

Office of Inspector General Semiannual Report to the Congress

October 1, 2001 through
March 31, 2002

EPA Inspector General Vision Statement

We are agents of positive change striving for continuous improvement in our Agency's management and program operations, and in our own offices.

Mission

The Inspector General Act of 1978, as amended, requires the Inspector General to: (1) conduct and supervise audits and investigations relating to programs and operations of the Agency; (2) provide leadership and coordination, and make recommendations designed to (a) promote economy, efficiency, and effectiveness, and (b) prevent and detect fraud and abuse in Agency programs and operations; and (3) fully and currently inform the Administrator and the Congress about problems and deficiencies identified by the Office of Inspector General relating to the administration of Agency programs and operations.

Strategic Plan Goals

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

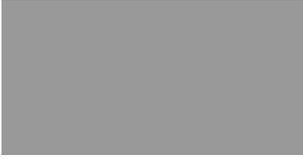
Foreword

During this semiannual reporting period, EPA'S Office of Inspector General, (OIG) identified Major Management Challenges which could severely impact the attainment of EPA's mission. What makes the OIG's current work and subsequent list of Challenges particularly relevant, is its close relationship to the President's Management Agenda, represented by five bold initiatives for an efficient and effective federal Government. Most of the OIG reported Management Challenges and associated recommendations correspond to one of the five Presidential Management Agenda initiatives (PMAI). For example, the EPA Challenges of **Linking Mission and Management (Cost Accounting)** and **Working Relationship With the States**, address the PMAI for *Improved Financial Performance and Budget and Performance Integration*. The Management Challenge of **Employee Competencies** addresses the PMAI for *Strategic Management of Human Capital*. The EPA Management Challenge of **Use of Assistance Agreements and Grants to Accomplish Its Mission** addresses the PMAI for *Competitive Sourcing*; and the EPA Management Challenges of **Information Resources Management, Results-Based Information Technology Project Management** and, **Information Security Program** address the PMAI for **Expanded Electronic Government**. By focusing attention on resolving these Challenges, EPA can become a leading example for fulfilling the Presidential Management Agenda initiatives.

The OIG also took a major step in implementing our Strategic Plan, and in demonstrating full accountability by issuing our first separate Annual Performance Report for Fiscal 2001. The Report demonstrates how the OIG is measuring and reporting performance against our Strategic Goals, and identifies areas requiring increased attention for improvement. Since our Strategic Plan was designed "starting with the end in mind," the Report provides summary performance information about outcomes and outputs from our business line products and services, customer survey results, and internal operations. The Report includes analyses of financial and staff resource usage, a revision of FY 2002 Annual Goal Targets based on the OIG's progress and lessons learned from FY 2001, and concludes with a list of OIG Management Challenges to be addressed during FY 2002. By comparing key measures, the OIG now produces a "Scorecard" of performance, progress, results, activities, and investments.

The OIG will continue its pursuit of improved performance and meaningful results. By recommending improvements to EPA processes and programs, I am convinced that we can help the Agency deliver environmental programs that are citizen-centered, results-oriented, and market-based.

Nikki L. Tinsley /s/
Inspector General



Profile of Activities and Results

October 1, 2001 to March 31, 2002

Audit Operations (\$ in millions)			
OIG-Managed Reviews (Reviews Performed by EPA, Independent Public Accountants, and State Auditors)		Other Reviews (Reviews Performed by Another Federal Agency or Single Audit Act Auditors)	
Questioned Costs *		Questioned Costs *	
- Total	\$3.0	- Total	\$.6
- Federal	\$2.7	- Federal	\$.6
Recommended Efficiencies *		Recommended Efficiencies *	
- Federal	\$.03	- Federal	\$ 0
Costs Disallowed to be Recovered		Costs Disallowed to be Recovered	
- Federal	\$5.6	- Federal	\$.9
Costs Disallowed as Cost Efficiency		Costs Disallowed as Cost Efficiency	
- Federal	\$ 0	- Federal	\$ 0
Reports Issued - OIG-Managed Reviews		Reports Issued - Other Reviews	
- EPA Reviews Performed by OIG	24	- EPA Reviews Performed by Another Federal Agency	102
- EPA Reviews Performed by Independent Public Accountants	0	- Single Audit Act Reviews	76
- EPA Reviews Performed by State Auditors	0	Total	178
Total	24	Agency Recoveries - Recoveries from Audit Resolutions of Current and Prior Periods (cash collections or offsets to future payments) **	\$10.6
Reports Resolved (Agreement by Agency officials to take satisfactory corrective actions) ***	86		

Investigative Operations

- * Questioned Costs and Recommended Efficiencies subject to change pending further review in audit resolution process.
- ** Information on recoveries from audit resolution is provided from EPA Financial Management Division and is unaudited.
- *** Reports Resolved are subject to change pending further review.
- **** Total includes actions resulting from joint investigations.

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Goal 1: Contribute to Improved Environmental Quality and Human Health

The work of the OIG is designed to assist EPA in achieving its environmental goals, thus contributing to environmental improvements. The following represent some examples of the more significant efforts under this OIG goal.

Status of Land Application of Biosolids Program Examined

OIG reviewed the land application of biosolids (treated sewage sludge) applied to agricultural, horticultural, forest, and reclamation land. Although there has been controversy about potentially adverse impacts of biosolids on human health and the environment, EPA believes that land application of biosolids presents a low risk to human health and the environment. Consequently, EPA has taken the position that the biosolids program is a low priority.

In March 2001, the National Whistleblower Center submitted to OIG a series of allegations concerning EPA's conduct in regard to regulating biosolids. Also, a March 2000 OIG audit report had found inadequacies in EPA's management and enforcement of the biosolids program. For these reasons, we prepared a status report on land application of biosolids. The specific issues examined and the status of each are summarized below.

- **EPA and State Biosolids Program Staff.** Some State officials expressed concerns that EPA is not dedicating sufficient staffing and financial resources to the program. EPA staff assigned to the biosolids program have been declining, but EPA's position is that the resources allocated to biosolids are appropriate when balanced against competing priorities.
- **Delegation of the Biosolids Program to the States.** The Clean Water Act gives EPA authority to delegate the biosolids program to States, but little progress has been made thus far. Only five States have received formal delegation from EPA for the biosolids program.
- **Responding to and Tracking Health Complaints.** Of the 21 complaints that the National Whistleblower Center contended EPA failed to investigate, EPA and/or a State agency investigated 14. For the remaining seven, EPA and State officials indicated five complaints were not reported to them, and we determined that the other two did not involve biosolids.

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- **Risk Assessment and Pathogen Testing Concerns.** Discussions about whether further research is needed regarding EPA's biosolids risk assessment and pathogens have contributed to the controversy. EPA does not plan to complete a comprehensive evaluation and monitoring study to address risk assessment uncertainties. However, EPA has asked the National Research Council to review the biosolids risk assessment and make recommendations. Also, there are indications more research on pathogens is needed.
 - **EPA's Relationship with a Professional Association.** The National Whistleblower Center expressed concern about EPA's support of a professional association and its research group. However, of the \$12.9 million EPA provided, 96 percent (\$12.4 million) had been Congressionally mandated, and EPA had no discretion in awarding those funds.
 - **Public Acceptance Concerns.** There are public concerns regarding the impact of biosolids land application on health, quality of life, and natural resources. These concerns have led to restricting or banning land application of biosolids in some places.

We issued our final report (2002-S-00004) on March 28, 2002. The report does not contain any findings and recommendations, and no response was required.

***Corporation Pleads
Guilty to
Conspiracy to
Commit Mail
Fraud***

On October 5, 2001, Intertek Testing Services Environmental Laboratory (ITS), Richardson, Texas, pleaded guilty to a one-count criminal information charging the corporation with conspiracy to commit mail fraud. As part of the plea, ITS agreed to pay the United States a \$9 million fine pursuant to the terms of the court and upon acceptance of the plea by the court.

A vice president and 12 former employees of ITS, formerly known as NDRC Laboratories, Inc., and Inchcape Testing Services Environmental Laboratories, Inc., were previously indicted on September 21, 2000, in U.S. District Court, Dallas, Texas, on charges of conspiracy, mail fraud, wire fraud, and presenting false claims against the government.

The criminal information charged that ITS conspired to perform improper manual integrations, such as peak juicing and peak shaving, on initial calibrations, for the purpose of causing the instrumentation to appear to be within the quality assurance/quality control criteria required by the applicable EPA method.

It was further charged that ITS engaged in the conduct for the purpose of saving time and money that would otherwise be spent to properly maintain the testing equipment and to repeat tests.

On February 8, 2002, ITS was sentenced as a corporation to 3 years and 6 months probation and fined \$9 million. On March 25, 2002, ITS entered into a civil settlement agreement with the Department of Justice Civil Litigation Branch, Washington, DC, in which they agreed to pay \$8,741,000. The settlement agreement was reached in order to resolve certain civil claims the United States had on behalf of the Army Corps of Engineers, Department of Defense, and the EPA against ITS for tests the United States alleged were not done pursuant to contractual requirements since 1989.

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

***Utility Vice
President Pleads
Guilty to Polluting
Sarasota Bay
Watershed***

On October 31, 2001, Eli Ray Bontrager, Vice President of South Bay Utilities, Inc. (SBU), Sarasota, Florida, pleaded guilty in U.S. District Court, Tampa, Florida, to count one of a criminal indictment, charging him with discharging pollutants without a permit, in violation of the Clean Water Act.

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

In the plea agreement, Bontrager admitted that, as Vice President of Utilities for SBU, he was a "responsible corporate officer" over field activities for SBU's utilities, including the wastewater treatment plant, and knew that such a connection would require a National Pollutant Discharge Elimination System permit. Bontrager further admitted that he could have intervened to correct the situation affecting the drain fields, but opted not to act and became willfully blind to the ongoing situation.

This investigation was conducted jointly by the EPA OIG, the EPA Criminal Investigation Division, the Federal Bureau of Investigation, the Internal Revenue Service, the Florida Department of Law Enforcement, the Florida Department of Environmental Protection,

Goal 2: Improve EPA's Management and Program Operations

The OIG assesses EPA's management and program operations to identify best practices, areas for improvement, and cooperative solutions to problems. The OIG's work is designed to promote efficiency and effectiveness within EPA. The following represent some examples of the more significant efforts under this OIG goal.

***Draft
Superfund
Environmental
Indicators
Suitable, But
Concerns
Remain***

We found that the two draft Superfund Environmental Indicators (EIs) reviewed – human exposure under control and contaminated groundwater migration under control – were suitable because they measure a state of the environment, rather than just mark the completion of an administrative step in the Superfund cleanup process. The two EIs are specific measures of program performance used to assess progress toward cleaning up a hazardous waste site. However, we identified some policy and technical issues that should be resolved.

The two draft EIs were modeled after EIs used by the Resource Conservation and Recovery Act (RCRA) Corrective Action Program, but we found several policy and technical differences between the EI documentation for Superfund and RCRA. We understand there are inherent distinctions between the Superfund and RCRA programs. Even so, we believe the policy and technical differences need to be resolved before implementation of the draft Superfund EIs, to ensure similar results.

We recommended that the Assistant Administrator for Solid Waste and Emergency Response make changes to resolve these policy and technical differences, make changes to the Superfund EI documentation, and develop supplemental EI guidance more applicable to Superfund. We also recommended that, in addition to the draft EIs of interim progress Superfund officials have already developed, Office of Solid Waste and Emergency Response officials partner with state officials to develop ecological and final EIs. Finally, since mega-sites (sites that will cost \$50 million or more for cleanup) will require extensive effort and resources, we suggested that Office of Solid Waste and Emergency Response officials consider adopting a supplemental measure of interim cleanup progress specifically for mega-sites.

We issued our final report (2002-P-00003) on December 27, 2001. In her response, the Assistant Administrator for Solid Waste and Emergency Response stated that the recommendations will be useful in improving their EIs and indicated they were making progress in resolving the issues highlighted in our report.

***Inadvertent
Disclosure of
Data for
Preventing
Chemical
Accidents
Prompts
Concern***

Unauthorized off-site consequence analysis information was inadvertently made available for download on EPA's website. As a result, a temporary opportunity was created for unauthorized individuals to download sensitive information on the potential effects of accidental chemical releases from industry facilities. This off-site consequence analysis data is a part of Risk Management Plans used to help prevent chemical accidents and provide an estimate of the potential consequences to surrounding communities. Unauthorized disclosure of off-site consequence analysis information in downloadable files occurred due to a lack of management oversight for testing program changes.

Risk Management Plans, which document how a company plans to manage its chemicals and operate in a safe and responsible manner, are routinely maintained in the System for Risk Management Plans. Collection of this information is driven by the Clean Air Act. EPA's Chemical Emergency Preparedness and Prevention Office is responsible for coordinating the information and providing it to the public.

In response to a congressional mandate (The Chemical Safety Information, Site Security and Fuels Regulatory Relief Act of 1999), prior to August 2000, off-site consequence analysis information was made available only to authorized officials for emergency planning and response purposes. Also in response to this mandate, EPA and the Department of Justice issued a rule authorizing limited access to the off-site consequence analysis information and allowing some limited data elements to be made public. As a result, in April 2001, these limited data elements of off-site consequence analysis information were included on EPA's website for the first time. However, from April through June 2001, some unauthorized information was inadvertently made available for download. This occurred because EPA's Chemical Emergency Preparedness and Prevention Office did not adequately oversee testing program changes made by the contractors responsible for maintaining the System for Risk Management Plans. Immediately upon discovery of the error on June 6, 2001, EPA removed the unauthorized information from its website.

We recommended that the Director of EPA's Chemical Emergency Preparedness and Prevention Office establish a policy requiring that downloadable files be reviewed to ensure only authorized elements of off-site consequence data are made available to the public. In addition, we recommended the establishment of data testing requirements to prevent future unauthorized disclosures.

We issued our final report (2002-P-00006) on March 22, 2002. A response to the report is due by June 20, 2002.

***Unreliable
Pollutant
Reductions
Data Reported
to Congress***

EPA under-reported the environmental impact of enforcement actions under the Government Performance and Results Act. Our audit disclosed that 69 percent of the applicable fiscal 2000 pollutant records in the National Enforcement Docket System (DOCKET) contained blank pollutant amount fields. We also noted other errors. Until management takes decisive steps to address data weaknesses, neither Congress, the public, nor EPA management should depend on DOCKET as a reliable source of data.

DOCKET is EPA's official database for tracking and reporting on civil and administrative enforcement actions. DOCKET's pollutant amount field should have contained amounts used to compute and report pollutant reductions, but often did not. Additionally, the DOCKET system as a whole contained significant instances of inaccurate and incomplete data. Of the cases reviewed, 94 percent contained at least one error in a key field. Factors contributing to the poor data quality included a cumbersome system lacking in functionality; inadequate and outdated policies, procedures, and guidance; and the absence of comprehensive reviews.

We recommended that EPA's Assistant Administrator for Enforcement and Compliance Assurance improve overall policies and procedures for computing pollutant-related information, performing quality assurance, disseminating training, and monitoring policy implementation.

In general, EPA agreed with the conditions noted in the report. We issued our final report (2002-P-00004) on January 18, 2002. A response to the report is due May 3, 2002.

***EPA Earned an
Unqualified
Opinion on its
Financial
Statements***

EPA earned an unqualified opinion on its fiscal 2001 financial statements. In evaluating EPA's internal controls, we noted certain matters that we consider to be reportable conditions, but none are believed to be a material weakness that would prevent the presentation of reliable financial statement amounts. In evaluating the Agency's internal control structure, we identified three reportable conditions in the following areas:

- ! Implementing Accounting for Internal Use Software Timely
- ! EPA's Interagency Agreement Invoice Approval Process
- ! Automated Application Processing Controls for the Integrated Financial Management System

We did not identify any instances of noncompliance with laws and regulations that would result in material misstatements to the audited financial statements. In our report under the caption of "substantial noncompliance with Federal Financial Managers Integrity Act (FFMIA)," we again noted, as we did in our fiscal 1999 and

2000 audits, that EPA did not comply with the managerial cost accounting standard.

In addition, EPA continues to experience difficulties in reconciling some of its intra-governmental assets and liabilities due to some Federal entities not performing reconciliations. Without the proper confirmations from other agencies, EPA has limited assurance that intra-governmental balances are accurate.

During the audit of the fiscal 2001 financial statements, we noted substantial progress in completing corrective actions in fiscal 2002 in a number of areas. Two corrective actions expected to be completed in fiscal 2002 include: (1) financial system security remediation plan being revised and submitted to the Office of Management and Budget as part of EPA's fiscal 2003 budget submission, and (2) the agency implementing an automated process for the interagency agreement invoice approval process.

In a February 12, 2002, response to our draft report, the Agency generally concurred with our recommendations and has completed or planned a number of corrective actions. However, the agency did not agree with the issue on substantial non-compliance with the managerial cost accounting standard. In our opinion, EPA's cost accounting system does not completely satisfy the objectives of the standard. The Deputy Chief Financial Officer, while acknowledging the desirability for continuing improvements as envisioned by the standard, continued to disagree with our conclusion that EPA did not comply with the standard. On December 12, 2001, we elevated this issue to the Administrator for resolution, as is required by FFMIA. The agency is currently working with the Administrator on a response to this issue. We issued the final report (2002-1-00082) on February 26, 2002. A final response to our report is due by May 30, 2002.

***California State
Water Pollution
Control
Revolving Fund
Receives
Qualified
Opinion***

We issued a qualified opinion on the financial statements of the California State Water Pollution Control Revolving Loan Fund as of June 30, 2000, because the state over-committed loans by approximately \$45 million. This occurred because the state's projections included receiving \$200 million in revenue bond proceeds before the bonds were issued. EPA issued a Notice of Noncompliance to the state on April 17, 2002 for deficiencies in the financial and programmatic management of the Fund. The Notice of Noncompliance requires the state to submit a corrective action plan with milestones to remedy the program deficiencies.

California did not comply with certain provisions of laws, regulations, and grants. Specifically, the state did not properly manage the Fund, and the accounting system did not properly account for all transactions and accounts. High staff turnover also contributed to California's inability to prepare timely and accurate financial statements necessary to present the financial statements in accordance with generally accepted accounting principles.

We also noted several material internal control weaknesses. The control environment established by management was not conducive to having an accurate accounting system.

As a result, accounting and financial reporting for the Fund was not a priority. Further, decentralization of Fund accounting activities resulted in a lack of a coordinated effort in accounting. Most instances of noncompliance with Federal regulations were attributed to the inadequate accounting system.

We recommended that the state: (1) establish a control environment and develop an accounting system that enables recording all transactions and allows full accountability and control over the Fund; (2) establish a Revolving Fund Manager position to have responsibility and authority over all accounting and managerial aspects of the program; and (3) establish the Fund as an enterprise fund and conduct an annual financial statement audit of the program. We issued the final report (2002-1-00095) on March 7, 2002. The State of California concurred with the recommendations and its responses were incorporated into the final report.

***More Progress
Needed In
Issuing Title V
Air Permits***

As of December 31, 2001, state and local agencies nationwide had issued 70 percent (13,036 of 18,709) of the operating permits required by Title V of the Clean Air Act. If EPA and the state and local agencies had met the schedule in the Clean Air Act, all of the initial permits would have been issued by November 1997. However, translating and consolidating the applicable air pollution requirements for major stationary sources into site-specific, legally enforceable permit limits is a complex, time-consuming, and resource intensive process. Consequently, as of December 31, 2001, of 112 state and local agencies approved to administer the Title V program, only 4 state and 17 local agencies had issued all of their Title V permits. In the six states we reviewed, key factors delaying the issuance of permits included:

- ✗ States allotting insufficient resources.
- ✗ Complex regulations and limited guidance confusing permit writers.
- ✗ Conflicting priorities of state agencies.

EPA did not provide adequate oversight and technical assistance to state and local Title V programs. For example, from 1998 through 2001, EPA evaluated only 28 of 112 state and local agencies on their assessment and management of Title V fees. EPA also did not consistently require state and local agencies to provide EPA the information it needed to adequately oversee the Title V program. Although most state and local programs did not issue their permits within 3 years of EPA approval, EPA did not use the Act's provisions for issuing notices of deficiency, sanctions, and program withdrawal when state and local agencies missed the Clean Air Act's deadline for issuing permits.

In the six states reviewed, three practices contributed to progress in issuing Title V permits:

- Ž State agency management support for the program.
- Ž State agency and industry partnering.
- Ž Permit writer site visits to facilities.

However, EPA had not taken a leadership role in collecting and disseminating information on practices showing promise of facilitating more timely issuance of Title V permits.

We recommended that the Assistant Administrator for Air and Radiation require EPA regions to conduct fee protocol reviews and revive agency efforts to make air toxics standards easier to incorporate into Title V permits. We also recommended that EPA develop and execute a national plan for addressing implementation deficiencies in Title V programs.

We issued our final report (2002-P-00008) on March 29, 2002. In responding to the draft report, the Assistant Administrator stated that many of the sources remaining to be permitted are the more complex facilities, and agreed with our conclusion that more needs to be done to address the permitting backlog. A response to the final report is due June 27, 2002.

***Program
Evaluation
Identifies
Opportunities to
Improve
Research
Programs***

EPA OIG, in collaboration with EPA's Office of Research and Development (ORD), conducted a pilot evaluation to determine whether program evaluation techniques are appropriate for measuring progress in accomplishing Government Performance and Results Act goals. We looked at EPA's Goal 8, *Sound Science and Innovative Approaches*, and focused on Objective 8.4, *Pollution Prevention and New Technologies* research.

We concluded that the evaluation process was appropriate. The approach afforded a better understanding of the programs, answered key questions, and provided a partnership approach beneficial in developing meaningful observations about Goal 8 and Objective 8.4 designs.

We found that ORD's Goal 8 research priorities are consistent with National Research Council recommendations for core research, but identified opportunities for improvement. ORD can place more focus on outcomes rather than outputs, and can expand its transfer of technology to customers. Further, ORD can make

program design documents more consistent, enhance its planning system, more clearly explain the two-tiered Goal 8 strategy, and better address externalities (factors beyond the program's control) affecting Goal 8 research.

We issued our report (2002-P-000002) on November 21, 2001. In an effort to improve the designs and outcome orientation of its research programs, ORD has used our logic model in midyear reviews of its National Laboratories and Centers, and has made presentations that prominently feature the logic model to external audiences. It also developed guidance to increase the outcome orientation of annual performance goals and measures. In addition, it is considering revisions to the annual research planning system to focus discussions and decisions on performance information.

***Increased
Region 8
Involvement
Would Improve
Tribal Program
Results***

We questioned approximately 70 percent, or \$1.37 million, of the \$1.97 million claimed by four EPA Region 8 Tribes under grants awarded by the Regional Tribal Assistance Program and recommended that Region 8 recover \$1.28 million of payments made to the four Tribes for which we questioned costs. Although Region 8 has taken some important, positive steps to help Tribes comply with grant requirements during the last several years, and has shown a willingness to take strong steps when it deems necessary, three of the four Tribes we visited had difficulty managing environmental grants during the period covered by our audit (1996 through 2000).

On March 29, 2002, we issued an overall report, *Increased Region 8 Involvement Would Improve Tribal Program Results* (Report No. 100370-2002-1-000100). Three of four Tribes we reviewed lacked the internal controls necessary to adequately manage environmental grants. Tribal leadership, management, and staff need to emphasize good internal controls. We recommended that Region 8 continue to actively participate in the National EPA Grants and Debarment Workgroup to provide sufficient oversight, assistance, and guidance to help the Tribes effectively manage their grants. We also recommended that Region 8 continue its efforts to provide better guidance and a comprehensive approach to assessing grant management capabilities, as well as various other steps to improve internal controls. Further, we recommended that Region 8 designate three of the Tribal grantees as high risk until each develops and implements adequate procedures and controls, and suspend all current and new grants to those grantees if, after 6 months, substantial progress has not been made. Region 8 generally agreed with our other findings and recommendations, and is to provide a response to the report by July 2002.

***EPA Not
Planning or
Measuring
Grants Results***

EPA did not measure whether the assistance agreements awarded under Catalog of Federal Domestic Assistance (CFDA) number 66.606, "Surveys, Studies, Investigations, and Special Purpose Grants," achieved results that contributed to protecting human health and the environment. These agreements totaled \$617 million of EPA's \$1.3 billion of discretionary assistance agreements. EPA frequently funded the same assistance agreement recipients year after year. Consequently, EPA had no assurance that money used for assistance agreements was awarded for projects that were useful and contributed to achieving EPA's mission of protecting human health and the environment.

The deficiencies occurred because program offices generally focused on outputs (activities or products used to attain an ultimate outcome), not the actual results achieved. Individual assistance agreement outcomes must be planned and measured to determine the usefulness and success of the assistance agreement. However, EPA program offices did not adequately measure the outcomes generated from such awards.

EPA frequently funded the same assistance agreement recipients year after year. Grant objectives were often vague, which allowed EPA to continuously amend the objectives sometimes for up to 6 years. A review of a database for all CFDA 66.606 awards from fiscal years 1996 through 2000 disclosed that 80 percent of the funding went to repeat recipients. By providing funding to the same recipients year after year, EPA is creating the appearance of preferential treatment and limiting other potential entities from providing similar, if not better, services.

We recommended that EPA: (1) require its personnel to award assistance agreements with measurable results that contribute to protecting human health and the environment, and (2) develop clear policy on the use and purpose of assistance agreement amendments. In response, EPA agreed to work with the program offices to improve the performance in the areas discussed and improve guidance as well. We issued our final report (2002-P-00005) on March 21, 2002. A response to the final report is due June 19, 2002.

***Procurements
Made by
Assistance***

EPA had no assurance that as much as \$187 million spent by assistance agreement recipients for procurements was used to obtain the best products, at the best price, from the most qualified firms. Recipients did not compete contract awards or perform cost or price analyses as required by regulations. The conditions noted occurred because EPA did not monitor recipients' procurement transactions. Also,

***Agreement
Recipients
Should Be
Competitive***

recipients said they did not have sufficient knowledge of procurement regulations, and often procured services as a result of familiarity and long-term relationships with contractors.

Obtaining the best price allows EPA to fund the maximum number of projects to support its environmental mission. It is also important to have the most qualified firm perform each task, and even when a firm is qualified, not competing the work can result in a contract price that is not competitive with the market. Also, lack of competition can result in other problems, such as conflicts of interest.

We recommended that the Assistant Administrator for Administration and Resources Management require EPA personnel to: (1) perform the level of monitoring of assistance agreement procurement transactions required by regulations; and (2) ensure that when assistance agreement recipients identify proposed contractors in applications that the sole source justification provided is adequate and a cost or price analysis is performed. We issued the final report (2002-P-00009) on March 28, 2002. In response to the draft report, the Agency agreed with OIG on the need to foster competition in recipient procurements to achieve high quality work under EPA assistance agreements at the lowest cost, and said it is taking various improvement actions. A response to the final report is due June 26, 2002.

***Procurement
Practices of
Assistance
Agreement
Recipient
Inadequate***

MBI International, a non-profit company in Lansing, Michigan, did not have adequate justification to support the award of its sole source contracts issued with EPA assistance agreement funds. Of the 23 contracts awarded by MBI, 20 were awarded sole source. Also, MBI's procurement practices did not meet federal requirements. As a result, procurements totaling \$1.3 million were not eligible for federal reimbursement.

We also noted apparent conflicts of interest because MBI issued numerous contracts to Grand River Technologies, Inc., a for-profit company created by MBI, as well as to three for-profit companies created by GRT. Officers of MBI and GRT served on the Boards of Directors of the subsidiary companies.

We issued the final report (2002-2-00008) on January 29, 2002. We recommended that the Director, Grants Administration Division, disallow the \$1.3 million in ineligible costs incurred. EPA stated in its response to the draft report that it would wait until the final report was issued before preparing its response. The EPA response to the final report is due May 29, 2002.

***Watershed
Management
District
Violates
Conflict of
Interest and
Procurement
Procedures***

The Lake Wallenpaupack Watershed Management District did not follow federal procurement procedures when using EPA funds to hire an engineering firm. The District, based in Paupack, Pennsylvania, received \$2.2 million in assistance agreement funds from EPA Region 3 to perform various watershed management tasks. The \$2.2 million included funds to hire an engineering firm. However, we found that the District did not follow federal procurement procedures regarding conflicts of interest and competition when it awarded a \$547,000 contract to an engineering firm.

The District's application, work plan, budget, and work schedules submitted to EPA for the funding were prepared by the firm that received the contract. The District awarded a second contract to the same firm for \$360,000 (for a total of \$907,000) also without following federal procurement procedures. Further, the District billed EPA for \$71,000 in additional work done by the engineering firm that was not part of the scope of work of either of the two contracts.

We recommended that Region 3 determine whether the prices paid by the District for the engineering services were reasonable, and take appropriate actions. We also recommended that the Region discontinue payments to the District until the concerns were resolved.

We issued a final report (2002-M-00007) on January 18, 2002. In response to the draft report, Region 3 agreed with what we recommended and said it would evaluate information submitted by the District. The Region also stated that the District voluntarily agreed to stop incurring any additional costs under its engineering contracts. A response to the final report is due May 18, 2002.

***EPA
Strengthens
Procedures for
Employee
Information
Protected by
EEOC***

In response to a complaint, OIG found that EPA Region 5 employees not assigned to the Region's Office of Civil Rights had inappropriately collected information on employees' race, national origin, and sex. The information was used in preparing certain non-monetary awards and reports on newly hired employees. Region 5 managers had requested these reports so that they could compare Region 5 award and new hire practices to goals in the Region's diversity action plan. These reports were provided to the Director of the Region's Office of Civil Rights.

Regulations issued by the Equal Employment Opportunity Commission (EEOC)

Regulations

provide that each agency will establish a system to collect and maintain accurate employment information on the race, national origin, sex, and disability(s) of its employees. The information collected on its employees cannot be disclosed, except in the form of gross statistics. The Privacy Act also provides additional requirements on when an Agency can disclose this type of employee information in the performance of its duties.

We issued our final report (2002-S-00002) on December 13, 2001. We recommended that Region 5 take certain steps that would ensure that the collection of employee information was in full accordance with the EEOC regulations. We also recommended that the Agency's Office of Civil Rights and Office of Human Resources ensure that all EPA regions are collecting this type of employee information in a proper manner.

In a February 11, 2002, response, officials from EPA's Office of Human Resources and Organizational Services agreed with our recommendations. They advised all Regional Human Resource Offices and EPA staff of applicable laws, and directed Regional human resource offices to work in coordination with regional offices of civil rights to review processes to ensure violations do not occur. Both Region 5 and Headquarters officials also agreed with our recommendations in a March 7, 2002, response. Region 5's Regional Administrator directed, immediately, that employee-specific information collected, developed, or analyzed in connection with Region 5 activities be issued by the Office of Civil Rights, that only appropriate staff work with the information, and that adequate security is provided for the information.

Better Guidance Needed for Reporting Safe Drinking Water Violations

We conducted a review on reporting of maximum contaminant level violations of the Safe Drinking Water Act in Pennsylvania due to a previous incident in which a public health risk occurred and EPA initially was not notified of the incident. We reviewed 27 public water systems to determine whether additional maximum contaminant level violations had occurred and gone unreported to EPA. We did not find any such instances.

However, the Pennsylvania Department of Environmental Protection (PADEP) could take further steps to ensure that all maximum contaminant level violations are reported to EPA. Specifically, the state needs to clarify its guidance to ensure consistency of information. In addition, Federal reporting guidance needs to be clarified. EPA's guidance for the Safe Drinking Water Information System does not clearly define what is meant by an "active" source. Further, we noted that PADEP does not notify EPA of all its drinking water sources, because EPA does not explicitly require this information. In the event of an environmental disaster, drought, or outside threat, EPA should have knowledge of all drinking water sources that are in use or could be put into service quickly, in case the information is needed to

protect the public.

We recommended that the EPA Region 3 Administrator require PADEP to align its monitoring guidance with Federal and State regulations and review the compliance reporting procedures for other Region 3 States. We also recommended that the EPA Assistant Administrator for Water revise the Safe Drinking Water Information System guidance.

We issued our final report (2002-P-00007) on March 25, 2001. A response to the final report is due June 24, 2002.

***Office of Water
Disposed of
Official Agency
Records***

The Office of Water inappropriately disposed of senior management calendar records from 1993 through 1998 that were considered to be permanent Agency records. According to EPA officials, these records were not intentionally destroyed, and steps have been taken to safeguard such records in the future. However, the Agency did not have the information necessary to respond to a request under the Freedom of Information Act, which, in turn, could engender mistrust of EPA by the public or the media.

We concluded that while the Office of Water did not comply with the Federal Records Act, we were unable to determine whether the destruction of the calendars was connected to a Presidential decision regarding arsenic standards, as alleged in a formal complaint received by the Agency. The complainant sought the records to determine whether the Assistant Administrator for the Office of Water had met with certain water industry groups.

We recommended that the Assistant Administrator for Water ensure that Office of Water staff follow EPA's Records Management Schedule to properly dispose or store, retain, and archive official records; and ensure that staff receive records management training through courses, memoranda, performance agreements, or directives as necessary. We issued a letter to the complainant and a memorandum to the current Assistant Administrator on March 29, 2002, and closed the assignment upon issuance.

***Corporate
President
Sentenced for
Obstruction of
Federal Audit***

Pritam Singh Sabharwal, President of Environmental Health Research & Testing, Inc., (EHRT), of Lexington, Kentucky, was sentenced on January 11, 2002, in U.S. District Court, Lexington, Kentucky, for obstructing federal auditors from the EPA OIG. Sabharwal had plead guilty on March 9, 2001, to a one-count criminal information charging him with obstruction of a federal audit. EHRT was a government contractor from 1980 through 1994 engaged in soil remediation and environmental cleanup.

The criminal information and guilty plea by Sabharwal were part of a plea agreement negotiated between Sabharwal and the U.S. Attorney's Office, Eastern District of Kentucky, stemming from a prior criminal indictment on federal racketeering

charges against Sabharwal and several family members on May 30, 2000. That indictment alleged that Sabharwal and associates engaged in racketeering activities to include obstruction of a federal audit, bank fraud, bankruptcy fraud, bribery of a public official with regard to obtaining inside information on government contracts, and money laundering.

Sabharwal was sentenced to 3 years probation, 6 months of home detention, a \$2 million fine, and the required payment of an outstanding \$963,196.83 balance due by EHRT to the U.S. District Court, Middle District of North Carolina. That payment stemmed from an earlier 1993 bribery investigation against Sabharwal and EHRT that resulted in a \$1 million fine against the corporation. In that case, EHRT had made only partial payments of the fine before filing for bankruptcy protection on February 6, 1996.

This investigation was conducted by the EPA OIG and the Defense Criminal Investigative Service.

***Three Found
Guilty of
Conspiracy and
Theft from a
Tribal
Organization***

On February 5, 2002, three members of the payroll office for the Oglala Sioux Tribe, Pine Ridge Reservation, Pine Ridge, South Dakota, were found guilty by jury of conspiracy and theft from a tribal organization in U.S. District Court, District of South Dakota, Western Division. Estelle Goings, Vonnie Goings, and Carol Vitalis were all employed in handling government grant monies awarded to the tribe, including more than \$2 million in EPA grants since 1997. The three individuals were indicted by a federal grand jury on April 25, 2001, charging them with five felony violations, including one count of conspiracy and four counts of theft from an Indian tribal organization. The five-count indictment charged them with devising a conspiratorial scheme that operated from 1996 through 1999 and resulted in the embezzlement of approximately \$196,000. The funds were diverted from the tribe and converted to the three employees' own personal use under the guise of payroll and overtime advances.

This investigation was conducted jointly by the EPA OIG, the Federal Bureau of Investigation, the Department of the Interior OIG, and the Department of Veterans Affairs OIG.

Several Plead

Several business persons in New York and New Jersey have plead guilty to criminal charges in a scheme to pay kickbacks to a division manager of Ebasco Services,

***Guilty to
Charges of
Conspiracy and
Kickbacks***

Inc., New York, New York. Ebasco is a government contractor that provided printing and graphic design services to various federal agencies, including EPA.

The following, whose firms were subcontractors of Ebasco, each plead guilty to a criminal information of conspiring to violate the Federal Anti-Kickback Act of 1996:

- William J. Cruciata, president of Multi-Media Graphics and Design Ltd., Mineola, New York, on October 19, 2001. Multi-Media paid more than \$288,700 in kickback payments.
- Robert A. Higgins, owner of Markets-in-Motion, Stoney Brook, New York, on December 20, 2001. Higgins paid more than \$139,000 in kickback payments. The information also charged Higgins with subscribing to a false Internal Revenue Service tax return.
- Robert Steinberg, president of Big Apple Color & Design, Ltd., New York, New York, on December 20, 2001. Big Apple paid more than \$73,000 in kickback payments.
- Loretta Herrmann, president, Gallagher Verityping Service Inc., Pine Brook, New Jersey, on December 20, 2001. Gallagher Verityping paid more than \$148,000 in kickback payments.

Each of the four informations charged that, dating back to 1989, the person paid kickbacks to the manager of Ebasco's printing and graphics department in exchange for favored treatment and subcontracts. The subcontracts provided to all four firms were contrary to Ebasco's purchasing system and did not utilize the competitive bidding process required by federal agencies.

Also, Angelo Rizzotto, president, AMJO Printing Services Corporation, Farmingdale, New York, plead guilty on January 30, 2002, to a criminal indictment charging him with one count of conspiracy and six counts of paying kickbacks. Rizzotto caused AMJO to inflate the amount of invoices billed to Ebasco to account for kickback payments made in exchange for favored treatment and subcontracts. Again, the subcontracts were provided to AMJO contrary to Ebasco's purchasing system and without utilizing the required competitive bidding process. As a result of the conspiracy, AMJO paid more than \$456,000 in kickback payments.

This investigation was conducted jointly by the EPA OIG, U.S. Postal Service OIG,, National Aeronautics and Space Administration OIG, and the Defense Criminal Investigation Service.

On October 5, 2001, a U.S. District Court jury in Concord, New Hampshire,

***Woman
Convicted of
Wire Fraud and
Impersonating
an EPA
Employee***

convicted a Massachusetts woman of wire fraud and impersonating a federal employee.

The charges, filed against Cheryl Burnette of Newburyport, Massachusetts, stemmed from her stealing products and services by pretending to be an EPA employee. She falsely represented to victims that the products and services she received from them would be paid for by EPA. The conduct included the renting of homes in Massachusetts and the procurement of groceries, computer equipment, office supplies, and such luxury items as Rolex watches.

Burnette had used assumed identities and her fictitious affiliation with EPA to steal goods and services totaling more than \$75,000 from individuals and businesses throughout the country. The defendant's scheme included the use of fictitious government procurement numbers and purchase orders to establish direct billing accounts with victims who believed they were doing business with EPA.

***EPA Major
Management
Challenges for
Fiscal 2002
Identified***

OIG has identified the following 10 items as key management challenges confronting EPA in fiscal 2002. These items include an assessment of the Agency's progress in addressing these challenges since our last reporting. All except the final challenge (Protecting Critical Infrastructure from Non-Traditional Attacks) were previously reported to Congress.

1. Linking Mission and Management (Cost Accounting)

When the Agency merged the budget and Government Performance and Results Act process, it adopted a set of goals and measures that reflected each aspect of EPA's budget. The Agency has output data on activities, but few environmental performance goals and measures, and little data that support the Agency's ability to measure environmental outcomes and impacts. EPA also needs to implement a cost accounting system and processes so Agency managers have useful, consistent, timely, and reliable information on the cost of carrying out EPA's programs.

2. Information Resources Management

Deficiencies within the Agency's data information systems have been long standing. While most states have developed environmental programs with their own supporting information systems, EPA and the states often apply different data definitions within these information systems, and input different data. In addition, EPA has not revised its outdated information technology strategy or fully developed an Enterprise Architecture Plan to address the integration and management of its environmental data to support EPA strategic goals.

3. Results-Based Information Technology Project Management

Six years after the Clinger-Cohen Act introduced new requirements for managing

Information Technology investments, EPA's strategic Information Technology plan does not reflect the current needs of the Agency, much less the Act's requirements to manage an integrated investment portfolio approach for environmental information. EPA only has an evolving, decentralized, and unmonitored approach to integrating information using existing projects.

4. Employee Competencies

EPA recognizes the importance of Human Capital as a key Agency priority, but has not integrated and translated that need into its strategic plans by more effectively defining and developing needed competencies in leadership, management, science, and technical skills. The Agency needs to further deploy its Human Capital strategy by dedicating resources, developing performance measures, implementing necessary systems for recruiting, and developing needed competencies, and then holding managers accountable.

5. Quality of Laboratory Data

The questionable quality and integrity of laboratory data supplied to the EPA for regulatory compliance, enforcement, policy, and remediation purposes compromises the soundness of EPA decisions on the protection of the environment and public health. This problem includes the trend in the number of environmental laboratories that are providing misleading and fraudulent data to the states for monitoring the nation's public water supplies and other indicators of health hazards, such as air toxins, pesticides in food supplies, and hazardous wastes.

6. EPA's Information Security Program

We have cited numerous critical inadequacies in the Agency's information security program and recommended specific corrective actions. The General Accounting Office also found serious and pervasive problems within the Agency's information security program that "essentially rendered it ineffective." We believe that EPA needs to establish a strong centralized security program with oversight processes to address risks and ensure valuable information resources and environmental data are secure.

7. EPA's Use of Assistance Agreements and Grants to Accomplish Its Mission

OIG reported that some grant recipients did not have adequate financial and internal controls to ensure that federal grant funds were managed properly, used in accordance with workplans, and met negotiated environmental targets. OIG reported that the Agency did not have a policy for awarding discretionary assistance funds, totaling \$1.3 billion, competitively. Without competition, EPA cannot ensure it is funding the best products based on merit and cost effectiveness, achieving program objectives, and accomplishing its environmental mission.

8. Backlog of National Pollutant Discharge Elimination System Permits

Backlogged permits are an important issue because the conditions upon which the existing permit is based may have changed since the original permit was issued, and

more stringent requirements may subsequently be necessary that would not be contained in the backlogged permit. While EPA realizes it needs new ways of implementing the permit program, the number of sources needing permits has increased five times in the past 10 years.

9. EPA's Working Relationship With the States

EPA depends heavily on states to fund and implement national programs and provide environmental data, yet EPA and states have not yet agreed on how states will have flexibility while being accountable for environmental results. Relations between EPA and states have been strained due to disagreements over: (1) respective roles and the extent of federal oversight; (2) priorities and budgets; and (3) results-oriented performance measures, milestones, and data. EPA can improve its relationship with states by facilitating joint planning and priority setting.

10. Protecting Infrastructure From Non-Traditional Attacks

Under Presidential Decision Directive 63, initiated in May 1998, EPA has been assigned the designated Lead Agency and Sector Liaison for reviewing the vulnerability of the nation's water systems as a critical physical infrastructure, to ensure the performance of mission and safety in the event of non-traditional attacks. We reported that funding problems caused delays in attempts by EPA and the private sector to develop a national framework for protecting this critical infrastructure. Following September 11, 2001, the Agency has accelerated and expanded work in this area to include support for both drinking water and wastewater. This Agency initiative, of national impact, merits continued attention.



While the Agency is making progress in resolving its Major Management Challenges, several have been longstanding problems. The following table shows which challenges have been listed from 1997 through 2001.

**EPA's Top Management Challenges as Reported by OIG
(Historical Perspective)**

Management Challenge	1997	1998	1999	2000	2001
Environmental Data Quality					
Emission Factor Development					
Year 2000 Modification on Information Systems					
Closeout of Construction Grant Program					
Inconsistent/Oversight Enforcement Activities					
Quality Assurance/Plans					
Use of Inefficient Contract Types					
Managerial Cost Accounting *					w
Automated Information System Security Plans					
Oversight/Use of Assistance Agreements to Accomplish Mission					
Agency Relationship with Contractors					
Environmental Data Information Systems					
Accountability *					w
Backlog of National Pollutant Discharge Elimination System Permits					
Resources to Enhance Employee Competencies/Human Capital					
Process for Preparing Financial Statements					
Superfund Five-Year Reviews					
Great Lakes Program					
Quality of Laboratory Data					
Information Resources Management					
Working Relationships with States and Other Partners					
Results-Based Information Technology Project Management					

Goal 3: Produce Timely, Quality and Cost-Effective Products and Services That Meets Customer Needs

The OIG is a customer-driven organization in which customer needs serve as the basis for work planning and the design of OIG products and services. All OIG work is based on anticipated value to Congress and EPA. The following represent some examples of the more significant efforts under this OIG goal.

***OIG Issues
First Annual
Performance
Report -
Scorecard of
Measures***

EPA OIG issued its first Annual Performance Report, summarizing key statistical performance results and measures, to demonstrate progress toward the attainment of its fiscal 2001 Performance Targets and Strategic Goals through fiscal 2005.

In compliance with the Government Performance and Results Act, the Report describes examples of specific outputs and outcomes, provides financial statements, Management Challenges, progress on previous Management Challenges, and revised annual performance targets for fiscal 2002. It also provides additional operational performance measures and indicators about OIG product timeliness, customer survey results, and completeness and quality of data entry into OIG Management Information Systems.

Because our Strategic Plan was designed “Starting with the End in Mind,” this report provides summary performance information on effectiveness, beginning with outcomes and outputs from our business line products and services related to each of our four Goals. The Report also includes measures of economy and efficiency through analyses of financial and staff resource usage and product timeliness. It concludes with a list of the Management Challenges (Federal Managers’ Financial Integrity Act weaknesses) within the OIG to be addressed during fiscal 2002, and revised fiscal 2002 Annual Goal Targets, based on the OIG’s progress and lessons learned from fiscal 2001 performance.

Example of a Balanced Scorecard Dashboard

Progress on Strategic Goals	Operational Activity	Human Resource Usage
Customer Service Ratings	Timeliness/Cycle Time	Product Quality

The net result of this report is to present a “Scoreboard” of performance, progress, results, activities, and investments that tell a complete story of OIG performance and accountability. While this is the OIG’s first Annual Performance Report based on our Strategic Plan, we are continuing to research new and better ways to measure, collect, and report data on the results of our operations. This report will be used to direct the future application of resources for even greater accountability and results.

***OIG Launches
Electronic
Work Papers***

The OIG has created and launched its own “AutoAudit” database to provide its staff with an automated, uniform method for preparing electronic work papers.

AutoAudit is a Lotus Notes database that contains, organizes, and displays electronic workpapers for audits, program evaluations, and consulting assignments. It enables staff to work in teams, creating, editing, and reviewing work papers in real time. AutoAudit is where much of the core work of our organization will be done. A major advantage of AutoAudit is that it facilitates cooperation and information sharing among geographically separated staff, thus promoting teamwork, more efficient production, and the “One OIG” concept.

AutoAudit uses commercial-off-the-shelf software that was customized to fit our work process by a group of OIG auditors and computer specialists. We trained OIG staff and managers in two phases. First, in a “train-the-trainer” phase, an OIG staff member in each office who understands OIG business processes gained familiarity with the software. Second, the software vendor provided training to the entire staff.

A group of OIG computer specialists wrote an AutoAudit security plan. Information in AutoAudit is protected by server port encryption, user identification, and password protection in Lotus Notes, controlled access to the AutoAudit database, and – within AutoAudit – through the ability to restrict access to an entire assignment or to specific documents.

Goal 4: Enhance Diversity, Innovation, Teamwork and Competencies

The OIG is committed to becoming a high performance organization by recruiting and maintaining a diverse and highly competent workforce. The OIG promotes continuous learning and is expanding its use of technology and multi-discipline teams. The following represent some examples of the more significant efforts under this OIG goal.

***OIG-Wide
Conference
Stresses
Achieving
Organization's
Goals***

The entire staff of the EPA OIG met for an “Achieving Our Strategic Goals” training conference December 4-6, 2001, in Phoenix, Arizona, to strengthen the OIG’s ability to become an agent for positive change.

One of the main themes of the conference was the need for the OIG to make its products work for its customers. “What difference are we making?” was a question often asked. Consequently, ways for the OIG to help the Agency improve environmental quality and protect human health were explored throughout the conference.

“Job Number One is to contribute to improving the environment and human health,” stressed Nikki Tinsley, the EPA Inspector General, in her opening remarks to the gathering. Tinsley pointed out that great strides have already been made in achieving the OIG’s four strategic goals, and more work is still needed.



EPA Administrator Christine Todd Whitman videotaped a message (photo by: Erica Vernon, EPA OIG)

During the conference, numerous sessions were held to better enable the OIG achieve its Goal 1, *Contributing to Improved Environmental Quality and Human Health*. The ways to identify potential areas for Agency improvement were discussed, including best practices within EPA that could be applied on a wider scale. The need to stress outcomes was emphasized, and examples of recent projects contributing to improved water and air, as well as reduced exposure to hazardous substances, were discussed.

Emphasis was also placed on Goal 2, *Improving EPA's Management and Program Operations*. Various sessions stressed that OIG's efforts should be geared to help the Agency perform like an efficient business and deliver results. Directions in which the OIG could provide such opportunities to the Agency were noted.

Goal 3, *Producing Timely, Quality, and Cost-Effective Products and Services that Meet Customer Needs*, was also discussed in detail. Does the OIG provide the right products, at the right time, to the right customer, at the right cost? These types of questions were considered, and ways to better build partnerships with the Agency and provide the products and services that the Agency needs were discussed.

Goal 4, *Enhancing Diversity, Innovation, Teamwork, and Competencies*, is the organization's "people" goal. Ultimately, following Goal 4 is the road to the OIG achieving all its goals, since continuous learning, state-of-the-art technology, and multi-discipline teams will have a direct bearing on product quality. One of the measures being used to carry out OIG's strategic plan, the "KEYS" questionnaire which is designed to measure organizational climate and employee attitude, was discussed.



Tom Ward of the EPA Institute conducts a training session (photo by Eric Vernon, EPA OIG)

Goal 4: Enhance Diversity, Innovation, Teamwork and Competencies

Scoreboard of Results Compared to FY2002 Goal Targets

Reported as of 3/31/02

Business Line Goals, Objectives and Measures from OIG Strategic Plan 2001-1005

Goal 1. Contribute to Improved Environmental Quality and Human Health

Improvements/Changes/Decisions/Actions Influencing Environmental Impacts or Preventing Loss

Legislative Changes/Decisions	0			
Regulatory Changes/Decisions	1			
EPA Policy, Directive, Process or Practice Changes	5			
Example of Environmental/Health Improvements or Impacts	0			
Best Practices Implemented	0			
TOTAL and % of Goal	6	12%	Goal Target	50

Environmental Risks Reduced or Eliminated from Solutions and Enforcement Actions

Environmental Risks Reduced/Eliminated	9			
Certifications/Validations/Verifications	0			
TOTAL and % of Goal	9	60%	Goal Target	15

Recommendations, Best Practices and Risks Identified

Recommendations for Environmental Improvement	15			
Environmental Best Practices Identified	4			
Environmental Risks Identified	10			
TOTAL and % of Goal	29	39%	Goal Target	75

Goal 2. Improve EPA's Management, Accountability and Program Operations

Return on Investment in IG Budget from Improved Business Practices, Savings, Recoveries and Fines

Questioned Costs (includes items not in Audit Resolution)	\$3,517,000			
Recommended Efficiencies (includes items not in Audit Resolution)	\$1,305,000			
Fines, Recoveries, Restitutions	\$18,800,000			
TOTAL and % of Goal	\$23,622,000	51%	Goal Target	\$45,900,000

Actions Reducing or Eliminating Risk of Loss or Improving Efficiency and Integrity

Criminal, Civil, Administrative Actions	30			
Certifications/Validations/Verifications	4			
Examples of Process/Practice Changes	11			
Corrected Management Challenges	9			
Best Practices Implemented	2			
TOTAL and % of Goal	56	75%	Goal Target	75

Percent EPA GRPA Rating Increase from OIG Influence

0%

Recommendations, Best Practices, FMFIA or Management Challenges Identified to Promote Action

Recommendations for Management Improvement	125			
New FMFIA/Management Challenges Identified	4			
Best Practices Identified	1			
TOTAL and % of Goal	130	87%	Goal Target	150

