
Office of Inspector General Semiannual Report to the Congress

April 1, 2002 through
September 30, 2002

EPA Inspector General Vision Statement

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

Mission

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

Strategic Plan Goals

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

Foreword

Along with important financial and information technology audits, this semiannual report contains summaries of significant program evaluations and investigations.

Our review of the two states with the most active air emissions Open Market Trading programs found several factors hindering program success. Chief among these were lack of safeguards to prevent questionable credits, use of data of uncertain quality, and limited regulatory agency oversight.

Without adequate oversight controls for assistance funds, the public may not benefit from EPA-funded projects. Our work showed that EPA did not sufficiently prioritize assistance agreement oversight. Consequently, EPA did not ensure grant specialists and project officers effectively monitored agreements and senior resource officials did not fully meet their responsibilities as stewards of government resources, including ensuring adequate controls over assistance agreement funds and compliance with policies.

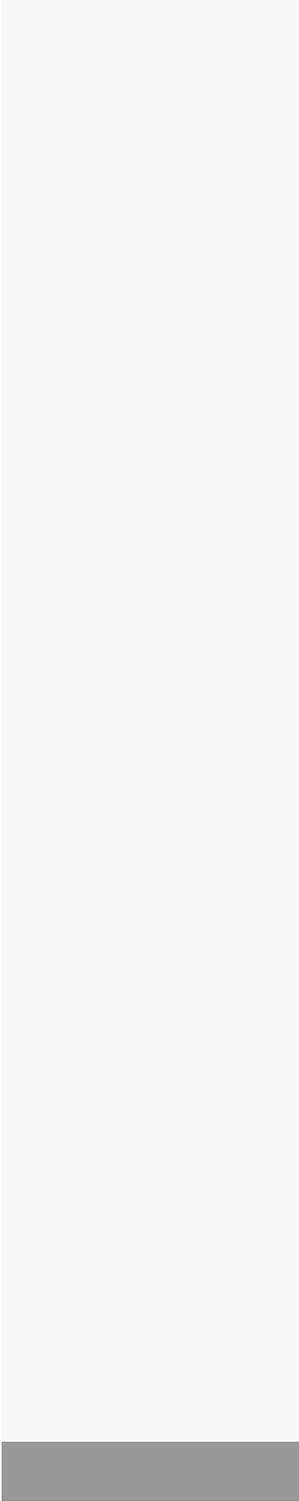
Several reviews noted problems related to Superfund. Reviews of the effectiveness of EPA oversight at Department of Energy, Savannah River and Oak Ridge Superfund facilities disclosed that potential risks were not adequately ranked, and potential contaminants were not sufficiently addressed. Our review of data accuracy in EPA's official database for Superfund site activities found that over 40 percent were based on inaccurate or inadequately supported data.

The EPA OIG was an integral part of a two-year undercover investigation of software piracy, conducted jointly with the United States and Canadian law enforcement, called Operation Bandwidth. The investigation documented the activities of a group known as "Rogue Warriorz", which illegally accessed EPA computer systems and also pirated more than 8,400 software programs, 350 movies, and 430 computer games worth approximately \$7 million. To date, Operation Bandwidth has produced 21 indictments and multiple convictions.

We accelerated our report on Agency management challenges to coincide with EPA's annual budget submission. The Agency made progress in two areas we previously reported, cost accounting and information security. However, the Agency faces significant challenges in 1) Linking Mission and Management; 2) Information Resources Management and Data Quality; 3) Employee Competencies; 4) Use of Assistance Agreements to accomplish Its Mission; 5) Protecting Critical Infrastructure from Non-traditional Attack; and 6) Addressing Air Toxics Program Phases 1 and 2 Goals.

With the assistance of Inspectors General across the federal government, we developed a Compendium of Federal Environmental Programs. The Compendium identifies the numerous environmental programs that contribute to cleaner air, purer water, and better protected land. It illustrates the complex relationships and partnerships that must work effectively to protect the environment.

Nikki L. Tinsley
Inspector General



Profile of Activities and Results

April 1, 2002 to September 30, 2002

| Audit Operations OIG-Managed Reviews (Reviews Performed by EPA, Independent Public Accountants, and State Auditors) | | | Audit Operations Other Reviews (Reviews Performed by Another Federal Agency or Single Audit Act Auditors) | | |
|--|---|-------------|---|---|-------------|
| | April 1, 2002 to September 30, 2002 (dollars in millions) | Fiscal 2002 | | April 1, 2002 to September 30, 2002 (dollars in millions) | Fiscal 2002 |
| Questioned Costs * | | | Questioned Costs * | | |
| - Total | \$4.2 | \$7.2 | - Total | \$7.1 | \$7.7 |
| - Federal | \$3.7 | \$6.4 | - Federal | \$7.1 | \$7.7 |
| Recommended Efficiencies * | | | Recommended Efficiencies * | | |
| - Federal | \$.2 | \$.23 | - Federal | \$0 | \$0 |
| Costs Disallowed to be Recovered | | | Costs Disallowed to be Recovered | | |
| - Federal | \$1.3 | \$6.9 | - Federal | \$.1 | \$1.0 |
| Costs Disallowed as Cost Efficiency | | | Costs Disallowed as Cost Efficiency | | |
| - Federal | \$0 | \$0 | - Federal | \$0 | \$0 |
| Reports Issued - OIG-Managed Reviews | | | Reports Issued - Other Reviews | | |
| - EPA Reviews Performed by OIG | 26 | 50 | - EPA Reviews Performed by Another Federal Agency | 84 | 186 |
| - EPA Reviews Performed by Independent Public Accountants | 0 | 0 | - Single Audit Act Reviews | 58 | 134 |
| - EPA Reviews Performed by State Auditors | 0 | 0 | Total | 142 | 320 |
| Total | 0 | 0 | | | |
| | 26 | 50 | Agency Recoveries | | |
| Reports Resolved (Agreement by Agency officials to take satisfactory corrective actions)*** | 63 | 149 | Recoveries from Audit Resolutions of Current and Prior Periods (cash collections or offsets to future payments) ** | \$ 2.2M | \$12.8M |
| | | | | | |
| Investigative Operations | | | Fraud Detection and Prevention Operations | | |
| Fines and Recoveries (including civil) **** | \$ 1M | \$ 20 M | Hotline Complaints Received | | 1,018 |
| Investigations Opened | 60 | 85 | Hotline Complaints Closed | | 821 |
| Investigations Closed | 42 | 64 | Legislative and Regulatory Items Reviewed | 31 | 48 |
| Indictments of Persons or Firms | 25 | 35 | | | |
| Convictions of Persons or Firms | 7 | 20 | | | |
| Administrative Actions Against EPA Employees / Firms | 14 | 19 | | | |
| Civil Judgments | 4 | 6 | | | |

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

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Goal 1: Contribute to Improved Environmental Quality and Human Health

The work of the OIG is designed to assist EPA in achieving its environmental goals, thus contributing to environmental improvements. The following illustrates results achieved under this OIG goal.

Open Market Trading Program for Air Emissions Needs Strengthening

Our review of the two states with the most active air emissions Open Market Trading (OMT) programs in the United States found that several factors hindered the two programs in achieving their goals. Chief among these were the lack of safeguards, use of data of uncertain quality, and limited regulatory agency oversight of trading activities. As a result, many sources have opted not to participate, and the problems in New Jersey have become so significant that it has announced its intention to terminate its program.

EPA's OMT program was created to provide sources of air pollution greater flexibility in meeting Clean Air Act requirements by allowing them to use emissions credits generated from past emission reduction efforts. Of the three states with OMT programs, we reviewed the two with the most active programs, Michigan and New Jersey.

Both states' OMT programs lacked key safeguards primarily because EPA's basis for proposing approval of these programs was non-binding guidance instead of regulations. EPA Regions did not require the two states to implement all the safeguards that EPA's guidance indicates are needed to minimize the risk of invalid and questionable credits. For example, although the public is supposed to have the opportunity to participate in the OMT decision-making process, neither state provided the opportunity for public comment on proposed trades.

Although accurate, reliable, and complete emissions data are essential to the success of EPA's OMT program, the lack of approved quantification protocols (which detail credit generation activities and measurements for producing emission credit calculations) and the use of questionable emissions measurement methods contributed to the use of data of uncertain quality.

EPA performed little compliance assurance, enforcement, or other oversight activities of the two OMT programs. However, in response to our evaluation of specific trades, EPA took action against the trading activities of one source and New Jersey took action against another. EPA reached a settlement in 2002 wherein one New Jersey source agreed to retire about 18,600 tons of pollutants it had generated as OMT credits, valued at over \$16 million. At the other source, New Jersey assessed and collected a \$140,000 fine in 2002 for improperly using OMT credits.

We recommended that the Assistant Administrator for Air and Radiation develop and propose Federal regulations for OMT programs; require the use of EPA or state approved quantification protocols prior to trades; and develop and require the use of a risk-based targeting approach for federal and state compliance assurance,

enforcement, and oversight of OMT trades.

We issued our final report (2002-P-00019) on September 30, 2002. In responding to our draft report, the Deputy Assistant Administrator for Air and Radiation indicated the report will help EPA strengthen its OMT program. A response to the report is due December 31, 2002.

***Improvements
Needed in
Louisiana's Public
Participation
Process for Issuing
Air Permits and
EPA's Oversight***

Louisiana Department of Environmental Quality's (Louisiana) public participation activities met requirements for issuing air permits under Title V of the Clean Air Act. However, Louisiana's process and Region 6's oversight need improvement to allow more meaningful public participation. An effective process enables citizens to make informed judgments about environmental issues in their locality.

Louisiana's public records were often unorganized, incomplete, missing, or inaccessible. Louisiana also did not clearly define the role of its public participation group, and issued multiple permits to facilities without providing the public with complete information. As a result, the public was unable to, or had difficulty in, accessing key records needed to effectively review, evaluate, and comment on facilities' proposed operations. Improvements would provide for a more effective process and help address the perception among citizens that industry in Louisiana has an unfair advantage during the permitting process.

Region 6 did not perform adequate oversight of Louisiana's activities. Except in controversial cases, Region 6 did not review public comments on proposed permits until after the permits were issued. In some instances, Region 6 allowed Louisiana to miss deadlines and commitments that had been negotiated. In addition, Region 6 had not performed a thorough on-site review at Louisiana.

We recommended that EPA Region 6 work with Louisiana to make the public participation process for air permits more effective, with emphasis on records completeness and accessibility, clarification of roles, and outreach improvement. We also recommended that the Region require staff to review public participation issues, define responsibilities, perform a thorough on-site review of Louisiana's air permits program, establish a tracking mechanism for permits reviewed, and review the required number of Louisiana's proposed Title V permits prior to issuance. Region 6 plans to review Louisiana's air permits program, records management, and public participation in future program reviews.

We issued our final report (2002-P-00011) on August 7, 2002. In responding to the draft report, Region 6 agreed with most of our findings and recommendations. A response to the final report is due November 5, 2002.

Barriers and Promising Practices for Reducing Combined Sewer Overflows Identified

Combined Sewer Overflows (CSOs) are the total discharges into water bodies of untreated domestic, commercial, and industrial waste and wastewater. An estimated \$44.7 billion is needed nationwide for CSO abatement efforts. Individual CSO projects are often expensive, and raising sufficient funding from rate payers alone is one key barrier for many communities. The Clean Water State Revolving Fund, a major funding mechanism for low to zero interest loans, cannot meet the demand. Another key barrier to implementing a CSO project is finding suitable sites for needed facilities. In many of the communities we visited, such issues as land availability, community opposition, competing land usage (including economic development), and land ownership complicated matters.

Despite the barriers noted, states and communities demonstrated numerous promising practices that could be employed in the CSO programs to improve operations and reduce costs. These promising practices included a variety of technical approaches and innovations, state grant programs, government cooperative efforts, public education initiatives, and neighborhood improvements. However, EPA needs to develop a central mechanism to disseminate this information to communities. The CSO communities we visited had varying amounts and types of data to show the success of their CSO projects. EPA needs to work with CSO permitting authorities and communities to perform interim reviews of water quality during CSO project implementation to assure that the communities' significant expenditures were well invested.

While CSO discharges are a significant pollution source, eliminating them will not always ensure that water quality standards will be met. Sanitary sewer overflows, storm water, pollution from up or down stream sources, and concentrated animal feeding operations can also impair water bodies. As a result, EPA needs to take a leadership role in encouraging the use of watershed approaches and continue its work with states and communities to work together to attain clean water.

We issued our final report (2002-P-00012) on August 26, 2002. A response to the report is due from the Assistant Administrator for Water on November 25, 2002.

Brownfields Performance Measures Can be Improved

The Brownfields program for cleaning up facilities needs improved performance measures. The program involves cleaning up for reuse abandoned, idle, or underutilized industrial or commercial facilities with real or perceived environmental contamination to protect human health and the environment. Congress has authorized \$200 million a year through fiscal 2006 to promote Brownfields redevelopment.

EPA's fiscal 2003 Annual Performance Plan identifies Brownfields program performance measures as cumulative site assessments, jobs generated, and leveraging of cleanup and redevelopment funds. However, these measures generally do not indicate EPA's progress in reducing or controlling risk to human health and the environment.

EPA can improve performance measures. EPA's data quality/management work group can review existing Brownfields performance measures and consider how provisions of the Brownfields Act and Government Performance and Results Act impact the quality, reporting, evaluation, and collection of Brownfields program data. Also, EPA could identify short-term or intermediate outcome measures, since it may take years for some Brownfields activities to have a noticeable impact on human health and the environment. Some possible short-term or intermediate measures EPA may consider adopting are acres of Brownfields remediated and redeveloped, and the population protected by Brownfields cleanup actions.

We issued our final report (2002-M-00016) on May 24, 2002. EPA concurred that action was needed to improve performance measures for the Brownfields program. The Agency is reviewing the measures we suggested in addition to others, and has requested our continued involvement with their efforts to implement new measures.

***Improvements
Needed in EPA's
Oversight of
Department of
Energy Superfund
Cleanups***

We evaluated the effectiveness of EPA Region 4 oversight of cleanup actions at the Department of Energy's (DOE's) Savannah River and Oak Ridge nuclear facilities. These sites, respectively, have the second and fourth highest estimated Superfund cleanup costs of all DOE facilities.

For both locations, the Federal Facility Agreement between EPA, DOE, and the applicable State are generally consistent with Superfund statutes and regulations. In addition, cleanup remedies approved under the agreements generally comply with Superfund statutes, regulations, and other applicable requirements. However, we noted the following:

Savannah River Site

Improvements are needed in EPA Region 4's oversight of DOE's implementation of cleanup actions at the Savannah River site, near Aiken, South Carolina. From 1996 through 2002, DOE discontinued evaluating or ranking sites on potential risks to the environment and human health. Although such rankings are required, EPA did not ensure they were conducted. This is particularly of concern because 80 percent of the sites receiving remedial action since cleanup agreements were reached were in the low risk category. Further, more than half (about 52 percent) of the estimated cleanup construction costs for Savannah River were used for low-risk sites. According to DOE, it has been necessary for them to focus their resources on low risk, presumably easier sites, in order to meet their internal goals associated with the number of cleanups completed per year.

Also, we found several instances where cleanup actions at Savannah River sites had been delayed because EPA has been late in responding to DOE cleanup decision documents. EPA was late in responding to 85 percent of the primary cleanup documents, due primarily to personnel shortages. Further, EPA did not properly

review and comment on the last official DOE five-year review of the protectiveness

of Savannah River cleanup remedies, and has not determined the total long-term estimated costs for Superfund cleanup actions at the Savannah River facility.

We made recommendations to the Region 4 Administrator to address the issues noted, including establishing improved oversight procedures to ensure that cleanups are properly prioritized based on risk and that there is sufficient Region 4 staff to provide oversight of cleanup actions and agreements. Further, we made recommendations to improve the five-year review and site evaluation processes, and to assist Region 4 in determining whether funding levels are adequate. We issued our final report (2002-P-00014) on September 26, 2002. In responding to our draft report, Region 4 agreed to improve oversight and, if available, allocate additional staff. A response to the final report is due in December 2002.

Oak Ridge Site

Studies conducted by the State of Tennessee at this facility, located in Oak Ridge, Tennessee, have identified potential contaminants of concern that may not be accounted for in existing Federal Facility Agreement documents and DOE cleanup actions. Reviewing and evaluating the State reports, and comparing their results to existing information on contaminants at Oak Ridge, will improve EPA oversight of the facility.

In 1999, the Tennessee Department of Health issued a series of reports that showed that, in some cases, levels of pollutants being released from Oak Ridge were substantially higher than previously acknowledged by the government. These reports were issued after EPA's review and concurrence with DOE's remedial investigations. However, neither DOE nor EPA had evaluated the impact the reports may have on current cleanup activities or decisions. Consequently, EPA Region 4 cannot be assured that on-going and proposed remedial actions are addressing all contaminants of concern and that relevant risks to human health and the environment are being addressed. In April 2002, during our review, EPA initiated a comparison of the State reports with all contaminants evaluated in the DOE remedial investigations and other relevant baseline assessments. However, because of limited contract resources, EPA estimated it would take at least two years to complete the review.

In addition, we noted that DOE had not acquired sufficient funding to support compliance with approved work plans and milestones specified in cleanup agreements for fiscal 2002 through 2004.

We recommended that the Region 4 Administrator expedite completion of the review and comparison of potential contaminants of concern identified in the State reports with past remedial investigation documents, and continue working with DOE to obtain a level of funding sufficient to perform required work. We issued the final report (2002-P-00013) on September 26, 2002. The Region concurred with the

recommendations. A response to the final report is due in December 2002.

EPA Should Ensure Consistency and Transparency When Issuing Guidance for 8-Hour Ozone Designations

EPA needs to provide more specific guidance for 8-hour ozone designations to ensure consistency between the various EPA Regions, as well as to ensure the designations are transparent for stakeholders.

EPA's 1990 guidance for 1-hour ozone designations was not specific as to how stakeholder participation should be used in the ozone designations. The guidance for the preliminary 8-hour ozone designations is more comprehensive in that it acknowledges the importance of stakeholder participation, and lists 11 criteria states should consider if proposing larger or smaller metropolitan nonattainment boundaries. However, the preliminary 8-hour ozone guidance did not provide a methodical process for the Regions and states to use when considering the 11 criteria. Without a consistent Regional approach, the ozone designations may not be fair or equitable throughout the nation.

Region 3 used the Multi-criteria Integrated Resource Assessment (MIRA) decision approach to address the preliminary 8-hour ozone designations, and having all Regions use this or a similar multi-criteria approach could be useful in achieving consistency and transparency. MIRA is a decision making methodology that documents stakeholders' interests and can assess the impacts of a given set of criteria simultaneously. MIRA is not a substitute for the decision maker and is not set up to convince people that there is only one decision; rather, MIRA allows for the comparison of the impacts between two or more options, and empowers decision makers and stakeholders to create and test options.

We recommended that the Director of Office of Air Quality Planning and Standards instruct the EPA Regional offices when determining the 8-hour ozone designations to use a multi-criteria approach such as MIRA that offers: (1) documentation and transparency of EPA's decisions to meet requirements; (2) consistency in considering any criteria identified; and (3) development of new options that reflect stakeholder and decision maker interests. We issued our final report (2002-S-00016) on August 15, 2002. A response to the final report is due November 13, 2002.

Official Sentenced for Submission of False Monitoring Reports for Treatment Plant

On May 9, 2002, James R. Miller, former Superintendent of the Corry Sewage Treatment Plant, Corry, Pennsylvania, pleaded guilty in the Court of Common Pleas of Erie County, Pennsylvania, to eight Pennsylvania misdemeanor counts of tampering with public records, unlawful conduct, and pollution of waters. Miller's plea concluded an investigation initiated based on allegations that the plant had submitted falsified discharge monitoring reports to EPA and the Pennsylvania Department of Environmental Protection.

Miller's guilty plea stemmed from a January 22, 2002, complaint filed by the Commonwealth of Pennsylvania charging Miller with several counts of submitting falsified discharge monitoring reports to the Pennsylvania Department of

Environmental Protection.

Miller was further charged with allowing substances that were poisonous to fish to empty into a local creek in Pennsylvania without notifying the Erie County Health Department or the State Department of Environmental Protection. The charges stemmed from conduct that occurred during 1997 and 1998.

On May 9, 2002, Miller was sentenced to 2 years probation, \$1,243 in fines and court costs, and 50 hours of community service.

This investigation was conducted by the EPA OIG and the Pennsylvania Office of the Attorney General - Bureau of Criminal Investigation.

Goal 2: Improve EPA's Management and Program Operations

The OIG assesses EPA's management and program operations to identify best practices, areas for improvement, and cooperative solutions to problems. The OIG's work is designed to promote efficiency and effectiveness within EPA. The following illustrates results achieved under this OIG goal.

Additional Efforts Needed to Improve EPA's Oversight of Assistance Agreements

Weaknesses continue to exist in EPA's oversight of assistance agreements. Oversight is an important component of managing assistance agreements which the Office of Inspector General identified as a significant management challenge and recommended as a material weakness under the Federal Managers' Financial Integrity Act. Without adequate oversight controls for assistance funds, EPA and the public may not be receiving anticipated benefits from EPA-funded projects. Further, EPA's ability to achieve its environmental mission and goals through these assistance agreements is limited, and assistance agreement funds may not be safeguarded against misuse.

Although EPA had developed corrective actions to improve oversight controls for assistance agreements, weakness continued because EPA had not sufficiently prioritized oversight as a necessary and important part of managing assistance agreements. Specifically, we noted (1) inconsistent performance of monitoring responsibilities, (2) inadequate preparation of post-award monitoring plans, (3) incomplete compliance assistance reports, and (4) a lack of sufficient on-site evaluations.

Further, Senior Resource Officials (such as Deputy Assistant Administrators and Assistant Regional Administrators) did not fully meet their responsibilities as stewards of government resources, including ensuring adequate controls over assistance agreement funds and compliance with policies. Also, these officials did not emphasize the importance of post-award monitoring, nor ensure a sufficient level of personnel, training, and travel funds.

We made various recommendations to improve EPA's oversight of assistance agreements. They included improving policies, taking more timely actions, requiring needed training, and clarifying roles. The agency generally agreed to take the actions recommended, and indicated it will develop a long-term plan for grants management. We issued the final report (2002-P-00018) on September 30, 2002. A response to the final report is due December 20, 2002.

In addition to the overall oversight weaknesses noted above, reviews of specific cooperative agreements noted problems that could have been prevented with better EPA oversight:

- In a special report on the oversight of a cooperative agreement with the Coordinating Committee for Automotive Repair (CCAR), we noted the project officer and grants specialist did not coordinate a monitoring plan to oversee CCAR's cooperative agreements. Further, EPA did not provide oversight to ensure CCAR properly managed cooperative agreement funds. We also questioned all \$2,026,837 of costs claimed because CCAR did not account for funds in accordance with Federal rules, regulations, and terms of the agreement. We issued two CCAR reports (2003-S-00001 and 2003-S-00002) on May 29, 2002, and August 22, 2002, respectively. Responses to these reports are due on September 26, 2002, and November 20, 2003, respectively.
- We also issued an adverse opinion on the Washington, D.C., Department of Health's claim for reimbursement of \$603,895 under a Superfund cooperative agreement because it did not have an adequate financial management system. The recipient did not meet cost sharing requirements; employee time records were not sufficiently specific; and progress and financial status reports were often late or incomplete. We issued the final report (2002-1-00184) on September 26, 2002. A response to this report is due on January 24, 2003.

***EPA Needs to
Improve Accuracy of
Superfund Data
Base***

Over 40 percent of the site actions (activities) we reviewed in EPA's Superfund data base were inaccurate or not adequately supported. This data base – the Comprehensive Environmental Response, Compensation, and Liability Information System (CERCLIS) – is the official repository for all Superfund site data. As a result of weaknesses noted, users of CERCLIS data did not have accurate and complete information regarding the status and activities of many Superfund sites, which can adversely impact planning and management.

CERCLIS is used by EPA to track site activities, support financial statements and other reports, maintain an inventory of hazardous waste sites, and project dates and costs. However, we identified actions with inaccurate dates, as well as actions not supported by appropriate documentation or approval signatures. Also, the status codes in CERCLIS were often incorrect for the National Priorities List (NPL), non-NPL, and archive field data elements. Further, we found, primarily at non-NPL sites, inconsistent use of NPL and non-NPL status codes, active sites without any actions entered for at least 10 years, and frequent use of a non-descriptive status code. These weaknesses were caused by the lack of an effective quality assurance process over CERCLIS data quality and inadequate internal controls.

We recommended that EPA develop and implement a nationwide quality assurance process for CERCLIS data, and a process to review older sites that have not had any actions entered for a reasonable amount of time. We also recommended that EPA update policies and procedures.

We issued our final report (2002-P-00016) on September 30, 2002. EPA did not agree with our overall findings, and questioned the study's design. We believe our audit methodology and conclusions were valid and objective; we consulted with General Accounting Office statisticians throughout the development of our sampling plan, and while EPA officials were given opportunities to comment during the audit process they did not express concerns that would have resulted in a different methodology. EPA officials have indicated they are committed to developing a replacement for CERCLIS, and plan to reevaluate and institute data quality processes. A response to our final report is due December 30, 2002.

***EPA Needs to Fully
Implement the
Clinger-Cohen Act***

EPA's Chief Information Officer (CIO) has sufficient authority to shape and direct Information Resources Management activities. However, past CIOs had not provided the leadership needed to fully implement the changes required by the Clinger-Cohen Act.

With regard to the fiscal 2002 budget, EPA was not funding IT investments that helped maximize the efficiency of IT operations, such as resolving the long-standing problem of integrated environmental data. EPA reported IT investments totaling more than \$449 million for fiscal 2002. Our review showed that EPA continued to spend millions on IT investments that appeared to be making minimal or insignificant progress.

Senior program managers were using outdated and unauthorized IT acquisition practices because existing Agency IT policies conflicted with the Act's requirements and the CIO's authority. Also, the Agency was still developing its Enterprise Architecture Plan, and establishing a formal management chain of command for IT investments. In addition, the Agency needs to expand its Capital Investment Planning Control process to include performance-based measurements for monitoring and evaluating IT projects.

EPA's new CIO recognizes the importance of the issues raised in this report and has begun taking aggressive steps to address the Act's fundamental components. During late 2001 and early 2002, EPA implemented an Information Technology (IT) cost accounting system; established a Chief Technology Officer position to coordinate, implement, and advise on key IT investment activities; approved a new Information Resources Management Strategic Plan; and issued a formal policy regarding the IT Capital Investment Planning Control process. However, institutionalizing the structured, centralized controls and oversight processes envisioned by the Act will take additional resources.

We issued our final report (2002-P-00017) on September 30, 2002. The CIO agreed with our emphasis on an effective IT investment management program, and stated that EPA will continue to aggressively address issues identified in the report. A response to the final report is due by December 30, 2002.

***Actions Under
Federal Financial
Management
Improvement Act
Ongoing***

Since our audit of the fiscal 1999 financial statements, we have reported that EPA did not substantially comply with the managerial cost accounting standard. In our fiscal 2001 report, we stated that the Deputy Chief Financial Officer, while acknowledging the desirability for continuing improvements with the standard, continued to disagree with our conclusion that EPA did not substantially comply with the standard.

On September 24, 2002, the Chief Financial Officer provided us with two action plans to expand and improve the understanding and availability of cost and other financial information within EPA. Both plans provide an ambitious integrated phased approach with milestones for completing major actions for expanding and improving the understanding and availability of cost and other financial information. These action plans meet the intent and thrust of our audit report recommendations and should result in substantial compliance with the standard.

***Agency's Security
Program Shows
Progress***

Our review, required by the Government Information Security Reform Act, determined that EPA has made progress in strengthening its computer security program. Agency efforts include updating its information technology policy, integrating its information technology security program with its critical infrastructure protection responsibilities, establishing stronger technical controls, and establishing some oversight for EPA's complex security information systems network. However, weaknesses continue in the areas of risk assessments, independent verification and validation, and training of Agency employees with significant security responsibilities.

EPA must continue to implement regular, effective oversight processes, so that management can rely on its many components to fully implement, practice, and document security requirements. A strong program will also restore the faith of the public and Congress in how well the Agency plans for and protects its information resources. We suggested EPA expand the number of systems that perform risk assessments; make improvements to its oversight reviews, security training program, and monitoring of program and regional offices; and ensure that weaknesses are reflected in plans of action and milestones.

We issued the final audit report (2002-S-00017) to EPA's Administrator and the Office of Management and Budget on September 16, 2002. The Agency simultaneously issued an executive summary of its annual review findings. Both documents reported similar program weaknesses.

The State of Missouri had inappropriately planned to use the Clean Water State

***Potential Misuse of
\$19 million in Clean
Water SRF Funds
Averted***

Revolving Fund (SRF) to retire \$19 million in non-SRF bonds. However, in response to our report and efforts by the EPA Office of Water, the Governor of Missouri assured EPA that SRF funds would not be used for that purpose.

We had received information that the Missouri legislature was taking steps to use about \$19 million from the Missouri Clean Water SRF to retire a portion of its general obligation bonds that were not a part of the SRF. Missouri issued general obligation bonds to fund their match obligations. However, the proceeds from the bonds were not deposited in the SRF. Therefore, using SRF to retire Missouri's general obligation bonds is not an authorized use of SRF funds, and would violate the Clean Water Act. According to the Office of Water, SRF funds to retire non-SRF bonds could reduce future long term assistance for critical water projects by as much as \$86 million because of Missouri's leveraging process.

Prior to our report, EPA had threatened to suspend review of two future SRF capitalization grants of about \$37 million each should Missouri enact the proposed legislation. However, we did not believe the threatened actions sufficiently represented all the actions EPA could take if Missouri had inappropriately used the SRF funds. EPA could have threatened to withhold future SRF payments or awards; or, suspend or terminate the SRF program, or withhold future awards payments for other continuing environmental programs. In addition, there were other more severe remedies available to EPA.

We issued a special report (2002-M-0026) on June 21, 2002, recommending that EPA take immediate action to prevent Missouri from using SRF funds for any purpose not authorized by the Clean Water Act. We also issued the report, in part, to deter other states from considering similar actions that could threaten the financial integrity of the SRF program. As noted, the Governor of Missouri assured EPA that SRF funds would not be used to retire the general obligation bonds.

***EPA Should Require
Program Results
Data Fields for
Effluent Guidelines
Program***

We noted in connection with our ongoing evaluation of EPA's Effluent Guidelines Program that EPA does not have the data needed to evaluate the program's effectiveness. EPA needs such information as (1) the universe of facilities covered by each effluent guideline promulgated, and (2) the basis on which pollutant limits are established in permits, to determine how often each effluent guideline is being used. The Permit Compliance System, which is currently being modernized, does not contain a mechanism by which the agency can track this information. We recommended that EPA develop required fields to capture this information as part of its Permit Compliance System modernization effort.

Three employees of the Oglala Sioux Tribe payroll office of the Pine Ridge

***Employees
Sentenced for
Conspiracy and
Theft from Tribal
Organization***

Reservation, South Dakota, were sentenced to prison terms on April 29, 2002, in U.S. District Court for conspiracy and theft of money from a tribal organization. The three – Estelle Goings, Vonnie Goings, and Carol Vitalis – were each found guilty on February 5, 2002.

The three individuals were all employed in handling government grant monies awarded to the tribe, including more than \$2 million in EPA grants since 1997. A five-count indictment on April 25, 2001, charged them with devising a conspiratorial scheme that operated from 1996 through 1999 and resulted in the embezzlement of approximately \$196,000. The funds were diverted from the tribe and converted to the three employees' own personal use under the guise of payroll and overtime advances.

Estelle Goings and Carol Vitalis were each sentenced to 27 months in prison, 2 years probation, and a \$500 special assessment. Vonnie Going was sentenced to 15 months in prison, 2 years probation, and a \$500 special assessment. Further, restitution was ordered in the amount of \$99,411.90, with joint liability for repayment applicable to all three defendants.

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

***Accountant Pleads
Guilty to Concealing
Information and
Accessory to
Embezzlement of
Funds***

On June 3, 2002, Alfred S. Garappolo, a certified public accountant, agreed to plead guilty in U.S. District Court to one count of accessory after the fact to embezzlement and one count of concealing and covering up a material fact in connection with a criminal investigation. The guilty plea was pursuant to a criminal information against Garappolo charging him with offenses related to his position as an accountant for the Ironworkers Apprenticeship and Training Fund, Washington, D.C. The Fund periodically received Federal program grants, including \$1.2 million in EPA grant money, to establish or undertake certain skills and safety training.

The director of the Fund, Raymond J. Robertson, previously pleaded guilty on March 28, 2002, to a criminal information charging him with one count of conspiracy, one count of theft, and six counts of embezzlement from the organization. That information charged Robertson with conspiring to conceal from the other trustees of the fund and contributing union members the nature and amount of thefts by Robertson and his daughter, Kerry J. Tresselt, from approximately April 1998 until January 1999. The information further charged Robertson with embezzlement for using the Fund credit card for personal purchases.

The June 3, 2002, information charged Garappolo with making statements to the Fund trustees assuring them that the Fund's financial operations and controls were in order, as well as approving the Fund's 1999 final audit report, despite having knowledge of the thefts and problems associated with Tresselt's bookkeeping.

This investigation was conducted jointly by the EPA OIG; the Department of Energy

***Woman Sentenced
for Wire Fraud and
Impersonating an
EPA Employee***

On June 17, 2002, Cheryl A. Burnette of Newburyport, Massachusetts, was sentenced in U.S. District Court to 2 years in prison and 3 years probation, fined \$200, and ordered to pay \$49,588.86 in restitution. The sentencing stemmed from an October 5, 2001, conviction for wire fraud and impersonating an EPA employee.

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

Burnette was indicted by a federal grand jury on September 15, 1999, and arrested in Hartford, Vermont, by special agents from the EPA OIG on September 28, 1999. Burnette had used assumed identities and her fictitious affiliation with EPA to steal goods and services totaling more than \$75,000 from individuals and businesses throughout the county. Burnette's scheme included the use of fictitious government procurement numbers and purchase orders to establish direct billing accounts with victims who believed they were doing business with EPA.

This investigation was conducted by the EPA OIG.

***Twenty-three
Charged in Nation-
wide Software Piracy
Scheme.***

On June 11, 2002, 21 members of a software piracy group known as the "Rogue Warriorz," a secretive underground organization dedicated to the illegal reproduction and distribution of copyrighted software, movies, and games over the Internet, were charged with conspiracy for criminal infringement of a copyright. The charges were filed in U.S. District Court, District of Nevada, Las Vegas, Nevada, after the conclusion of a 2-year long undercover operation known as "Operation Bandwidth" conducted by federal law enforcement officers from the Federal Bureau of Investigation, Defense Criminal Investigative Service, and EPA OIG. The group, founded in 1997, extended across the United States and into Canada. At least 18 members of the group were hackers who had illegally accessed EPA computer systems. Between June and July 2002, two additional members of the group, Robert Maersch and Russell Mutschler, pleaded guilty to two separate informations charging them with one count each of conspiracy for criminal infringement of a copyright by reproducing and distributing at least 10 infringing copies of one or more copyrighted works with a total retail value of over \$2,500.

This investigation was conducted by the Federal Bureau of Investigation, the Defense Criminal Investigative Service, and the EPA OIG.

Key Management Challenges

The OIG identified the following 10 items as key management challenges confronting EPA. Most of the challenges correspond to the President's Management Agenda Initiatives.

TIER ONE

1. Linking Mission and Management

EPA must develop more outcome-based strategic and annual targets in collaboration with its partners. EPA has output data on activities (specific tasks accomplished), but few environmental performance goals and measures, and little data supporting the Agency's ability to measure environmental outcomes and impacts (actual improvements to the environment). Reliance on output measures has made it difficult for EPA to provide regions and states the flexibility needed to (1) direct resources to the highest priorities, or (2) assess the impact of Agency work on human health and the environment. This November, the Administrator plans to issue a report that brings together national, regional, and program office indicator efforts to describe the condition of critical environmental areas and human health concerns. In response to the need for reliable cost information, EPA has purchased a financial management business intelligence reporting tool to help management better analyze cost data and make improvements. Also, EPA has begun linking costs to goals, but needs to work further in this area.

2. Information Resources Management and Data Quality

EPA faces a number of challenges with the data it uses to make decisions and monitor progress against environmental goals. Those challenges include: using enterprise and data architecture strategies to guide integration and management of data; implementing data standards to facilitate data sharing; and establishing quality assurance practices. Data reliability is another major area that needs improvement. EPA and most states often apply different data definitions in their own information systems, and sometimes input different data, resulting in inconsistent, incomplete, and obsolete consolidated national data. EPA acknowledges data management as an Agency-level weakness and has specifically targeted various components for improvement. However, despite a robust data management program, this remains a complex and elusive effort.

3. Employee Competencies

One of the Agency's greatest challenges is the development and implementation of a workforce planning strategy that links employee development to its goals. The General Accounting Office (GAO) reported that EPA needs to implement a workforce planning strategy to determine the skills and competencies essential for meeting current and future needs. Also, a number of OIG reports highlighted the need for improved training, and the Agency has taken steps in this area. GAO recently testified that EPA has made substantial progress in developing a strategy to

manage its workforce, although EPA still needs to implement the strategy. The Agency recognized human capital as a key Agency priority in its FY 2001 Strategic Plan. While progress has been made and additional work planned, this area continues to be a key challenge.

4. EPA's Use of Assistance Agreements to Accomplish Its Mission

Assistance agreements constitute approximately half of the Agency's budget. However, our audit work has repeatedly identified problems in this area. We recently reported that some assistance agreement recipients did not have adequate financial and internal controls. As a result, EPA had limited assurance that EPA funds were used in accordance with work plans and met negotiated environmental targets. Further, in May 2001, OIG reported that EPA did not have a policy for competitively awarding \$1.3 billion in discretionary assistance funds and, as a result, the Agency is drafting a policy to address competition. Also, although EPA has taken several actions to improve its oversight controls over assistance agreements, recent OIG reports and ongoing work indicate that Agency efforts in this area have not been uniformly effective. In May 2002, we recommended the Agency elevate this issue from an Agency-level weakness to a material weakness under the Federal Managers' Financial Integrity Act.

5. Protecting Critical Infrastructure From Non-Traditional Attacks

In 2001 we reported that EPA had yet to fulfill its responsibilities under Presidential Decision Directive 63 regarding the development of a national framework for protecting critical physical and cyber-based infrastructures. In the past year, the Agency reported that it had made significant progress. However, the attacks of September 11, 2001, greatly increased the scope and priority of EPA's mission in protecting critical infrastructure. EPA must be prepared to fulfill crisis and consequence management responsibilities in the wake of a terrorist incident; and it must be prepared to help detect, prevent, protect against, respond to, and recover from a terrorist attack against the United States. Moreover, Public Law 107-188, the Public Health Security and Bio-terrorism Response Act, signed in June 2002, specifically tasked EPA with funding and overseeing water system vulnerability assessments and the resulting response.

6. Challenges in Addressing Air Toxics Program Phases 1 and 2 Goals

Toxic air pollution remains one of the most significant health and environmental problems in the United States. Despite the potential for serious harm, EPA has not fulfilled its statutory responsibilities for issuing all Phase 1 air toxics standards by November 2000. Of 176 air toxics categories that EPA is required to regulate, it has issued standards for only about 82 categories.

Of even more importance is that Phase 1 is solely a technology-based approach to emissions reductions, and may not provide acceptable health protections. EPA will assess the health risks of the 188 toxic air pollutants in the second phase. The air toxics program's heavy reliance on industry emissions data is also a concern.

TIER TWO

7. EPA's Working Relationship With the States

The states have the authority to implement an estimated 80 percent of environmental programs, and states provided about 65 percent of the financial resources to EPA's 35 percent. However, the Agency and states have been unable to agree on such issues as the roles and extent of federal oversight; priorities and budgets; and measures, milestones, and data. EPA can improve its working relationship with states by establishing a structure to mutually set direction, establish goals, provide training, oversee accomplishments, and ensure accountability. The National Environmental Performance Partnership System established EPA-state working partnerships, but a series of OIG audits noted the system's principles were not well integrated into EPA. While the Agency is working in this area, we believe much remains to be done.

8. EPA's Information Systems Security

EPA's goal is to make information on its computer systems available but still protect the confidentiality and integrity of its information. The Agency has substantially enhanced its Information Security Program through an improved risk assessment and planning processes, major new technical and procedural controls, issuance of new policies, and initiation of testing and evaluation processes. However, the Agency still needs to continue working to implement a formal incident response plan, establish a robust quality assurance program, and implement an organizational structure under which Information Security Officers are accountable directly to the Office of Environmental Information.

9. Backlog of National Pollutant Discharge Elimination System (NPDES) Permits

NPDES permits expire in 5 years and are to be "administratively continued" if a backlog results in their not being renewed prior to expiration. "Backlogged" permits are a major concern because conditions may have subsequently changed since the original permit was issued, but new restrictions would not be applied. The Agency recognizes that the backlog of NPDES permits is a nationwide problem and has developed a corrective action plan to streamline the process and provide assistance to the states. However, steps to date have not had sufficient success, and planned corrective actions for permits with the most significant environmental impact are not expected to be completed until the end of FY 2005. The Agency realizes it needs to make improvements in the NPDES program or the problem will increase, and is working in that area.

10. Management of Biosolids

Approximately 6 million tons of sewage sludge (“biosolids”) are produced annually by sewage treatment plants in the United States. With inadequate treatment, these biosolids may contain a wide variety of chemicals and pathogens that may adversely impact public health. However, EPA has not conducted the basic research needed to determine the risk associated with certain biosolids disposal practices. The Agency has taken the position that biosolids management is a low-risk activity, and has diverted compliance and enforcement resources away from this program. As a result, EPA has failed to adhere to its commitment to comprehensively assess the extent of the risk. In June 2002 the National Academy of Sciences recommended additional research. EPA is currently studying those recommendations, and has committed to producing a research work plan by the end of 2003.

Review of Legislation and Regulations

Section 4(a)(2) of the Inspector General Act of 1978, as amended, directs OIG to review existing and proposed legislation and regulations relating to Agency programs and operations to determine their effect on economy and efficiency and the prevention and detection of fraud and abuse. During this semiannual period, we reviewed 1 legislative and 30 regulatory items. The most significant items reviewed are discussed below.

S. 2530, Proposed OIG Law Enforcement Authority Legislation

We endorsed a Department of Justice letter to Senator Thompson regarding S. 2530, to award statutory law enforcement authority to certain OIGs.

Under current administrative procedures, OIG agents are granted “blanket special deputations” by the Attorney General, who may rescind or suspend the police powers of **individual** OIG agents for failure to comply with Attorney General guidelines governing the exercise of the special deputation police powers. The Department of Justice letter endorsed enactment of the measure, but expressed concern about a provision that would require the Attorney General to rescind or suspend the police powers of an **entire** OIG office, rather than the individual agent, upon determination of noncompliance with applicable guidelines. We agreed with the contention of the Department of Justice that taking such an action against an entire OIG could severely disrupt ongoing criminal investigations, and endorsed a recommendation that the Attorney General’s current authority to suspend police powers of individual agents be incorporated into the bill instead.

Proposed New EPA Order, *Policy on Compliance, Review and Monitoring*

We requested resolution of several concerns regarding the proposed policy’s value and effectiveness in addressing weaknesses in the oversight of grants identified in OIG reports and EPA internal reviews:

-
- We were concerned that the proposed policy (1) did not include a statement outlining the need for post-award monitoring; and (2) was unclear on how minimum levels of advanced monitoring were developed, how many grantees would require advanced monitoring, and whether the proposed level of advanced monitoring would be sufficient to improve oversight.
 - We did not agree with allowing pre-award and technical and management assistance activities to substitute for advanced monitoring, since this substitution could further reduce oversight.
 - We did not agree with substituting “other designated personnel” for grant specialists or project officers, since the policy did not specify whether the experience or qualifications of the “other designated personnel” would be equivalent to that of project officers and grant specialists.

Subsequently, we met with Agency officials who agreed to revise the draft policy to address our major concerns.

Approval of Draft Records Schedules

We did not concur with the draft disposition instructions for Grant and Other Agreement Oversight records. Since many Superfund cooperative agreements with the states are site-specific and subject to cost recovery, we recommended revising the retention period from 7 to 30 years.

We also did not concur with draft records disposition instructions that called for destroying EPA’s Integrated Grants Management System records after 7 years. We were concerned that Superfund Interagency Agreement records would be destroyed at the same time since they are processed through the Integrated Grants Management System. We recommended that Superfund Interagency Agreement records, like grant records, be retained for 30 years, to prevent site-specific records covering many billions of dollars from being deleted in only 7 years.

While EPA is making progress in resolving its Major Management Challenges, several have been longstanding problems. The following table shows which challenges have been listed from 1997 through 2002 and their relationship to the **President's Management Agenda (as numbered)**.

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

| Management Challenge | 1997 | 1998 | 1999 | 2000 | 2001 | 2002 |
|---|-------------|-------------|-------------|-------------|-------------|-------------|
| Environmental Data Quality (2) | | | | ** | ** | ** |
| Emission Factor Development | | | | | | |
| Year 2000 Modification on Information Systems | | | | | | |
| Closeout of Construction Grant Program | | | | | | |
| Inconsistent/Oversight Enforcement Activities | | | | | | |
| Quality Assurance/Plans | | | | | | |
| Use of Inefficient Contract Types | | | | | | |
| Managerial Cost Accounting (1 & 4) | | | | | * | * |
| Automated Information System Security Plans/Security (2) | | | | | | |
| Oversight/Use of Assistance Agreements (4) | | | | | | |
| Agency Relationship with Contractors | | | | | | |
| Environmental Data Information Systems | | | | ** | ** | ** |
| Accountability (1) | | | | | * | * |
| Backlog; Nation'l Pollutant Discharge Elimin. System Permits | | | | | | |
| Enhance Employee Competencies/Human Capital (3) | | | | | | |
| Process for Preparing Financial Statements | | | | | | |
| Superfund Five-Year Reviews | | | | | | |
| Great Lakes Program | | | | | | |
| Quality of Laboratory Data | | | | | | ** |
| Information Resources Management (2) | | | | ** | ** | ** |
| Working Relationships with States & Other Partners (1) | | | | | | |
| Results-Based Information Technology Project Management | | | | | | |
| Protecting Critical Infrastructure from NonTraditional Attacks | | | | | | |
| Biosolids | | | | | | |
| Air Toxics Program | | | | | | |

President's Management Agenda

- 1. Budget and Performance Integration**
- 2. Expanded Electronic Government**
- 3. Strategic Management of Human Capital**
- 4. Improving Financial Performance**

* Combined for 2001 and 2002 as "Linking Mission with Management"

** Combined for 2001 and 2002 as

"Information Resources Management & Data Quality"

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

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

| Scoreboard of Results Compared to FY2002 Goal Targets | | Reported | as of 9/30/02 | |
|--|--|---------------------|---------------|---------------------------------|
| Business Line Goals, Objectives and Measures from OIG Strategic Plan 2001-2005 | | | | |
| Goal 1. Contribute to Improved Environmental Quality and Human Health | | | | |
| <i>Improvements/Changes/Decisions/Actions Influencing Environmental Impacts or Preventing Loss</i> | | | | |
| Environmental Legislative Changes/Decisions | | 0 | | |
| Environmental Regulatory Changes/Decisions | | 0 | | |
| Environmental Policy, Directive, Process or Practice Changes/Action | | 11 | | |
| Example of Environmental/Health Improvements or Impacts | | 0 | | |
| Best Environmental Practices Implemented | | 1 | | |
| TOTAL and % of Goal | | 12 | 24% | Goal Target 50 |
| <i>Environmental Risks Reduced or Eliminated from Solutions and Enforcement Actions</i> | | | | |
| Environmental Risks Reduced/Eliminated | | 16 | | |
| Environmental Certifications/Validations/Verifications | | 2 | | |
| TOTAL and % of Goal | | 18 | 120% | Goal Target 15 |
| <i>Recommendations, Best Practices and Risks Identified</i> | | | | |
| Recommendations for Environmental Improvement | | 48 | | |
| Environmental Best Practices Identified | | 16 | | |
| Environmental Risks Identified | | 52 | | |
| TOTAL and % of Goal | | 116 | 155% | Goal Target 75 |
| Goal 2. Improve EPA's Management, Accountability and Program Operations | | | | |
| <i>Return on Investment in IG Budget from Improved Business Practices, Savings, Recoveries and Fines</i> | | | | |
| Questioned Costs (includes items not in Audit Resolution) | | \$15,881,789 | | |
| Recommended Efficiencies (includes items not in Audit Resolution) | | \$19,478,829 | | |
| Fines, Recoveries, Civil Settlements, Restitutions | | \$19,800,000 | | |
| TOTAL and % of Goal | | \$55,160,618 | 120% | Goal Target \$45,900,000 |
| <i>Actions Reducing or Eliminating Risk of Loss or Improving Efficiency and Integrity</i> | | | | |
| Criminal, Civil, Administrative Actions | | 79 | | |
| Certifications/Validations/Verifications | | 30 | | |
| Examples of Process/Practice/Policy Changes or Actions | | 32 | | |
| Corrective Actions on Management Challenges/FMFA Issues | | 12 | | |
| Best Practices Implemented | | 14 | | |
| TOTAL and % of Goal | | 167 | 223% | Goal Target 75 |
| Percent EPA GRPA Rating Increase from OIG Influence | | 16% | | 6th to 4th of 24 |
| <i>Recommendations, Best Practices, FMFA or Management Challenges Identified to Promote Action</i> | | | | |
| Recommendations for Management Improvement | | 265 | | |
| New FMFA/Management Challenges Issues Identified | | 25 | | |
| Best Practices Identified | | 5 | | |
| TOTAL and % of Goal | | 295 | 197% | Goal Target 150 |

Goal 4: Enhance Diversity, Innovation, Teamwork and Competencies

The OIG is committed to improving performance by recruiting and maintaining a diverse and highly competent workforce. The OIG promotes continuous learning and is expanding its use of technology and multi-discipline teams. The following illustrates results achieved under this OIG goal.

New Assistant Inspector General for Human Capital

The OIG selected Ms. Bennie Salem as the Assistant Inspector General for Human Capital. Under her direction, the Office of Human Capital (OHC) will be expanded to coordinate all human capital and human resource activities within the OIG. In addition, field offices will be consolidated to reduce the number of Resource Centers from 15 to 5. OHC has responsibility for workforce planning, recruitment, and development, to include mentoring and coaching staff on career management and providing career development opportunities.



Ms. Salem has a Bachelor's Degree in English from Millsaps College and Accounting from Auburn University. She also has a Masters Degree in English from the University of Alabama and she is a Certified Public Accountant. Her Federal work experience includes the Department of Agriculture's Office of Inspector General, and the EPA OIG as Audit Manager and Divisional Inspector General.

Innovative Tool Put On-line to Identify Cross-Agency Environmental Efforts

To fully understand and resolve environmental challenges, we determined it is necessary to look beyond the boundaries of EPA, and consider other sources of information, research, and innovative tools in the field of environmental protection.

To address this challenge, EPA OIG developed an on-line Compendium of Federal Environmental Programs to identify the various federal agencies that participate in environmental protection. With the support of the President's Council on Integrity and Efficiency (PCIE), EPA OIG coordinated with OIGs from other federal agencies to verify our environmental research. Specifically, we identified 29 federal agencies that collectively share responsibility for clean air, clean and safe water, and better waste management.

We organized our research into a web-based data base accessible from EPA OIG's home page. Placing our research on the Internet allows various stakeholders (e.g., the public, Congressional staff, and other federal agencies) to access the information. For example, by linking to the various agencies' source documents, the

Compendium website allows users to quickly learn about the 10 federal agencies that participate in environmental security or the 14 that conduct Brownfields-related activities.

After previewing our web-based data base to Administrator Whitman, the PCIE, the Executive Council on Integrity and Efficiency, and EPA senior managers, we launched the data base on September 25, 2002. To access the data base and accompanying narrative report, click “Compendium of Federal Environmental Programs” on our home page, www.epa.gov/oigearth.

***OIG Applies Two
Systems to Improve
Effectiveness***

The OIG has recently put into place two innovative systems designed to help improve the effectiveness of our staff and increase competencies.

360 Feedback System: We designed, developed, and implemented a universal “360 Feedback System” within OIG to provide individuals and the organization feedback on how we were positively impacting the culture to support our strategic direction. The web-based system was designed around our High Performance Leadership philosophy and reinforces our corporate values. The 360 System also provides meaningful information on continuous learning and customer service. The System, in concert with other performance-based systems, provides OIG managers and employees with direct and relevant feedback on their performance and behavior.

Knowledge and Skills Inventory System: As a means to better assess the competency and proficiency of staff and better staff assignment teams, the OIG acquired, modified, and implemented a Knowledge and Skills Inventory System. This system measures the effectiveness of our training and development program, as well as the diversity and proficiency of our skills, and assists us in the staffing of assignments. Given the increasing use of interdisciplinary teams and the matrix nature of the organization, this system has already proven its value.

***EPA IG Chairs the
President’s Council
on Integrity and
Efficiency
Government
Performance and
Results Act
Committee Round
Table to New
Heights***

Nikki Tinsley, EPA IG, assumed sponsoring leadership and chairmanship of the President’s Council on Integrity and Efficiency (PCIE), Government Performance and Results Act (GPRA) Coordination Committee Round Table, and quickly expanded its scope to include the President’s Management Agenda initiatives. Through monthly meetings, including with prominent experts, this group has become one of the most active entities within the PCIE community, and is recognized by other external organizations as a forum for sharing current information on government performance and accountability. The PCIE GPRA Round Table also produced a Compilation of Functions Considered for Competitive Sourcing by the IG Community, and a SWOT (Strengths, Weaknesses, Opportunities and Threats) analysis of the new OMB PART (Program Assessment Rating Tool), which was presented by invitation at the National Association for Public Administration.

This group, previously led by the Department of State OIG since 1997, now regularly attracts representatives of about 40 Federal agencies. Recent meeting topics and speaker/discussion leaders have included the following:

Congressional Perspectives of GPRA and the Presidential Management Agenda/Program Assessment Rating Tool: featuring Henry Wray with other senior Congressional staff members; and Paul Posner of GAO, representing the Comptroller General

Strategic Future Governance and the OIGs: Featuring David Rejeski of the Woodrow Wilson Institute Center and Paul Light, Brookings Institution.

New Performance Integration and Reporting Dimensions: featuring Maurice McTigue, Director, Mercatus Center; and Marcus Peacock, Associate Director OMB

Strategic Planning of Human Capital: featuring Marta Perez, Deputy Director, OPM and Edward Stephenson, GAO

Competitive Sourcing Objectives & Initiative: featuring David Childs, Associate Director, OMB

Congressional and Public Liaison Activities

EPA Ombudsman Responsibility Transferred to OIG

EPA's National Ombudsman function was transferred from the Office of Solid Waste and Emergency Response (OSWER) to the OIG in April 2002. Responsibility for reviewing the Regional Superfund Ombudsmen was also transferred at that time.

In conjunction with this transfer, the OIG created an Office of Congressional and Public Liaison, to consolidate the OIG's Congressional and public liaison activities into a single organization. This included integrating Ombudsman and OIG Hotline activities. The OIG Hotline receives allegations of fraud, waste, and abuse regarding EPA personnel, programs, and operations. EPA's Ombudsman traditionally focused on citizen complaints regarding hazardous waste management and cleanup operations.

In the consolidated Office for Congressional and Public Liaison, OIG uses both the Ombudsman and Hotline functions to identify potential areas for review, analysis, and recommendations for Agency program improvement. Complaints, allegations, concerns, and inquiries received are researched and analyzed to assess their validity and priority. Priority cases are staffed as work assignments and typically result in OIG reports. Ombudsman assignments incorporate, and are intended to function within, existing OIG operating policy and procedures.

One of the initial tasks of the acting OIG Ombudsman was to identify and research the potential open cases transferred from OSWER's National Ombudsman. We identified 25 potentially open cases from the prior National Ombudsman and received an additional 7 requests for assistance. The OIG had previously initiated and is conducting an assignment for 1 of the 25 transferred cases: World Trade Center. We estimate that an additional five cases will be recommended for a comprehensive fieldwork assignment. As of September 30, 2002, we have closed five cases, including three transferred cases and two new cases. We are making significant progress and plan to close many of the transferred cases by the next reporting period.

EPA Inspector General Nikki Tinsley recently testified before the Senate Environment and Public Works Committee on the progress being made on implementing and operating the EPA Ombudsman function in the OIG, assuring the Committee that Ombudsman work will be conducted "with independence and professionalism." The Inspector General also pointed out that the OIG would be able to undertake a much larger range of work. "As part of the transfer, we have expanded the services of the Ombudsman to include all EPA administered programs, rather than limiting it to only Superfund and hazardous waste issues," Tinsley testified. She also noted the Ombudsman will be able to draw from OIG's large pool of resources.

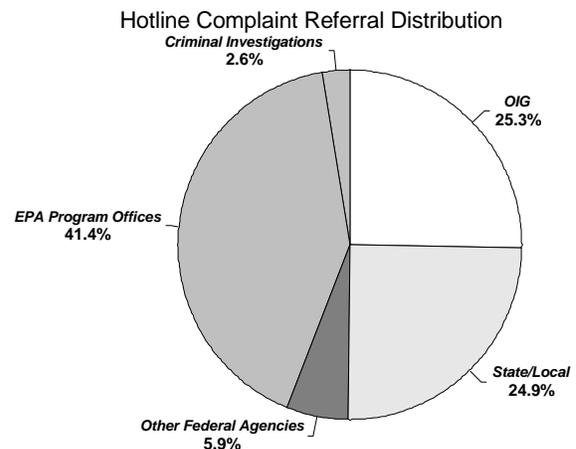
Funding Needs for Superfund Sites

On April 17, 2002, Congressmen Dingell and Pallone of the House Energy and Commerce Committee requested that we summarize the funding needs of non-Federal National Priority List sites for FY 2002. On June 24, we reported that, at the time of our review, regions had requested \$450 million for remedial actions and EPA Headquarters planned to allocate approximately \$224 million. For long-term response actions, the regions requested \$46.7 million and \$33.2 million was planned for distribution. On July 31, the Inspector General testified on these results before the Subcommittee on Superfund, Toxics, Risk, and Waste Management of the Senate Committee on Environment and Public Works.

On August 26, the Chairs of the Committee and Subcommittee requested that we update this information to provide a complete picture of FY 2002 funding. On October 25, we reported that, after assessing changing site conditions, the regions estimated a need of \$417 million for remedial actions and EPA obligated \$320 million, a difference of \$97 million. For sites needing long-term response actions, regions estimated a need of \$60 million and obligated \$43 million, a difference of \$17 million.

Hotline Activities

During the reporting period, the OIG's Fraud, Waste, and Abuse Hotline became part of OIG's Office of Congressional and Public Liaison. This new office, which also includes the Ombudsman, serves as the central hub for Agency and general public communications. Complaints received by both the OIG Ombudsman and the Hotline are evaluated by a review panel consisting of investigators, auditors, analysts, engineers, and counsel. The panel officiates program area or external agency referrals, which are then monitored by the Hotline Coordinator.



The Hotline Coordinator maintains communications with complainants, referral offices, and the review panel until the complaint has been resolved. In addition to the creation of a state agency information directory, direct mailing campaign, and EPA program area resources, the Hotline continues to promote the identification of significant matters warranting investigative, audit, or management intervention.

The Hotline took 1,018 calls and closed 821 during the reporting period. Complaints that did not warrant review panel action will be used to identify trends or patterns of potentially vulnerable areas warranting future consideration. Regional and EPA program offices were reviewing the remaining 197 complaints prior to the end of the

semiannual reporting period.

