



U.S. ENVIRONMENTAL PROTECTION AGENCY  
PERFORMANCE AND ACCOUNTABILITY REPORT

*Fiscal Year*  
**2005**



ENVIRONMENTAL AND FINANCIAL PROGRESS

# EPA's FY 2005 Performance and Accountability Report



The FY 2005 report is available at:  
<http://www.epa.gov/ocfo/finstatement/2005par>

EPA's FY 2003-2008 *Strategic Plan* is available at  
<http://www.epa.gov/ocfo/plan/plan.htm>

Information on the development of EPA's  
2006-2011 *Strategic Plan* is available at  
<http://www.epa.gov/ocfo/plan/plan.htm>

The FY 2005 *Annual Performance Plan* is available at  
<http://www.epa.gov/ocfo/budget/2005/2005ap/2005ap.htm>

Information about EPA's programs:  
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## WE WELCOME YOUR COMMENTS!

Thank you for your interest in the Environmental Protection Agency's *FY 2005 Performance and Accountability Report*. 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  
Environmental Protection Agency  
1200 Pennsylvania Ave., NW  
Washington, DC 20460

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EPA 190-R-05-001  
November 2005





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

November 15, 2005

THE ADMINISTRATOR

The President  
The White House  
Washington, DC 20500

Dear Mr. President:

I am pleased to present the Environmental Protection Agency's (EPA) *Fiscal Year 2005 Performance and Accountability Report*. This report reviews EPA's programmatic and financial performance over the past fiscal year. It meets the requirements of the Government Performance and Results Act and other management legislation. This report demonstrates EPA's commitment to be accountable for results measured against the annual performance goals presented in our *FY 2005 Annual Plan*.

With the help of our state, local, and tribal partners, EPA has made considerable progress toward each of the five long-term goals for protecting human health and the environment established in our *2003-2008 Strategic Plan*. Our accomplishments in FY 2005 are evidence of our commitment to accelerate the pace of environmental progress. We continue to adopt innovative approaches, focus on results, and use the best available science in making decisions.

In addition, I give my assurance that the performance and financial data included in this report are complete and reliable, consistent with guidance provided by the Office of Management and Budget. EPA and its partners are proud of our achievements in improving the quality of air and water and protecting the land. We intend to learn from our experience, adjust our approaches as necessary, and build on our FY 2005 results to fulfill our responsibility for protecting human health and the environment.

Sincerely,

A handwritten signature in black ink, appearing to read "S. Johnson", written in a cursive style.

Stephen L. Johnson

Enclosure

# About This Report

## HOW THE REPORT IS ORGANIZED

### *Transmittal Letter to the President*

This letter transmits EPA's FY 2005 Performance and Accountability Report from the Administrator to the President, Congress, and Office of Management and Budget.

### *Message from the Administrator*

The Administrator's message briefly describes EPA's mission and highlights some of the Agency's FY 2005 accomplishments. It provides an assessment of the reliability and completeness of the financial and performance data contained in the report and a statement of assurance, as required by the Federal Managers' Financial Integrity Act of 1982 (FMFIA), indicating whether the Agency's management controls and financial systems meet the objectives of the Act.

### *Message from the Chief Financial Officer (CFO)*

The CFO's message describes progress and challenges pertaining to EPA's financial management. It discusses EPA's efforts to integrate budget and performance information, and it provides information on the Agency's management controls program under FMFIA and financial management systems under the Federal Financial Management Improvement Act of 1996 (FFMIA).

## PURPOSE OF THE REPORT

The Environmental Protection Agency's (EPA's) FY 2005 Performance and Accountability Report provides performance and financial information that enables Congress, the President, and the public to assess the progress EPA is making in achieving environmental results—improving the quality of air and water and preserving and protecting the land—and using taxpayer dollars efficiently and effectively. This document also satisfies reporting requirements of the following legislation:

- Federal Managers' Financial Integrity Act of 1982 (FMFIA)
- Inspector General Act Amendments of 1988
- Chief Financial Officers Act of 1990
- Government Performance and Accountability Act of 1993 (GPR)
- Government Management Reform Act of 1994
- Federal Financial Management Improvement Act of 1996 (FFMIA)
- Reports Consolidation Act of 2000
- Improper Payments Information Act of 2002
- Federal Information Security Management Act of 2002



### ***Section I—Management’s Discussion and Analysis (MD&A)***

The MD&A presents an overview of the entire report. It includes an organizational overview; a summary of the most significant performance results and challenges for FY 2005; information on the Agency’s progress in implementing the President’s Management Agenda; and a brief analysis of financial performance. It also discusses EPA’s progress in strengthening its management practices and compliance with laws and regulations (FMFIA, FFMIA and others) to assure the integrity of its programs and operations. Lastly, the MD&A includes the Administrator’s assurance statement on the soundness of the Agency’s internal controls. The MD&A is supported and supplemented by detailed information contained in the Performance Section, Management Accomplishments and Challenges Section, Financial Section, and Appendices.

### ***Section II—Performance Section***

This section presents the annual program performance information required by GPRA and, combined with the Appendices, addresses all of the required elements of an annual program performance report as specified in “OMB Circular A-11, Preparing, Submitting and Executing the Budget.” Performance results are presented for each of the Agency’s five strategic goals and for its enabling and support programs. For more information on this section, please contact EPA’s Office of Planning, Analysis and Accountability at (202) 564-9327.

### ***Section III—Management Accomplishments and Challenges***

This section discusses EPA’s progress in strengthening management practices to achieve program results. It includes the Inspector General’s list of top management challenges and the

Agency’s progress in responding to each issue. For more information on this section, please contact EPA’s Office of Planning, Analysis and Accountability at (202) 564-9327.

### ***Section IV—Financial Section***

This section contains the Agency’s financial statements and related Independent Auditor’s Report, as well as other information on the Agency’s financial management. For more information on this section, please contact EPA’s Office of Financial Management at (202) 564-4905.

### ***Appendices***

The Appendices provide more detailed information on the Agency’s performance results, including prior year performance data summaries of program evaluation results, and data quality. They also include a glossary of acronyms and a list of relevant EPA internet links.



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# Administrator's Message



I am pleased to present EPA's *FY 2005 Performance and Accountability Report*. This report demonstrates the progress EPA has made with the help of our state, local, and tribal partners to provide people with cleaner air, purer water, and better protected land. It also provides an accounting of the resources we used to meet our goals and fulfill our mission of protecting human health and the environment.

Since its inception 35 years ago, EPA's environmental accomplishments have been remarkable. The air is the cleanest it has been in 30 years. Emissions of six principal air pollutants are down, and we estimate that the new Clean Air Interstate Rule, put in place in FY 2005, will result in the greatest health benefits of any rule

since the phase-out of lead in gasoline. More Americans have reliably safe drinking water, and more people can safely fish and swim in waters that were once polluted. Working with our state and tribal partners, we have restored more than 8,000 acres of wetlands. Through our brown-fields program, we are cleaning up contaminated properties and returning them to productive use. Brownfields grantees have assessed 7,752 properties and leveraged \$7.2 billion in cleanup and redevelopment funding, creating 33,599 jobs. Waste recycling is up, with over 50 percent of all aluminum cans, steel packaging, and major appliances now being recycled. Finally, as a result of enforcement actions, 1.1 billion pounds of pollutants were reduced, treated, or eliminated.

In the aftermath of the hurricanes, EPA is committed to help the citizens of the affected states safely restore their communities and to provide the public and emergency personnel with the most accurate environmental information possible. After the storms passed, EPA national and regional emergency operations centers were activated 24 hours a day to coordinate response activities. Our headquarters and regional offices are working as part of a highly coordinated effort with our federal, state and local partners. We have assessed damage, monitored environmental effects, and assisted efforts to protect human health and the environment—part of which includes helping to restore the vital drinking water and waste water infrastructure systems.

EPA also has significant responsibilities in providing for the security of our nation's homeland. We play a lead role in supporting the protection of critical water infrastructure and coordinating development of national capabilities and strategies to address chemical, biological, and radiological contamination from a terrorist event. In FY 2005, EPA established health effects guidelines for exposure to hazardous chemicals, developed a web-based system to identify hazards and characterize risks in emergencies, continued to assist the nation's drinking water systems in protecting their





infrastructure from terrorist and other intentional attacks, enhanced national decontamination capabilities, and trained EPA field responders.

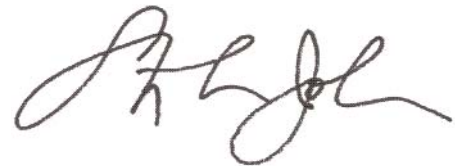
Performance information presented in this report is complete and reliable as defined by OMB in Circular A-11. In FY 2005, EPA continued work to detect and correct errors in environmental data, standardize reporting, and exchange and integrate electronic data and data quality information with our partners and the regulated community.

EPA is committed to achieving the goals set under the President's Management Agenda (PMA) for delivering environmental results to our customers—the American public—effectively and efficiently. We continually assess our management practices and structure to identify and address issues. Under the PMA, EPA has attained the highest rating possible for financial management, where we are focused on providing program managers

with the performance and cost information they need to set priorities and make sound decisions. EPA is a leader in e-government, where we have worked to reduce the reporting burden on the regulated community and improve information sharing and data security. We are also making progress in other initiative areas: identifying our workforce needs and developing recruitment strategies to ensure that we maintain a highly skilled workforce, as well as refining our environmental goals and developing measures to gauge efficiency of our programs.

For the fourth year, EPA has no material weaknesses to report under the Federal Managers' Financial Integrity Act (FMFIA), a law focused on safeguarding against fraud, waste, abuse, and misappropriation of federal funds. During FY 2005, the Agency did resolve two of its less severe, internal Agency-level weaknesses in the areas of data management and water permitting.

We must continue to focus on achieving environmental outcomes and program efficiencies. Building on our FY 2005 accomplishments, we will strive to accelerate environmental progress; promote environmental stewardship within the United States and abroad; drive economic growth; and approach new challenges with enthusiasm, while meeting our responsibilities for enforcing environmental laws and regulations. As we look to the future, these priorities will help us meet our goals for cleaner air, purer water, better protected land, and healthy communities.



Stephen L. Johnson  
Administrator



# CFO's Message



EPA is committed to managing our programs in a fiscally responsible manner, ensuring that government resources are used wisely and efficiently to protect human health and the environment. The Agency's Office of Inspector General (OIG) issued an unqualified opinion in its FY 2005 Financial Statements Audit. As part of the audit, OIG noted nine reportable conditions and one noncompliance issue.

We continue our efforts to address areas of weakness proactively. We submitted corrective action plans for all reportable conditions and compliance issues within ten months of the OIG's FY 2004 Financial Statements Audit. We have already initiated corrective actions to address this year's issues and are dedicated to correcting audit recommendations in a timely manner.

## FINANCIAL MANAGEMENT AND OTHER ACCOMPLISHMENTS

In addition to meeting federal financial requirements, we assess our own financial management goals and our progress in achieving them. EPA's success also is measured by our continued ability to meet the President's Management Agenda (PMA) standards. We have received a green status score for our accomplishments in the area of Improved Financial Performance and green progress scores for

**A**s I begin my tenure as EPA's Chief Financial Officer, I am impressed by the progress the Agency has made toward its goals of protecting human health and the environment. This report reviews the goals we set for ourselves for FY 2005, describes our achievements, and discusses some of the work that remains before us. On behalf of the Agency, I thank our partners—state and local governments, tribes, businesses, and other federal agencies—for their contribution to these FY 2005 results and for their continued participation and collaboration as we address the challenges that lie ahead.

## PERFORMANCE AND AUDIT RESULTS

The Administrator's Message, which introduces this report, highlights some of the Agency's accomplishments this year in protecting human health and the environment. These results are discussed in this report. We offer a broad perspective on the progress toward the goals and objectives established in EPA's 2003-2008 *Strategic Plan* and discuss each of the 84 annual performance goals set out in EPA's *FY 2005 Annual Plan*. This report also reflects the improved alignment of the measures associated with the Government Performance and Results Act (GPRA) and the Program Assessment Rating Tool (PART).



Budget and Performance Integration and Eliminating Improper Payments. To demonstrate sound financial management, we continue to focus on improving our ability to meet and exceed government-wide financial performance metrics.

Additionally, we are modernizing our financial system infrastructure to help us manage the resources that support our environmental mission more efficiently, measure the costs of environmental programs more precisely, and inform the public about our activities more effectively. The enhanced internal control requirements under the Office of Management and Budget Circular A-123 will strengthen our existing management integrity efforts.

In FY 2005, as part of EPA's efforts to institute competitive sourcing, we placed the Agency's vendor payment services in competition against private sector businesses. EPA demonstrated that

its process for handling the Agency's vendor payments was the most cost effective. We will be consolidating all vendor payments, saving approximately \$3.5 million over five years.

### DATA AVAILABILITY

Readers should note that the Agency does not yet have all the data necessary to present a full picture of our FY 2005 performance. In many cases, the data will not be available until 2006. This FY 2005 PAR does, however, report information from past years that only became available this year.

### LOOKING AHEAD

EPA has recently launched initiatives to sharpen its focus on environmental outcomes and results; to strengthen regional, state and tribal planning; and to enhance accountability at every level. As we develop our 2006-2011 *Strategic Plan*, we will be building on these efforts. We will consider emerging challenges and opportunities and take advantage

of recent efforts to develop better environmental indicators as we develop our measures of success. Our experience in measuring performance under GPRA and program effectiveness under the PART process will guide our planning. Like other agencies, we can anticipate tight budgets, complicated by rising fixed costs, in the years ahead. We intend to link performance and costs to inform our decision making and ensure that we use resources as efficiently and effectively as possible.

In closing, I also want to thank the dedicated EPA staff who contributed to the progress we have achieved this year and who assisted in developing this report.



Lyons Gray  
Chief Financial Officer

