



## OFFICE OF INSPECTOR GENERAL

*Catalyst for Improving the Environment*

# Annual Performance Report Fiscal Year 2003



## Summary of OIG Results for FY 2003- Highlights

|   |   |  |
|---|---|--|
| <b>Performance Results</b><br><i>(highlights)</i> | <p><u>Goal 1. Contribute to Improved Human Health and Environmental Quality</u><br/>         &lt; 48 Agency/delegated entity actions/decisions/changes/improvements/best practices implemented or certified/validated influencing environmental impacts<br/>         &lt; 9 Environmental risks reduced or eliminated, or certification of integrity<br/>         &lt; 52 Environmental recommendations, risks, best practices identified</p> <p><u>Goal 2. Improve EPA’s Management and Program Operations</u><br/>         &lt; \$411 million in potential costs, savings, fines and recoveries<br/>         &lt; 83 Criminal, civil, or administrative actions<br/>         &lt; 138 Management practice/policy changes/best practices implemented or certification for action<br/>         &lt; 264 Management recommendations, best practices, challenges or weaknesses identified</p> <p><u>Goal 3. Produce Timely, Cost Effective Products &amp; Services</u><br/>         &lt; 23% Products with collaborative partners<br/>         &lt; 51% OIG work is required or requested<br/>         &lt; 28 Requests to testify/formal external presentations</p> <p><u>Goal 4. Enhance Diversity, Innovation, Teamwork and Competencies in OIG</u><br/>         &lt; 88% of products developed electronically, 65% Available electronically<br/>         &lt; 94% Staff diversity in parity with civilian workforce (among minority categories)<br/>         &lt; 44 Innovative techniques/processes implemented by OIG</p> |  |
| <b>Operational Activity</b>                       | <p>&lt; 48 Reviews performed by the OIG<br/>         &lt; 245 Audits performed by another Federal Agency (e.g. DCAA of EPA contracts)<br/>         &lt; 191 Single Audit Act Reviews<br/>         &lt; 128 Reports resolved<br/>         &lt; 132 Audits with no final action by EPA, over 365 days past due<br/>         &lt; 52 Reports for which no management decision was made within 6 months (as of 9/30)<br/>         &lt; 136 Investigations opened/ 134 Investigations closed<br/>         &lt; 68 Legislative/regulatory/policy items reviewed for comment &amp; recommendations</p>   |  |
| <b>Customer Service</b>                           | <p>&lt; 74% Combined OIG customer service/quality rating (excluding investigations)<br/>         &lt; 71% OIG products/services rating<br/>         &lt; 78% OIG staff service rating<br/>         &lt; <u>Highest and lowest rated areas</u><br/>             88% Professional &amp; courteous<br/>             80% Addresses relevant or significant issues<br/>             63% Responsiveness to Agency needs or requests<br/>             68% Tie: Timeliness &amp; contributes to Agency Goals</p>  |  |
| <b>Use of Resources</b>                           | <p>&lt; \$34,102,534 Total mgt expenditures (FY03 appropriation + FY 02 carryover)<br/>         &lt; \$11,920,048 Superfund expenditures (FY03 appropriation + FY 02 carryover)<br/>         &lt; 257 IG Appropriation “Management Account” FTE used (94.5% FY03 budget)<br/>         &lt; 90.1 Superfund Transfer Appropriation FTE used (95.9% FY03 budget)<br/>         &lt; <u>Cost/FTE by Object class</u>      <u>MGT (000s)</u>      <u>SF(000s)</u>      <u>Avg. Time: % Direct, Elapsed, Staff on</u><br/> <u>Products</u></p>   |  |
| <b>Cost and Timeliness of Products</b>            | <p>&lt; PC&amp;B                              \$102.1      \$104.5<br/>         &lt; Travel                              \$ 6.9      \$ 6.7<br/>         &lt; Admin. Exp (training)      \$ 3.1      \$ 2.8<br/>         &lt; Admin. Cont (equipmnt)      \$ 6.9      \$ 6.5<br/>         &lt; Working Capital Fund      \$ 6.1      \$ 0<br/>         &lt; Awards                              \$ 1.1      \$ 1.0</p>  | <p>355 Average direct staff days/Audit<br/>         12 Average elapsed months/Audit</p>  |
| <b>EPA Management Challenges Reported by OIG</b>  | <ul style="list-style-type: none"> <li>• Linking mission and management (including cost accounting &amp; outcome based goals/measures)</li> <li>• Information resource management &amp; data quality</li> <li>• Employee competencies</li> <li>• Oversight/use of assistance agreements</li> <li>• Protecting critical infrastructure from attacks</li> </ul>   | <ul style="list-style-type: none"> <li>• Air toxics program phase I &amp; II</li> <li>• Working relations with states/partners</li> <li>• Information systems security</li> <li>• Backlog of NPDES permits</li> <li>• Management of biosolids</li> </ul> |
| <b>FMFIA Weakness in OIG</b>                      | <ul style="list-style-type: none"> <li>• Background Investigations/Security Process (<i>new</i>)</li> <li>• Information technology (IT) strategy (<i>updated</i>)</li> </ul>  | <ul style="list-style-type: none"> <li>• Project Management/Accountability (<i>updated</i>)</li> <li>• Inspector General Operations Reporting System (<i>updated</i>)</li> </ul>   |



## FOREWORD

I am pleased to present the EPA-OIG's third Annual Performance Report. This report, in analysis summary and statistical format, presents actual results compared to our FY 2003 Performance Targets. It also compares FY 2003 results with those of FY 2001 and FY 2002, and presents cumulative progress as of FY 2003 toward our FY 2005 Strategic Performance Targets.

The net result of this report is to present an Executive Summary Analysis and a "Balanced Scorecard" of performance, progress, results, activities, investments and challenges that tell a complete story of OIG performance, accountability and opportunities for improvement. The Balanced Scorecard approach demonstrates a combination of measures, including outputs, activities, outcomes, financial, resource use and customer service arrayed for comparison of relative return on investment.

Based on the performance measures and results from the OIG Annual Performance Report for FY 2001 and FY 2002, we made significant improvements in the definitions and application of OIG-wide performance measurement in FY 2003. We also provided briefings throughout the OIG to better familiarize our staff with the methodology of our linked measures and the application of the Performance Measurement and Results System to improve the quality and timeliness of OIG performance reporting.

We continue to apply both a systems approach and a culture of "starting with the end in mind" to interpret the implications of our influence and results in attaining Goal 1: Contributing to improved human health and environmental quality. We clearly recognize that there is a significant time lag in recognizing our influence on most human health, and environmental impacts and behaviors, and accounting for these results will require a dedicated follow-up effort.

During FY 2003, as required by GPRA, we revised our Strategic Plan. We used the trends of results compared with our targets for FY 2001 to FY 2003 to revise both our measures and targets for the period FY 2004 to FY 2008. We are continuing to research better ways to measure, collect, and report data on the results of our operations. The information in this report will be used to help direct and plan future applications of resources for greater results.

A handwritten signature in cursive script that reads "Nikki L. Tinsley".  
Nikki L. Tinsley

# OIG STRATEGIC MAP (FY 2001 - 2005)\*

## OIG Vision

We are catalysts for improving the environment. We contribute to human health, environmental quality and good government through problem prevention and cooperative solutions, and by striving for continuous improvement in EPA's management and our own office.

## Mission

- X Promote economy, effectiveness and efficiency within the agency
- X Prevent and detect fraud, waste, and abuse in agency programs and operations

## Business Line Goals

**1. Contribute to improved human health and environmental quality**

**2. Improve EPA's management and program operation**

**3. Produce timely, quality and cost effective products and services that meet customer needs**

## Corporate Goals

**4. Enhance diversity, innovation, teamwork and competencies**

## Objectives

- ' Influence significant programmatic changes to legislation, regulations, policy, processes and practices that have a positive impact on human health and the environment
- ' Identify and recommend solutions reducing the highest environmental risks
- ' Identify best practices in EPA, states and other Federal agencies that have directly contributed to improved human health impacts and environmental quality

- ' Identify opportunities for improving economy, efficiency and accountability in EPA programs and operations
- ' Improve the integrity of EPA programs and operations by identifying actual and potential vulnerabilities for fraud and risk reduction
- ' Help EPA resolve its major management challenges

- ' Provide the right products, at the right time, to the right customers, at the right cost
- ' Build infrastructure, relationships and partnerships to leverage change
- ' Increase professional image and demand for products and services

- ' Improve organizational systems and business processes
- ' Increase recognition for creativity, innovation and teamwork
- ' Promote continuous learning and demonstrated competencies in EPA programs, professional skills, technical skills and leadership skills

## OIG Product Lines and Services - *The Work We Do As Catalysts*

|   |   |   |   |
|---|---|---|---|
| <b>Program Audits and Evaluations</b><br>Air<br>Water<br>Land<br>Cross Media<br>Good Government | <b>Financial/Systems Audits</b><br>Business Systems<br>Financial Statements<br>Contracts<br>Assistance Agreements | <b>Advisory/Analysis/Public Inquiry</b><br>Legislation/Regulation Review<br>Control Assessments<br>Hotline/Ombudsman<br>President's Council on Integrity and Efficiency | <b>Investigations</b><br>Program Integrity<br>Contract/Procurement<br>Employee Integrity<br>Assistance Agreements<br>Computer Fraud<br>Laboratory Fraud |
|---|---|---|---|

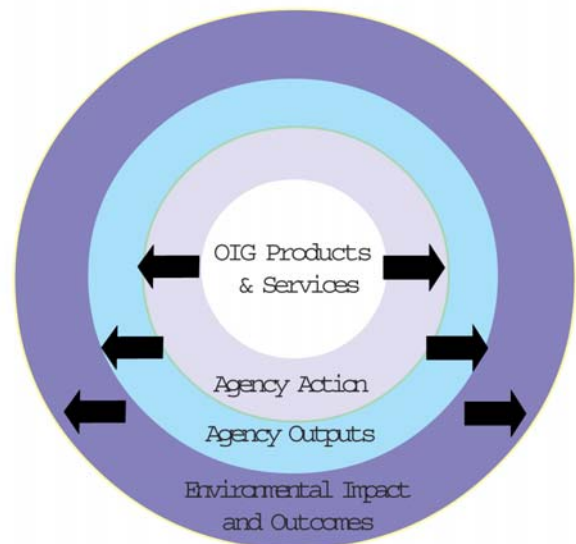
*\*This Strategic Plan has been revised for the period 2004-2008 into a three goal structure.*

# EPA Office of Inspector General Annual Performance Report, Fiscal 2003

| Table of Contents   | Page     |
|---|----------|
| <b>Preface: Linking Our Work to Outcomes and Impacts</b> .....                      | <i>i</i> |
| <b>Scoreboard of Results Compared to Annual Performance Goal Targets</b> .....      | 1        |
| <b>Balanced Scorecard of OIG Results for FY 2003</b> .....                          | 2        |
| <b>Goal 1</b> FY 2003 and Cumulative Results Compared to Targets by Objective ..... | 3        |
| Examples of Results by Objective .....  | 4        |
| <b>Goal 2</b> FY 2003 and Cumulative Results Compared to Targets by Objective ..... | 5        |
| Examples of Results by Objective .....  | 6        |
| <b>Goal 3</b> FY 2003 and Cumulative Results Compared to Targets by Objective ..... | 10       |
| Examples of Results by Objective .....  | 11       |
| <b>Goal 4</b> FY 2003 and Cumulative Results Compared to Targets by Objective ..... | 12       |
| Examples of Results by Objective .....  | 13       |
| <b>OIG Program Activity and Audit Resolution</b> .....                              | 14       |
| <b>Customer Service Results</b> .....   | 15       |
| <b>Financial and Resource Management</b> .....                                      | 18       |
| <b>Looking to the Future: New FY 2003 -2005 Annual Targets</b> .....                | 19       |
| Appendix 1 - FY 2003 Report on Management Controls .....                            | 21       |
| Appendix 2 - Historical Perspective & Summary of FY 2003 EPA Management Challenges  | 25       |
| Appendix 3 - Definitions of FY 2003 Performance Measures .....                      | 26       |

## Preface: Linking Our Work to Outcomes and Impacts

All of our work is planned based on the anticipated value toward influencing resolution of the Agency's major management challenges, reducing risk, improving practices, program operations and saving taxpayer dollars, leading to positive environmental impacts and the attainment of EPA's Strategic Goals.



Creating a Nexus or Link Between OIG Products and Services and Environmental Impacts and Goals

*This chart demonstrates the number of OIG projects with reported results in FY 2003, by Strategic Goal*



## Performance Presented In A Hierarchy of Related Measures








The Performance Results in this report are presented in a **hierarchy**, starting with several summaries and a **Balanced Scorecard**, followed by detailed measures and examples of results by Goal for fiscal 2003, and as cumulative totals fiscal 2001- 2003, toward the accomplishment of the OIG Strategic Goals. The **Balanced Scorecard** displays results by Goal as leading, current and lagging indicators or measures. It also presents related performance information on customer survey results, financial accountability, human capital, product timeliness, innovation and other OIG operational activity, together providing a balanced picture of OIG investments, performance and results.

The information presented in this report was collected from the OIG's Performance Measurement and Results System (PMRS), and the Inspector General Operational Reporting System (IGOR) both dependent upon input by OIG staff; and from EPA's Financial Management System, EPA's Reports Resolution System. Customer survey results came directly from OIG customer input.

# EPA Office of Inspector General

## Scoreboard of Results Compared to FY 2003 Annual Performance Goal Targets

as reported in the OIG Performance Measurement and Results System (PMRS)

| Strategic Goal; With Annual Performance Target Compared to FY 03 Results Reported   | Supporting Measures<br><u>Legend</u> <b>Less Than 70% of Target</b><br><b>70% to 90% of Target</b><br><b>Over 90% of Target</b>  |
|---|--|
| <b>Goal 1. Contribute to Improved Human Health and Environmental Quality</b>  |  |
| <b>Environmental Improvements/Actions/Changes</b><br><i>Target 60; Reported 48; (80%)</i>    | 0 Legislative changes/decisions<br>1 Regulatory changes/decisions<br>38 EPA Policy, process, practices change<br>5 Examples of environmental improvement<br>4 Best environmental practice implemented  |
| <b>Environmental/Health Risks Reduced or Eliminated</b><br><i>Target 20; Reported 9; (45%)</i>   | 8 Environmental Risks reduced/eliminated<br>1 Certifications/validations/verifications   |
| <b>Environmental Recommendations, Best Practices, Risks Identified</b><br><i>Target 80; Reported 52; (65%)</i>   | 26 Environmental recommendations<br>7 Environmental best practices identified<br>19 Environmental risks identified   |
| <b>Goal 2. Improve EPA's Management, Accountability and Program Operations</b>  |  |
| <b>Return on Investment: Potential dollar return as percentage of OIG budget (\$48 million)</b><br><i>Target 150%; Reported; 856% (\$411 million)</i>   | <i>Dollars in Millions</i><br>\$ 37.2 Questioned costs<br>\$ 1.2 Recommended efficiencies, costs saved<br>\$372.6 Fines, recoveries, settlements   |
| <b>Criminal, Civil &amp; Administrative Actions Reducing Risk of Loss/Operational Integrity</b><br><i>Target 50; Reported 83; (168%)</i>   | 16 Criminal Convictions<br>31 Indictments/informations/complaints/arrests<br>4 Civil Judgements/settlements<br>32 Administrative actions   |
| <b>Improvements in Business/Systems/Efficiency</b><br><i>Target 75; Reported 138; (184%)</i>   | 55 Policy process, practice, control changes<br>1 Corrective action on FMFIA/Mgt Challenge<br>6 Best practices implemented<br>76 Certifications/validations/verifications/allegations disproved  |
| <b>Recommendations, Best Practices, Challenges Identified</b><br><i>Target 155; Reported 264; (170%)</i>   | 253 Recommendations<br>8 Best practices identified<br>3 FMFIA/Management Challenges identified   |
| <b>Goal 3. Produce Timely, Quality, Cost Effective Products &amp; Services That Meet Customer Needs</b><br><b>Goal 4. Enhance Diversity, Innovation, Teamwork, and Competencies (internal operational goals)</b>  |  |
| <ul style="list-style-type: none"> <li>• Products with Collaborative Partners 23%</li> <li>• Requests to Testify/External Presentations 28</li> <li>• Assignments Performed By Request/Mandate 51%</li> <li>• Milestones (time/budget) Met 71%</li> <li>• External Customer Value Rating 74% (excluding OI)</li> <li>• Staff Parity w/Civilian Labor Force 94% (minority categories)</li> </ul> | <ul style="list-style-type: none"> <li>• Products by Multi-discipline Teams 101</li> <li>• OIG Management Innovations Implemented 44</li> <li>• Work Produced Electronically 88%</li> <li>• Products Accessible Electronically 65%</li> <li>• Staff Meeting Training Standards 100%</li> <li>• Legs/Regs Policies Reviewed 68</li> </ul> |

**EPA OIG BALANCED SCORECARD OF FY 2003 PERFORMANCE AND OPERATIONS**

**GOAL 1: Contribute To Human Health and Improved Environmental Quality**

| Leading Measures/Indicators: <i>Outputs</i>   | Current Measures: <i>Intermediate Outcomes</i>  | Lagging Measures: <i>Outcomes</i>   |
|---|---|---|
| 26 Recommendations/Advice for Environmental Improvement<br>7 Environmental Best Practices Identified<br>18 Environmental Risks Identified | 1 Legislative/Regulatory Environmental Changes<br>42 EPA Environmental Policy, Directive, Practice/ Process Change or Action Implemented<br>•% of OIG Recommendations/Advice Accepted | 5 Examples of Environmental or Health Improvements or Behavior Changes<br>8 Environmental Risks Reduced or Eliminated<br>1 Certifications, Verifications, Validations |

**GOAL 2: Improve EPA’s Management, Accountability and Program Operations**

| Leading Measures/Indicators: <i>Outputs</i>   | Current Measures: <i>Intermediate Outcomes</i>   | Lagging Measures: <i>Outcomes</i>   |
|---|--|---|
| 253 Recommendations/Advice for Management Improvement<br>8 Best Management Practices Identified<br>3 New Management Challenges/FMFIA Weaknesses Identified<br>• # Referrals for Investigation/New Assignments | \$ 37.2M Questioned Costs<br>\$ 1.2M Cost Efficiencies/Savings<br>\$372.6M Fines, Penalties, Recoveries, Settlements<br>83 Criminal, Civil, Admin Actions /Arrests<br>27% Questioned costs/Savings Acted on by EPA<br>6 Best Management Practices Implemented<br>• % & \$s of OIG Recommendations or Advice Accepted/Sustained | 856 % \$ Return on FY03 Investment in OIG<br>1 Actions Taken (by EPA) Correcting Management Challenges/ FMFIA Weakness<br>55 Examples of Practice, Process, Policy Actions Implemented Improving Economy, Efficiency or Reducing Risks of Loss or Vulnerability<br>76 Certifications, Verifications, Validations/ Allegations Disproved |

**GOAL 3: Produce Timely, Quality & Cost Effective Products and Services that Meet Customer Needs**  
**GOAL 4: Enhance Diversity, Innovation, Teamwork, and Competencies—OPERATIONS**

| Customer, Partner, Stakeholder   | Timeliness  | Financial/Resources   |
|--|---|---|
| 71% Customer Value/Quality Rating of Products<br>79% Customer Value/Quality Rating of Service<br>23% Products/Assignments done with partners<br>28 Requests to Testify/External Presentations<br>46% Work Requested/Required<br>101 Assignments done by Multi-Discipline Teams | 355 Average Staff Days per Completed Audit<br>12 Average Months per Complete Audit<br>71% Project Milestones Met<br>44% Total Time on Direct Time Product Lines                                       | \$46 M Total Funds Used<br>99.2% 02 Funds Used<br>347 FTE Used/ 19 Not Used<br>\$126.1K Avg “Loaded” Cost /FTE<br>\$ 14.8M Carryover to FY04                                    |
| Staffing, Development & Planning   | Innovation  | Operational Activity  |
| 94% IG Staff in Parity with Civilian Labor Force*<br>100% Staff Meeting Professional CPE Standard<br>346 # Staff Monetary Recognition Awards<br>94.8% Available FTE Used (94.5% Mgt/96% SF)  | 44 Innovations Implemented by/within OIG<br>88% Work Completed Electronically<br>65% Work Electronically Accessible<br>12 PCIE Projects Led/Developed<br>4 Agency /Regional Work Groups Participation | 48 Reviews Performed by EPA OIG<br>245 Audits Performed by DCAA / 191 Single Audits<br>128 Reports Resolved<br>136 Investigation Cases Opened<br>134 Investigation Cases Closed |



## FY 2004 and Cumulative Results Compared to Targets by Goal and Objective

### **GOAL 1: Contribute to Improved Human Health and Environmental Quality**

*This section displays the results for Goal 1 against the OIG fiscal 2003 and cumulative performance targets. On the following pages are selected examples of OIG performance results under Goal 1.*

#### **Objectives, Annual Results, and Three Year (FY 2001 - 2003) Cumulative Results**

**Influence significant programmatic changes to legislation, regulations, policy, processes and practices that have a positive impact on human health and the environment.**

Measures: # Environmental program policy, process, practices, changes/actions impacts

|                                |                                 |                                      |
|--------------------------------|---------------------------------|--------------------------------------|
| FY 2003 Target = 60            | FY 2003 Results = 48            | FY 2003 % Target Met = 80%           |
| <i>Cumulative Target = 135</i> | <i>Cumulative Results = 122</i> | <i>% Cumulative Target Met = 90%</i> |

**Identify and recommend solutions for reducing the highest environmental risks.**

Measures: # Environmental risks reduced, eliminated, certification/validation of or for action

|                               |                                |                                       |
|-------------------------------|--------------------------------|---------------------------------------|
| FY 2003 Target = 20           | FY 2003 Results = 9            | FY 2003 % Target Met = 45%            |
| <i>Cumulative Target = 50</i> | <i>Cumulative Results = 52</i> | <i>% Cumulative Target Met = 104%</i> |

**Identify recommendations, best practices and risks (including outside EPA) that can directly contribute to improved human health and the environment.**

Measures: # Recommendations, best practices, risks identified

|                                |                                 |                                       |
|--------------------------------|---------------------------------|---------------------------------------|
| FY 2003 Target = 80            | 2003 Results = 52               | FY 2003 % Target Met = 65%            |
| <i>Cumulative Target = 220</i> | <i>Cumulative Results = 263</i> | <i>% Cumulative Target Met = 120%</i> |

#### **Goal 1 Results By Measure and Year**

| <b>Measures of Results and Progress</b>                                | <i>FY 2001</i>                 | <i>FY 2002</i> | <i>FY 2003</i> | <i>Total</i> |
|--|--------------------------------|----------------|----------------|--------------|
| <b>Environmental Improvements, Actions, Changes</b>                    |                                |                |                |              |
| # Legislative Changes/Decisions  | 2                              | 0              | 0              | 2            |
| # Regulatory Changes/Decisions   | 3                              | 0              | 1              | 4            |
| # EPA Policy/Directive/Process Changes/Decision                        | 48                             | 11             | 38             | 97           |
| # Best Practices Transferred/Implemented                               | 3                              | 1              | 4              | 8            |
| # Examples of Environmental Improvements/Impacts                       | 6                              | 0              | 5              | 11           |
| <b>Environmental/Health Risks Reduced Eliminated</b>                   |                                |                |                |              |
| # Environmental Risks Reduced/Eliminated                               | 24                             | 16             | 8              | 48           |
| # Certifications, Verifications, Validation of/for Action              | included with<br>Risks Reduced | 3              | 1              | 4            |
| <b>Environmental Recommendations, Best Practices, Risks Identified</b> |                                |                |                |              |
| # Recommendations for Environmental Improvement                        | 34                             | 48             | 26             | 108          |
| # Environmental Risks Identified                                       | 53                             | 52             | 19             | 124          |
| # Best Practices Identified  | 9                              | 15             | 7              | 31           |

## Examples of Selected Results Demonstrating Progress On Goal 1

### **Objective: Influence significant programmatic changes to legislation, regulations, policy, processes and practices that have a positive impact on human health and the environment**

- T EPA improved the groundwater monitoring process within the reactor section at Department of Energy's (DOE) Hanford site based on OIG recommendations. EPA stated that it will continue to monitor for carbon-14 and hexavalent chromium contamination in the groundwater and the results will be evaluated at least annually with DOE as part of annual program reviews. The response also indicated that any significant change in conditions will be considered in determining whether expansion of the pump-and-treat system is appropriate. *(Land)*
- T The OIG concluded that to achieve better results from future (PM) 2.5 air monitoring efforts and other PM program goals, the Agency needs to better support its methods development activities related to measuring "fine" particles of Particulate Matter (PM) found in ambient air, which can result in respiratory and other health-related illnesses. *(Air)*
- T In meetings with Agency's Environmental Indicators Group, we provided recommendations to the Agency on developing Brownfields environmental indicators. *(Land)*
- T We reported that EPA needs to take further action to better protect the nation's water supply against bioterrorism and other terrorist acts. EPA agreed with our assessment and, has subsequently completed a review of a subset of vulnerability assessments submitted by large drinking water systems. *(Cross Media)*

### **Objective: Identify and recommend solutions for reducing the highest environmental risks**

- T In our report on EPA's Response to the World Trade Center Collapse, the OIG found that unprotected workers and residents may have experienced unnecessary exposures to asbestos and other pollutants. We recommended EPA strengthen emergency risk communication procedures and ensure that public pronouncements regarding health risks and environmental quality are adequately supported by data analysis. *(Air)*
- T The OIG identified environmental risks at DOE's Hanford Superfund Site cleanup including: (1) potential releases of radionuclides to the air, soil, groundwater, and Columbia River from structural failure of the K Basins; (2) continued discharge of high levels of chromium into the Columbia River as a result of an ineffective pump-and-treat system; and (3) potential discharge of groundwater contaminated with concentrations of hexavalent chromium and carbon-14 that exceed State and Federal standards. *(Land)*
- T A joint investigation by EPA OIG and Criminal Investigations Division resulted in a guilty plea by the president of Quality Water Analysis Laboratory, Inc. It was alleged that the laboratory provided fraudulent data and test results to wastewater treatment facilities. The public could be exposed to poor water quality and health risks from false test results. *(Laboratory Fraud)*
- T Agency officials agreed that they need to improve their understanding of the number, location, and scope of high-risk abandoned mine lands after recommendations in our Mega EPA's National Hardrock Mining Framework report. *(Land)*
- T We identified significant risks in the Permit Compliance System modernization efforts and recommended actions for improvement. Estimated costs for the PCS modernization project have recently increased by 71 percent. Based on the new estimate, OECA only has 60 percent of the funding needed to complete the project. We also had concerns about reducing the functionality of the system due to the funding shortfall. In addition to the recent cost increases, the implementation date has slipped by at least two years. *(Water)*

## GOAL 2: Improving EPA's Management and Program Operations

This section displays the results for Goal 2 against the OIG fiscal 2003 and cumulative performance targets. On the following pages are selected examples of OIG performance results under Goal 2.

### Objectives, Annual Results, and Three Year (FY 2001 - 2003) Cumulative Results

#### Identify opportunities for improved economy, efficiency, and accountability in EPA programs and operations.

Measures: Questioned Costs, Efficiencies, Savings, Fines, Recoveries, Settlements  
(\$ are in millions)

|                                    |                                     |                                       |
|------------------------------------|-------------------------------------|---------------------------------------|
| FY 2003 Target = \$72              | FY 2003 Results = \$411             | FY 2003 % Target Met = 856%           |
| <i>Cumulative Target = \$134.2</i> | <i>Cumulative Results = \$538.6</i> | <i>% Cumulative Target Met = 402%</i> |

#### Improve efficiency and integrity of EPA business and program operations by reducing vulnerabilities for fraud and risk and by influencing better business actions or changes.

Measures: Criminal, civil, admin actions; policy, practice, process actions taken, certifications

|                                |                                 |                                       |
|--------------------------------|---------------------------------|---------------------------------------|
| FY 2003 Target = 125           | FY 2003 Results = 221           | FY 2003 % Target Met = 177%           |
| <i>Cumulative Target = 360</i> | <i>Cumulative Results = 572</i> | <i>% Cumulative Target Met = 159%</i> |

#### Identify recommendations, best practices, and management challenges that can directly influence and promote actions for improved business operations

Measures: Recommendations, best practices, management and FMFIA challenges identified

|                                |                                 |                                       |
|--------------------------------|---------------------------------|---------------------------------------|
| FY 2003 Target = 155           | FY 2003 Results = 264           | FY 2003 % Target Met = 170%           |
| <i>Cumulative Target = 305</i> | <i>Cumulative Results = 700</i> | <i>% Cumulative Target Met = 230%</i> |

### Goal 2 Results By Measure and Year (\$ are in millions)

| Measures of Results and Progress                              | FY2001 | FY2002 | FY2003  | Total   |
|---|--------|--------|---------|---------|
| <b>Return on Investment</b>                                   |        |        |         |         |
| \$Questioned Costs  | \$35   | \$15.9 | \$ 37.2 | \$ 88.1 |
| \$Recommended Efficiencies, Costs Saved or Avoided            | \$32.1 | \$19.5 | \$ 1.2  | \$ 52.8 |
| \$Fines/Recoveries/Restitutions/Collections                   | \$ 5.2 | \$19.8 | \$372.6 | \$436   |
| <b>Criminal/Civil/Administrative Actions</b>                  | 98     | 80     | 83      | 261     |
| <b>Improvements in Business/Systems/Efficiency</b>            |        |        |         |         |
| #Best Practices Implemented                                   | *      | 15     | 6       | 21      |
| #Process/Practice Changes/Decisions                           | 63     | 38     | 55      | 257     |
| #Corrective Actions on Management/FMFIA Challenges            | 4      | 12     | 1       | 17      |
| #Certifications/Verifications/Validations                     | 9      | 32     | 76**    | 117     |
| <b>Recommendations, Best Practices, Challenges Identified</b> |        |        |         |         |
| #Best Practices Identified                                    | 17     | 7      | 8       | 32      |
| #Recommendations for Management Improvement                   | 148    | 252    | 253     | 653     |
| #New/Existing FMFIA/Management Challenges reported            | 10     | 10     | 3       | 23      |

\* Included in Practice Changes      \*\* Includes 16 allegations disproved

**Objective: Return on investment from prospective improved business processes, practices, savings**

- T A mediated settlement before the General Services Administration, Board of Contract Appeals, on May 27, 2003, resulted in cost savings to the Government of \$2,544,062 in a false claims case against a joint venture of Reza, Inc., and Dennis J. Amoroso Construction company involved in a water treatment project. At the direction of the U.S. Attorney's Office, Western District of Texas, an independent audit identified \$1.8 million in questioned or unsupported costs. A Department of Justice investigation determined that the actual amount of damages to the Government was approximately \$50,000. Under the terms of the mediated settlement, the Government agreed to only pay Reza \$1.1 million and release Reza from any action under the False Claims Act, and Reza agreed to dismiss the \$3.6 million in claims against the Government, resulting in a \$2.5 million cost savings. (*Financial Fraud*)
- T For claims submitted by the State of California in connection with the Stringfellow Superfund site, we cited as ineligible more than \$23 million in advance match and credit claims, primarily involving accrued interest and bond interest that was not allowable. We also noted more than \$1 million in ineligible contractor costs, and questioned more than \$50,000 in travel and equipment costs. (*Assistance Agreements*)
- T We questioned more than \$2.3 million claimed by the Tribal Association on Solid Waste and Emergency Response because, in part, the Association: (1) could not reconcile total program outlays claimed with its general ledger; (2) did not maintain an adequate labor cost distribution system; and (3) did not competitively procure services or perform cost or price analyses. (*Assistance Agreements*)
- T We questioned more than \$1.1 million claimed by the Geothermal Heat Pump Consortium, Inc., because the Consortium did not: (1) separately identify and accumulate costs for all direct activities, such as membership support and lobbying; (2) reduce assistance agreement costs for income generated; (3) prepare or negotiate indirect costs; and (4) maintain an adequate labor cost distribution system. (*Assistance Agreements*)
- T Based on our analysis, we found that the Township of Parsippany - Troy Hill, NJ had the ability to pay the questioned cost of \$1,034,190 and the EPA Office of General Counsel negotiated payment of the entire amount in question.
- T The Assistant Regional Administrator for Region 3 supported our recommendations by issuing a final determination letter to the Washington, D. C., Department of Health (DOH) seeking repayment of EPA funds totaling \$944,049. This amount included the \$603,895 questioned in our audit report plus all additional payments made to the grantee subsequent to the issuance of our report. We determined that DOH did not meet the cost sharing requirements contained under Superfund Cooperative Agreement and improperly combined the cost of two programs that had separate budgets and different cost sharing requirements. In addition, DOH's timekeeping and labor distribution system were inadequate to identify and account for time spent on Federal assistance agreements because employee time records did not show the specific agreements they worked on or the activities they performed. (*Assistance Agreements*)
- T ManTech Environmental Technology, Inc., a subsidiary of ManTech International Corporation, of Fairfax, Eastern District of Virginia, Civil Division agreed to credit the Government \$220,358 in connection with a building sale. In concert with the U.S. Attorney's Office, Civil Division, and the EPA Contracting Officer, it was determined that ManTech had sold the facility for a net gain and the Government was entitled to a portion of that gain, resulting in the \$220,358 credit. (*Financial Fraud*)

**Objective: Improve efficiency and integrity of EPA business and program operations by reducing vulnerabilities for fraud and risk and by influencing better business actions or changes.**

- T Since we issued our report *EPA Region 6 Needs to Improve Oversight of Louisiana's Environmental Programs* (2003-P-00005), dated February 3, 2003, Region 6 has taken several key actions to improve oversight. Region 6 established two new leadership positions to ensure that Louisiana implements the EPA-defined performance measures for its water program, and to develop an approach to oversee the Region's five States. (*Assistance Agreements*)
- T Region 6 is tracking Louisiana's progress on a continuing basis against the seven performance measures for the water program (including permit issuance and public access to file) and eight steps for the air program. As of September 30, 2003, the State had addressed, either partially or in full, all seven measures for the water program and seven of the eight steps for the air program. (*Assistance Agreements*)
- T Raymond Robertson, Trustee and Director of the National Iron Workers Apprenticeship Training and Journeyman Upgrading Fund, was sentenced in U.S. District Court, District of Columbia, to 6 months home detention and 3 years probation. He was also ordered to pay \$103,169 in restitution, a \$30,000 fine, and a \$800 special assessment. The sentence was a result of Robertson's guilty plea to charges related to conspiracy, theft, and embezzlement. The fund periodically received Federal grants including a \$1.2 million grant to provide certain skills and safety training. (*Financial Fraud*)
- T An EPA grantee received two grants, one for \$160,000 in 1994 and for \$130,000 in 1995 to train lead abatement workers. Instead of providing lead training, the investigation disclosed that the grant recipient diverted the funds to purchase various pieces of real estate. Based on the investigation, a Civil Complaint was filed in the Western District of Pennsylvania and the grant recipient, after proper service of the complaint, refused to respond to the complaint. Based on the grantee's default, the court entered a judgement against the grantee in the amount of \$300,513 in damages and a civil penalty of \$5,000 pursuant to provisions of the False Claim Act, 31 U.S.C. 3729(a). (*Financial Fraud*)
- T An Alabama refiner of conventional gasoline, Jet-Pep, was sentenced to 3 years probation and ordered to pay a \$200,000 fine and a \$400 special assessment for making a false statement to EPA in violation of the Clean Air Act. The sentencing, which occurred in U.S. District Court, Northern District of Alabama, is a result of Jet-Pep's May 30, 2003, guilty plea. (*Financial Fraud*)
- T Three additional persons have been sentenced in connection with "Operation Bandwidth," a 2-year long, multi-Agency undercover operation focusing on members of a software piracy group known as the "Rogue WarriorZ." The group was dedicated to the illegal reproduction and distribution of copyrighted software, movies, and games over the internet. At least 18 members of the group had illegally accessed EPA computer systems to further the reproduction and distribution scheme. (*Computer Crimes*)
- T Luther Mellen, former EPA Branch Chief, Architecture, Engineering, and Real Estate Branch, was sentenced to 27 months in prison, followed by 3 years of supervised release, and ordered to pay a \$50,000 fine and a \$200 special assessment. This sentencing, in U.S. District Court, District of Columbia, is the result of a guilty verdict reached during trial in November 2002 stemming from charges of conspiracy to defraud the United State and receipt of stolen goods. (*Financial Fraud*)
- T Steven Wayne Devine pleaded guilty to charges involving defrauding employment agencies in at least five States of more than \$45,000. Devine would contact various agencies using a false name and identify himself as an upper level employee of a company or government agency, including EPA. He would then contract with the employment agency to "payroll" a purported employee of the company or agency. For an agreed-upon fee, the employment agency would handle payroll issues and issue payroll checks to the purported employee, Devine. The employment agencies would either mail an invoice to the company or government agency to receive payment for their services or Devine would appear at the employment agency and present a counterfeit check to pay for the agency's services. (*Financial Fraud*)

- T On the Malcolm Pirnie, Inc. - FY96 Final Incurred Cost Audit, we recommended four major adjustments which resulted in increases and decreases to the proposed pools and bases and net savings to the Government of \$15,672. The contractor agreed with 100% of our findings. *(Contracts)*
- T During fiscal 2003, we determined twelve allegations were unsubstantiated based on initial investigative efforts. Allegations ranged from abuse of sick leave and motor pool charges to conflict of interest.
- T A civil fraud settlement agreement valued at \$391 million with ICF Kaiser International, Inc. and the United States resulted after a lengthy investigation conducted by EPA OIG and the Nuclear Regulatory Commission OIG. The investigation disclosed that ICF may have billed EPA and 17 other Federal Agencies excess costs on contracts for computer center costs. The investigation was initiated by an EPA OIG contract audit. *(Financial Fraud)*
- T We questioned more than \$1.6 million claimed by the Central States Air Resource Agencies Association (CenSARA) under two grants awarded by EPA. As a result of our recommendations, EPA Region 6 has reclassified CenSARA as a “high risk grantee,” restricted their funding, and placed CenSARA on a reimbursement method of payment. The Region is also performing on-sight reviews of CenSARA to ensure appropriate systems are in place and changes have been made to correct problems. *(Assistance Agreements)*
- T In response to a request by Senator Fred Thompson concerning Housatonic River, we noted several issues. Subsequently Region 1 agreed to: (1) work with Federal partners on inserting conflict of interest clauses in future contracts, (2) have higher level management become involved in contract management issues, and (3) have higher level management involved in reinforcing controls to address subcontract direction issues. *(Contracts)*

**Objective: Identify recommendations, best practices, and management challenges that can directly influence and promote actions for improved business operations**

- T The Agency is proposing to declare information security implementation an Integrity Act Agency-level weakness for FY 2004 based on our annual review of EPA’s implementation of the Federal Information Security Management Act. *(Business Systems)*
- T Officials at the Las Vegas Finance Center agreed with our recommendations and have initiated actions to conduct a complete risk assessment, work on a continuity of support plan, and update backup procedures to more effectively ensure continuation of information technology services by this Financial Services Division field branch. *(Business Systems)*
- T Based on OIG recommendations to improve accountability, procedures and increased application of performance-based contracting, the Agency could have saved millions of dollars during the period of review. Recommendations were also made to improve the accuracy of reported contract data. *(Contracts)*
- T We noted areas for improving drinking water capacity development and recommended that EPA place greater emphasis on the managerial and financial aspects of capacity development, and develop a performance measurement system. *(Water)*
- T We recommended that EPA develop a comprehensive strategy for its procurement program to ensure that Federal efforts to purchase goods made from recycled materials are effective, update its affirmative procurement program to address all 54 identified recycled content items, and take various other steps to ensure the program is adequately implemented. The Agency indicated it has begun corrective actions. *(Land)*

- T EPA convened a workgroup and took needed actions on our recommendations that procedures be followed regarding annual performance goals and measures for children's health research, and that a system be put in place to verify completion of measures. *(Cross Media)*
- T We issued a qualified opinion on Utah's compliance with the Safe Drinking Water Act Revolving Fund , because Utah did not meet minimum loan commitment requirement by \$3,220,000 as of June 30, 2002. Utah returned to compliance by issuing an additional \$3,546,000 in loans by November 2002. *(Assistance Agreements)*
- T EPA recently issued several orders to improve the management of assistance agreements in response to OIG concerns and recommendations. In response to recommendations in our 2003 report on assistance agreements, EPA incorporated actions into the Agency's Grant Management Strategic Plan and Tactical Action Plan. *(Assistance Agreements)*
- T We recommended that EPA clarify the purpose of State self assessments of environmental programs and how they are to be used by EPA and States and work with States to gain their acceptance and involvement with the self assessment concept. *(Assistance Agreements)*
- T In response to our *Pilot Study on Science to Support Rulemaking* report, EPA's Science Advisor has committed to a review of the Agency's progress in implementing its Peer Review policy and to ensuring that Agency decisions are based on sound science. *(Cross Media)*
- T EPA agreed with our recommendations to develop statistics on improper contract payments and subsequently assess whether EPA needs to establish a cost recovery program. Many internal controls over contract payments were also put in place as a result of our review. *(Contracts)*
- T We reported that EPA can increase competition for work under the General Services Administration Federal Supply Schedule contracts. We made recommendations to EPA to increase competition and compliance related to Federal Supply Schedule awards, and EPA agreed to take some of the actions. *(Contracts)*
- T We recommended that EPA establish meaningful performance measures, collect and maintain necessary data of fellowship applicants and recipients, and conduct regular internal reviews to ensure the Science to Achieve Results (STAR) Fellowship Program is accomplishing its goals. *(Cross Media)*
- T Weaknesses in EPA's computer security self-assessment process were caused primarily because EPA did not have a systematic program to ensure that system controls were accurately reported and implemented throughout the Agency. EPA generally agreed with our recommendations to increase its efforts in this area. *(Business Systems)*

## GOAL 3: Producing Timely, Quality and Cost Effective Products and Services that Meet Customers Needs

*This section displays the results for Goal 3 against the OIG fiscal 2003 and cumulative performance targets. On the following page are selected examples of OIG performance results for Goal 3.*

### Objectives

**Provide the right products, at the right time, to the right customers, at the right cost.**

Measures: Customer value/quality survey ratings for OIG products

|                                |                                 |                                      |
|--------------------------------|---------------------------------|--------------------------------------|
| FY 2003 Target = 81%           | FY 2003 Results = 74%           | FY 2003 % Target Met = 91%           |
| <i>Cumulative Target = 81%</i> | <i>Cumulative Results = 78%</i> | <i>% Cumulative Target Met = 96%</i> |

**Build infrastructure, relationships, and partnerships to leverage change**

Measures: Collaborative efforts with federal/state partners

|                               |                                |                                       |
|-------------------------------|--------------------------------|---------------------------------------|
| FY 2003 Target = 40           | FY 2003 Results = 56           | FY 2003 % Target Met = 140%           |
| <i>Cumulative Target = 40</i> | <i>Cumulative Results = 61</i> | <i>% Cumulative Target Met = 150%</i> |

**Increase professional image and demand for products and services.**

Measures: Work/assignments requested/required (externally); Time/budget milestones met

|   |  |                                       |
|---|--|---------------------------------------|
| FY 2003 Target = 40% work requested           | FY 2003 Results = 51% work requested           | FY 2003 % Target Met = 128%           |
| <i>Cumulative Target = 40% work requested</i> | <i>Cumulative Results = 51% work requested</i> | <i>% Cumulative Target Met = 128%</i> |
| FY 2003 Target = 73% milestones met*          | 2003 Results = 71% milestones met              | FY 2003 % Target Met = 98%            |

\* Annual Target is a cumulative 10% increase from FY 2001 baseline

### Goal 3 Results By Measure

| Measures of Results and Progress                               | FY2001 | FY2002 | FY2003 | Total or Avg % |
|--|--------|--------|--------|----------------|
| <b>Customer Quality/Value</b>                                  |        |        |        |                |
| % Customer Value/Quality Satisfaction Ratings <i>Overall</i>   | 80%    | 79%    | 74%    | 78%            |
| % Customer Value/Quality Products                              | 77.5%  | 76%    | 71%    | 75%            |
| % Customer Value/Quality Staff Service                         | 85.3%  | 83%    | 79%    | 83%            |
| # Requests to Testify (Congress/judicial)/Presentations        | 4      | 29     | 28     | 61             |
| <b>Collaborative Efforts, States/Feds</b> (number of projects) | 32     | 96     | 56     | 184            |
| <b>OIG Work Requested/Required</b> (5)                         | 56%    | 46%    | 51%    | 51%            |
| <b>Engagement Letter/Project/Budget Milestones Met</b> (%)     | 60%    | 66%    | 71%    | 66%            |



## Examples of Selected Results Demonstrating Progress On Goal 3

**Objectives: Customer satisfaction with OIG products, services and attitudes. Build collaborative relationships to leverage change with federal and state partners. Develop professional image, quality and demand for OIG products and services**

- T In June 2003, at the request of the U.S. House of Representatives' Subcommittee on Water Resources and the Environment, Committee on Transportation and Infrastructure, the Inspector General told the Congressional subcommittee that while EPA has acted to improve management of assistance agreements, it needs to ensure that adequate resources are devoted to awarding and monitoring such agreements, and personnel are held accountable.
- T On September 2003, the OIG welcomed an 18-member research team from the Board of Audit and Inspection (BAI), Seoul, Republic of Korea to learn about our best practices that they could apply in their own work. In addition to BAI representatives, the visiting team included auditors from diverse Korean agencies who were awarded the "Best Internal Auditors" designation from their agencies. The agencies included the Ministry of Defense, Ministry of Health and Welfare, National Tax Service, Korea Customs Service, a bank, and several city and provincial agencies.
- T The President's Council on Integrity and Efficiency (PCIE) Government Performance and Results Act Roundtable, chaired by the EPA OIG, developed a guide for the involvement of Government OIGs with the Program Assessment Rating Tool (PART). The guide, developed by the EPA OIG with input from the Roundtable members, discusses several way that OIGs could best assist OMB and its agencies.
- T We reviewed 68 proposed changes to legislation, regulations, policy and procedures that could affect EPA. We also reviewed drafts of EPA's program operations manual, directives, and reorganizations.

## GOAL 4: Enhancing diversity, innovation, teamwork, and competencies

This section displays the results for Goal 4 against the OIG fiscal 2003 and cumulative performance targets. Annual FY 2003 targets are a **cumulative 10% increase** from FY 2002 or 2001 baseline. On the following page are selected examples of OIG performance results for Goal 4.

### Objectives

#### Improved organization systems and production processes.

Measures: Work done/accessible electronically, Multi-disciplined teams

|                                 |                                  |                            |
|---------------------------------|----------------------------------|----------------------------|
| FY 2003 Target = 89% electronic | FY 2003 Result = 77% electronic  | FY 2003 % Target Met =87%  |
| FY 2003 Target = 71 Multi-teams | FY 2003 Result = 101 Multi-teams | FY 2003 % Target Met =142% |

#### Increased recognition for diversity, innovation, and teamwork.

Measures: Innovation implemented, parity with civilian workforce, awards

|                                 |                                 |                            |
|---------------------------------|---------------------------------|----------------------------|
| FY 2003 Target = 22 innovations | FY 2003 Result = 44 innovations | FY 2003 Target Met = 200%  |
| FY 2003 Target = 98% parity     | FY 2003 Result = 94% parity*    | FY 2003 % Target Met = 96% |

\* Minorities and Women

#### Improved continuous learning and demonstrated competencies in EPA programs, professional skills, technical skills and leadership skills.

Measures: Staff in compliance with professional or strategic standards

|                                  |                        |                             |
|----------------------------------|------------------------|-----------------------------|
| FY 2003 Target = 100% (baseline) | FY 2003 Results = 100% | FY 2003 % Target Met = 100% |
|----------------------------------|------------------------|-----------------------------|

### GOAL 4 Results By Measure

| Measures of Results and Progress                         | FY2001 | FY2002 | FY2003 | Total           |
|--|--------|--------|--------|-----------------|
| <b>Improved Systems and Processes</b>                    |        |        |        |                 |
| %Work Performed Electronically                           | 72%    | 70%    | 88%    | 88% (77% avg)   |
| %Products Available Electronically                       | 77%    | 48%    | 65%    | 65% (63% avg)   |
| <b>Assignments By Multi-disciplinary Teams</b>           | 19     | 65     | 101    | 185 (62 avg)    |
| <b>Techniques/Processes, Implemented (by OIG)</b>        | 18     | 42     | 44     | 104 (35 avg)    |
| <b>Staff In Parity with Civilian workforce (%)</b>       | 94.2%  | 98%    | 94%    | 95% avg         |
| Awards for Creativity, Innovation & Teamwork# Innovative | 515    | 475    | 346*   | 1,336 (445 avg) |
| <b>Compliance with Professional Training Standards</b>   | N/A    | 100%   | 100%   | 100%            |

\* Monetary awards only (exclusive of time-off and Quality Step awards)

## Examples of Selected Results Demonstrating Progress On Goal 4

**Objectives:** Improve organizational systems and processes through technology and multi-discipline approach. Increase and recognize organizational and staff achievement, innovation, teamwork and diversity. Improve professional competencies in EPA programs, technical, & leadership areas.

- T Beta testing was completed and the new Training Information System was implemented. This system has been designed to provide supervisors and staff with critical information on performance management and career development. **Individual Development Plan (IDP)** and **Training Request, Authorization, Agreement, and Certificate of Training (SF-182)** forms have been automated in the system. In addition, tools for managing **Continuing Professional Education (CPE)** and **Career Management Framework (CMF)** information have also been included. Organizationally, the Training Information System will contribute to the development of the OIG Human Capital Budget and provide the ability to better assess the quality of OIG career development programs.
- T The OIG used innovative techniques to update its strategic plan for FYs 2004 through 2008 by using Strategic Customer Value Analysis to research and collect information, using surveys and interviews of OIG staff, EPA leadership, and others in the Federal government. To develop the plan, we categorized input to a computer database system by topic (Air, Water, Land, Cross-Media, Management, and OIG Performance) and also by value (Strength, Weakness, Opportunity, and Threat) to analyze components and synthesize trends of significance.
- T EPA OIG leadership of the President's Council on Integrity and Efficiency (PCIE) Government Performance Results Act Interest Group Roundtable was recognized by the PCIE President, Gaston Gianni.
- T EPA OIG has established a Computer Intrusion Investigations Unit to investigate any suspicious or unauthorized computer activity within the Agency.
- T OIG developed a guide, "Assessing Organizational Systems: a User's Guide," that can be used by both OIG and Agency Program Managers to assess organizational efficiency and effectiveness. Using questions in the seven areas of the Malcolm Baldrige criteria of : leadership, strategic planning, customer/stakeholder/market focus, information and analysis, human capital, process management and performance measurement, the guide helps develop an overall picture of the organizations conditions and root causes, leading to comprehensive solutions.
- T OIG developed its first Multi-Year Plan covering fiscal 2003 through 2005 as the connecting link between EPA's Strategic Goals, OIG's Strategic Goals and Annual Work Plans. The Multi-Year Plan uses a sequential progression of questions in Product Line Tracks linked to EPA program and operations. The questions are cumulatively answered through assignments that provide analysis and recommendations critical to success of EPA's mission.
- T OIG improved process of linking and reporting on performance and accountability by developing a Balanced Scorecard combining mission performance results with operational, activity and resource performance measurement. The OIG also developed a model and methodology for cost accounting based upon billable hours of direct time. This approach creates a fully "loaded" cost per hour for OIG work, by allocating indirect and overhead costs into direct mission assignment hours.

## OIG FY 2003 Program Activity and Audit Resolution

| Audit/Evaluation Activity and Agency Action   | Investigative  |                                 |                 |                |                                   |                                      |        |                          |     |                   |               |        |   |                         |           |        |                   |                             |        |   |     |                                     |  |          |   |   |             |             |   |  |     |   |  |    |   |           |   |          |  |           |                                |           |  |           |  |              |  |
|---|--|---------------------------------|-----------------|----------------|-----------------------------------|--------------------------------------|--------|--------------------------|-----|-------------------|---------------|--------|---|-------------------------|-----------|--------|-------------------|-----------------------------|--------|---|-----|-------------------------------------|--|----------|---|---|-------------|-------------|---|--|-----|---|--|----|---|-----------|---|----------|--|-----------|--------------------------------|-----------|--|-----------|--|--------------|--|
| <p><u>Reports Issued</u></p> <table style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 5%;">&lt;</td> <td style="width: 85%;">Reviews Performed by OIG</td> <td style="width: 10%; text-align: right;">48</td> </tr> <tr> <td>&lt;</td> <td>Reviews by Another Federal Agency</td> <td style="text-align: right;">245</td> </tr> <tr> <td>&lt;</td> <td>Single Act Audit Reviews</td> <td style="text-align: right; border-bottom: 1px solid black;">191</td> </tr> <tr> <td></td> <td>TOTAL Reports</td> <td style="text-align: right; border-bottom: 1px solid black;">484</td> </tr> </table><br><table style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 5%;">&lt;</td> <td style="width: 85%;">Questioned Costs</td> <td style="width: 10%; text-align: right;">\$ 37.2 M</td> </tr> <tr> <td>&lt;</td> <td>Cost Efficiencies</td> <td style="text-align: right;">\$ 1.2 M</td> </tr> </table><br><table style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 5%;">&lt;</td> <td style="width: 85%;">Reports Resolved (from current &amp; prior years)</td> <td style="width: 10%; text-align: right;">128</td> </tr> <tr> <td>&lt;</td> <td>Agency Recoveries (from current &amp; prior years)</td> <td style="text-align: right;">\$ 5.6 M</td> </tr> </table>   | <  | Reviews Performed by OIG        | 48              | <              | Reviews by Another Federal Agency | 245                                  | <      | Single Act Audit Reviews | 191 |                   | TOTAL Reports | 484    | < | Questioned Costs        | \$ 37.2 M | <      | Cost Efficiencies | \$ 1.2 M                    | <      | Reports Resolved (from current & prior years) | 128 | <                                   | Agency Recoveries (from current & prior years) | \$ 5.6 M | <ul style="list-style-type: none"> <li>• Investigations Opened 136</li> <li>• Investigations Closed 134</li> <li>• Pending Investigations as of 9/30 183</li> <li>• Indictments of Persons/Firms + (arrests) 26 (5)</li> <li>• Conviction of Persons/Firms 16</li> <li>• Administrative Action EPA Employees/Firms 32</li> <li>• Civil Judgments 4</li> <li>• Allegations Disproved 16</li> <li>• Fines and Recoveries (including civil &amp; savings) \$372.6 M</li> </ul> |   |             |             |   |  |     |   |  |    |   |           |   |          |  |           |                                |           |  |           |  |              |  |
| <   | Reviews Performed by OIG   | 48                              |                 |                |                                   |                                      |        |                          |     |                   |               |        |   |                         |           |        |                   |                             |        |   |     |                                     |  |          |   |   |             |             |   |  |     |   |  |    |   |           |   |          |  |           |                                |           |  |           |  |              |  |
| <   | Reviews by Another Federal Agency  | 245                             |                 |                |                                   |                                      |        |                          |     |                   |               |        |   |                         |           |        |                   |                             |        |   |     |                                     |  |          |   |   |             |             |   |  |     |   |  |    |   |           |   |          |  |           |                                |           |  |           |  |              |  |
| <   | Single Act Audit Reviews   | 191                             |                 |                |                                   |                                      |        |                          |     |                   |               |        |   |                         |           |        |                   |                             |        |   |     |                                     |  |          |   |   |             |             |   |  |     |   |  |    |   |           |   |          |  |           |                                |           |  |           |  |              |  |
|   | TOTAL Reports  | 484                             |                 |                |                                   |                                      |        |                          |     |                   |               |        |   |                         |           |        |                   |                             |        |   |     |                                     |  |          |   |   |             |             |   |  |     |   |  |    |   |           |   |          |  |           |                                |           |  |           |  |              |  |
| <   | Questioned Costs   | \$ 37.2 M                       |                 |                |                                   |                                      |        |                          |     |                   |               |        |   |                         |           |        |                   |                             |        |   |     |                                     |  |          |   |   |             |             |   |  |     |   |  |    |   |           |   |          |  |           |                                |           |  |           |  |              |  |
| <   | Cost Efficiencies  | \$ 1.2 M                        |                 |                |                                   |                                      |        |                          |     |                   |               |        |   |                         |           |        |                   |                             |        |   |     |                                     |  |          |   |   |             |             |   |  |     |   |  |    |   |           |   |          |  |           |                                |           |  |           |  |              |  |
| <   | Reports Resolved (from current & prior years)  | 128                             |                 |                |                                   |                                      |        |                          |     |                   |               |        |   |                         |           |        |                   |                             |        |   |     |                                     |  |          |   |   |             |             |   |  |     |   |  |    |   |           |   |          |  |           |                                |           |  |           |  |              |  |
| <   | Agency Recoveries (from current & prior years)   | \$ 5.6 M                        |                 |                |                                   |                                      |        |                          |     |                   |               |        |   |                         |           |        |                   |                             |        |   |     |                                     |  |          |   |   |             |             |   |  |     |   |  |    |   |           |   |          |  |           |                                |           |  |           |  |              |  |
| Audit Resolution (Dollars in Millions)  | Other  |                                 |                 |                |                                   |                                      |        |                          |     |                   |               |        |   |                         |           |        |                   |                             |        |   |     |                                     |  |          |   |   |             |             |   |  |     |   |  |    |   |           |   |          |  |           |                                |           |  |           |  |              |  |
| <table style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="width: 5%;"></th> <th style="width: 85%;"><u>Recommendations as Costs</u></th> <th style="width: 5%;"><u>Quest'd.</u></th> <th style="width: 5%;"><u>Efficys</u></th> </tr> </thead> <tbody> <tr> <td>&lt;</td> <td>With no management decision start 03</td> <td style="text-align: right;">\$55.1</td> <td style="text-align: right;">3.6 2M</td> </tr> <tr> <td>&lt;</td> <td>Issued in FY 2003</td> <td style="text-align: right;">\$37.2</td> <td style="text-align: right;">1.24 M</td> </tr> <tr> <td>&lt;</td> <td>Agreed to by management</td> <td style="text-align: right;">\$10.8*</td> <td style="text-align: right;">.02 M*</td> </tr> <tr> <td>&lt;</td> <td>Not agreed to by management</td> <td style="text-align: right;">\$28.6</td> <td style="text-align: right;">.75 M</td> </tr> <tr> <td>&lt;</td> <td>With no management decision, end 03</td> <td style="text-align: right;">\$51.7</td> <td style="text-align: right;">3.62M</td> </tr> <tr> <td></td> <td><b>Percent of total agreed to by management</b></td> <td style="text-align: right;"><b>12%*</b></td> <td style="text-align: right;"><b>12%*</b></td> </tr> </tbody> </table> <p>(Does not include \$1.2 M agreed to, but not in EPA resolution system)</p><br><table style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 5%;">&lt;</td> <td style="width: 85%;">Audits with no Federal action as of 9/30/04 which are over 365 days past issuance date</td> <td style="width: 10%; text-align: right;">132</td> </tr> <tr> <td>&lt;</td> <td>Reports for which no management decision was made within six months of issuance at 9/30/04</td> <td style="text-align: right;">52</td> </tr> </table><br><p><u>Audit Resolution Reported by EPA</u></p> <table style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 85%;">Audits with management decisions but without final action beginning FY 03</td> <td style="width: 15%; text-align: right;">\$149.4 M</td> </tr> <tr> <td>Audits for which management decision were reached in FY03</td> <td style="text-align: right;">\$ 8.7 M</td> </tr> <tr> <td>Total audits pending final action during FY 03</td> <td style="text-align: right;">\$158.2 M</td> </tr> <tr> <td>Final Action taken during FY03</td> <td style="text-align: right; border-bottom: 1px solid black;">\$ 43.7 M</td> </tr> <tr> <td>Audits without final action end of FY 03 (Carried as opening balance in FY 04)</td> <td style="text-align: right;">\$114.5 M</td> </tr> </table><br><table style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 85%;"><b>Percent Audit \$ Value Final Action Taken FY 03</b></td> <td style="width: 15%; text-align: right;"><b>27.7%</b></td> </tr> </table> |  | <u>Recommendations as Costs</u> | <u>Quest'd.</u> | <u>Efficys</u> | <                                 | With no management decision start 03 | \$55.1 | 3.6 2M                   | <   | Issued in FY 2003 | \$37.2        | 1.24 M | < | Agreed to by management | \$10.8*   | .02 M* | <                 | Not agreed to by management | \$28.6 | .75 M   | <   | With no management decision, end 03 | \$51.7   | 3.62M    |   | <b>Percent of total agreed to by management</b> | <b>12%*</b> | <b>12%*</b> | < | Audits with no Federal action as of 9/30/04 which are over 365 days past issuance date | 132 | < | Reports for which no management decision was made within six months of issuance at 9/30/04 | 52 | Audits with management decisions but without final action beginning FY 03 | \$149.4 M | Audits for which management decision were reached in FY03 | \$ 8.7 M | Total audits pending final action during FY 03 | \$158.2 M | Final Action taken during FY03 | \$ 43.7 M | Audits without final action end of FY 03 (Carried as opening balance in FY 04) | \$114.5 M | <b>Percent Audit \$ Value Final Action Taken FY 03</b> | <b>27.7%</b> | <ul style="list-style-type: none"> <li>• Hotline Complaints Received 638</li> <li>• Hotline Complaints Closed 571</li> <li>• Legislative/Regulatory Items Reviewed 68</li> <li>• President's Council on Integrity and Efficiency (PCIE) Projects Led/Developed 12</li> <li>• Advisory participation on Agency management improvement task force implementing changes and recommendations on GPRA and President's Management Agenda issues 4</li> </ul> |
|   | <u>Recommendations as Costs</u>  | <u>Quest'd.</u>                 | <u>Efficys</u>  |                |                                   |                                      |        |                          |     |                   |               |        |   |                         |           |        |                   |                             |        |   |     |                                     |  |          |   |   |             |             |   |  |     |   |  |    |   |           |   |          |  |           |                                |           |  |           |  |              |  |
| <   | With no management decision start 03   | \$55.1                          | 3.6 2M          |                |                                   |                                      |        |                          |     |                   |               |        |   |                         |           |        |                   |                             |        |   |     |                                     |  |          |   |   |             |             |   |  |     |   |  |    |   |           |   |          |  |           |                                |           |  |           |  |              |  |
| <   | Issued in FY 2003  | \$37.2                          | 1.24 M          |                |                                   |                                      |        |                          |     |                   |               |        |   |                         |           |        |                   |                             |        |   |     |                                     |  |          |   |   |             |             |   |  |     |   |  |    |   |           |   |          |  |           |                                |           |  |           |  |              |  |
| <   | Agreed to by management  | \$10.8*                         | .02 M*          |                |                                   |                                      |        |                          |     |                   |               |        |   |                         |           |        |                   |                             |        |   |     |                                     |  |          |   |   |             |             |   |  |     |   |  |    |   |           |   |          |  |           |                                |           |  |           |  |              |  |
| <   | Not agreed to by management  | \$28.6                          | .75 M           |                |                                   |                                      |        |                          |     |                   |               |        |   |                         |           |        |                   |                             |        |   |     |                                     |  |          |   |   |             |             |   |  |     |   |  |    |   |           |   |          |  |           |                                |           |  |           |  |              |  |
| <   | With no management decision, end 03  | \$51.7                          | 3.62M           |                |                                   |                                      |        |                          |     |                   |               |        |   |                         |           |        |                   |                             |        |   |     |                                     |  |          |   |   |             |             |   |  |     |   |  |    |   |           |   |          |  |           |                                |           |  |           |  |              |  |
|   | <b>Percent of total agreed to by management</b>  | <b>12%*</b>                     | <b>12%*</b>     |                |                                   |                                      |        |                          |     |                   |               |        |   |                         |           |        |                   |                             |        |   |     |                                     |  |          |   |   |             |             |   |  |     |   |  |    |   |           |   |          |  |           |                                |           |  |           |  |              |  |
| <   | Audits with no Federal action as of 9/30/04 which are over 365 days past issuance date     | 132                             |                 |                |                                   |                                      |        |                          |     |                   |               |        |   |                         |           |        |                   |                             |        |   |     |                                     |  |          |   |   |             |             |   |  |     |   |  |    |   |           |   |          |  |           |                                |           |  |           |  |              |  |
| <   | Reports for which no management decision was made within six months of issuance at 9/30/04 | 52                              |                 |                |                                   |                                      |        |                          |     |                   |               |        |   |                         |           |        |                   |                             |        |   |     |                                     |  |          |   |   |             |             |   |  |     |   |  |    |   |           |   |          |  |           |                                |           |  |           |  |              |  |
| Audits with management decisions but without final action beginning FY 03   | \$149.4 M  |                                 |                 |                |                                   |                                      |        |                          |     |                   |               |        |   |                         |           |        |                   |                             |        |   |     |                                     |  |          |   |   |             |             |   |  |     |   |  |    |   |           |   |          |  |           |                                |           |  |           |  |              |  |
| Audits for which management decision were reached in FY03   | \$ 8.7 M   |                                 |                 |                |                                   |                                      |        |                          |     |                   |               |        |   |                         |           |        |                   |                             |        |   |     |                                     |  |          |   |   |             |             |   |  |     |   |  |    |   |           |   |          |  |           |                                |           |  |           |  |              |  |
| Total audits pending final action during FY 03  | \$158.2 M  |                                 |                 |                |                                   |                                      |        |                          |     |                   |               |        |   |                         |           |        |                   |                             |        |   |     |                                     |  |          |   |   |             |             |   |  |     |   |  |    |   |           |   |          |  |           |                                |           |  |           |  |              |  |
| Final Action taken during FY03  | \$ 43.7 M  |                                 |                 |                |                                   |                                      |        |                          |     |                   |               |        |   |                         |           |        |                   |                             |        |   |     |                                     |  |          |   |   |             |             |   |  |     |   |  |    |   |           |   |          |  |           |                                |           |  |           |  |              |  |
| Audits without final action end of FY 03 (Carried as opening balance in FY 04)  | \$114.5 M  |                                 |                 |                |                                   |                                      |        |                          |     |                   |               |        |   |                         |           |        |                   |                             |        |   |     |                                     |  |          |   |   |             |             |   |  |     |   |  |    |   |           |   |          |  |           |                                |           |  |           |  |              |  |
| <b>Percent Audit \$ Value Final Action Taken FY 03</b>  | <b>27.7%</b>   |                                 |                 |                |                                   |                                      |        |                          |     |                   |               |        |   |                         |           |        |                   |                             |        |   |     |                                     |  |          |   |   |             |             |   |  |     |   |  |    |   |           |   |          |  |           |                                |           |  |           |  |              |  |

## OIG Customer Quality and Value: *As Measured From FY 2003OIG Customer Survey Results*

The following is a summary of the statistical and qualitative results from surveys of OIG customers clients and stakeholder on FY 2003 products and services, excluding those of investigative work. The survey asks a series of questions related to attributes of products and services. Results are presented below by question, sub-category of product or service, and in aggregate from 1998 to 2003.

### Actual OIG External Customer Survey Results Compared to Strategic Targets

(Based on 100% scale)

| Year Questions About: | 1998/1999 Actual | 2000 Actual | 2001 Actual | 2002 Actual | 2003 Actual | 2003 Target | 2005 GOAL |
|-----------------------|------------------|-------------|-------------|-------------|-------------|-------------|-----------|
| OIG Products/Services | 73.5%            | 74%         | 77%         | 76%         | 71% (74%)*  | 77%         | 80%       |
| OIG Staff             | 77%              | 79.6%       | 85%         | 83%         | 79% (81%)*  | 84%         | 90%       |
| TOTAL                 | 74.6%            | 76%         | 80%         | 77%         | 74% (76%)*  | 81%         | 85%       |

\* adjusted to include 02 investigation results for comparison

### Customer/Client Attribute Survey Results FY 1999-2003

| Survey Question        | Attributes  | 1998/99 | 2000 | 2001 | 2002 | 2003      |
|------------------------|---|---------|------|------|------|-----------|
| N Factor (# responses) | Response rate: FY 98/99=63%; FY 2001=58%; FY 2002= 55%; FY 2003=25% | 57      | 26   | 90   | 95   | 72        |
| Question 3             | Respondent knowledge of IG Act/Mission                              | 54%     | X    | 50%  | 68%  | 81%       |
| Question 4             | <b>OIG Products/Services are:</b> Factually accurate                | 75%     | 75%  | 78%  | 78%  | 73% (76)* |
| Question 5             | Objective and balanced  | 73%     | 72%  | 77%  | 77%  | 69% (72)* |
| Question 6             | Relevant & significant  | 75%     | 70%  | 82%  | 80%  | 80% (82)* |
| Question 7             | Useful for decisions & actions                                      | 70%     | 75%  | 78%  | 75%  | 69% (72)* |
| Question 8             | Recommendations or advice are practical                             | 70%     | 70%  | 72%  | 75%  | 70% (73)* |
| Question 9             | Logical and understandable  | 75%     | 78%  | 78%  | 78%  | 75% (77)* |
| Question 10            | Timely  | 75%     | 78%  | 73%  | 72%  | 68% (72)* |
| Question 11            | Responsive to needs/requests  | 75%     | 77%  | 77%  | 75%  | 64% (68)* |
| Question 12            | Contributes to EPA goals  | 73%     | 73%  | 77%  | 73%  | 68% (72)* |
| Question 13            | <b>OIG Staff:</b> Are professional & courteous                      | 87%     | 88%  | 92%  | 90%  | 89% (90)* |
| Question 14            | Knowledgeable of programs   | 68%     | 75%  | 78%  | 77%  | 72% (75)* |
| Question 15            | Communicate clearly   | 75%     | 80%  | 85%  | 82%  | 79% (81)* |
| Question 16            | Seek comments & clarification                                       | 77%     | 78%  | 82%  | 83%  | 77% (79)* |
| Question 17            | Build constructive relationships                                    | 77%     | 77%  | 85%  | 85%  | 77% (80)* |
| TOTAL                  |   | 74%     | 76%  | 80%  | 79%  | 74% (76)* |

several responses represent groups, so total responses are greater than the amount stated N

## FY 2003 Narrative Customer Survey Questions and Responses

*number in the brackets ( ) is the frequency similar response made*

### ***18. How can we improve OIG products/services, processes or results?***

**Recommendations** - “Does this make sense” analysis of recommendations needed; be a part of the solution instead of pointing out deficiencies. (2)

**Timeliness** - Add more staff; changing staff during the review resulted in a significant delay; reduce the time for review of work products. (4)

**Communication** - Seek constructive feedback from clients earlier to improve report accuracy; solicit input on weaknesses from EPA staff; inform Region about OIG staff and services they provide. (3)

**Process** - Make sure auditors are familiar with the process prior to beginning the audit; when staff change, have old staff train new staff; develop better understanding before hastening to prepare a flawed product; stick to goals identified at the beginning of the audit; be more responsive to Agency input on whether and when it would be most effective to conduct a study; confusion was caused by auditors looking at files before the entrance conference and redoing the random sample of files several times. (8)

**Balance/Accuracy** - Emphasize positive things as well as findings that need to be addressed; listen to the subjects of your audits and consider and incorporate their comments; recognize EPA or State resource constraints and that work has to be prioritized; provide a balanced review of projects designed to have flexible outcomes/measures of success. (8)

### ***19. With what products or services, and in what program areas can the OIG best serve EPA?***

**Grants and Contracts** - Conduct contract reviews; discuss how waste, fraud and abuse can be prevented in assistance agreements and grants; more audits/oversight of the total grant program, not just Performance Partnership Grants; continue providing financial audit resources for the State Revolving Fund program, and forget about outsourcing the activity; other programs are lacking reviews due to over emphasis on contracts. (5)

**Program Reviews** - Conduct independent evaluations; examine each program’s barriers to environmental progress; continue to develop program evaluation capability; depends on how much OIG is prepared to invest up front in understanding the programs it seeks to analyze and audit. (4)

**20. How do OIG products or services add value? If you do not believe they add value, why not?**

**Independent and Objective Reviews** - By providing a third party perspective and independent view of the program; the OIG is considered to have objectivity that is not attributed to other offices; OIG can resolve concerns/issues by merging ideas; by addressing timely issues with an objective, third-party review, evaluating many perspectives on each issue before making recommendations. (6)

**Provide Useful Information** - Detailed reviews of contractor's financial processes and implementation; data to properly negotiate task orders; show that Project Officers are limited in performing their jobs; are terrific when accurate and factually based. (4)

**Improve Program Management and Credibility** - Help staff avoid pitfalls in managing assistance agreements/grant programs; financial audits add value; making sure we are as efficient as possible in our duties with taxpayer's funds; point out areas where action needs to be taken; gain credibility for the agency. (5)

**Potential Not Realized** - This project required a very high level of program knowledge and understanding, and I do not believe OIG had the time or resources to fully understand the situation. When multiple audits overlap, value decreases and resources are negatively impacted. While the audit added no value to our process, it cost us a great deal of staff time that could have been better spent improving our program. In spite of my assessment of this particular product/service, program evaluations can be useful for identifying weaknesses and areas for improvement in our program delivery. (7)

## Other Comments By Customers and Clients

### Complaints

- < The report missed the issue, and was addressed to the wrong office.
- < IG staff did not have sufficient background or experience.
- < Dividing the Agency into specific task areas without regard for what the program offices need, is not making the State Revolving Fund (SRF) program any better. The SRF program needs the OIG's financial audits to properly manage the program.
- < OIG refused to wait for results of a similar ongoing review of our program by the National Academy of Sciences (NAS), ignored the many positive comments from the NAS review, and focused only on areas NAS cited for possible improvement.

### Compliments

- < The World Trade Center report was extremely important and helped clarify the changes in EPA responses to the event. Could have used more on how to better respond in the future.
- < The staff was very responsive and courteous.
- < No improvement necessary – just keep up the fine level of support!

## FY 2003 FINANCIAL STATEMENTS FOR OIG (Figures From IFMS - Unaudited)

The following is an analysis of the OIG's use of available financial and staff resources by object class, appropriate source and OIG Office/function. The OIG consolidated financial statement is available in Appendix 2.

(Source: EPA Financial Data Warehouse)

| Budget Object Class        | FY2002 Carryover Funds Expended in FY2003 | FY 2003 Appropriations Funds Expended | Total FY 2003 Expenditures (carryover +approp) | Average Cost per FTE in 000s |
|----------------------------|---|---------------------------------------|--|------------------------------|
| <b>MANAGEMENT</b>          |   |                                       |  | <b>257.0 FTE</b>             |
| 10 PC&B                    | \$ 1,715,785                              | \$24,523,778                          | \$26,239,563                                   | \$102.1                      |
| 21 Travel                  | 1,183,625                                 | 584,708                               | 1,768,333                                      | \$ 6.9                       |
| 29 Prog. Expenses          | 112,931                                   | 88,353                                | 201,284  | <b>\$ 0.8</b>                |
| 30 Admin. Expenses         | 264,145                                   | 532,516                               | 796,661  | \$ 3.1                       |
| 32 Prog. Contracts         | 1,470,176                                 | 17,250                                | 1,487,426                                      | <b>\$ 5.8</b>                |
| 33 Admin Contracts         | 1,312,031                                 | 453,247                               | 1,765,278                                      | \$ 6.9                       |
| 35 WC Fund                 | 1,572,603                                 | 0                                     | 1,572,603                                      | \$ 6.1                       |
| 41 Grants                  | 0   | 0                                     | 0  | \$ 0.0                       |
| Awards                     | 158,105                                   | 113,281                               | 271,386  | \$ 1.1                       |
| Reserves/EPA take back     | 0   | 0                                     | 0  | \$ 0.0                       |
| <b>TOTAL</b>               | <b>\$7,789,401</b>                        | <b>\$26,313,133</b>                   | <b>\$34,102,534</b>                            | <b>\$132.7</b>               |
| <b>SUPERFUND</b>           |   |                                       |  | <b>90.1 FTE</b>              |
| 10 PC&B                    | \$1,989,568                               | \$7,422,170                           | \$9,411,738                                    | \$104.5                      |
| 21 Travel                  | 434,433                                   | 173,495                               | 607,928  | \$6.7                        |
| 28 Site Travel             | 0   | 0                                     | 0  | 0                            |
| 29 Prog. Expenses          | 40,820                                    | 25,543                                | 66,363   | <b>\$ 0.7</b>                |
| 30 Admin. Expenses         | 76,453                                    | 173,850                               | 250,303  | \$2.8                        |
| 32 Prog. Contracts         | 490,059                                   | 5,741                                 | 495,800  | \$ 5.5                       |
| 33 Admin Contracts         | 406,170                                   | 68,694                                | 474,864  | \$6.5                        |
| 35 WC Fund                 | 524,202                                   | 0                                     | 524,202  | 0                            |
| 41 Grants                  | 0   | 0                                     | 0  | 0                            |
| Awards                     | 47,541                                    | 41,775                                | 89,316   | \$1.0                        |
| <b>TOTAL</b>               | <b>\$4,009,246</b>                        | <b>\$7,911,268</b>                    | <b>\$11,920,514</b>                            | <b>\$132.3</b>               |
| <b>FY 2003 GRAND TOTAL</b> | <b>\$11,798,647</b>                       | <b>\$34,224,401</b>                   | <b>\$46,023,048</b>                            | <b>\$132.6</b>               |



## FY 2004 OIG PERFORMANCE TARGETS (with targets FY 2004 - 2008)

Crosswalk between OIG Strategic Plan Objectives/Measures & EPA Annual Performance Plan Goals

| OIG STRATEGIC GOALS / EPA OIG APG   | 2004     | 2005     | 2006     | 2007     | 2008     |
|---|----------|----------|----------|----------|----------|
| <b>FY 03 OIG GOAL 1: EPA APG 1:</b> Improve human health and environmental quality by identifying 80 recommendations, risks or best practices; contributing to reduction or elimination of 20 environmental risks; and 60 changes or actions influencing positive environmental or health impacts.        |          |          |          |          |          |
| <b>Objective Measures and Targets:</b>  |          |          |          |          |          |
| < Environmental Improvements/Changes/ Actions (Legislative, regulatory, policy, directives, best practices, Environmental or health improvements):<br><i>Intermediate Outcome &amp; Outcome Measures</i>  | 42       | 45       | 50       | 55       | 58       |
| < Environmental Risks Reduced /Eliminated Certifications, Verifications, Validations: <i>Outcome Measures</i>   | 18       | 23       | 28       | 33       | 38       |
| < Recommendations, Risks or Best Practices Identified:<br><i>Output Measures</i>  | 80       | 95       | 105      | 115      | 120      |
| <b>FY 03 OIG GOAL 2: EPA APG 2:</b> Improve EPA's business and program operations by identifying 155 recommendations, potential savings & recoveries for 150% annual investment in OIG, 75 actions for better business operations, & 50 criminal, civil or admin actions reducing risk of loss/integrity. |          |          |          |          |          |
| <b>Objective Measures and Targets:</b>  |          |          |          |          |          |
| < Potential Dollar Return on Savings, Questioned Costs, Improved Business Practices, Recoveries, Fines, Settlements: <i>Outcome Measures</i>  | 150% ROI | 200% ROI | 225% ROI | 250% ROI | 275% ROI |
| < Criminal, Civil Administrative Actions Reducing or Eliminating Risk of Loss & Operational/Data Integrity:<br><i>Intermediate Outcome Measures</i>   | 80       | 80       | 80       | 80       | 80       |
| < Improvements in Business/Systems/Efficiency (Actions Taken on Management Challenges, Certifications, Best Practices, Policies, Regs): <i>Outcome Measures</i>   | 100      | 102      | 108      | 110      | 110      |
| < Recommendations Made or Weakness, Best Practices Identified: <i>Output Measures</i>   | 240      | 240      | 240      | 240      | 240      |

| <b>FY 03 OIG GOAL 3: Internal Corporate</b><br>Continuously Improve OIG Products and Services   | <b>2004</b> | <b>2004</b> | <b>2006</b> | <b>2007</b> | <b>2008</b> |
|---|-------------|-------------|-------------|-------------|-------------|
| <b>Objectives Measures and Targets</b><br>< Improve timely delivery of products and services which are responsive and valuable to our customers needs:<br>< Maintain average external customer value rating of <b>80%</b><br>< Maintain average internal customer rating of <b>90%</b><br>< Assignments in response to request/required <b>65%</b><br>< Assignment average milestones met <b>80%</b><br>< Cumulative reduction in process cycle time <b>25%</b> |             |             |             |             |             |
|   | 78%         | 79%         | 80%         | 81%         | 82%         |
|   | 88%         | 89%         | 90%         | 91%         | 92%         |
|   | 63%         | 64%         | 65%         | 66%         | 67%         |
|   | 70%         | 75%         | 80%         | 85%         | 90%         |
|   | 5%          | 10%         | 15%         | 29%         | 25%         |
| < Apply technology, innovation, leadership and skill proficiency for highly regarded products and motivated staff:<br>< Amount of products available electronically, average <b>90%</b><br>< Staff meeting training standards <b>100%</b><br>< Reduction in “skill gap”, cumulatively <b>75%</b><br>< Internal product/process innovations implemented, total <b>50</b><br>< Congressional or public testimony, total <b>15</b>                                 |             |             |             |             |             |
|   | 80%         | 85%         | 90%         | 95%         | 100%        |
|   | 100%        | 100%        | 100%        | 100%        | 100%        |
|   | 55%         | 60%         | 65%         | 70%         | 75%         |
|   | 10          | 10          | 10          | 10          | 10          |
|   | 3           | 3           | 3           | 3           | 3           |
| < Align OIG performance, measurement, processes and followup for a cost accountable results culture:<br>• Activities covered with cost accounting measures <b>90%</b><br>• Available staff time used on direct assignments <b>75%</b><br>• Direct time on followup of prior OIG recommendations <b>15%</b><br>• OIG Recommendations acted on within four years <b>75%</b>   |             |             |             |             |             |
|   | 70%         | 75%         | 80%         | 85%         | 90%         |
|   | 55%         | 60%         | 65%         | 70%         | 75%         |
|   | 10%         | 12%         | 14%         | 15%         | 15%         |
|   | 60%         | 65%         | 70%         | 75%         | 75%         |
| < Maximize use of available resources, staff diversity and savings opportunities:<br>• Authorized FTE used <b>95%</b><br>• Current year budget used <b>98%</b><br>• Workforce in <b>100%</b> parity with civilian labor force<br>• Implement average costs savings <b>10%</b> of expenditures   |             |             |             |             |             |
|   | 90%         | 90%         | 95%         | 95%         | 95%         |
|   | 80%         | 85%         | 90%         | 95%         | 98%         |
|   | 95%         | 96%         | 97%         | 98%         | 100%        |
|   | 5%          | 10%         | 10%         | 10%         | 15%         |
| < Develop constructive relationships to leverage resources & influence collaborative solutions:<br>• Products done in collaboration with external partner(s) <b>30%</b><br>• Lead Partnering/PCIE projects, total <b>15</b>   |             |             |             |             |             |
|   | 30%         | 30%         | 30%         | 30%         | 30%         |
|   | 3           | 3           | 3           | 3           | 3           |

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

THE INSPECTOR GENERAL

August 13, 2003

**MEMORANDUM**

**SUBJECT:** Fiscal Year 2003 Report on Management Controls

**TO:** Marianne Horinko  
Acting Administrator

I am submitting this annual report from the Office of Inspector General (OIG), in accordance with the requirements of Office of Management and Budget (OMB) Circular A-123, Management Accountability and Control, and the Federal Managers' Financial Integrity Act (FMFIA). This report also complies with the internal control requirements of OMB Circular A-130, Management of Federal Information Resources.

**ASSURANCE STATEMENT**

I have taken the necessary actions to assure we have evaluated our internal controls in accordance with the guidance provided by the Office of the Comptroller. Based on our evaluation process and my personal knowledge, I believe the internal controls in effect in the OIG on September 30, 2003, taken as a whole, provide reasonable assurance of compliance with FMFIA. The OIG has, however, identified four issues this year as OIG-level weaknesses, three of which contain issues previously identified as office-level weaknesses in Fiscal Year 2002. These areas pertain to:

1. Information Technology (*updated*)
2. Inspector General Operations Reporting System (*updated*)
3. Product Timeliness and Quality (*updated*)
4. Background Investigation/Security Process (*new*)

We have provided a brief description of these issues and the actions we have taken or plan to take under the Office-Level Weakness section of this report. We will address these weaknesses in a detailed Management Action Plan which will contain milestone dates and action officials.

Although the OIG does not specifically deal with assistance agreements, we award about \$2.7 million a year in interagency agreements (IAGs) for such services as: the audit of EPA contractors (Defense Contract Audit Agency); and to obtain expert consultants to assist on audits/evaluations (GSA - "FAST" contracts). EPA certified project officers oversee all of the OIG IAGs and they manage for results. This is evidenced by the adverse action taken against a GSA contractor who failed to provide a quality product. We initialed a stop payment on the contractor's invoice and are currently holding discussions with GSA to see if we can obtain an acceptable product from the contractor. During fiscal 2004, we will continue to strengthen our oversight of IAGs by conducting an internal administrative review of the OIG's IAG activities, processes and operations.

**MANAGEMENT CONTROL ACCOMPLISHMENTS**

During Fiscal Year (FY) 2003, we conducted vulnerability assessments in each of the OIG's assessable units. We are also in the process of completing in-depth administrative Management Assessment Reviews of each OIG Resource Center.

The OIG took the following steps to improve management controls:

- ' Reviewed administrative and operational issues to clarify and reinforce policies, procedures, and management control requirements and revised policies and procedures, including Data Quality Policy, Strategic Plan Policy, Overtime/Credit Hour Policy, and Annual Work Planning Policy.
- ' Issued the Project Management Handbook to provide guidance for conducting audits and evaluations.
- ' Integrated OIG budgeting, analysis and reporting requirements under the Government Performance and Results Act, FMFIA, and the Inspector General Act.
- ' Updated the OIG Strategic Plan.
- ' Issued the first Multi-Year Plan which connects EPA's Strategic Goals and OIG Strategic Goals and Annual Work Plans.
- ' Developed the second annual OIG Annual Performance Report to measure progress in reaching our Strategic Goals including a balanced scorecard of financial, customer service, timeliness, and effectiveness measures.
- ' Conducted nationwide briefings on OIG Performance Measurement and Annual Performance Report.
- ' Implemented a reorganization of the Office of Investigations (OI) and the investigative offices in the Resource Centers in accordance with the OIG 2001 reorganization.
- ' Defined roles and responsibilities for all OI personnel and positions in order to ensure that work is efficiently and effectively assigned and managed and that OI resource needs are addressed.
- ' Revised investigative policies and procedures to make consistent with OIG organizational structure, OIG goals, and DOJ guidelines; thus, ensuring consistency and continuity in investigative operations.
- ' Instituted new procedures and response time standards for OI products needing action that are routinely received from or addressed by the Resource Centers. For example, the processing time for IG subpoenas was reduced from 6 weeks to 3 days.
- ' Developed and implemented a data-imaging project that eliminated the need to physically store hard copy documents on site and will image almost fifteen years of investigative case files, significantly improving the ability to research and retrieve information.
- ' Completed acquisition planning for an OIG-wide management information system (MIS) to replace IGOR.
- ' Finished a 100 percent inventory of and database for all IT equipment to include computing hardware, printers, cell phones, pagers, and Blackberries that will help ensure accountability and facilitate replacement scheduling.
- ' Completed the self-study "IT Security Awareness Training" by all staff.

## **OFFICE-LEVEL WEAKNESSES**

The OIG identified four issues as office-level weaknesses for FY 2003. In each area, we are actively working to develop clear plans, policies, and procedures to improve upon these weaknesses.

### **1. Information Technology (IT) Strategy**

In FY 2003, we have made significant strides in correcting this previously identified office-level weakness. Some of our accomplishments include: a) hiring an Assistant Inspector General for the Office of Mission Systems; b) continuing work on a 5-year IT Strategic Plan, and a multi-year IT Procurement Plan which will coincide with OIG Strategic Plan update; c) developing a new hardware and software inventory system; d) redesigning the OIG Internet page and conducting a Usability Test; e) developing policies and guidance on posting OIG products to the Intranet and Internet; f) hiring additional staff to address the OIG intranet web system; and h) instituting weekly status reports to gauge responsiveness and productivity of the Help Desk contractor. However this year's assessment identified additional areas for improvement.

We continue to experience operational constraints due to outdated, or improperly "linked" information on our intranet WEB site. While progress has been made in adopting WEB policies and guidance, work will not be complete until December 2003 on classifying types of information on the Internet and Intranet site and involving all users/stakeholders to ensure a system that is user-friendly and information is easily and readily obtainable.

We also are committed to implementing an Electronic Records Management Policy and Procedure which will not be complete until the Agency approves an Electronic Records Document Management System (ERDMS). We will work closely with the Agency to pilot the ERDMS by the end of 2004.

To address remaining IT strategy weaknesses, we will:

- ' Complete and implement a 5-year IT Strategic Plan that includes immediate needs and new, innovative technologies.
- ' Complete a multi-year IT Procurement Plan in conjunction with the next OIG Strategic Plan.
- ' Expedite the posting of OIG products to the Internet and Intranet.
- ' Develop and disseminate an electronic records management policy and procedures when an Agency-wide policy is established.
- ' Participate in the Agency's pilot of the ERDMS.

## 2. Inspector General Operations Reporting System

During FY 2003, steps were taken to standardize the data entries into IGOR, achieve consistency across the Resource Centers and Headquarters, and facilitate data retrieval. Some of our accomplishments include: a) issuing a Data Quality Policy; b) developing and distributing a monthly IGOR report to Product Line Managers to identify missing or inaccurate data and monitor time reporting; and c) incorporating responsibility for maintaining and verifying data into OIG Performance Expectation Agreements.

Even with these enhancements, IGOR cannot meet our information needs. IGOR does not contain all of the information necessary to make management decisions regarding effective use of staff time and other resources. As such, the OIG is procuring a new integrated data system which will replace IGOR. The new integrated information system will link our planning, budgeting and accountability systems to cost and performance data. The new integrated system will also include a timekeeping functionality that will tie directly to the Agency's new People Plus system for payroll. Once the system is implemented, it should address the need for additional controls and management information.

To address these issues, we will:

- ' Continue the phase-in of the OIG integrated data system to replace IGOR.
- ' Conduct specific training on the new integrated system to ensure all staff members understand the new system.

## 3. Product Timeliness and Quality/Accountability

In FY 2003, OIG took steps to improve our product timeliness and quality/accountability including: a) issuing the Project Management Handbook to provide guidance for conducting audits, evaluations; b) publishing the first Multi-Year Plan which connects EPA's Strategic Goals and OIG Strategic Goals and Annual Work Plans; c) issuing a Systems Assessment Guide; d) publishing our annual OIG Performance Report; and e) approving an Annual Work Planning Policy. While these efforts create a framework to help improve management, timeliness, and cost-effectiveness of OIG projects, we are continuing work on developing an OIG-wide accountability system including, project management, cost accounting, and project follow-up.

Human Capital shortages impacted OIG timeliness. To help address this issue, the OIG completed a workforce analysis and plan which identified the skills necessary to complete our work. Based on the analysis and plan, the OIG defined a recruitment strategy including specialized skills and competencies, diversity goals and national and local recruitment practices. We are now in the process of hiring additional staff.

During our 2001 internal Quality Assurance Review of OIG work products, we identified issues related to: report

qualifications, independent referencing of final work products, work paper review, and documentation of continuing professional education. These areas required clarification and were incorporated into the OIG's Project Management Handbook issued in November 2002. Product Line Directors, Assignment Managers, and Project Managers reinforce the Handbook's requirements during the conduct of assignments. In addition, last year we requested that the Human Capital Managers identify any staff needing Yellow Book training and ensured that funding for such training was provided. A number of staff have been trained. Resource Center Directors are arranging training for all staff on the new Yellow Book requirements and on OIG referencing procedures. In addition, we will consider the results of the current Peer Review concerning compliance with professional standards and take any necessary corrective action.

To improve product timeliness and quality, we will:

- ' Increase emphasis on setting challenging but realistic milestones and budgets.
- ' Monitor actual performance to goals in the project-specific performance expectation agreements.
- ' Arrange training for all staff on the new Yellow Book requirements and on OIG referencing procedures.

#### 4. Background Investigation/Security Process

The Agency currently processes all security clearances for the OIG. EPA's Office of Administration and Resource Management (OARM) admitted that it has 26,000 files to review and purge. Additionally, Office of Personnel Management (OPM) has reorganized and has a significant backlog of background investigations and security clearances. The USDA Peer Review team, in the audit of our work between 2000-2002, recently identified three background investigations from a sample of 11 dating back to 2000 that may not be complete or may have incomplete information in the employee files. It is unknown how many other investigations may be incomplete or employees may have incomplete information in their security files. The OIG does not have an accurate log of outstanding background investigations or security clearances requested prior to December 2002 and will have to review security files to determine the extent

of this vulnerability. Additionally, the Agency and OPM cannot timely process requests for security clearances. As a result, projects requiring secret clearances have been delayed.

To address this issue, we will:

- ' Review security clearance procedures in OIG, OARM and OPM to determine opportunities to improve timeliness and completeness of background investigations and security clearances for OIG employees.
- ' Request OARM to review OIG files to determine the extent of incomplete investigations or file documentation.

Should your staff have any questions concerning this report, please have them contact Elissa R. Karpf, Assistant Inspector General for Planning, Analysis, and Results, on (202) 566-2604.

Nikki L. Tinsley /s/

cc: Assistant Administrators  
General Counsel  
Associate Administrators  
Regional Administrators

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

Below is the list of Top Management Challenges that the OIG has reported to EPA each year since 1997. While EPA is making progress in resolving its Major Management Challenges, several have been longstanding problems. The following table shows which challenges have been listed from 1997 through 2003 and their relationship to the President's Management Agenda (as numbered).

| Management Challenge   | 1997 | 1998 | 1999 | 2000 | 2001 | 2002 | 2003 |
|--|------|------|------|------|------|------|------|
| Emission Factor Development  |      |      |      |      |      |      |      |
| Year 2000 Modification on Information Systems  |      |      |      |      |      |      |      |
| Closeout of Construction Grant Program   |      |      |      |      |      |      |      |
| Inconsistent/Oversight Enforcement Activities  |      |      |      |      |      |      |      |
| Quality Assurance/Plans  |      |      |      |      |      |      |      |
| Use of Inefficient Contract Types  |      |      |      |      |      |      |      |
| Automated Information System Security Plans/Security (2)   |      |      |      |      |      |      |      |
| Oversight/Use of Assistance Agreements (4)   |      |      |      |      |      |      |      |
| Agency Relationship with Contractors   |      |      |      |      |      |      |      |
| Accountability/Managerial Cost Accounting/<br>Linking Mission and Management (1 & 4)   |      |      |      |      |      |      |      |
| Backlog; Nation'l Pollutant Discharge Elimin. System Permits   |      |      |      |      |      |      |      |
| Enhance Employee Competencies/Human Capital (3)  |      |      |      |      |      |      |      |
| Process for Preparing Financial Statements   |      |      |      |      |      |      |      |
| Superfund Five-Year Reviews  |      |      |      |      |      |      |      |
| Great Lakes Program  |      |      |      |      |      |      |      |
| Environmental Data Information Systems/Information<br>Resources Management/ Quality of Laboratory Data<br>/Environmental Data Quality(2) |      |      |      |      |      |      |      |
| Working Relationships with States & Other Partners (1)   |      |      |      |      |      |      |      |
| Results-Based Information Technology Project Management  |      |      |      |      |      |      |      |
| Protecting Critical Infrastructure from NonTraditional Attacks   |      |      |      |      |      |      |      |
| Biosolids  |      |      |      |      |      |      |      |
| Air Toxics Program   |      |      |      |      |      |      |      |

### President's Management Agenda

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

**DEFINITIONS OF FY 2003 PERFORMANCE MEASURES**  
***EPA OIG Performance Measurement Results System Database***

**GOAL 1 - CONTRIBUTE TO HUMAN HEALTH AND IMPROVED ENVIRONMENTAL QUALITY**

**Number of Recommendations for Environmental Improvement:** Number of environmentally-related (not management process) recommendations, suggestions or advisory items made through any OIG work including briefings, memos, reports, discussions, etc. Roll up similar recommendations that together address each opportunity or need for environmental improvement or process change.

**Number of Environmental Best Practices Identified:** Any OIG work describing a best practice for environmental program implementation, or resolution of an environmental problem (from any source; State, region, other agency, etc.), measured by the number of best practices identified and described by potential environmental impact. For example, an audit report includes a finding that one EPA Region is implementing a successful method to track and pursue fines for violators of manifest waste regulations. For example, in reviewing several State's partnership roles for an audit issue, we found that one State has developed very efficient and cost-effective water quality measures that could be applicable to other States or nationwide.

**Number of Environmental Risks Identified (including noncompliance):** Any OIG work which identifies actual or potential environmental risks, or health risks, for future plans, action, reduction or elimination. Described by potential/actual environmental or health vulnerabilities, behaviors or conditions. For example, a special project study on hog farm waste identified environmental risks for drinking water contamination in nearby wells, resulting in special Agency monitoring and enforcement actions, and eventually fewer incidents of water-related illness. For example, five risks are identified for discharges to water systems if enforcement is not achieved.

**Legislative Change/Decision (means to impacts):** Any OIG work which through recommendations, discussions, observations, conclusions, or risk identification results in, or significantly contributes to drafts or actual legislative changes to improve an environmental program. Measured in number of changes and described in terms of actions or impacts on environmental programs and results; such as, impact time, measures of environmental improvement, numbers of people affected, health & behavioral changes and compliance with standards. Would also be identified in other measures listed below, within each goal. For example, an audit recommendation for a comprehensive program-wide peer review process on scientific data results in a legislative change adding that process by law to a program.

**Regulatory Change/Decision:** Any OIG work which results in, or significantly contributes to, draft or actual regulatory changes to improve environmental program implementation. Measured in number of changes and described in terms of potential impact on environmental programs and results; such as, time, measures of environmental improvement, numbers of people affected, health & behavioral changes and compliance with standards. Would also be identified in other measures listed below within each goal. For example, an audit finding discovers a vulnerability in scope of coverage for an issue within the water permit program. Subsequently, a Water Act regulation is amended to include coverage of that issue.

**EPA Policy, Directive or Process Change/Decision:** Any OIG work which results in, or significantly contributes to, specific changes in definitions, purposes, objectives, processes, requirements, controls, competencies, reporting in the formulation of environmental policies, plans or results. Measured in number of changes or actions and described in terms of impact on environmental programs and results, such as, time and measures of environmental improvement, numbers of people affected, health and behavioral changes. Would also be identified in other measures listed below, within each goal. Example: Audit recommendation to establish better procedures for tracking enforcement, results in the Agency writing new policy to incorporate tracking method.



**Number of Certifications/Verifications/Validations:** Any OIG work which results in the certification, verification, or validation, or contribution of knowledge or understanding of Agency environmental work/programs upon which decisions and actions depend. Examples are verification of an OIG Hotline allegation on an environmental issue that merits further study; an audit or investigation resulting in a saving or improvement for the Agency; validation of an environmental measure as effective and meaningful; verification of environmental research results; and a Closeout Memo verifying that the Agency has already taken action, which has improved the environment or public health based on all or certain OIG recommendations from this assignment.

**Number of Environmental Best Practices Implemented/Transferred:** Number of environmental program best practices disseminated (output) through OIG work, and the number which were implemented (outcome) by Agency program offices, regions, States, other government agencies, other IGs, or other environmental organizations. Describe each output or outcome action and its environmental implication. For example, an audit report includes a finding that one Region is implementing a successful method to track and pursue fines for violators of manifest waste regulations. The best practice is discussed at a regional conference, and several other regions and states decide to use the new method.

**Number of Environmental Risks Reduced or Eliminated:** Any OIG work that results in, or significantly contributes to, the reduction or elimination of environmental risks. Measured in terms of the number of individual risks (by type) of exposure, incidence, or imminent threats, described by number or time of exposures or people exposed reduced or eliminated. Any OIG work which contributes to a positive change in an EPA or other environmental/health performance measure, indicator or condition including % change in Environmental/Health Performance Measure or Indicator (from baseline). *Described by change in behavior, environmental or health condition.* Example: Indictment/conviction regarding illegal dumping, or closure of fraudulent asbestos removal company reduces the risk of false protect from harmful pollutants.

**Examples of Environmental/Health Improvements/Impacts:** Any OIG work that results in, or significantly contributes to, an identifiable environmental or health condition or improvement, measured in the number of improvements, and described by the prospective or actual impacts on physical characteristics or behavioral changes including a percent change in Environmental/Health Performance Measure or Indicator (from baseline) For example, one improvement increased the number of watersheds restored and one improvement resulted in faster cleanup of five toxic waste dumps.

## **GOAL 2 - IMPROVE EPA'S MANAGEMENT, ACCOUNTABILITY AND PROGRAM OPERATIONS**

**Number of Recommendations for Management Improvement:** Number of management and program operation, regulatory, policy or legislative recommendations, suggestions or advisory items made through any OIG work including briefings, memos, reports, discussions, analysis, workgroups etc. Roll up similar recommendations that together address one management improvement or process change.

**Number of Best Practices Identified:** Any OIG work describing a best management or program operation practice, (from any source; State, region, other agency, etc.) For example, an audit determines that a Region has success and cooperation in managing a grant program because of a workgroup that was set up to coordinate grant and cooperative agreement functions.

**Number of New FMFIA/Management Challenges Identified:** Number of new FMFIA program assurance issues and EPA management challenges presented as a result of any OIG work. Includes issues presented in EPA financial statement audits, and internal OIG reviews.

**Referral for OIG or Agency Action:** Referral for OIG investigation, assignment in OIG, or to the Agency based on Hotline, Ombudsman or other work.

**Questioned Costs: (actual numbers, round up, or use decimals):** Report all questioned costs and monetary value of findings and recommendations as. Describe nature of costs questioned.

The IG Act defines questioned costs as "a cost that is questioned by the Office because of 1) an alleged violation or provision of law, regulation, contract, grant, or cooperative agreement, or other agreement or document governing the expenditure of funds; 2) a finding that at the time of the audit, such cost is not supported by adequate documentation; or 3) a finding that the expenditure of funds for the intended purpose is unnecessary or unreasonable."

For audit reports, it is the amounts paid by EPA, and unbilled amounts for which the OIG recommends EPA pursue collection, including Government property, services or benefits provided to ineligible recipients; recommended collections of money inadvertently or erroneously paid out; and recommended collections or offsets for overcharges or ineligible costs claimed.

For contract reports, it is contractor or grantee costs OIG recommends be disallowed by the contracting officer, grant official, or other management official. Costs normally result from a finding that expenditures were not made in accordance with applicable laws, regulations, contracts, grants, or other agreements; or a finding that the expenditure of funds for the intended purpose was unnecessary or unreasonable.

**Recommended Efficiencies, Cost Saved or Avoided: (monetized results including from advice, research, training and application of techniques)** As a result of OIG work:

- 1) the cost of Agency work products or office functions which have been eliminated because they were no longer of use, or too costly; and
- 2) the cost of new or streamlined Agency processes or work products which have been instituted to save the Agency time and/or money. The monetary benefit, both immediate and for the imminent future (absence of our involvement), of OIG work to EPA, other Federal/State partners, and stakeholders. Describe the nature of the savings including time.

For cost efficiencies in audits, the IG Act defines a recommendation that funds be put to better use as "a recommendation by the Office that funds could be used more efficiently if management of an establishment took actions to implement and complete the recommendation, including:

- 1) reductions in outlays;
- 2) deobligations of funds from programs or operations;
- 3) withdrawal of interest subsidy costs on loans or loan guarantees, insurance, or bonds;
- 4) costs not incurred by implementing recommended improvements related to the operations of the establishment, a contractor, or grantee;
- 5) avoidance of unnecessary expenditures noted in preaward reviews of contract or grant agreements; or
- 6) any other savings which are specifically identified."

For audit reports, it represents a quantification of funds that could be used more efficiently if management took actions to complete recommendations pertaining to deobligation of funds, costs not incurred by implementing recommended improvements, and other savings identified in audit reports.

For contract reports, it is the sum of the questioned and unsupported costs identified in preaward contract reviews which the OIG recommends be disallowed in negotiations unless additional evidence supporting the costs is provided. Questioned costs normally result from findings such as failure to comply with regulations or contract requirements, mathematical errors, duplication of costs, proposal of excessive rates, or differences in accounting methodology. Unsupported costs result from a finding that inadequate documentation exists to enable the auditor to make a determination concerning allowability of costs proposed.

**Fines, Recoveries, Restitutions, Collections:** Dollar value of investigative recoveries, meaning, 1) Recoveries during the course of an investigation (before any criminal or civil prosecution) ,2) court-(criminal or civil) ordered fines, penalties, and restitutions, or 3) out-of-court settlements including administrative actions resulting in non-court settlements. Describe nature of amounts and reason.[Funds returned to the U.S. Department of the Treasury or the U.S. Department of Justice.]

**Criminal/Civil/Administrative Actions:** Number of successful prosecutions, indictments, and resulting settlements and convictions affecting EPA operations and environmental programs. Includes the number of persons or entities that were:

- 1) *indicted, or for which an "information" was filed,*
- 2) *were found guilty or pled guilty in a court of law, or*
- 3) *were accepted for pre-trial diversion agreements by the Department of Justice.*

**Number of Administrative Sanctions:** Number of personnel actions, such as reprimands, suspensions, demotions, or terminations of Federal, State, and local (including Federal contractor/grantee) employees resulting from OIG work or subsequent actions. [Not Civil Actions, see below.]

Number of suspensions and debarments/exclusions, meaning number of individuals and entities, including contractors, grantees, and assistance recipients, restricted from doing business with the Federal government.

**Civil Actions:** Number of civil actions include the total number of matters arising from OIG investigations, audits, and other reviews, other than criminal prosecutions, that are successfully resolved during the year. The term includes civil judgements and settlements, and administratively-imposed penalties and assessments.

**Number of Examples of Process/Practice Changes/Decisions:** Any OIG work that influences process, practice, policy regulatory legislative changes, actions or decisions made by EPA, states, or other agencies. Includes audits, including data integrity or systems audits, evaluations, investigations, assistance, hotline, research, correspondence, meetings, conferences, contract audits, advisory briefings, analysis, work groups, etc. Describe action and its implications for effectiveness & economy (time/money/accuracy/risk reduction/satisfaction)

**Number of Corrected Actions on FMFIA/Management Challenges:** Number of action taken to resolve management challenges, high risks or material weaknesses within three years following OIG recommendations, assistance or advice.

**Number of Best Practices Implemented:** Any OIG work describing a best management or program operation practice, (from any source; State, region, other agency, etc.) Describe each best practice and its implication for effectiveness & economy. Example: Audit finds that one region has improved State program grant process through a best practice using a data control check system, resulting in better data accuracy and tracking of grant funds. OIG audit finds another region could use the same system, suggests use, promotes regional coordination, and the best practice is successfully implemented to improve another region's grant program.

**Number of Certifications/Verifications/Validations:** Any OIG work which results in the certification, verification, validation, or contributes to the knowledge/understanding of Agency management work or programs, measures, accounting, and data integrity upon which decisions and actions depend. Describe the nature of each. Examples: Qualifying opinions of Agency financial statements. Validations of data quality at risk in EPA computer systems. A Closeout Memo verifying that the Agency has already taken management action on all or certain recommendations from this assignment.

**Number of Allegations Disproved:** Determination after investigation that allegations of possible wrong doing are sufficiently unfounded or lack material merit to reasonably pursue further action.

### **GOAL 3 - PRODUCE TIMELY, QUALITY, & COST EFFECTIVE PRODUCTS & SERVICES THAT MEET CUSTOMERS NEEDS**

**% Customer Service Value/Quality Rating:** Based on the results of customer surveys, about the work we do for OIG customers; for/with the Agency, stakeholders, and other partners in the IG community. This will be coordinated and tabulated by the Office of Planning, Analysis and Results (PAR) in collaboration with each office. Both the products and the service are be rated separately.

**# of Products Done in Collaboration with Fed/State Partners:** Number of completed projects with collaborative partners for any OIG product or service done jointly with other Federal agencies, States, or entities inside or outside EPA, such as the President’s Council on Integrity and Efficiency (PCIE).

**# of Requests to Testify/Info for Hearings/ Presentation Requests:** Number of times OIG staff are requested to testify in courts, to Congress, other public venues, or provide information for presentation in hearings or other judicial or legislative action, regarding audit, investigative or evaluation findings and recommendations, or other subjects relating to OIG work.

**Assignment/Product/Service Requested or Required:** By responding with a Yes or No, we will be able to determine the percent of OIG work requested or required by number of assignments, and by percent of time expended. A “YES” represents work products requested from customers, such as various EPA programs, Congress, hotline, allegations, legislation by whom the work was requested, or the authority requiring the work. A “NO” means work required only by internal OIG plans or processes.

**% of Engagement Letter/Project Plan/Budget Expectations/ Milestones Met:** Number of OIG assignments or project milestone commitments met, presented as an average percent of total commitments.

### **GOAL 4 - ENHANCE DIVERSITY, INNOVATION, TEAMWORK & COMPETENCIES IN OIG**

**Products Completed By Multi-discipline Teams:** Count of all OIG work products accomplished by multi-discipline teams. Record number of products from an assignment that were accomplished by a mix of auditors, investigators, engineers, evaluators, etc.

**Awards for Achievement and Innovation/Teamwork:** Number and type of awards for OIG staff (HQ and Regions) per year. This will be summarized by PAR.

**Innovative Approaches, Techniques, Processes and Solutions to Management Issues Implemented:** Number and types of innovative approaches, techniques, processes and re-engineering successes implemented within the OIG, to enhance OIG competencies, effectiveness or efficiency in our product line or internal work.

**% of Work Produced Electronically:** Estimate how much of this assignment was “paperless” , produced using special electronic features, such as database programs, functions, equations, charts and graphs, formulas, workpapers, files, presentations.

**Work Accessible Electronically to Customers:** *(Yes/No for each product or services identified)*  
Are OIG products and services easily available and accessible to customers/clients, the general public, electronically, compared to those only available in hard copy, or e-mail?

**Diversity:** Degree OIG workforce is in parity with the Civilian Labor Force (in terms of diversity)

**% of OIG Compliance with Professional Training Standards:** Self explanatory

**Leadership of Partnering or PCIE Projects:** Number of projects initiated or led resulting in products.

**For questions, comments or to obtain copies of this report, please contact any of the following:**

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**This report was prepared by the EPA Office of Inspector General Office of Planning, Analysis and Results**