



U.S. ENVIRONMENTAL PROTECTION AGENCY



Fiscal Year

2007

*Performance and
Accountability Report*

HIGHLIGHTS



ENVIRONMENTAL AND FINANCIAL PROGRESS

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Message From the Administrator



I am pleased to present the “Highlights” of the U.S. Environmental Protection Agency’s *Fiscal Year 2007 Performance and Accountability Report (PAR)*. The PAR meets the requirements of the Government Performance and Results Act and other management-related statutes. It also demonstrates EPA’s commitment to be accountable for achieving results, measured against the performance goals we established in our annual plan and budget.

Our FY 2007 report reveals the considerable progress that EPA has made toward protecting human health and the environment with the help of our state, local, and tribal partners. We intend to learn from our experience this year to adjust our approaches and build on our accomplishments. We will continue to rely on collaborative efforts, innovative programs, and sound science to promote human health and environmental protection values and to establish a culture of environmental stewardship.

EPA is proud of the results we and our partners achieved in FY 2007 to improve the quality of our air and water and to protect our land. We will continue to meet our responsibilities for enforcing the nation’s environmental laws and regulations and to work in collaboration with our partners to address the environmental challenges that lie ahead. We look forward to working with all Americans—businesses, communities, organizations, and individuals—to shift our nation to a greener culture and assist us in passing down a cleaner, healthier world to future generations.

Stephen L. Johnson
EPA Administrator



Message From the Chief Financial Officer

The Environmental Protection Agency’s FY 2007 Performance and Accountability Report (PAR), which was submitted to the President and the Congress in November 2007, provides information on the Agency’s accomplishments and challenges in protecting human health and the environment, our use of the financial resources entrusted to us, and our progress in addressing key challenges in managing the day-to-day work of the Agency. The pages that follow offer a “snapshot” of key performance and financial information presented in the formal PAR report. I hope that readers will use the links provided to pursue additional areas of interest about EPA’s management accomplishments, challenges, and policies.

EPA is streamlining its financial workflow, improving financial reporting, and further integrating program, performance, and financial information into a new and comprehensive financial management system. We will continue to work to meet the financial management standards that demonstrate our commitment to financial excellence and to ensure that we use taxpayers’ dollars wisely and effectively in fulfilling our mission to protect human health and the environment. We look forward to continuing our collaboration with our partners and stakeholders and the American public and to developing innovative, cost-effective strategies to help meet the challenges ahead.

Lyons Gray
Chief Financial Officer



Introduction

Since it was established in 1970, the U.S. Environmental Protection Agency (EPA) has worked to achieve a cleaner, healthier environment for all Americans. From regulating vehicle emissions to banning the use of the pesticide DDT, from cleaning up toxic waste to protecting the ozone layer, and from promoting recycling and resource conservation to revitalizing inner city brownfield sites, EPA and its partners and stakeholders have made enormous strides in protecting human health and the environment.

Although the Agency and its partners have achieved a great deal over the past several decades, much work remains. The environmental problems the country faces today are more complex than those of years past, and implementing solutions—nationally and globally—is more challenging. Population growth

and its associated resource consumption, climate change, threats to homeland security, and the spread of disease through global travel, for example, pose important new concerns. Scientific advances and emerging technologies, such as nanotechnology or bioengineering, offer new opportunities for protecting human health and the environment but also pose new risks and challenges.

EPA and its partners work to address these and other issues. The Agency's *FY 2007 Performance and Accountability Report* (PAR) summarizes the results we achieved during FY 2007 and the advances we made toward our long-term strategic goals for protecting human health and the environment. It fulfills requirements of the

Government Performance and Results Act and other legislation for reporting on environmental and financial performance, demonstrating results, and providing information on our financial performance and our overall management.¹ This "Highlights" document summarizes some of the key information provided in EPA's full FY 2007 PAR, which is available on our Web site at: www.epa.gov/ocfo/par/2007par.



¹ The Federal Managers' Financial Integrity Act, the Inspector General Act Amendments, the Government Management Reform Act, the Chief Financial Officers Act, and the Reports Consolidation Act.



About EPA

Working With States

EPA collaborates closely with the Environmental Council of the States (ECOS). We work with the ECOS Planning Committee and participate on its ECOS-EPA Partnership and Performance Work Group, a senior-level oversight body governing ongoing efforts to strengthen the state-EPA partnership. EPA's National Program Managers consult with various ECOS committees to develop program strategies and approaches for addressing a variety of environmental issues. In FY 2007, EPA and ECOS developed a state grant measures template to strengthen consistency and transparency in reporting results under certain types of grants. ECOS and EPA also worked together to identify priorities, reduce the paperwork burden on states, and improve the timeliness of grant awards.



What We Do

EPA's mission is to protect human health and the environment. The Agency leads the nation's environmental science, research, education, and assessment efforts. To accomplish our mission, EPA:

- Develops regulations that implement environmental laws enacted by Congress. We evaluate environmental and pollutant data to set national standards for a variety of environmental programs and delegate to states and tribes the responsibility for issuing permits and monitoring and enforcing compliance.
- Enforces environmental laws, regulations, and standards by taking legal action. EPA also offers assistance to states, tribes, and the regulated community in understanding and complying with environmental requirements to reach desired levels of environmental quality.
- Provides grants to states, nonprofit organizations, and educational institutions to support program implementation and high-quality research that will improve the scientific basis for decisions on national environmental and human health issues and help the Agency achieve its goals.
- Performs environmental research at laboratories across the country.
- Sponsors voluntary partnerships and programs with more than 10,000 industries, businesses, nonprofit organizations, and state and local governments on more than 40 pollution prevention programs and energy conservation efforts.
- Advances educational efforts to develop an environmentally conscious and responsible public and inspires personal responsibility in caring for the environment.
- Provides publications and other information on its public Web site.

Who We Are

EPA employs 17,072 people across the country, in our headquarters offices in Washington, DC, 10 regional offices, and more than a dozen laboratories and field sites. The Agency's staff is highly educated and technically trained—more than half are engineers, scientists, and policy analysts. In addition, EPA employs legal, public

affairs, financial, information management, and computer specialists. EPA Administrator Stephen L. Johnson is the first career executive and the first career scientist to lead the Agency. For more information, visit EPA's Web site at: www.epa.gov.



How We Work

PARTNERSHIPS

An essential component of how EPA works to address today's increasingly complex environmental challenges is the Agency's partnerships with other federal agencies, states,

tribes, local governments, and foreign countries. We believe that it is only through our collaborative efforts with our partners, as well as the participation of business and industry,

nonprofit organizations, environmental groups, and the American public, that we can achieve results and meet our goals for a cleaner, safer environment.

Working With Tribes

In FY 2007, EPA continued to work in partnership with tribes in a government-to-government relationship to improve compliance in Indian Country, focusing particularly on issues concerning drinking water systems, schools, and proper management of solid waste. Among other initiatives, EPA launched a Web-based Tribal Compliance Assistance Center (www.epa.gov/tribalcompliance) to increase tribes' access to information on federal environmental requirements and to improve environmental compliance and management in Indian Country. The center offers compliance assistance and pollution prevention information for regulated activities in Indian Country and enables tribes and tribal members to report environmental violations directly to EPA. The Agency also launched the first-of-its-kind portal Web site to help the tribal community, its supporters, and the public find tribal environmental information and data on all media through a single Web-based access point. The new Web site allows EPA to consolidate and share environmental information reflecting the tribal community's perspective and needs in an easy-to-navigate structure. Visit the Tribal Portal at: www.epa.gov/tribalportal.



U.S. Environmental Protection Agency

The mission of the Environmental Protection Agency is to protect human health and the environment



PLANNING, BUDGETING, AND ACCOUNTABILITY

To carry out our mission to protect human health and the environment, EPA established five broad, long-term strategic goals:

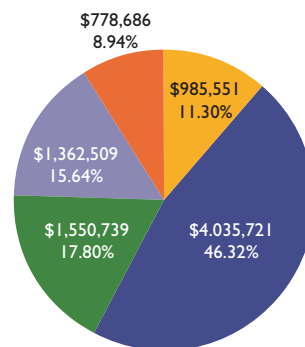
1. Clean Air and Global Climate Change
2. Clean and Safe Water
3. Land Preservation and Restoration
4. Healthy Communities and Ecosystems
5. Compliance and Environmental Stewardship

These five goals, their 20 supporting objectives, and numerous strategic targets are

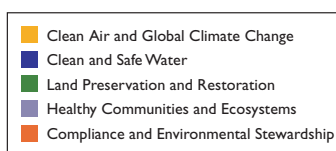
described fully in EPA's 2006-2011 *Strategic Plan*.² Each year, based on this *Strategic Plan*, EPA commits to annual goals and measures that support the achievement of our strategic targets. We present these annual goals and measures in our *Annual Performance Plan and Budget*,³ and we are accountable for using our resources efficiently and effectively to achieve results against them. EPA reports on its performance compared to these goals and measures in our annual PAR.

EPA's FY 2007 net cost of operations to fulfill the requirements of the Agency's five strategic goals was \$8.7 billion.

How Funds Were Used: Net Program Costs
(Dollars in Thousands)

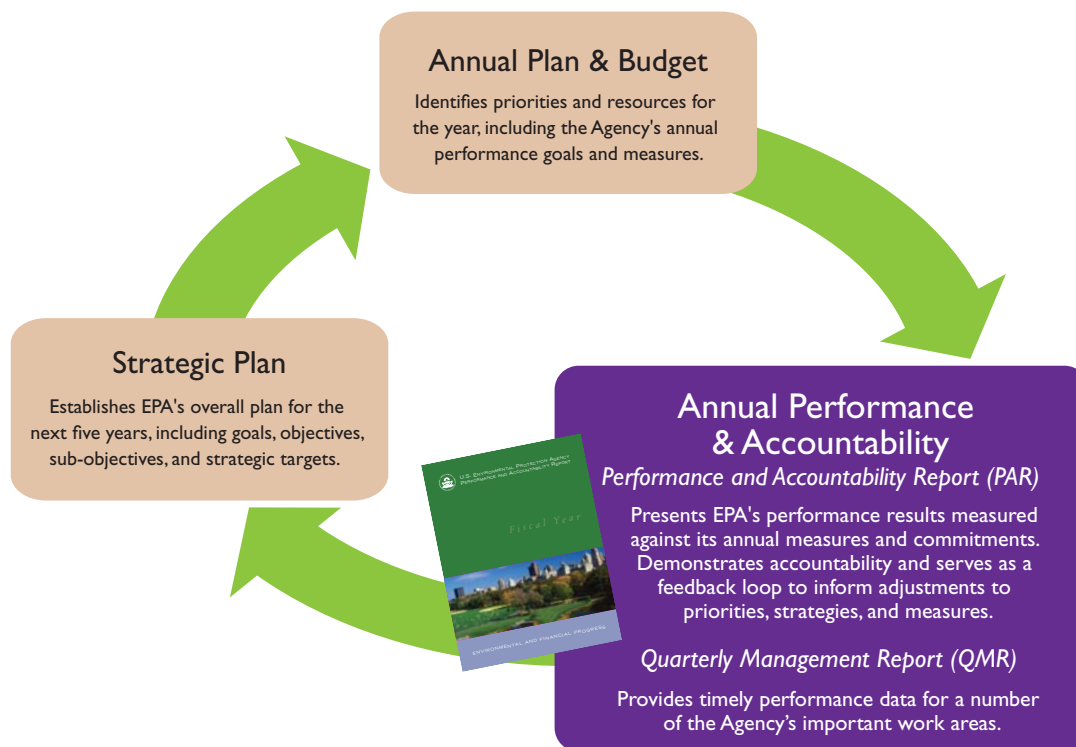


Source: FY 2007 Statement of Net Cost by Goal



The figure above shows how funds were used across each strategic goal.

Planning, Budgeting, and Accountability for Results



² www.epa.gov/ocfo/plan/plan.htm

³ <http://www.epa.gov/ocfo/budget/index.htm>



Program Performance

Status of Performance Measures

PERFORMANCE MEASURES MET AND MISSED

In its FY 2007 Annual Plan, EPA committed to 167 annual performance measures (PMs). In FY 2007, the Agency met 100 of these PMs, 86 percent of which had data available at the time the PAR was published.

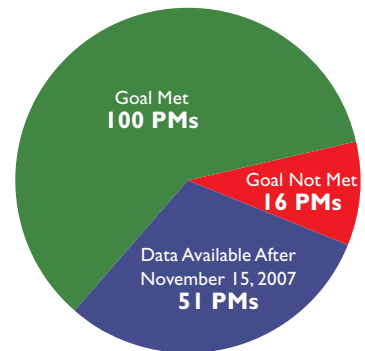
EPA significantly exceeded its targets for a number of its FY 2007 PMs. In some cases, a particularly strong collaborative effort or application of an innovative new approach allowed the Agency to accomplish more than it had planned. For example, EPA exceeded its targets for closing open dumps in Indian Country or on other tribal lands because several regions, notably Region 6 (Dallas) and 9 (San Francisco), were particularly successful in leveraging General Assistance Program grants to accomplish this work. Including these cleanups in

RCRA Supplemental Environmental Projects also increased regional results. In other cases, the Agency exceeded its target for a new PM because, lacking the experience and trend data we needed to determine an ambitious yet realistic target, we set our FY 2007 target conservatively.

Despite our best efforts, however, we and our partners were unable to meet 16 of the 116 FY 2007 PMs for which performance data were available. There are a number of reasons for missing these targets:

- Unexpected demands or competing priorities sometimes diverted resources needed for meeting FY 2007 targets.
- In our commitment to develop meaningful goals and measures that evidence environmental outcomes, in some cases we may have overestimated our ability to achieve annual

EPA's FY 2007 Performance Results



results. For example, EPA set an ambitious target for restoring valuable underwater grasses in the Chesapeake Bay. However, population growth, land use, and other factors have affected progress in reducing nitrogen, phosphorous, and sediment pollution loads entering the bay. Despite the efforts of EPA, states, and others, pollution reduction strategies have not improved water quality conditions or permitted restoration of aquatic vegetation to the extent

envisioned by Chesapeake Bay Program partners.

- Factors affecting the activities of the Agency's federal, state, and local government partners, who collaborate closely with EPA, also had an impact on annual performance results.

EPA is carefully considering the various causes for these FY 2007 shortfalls as we adjust our program strategies and establish annual targets for FY 2008 and beyond. As part of our annual planning process, EPA will continue to work closely with our partners to address challenges and ensure progress toward our environmental and human health objectives.

DATA UNAVAILABLE

Because final end-of-year data were not available, our FY 2007 PAR did not report on 51 of our 167 PMs. This delay in reporting can be largely attributed to the Agency's sharpened focus on longer-term environmental and human health outcomes rather than activity-based outputs. Environmental outcome results might not become apparent within a fiscal year, and assessing environmental improvements often requires multi-year information. Many variables are involved in evaluating progress toward an outcome-oriented goal, and it takes time to understand and assess such factors as exposure and the resulting impact on human health.

EPA relies heavily on performance data obtained from local, state, and tribal agencies, all of which require time to collect the information and review it for quality. Often, EPA is unable to obtain complete end-of-year information from all sources in time to meet the deadline for this report. We are reducing such delays in reporting, however, by capitalizing on new information technologies to exchange and integrate electronic data and information, improve data quality and reliability, and reduce the burden on our partners.

In many cases, reporting cycles—including some that are legislatively mandated—do not correspond with the federal fiscal year on which this report is based. Data reported biennially or on a calendar-year basis, for example, are not available for this report but will be provided in subsequent reports. Extensive quality assurance/quality control (QA/QC) processes to ensure the reliability of performance data can

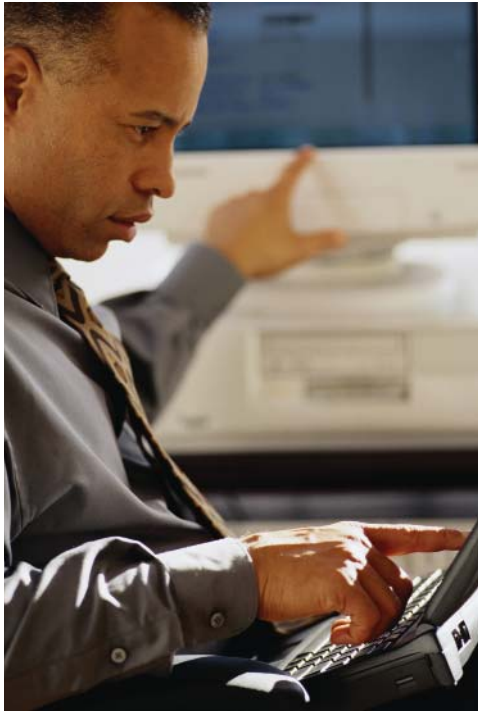
also delay reporting. In some cases, such as for certain compliance and enforcement information, the Agency adjusted data collection and QA/QC processes to meet the November 15, 2007, Congressional deadline for submitting this report. In other cases, EPA presents the most current data available and will provide complete data in a future report.

DATA NOW AVAILABLE

EPA is now able to report data from previous years that became available in FY 2007. Final performance results data became available for 46 of the FY 2006 PMs that the Agency did not cover in its FY 2006 PAR. Of these 46 FY 2006 PMs, EPA met 39. For example, the Agency exceeded its FY 2006 target for 1,000 environmental assessments of brownfields properties by assessing 2,139 properties. EPA can now report achieving 133 (76 percent) of the 174 FY 2006 PMs for which it has data.



Improvements in Performance Measures and Performance Management



During FY 2007, EPA developed and implemented a series of key initiatives designed to improve the quality and consistency of its performance

information and help the Agency's senior leaders "use measures to manage."

EPA is also creating tools to improve its access to and use of performance measures. In 2007, the Agency began a concerted effort to centralize its performance information in its automated Annual Commitment System (ACS), creating a "Measures Central" that consolidates measures and measures information. For example, ACS now tracks state grant performance information annually. The Agency has also updated its reporting and business intelligence tool system to simplify access to performance information.

EPA has continued to improve and refine the Quarterly Management Report (QMR) it initiated in FY 2006.

The QMR provides timely performance data for 60 of the Agency's priority work areas. It complements other budget, performance, and financial management tools that support the Agency's performance management system.

Originally, the QMR was used exclusively as an internal management tool, but in FY 2007, the Agency made the report available to the public to increase transparency and encourage a constructive dialogue on how EPA can use performance measures better to protect the environment. By looking at fresh data on a quarterly basis, EPA is using performance measures to "learn and do" rather than simply to "report." The QMR is available on EPA's Web site at: www.epa.gov/ocfo/qmr/.

Highlights of Strategic Goal 1:

Clean Air *and* Global Climate Change

Protect and improve the air so it is healthy to breathe, and risks to human health and the environment are reduced. Reduce greenhouse gas intensity by enhancing partnerships with businesses and other sectors.



Air pollution is a problem for all of us. The average adult breathes more than 3,000 gallons of air every day, and children breathe even more air per pound of body weight. Air pollutants, such as those that form urban smog, may remain in the environment for long periods of time and can be carried by the wind hundreds of miles from their origin. Millions of people live in areas where urban smog, very small particles, and toxic pollutants pose serious health concerns. People exposed to certain air pollutants may experience burning in their eyes, an irritated throat, or breathing difficulties. Long-term exposure to certain air pollutants may cause cancer and may damage the immune, neurological, reproductive, and respiratory systems.

EPA implements the Clean Air Act Amendments of 1990 and other environmental laws and uses innovative approaches,

such as emissions trading, to reduce and prevent the harmful emissions from power plants and other large sources, motor vehicles, and fuels that contribute to outdoor air pollution. The Clean Air Act Amendments authorize EPA to set limits on how much of a pollutant can be in the air anywhere in the United States, ensuring that all Americans have the same basic health and environmental protection. While the law allows individual states to establish stronger pollution controls, no state is allowed to have weaker pollution controls than those set for the country as a whole. It makes sense for states to take the lead in carrying out the Clean Air Act, because pollution control problems often require a particular understanding of factors such as local industries, geography, and housing patterns. The U.S. government, through EPA, assists states by providing scientific research, expert studies, engi-

Goal 1 FY 2007
Performance Measures
Met = 1
Not Met = 0
Data Available After
November 15, 2007 = 25
(Total Performance
Measures = 26)

neering designs, and money to support state clean air programs.

Since most people spend much of their lives indoors, the quality of indoor air is another major area of concern for EPA. Sources of indoor air pollution include oil, gas, kerosene, coal, wood, and tobacco products and building materials and furnishings, such as asbestos-containing insulation, damp carpets, household cleaning products, and lead-based paints. Often, the people who may be exposed to indoor air pollutants for the longest periods of time are also those most susceptible to the effects of indoor air pollution: the young, the elderly,

and the chronically ill, especially those suffering from respiratory or cardiovascular disease. EPA provides hotlines, publications, outreach and other initiatives to improve the quality of air in our homes, schools, and offices.

EPA also works to address climate change. Since the beginning of the industrial revolution, concentrations of several greenhouse gases (including carbon dioxide, methane, and nitrous oxide)

have increased substantially, contributing to climate change. Important questions remain about how much warming will occur, how fast it will occur, and how the warming will affect the rest of the climate system. To help answer these questions, the President's climate change program is focused on furthering understanding of the science of climate change and developing new technologies to reduce emissions. EPA's voluntary and incentive-based programs to

reduce emissions of greenhouse gases, such as ENERGY STAR, Climate Leaders, and the Landfill Methane Outreach program, are a critical part of the President's plan to reduce greenhouse gas emissions. Under the stratospheric ozone layer protection program, EPA coordinates numerous regulatory programs designed to protect and restore the ozone layer and continues to participate actively in developing international ozone protection policies.



Significant Accomplishments Under Goal 1

ACHIEVING HEALTHIER OUTDOOR AIR

- Ozone levels have dropped 21 percent nationwide since 1980 as EPA, states, and local governments have worked together to continue to improve the nation's air.
- In June 2007, EPA proposed to strengthen the nation's air quality standards for ground-level ozone, revising the standards for the first time

since 1997. The proposal is based on the most recent scientific evidence about the health effects of ozone, the primary component of smog. EPA projects that health benefits of the proposed ozone standard could be in the billions of dollars.⁴ The Agency will issue final standards by March 2008.

ACHIEVING HEALTHIER INDOOR AIR

- In 2006, the Agency held symposia and worked with grantees to train more than 3,000 health professionals on asthma and environmental trigger management. As a result of the award-winning Asthma Goldfish Public Service Campaign, national awareness of asthma triggers
- Through 2006, the Agency worked with approximately 36,000 schools to help implement an effective indoor air quality plan based on criteria set by EPA. Poor

ventilation in elementary and secondary schools contributes to unsatisfactory indoor air quality, putting children, a vulnerable segment of the population who are more susceptible to pollutants and spend long hours in school facilities, at particular risk.

⁴ U.S. Environmental Protection Agency, Office of Air Quality Planning and Standards, 2007, Regulatory Impact Analyses: Proposed Revisions to the National Ambient Air Quality Standards for Ground-Level Ozone. www.epa.gov/ttn/ecas/ria.htm/ria2007.

- Radon is the second leading cause of lung cancer in America and is associated with about 20,000 lung cancer deaths every year.⁵ EPA estimates that in FY 2005 (the most recent year for which we have complete data), the combination of homes with radon mitigation

systems and homes built with radon-resistant techniques—voluntary public actions that EPA promoted—saved approximately 575 lives.

PROTECTING THE OZONE LAYER

- 2007 marked the 20th anniversary of the signing of the Montreal Protocol. Since signing in 1987, the United States has achieved a 90-percent reduction in the production and consumption of ozone-depleting substances, ending the production and import of more than 1.7 billion pounds of these chemicals per year. The faster the ozone layer is healed, the greater the prevention of human health damages caused by excess UV radiation, including skin cancer.
- In 2005 (the last year for which data are available), the United States reduced

annual emissions of ozone-depleting substances by more than 1,200 tons.



MONITORING AND RESPONDING TO RADIATION

- In FY 2007, EPA participated in several major radiological emergency response exercises, including exercises that simulated the detonation of a defined-area radiological dispersal device (dirty bomb), simulated the detonation of an improvised nuclear device, and tested EPA's Incident Command System during a response to a radiological incident originating on foreign soil.
- The Agency developed RadMap, an interactive desktop tool featuring a Geographic Information System map and quick

access to information on long-term radiation monitoring locations across the country. RadMap is designed for use by emergency responders and provides access to key information on 500 monitors and the areas surrounding them.

REDUCING GREENHOUSE GAS INTENSITY

- EPA achieved significant greenhouse gas reductions in 2006 (the latest year for which data are available) through its climate protection partnership programs and is on track to contribute about 70 percent of the reductions necessary to achieve the President's 2012 greenhouse gas intensity goal.⁶
- EPA partnered with more than 11,000 organizations nationwide to improve energy efficiency. The partnerships are working to increase the supply of clean energy across the building, industrial, and transportation sectors by breaking down the market barriers that prevent investments in cost-effective, climate-friendly technologies and practices. EPA currently estimates that its partners reduced greenhouse gas emissions by about 100 million metric tons of carbon equivalent (MMTCE) through measures in place in 2006.

⁵ www.epa.gov/radon/healthrisks.html, and U.S. Environmental Protection Agency, June 2003, EPA Assessment of Risks from Radon in Homes, EPA402-R-03-003.

⁶ For the President's goal, see: www.whitehouse.gov/news/releases/2002/02/climatechange.html#.

- Through ENERGY STAR, consumers saved more than \$14 billion on their energy bills by purchasing more than 300 million labeled products, constructing almost 200,000 ENERGY STAR new homes, using EPA's energy performance rating system to track and improve the energy use of over 30,000 commercial buildings, and reducing energy use at hundreds of industrial facilities.
- More than 650 organizations committed to purchasing almost 7 billion kilowatt-hours of green power, and 200 organizations installed more than 3,500 megawatts of new combined heat and power capacity.
- More than 600 freight carriers and shippers, covering 361,000 heavy duty diesel trucks, are now participating in EPA's SmartWay Transport Partnership Program. These partners account for approximately 12 percent of the



industry's greenhouse gas emissions. SmartWay partners are implementing fuel efficiency measures that will reduce greenhouse gas emissions by more than 1.9 MMTCE per year, with annual fuel savings of \$1.7 billion.

ENHANCING SCIENCE AND RESEARCH

- EPA's Clean Air Research Program completed 100 percent of its planned actions toward the long-term goal of reducing uncertainty in the science that supports standards setting and air quality management decisions. As a result of research conducted under this program, EPA has

proposed to strengthen the nation's air quality standards for ground-level ozone, revising the standards for the first time since 1997.

Addressing Challenges Under Goal 1

- Of the six tracked air pollutants, ground-level ozone and particulate matter are the most widespread. We must integrate our toxics and climate programs with our more traditional criteria pollutant programs and emphasize strategies that result in more reductions in air toxics, increased energy efficiency, and cleaner fuels. EPA programs need to work together so that we minimize the burden on the regulated community while maximizing pollution reduction across all titles of the Clean Air Act.
- At a September 21, 2007, meeting in Montreal that recognized the 20th anniversary of the Montreal Protocol, the 191 parties to the Protocol reached a milestone agreement to accelerate recovery of the Earth's stratospheric ozone layer and, at the same time, prevent large quantities of greenhouse gas emissions. Parties agreed to speed up by a decade the phase-out of hydrochlorofluorocarbons (HCFCs). Because HCFCs are also greenhouse gases, the agreement to accelerate their phase-out also provides benefits for the climate system. EPA faces a challenge in identifying acceptable substitutes to ozone-depleting substances.
- EPA's latest annual report on greenhouse gas emissions, *Inventory of U.S. Greenhouse Gas Emissions and Sinks: 1990-2005* (April 2007),

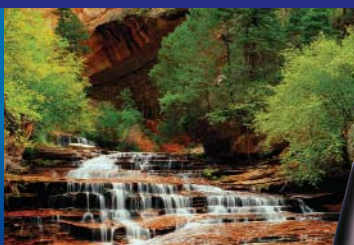
which it prepared for the United Nations Framework on Climate Change, is a study in challenges.⁷ The report shows that the United States is making progress in reducing the emissions of some critical gases as it works toward cutting U.S. greenhouse gas intensity by 18 percent by 2012. However, strong economic growth starting in 2005 and an increase in the demand for electricity during warmer summer conditions are expected to keep carbon dioxide emissions high. EPA is targeting its climate protection partnership programs to address this growing electricity demand in the residential, commercial, and industrial sectors.

⁷ U.S. Environmental Protection Agency, April 2006, *The Inventory of U.S. Greenhouse Gas Emissions and Sinks: 1994-2004*, EPA430-R-06-002.

Highlights of Strategic Goal 2:

Clean *and* Safe Water

Ensure drinking water is safe. Restore and maintain oceans, watersheds, and their aquatic ecosystems to protect human health; support economic and recreational activities; and provide healthy habitat for fish, plants, and wildlife.

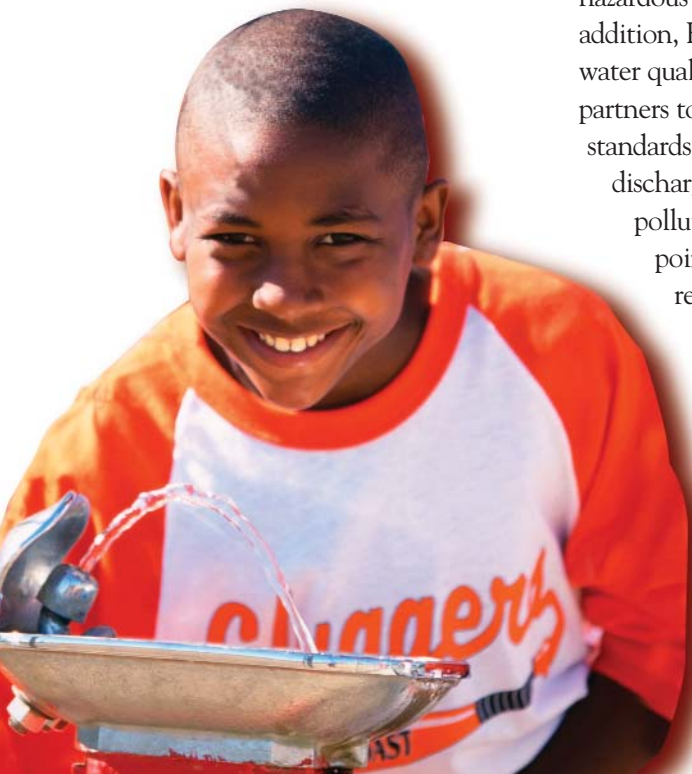


EPA, in coordination with its partners, protects and improves the quality of the nation's drinking and surface waters. To ensure that tap water is safe to drink, we set limits for drinking water contaminants; help to sustain the network of pipes and treatment facilities that constitute the nation's water infrastructure; and work with water systems to plan for,

prevent, detect, and respond to terrorist or other threats to our drinking water supplies. To ensure safe ground water supplies, EPA works with our state and local partners to implement source water protection plans for the area surrounding drinking water sources. Also, the Underground Injection Control program regulates the subsurface injections of hazardous and non-hazardous substances in wells. In addition, EPA monitors surface water quality and works with state partners to strengthen water quality standards, develop and/or approve discharge permits, and reduce pollution from diffuse or non-point sources. EPA is restoring polluted waters across the country by implementing cleanups and promoting innovative, cost-effective practices, such as water quality trading and permitting on a watershed basis.

Goal 2 FY 2007
Performance Measures
Met = 20
Not Met = 5
Data Available After
November 15, 2007 = 7
(Total Performance
Measures = 32)

While EPA continues to make progress toward safe and secure drinking water, challenges remain. Drinking water systems are increasingly stressed due to aging infrastructure and expanding populations. In the pages that follow, we report on our accomplishments and challenges in addressing water quality issues—strengthening and improving drinking water standards, maintaining safe water quality at public beaches, restoring polluted water bodies, and improving the health of coastal waters.



Significant Accomplishments Under Goal 2

PROTECTING HUMAN HEALTH

- In FY 2007, 91.5 percent of the population served by community water systems received drinking water that met all applicable health-based drinking water standards (slightly short of EPA's target of 94 percent).



- EPA met its FY 2007 goal by keeping coastal and Great Lakes beaches open 95 percent of beach season days during the past year's swimming season (calendar year 2006).
- EPA completed freshwater epidemiology studies that tested a rapid indicator for pollutants in swimming waters. These results will help local governments make decisions on beach closures and health advisory notices quickly and more efficiently.

PROTECTING WATER QUALITY

- EPA is making strong progress in addressing impaired waters: In FY 2007, a cumulative 15 percent (against the FY 2007 target of 14.1 percent) of waters listed as impaired in 2000 are now fully attaining water quality standards.
- Under EPA's National Pollutant Discharge Elimination System, permits implementing standards for industrial sources, municipal treatment plants, and stormwater prevented discharge of 37 billion pounds of pollutants into waterways.
- EPA released the Wadeable Stream Assessment, the first statistically valid assessment of national stream condition. The assessment found that 28 percent of the nation's streams are in good condition (25 to 30 percent of streams across the United States were estimated to have high levels of nutrients or excess sedimentation).
- Data now available in FY 2007 show that annual load reductions for non-point sources of pollution exceeded the Agency's FY 2006 targets. EPA's partners reduced phosphorus by 11.8 million pounds, nitrogen by 14.5 million pounds, and sediment by 1.2 million tons.
- In FY 2007, the Clean Water

Indian Set-Aside Program funded 65 wastewater infrastructure projects in Indian Country, covering over 7,200 homes out of a base of 26,777 homes lacking access to basic sanitation.



ENHANCING SCIENCE AND RESEARCH

- In FY 2007, methods, models, and tools produced by EPA's Office of Research and Development contributed, in part, to risk assessments that resulted in EPA's preliminary determinations not to regulate 11 chemical contaminants from the Contaminant Candidate List (CCL2). In this science-based decision, EPA helped reduce the economic and technical burden on water utilities by allowing them to focus on protecting public health through controlling the high-priority contaminants that are currently regulated.
- Through the Salmon 2100 Project, EPA developed a set of policy options for restoring salmon runs to significant, sustainable levels in California, Oregon, Washington, Idaho, and southern British Columbia.
- Developed "message maps"—science-based risk communication tools that enable quick and concise delivery of pertinent information during emergencies affecting drinking water systems.

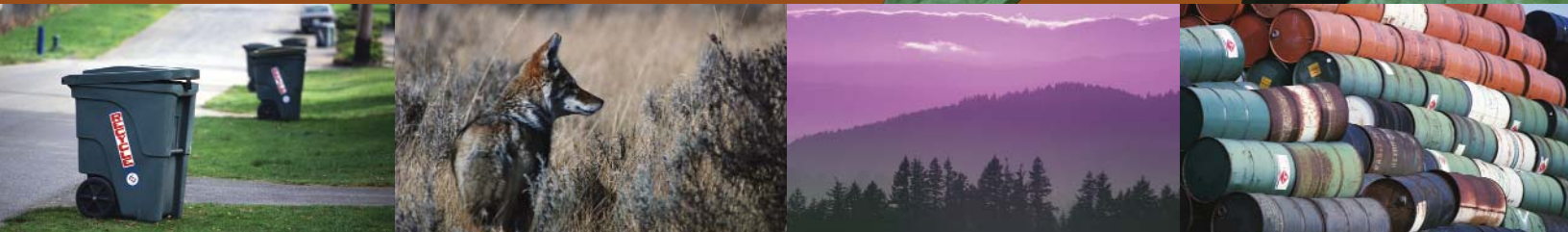
Addressing Challenges Under Goal 2

- The nation's drinking water infrastructure is aging. Water utilities face the challenge of substantial reinvestment in water infrastructure to sustain current levels of service and to meet increasing future public health protection needs. Drinking Water State Revolving Funds (DWSRFs) offer low-interest loans and other assistance to water systems to help provide safe, reliable water service on a sustainable basis. EPA and the states must manage the DWSRF program to maximize public health protection with available funds.
- Progress in addressing impaired waters will likely slow as listings of water bodies become more accurate and "easy" restorations are completed. Many remaining problems, such as urban wet weather impairments and persistent legacy pollutants, are complex and may take many years to solve (e.g., restoring stream bank trees to address temperature problems).



Land Preservation and Restoration

Preserve and restore the land by using innovative waste management practices and cleaning up contaminated properties to reduce risk posed by releases of harmful substances.



EPA's land preservation and restoration goal presents our strategic vision for managing waste, conserving and recovering the value of wastes, preventing releases, responding to emergencies, and cleaning up contaminated land. Uncontrolled wastes can cause acute illness or chronic disease and can threaten healthy ecosystems. Cleanup almost always costs more than prevention, and contaminated land can be a barrier to bringing jobs and revitalization to a community. Disposed wastes also represent a loss of important material and energy values.

EPA employs a hierarchy of approaches to protect the land, including reducing waste at its source, recycling waste for materials or energy values, managing waste effectively to prevent spills and releases of toxic materials, and cleaning up contaminated properties. EPA works to ensure

that hazardous and solid wastes are managed safely at industrial facilities. Working with states, tribes, local governments and responsible parties, we clean up uncontrolled or hazardous waste sites and return land to productive use. Similarly, we work to address risks associated with leaking underground storage tanks and wastes managed at industrial facilities.

We are helping develop public-private partnerships to conserve resources in key areas. We collaborate with our partners in innovative, non-regulatory efforts to minimize the amount of waste generated and promote recycling to recover materials and energy. Through programs like our Resource Conservation Challenge, we promote opportunities for converting waste to economically viable products, thereby conserving resources.

Goal 3 FY 2007
Performance Measures
Met = 22
Not Met = 4
Data Available After
November 15, 2007 = 3
(Total Performance
Measures = 29)

We also work closely with other government agencies to ensure that we are ready to respond in the event of an emergency which could affect human health or the environment. We strive to improve our preparedness and response capabilities, particularly in the area of homeland security.

Finally, we conduct and apply scientific research to develop cost-effective methods for managing wastes, assessing risks, and cleaning up hazardous waste sites.

Significant Accomplishments Under Goal 3

PRESERVING LAND

- Through EPA-sponsored efforts, the national municipal solid waste (MSW) recycling rate has reached 32 percent of the waste stream (based on the most current data from FY 2005). EPA reduced 49.92 million metric tons of carbon equivalent (MMTCE), which translates into removing 39.6 million cars from the road. The MSW recycling rate also reflects a savings of 1.4 quadrillion British thermal units (Btu), which is equivalent to 11.3 billion gallons of gas or 14 percent of U.S. residential energy demand.
- The number of hazardous waste management facilities with approved controls in

place to prevent dangerous releases to air, soil, and ground water increased to 71 (2.8 percent of the baseline), meeting EPA's FY 2007 target.

Pursuant to the Resource Conservation and Recovery Act (RCRA), EPA's hazardous waste management program is on track to bring 95 percent of facilities under approved controls by FY 2008.

- States made significant progress in renewing permits for hazardous waste management facilities, renewing 96 permits during FY 2007 and enabling the RCRA program to meet its FY 2008 goal of 150 permit renewals a year early.

RESTORING LAND

- Controlling human exposures is a top priority for EPA's Superfund Remedial Program. In FY 2007, the program controlled all identified unacceptable human exposures from site contamination for current land and/or ground water use conditions at 13 sites, exceeding our target of 10, for a cumulative total of 1,282 (approximately 83 percent) of 1,543 sites where human exposures are a problem.
- Because ground water can be a vehicle for spreading contamination, EPA strives to control the migration of

contaminated ground water through engineered remedies or natural processes. In FY 2007, the Superfund program accomplished this goal at 19 of these sites, exceeding its target of 10, and reaching a cumulative total of 977, or approximately 71 percent of the 1,381 sites where ground water migration is a problem.

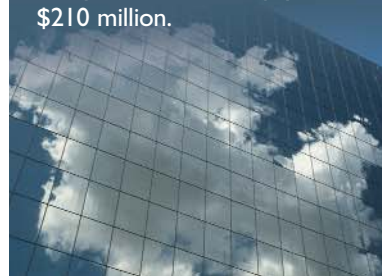
- Through its Superfund program, EPA met its target by completing the construction phase of cleanup at 24 sites across the country for a cumulative total of 1,030, or 65 percent of the sites on

Teamwork With Partners

Working together, EPA Region 3, Lehigh Valley Industrial Park, Inc., HDR Engineering, Inc., and the Pennsylvania Department of the Environment won a 2006 Brownfields Phoenix Award for in transforming 1,000 acres of the former Bethlehem Steel plant into the Bethlehem Commerce Center, located in Bethlehem, Pennsylvania.

Formed in 2000, the "Beth Steel" team's purpose was to provide rapid evaluation and cleanup of the environmental threats on the Bethlehem Steel property. The property was widely polluted with the remnants of 140 years of steel manufacturing (e.g., buried building foundation, abandoned infrastructure lines, and contaminated soil and ground water) when the company closed its doors.

The Bethlehem Commerce Center project is an innovative community and partnership effort and that will turn this closed steel mill into a flourishing home for businesses and provide employment. As of September 2007, eight new businesses with 1,600 jobs now call the center home. At full build-out, the center will generate more than \$1.5 billion in new investment and add 6,000 new jobs to the Lehigh Valley, with an annual payroll of \$210 million.





the National Priorities List (NPL). In addition, EPA determined that 64 Superfund sites were ready for reuse in their entirety, exceeding the target of 30.

- EPA exceeded its FY 2007 targets by addressing 1,968 high-priority facilities requiring RCRA corrective action. Of this total, current human

exposures are now under control at 93 percent of facilities, and the migration of contaminated ground water is under control at 78 percent of facilities. Final remedies have been constructed for 28 percent of these facilities.

- Leaking underground storage tanks (USTs) at gas stations and other locations release

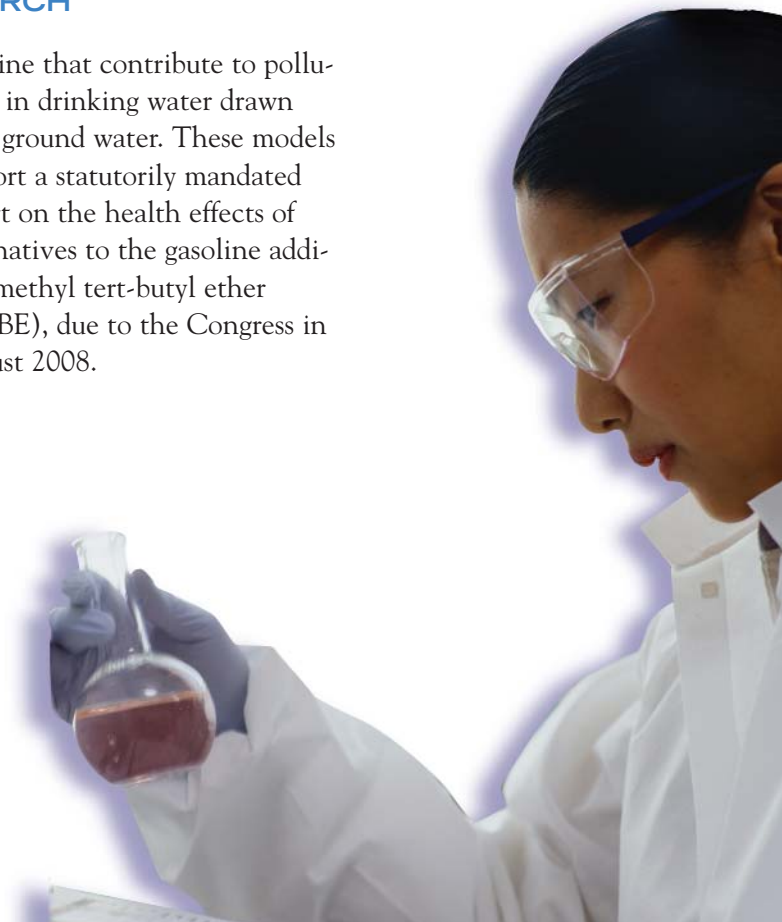
petroleum and other hazardous substances into the environment and are consistently ranked by states as a leading source of ground water contamination. EPA's state and tribal partners met and exceeded the Agency's target of 13,000 cleanups of leaking USTs, including 30 cleanups in Indian Country, with a total of 13,862 cleanups, including 54 cleanups in Indian Country.

- Since the beginning of the Agency's leaking UST program, EPA has cleaned up more than 77 percent (or 365,361) of all reported releases. In FY 2007, we continued to work with our state and tribal partners to address the backlog of 108,766 leaking UST cleanups not yet completed.

ENHANCING SCIENCE AND RESEARCH

- EPA scientists provided policymakers and land managers with 100 percent of planned research products to support managing land resources and waste and mitigating contaminated sites.
- Agency scientific and research staff also developed new models addressing characteristics of

gasoline that contribute to pollutants in drinking water drawn from ground water. These models support a statutorily mandated report on the health effects of alternatives to the gasoline additive methyl tert-butyl ether (MTBE), due to the Congress in August 2008.



Addressing Challenges Under Goal 3

- Some facilities pose more of a permitting challenge than others. While the remaining workload represents a small percentage of facilities, it involves more complex permit actions, such as addressing large and complex federal facilities or unit types that pose their own unique challenges.
- EPA's Superfund program faces several challenges. At private sites, it must balance ongoing work at as many sites as possible while maintaining a cost-effective rate of remediation at each site. At both private and federal sites, it must maintain a high rate of construction completions. Current NPL sites—particularly vast federal facilities that contain a wide variety of contaminants—are far more complex than the sites that have already been completed. The program also strives to keep remedies up-to-date in the face of continuing improvements in applicable science and/or technology and the discovery of emerging contaminants. Finally, the program must ensure that necessary institutional controls are implemented at remediated Superfund sites, given that state and/or local governments and other federal agencies (not EPA) are the responsible authorities.
- Similarly, meeting RCRA Corrective Action Program targets for human exposure under control and ground water migration under control will be more difficult in FY 2008, because only the most complex sites remain. Furthermore, the program has begun to emphasize the construction of final remedies, addressing the most complicated of the high-priority sites. Looking ahead, in FY 2009 the universe of facilities believed to need corrective action will nearly double to 3,746 sites, because we are now handling low- and medium-priority National Corrective Action Priority facilities. In the past, emphasis was on high-priority facilities. EPA's challenge

will be to accelerate corrective action to address these sites by 2020, the end of the planning horizon.

- Addressing the science and technology needs of decision-makers—and successfully transferring research products to users to provide better science or



reduce costs—is a significant challenge. Among other specific issues, EPA is working to establish federal agency leadership for the fate and transport nanotechnology research program; focusing scientific activities to have a significant impact on material reuse and brownfields; and developing technologies to remediate Superfund megasites more cost-effectively.

Healthy Communities and Ecosystems

Protect, sustain, or restore the health of people, communities, and ecosystems using integrated and comprehensive approaches and partnerships.



To protect, sustain, and restore our nation's communities and ecosystems, EPA uses a mix of regulatory programs, partnership efforts, and incentive-based approaches. EPA programs ensure that pesticides and other chemicals entering the market meet health and safety standards, that pesticides and chemicals already in commerce do not harm our health or environment, and that action is taken to reduce risks from pesticides and chemicals of greatest concern.

Many of our programs to achieve and sustain healthy communities are designed to bring tools, resources, and approaches to bear at the local level. We encourage community redevelopment by providing funds to identify, assess, and clean up the estimated hundreds of thousands of properties that lie abandoned or unused due to previous pollution. We help promote public

involvement and establish a sense of environmental stewardship to sustain environmental improvements by forging partnerships with communities to address local pollution problems.

We also collaborate with other federal agencies, states, tribes, local governments and many nongovernmental organizations on geographically based efforts to protect America's wetlands and major estuaries. Working with our partners and stakeholders, we have established special programs to protect and restore our natural resources.

Some threats to Americans' health and to our environment originate outside our borders. Many pollutants can easily travel across borders via rivers, air and ocean currents, and migrating wildlife. EPA employs a range of strategies to help mitigate some of these risks, including participating in bilateral programs,

Goal 4 FY 2007
Performance Measures
Met = 33
Not Met = 4
Data Available After
November 15, 2007 = 13
(Total Performance
Measures = 50)

cooperating with multinational organizations, and contributing to a set of measurable environmental and health end points.

Sound science guides us in identifying and addressing emerging issues and advances our understanding of long-standing human health and environmental challenges. Our cutting edge research helps us better characterize risks and benefits, furthers our ability to measure and describe environmental conditions, and encourages stewardship and sustainable solutions to environmental problems.

Significant Accomplishments Under Goal 4

ADDRESSING CHEMICAL, ORGANISM, AND PESTICIDE RISKS

- An August 2007 report by the Centers for Disease Control and Prevention (CDC) indicated that actions EPA took in 2002 to discontinue the industrial production of perfluorooctyl sulfonates (PFOS) and perfluorooctanoic acid (PFOA) led to a reduction in human blood levels of 32 percent for PFOS and 25 percent reduction for PFOA from 1999/2000 through 2003.
- EPA conducted a significant study of lead dust levels in renovation, repair, and repainting, laying the groundwork for the final FY 2008 rule establishing safe practices for the activities. This is part of a government-wide strategy to eliminate childhood lead poisoning by 2010.
- EPA produced ecological risk assessments and determinations of potential risk to certain endangered species; consulted with the U.S. Fish and Wildlife Service and National Marine Fisheries Service; and completed rigorous Endangered Species Act assessments to meet tight court-monitored schedules related to three lawsuits.
- EPA promulgated priority data requirement rulemakings for conventional, microbial, and biochemical pesticides that will strength-

en technical and scientific information supporting pesticide registration programs and decisions.

- In cooperation with the Canadian Pest Management Regulatory Agency, EPA



approved two harmonized NAFTA labels for pesticide products. This action will allow pesticide products that meet the regulatory requirements of all participating countries to move across borders and help prevent to prevent non-complying products from entering the United States.

- In August 2007, EPA was part of the delegation that reached a landmark agreement with Canada and Mexico under the Security and Prosperity Partnership for North America to ensure the safe manufacture and use of industrial chemicals.

- EPA completed validating three Endocrine Disruptors Screening Program (EDSP) test assays and issued *Federal Register* notices for a draft list of 73 chemicals for initial screening and peer

review, both long-awaited first steps toward initiating the testing phase of the EDSP.

- EPA proposed Acute Exposure Guidelines (AEGs) for 33 chemicals, exceeding the Agency's FY 2007 target of 24 and bringing to 218 the cumulative total of AEGs developed since 1996. AEGs provide short-term exposure limits applicable to a wide range of extremely hazardous substances and are used by first responders in dealing with chemical emergencies, including threats of chemical terrorism.

PROTECTING COMMUNITIES

Grants to Communities

In FY 2007, the Community Action for a Renewed Environment (CARE) program provided cooperative agreement grants and direct technical assistance to 29 geographically diverse communities and awarded 22 new cooperative agreement grants. EPA works in partnership with CARE community leaders to build local capacity and identify and reduce risk from toxics. For example, in FY 2007, EPA awarded New Haven, Connecticut, a diesel retrofit grant to install controls on construction equipment operating at schools. The CARE program in St. Louis, Missouri, created the first “no idling zone” in the city, requiring that buses turn off their engines after 10 minutes, reducing 516 tons of carbon dioxide a year. Other programs work to reduce chemical waste and remediate lead and reduced pests from the indoor environment.



- EPA’s U.S.- Mexico Border program:
 - Provided new drinking water connections to 1,276 homes and connected 73,475 homes to first-time wastewater service.
 - Certified 11 water infrastructure projects for construction, which should benefit more than 30,000 people when completed.
 - Removed approximately 1 million tires from the U.S.-Mexico border region and used them for fuel or in highway paving projects. Of 9 million tires, more than 3 million have been removed to date.
 - Supported Mexico’s switch to ultra-low sulfur fuel (less than 15 ppm sulfur) along the U.S.- Mexico Border. This change is expected to reduce emissions along the border, affecting a population of 12 million people, and to improve availability of ultra-low sulfur diesel fuel for U.S. trucks crossing into Mexico.
- EPA’s Brownfields and Land Revitalization Program
 - assessed 2,139 properties, cleaned up 91 properties, leveraged 5,504 jobs and \$1.4 billion in cleanup and redevelopment funding, and made 1,269 acres ready for reuse through site assessment or property cleanup. (These are FY 2006 results, which became available in FY 2007 and are the most current data.)
- In FY 2007, EPA awarded 10 Collaborative Problem-Solving (CPS) agreements to assist community-based organizations in addressing a range of environmental health benefits—from reducing indoor exposure to toxic chemicals to reducing exposure to chemicals in well water.
- In FY 2007, EPA provided alternative dispute resolution and environmental law training to more than 70 environmental justice grassroots organizations and tribal government representatives. These actions resulted in the signing of an agreement by the Navajo Nation EPA and Navajo environmental justice grassroots organizations aimed at increasing tribal awareness of and participation in environmental decision-making on the Navajo reservation.

PROTECTING ECOSYSTEMS

- Under the President's 2004 Earth Day Initiative, EPA restored and enhanced 61,856 acres of wetlands, exceeding its FY 2007 cumulative target of 12,000 acres. These acres include those supported by Wetland 5 Star Restoration Grants, the National Estuary Program, and Clean Water Act Section 319 Nonpoint Source grants.
- EPA issued the National Estuary Program (NEP) Coastal Condition Report, the first assessment of overall ecological condition of the 28 NEP estuaries. Nationally, 32 percent of NEP estuaries are in good condition, 29 percent are in fair condition, 37 percent are in poor condition, and 2 percent lack data on condition status.
- In collaboration with its partners, EPA made progress restoring and protecting the Great Lakes Ecosystem, remediating more than 440,000 cubic yards of contaminated sediments in two Legacy Act projects.
- At measured sites in the Great Lakes, average concentrations of polychlorinated biphenyls (PCBs) in whole lake trout and walleye samples continued to decline by 5 percent, and the average concentrations of PCBs in the air continued to decline by 7 percent.
- EPA's Chesapeake Bay Program reported a decrease in nitrogen and phosphorus discharged in the wastewater from municipal and industrial facilities that flows into the bay, accounting for a large portion of the estimated nutrient reductions in the Chesapeake Bay watershed to date. (These accomplishments reflect the FY 2007 mid-year results, which are the most accurate.)
- Toward a 2011 goal of 20,000 acres, EPA restored, protected, or enhanced a

cumulative 18,660 acres of coastal and marine habitat for the Gulf of Mexico, exceeding its FY 2007 goal of 15,800 acres.

- EPA reduced the number of impaired waterbody listings in the 13 priority areas of the Gulf of Mexico to 62, exceeding the target of 56.



ENHANCING SCIENCE AND RESEARCH

- EPA research programs supported decision-making for healthy communities and ecosystems, achieving 95 percent of research milestones on time.
- EPA's Human Health Research Program discovered a biomarker that can predict the severity of an asthmatic response in susceptible people, resulting in new protocols for improving indoor air quality and providing the scientific basis for public education policies and risk management strategies involving exposure to molds.
- EPA's Global Change Research Program completed 75 percent of a framework linking global change to air quality. By applying an air quality model under various climate scenarios, researchers can study the effect of climate change on air quality.
- EPA's Human Health Risk Assessment program completed the Lead Air Quality Criteria Document (AQCD)

on time—68 days prior to publication of EPA's draft Staff Paper. As a result, EPA remains on schedule to

complete, by 2010, 100 percent of the Integrated Science Assessments (ISAs—formerly known as

AQCDs) necessary to inform National Ambient Air Quality Standards regulatory decision-making.

Addressing Challenges Under Goal 4

- To comply with the Endangered Species Act, EPA must assess the risks of more than 19,000 pesticide products—each with multiple uses—covering more than 1,200 listed species. Completing the risk assessments under the 15-year review cycle schedule established under the Pesticide Registration Improvement Renewal Act of 2007 (PRIA 2) Pesticide Registration Improvement Act of 2003 (PRIA) is complicated by EPA's need to comply with separate court-ordered schedules requiring additional assessments of potential risks of particular pesticides to particular species.
- Chesapeake Bay-wide acreage of valuable underwater bay grasses decreased by 25 percent in 2006. This decline was largely due to higher than normal water temperatures in the mid- and lower bay and poor water clarity



throughout the Chesapeake Bay, due to excessive amounts of nitrogen, phosphorus, and sediment. EPA's Chesapeake Bay Program is working to decrease pollutants from runoff and other sources to improve conditions in the bay.

- All research agencies and organizations face challenges in measuring and improving the efficiency of research. In FY 2007, EPA made progress in this area by developing new measures that track research cost and perform-

ance. Because implementing these measures in a meaningful way remains a challenge, EPA engaged the National Academy of Sciences (NAS) and other agencies, including the Department of Energy, the National Science Foundation, and the National Institutes of Health, in a dialogue about how best to measure the efficiency of research. NAS expects to report its findings, conclusions, and recommendations by early 2008.

Compliance *and* Environmental Stewardship

Improve environmental performance through compliance with environmental requirements, preventing pollution, and promoting environmental stewardship. Protect human health and the environment by encouraging innovation and providing incentives for governments, businesses, and the public that promote environmental stewardship.



EPA ensures that government, business, and the public comply with federal laws and regulations by monitoring compliance and taking enforcement actions that result in reduced pollution and improved environmental management practices. To accelerate the nation's environmental protection efforts, EPA works to prevent pollution at the source, to encourage other forms of environmental stewardship, and to promote the tools of innovation and collaboration.

Effective compliance assistance and strong, consistent enforcement are critical to achieving the human health and environmental benefits expected from our environmental laws. EPA monitors compliance patterns and trends and focuses on priority problem areas identified in consultation with states, tribes, and other partners. The Agency supports the regulated community by assisting regulated entities in understanding environmental requirements, helping them identify cost-effective compliance

options and strategies, and providing incentives for compliance.

EPA promotes the principles of responsible environmental stewardship, sustainability, and accountability to achieve its strategic goals. Collaborating closely with other federal agencies, states, and tribes, the Agency identifies and promotes innovations that assist businesses and communities in improving their environmental performance. EPA works to improve and encourage pollution prevention and sustainable practices, helping businesses and communities move beyond compliance and become partners in protecting our national resources and improving the environment and our citizens' health. It works with businesses to increase energy efficiency, find environmentally preferable substitutes for chemicals of concern, and change processes to reduce toxic waste. EPA promotes improved communication through data sharing and collaboration and conducts research on pollution prevention, new and

Goal 5 FY 2007
Performance Measures

Met = 11
Not Met = 3
Data Available After
November 15, 2007 = 3

(Total Performance
Measures = 17)

developing technologies, social and economic issues, and decision making to help promote environmental stewardship. EPA also works with other nations as they develop their own environmental protection programs, leading to lower levels of pollution in the United States and worldwide.

Ensuring compliance and promoting environmental stewardship is an important component of the Agency's efforts to protect human health and the environment in Indian country. EPA continues to provide resources to support federally recognized tribes and inter-tribal consortia in assessing environmental conditions on their lands and building environmental programs tailored to their

needs. Tribes, the first stewards of America's environment, pro-

vide an invaluable perspective on environmental protection

that benefits and strengthens all of our stewardship programs.

Significant Accomplishments Under Goal 5

ACHIEVING ENVIRONMENTAL PROTECTION THROUGH IMPROVED COMPLIANCE



- In FY 2007, EPA achieved an estimated 890 million pounds of reduced, treated, or eliminated pollutants. This is the same amount as last year and represents a significant contribution to environmental protection.⁸
- The 12 most significant enforcement actions taken in FY 2007 will result in an estimated 507 million pounds of reduced, treated, or eliminated sulfur oxides (SO_x), nitrogen oxides (NO_x), and particulate matter (PM), with an estimated \$3.8 billion human health benefit from emissions reductions that will result in fewer premature deaths, non-fatal heart attacks, and reduced incidence of bronchitis and asthma attacks.⁹
- In FY 2007, EPA required regulated entities to invest \$10.6 billion in pollution control and abatement equipment and technology to improve environmental performance or environmental management practices.
- Compliance assistance dramatically increased since FY 2006, increasing the number of regulated entities reached from 1.7 million in FY 2006 to 3.1 million in FY 2007.¹⁰

IMPROVING ENVIRONMENTAL PERFORMANCE THROUGH POLLUTION PREVENTION AND OTHER STEWARDSHIP PRACTICES

- In FY 2006, working through its Federal Electronics Challenge Program—a voluntary partnership of 18 federal agencies committed to the environmentally sound acquisition, use, and disposal of electronic products government-wide—EPA decreased federal use of hazardous materials by at least 2.8 million pounds, conserved 452 billion Btu of energy, and saved \$11.4 million (data substantially finalized in FY 2007). EPA's Electronic Product Environmental Assessment Tool (EPEAT) program, launched in 2006, developed a standard to help institutional purchasers of electronics select environmentally sound personal computer products, and it is developing standards for four additional electronics products. As a result of the adoption of this standard, the EPEAT program decreased hazardous materials by 9.2 million pounds, conserved 1,457 billion Btu, and saved \$37 million.
- In conjunction with industry and non-governmental organizations, EPA's Design for the Environment (DfE) Formulator Program achieved annual reductions in the use of approximately 80 million pounds of hazardous chemicals. More than 280 formulator products have received DfE recognition through the "ECO-options" label sold by such major retailers as Home Depot.

⁸ Integrated Compliance Information System (ICIS), ww.epa.gov/compliance/data/systems/modernization/index.html

⁹ Integrated Compliance Information System (ICIS), October 2007, www.epa.gov/compliance/data/systems/modernization/index.html; Office of Air and Radiation. BenMAP model. For additional information on FY 2007 enforcement settlements, please visit: www.epa.gov/compliance/resources/cases/index.html.

¹⁰ U.S. Environmental Protection Agency, Integrated Compliance Information System, October 28, 2006 and online usage reports. These measures are not calculated from a representative sample of the regulated entity universe. The percentages are based, in part, on the number of regulated entities that answered affirmatively to these questions on voluntary surveys. The percentages do not account for the number of regulated entities who chose not to answer these questions or the majority of entities who chose not to answer the surveys.

- EPA's National Partnership for Environmental Priorities (NPEP) eliminated about 1.3 million pounds of priority list chemicals from being used or released into the environment, exceeding the Agency's FY 2007 target of 500,000 pounds. These partnerships have been established with a variety of public and private companies and organizations that generate wastes containing one or more of 31 "priority chemicals." As outlined in EPA's 2006-2011 *Strategic Plan*, NPEP's long-term goal is to reduce 4 million pounds of priority chemicals from domestic waste streams between FY 2007 and FY 2011.
- In FY 2007, the first year of the National Vehicle Mercury Switch Recovery Program, more than 5,900 participants (auto dismantlers, scrap recyclers, automakers, and steel recyclers) removed more than 680,000 mercury-containing automobile switches, preventing the potential migration of 1,500 pounds of highly toxic mercury into the environment. Every state now participates in a mercury switch recovery program.
- In FY 2007, EPA's National Environmental Performance Track (NEPT), a voluntary program to recognize and reward businesses and public facilities demonstrating strong environmental performance beyond current requirements, reported a normalized reduction in water use of 5.3 billion gallons and a reduction in materials use of 64,000 tons. Twenty states have adopted programs similar to the national program, and five others are currently following suit.

IMPROVING HUMAN HEALTH AND THE ENVIRONMENT IN INDIAN COUNTRY

- In FY 2007, EPA's Indian Environmental General Assistance Program (GAP) increased participation by tribal governments and inter-tribal consortia. This action resulted in tribes building infrastructure to handle a variety of core environmental issues helping achieve EPA/tribal long-term performance goals.



ENHANCING SOCIETY'S CAPACITY FOR SUSTAINABILITY THROUGH SCIENCE AND RESEARCH

- In April 2007, EPA's People, Prosperity, and the Planet (P3) Program held its fourth annual student design competition for sustainability on the National Mall in Washington, DC. More than 300 university students from around the country exhibited their designs for a sustainable future. Projects included green buildings, new ideas for bringing clean drinking water to underdeveloped nations, and innovative fuel cell technologies.

Addressing Challenges Under Goal 5

- Better tracking of performance and results in Indian Country continues to be a challenge. EPA is improving performance measures and will be implementing a new reporting system, which will enable EPA to standardize, centralize, and integrate EPA regional data and assign accountability for data quality.
- It is difficult to measure the success of attempts to include elements of sustainability in decisions on human health and the environment. EPA's Science and Technology for Sustainability Program will assist the Agency in developing meaningful measures to gauge annual and long-term success in this effort.

Accomplishments in Homeland Security and Emergency Response

Strengthening homeland security and responding to environmental emergencies is a top priority for the Agency and the nation. EPA works with other federal agencies to protect human health and the environment in the event of natural disasters and from intentional harm. The Agency plays a lead role in supporting the protection of critical water infrastructure and coordinating the development of national capabilities and strategies to address chemical, biological, and radiological contamination during a terrorist event. Among its important homeland security activities in FY 2007, EPA:

- Participated in several exercises to test the Agency's preparedness for responding to a serious incident. One major exercise scenario involved a large-scale earthquake within the New Madrid fault system, located within the Mississippi River Valley. An event of this magnitude would present numerous serious emergency response and recovery issues. EPA coordinated efforts with the U.S. Coast Guard and other agencies of the National Response Team/Regional Response Team, other national-level coordinating bodies, and affected state, local, and private sector jurisdictions. The exercise helped EPA evaluate our ability to implement the National Incident Management System and National Response Plan and to test the effectiveness of interagency and private coordination, the viability of all appropriate plans, and the availability and adequacy of government and private sector response resources.
- Made fully operational the first water security contamination warning system pilot to quickly detect and respond to contamination incidents and threats to drinking water distribution systems.
- Provided training and technical assistance to approximately 1,000 drinking water and wastewater utilities to enhance their preparedness capabilities and improve their emergency response coordination and communications plans.
- Proposed Acute Exposure Guidelines (AEGs) for 33 chemicals, exceeding the Agency's FY 2007 target of 24 and bringing to 218 the cumulative total of AEGs developed since 1996. AEGs provide short-term exposure limits applicable to a wide range of extremely hazardous substances and are used by first responders in dealing with chemical emergencies, including threats of chemical terrorism.
- Advanced the development of test methods needed to determine the efficacy of disinfectant pesticides for decontamination of important pathogenic threats, including anthrax spores, bubonic plague, and tularemia.
- Collaborated with other federal agencies to co-develop guidelines and procedures for responding to and decontaminating bioterrorism attacks at major airports.
- Developed "message maps"—science-based risk communication tools that enable quick and concise delivery of pertinent information during emergencies affecting drinking water systems.
- Prepared Version 3 of EPA's Standard Analytical Methods Manual, which provides methods for laboratories to use when measuring specific contaminants potentially associated with a terrorist attack, evaluating the nature and extent of contamination, and assessing decontamination efficacy.



Financial Performance

Audit Results

For the eighth consecutive year, the Agency’s Office of Inspector General (OIG) issued an unqualified opinion on EPA’s financial statements. However, the OIG identified three material weaknesses—one related to our process for determining the value of delinquent receivables and two related to information technology (IT) security issues. We corrected the delinquent accounts receivable material weakness and restated our FY 2006 financial statements to reflect the value of these receivables. We have initiated corrective actions to resolve the IT-security issues and will complete all actions by December 31, 2007.



Restatements

The FY 2006 restatement impacted all financial statements except the Statement of Budgetary Resources. The FY 2007 and the restated FY 2006 financial statements are included in the full FY 2007 PAR. Additional information on the effects of the restatement on the Agency’s Financial Statements is provided in Note 40 of the Annual Financial Statements (Section III) of the report.

Overview of Financial Position

ASSETS

The Agency had total assets of \$17.6 billion at the end of FY 2007. The decrease in the Fund Balance with Treasury was partly offset by an increase in Investments. (See Notes 2 and 4, Section III of the FY 2007 PAR.) The FY 2006 Consolidated Balance Sheet was restated to show an increase of \$247 million in total assets, further contributing to the difference between FY 2007 and FY 2006. (See Note 40, Section III of the FY 2007 PAR.) The Agency's assets are summarized in the following table.

Assets, U.S. Environmental Protection Agency
(Dollars in Thousands)

Asset by Type	FY 2007	Restated FY 2006	Amount of Change	Percent Change
Fund Balance with Treasury	\$10,466,600	\$11,173,443	(\$706,843)	-6.3%
Investments	5,753,061	5,366,264	386,797	7.2%
Accounts Receivable, Net	416,341	618,964	(202,623)	-32.7%
Loans Receivable	23,161	30,836	(7,675)	-24.9%
Property Plant and Equipment, Net	809,873	756,794	53,079	7.0%
Other Assets	85,653	63,431	22,222	35.0%
Total Assets	\$17,554,689	\$18,009,732	(\$455,043)	-2.5%

LIABILITIES

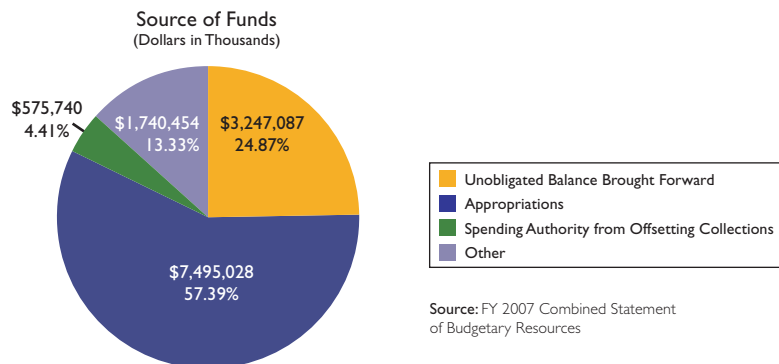
The Agency had total liabilities of \$1.8 billion at the end of FY 2007. The increase from FY 2006 is primarily the result of a significant increase in Grant Liabilities. (See Note 8, Section III of the FY 2007 PAR.)

Liabilities, U.S. Environmental Protection Agency
(Dollars in Thousands)

Liabilities by Type	FY 2007	Restated FY 2006	Amount of Change	Percent Change
Account Payable and Accrued Liabilities	\$1,034,207	\$833,192	\$201,015	24.1%
Debt Due to Treasury	16,156	18,896	(2,740)	-14.5%
Custodial Liabilities	39,369	41,800	(2,431)	-5.8%
Cashout Advances, Superfund	190,269	224,407	(34,138)	-15.2%
Payroll and Benefits Payable	205,198	195,746	9,452	4.8%
Pensions and Other Actuarial Liabilities	39,786	39,408	378	1.00%
Environmental Cleanup Costs	18,214	10,083	8,131	80.6%
Commitments and Contingencies	-	8	(8)	-100%
Other Liabilities	212,099	237,681	(25,582)	-10.8%
Total Liabilities	\$1,755,298	\$1,601,221	\$154,077	9.6%

BUDGETARY RESOURCES

The Combined Statement of Budgetary Resources provides information on how resources were made available to the Agency and the status of those resources at the end of the fiscal year. For FY 2007, the Agency had total budgetary resources of \$13 billion.



Improving Management and Results













The President's Management Agenda

Over the past five years, the President's Management Agenda (PMA) has challenged federal agencies to be "citizen-centered, results-oriented, and market-based" (see www.whitehouse.gov/results). During FY 2007, EPA made progress under each of the five PMA initiatives for which it is responsible: Strategic Management of Human Capital, Competitive Sourcing, Improved Financial Performance, Expanded Electronic Government, and Budget and Performance Integration.

This year, EPA's fourth quarter PMA scores show EPA as one of the highest-performing agencies in the federal government.¹¹ We are proud to demonstrate

¹¹ The Office of Management and Budget (OMB) regularly releases an executive scorecard that rates each federal agency's overall status and progress in implementing the PMA initiatives. The scorecard ratings use a color-coded system based on criteria determined by OMB.

EPA's FY 2007 Progress Under The President's Management Agenda

Initiative	Status	Progress
Human Capital Fosters strong performance and results by increasing personal accountability and linking job requirements to EPA's mission and goals.	 Yellow	 Green
Competitive Sourcing Having public-private competition enables the Agency to determine the most economical mode of delivering services while ensuring the highest quality of those services.	 Green	 Green
Expanded E-Government Utilizes technology to better serve the United States and its people including electronic information, online transactions, and new information management capabilities.	 Green	 * Yellow
Improved Financial Performance Focuses on running environmental programs in a fiscally responsible manner so citizens' dollars are used wisely and their health and environment are protected.	 Green	 Green
Performance Improvement Contributes to EPA's quest for better performance, increased accountability, better informed decision-making, and more transparent, comprehensive reporting of environmental results to the public.	 Green	 Green
Eliminating Improper Payments Focuses on identifying, preventing, and eliminating erroneous payments.	 Green	 Green

* OMB has assigned Yellow progress scores to all agencies and departments until new Privacy and Security requirements embedded in OMB Memorandum 07-16 are fully met.

continued excellence and progress under our PMA initiatives and expect to continue the trend in 2008.

In addition to tracking PMA progress on a quarterly basis, federal agencies establish yearly goals for the point at which they would be “Proud to Be” in

implementing PMA initiatives. This past year, EPA achieved its first green status rating for the Performance Improvement initiative since the PMA’s inception. In addition, EPA maintained its green status and progress scores throughout the year in Competitive Sourcing, Financial Performance,

Eliminating Improper Payments and Expanded E-Government. EPA maintained green progress scores in Human Capital and expects to achieve a green status score later this year. More information about the Agency’s PMA work is available at: www.epa.gov/ocfo/pma.htm.

The Program Assessment Rating Tool

The Office of Management and Budget (OMB) developed the Program Assessment Rating Tool (PART) for federal agencies to use to assess and improve program performance

so that they can achieve better results. EPA uses these assessments, along with program evaluations, audits, and other reviews, to identify program strengths and weaknesses, inform policymaking, facilitate allocation of resources, and improve environmental outcomes while ensuring the most effective and efficient use of taxpayer dollars. As of the second quarter of FY 2007, 100 percent of EPA's programs assessed under the PART had an OMB-

approved efficiency measure. By the end of FY 2007, 91 percent of EPA's programs (48 of 53) rated adequate or better, covering 96 percent of EPA's resources. This year, as a result of EPA's PART efforts, EPA earned its first green status score in the Performance Improvement Initiative under the President's Management Agenda.

EPA’s complete PART ratings, as well as the ratings for other federal programs that have been assessed, are available to the public at: www.Expectmore.gov.

Distribution of PARTed Programs Across EPA’s Strategic Goals





EPA Holds Itself Accountable

Management Integrity

EPA strives to manage taxpayer dollars efficiently and effectively and to ensure the integrity of our programs and processes to deliver the best results to the American people. Our senior managers are committed to maintaining effective and efficient internal controls to ensure that program activities are carried out in accordance with applicable laws and sound management policy.

The Federal Managers' Financial Integrity Act (FMFIA) requires all federal agencies to conduct annual evaluations of their management controls and financial systems and report the results to the President and Congress. Our annual evaluation identified no material weaknesses.

However, this year's financial statement audit identified material weaknesses related to 1) The Value of Delinquent Receivables, 2) Key Applications Need Controls, and 3) Physical Security of Critical IT Assets. These weaknesses were reported under Section 4 of FMFIA, and the two systems-related weaknesses were reported as non-compliances under the Federal Financial Management Improvement Act (FFMIA). The Agency corrected the delinquent receivables weakness and expects to complete the remaining IT corrective actions by December 31, 2007.

No. of Material Weaknesses and Non-Conformances

Beginning Balance	New Findings	Ending Balance
0	2	2

EPA's Key Management Challenges Reported by the Office of Inspector General

1. Data Gaps
2. Data Standards and Data Quality
3. Information Technology Systems Development and Implementation
4. Managing for Results
5. Workforce Planning
6. Efforts in Support of Homeland Security
7. Efficiently Managing Water and Wastewater Resources and Infrastructure
8. Emissions Factors for Sources of Air Pollution
9. Privacy Programs
10. Voluntary Programs

For more information, see the Office of Inspector General's FY 2007 Key Management Challenges in Section IV, page 12, of EPA's FY 2007 Performance and Accountability Report at: www.epa.gov/ocfo/par/2007par.

Management Controls

During FY 2007, EPA conducted its annual assessment on the effectiveness of internal controls over financial report-

ing, as required by OMB revised Circular No. A-123. Through this process, we identified and documented 10

financial management processes and tested 260 key controls. As of June 30, 2007, EPA found no material weaknesses.

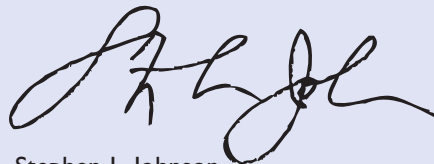
Management Assurances

Fiscal Year 2007 Assurance Statement

The U.S. Environmental Protection Agency's (EPA's) management is responsible for establishing and maintaining effective internal control and financial management systems that meet the objectives of the Federal Managers' Financial Integrity Act (FMFIA). EPA conducted its assessment of the effectiveness of internal control over the effectiveness and efficiency of operations and compliance with applicable laws and regulations in accordance with OMB Circular A-123, Management's Responsibility for Internal Control.

Based on the results of this evaluation, no material weaknesses were found in the design or operation of the Agency's internal controls and no financial management system non-conformances were identified. Subsequently, the Agency's Inspector General identified two systems-related significant deficiencies, which are required to be reported as material weaknesses and as non-compliances under the Federal Financial Management Improvement Act (FFMIA). The Agency has initiated corrective actions to rectify these weaknesses. Except for these weaknesses, I can provide reasonable assurance that as of September 30, 2007, the Agency's internal controls were operating effectively and financial systems conform with government-wide requirements.

EPA conducted its assessment of the effectiveness of internal controls over financial reporting, which includes safeguarding of assets and compliance with applicable laws and regulations, in accordance with the requirements of Appendix A of OMB Circular A-123. Based on the results of this evaluation, no material weaknesses were found in the design or operation of internal controls over financial reporting as of June 30, 2007. Subsequently, the Agency's Inspector General identified the Agency's process for determining the value of delinquent receivables as a material weakness. EPA has corrected this weakness. As a result, I can provide reasonable assurance that except for two system-related weaknesses, EPA internal controls were operating effectively as of September 30, 2007, and no other material weaknesses were found in the design or operation of the internal controls over financial reporting.



Stephen L. Johnson
Administrator
November 1, 2007



WE WELCOME YOUR COMMENTS!

Thank you for your interest in the Environmental Protection Agency's *FY 2007 Performance and Accountability Report Highlights*. We welcome your comments on how we can make this report a more informative document for our readers. We are particularly interested in your comments on the usefulness of the information and the manner in which it is presented. Please send your comments to:

Office of the Chief Financial Officer/
Office of Planning, Analysis, and Accountability
U.S. Environmental Protection Agency
1200 Pennsylvania Avenue, NW
Washington, DC 20460

or ocfoinfo@epa.gov

To read the full *FY 2007 Performance and Accountability Report (PAR)*, please visit:
www.epa.gov/ocfo/par/2007par.

Office of the Chief Financial Officer
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Accountability (2724A)
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