities	13-P-0162						X		
EPA Is Not Recovering All Its Costs of the Lead-Based Paint Fees Program	13-P-0163						X		
Efficiency of EPA's Rule Development Process Can Be Better Measured Through Improved Management and Information	13-P-0167		X		X				
Response to Congressional Request on EPA Enforcement	13-P-0168	X							
Corrective Action Plan Needed in Order to Fully Comply With the Improper Payments Elimination and Recovery Act	13-P-0175						X		
Results and Benefits Information Is Needed to Support Impacts of EPA's Superfund Removal Program	13-P-0176	X							

**EPA Office of Inspector General Annual Performance Report – Fiscal Year 2013**

<b>OIG Report</b>	<b>Report Number</b>	<b>Making a Visible Difference in Communities Across the Country</b>	<b>Addressing Climate Change and Improving Air Quality</b>	<b>Taking Action on Toxics and Chemical Safety</b>	<b>Protecting Water: A Precious, Limited Resource</b>	<b>Launching a New Era of State, Tribal and Local Partnerships</b>	<b>Embracing EPA as a High Performing Organization</b>	<b>Working Toward a Sustainable Future</b>	<b>Advancing Science, Research and Technological Innovation</b>
Improvements Needed in EPA Training and Oversight for Risk Management Program Inspections	13-P-0178	X							
The EPA Needs to Improve Management of its School Environmental Health Efforts	13-P-0201	X							
Review of Hotline Complaint Regarding Residential Soil Contamination in Cherryvale, Kansas	13-P-0207	X							
EPA Should Increase Fixed-Price Contracting for Remedial Actions	13-P-0208	X					X		
Opportunities for EPA-Wide Improvements Identified During Review of a Regional Time and Materials Contract	13-P-0209						X		
Review of Hotline Complaint on EPA's Pre-Award Activities for Multiple Award Contracts at the National Computer Center	13-P-0220						X		
Better Planning, Execution and Communication Could Have Reduced the Delays in Completing a Toxicity Assessment of the Libby, Montana, Superfund Site	13-P-0221	X							
Improvements Needed to Secure IT Assets at EPA-Owned Research Facilities	13-P-0252						X		
Improvements Needed in EPA's Information Security Program	13-P-0257						X		
EPA Oversight Addresses Thermal Variance and Cooling Water Permit Deficiencies But Needs to Address Compliance with Public Notice Requirements	13-P-0264				X				

**EPA Office of Inspector General Annual Performance Report – Fiscal Year 2013**

<b>OIG Report</b>	<b>Report Number</b>	<b>Making a Visible Difference in Communities Across the Country</b>	<b>Addressing Climate Change and Improving Air Quality</b>	<b>Taking Action on Toxics and Chemical Safety</b>	<b>Protecting Water: A Precious, Limited Resource</b>	<b>Launching a New Era of State, Tribal and Local Partnerships</b>	<b>Embracing EPA as a High Performing Organization</b>	<b>Working Toward a Sustainable Future</b>	<b>Advancing Science, Research and Technological Innovation</b>
Main EPA Headquarters Warehouse in Landover, Maryland, Requires Immediate EPA Attention	13-P-0272						X		
Improved Information Could Better Enable EPA to Manage Electronic Waste and Enforce Regulations	13-P-0298	X							
Review of Hotline Complaint Concerning the Region 4 Environmental Justice Small Grants Selection Process	13-P-0299	X							
EPA's Handling of a Proposed Alternative Method for Measuring Oil and Grease in Wastewater Met Requirements But Controls Needed to be Strengthened	13-P-0317				X				
Examination of Costs Claimed Under Grant AB-83363501 Awarded to Lead Remediation Association of America	13-P-0341			X					
EPA Can Better Address Risks to the Security of the Nation's Drinking Water Through New Authorities, Plans, and Information.	13-P-0349				X				
The EPA's Comments Improve the Environmental Impact Statement Process But Verification of Agreed-Upon Actions is Needed	13-P-0352		X	X	X				
Public May Be Making Indoor Mold Cleanup Decisions Based on EPA Tool Developed Only for Research Applications	13-P-0356								X
Controls Over EPA's Compass Financial System Need to Be Improved	13-P-0359						X		
EPA Needs to Improve STAR Grant Oversight	13-P-0361								X

**EPA Office of Inspector General Annual Performance Report – Fiscal Year 2013**

<b>OIG Report</b>	<b>Report Number</b>	<b>Making a Visible Difference in Communities Across the Country</b>	<b>Addressing Climate Change and Improving Air Quality</b>	<b>Taking Action on Toxics and Chemical Safety</b>	<b>Protecting Water: A Precious, Limited Resource</b>	<b>Launching a New Era of State, Tribal and Local Partnerships</b>	<b>Embracing EPA as a High Performing Organization</b>	<b>Working Toward a Sustainable Future</b>	<b>Advancing Science, Research and Technological Innovation</b>
Chemical Fume Hood Testing Improvements Needed to Reduce Health and Safety Risk to EPA Employees	13-P-0363			X			X		
Quick Reaction Report: EPA Must Taken Steps to Implement Requirements of Its Scientific Integrity Policy	13-P-0364								X
Limited Oil Spill Funding Since the Enbridge Spill Has Delayed Abandoned Oil Well Cleanups; Emergency Oil Responses Not Impacted	13-P-0370				X				
EPA's International Program Office Needs Improved Strategic Planning Guidance	13-P-0386		X	X				X	
EPA Can Better Document Resolution of Ethics and Partiality Concerns in Managing Clean Air Federal Advisory Committees	13-P-0387		X						
Improved Contract Administration Needed for the Customer Technology Solutions Contract	13-P-0398						X		
EPA Needs to Update Its Pesticide and Chemical Enforcement Penalty Policies and Practices	13-P-0431			X					
Controls and Oversight Needed to Improve Administration of EPA's Customer Service Lines	13-P-0432	X						X	
Congressionally Requested Inquiry Into the EPA's Use of Private and Alias Email Accounts	13-P-0433						X		
The EPA Should Assess the Utility of the Watch List as a Management Tool	13-P-0435						X		

**EPA Office of Inspector General Annual Performance Report – Fiscal Year 2013**

<b>OIG Report</b>	<b>Report Number</b>	<b>Making a Visible Difference in Communities Across the Country</b>	<b>Addressing Climate Change and Improving Air Quality</b>	<b>Taking Action on Toxics and Chemical Safety</b>	<b>Protecting Water: A Precious, Limited Resource</b>	<b>Launching a New Era of State, Tribal and Local Partnerships</b>	<b>Embracing EPA as a High Performing Organization</b>	<b>Working Toward a Sustainable Future</b>	<b>Advancing Science, Research and Technological Innovation</b>
American Recovery and Reinvestment Act Site Visit of Combined Sewer Overflow Detention Facility, City of Goshen, Indiana	13-R-0092	x							
Audit of American Recovery and Reinvestment Act-Award to the Idaho Department of Environmental Quality	13-R-0206	x							
Air Quality Objectives for the Baton Rouge Ozone Nonattainment Area Not Met Under Award to the Railroad Research Foundation	13-R-0297		X						
Projected Emission Reductions Overstated and Buy American Requirements Not Met Under EPA Award to the Tennessee Department of Transportation	13-R-0321		X						
Examination of Costs Claimed Under EPA Award Under the Recovery Act to Chelsea Collaborative Inc., Chelsea, Massachusetts	13-R-0353		X						
Examination of Costs Claimed Under American Recovery and Reinvestment Act Award to Grace Hill Settlement House, St. Louis, Missouri	13-R-0367		X						
American Recovery and Reinvestment Act Site Visit of Yauco – La Jurada Community Distribution System, Yauco, Puerto Rico	13-R-0413				x				
Audit of EPA's Fiscal 2012 and 2011 Consolidated Financial Statement	13-1-0054						X		

## Performance Results and Highlights for FY 2013

### Office of Program Evaluation

The Office of Program Evaluation examines root causes, effects and opportunities leading to findings, conclusions and recommendations that influence systemic changes and contribute to the accomplishment of the agency’s mission. Program evaluations answer questions about how well a program or activity is designed, implemented or operating in achieving EPA goals. Program evaluations may produce conclusions about the value, merits or worth of programs or activities. The results of program evaluations can be used to improve the operations of EPA programs and activities, sustain best practices and effective operations, and facilitate accomplishment of EPA goals.

### Key Performance Results

<b>Reports issued: 23</b>
<b>Environmental and business outcome actions taken or realized by the EPA (based on OIG recommendations)</b>
<ul style="list-style-type: none"> <li>➤ 58 EPA policy, directive, practice, corrective action or process changes made or implemented (including best practices)</li> <li>➤ 7 critical congressional or public management concerns addressed and resolved</li> </ul>
<b>OIG environmental and business output recommendations, awareness briefing or testimony (for agency action)</b>
<ul style="list-style-type: none"> <li>➤ 94 recommendations for improvement</li> <li>➤ 12 certifications, verifications, validations</li> </ul>
<b>Sustained recommendations</b>
<ul style="list-style-type: none"> <li>➤ 68 sustained environmental or business recommendations</li> </ul>

### Performance Highlights

#### Better Planning, Execution and Communication Could Have Reduced the Delays in Completing a Toxicity Assessment of the Libby, Montana, Superfund Site

- **What We Found:** EPA has been working in Libby since 1999, and in 2002 began an emergency-response cleanup of residential and commercial properties. In 2009, the EPA Administrator declared a public-health emergency at the Libby site due to the number of deaths and illnesses reported. The EPA did not complete planned corrective actions under its Libby Action Plan in a timely manner because the scope of the work was larger than originally thought; there was no established charter; and there were contracting delays, competing priorities, unanticipated work and poor communication with stakeholders.
- **Corrective Actions:** We recommended that the EPA (1) require action officials to disclose risks to completing corrective-action plans and update as needed, (2) establish a charter to define project roles and responsibilities, (3) direct the Science Advisory Board to determine whether the EPA has followed guidance sufficiently to support toxicity assessments, and

(4) develop a priority list for pending and ongoing research work. The EPA did not agree with each finding but provided acceptable corrective actions, to include committing to keeping stakeholders informed of risks to project milestones.

- **Expected Impact of Implemented Actions:** Disclosure of risks in corrective action plans will allow stakeholders to assess the feasibility of EPA actions early in the process when the EPA can make cost-effective modifications. The Libby toxicity assessment process failed partly because no one had the authority to lead the project, and the charter will address the leadership issue. The Science Advisory Board report disclosed some important limitations in the Libby work, which requires the EPA to redo portions of the work and perform other work not contemplated. Contracting work on the noncancer assessment took far too long partly because of the improper use of an interagency agreement to perform an unrelated task. The Libby toxicity work was delayed, in part, because the EPA chose to finish other projects first, but the EPA made these decisions without any documented consideration of what work was a priority for human health.
- **Link to Report:** <http://www.epa.gov/oig/reports/2013/20130417-13-P-0221.pdf>

### The EPA's Comments Improve the Environmental Impact Statement Process But Verification of Agreed-Upon Actions Is Needed

- **What We Found:** As required by the National Environmental Policy Act and the Clean Air Act, the EPA annually reviews hundreds of Environmental Impact Statements that evaluate the anticipated environmental impacts of proposed major federal actions. Projects include renewable energy, major highway, and oil and gas development projects. We found that federal agencies are making changes to their Environmental Impact Statements to mitigate or eliminate potential environmental risks based on the EPA's comments.
- **Corrective Actions:** We recommended that the EPA direct compliance staff conduct, on a selected basis, follow-up activities on final Environmental Impact Statements, including contacting lead agencies, and document the results of these reviews. The EPA agreed to do so for selected federal projects. Follow-up activities will include contacting federal agencies and documenting the results of these reviews.
- **Expected Impact of Implemented Actions:** The EPA cannot know or accurately assess environmental impacts on federal government projects avoided at the current time. In following our recommendation, the EPA can realize the full influence of its comments on the process.
- **Link to Report:** <http://www.epa.gov/oig/reports/2013/20130822-13-P-0352.pdf>



## EPA Needs to Improve Air Emissions Data for the Oil and Natural Gas Production Sector

- **What We Found:** The United States had nearly 1.1 million producing oil and gas wells in 2009, and the Department of Energy projects that about 39,000 new gas wells will be drilled annually through 2025. High levels of growth in the oil and natural gas production sector, coupled with harmful air pollutants emitted, underscore the need for the EPA to gain a better understanding of emissions and potential risks. To do so, the EPA needs to have sufficient data to conduct risk assessments and make permitting, enforcement and other decisions. However, the EPA has limited directly measured air emissions data for air toxics and criteria pollutants generated by the oil and gas production sector.
- **Corrective Actions:** We recommended that the EPA develop and implement a comprehensive strategy for improving air emissions data for the oil and gas production sector, prioritize which oil and gas production emission factors need to be improved, develop additional emission factors, and ensure the National Emissions Inventory data for oil and gas production are complete. As a result of our recommendations, the EPA agreed to develop and implement a cross-office strategy for improving air emissions data for the oil and gas production sector, prioritize and develop procedures for improving oil and gas production emission factors, and develop and implement procedures for ensuring that the National Emissions Inventory data for oil and gas production are complete.
- **Expected Impact of Implemented Actions:** The EPA's actions will improve its ability to assess risks, track trends, analyze the effectiveness of regulatory controls, address data gaps, and make other key decisions (including permitting and enforcement decisions).
- **Link to Report:** <http://www.epa.gov/oig/reports/2013/20130220-13-P-0161.pdf>

## Review of Hotline Complaint Regarding Residential Soil Contamination in Cherryvale, Kansas

- **What We Found:** The OIG received a hotline complaint alleging that residential properties near the former National Zinc Company smelter in Cherryvale, Kansas, were not addressed during previous cleanup activities. In 2001, a state evaluation determined that soils at residential properties adjacent to the site were contaminated with heavy metals, including lead, which the EPA classifies as a probable human carcinogen. We found more than 35 residential properties with lead contamination that, according to samples taken during the 2001–2002 removal action, exceeded the action level. However, it was unclear which of these properties were excavated because some EPA records were missing or incomplete.
- **Corrective Actions:** We made various recommendations, including that Region 7 review all site records and documents to determine whether there is an imminent and substantial endangerment to public health at the National Zinc Company site. Region 7 disagreed with our recommendations, stating it believes it has addressed all imminent and substantial endangerment to residential properties at the site. However, Region 7 agreed to review and,

as needed, update site records and documents, work with Kansas, and communicate any actions taken in response to our report with the public.

- **Expected Impact of Implemented Actions:** Without complete documentation, neither the EPA nor the OIG can confirm that all lead contamination presenting an imminent and substantial endangerment to public health was fully identified and addressed. As a result, we cannot confirm or dismiss the allegations raised in the complaint. The actions being taken by Region 7 as a result of our recommendations should either confirm that residential properties near the site have been addressed or further action is needed.
- **Link to Report:** <http://www.epa.gov/oig/reports/2013/20130328-13-P-0207.pdf>

### EPA Can Better Address Risks to the Security of the Nation's Drinking Water Through New Authorities, Plans, and Information

- **What We Found:** The September 11, 2001, terrorist attacks prompted a national effort to secure critical infrastructure and resources. As part of this effort, the EPA is to assist in protecting the nation's drinking water supply. The EPA has implemented a number of activities to promote the security of drinking water systems. However, strategic planning and internal controls for the water security program need to be strengthened to allow the agency to measure the program's performance and progress in drinking water systems' preparedness, prevention, response and recovery capabilities.
- **Corrective Actions:** We recommended that the EPA develop a comprehensive strategic plan, assess water security, improve internal controls, and seek additional authority from Congress. As a result of our recommendations, the EPA agreed to (1) develop an agencywide work plan with enhanced metrics; (2) include water security measures, targets and commitments into guidance; (3) seek additional authority from Congress to develop a baseline and outcome measure; and (4) develop and implement a program strategy and multi-year internal control plan.
- **Expected Impact of Implemented Actions:** The corrective actions will help improve the agency's efforts to promote water security and assist drinking water systems in protecting against terrorist attacks and natural disasters. The corrective actions will also help improve operations of the agency's water security program itself.
- **Link to Report:** <http://www.epa.gov/oig/reports/2013/20130821-13-P-0349.pdf>

## Office of Audit

The Office of Audit designs and implements long-term, nationwide audit plans to improve the economy, efficiency and effectiveness of EPA programs and prevent fraud, waste and mismanagement. The office performs financial, performance, forensic and external audits related to: (1) financial statements; (2) contracts; (3) assistance agreements; and (4) enterprise systems.

### Performance Results

<b>Reports issued: 45</b>
<b>Environmental and business outcome actions taken or realized by the EPA (based on OIG recommendations)</b>
<ul style="list-style-type: none"> <li>➤ 94 EPA policy, directive, practice corrective action or process changes made or implemented (including best practices)</li> <li>➤ 4 critical congressional or public management concerns addressed and resolved</li> </ul>
<b>OIG environmental and business output recommendations, awareness briefings or testimony (for agency action)</b>
<ul style="list-style-type: none"> <li>➤ 528 recommendations for improvement</li> <li>➤ 40 certifications, verifications, validations</li> </ul>
<b>Sustained recommendations</b>
<ul style="list-style-type: none"> <li>➤ 334 sustained environmental or business recommendations</li> </ul>

### Performance Highlights

#### Early Warning Report: Main EPA Headquarters Warehouse in Landover, Maryland, Requires Immediate EPA Attention

- **What We Found:** Our initial research at the EPA’s Landover warehouse raised significant concerns with the lack of agency oversight of personal property and warehouse space at the facility. In particular:
  - The warehouse recordkeeping system was incomplete and inaccurate.
  - The warehouse was filled with considerable valuable amounts of unusable, inoperable and obsolete furniture and other items.
  - The warehouse contained multiple unauthorized and hidden personal spaces that included such items as televisions and exercise equipment.
  - Numerous potential security and safety hazards existed at the warehouse, including unsecured personally identifiable information (such as passports).
  - Deplorable conditions existed at the warehouse; corrosion, vermin feces, mold and other problems were pervasive.
- **Corrective Actions:** Subsequent to our briefing to the agency on the conditions noted at the warehouse, the agency issued a stop work order to the contractor, ensuring no further access to the site by contractor personnel and that no further costs would be incurred under the contract. Further, the agency:

- Completed an inventory of the warehouse and is seeking an appraisal of items noted.
- Identified and segregated all surplus furniture.
- Reviewed background investigations on warehouse employees.
- Removed flammable materials from the warehouse.
- Performed a health and safety review.
- Reviewed security footage.

The agency also agreed to address personally identifiable information, complete standard operating procedures for the warehouse, develop security plans, and conduct an agencywide review of all warehouse and storage facility operations.

- **Expected Impact of Implemented Actions:** In taking immediate action to improve conditions at the Landover warehouse and ensure similar conditions did not exist at other warehouses, the EPA ensures that it receives sufficient value for funds paid, and ensures that warehouse workers were not subjected to unsafe conditions for which the agency could be held liable. By eliminating the contracting for three bays at the Landover warehouse, there was potential cost avoidance of approximately \$442,000 per year. Also, \$10,548 in excess furniture was sold, and the stop work order to the contractor resulted in a savings of \$28,200.
- **Link to Report:** <http://www.epa.gov/oig/reports/2013/20130531-13-P-0272.pdf>

### Congressionally Requested Inquiry into the EPA's Use of Private and Alias Email Accounts

**What We Found:** We found no evidence that the EPA used, promoted or encouraged the use of private “non-governmental” email accounts to circumvent records management responsibilities or reprimanded, counseled or took administrative actions against personnel for using private email or alias accounts for conducting official government business. The OIG found no evidence that individuals had used private email to circumvent federal recordkeeping responsibilities. The previous EPA Administrator and the subsequent acting EPA Administrator were issued two EPA email accounts—one made available to the public and the other for the Administrator to communicate internally with EPA personnel. This was the common practice for previous Administrators. However, the agency had not provided sufficient guidance, oversight or training on preserving records from private email accounts. Inconsistencies in employee out-processing procedures pose risks that federal records are not identified and preserved before an employee departs.

- **Corrective Actions:** We recommended that the EPA develop and implement oversight processes to update agency guidance on the use of private email accounts, train employees and contractors on records management responsibilities, strengthen relationships between federal records preservation and employee out-processing, and deliver a system to create federal records from the new system. The agency has either completed recommended actions or agreed to take corrective actions.
- **Expected Impact of Implemented Actions:** Implementation of the corrective actions will help to ensure the transparency of the EPA’s operations.
- **Link to Report:** <http://www.epa.gov/oig/reports/2013/20130926-13-P-0433.pdf>

### Chemical Fume Hood Testing Improvements Needed to Reduce Health and Safety Risk to EPA Employees

- **What We Found:** In response to a hotline complaint, we conducted an audit of the EPA's chemical fume hood retrofitting and testing contracts. Such hoods are considered the primary means of protecting lab workers from inhalation of hazardous vapors, mists and particulate matter. We found that the EPA complied with applicable regulations and guidance in procuring both the chemical fume hood retrofit kits and fume hood testing contracts. However, our technical expert's review of a sample of testing results for the chemical fume hoods raised numerous concerns with the way the testing was performed at the EPA's Research Triangle Park laboratories. The subcontractor rated the hoods as pass when (1) not all EPA requirements were met, (2) controllers or monitors were not functional, and (3) testing results did not include all required documentation.
- **Corrective Actions:** We recommended that the Research Triangle Park labs (1) increase oversight and analysis of contractor testing results, (2) ensure that monitors are timely repaired or replaced when necessary, (3) establish a practice of retesting a sample of the chemical fume hoods annually to verify results, and (4) work to revise and update the EPA's 2009 testing protocol criteria. In response, EPA staff reviewed 2013 test reports to ensure they were complete, and indicated nonfunctioning monitors would be replaced.
- **Expected Impact of Implemented Actions:** The actions will ensure the health and safety of EPA staff working in Research Triangle Park labs.
- **Link to Report:** <http://www.epa.gov/oig/reports/2013/20130828-13-P-0363.pdf>

### Corrective Action Plan Needed in Order to Fully Comply With the Improper Payments Elimination and Recovery Act

- **What We Found:** The EPA did not comply with the Improper Payments Elimination and Recovery Act because the FY 2012 Agency Financial Report did not include all required elements of a corrective action plan. The EPA did not include planned and actual completion dates for corrective actions and improper payment reduction targets. The EPA also misstated improper payments for state revolving funds, grants, and contracts and commodities payment streams.
- **Corrective Actions:** We recommended that the EPA submit a plan to Congress describing actions the agency will take to become compliant with the act, develop specific guidance as needed, make improvements in FY 2013 reporting, identify improper payments using Program Evaluation Reports and transaction testing worksheets, and determine why errors occurred and ensure accurate reporting. The EPA reported its corrective action plan to Congress and improved reporting of improper payments.

- **Expected Impact of Implemented Actions:** The recommendations will increase the accuracy of the EPA's reporting on improper payments, which should ultimately result in the amount of improper payments being reduced.
- **Link to Report:** [www.epa.gov/oig/reports/2013/20130311-13-P-0175.pdf](http://www.epa.gov/oig/reports/2013/20130311-13-P-0175.pdf)

### Air Quality Objectives for the Baton Rouge Ozone Nonattainment Area Not Met Under Award to the Railroad Research Foundation

- **What We Found:** The EPA awarded \$2.9 million to the Railroad Research Foundation to repower five locomotives in Baton Rouge, Louisiana, an ozone nonattainment area. However, the five repowered locomotives were not operating in the Baton Rouge area. We also noted unallowable costs of \$4,614 and unsupported costs of \$16,512.
- **Corrective Actions:** We recommended that the EPA recover the \$2.9 million cost of the grant unless the foundation provides a verifiable and enforceable remedy to reduce diesel emissions in the Baton Rouge ozone nonattainment area. The EPA agreed with our recommendations and will seek appropriate cost recoveries.
- **Expected Impact of Implemented Actions:** The EPA will recover \$2.9 million in costs or achieve the desired environmental effect through other means.
- **Link to Report:** <http://www.epa.gov/oig/reports/2013/20130620-13-R-0297.pdf>

### Audit of EPA's Fiscal 2012 and 2011 Consolidated Financial Statements

- **What We Found:** We rendered an unqualified opinion on the EPA's consolidated financial statements for FYs 2012 and 2011, meaning that they were fairly presented and free of material misstatements. In October 2011, the EPA replaced the Integrated Financial Management System with a new system—Compass Financials—and we determined that Compass' reporting and system limitations represented a material weakness. In addition, we noted significant deficiencies, some of which involved Compass and contributed to the material weakness.
- **Corrective Actions:** We recommended 24 improvements to fix the significant deficiencies and material weaknesses noted. We identified \$900,000 in inactive funds that are no longer needed and can be deobligated. The agency disagreed with most of our findings but accepted many of our recommendations. In particular, the agency stated it identified and then fixed or remediated most of the limitations of its new Compass system and, thus, there were no material issues during the preparation of the financial statements. The agency characterized the errors we found as normal problems during collection and verification activities, but we disagreed; the errors primarily occurred because of posting model deficiencies in the new system and the failure of internal controls to address the errors.



- **Expected Impact of Implemented Actions:** Actions taken should result in more timely and reliable financial statement information being made available to the agency, Congress and others to ensure better management of federal funds and programs.
- **Link to Report:** <http://www.epa.gov/oig/reports/2013/20121115-13-1-0054.pdf>

### EPA Is Not Recovering All Its Costs of the Lead-Based Paint Fees Program

- **What We Found:** The EPA is not recovering all its costs of administering the lead-based paint program through fees it is authorized to collect under the Toxic Substances Control Act. Our analysis, based on the agency's rough cost estimates, showed net unrecovered costs of \$16.4 million for FYs 2010 through 2014 combined. This occurred because firm participation was lower than expected, the EPA did not conduct biennial cost reviews to determine actual costs and whether fees needed to be adjusted, and the fees structure did not take into account all indirect costs.
- **Corrective Actions:** We recommended that the EPA update its 2009 fees rule to reflect the amount of fees necessary to recover program costs, and apply indirect cost rates to all applicable direct costs to obtain full program costs. We also recommended that the EPA conduct biennial cost reviews. The EPA said it will update the 2009 fees rule, modify cost analysis procedures as appropriate, conduct biennial cost reviews, and develop appropriate indirect cost rates for user fee programs.
- **Expected Impact of Implemented Actions:** A fees rule update could result in additional revenue of up to \$16.4 million per 5-year cycle.
- **Link to Report:** <http://www.epa.gov/oig/reports/2013/20130220-13-P-0163.pdf>

### EPA Can Further Reduce Space in Under-Utilized Facilities

- **What We Found:** Although the EPA has been releasing unneeded space since 2007, it continues to have under-utilized space. At 13 of the 16 facilities reviewed, we estimated that the EPA had 433,336 square feet of under-utilized space as of February 2012. Space can only be released if it is marketable; further, configuration issues and the cost to relocate employees can pose problems. If all under-utilized space in our sample was marketable, the EPA could save up to \$21.6 million annually by releasing under-utilized space. Also, the EPA does not have a policy for determining when it should be housing contractors in its facilities, and we estimated that the EPA spent up to \$9.9 million annually in housing contractors at the sampled facilities. Further, the EPA lacks accurate, current and complete information on the number of personnel and usable square feet in its Strategic Lease and Asset Tracking Enterprise system.
- **Corrective Actions:** We recommended the EPA to assess utilization of space and relocate staff where warranted. We also recommended that the EPA develop and enforce a policy that requires contracting staff to ensure that approval for on-site contractor performance is obtained, and require that personnel information for each facility be consistently tracked



and updated in the appropriate EPA systems. The agency concurred with the recommendations.

- **Expected Impact of Implemented Actions:** The EPA could save additional funds through the more efficient use of under-utilized space. The EPA confirmed the monetary benefit was in excess of \$30 million. Accurate data in the agency's lease tracking system improves the EPA's ability to make informed decisions on managing facilities.
- **Link to Report:** <http://www.epa.gov/oig/reports/2013/20130220-13-P-0162.pdf>

### Examination of Costs Under Grant Award to the Lead Remediation Association of America

- **What We Found:** The Lead Remediation Association of America's financial management system did not meet the standards established under the Code of Federal Regulations. The association's accounting system data was not updated timely, and the association made cash draws and submitted its final federal financial report using the grant budget amounts rather than actual costs incurred. In addition, the association did not maintain source documentation to support the costs incurred or claimed. We also found that the association did not meet the grant objectives as outlined in the approved work plan, such as by providing the required materials, training and workshops.
- **Corrective Actions:** We recommended that the EPA question \$249,870 claimed and recover \$249,882 drawn under the grant. We also recommended that the EPA verify that the association has a financial management system that meets federal standards prior to any future awards. The association generally agreed that it did not have the required documentation but disagreed with the questioned costs, noting it has already done the work and its general ledger showed incurred costs. However, costs recorded in the general ledger without the supporting source documentation did not meet federal requirements.
- **Expected Impact of Implemented Actions:** The EPA can recover the \$249,882 drawn under the grant because the grantee did not follow federal requirements.
- **Link to Report:** <http://www.epa.gov/oig/reports/2013/20130806-13-P-0341.pdf>

### Improvements Needed in Estimating and Leveraging Cost Savings Across EPA

- **What We Found:** EPA Regions 4 and 7 did not apply reliable methods for estimating savings and cost avoidances. The Office of Administration and Resources Management took the initiative to lead the identification of potential savings and cost avoidances for all agency programs and regions, but it did not effectively follow up to ensure the EPA achieved the desired results (i.e., efficiencies, savings and cost avoidances) or to determine whether the agency could realize greater savings by expanding results.
- **Corrective Actions:** We recommended that the EPA develop policies and procedures for identifying and estimating cost savings, efficiencies and avoidances. We further recommended that Regions 4 and 7 recalculate identified cost avoidances based on

prescribed guidance and report the data as appropriate. We also recommended that the agency determine whether significant projects from the 72 initiatives that it identified resulted in significant efficiencies and publicly report results for possible agencywide implementation. The agency did not concur with the recommendations.

- **Expected Impact of Implemented Actions:** The EPA will be able to accurately report the results of its efficiency initiatives and influence internal and external management decisions. The EPA can better take advantage of opportunities to leverage and expand its cost-cutting efforts, apply best practices for gaining greater efficiencies, and realize significant savings and cost avoidances agencywide.
- **Link to Report:** <http://www.epa.gov/oig/reports/2012/20121022-13-P-0028.pdf>

## Office of Investigations

The OIG’s Office of Investigations primarily employs criminal investigators, as well as computer specialists and other staff, to conduct investigations. The majority of investigative work is reactive in nature. The OIG receives hundreds of allegations of criminal activity and serious misconduct in EPA programs and operations that may undermine the integrity of, or confidence in, programs, and create imminent environmental risks.

### Performance Results

<b>Investigations opened and closed</b>
<ul style="list-style-type: none"> <li>➤ 159 investigations closed</li> <li>➤ 119 investigations opened</li> <li>➤ 267 hotline complaints received</li> </ul>
<b>Environmental and business outcomes</b>
<ul style="list-style-type: none"> <li>➤ \$4.4 million in fines, settlements, restitutions</li> <li>➤ \$2.4 million cost efficiencies (also counted in total OIG efficiencies)</li> <li>➤ 19 criminal convictions</li> <li>➤ 4 civil actions</li> <li>➤ 34 indictments/informations/complaints</li> <li>➤ 182 administrative actions (includes debarments and suspensions)</li> </ul>

### Performance Highlights

#### Former EPA Senior Policy Advisor John C. Beale Pleads Guilty to Theft of Nearly \$900,000

On September 27, 2013, John C. Beale, a former senior policy advisor for the EPA, pleaded guilty to theft of nearly \$900,000 in pay and expenses. Beale was subsequently sentenced to serve 32 months in prison and pay \$886,186 in restitution and a forfeiture judgment of another \$507,207. For more than a dozen years, Beale collected pay from the EPA while claiming he was out of the office working on a project for the Central Intelligence Agency and on other efforts. In fact, Beale was not working for the Central Intelligence Agency or the EPA but was attending to personal business. Over a 13-year period, Beale was absent from his duties at the EPA for about 2½ years during which he was drawing a salary and benefits. In addition, Beale continued to receive a 25-percent retention bonus for 10 years after it should have expired. In September 2011, a retirement party was held for Beale, but over a year passed before an EPA manager discovered that Beale was still receiving a paycheck. During his tenure, Beale also claimed that he needed a reserved parking space at EPA, costing about \$8,000, due to malaria he contracted while serving in the U.S. Army in Vietnam. However, Beale never served in Vietnam or contracted malaria. Beale also received \$57,235 in travel expenses for five trips to conduct research that could have been done at home or at his EPA office.

### **BP Sentenced to Pay Record \$4 Billion for Gulf of Mexico Oil Spill**

On January 29, 2013, BP Exploration and Production Inc. pleaded guilty in the U.S. District Court, Eastern District of Louisiana, to 14 criminal counts of illegal conduct involving the 2010 Deepwater Horizon disaster in the Gulf of Mexico and was sentenced to pay \$4 billion in criminal fines and penalties—the largest criminal resolution in U.S. history. The spill caused 11 deaths and extensive environmental damage. In addition, BP admitted that it obstructed an inquiry by Congress into the amount of oil being discharged into the gulf while the spill was ongoing. BP was also sentenced to 5 years probation. Further, BP, over 20 of its affiliates and several corporate employees were suspended from government contracting. *This investigation was conducted by the Deepwater Horizon Task Force, which included investigators from a number of federal agencies including the EPA OIG.*

### **Transocean Deepwater Inc. Sentenced to Pay \$400 Million for Oil Spill**

On February 14, 2013, Transocean Deepwater Inc. pleaded guilty in the U.S. District Court, Eastern District of Louisiana, to a violation of the Clean Water Act for its illegal conduct leading to the 2010 Deepwater Horizon disaster, and was sentenced to pay \$400 million in criminal fines and penalties. This was the second largest environmental crime recovery in U.S. history, after the \$4 billion fine imposed on BP (see above). Transocean was also sentenced to 5 years of probation. In its plea, Transocean admitted that members of its crew onboard the Deepwater Horizon, acting at the direction of BP's well site leaders, were negligent in failing to investigate clear indications that the Macondo well was not secure and that oil and gas were flowing into the well. Transocean was the owner and operator of the Deepwater Horizon drilling rig that was under lease to BP for the Macondo well. *This investigation was also conducted by the Deepwater Horizon Task Force.*

### **Former Manager Convicted for Role in Schemes Involving Two New Jersey Superfund Sites**

Following a 2-week trial, on September 30, 2013, Gregory D. McDonald, a former project manager for a prime contractor, was found guilty of engaging in separate bid rigging, kickback, and/or fraud conspiracies with three subcontractors at two New Jersey Superfund sites—Federal Creosote in Manville and Diamond Alkali in Newark. He was also found guilty of engaging in an international money laundering scheme, major fraud against the United States, accepting illegal kickbacks, obstruction of justice and tax violations. Between 2000 and 2007, McDonald provided co-conspirators at Bennett Environmental Inc., a Canadian-based company that treats and disposes of contaminated soil, with bid prices of their competitors, which allowed them to submit higher bid prices and still be awarded the subcontracts. In exchange, Bennett provided McDonald more than \$1.5 million in kickbacks. McDonald also accepted kickbacks for the award of subcontracts. To date, a total of nine individuals and three companies have been convicted or pleaded guilty in this investigation and more than \$6 million in criminal fines and restitution have been imposed. *This investigation is being conducted with the Internal Revenue Service Criminal Investigation Division.*

### **Former Commonwealth of the Northern Mariana Islands Official Sentenced**

On November 19, 2012, Franz Benjamin Reksid was sentenced in U.S. District Court, District of Northern Mariana Islands, to 18 months in jail followed by 2 years of supervised release, for accepting a bribe related to a cleanup contract. Reksid, the former Special Assistant to the Secretary of the Department of Public Lands for the Commonwealth of the Northern Mariana Islands, was responsible for managing EPA-funded Department of Public Lands contracts. In February 2009, Reksid recommended that a previously awarded contract 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, Reksid sought and received a \$3,000 “loan” from the contractor. The investigation determined that Reksid only sought approval to amend the contract to extend the amount of time, but not for the additional \$200,000. Reksid ultimately routed the amended version of the contract to the finance department using the signature page of the original contract, in order to receive the additional funding made available by the EPA to the Department of Public Lands.

### **Civil Settlement Reached for Violation of Davis-Bacon Act**

On May 25, 2013, Southeast Pipe Survey Inc. entered into a \$100,000 civil settlement with the U.S. Attorney’s Office, Eastern District of North Carolina, to settle allegations that it submitted false claims related to its compliance with the Davis-Bacon Act. American Recovery and Reinvestment Act of 2009 funds were awarded to the North Carolina towns of Carolina Beach, Kure Beach and Roxboro for water quality infrastructure projects. The Recovery Act requires that contractors and subcontractors comply with Davis-Bacon Act provisions that require payment of the prevailing wage to workers. The towns each awarded contracts to Southeast Pipe, but the company’s requests for payment to each town contained a signed certification that the work was completed in accordance with requirements of the Davis-Bacon Act when it was not.

### **Political Appointee Investigated for Misconduct**

The OIG hotline received a complaint regarding allegations of employee misconduct by a political appointee. The OIG investigated eight allegations, six of which were unsubstantiated. Regarding the two allegations substantiated, the employee accepted a gift of travel and a flight in a private jet from a registered lobbyist. Prior to the OIG receiving the aforementioned allegations and conducting an investigation, an Office of General Counsel career employee “counseled” the appointee regarding these matters. As a result of this investigation, the appointee was requested to “review” the counseling advice that the appointee had previously received, and no additional actions were taken.

### **Presidential Appointee Counseled for Violations of Ethics Pledge**

The OIG received an allegation that a presidential appointee violated the ethics pledge, signed pursuant to Executive Order 13490, which restricts presidential appointees from participating in any matters, substantially or directly, related to a former employer. The investigation disclosed

13 incidences in which the employee violated the ethics pledge obligations by having communications and/or meetings relating to the performance of his official duties with two organizations prior to the expiration of the 2-year ban on such activity. The employee was counseled regarding the matter.

### **EPA Senior Employee Made False Statements to OIG in Electronic Eavesdropping Investigation**

A GS-15 EPA employee allegedly used a telephonic device to listen in on the phone calls of co-workers. The investigation found that the telephonic device was configured in such a way that enabled the employee to listen in on other employees' phone calls. However, the allegation was unsubstantiated as the investigation did not find any direct evidence that the employee had used the device to intercept phone calls. During the course of the investigation, the employee provided false oral statements on two occasions to OIG special agents. The U.S. Attorney's Office declined criminal prosecution. The employee received a written warning for making false statement and was advised to correct his conduct. The employee was subsequently promoted to the Senior Executive Service.

## 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. Details on our work involving CSB are at <http://www.csb.gov/inspector-general/>.



### *Performance Highlights*

#### CSB Needs to Complete More Timely Investigations

- **What We Found:** CSB does not have an effective management system to meet its established performance goal to “[c]onduct incident investigations and safety studies concerning releases of hazardous chemical substances.” CSB has not fully accomplished its related strategic objective to “[c]omplete timely, high quality investigations that examine the technical, management systems, organizational, and regulatory causes of chemical incidents.”
- **Corrective Actions:** We made nine recommendations to CSB, including that it develop and implement performance indicators, revise and publish annual and individual action plans, review investigations open for over 3 years and develop a close-out plan, review investigation files for each ongoing investigation to ensure they contain all supporting documents, and implement and update the management policy for investigative records. CSB agreed with six of the nine recommendations, and resolution efforts are in progress.
- **Potential Impact of Implemented Actions:** By completing investigations more timely, CSB can better fulfill its mission and improve its ability to ensure that it provides the community and other stakeholders with findings and recommendations that help reduce the occurrence of similar incidents, which would protect human health and the environment.
- **Public Access:** <http://www.epa.gov/oig/reports/2013/20130730-13-P-0337.pdf>



## 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 2013, the OIG identified five challenges. The table below includes issues the OIG identified as key management challenges facing the EPA, the years in which the OIG identified the challenge, and the relationship of the challenge to the agency’s goals in its FYs 2011–2015 strategic plan (<http://epa.gov/planandbudget/strategicplan.html>).

OIG-identified key management challenges for the EPA	FY 2011	FY 2012	FY 2013	EPA strategic goal
<b>Oversight of Delegations to States:</b> Due to differences between state and federal policies, interpretation, strategies and priorities, the EPA needs to more consistently and effectively oversee its delegation of programs to the states, assuring that delegated programs are achieving their intended goals.	•	•	•	Cross-Goal
<b>Safe Reuse of Contaminated Sites:</b> The EPA’s duty is to ensure that reused contaminated sites are safe for humans and the environment. The 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.	•	•	•	Goal 3
<b>Enhancing Information Technology Security to Combat Cyber Threats</b> (formerly <i>Limited Capability to Respond to Cyber Security Attacks</i> ): The 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. The EPA has reported that over 5,000 servers and user workstations may have been compromised from recent cyber security attacks.	•	•	•	Cross-Goal
<b>EPA’s Framework for Assessing and Managing Chemical Risks:</b> The 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.	•	•	•	Goal 4 Goal 5
<b>Workforce Planning:</b> The EPA’s human capital is of concern in part due to requirements released under the President’s Management Agenda. The OIG identified significant concerns with the EPA’s management of human capital. The EPA has not developed analytical methods or collected data needed to measure its workload and the corresponding workforce levels necessary to carry out that workload.		•	•	Cross-Goal

On March 14, 2013, Inspector General Elkins appeared before the U.S. House of Representatives’ Subcommittee on Oversight, Committee on Science, Space, and Technology, to discuss the significant management challenges facing the EPA that the OIG identified for FY 2012. The challenges were essentially the same that the OIG identified for FY 2013.

## OIG Internal Management Challenges

GPRA requires that annual performance reports identify organizational management challenges. The OIG uses the results of its Federal Managers’ Financial Integrity Act internal control vulnerability assessment to identify and report on internal OIG management challenges. As a result of its FY 2013 assessment, for the 14th straight year, the OIG reported no material weaknesses under the act. Further, the OIG continues to make progress in addressing reported OIG-level weaknesses. Some weaknesses identified in FY 2013 were not fully resolved in FY 2012 due to their complexity.

OIG-level weaknesses (including new and previous issues currently being resolved)	FY 2011	FY 2012	FY 2013
Assignment time charging	✓		
Written delegations of authority for the OIG			✓
Product timeliness	✓	✓	
Workforce planning			✓
Monitoring Working Capital Fund charges	✓		
Staffing	✓		
Follow-up on corrective actions—data quality		✓	
Data quality		✓	✓
Policies and procedures	✓	✓	✓
Investigative case management	✓	✓	

## Appendix A: OIG FY 2013 Budget and Resources Analysis Use and Allocation

The Department of the Interior, Environment, and Related Agencies Appropriations Act, 2013, provided the EPA OIG with an FY 2013 post sequestration budget funding level of \$49,145,000. The chart below shows the OIG budget and staffing history for FY 2000–2013.

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	50,459,000	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	51,872,000*	331	56,548,386
2013	49,145,000**	336	54,718,979

\* Exclusive of Recovery Act funds.

\*\* Sequestration funding level.

## Appendix B: Historic Planned Versus Actual Resources and Results, FYs 2009–2013

		FY 2009		FY 2010		FY 2011		FY 2012		FY 2013	
	<b>OIG appropriation:</b>										
	<b>Enacted</b>	<b>\$54,696,000</b>		<b>\$54,766,000</b>		<b>\$54,586,000</b>		<b>\$51,872,000</b>		<b>\$49,145,000</b>	
	<b>Used</b>	<b>\$51,179,920</b>		<b>\$51,725,199</b>		<b>\$42,911,824</b>		<b>\$56,548,386</b>		<b>\$49,205,502</b>	
	<b>FTE:</b>										
	<b>Authorized</b>	<b>331.0</b>		<b>361.8</b>		<b>366.0</b>		<b>358.1</b>		<b>358.1</b>	
	<b>Used</b>	<b>292.7</b>		<b>335.5/289.5<sup>a</sup></b>		<b>315.4</b>		<b>317.1</b>		<b>330.0</b>	
<b>Annual performance measures</b>	<b>Supporting indicators</b>	<b>Target</b>	<b>Actual</b>	<b>Target</b>	<b>Actual</b>	<b>Target</b>	<b>Actual</b>	<b>Target</b>	<b>Actual</b>	<b>Target</b>	<b>Actual</b>
Environmental and business actions taken for improved performance from OIG work (outcomes)	<ul style="list-style-type: none"> <li>o Policy, process, practice or control changes implemented</li> <li>o Environmental or operational risks reduced or eliminated</li> <li>o Critical congressional or public concerns resolved</li> <li>o Certifications, verification or analysis for decision or assurance</li> </ul>	318	272	334	391	334	315	334	216	256*	215
Environmental and business recommendations or risks identified for corrective action by OIG work (outputs)	<ul style="list-style-type: none"> <li>o Recommendations or best practices identified for implementation</li> <li>o Risks or new management challenges identified for action</li> <li>o Critical congressional/public actions addressed or referred for action</li> </ul>	903	983	903	945	903	2011	903	1242	654*	1,003
Potential monetary return on investment in the OIG, as a percentage of the OIG budget (in millions)	<ul style="list-style-type: none"> <li>o Recommended questioned costs</li> <li>o Recommended cost efficiencies and savings</li> <li>o Fines, penalties, settlements and restitutions</li> </ul>	120% \$65.7	150% \$83.3	120% \$65.7	30% \$19.6	120% \$65.6	150.6% \$82.4	120% \$63.7	734% \$424.8	125% \$61.6	248% \$122.0
Criminal, civil, administrative and fraud prevention actions taken as a result of OIG work	<ul style="list-style-type: none"> <li>o Criminal convictions</li> <li>o Indictments/Informations</li> <li>o Civil judgments</li> <li>o Administrative actions (staff actions and suspension or debarments)</li> </ul>	80	95	75	115	80	160	85	152	90	256
Activity	o OIG-issued audit/evaluation reports	N/A	66	N/A	83	N/A	85	N/A	71	N/A	68

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.

<sup>a</sup> Does not include funds, full-time equivalents or performance results associated with the Recovery Act.

\* Denotes adjustments to targets consistent with the adjustment in the enacted budget due to sequestration.

DCAA: Defense Contract Audit Agency

## Appendix C: 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 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 the 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 the 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 that 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 of the United States – 2011 Revision (GAO-12-331G), December 2011, and regularly reviewed by an independent OIG quality assessment review team and external independent peers. Each EPA OIG 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 2013 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.