

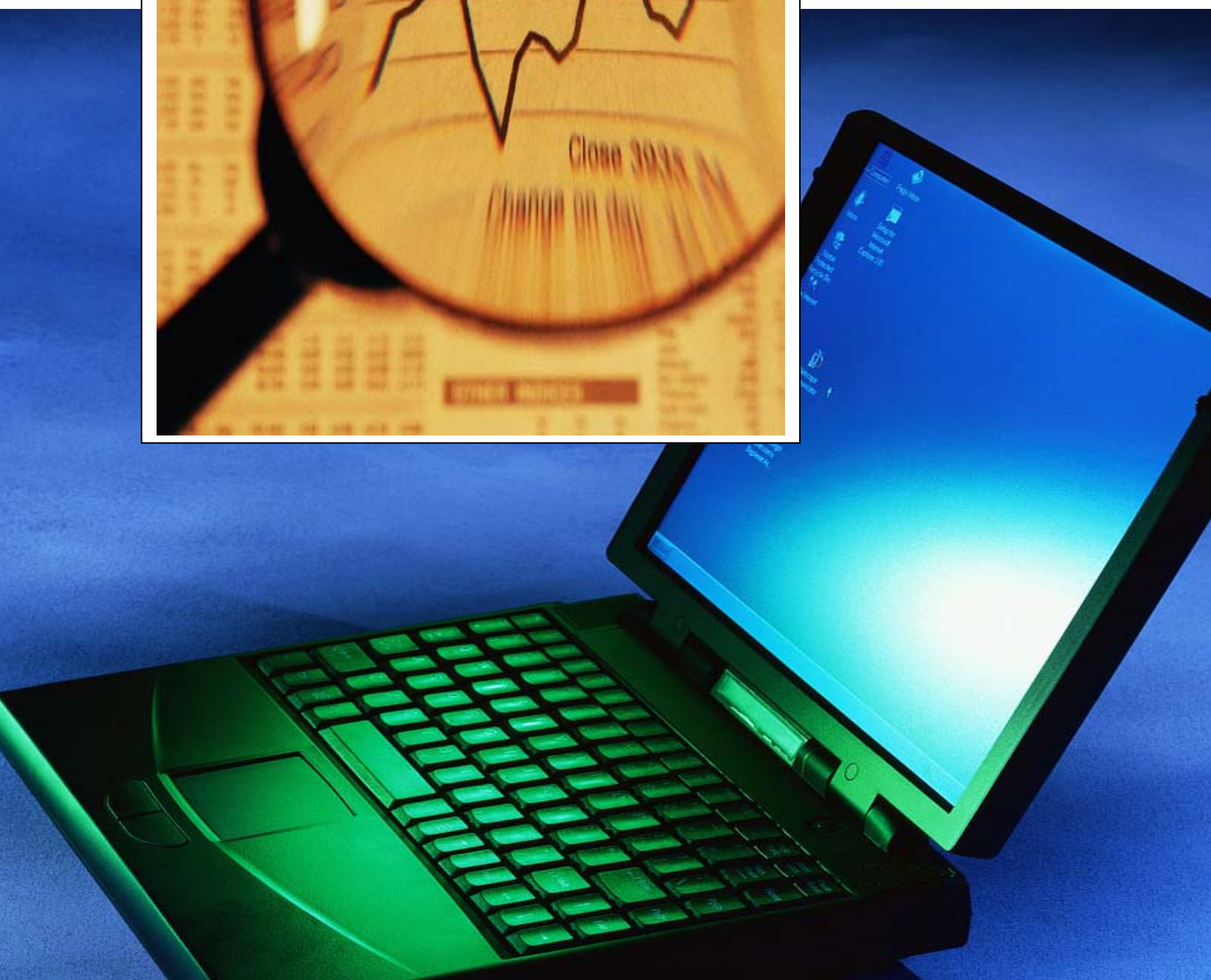
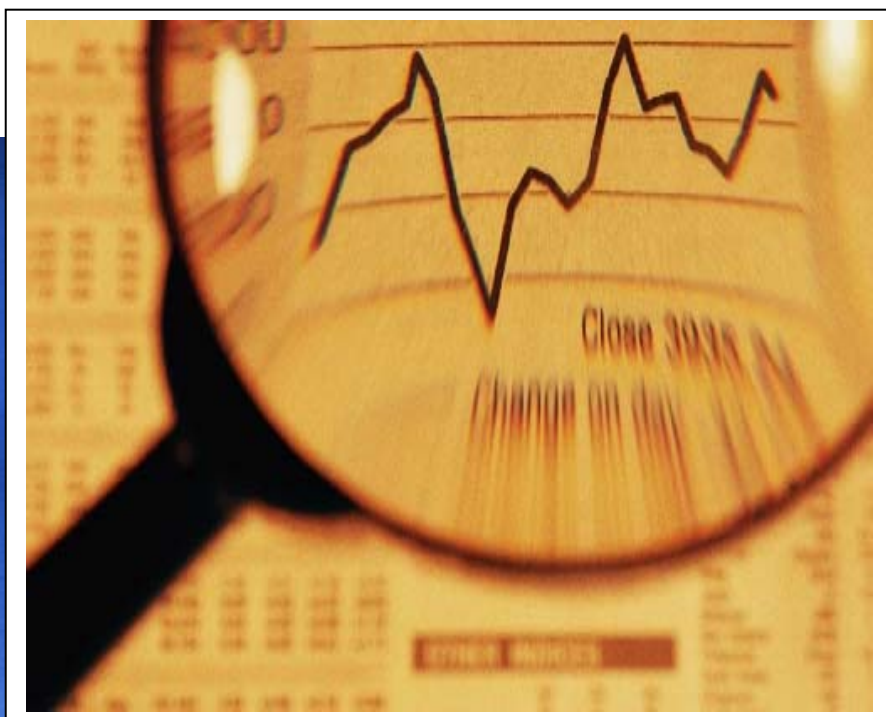


EPA-350-R-06-006
December 2006

OFFICE OF INSPECTOR GENERAL

Catalyst for Improving the Environment

Annual Performance Report Fiscal Year 2006



This report was produced by the EPA Office of Inspector General,
Office of Planning, Analysis, and Results
(202) 566-0913

This report is available in hard copy from the
Office of Inspector General (Room 2104 EPA West)
U.S. Environmental Protection Agency
1200 Pennsylvania Avenue, NW
Washington, DC 20460

To report fraud waste or abuse,
contact the OIG Public Liaison Hotline:

[OIG Hotline@epa.gov](mailto:OIG_Hotline@epa.gov)

1-888-546-8740

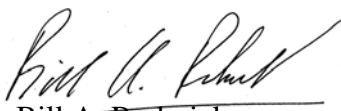
Foreword and Overview

I am pleased to present the fifth Annual Performance Report of the U.S. Environmental Protection Agency's (EPA's) Office of Inspector General (OIG). This report presents statistical and narrative summaries of OIG performance results for Fiscal Year (FY) 2006 compared to our FY 2006 Annual Performance Targets. It also presents cumulative OIG results for the period FY 2003 through 2006 compared to the OIG Annual Performance Goals. Of special interest for FY 2006, the EPA OIG questioned \$87 million in costs; identified nearly \$692 million in cost efficiencies; and recorded almost \$31 million from fines, restitutions, and settlements, with over \$157.2 million in questioned costs and efficiencies sustained from recommendations of current and prior periods.

This report supplements, in greater statistical and narrative detail, the OIG summary performance results presented in EPA's FY 2006 Performance Accountability Report available at www.epa.gov/ocfopage. It also includes items required by the Government Performance and Results Act specific to the OIG, such as financial summaries and management challenges, as well other relevant measures of performance activity and accountability.

Based on the performance measures and results from this and prior OIG Annual Performance Reports, we are continuing to make significant improvements in the application of performance measures to demonstrate our value added. In FY 2006, the OIG began developing measures of internal management activity and cost accounting to our products to improve on our own accountability and transparency. We are implementing a systematic post close-out followup process to account for and report on the completion of agreed-upon Agency actions from OIG recommendations. The OIG conducted comprehensive outreach planning meetings with each Assistant and Regional Administrator to identify their most significant management and environmental priorities, risks, and challenges, to inform our customer-focused planning process. Additionally, the OIG served the Agency and participated as part of the President's Council on Integrity and Efficiency (PCIE) team in providing timely audit, evaluation, and investigative support for the EPA and the government-wide hurricane emergency response effort.

We rely upon our customers and stakeholders to inform us about the quality of our performance while helping us identify and reduce areas of risk. Please do not hesitate to contact me for any reason, as one of my personal goals is to build constructive relationships that promote the economic, efficient, and effective delivery of EPA's mission.



Bill A. Roderick
Acting Inspector General

Table of Contents

About the EPA OIG	1
Vision, Mission, Goals	1
OIG Product and Service Lines for Strategic Areas of Performance	2
Linking Our Work to Outcomes and Impacts	2
Planning Starts with the End in Mind	2
Performance Presented in a Hierarchy of Related Measures	2
 Scoreboard of Results Compared to FY 2006	
Annual Performance Goal Targets	3
OIG Strategic Cumulative Performance Results FYs 2003-2006	4
Summary of FY 2006 Performance Results by Product Line	5
Hurricane Katrina	5
Air	6
Water	7
Land	7
Cross Media	8
Congressional and Public Liaison	9
Assistance Agreements	10
Contracts	11
Financial	11
Information Technology & Business Systems	12
Investigations	12
OIG Enabling Support Programs	14
 OIG Reported Key Agency Management Challenges	15
Results of OIG Outreach for Customer Feedback	16
OIG FY 2006 Resource Use and Allocation	18
OIG Management Challenges	19

Appendixes

Profile of FY 2006 OIG Performance Activity	20
Summaries of OIG Reports, Timeliness, and Costs	21
OIG Financial Statements: Analysis of FY 2006 Fund Use and Carryover Balances	24
OIG Data Verification and Validation	25
OIG Future Annual Performance Targets (FYs 2007-2008)	26

About the EPA OIG

Vision

We are catalysts for improving the quality of the environment and Government through problem prevention and identification, and cooperative solutions.

Mission

Add value by promoting economy, efficiency, and effectiveness within EPA and the delivery of environmental programs. Inspire public confidence by preventing and detecting fraud, waste, and abuse in Agency operations and protecting the integrity of EPA programs.

Goals

1. Contribute to Improved Human Health and Environmental Quality

Objectives

- Influence programmatic and systemic changes and actions that contribute to improved human health and environmental quality.
- Add to and apply knowledge that contributes to reducing or eliminating environmental and infrastructure security risks and challenges.
- Identify recommendations, best practices, risks, and opportunities to leverage results in EPA programs and among its partners.

2. Contribute to Improved Business Practices and Accountability

Objectives

- Influence actions that improve operational efficiency and accountability, resolve public concerns and management challenges, and achieve monetary savings.
- Improve operational integrity and reduce risk of loss by detecting and preventing vulnerabilities to fraud, abuse, or breach of security.
- Identify recommendations, best practices, risks, weaknesses, opportunities for savings, and operational improvements.

3. Continuously Improve OIG Products and Services

Objectives

- Improve the timeliness, responsiveness, and value of our products and services to our clients and stakeholders.
- Apply technology, innovation, leadership, and skill proficiency for motivated staff and highly regarded products.
- Align organization plans, performance, measurement, processes, and follow-up for a cost-accountable results culture.
- Maximize use of available resources.
- Develop constructive relationships to leverage resources effectively and foster collaborative solutions.

OIG Product and Service Lines for Strategic Areas of Performance

Performance Evaluations

- Air
- Water
- Land
- Cross Media

Financial/Information Technology Audits

- Financial Statements
- Contracts
- Assistance Agreements
- Information Technology

Investigations

- Financial Fraud
- Program Integrity
- Employee Integrity
- Laboratory Fraud
- Computer Crimes

Public Liaison/Advisory/Analysis

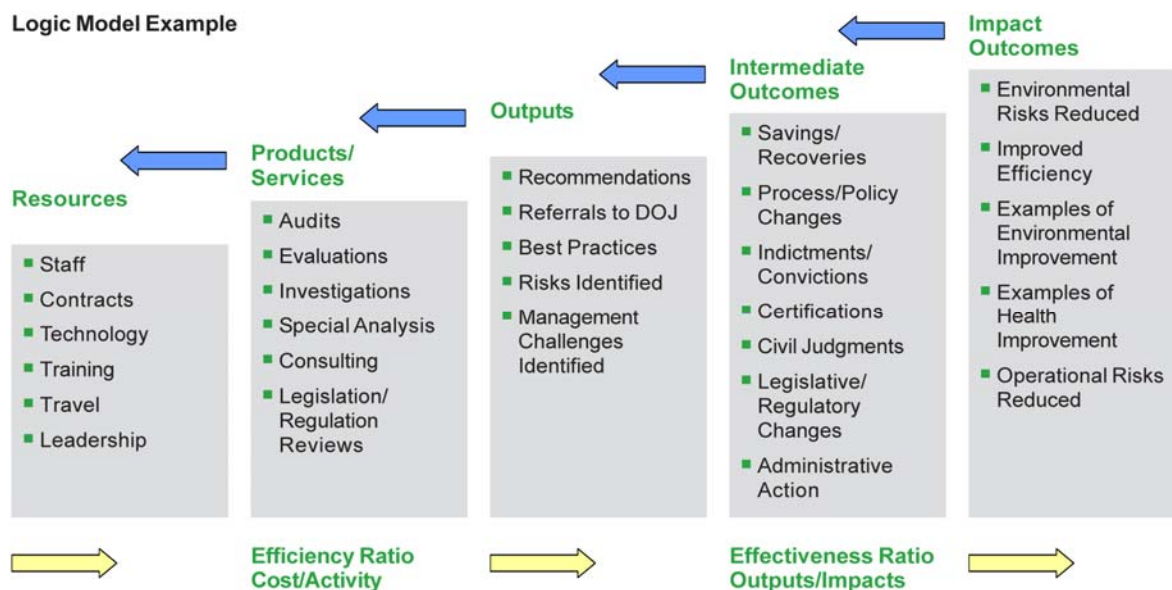
- Legislation/Policy Regulation Review
- Special Review
- Public Inquiry/Outreach
- President's Council on Integrity and Efficiency

Linking Our Work to Outcomes and Impacts

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

Planning Starts with the End in Mind

We measure the return on our investment by how efficiently our resources are converted into products, and how effectively our products drive outcomes.



Performance Presented in a Hierarchy of Related Measures

The Logic Model diagram above demonstrates how we “Start With the End In Mind” to align our organizational factors of performance for achieving our strategic goals. The performance results in this report represent the ways we measure value added along this continuum, both quantitatively and qualitatively, in relation to the resources expended. Our annual performance and progress toward our strategic goals is demonstrated by the Scoreboard of Results compared to the FY 2006 Annual Performance Goal Targets. Our long-term performance progress is demonstrated by the charts comparing our results against our goal targets for the period FY 2003 to 2006.

Scoreboard of Results Compared to FY 2006 Annual Performance Goal Targets

All results reported in Fiscal 2006, from current and prior year's work, as reported in OIG Performance Measurement and Results System and IGOR.

Strategic Goals; With OIG Government Performance and Results Act Annual Performance Targets Compared to Mid-Year Fiscal 2006 Results Reported	Supporting Measures
Goal: Contribute to Human Health and Environmental Quality Through Improved Business Practices, Accountability, and Integrity of Program Operations	
Environmental Improvements/Actions/Changes ● Improvements in Business/Systems/Efficiency Risks Reduced or Eliminated <i>Target: 303; Reported: 407 (134%)</i>	1 Legislative/regulatory change/decision 1 Example of environmental improvement 3 Best practices implemented 73 Policy, process, practice, control changes (including actions taken/closed before report) 312 Certifications/validations/verifications/corrections 17 Environmental risks reduced/eliminated
Environmental & Business Recommendations, Challenges, Best Practices, and Risks Identified ● <i>Target: 925; Reported: 1,024 (111%)</i>	915 Recommendations (for Agency/stakeholder action) 48 Critical Congressional or public mgt. Concerns addressed 34 Best practices identified (to be transferred) 13 Referrals for Agency action 8 New FMFIA/OMB A-123/Mgt. challenges/risks identified 6 Environmental risks identified
Return on Investment: Potential dollar return as percentage of OIG budget \$49 million ● <i>Target: \$73.5 M; Reported: \$809.6 M Federal* (1,100%)</i>	<i>(Dollars in Millions)</i> \$ 87.0 Questioned Costs (Federal)** \$ 691.8 Recommended efficiencies*, costs saved (Fed.) \$ 30.8 Fines, recoveries, settlements (includes actions taken prior to report issuance)
Criminal, Civil, and Administrative Actions Reducing Risk of Loss/Operational Integrity ● <i>Target: 80; Reported: 121 (151%)</i>	25 Criminal convictions 17 Indictments/informations/complaints 8 Civil judgments/settlements/filings 56 Administrative actions 15 Allegations disproved (including Hotline complaints)
Sustained Monetary Recommendations and Savings Achieved from Current and Prior Periods: (no goal established) \$157.2 M	<i>(Dollars in Millions)</i> \$ 63.1 Questioned Costs Sustained \$ 94.1 Cost Efficiencies Sustained or Realized

● = At or over 100 percent annual target; ● = At or over 80 percent annual target; ● = Below 65% annual target

* includes \$2.7 M from previous year Superfund review not before captured, \$39 M from a Superfund financial audit of undistributed costs, and \$639 M from a program evaluation of Superfund Special Accounts/Unliquidated Obligations.

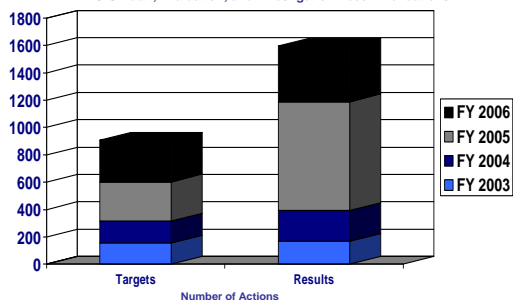
** includes nearly \$67 M from audits of grants to State of Alaska and its grantees.

Note: This scoreboard, which represents OIG external performance reporting requirements under the Government Performance and Results Act, consolidates similar measures that were previously presented separately as Goal 1 (environmental) and Goal 2 (business practices).

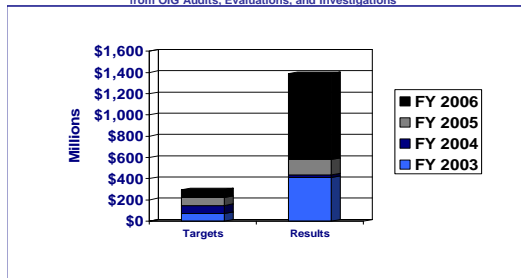
OIG Strategic Cumulative Performance Results FYs 2003-2006

This section demonstrates the EPA OIG annual progress in attaining its Strategic Performance Goals for the period of FY 2003 through FY 2006. OIG performance can best be considered and evaluated over a period of several years rather than a single year. There can be a lengthy time lag before the outcome actions can come to fruition and be substantiated.

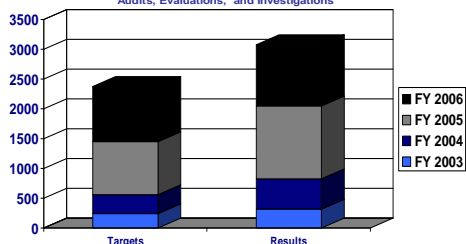
Results VS Targets FY 2003 -2006
Environmental and Business Actions Taken and Risks Reduced from OIG Audit, Evaluation, and Investigation Recommendations



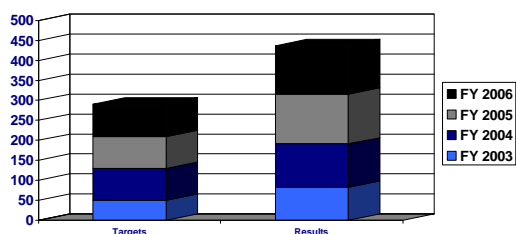
Results VS Targets FY 2003 -2006
OIG Questioned Costs, Efficiencies, Savings, Fines, Recoveries from OIG Audits, Evaluations, and Investigations



Results VS Targets FY 2003 -2006
Environmental and Business Recommendations and Risks from OIG Audits, Evaluations, and Investigations



Results VS Targets FY 2003 -2006
Criminal, Civil, Administrative Actions from OIG Investigations



Performance Progress

The OIG has streamlined its performance reporting by reducing its vital few reporting measures from seven to four, and improving the accuracy in the presentation and clarity of its reporting. The OIG has significantly exceeded its performance goals during FY 2006 by the confluence of several extraordinary events, as well as many time-lagged actions from current and prior years' recommendations coming to fruition. Among the results, the OIG identified questioned costs and efficiencies, including \$67 million from audits of grants to the State of Alaska and its grantees; \$39 million from a financial audit of Superfund undistributed costs, and \$639 million from a program evaluation of Superfund Special Accounts and unliquidated obligations. Additionally, EPA produced over \$157 million in monetary recommendations and savings from current and prior periods. The OIG also provided direct assistance to the Agency's Gulf Coast response and recovery efforts through participation in the Hurricane Katrina Fraud Task Force by identifying overcharges on emergency response contracts, identifying and preventing the use of contaminated trucks to supply water to the region, and working with the U.S. Army Corps of Engineers to better coordinate efforts in future emergency situations. While the OIG has not met all of its Annual Performance Goal targets every year due to time delay and the variable nature of OIG results, the charts to the left demonstrate that the OIG has exceeded its cumulative targets for FYs 2003-2006.

Challenges

The OIG is continuing to improve its information technology and data quality by applying new tools to consolidate, integrate, or replace its many specific use databases and systems. The OIG is improving its product timeliness and quality by streamlining its processes, and by establishing efficiency and production criteria measures. The OIG is also working to provide greater followup on actions the Agency has agreed to take as a result of OIG recommendations. The OIG is enhancing its planning process by directly involving EPA's leadership in the development of assignments that are highly responsive to the Agency's greatest priorities. During FY 2007, the OIG will perform an Agency-wide Strategic Risk Assessment to identify areas of possible fraud, waste, abuse, and opportunities for operational savings.

Summary of FY 2006 Performance Results by Product Line

HURRICANE KATRINA

On August 29, 2005, Hurricane Katrina brought destruction to the Gulf Coast region. The OIG quickly enacted an oversight plan to help EPA in its efforts to react to the aftermath of Hurricane Katrina. The plan focused on both ensuring adequate actions were taken to protect the health of people in the area, as well as to detect and address vulnerabilities in EPA's activities before they led to fraud, waste, and abuse. These efforts crossed many of the OIG's product lines.

Performance Highlights

- The State of Louisiana and EPA officials identified instances where tanker trucks that previously carried hazardous materials were being used to provide drinking water to hotels in New Orleans following Hurricane Katrina in a 2006 OIG report, *Lessons Learned: EPA's Response to Hurricane Katrina*. Actions were taken to stop this practice and procedures were put in place to ensure the trucks were properly inspected. We recommended that the procedures be shared with other States and regions to ensure this problem does not occur if similar disaster takes place that results in the need to transport drinking water. The procedures were shared with other States and regions on August 31, 2006. (Report no. 2006-P-00033; Cost \$64,808)
- In responding to the Katrina disaster, the EPA Administrator required EPA senior management to read the 2003 OIG report on EPA's response to the World Trade Center collapse, regarding lessons learned. As a result, two specific actions were taken by EPA during its Hurricane Katrina response efforts. The Agency decided to: (1) disclose information publicly as soon as it was received and judged to be sound and supportable; and (2) ensure that risk decisions were based on sound science. In particular, EPA convened a meeting of the EPA Science Advisory Board over the 2005 Labor Day weekend to review and comment on EPA's sediment sampling plan following Katrina.
- Based on the OIG report, *EPA's and Louisiana's Efforts to Assess and Restore Public Drinking Water Systems after Hurricane Katrina*, the OIG determined that the Louisiana Department of Health and Hospitals and EPA provided the public with timely and accurate information about the safety and proper treatment of drinking water. As a result, we determined that Louisiana's process for determining the safety of drinking water appeared adequate to support the determinations made for all public water systems in the State. (Report no. 2006-P-000014; Cost \$333,800)
- In the OIG report, *EPA's and Mississippi's Efforts to Assess and Restore Public Drinking Water Supplies after Hurricane Katrina*, the OIG determined that the Mississippi Department of Health and EPA provided the public with timely and accurate information about the safety and proper treatment of public drinking water supplies. As a result, we determined that Mississippi's process for determining the safety of drinking water appeared adequate to support the determinations made for all public water systems in the State's six most impacted counties located in coastal Mississippi. (Report no. 2006-P-00011; Cost \$325,797)
- An OIG report, *EPA Provided Quality and Timely Information Regarding Wastewater after Hurricane Katrina*, determined that the EPA provided quality and timely information regarding wastewater to States, wastewater treatment facilities, and the general public. Affected States used the information that EPA provided to help determine how best to protect rescue workers and the general public. (Report no. 2006-P-00018; Cost \$187,787)
- In the OIG report, *EPA Provided Quality and Timely Information on Hurricane Katrina Hazardous Material Releases and Debris Management*, the OIG ensured that EPA established effective approaches for rapidly identifying, prioritizing, and assessing the nature, magnitude and impact of hazardous material releases. The OIG also ensured that EPA provided oversight, assistance, and direct support in the management of hazardous hurricane debris and waste throughout the affected areas. During the course of our work, we identified several environmental risks and referred issues for Agency action. The Agency took action to address household hazardous and electronic wastes, and the St. Bernard Parish Landfill fire. (Report no. 2006-P-00023; Cost \$535,642)
- Using contracts already in place, as well as awarding a small number of new contracts, EPA was able to quickly respond to Katrina and help protect human health and the environment under difficult conditions. The OIG assisted the Agency by providing real-time advice on contract administration

and property controls. EPA made timely improvements, including the termination of several contracts with excessive periods of performance, and strengthened its review of contractor invoices. To further improve emergency response capability, the Agency plans to award more flexible contracts of shorter duration, devote additional resources to monitoring contractor invoices, and better control equipment obtained during emergency situations. The OIG also worked with other Inspectors General to share lessons learned from audits, reviews, and investigations to improve the Federal Government's response to future disasters. (*Report no. 2006-P-00038; Cost \$462,870*)

- Since September 2005, the EPA OIG has deployed six Special Agents on several missions to the affected Gulf States to participate in Hurricane Katrina Fraud Task Force efforts, meet with government officials, and conduct a variety of investigative steps in addressing allegations of fraud. OIG Special Agents participate at the Hurricane Katrina Fraud Task Force Joint Command Center and have access to Task Force databases, intelligence, and staff for operational support during investigations conducted in the affected Gulf States.

To date, investigative efforts by the EPA OIG have addressed several allegations of labor and equipment cost mischarging and the impersonation of EPA officials in furtherance of a scheme or artifice to defraud. While some allegations have been disproved or are currently pending prosecution, others have successfully resulted in administrative suspensions (pending debarment), cease and desist letters for wrongful activity, and recommendations for financial adjustments. EPA OIG continues to aggressively pursue tips and leads concerning allegations of fraud, and is actively supported by the Task Force.

AIR

Air Return on Investment Summary
<ul style="list-style-type: none"> • Reports Issued: 3 • Total Staff Days: 1,476 • Total Cost: \$1,129,590
Environmental and Business Results
<ul style="list-style-type: none"> • 14 Environmental Recommendations • 1 Regulatory Change • 9 Environmental Policy, Process Changes • 1 Environmental Risk Reduced • 5 Environmental Critical Public/Cong Issues Resolved • 3 Management Policy, Process Changes • 1 New FMFIA/Management Challenge Identified

Performance Highlights

- In issuing the May 2006 final reconsideration “Response to Comments” in response to a 2000 regulatory finding, EPA articulated its position that “the identification of a utility hotspot is NOT a prerequisite” to revising standards of performance in the Clean Air Mercury Rule, as recommended by the OIG in the 2006 report, *Monitoring Needed to Assess Impact of EPA’s Clean Air Mercury Rule on Potential Hotspots*. The Agency went on to write in its response that although information concerning utility hotspots would be relevant to a possible future revision of the standards of performance in the mercury rule, such hotspots by no means were a prerequisite to amending such standards. This was an important clarification explaining legally what role the “utility attributable” hotspot definition will have in determining whether to make any future changes to the performance standards under the Rule (*Report no. 2006-P-00025; Cost \$265,267*)
- As a result of recommendations in a 2006 OIG report, *EPA Can Improve Emissions Factors Development and Management*, the EPA determined that the OIG recommendations generally align with EPA’s current improvement efforts. In particular, EPA is making it easier for industry to transform emissions data into emissions factors and transmit them to State and Federal reviewers quickly. It did so by reengineering the program to speed the development of emissions factors, increasing the number of factors, and accounting for uncertainty in factors. By analyzing and reporting on the uncertainty of emissions factors, EPA will be able to assess the uncertainty of not only future but existing emissions factors. Before fall 2006, EPA will have developed and tested a new emissions factors streamlining process and developed emissions factors for coke ovens, landfills, municipal waste combustors, steel mini-mills, and low pressure petroleum storage tanks. Working with other groups – consistent with the EPA long-term goal of leveraging others’ resources to improve emissions factors – EPA will initiate development of emissions factors for natural gas engines, rubber manufacturers, and animal feeding operations. (*Report no. 2006-P-00017; Cost \$404,114*)
- Based on a draft report, *EPA’s Oversight of the Vehicle Inspection and Maintenance Program Needs Improvement*, the Agency agreed with, and began acting on, OIG recommendations to obtain and evaluate all required Inspection and Maintenance reports to ensure that the programs are operating

effectively, and follow up with States on significant issues identified. (Cost \$369,110)

- The 2005 OIG report, *EPA's Implementation of the Ambient Air Toxics Monitoring Network*, recommended that the EPA develop a method for identifying and prioritizing high risk areas for local scale monitoring. This is to involve various air toxics-related information and available health data (e.g., National Air Toxics Assessment results, emissions data, population data, etc.) that could be used by EPA, State and local agencies, and tribes to implement the strategy developed. As a result, EPA has begun using the National Air Toxics Assessment results to prioritize and identify high risk areas for air toxics monitoring. (Report no. 2005-P-00008; Cost \$30,378)

WATER

Water Return on Investment Summary
<ul style="list-style-type: none"> • Reports Issued: 5 • Total Staff Days: 1,952 • Cost: \$1,496,044
Environmental and Business Results
<ul style="list-style-type: none"> • 5 Environmental Recommendations • 1 Environmental Policy, Process Changes • 1 Example of Environmental Improvement • 1 Environmental Risks Reduced • 26 Environmental Best Practices Identified • 5 Environmental Certifications/Validations • 3 Environmental Critical Public/Cong. Issues Resolved • 1 New Management Challenge/FMFA Risk Identified • 2 Management Policy, Process Changes

Performance Highlights

- An OIG review, *Promising Techniques Identified to Improve Drinking Water Laboratory Integrity and Reduce Public Health Risks*, found vulnerabilities within the drinking water sample analysis not addressed by EPA's process. These vulnerabilities can compromise the integrity of the analysis process and the quality of data produced. As a result of OIG recommendations, EPA indicated it will encourage use of promising techniques identified and play a greater role in preventing and detecting inappropriate procedures and fraud in drinking water laboratories. (Report no. 2006-P-00036; Cost \$774,026)
- The OIG 2006 report, *Much Effort and Resources Needed to Help Small Drinking Water Systems Overcome Challenges*, identified that after many years, small drinking water systems continue to struggle with financial/management matters and

regulatory/compliance issues. This is despite many Government and nongovernmental initiatives and approaches to assist in the resolution of these problems. EPA agreed with the recommendations and has proposed corrective actions that the OIG has accepted. (Report no. 2006-P-00026; Cost \$200,430)

- An OIG report, *Sustained Commitment Needed to Further Advance Watershed Approach*, recommended that EPA address challenges to integrating watershed approach principles into its core programs, as well as obstacles identified by stakeholders concerning the watershed approach. In addition, the report also noted EPA needs to improve its strategic plans and performance measurement system to address the watershed approach. As a result of these recommendations, EPA said it will continue to integrate the watershed approach into its core water programs, work in partnership with stakeholders to ensure obstacles to implementation of the watershed approach are addressed, continue to refine and improve key aspects of the strategic planning process, and continue to improve key aspects of the performance measurement system. (Report no. 2005-P-00025; Cost \$702,844)

LAND

Land Return on Investment Summary
<ul style="list-style-type: none"> • Reports Issued: 5 • Total Staff Days: 3,166 • Total Cost: \$2,400,069
Environmental and Business Results
<ul style="list-style-type: none"> • \$642 Million Cost Efficiencies • 9 Environmental Recommendations • 3 Environmental Policy, Process Changes • 2 Environmental Risks Identified • 2 Environmental Certifications/Validations • 1 Environmental Critical Public/Cong. Issues • 1 Allegations Disproved • 15 Recommendations for Management Improvement

Performance Highlights

- In an OIG report, *Continued EPA Leadership Will Support State Needs for Information and Guidance on Resource Conservation and Recovery Act (RCRA) Financial Assurance*, the OIG evaluated EPA's efforts to address problems and concerns in various aspects of RCRA financial assurance. Financial assurance (for cleanups) is a top priority for the Office of Enforcement and Compliance Assurance and affects multiple Office of Solid Waste and Emergency Response (OSWER) programs. We made recommendations for improvements in the information and guidance EPA collects and provides

on RCRA financial assurance. As a result of this work, EPA's Environmental Financial Advisory Board has adopted our findings related to captive insurance in developing recommendations to the Administrator on how to assist States and other regulators with improved implementation and understanding of captive insurance. (*Report no. 2005-P-00026; Cost \$442,733*)

- In the OIG report *EPA Can Better Manage Superfund Resources*, the OIG identified multiple opportunities and made multiple recommendations on how the Agency could achieve efficiencies in the Superfund program. In response to recommendations to deobligate Superfund contract dollars and, where possible, close out Superfund special accounts, the Agency has taken actions that have resulted in \$39 million in monetary benefits for the Superfund program. To date \$38.6 million has been deobligated and \$352,000 in Superfund Special Account funds has been returned to the Superfund Trust Fund. Cost efficiencies from this report total \$639 million to date. (*Report no. 2006-P-00013; Cost \$846,665*)
- An OIG report, *Rulemaking on Solvent-Contaminated Industrial Wipes*, recommended that the EPA should implement the recommendations proposed by a 2001 taskforce on improving regulations regarding contaminated industrial wipes. The Deputy Assistant Administrator for OSWER agreed to work with the Office of Policy, Economics, and Innovation to implement the recommendations proposed by the 2001 taskforce. This includes strict adherence to the Action Development Process and, during 2006, ensuring all OSWER rulemaking staff and management attend rulemaking training. (*Report no. 2006-P-00001; Cost \$287,600*)
- Based on the OIG report *EPA Can Better Implement Its Strategy for Managing Contaminated Sediments*, the OIG determined that EPA needs to better manage its efforts to clean up contaminated sediments on a nationwide basis. EPA made some progress with its Contaminated Sediments Management Strategy, but the Agency cannot assure that resources devoted to addressing contaminated sediments provide the most effective and efficient solutions for reducing the environmental and human health risks posed by this national problem. As a result, EPA agreed to assign responsibility for the oversight and evaluation of the Agency's Contaminated Sediment Management Strategy to a committee or office. In addition, EPA also has developed performance measures for implementing an updated Strategy, and will include this activity in the Action Plan to correct this finding. (*Report no. 2006-P-00016; Cost \$665,352*)

CROSS MEDIA

Cross Media Return on Investment Summary
<ul style="list-style-type: none"> • Reports Issued: 5 • Total Staff Days: 2,142 • Total Cost: \$1,616,452
Environmental and Business Results
<ul style="list-style-type: none"> • 10 Environmental Recommendations • 1 Environmental Risk Identified • 1 Environmental Certification/Validation • 6 Environmental Critical Public/Cong. Issue Resolved • 2 Management Actions Taken • 21 Recommendations for Management Improvement

Performance Highlights

- The OIG 2006 report, *Measuring the Impact of Food Quality Protection Act (FQPA): Challenges and Opportunities*, found that EPA has made progress in implementing the requirements of the FQPA. However, the Office of Pesticides Program (OPP) has primarily measured its success and the impact of FQPA by adherence to its reregistration schedule rather than by reductions in risk to children's health. We conducted an analysis of the dietary pesticide residue data from the U.S. Department of Agriculture (USDA) Pesticide Data Program and found that EPA's regulatory actions had a significant impact in reducing pesticide exposure risk. EPA accepted our recommendation that it move away from primarily using outputs as performance measures, and implement a suite of output and outcome measures to assess the human health and environmental impacts of its work. (*Report no. 2006-P-00028; Cost \$234,614*)
- As recommended by an OIG report, *EPA Needs to Conduct Environmental Justice Reviews of Its Programs, Policies, and Activities*, EPA agreed to accept the OIG recommendations related to the Agency developing more effective plans for conducting environmental justice reviews in accordance with Executive Order 12898. (*Report no. 2006-P-00034; Cost \$158,213*)
- In the OIG report, *Changes Needed to Improve Public Confidence in EPA's Implementation of the Food Quality Protection Act*, the OIG found that OPP did not always solicit public comments before it issued final pesticide reregistration decisions. As a result, EPA agreed to provide clearer guidance to the public, and OPP will revise the Reregistration/Public Participation Process Web page to include a discussion of the factors that the Agency considers in choosing the six-phase, four-phase, or low risk process for a pesticide to undergo reregistration. In

addition, over the next 8 to 10 years, OPP will collaborate with EPA's Office of Research and Development in planning and research to identify and reduce the risk to children and other major identifiable susceptible subpopulations. (*Report no. 2006-P-00003; Cost \$379,173*)

- As a result of a recommendation in an OIG report, *Opportunities to Improve Data Quality and Children's Health through the Food Quality Protection Act*, EPA agreed to develop a Standard Evaluation Procedure to assess results of developmental neurotoxicity testing. OPP agreed to update the dietary exposure databases used in probabilistic models for risk assessments as soon as the food consumption data from the 2003-2004 National Health and Nutrition Examination Survey become available in 2006. It also agreed to evaluate the survey's dietary consumption data to determine if additional children's foods need to be sampled for USDA's Pesticide Data Program. (*Report no. 2006-P-00009, Cost \$420,633*)
- The OIG 2005 report, *EPA Performance Measures Do Not Effectively Track Compliance Outcomes*, found that the EPA's publicly-reported performance measures lack compliance rates and other reliable outcome data. EPA's 2005 publicly-reported Government Performance and Results Act performance measures do not effectively characterize changes in compliance or other outcomes because EPA lacks reliable outcome data. Instead, EPA reports proxies for compliance to the public, not knowing if compliance is actually going up or down. Thus, EPA does not have all the data it needs to make management and program decisions. Some measures do not clearly link to strategic goals, and EPA frequently changed its enforcement and compliance-related performance measures from year to year. As a result, EPA agreed to design and implement a pilot project that verifies the estimated, predicted, and facility self-reported outcomes of the enforcement and compliance assurance program. EPA also agreed to improve the linkage and relationship between goals and measures in strategic planning, annual performance reporting, and budget documents through consistent wording of the goals and measures across these documents. (*Report no. 2006-P-00006; Cost \$423,816*)

CONGRESSIONAL AND PUBLIC LIAISON

Congressional and Public Liaison Return on Investment Summary
<ul style="list-style-type: none"> • Reports Issued: 4 • Total Staff Days: 996 • Total Cost: \$805,838
Environmental and Business Results
<ul style="list-style-type: none"> • 4 Environmental Recommendations • 13 Environmental Critical Public/Cong. Issues Resolved • 8 Allegations Disproved • 1 Management Actions Taken • 5 Recommendations for Management Improvement

Performance Highlights

- In the OIG report *More Information is Needed on Toxaphene Degradation Products*, we recommended that the EPA Administrator direct the Assistant Administrators for Water and for Solid Waste and Emergency Response to validate and approve the new analytical method that tests for toxaphene degradation products, and use the new method to analyze environmental samples. In addition, we also recommended that the Assistant Administrator for Research and Development work with others in EPA to arrange for specific research needed to determine the risk that toxaphene degradation products may pose to people. (*Report no. 2006-P-00007; Cost \$269,059*)
- An OIG report, *Review of Environmental Concerns at McFarland, California*, found that Region 9's efforts to keep the McFarland community informed exceeded requirements, but specific improvements were needed. The OIG recommended that the Region 9 Administrator update the mailing list for McFarland for future communications and outreach to the community, and for providing notice of any future public meetings. In addition, the Region should consider publicizing notices of future public meetings through local media outlets to supplement the regional mailings. (*Report no. 2006-P-00041; Cost \$302,694*)
- In the OIG report on a complaint regarding an assistance agreement awarded to the University of Nevada, Reno, Regional Environmental Monitoring and Assessment Program, we recommended that EPA have the recipient submit the required report and establish a better system of internal controls for grant funds. We also recommended that EPA require the recipient to repay \$21,260 in unallowable costs. EPA concurred with our recommendations and is seeking to have the

recipient provide the required report and establish better controls. Further, EPA is arranging for the recipient to repay the \$21,260 in unallowable costs. (Report no. 2006-P-00008; Cost \$166,923)

- An OIG report, *EPA Is Properly Addressing the Risks of Using Mercury in Rituals*, addressed allegations that EPA did not sufficiently act on the potentially dangerous use of mercury in folk remedies and religious practices. The OIG disproved the allegations that EPA was not taking sufficient action. We agreed with EPA that further regulations regarding the ritual use of mercury are unwarranted at this time, and we believe EPA is taking appropriate community outreach/education actions. (Report no. 2006-P-00031; Cost \$66,274)

during FY 2006 to hold grant project officers accountable for their performance. The measures are expected to be finalized in November 2006.

- A 2006 OIG report on the Alaska single audit report for FY 2003 questioned \$1,166,051 in labor costs because State employees did not account for activities in accordance with Federal requirements. Also, the audit questioned the balance of the EPA grant amounts of \$32,721,149 due to the following single audit results: (1) the State claimed disbursements that were advances and not actual costs, (2) the State did not correctly report assets and expenditures, and (3) the State did not follow procurement procedures. The audit also found the State did not adequately monitor its subrecipients. As a result, one subrecipient earned interest and dividend income, contrary to EPA regulations. (Report no. 2006-3-00167; Cost \$170,817)

ASSISTANCE AGREEMENTS

Assistance Agreements Return on Investment Summary
<ul style="list-style-type: none"> • Reports Issued: 12 • Total Staff Days: 2,768 • Total Cost: \$2,285,467
Environmental and Business Results
<ul style="list-style-type: none"> • \$82.1 Million in Questioned Costs • \$ 4.9 Million Cost Efficiencies • \$ 3.0 Million in Fines and Restitutions* • 31 Criminal, Civil, Admin. Actions* • 2 Allegations Disproved* • 3 Best Management Practices Identified • 5 Management Actions Taken • 589 Recommendations for Management Improvement <p>* <i>investigative results</i></p>

- A 2006 OIG report on the Alaska single audit report for FY 2004 questioned \$1,115,721 in labor costs because State employees did not account for their activities in accordance with Federal requirements. In addition, the audit questioned the balance of the EPA grant amounts of \$31,860,680 due to single audit results similar to those discussed regarding the FY 2003 single audit (see above). (Report no. 2006-3-00168; Cost \$67,631)

- Across the Federal Government, nearly half a trillion dollars in grant funds is spent each year to support programs the public relies on, such as health care, transportation, and education. This includes over \$4 billion spent by EPA on grants to States, tribes, local governments, and not-for-profit organizations. To promote sound grants administration at all levels of government, the EPA OIG led a team of more than 20 Federal, State, and local audit organizations in developing a *Guide to Opportunities for Improving Grant Accountability*. The Guide discusses best practices in grants administration that all levels of government can use to obtain greater results from their investment of grant funds. (Costs \$369,119)

Performance Highlights

- EPA continues to improve its ability to demonstrate the benefits received from the investment of financial resources. For example, in response to an OIG recommendation, States and communities began reporting data to EPA on expected environmental benefits from Clean Water State Revolving Funds. Based on partial reporting, EPA grants have resulted in \$9.47 billion of loans financing approximately 2,200 projects serving 835 communities and 84 million people. These projects treat almost 22 billion gallons per day. Estimates are that these communities would have had to spend \$3.4 billion more to obtain the same loans from private banks. (Report no. 2004-P-00022; Costs \$360,422)
- Grants management continues to be a challenge but progress is being made. In response to an OIG recommendation, EPA drafted a series of measures

- On December 15, 2005, the OIG issued a memo to the EPA Grants Administration Division to provide the Agency with our preliminary observations on accounting control issues, control weaknesses, and regulatory non-compliance that we identified at the America's Clean Water Foundation. As a result of our report, EPA denied the grant deviation, and also returned the Foundation's grant application for FY 2005. This audit recommended \$4,960,000 in efficiencies. (Report no. 2006-S-00007; Cost \$170,998)

CONTRACTS

Contracts Return on Investment Summary
<ul style="list-style-type: none"> • Reports Issued: 20 • Total Staff Days: 3,003 • Total Cost: \$2,451,858
Environmental and Business Results
<ul style="list-style-type: none"> • \$ 2.9 Million in Questioned Costs • \$ 5.0 Million in Cost Efficiencies • \$26.8 Million in Fines and Restitutions* • 18 Criminal, Civil, Administrative Actions* • 1 Allegations Disproved* • 3 Environmental Recommendations • 14 Management Actions Taken • 161 Recommendations for Improvement • 1 New FMFIA Management Challenge <p>* <i>investigative results</i></p>

Performance Highlights

- The OIG applied agreed-upon procedures to the State of Illinois Emergency Management Agency's February 26, 2003, Credit Claim for costs associated with the remediation of the Luminous Processing Inc. facility and grounds prior to the listing of the Ottawa Radiation Areas' National Priorities List site. Our work resulted in a cost savings of \$3.2 million because the cost escalation factor was not a "direct out-of pocket expenditure" of funds. (*Report no. 2006-4-00026; Cost \$39,323*)
- Contractor-supplied records indicated that EPA provided \$110 million of equipment to contactors. EPA can manage the administrative functions over this property itself or have the Defense Contract Management Agency (DCMA) perform these functions. Our review disclosed that EPA did not know which contractors had the property, the dollar value of the property, or whether contractors conducted annual inventories. Further, neither EPA nor DCMA were administering some contracts and EPA was paying DCMA to administer contracts with no property. EPA initiated corrective actions while our audit was underway. (*Report no. 2006-P-00035; Cost \$127,753*)
- EPA's Critical Infrastructure and Key Resources Protection Plan discusses actions to enhance the Agency's ability to respond to terrorist attacks and other emergencies. During FY 2006, EPA made progress on the majority of these initiatives. However, additional work remains. In response to a recommendation from the OIG for greater accountability, OSWER will hold semiannual meetings with EPA's Office of Homeland Security and report on the Plan's status to the Deputy

Administrator and the Associate Administrator for Homeland Security. EPA also needs to purchase additional emergency response equipment and put in place a nationwide information system to manage such equipment. (*Report no. 2006-P-00022; Cost \$295,408*)

FINANCIAL

Financial Return on Investment Summary
<ul style="list-style-type: none"> • Reports Issued: 3 • Total Staff Days: 5,412 • Total Cost: \$4,365,148
Environmental and Business Results
<ul style="list-style-type: none"> • \$39 Million in Cost Efficiencies • 5 Environmental Policy, Process Changes • 1 Management Policy, Practice Change • 26 Recommendations for Improvement

Performance Highlights

- EPA has the authority through the Superfund program to respond directly to releases of hazardous substances and seek recovery of its costs from the responsible parties. As a result of recommendations from the OIG, the Agency strengthened its policies and procedures for recording costs to specific sites, and redistributed more than \$26 million from a general account to specific site accounts. The Agency planned to redistribute an additional \$13 million. These funds can now be recovered and used for other site cleanups. Cost efficiencies totaled over \$39 million from this report. (*Report no. 2006-P-00027; Cost \$323,396*)
- While EPA earned an unqualified opinion on its FY 2005 financial statements, we identified conditions which, while not causing a material misstatement of financial statement amounts, should be addressed. These conditions include payments to separated employees and making adjusting entries in the financial management system without adequate supporting documentation. EPA agreed to address the conditions OIG identified. (*Report no. 2006-1-00015; Cost \$4,012,867*)

INFORMATION TECHNOLOGY & BUSINESS SYSTEMS

Information Technology & Business Systems Return on Investment Summary
<ul style="list-style-type: none"> • Reports Issued: 11 • Total Staff Days: 1,548 • Total Cost: \$1,406,188
Environmental and Business Results
<ul style="list-style-type: none"> • 9 Environmental Policy, Process Changes • 5 Best Management Practices Identified • 32 Recommendations for Improvement • 18 Management Policy, Process Changes • 3 Best Management Practices Implemented

Performance Highlights

- Based on a 2005 OIG report, *EPA Needs to Improve Oversight of Its Information Technology Projects*, in response to comments from the OIG concerning the status of System Life Cycle Management Policy and Procedures, the Office of Environmental Information (OEI) issued a memo to Agency program offices instructing them to adhere to the existing policy and procedures document. OEI finalized and issued the new policy and procedures in time for program offices to use during the current Capital Planning Investment Control cycle. (Report no. 2005-P-00023; Cost \$610,511)
- The OIG participated in an EPA-wide Quality Information Council Subcommittee to develop, review, and approve EPA information technology policy to incorporate new Office of Management and Budget (OMB) requirements and oversight authority responsibilities. The various policies developed were approved by EPA's Quality Information Council.
- Based on our 2006 audit, *Assessing EPA's Efforts to Protect Sensitive Information*, OEI expanded its work plan to address OIG's concerns regarding internal controls and key processes. Also, the OIG assisted the PCIE in developing a Government-wide reporting tool that was used to assess Federal agencies' efforts to protect sensitive data, including personally identifiable information. (Report no. 2006-S-0006; Cost \$22,716)
- Based on the 2006 OIG *Information Security Series: Security Practices*, management officials from the five reviewed program offices took steps to remediate over 100 system vulnerabilities that placed EPA major applications at risk. Program official took actions to (1) strengthen key security controls; and (2) improve EPA's capability to sustain

operations of major information technology investments by updating application security plans, completing risk assessments, and developing contingency plans. (Cost of all reports in series \$675,228)

- Based on the 2006 OIG report, *EPA Could Improve Physical Access and Service Continuity/Contingency Controls*, the Office of Administration and Resources Management (OARM) implemented new access control procedures to provide greater accountability of visitors to several computer and media storage rooms at EPA's Research Triangle Park complex. OARM and OEI developed and implemented new environmental control procedures to respond to fire and water emergencies within computer rooms. The Office of Research and Development implemented enhanced procedures for notifying key personnel during an emergency and updated its Contingency Plan to provide specific instructions for data recovery operations. OSWER updated the Comprehensive Environmental Response, Compensation, and Liability Information System (CERCLIS) Contingency Plan to identify critical resources and outline contracts needed for restoring the application. OSWER also redesigned its recovery tests to address all critical elements needed to restore CERCLIS. (Report no. 2006-P-00005; Cost \$223,395)

INVESTIGATIONS

Investigative Return on Investment Summary
<ul style="list-style-type: none"> • 175 Investigations Closed • 123 Investigations Opened • Total Staff Years: 62.8 • Total Cost: \$10.5 Million
Environmental and Business Results
<ul style="list-style-type: none"> • \$30.8 Million in Fines, Settlements, Restitutions • 16 Environmental Risk Reduced • 2 Environmental Risks Identified • 25 Convictions of Persons or Firms • 17 Indictments/Informations of Persons or Firms • 8 Civil Judgments/ Settlements/ Filings • 56 Administrative Actions • 5 Allegations Disproved

Performance Highlights

- The EPA Office of Investigations continues to work collaboratively with the Office of Acquisition Management and the Office of Grants and Debarment to incorporate Procurement Fraud Awareness Briefings as an integral part of training for EPA Contracting Officers, Contracting Officer

Representatives, Grants Specialists, Grant Management Officers, and Project Officers. During FY 2006, 19 briefings were presented to over 700 managers and staff nationwide, as part of EPA's efforts to train its staff in contracts and grant management. The fraud briefings have helped to identify common financial fraud scenarios which are often encountered by contracting or grants management staff, and identify various criminal, civil, and administrative actions the Agency and the OIG can take to protect funds at risk.

- While making no admission of wrongdoing or liability, Washington Group International, Inc. (WGI), formerly known as Morrison Knudson Corporation, entered into a \$1 million settlement agreement with the U.S. Government for allegedly submitting false representations and certifications in progress reports. WGI also improperly billed costs during its performance of a U.S. Army Corps of Engineers contract funded by EPA to perform cleanup activities at the Tar Creek Superfund Site, Northern Ottawa County, Oklahoma, resulting in the Government paying more for the cleanup contract than was necessary. Allegedly WGI: required truck drivers and others to falsely record more cubic yardage, truck loads, and/or full loads than were actually hauled; directed or caused truck drivers to give the false appearance that the trucks were being fully and efficiently utilized for their intended purpose; paid full salary to workers who had been injured on the job and therefore should have been paid worker's compensation benefits rather than wages; and billed the Government for time and expenses associated with the transport of injured workers to medical care. WGI also entered into a compliance agreement with the EPA Suspension and Debarment Division to include specific ethics, audit, and training requirements. (*Cost \$358,404*)
 - While making no admission of wrongdoing or liability, Bearingpoint, Inc.; Booz Allen Hamilton, Inc.; Ernst & Young, LLP; and KPMG, LLP, each settled lawsuits concerning alleged false claims for travel reimbursement submitted to numerous Federal agencies, including EPA. Bearingpoint has agreed to pay \$15 million to settle the matter, Booz Allen \$3.37 million, Ernst & Young \$4.47 million, and KPMG \$2.77 million. In relation to work performed for the Government, all four firms received rebates on travel expenses from airlines, credit card companies, hotels, rental car agencies, and travel service providers, but did not consistently disclose the existence of these travel rebates to the United States to reduce travel reimbursement claims by the amounts of the rebates. Each company allegedly knowingly presented claims for payment to the United States for amounts greater than the travel expenses actually incurred, violating contractual provisions of the Federal Acquisition Regulations. The settlement resolved suits filed by Neal A. Robert under the *qui tam* or whistleblower provisions of the False Claims Act. Mr. Roberts will receive an amount to be determined in the near future. (*Cost \$64,143*)
 - The University of Connecticut (UConn) agreed to pay \$2.5 million in damages and penalties to settle civil allegations that the university submitted false claims on approximately 500 Federal grants awarded to UConn from July 1997 through October 2004. Several Federal agencies, including EPA, awarded the grants for work to be performed by two of UConn's specialized service facilities: the Environmental Research Institute (ERI) and the Booth Research Center (BRC). The Government specifically alleged that UConn submitted grant applications containing incorrect or overstated information about anticipated expenses for ERI and BRC, charged certain expenses that were not properly chargeable, and submitted invoices to the Government for three types of improper grant expenses. UConn also entered into a compliance agreement with the Federal Government that requires the university to make significant changes in its grant administration program, including certifying that it has in place an adequate compliance program for preventing fraud and false billings to Federal grants. (*Cost \$259,416*)
 - Based on their guilty pleas for conspiracy in a kickback scheme, Ronald Check, Jr., the President of Grace Industries, Inc. (Grace), was sentenced to 60 months of probation, 6 months of house arrest, and fined \$5,000, with a special assessment of \$200; James Vagra, a former Project Manager for Grace, was sentenced to six months in prison, followed by 3 years supervised release and fined \$32,382 with a \$200 special assessment; and Gary Sanders, a former site foreman for Grace, was sentenced to 60 months of probation, and fined \$32,382 with a \$200 special assessment. In addition to the sentences imposed above, Grace paid \$113,711 to the IRS that represented amounts due because Grace had previously deducted the kickback payments as business expenses. Vagra paid \$12,177 to the IRS because he failed to report the income he received from the kickback payments. Sanders also paid \$21,527 to the IRS for under reporting his income.
- In 1996, Tetra Tech Nus, Inc. was awarded a contract by the EPA to serve as the prime contractor in the

cleanup of the Berkley Products Superfund site. Tetra Tech had awarded a subcontract to Grace in 2000 for the construction of a landfill cap at the Berkley Products site. James Risner, the Project Manager for Tetra Tech, was responsible for overseeing the work performed by Grace. Risner solicited kickbacks for about \$129,531 from Check, Jr. in exchange for Risner certifying the work performed by Grace was completed in a satisfactory manner. Risner, in turn, kicked back approximately one-half of all money he received to Vagra, who in turn provided one-half of that money to Sanders. Risner provided Grace with phony invoices in the amount of the kickbacks to disguise the illegal payments. (Cost \$64,268)

Promote Integrity; and Taking Care of Business: Ourselves and Our Organization.

OIG ENABLING SUPPORT PROGRAMS

- The Immediate Office of the Inspector General
 - The Office of Planning, Analysis and Results
 - The Office of Mission Systems*
 - The Office of Human Capital
 - The Office of Inspector General Counsel
 - The Office of Congressional and Public Liaison*
- * also have mission product-lines.

Support Return on Investment Summary
<ul style="list-style-type: none"> • Total Staff Years: 72 (21.6% of total FTE) • Total Cost: \$10.8 Million (21.8% of total costs)
Environmental and Business Results
<ul style="list-style-type: none"> • 19 Recommendations for Management Improvement • 6 New Management Challenges/FMFIA Risks Identified

Performance Highlights

- **National Training Conference:** The EPA OIG held its fourth Biannual National Training Conference, December 6-8, 2005, in Orlando, Florida. This Conference provided OIG staff with the opportunity to earn 19 to 22 Continuing Professional Education credits. The concept of the National Training Conference is to provide the members of the EPA OIG with an opportunity to come together from around the nation and from different professional disciplines, in the spirit of “One OIG,” for a common leaning experience. The Conference featured 42 topic sessions with 65 speakers from EPA, industry, academia, other Federal agencies, Congress, and nationally recognized experts, as well as professional presentations by our own highly talented staff. Plenary and specialized sessions were planned around these Conference Themes: *Environmental Innovation: Exploring Risks, Costs and Green Opportunities; The Power of Data: Leveraging Accountability, Credibility and Change; Exercising Our Authority to*

- **Legislation, Regulation, and Policy Review:** The OIG analyzed 34 legislative, regulatory, or policy items, making 19 recommendations and suggestions for improvements and additions. Items on which the OIG made significant recommendations included: Proposed Office of Human Resources Reorganization; Proposed Interim EPA Personal Property Policy and Procedures Manual; Proposed Office of Air Quality Planning and Standards Reorganization; OMB Audit Bulletin 01-02 Revision; EPA Draft Order Federal Credentials for Inspections and Enforcement of Federal Environmental Statutes; Draft EPA Order – Food at EPA Conferences, Workshops and Observances; and Generally Accepted Government Auditing Standards Draft Revision.

- **Implementation of Cost Accounting Methodology:** To determine the costs of specific OIG work products associated with disaster relief, the OIG developed and applied cost accounting methodology to all OIG mission products and services. The OIG cost accounting model, developed in compliance with Generally Accepted Cost Accounting Principles and Standards (separates costs into the traditional categories of direct, indirect, and overhead [general and administrative]), grouped costs by office and products. We developed an overhead cost rate that was consistently applied to incremental costs of specific products and services, resulting in fully-loaded billable staff-day costs. We validated the model by equating the cost of total billable hours to the total budget expended. The success in the application of this methodology is demonstrated in the total costs reported for the work of each product line, and in the appendix listing the cost of each OIG report issued.

- **Outreach Planning With Agency Leadership:** The OIG implemented a customer driven planning process to develop an FY 2007 work plan that addresses EPA’s most significant environmental and management risks, priorities, and challenges. Nearly 50 percent of the plan resulted from stakeholder input. The planning process included developing separate compendiums of risks, challenges, and opportunities for Agency-wide management, media-specific areas, and regional cross-goal and management issues. We met with each EPA Assistant and Regional Administrator to obtain their input about their highest priority risks, challenges, and opportunities, and then aggregated the results to formulate our plan to address greatest concerns.

OIG Reported Key Agency Management Challenges

The Reports Consolidation Act of 2000 requires the OIG to report on the Agency’s most serious management and performance challenges, known as the Key Management Challenges. Management Challenges represent vulnerabilities in program operations and their susceptibility to fraud, waste, abuse, or mismanagement. This fiscal year, the OIG identified three new Challenges. The Agency took sufficient action on three previous challenges and they were removed from the list. The table below includes issues identified by the OIG as Key Management Challenges facing EPA and the relationship of the issues to the Agency Strategic Plan and the President’s Management Agenda.

EPA’s Top Major Management Challenges Reported by the Office of Inspector General	FY 2004	FY 2005	FY 2006	Link to EPA Strategic Goal	Link to President’s Management Agenda
	Managing for Results: Focusing on the logic of design, measures of success (outputs and outcomes), and measures of efficiency, so that EPA programs and processes can be set up to evaluate results and make necessary changes.	*	*	●	Cross-Goal
Agency Efforts in Support of Homeland Security: Implementing a strategy to effectively coordinate and address threats.	●	●	●	Cross-Goal	Homeland Security
Data Standards and Data Quality: Improving the quality of data used to make decisions and monitor progress, and data accessibility to EPA’s partners.	**	**	●	Cross-Goal	E-Gov
EPA’s Use of Assistance Agreements to Accomplish Its Mission: Improving the management of the billions of dollars of grants awarded by EPA.	●	●	●	Cross-Goal	Financial Performance
Emissions Factors for Sources of Air Pollution: Reliable emission factors and data are needed to target the right sources for control strategies, ensure permitting is done properly, and measure the effectiveness of programs in reducing air pollution.			●	Goal 1	
Human Capital Management: Implementing a strategy that will result in a competent, well-trained, and motivated workforce.	●	●	●	Cross-Goal	Human Capital
Voluntary, Alternative, and Innovative Practices and Programs: Applying voluntary approaches and innovative or alternative practices to provide flexible, collaborative, market driven solutions for measurable results.			●	Cross-Goal	
Efficiently Managing Water and Wastewater Resources and Infrastructure: Current drinking water, treatment and supply, and wastewater treatment and disposal systems are wearing out and will take huge investments to replace, repair, and construct facilities.			●	Goal 2	
Information Technology Systems Development and Implementation: Overseeing information technology projects to ensure they meet planned budgets and schedules.			●	Cross-Goal	E-Gov
Data Gaps: Deciding what environmental and other indicators will be measured, providing data standards and common definitions to ensure that sufficient, consistent, and usable data are collected.			●	Cross-Goal	E-Gov

* From FY 2004 and 2005 Working Relationships with the States and Linking Mission to Management were consolidated into Managing for Results.

** From FY 2004 and 2005 Information Resources Management and Data Quality were consolidated into Data Standards and Data Quality

Results of OIG Outreach for Customer Feedback

As part of the OIG planning outreach review process, senior Agency officials were asked to provide their perceptions of the OIG strengths and areas for improvement. A summary of these comments are provided below.

Customer Comments on Areas of Perceived OIG Strengths

Emergency Advisory Services

- OIG work on Katrina was extremely valuable and timely. Immediate feedback on problems that could be quickly corrected was useful for EPA Program Offices and Regional Offices. This area was frequently identified as a best practice on how the OIG collaborated and communicated with the Agency to prevent abuse.
- Similar early warning work is requested in other Agency areas to prevent future problems.

Effective Communication and Relationship Management

- OIG's recent use of discussion drafts of reports allows offices a chance to comment on facts and tone of the report.
- The OIG has improved relations with Program and Regional Offices by offering more communication and report review opportunities.
- OIG coordinates well and provides valuable background information in planning assignments.
- OIG staff listens to concerns and reacts positively.
- OIG is respected for its honesty and independence.
- OIG is willing to take on big problems and issues.
- Program Offices and Regional Offices are able to agree and disagree with OIG findings. The communication process is getting better between the Agency and the OIG.
- OIG is good at working with Regional entities and giving direct answers on issues.

Auditing, Evaluating, Investigating, and Advisory Services

- OIG maintains a solid approach to audits and abuse investigations.
- Fraud awareness briefings have been very effective in presenting practical information.
- OIG evaluation work is getting better at framing the important questions and making recommendations in areas requiring change.
- Financial audits and OIG work on Human Capital have been very effective.
- OIG work on high performing organizations has helped Program and Regional Offices clarify and focus on their visions and missions.
- OIG work that supports the Program Assessment Rating Tool (PART) is useful and needs to be expanded.
- OIG Logic Modeling assistance is valuable in helping Program Offices build the link between environmental conditions and human health.

Customer Comments and Suggestions on Perceived Areas for OIG Improvement

OIG Products and Advisory Services

- OIG needs to streamline the financial statement audit process to make it less burdensome.
- Assignments must address long-term compliance issues and causes of noncompliance.
- OIG work needs to be aligned with PART schedules, and OIG should prepare capping reports in order to combine related issues together in one report that supports PART assessments.
- OIG needs to offer early warning work/early involvement in new initiatives to help avoid problems later. OIG process reviews would help identify better operational efficiencies.
- An OIG checklist for the assessment of particular areas such as the Federal Information Security Management Act (FISMA) or OMB A-123 would be useful.
- OIG can help Program and Regional Offices understand where the money is going by introducing efficiency measures, and identifying effective and non-effective Agency programs.
- OIG should examine effective ways of managing grantee failures, and how to help them build capacity to achieve compliance.

OIG Accessibility, Visibility, and Communications Strategy

- OIG should consider new ways of delivering its message to customers EPA-wide. Much of the OIG's work is applicable and transferable to other areas, if people know about it. One of the greatest services the OIG can provide to the Agency to help solve and avoid problems would be to promote best practices in its reports, and maintain a web-based inventory of recommendations and actions taken.
- OIG needs greater visibility within EPA, and among States and grantees. The OIG can help reinforce the requirements for compliance by grantees, frequently better than the Agency can.
- A user-friendly organizational structure needs to be available so that Program and Regional Offices can know whom to contact for specific program and regional issues and concerns.
- OIG reviews require a great deal of program staff time and often are a major inconvenience. During OIG requests, the OIG needs to be more aware of deadlines and other requirements. OIG needs to provide more advance notice of its requests.
- The OIG needs to change its focus of reports from media specific to cross media. Often the concentration is too great in one area, which may be dependent upon or related to other programs, media, or operational issues.
- The OIG needs to become a more active member on the environmental crimes task force.

Report Tone and Balance

- OIG needs to check tone and sensitivity to hyperbole.
- Some OIG staff members tend to demonstrate pressure to find fault and not successes. OIG can distort report outcomes by being heavy handed or lacking balance.
- OIG needs to report on the substance of the issues, and not dwell on the documentation aspects.
- The boundaries of OIG work should be better explained and understood.
- OIG report titles and summaries need to be more descriptive and focus on the full report text. Sometimes the report headlines and summaries sensationalize an issue or report it out of context.

Staff Knowledge, OIG and EPA

- OIG staff are not always knowledgeable enough to have a clear understanding of programs, or be conversant in the complexities of the Agency program topics. The OIG should tap into the knowledge of Agency employees in the Program and Regional Offices to increase its knowledge in various areas.
- Allow rotation of OIG staff to Agency programs so they can share their knowledge of evaluation techniques and accountability processes for better management practices.

OIG FY 2006 Resource Use and Allocation

FY 2005 Appropriation - Final Utilization Rate

<u>Account</u>	<u>\$ Appropriation Available</u>	<u>\$ Appropriation Used</u>	<u>% \$ Appropriation Used</u>
Management	\$37,646,400	\$37,631,234	100.0%
Superfund	<u>12,896,000</u>	<u>12,886,862</u>	<u>99.9%</u>
TOTAL	\$50,542,400	\$50,518,096	100.0%

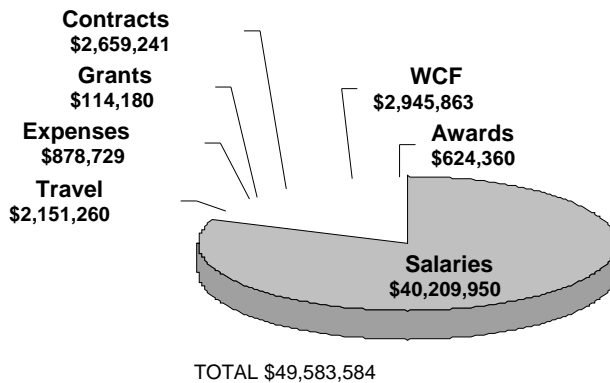
FY 2006 Appropriation Usage

<u>Account</u>	<u>\$ Appropriation Available</u>	<u>\$ Appropriation Used</u>	<u>% \$ Appropriation Used</u>
Management	\$36,896,858	\$34,682,200	94.0%
Superfund	<u>13,334,489</u>	<u>12,294,897</u>	<u>92.2%</u>
TOTAL	\$50,231,347	\$46,977,097	93.5%

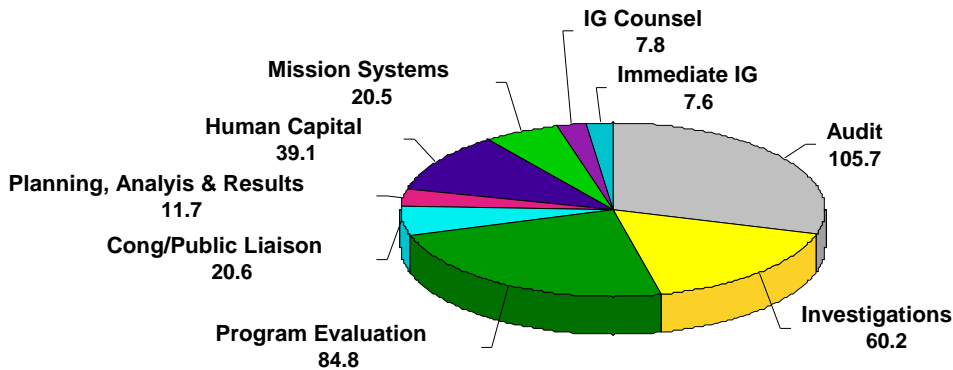
FY 2006 FTE Usage

<u>Account</u>	<u>FY 06 FTE Available</u>	<u>FY 06 FTE Used</u>	<u>% FTE Budget Used</u>
Management	268.0	248.3	92.6%
Superfund	<u>93.8</u>	<u>88.8</u>	<u>94.7%</u>
TOTAL	361.8	337.1	93.2%

FY 2006 Funds Used By Object Class



FY 2005 Distribution of FTE Used: Total 358



OIG Management Challenges

In fiscal 2006, for the eighth straight year, the OIG reported no material weaknesses under the Federal Managers' Financial Integrity Act. Further, the OIG continues to make progress in addressing reported OIG-level weaknesses. Several of the weaknesses identified in FY 2005 were not fully resolved in FY 2006 because of their complexity.

OIG - level Weakness	2004	2005	2006
Records Management			
Information Technology			
OIG Intranet/Internet			
Product Timeliness and Quality			
Follow-up on Corrective Actions			
Data Quality			

In fiscal 2006, the OIG took the following steps to improve management controls:

- ❑ Scored specific quality characteristics of all reports issued by the OIG between October 1, 2005 and March 31, 2006.
- ❑ Developed policies and procedures on: the OIG Directives System, Quality Assurance Program, Coordinating Work among Offices, Procedures for Organizational and Personal Independence, OIG Alternative Work Schedules, Workforce Diversity, Personnel Security Investigations, Standards of Conduct, Report Editing and Distribution, OIG Purchase Card Program, and Control and Use Handheld Electronic Devices.
- ❑ Revised the Training Information System (TIS) to track not only current training but previously completed continuing professional education for staff.
- ❑ Modified our procedures to ensure that advice concerning compliance with the Paperwork Reduction Act is consistent and in writing.
- ❑ Modified our guidance for OIG reports to comply with *Government Auditing Standards*.
- ❑ Issued the OIG Annual Performance Report demonstrating specific progress on OIG Strategic Goals, June 2006.
- ❑ Completed an in-depth quality assurance review of the Office of Audit Financial Audit product line, May 2006.
- ❑ Conducted periodic inventories of (issued and stored) firearms, badges, credentials, and other law enforcement equipment.
- ❑ Completed the self-study courses "Information Security Awareness" and "Essential Ethics for EPA Employees," December 31, 2006.
- ❑ Delivered training to all Office of Program Evaluation staff on evidence and indexing.
- ❑ Prepared the first OIG compendium of Agency-wide program and management risks, challenges and opportunities, to guide the OIG assignment planning, development, and selection process.

Appendixes

Profile of FY 2006 OIG Performance Activity

Audit/ Evaluation Activity and Agency Action		Investigative Activity	
Reports Issued			
▪ Reviews performed by OIG	68	▪ Investigations opened	123
▪ Reviews by another Federal Agency	257	▪ Investigations closed	175
▪ Single Audit Reviews	206	▪ Pending investigations as of 9/30/06	166
TOTAL Reports	531	▪ Indictments persons/firms	17
		▪ Convictions persons/firms	25
Monetary Results		▪ Administrative actions: EPA employees/firms	56
▪ Questioned Costs (in millions)	\$87	▪ Civil Judgments	8
▪ Cost Efficiencies (in millions)	\$691	▪ Allegations disproved (excluding Hotline cases)	5
▪ Costs Sustained (from current and prior periods)	\$157.2	▪ Fines and recoveries (in millions)	\$30.8
▪ Reports Resolved (from current and prior periods)	269	▪ Prison time in months	120
▪ Agency Recoveries (from current and prior periods)	\$4.7	▪ Suspended time in months.	78
		▪ Probation in months	570
		▪ Community Service hours	1,175
Audit Resolution (Dollars in Millions)	Questioned	Efficiencies	Other
Recommendations as Costs			
▪ With no management decision start FY 2006	\$89.60	\$9.50	▪ Hotline complaints received
▪ Issued in FY 2006	\$87.00	\$697.45	▪ Hotline complaints opened
▪ Agreed to by management or value of nonawards (not including prior to issuance)	\$38.91	\$94.13	▪ Hotline complaints closed
▪ Not agreed to by management or value of nonawards	\$20.16	\$598.74	▪ Public inquiries addressed
▪ With no management decision, end FY 2006	\$117.38	\$5.55	▪ Referrals to other offices
<i>Percent of total agreed to by mgmt.</i>	<i>22%</i>	<i>13.5%</i>	▪ Legislative/Regulatory/Policy Items Reviewed
			34
▪ Audits with no Federal actions as of 9/30/06 which are over 365 days past issuance date: 65 reports			
▪ Reports for which no management decision was made within 6 months of issuance at 9/30/06: 75 reports	\$43.34	\$3.61	
Audit Resolution Reported by EPA			
▪ Audits with management decision but without final action start FY 2006	\$71.9	\$2.0	
▪ Audits for which management decisions were reached in FY 2006	\$40.0	\$49.4	
▪ Total audits pending final action during FY 2006	\$105.9	\$51.4	
▪ Final action taken during FY 2006	\$39.6	\$10.0	
▪ Audits without final action end of FY 2006 (carried as opening balance in FY 2007)	\$66.2	\$41.4	
<i>Percent \$ value final action taken FY 2006)</i>	<i>37.4%</i>	<i>19.5%</i>	

Summaries of OIG Reports, Timeliness, and Costs

Report Number	Report Name	Calendar Days in Production	Staff Days	Total Cost
2006-1-00018	Nevada Drinking Water State Revolving Fund 6/30/04	671	230	\$181,151
2006-1-00024	Nevada Clean Water State Revolving Fund 6/30/04	618	82	\$64,087
2006-P-00015	EPA OAR and OW Can Further Limit Use of LOE Contracts	586	663	\$528,432
2006-P-00005	IS Service Continuity & Physical Access Controls At NCC	482	114	\$92,059
2006-4-00131	E&E Accounting System	704	243	\$193,297
2006-S-00001	2005 Federal Information Security Management Act	462	838	\$675,228
2006-P-00024	Information Security Series: Security Practices - CAMDB	Counted in 2006-S-00001 above		
2006-P-00021	Information Security Series: Security Practices - SDWIS			
2006-P-00020	Information Security Series: Security Practices - ICIS			
2006-P-00019	Information Security Series: Security Practices CERCLIS			
2006-P-00010	Information Security Series: Security Practices ICMS			
2006-P-00002	EPA Could Improve Information Security			
2006-P-00004	E&E Needs To Improve Info Technology Gen Controls	254	118	\$93,690
2006-2-00017	E&E Data Input CAS 402 Noncompliance - Cost Impact	380	35	\$27,638
2006-4-00056	E&E 2005 Floorcheck	263	97	\$77,132
2006-P-00022	EPA Needs To Better Implement CIPP	348	365	\$300,217
2006-1-00021	SRF-Oregon Clean Water 2005	350	229	\$185,385
2006-P-00012	Contract Administration Followup	423	102	\$83,674
2006-4-00026	Illinois Credit Claim for the Ottawa Radiation Site	109	48	\$39,323
2006-4-00027	White House Oil Pits Superfund Site Mixed Funding Claim	109	38	\$30,290
2006-4-00147	Oregon DEQ Reported Outlays Under Agreement V99060102	429	258	\$213,776
2006-4-00051	E&E Revised ES Disclosure Statement (Effective Aug. 1999)	128	13	\$10,904
2006-4-00052	E&E Revised HR Disclosure Statement (Effective Aug. 1999)	128	11	\$8,715
2006-4-00025	CO - E&E Adequacy of CFY 2004 Incurred Cost Proposal	67	13	\$10,755
2006-S-00003	Congressional Request-Grants To National Rural Water Assoc	273	494	\$411,194
2006-S-00005	Assist. Agreement - National Rural Water Assoc - Congressional	371	363	\$302,037

Report Number	Report Name	Calendar Days in Production	Staff Days	Total Cost
2006-P-00032	AA-Purpose and Use of Chesapeake Bay Grants	351	499	\$415,725
2006-P-00038	Hurricane Katrina - Contracts	371	838	\$698,390
2006-2-00008	E&E Agreed Upon Procedures RFP-PR-R7-05-10029	55	34	\$27,926
2006-S-00008	FY 2006 FISMA Report	351	602	\$501,793
2006-S-00002	QCR of NRDC FY 2003 Single Audit-PriceWaterhouse-Coopers	224	99	\$82,633
2006-P-00035	Management of Government Furnished Equipment	334	153	\$127,753
2006-4-00093	Mixed Funding Claim - Bofors-Nobel Superfund Site	154	66	\$54,915
2006-P-00029	Business Systems – EPA's Organizational Structure Study	272	499	\$415,825
2006-4-00097	Army Creek Mixed Funding Claim No. 2	147	68	\$56,843
2006-4-00102	Armour Road Superfund Site Mixed Funding Claim	158	46	\$38,451
2006-4-00122	ASIWPCA Incurred Costs for Seven Grants	206	109	\$90,657
2006-S-00004	Delta Institute FY 2003 Single Audit QCR	176	62	\$51,685
2006-2-00019	Contract No. W911kb-06-D-004	42	13	\$11,149
2006-P-00037	Assist. Agreements - Earmarks Consolidated	148	139	\$116,135
2006-S-00007	Assist. Agreements-America's Clean Water Foundation-Grant Costs	144	205	\$170,998
2006-4-00139	White House Mixed Funding Claim Number 2	121	39	\$32,355
2006-S-00006	Protection of Sensitive Information Assessment	61	27	\$22,716
2006-1-00015	2005 Agency F/S - General (Master)	299	4,989	\$4,012,866
2006-1-00080	2005 Chemical Safety Board Financial Statement Audit	554	35	\$28,885
2006-P-00027	Undistributed Superfund Costs	238	388	\$323,396
2006-P-00007	More Information Is Needed On Toxaphene Degradation Products	555	344	\$269,059
2006-P-00008	University Of Nevada Reno REMAP Grants	459	209	\$166,923
2006-P-00031	Ritualistic Uses Of Mercury	362	77	\$67,160
2006-P-00041	Review of Environmental Concerns at McFarland, California	850	365	\$302,694
2006-P-00006	Performance Measurement and Reporting For Enforcement	729	568	\$423,816

Report Number	Report Name	Calendar Days in Production	Staff Days	Total Cost
2006-P-00013	Superfund Mandate: Program Efficiencies	725	1126	\$846,665
2006-P-00003	Impact of FPQA On EPA's Pesticide Registration Program	475	507	\$379,173
2006-P-00009	Impact of Data Gaps on EPA's Implementation of FQPA	558	562	\$420,633
2006-P-00016	EPA's Management Strategy for Contaminated Sediments	586	885	\$665,352
2006-P-00036	Evaluation of Drinking Water Laboratory Procedures	758	1021	\$774,026
2006-P-00017	Emissions Factors Management, Use, and Benefits	502	533	\$404,114
2006-P-00001	Industrial Wipes - Congressional Request	348	387	\$287,600
2006-P-00039	Nonroad Emission Reduction Strategies	517	600	\$460,207
2006-P-00028	Measuring the Impact and Progress Of FQPA	437	302	\$234,614
2006-P-00026	Small Drinking Water Systems	356	263	\$200,430
2006-P-00025	Mercury Hot Spot Analysis Under CAMR	331	343	\$265,267
2006-P-00014	Katrina – Water (Louisiana)	159	428	\$333,800
2006-P-00011	Katrina – Water (Mississippi)	Counted in 2006-P00014 above		
2006-P-00023	Katrina – Land	215	686	\$535,642
2006-P-00018	Katrina – Wastewater	151	241	\$187,787
2006-P-00033	Katrina - Lessons Learned	139	83	\$64,808
2006-P-00034	Environmental Justice Survey	67	203	\$158,213

68 OIG Reports Produced and Issued (memo reports are not counted)

OIG Financial Statements: Analysis of FY 2006 Fund Use and Carryover Balances

MANAGEMENT	FY 05	FY 05	FY 05	FY 2006	FY 06 Funds	FY 2006	Total Cost	Total Cost
	Carryover	Carryover	Lapsed				of FY 06	as % of
	<u>Avail in 06</u>	<u>Used in 06</u>	<u>Funds</u>	<u>Approp.</u>	<u>Used in 06</u>	<u>Carryover</u>	<u>Operations</u>	<u>Approp.</u>
PC&B	\$246,818	\$247,191	(\$373)	\$29,820,675	\$29,763,601	\$57,074	\$30,010,792	101%
Travel	748,458	747,776	682	900,125	909,428	(9,303)	1,657,204	184%
Expenses	231,435	234,046	(2,611)	722,300	358,097	364,203	592,143	82%
Contracts	404,526	394,622	9,904	3,572,658	1,518,874	2,053,784	1,913,496	54%
WCF	564	0	564	1,806,600	2,062,530	(255,930)	2,062,530	114%
Grants	<u>22,000</u>	<u> </u>	<u>7,000</u>	<u>74,500</u>	<u>69,670</u>	<u> </u>	<u>84,670</u>	<u>114%</u>
Total Mgmt	\$1,653,801	\$1,638,635	\$15,166	\$36,896,858	\$34,682,200	\$2,214,658	\$36,320,835	98%
		15,000				4,830		
SUPERFUND								
	FY 05	FY 05	FY 05	FY 2006	FY 2006	FY 2006	Total Cost	Total Cost
	Carryover	Carryover	Lapsed				of FY 06	as % of
	<u>Avail in 06</u>	<u>Used in 06</u>	<u>Funds</u>	<u>Approp.</u>	<u>Used in 06</u>	<u>Carryover</u>	<u>Operations</u>	<u>Approp.</u>
PC&B	\$185,733	\$183,002	\$2,731	\$10,313,100	\$10,640,331	(\$327,231)	\$10,823,333	105%
Travel	390,986	390,735	251	804,000	103,321	700,679	494,056	61%
Site Travel	0	0	0	5,000	0	5,000	0	0%
Expenses	185,724	186,390	(666)	264,000	100,382	163,618	286,772	109%
Contracts	209,347	202,725	6,622	1,259,789	543,020	716,769	745,745	59%
WCF	100	0	100	661,700	883,333	(221,633)	883,333	133%
Grants	<u>5,100</u>	<u> </u>	<u>100</u>	<u>26,900</u>	<u>24,510</u>	<u> </u>	<u>29,510</u>	<u>110%</u>
Total SF	\$976,990	\$967,852	\$9,138	\$13,334,489	\$12,294,897	\$1,039,592	\$13,262,749	99%
		5,000				2,390		
Total Mgmt & SF	\$2,630,791	\$2,606,487	\$24,304	\$50,231,347	\$46,977,097	\$3,254,250	\$49,583,584	99%

PC&B: Personnel Compensation and Benefits
WCF: Working Capital Fund

OIG Data Verification and Validation

Performance Database: The OIG Performance Measurement and Results System captures and aggregates information on an array of measures in a logic model format, linking immediate outputs with long-term intermediate outcomes and results. OIG performance measures are designed to demonstrate value added by promoting economy, efficiency, and effectiveness; and preventing and detecting fraud, waste, and abuse as described by the Inspector General Act of 1978 (as amended). Because intermediate and long-term results may not be realized for several years, only verifiable results are reported in the year completed.

Data Source: Designated OIG staff enter data into the systems. Data are from OIG performance evaluations, audits, research, court records, EPA documents, data systems, and reports that track environmental and management actions or improvements made and risks reduced or avoided. OIG also collects independent data from EPA's partners and stakeholders.

Methods, Assumptions, and Suitability: OIG performance results are a chain of linked events, starting with OIG outputs leading to subsequent actions taken by EPA or its stakeholders/partners reported as intermediate outcomes to improve operational efficiency and environmental program delivery. The resulting improvements in operational efficiency, risks reduced/eliminated, and conditions of environmental and human health are reported as outcomes. The OIG can only control its outputs, and has no authority, beyond its influence, to implement its recommendations that lead to environmental and management outcomes.

Quality Assurance/Quality Control Procedures: All performance data submitted to the database require at least one verifiable source assuring data accuracy and reliability. Data quality assurance and control are performed as an extension of OIG products and services, subject to rigorous compliance with the Government Auditing Standards of the Comptroller General Government Auditing Standards (2003 Revision), Government Accountability Office, GAO-03-673G, June 2003; Available on the Internet at www.gao.gov/govaud/ybk01.htm, and regularly reviewed by an independent OIG Quality Assessment Review Team, and external independent peer reviews. Each Assistant Inspector General certifies the completeness and accuracy of their respective performance data.

Data Limitations: All OIG staff are responsible for data accuracy in their products and services. However, there is a possibility of incomplete, miscoded, or missing data in the system due to human error or time lags. Data supporting achievement of results are often from indirect or external sources, with their own methods or standards for data verification/validation.

Error Estimate: The error rate for outputs is estimated at +/-2%, while the error rate for outcomes is presumably greater because of the longer period needed for realizing results and difficulty in verifying a nexus between our work and subsequent impacts beyond our control. Errors tend to be those of omission.

OIG Future Annual Performance Targets (FYs 2007-2008)

Annual Performance Measures	Supporting Indicators	FY 2007 Targets	FY 2008 Targets
Environmental and Business Actions Taken for Improved Performance from OIG work	<ul style="list-style-type: none"> ○ Policy, process, practice or control changes implemented ○ Environmental or operational risks reduced or eliminated ○ Critical congressional or public concerns resolved ○ Certifications, verification, or analysis for decision or assurance 	318	309
Environmental and Business Recommendations or Risks Identified for Corrective Action by OIG work	<ul style="list-style-type: none"> ○ Recommendations or best practice identified for implementation ○ Risks or new management challenges identified for action ○ Critical congressional/public actions addressed or referred for action 	925	901
Potential Monetary Return on Investment in the OIG, as a Percentage of the OIG Budget	<ul style="list-style-type: none"> ○ Recommended questioned costs ○ Recommended cost efficiencies and savings ○ Fines, penalties, settlements, restitutions 	150% (\$72.6 Million)	150%
Criminal, Civil, Administrative and Fraud Prevention Actions Taken from OIG Work	<ul style="list-style-type: none"> ○ Criminal convictions ○ Indictments/Informations ○ Civil Judgments ○ Administrative actions (staff actions and suspension or debarments) 	80	80