



U.S. ENVIRONMENTAL PROTECTION AGENCY  
OFFICE OF INSPECTOR GENERAL

*Catalyst for Improving the Environment*

## Audit Report

# EPA Needs to Strengthen Internal Controls for Determining Workforce Levels

**Report No. 11-P-0031**

**December 20, 2010**

**Report Contributors:**

Patrick Gilbride  
Teren Crawford  
Raul Adrian

**Abbreviations**

AA	Assistant Administrator
CFO	Chief Financial Officer
CFR	Code of Federal Regulations
CHCO	Chief Human Capital Officer
EPA	U.S. Environmental Protection Agency
FTE	Full-Time Equivalent
FY	Fiscal Year
GAO	Government Accountability Office
GPRA	Government Performance and Results Act
HCAAF	Human Capital Assessment and Accountability Framework
MCO	Mission-Critical Occupation
NPM	National Program Manager
OARM	Office of Administration and Resources Management
OB	Office of Budget
OCFO	Office of the Chief Financial Officer
OHR	Office of Human Resources
OIG	Office of Inspector General
OMB	Office of Management and Budget
OPM	Office of Personnel Management
RA	Regional Administrator



# At a Glance

*Catalyst for Improving the Environment*

## Why We Did This Review

Workforce planning identifies human capital required to meet organizational goals. We sought to determine whether the U.S. Environmental Protection Agency (EPA) has established and effectively implemented internal controls for determining workforce levels and effectively used workforce planning in its strategic planning process.

## Background

The Government Performance and Results Act requires agencies to describe the human resources needed to meet strategic and performance goals. For fiscal year 2009, EPA's full-time equivalents (FTEs) on board were approximately 17,200 with payroll costs representing \$2.2 billion of EPA's \$7.6 billion budget. The Government Accountability Office and EPA Office of Inspector General have reported on the importance of basing workforce levels on workload.

**For further information, contact our Office of Congressional, Public Affairs and Management at (202) 566-2391.**

**To view the full report, click on the following link:**  
[www.epa.gov/oig/reports/2011/20101220-11-P-0031.pdf](http://www.epa.gov/oig/reports/2011/20101220-11-P-0031.pdf)

## **EPA Needs to Strengthen Internal Controls for Determining Workforce Levels**

### **What We Found**

EPA's policies and procedures do not include a process for determining employment levels based on workload as prescribed by the Office of Management and Budget. Further, EPA does not determine the number of positions needed per mission-critical occupation (MCO) using workforce analysis as required by the Office of Personnel Management (OPM). These conditions occurred because EPA has not developed a workload assessment methodology and has not developed policies and procedures that require identifying and reporting on the number of positions needed per MCO. As a result, EPA cannot demonstrate that it has the right number of resources to accomplish its mission. The Government Accountability Office and EPA Office of Inspector General have reported instances in which personnel resources were not adequately considered and, consequently, offices encountered delays or did not meet mission requirements.

OPM noted that EPA's Human Capital Management Report shows evidence that EPA's work is guided by human capital goals and objectives. However, EPA's Office of Human Resources does not require that workforce planning results link to EPA's strategic and performance goals. This condition occurred because the Office of Human Resources has not clearly defined the reporting requirements needed. As a result, there is no assurance that EPA's workforce levels are sufficient to meet the workload of the Agency.

### **What We Recommend**

We recommend that EPA's Chief Financial Officer amend guidance to require that the Agency complete a workload analysis for all critical functions to support the Agency's budget request for FTEs. We recommend that Office of Administration and Resources Management amend its workforce planning guidance to require that headquarters program offices and regions provide the number of positions needed for each MCO, along with the applicable FTEs associated with each of EPA's strategic goals and program areas. In addition, we recommend that Office of Administration and Resources Management provide the Chief Financial Officer's Office of Budget with the workforce planning results for each program and strategic goal for inclusion in the budget. EPA disagreed with the recommendations in the draft report. The recommendations in chapter 2 are unresolved and pending the Agency's 90-day response. For recommendations in chapters 3 and 4, EPA provided alternative recommendations and we accepted the recommendations with one slight revision. We consider these recommendations open, and EPA should provide estimated or actual completion dates for chapter 3 and 4 recommendations.



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

THE INSPECTOR GENERAL

December 20, 2010

**MEMORANDUM**

**SUBJECT:** EPA Needs to Strengthen Internal Controls for Determining Workforce Levels  
Report No. 11-P-0031

**FROM:** Arthur A. Elkins, Jr.  
Inspector General

A handwritten signature in black ink that reads "Arthur A. Elkins".

**TO:** Craig E. Hooks  
Assistant Administrator for Administration and Resources Management

Barbara J. Bennett  
Chief Financial Officer

This is our report on the subject audit conducted by the Office of Inspector General (OIG) of the U.S. Environmental Protection Agency (EPA). This report contains findings that describe the problems the OIG has identified and corrective actions the OIG recommends. This report represents the opinion of the OIG and does not necessarily represent the final EPA position. Final determination on matters in this report will be made by EPA managers in accordance with established audit resolution procedures.

The estimated cost of this report—calculated by multiplying the project's staff days by the applicable daily full cost billing rates in effect at the time—is \$747,871.

**Action Required**

In accordance with EPA Manual 2750, *EPA's Audit Management Process*, you are required to provide a written response to this report within 90 calendar days. You should include a corrective action plan for agreed-upon actions, including milestone dates for chapter 3 and 4 recommendations. As discussed in the report, we consider recommendations in chapter 2 unresolved pending your 90-day response. Final determination on this issue will be made in accordance with audit resolution procedures. We ask that you review our comments and reconsider your responses.

Your response will be posted on the OIG's public website, along with our memorandum commenting on your response. Your response should be provided as an Adobe PDF file that

complies with the accessibility requirements of section 508 of the Rehabilitation Act of 1973, as amended. The final response should not contain data that you do not want to be released to the public; if your response contains such data, you should identify the data for redaction or removal. We have no objections to the further release of this report to the public. This report will be available at <http://www.epa.gov/oig>.

If you or your staff have any questions regarding this report, please contact Melissa Heist, Assistant Inspector General for Audit, at 202-566-0899; or Patrick Gilbride, Product Line Director, at 303-312-6969 or [Gilbride.Patrick@epa.gov](mailto:Gilbride.Patrick@epa.gov).

## Table of Contents

### Chapters

<b>1</b>	<b>Introduction .....</b>	<b>1</b>
	Purpose .....	1
	Background .....	1
	Noteworthy Achievements.....	3
	Scope and Methodology.....	4
<b>2</b>	<b>Improvements Needed in Determining Employment Levels Based on Workload .....</b>	<b>5</b>
	Office of Budget Policies and Procedures	
	Do Not Sufficiently Reflect Workload Data .....	5
	Conclusions .....	7
	Recommendations .....	7
	Agency Comments and OIG Evaluation.....	7
<b>3</b>	<b>Improvements Needed in Determining and Reporting on Mission-Critical Occupations.....</b>	<b>10</b>
	Workforce Planning Does Not Include Staffing Levels for Mission-Critical Occupations .....	10
	Conclusions .....	11
	Recommendations .....	12
	Agency Comments and OIG Evaluations.....	12
<b>4</b>	<b>EPA Needs to Link Workforce Planning to Agency Goals .....</b>	<b>13</b>
	Human Resource Procedures Not Linked to Agency Goals.....	13
	Conclusions .....	15
	Recommendations .....	16
	Agency Comments and OIG Evaluation.....	16
	<b>Status of Recommendations and Potential Monetary Benefits.....</b>	<b>18</b>

### Appendices

<b>A</b>	<b>Offices Visited or Contacted .....</b>	<b>19</b>
<b>B</b>	<b>Prior GAO and OIG Reports Related to Workforce Planning .....</b>	<b>20</b>
<b>C</b>	<b>Sample of Survey Questionnaire Responses.....</b>	<b>22</b>
<b>D</b>	<b>EPA Response to Draft Report .....</b>	<b>25</b>
<b>E</b>	<b>OARM Alternative Recommendations.....</b>	<b>32</b>
<b>F</b>	<b>Distribution .....</b>	<b>34</b>

# Chapter 1

## Introduction

### Purpose

The purpose of this audit was to assess the U.S. Environmental Protection Agency's (EPA's) implementation and oversight of workforce planning. Specifically, our objectives were to determine whether EPA effectively:

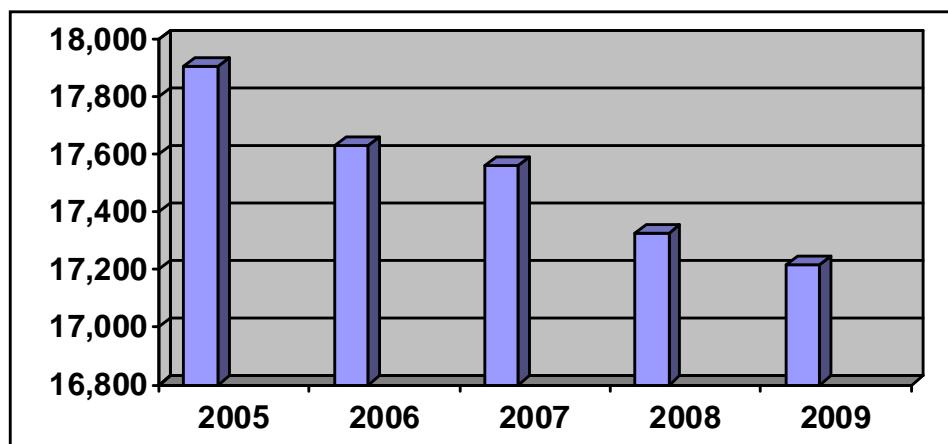
- Established and implemented internal controls for determining workforce levels
- Used workforce planning in its strategic planning process

### Background

#### ***Human Capital Management and Workforce Planning***

Workforce planning identifies the human capital required to meet organizational goals. EPA defines its Strategic Workforce Plan as a systematic process for attracting, developing, and retaining the workforce needed to accomplish EPA's mission. The plan is a critical element of the Agency's Human Capital Strategy. For fiscal year (FY) 2009, EPA had approximately 17,200 employees and payroll costs representing \$2.2 billion (29 percent) of EPA's \$7.6 billion total budget. Figure 1 shows how EPA's full-time equivalent (FTE) budget levels have declined in each of the last 5 years.

**Figure 1: EPA budgeted FTEs (FYs 05-09)**



Source: EPA's FYs 2005-2009 Annual Performance Plan and Congressional Justification.

Strategic Human Capital Management represents a transformation in how the federal government employs, deploys, develops, and evaluates the workforce. Its goal is to place the right people in the right jobs and, using workforce analysis, determine the staffing levels needed to perform the work of the organization. Human Capital Management served as the primary initiative of the President's Management Agenda and later became a requirement in the Chief Human Capital Officers (CHCO) Act of 2002, and the Code of Federal Regulations (CFR). The Government Performance and Results Act (GPRA) of 1993 also addresses similar human resource requirements. GPRA requires agencies to describe, in their strategic plans and budgets, the human resources needed to accomplish their goals.

Title 5 CFR Part 250.202 and its appendix, *Human Capital Assessment and Accountability Framework*<sup>1</sup> (HCAAF), require OPM to design systems and set standards, including appropriate metrics, for assessing human capital management by federal agencies. HCAAF requires aligning human resources with an agency's strategic goals. It states that workforce planning is a critical factor in achieving agency goals and for operating efficiently, effectively, and in compliance with Merit System Principles.<sup>2</sup> HCAAF requires that workforce planning systems include a workforce analysis process that identifies the size and characteristics of the workforce needed to meet organizational goals. It directs agencies in planning, evaluating, and improving the efficiency and effectiveness of agency human capital management. This process includes integrating human capital management strategies into agency strategic plans and performance budgets prepared under Office of Management and Budget (OMB) Circular A-11.

### ***Key Human Capital Management Officials***

The CHCO Act and EPA guidance identify the following key officials and their responsibilities in connection with workforce planning:

- The CHCO Act established CHCOs. These officials advise and assist agency leaders in carrying out their responsibilities to select, develop, train, and manage a high-quality, productive workforce. The act requires CHCOs to assess workforce characteristics and future needs based on their agency's mission and strategic plan. The Assistant Administrator for the Office of Administration and Resources Management (OARM) is EPA's CHCO.
- EPA's Office of Human Resources (OHR), within OARM, provides leadership, coordination, guidance, and technical expertise in all areas related to strategic human capital management. OHR also provides support to EPA's CHCO. OHR is accountable for ensuring that proposed human capital management actions meet regulatory compliance and are

---

<sup>1</sup> HCAAF is a mandate of the CHCO Act. Public Law 107-296, Title XIII – Federal Workforce Improvement, sections 1301–1305, dated November 25, 2002.

<sup>2</sup> Title 5 U.S. Code 2301(b).

consistent with Merit System Principles. According to EPA's Strategic Workforce Plan, OHR activities involve periodic monitoring, analysis, and reporting on EPA's workforce.

- EPA's Office of Budget (OB), within the Office of the Chief Financial Officer (OCFO), is responsible for budget formulation and execution. The OB annual planning and budget memoranda further establish OB's leading role during the budget process, in discussing and determining workforce levels, in evaluating emerging issues and their impact, and in determining administrative priorities.
- EPA's Office of Planning, Analysis, and Accountability, within OCFO, works with OB to integrate goal-based decision-making into allocating Agency resources through multi-year and annual planning in the budget process. The Office of Planning, Analysis, and Accountability staff design, develop, implement, and maintain an Agency-level process for identifying, collecting, analyzing, and reporting performance and resource information as required by GPRA.
- EPA's Administrator and 12 Assistant Administrators (AAs) in headquarters program offices are National Program Managers (NPMs) who control resources. The responsibilities of the NPMs include planning, formulating, and justifying budgets for national EPA programs, including the regional program components, adjusting national program budgets (e.g., headquarters/regional splits) as needed, and preparing program operating guidance. AAs report workforce-planning data to the OHR.
- EPA has 10 Regional Administrators (RAs) who directly report workforce-planning data to the OHR. RAs are responsible for regional administration and budget execution for all programs in the states and territories within their region. RAs coordinate with NPMs on budget formulation, execution, and present regional budget planning concerns through the lead region process.

## **Noteworthy Achievements**

EPA has taken steps toward improving workforce planning. OB has awarded a contract to study best practices for identifying appropriate workforce size based on workload. The study is targeting key EPA functions: (1) regulatory development, (2) scientific research, (3) enforcement, (4) financial management, (5) environmental monitoring, and (6) permitting. The results of this effort have not yet been determined.

According to OPM, EPA's Human Capital Management Report shows evidence that EPA's work is guided by human capital goals and objectives. Under a previous OPM scorecard grading system, EPA achieved "Green" status in FY 2008 for its human capital management efforts.

## **Scope and Methodology**

We conducted our audit from November 2008 to June 2010 in accordance with generally accepted government auditing standards. Those standards require that we obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our evaluation objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our objectives.

Based on the survey responses, we used a judgmental sample of four headquarters program offices (Office of Chemical Safety and Pollution Prevention, Office of International and Tribal Affairs, Office of Environmental Information, and Office of Air and Radiation) and two regional offices (Regions 3 and 6) to perform followup interviews on their processes and procedures. See Appendix A for a complete list of offices visited or contacted.

We obtained and reviewed laws, regulations, guidance, and other background data related to workforce planning, strategic goal alignment, and strategic human capital management. These included GPRA; CHCO Act; 5 CFR; OMB circulars and memoranda; Merit System Principles; HCAAF; and HCAAF systems, standards, and metrics. We reviewed EPA's resource management directives, strategic workforce planning guidance, and other budgetary and workforce-planning memoranda. We obtained documents on EPA's budget, strategic planning, strategic workforce planning, human capital planning, and workload analysis studies performed on select EPA program offices. We reviewed prior audit work performed by the Government Accountability Office (GAO) and EPA's Office of Inspector General (OIG). Appendix B provides prior audit reports related to this report's audit objectives. We met with officials from GAO to coordinate our simultaneous audit efforts and discussed information on their prior audit work. For background purposes, we obtained information on EPA's systems used to manage FTEs, budget, and other program information.

We obtained and reviewed policies and procedures used by OB, OHR, and other Headquarters program offices and regional offices for workforce planning. We interviewed staff and managers from OB and OHR. We conducted an electronic survey of EPA's processes and procedures used by headquarters program offices and the 10 regions to determine workforce size per HCAAF requirements and employment levels per OMB requirements.<sup>3</sup> We included the applicable questions and responses in the body of the report and Appendix C. For the purpose of this audit, we used the following terms interchangeably: workforce levels, workforce size, staffing levels, size of human capital, resource levels, and employment levels. HCAAF further defines size of human capital, workforce size, and staffing levels as the number of positions per MCO. OMB Circular A-11 defines employment levels as FTE estimates, as well as MCO shortages (gaps) identified through workforce planning.

---

<sup>3</sup> We did not send the survey to the Office of General Counsel. The Office of International and Tribal Affairs until recently was the Office of International Affairs.

## **Chapter 2**

### **Improvements Needed in Determining Employment Levels Based on Workload**

EPA's policies and procedures do not require that employment levels be determined based on workload as prescribed by OMB regulations. OMB Circular A-11 states that employment levels, also known as full-time equivalents, should reflect budget proposals and assumptions regarding workload. Currently, EPA does not have a workload assessment methodology to identify employment levels needed based on workload. As a result, EPA cannot provide reasonable assurance that human resources are sufficient to address mission needs. GAO and EPA OIG have reported instances where personnel resources were not adequately considered and, consequently, offices encountered delays, or did not meet mission requirements (see Appendix B).

#### **Office of Budget Policies and Procedures Do Not Sufficiently Reflect Workload Data**

OMB Circular A-11 §85 states that "employment levels should reflect budget proposals and assumptions concerning workload, efficiency, proposed legislation, interagency reimbursable arrangements, and other special staffing methods." An OMB memorandum dated July 2009, "Managing the Multi-Sector Workforce," requires that agencies begin developing and implementing policies, practices, and tools for managing the multi-sector workforce by adopting a framework for planning and managing the workforce built on strong human capital planning. The framework states that armed with understanding the organization's mission, functions, workload, and desired performance standards, agencies should determine the mix of skills and the total amount of labor that is required for the organization to perform efficiently and effectively. The memorandum also states that this analysis should consider all the functions for which the organization is responsible.

EPA's Resource Management Directive 2520, final draft document, states, "Work year ceilings are imposed by the Agency to restrain the obligation of resources and to control the size of the Agency's workforce. FTE ceilings are no longer imposed by OMB and are also not mandated by congress." It does not require that FTEs be based on workload. OB's annual planning and budget process memoranda identify proposed FTE levels based upon historical data. OB officials stated that they review past FTE usage for a period of 3 to 5 years to determine current year FTEs, taking into account emerging issues and the EPA Administrator's priorities. OB also requires that headquarters program offices and regions use prior year resource levels as a base, and make adjustments as needed. According to OB, this procedure allows offices to request changes to FTEs and incorporate workload information. However, if offices do not have changes, OB

does not require that current workload analysis accompany FTE budget requests. OB amended the FY 2012 annual planning and budget memoranda to clarify that workload analysis should be prepared to support FTEs changes.

### ***EPA Models and Studies Used to Develop Workload Data***

OB does not currently use workload data to determine FTE levels because it does not have a current Agency workload model. EPA had historically used workload models to develop workforce estimates; however, these models were last updated in the 1980s and are no longer used. EPA senior management decided that the workload models were not producing significant changes to inform management decision-making meaningfully to justify the investment of time and resources.

In 2006, the OCFO awarded a contract to explore workload and staffing methods used by other federal agencies with similar functions. However, the contractor found that varying methods were used because each agency is unique. The contractor recommended EPA develop its own approach for assessing and adjusting workforce allocations to align with workload. In addition, several EPA program offices have issued reports discussing workload analysis performed, but OB has not used nor required that these data be a part of the budget submission process (see Table 2-1 below).

**Table 2-1: Prior EPA workload analysis studies**

<b>EPA Office</b>	<b>Date</b>	<b>Subject Area</b>
Office of Grants and Debarment	April 2005	Management of Assistance Agreements at EPA: Workload Analysis and Models.
Office of the Chief Financial Officer	June 2006	EPA: Workload Assessment and Benchmarking Options
Office of Research and Development	November 2006	Administrative Efficiencies Project
Office of Solid Waste and Emergency Response	December 2008	Superfund Workload Assessment Report

Source: EPA program offices listed.

In 2009, EPA awarded another contract to benchmark workload indicators for select EPA functions across the Agency. Since the project is underway, results are not yet available. OB is working to implement a survey tool designed to establish a workload baseline for key functional areas as well as collect workload driver and product data. These baseline data will also be used to benchmark certain EPA functions to other federal agencies.

### ***Uncertainty About Human Resource Calculations***

Since OB determines FTE levels based on historical data and only factors in workload for minor adjustments, EPA cannot provide assurance that human resources are calculated and used efficiently and effectively to accomplish Agency goals. Internal controls should provide reasonable assurance of the effectiveness and efficiency of operations, including using the entity's resources.

Prior reports by both GAO and the OIG have highlighted the importance of managing resources and workload effectively. GAO and the OIG have identified and reported on instances where inadequate resource management influenced fulfilling EPA's mission (see Appendix B).

In October 2009, GAO reported that EPA's budgeting and allocation processes did not fully consider the Agency's workload.<sup>4</sup> GAO concluded that without comprehensive and reliable data on workload, EPA could not accurately identify needed resources. In Report No. 2005-P-00006, dated February 2005, EPA OIG reported that EPA's Office of Acquisition Management needed to perform workload and workforce analysis to identify FTE and skill gaps. OIG concluded that EPA might not be operating as a high-performing organization that has the necessary systems and processes in place for achieving its missions.

## **Conclusions**

OMB emphasizes the importance of understanding the organization's mission, functions, workload, and desired performance standards, to determine the mix of skills and total amount of labor required to perform efficiently and effectively. Relying primarily on historical data does not aid EPA in determining needed employment levels. Comprehensive workload analysis should consider all the functions for which the organization is responsible.

## **Recommendations**

We recommend that the Chief Financial Officer (CFO):

- 2-1 Amend the Resource Management Directive 2520 and the annual planning and budget memoranda to require using workload analysis to help determine employment levels needed to accomplish Agency goals.
- 2-2 Require the Agency to complete a workload analysis for all critical functions to coincide with developing the strategic plan.

## **Agency Comments and OIG Evaluation**

In response to recommendation 2-1, OCFO amended the FY 2012 annual planning and budget guidance to strengthen the current annual planning and budget processes in line with this recommendation. A more explicit requirement was added to more fully describe workload needs in determining FTEs needed to accomplish Agency goals. In addition, EPA agreed to incorporate this change in its next revision to the Resource Management Directive 2520. In our evaluation, we found EPA incorporated this change in its 2012 annual budget planning and

---

<sup>4</sup> GAO Testimony Before the Committee on Transportation and Infrastructure, U.S. House of Representatives, GAO-10-165T Longstanding Issues Impact EPA's and States' Enforcement Efforts, Statement of Anu K. Mittal, Director, Natural Resources and Environment.

budget guidance dated June 21, 2010, by including the following statement: “...Congressional appropriation staff had alerted us to the need for stronger, more detailed justification for FTE requests.” OB required that the program office’s senior budget officers and the regional comptrollers “be prepared to describe specific functions and workload and to provide backup analysis if asked.” While these actions partially address the recommendation, EPA did not agree to conduct workload analysis for all programs for which the Agency is responsible. EPA discontinued use of workload and workforce analysis nearly 20 years ago. Since that time, EPA has added programs, changed existing programs, and undertaken various initiatives (Brownfields, Chesapeake Bay, Great Lakes, Mountain Top Mining, Environmental Justice, etc.). As such, it is important that the Agency develop accurate estimates of the resources needed to carry out existing as well as new responsibilities. This would also assist in making data driven decisions on the cost and resource levels to address administration priorities.

EPA did not agree with recommendation 2-2 citing that it does not currently have a workload methodology or model to address the recommendation. OCFO replied that it discontinued using previous workload models because they were not producing significant workload distinctions over time to change management decisionmaking meaningfully to justify the continued substantial investment of time and resources. Currently, OCFO is conducting a two-part Workload Benchmarking Study. EPA completed the first component, an internal baseline survey designed to capture best estimates of EPA’s current workload level of effort (FTE) and work drivers in six major functional areas: Scientific Research, Environmental Monitoring, Regulatory Development, Permitting, Enforcement, and Financial Management.

The second component will benchmark EPA’s baseline survey data with other federal agencies performing similar work functions to identify best practices that may be applicable to EPA’s work, including potential methodologies that could be used to conduct workload analysis. EPA intends, after reviewing study results, to determine the most pragmatic and efficient next steps.

We recognize that EPA does not currently have a workload methodology or model for determining workforce levels for the entire Agency. We also recognize that EPA has conducted a number of workload-related studies in the past and continues this practice with its current contractor. It is not the intent of the recommendation that OB be responsible for developing a single methodology or model for each program and regional office. EPA’s program and regional offices are comprised of hundreds of units, branches, and divisions with different functional responsibilities. As such, there is not a “one size fits all” approach to assess individual offices workload.

Further, the individual offices, as opposed to OB, are better suited to accurately assess their workload and develop workforce estimates. The intent of the recommendation is to have the CFO, as the chief steward of the Agency’s budget and responsible for the development of the Agency’s strategic plan, require program and regional offices to provide accurate workforce estimates supported

by workload analysis. As it has been nearly 20 years since EPA has conducted this level of analysis, and recognizing that EPA will need to develop estimation methods, initiating the process with the intent of completion to coincide with the Strategic Plan (3-5 years) would be a reasonable expectation and demonstrate that workforce levels correspond to the Agency's goals and objectives. As such, recommendations 2-1 and 2-2 remain unresolved as the proposed actions do not fully address the problem areas identified.

## **Chapter 3**

### **Improvements Needed in Determining and Reporting on Mission-Critical Occupations**

EPA's workforce planning system does not include a workforce analysis process that identifies the number of positions needed for each MCO. According to 5 CFR §250.203, agencies must identify projected staffing levels for each MCO. This condition exists because OHR's policies and procedures do not require that offices determine the number of positions needed per MCO. As a result, EPA does not capture sufficient information to develop strategies to recruit and train employees based on workforce planning results. While EPA reports MCOs in OPM's Human Capital Management Report, the data are not obtained using the workforce analysis process prescribed by 5 CFR §250.203.

#### **Workforce Planning Does Not Include Staffing Levels for Mission-Critical Occupations**

Federal agencies' responsibilities for strategic human capital management are identified in 5 CFR §250.203. The regulation states that the human capital plan, at a minimum, must include workforce analysis. The analysis must, for relevant agency mission requirements, describe the occupations most critical to the agency and, for each such occupation, describe its current and projected staffing levels. OPM's HCAAF, which is an appendix to 5 CFR Part 250, states the following:

- “The agency’s workforce planning system contains a workforce analysis process that systematically defines the size of the workforce needed and identifies mission-critical occupations needed. Trends in mission-critical occupations are analyzed in terms of the following factors: (1) number and distribution of positions, and (2) surpluses in occupations and competencies.”
- “The agency’s workforce planning system contains a workforce analysis process that uses workforce planning reports and studies in conjunction with best business practices to determine the most effective work levels, workloads, and resources for efficient functioning.”

We reviewed the workforce planning information submitted to OHR by select EPA headquarters program offices and regions. Based on our review, OHR could not have used these results to report the number of positions needed for each MCO. In four of five responses obtained, the offices did not report the number of positions needed per MCO.

OHR is responsible for developing EPA's Strategic Workforce Plan. OHR is also responsible for preparing and consolidating the annual workforce planning request, which is completed by headquarters program offices and regions. Neither document requires identifying the number of positions needed for each MCO. Rather, OHR requests total FTE budget amounts, the total number of positions on board, and a combined total number of all requested MCO positions.

Our review of OHR's policies and procedures showed that they do not require offices to determine and report on the number of positions needed for each MCO. Rather, they require that offices use OB-established FTE budget amounts to determine size. FTEs simply represent a budget number; they do not represent the characteristics of the position such as the knowledge, skills, or abilities needed for the positions. Nor do FTEs represent occupational categories of the position. For example, if an office identifies the need for 10 FTEs, this number does not provide the characteristics needed to fill those positions; therefore, OHR cannot use the information for recruiting, hiring, or training purposes. A program office may have the right number of FTEs but may not have the appropriate mix of occupations filling those FTEs (e.g., toxicologist, chemist) to accomplish its mission.

### ***Reporting on Workforce Planning Needs Improvement***

OPM's Human Capital Management Report requires that agencies report the number of positions needed for each mission critical-occupation. The report assesses federal agencies' progress on human capital management. It contains a metric chart that requires agencies to project the number of employees needed per MCO by the end of the fiscal year, the onboard number, and identifies any shortages (gaps) in those MCOs.

Based on the workforce planning results submitted by EPA's offices, OHR did not and could not report the number of positions needed for each Human Capital Management Report. OHR, Human Capital Management Branch, told us it relied on its e-mails to headquarters program offices and regions, requesting projected resources needed, as well as a database that tracks personnel onboard to complete the HCMR chart. OHR's e-mail information is not maintained, nor does it show evidence that EPA's workforce analysis process was used to determine the number of positions per MCO needed, as required by the CFR.

## **Conclusions**

Internal control includes the organization, policies, and procedures used to help managers achieve results. Internal control also requires that EPA managers use resources in compliance with laws and regulations. The President's Management Agenda stated that agencies shall use strategic workforce planning to recruit, retain, and develop a high performance workforce. Subsequently, 5 CFR Part 250 adopted similar workforce planning requirements. OHR should determine and report on workforce size based on the number of positions per MCO needed, as required by the CFR. EPA's policies and procedures should clearly define the

roles and responsibilities for EPA offices to achieve a high performing workforce. Accurately determining workforce levels and MCOs needed are paramount to mission achievement.

## **Recommendations**

We recommend that the Assistant Administrator for Administration and Resources Management:

- 3-1 Amend its workforce planning guidance (in conjunction with Resource Management Directive 2520 and the annual planning and budget memoranda) to require that headquarters program offices and regions provide the number of positions for the current fiscal year in each MCO (see Appendix D), and the number projected to accomplish planned Agency goals.
- 3-2 Report the MCO data gathered in conjunction with Resource Management Directive 2520 and OB's annual planning and budget memoranda, within the Human Capital Management Report.

## **Agency Comments and OIG Evaluation**

Our draft report originally contained two recommendations for this chapter. The recommendations, directed to the Assistant Administrator for Administration and Resources Management, were:

- Amend its workforce planning guidance to require that headquarters program offices and regions provide the number of positions needed for each mission-critical occupation.
- Use local level workforce planning results to report the workforce size needed in the Human Capital Management Report under the MCOs' resource chart.

In responding to the draft report, EPA did not agree with the original recommendations 3-1 and 3-2. During the exit conference and subsequent meetings, OHR expressed concerns regarding the difficulties they encounter in gathering workforce information from program offices and regions. To address this issue, OHR agreed to collaborate with OB during the budget formulation process to collect the required workforce information. Since both the CFO and CHCO Acts hold CFOs and CHCOs responsible for preparation of the human capital resource portion of the budget, we agree with this partnership and we have revised the report recommendations accordingly. On October 29, 2010, OARM provided suggested revisions for the OARM recommendations, which were coordinated with OCFO. OARM's response is provided at Appendix E. This joint approach will satisfy the intent of the recommendations. These recommendations are open with agreed-to actions pending.

## **Chapter 4**

### **EPA Needs to Link Workforce Planning to Agency Goals**

EPA's workforce planning does not link to the Agency's strategic and performance plan goals. OPM's HCAAF states that agencies should use a workforce planning process that links to the Agency's goals. This condition occurred because OHR's current workforce planning process does not require that workforce planning data link to Agency goals or program areas. As a result, EPA cannot provide reasonable assurance that workforce planning is effective in determining human resources needed to meet Agency goals. In addition, OHR cannot provide OB with workforce planning results linked to each program area, and associated strategic and performance goal.

#### **Human Resource Procedures Not Linked to Agency Goals**

OPM's HCAAF requires that agencies link workforce planning with agency goals. OPM regulations state, "The agency uses a documented, systematic strategic workforce planning process that links to the agency's strategic plan and the strategic human capital plan." This rule, based on a merit system principle, states that human resources are to be efficiently and effectively used to support agency mission accomplishments. GPRA and the CHCO Act also state that agencies shall provide a brief description of the skills and other human resources required to meet their goals and objectives. GPRA addresses both strategic and performance goals. OMB Circular A-11 §85.1 requires that the Agency's budget submission identify workforce planning key activities and the associated resources that are needed to support Agency accomplishment of programmatic goals.

OHR's workforce-planning results do not link to EPA goals, as required by OPM's HCAAF regulations. We reviewed the workforce-planning process used and results from five headquarters program offices and two regions, and found that the workforce planning results followed the OHR template process for workforce planning; however, the workforce planning results did not link to each of the Agency's strategic goals or program area.

Although OHR's workforce planning memorandum requests that each office align its workforce with strategic goals, OHR's template, which is provided to all offices for workforce planning, does not require that offices include this information in their workforce planning response. OHR management told us that they are responsible for Agency guidance on workforce planning and that they use workforce planning driven by goals and objectives. However, OHR believes that OCFO, which maintains FTE data, is responsible for linking resources to strategic and program performance goals. A review of the Agency's budget showed that OCFO does not include the human resources and skills needed to accomplish

Agency goals. Rather, it used FTE figures, which do not represent the skills and the actual number of people needed. The CHCO Act requires that CHCOs assess workforce characteristics and future needs based on the Agency's mission and strategic plan. The CHCO Act also states that the CHCO shall prepare a description of the skills, human resources, and strategies required to meet agency goals in the annual performance budget.

OMB Circular A-11 §51.8 (FY 2008 and FY 2009) states that a well-conceived and thoughtful description of the means, which includes human resources and staff skills, will help bolster confidence that there is an understanding of what is needed to achieve a certain performance level and good likelihood that the goal will be achieved. The OMB circular states, in part, that agencies should note the increasing emphasis on the use of workforce planning and other strategies that align human resources with the fulfillment of an agency's mission and objectives.

EPA's performance budget is developed based on the Agency's program areas and the associated strategic and performance plan goals. However, as mentioned above, OHR's workforce-planning process does not require that program and regional offices develop and report workforce-planning results by Agency goal. As a result, EPA cannot include the required workforce-planning information (human resources, skills) by program and goal in its budget submissions.

In EPA's 2010 budget justification, EPA identified program activities and their associated goals. However, the justification contains no description of the skills and human resource levels needed, as shown in Table 4-1.

**Table 4-1: Excerpt of how workforce-planning data are not included in the budget**

<b>Research: Computational Toxicology</b> Program Area: Research: Human Health and Ecosystems Goal: Healthy Communities and Ecosystems Objective(s): Enhance Science and Research			
Total Workyears	FY 2008 37.8	FY 2009 32.7	FY 2010 32.7
<b>Program Project Description:</b> "Computational Toxicology is the application of mathematical and computer models to help assess the risk chemicals pose to human health and the environment. Supported by advances in informatics, high-throughput screening, and genomics, computational toxicology offers scientists the ability to develop a more detailed understanding of the risks posed by large numbers of chemicals, while at the same time reducing the use of animals for toxicological testing."			
<b>FY 2010 Activities and Performance Plan:</b> "Consistent with the U.S. Environmental Protection Agency's Strategic Plan for Evaluating the Toxicity of Chemicals, these funds will support the next Computational Toxicology Research Program Implementation Plan for FY 2009-2012, which will focus on three key areas in FY 2010: 1) chemical prioritization and categorization tools; 2) information technology; and 3) systems biology models."			

Source: 2010 Annual Performance Plan and Congressional Justification (excerpt).

OMB Circular A-11 §85.1 requires that agencies present gaps identified as part of the workforce planning effort and related strategies to address the gaps. OMB Circular A-11 §220 states that, at a minimum, resources are to be aligned at the

program level. As such, these program area sections of the budget should include a description of the MCOs, gaps, and the strategies EPA is taking to fill those gaps. Workforce planning results are consolidated and included in the budget justification under one program area, as shown in Table 4-2. Therefore, workforce-planning results cannot be linked to specific program areas and the associated strategic and performance plan goals. Consequently, external stakeholders and users of the budget cannot identify which workforce-planning results apply to each strategic and program area goal.

**Table 4-2: Excerpt of workforce-planning data included in the budget under one program area**

<b>Human Resources Management</b> Program Area: Operations and Administration			
<b>Goal:</b> Provide Agency-wide support for multiple goals to achieve the Agency's objectives.			
Total Work year	FY 2008 285.2	FY 2009 304.6	FY 2010 303.1
<b>Program Project Description:</b> "Environmental Programs and Management resources in this program support activities related to the provision of human capital and human resources management services to the entire Agency. The Agency continually evaluates and improves human resource and workforce functions, employee development, leadership development, workforce planning, and succession management."			
<b>FY 2010 Activities and Performance Plan:</b> "In FY 2010, the Agency will continue its efforts to implement a Workforce Planning System: (1) closing competency gaps for Toxicology, Information Technology, Human Resources, Grant and Contract specialist positions, as well as leadership positions throughout the Agency; (2) shortening the hiring timeframes for the senior executives and non-Senior Executive Service positions through improved automation and enhancements to application process; and (3) implementing innovative recruitment and hiring flexibilities that address personnel shortages in mission-critical occupations."			

Source: 2010 Annual Performance Plan and Congressional Justification (excerpt).

## Conclusions

The federal workforce is key to mission accomplishment. The purpose of human capital management is to link human resources to achievement of the Agency's strategic and performance goals. Incorporating agency strategic goals and program areas into workforce planning results provides assurance that the right people with the right skills are available to achieve Agency goals. According to the Strategic Workforce Plan guidance, OHR is responsible for compiling the Agency-level workforce-planning data and reporting them to external stakeholders and other interested parties. OHR's responsibilities include providing human resource information for the Agency's strategic plan, annual budget, and human capital strategy. OHR and OCFO share responsibility to ensure workforce-planning information is integrated into the budget and resources are aligned with program areas and goals.

## **Recommendations**

We recommend that the Assistant Administrator for Administration and Resources Management:

- 4-1 Upon development of the Agency's Strategic Plan, require Agency program and regional offices to provide local-level workforce-planning data, including current year and potential shifts in the numbers of MCO positions needed to meet strategic goals.
- 4-2 Summarize the local-level workforce-planning data needed to achieve each EPA strategic goal.
- 4-3 Provide summarized local-level workforce-planning data, including data sorted by programmatic goal level, to OB.

## **Agency Comments and OIG Evaluation**

Our draft report originally contained four recommendations for this chapter. The recommendations directed to the Assistant Administrator for Administration and Resources Management were:

- Amend the strategic workforce plan and local level workforce planning request to require that headquarters program offices and regions provide workforce planning results for each Agency strategic goal and program area.
- Summarize the workforce planning results obtained from the headquarters program offices and regions, including the number of positions, MCOs, and shortage strategies needed to achieve each EPA strategic goal.
- Provide the summarized workforce planning results to OB for inclusion in the performance budget.

The recommendation directed to the CFO was:

- Require, through OB annual budget submission memoranda, that OHR provide OB the workforce planning results at the programmatic goal level.

In responding to the draft report, EPA did not agree with the recommendations. During the exit conference and subsequent meetings, OHR expressed concerns regarding the difficulties they encounter in gathering workforce information from program offices and regions. To address this issue, OHR agreed to collaborate with OB during the budget formulation process to collect the required workforce information. Both the CFO and CHCO Acts hold the CFO and CHCO responsible for preparation of the human capital resource portion of the budget. As such, we have revised the report recommendations based on this partnership. We also combined the draft report recommendations 4-3 and 4-4 and made one

recommendation to reflect the partnership between both OHR and OB. On October 29, 2010, OARM provided suggested revisions for the OARM recommendations, which were coordinated with OCFO. OARM's response is provided at Appendix E. This will satisfy the intent of the recommendations. These recommendations are open with agreed-to actions pending.

## ***Status of Recommendations and Potential Monetary Benefits***

Rec. No.	Page No.	Subject	RECOMMENDATIONS			POTENTIAL MONETARY BENEFITS (in \$000s)	
			Status <sup>1</sup>	Action Official	Planned Completion Date	Claimed Amount	Agreed To Amount
2-1	7	Amend the Resource Management Directive 2520 and the annual planning and budget memoranda to require using workload analysis to help determine employment levels needed to accomplish Agency goals.	U	Chief Financial Officer			
2-2	7	Require the Agency to complete a workload analysis for all critical functions to coincide with developing the strategic plan.	U	Chief Financial Officer			
3-1	12	Amend its workforce planning guidance (in conjunction with Resource Management Directive 2520 and OB's annual planning and budget memoranda) to require that headquarters program offices and regions provide the number of positions for the current fiscal year in each MCO (see Appendix D), and the number projected to accomplish planned Agency goals.	O	Assistant Administrator for Administration and Resources Management			
3-2	12	Report the MCO data gathered in conjunction with Resource Management Directive 2520 and OB's annual planning and budget memoranda, within the Human Capital Management Report.	O	Assistant Administrator for Administration and Resources Management			
4-1	16	Upon development of the Agency's Strategic Plan, require Agency program and regional offices to provide local-level workforce-planning data, including current year and potential shifts in the numbers of MCO positions needed to meet strategic goals.	O	Assistant Administrator for Administration and Resources Management			
4-2	16	Summarize the local-level workforce-planning data needed to achieve each EPA strategic goal.	O	Assistant Administrator for Administration and Resources Management			
4-3	16	Provide summarized local-level workforce-planning data, including data sorted by programmatic goal level, to OB.	O	Assistant Administrator for Administration and Resources Management			

O = recommendation is open with agreed-to corrective actions pending  
C = recommendation is closed with all agreed-to actions completed  
U = recommendation is unresolved with resolution efforts in progress

## ***Offices Visited or Contacted***

### **EPA Offices**

Office of the Chief Financial Officer  
Office of Administration and Resources Management, including Office of Human Resources  
Office of Air and Radiation  
Office of Enforcement and Compliance Assurance  
Office of Environmental Information  
Office of International and Tribal Affairs  
Office of Chemical Safety and Pollution Prevention  
Office of Research and Development  
Office of Solid Waste and Emergency Response  
Office of Water  
Regions 1-10

### **Other Offices**

Government Accountability Office  
Office of Personnel Management

## Appendix B

### **Prior GAO and OIG Reports Related to Workforce Planning**

#### **GAO Reports**

Date/ Report No.	Human Capital Issues	Effects
May 2005 GAO-05-613	Based on competing demands on workload and other reasons, EPA missed deadlines.	Improvements in air quality may be delayed.
July 2007 GAO-07-883	EPA did not complete an overall assessment on workload to determine what the states need. EPA reduced the size of the regional enforcement workforce by about 5 percent over 10 years, from 2,568 FTEs in FY 1997 to 2,434 FTEs in FY 2006.	Given the reductions in funding and personnel, regional and state enforcement officials noted states are finding it difficult to respond to new enforcement requirements in the Clean Water Act, Clean Air Act, and Resource Conservation and Recovery Act, which have greatly increased the number of regulated pollutants and sources.
October 2009 GAO-10-165T	This testimony to Congress summarized five prior GAO audit reports on the effectiveness of EPA's enforcement program. It discussed the impact that inadequate resources and workforce planning have had on enforcement.	In 2005, GAO reported that EPA's budgeting and allocating process did not fully consider the Agency's workload. Without comprehensive and reliable data on workload, EPA could not accurately identify where Agency resources, such as staff with particular skills, are most needed.  In 2007, GAO reported in terms of enforcement programs, EPA must address resource issues such as state staffing levels and resource requirements.

#### **EPA OIG Reports**

Date/ Report No.	Human Capital Issues	Effects
February 2005 2005-P-00006	Office of Acquisition Management needs to complete workload and workforce analysis to identify FTEs and skill gaps.	EPA may not be operating as a high-performing organization that has the necessary systems and processes in place for achieving its missions. The systems and processes are needed to ensure that the organization has the right people, in the right place, at the right time.
June 2005 2005-P-00017	EPA's management tools and dispersion of authority for Brownfields prevent the Agency from effectively allocating, utilizing, and accounting for staff resources. Staff is either under- or over-utilized, and staffing models are outdated, due to incomplete workload assumptions.	EPA cannot assure that program costs are accurately determined, that staff is pursuing the best actions to achieve program goals, or that the program is spending resources efficiently and effectively.

<b>Date/ Report No.</b>	<b>Human Capital Issues</b>	<b>Effects</b>
June 2008 08-P-0169	The Office of Solid Waste and Emergency Response and Region 2 said legal and enforcement issues, due to resource constraints as well as other factors, could complicate cleanups and cause delays.	Delays will result in increases to cleanup costs and prevent land reuse and redevelopment opportunities.
March 2009 09-P-0130	One region had never inspected or audited 38 of 61 high-risk facilities. This situation occurred because 59 lower-risk facilities received duplicative oversight by being both audited and inspected by that region. The Office of Ecosystem Protection and Remediation and the Office of Enforcement, Compliance, and Environmental Justice have not coordinated activities and planning to best utilize resources and provide compliance assurance at Risk Management Plan facilities.	Cumulatively, during a worst-case chemical release, 38 high-risk facilities could potentially affect over 1 million people.

## Appendix C

### ***Sample of Survey Questionnaire Responses***

Our intent through the survey questionnaire was to determine whether EPA's program and regional offices have established and effectively implemented internal controls for determining workforce levels.

***"To your knowledge, does EPA have a defined methodology for determining workforce levels?"***

#### **Program Offices Responses**

We believe that the Agency utilizes its budget development and planning process to determine workforce levels. We also review its current workforce levels and mission requirements to identify future workforce needs as a part of its integrated budget planning process.
Our office is not aware that any such methodology is currently in use.
No, especially not recently. No standardized policies and a procedure exist. AA determines FTE ceiling amount and Division Director estimates work needed in some cases, and an initiative is underway to use workload analysis model.
No. On a monthly and annual basis, OCFO performs FTE utilization reviews and projections to forecast and determine our workforce outlook throughout the budget process. OCFO also performs historical reviews based on 3 to 5 years of data to determine any FTE requirements for ongoing functions. Hiring plans are used to ensure vacancies are filled as soon as possible.
The defined methodology is driven by the Agency's budget and planning processes.
Each year OCFO determines the number of FTE level each AA should have and OCFO has been doing this for many years now. We believe EPA does have a defined methodology for determining workforce levels, but would defer to OCFO in providing the details as to what that methodology entails. Our office is unique among offices in that 25 percent of our FTE levels are reimbursable under the Working Capital Fund. The Working Capital Fund Board sets the annual rates and FTE ceilings through a formalized process that examines the Agency's business needs supported by the Working Capital Fund and the amount of FTEs needed to accomplish those business needs.
Not to our knowledge. The overall workforce size is driven by FTEs allocated by the Agency. Since there is more work to do than resources, FTEs are managed centrally which provides the flexibility to meet the needs and demands of the Agency. When resource allocations are constrained, our office reprioritizes how to best use its limited resources.
Yes. The President's Budget and, ultimately, the Operating Plan determine the total dollar amount and FTEs allocated to each program project. OCFO directs the amount of resources assigned to each AA, and in turn, the AA allocates to its respective offices.
Yes, OCFO has defined a specific methodology for determining workforce levels. FTE allocations are based primarily on the number of FTEs that were allocated in previous years with increases or decreases to reflect Agency priorities (e.g., investments or disinvestment decisions).
Through the budget process, OCFO provides guidance to National Program Managers (NPMs) but the methodology is not shared.
As mentioned, we may receive inquiries from OHR regarding certain aspects of our planning; however, I am not aware of the specific methodologies used. Our size is driven by our FTE ceiling and we manage to that ceiling.

## **Regional Office Responses**

Yes. EPA did significant work prior to 1990 in determining workforce levels by region for each of its programs utilizing detailed workload models. Since that time, the level of annual changes has generally been measured in fractions of FTEs/organizational unit. Such minor changes have not justified the effort and manpower required to continuously update or develop new workload models. Changes have primarily been allocated on a pro rata basis.

Prior to [the]1990s, EPA used workload models to annually distribute workyears. The models used different methodologies to determine workforce levels and allocate FTE among the regions. These models are outdated and could not be used for current resource allocations. In recent budget cycles, FTE changes have generally been minimal and therefore prorated among the regions.

EPA did significant work prior to FY 1990 in determining workforce levels by region for each of its programs utilizing detailed workload models. Since that time, the level of annual FTE changes has not justified the effort and manpower required to continuously update or develops new workload models. FTE changes have primarily been allocated on a pro rata basis. During the past 3 years, the Region has been given the opportunity to propose minor FTE adjustments among programs in developing the President's Budget request. These adjustments, however, are within an allocation set by Headquarters after negotiations with the Office of Management and Budget (OMB), and do not offer the ability to request increases in overall staff size based on workload need.

Congress authorizes the FTE level for EPA. The EPA's internal methodology for determining workforce levels has in the past utilized detailed workload models developed prior to 1990. The workload models are outdated. In recent years, workforce changes have primarily been allocated on a pro rata basis.

The NPMs with their Senior Budget Officers determine FTE levels and distribute these levels by Responsible Planning Implementation Office. These levels may change throughout the budget cycle from President's Budget submission to the enacted President's Budget. Once we get an FTE ceiling, we initially develop a utilization target (e.g., 98.5 percent of ceiling) and attempt to reach this target to attain the overall goals of the Region. In order to determine priority needs, we use Stronger EPA plan, Regional Priorities, and NPM action plans/Memorandum of Agreements. The Assistant Regional Assistant works with our programs to discuss priority needs and hiring decisions are made based on those discussions.

Yes. A major effort was undertaken by EPA prior to 1990 to determine workforce levels by region for each of its program by utilizing detailed workload models. Since then, the levels of changes annually have been generally measured in fractions of FTEs or organizational units. Such minor changes have not justified the time and effort required to continuously update or develop new workload models. Changes have generally been allocated on a pro rata basis.

Yes, however detailed workload models were created many years ago. Since that time, the level of annual workforce changes has generally been measured in fractions of FTEs/organizational unit. Such minor changes have not justified the time and effort required to continuously update or develop new workload models. Any marginal changes in FTE at the regional level are determined by senior staff, considering regional priorities.

Yes. We are aware that EPA did substantial work pre-1990 to assess and establish workforce levels by region for each of its programs utilizing detailed workload models. Since that time, the level of annual changes have generally been measured in fractions of FTEs/organizational unit. Such minor changes have not justified the effort and manpower required to continuously update or develops new workload models. Changes have primarily been allocated on a pro rata basis.

The historic workload model used by Headquarters to allocate FTE more than 2 decades ago is no longer applied directly, but effectively serves as the foundation for current FTE allocations. EPA makes annual FTE allocation changes generally on a pro rata basis at the program project level, adjusting from prior year allocations. Current FTE allocations do not reflect the changed landscape of environmental issues (e.g., changes in population centers which directly affect environmental conditions), nor current methods of delivering program results (such as the increased use of collaborative approaches often led at the field level by regional offices).

Yes. EPA did significant work prior to 1990 in determining workforce levels by region for each of its programs utilizing detailed workload models. Since that time, the level of annual changes has generally been measured in fractions of FTEs/organizational unit. Such minor changes have not justified the time and effort required to continuously update or develop new workload models. Changes have primarily been allocated on a pro rata basis.

## ***EPA Response to Draft Report***



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

August 6, 2010

### **MEMORANDUM**

**SUBJECT:** EPA's Comments on OIG Draft Report "EPA Needs to Strengthen Internal Controls for Determining Workforce Levels"  
Project Number 2008-537

**FROM:** Craig E. Hooks /s/  
Assistant Administrator  
Office of Administration and Resources Management

Barbara J. Bennett /s/  
Chief Financial Officer

**TO:** Melissa M. Heist  
Assistant Inspector General for Audit  
Office of the Inspector General

Thank you for the opportunity to comment on the subject report dated June 29, 2010. We appreciate your staff's efforts to address our previous comments and recognize that this report is intended to support our continuing work to promote effective budget and workforce planning at the Agency. Leadership and staff in the Office of Administration and Resources Management (OARM) and in the Office of the Chief Financial Officer (OCFO) work closely with our management partners in Headquarters and regional offices to project, plan for, and then oversee approaches to ensure that EPA has the resources and skill levels needed to achieve environmental results. We recognize we must lead efforts aimed at adjusting and adapting our planning approaches and systems as environmental challenges change. While we have fully considered the points made in the report, taking a number of them into account in our work and preparation of our budget development guidance, we continue to have fundamental concerns regarding some of the report's key findings, conclusions, and recommendations. Our concerns are summarized below and more fully described in the specific comments for each of the report's recommendations reflected in the attachment.

Both of us must voice fundamental disagreement with two statements found in the report's "At a Glance" section. These two statements are:

- "... EPA cannot provide reasonable assurance that human resources are used efficiently and effectively to accomplish EPA's goals," and
- "... EPA has no assurance that workforce planning results meet Agency goals and comply with Office of Personnel Management regulations."

In fact, the Agency is in full compliance with Office of Management and Budget (OMB) Circular A-11, *Preparation, Submission and Execution of the Budget*, and Title 5 of the Code of Federal Regulations, Part 250, *Personnel Management in Agencies*. Faulty conclusions such as those quoted above could unjustifiably undermine the credibility of EPA as an environmental leader in the eyes of the Agency's highly dedicated staff, our environmental partners, and the public we serve. Such statements also divert much needed focus and attention away from efforts we are leading as part of EPA's management community to continuously adapt our budget and workforce planning systems to ensure that resources are aligned with mission priorities. Coordinated workforce and budget planning alignment efforts are important and we are pursuing them because we believe our efforts will further EPA's existing capability to achieve our mission.

On a more specific level, the report's findings appear to be based on an assumption that the Agency's strategic plan and annual budget submissions to OMB projecting the full-time equivalent (FTE) levels necessary to perform our work need not be constrained by budget realities. In fact, both are based upon "anticipated resources" and target levels per A-11 and supplementary guidance and informed by Congressional appropriation levels. In this time of deficit reduction, resources are not limitless. Implementing the processes as recommended would not fulfill our budget planning responsibilities to OMB and the Congress and would drain Agency resources needed to support relevant human capital and resource management and oversight efforts.

Finally, it is important that we draw a distinction between those aspects of the Agency's complementary but broad resource planning efforts performed via strategic/budget planning versus those aspects performed via workforce planning. Budget planning primarily addresses the number of staff and the fiscal resources reasonably anticipated to be available to support staffing levels. Budget planning also considers the anticipated workload that staff will need to implement strategies to support the Agency's overarching mission as outlined by the five comprehensive goals contained in the strategic plan. On the other hand, workforce planning addresses the general skill and experience that the staff need to possess in order to effectively support mission goal accomplishment. Organizational management, particularly at the local level, is held accountable and tracked in multiple Agency systems for achieving specific mission-critical results, then manages positions and people in parallel to optimize effectiveness.

Thank you again for the opportunity to comment on the draft report. We remain committed to partnering with your staff on findings and recommendations that more fully support OCFO, OARM, and the Agency's program/regional offices. Questions or comments may be addressed to Kim Lewis, Director, Office of Human Resources/OARM at (202) 564-4606, or Carol Terris, Deputy Director, Office of Budget/OCFO at (202) 564-0533.

cc: Maryann Froehlich, Deputy Chief Financial Officer  
Josh Baylson, Associate Chief Financial Officer  
David Bloom, Director, Office of Budget  
Carol Terris, Deputy Director, Office of Budget  
Patrice Kortuem, OCFO  
Barbra Freggens, OCFO  
Diane Kelty, OCFO  
Kimberly Lewis, Director, Office of Human Resources  
Susan Kantrowitz, Deputy Director, Office of Human Resources  
VirDella Denwiddie, Acting Director, Human Capital Management Division  
Debbi Hart, Acting Branch Chief, Human Capital Planning Branch  
Alan Bogus, OHR

Attachment

### EPA's Specific Comments on Recommendations

**Recommendation 2-1.** We recommend the Chief Financial Officer require that OB amend the Resource Management Directive 2520 and the annual planning and budget memoranda to require using workload analysis to help determine employment levels needed to accomplish Agency goals.

Agency Response: Concur in part.

OCFO has amended the FY 2012 annual planning and budget guidance to the Agency to strengthen the current annual planning and budget processes in line with this recommendation. A more explicit requirement has been added to more fully describe workload needs in determining FTEs needed to accomplish Agency goals. We will also include similar language in the next update of the Resource Management Directive 2520. It is important to note that workload is only one employment level factor among several prescribed by OMB Circular A-11 guidance which places greater emphasis on finding efficiencies in ongoing program implementation, particularly in light of deficit concerns. With respect to requiring more comprehensive analysis, further guidance will be informed by the ongoing study of workload drivers, components and products, and follow on efforts. The Agency's Workload Benchmarking Study (described more in the following recommendation) will significantly shape our next steps.

**Recommendation 2-2.** We recommend the Chief Financial Officer require that OB require the Agency to complete a workload analysis for all critical functions to coincide with developing the strategic plan.

Agency Response: Nonconcur.

Currently, the Agency does not have a workload methodology or model to address this recommendation. Previous EPA models were discontinued because these models were not producing significant workload distinctions over time to change management decision-making meaningfully to justify the continued substantial investment of time and resources. Led by the Office of the Chief Financial Officer (OCFO), EPA is currently conducting a two-part Workload Benchmarking Study. EPA just completed the first component, an internal baseline survey designed to capture best estimates of EPA's current workload level of effort (Federal full time equivalent or FTE) and work drivers in six major functional areas: Scientific Research, Environmental Monitoring, Regulatory Development, Permitting, Enforcement, and Financial Management. The second component will benchmark EPA's baseline survey data with other Federal agencies performing similar work functions to identify best practices that may be applicable to our work, including potential methodologies that could be used to conduct workload analysis. After reviewing study results, the Agency will determine the most pragmatic and efficient next steps. We also continue to maintain that any workload analysis should be completed after development of the strategic plan, which identifies the Agency's goals and objectives to be achieved, during implementation.

**Recommendation 3-1.** We recommend that the Assistant Administrator for Administration and Resources Management require that the Office of Human Resources (OHR) amend its workforce

planning guidance to require that Headquarters program offices and regions provide the number of positions needed for each mission critical occupation (MCO).

Agency Response: Nonconcur.

EPA fully complies with the 5 CFR Part 250 regulations for “Human Resources Management in Agencies.” Compliance with those regulations fully addresses workforce planning, including MCO competency assessments and resource planning. All requested workforce planning information and MCO resource results, including our submittals in our annual Human Capital Management Report required by 5 CFR Part 250, were submitted and accepted by OPM. We believe that estimating the number of positions needed in each MCO is misleading and fails to consider a matrixed workforce that is adaptable by design, particularly in regional offices where staff tackle difficult and often complex environmental challenges with multi-media strategies every day.

EPA’s 2006 *Strategic Workforce Plan* established a standard methodology for workforce planning as a means of predicting current and future human resource needs which we believe meets the intent of this recommendation. In addition, we believe that when completed, the Agency’s Workload Benchmarking Study (noted above) will help offices in their workforce planning efforts.

**Recommendation 3-2.** We recommend that the Assistant Administrator for Administration and Resources Management require that OHR use local level workforce planning results to report the workforce size needed in the Human Capital Management Report under the mission critical occupations’ resource chart.

Agency Response: Nonconcur.

Each year, OPM establishes the *Systems Standards and Metrics* charts to be included in the Human Capital Management Report (5 CFR Part 250) including the MCO charts and data required. EPA fully complies with that guidance and with the requirements listed in 5 CFR Part 250 regulations for “Human Resources Management in Agencies.” Our report has been submitted and accepted by OPM. To change the report as suggested by the OIG would be inconsistent with OPM guidance and regulation.

**Recommendation 4-1.** We recommend that the Assistant Administrator for Administration and Resources Management amend the strategic workforce plan and local level workforce planning requests to require that Headquarters program offices and regions provide workforce planning results for each Agency strategic goal and program area.

Agency Response: Nonconcur.

We continue to question the value and operability of directly linking specific day-to-day on-the-ground local workforce plans to very broad strategic goals (e.g., clean air, clean water, etc.) that remain relatively static by requiring OARM to collect, analyze, and summarize workforce planning information from program offices and regions by goal. We believe, however, that once alignment to strategic goals and objectives is linked in the budgeting process in 2013, a full summary of positions tied to FTE can be properly included in the performance budget and OARM will work with OCFO to determine the appropriate next steps. As stated earlier, this recommendation also clearly demonstrates

the continued confusion regarding OCFO's strategic/budget planning and OARM's workforce planning responsibilities.

**Recommendation 4-2.** We recommend that the Assistant Administrator for Administration and Resources Management summarize the workforce planning results obtained from the Headquarters program offices and regions, including the number of positions, mission critical occupations, and shortage strategies needed to achieve each EPA strategic goal.

**Recommendation 4-3.** We recommend that the Assistant Administrator for Administration and Resources Management provide the summarized workforce planning results to OB for inclusion in the performance budget.

**Recommendation 4-4.** We recommend the Chief Financial Officer require, through OB annual budget submission memoranda, that OHR provide OB the workforce planning results at the programmatic goal level.

Agency Response (to Recommendations 4-2, 4-3 and 4-4): Nonconcur.

We agree that workforce planning is best accomplished by individual EPA offices at the local level. However, as stated earlier in our cover letter and responses to the Recommendations 2-1 through 4-1, we question the added value and have concerns regarding inconsistency with OMB/OPM guidance/regulations and Congressional expectation and negative impacts associated with implementation of these recommendations. In addition, any workforce planning results that OARM provides to OB would be limited to only MCO positions and would not include the more than 200 EPA occupational series, and, as such, would be of limited value.

## **Technical Comments**

1. Page 1, revise FTE and budget statement, as follows:  
“For Fiscal Year (FY 2009), EPA’s budget included approximately 17,200 employees and payroll represented \$2.2 billion (29%) of EPA’s \$7.6 billion total budget”. This revised statement also applies to the “At a Glance” page. Also, in Figure 1.1, the FY 2005 FTE should be 17,759.
2. Pages 13 and 14, Tables 4-1 and 4-2. To avoid confusion, please clarify that only certain portions of the individual FY 2010 CJ examples are presented, particularly within the “Program Project Description:” and “FY 2010 Activities and Performance Plan:” sections. Normally, this is represented by “....” before and after included text.
3. Page 17. Please revise as follows:  
Office of the Chief Financial Officer, including the Office of Budget and Office of Planning, Analysis, and Accountability.

## **OARM Alternative Recommendations**

**(On October 29, 2010, OARM provided alternative recommendations and MCO chart to those identified in the draft report)**

### Proposed Recommendations

“EPA Needs to Strengthen Internal Controls for Determining Workforce Levels”

OIG Project Number 2008-536

<b>current recommendation</b>	<b>proposed recommendation</b>
3-1 We recommend that the Assistant Administrator for Administration and Resources Management require that the Office of Human Resources (OHR) amend its workforce planning guidance to require that Headquarters program offices and regions provide the number of positions needed for each mission critical occupation (MCO).	3-1 We recommend that the Assistant Administrator for Administration and Resources Management require that the Office of Human Resources (OHR) issue, in conjunction with Resource Management Directive 2520 and the annual planning and budget memoranda, amend its workforce planning guidance to require that program and regional offices provide the number of positions for the current fiscal year in each mission critical occupation (MCO), and the number projected to accomplish planned Agency goals. (See Attachment 1)
3-2 We recommend that the Assistant Administrator for Administration and Resources Management require that OHR use local level workforce planning results to report the workforce size needed in the Human Capital Management Report under the mission critical occupations' resource chart.	3-2 We recommend that the Assistant Administrator for Administration and Resources Management require that OHR report the MCO data gathered in conjunction with Resource Management Directive 2520 and the annual planning and budget memoranda, within the Human Capital Management Report, to the extent possible and allowed by OPM guidance.
4-1 We recommend that the Assistant Administrator for Administration and Resources Management amend the strategic workforce plan and local level workforce planning requests to require that Headquarters program offices and regions provide workforce planning results for each Agency strategic goal and program area.	4-1 Upon development of the Agency's Strategic Plan, require Agency program and regional offices to provide local level workforce planning data, including current and potential shifts in the numbers of MCO positions needed to meet strategic goals.

**Attachment 1:**

#	<b>Mission-Critical Occupations</b>	<b>Occupation Series</b>	<b>Number Currently On-Board</b>	<b>Additional Number Projected</b>
	<b>Cross-cutting MCO: Leaders</b>			
1				
	<b>Scientist:</b>			
2	Toxicologists	0415		
3	Geneticist	0440		
4	Ecologists	0408		
5	Biologists	0401		
6	Economists	0110		
7	Chemists	1320		
8	Physical Scientists	1301		
9	Health Scientists	0601		
10	Environmental Engineers/Mechanical Engineers	0819/0830		
11	Attorneys	0905		
	<b>Program and Management Support:</b>			
12	Information Technology	0334/2210		
13	Environmental Protection Specialists	0028		
14	Human Resources Specialists	0201		
15	Public Affairs/Information Specialists (includes Program/Admin. Specialists)	0301/0340/ 0343/1035		
	<b>Financial Resource Management:</b>			
16	Grants Specialists	1101		
17	Accountants/Auditors	0510/0511		
18	Financial Specialists	0501		
19	Contract Specialists	1102		

Source: EPA, Office of Administration and Resources Management

## **Appendix F**

### ***Distribution***

Office of the Administrator

Assistant Administrator for Administration and Resources Management

Chief Financial Officer

Director, Office of Budget, Office of the Chief Financial Officer

Director, Office of Human Resources, Office of Administration and Resources Management

Agency Followup Coordinator

General Counsel

Associate Administrator for Congressional and Intergovernmental Relations

Associate Administrator for External Affairs and Environmental Education

Audit Followup Coordinator, Office of the Chief Financial Officer

Audit Followup Coordinator, Office of Administration and Resources Management