



U.S. ENVIRONMENTAL PROTECTION AGENCY

OFFICE OF INSPECTOR GENERAL

Annual Performance Report



Fiscal Year 2012



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July 2013

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

Abbreviations

CFR	Code of Federal Regulations
CSB	U.S. Chemical Safety and Hazard Investigation Board
DCAA	Defense Contract Audit Agency
EPA	U.S. Environmental Protection Agency
FTE	Full-Time Equivalents
FY	Fiscal year
GPRA	Government Performance and Results Act Modernization Act of 2010
OIG	Office of Inspector General
OMB	Office of Management and Budget

Photo Captions: *From left:* Mining activities on the site of the future Botanic Garden of Pennsylvania, a project which received Recovery Act funds; and an aboveground storage facility in Nenana, Alaska. (EPA OIG photos)

Hotline

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

email: OIG_Hotline@epa.gov
phone: 1-888-546-8740
fax: 202-566-2599
online: <http://www.epa.gov/oig/hotline.htm>

write: EPA Inspector General Hotline
1200 Pennsylvania Avenue, NW
Mailcode 2431T
Washington, DC 20460

Message From the Inspector General

I am pleased to present the Annual Performance Report of the U.S. Environmental Protection Agency Office of Inspector General. This report summarizes OIG activity, performance, results and challenges, and provides a financial accounting of resources for fiscal year 2012 compared to our FY 2012 annual performance targets. It also presents cumulative OIG results for FYs 2010–2012 compared to our annual performance targets. This report supplements, with greater quantitative and narrative detail, the OIG summary performance results presented in the agency's *Fiscal Year 2012 Agency Financial Report* and *Fiscal Year 2012 Annual Performance Report*, available at <http://www.epa.gov/ocfopage>.



Arthur A. Elkins Jr.

This document details the public benefit and return on investment provided by the OIG, both in annual increments and over the long term. Below is a partial list of the OIG's mission-related and operational performance achievements during FY 2012:

- Identified over \$424.8 million in EPA potential savings and recoveries.
- Identified recommendations that resulted in 216 environmental and business actions taken for improvement of EPA operations or reduced risks.
- Identified 1,242 recommendations to improve agency programs, operations, public health and safety, including key legislative recommendations to Congress.
- Prepared semiannual compendiums of unimplemented recommendations to the agency and Congress.
- Issued reports on agency major management challenges and internal control weaknesses for corrective action.
- Continued to develop and transfer OIG applications into a common information technology infrastructure.
- Issued the FYs 2012–2016 strategic plan that includes our vision, mission, values, goals, objectives and strategic themes.
- Collaborated with the Office of the Chief Financial Officer on the revision of EPA Manual 2750 to improve agency audit, resolution and follow-up actions.

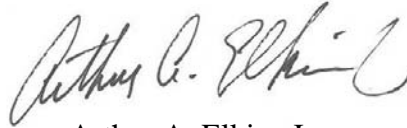
Based upon requirements of the American Recovery and Reinvestment Act of 2009 and Office of Management and Budget guidance, the OIG performed audits, evaluations, analyses and investigations of EPA Recovery Act activities. Recovery Act work accounted for cost savings, questioned costs, recoveries and forfeitures of \$16.8 million during FY 2012, and over \$28.3 million cumulatively since FY 2009.

In FY 2012, the EPA OIG received an unqualified (“clean”) opinion on its performance as a result of a biennial external peer review that looked at our compliance with the *Government*

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Auditing Standards. The peer review, conducted by another OIG, had given the EPA OIG a rating of *pass* with no deficiencies cited.

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

A handwritten signature in black ink, appearing to read "Arthur A. Elkins Jr.", written in a cursive style.

Arthur A. Elkins Jr.
Inspector General

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

The Office of Inspector General is an independent office of the U.S. Environmental Protection Agency that detects and prevents fraud, waste and abuse to help the agency protect human health and the environment more efficiently and cost effectively. Although we are part of the EPA, Congress provides us with a budget line item separate from the agency's to ensure our independence. The EPA OIG was created and is governed by the Inspector General Act of 1978, as amended (P.L. 95-452). The EPA OIG also serves as the inspector general for the U.S. Chemical Safety and Hazard Investigation Board.

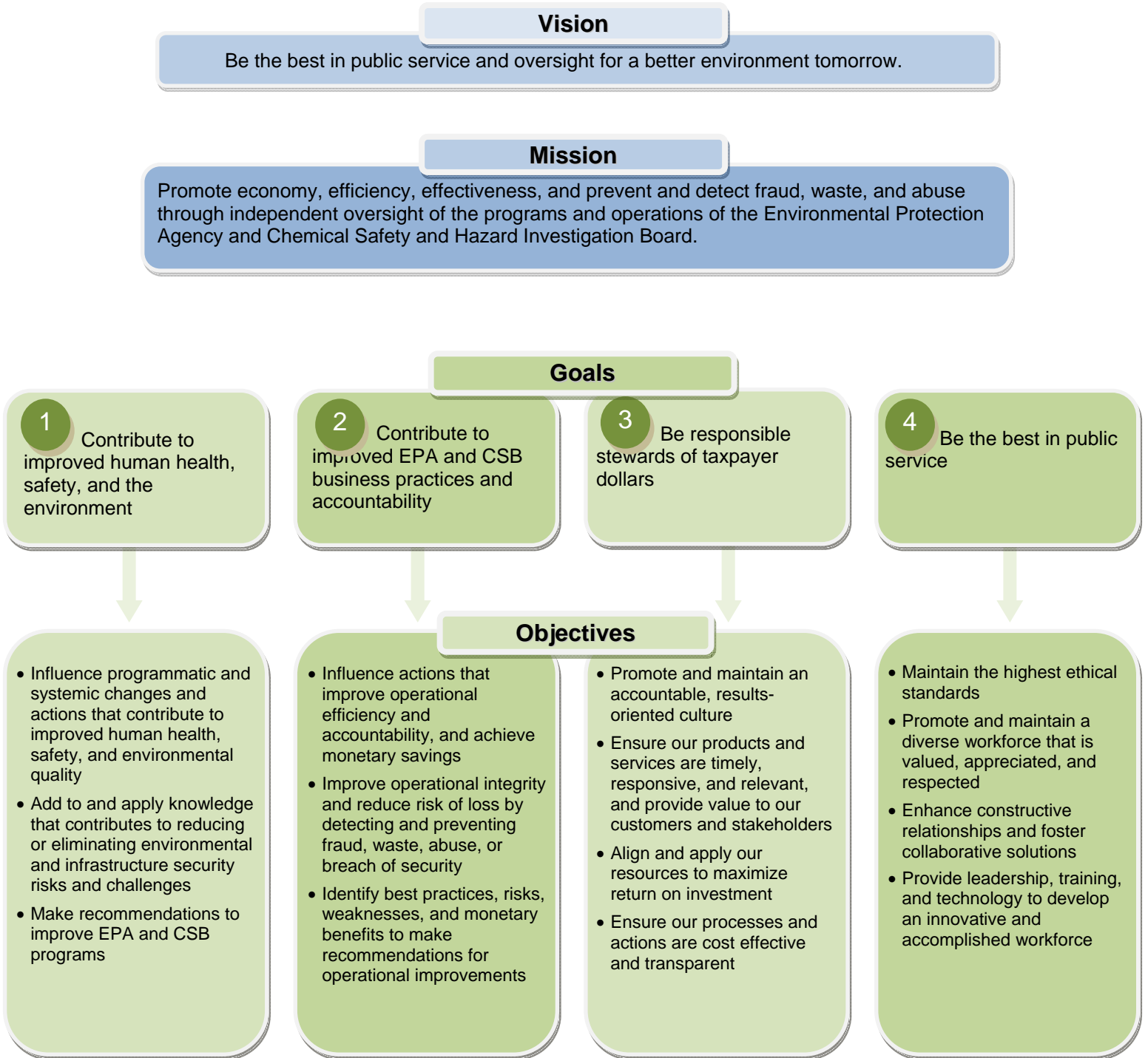
OIG Product and Service Lines

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

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

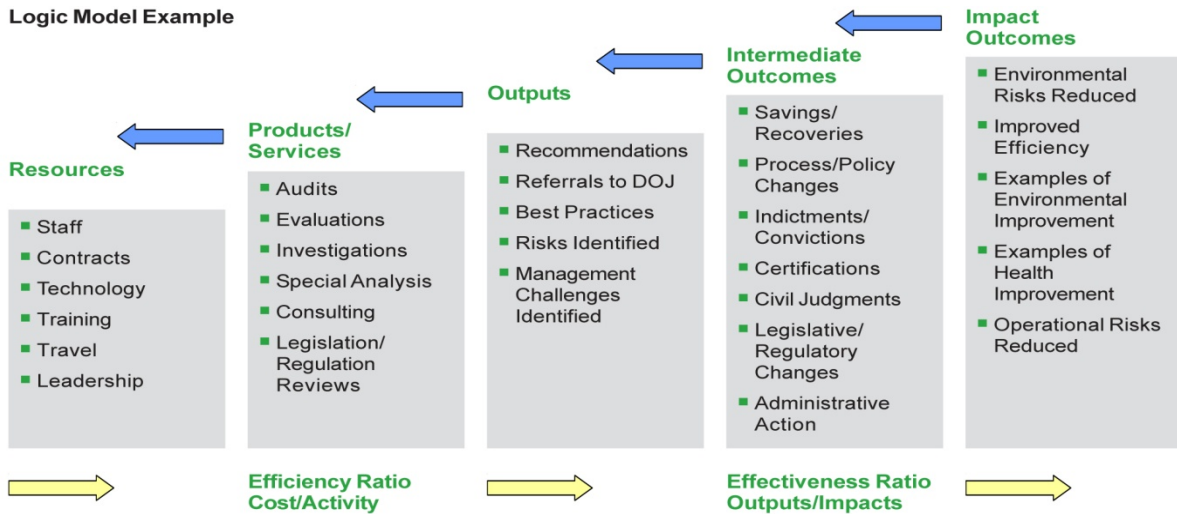
OIG Strategic Plan

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



Planning Our Work to Achieve Our Goals

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



OIG Strategic Cumulative Performance Results, FYs 2010–2012

This section demonstrates the EPA OIG annual progress in attaining its strategic performance goals for FYs 2010–2012 as per the Government Performance and Results Act Modernization Act of 2010, known as GPRA.

The OIG exceeded three of its four annual performance goal targets during FY 2012, with three of the targets significantly exceeded. The OIG increased its focus on identifying cost efficiencies through performance audits and program evaluations. As a result, the OIG identified questioned costs, cost efficiency savings, fines, settlements and recoveries totaling over \$424.8 million. This amount represents a greater than 734 percent return on investment in potential monetary benefits alone when considering the OIG's FY 2012 annual budget. Additionally, EPA sustained over \$53.6 million in OIG monetary recommendations and savings from current and prior periods. During FY 2012, the OIG improved its overall quality and efficiency of its products by reducing the production cycle time and resources required to perform OIG work. The OIG also expanded its follow-up work, resulting in greater implementation of long-outstanding recommendations.

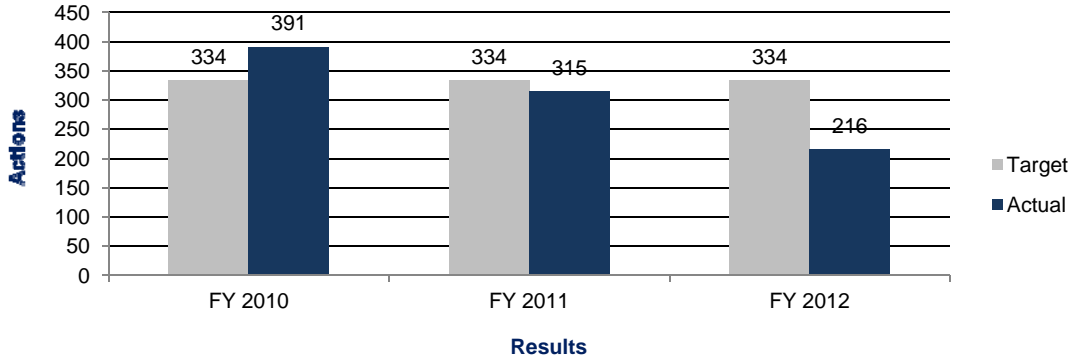
The OIG has not met all of its annual performance goal targets every year. A primary factor was the time delay between outputs and outcomes—the time between when we make our recommendations and the agency actually acts upon them—which is beyond the OIG's control. We also encountered difficulty in staffing up to authorized levels upon which the targets were established. However, the charts on the next page demonstrate that the OIG has exceeded its aggregate cumulative GPRA targets for FYs 2010–2012.

The OIG continuously tests its own controls and operating procedures to identify potential vulnerabilities and opportunities for improving product quality and accountability in the use of its resources. During FY 2012, the OIG identified the following issues:

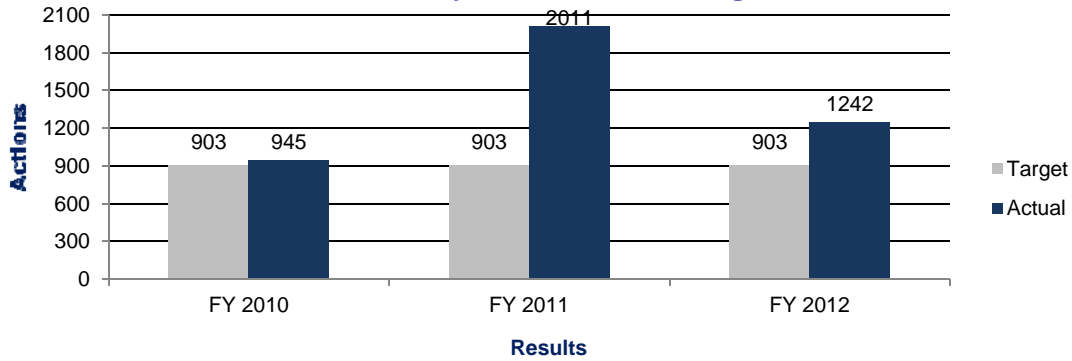
- Follow-up on corrective actions – data quality.
- Updating of policies and procedures.
- Investigative case management.
- Administration – product timeliness.
- Data quality.

The OIG is continuing to improve its integration of information technology systems and data quality by applying new control tools and policies. Further, the OIG is making significant progress in improving internal management weaknesses.

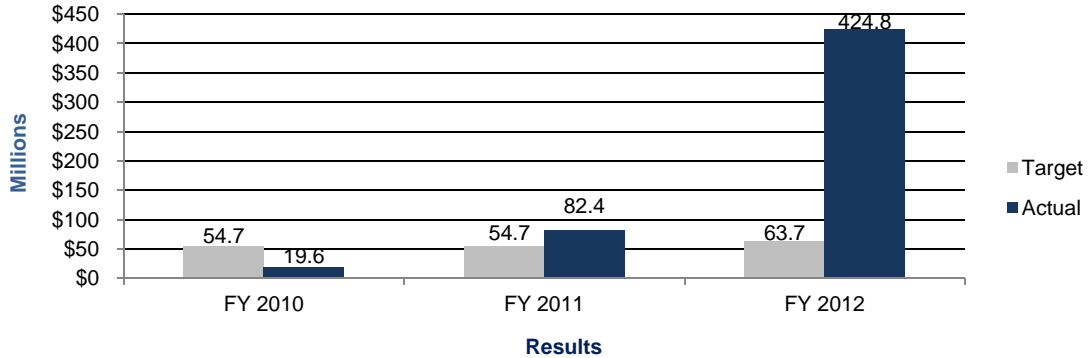
Annual Performance Goal: Environmental and business improvements, actions, changes, improvements in business systems efficiency, risks reduced or eliminated



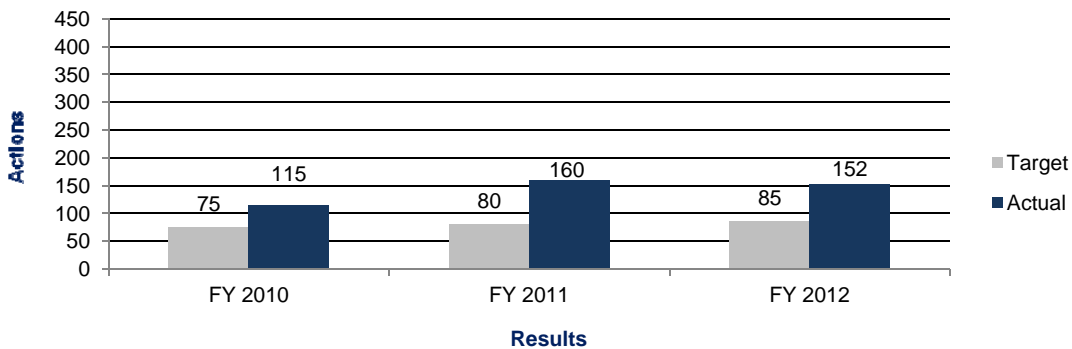
Annual Performance Goal: Environmental and business recommendations, challenges, best practices, risks identified, and Recovery Act technical briefings



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



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



Summary of FY 2012 Performance Results by Product Line and Other Activities

Air/Research and Development

Air/Research and Development results summary

Reports issued: 3	
Environmental and business outcomes	
➤	6 EPA policy, directive, practice corrective action or process changes made or implemented (including best practices)
➤	1 environmental or business operational or internal control risk, challenge or weakness reduced or eliminated (including noncompliance)
Environmental and business outputs	
➤	9 recommendations for improvement
➤	1 environmental or business operational or internal control risk or challenge identified (including noncompliance)
Sustained recommendations	
➤	12 sustained environmental or business recommendations

Performance Highlights

Early Warning Report: Use of Contractors to Conduct Clean Air Act Risk Management Program Inspections in Certain States Goes Against Court Decisions—EPA Regions 4 and 7 used contractors to conduct Clean Air Act 112(r) risk management program inspections in Kansas, Kentucky and Tennessee despite decisions by the Sixth and Tenth Circuit Courts prohibiting this practice and the EPA policy memo that reiterated this prohibition. We recommended that the EPA immediately review the legality and appropriateness of its practice of using contractors to perform Clean Air Act risk management program inspections in the states covered by the Sixth and Tenth Circuit Courts (Colorado, Kansas, Kentucky, Michigan, New Mexico, Ohio, Oklahoma, Tennessee, Utah and Wyoming). <http://www.epa.gov/oig/reports/2012/20120328-12-P-0376.pdf>

EPA Could Improve the SmartWay Transport Partnership Program by Implementing a Direct Data Verification Process—Recent studies corroborate the EPA's claims that its SmartWay Transport Partnership program helps remove marketplace barriers in order to deploy fuel-efficient technologies faster. To calculate SmartWay program emission reductions, the EPA relies on self-reported industry data. The EPA's Office of Transportation and Air Quality performs some checks of data provided by industry. We recommended that the assistant administrator for the Office of Air and Radiation develop and implement direct verification or other measures to verify the accuracy of a sample of the self-reported industry data for the SmartWay Transport Partnership. <http://www.epa.gov/oig/reports/2012/20120830-12-P-0747.pdf>

EPA's Review of Applications for a Water Research Grant Did Not Follow All Review Procedures and Lacked Transparency—The EPA's Office of Research and Development, National Center for Environmental Research, did not follow all applicable policies and procedures in reviewing applications submitted under Request for Applications EPA-G2009-STAR-F1, and lacked procedures for a key aspect of its Science to Achieve Results grant application peer review process. Specifically, the center did not follow the review process required by the Code of Federal

Regulations under 40 CFR Part 40.150. We recommended that the assistant administrator for the Office of Research and Development ensure that the center makes the public aware of its class exception from 40 CFR 40.150, establishes and adheres to improved procedures and management controls for administering the Science to Achieve Results grant program, and improves its guidance and management controls for communicating with grant applicants.

<http://www.epa.gov/oig/reports/2012/20120925-12-P-0864.pdf>

Water/Enforcement

Water/Enforcement results summary

Reports issued: 3	
Environmental and business outcomes	
➤	4 EPA policy, directive, practice corrective action or process changes made or implemented (including best practices)
Environmental and business outputs	
➤	11 recommendations for improvement
➤	1 critical congressional or public management concern addressed and resolved
➤	3 best practices identified

Performance Highlights

EPA Must Improve Oversight of State Enforcement—The EPA does not administer a consistent national enforcement program. Despite efforts by the Office of Enforcement and Compliance Assurance and the EPA regions to improve state enforcement performance, state enforcement programs frequently do not meet national goals and states do not always take necessary enforcement actions. State enforcement programs are underperforming: EPA data indicate that noncompliance is high and the level of enforcement is low. We recommended that the EPA establish clear national lines of authority for enforcement that include centralized authority over resources; cancel outdated guidance and policies and consolidate and clarify remaining enforcement policies; establish clear benchmarks for state performance; and establish a clear policy describing when and how EPA will intervene in states, and procedures to move resources to intervene decisively, when appropriate, under its escalation policy.

<http://www.epa.gov/oig/reports/2012/20111209-12-P-0113.pdf>

EPA Needs to Further Improve How It Manages Its Oil Pollution Prevention Program—Although the EPA has taken steps to improve its program to prevent oil spills from known facilities to waters of the United States, the agency remains largely unaware of the identity and compliance status of the vast majority of Clean Water Act Section 311 regulated facilities. We recommended that the assistant administrator for the Office of Solid Waste and Emergency Response, in consultation with the assistant administrator for the Office of Enforcement and Compliance Assurance, improve oversight of facilities regulated by the EPA’s oil pollution prevention program; improve oversight by biennially assessing and reporting on the quality and consistency of Spill Prevention, Control, and Countermeasure Plans and Facility Response Plans; implement a risk-based inspection strategy; update guidance; and consistently interpret regulations and establish a national oil program database.

<http://www.epa.gov/oig/reports/2012/20120206-12-P-0253.pdf>

Controls Over State Underground Storage Tank Inspection Programs in EPA Regions Generally Effective—EPA regions have management controls to verify the quality of state underground storage tank inspections. All three regions where we conducted our review had annually reviewed underground storage tank inspection programs to verify compliance with requirements. While we did not find any major deficiencies in the administration of the state underground storage tank inspection programs or regional oversight activities, we have one concern about EPA’s oversight of state inspection programs. We recommended that the EPA and states enter into memorandums of agreement that reflect program changes from the 2005 Energy Policy Act and address oversight of municipalities conducting inspections.

<http://www.epa.gov/oig/reports/2012/20120215-12-P-0289.pdf>

Superfund/Land

Superfund/Land results summary

Reports issued: 5	
Environmental and business outputs	
➤	14 recommendations for improvement
➤	3 awareness/technical briefings/training conducted
Sustained recommendations	
➤	\$32.0 million sustained efficiencies

Performance Highlights

Stronger Management Controls Will Improve EPA Five-Year Reviews of Superfund Sites—The Five-Year Review process benefited from Office of Solid Waste and Emergency Response Office of Superfund Remediation and Technology Innovation reviews of draft reports, but improvements could be made to increase the impact of these reviews. Office of Superfund Remediation and Technology Innovation’s reviews are intended to ensure that protectiveness determinations are accurate, supported by available information, and consistent in format nationwide. We recommended that the Office of Solid Waste and Emergency Response establish a process to resolve disagreements with regions on protectiveness determinations. The OIG also recommended steps to improve the consistency, thoroughness and communication of Office of Superfund Remediation and Technology Innovation reviews and to better define protectiveness determinations. <http://www.epa.gov/oig/reports/2012/20120206-12-P-0251.pdf>

EPA Has Implemented Corrective Actions to Improve Conditions at Asheville, North Carolina Superfund Site—EPA Region 4 took actions to implement all recommendations made in EPA OIG Report No. 10-P-0130, *EPA Activities Provide Limited Assurance of the Extent of Contamination and Risk at a North Carolina Hazardous Waste Site*, issued May 17, 2010. However, further actions are needed to complete two OIG recommendations. We recommended that the Region 4 administrator revise an information sheet on the results of private well sampling, revise the community involvement plan, create and maintain an index for the site informational repository, and complete the final report on the removal action pilot study and fact sheet for the community on study results. <http://www.epa.gov/oig/reports/2012/20120321-12-P-0362.pdf>

EPA Inaction in Identifying Hazardous Waste Pharmaceuticals May Result in Unsafe Disposal—Since 1980, the EPA has not used its Resource Conservation and Recovery Act authority to determine whether pharmaceuticals may qualify as hazardous waste. The EPA also has not established a process for the regular identification and review of pharmaceuticals that may qualify for regulation as hazardous waste. We recommended that the assistant administrator for the Office of Solid Waste and Emergency Response identify and review existing pharmaceuticals to determine whether they qualify for regulation as hazardous waste, establish a process to review new pharmaceuticals to determine whether they qualify for regulation as hazardous waste, and develop a nationally consistent outreach and compliance assistance plan to help states address challenges that health care facilities and others have in complying with Resource Conservation and Recovery Act regulations for managing hazardous waste pharmaceuticals.

<http://www.epa.gov/oig/reports/2012/20120525-12-P-0508.pdf>

Review of Hotline Complaint Concerning Cost and Benefit Estimates for EPA’s Lead-Based Paint Rule—Although the EPA stated that its economic analysis underwent extensive intra-agency review and was approved by the Office of Management Budget prior to publication, the EPA used limited data to develop its cost and benefit estimates for the Lead Rule. We did not conclude that the EPA violated policies or failed to follow requirements in conducting its analysis. We recommended that the EPA reexamine the costs and benefits of the 2008 Lead Rule and the 2010 amendment to determine whether the rule should be modified, streamlined, expanded or repealed. The OIG also recommended that the EPA add a disclaimer to its training program materials to communicate the differences between required and recommended work practices.

<http://www.epa.gov/oig/reports/2012/20120725-12-P-0600.pdf>

Environmental Job Training Program Implemented Well, But Focus Needed on Possible Duplication With Other EPA Programs—The EPA effectively established and adhered to competitive criteria that resulted in the selection of job training proposals that addressed the broad goals of the Environmental Job Training program. However, the EPA did not have internal controls to identify and prevent duplication with other EPA job training programs. We recommended that the assistant administrator for the Office of Solid Waste and Emergency Response establish internal controls for coordination with other EPA-funded job training programs to prevent duplication of effort and spending.

<http://www.epa.gov/oig/reports/2012/20120921-12-P-0843.pdf>

Cross Media

Cross Media results summary

Reports issued: 2
Environmental and business outputs
➤ 3 recommendations for improvement

Performance Highlights

EPA Needs to Manage Nanomaterial Risks More Effectively—The EPA does not currently have sufficient information or processes to effectively manage the human health and environmental risks of nanomaterials. The EPA has the statutory authority to regulate nanomaterials but currently lacks the environmental and human health exposure and toxicological data to do so effectively. We

recommended that the assistant administrator for the Office of Chemical Safety and Pollution Prevention develop a process to assure effective dissemination and coordination of nanomaterial information across relevant offices. <http://www.epa.gov/oig/reports/2012/20121229-12-P-0162.pdf>

Limited Public Comment on EPA’s Regulatory Flexibility Act Section 610 Reviews—An essential aspect of Section 610 reviews is obtaining public comment on the impact of regulations. We found that the EPA receives little to no public comment when Section 610 review notices are published in the Federal Register. This limited public comment can hinder the ability of the agency to implement an effective Section 610 review process. The EPA’s ability to conduct effective retrospective reviews is dependent on feedback from the public and the regulated community. We recommended that the EPA’s associate administrator for the Office of Policy coordinate the Section 610 review with other required retrospective reviews, and implement additional public outreach efforts to increase awareness of the Section 610 purpose and process. <http://www.epa.gov/oig/reports/2012/20120719-12-P-0579.pdf>

Special Reviews

Special Reviews results summary

Reports issued: 4	
Environmental and business outcomes	
➤	5 EPA policy, directive, practice, or process changes/decisions
➤	5 environmental or business operational/control risks or challenges eliminated (including noncompliance)
➤	1 action taken or resolved prior to report issuance
➤	2 implemented recommendations previously reported as unimplemented
Environmental and business outputs	
➤	15 recommendations for improvement
➤	8 environmental or business operational or internal control risks or challenges identified
➤	2 awareness/technical briefings/training conducted
Sustained recommendations	
➤	4 sustained environmental or business recommendations

Performance Highlights

Early Warning Report: Use of Unapproved Asbestos Demolition Methods May Threaten Public Health—The OIG identified that unapproved methods are currently being used or considered at multiple sites. The Hanford Superfund Site, near Richland, Washington, is one location where use of Alternative Asbestos Control Method-like methods has been allowed by the EPA under conditions that are less restrictive than required by the Asbestos National Emission Standards for Hazardous Air Pollutants. We recommended that the EPA immediately and clearly communicate requirements for the demolition of asbestos-containing structures to regional, program and field offices to prevent potentially hazardous asbestos exposures, notify these offices that unapproved methods are not to be used without obtaining appropriate waivers, identify all sites with work plans that contain EPA authorization to use unapproved methods for asbestos demolitions, and retract any such approvals that deviate from the Asbestos National Emission Standards for Hazardous Air Pollutants regulation. We also recommended that the EPA assess whether any authorizations resulted in potential asbestos exposure of workers or the public and notify them. <http://www.epa.gov/oig/reports/2012/20111214-12-P-0125.pdf>

Training Contractor Not Promptly Paid Under Purchase Order EP07H001074—The EPA did not pay Laboratory for Scientific Interrogation, Inc., for services rendered in 2007 because the EPA did not receive an invoice from the laboratory until after the July 2011 congressional inquiry. Contrary to regulation, the EPA contracting officer in the Office of Administration and Resources Management apparently did not provide the laboratory with a copy of the purchase order to provide training for the OIG. We recommended that the inspector general assure that invoices are obtained, reviewed and paid within a reasonable period of time after receiving services. We also recommended that the director, Headquarters Procurement Operations Division, Office of Administration and Resources Management, require that contracting officers properly document contract actions in contract files and obtain adequate support to pay the travel costs. <http://www.epa.gov/oig/reports/2012/20111228-12-P-0160.pdf>

Improvement Required to Safeguard Enforcement and Inspection Credentials—Some EPA internal controls over credentials were not being implemented. In Region 3, where we conducted an in-depth review, we initially found that the required annual 10 percent inventory of credentials had not been completed for EPA personnel and was not being documented for non-EPA personnel. We recommended that the assistant administrators for the Office of Administration and Resources Management and the Office of Enforcement and Compliance Assurance comply with the internal controls of EPA Order 3510 and revise EPA Order 3510 to include certain provisions that will improve enforcement and inspection credentialing. <http://www.epa.gov/oig/reports/2012/20120309-12-P-0328.pdf>

EPA’s National Security Information Program Could Be Improved—Under its classified National Security Information program, the EPA has assigned responsibilities and provided guidance, training and oversight. EPA program offices provide secure equipment and space, following National Security Information program specifications. The EPA has procedures in place so employees can obtain security clearances and classify information. Annual reports are prepared on the status of the program. We recommended that the assistant administrator for the Office of Administration and Resources Management issue a directive to establish controls that address identified deficiencies. <http://www.epa.gov/oig/reports/2012/20120618-12-P-0543-redacted.pdf>

Contracts and Assistance Agreements

Contracts and Assistance Agreements results summary

Reports issued: 8	
Environmental and business outcomes	
➤	17 EPA policy, directive, practice, or process changes/decisions
➤	1 environmental or business operational or internal control risk, challenge or weakness reduced or eliminated
➤	1 implemented recommendation previously reported as unimplemented
Environmental and business outputs	
➤	28 recommendations for improvement
➤	1 critical congressional or public management concern
➤	1 best practice identified
Sustained recommendations	
➤	7 sustained environmental or business recommendations
➤	\$1.24 million sustained questioned costs
➤	\$0.41 million sustained efficiencies

Performance Highlights

EPA Should Improve Policies and Procedures to Ensure Effective DCAA Audit Report Resolution

—The EPA should improve its policies and procedures to ensure timely and accurate tracking and reporting of the resolution of Defense Contract Audit Agency reports. When the EPA is the cognizant agency responsible for resolving audit recommendations, it is generally resolving DCAA reports within 6 months as required. We recommended that the EPA develop or revise and implement policies and procedures to ensure that unresolved DCAA audit reports are reported on a semiannual basis to the EPA Administrator, to record management decision and final action dates for DCAA reports, and to define the resolution point for the various types of DCAA audits. We also recommended that the EPA revise EPA Manual 2750 to reflect current agency processes for requesting, tracking and reporting unresolved DCAA reports that impact EPA contracts; reexamine audits that we identify as already resolved and provide the OIG an adequate management decision where appropriate; and develop a plan to accelerate audit resolution when not receiving adequate DCAA audit support. <http://www.epa.gov/oig/reports/2012/20111110-12-P-0071.pdf>

Enhanced Coordination Needed to Ensure Drinking Water State Revolving Funds Are Used to Help Communities Not Meeting Standards

—The Drinking Water State Revolving Fund program is not taking full advantage of the data and tools that are available to identify noncompliant systems that may benefit from Drinking Water State Revolving Fund funding. We recommended that the assistant administrator for the Office of Water include in the annual regional review of states checklist an assessment of the coordination between state Drinking Water State Revolving Fund and enforcement programs, create a national intended use plan review checklist that includes a requirement to assess coordination between state Drinking Water State Revolving Fund and enforcement programs, and identify and implement actions to enhance coordination between regional and state Drinking Water State Revolving Fund and Public Water System Supervision programs. <http://www.epa.gov/oig/reports/2012/20111201-12-P-0102.pdf>

EPA Policy on Financing Local Reserves Needs Revision—The EPA policy that allows states to use State Revolving Fund funds to establish local reserve accounts conflicts with other regulations. Office of Water Policy Memorandum State Revolving Fund 91-08 states local reserve accounts, used to secure loan repayments, are eligible costs of the State Revolving Fund. However, the financing of local reserve accounts does not represent eligible incurred project costs, a requirement for cash draws from the federal capitalization grants per the CFR. We recommended that the assistant administrator for the Office of Water rescind guidance allowing federal funds to be used to finance local reserve accounts. <http://www.epa.gov/oig/reports/2012/20120125-12-P-0231.pdf>

EPA Can Improve Its Improper Payments Reporting—The EPA complied with the Improper Payments Elimination and Recovery Act in that it reported all required information on improper payments, but the EPA can improve the accuracy and completeness of the information. In the *Fiscal Year 2011 Agency Financial Report*, the EPA reported the results of its efforts to recapture improper payments. The EPA is taking actions to improve internal controls in preventing, reducing and recapturing improper payments. We recommended that the EPA issue guidance requiring that the results of all grant improper payment determinations and recaptures, as well as discounts not taken as improper payments, be reported, and issue guidance to program offices to ensure the quality of reported information. <http://www.epa.gov/oig/reports/2012/20120301-12-P-0311.pdf>

Policies Needed for Proper Use and Management of Cost-Reimbursement Contracts Based on Duncan Hunter Act—EPA did not comply with several key revisions to the Federal Acquisition Regulation as amended by the interim rule, *Proper Use and Management of Cost Reimbursement Contracts* (Federal Acquisition Regulation Case 2008-030). We recommended that the EPA develop a policy that provides a standardized approach for preparing written acquisition plans to ensure compliance with new Federal Acquisition Regulation revisions, update the procurement initiation notice to include a copy of the contracting officer's representative's appointment memorandum, and direct contracting officers to verify that nomination forms and appointment memorandums are included in all contract files. Further, we recommended that the EPA develop and distribute instructions on coding of indefinite-delivery/indefinite-quality contracts. <http://www.epa.gov/oig/reports/2012/20120306-12-P-0320.pdf>

EPA Superfund Contract Initiatives and Controls to Reduce Fraud, Waste, and Abuse—We identified three EPA initiatives related to Superfund contracting controls: Contracts 2010 Strategy, Office of Acquisition Management's Performance Measurement and Management Program, and the Recovery Act Stewardship Plan. In addition to the above initiatives, the EPA has other contract internal controls in place. The EPA describes its contracting internal controls in documents such as the Contracts Management Manual, EPA Acquisition Handbook, EPA Acquisition Regulation, and Interagency Agreements Desk Manual. The EPA evaluates implementation of internal controls through Office of Management and Budget Circular A-123 reviews. <http://www.epa.gov/oig/reports/2012/20120316-12-P-0360.pdf>

Great Lakes National Program Should Improve Internal Controls to Ensure Effective Legacy Act Operations—Great Lakes Legacy Act of 2002 program funding has increased five-fold over the last 7 years; however, the program has not established needed internal controls to ensure effective operations. Without adequate internal controls, funds owed from nonfederal sponsors may not be collected timely, costs invoiced on act projects may not be reasonable and allowable, and nonfederal sponsors with whom the Great Lakes National Program Office enters into project agreements may not be able to meet their commitments. We recommended that the EPA develop and implement policies and procedures for the Great Lakes National Program Office that address the establishment of accounts receivable, recording of in-kind contributions, completion of final accounting, and review of the financial capability of nonfederal sponsors. <http://www.epa.gov/oig/reports/2012/20120409-12-P-0407.pdf>

EPA Can Improve Its Reporting of Dollars Leveraged From the American Recovery and Reinvestment Act Brownfields Program—EPA project officers verified grant recipient reported outputs and outcomes for Recovery Act brownfields assessments completed, acres ready for reuse, and cleanups completed, but did not always verify dollars leveraged. Dollars leveraged are additional non-EPA resources invested in the project as a result of the use of grant funds. We recommended that the assistant administrator for the Office of Solid Waste and Emergency Response instruct the director, Office of Brownfields Land Revitalization, to create a checklist for grant recipients and project officers that defines dollars leveraged and identifies specific types of supporting documents needed. We also recommended that the assistant administrator instruct the director, Office of Brownfields Land Revitalization, to include a letter in closeout packages reminding recipients of their responsibility to continue to report dollars leveraged as they are realized. <http://www.epa.gov/oig/reports/2012/20120927-12-R-0898.pdf>

Forensic Audits

Forensics Audits results summary

Reports issued: 17	
Environmental and business outcomes	
➤	1 environmental or business operational or internal control risk, challenge or weakness reduced or eliminated
➤	19 certifications, verifications, validations
Environmental and business outputs	
➤	373 recommendations for improvement
➤	5 referrals for agency action
➤	325 findings without controlled recommendations
Return on investments	
➤	\$40.88 million questioned costs
➤	\$0.70 million recommended efficiencies, costs saved or avoided
Criminal, civil and administrative actions	
➤	\$0.09 million actual costs recovered
➤	2 allegations disproved after documented investigation or review
Sustained recommendations	
➤	283 sustained environmental or business recommendations
➤	\$0.83 million sustained questioned costs
➤	\$0.02 million sustained efficiencies

Performance Highlights

Examination of Costs Claimed Under Cooperative Agreement X7-83325501 Awarded to Kathleen S. Hill, Chiloquin, Oregon—The grantee did not have a financial management system that met federal standards. We identified the following material weaknesses: the recipient did not have adequate controls to ensure that costs claimed were in accordance with 2 CFR Part 230, and the recipient’s cash draws did not comply with 40 CFR Part 30 or the terms and conditions of the cooperative agreement. We recommended that the director, Office of Grants and Debarment, disallow and recover \$80,721 in questioned costs, verify that the recipient has an adequate financial management system in place prior to any future award, and verify that the recipient’s final financial status report is properly supported by accounting system records.

<http://www.epa.gov/oig/reports/2012/20120123-12-4-0224-redacted.pdf>

Costs Claimed by the North Carolina Rural Economic Development Center, Inc., Under EPA Grant No. X96418405—The OIG determined that the North Carolina Rural Economic Development Center, Inc., did not comply with 2 CFR Part 230 regarding financial management. The center did not properly allocate direct costs between state and federal funding sources. Therefore, the EPA should recover \$1,192,500 in costs questioned under the grant. Region 4 must recognize that the \$178,556 budget revision it directed is not allocable to the EPA grant because it shifted subcontract costs allocable to state funding sources to the EPA grant. We recommended that the regional administrator, Region 4, disallow all costs paid under the grant and recover \$1,192,500. <http://www.epa.gov/oig/reports/2012/20120523-12-4-0499.pdf>

Examination of Costs Claimed Under EPA Cooperative Agreements CB-97324701 Through CB-97324705 Awarded to Alliance for the Chesapeake Bay, Inc.—The recipient achieved the intended result of producing the *Bay Journal*, but did not comply with 40 CFR Part 30 and 2 CFR Part 230 regarding procurement and financial management requirements. We recommended that the regional administrator, Region 3, disallow the total questioned project costs of \$1,357,035 and recover \$1,189,864 of federal funds paid under the cooperative agreements, require the recipient to improve its procurement internal controls and ensure that future federal financial reports are supported by accounting system data, and include certain special conditions for all active and future EPA awards to the recipient until the region determines that the recipient has met all applicable federal financial and procurement requirements.
<http://www.epa.gov/oig/reports/2012/20120822-12-4-0720.pdf>

American Recovery and Reinvestment Act Site Visit of the Elizabeth City Well Field Expansion Project, Elizabeth City, North Carolina—We conducted an unannounced site visit of the Elizabeth City Well Field Expansion Project in Elizabeth City in July 2010. Based upon our site inspection, nothing came to our attention that would require action from the city, state or EPA.
<http://www.epa.gov/oig/reports/2012/20111208-12-R-0109.pdf>

American Recovery and Reinvestment Act Site Visit of the Botanic Garden of Western Pennsylvania—The Botanic Garden of Western Pennsylvania clean water project used Recovery Act funds to construct ponds that are not being used for their stated purpose. The Botanic Garden's funding agreement with Pennvest states that the Botanic Garden will build irrigation ponds to collect, store and recycle water for future irrigation needs. However, the ponds were being used as sediment ponds to capture runoff from a mining reclamation operation. We recommended that the regional administrator, Region 3, recover from Pennvest all Recovery Act funds, totaling \$1,368,894, awarded to the Botanic Garden, and prevent the continued use of Clean Water State Revolving Fund funding for this project. Further, if the full Recovery Act funds are not recovered, we recommended that the regional administrator reduce the project costs to be funded by the Recovery Act by the amount of program income earned by the Botanic Garden from mining operations and recover the amount earned in program income.
<http://www.epa.gov/oig/reports/2012/20120308-12-R-0321.pdf>

American Recovery and Reinvestment Act Site Visit of Wastewater Treatment Plant, Village of Itasca, Illinois—The village of Itasca did not comply with the Buy American requirements of the Recovery Act. Steel pipes and fittings used in the project were manufactured in foreign countries. We also identified other manufactured goods that did not comply with the Buy American requirements of the Recovery Act. As a result, the project is not eligible for the \$10 million of Recovery Act funds authorized by the state unless the EPA exercises a regulatory option. We recommended that the regional administrator, Region 5, require the state to withdraw Recovery Act funds unless the state can verify that Itasca has complied with Buy American requirements; employ the procedures set out in the CFR to resolve any iron, steel, and manufactured goods that do not comply with Buy American requirements; and verify that the substitutes for the German-made micropilots meet Buy American requirements.
<http://www.epa.gov/oig/reports/2012/20120330-12-R-0377.pdf>

American Recovery and Reinvestment Act Site Visit of the Diversion Ditch Repair Project at the Gilt Edge Mine Superfund Site, Lawrence County, South Dakota—Pacific Western Technologies did not have adequate controls to ensure that its subcontractors and vendors complied with the Buy American and Davis-Bacon Act provisions of the Recovery Act. Non-American-made steel grouting pipes were used in the project. As a result, we questioned \$349,635 in costs incurred under the project, consisting of ineligible pipe costs of \$88,712 and unsupported field inspection costs of \$260,923. We recommended that the EPA’s director, Office of Acquisition Management, Office of Administration and Resources Management, advise the contracting officer to designate the grouting pipe cost of \$88,712 as ineligible costs and to reduce the funding for the project accordingly, and disallow and recover Pacific Western Technologies’ field inspection costs. <http://www.epa.gov/oig/reports/2012/20120725-12-R-0601.pdf>

Examination of Costs Claimed Under EPA Cooperative Agreement 2A-83440701 Awarded Under the Recovery Act to Cascade Sierra Solutions, Eugene, Oregon—Cascade Sierra Solutions’ financial management system did not support that funds drawn are reasonable, allocable and allowable in accordance with applicable laws, regulations, and cooperative agreement terms and conditions. We recommended that the director, Office of Grants and Debarment, disallow and recover \$9 million in questioned costs; consider suspension and debarment of the recipient on current and future awards; require the recipient to ensure that the use of funds meets federal criteria; require special conditions for future awards to the recipient; and provide clarifying guidance to the recipient on progress reporting requirements. We also recommended that the director require the recipient to comply with pertinent procurement requirements; disallow pre-2007 model year trucks as project costs; and assist the recipient with developing a methodology to calculate number of jobs created and direct the recipient to correct the numbers reported, with documentation. <http://www.epa.gov/oig/reports/2012/20120904-12-R-0749.pdf>

American Recovery and Reinvestment Act Site Visit of Wastewater Treatment Plant Improvements Project, City of Nappanee, Indiana—We noted an instance where the city of Nappanee could not demonstrate that an item was manufactured in the United States contrary to Buy American requirements of the Recovery Act. As a result, the project was not eligible for the \$1,769,000 of Recovery Act funds authorized unless the EPA exercises a regulatory option. We recommended that Region 5 employ the procedures set out in the CFR to ensure compliance with the Buy American requirements and require the state to verify the city’s corrective actions taken and ensure the replaced items meet the Buy American requirements. <http://www.epa.gov/oig/reports/2012/20120912-12-R-0789.pdf>

Close-Out of Complaint on Metropolitan Water Reclamation District of Greater Chicago Incurring Inappropriate Expenses on Recovery Act Projects—Our review of a hotline complaint did not disclose any indication of misuse of funds provided to the district by Illinois’ Clean Water State Revolving Fund loans or Recovery Act funds provided through the EPA. The types of costs mentioned in the complaint were not included in the amounts paid to the district by the Clean Water State Revolving Fund. According to state personnel, most, if not all, of the funding administered through the Clean Water State Revolving Fund was for construction-related expenses. The Clean Water State Revolving Fund and Recovery Act funds did not pay for professional services contracts or other administrative costs such as training, travel, entertainment or conference expenses. <http://www.epa.gov/oig/reports/2012/20111122-12-X-0090.pdf>

Close-Out of Hotline Complaint on Unreasonable Cost Increase to the Wastewater Treatment Facility Improvements, Perkins, Oklahoma—We have closed a hotline complaint that project costs increased unreasonably due to Recovery Act requirements because we found no evidence to support the complaint. According to the complaint, project costs increased by about 40 percent when the Perkins Public Works Authority added the Recovery Act’s Buy American and Wage Rate requirements, while other projects only increased by about 5 percent. Because we did not find any indication that Recovery Act requirements increased project costs, we closed the complaint, and plan no further action. <http://www.epa.gov/oig/reports/2012/20121229-12-X-0161.pdf>

Financial Management

Financial Management results summary

Reports issued: 6	
Environmental and business outcomes	
➤	27 EPA policy, directive, practice, or process changes/decisions
➤	12 actions taken or resolved prior to report issuance (not reported)
➤	5 environmental or business operational or internal control risks, challenges or weakness reduced or eliminated
Environmental and business outputs	
➤	38 recommendations for improvement
Return on investments	
➤	\$3.11 million recommended efficiencies
Sustained recommendations	
➤	30 sustained environmental or business recommendations
➤	\$19.67 million sustained efficiencies

Performance Highlights

Audit of EPA’s Fiscal 2011 and 2010 Consolidated Financial Statements—We rendered an unqualified opinion on the EPA’s Consolidated Financial Statements for FYs 2011 and 2010, meaning we found the statements to be fairly presented and free of material misstatement. However, in evaluating internal controls, we noted the following deficiencies: (1) regions and headquarters did not timely provide accounts receivable supporting documentation, (2) the EPA did not timely bill other federal agencies for reimbursable costs, (3) the EPA did not properly close general ledger accounts in its cancelling Treasury symbols, (4) the EPA double counted contractor-held property, (5) the EPA headquarters could not account for 1,284 personal property items, (6) the EPA needs to better secure marketable securities, (7) the EPA recorded earned revenue without recognizing corresponding expenses, and (8) the EPA was withholding payments related to the BP Deepwater Horizon oil spill. <http://www.epa.gov/oig/reports/2012/20111115-12-1-0073.pdf>

Fiscal Years 2011 and 2010 Financial Statements for the Pesticides Reregistration and Expedited Processing Fund—We rendered an unqualified, or clean, opinion on the EPA’s Pesticides Reregistration and Expedited Processing Fund financial statements for FYs 2011 and 2010, meaning they are fairly presented and free of material misstatement. We noted one material weakness in internal controls. EPA materially understated the fund’s payroll and benefits payable, and related payroll expenses included in gross costs, in FY 2011. The agency’s practice of transferring employees and expenses and liabilities from the fund to the Environmental Programs

and Management Fund for cash flow reasons led to the understatement. Understatements could impact the opinion on the financial statements and reliance on reported financial information. <http://www.epa.gov/oig/reports/2012/20120606-12-1-0521.pdf>

Fiscal Years 2011 and 2010 Financial Statements for the Pesticide Registration Fund—

We rendered an unqualified, or clean, opinion on the EPA's Pesticide Registration Fund financial statements for FYs 2011 and 2010, meaning that they were fairly presented and free of material misstatement. We noted one material weakness in internal controls. The EPA materially understated the fund's payroll and benefits payable and related payroll expenses in FY 2011 gross costs. The agency's practice of transferring employees and expenses and liabilities from the fund to the Environmental Programs and Management Fund for cash flow reasons led to the understatement. Understatements could impact the opinion on the financial statements and reliance on reported financial information. <http://www.epa.gov/oig/reports/2012/20120606-12-1-0522.pdf>

EPA Should Improve Controls for Managing Contractor-Held Property—

The EPA did not have effective oversight of contractor-held property, did not accurately report such property in its FY 2010 financial statements, and did not fully implement corrective actions from an OIG 2006 audit report. We recommended that the assistant administrator for the Office of Administration and Resources Management quantify the universe of contractor-held property and assign more resources to the property administration function, designate contractor-held property as a significant deficiency, develop and implement policies and procedures for the property staff, train property staff and contracting officers on current and any new responsibilities over contracts with government property, and revise or update the corrective action plan in the agency's Management Audit Tracking System for the 2006 audit report and reference any corrective actions. We also recommended that the chief financial officer develop and implement internal controls that require the financial staff to review the funding appropriations for contracts with government property. <http://www.epa.gov/oig/reports/2012/20120403-12-P-0388.pdf>

EPA Did Not Properly Migrate General Ledger Balances to Compass From the Integrated Financial Management System—

EPA did not properly migrate general ledger balances to Compass from the Integrated Financial Management System. We found differences in certain FY 2012 beginning balances, abnormal balances, and agency adjustments to beginning balances. We recommended that the chief financial officer determine whether the supporting data elements in the beginning balances of the general ledger account and treasury symbol were properly migrated to Compass from the Integrated Financial Management System; adjust the general ledger accounts with abnormal balances to include accurate activity and reflect the proper balances; and correct the general ledger crosswalk and provide the details to the OIG. <http://www.epa.gov/oig/reports/2012/20120709-12-P-0559.pdf>

EPA Could Recover More Indirect Costs Under Reimbursable Interagency Agreements—

The EPA did not recover \$11 million in indirect costs on funds-in reimbursable interagency agreements. Federal entities are required to recognize the full cost of goods and services provided among federal entities; full cost includes both direct and indirect costs. We recommended that the chief financial officer revise agency policy to include indirect costs in all reimbursable interagency agreements, revise the rules and policies for future actions to include the ability to recover indirect costs and educate EPA staff on the new policies, revise agency policy to require that reimbursable

interagency agreement amendments include indirect costs based on current rates, correct the indirect cost rate billing errors noted, and develop policy and procedures to verify that correct indirect cost rates are used. <http://www.epa.gov/oig/reports/2012/20120919-12-P-0835.pdf>

Risk Assessment and Program Performance

Risks Assessment and Program Performance results summary

Reports issued: 4	
Environmental and business outcomes	
<ul style="list-style-type: none"> ➤ 7 EPA policy, directive, practice, or process changes/decisions ➤ 1 action taken or resolved prior to report issuance (not reported) ➤ 4 legislative changes/decisions made influenced by OIG work ➤ 2 environmental or business operational or internal control risks, challenges or weaknesses reduced or eliminated ➤ 4 certifications, verifications, validations 	
Environmental and business outputs	
<ul style="list-style-type: none"> ➤ 12 recommendations for improvement ➤ 1 environmental or business operational/control risk or challenge identified (including noncompliance) ➤ 3 findings without controlled recommendations (not in resolution process) ➤ 2 awareness/technical briefings conducted ➤ 3 critical congressional or public management concerns addressed and resolved 	
Return on investments	
<ul style="list-style-type: none"> ➤ \$0.03 million recommended efficiencies, costs saved or avoided 	
Sustained recommendations	
<ul style="list-style-type: none"> ➤ 14 sustained environmental or business recommendations 	

Performance Highlights

Congressionally Requested Information on the Status and Length of Review for Appalachian Surface Mining Permit Applications—After reconciling discrepancies and vetting information, we identified 185 surface mining permit applications to review from the list of 237 that we received from a senator. In response to the senator’s first request, we found that over half of all permit activities—whether permitted, withdrawn or pending— have taken a year or longer, with approximately 40 percent exceeding 2 years. This report makes no recommendations to EPA. <http://www.epa.gov/oig/reports/2012/20111121-12-P-0083.pdf>

EPA Should Strengthen Records Management on Clean Water Act Section 404 Permit Notification Reviews for Surface Coal Mining—EPA staff in Regions 3, 4 and 5 should better document their records of review activities on Clean Water Act Section 404 surface mining permit notifications. EPA regional staff believe that agency comment letters are the only official records they should maintain related to notification reviews. We recommended that the Office of Water coordinate with headquarters and regions to identify the Data on Aquatic Resources Tracking for Effective Regulation system as an official recordkeeping system and develop a full implementation plan, identify as official records certain basic information entered into the data system, and indicate when the system will incorporate additional permit actions. We also recommended that the Office of Water reconcile any data duplication between the data system and Region 5’s Coal Tracker system and clarify the requirements of certain EPA records schedules. <http://www.epa.gov/oig/reports/2012/20120202-12-P-0249.pdf>

Office of Environmental Information Should Strengthen Controls Over Mobile Devices—

Although the Office of Environmental Information is in the process of developing policies for domestic and international mobile device usage, the office has no organization-wide standard operating procedures that explain responsibilities for the office’s employees and contractors regarding mobile devices. We recommended that the office implement standard operating procedures for each step of the mobile device process to cover all aspects of issuance, disconnection, multiple devices, inappropriate use, and tracking and recovery; follow up with employees and contractors to determine business case justifications for users of multiple devices; and take appropriate action on unauthorized calls identified in the sample we reviewed. Lastly, we recommended that the office finalize agencywide draft domestic and international mobile device procedures and develop other agencywide procedures as necessary.

<http://www.epa.gov/oig/reports/2012/20120425-12-P-0427.pdf>

Alleged Misuse of Tribal Clean Water Act Section 106 Funds in EPA Region 8—

We found that EPA Region 8 funded tribal Section 106 programs based on the region’s review of tribal work plans and did not inappropriately withhold funds. We recommended that the Office of Water develop guidance on the use of Section 106 tribal grants funds for associated program support costs, similar to that developed by the EPA’s Office of Air and Radiation for Clean Air Act Section 105. We also recommended that Region 8 develop guidance to formalize the process by which the region gains approval from tribes for associated program support costs funded with Section 106 program funds. Further, we recommended that Region 8 evaluate the effectiveness of its team approach to tribal technical assistance—as part of regional guidance—by querying tribal Regional Operations Committee members and making adjustments as needed based on tribal feedback. <http://www.epa.gov/oig/reports/2012/20120504-12-P-0453.pdf>

Efficiency

Efficiency results summary

Reports issued: 3*	
Environmental and business outcomes	
➤	1 environmental/health improvement
➤	13 environmental or business policies, directives, practices
➤	4 environmental or business operational/control risks or challenges reduced or eliminated
Environmental and business outputs	
➤	23 recommendations for improvement
➤	4 unimplemented recommendation identified
➤	2 environmental or business operational or internal control risks or challenges identified (including noncompliance)
➤	1 awareness/technical briefing conducted
➤	11 critical congressional or public management concerns addressed and resolved
Return on investments	
➤	\$2.24 million recommended efficiencies, costs saved or avoided
Sustained recommendations	
➤	20 sustained environmental or business recommendations

* Two of the reports are on CSB and are discussed later, in the CSB section.

Performance Highlights

Weaknesses in EPA’s Management of the Radiation Network System Demand Attention— EPA’s Broken Radiation Network (RadNet) monitors and late filter changes impaired this critical infrastructure asset. On March 11, 2011, at the time of the Japan nuclear incident, 25 of the 124 installed RadNet monitors, or 20 percent, were out of service for an average of 130 days. We recommended that the assistant administrator for the Office of Air and Radiation establish and enforce expectations for RadNet operations readiness; and improve planning and management of parts availability, monitoring of filter replacement and operators, and monitoring of the installation of the remaining RadNet monitors. Further, we recommended that this assistant administrator, in conjunction with the assistant administrator for the Office of Administration and Resources Management, hold contractors accountable by establishing milestones, using incentives and disincentives, requiring contracting officers and contracting officer’s representatives to formally evaluate RadNet contractors annually, and ensure that the agency’s Management Audit Tracking System is accurate and current. <http://www.epa.gov/oig/reports/2012/20120419-12-P-0417.pdf>

Information Resources Management

Information Resources Management results summary

Reports issued: 11 *	
Environmental and business outcomes	
➤	3 EPA policy, directive, practice, or process changes/decisions
➤	4 actions taken or resolved prior to report issuance (not otherwise reported)
➤	27 environmental or business operational/control risks or challenges eliminated (including noncompliance)
Environmental and business outputs	
➤	79 recommendations for improvement
➤	3 environmental or business operational or internal control risks or challenges identified (including noncompliance)
Sustained recommendations	
➤	13 sustained environmental or business recommendations

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

Performance Highlights

Fiscal Year 2011 Federal Information Security Management Act Report: Status of EPA’s Computer Security Program—The agency continues to make progress in improving its information technology security. The audit work performed during the Federal Information Security Management Act review disclosed that the agency needs to make significant improvements in the following programs: (1) Risk Management, (2) Plans of Action and Milestones, and (3) Continuous Monitoring Management. In addition, audit work during FY 2011 noted significant weaknesses with several aspects of the EPA’s information security program. <http://www.epa.gov/oig/reports/2012/20111109-12-P-0062.pdf>

Region 10 Technical and Computer Room Security Vulnerabilities Increase Risk to EPA’s Network—OIG technical vulnerability scans conducted at Region 10 headquarters revealed a multitude of high-risk and medium-risk vulnerabilities. These vulnerabilities were identified on Region 10 servers, printers or desktops. The exploitation of unidentified and unremediated

vulnerabilities could greatly impact the network security posture of Region 10 headquarters or the entire EPA network by exposing agency data, information and configurations to unauthorized access. We recommended that the senior information official, Region 10, remediate high-risk and medium-risk technical vulnerabilities, and remediate physical and environmental control deficiencies. http://www.epa.gov/oig/reports/2012/20120120-12-P-0220_glance.pdf

Results of Technical Network Vulnerability Assessment: EPA's Region 1—Our vulnerability assessments of Region 1's wireless network infrastructure found no security weaknesses. However, our testing of networked resources at the Region 1 facility identified Internet protocol addresses with potentially 18 high-risk and 166 medium-risk vulnerabilities. We recommended that the senior information officials within Region 1 and the Office of Environmental Information provide the OIG a status update for all identified high-risk and medium-risk vulnerability findings; create plans of action and milestones for all vulnerabilities according to agency procedures; and perform a technical vulnerability assessment test of assigned network resources to confirm completion of remediation activities. <http://www.epa.gov/oig/reports/2012/20120605-12-P-0518.pdf>

EPA Data Standards Plan Completed But Additional Steps Are Needed—Although EPA completed the steps listed in its corrective action plan to close out the agency-level weakness on data standards, the actions taken were either incomplete or lacked steps to help management determine the overall effectiveness of the EPA's implementation of data standards. We recommended that the assistant administrator for the Office of Environmental Information update the data standards guidance available to the EPA offices, implement a new data standards communication plan, provide specific instructions to the EPA offices for updating the Registry of EPA Applications and Databases, create a high-level data standards report card for senior executives, and develop a new strategy for ensuring compliance with data standards. <http://www.epa.gov/oig/reports/2012/20120605-12-P-0519.pdf>

Results of Technical Network Vulnerability Assessment: EPA's Region 6—Our vulnerability assessments of the EPA's Region 6 wireless network infrastructure found no security weaknesses. However, our testing of networked resources at Region 6 facilities identified Internet protocol addresses with potentially 35 critical-risk, 217 high-risk and 878 medium-risk vulnerabilities. We recommended that the senior information official, Region 6, provide the OIG a status update for every critical-risk, high-risk and medium-risk vulnerability identified by the scanning tool; create plans of action and milestones for all vulnerabilities according to agency interim procedures; perform a technical vulnerability assessment test of assigned network resources to confirm completion of remediation activities; and remediate all identified physical and environmental control weaknesses identified. <http://www.epa.gov/oig/reports/2012/20120810-12-P-0659.pdf>

EPA Should Improve Management Practices and Security Controls for Its Network Directory Service System and Related Servers—The Office of Environmental Information was not managing key system management documentation, system administration functions, the granting and monitoring of privileged accounts, and the application of environmental and physical security controls associated with its directory service system. The office was not keeping management documentation associated with the directory service system current and complete, and did not have an effective process for maintaining this documentation. We recommended that the Office of Environmental Information and the Office of Administration and Resources Management's

Human Resources management undertake a number of corrective actions to improve management of, and correct specific deficiencies associated with, the agency's directory service system.

http://www.epa.gov/oig/reports/2012/20120920-12-P-0836_glance.pdf

EPA's Radiation and Indoor Environments National Laboratory Should Improve Its Computer Room Security Controls—Our review of the security posture and in-place environmental controls of EPA's Radiation and Indoor Environments National Laboratory computer room disclosed an array of security and environmental control deficiencies. These deficiencies greatly hindered the ability of the Office of Air and Radiation to safeguard critical information technology assets and associated data from the risk of damage or loss. We recommended in our draft report that Office of Air and Radiation remediate physical and environmental control deficiencies. In its response, the Office of Air and Radiation provided a corrective action plan with milestone dates to address agreed-upon recommendations 1 through 5. The region did not agree or disagree with recommendation 6 because corrective actions required consultation with the U.S. General Services Administration to identify a suitable resolution.

<http://www.epa.gov/oig/reports/2012/20120921-12-P-0847.pdf>

EPA's Office of Environmental Information Should Improve Ariel Rios and Potomac Yard Computer Room Security Controls—The security posture and in-place environmental control review of the computer rooms in the Ariel Rios and Potomac Yard buildings revealed numerous security and environmental control deficiencies. These control deficiencies greatly reduce the ability of the Office of Environmental Information to safeguard critical information technology assets and associated data from the risk of damage and/or loss. We recommended in our draft report that the Office of Environmental Information remediate physical and environmental control deficiencies. <http://www.epa.gov/oig/reports/2012/20120926-12-P-0879.pdf>

Improvements Needed in EPA's Network Security Monitoring Program—The EPA's deployment of a Security Incident and Event Management tool did not comply with the EPA's system life cycle management procedures, which require planning project activities to include resources needed, schedules and structured training sessions. The EPA did not develop a comprehensive deployment strategy for the tool to incorporate all of EPA's offices or a formal training program on how to use the tool. We recommended that the assistant administrator for the Office of Environmental Information develop and implement a strategy to incorporate EPA's headquarters program offices within the Security Incident and Event Management environment, develop and implement a formal training program for the tool, develop a policy or revise the agency's Information Security Policy to comply with audit logging requirements, and require that the senior agency information security officer be addressed on all of the office's security reports and reviews. <http://www.epa.gov/oig/reports/2012/20120927-12-P-0899.pdf>

Results of Technical Network Vulnerability Assessment: EPA's National Vehicle and Fuel Emissions Laboratory—While our assessments of EPA's National Vehicle and Fuel Emission Laboratory server room found no weaknesses with physical controls and environmental controls, testing of networked resources in the lab identified Internet protocol addresses with potentially 9 critical-risk, 70 high-risk and 297 medium-risk vulnerabilities. If not resolved, these vulnerabilities could expose the EPA's assets to unauthorized access and potentially harm the agency's network. The lab and Office of Environmental Information manage the resources in the lab that contained the weaknesses. <http://www.epa.gov/oig/reports/2012/20120927-12-P-0900.pdf>

Investigations

Investigative results summary

Investigations opened and closed	
➤	125 investigations closed
➤	168 investigations opened
➤	225 hotline complaints received
Environmental and business outcomes	
➤	\$4.38 million in fines, settlements, restitutions
➤	\$3.95 million cost efficiencies (also counted in total OIG efficiencies)
➤	22 criminal convictions
➤	3 civil actions
➤	32 indictments/informations/complaints
➤	93 administrative actions (includes debarments and suspensions)
➤	2 allegations disproved

Performance Highlights

Telemarketers for Florida Company Convicted and Sentenced—A number of former telemarketers for a Florida company were sentenced to home detention and/or supervised release on charges related to their falsely claiming a relationship between their product and the EPA. On April 25, 2012, two former telemarketers from FBK Products, LLC, Palm Beach County, Florida, were convicted and sentenced in the U.S. District Court, Southern District of Florida, West Palm Beach Division. Laura Janey was convicted on one count of making false statements and sentenced to 12 months of supervised release. Cheryl Stephenson was convicted on two counts of wire fraud and sentenced to 24 months of supervised release and ordered to pay \$626 in restitution. On September 13, 2012, three additional former FBK employees were convicted and sentenced. Richard Chiat and Mitchell Friedman, both former managers, were convicted of conspiracy to commit wire fraud and sentenced to 8 months home detention plus 1 year of supervised release. They were also ordered to pay \$5,323 in restitution and a \$100 special assessment. Gregory Weiss, a former general manager/partner, was also convicted of one count of conspiracy to commit wire fraud and received the same sentence.

Three Sentenced for Embezzling From Tribal Organization—Three people in South Dakota were sentenced in the U.S. District Court for the District of South Dakota, Western Division, for embezzling funds from a tribal organization. On May 25, 2012, Rhonda Azure was sentenced to 12 months and 1 day of imprisonment to be followed by 3 years of supervised release. She was also ordered to pay \$75,000 in restitution and a \$100 assessment to the Victim Assistance Fund. Previously, on November 29, 2011, Shirley Rouillard was sentenced to serve 18 months in prison, to be followed by 36 months of probation. She was also ordered to make restitution of \$88,734 to the EPA and \$66,000 to the U.S. Bureau of Reclamation. Also on November 29, 2011, Gaylin Holy Rock was ordered to serve 24 months on probation and make restitution of \$1,009 to the EPA and \$1,009 to the U.S. Bureau of Reclamation. The charges stemmed from the embezzlement of funds from the Mni Sose Intertribal Water Rights Coalition, which had received EPA funds. *This case was investigated by the EPA OIG and the U.S. Department of the Interior.*

Business Owner Sentenced to Jail for Making False Statements—On February 22, 2012, Charles Tomlin was sentenced in U.S. District Court, Northern District of Georgia, to 20 months in jail to be followed by 36 months of supervised release for making false statements. Tomlin was also

ordered to pay a \$5,000 fine, \$43,331 in restitution and a \$100 special assessment. Tomlin was found guilty during a 2-day trial in December 2011 of fabricating a story in which he claimed persons posing as EPA employees had assessed him \$272,000 in fines for alleged environmental violations on his business property.

Former Sewage Treatment Plant Operator Sentenced to Prison for Falsifying Monitoring Reports—On February 6, 2012, Donald Jack Clark of Niota, Tennessee, was sentenced in the U.S. District Court for the Eastern District of Tennessee to 6 months in prison to be followed by 2 years of supervised release, including 6 months of home detention following his release from prison, for falsifying Clean Water Act reports. Clark was also ordered to perform 150 hours of community service and pay a \$1,200 special assessment. *This investigation was conducted with the EPA Criminal Investigation Division.*

Former EPA Employee Sentenced to 5 Years for Child Pornography—On October 24, 2011, Jonathan Angier, a former EPA employee, was sentenced in U.S. District Court, District of Maryland, to 5 years in prison followed by supervised release for life for charges related to receipt of child pornography. Angier, who must register as a sex offender, was also assessed a \$1,000 fine and ordered to pay a \$100 special assessment.

Former EPA Employee Sentenced to 5 Months for Perjury and Obstruction of Justice—On March 28, 2012, Keith Phillips was sentenced to 5 months in jail, to be followed by 24 months of probation (including 5 months of home detention), stemming from charges related to perjury and obstruction of justice. Phillips was also ordered to perform 200 hours of community service and pay an \$8,000 fine and a \$200 special assessment.

Man Convicted for Wire Fraud—A Spring, Texas, man was sentenced to 3 years probation, including 4 months of home detention, on one count of wire fraud related to his inappropriately using funds provided for travel and moving expenses for a position he accepted in the Commonwealth of the Northern Mariana Islands. On August 13, 2012, David P. Preston pleaded guilty and was sentenced on one count of wire fraud in U.S. District Court, Southern District of Texas. In addition, he was ordered to pay \$28,000 in restitution and a \$100 special assessment.

Woman Sentenced for Theft of Law Enforcement Items—A Chester, Maryland, woman was sentenced to probation in connection with the disappearance of an EPA special agent's bag and credentials. On June 6, 2012, Victoria Lynn Tillbery pleaded guilty to one count of theft in District Court for Queen Anne's County, Maryland. Tillbery was sentenced to 12 months of probation, ordered to pay a former EPA OIG special agent \$1,195 in restitution, and complete 40 hours of community service. In March 2012, an EPA OIG special agent mistakenly left his bag behind after leaving a restaurant. The bag contained the special agent's credentials and badge, a government-issued credit card and cellular phone, and other items. When the agent returned to retrieve the bag, Tillbery, a waitress at the restaurant, stated that someone else had taken the bag. The investigation determined that Tillbery had in fact removed the agent's bag. The property was not recovered.

OIG Employee Sentenced for Theft of Laptop Computer—On September 19, 2012, an EPA OIG information technology specialist was convicted for the theft of a government laptop computer. The employee was convicted in U.S. District Court, District of Maryland, of one count of theft.

The employee was sentenced to 1 year probation, and ordered to perform 50 hours of community service and pay a \$25 special assessment. OIG management plans to take appropriate administrative action.

EPA Employee Demoted for Role in Telephone Calling Scheme—In April 2012, an EPA employee was demoted from a GS-12 to a GS-9 pay grade and reassigned due to involvement in a telephone calling scheme. The scheme involved using government telephone lines that gave inmates at a prison in Illinois access to EPA telephone lines in order to make personal telephone calls from prison. The employee reportedly received compensation for performing this act.

EPA Employee Retires While Under Investigation—In May 2012, an EPA employee retired while under investigation. It was alleged that the employee committed time and attendance fraud, conducted personal business on government-issued computer equipment, and violated the Hatch Act. The employee admitted to conducting personal business on government time.

U.S. Chemical Safety and Hazard Investigation Board

CSB was created by the Clean Air Act Amendments of 1990. CSB's mission is to investigate accidental chemical releases at facilities, report to the public on the root causes, and recommend measures to prevent future occurrences.



In FY 2004, Congress designated the EPA inspector general to serve as the inspector general for CSB. As a result, the EPA OIG has the responsibility to audit, evaluate, inspect and investigate CSB's programs, and to review proposed laws and regulations to determine their potential impact on CSB's programs and operations. Details on our work involving CSB are at <http://www.csb.gov/service.default.aspx>.

Performance Highlights

CSB Can Improve Reporting of Improper Payments—CSB was not fully compliant with the reporting requirements of the Improper Payments Elimination and Recovery Act regarding recovery audits. Each year, the federal government wastes billions of taxpayer dollars on improper payments to individuals, organizations and contractors. The act requires agencies to report on improper payments, and inspectors general are required to determine whether agencies are in compliance with the act. We recommended that CSB conduct an analysis to determine the cost effectiveness of performing recovery audits on all activities with annual outlays exceeding \$1 million, and provide it to the inspector general as required. <http://www.epa.gov/oig/reports/2012/20120301-12-P-0312.pdf>

CSB Can Improve Information Security Practices—CSB has an information security program in place that appears to be functioning as designed. CSB takes information security weaknesses seriously, as three of the four prior-year recommendations were resolved. However, CSB needs to improve its management processes associated with configuration management, patch management, and management of its information technology assets inventory. The EPA OIG contracted with a firm to perform the FY 2011 Federal Information Security Management Act assessment for CSB.

The report recommended that CSB review and implement patches for network devices as required, develop and implement standard baseline configurations for network devices, and review the information technology inventory and remove the excess inventory devices through appropriate means. <http://www.epa.gov/oig/reports/2012/20120321-12-P-0363.pdf>

CSB Should Improve Its Recommendations Process—CSB did not consistently achieve its goals and standards, as outlined in its current strategic plan, for timely implementation of its safety recommendations. CSB issues recommendation reports to government agencies, companies, trade associations, labor unions and other groups. The reports contain specific, measurable safety recommendations designed to prevent future accidents. However, these recommendations are only suggestions for actions; CSB does not have the authority to enforce its safety recommendations. In 2004, CSB created the Office of Recommendations to work with recipients to pursue closure of safety recommendations by recipients' taking acceptable actions. We recommended that the CSB chairperson update board orders that establish policies for the Recommendation Program, timeliness of board votes, and coordination between CSB offices; and make full use of CSB's Total Records and Information Management system and implement a formal advocacy program for safety recommendations. <http://www.epa.gov/oig/reports/2012/20120822-12-P-0724.pdf>

FY 2012 Management Challenges Presented to CSB

On September 19, 2012, the EPA OIG provided the following two management challenges to CSB:

- **Clarifying CSB's statutory mandate.** CSB has an investigative gap between the number of accidents that it investigates and the number of accidents that fall under its statutory responsibility to investigate. CSB believes it is operating according to its statutory mandate and cites a lack of resources to investigate the additional accidents cited. In a letter dated November 5, 2009, CSB requested that Congress clarify CSB's statutory mandate as it relates to investigating chemical accidents. To date, there has been no response from Congress. CSB needs to follow up with the relevant congressional committees on the status and resolution of this issue.
- **Promulgating a chemical incident reporting regulation.** CSB has not published a chemical incident reporting regulation as envisioned in the Clean Air Act amendments. In 2008, the U.S. Government Accountability Office recommended that CSB publish a regulation requiring facilities to report all chemical accidents. In 2009, CSB notified the public of a proposed reporting regulation. The comments stated that Internet search engines and alerts that notify CSB in almost real time of incidents did not exist when the requirement for the regulation was established in the 1980s. CSB should submit a preliminary plan to OMB noting its determination that such a rule should be repealed to make the organization's regulatory program more effective, streamlined and less burdensome in achieving its objectives.

Testimony

Performance Highlights

Fostering Quality Science at the EPA a Topic of Inspector General Testimony—Inspector General Elkins appeared before the Subcommittee on Energy and Environment, Committee on Science, Space and Technology, of the House of Representatives, on November 17, 2011, to discuss OIG work related to the EPA’s Office of Research and Development. The inspector general noted that the OIG made several recommendations in an April 2009 report to Office of Research and Development to improve its peer review process. Peer review is a process for enhancing a scientific or technical work product so that the decision or position taken by the EPA has a sound, credible basis.

Inspector General Testifies on How the EPA Can Cut Spending—On October 12, 2011, Inspector General Elkins appeared before the Subcommittee on Oversight and Investigations, Committee on Energy and Commerce, of the House of Representatives, to discuss opportunities for cost savings and greater efficiencies within the EPA. His testimony focused on findings in recent OIG reports. With respect to workload and workforce management, Mr. Elkins informed the subcommittee that the EPA cannot demonstrate that it has the right number of resources to accomplish its mission, and the EPA’s leadership lacks reasonable assurance that it is using personnel in an effective and efficient manner to achieve mission results. Further, other OIG work has identified potential efficiencies related to the EPA utilization of space and facilities, as well as information technology and management of unliquidated obligations.

OIG Enabling Support Programs

Performance Highlights

Legislation and Regulations Reviewed—Section 4(a) of the Inspector General Act requires the inspector general to review existing and proposed legislation and regulations relating to the program and operation of the EPA and to make recommendations concerning their impact. We also reviewed drafts of OMB circulars, memorandums, executive orders, program operations manuals, directives and reorganizations. The primary basis for our comments are the audit, evaluation, investigation and legislative experiences of the OIG, as well as our participation on the Council of the Inspectors General on Integrity and Efficiency. During the reporting period, we reviewed 134 proposed changes to legislation, regulations, policy, procedures and other documents that could affect EPA and/or the Inspector General, and provided comments on 13. Details on four items follow.

- **OMB’s Proposed Executive Order, *Promoting Efficient Spending***. OMB’s proposed executive order would direct executive departments and agencies to take certain actions to promote efficient spending. While we strongly support the executive order’s intended reductions in wasteful government expenditures on travel, printing and other purchases, we are concerned that certain provisions in the executive order give authority to agency officials over OIG expenditures that could undermine inspector general independence.

- **Proposed New EPA Order 3221, *Foreign Visitors and Assignments Program*.** EPA’s Office of Homeland Security proposed a new EPA Order 3221. The new order establishes EPA’s Office of Homeland Security as the lead for the implementation and oversight for the documentation and review process of all foreign visitors who access EPA facilities. We raised concerns that the draft order encroaches on the inspector general’s independence because certain provisions appeared to require the inspector general to report to the agency and get clearances prior to contacting a foreign subject or witness.
- **Proposed Update to EPA Manual 2750, *Audit Management Procedures*.** The EPA’s Office of the Chief Financial Officer proposed numerous revisions to update EPA Manual 2750, *Audit Management Procedures*, which had last been issued in 1998. The revised manual provides the agency with a more comprehensive “one stop shop” for audit management guidance that ensures consistent procedures throughout the audit management and resolution process. We provided a number of comments to help strengthen and clarify the manual.
- **Proposed Revision to EPA Order 4850, *National Security Information*; and Establishment of EPA Manual 4850, *National Security Information*.** The EPA’s Office of Administration and Resources Management, Security Management Division, proposed the establishment of the EPA Manual 4850 to formalize the program’s policies and procedures for EPA employees and non-federal personnel who have access to classified National Security Information; and a revision to the EPA Order 4850 to provide more clarity to roles and responsibilities and update the content of the order based upon recently issued federal guidance. We raised concerns that certain sections encroached upon the inspector general’s independence.

Working Paper Software Champions and Trainers Program Initiated—In January 2012, the EPA OIG implemented a “Champions and Trainers” program to address functional questions and provide training for OIG staff on the OIG’s database that contains, organizes and displays OIG electronic working papers for audit and program evaluations. The EPA OIG expects this program to enhance the efficiency of auditors and evaluators by enabling them to more easily accomplish tasks for documenting the evidence supporting project results. The champions answer questions from both new and existing staff, help resolve functional problems, and share tips and lessons learned. Champions also participate in OIG efforts to improve processes related to working papers.

OIG Issues Annual Plan for FY 2012—The EPA OIG issued its FY 2012 annual workplan of mandated and selected assignment topics continuing from FY 2011 and scheduled to start in FY 2012. For this plan, OIG work that is not mandated is selected through a rigorous process to develop a portfolio of assignments that represent the best possible return on investment in addressing the needs, risks, challenges, priorities and opportunities of OIG customers, clients and stakeholders. We conducted considerable outreach to agency leaders and stakeholders, and invited our entire staff to provide assignment suggestions. The annual plan, constructed to implement the OIG strategic plan, allows for unforeseen work and new priorities that may be requested by hotline complaints, agency leadership and Congress.

OIG Reviews Its Own Policies and Procedures, as Well as Independent Referencing—On June 4, 2012, the EPA OIG issued Report No. 12-N-0516, *Analysis of Office of Inspector General Policies and Procedures Addressing the CIGIE Quality Standards*. This review analyzed

whether the EPA OIG's policies and procedures complied with the Council of the Inspectors General on Integrity and Efficiency's (CIGIE's) *Quality Standards for Federal Offices of Inspector General* (known as the "Silver Book"), along with the EPA OIG's own internal standards. The review found that the EPA OIG has policies and procedures or other guidance to satisfy the Silver Book requirements in all except one area. On April 19, 2012, the EPA OIG issued Report No. 12-N-0416, *Quality Assurance Report: Assessing the Quality of the Independent Referencing Process During Fiscal Year 2011*. To assess the process, the review surveyed EPA OIG managers regarding consistency among the OIG's Quality Assurance staff, timeliness of the reviews, best practices and areas for improvement. Overall, the majority of the managers who responded to the survey believed that the independent referencing process was effective and efficient, and that the referencers were consistent and timely once reviews began.

Small Business Innovative Research Activities Reported to Congress. The OIG is required by Section 5143 of the National Defense Authorization Act of 2012 (Public Law No. 112-81) to report on reducing vulnerability to fraud, waste and abuse in the Small Business Innovative Research program. The EPA OIG has worked with the EPA's Small Business Innovative Research program staff to reduce vulnerabilities to fraud, waste and abuse. For the period October 1, 2011, to September 1, 2012, the EPA did not refer any cases involving Small Business Innovative Research to the OIG.

OIG-Reported Key Agency Management Challenges

The Reports Consolidation Act of 2000 requires the OIG to report on the agency's most serious management and performance challenges, known as the key management challenges. Management challenges represent vulnerabilities in program operations and their susceptibility to fraud, waste, abuse or mismanagement. For FY 2012, the OIG identified five challenges. The table below includes issues the OIG identified as key management challenges facing the EPA; the years in which the OIG identified the challenge; and the relationship of the challenge to the agency's goals in its FY 2011–2015 strategic plan, found at <http://epa.gov/planandbudget/strategicplan.html>.

OIG-identified top major management challenges for the EPA	FY 2010	FY 2011	FY 2012	EPA strategic goal
The Need for a National Environmental Policy: Environmental quality depends on policies related to farming, energy, water, transportation and federal land management. A national environmental policy would help the EPA and other federal agencies to set national environmental goals and regulatory standards, particularly for problems that cross state or national borders, or pose risks to future generations.	•	•		Cross-Goal
Water and Wastewater Infrastructure: Many drinking water and wastewater systems across the country are unable to maintain compliance with federal water standards due to needed repairs and new constructions. Over the next 20 years, the EPA estimates that approximately \$1 trillion will be needed to pay for water and wastewater infrastructure. The EPA needs to lead in developing a coherent federal strategy with states and local governments to assess and organize resources to meet water and wastewater infrastructure needs.	•			Goal 2
Oversight of Delegations to States: Due to differences between state and federal policies, interpretation, strategies and priorities, the EPA needs to more consistently and effectively oversee its delegation of programs to the states assuring that delegated programs are achieving their intended goals.	•	•	•	Cross-Goal
Safe Reuse of Contaminated Sites: The EPA's duty is to ensure that reused contaminated sites are safe for humans and the environment. The EPA must strengthen oversight of the long-term safety of sites, particularly within a regulatory structure in which non-EPA parties have key responsibilities, site risks change over time, and all sources of contamination may not be removed.	•	•	•	Goal 3
Limited Capability to Respond to Cyber Security Attacks: The EPA has a limited capacity to effectively respond to external network threats. Although the agency has deployed new tools to improve its architecture, these tools raise new security challenges. The EPA has reported that over 5,000 servers and user workstations may have been compromised from recent cyber security attacks. (Previously reported under Homeland Security.)	•	•	•	Cross-Goal
Reducing Domestic Greenhouse Gasses: In response to a Supreme Court ruling in April 2007, the EPA issued an endangerment finding that current and projected atmospheric concentrations of six greenhouse gas emissions threaten the public health and welfare of current and future generations. However, the EPA must take significant actions to address the adverse impacts of these air pollutants.	•			Goal 1
EPA's Framework for Assessing and Managing Chemical Risks: The EPA's effectiveness in assessing and managing chemical risks is limited by its authority to regulate chemicals under the Toxic Substances Control Act. Chemicals manufactured before 1976 were not required to develop and produce data on toxicity and exposure, which are needed to properly and fully assess potential risks.	•	•	•	Goal 4 Goal 5
Workforce Planning: The EPA's human capital is an internal control weakness in part due to requirements released under the President's Management Agenda. The OIG identified significant concerns with the EPA's management of human capital. The EPA has not developed analytical methods or collected data needed to measure its workload and the corresponding workforce levels necessary to carry out that workload.			•	Cross-Goal

OIG Internal Management Challenges

GPRRA requires that annual performance reports identify organizational management challenges. The OIG uses the results of its Federal Managers' Financial Integrity Act internal control vulnerability assessment to identify and report on internal management challenges. As a result of its FY 2012 assessment, for the 13th straight year, the OIG reported no material weaknesses under the act. Further, the OIG continues to make progress in addressing reported OIG-level weaknesses. Some weaknesses identified in FY 2011 were not fully resolved in FY 2012 due to their complexity.

OIG-level weaknesses (including new and previous issues currently being resolved)	FY 2010	FY 2011	FY 2012
Assignment time charging		✓	
Independent contracting function	✓		
Product timeliness		✓	✓
Secured/classified communications	✓		
Monitoring Working Capital Fund charges		✓	
Staffing	✓	✓	
Follow-up on corrective actions—data quality	✓		✓
Data quality			✓
Policies and procedures	✓	✓	✓
Investigative case management	✓	✓	✓

The OIG took the following steps during FY 2012 to improve internal management controls and operational efficiency and effectiveness, not necessarily in response to an identified weakness:

OIG Communications with the Agency

- Identified and reported to the agency on five major management challenges and seven agency-level internal control weaknesses.
- Prepared semiannual compendiums of unimplemented recommendations and monthly reports on open recommendations.
- Processed 88 procurement actions and exceeded agency goals for small business contracting.
- Identified 20 unimplemented OIG recommendations for action to improve agency programs and operational improvements; 11 previously reported unimplemented recommendations were completed.
- Coordinated with the agency in the revision of EPA Manual 2750.
- Conducted quarterly liaison meetings with designated EPA offices to provide for an effective working relationship.

OIG Financial Activities

- Continued to implement full costing of products and services through an improved cost accounting process for individual office direct product rates and overhead allocation rates.
- Accounted for 100 percent of OIG transactions in compliance with appropriations law and generally accepted accounting standards. The OIG also reduced carryover balances and the Working Capital Fund service agreement through its monthly Status of Resources Report.
- Initiated OIG independent small purchases warrant authority expediting procurements.
- Monitored and managed OIG funds so that 99 percent of expiring funds were used.

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

OIG Information Technology Developments

- Made nearly 100 percent of OIG products available electronically to the public (not including products with controlled unclassified information).
- Continued to develop and transfer OIG applications to a common information technology infrastructure.
- Upgraded all four OIG Lotus Notes servers to version 8.3, which will make the servers more secure, flexible and reliable.
- Made significant progress in implementing a Failover/Continuity of Operations site at the EPA's National Computer Center.
- Expanded the Technical Support Call Center support across the nation.

OIG Process Activities

- Conducted annual review of unliquidated obligations to identify any funds that could be put to better use. Reviewed 100 percent of the inactive unliquidated funds and deobligated funds where appropriate.
- Conducted a comprehensive internal control and vulnerability assessment including adding items to its vulnerability assessment tool focused on the issuance of timely quality audit reports and assessing controls over those activities.
- Performed an internal review of the OIG Purchase Card Program, reviewing 100 percent of transactions, and found that the OIG program is used effectively to expedite small purchases without any cases of loss, abuse or material noncompliance.
- Developed, disseminated and began implementation of the OIG strategic plan across the OIG to strengthen leadership, organizational unity, coordination and control.
- Applied new integrated performance measurement and accountability reports to better link operational resources and activities to outputs and outcomes.
- Applied stakeholder input to the OIG planning process for a more rigorous assignment selection process focusing resources on the greatest risks and opportunities.
- Improved the quality of the OIG assignment planning process and module.
- Provided training and technical documentation to improve both user understanding and technical input controls for the Inspector General Enterprise Management System and the Performance Measurement and Results System.
- Prepared an annual assignment plan with a rigorous assessment of agency risks, investments, customer outreach, evaluation and prioritization.
- Continued comprehensive updating of the OIG Policy Manual System across all activities of the OIG.

OIG Human Resources Activities

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

Statistical Data

OIG FY 2012 Profile of Activities and Results

(Dollars in millions)

Audit/evaluation activity and agency action		Investigative activity	
Reports issued			
▪ Reviews performed by OIG	71	▪ Investigations opened	168
▪ Single audit reviews	804	▪ Investigations closed	125
Total reports	875	▪ Pending investigations as of 9/30/12	254
Monetary results		▪ Indictments: persons/firms	32
▪ Questioned EPA costs—OIG performed	\$40.8	▪ Convictions: persons/firms	22
▪ Cost efficiencies—OIG performed*	\$379.6	▪ Administrative actions: EPA employees/firms	93
▪ Questioned EPA costs sustained (from current and prior periods)	\$2.1	▪ Civil judgments	3
▪ Cost efficiencies sustained (from current and prior periods)	\$53.6	▪ Fines and recoveries	\$4.4
▪ Reports resolved (from current and prior periods)	875	▪ Cost savings	\$3.95
▪ Agency recoveries (from current and prior periods)	\$4.4	▪ Prison time (in months)	145
		▪ Probation/detention (in months)	732
		▪ Community service (in hours)	440
* includes \$1.5 million from investigative savings			
Audit resolution		Questioned	Efficiencies
Recommendations as costs			
▪ With no management decision start FY 2012 (26)	\$13.4	\$0.0	
▪ Issued in FY 2012 (26)	\$40.9	\$372.0	
▪ Total inventory—net (52)	\$54.3	\$372.0	
▪ Agreed to/sustained by management or value of nonawards (<i>not including prior to issuance</i>) (21)	\$40.8	\$ 372.0	
▪ Not agreed to/sustained to by management (4)	\$14.9	\$14.7	
▪ With no management decision, end FY 2012 (23)*	*\$42.9	*\$30.4	
▪ Total audits with no final actions as of 9/30/12 which are over 365 days past acceptance of a management decision: 72 reports			
o Program	38		
o Assistance agreements	11		
o Contracts	0		
o Single audits	21		
o Financial statements	2		
▪ Reports with costs for which no management decision was made within 6 months of issuance at 9/30/12: 23 reports.	\$42.9	\$30.4	
▪ Reports resolved: 875			
			Other
			▪ Hotline inquiries received
			225
			▪ Hotline inquiries closed
			231
			▪ Hotline inquiries pending 9/30/12
			112
			▪ Referrals to other offices
			225
			▪ Legislative/regulatory/policy items reviewed
			134
			▪ Legislative/regulatory/policy items upon which comments and suggestions were made
			13

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

OIG FY 2012 Audit, Inspection and Evaluation Report Resolution

The EPA was responsible for addressing OIG recommendations and tracking follow-up activities for 433 audits at the end of FY 2012. The agency achieved final action (completing all corrective actions associated with the audit) on 214 audits, which included program evaluation/program performance, assistance agreement and single audits. This total excludes DCAA audits issued after January 1, 2009; these audits are discussed in a separate section below.

Category	Disallowed costs (financial audits)		Fund put to better use (performance audits)	
	No.	Value	No.	Value
A. Audits with management decisions but without final action at the beginning of the period	48	\$22,829,725	67*	\$109,637,195
B. Audits for which management decisions were made during the period (i) Management decisions with disallowed costs (18) and with better use funds (3) (ii) Management decisions with no disallowed costs (79) and with no better use funds (44)	162	2,475,708	53	47,262,147
C. Total audits pending final action during the period (A+B)	210	25,305,433	119	156,889,342
D. Final action taken during the period: (i) Recoveries a. Offsets b. Collection c. Value of property d. Other (ii) Write-offs (iii) Reinstated through grantee appeal (iv) Value of recommendations completed (v) Value of recommendations management decided should/could not be completed	161	6,304,701 4,532 273,239 0 614,737 100 5,412,093 0 0	37	16,586,000 16,586,000
E. Audits without final action at end of period (C – D)	49	19,000,732	82	140,313,342

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

Final Corrective Action Not Taken. Of the 433 audits that the EPA tracked, a total of 219 audits—including program evaluation/program performance, assistance agreement, contract and single audits—were without final action and not yet fully resolved at the end of FY 2012. (The 16 audits with management decisions under administrative appeal by the grantee are not included in the 219 total; see discussion below.)

Final Corrective Action Not Taken Within 1 Year. Of the 219 audits, the EPA officials had not completed final action on 56 audits (five of which involve multiple offices) within 1 year after the management decision (the point at which the OIG and action official reach agreement on the corrective action plan). Because the issues to be addressed may be complex, agency managers often require more than 1 year to complete the agreed-upon corrective actions. These audits are listed below by category—audits of program performance, single audits and assistance agreements—and identified by title and responsible office. Additional details are at EPA's website at <http://www.epa.gov/planandbudget/>.

Audits of Program Performance. Final action for program performance audits occurs when all corrective actions have been implemented, which may require more than 1 year when corrections are complex and lengthy. Some audits include recommendations requiring action by more than one office. The EPA is tracking 40 audits in this category (five of these involve multiple offices, indicated with a +):

Office of Administration and Resources Management

- 09-P-0087+ EPA Plans for Managing Counter Terrorism/Emergency Response Equipment and Protecting Critical Assets
- 10-P-0002 Review of Hotline Complaint on Employee Granted Full-Time Work-at-Home Privilege
- 11-P-0015+ Audit of EPA's Fiscal 2010 and 2009 Consolidated Financial Statements
- 11-P-0031+ EPA Needs to Strengthen Internal Controls for Determining Workforce Levels

Office of Air and Radiation

- 2005-P-00010 Evaluation of Clean Air Act Title V Operating Permit Quality
- 09-P-0087+ EPA Plans for Managing Counter Terrorism/Emergency Response Equipment and Protecting Critical Assets
- 10-P-0154 Key Activities in EPA's Integrated Urban Air Toxics Strategy Remain Unimplemented
- 11-P-0010 Energy Star Label Needs to Assure Superior Energy Conservation Performance
- 11-R-0179 EPA Needs to Better Document Project Delays for Recovery Act Diesel Emission Reduction Act Grants

Office of Chemical Safety and Pollution Prevention

- 10-P-0066 EPA Needs a Coordinated Plan to Oversee Its Toxic Substances Control Act Responsibilities

Office of the Chief Financial Officer

- 09-P-0087+ EPA Plans for Managing Counter Terrorism/Emergency Response Equipment and Protecting Critical Assets
- 10-1-0029 Audit of 2009 and 2008 (Restated) Consolidated Financial Statements
- 10-P-0177+ Appointment Business Process
- 11-1-0015+ Audit of EPA's Fiscal 2010 and 2009 Consolidated Financial Statements
- 11-P-0031+ EPA Needs to Strengthen Internal Controls for Determining Workforce Levels
- 11-P-0223 Review of Travel Controls
- 11-P-0362 EPA Needs to Reexamine How It Defines Its Payment Recapture Audit Program

Office of Enforcement and Compliance Assurance

- 2001-P-00013 State Enforcement Effectiveness - National Audit
- 2005-P-00024 Priority Enforcement and Compliance Assurance Universe
- 2007-P-00027 Benchmarking Other Organizations Statistically Valid Compliance Practices
- 10-P-0007 EPA Oversight and Policy for High Priority Violations of Clean Air Act Need Improvement
- 10-P-0224+ EPA Should Revise Outdated or Inconsistent EPA-State Clean Water Act Memoranda of Agreement
- 10-P-0230 Data Quality Audit of ECHO System Phase II

Office of Environmental Information

- 2007-P-00008 EPA Could Improve Controls over Mainframe Software
- 10-P-0146 Improvements Needed in Key EPA Information System Security Practices
- 10-P-0177+ Appointment Business Process
- 11-P-0277 EPA Has Taken Steps to Address Cyber Threats but Key Actions Remain Incomplete

Office of Research and Development

- 10-P-0176 EPA's Office of Research and Development Performance Measures Need Improvement
- 11-N-0199 EPA's Small Business Innovative Research Awards Should Include Additional Certifications to Reduce Risk
- 11-P-0333 Office of Research and Development Needs to Improve Its Method of Measuring Administrative Savings
- 11-P-0386 Office of Research and Development Should Increase Awareness of Scientific Integrity Policies

Office of Solid Waste and Emergency Response

- 2007-P-00002 Asbestos Cleanup in Libby, Montana
- 08-P-0265 EPA Should Continue Efforts to Reduce Unliquidated Obligations in Brownfields Pilot Grants
- 10-P-0042 Lack of Final Guidance on Vapor Intrusion Impedes Efforts to Address Indoor Air Risks

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11-P-0171 EPA Needs an Agency-Wide Plan to Provide Tribal Solid Waste Management Capacity Assistance
11-P-0173 EPA Promoted the Use of Coal Ash Products With Incomplete Risk Information

Office of Water

09-P-0223 EPA Needs to Accelerate Adoption of Numeric Nutrient Water Quality Standards
10-P-0081 EPA Needs Procedures to Address Delayed Earmark Projects
10-P-0224+ EPA Should Revise Outdated or Inconsistent EPA-State Clean Water Act Memoranda of Agreement
11-P-0001 EPA Lacks Internal Controls to Prevent Misuse of Emergency Drinking Water Facilities

Region 1

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

Region 2

2007-P-00016 Ringwood Mines/Landfill Superfund Site

Region 3

10-P-0055 Changes in Conditions at Wildcat Landfill Superfund Site in Delaware Call for Increased EPA Oversight

Region 4

11-P-0221 Oversight of North Carolina's Renewals of Thermal Variances
11-P-0228 EPA Should Reduce Unliquidated Obligations Under Expense Reimbursements Grants

Region 9

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

Single Audits. Final action for single audits occurs when nonmonetary compliance actions are completed. Achieving final action may require more than a year if the findings are complex or the grantee does not have the resources to take corrective action. Single audits are conducted of nonprofit organizations, universities, and state and local governments. EPA is tracking completion of corrective action on 12 single audits for the period beginning October 1, 2012.

Region 2

2007-3-0139 State of New York, FY 2006

Region 6

11-3-0322 New Mexico Environment Department FY 2010

Region 9

09-3-0234 Guam Waterworks Authority FY 2008
10-3-0164 Guam Waterworks Authority FY 2009
10-3-0208 City of Nogales FY 2008

Region 10

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

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

Region 2

1989-9-01299 Nassau County, NY

1990-0-01119 Nassau County, NY

Region 3

2001-1-00101 Center for Chesapeake Communities Assistance Agreements

Region 5

2008-2-00039 Village of Laurelville, Ohio

Audits Awaiting Decision on Appeal. EPA regulations allow grantees to appeal management decisions on financial assistance audits that seek monetary reimbursement from the recipient. In the case of an appeal, the EPA must not take action to collect the account receivable until the agency issues a decision on the appeal. At the end of FY 2012, 16 audits were in administrative appeal. When these audits are out of appeal and all issues have been resolved, they will be captured in audit follow-up data reported in EPA's *Agency Financial Report*.

OIG Reports With Unimplemented Recommendations by Program Office (as of September 30, 2012) With Past Due Completion Dates

Office of Administration and Resources Management

10-P-0002 Review of Hotline Complaint on Employee Granted Full-Time Work-at-Home Privileges (Recommendation 2a)

09-P-0087 EPA Plans for Managing Counter Terrorism Emergency Response Equipment and Protecting Critical Assets Not Fully Implemented (Recommendation 4-1(b))

Office of Air and Radiation

09-P-0087 EPA Plans for Managing Counter Terrorism/Emergency Response Equipment and Protecting Critical Assets Not Fully Implemented (Recommendations 2-1, 2-2 and 2-3)

2005-P-00010 Evaluation of Clean Air Act Title V Operation Permit Quality (Recommendations 2-1 and 2-3)

Office of the Chief Financial Officer

10-1-0029 Audit of 2009 and 2008 (Restated) Consolidated Financial Statements (Recommendations 27 and 32)

OIG FY 2012 Budget and Resources Analysis Use and Allocation

The Department of the Interior, Environment, and Related Agencies Appropriations Act, 2012, provided the EPA OIG with an FY 2012 budget funding level of \$51,872,000. Additionally, the American Recovery and Reinvestment Act of 2009 provided the OIG with \$20,000,000 through FY 2012. The chart below shows the OIG budget and staffing history for FYs 2000–2013.

Historical budget and manpower summary			
Fiscal year	Enacted budget (after rescissions where applicable)	On-board staff (as of October 1)	Expenditures (including carryover)
2000	\$43,379,700	340	\$39,364,100
2001	45,493,700	351	41,050,807
2002	45,886,000	354	45,238,608
2003	48,425,200	348	46,023,048
2004	50,422,800	363	52,212,862
2005	50,542,400	365	61,733,781
2006	50,241,000	350	49,583,584
2007	50,459,000	326	48,658,217
2008	52,585,000	290	52,231,690
2009	54,696,000*	304	51,182,958
2010	54,766,000*	316	51,725,199*
2011	54,586,000*	356	57,419,980*
2012	51,872,000*	331	56,548,386
2013	51,872,000**	336	TBD

* Exclusive of Recovery Act funds. **Continuing Resolution

Recovery Act funding, cumulative spending, and balance available

Recovery Act funding – FY 2009–2012	\$20,000,000
Recovery Act cumulative spending – FY 2009–2012	18,603,521
Recovery Act balance unobligated and expired	\$1,396,479

Resource usage by appropriation

FY 2011 appropriation usage

<u>Account</u>	<u>\$ appropriation available</u>	<u>\$ appropriation used</u>	<u>% \$ appropriation used</u>
Management	\$44,631,000	\$44,556,533	99.8%
Superfund	9,955,000	9,943,232	99.9%
TOTAL	\$54,586,000	\$54,499,765	99.8%

FY 2011 FTE usage

<u>Account</u>	<u>FY 11 FTE available</u>	<u>FY 11 FTE used</u>	<u>% FTE budget used</u>
Management	269.9	265.4	98.3%
Superfund	60.1	50.0	83.2%
Recovery Act	32.8	28.0	85.4%
TOTAL	362.8	343.4	89.0%

FY 2012 appropriation usage

<u>Account</u>	<u>\$ appropriation available</u>	<u>\$ appropriation used</u>	<u>% \$ appropriation used</u>
Management	\$41,867,800	\$36,547,407	87.3%
Superfund	9,939,000	8,505,344	85.6%
TOTAL	\$51,806,800	\$45,052,751	87.0%

FY 2012 FTE usage

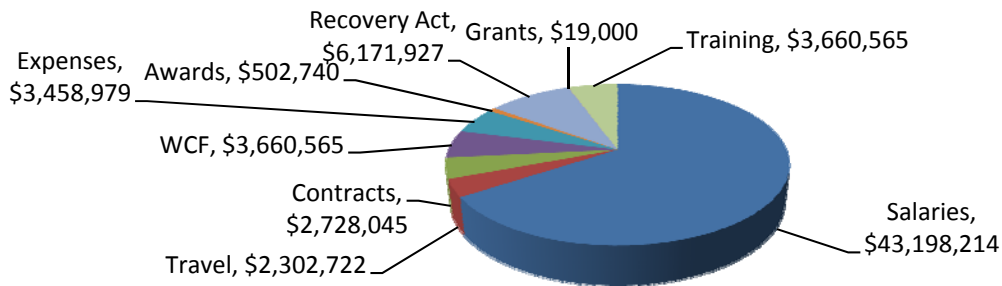
<u>Account</u>	<u>*FY 12 FTE available</u>	<u>**FY 12 FTE used</u>	<u>% FTE budget used</u>
Management	293.0	256.4	87.5%
Superfund	65.1	60.7	93.3%
TOTAL	358.1	317.1	90.4%

**based on President's Budget*

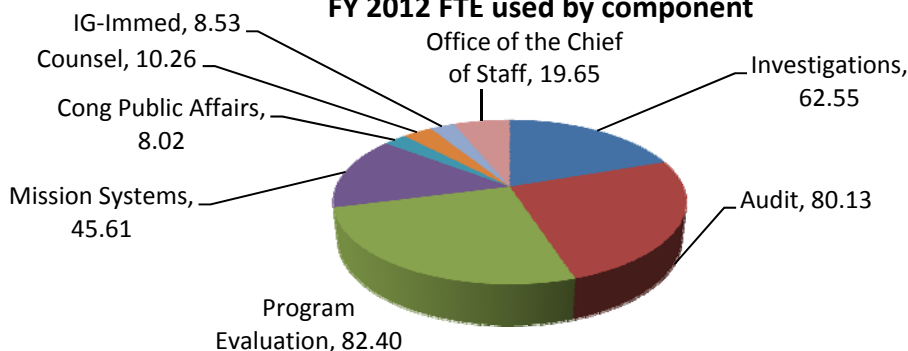
***based on enacted level*

Unused FY 2011 funds were available through FY 2012; unused FY 2012 funds are available through FY 2013.

FY 2012 Funds Used by Object Class and Recovery Act



FY 2012 FTE used by component



OIG Financial Statement: Analysis of FY 2012 Fund Use

EPA OIG FY 2012 financial statement: sources, uses and balance of funds

MANAGEMENT	FY 2011 carryover available in FY 2012	FY 2011 carryover used in FY 2012	FY 2011 lapsed funds	FY 2012 appropriation	FY 2012/2013 funds used	FY 2012 carryover to FY 2013	Total cost of FY 2012 operations	Total cost as % of FY 2012 appropriation
PC&B	\$8,184,787	\$8,108,481	\$76,306	\$30,492,689	\$27,820,772	\$2,671,917	\$35,929,253	118%
Travel	617,532	617,491	41	1,623,458	1,237,921	385,537	1,855,412	114%
Expenses	84,747	88,055	(3,309)	4,095,844	2,692,679	1,403,165	2,780,735	68%
Contracts	182,440	181,924	515	2,497,505	2,327,701	169,804	2,509,625	100%
WCF	16,697	15,784	914	3,158,304	2,468,333	689,971	2,484,117	79%
Grants	<u>87,000</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>—</u>	<u>0</u>	<u>0%</u>
Total Management	\$9,173,203	\$9,011,735	\$74,468	\$41,867,800	\$36,547,407	\$5,320,393	\$45,559,142	109%
SUPERFUND	FY 2011 carryover available in FY 2012	FY 2011 carryover used in FY 2012	FY 2011 lapsed funds	FY 2011 appropriation	FY 2012/2013 funds used	FY 2012 carryover to FY 2013	Total cost of FY 2012 operations	Total cost as % of FY 2012 appropriations
PC&B	\$1,720,443	\$1,711,851	\$8,592	\$6,838,443	\$6,059,849	\$778,594	\$7,771,700	114%
Travel	136,830	136,304	526	440,841	311,025	129,816	447,329	101%
Expenses	153,900	152,836	1,064	877,621	525,409	352,212	678,245	77%
Contracts	409,761	408,731	1,030	563,316	493,094	70,222	901,825	160%
WCF	61,038	60,481	557	1,218,779	1,115,967	102,812	1,176,448	97%
Grants	<u>19,000</u>	<u>19,000</u>	<u>0</u>	<u>0</u>	<u>—</u>	<u>0</u>	<u>19,000</u>	<u>0%</u>
Total Superfund	\$2,500,973	\$2,489,204	\$11,768	\$9,939,000	\$8,505,344	\$1,433,656	\$10,994,548	111%
Total Management & Superfund	\$11,674,176	\$11,500,939	\$86,237	\$51,806,800 ⁰	\$45,052,751	\$6,754,049	\$56,553,690	109%

PC&B: Personnel Compensation and Benefits

WCF: Working Capital Fund

OIG Data Verification and Validation

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

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

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

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

Quality Assurance/Quality Control Procedures: All performance data entered in the database require at least one verifiable source assuring data accuracy and reliability. Data quality assurance and control are performed as an extension of OIG products and services, subject to rigorous compliance with the Government Auditing Standards of the Comptroller General (2011 Revision) (GAO-12-331G), December 2011, and regularly reviewed by an independent OIG quality assessment review team and external independent peers. Each assistant inspector general certifies the completeness and accuracy of his or her respective performance data. Additionally, the EPA OIG earned a clean, or unmodified, opinion in FY 2012 through a rigorous peer review performed the previous year.

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

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

Historic Planned Versus Actual Resources and Results, FYs 2007–2013

		FY 2007		FY 2008		FY 2009		FY 2010		FY 2011		FY 2012		FY 2013
	OIG appropriation:													
	Enacted		\$50,509,000		\$52,585,000		\$54,800,000		\$54,800,000		\$54,586,000		\$51,872,000	\$49,266,000
	Used		\$48,752,387		\$51,628,082		\$51,179,920		\$51,725,199		\$42,911,824		\$56,548,386	Adjusted
	FTE:													(Cont. Res.)
	Authorized		361.8		331.8		331.0		361.8		366.0		358.1	XXX
	Used		308.1		287.8		292.7		335.5/289.5 ^a net		315.4		317.1	TBD
Annual performance measures	Supporting indicators	Target	Actual	Target	Actual	Target	Actual	Target	Actual	Target	Actual	Target	Actual	Target
Environmental and business actions taken for improved performance from OIG work (outcomes)	<ul style="list-style-type: none"> o Policy, process, practice or control changes implemented o Environmental or operational risks reduced or eliminated o Critical congressional or public concerns resolved o Certifications, verification or analysis for decision or assurance 	318	464	334	463	318	272	334	391	334	315	334	216	307
Environmental and business recommendations or risks identified for corrective action by OIG work (outputs)	<ul style="list-style-type: none"> o Recommendations or best practices identified for implementation o Risks or new management challenges identified for action o Critical congressional/public actions addressed or referred for action 	925	949	971	624	903	983	903	945	903	2011	903	1242	786
Potential monetary return on investment in the OIG, as a percentage of the OIG budget (in millions)	<ul style="list-style-type: none"> o Recommended questioned costs o Recommended cost efficiencies and savings o Fines, penalties, settlements and restitutions 	150% \$75.7	189% \$95.2	150% \$78.5	186% \$97.3	120% \$65.7 (without DCAA work)	150% \$83.3 (without DCAA work)	120% \$65.7	30% \$19.6	120% \$65.6	150.6% \$82.4	120% \$63.7	734% \$424.8	125% \$61.6
Criminal, civil, administrative and fraud prevention actions taken from OIG work	<ul style="list-style-type: none"> o Criminal convictions o Indictments/Informations o Civil judgments o Administrative actions (staff actions and suspension or debarments) 	80	103	80	84	80	95	75	115	80	160	85	152	90
Activity	<ul style="list-style-type: none"> o OIG-issued audit/evaluation reports 	N/A	71	N/A	57	N/A	66	N/A	83	N/A	85	N/A	71	N/A

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

^a Does not include funds, FTEs, or performance results associated with the Recovery Act.

OIG Recovery Act Resources and Performance

The American Recovery and Reinvestment Act of 2009 is an unprecedented effort to jump start our economy, create or save millions of jobs, and address long-neglected challenges emerging in the 21st century. The Recovery Act included \$7.2 billion for programs administered by the EPA to protect and promote both green jobs and a healthier environment. The Recovery Act provided the EPA OIG \$20 million through September 30, 2012, for oversight and review. Due to the retrospective nature of audits and investigations, the OIG will likely continue performing Recovery Act-related work through FY 2014. The OIG is assessing whether the EPA used its \$7.2 billion of Recovery Act funds in accordance with its requirements and meets the accountability objectives as defined by OMB. The OIG is using Recovery Act funds to determine whether:

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

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

OIG Recovery Act Resource Use as of September 30, 2012:

- Total cumulative expenditures — \$18,603,521 (\$6,216,510 in FY 2012)
- Total cumulative FTE used — 118.1 (33.8 in FY 2012)

Program accomplishments as of September 30, 2012

Recovery Act performance measures	FY 2012 results (12 months) ^a	Cumulative results
Number of certifications, verifications, validations or corrections	6	127
Number of EPA policies, directives, practices or process changes/decisions	9	31
Number of awareness/technical briefings conducted	13	175
Findings without controlled recommendations (from single audits)	217	1349
Number of recommendations for improvement	162	364
Number of referrals for agency action	6	20
Value of recommended efficiencies and costs saved or avoided (in millions)	\$16.8	\$28.3
Number of administrative actions	16	24
Number of indictments and convictions	3	5
Number of allegations disproved	2	19
Civil actions	2	3
Number of sustained environmental or business recommendation	104	185
Fines, recoveries, settlements and restitutions (in millions)	\$0.9	\$6.2
Hotline complaints received	20	91

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

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