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

MAY 2 8 2014

THE INSPECTOR GENERAL

MEMORANDUM

SUBJECT: The EPA's Fiscal Year 2014 Management Challenges

FROM: Arthur A. Elkins Jr.

TO: Gina McCarthy, Administrator

We are pleased to provide you with a list of areas the Office of Inspector General considers as key management challenges confronting the U.S. Environmental Protection Agency (EPA). According to the Government Performance and Results Act Modernization Act of 2010, major management challenges are programs or management functions, within or across agencies, that have greater vulnerability to waste, fraud, abuse and mismanagement, and a failure to perform well could seriously affect the ability of an agency or the federal government to achieve its mission or goals.

The Reports Consolidation Act of 2000 requires our office to report what we consider the most serious management and performance challenges facing the agency. Given this requirement, our list includes management challenges and significant performance issues facing the EPA. We used audit, evaluation and investigative work, as well as additional analysis of agency operations, to identify challenges and weaknesses. Additional challenges and weaknesses may exist in areas that we have not yet reviewed, and other significant findings could result from additional work. We provide detailed summaries of each challenge in the attachment.

Like the U.S. Government Accountability Office does with its High Risk List, each year we assess the agency's efforts against the following five criteria to justify removing a management challenge:

1. Demonstrated top leadership commitment.
2. Capacity – people and resources to reduce risks, and processes for reporting and accountability.
3. Corrective action plan – analysis identifying root causes, targeted plans to address root causes, and solutions.

4. Monitoring – established performance measures and data collection/analysis.
5. Demonstrated progress – evidence of implemented corrective actions and appropriate adjustments to action plans based on data.

While the EPA has made progress, we repeated the five management challenges reported from last year and added a new challenge based on our audit and investigative work on John Beale and warehouse matters and other issues. We welcome the opportunity to discuss our list of challenges and any comments you might have.

Attachment

CHALLENGE: The EPA Needs to Improve Oversight of States Authorized to Accomplish Environmental Goals

CHALLENGE FOR THE AGENCY

In recent years, our work has identified the absence of robust oversight by the U.S. Environmental Protection Agency (EPA) of states authorized to implement environmental programs under several statutes. The EPA has made important progress, but recent and ongoing EPA Office of Inspector General (OIG) and U.S. Government Accountability Office (GAO) work continues to support this as an agency management challenge.

BACKGROUND

To accomplish its mission, the EPA develops regulations and establishes programs that implement environmental laws. Many federal environmental laws establish state regulatory programs that give states the opportunity to enact and enforce laws. The EPA may authorize states to implement environmental laws when they request authorization and the EPA determines a state capable of operating the program consistent with federal standards. The EPA performs oversight of state programs to provide reasonable assurance that they achieve national goals to protect human health and the environment. Oversight of state activities requires that the EPA establish consistent national baselines that state programs must meet, and monitor state programs to determine whether they meet federal standards.

The EPA relies heavily on authorized states to obtain environmental program performance data and implement compliance and enforcement programs. Forty-nine of 50 states administer Safe Drinking Water Act programs, 48 states are authorized to administer the Resource Conservation and Recovery Act hazardous waste program, 46 states administer point source programs under the Clean Water Act, and every state administers Title V of the Clean Air Act. These states perform a critical role in supporting the EPA's duty to execute and enforce environmental laws. However, the EPA has the authority and responsibility to oversee state programs, and to enforce environmental laws when states do not. Many EPA programs implement a variety of formal and informal oversight processes that are not always consistent across EPA regions and states.

THE AGENCY'S PROGRESS

The OIG has identified EPA oversight of authorized state programs as an agency management challenge since fiscal year (FY) 2008. The EPA has made progress in reviewing and measuring inconsistencies in its oversight of state programs, using EPA authority when states have failed to use their delegated authority, and revising EPA policies to improve consistency in oversight.

Since 2008, the EPA's Deputy Administrator made state oversight an EPA priority. He requested that a "key performance indicator" be developed and included in the EPA's FYs 2012 and 2013 Action Plans for Strengthening State, Tribal, and International Partnerships. In 2013, the EPA developed the new performance indicator referred to as *Oversight of State Delegations Key Performance Indicator*. The EPA presented the new performance indicator in a 2013 report that identified a number of other improvement areas on the EPA's oversight and relationships with states. The Deputy Administrator formed a senior-level workgroup that noted additional recommendations on state oversight, including improving consistency for identifying regional and state roles during EPA program review, and developed an initial set of common principles. For 2014, the workgroup is setting out to complete an assessment to identify ongoing practices and additional near- and longer-term ideas for enhancing the efficiency and effectiveness of the oversight process for delegated state programs. The workgroup will also begin to engage states in discussions of these practices and ideas, with the goal of identifying shared principles to guide a redefinition of the state–EPA oversight relationship.

A recent action reviewed by the OIG that demonstrates EPA oversight of state enforcement and response actions was the EPA's enforcement of a provision of the Safe Drinking Water Act in Texas. The OIG reported in December 2013 that the EPA conducted proper enforcement when state and local officials had not taken sufficient action to address public endangerment from contaminated drinking water. In this case, the EPA issued an emergency order to provide safe drinking water and further investigate the contamination.

Also, in 2009, we found that High Priority Violations under the Clean Air Act were not being addressed in a timely manner because regions and states did not follow policy, EPA headquarters did not oversee regional and state High Priority Violations performance, and EPA regions did not oversee state High Priority Violations performance. We recommended that the EPA revise the High Priority Violations policy to improve the EPA's ability to oversee High Priority Violation cases and clarify the roles and responsibilities of EPA headquarters and regions, the states, and local agencies. The EPA plans to formally issue its revised policy by June 30, 2014.

WHAT REMAINS TO BE DONE

A recent OIG report identified continuing challenges the EPA faces in overseeing authorized state (and U.S. territory) environmental programs. For example, in March 2014, we reported that the U.S. Virgin Islands experienced a lapse in monitoring under the Beaches Environmental Assessment and Coastal Health Act (a portion of the Clean Water Act). The EPA had known of key challenges the U.S. Virgin Islands' Department of Natural Resources was having with its beach monitoring program and had attempted to resolve the matters. However, sampling lapsed without the EPA's awareness. The EPA had not developed a contingency plan for ensuring that sampling of the U.S. Virgin Islands' beaches continued or that the public was notified of sampling results, but did so after we issued our report. The OIG has an ongoing and broader evaluation underway of the U.S. Virgin Islands' execution of—and the EPA's oversight of—the environmental programs the EPA authorized the U.S. Virgin Islands to implement.

Additionally, although the OIG has made recommendations designed to help the EPA improve its oversight of authorized state environmental programs, some remain unimplemented. For example, in 2012 we recommended that the Assistant Administrator for Solid Waste and Emergency Response require the EPA and states to enter into memorandums of agreement that reflect program changes from the 2005 Energy Policy Act and address oversight of municipalities conducting underground storage tank inspections. The EPA planned to finalize regulations; however, as of March 2014, this recommendation remained unimplemented. The Assistant Administrator revised the corrective action milestone to September 30, 2014, due to the impact of sequestration and to allow time to respond to comments received on the proposed rule.

We continue to perform work in this area and will continue to monitor the agency's progress in addressing this challenge.

CHALLENGE: Limited Controls Hamper the Safe Reuse of Contaminated Sites

CHALLENGE FOR THE AGENCY

As the EPA promotes and encourages the redevelopment and reuse of contaminated properties, it must strengthen its oversight of the long-term safety of sites, particularly within a regulatory structure in which non-EPA parties have key responsibilities and authority but can lack resources to effectively carry out long-term oversight of reused contaminated sites.

Housing development built on the former CTS Printex Superfund Site, Mountain View, California. (EPA OIG photo)

BACKGROUND

Many contaminated sites, such as Superfund sites, must be monitored for decades because contamination is not fully removed or cleaned up, and controls to keep the public and environment protected from contamination must be maintained and enforced. The EPA has multiple and complex challenges to ensuring that long-term monitoring of contaminated sites is done and done properly. These include a regulatory structure in which the EPA has delegated authority or lacks the authority to ensure long-term monitoring is performed, and those who do have the authority lack resources and information to properly or fully execute long-term monitoring. The EPA's recent emphasis on reusing contaminated sites for a variety of purposes, including residential use, has amplified its existing challenges in ensuring that contaminated sites are safe and remain safe for reuse in the long term.

The EPA's FY 2011–2015 Strategic Plan announced a significant shift in the definition of success at a Superfund site from "construction complete" to "ready for anticipated use." In addition, the EPA has established the performance measures "Protective for People" and "Ready for Anticipated Use" (also called Cross Program Revitalization Measures) for other cleanup programs, including the Brownfields, Leaking Underground Storage Tank, and Resource Conservation and Recovery Act programs. The EPA promotes and encourages site reuse, but is challenged in ensuring effective long-term monitoring or stewardship of contaminated sites so that they remain safe for reuse. Past OIG work has reported that some states were not financially prepared to take over their long-term monitoring and maintenance responsibilities for Superfund cleanups. We had also noted that environmental professional certifications for due diligence investigations failed to meet federal requirements and therefore failed to assure that a proper environmental investigation occurred. Further, we had noted that the EPA conducts no oversight of the requirement to meet "continuing obligations" at Brownfield properties funded by the EPA. These obligations include land use controls and institutional controls designed to prevent unacceptable use of contaminated properties.

THE AGENCY'S PROGRESS

According to the agency's FY 2013 financial report, it has made progress in addressing this management challenge. For example:

- The EPA states it is communicating site risks and remedies, and information needed to ensure protectiveness of cleaned and stabilized properties.
- The EPA states it recently developed several new guidance documents to ensure consistent decision making and documentation for five-year reviews, and is tracking recommendations for five-year reviews to ensure implementation.
- The EPA states it has developed guidance on institutional controls to ensure that such controls are properly implemented, maintained and enforced over their lifetime; and to help regions systematically establish and document the activities associated with implementing and ensuring the long-term stewardship of institutional controls.
- The EPA states it will continue to encourage state and tribal response program funding of tracking and management systems for land use and institutional controls. The agency has also developed general education and outreach materials on institutional controls and their importance in supporting safe land reuse.
- The EPA states that its promoting reuse involves communities in cleanup and reuse discussions. The EPA will continue to explore new tools to ensure appropriate reuse and enhance long-term protectiveness, including:
    (1) "Ready for Reuse" determinations (environmental status reports on site reuse).
    (2) Comfort and status letters (which convey status of the site remediation and liability issues).
    (3) EPA-funded reuse planning.
    (4) Site reuse fact sheets (which highlight critical remedial components in place, long-term maintenance activities and institutional controls).

WHAT REMAINS TO BE DONE

The EPA Office of Solid Waste and Emergency Response's (OSWER's) lack of controls over the designations of sites as Ready for Anticipated Use or Protective for People creates risk that OSWER's public reports contain unreliable information, and also creates potential human health and environmental risks if sites are prematurely designated as protective or ready for use and these inaccurate designations go undetected.

The OIG has made previous recommendations designed to help OSWER manage this challenge of safe reuse of sites, and some remain unimplemented. For example, in our December 2009 report, *Lack of Final Guidance on Vapor Intrusion Impedes Efforts to Address Indoor Air Risks* (Report No. 10-P-0042), we recommended that the OSWER Assistant Administrator finalize the vapor intrusion guidance and train its staff on the new guidance. We also recommended that the Assistant Administrator for Research and Development finalize toxicity values for trichloroethylene and perchloroethelene. To date, seven corrective action milestones have been completed, and four remain to be completed. Two companion guidance documents have been drafted to address vapor intrusion risks from both petroleum and non-petroleum based subsurface contaminants. EPA received over 1,500 comments from over 100 commenters during the public comment period. In late March 2014, OSWER planned to circulate the revised draft guidance documents to the agency-level workgroup with a goal of

submitting the draft guidance documents to the Office of Management and Budget for review by the end of May 2014.

We continue to conduct additional evaluation work in this area and plan to issue additional reports in 2014. Until OSWER improves its management controls for designating sites as Ready for Anticipated Use or Protective for People and maintaining accurate designations in the long term, and addresses unimplemented OIG recommendations to address risks from vapor intrusion, we believe this management challenge should be maintained.

CHALLENGE: Regulatory and Resource Limitations Constrain the EPA's Assessment and Management of Chemical Risks

CHALLENGE FOR THE AGENCY

Limited authorities, limited data and resource constraints inhibit the EPA's effective implementation of statutes meant to ensure that the production and distribution of chemicals do not harm human health or the environment. The absence of comprehensive health effects information on the chemical MCHM (methylcyclohexane methanol) released into the Charleston, West Virginia, drinking water system in January 2014 demonstrated the real-world consequences of the EPA's challenge. MCHM is among the 60,000 chemicals grandfathered without any evaluation of its safety upon the 1976 enactment of the Toxic Substances Control Act (TSCA). Data and resource limitations are also challenges in the EPA's implementation of the Food Quality Protection Act and the Federal Insecticide, Fungicide and Rodenticide Act.

BACKGROUND

Under TSCA, the EPA is charged with the responsibility for assessing the safety of commercial chemicals and regulating those chemicals if there are significant risks to human health or the environment. TSCA places legal and procedural requirements on the EPA before the agency can compel the generation and submission of data on the health and environmental effects of existing chemicals. TSCA provides the EPA with the authority to require reporting, record-keeping and testing requirements, and restrictions relating to chemicals. Under TSCA, the EPA is required to (1) create an inventory of existing chemicals already in commerce, (2) regulate unreasonable risk from new chemicals introduced into commerce subsequent to the act, and (3) make health and safety information available while protecting manufacturers' confidential business information. TSCA requires that the EPA demonstrate that certain health or environmental risks are likely before the EPA can require companies to develop and provide it with toxicity and exposure information. Even when the EPA has toxicity and exposure information and determines that chemicals pose an unreasonable risk, the agency has had difficulty banning or placing limits on the production or use of chemicals if there is any other regulation that would achieve an acceptable level of risk. The EPA has used its authority to limit or ban the use of only five chemicals since TSCA was enacted.

The EPA has developed a three-part strategy for addressing potential risks from existing chemicals:

- Identify existing chemicals for risk assessment and take actions as appropriate (the EPA's Existing Chemicals Program Strategy.
- Increase opportunities for industry to move toward using safer chemicals (the EPA's Design for the Environment and Green Chemistry programs).
- Increase public access to data on chemicals that have been developed by the EPA and/or provided by industry (the EPA's ChemView initiative).

THE AGENCY'S PROGRESS

In February 2012, the EPA issued its Existing Chemicals Program Strategy to pursue a multi-pronged approach focusing on risk assessment and reduction, data collection, screening, and furthering public access to chemical data and information. While it has made progress implementing this approach to manage TSCA chemicals, at its current pace, it would take the EPA at least 10 years to complete risk assessments for the 83 chemicals identified in TSCA work plans.

In 2013, the EPA launched ChemView—an online database with information on more than 1,500 chemicals designed to help businesses, consumers and others make more informed decisions about the chemicals they use. The EPA has also committed that by September 30, 2015, it will have completed more than 250 assessments of pesticides and other commercially available chemicals to evaluate risks they may pose to human health and the environment, including the potential for some of these chemicals to disrupt endocrine systems.

WHAT REMAINS TO BE DONE

To ensure the continued effectiveness of the various chemical programs, the agency will conduct several evaluations over the next 4 years. In FY 2014, the EPA will initiate a review of critical factors that have an impact on the effectiveness of the agency's risk assessment efforts for TSCA work plan chemicals. In FY 2015, the EPA will evaluate the effectiveness of recently implemented efficiencies to the Federal Insecticide, Fungicide and Rodenticide Act registration review process to identify further enhancements and efficiencies to the process.

To help formulate TSCA reform legislation introduced in 2013, the EPA has set forth six essential reform principles that encompass the EPA's review authority, access to data, timeliness, transparency, safety of sensitive populations, and implementation funding.

The agency is also responding to program management and data availability challenges identified by the OIG and GAO:

- A 2011 OIG evaluation of the success of the EPA's Voluntary Children's Chemical Evaluation Program found that the EPA was unable to obtain targeted data on chemical risks to children's health through voluntary means.
- Another 2011 OIG evaluation of how effectively the agency managed the human health and environmental risks of nanomaterials found that the EPA lacked the environmental and human health exposure and toxicological data to effectively regulate nanomaterials under TSCA.
- Another 2011 OIG evaluation on whether the EPA has conducted requisite research and testing concluded that the EPA's framework for assessing and managing chemical risks from endocrine disruptors in over 80,000 chemicals as required under the Food Quality Protection Act had been failing to show results.
- Multiple GAO reports concluded that the EPA does not clearly articulate how it determines the circumstances for when an Integrated Risk Information System toxicity assessment is needed, nor does it have an agencywide strategy for addressing the data needs of EPA offices when

Integrated Risk Information System toxicity assessments are not available, applicable or current.

The OIG has initiated evaluations to determine whether the EPA's Design for the Environment consumer product labeling program and Conventional Reduced-Risk Pesticide Initiative are achieving intended results to introduce safer chemicals into commerce. We will also evaluate to what extent the EPA uses and implements relevant quality management policies during chemical risk assessments. Finally, we will determine the efficacy of the EPA's oversight of the states' implementation of Federal Insecticide, Fungicide and Rodenticide Act programs.

Given our completed work—coupled with the size, complexity and significance of chemical risks to human health and the environment—we believe this issue warrants retention as an agency management challenge.

CHALLENGE: The EPA Needs to Improve Workload Analysis to Accomplish Its Mission Efficiently and Effectively

CHALLENGE FOR THE AGENCY

The EPA has not fully implemented controls and a methodology to determine workforce levels based upon analysis of the agency's workload. The EPA's program and regional offices have not conducted a systematic workload analysis or identified workforce needs for budget justification purposes. The EPA's ability to assess its workload and estimate workforce levels necessary to carry out that workload is critically important to mission accomplishment. Due to the broad implications for accomplishing the EPA's mission, we included this as an agency management challenge for 2013 and again this year.

BACKGROUND

In 2010, we reported that the EPA did not have policies and procedures requiring that workforce levels be determined based upon workload analysis. In 2011, we reported that the EPA does not require program offices to collect and maintain workload data. Without such data, program offices are limited in their ability to analyze their workload and justify resource needs. The GAO also reported that the EPA's process for budgeting and allocating resources does not fully consider the agency's current workload. In March 2010, the GAO reported that it had brought this issue to the attention of EPA officials through reports in 2001, 2005, 2008 and 2009.

Since 2005, EPA offices have studied workload issues at least six different times, spending nearly $3 million for various contractors to study the issues. However, for the most part, the EPA has not used the findings resulting from these studies. According to the EPA, the results and recommendations from the completed studies were generally not feasible to implement.

The EPA's workload has continued to increase over the years while its workforce levels have declined. This trend is likely to continue, with downward pressure on budgets. The EPA is currently offering early retirements throughout the agency, which may further reduce its workforce numbers.

THE AGENCY'S PROGRESS

In response to the OIG and GAO reports, the EPA stated that it recognized the need to improve its ability to understand and quantify the workload of its component organizations and to make resource allocation decisions based on those assessments. The EPA said that it was committed to improving its analytical capabilities and examining workload measures to support the resource allocation process.

In 2013, we conducted a follow-up review of actions the EPA has taken to address previous OIG recommendations. We found that the EPA:

- Initiated pilot projects in Regions 1 and 6 to analyze the workload for air State Implementation Plans and permits as well as water grants and permits.
- Surveyed numerous front-line agency managers on the functions performed, thereby creating an inventory of common functions among program offices. The Office of the Chief Financial Officer also consulted with 23 other federal agencies about their workload methodologies. As a result of that analysis, the EPA selected an approach referred to as the "Table Top" method used by the U.S. Coast Guard. The method is designed to use subject matter experts as well as actual data to provide estimates of workload. The Table Top approach provides flexibility in implementation, which allows for differences in organizational functions and workloads rather than attempting to fit all regions and programs into a one-size-fits-all approach. The EPA has conducted limited testing on this approach within two program areas—grants and Superfund Cost Recovery. According to EPA officials, while the methodology appears promising for grants, it became overly complicated for Superfund Cost Recovery.

WHAT REMAINS TO BE DONE

The EPA continues to test the Table Top approach for conducting workload and workforce analysis in the EPA's grants program. The EPA is in the process of updating its Funds Management Manual to provide program offices and regions with more detailed instructions on collecting and using data for workload analysis. During 2014, the EPA also plans to select additional offices to test the Table Top methodology. While the EPA continues to take action to improve its workload analysis capabilities, agencywide implementation on a systematic basis will take time, and we will continue to monitor agency progress through 2014.

CHALLENGE: The EPA Needs to Enhance Information Technology Security to Combat Cyber Threats

CHALLENGE FOR THE AGENCY

The EPA's information security challenges stem from four key areas: (1) risk management planning, (2) security information and event management tool implementation, (3) computer security incident response capability and network operation integration, and (4) computer security incident response capability relationship building. Management oversight underlies all four areas and needs to ensure comprehensive implementation of the information security program throughout the agency; and that offices follow through with executing EPA policies, procedures and practices.

BACKGROUND

The EPA, like other federal agencies, has adapted to the increase of global Internet usage to become more citizen focused and enhance its business operations. The EPA's decentralized structure to implement security controls makes it increasingly important for the EPA's executives to adopt information technology and cyber security strategies that ensure these practices are fully integrated throughout the agency.

The EPA previously had significant deficiencies in the following security areas: Continuous Monitoring Management, Configuration Management, Risk Management, Plans of Action and Milestones, and Contractor Systems. While the EPA has made plans to address many of these areas, weaknesses continue to exist. The EPA needs senior leadership emphasis, follow-through on planned corrective actions, and an oversight structure that ensures implementation of key information security practices. Without such actions, the EPA will continue to not realize a fully implemented information security program or have effective processes to identify, respond and correct security vulnerabilities that place agency data and systems at risk.

THE AGENCY'S PROGRESS

The agency indicated it is improving the overall information security program by strengthening its risk management governance. Steps being taken include: (1) providing EPA executive reports on system authorizations and plans of actions to elevate awareness of system status; (2) conducting independent reviews of information system security controls, with all agency systems being assessed by the end of FY 2014; (3) defining an enterprise-level risk management process; and (4) implementing a Risk Executive Board to ensure acceptable and cost-effective system authorizations.

According to our 2014 audit report on training personnel with significant information security responsibilities, while the EPA's decentralized structure provides management with the flexibility to tailor information security controls to address local needs, the structure proves to be problematic in ensuring that controls are consistently implemented agencywide and that weaknesses are properly

reported for remediation tracking. The EPA's leadership must continue to meet the information technology and cyber security challenge head on as it defines ways to protect its infrastructure and the data within the network. Stronger executive leadership—with emphasis on enhancing the information technology management control structure and holding EPA offices accountable for following it—is needed. OIG audit work, including our FY 2013 Federal Information Security Management Act report, continues to highlight the need for management to take recommended actions to strengthen information technology security practices pivotal to combating the growing cyber threat. Without immediate action, the EPA will not have the requisite tools to implement an effective, risk-based security program capable of addressing the most sophisticated threats on the horizon.

WHAT REMAINS TO BE DONE

The EPA acknowledges that advanced persistent threats pose a significant challenge for all federal agencies. Our recent reports identified four areas to address cyber security challenges:

1. Strengthening user authentication and identification processes by identifying opportunities for improving network access and control (2012 report on network device service systems).
2. Correcting known weaknesses in incident response capability by addressing audit findings and recommendations and tracking remediation efforts. This is to include implementing automated tools, such as the Security Information Event Management tool (2012 report on the EPA's network security monitoring program).
3. Developing a vulnerability remediation program and incorporating needed modifications to its vulnerability management standard operating procedure. This includes implementing oversight to ensure EPA offices correct known vulnerabilities and provide training on the use of vulnerability reporting tools and management reports (finding on network vulnerabilities in the 2013 report on the EPA's FY 2013 financial statements).
4. Developing a strategy to analyze needed and current skill sets for personnel with significant security responsibilities. This includes (1) defining key information security aspects and duties for each security role, (2) providing additional training options specific to the federal information security environment and EPA information security roles, (3) standardizing the terminology and definition of responsibilities for key information technology security roles, and (4) providing clearer delineation of which EPA organizations should be responsible for delivering specific elements of information security role-based training (2014 report on training personnel with significant information security responsibilities).

CHALLENGE: The EPA Needs Improved Management Oversight to Combat Fraud and Abuse in Time and Attendance, Computer Usage, and Real Property Management

CHALLENGE FOR THE AGENCY

Recent events and activities indicate a possible "culture of complacency" among some supervisors at the EPA regarding time and attendance controls, employee computer usage, and real property management. As stewards of taxpayer dollars, EPA managers must emphasize and reemphasize the importance of compliance and ethical conduct throughout the agency and ensure it is embraced at every level of the organization.

BACKGROUND

The EPA employs approximately 16,000 people at its headquarters, 10 regional offices, and 33 laboratories and other locations. The agency's size necessitates effective communication, oversight and management. Two recent high-profile occurrences could lead the public to conclude that there is a lack of commitment to management policies and internal control at the EPA:

1. John Beale, a senior official within the Office of Air and Radiation, perpetrated fraud that cost the government nearly $900,000 over more than a dozen years. The OIG's review disclosed a breakdown in internal controls and management actions that enabled fraud to occur regarding Mr. Beale's pay, retention bonus and travel.
2. The EPA's main headquarters warehouse contained multiple unauthorized and hidden personal spaces that included such items as televisions and exercise equipment. Additionally, numerous potential security and safety hazards existed at the leased warehouse, including unsecured personally identifiable information (such as passports).

Additionally, completed OIG investigations on employee integrity cases disclosed other examples of breakdowns in controls related to time and attendance, as well as examples of computer misuse. OIG investigators learned during agency threat briefings on cyber intrusions that, monthly, the EPA has denied employees trying to access gaming sites (11,500 attempts), pornographic sites (7,000 attempts) and gambling sites (over 1,000 attempts). OIG investigators closed a case where an employee spent 4 to 6 hours a day accessing pornography at work. That same employee teleworks 1 day a week from home but does not have Internet access at home.

THE AGENCY'S PROGRESS

In December 2013, the Deputy Administrator informed all agency staff of the EPA's efforts to improve key administrative policies and controls and to provide managers with tools to help flag when intervention or review is needed. As a result of OIG work, the EPA has decided to implement the following changes (implementation of which the OIG has not yet verified):

Travel Fraud:

- Since 2012, vouchers for other than coach travel must include an approved waiver supporting premium-class travel (100-percent review of all vouchers before payment).
- Effective November 15, 2013, the EPA's Office of Reasonable Accommodation makes eligibility determinations on medical documentation for premium-class travel waivers.
- Starting in the second quarter of FY 2014, second-line supervisors are to approve lodging amounts that exceed a designated percentage over per diem and require Senior Resource Official approval of any single trip exceeding $5,000.
- By February 2014, internal control assessments are to be completed for premium-class travel, above-government-rate-travel reimbursement, and executive-travel approvals.

Time and Attendance Fraud:

- System modifications are to be made to ensure managers approve only individual employee timecards.
- Quarterly review of time and attendance records are to be conducted to confirm employees enter and attest their own time and determine whether someone other than the supervisor approved the time.
- Quarterly reviews are to be made to determine whether an employee receives a retention bonus or has been paid over the statutory pay cap.

Management of Real Property:

- The EPA will implement standard operating procedures for the headquarters warehouse, develop security plans, and conduct an agencywide review of all storage facility operations.

In March 2014, the Deputy Administrator expressed the expectation to senior managers that a tone regarding diligence needs to be set at the top. These expectations recognize the vital importance of management policies and internal controls, and how the agency must be vigilant in managing its programs effectively and safeguarding its operations from mismanagement, waste, fraud or abuse. Managers are depended upon to analyze internal controls, assess the controls' effectiveness, and be proactive in identifying issues or concerns so the agency can address them quickly.

WHAT REMAINS TO BE DONE

The EPA needs to further confront control weaknesses on time and attendance, travel and real property management. Additionally, the EPA also needs to increase supervision over computer misuse to prevent unauthorized access attempts and inappropriate misuse, as well as verify results and accomplishments achieved during telework.

Setting the tone at the top requires additional actions. The agency should investigate its options on how best to communicate its increasing commitment to internal controls. Commitment is not demonstrated by a one-time memo and a new policy. The message must be communicated repeatedly throughout the organization by many means, both formal and informal. Further, the agency must dedicate itself to an environment committed to high ethical values. Through these efforts, the EPA's supervisors could continuously establish and reaffirm the control environment and "tone at the top" to prevent future abuses and mitigate any perceived culture of complacency.