



*EPA's FY 2008  
Performance and Accountability Report*

**Section I  
Management's Discussion and Analysis**

This document is one chapter from the *Fiscal Year 2008 Performance and Accountability Report*, U.S. Environmental Protection Agency (EPA-190-R-08-004), published on November 17, 2008. This document is available at: [www.epa.gov/ocfo/par/2008par/index.htm](http://www.epa.gov/ocfo/par/2008par/index.htm). Printed copies of EPA's *FY 2008 Performance and Accountability Report* are available from EPA's National Service Center for Environmental Publications at 1-800-490-9198 or by e-mail at [ncepimal@one.net](mailto:ncepimal@one.net).

## 1. INTRODUCTION

Since EPA was formed in 1970, the United States has made enormous environmental progress. America's air, water, and land are cleaner today than they were only a decade ago, and increasingly, Americans are shifting to a "green" way of thinking. Across all sectors of society, people are paying increased attention to protecting the environment and protecting people from environmental threats. The nation as a whole has changed its behavior to reduce its impact on the environment, and the average citizen knows more today about the environment than when the Agency was first formed.

As America's environmental steward, EPA has made great strides in leading the nation's environmental science, research, education, and assessment efforts. The Agency has strengthened regulations to protect air, water, and food, and, through its compliance efforts, prevented or reduced millions of pounds of pollution released into the environment. With state, tribal, and local government partners, EPA is working to protect ecosystems and develop new opportunities and innovative partnerships to accelerate environmental protection. The Agency has cleaned up Superfund sites and returned land to beneficial use, and it continues working to protect vulnerable groups, such as children, from environmental and health impacts.

### **EPA's Long-Term Strategic Goals**

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

Despite the nation's progress, however, EPA continues to face serious challenges in improving and sustaining the environment. The nation's freshwater resources provide safe drinking water for millions of Americans, and EPA must continue to safeguard these resources while also investing in drinking water and wastewater infrastructure, a challenge for states and local communities as these systems age. Increased energy consumption and costs underscore the need to promote the use of alternative energy sources and investment in new technologies. Global climate change requires that the Agency create partnerships around the world and across many sectors to help foster production and consumption choices that slow the rate of global climate change impacts while still growing the economy. At the same time, EPA plays an important role in strengthening homeland security—protecting against and responding to terrorist and other threats to the environment. These and other challenges inspire the Agency, driving its work and commitment to achieve excellent performance and strong results.

This report reviews the results and progress that EPA has achieved in FY 2008 and the advances the Agency has made toward meeting its longer-term strategic goals. It identifies program performance and financial accomplishments and the challenges that remain and demonstrates EPA's commitment to be held accountable for results.

## What EPA Does

EPA strives to achieve a cleaner, healthier environment for the American people. To accomplish its mission, the Agency:

- **Develops regulations to implement environmental laws enacted by Congress.** EPA evaluates environmental and pollution data and sets national standards for environmental programs. It delegates to states and tribes the authority and responsibilities to implement programs and ensure these standards are met.
- **Enforces environmental laws, regulations, and standards by taking legal actions.** EPA assists states, tribes, and the regulated community in understanding environmental requirements and complying with them.
- **Provides grants to states, nonprofit organizations, and educational institutions.** EPA provides grants to states, tribes, and others to support the implementation of environmental programs, including research to improve the scientific basis for decisions on environmental and human health concerns.
- **Operates laboratories throughout the nation.** In these laboratories, EPA studies environmental challenges, researches approaches to environmental problems, and develops innovative solutions.
- **Supports pollution prevention and energy conservation.** The Agency sponsors voluntary partnerships and programs with more than 10,000 industries, businesses, nonprofit organizations, and state and local governments on more than 40 pollution prevention and energy conservation efforts.
- **Promotes environmental education.** EPA works to educate the public so that all Americans understand the benefits they gain from clean air, water, and land while also understanding the responsibilities they share for protecting the environment. EPA publishes a variety of materials and provides the public access to information on its Web site.

## What EPA Is

EPA's staff of more than 17,000 employees is highly educated and technically trained. More than half are engineers, scientists, or policy analysts; others are legal, public affairs, financial, information management, and computer specialists. EPA's Headquarters is located in Washington, D.C. The Agency also has 10 regional offices and more than a dozen laboratories and field offices across the country. For more information, visit EPA at [www.epa.gov](http://www.epa.gov).

## How EPA Works: Collaborating With Partners and Stakeholders

EPA partners with other federal agencies, states, tribes, local governments, and other countries to address today's complex environmental issues. The Agency also works with business and

industry, non-profit organizations, environmental groups, and educational institutions in a wide variety of collaborative efforts. EPA understands that government alone cannot begin to address all of the nation's environmental challenges.

## U.S. Environmental Protection Agency

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



# Highlights of Environmental

## Region 10 Implements Federal Green Challenge

On Earth Day 2008, Region 10 launched the Federal Green Challenge. All Regional federal partners are challenged to reduce greenhouse gas emissions by 5 percent over the next year by managing energy, transportation, waste, and water. Region 10 registered nearly 20 partners representing more than 1,000 facilities across Washington, Oregon, Alaska, and Idaho.  
[www.federalgreenchallenge.net](http://www.federalgreenchallenge.net)

## Region 9 Eliminates Pollution Along California/Arizona Border With Mexico

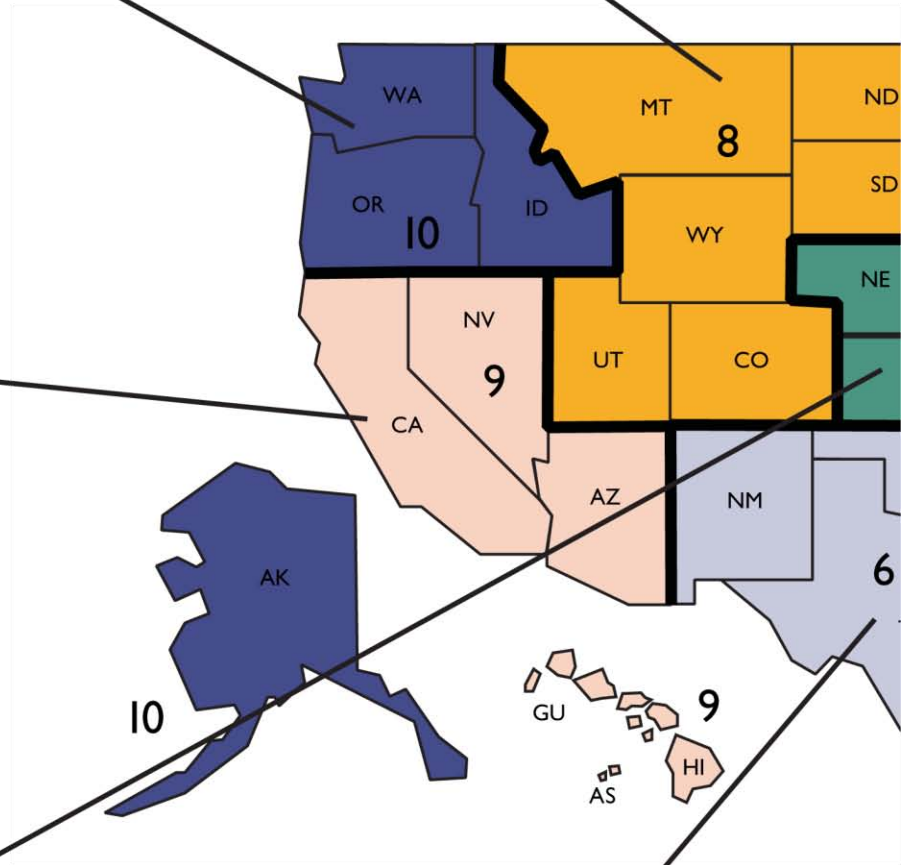
Region 9 inspected more than 50 percent of the federally regulated entities responsible for major sources of pollution to the air, land, or water along the California and Arizona border with Mexico and took actions against the worst polluters. The enforcement will result in more than \$887 million investments in environmental and operational improvements and other efforts to protect community health and the environment.  
[www.epa.gov/region09/enforcement/accomplishments.html](http://www.epa.gov/region09/enforcement/accomplishments.html)

## Region 7 Assists in Iowa Flood Disaster

The U.S. government declared the 2008 Iowa floods the single largest disaster in history in the four-state regions of Iowa, Nebraska, Kansas, and Missouri. Region 7 worked in 160 counties in Iowa and Missouri to collect 200,000 pieces of household hazardous waste, orphaned drum containers, and electronic goods from more than 1,000 miles of river and thousands of flood-damaged residences.  
[www.epa.gov/region07/cleanup/iowa\\_flooding2008/index.htm](http://www.epa.gov/region07/cleanup/iowa_flooding2008/index.htm)

## Region 8 Milltown Dam is Now Free of Sediment

In March 2008, the Milltown Dam in western Montana was breached, and for the first time in a century, the Clark Fork and Blackfoot Rivers began to flow freely. An agreement with the Atlantic Richfield Company, for more than \$100 million, will result in the removal of approximately 2.5 million cubic yards of contaminated sediments, representing 90 percent of the pollution, which was deposited behind the dam polluting the river.  
[www.epa.gov/region8/superfund/mt/milltown/](http://www.epa.gov/region8/superfund/mt/milltown/)



## Region 6 Proposes First 8-hour Ozone Attainment Plan

In July 2008, Region 6 made a proposed approval for an 8-hour ozone attainment plan for the Dallas-Fort Worth area, the first in the nation. The plan reduces 88 tons of ozone-forming nitrogen oxides everyday. As a result of these efforts, air quality in the area has improved, and the ozone levels in 2008 are the lowest since 1973, when verifiable ambient ozone monitoring began.  
[www.epa.gov/region6/6xa/dfw\\_cap\\_documents.htm](http://www.epa.gov/region6/6xa/dfw_cap_documents.htm)

# Accomplishment, EPA Regions

## Region 5 and the Great Lakes National Program Office Collect Vast Quantities of e-Wastes and Pharmaceuticals

During the April 2008 Earth Week Campaign, more than 5 million unwanted pills and more than 5 million pounds of electronic waste were collected at 33 recycling events, far exceeding the goal of 1 million unwanted pills and 1 million pounds of electronic waste. Region 5, in conjunction with 188 partner organizations, including cities, counties, townships, tribes, environmental groups, businesses, community organizations, faith-based organizations, and media outlets, supported this event.  
[www.epa.gov/glnpo/earthday2008/](http://www.epa.gov/glnpo/earthday2008/)

## Region 1 Increases "No Discharge" Area Designations

In 2008, EPA approved "No Discharge" designations for significant stretches of the New England coastline, including Boston Harbor and Cape Cod Bay. Region 1 and its state and local partners have improved water quality and protected public health and marine life by halting sewage discharges from boats across more than 2,200 miles of the New England coast.  
[www.epa.gov/region1/topics/water/nodischarge.html](http://www.epa.gov/region1/topics/water/nodischarge.html)

## Region 2 Reaches Agreement to Remove Contaminated Sediment

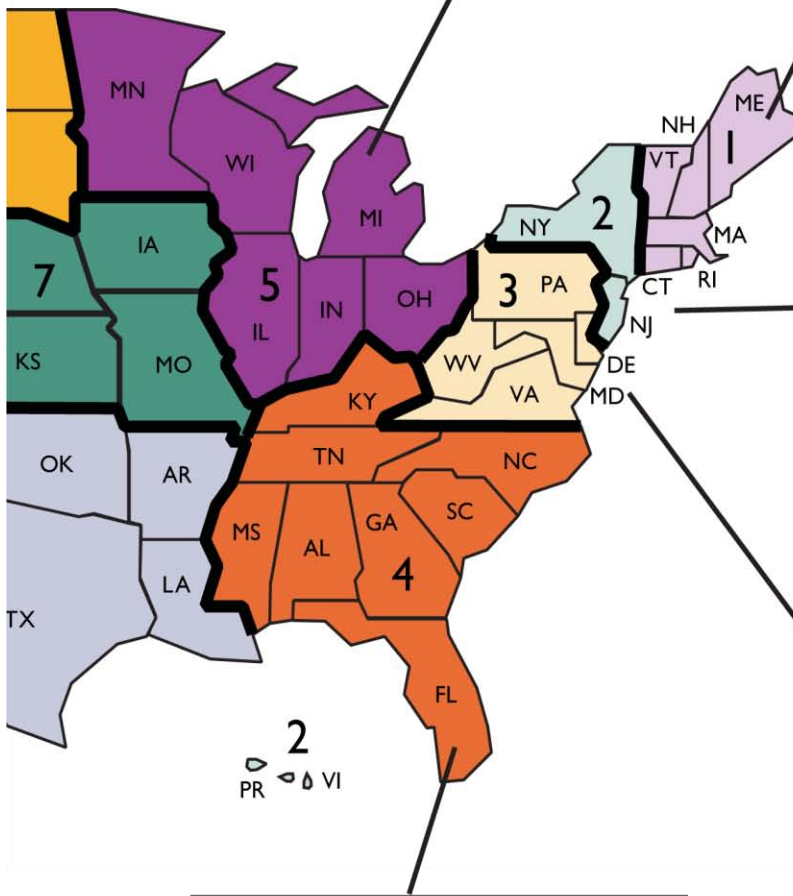
EPA has signed an agreement with Occidental Chemical and Terra Solutions that will result in the most significant removal of contaminated sediment from the lower New Jersey Passaic River in its history. A total of 200,000 cubic yards of dioxin-laden material will be removed in two phases.  
[www.epa.gov/region02/passaicriver/](http://www.epa.gov/region02/passaicriver/)

## Region 3 Embraces "Recycle Mania"

Region 3 led the nation during Recycle Mania 2008 by registering 75 colleges for the competition. The top school in each state will receive an excellence award for achieving the rank of Number 1 in the "Per Capita Classic" category.  
[www.epa.gov/reg3wcmd/solidwastemania.htm](http://www.epa.gov/reg3wcmd/solidwastemania.htm)

## Region 4 Increases Greenspace at Five Mile Creek

The Freshwater Land Trust created a 28-mile network of trails and green space in the greater Birmingham area, located along Five Mile Creek, with a \$200,000 brown-fields grant. Community participation, outreach, and education efforts contributed to the success of the initiative, including ongoing creek cleanups, trail improvements, and water quality monitoring projects.  
[www.freshwaterlandtrust.org](http://www.freshwaterlandtrust.org)



## Working With States

EPA and states share responsibility for protecting human health and the environment. The Agency can authorize states to carry out the day-to-day work of implementing most national environmental programs if they have the needed legal authority and technical and resource capacity. The unique relationship between EPA and states is the cornerstone of the nation's environmental protection system. Working together to leverage state and federal resources and expertise is critical to achieving environmental results on the ground. For more information on EPA-state partnerships and collaborative approaches to improving environmental protection, visit:

[www.epa.gov/ocir/nepps/index.htm](http://www.epa.gov/ocir/nepps/index.htm).

## Working With Tribes

EPA works with tribes in a government-to-government relationship to improve compliance with environmental regulations in Indian Country. In FY 2008, EPA's Deputy Administrator, working closely with tribes and states, authorized a new strategy to further improve the "same treatment as states" policy and programs. For more information, please see the Agency's "Strategy for Reviewing Tribal Eligibility Applications to Administer EPA Regulatory Programs" at: [www.epa.gov/tribal/pdf/strategy-for-reviewing-applications-for-tas-01-23-08.pdf](http://www.epa.gov/tribal/pdf/strategy-for-reviewing-applications-for-tas-01-23-08.pdf). In particular, EPA and tribes are focusing on issues concerning drinking water, sanitation, schools, and proper management of hazardous waste on tribal lands. EPA's [Tribal Compliance Assistance Center](#) is a Web-based tool that serves as the first stop for comprehensive compliance information on environmental issues in Indian Country. In addition, EPA launched the tribal portal ([www.epa.gov/tribalportal](http://www.epa.gov/tribalportal)) to serve as a one-stop resource for tribal environmental information and data.

### EPA Works With States to Improve Results and Reduce Burden

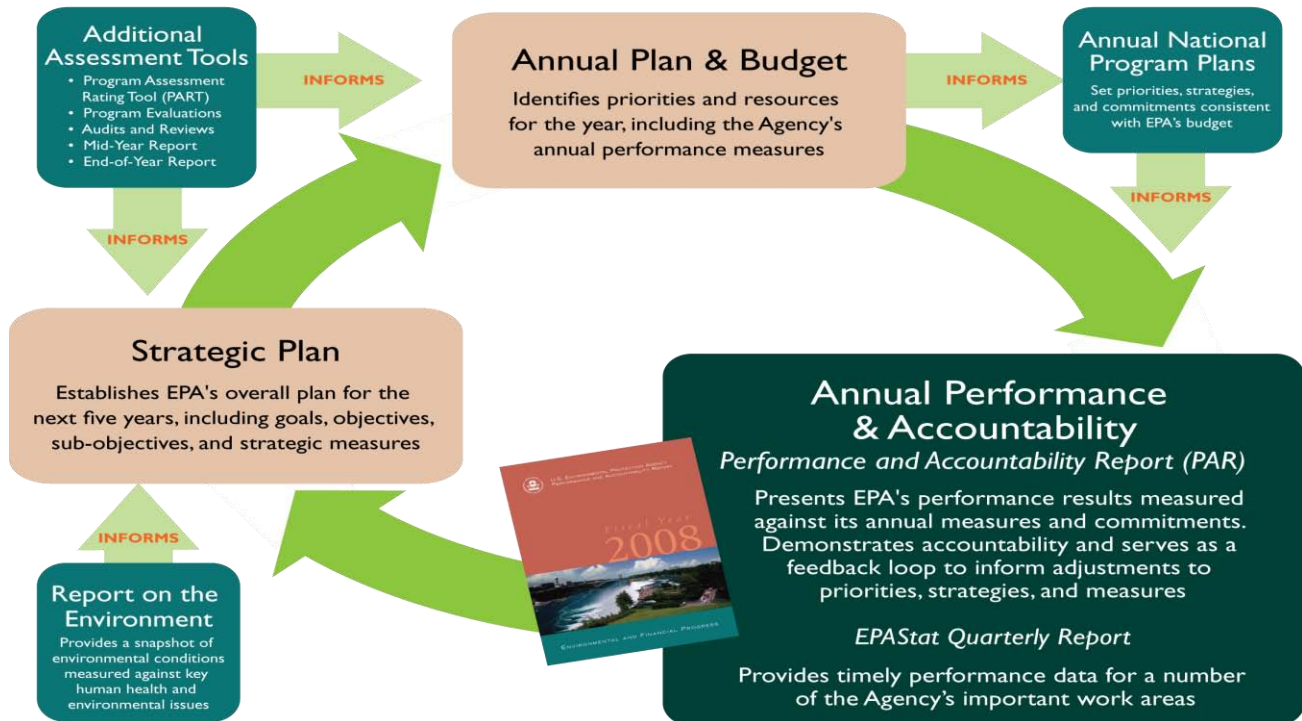
During FY 2008, the Agency continued to work closely with the Environmental Council of the States (ECOS) to address planning, performance measurement, grants, and related partnership efforts. For example, during FY 2007 and FY 2008, EPA and the states began using a common set of performance measures to report the results of state environmental work under EPA grants. EPA and the states are also piloting a standardized grant work plan to sharpen the focus on results. Additionally, EPA and the states worked together to identify the most burdensome reporting requirements and are now implementing recommendations in 16 priority areas to reduce state reporting burden.

## How EPA Works: A Framework for Performance Management

EPA's five goals, their 20 supporting objectives, and numerous strategic targets are described fully in the Agency's [2006-2011 Strategic Plan](http://www.epa.gov/ocfo/plan/2006/entire_report.pdf) ([www.epa.gov/ocfo/plan/2006/entire\\_report.pdf](http://www.epa.gov/ocfo/plan/2006/entire_report.pdf)). Each year, based on EPA's *Strategic Plan*, the Agency commits to annual performance measures in EPA's Annual Performance Plan and Budget, which support the achievement of longer-term objectives. EPA is accountable for using its resources efficiently and effectively in managing programs and achieving results. EPA reports on its performance results for annual performance measures in the context of longer-term measures in the annual Performance and Accountability Report.

# EPA's Performance Management Framework

*Planning, Budgeting, and Accountability for Results*



In addition to the annual performance measures in the Annual Performance Plan and Budget and the Performance and Accountability Report, the Agency also tracks and makes publicly available “fresh and frequent” data in its [EPAStat Quarterly Report](#). These “short cycle” data show regional performance on a subset of priorities and are another key component of EPA’s performance management system. They provides senior managers with information that can be used to make programmatic adjustments in a more timely fashion and are used by EPA’s Deputy Administrator as the basis for quarterly discussions with national and regional program managers. Analysis of regional performance has led to the identification and dissemination of a number of best practices and innovations taking place in particular regions or states. These efforts complement the Performance and Accountability Report and serve to further increase accountability and transparency for the work the Agency does to protect human health and the environment.

## Improving Performance Measures and Performance Management

Measuring performance and making adjustments to improve results are essential to managing programs effectively. EPA’s performance management system continues to evolve and improve and has matured to the point where the Agency is recognized as a leader in the federal government.



## EPA Receives President's Highest Quality Award

In December 2007, EPA received the federal government's highest honor for strong and effective management: the [President's Quality Award for Management Excellence](#). EPA was only the second Agency to win the highest tier award—Overall Management—since the award's inception in 1988. This award recognized the efforts EPA has taken towards improving performance management.



During FY 2008, EPA developed and implemented a number of key initiatives designed to further strengthen the Agency's performance management system and help senior leaders "use measures to manage":

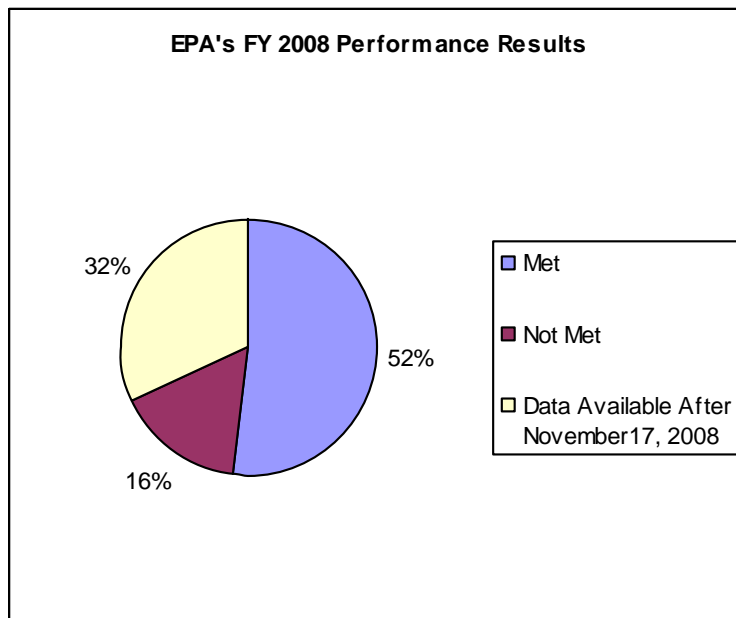
- **Identified targeted areas for revising EPA's Strategic Plan.** The Agency implemented a streamlined approach to target improvements in strategies and performance measurement and integrated the effort with development of EPA's FY 2010 budget. The targeted areas of focus for the Agency include the impact of global climate change, sustainable agriculture, contaminants, and import safety.
- **Established the EPA Performance Management Council to increase focus on the use of performance information for decision-making.** Chaired by the Deputy Administrator and composed of senior regional and program managers, the council is examining EPA's performance management framework to ensure a clear line of sight between performance measures and the Agency's mission and goals. The council is also identifying key issues and areas for improvement for the Agency to address. This effort is part of EPA's implementation of the new [Executive Order 13450, Improving Government Program Performance](#).
- **Increased accountability, transparency, and access to measures and the performance management system.** EPA is doing more to foster a performance management culture within the Agency and is also doing more to communicate performance results to the public and partners and stakeholders. During FY 2008, the Agency began broadcasting the Deputy Administrator's performance management meetings with regional managers to all EPA employees via IPTV (Internet protocol television). EPA also began holding and televising topic-specific performance management meetings to focus attention on improving key operational areas (e.g., the Agency's hiring process). The Agency continued to share its quarterly performance results with the public and made a number of key improvements during the year, including enhancing the quality of the measures, redesigning the [Web site](#) to provide better access to the performance data, adding a quarterly [blog](#) on the results, and institutionalizing routine communication with the EPA Administrator and Deputy Administrator on the Agency's quarterly performance.
- **Streamlined and aligned EPA's family of performance measures.** The Agency now conducts annual reviews to improve its performance measures. During FY 2008, EPA focused on improving the line of sight between its long-term strategic targets, its annual performance measures, and its internal operational commitments, which include regional breakouts of performance results. The work resulted in a 9 percent decrease in the number of measures as well as continued improvements in the clarity and outcome orientation of the Agency's external and internal measures.

- **Developed new performance management tools for Agency managers.** EPA completed Measures Central, a database that houses all Agency performance measures in one place for easy access and use. EPA also developed and launched the Executive Management Dashboard to provide managers with the performance and resource information they need to effectively manage their programs. The Dashboard includes summary information and graphics with drill-down capability as well as visual alerts, which identify problem areas (e.g., resource utilization and planned vs. actual performance results). The Agency also began producing semi-annual reports on its full suite of performance measures (annual and operational commitments). These graphical reports allow a regional or national program manager to pinpoint areas needing attention, such as when the organization is not on track to meet performance.
- **Investigated emerging performance management technologies.** Scientific advances and emerging technologies offer new opportunities for protecting human health and the environment. For example, sensor technologies can dramatically improve program management and environmental monitoring with their potential to look across wide geographic areas, detect a broad range of pollutants, and make more accurate and timely assessments of environmental loadings and trends. Sensor networks can help close the gap between our actions and the outcomes we hope to achieve. A good example is the [AIRNow Program](#), a partnership between EPA and a number of federal, state, tribal, and local agencies. The Program uses a network of monitors to collect daily air quality data (national and local) that are then shared with the public on the Internet. Every year, AIRNow produces thousands of real-time air quality maps for ozone and particulate matter, along with local forecasts for nearly 400 cities across the nation. It also provides real-time data and forecasts to media outlets such as USA Today, CNN, and The Weather Channel. In FY 2008 the AIRNow Program adopted the new Air Quality Index and National Ambient Air Quality Standard for Ozone. During the California wildfires of June 2008, the Program collected key air quality data on the geographic areas affected, and helped the California agencies better inform the public on the air quality effects of the fires.
- **Improved the Agency's approach to program evaluation.** Program evaluation is one of the performance management tools that EPA managers and staff use to ensure that Agency programs are achieving results in protecting human health and the environment and to identify opportunities for improvement. As the systematic study of *how well* a program is working and *why*, program evaluation can fill information gaps and help identify where activities can have the greatest impact. The purpose of including program evaluations in the Performance and Accountability Report is to show what the findings tell the Agency about FY 2008 results achieved and possible implications for adjusting strategies and measures. In FY 2008, EPA developed a strategy to address barriers to program evaluation. Also, the Agency completed reviews of a number of Agency programs to assess their design, effectiveness, and efficiency and to identify areas needing improvement. These are described in detail in Appendix A.

## 2. FY 2008 PROGRAM PERFORMANCE

In FY 2008, EPA achieved significant results under each of the five long-term environmental goals established in its *2006-2011 Strategic Plan*. This section provides an overview of EPA performance and presents summary results of accomplishments and challenges under each goal.

### Overview of Performance Trends and Results



EPA continues to strengthen the Agency's performance measurement and use of this information to make the management and budget decisions to help EPA achieve its environmental and human health goals.

#### Performance Measures Met

In the Agency's FY 2008 Annual Plan, EPA committed to 219 annual performance measures. In FY 2008, the Agency met 113 of these performance measures, 76 percent of the performance measures for which data were available at the time this report was published.

EPA significantly exceeded its targets for several of its FY 2008 Performance Measures. In some cases, a new collaborative effort or a new approach to the performance measure allowed EPA to accomplish even more than it planned.

#### Performance Measures Not Met

A goal of the Performance and Accountability Report is to discuss EPA's challenges as well as its successes, and give the public an explanation of missed goals and how the Agency plans to

meet these performance measures in the future. Despite the Agency's best efforts, 36 performance measures were not met. Here are a few of the reasons EPA and partners did not meet FY 2008 goals:

- Unexpected factors that are out of EPA's control often influence results, such as weather or litigation. For example, heavy population growth and land use patterns continually contribute to the Chesapeake Bay Program not meeting its goals to reduce nitrogen, phosphorous, and sediment pollution loads in the Bay.
- The Agency's timelines are not always met due to competing priorities and diverted resources.
- Many of EPA's performance results rely on the collaborative efforts between the Agency and its federal, state, and local government partners. When expected water quality submissions were delayed in states waiting for attorney general certifications, the Agency just missed its target of 68 percent of states and territories submitting this information. The final result was 62.5 percent.

EPA carefully considers the various causes of these missed FY 2008 results, and adjusts its program strategies and targets so they incorporate these new obstacles while remaining ambitious.

### **Data Unavailable**

Because final end-of-year data were not available when this report went to press, EPA is not yet able to report on 70 of its 219 performance measures. This delay in reporting can be largely attributed to the complex nature of environmental problems, and the Agency's sharpened focus on longer-term environmental and human health outcomes rather than more specific, annual output measures.

Additionally, many outcome-oriented performance measures require extensive quality assurance, and since this report is published only 45 days from the end of the fiscal year, much of the data will not come in until FY 2009 or later.

### **Data Now Available**

EPA is now able, however, to report data from previous years that became available in FY 2008. Final performance results data became available for 38 of the FY 2007 performance measures on which the Agency did not report in the FY 2007 Performance and Accountability Report. Of these 38 performance measures, EPA met 30.

## **Highlights of Program Performance by Goal**

In FY 2008, with resource obligations of \$9.66 billion and 16,916 full-time-equivalent employees, EPA achieved significant results under each of the five long-term environmental goals established in its *2006-2011 Strategic Plan*. This section highlights the Agency's accomplishments and continuing challenges under each of its strategic goals and objectives. Detailed performance information is presented in Section II of this report.

## STRATEGIC GOAL 1 – CLEAN AIR AND GLOBAL CLIMATE CHANGE

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

*In 2008, the Agency set stringent new standards for a significant number of air pollutants or pollution sources, which will result in a substantial improvement to human health and the environment. The Agency also moved forward in reducing greenhouse gases by greatly expanding the number of partners with whom the Agency works to voluntarily reduce these emissions.*

Goal 1 FY 2008  
Performance Measures  
Met = 2 Not Met = 0  
Data Available After  
November 17, 2008 = 28

(Total Measures = 30)

### Objective 1 – Healthier Outdoor Air

#### Key Achievements

- **Most Stringent Ozone Standard.** In March 2008, EPA issued the most stringent 8-hour standard ever established for ozone, the primary component of smog. The Agency revised the ozone standards for the first time in over a decade, basing changes on the most recent scientific evidence about the effects of ozone on human health. EPA valued the health benefits from this rule between \$2 billion and \$19 billion by preventing 260–2,000 premature deaths, 380 cases of chronic bronchitis, and many other adverse health effects. The cost estimates of this rule range from \$7.6 billion to \$8.5 billion.
- **Stronger Standard for Lead.** In October 2008, EPA substantially strengthened the national ambient air quality standards for lead, improving health protection for at-risk groups, especially children. EPA also established new requirements for the existing lead monitoring network by requiring that monitors be placed near large sources of lead emissions as well as in large urban areas. Exposure to lead is associated with a broad range of health effects, including harm to the central nervous system, cardiovascular system, kidneys, and immune system. Children are particularly vulnerable. Exposures to low levels of lead early in life have been linked to effects on IQ, learning, memory, and behavior. Lead also can cause toxic effects in plants and can impair reproduction and growth in birds, mammals and other organisms. More stringent standards for lead will help to reduce exposure and also the associated health effects.
- **New Locomotive and Marine Diesel Pollution Standards.** In March 2008, EPA issued tough new emission standards that will slash pollution from locomotive and marine diesel engines by up to 90 percent, helping Americans breathe cleaner air. The benefits of the new standards will begin immediately in 2008, and EPA estimates that by 2030 the regulations will have helped to prevent 1,400 premature deaths and 120,000 lost workdays nationwide. Estimated annual health benefits are valued at between \$8.4 billion and \$12 billion.

## Challenges

- In July 2008, the Agency's Clean Air Interstate Rule was challenged in court and vacated. EPA had estimated that by 2015 the rule would reduce power plant emissions of sulfur dioxide by 73 percent and nitrogen oxides by 61 percent in 28 eastern states and the District of Columbia, preventing thousands of premature deaths and other damaging health and environmental effects each year. The Agency filed a rehearing petition for this important regulation in September.
- To be most effective in controlling air pollution, EPA must design comprehensive strategies that reduce air toxics, increase energy efficiency, and promote cleaner fuels. The Agency must ensure that its programs work together effectively to minimize the burden on the regulated community and maximize pollution reduction across all titles of the Clean Air Act and such new legislation as the Energy Independence and Security Act. This new law adds significant layers of complexity to the Agency's programs, and requires the Agency to take many actions on an accelerated timeline. The Agency must engage in a significant level of data gathering in order to conduct considerable new analyses. The Agency is making every effort to meet these challenges.

## Objective 2 – Healthier Indoor Air

### Key Achievements

- **Better Air Quality in Schools.** In FY 2008, EPA sponsored the Eighth Annual *Indoor Air Quality Tools for Schools* National Symposium with more than 500 attendees from across the country to accelerate the adoption of key drivers of effective and sustainable indoor air quality management programs in schools. EPA also recognized 43 school districts and several individuals for making outstanding progress in creating healthy learning environments for children.
- **Environmental Management of Asthma.** In FY 2008, held the Third National Asthma Forum with more than 200 community leaders and national program partners to build action plans, collaborations, and commitments to achieve asthma health outcomes. EPA's Communities in Action for Asthma Friendly Environments online network participation doubled in FY 2008, bringing the total to more than 300 communities working together to accelerate learning and drive forward best practices.
- **Radon Outreach.** EPA spearheaded a highly successful National Radon Action Month with more than 700 unique education and outreach events nationwide and nearly 2,000 radon poster entries from 26 states.

### Challenges

- EPA's Indoor Air Program is a small, voluntary program that requires innovation and coordination to maintain momentum and maximize limited resources. The program strives to work effectively with public, private, and nonprofit partners and coordinates its efforts with EPA regulatory and community-based risk-reduction activities. EPA's voluntary programs address public health risks from radon and asthma triggers. The program leverages a significant network of public health partners to achieve results. Specifically, as a result of

EPA's radon activities, approximately 650 lives are saved annually due to mitigations and new homes that are built to be radon resistant. Based on recent survey data, EPA and partner outreach in schools has resulted in more than 50 percent of schools implementing effective indoor air quality practices. EPA asthma work among key populations has improved environmental management of asthma triggers, and we anticipate that these actions will reduce asthma-related emergency room visits in the future.

### Objective 3 – Protect the Ozone Layer

#### Key Achievement

- **Supermarket-EPA Partnership.** In FY 2008, EPA launched its GreenChill Advanced Refrigeration Partnership with the supermarket industry to promote advanced technologies, strategies, and practices that reduce supermarket emissions of stratospheric ozone-depleting substances and greenhouse gases. Since initiated, the partnership has nearly tripled its membership and prevented emissions of 2.5 million metric tons of carbon dioxide equivalent, equal to the annual emissions of about 500,000 cars.

#### Challenges

- EPA faces an ongoing challenge in carrying out the milestone agreement reached at a September 2007 meeting of the Parties to the Montreal Protocol to accelerate recovery of the earth's stratospheric ozone layer and prevent large quantities of greenhouse gas emissions. The Agency is continuing work to identify acceptable substitutes to ozone-depleting substances.

### Objective 4 – Radiation

#### Key Achievements

- **Radiological Emergency Response Exercises.** During FY 2008, EPA participated in several major radiological emergency response exercises to increase preparedness in responding to potential dirty bomb attacks on U.S. cities. In simulated efforts, EPA assessed impacted areas, recommended precautions to protect public health, communicated with the public, and decontaminated affected areas.
- **Expanded Radiation Data.** During FY 2008, the Agency more than tripled the number of locations included in RadMap, a Geographic Information Systems-based, interactive desktop tool that can quickly provide emergency responders and health officials with key information on radiation monitoring system locations across the country. This tool has been well received in the EPA emergency response community, and the Agency is evaluating options to broaden responder access to the tool.

#### Challenges

- EPA exceeded its FY 2008 target for installing air monitoring stations in RadNet, a national network of monitoring stations that collect air precipitation, drinking water, and milk samples

for analyzing levels of radioactivity. As the Agency begins to target less populated areas of the country, identifying willing operators and suitable locations for new RadNet stations will become more difficult. EPA expects that siting new monitors and making them operational will require increased effort, particularly by the Agency's regional offices.

## Objective 5 – Reduce Greenhouse Gas Intensity

### Key Achievements

- **New Climate Leaders.** In 2008, EPA recognized 51 new companies as Climate Leaders, bringing membership in the Climate Leaders Program to more than 200 partners working to measure greenhouse gas emissions and set aggressive long-term reduction goals. Notably, eight companies took the next step in the partnership by announcing new goals for reducing greenhouse gases. Collectively, EPA's Climate Leaders represent more than 10 percent of the U.S. gross domestic product and have pledged to prevent estimated greenhouse gas emissions equivalent to 9 million cars annually.
- **Low Carbon Computer Campaign.** In 2008, EPA launched the ENERGY STAR Low Carbon IT Campaign to help reduce the growing demand for electricity and save money while addressing climate change impacts. The campaign encourages companies to enable power management, or sleep mode, on computers and monitors, potentially saving more than 44 billion kilowatt-hours or \$4 billion worth of electricity and avoiding greenhouse gas emissions equivalent to those of about 5 million cars each year.

### Challenges

- Addressing climate change continues to be one of EPA's biggest challenges. In FY 2008, the Agency published an Advanced Notice of Proposed Rulemaking to solicit public input on the complexity and magnitude of the question of whether and how greenhouse gases could be effectively controlled under the Clean Air Act. This action was in response to the April 2, 2007, Supreme Court decision in *Massachusetts v. EPA*, which found that greenhouse gas emissions could be regulated if EPA determines they cause or contribute to air pollution that may reasonably be anticipated to endanger public health or welfare.

## Objective 6 – Enhance Science and Research

### Key Achievements

- **Research to Inform National Ambient Air Quality Standards.** In FY 2008, EPA researchers characterized the respiratory and cardiovascular effects of air particles of different sizes, showing that breathing in these particles affects blood clotting, can cause changes in heart rate, and can result in mild lung infections. Studies are ongoing to determine the effects of long-term particulate matter exposure on humans. In addition, EPA's Office of Research and Development provided research, data, and advice, which were critical in National Ambient Air Quality Standards reviews and decisions on ozone, nitrogen oxides, sulfur oxides, and lead.



## **Challenges**

- Measuring annual progress toward EPA's research goal of reducing uncertainties in linking pollutant sources to health outcomes is a difficult challenge. However, in FY 2008, EPA sought advice from an independent expert panel and is now focusing on air pollutants in three particular areas: near roadways, near specific sources of air pollution, and in specific geographical areas impacted by multiple sources of pollution.

## STRATEGIC GOAL 2 – CLEAN AND SAFE WATER

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

*In the past year, the Agency proposed a new regulation to allow for the underground storage of greenhouse gases in a manner that protects ground water sources of drinking water and ensures drinking water is safe. Additionally, the Agency reported a cumulative 2,165 waterbodies that were listed as impaired in 2002 are now fully attaining water quality standards.*

Goal 2 FY 2008  
Performance Measures  
Met = 20 Not Met = 7  
Data Available After  
November 17, 2008 = 11  
  
(Total Measures = 38)

### Objective 1 – Protect Human Health

#### Key Achievements

- **Protected Drinking Water.** In FY 2008, 92 percent of the population served by community water systems received drinking water that met all applicable health-based drinking water standards. These results exceeded the Agency's annual goal of 90 percent—a particularly noteworthy accomplishment as community water systems face challenges daily in applying existing drinking water regulations and implementing standards for new contaminants.
- **Open Beaches.** Under EPA's Beach Program during calendar year 2007, the most recent year for which EPA has data, 35 states and territories monitored more than 3,600 beaches to ensure that they were safe for swimming. Of the more than 663,164 beach season days during the year, coastal and Great Lakes beaches stayed open 95 percent of the time, consistent with previous years' performance.
- **Proposed Regulation to Protect Underground Drinking Water Sources.** In FY 2008, EPA proposed a new regulation for the Underground Injection Control Program to allow for the underground storage of greenhouse gases in a manner that protects ground water sources of drinking water. This regulation will not only help protect the nation's drinking water but also will support promising new technologies for addressing climate change.

#### Challenges

- Population growth and climate factors are causing concern about water scarcity. Communities across the country are facing challenges in securing reliably safe supplies of drinking water. Small drinking water systems, including those supplying drinking water to tribes, are particularly challenged by the need to improve infrastructure and develop the capacity to meet new and existing standards.

## Objective 2: Protect Water Quality

### Key Achievements

- **Restored Impaired Waters.** EPA continues to make strong progress in addressing impaired waters. By the end of FY 2008, a total of 2,165 water bodies that were listed as impaired in 2002 were restored to fully attain the Agency's water quality standards, exceeding EPA's annual target of 1,550. By attaining water quality standards, waters become safer for drinking, fishing and swimming.
- **Reduced Nonpoint Source Pollution.** In FY 2007, the most recent year for which EPA now has data, the Agency exceeded its annual goals for reducing specific nonpoint sources of pollution. EPA's partners reduced phosphorus by 7.5 million pounds; nitrogen by 19.1 million pounds; and sediment by 3.9 million tons in water bodies around the country. FY 2008 results will be available in spring 2009. Reducing nonpoint sources of pollution will decrease stormwater runoff and improve water quality.
- **Watershed Pollutant Reduction Plans.** By the end of FY 2008, EPA and states completed 35,979 EPA-approved waterbody pollutant reduction plans (Total Maximum Daily Loads, or TMDLs), exceeding EPA's annual target of 33,801. A Total Maximum Daily Load is a plan for ensuring that a waterbody meets the Agency's water quality standards for specific pollutants.

### Challenges

- Potential climate change effects on water quality and quantity and their implications for program goals pose challenges for EPA's National Water Program. In FY 2008 the Agency began to evaluate the need for changes to water programs to address climate change. In FY 2009, EPA managers will begin implementing the *National Water Program Strategy: Response to Climate Change*. This strategy identifies five key goals for understanding climate change impacts and response actions: 1) use water programs to mitigate greenhouse gas emissions; 2) adapt implementation of core water programs; 3) strengthen the link between EPA water programs and climate change research; 4) educate water program professionals and stakeholders on climate change impacts; and 5) establish the management capability within the water program to engage on climate change challenges.
- The condition of the nation's wastewater infrastructure impedes progress in improving the quality of waterbodies across the country. Many community water systems need assistance to sustain current levels of service. EPA's 2004 Clean Watershed Needs Survey reports that wastewater treatment needs are \$202.5 billion, a \$16.1-billion increase over needs identified in 2000. Demands on EPA's Clean Water State Revolving Fund are increasing, prompting heightened interest in ways to further leverage existing funds. States are exploring innovative financing capabilities available to the Clean Water State Revolving Funds, such as loan guarantees, private sector partnerships, utility sponsorships, and watershed financing to craft cost-effective financing solutions to address the needs.
- Tens of thousands of homes, primarily in tribal communities, lack access to basic sanitation. Challenges remain in providing first-time access to tribal homes for wastewater services and continued service to those homes already connected. Even where facilities exist, technical,

financial, and managerial capacity in small, rural, and tribal communities remains a significant issue. EPA continues to participate in an Interagency Tribal Infrastructure Task Force and Access subgroup to address challenges in tribes. In FY 2008, the Access subgroup developed an implementation plan and recommendations to the task force. In addition, five workgroups were established to address clean water and drinking water quality issues in tribal communities.

## Objective 3 – Enhance Science and Research

### Key Achievements

- **Research on Disinfection Byproducts.** In FY 2008, the Agency completed research on health risks associated with drinking water exposures to disinfection byproducts. This research provides scientific support for more robust health risk assessments of both regulated and unregulated disinfection byproducts, enabling water suppliers to make more informed treatment decisions that control exposure to disinfection byproducts while meeting disinfection requirements.
- **Supporting Drinking Water Regulations.** In FY 2008, EPA released an online Drinking Water Treatability Database that provides information decision-makers can use to determine appropriate treatment technologies for drinking water contaminants. In addition, the research program provided scientific support to help meet challenges associated with simultaneous compliance of the Disinfection Byproduct Rule, the Lead and Copper Rule, and other components of National Primary Drinking Water Regulations.
- **Water Criteria for Beaches.** EPA researchers developed “Virtual Beach” and “Beach Advisor” modeling software, which use site-specific weather and other factors to predict recreational water criteria. Unlike existing approaches that take more than 24 hours, this software can help local beach managers make same-day decisions on beach closures or advisories.

### Challenges

- Measuring and quantifying the impact of the Agency’s research program on its water-related regulatory and program decisions is a difficult challenge. EPA’s Office of Research and Development has initiated surveys and, for drinking water research in particular, developed a software tool and analytical methodology for assessing the percentage and type of research products being used in regulatory or rulemaking decisions. Using these tools, the Office of Research and Development can better assess and improve the use and delivery of its science.

## STRATEGIC GOAL 3 – LAND PRESERVATION AND RESTORATION

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

*Over the past year, EPA made significant progress in preserving and restoring the land and protecting the public from risks by ensuring that 96 percent of hazardous waste facilities are permitted and 66 percent of the nation's underground storage tanks are in compliance. Additionally, EPA protected human health and the environment by achieving construction complete at 30 Superfund sites, 34.6 percent of hazardous waste facilities, and 12,768 leaking underground storage tank sites. Human exposures to site contamination were controlled at 24 Superfund sites and 96.2 percent of hazardous waste facilities, and groundwater protection was achieved at 20 Superfund and 83.4 percent hazardous waste facilities.*

Goal 3 FY 2008  
Performance Measures  
Met = 22 Not Met = 5  
Data Available After  
November 17, 2008 = 2

(Total Measures = 29)

### Objective 1 – Preserve Land

#### Key Achievements

- **Reduced Municipal Solid Waste.** In FY 2007, the most recent year for which there are data, EPA contributed to reducing, reusing, and recycling 23.5 billion pounds of municipal solid waste.<sup>1</sup> This is equivalent to reducing 6.9 million metric tons of carbon equivalent.
- **Permitting Hazardous Waste Facilities.** In FY 2008, 96 percent of the nation's hazardous waste management facilities were operating under permits or other approved controls to protect human health and the environment. These permits ensure that facilities control groundwater contamination and safely remove or isolate hazardous waste to prevent exposure.
- **Preventing Releases From Underground Storage Tanks.** In FY 2008, there were significantly fewer releases from underground storage tanks than the Agency's annual performance goal of "no more than 10,000 releases." To account for this success, EPA has made its future performance goal more challenging by lowering it to no more than 9,000 releases.

#### Challenges

- While only a small percentage of hazardous waste facilities remains to be permitted by EPA, these sites often involve more complex permit actions. For example, large and complex federal facilities can contain nontraditional treatment units such as for open burning and open detonation, used to treat water propellants, explosives, and munitions. These units require more time to evaluate technical information, address risks, and deal with public concerns. Permits will ensure that controls are in place to protect people and the environment at the sites. For FY 2009 through FY 2011, EPA established a new ambitious hazardous waste management goal to promote progress in addressing these more complex and challenging facilities.

- One of EPA's challenges has been maintaining and even increasing the Underground Storage Tank compliance rates. Starting in FY 2009, EPA has adjusted its target down to reflect the states' new Energy Policy Act of 2005 inspection requirements, where states now inspect facilities that had only been infrequently inspected in the past. This increased inspection attention accounts for the lower compliance target, though we expect the increased inspection frequency to ensure better compliance and fewer releases in the future.

## Objective 2 – Restore Land

### Key Achievements

- **Cleanup Completed at 30 Superfund Sites.** In FY 2008, EPA completed cleanup construction (“construction complete”) at 30 Superfund sites, achieving its annual target for that measure. Since the Superfund Program’s inception, EPA has completed construction at 1060 sites
- **Risks Addressed at Superfund Sites.** Protecting human health by controlling human exposures and protecting the environment by controlling migration of contamination by groundwater are top priorities for EPA’s Superfund Remedial Program. In FY 2008, EPA increased the number of sites where human exposures are under control by a net of 24 sites, and the number of sites where the migration of contaminated groundwater is under control by a net of 20 sites, exceeding the Agency’s annual targets.
- **Superfund Sites Ready for Anticipated Use.** Superfund cleanup helps communities return some of the nation's worst hazardous waste sites to safe and productive uses. In FY 2008, the Agency determined that 85 Superfund sites were ready for anticipated use, exceeding the annual target of 30. For these sites, construction remedies have been completed; cleanup goals to reduce unacceptable risk that may affect current and future land uses have been achieved; and institutional controls have been implemented. The cumulative number of sites ready for anticipated use sitewide is 343.
- **Controlled Contamination at High Priority Facilities.** In FY 2008, EPA continued to focus on those hazardous waste facilities presenting the greatest risk to human health and the environment. EPA exceeded all three targets for its list of the 1,968 high-priority hazardous waste facilities requiring cleanup or “corrective action” under the Resource Conservation and Recovery Act (RCRA). At these high-priority facilities, human exposure to contaminants is now under control at more than 96 percent of facilities, compared to a target of 95 percent. The migration of contaminated ground water is under control at more than 83 percent of facilities, compared to a target of 81 percent. Final cleanup remedies have been constructed for more than 34 percent of these facilities, exceeding the target of 27 percent.

### Challenges

- While EPA’s Superfund Remedial Program met all of its FY 2008 targets, it is facing significant challenges, including maintaining a high rate of construction completions in future years. Many of the remaining National Priorities List sites will involve more complex cleanups than those completed to date. In addition, the Department of Defense is currently inventorying and assessing all military munitions response sites. Newly discovered

munitions at National Priorities List facilities are delaying cleanups at federal facilities. Finally, recent dramatic increases in the price of fuel, materials, and labor across the country are resulting in rapidly escalating construction costs, which are likely to affect program progress.

- In FY 2009, EPA's Resource Conservation and Recovery Act Corrective Action Program will expand its focus from 1,968 high-priority facilities to all 3,746 facilities expected to need corrective action. To meet its ambitious goal of constructing final remedies at 95 percent of these sites by 2020, the Agency will have to increase its annual targets. Providing final remedies for this large number of facilities—more than the Agency has addressed in a single year so far—represents the program's biggest challenge. EPA, working with its regional offices and state partners, has developed plans to meet the 2020 goal.
- The goal of completing 13,000 cleanups per year from leaking underground storage tanks has become increasingly challenging to EPA and our state and tribal partners. There are a number of factors affecting this challenge, such as the increasing costs and complexity of cleanups, decreasing state budgets and increasing state workloads, and other factors.

### Objective 3 – Enhance Science and Research

#### Key Achievements

- **Research on Ethanol and Fuel Byproducts.** In FY 2008, EPA conducted modeling and field investigations to evaluate how methyl tertiary butyl ether (MTBE), ethanol, and other fuel additives move and transform in the environment. Regulators in California, Michigan, New York, Utah, Virginia, West Virginia, and Wisconsin are using EPA tools to predict the impact of ethanol on gasoline spills and to examine effects on water aquifers.
- **EPA Demonstrates National and International Leadership in Nanotechnology.** Over the past year, EPA has been a national and international leader in nanotechnology environmental health and safety. On the national level, EPA played a leading role in developing an interagency nanotechnology environmental health and safety research strategy that outlines federal priorities and agency responsibilities. In the international arena, EPA provided U.S. and international leadership in 1) reviewing the Organization for Economic Cooperation and Development's (OECD's) harmonized test guidelines for their applicability to nanomaterials, and 2) designing and implementing an Organization for Economic Cooperation and Development program to test 14 representative nanomaterial types.
- **New Technology Leads to Cost Savings of More Than \$1 Million.** EPA developed and tested a new, more cost effective technology to treat ground water contaminated with hexavalent chromium, a chemical that is known to cause ulcers, rashes, respiratory problems and cancer. EPA successfully implemented a full-scale version of the new technology at the former Macalloy Corporation Superfund site in Charleston, South Carolina, resulting in risk reduction and taxpayer savings of more than \$1 million.

## Challenges

- Measuring and quantifying the impact that EPA's research has on national and state regulatory decisions is a difficult challenge. The Agency has initiated surveys and developed a software tool and analytical methodology for assessing the percentage and type of research products being used in regulatory or rule-making decisions. Using these tools, EPA can better assess and improve the use and delivery of its science.



## STRATEGIC GOAL 4 – HEALTHY COMMUNITIES AND ECOSYSTEMS

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

*In 2008, EPA completed a thorough reassessment of all food pesticides, setting the most health protective standards in the world for pesticides and food safety. In addition, the Agency helped increase wetlands by 32,000 acres, provide wastewater sanitation for 15,000 houses along the U.S.-Mexico border, and reached its research goal of providing tools and models to document the condition of lakes, streams, rivers, wetlands, and estuaries in all 50 states.*

Goal 4 FY 2008  
Performance Measures  
Met = 50 Not Met = 20  
Data Available After  
November 17, 2008 = 22

(Total Measures = 92)

### Objective 1 – Chemical, Organism, and Pesticide Risks

#### Key Achievements

- **Chemical Assessment and Management Program.** Launched in March 2008, the Chemical Assessment and Management Program uses industry-provided data to create risk and hazard-based prioritizations to assess whether high- and moderate-production volume chemicals produced in the United States pose risks to human health and the environment. In FY 2008, the Agency completed 150 risk-based prioritizations and 55 hazard-based prioritizations are on track to be completed in early FY 2009.
- **Reducing Exposure to Lead-Based Paint.** In March 2008, EPA issued the Renovation, Repair, and Painting Rule, which requires renovation contractors to receive training and to use lead-safe work practices when renovating housing and child-occupied facilities built prior to 1978.
- **Reevaluating Risks of Older Pesticides.** In FY 2008, EPA completed its last pesticide "Reregistration Eligibility Decision" under the Federal Insecticide, Fungicide, and Rodenticide Act, the federal law regulating pesticides. Under this multi-year effort, the Agency identified a wide range of potential risks to human health and the environment posed by older pesticides still on the market and developed plans to address the risks, including reducing workers' exposure to pesticides and eliminating pesticides in urban watersheds.
- **Reducing Perfluorooctanoic Acid Levels.** In February 2008, EPA released the first progress report from its Perfluorooctanoic Acid (PFOA) Stewardship Initiative. Perfluorooctanoic acid, a chemical used in many products including Teflon and microwave popcorn bags, has been shown to be extremely persistent in the environment and may have adverse effects in humans. All participating companies reported some reductions in product content and emissions, while three of eight companies reported reductions in emissions of perfluorooctanoic acid and related chemicals by more than 98 percent. With this Initiative, industry is on target to meet a 95-percent reduction in perfluorooctanoic acid emissions and product content by 2010.

- **Tests for Hormone-Altering Effects in Chemicals.** In FY 2008, EPA made significant progress in its Endocrine Disruptor Screening Program, validating nine additional tests and completing a peer review by EPA's Science Advisory Board, which recommended that the test battery be used. Research has shown that chemical contaminants affect the endocrine systems of certain fish and wildlife, resulting in developmental and reproductive problems.

## Challenges

- The Agency's Endocrine Disruptor Screening Program continues to experience scientific uncertainties associated with test development and validation. Also, EPA required additional time to address complex regulatory, policy, and scientific issues raised during extended public comment periods on the endocrine program before it can begin the testing phase.
- EPA's chemical risk assessment and management capabilities are being severely challenged to meet President Bush's commitment under the "Security and Prosperity Partnership for North America," to assess the safety of 6,300 high- and moderate-volume chemicals and initiate risk management actions where needed by 2012. EPA has been successful in meeting its FY 2008 assessment targets. The Agency is expected to accelerate the pace of assessment in upcoming years to ensure that it meet Security and Prosperity Partnership commitments.

## Objective 2 – Communities

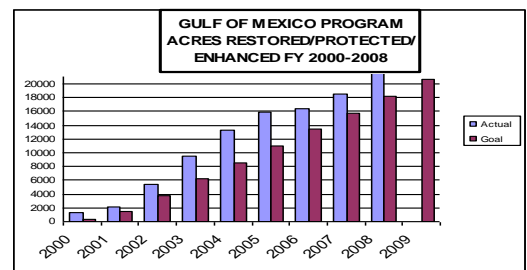
### Key Achievements

- **Revitalize Brownfields Properties.** FY 2007 results for EPA's Brownfields and Land Revitalization Program show that 1,371 properties were assessed, and 77 properties were cleaned up, leveraging 5,209 jobs and \$1.7 billion in cleanup and redevelopment funding. In addition, 2,399 acres were made ready for reuse through site assessment or property cleanup. FY 2008 results will be available in FY 2009.
- **Drinking Water and Wastewater Services Along the U.S.-Mexico Border.** In FY 2008, 5,162 homes, out of 98,515 (2003 baseline), that lacked potable water service connections in the U.S.-Mexico border region were provided connections to drinking water systems, and 31,686 homes, out of 690,723 (2003 baseline), that lacked wastewater service connections received wastewater services. In addition, construction was certified for 3 water and wastewater infrastructure projects in the region, which are expected to benefit more than 133,818 people when completed.
- **New International Recycling Initiative.** In May 2008, EPA's Administrator led a U.S. delegation to the meeting of G8 Environment Ministers in Kobe, Japan. In recent years, global environmental issues such as climate change have become major international political issues. Ministers and senior officials from 19 countries including the G8 (The Group of Eight highly industrialized countries) and representatives of eight international environment-related organizations participated in the meeting. Intensive discussions were held on climate change, biodiversity, and the "reduce, reuse, recycle" concept. The "Kobe Reduce, Reuse, Recycle Action Plan," established at the meeting, directs G8 countries to place high priority on policies to reduce, reuse, and recycle.

## Objective 3 – Ecosystems

### Key Achievements

- **Remediating Contamination in the Great Lakes.** In 2007 (the most recent year for which EPA has data), approximately 973,000 cubic yards of contaminated sediments were remediated in the Great Lakes by EPA and its partners. This includes 450,000 cubic yards pursuant to the Great Lakes Legacy Act. FY 2008 results will be available in the fall of 2009
- **Reducing Polychlorinated Biphenyls (PCBs) in Great Lakes.** At measured sites in the Great Lakes, average concentrations of polychlorinated biphenyls in whole lake trout and walleye samples continued to decline by approximately 6 percent annually, and the average concentrations of polychlorinated biphenyls in the air continued to decline by approximately 7 percent annually, meeting the Agency's FY 2008 targets.
- **Protecting Mississippi Wetlands.** On August 31, 2008, EPA signed the Final Determination prohibiting the Yazoo Backwater Area Pumps Project to protect at least 67,000 acres of some of the richest wetland and aquatic resources in the nation, which serves as critical fish and wildlife habitat. EPA determined that the proposed project would result in unacceptable damage to this valuable fish and wildlife habitat and its environmental, economic, and recreational implications. This marks EPA's twelfth use of the section 404(c) wetlands permitting Clean Water Act authority.
- **Restoring Gulf of Mexico Habitat.** In FY 2008, EPA's regional offices and industry partners coordinated efforts of more than 72 organizations to restore a total of 25,215 acres of coastal and marine habitat in the Gulf of Mexico, significantly exceeding EPA's FY 2008 goal of 18,200 acres.
- **Reducing Nitrogen Pollution in Long Island Sound.** Based on 2007 results available in FY 2008, EPA has reduced point source nitrogen pollution in Long Island Sound by 27 percent since 1999. As a result, at least 28 fewer tons of nitrogen are entering the sound per day, improving water quality for living marine resources.
- **Improving Drinking Water in Pacific Island Territories.** As of June 30, 2008, 78 percent of the Pacific Island territory population served by community water systems received drinking water meeting all applicable health-based drinking water standards, improving from a low of about 39 percent in 2003. As a result of work conducted over the past 5 years, in FY 2008, 100 percent of Guam's population served by community water systems received water that meets drinking water standards for the first time.
- **Upgrading Florida Keys Wastewater Infrastructure.** Monroe County and other local governments continue to make significant progress in upgrading inadequate wastewater infrastructure in the Florida Keys. As of June 2008, about 30,748 Monroe County households (41 percent of the total) were connected to wastewater management systems that meet state treatment requirements. This number has increased dramatically every year



since 2000, when only 250 households were connected to systems meeting state requirements.

- **Improving Wetlands in Columbia River Basin.** In the Lower Columbia River Basin, 12,986 acres of wetland and upland habitat have been protected, enhanced, or restored, exceeding the Agency's 2008 target of 3,000 acres.

## Challenges

- Weather, water temperatures, and the ability to accelerate reduction of nitrogen, phosphorous, and sediment pollution loads to the Chesapeake Bay between now and 2010 will determine EPA's success in meeting its long-range strategic target for acres of submerged aquatic vegetation. Based on FY 2007 monitoring results available in FY 2008, the Agency had achieved 35 percent of the long-term goal of 185,000 acres of submerged aquatic vegetation, and it has set a challenging target of 45 percent by 2011. Monitoring results for FY 2008 will be available in March 2009.
- Population growth, land use, and other factors have affected progress in reducing nitrogen, phosphorous, and sediment pollution loads entering the Chesapeake Bay. Despite the efforts of EPA, states, and other Chesapeake Bay Program partners, pollution reduction strategies have not improved water quality conditions nor restored submerged aquatic vegetation to the extent envisioned. Although Chesapeake Bay Program partners have achieved reductions in nutrient loads from wastewater treatment facilities, loads from urban sector runoff (stormwater) continue to increase. Over the next year, EPA will be working with its partners to implement and enforce nutrient permit limits for wastewater treatment facilities and support environmentally sound development.

## Objective 4 – Enhance Science and Research

### Key Achievements

- **Models Forecasting Human Toxicity of Chemicals.** During FY 2008, EPA completed the first phase of ToxCast™, a research program that builds computational models to forecast the potential human toxicity of chemicals. These hazard predictions will provide EPA regulatory programs with scientific information to help prioritize chemicals for more detailed toxicological evaluations and lead to more efficient use of animal testing. In 2008, EPA profiled 320 chemicals, primarily pesticides.
- **New Process for Developing Human Health Assessments.** In FY 2008, EPA announced a new process for developing human health assessments that are included in the Agency's Integrated Risk Information System (IRIS), an electronic database that captures the potential human health effects of specific substances in the environment. EPA released 16 draft and 5 final assessments in FY 2008, and the new process should increase the number of assessments completed in future years. EPA is finalizing a performance measure that will track progress in implementing the new process starting in FY 2009.
- **Ecological Research Program.** In 2008, EPA's Ecological Research Program reached its goal of providing tools and models to document the condition of lakes, streams, rivers, wetlands, and estuaries in all 50 states. In addition, the program transitioned to helping

environmental managers understand how their choices affect the type, quality, and magnitude of the goods and services society receives from ecosystems.

- **Human Health Research.** In FY 2008, EPA's Human Health Research Program furthered the Agency's understanding of how exposures to environmental pollutants can impact human health. This research is providing scientists new tools for measuring human exposures and EPA regulators and risk assessors new useful information about how chemicals like flame retardants and pesticides (conazoles and pyrethroids) act in the body. In addition, EPA released a summary of research findings, *A Decade of Children's Health Research*, based on more than 100 research projects conducted in the Children's Environmental Health Centers. This report highlights 10 years of research on how exposures vary for newborn to school-age children and how responses can be based on genetics.
- **Global Change Research.** EPA's Global Change Research Program continues to assess the potential impacts of climate change and climate variability on the United States and to evaluate alternative adaptation strategies. In support of the U.S. Climate Change Science Program, EPA completed two major assessments: *Preliminary Review of Adaptation Options for Climate-Sensitive Ecosystems and Resources* and *Analyses of the Effects of Global Change on Human Health and Welfare and Human Systems*.
- **Homeland Security Research.** In FY 2008, researchers examined the persistence of contaminants on surfaces if left untreated, as well as the impacts of two decontamination technologies—vaporized hydrogen peroxide and chlorine dioxide—on the integrity of common building materials.

## Challenges

- Measuring and improving the efficiency of research is a difficult challenge faced by all research agencies and organizations. EPA engaged the National Academy of Sciences and other agencies in a dialogue on this issue, and the National Academy of Sciences released a report in 2008. EPA is now implementing the National Academy of Sciences recommendations for assessing both "investment" and "process" efficiency in EPA's research. The National Academy of Sciences study recommended that federal research programs evaluate both "investment" and "process" efficiency and that process efficiency measures should be a minor component of a broader suite of research evaluation tools. The study further recommends the use of expert-review panels for evaluating investment efficiency of research and development programs. To implement these recommendations, EPA is examining its process efficiency measures, which focus on inputs relative to outputs. EPA is also working with its existing expert review panel to incorporate investment efficiency into the broader performance reviews that assess the quality, relevance, and performance of EPA's research programs.

## STRATEGIC GOAL 5 – COMPLIANCE AND ENVIRONMENTAL STEWARDSHIP

Protect human health and the environment through ensuring compliance with environmental requirements by enforcing environmental statutes, preventing pollution, and promoting environmental stewardship. Encourage innovation and provide incentives for government, business, and the public that promote environmental stewardship and long term sustainable outcomes.

*In 2008, EPA took enforcement actions to secure commitments from polluters to spend an estimated \$11.8 billion on pollution control activities. These pollution control activities will result in an estimated 3.9 billion pounds of pollution reductions. This year's historic and tremendous reductions exceed those for the last three years combined.*

Goal 5 FY 2008  
Performance Measures  
Met = 10 Not Met = 3  
Data Available After  
November 17, 2008 = 5  
(Total Measures = 18)

### Objective 1 – Achieve Environmental Protection Through Improved Compliance

#### Key Achievements

- **Reducing, Treating, and Eliminating Pollutants.** In FY 2008, under EPA's environmental compliance programs, EPA negotiated commitments in enforcement settlements for an estimated 3.9 billion pounds of pollutants to be reduced, treated or eliminated in the first year after pollution controls are installed. This is 3.01 billion pounds more than the 890 million pounds estimated to be reduced in FY 2007.<sup>2</sup>
- **Investments in Pollution Control Technology.** In FY 2008, in compliance with EPA requirements, regulated entities committed to invest a total of \$11.8 billion in pollution control and abatement equipment and technologies to improve their environmental performance or environmental management practices.<sup>3</sup>
- **Commitments to Reduce Harmful Air Pollutants.** The 10 largest stationary source air enforcement cases will result in estimated commitments to reduce approximately 1.5 billion pounds of harmful air pollutants in the first year after pollution controls are installed, with human health benefits estimated to be \$34 billion. Estimated health benefits include:
  - Reducing approximately 4,000 premature deaths in people with heart or lung disease;
  - 200,000 fewer days of missed work or school; and
  - 2,000 fewer emergency room visits due to respiratory illnesses such as asthma.<sup>4</sup>

#### Challenges

- Under its national compliance and enforcement program, EPA is revising its approach to setting priorities and measuring results to align performance measures more closely to key environmental risks and patterns of noncompliance. EPA's new approach focuses on the environmental problems solved using enforcement and compliance actions. Work is continuing on refining the suite of measures and developing baselines and targets.

## Objective 2 – Improve Environmental Performance Through Pollution Prevention and Other Stewardship Practices

### Key Achievements

- **Eliminating Priority Chemicals.** EPA's National Partnership for Environmental Priorities, which comprises a variety of public and private companies and organizations that generate wastes containing one or more priority chemicals, greatly exceeded the Agency's FY 2008 goal of eliminating 1 million pounds of these chemicals by achieving a 5.7 million pound reduction of chemicals.
- **Preventing Pollution and Conserving Energy.** Results from EPA's FY 2007 Regional Pollution Prevention Grant Program, finalized this year, show that together grantees reduced 66 million pounds of pollutants, conserved 1.5 billion gallons of water, conserved 2,100 billion British thermal units (Btus) of energy, and saved \$38.5 million.
- **State Pollution Prevention Programs.** In FY 2008, EPA worked with the National Pollution Prevention Roundtable to compile FY 2004 through FY 2006 performance results from state pollution prevention programs. These data show that the pollution prevention community reduced 7.6 billion pounds of waste, while saving 4,800 billion British thermal units of energy, 4.1 billion gallons of water, and \$6.4 billion.
- **Environmentally Sound Computers.** EPA's Electronic Product Environmental Assessment Tool Program, which assists institutions purchasing electronics in selecting environmentally sound computer products, helped conserve 3,292 billion British thermal units of electricity and save \$83.6 million in energy costs in FY 2007. During FY 2008, the program initiated efforts to develop similar voluntary consensus standards for televisions and other electronic products.

### Challenges

- In FY 2008, EPA's Pollution Prevention Program sought advice from the Agency's Science Advisory Board on how to measure environmental outcomes produced over multiple years. Observing that the program has taken a conservative approach to measurement and consequently under-reports its results, the board offered a number of suggestions for improving measures. EPA is pursuing these improvements to better communicate program performance and impact to the public.

## Objective 3 – Improve Human Health and the Environment in Indian Country

### Key Achievements

- **More Tribal Program Participants.** In FY 2008, the number of tribal governments and inter-tribal groups participating in EPA's Indian Environmental General Assistance Program increased. As a result, more tribes are now building infrastructure to handle a variety of core environmental issues on tribal lands.

## Challenges

- Tracking performance and results in Indian Country continues to present challenges. EPA is working with tribes to improve performance measures and to implement GAP Online, an electronic work plan development and reporting system. By enabling the Agency to standardize, centralize, and integrate regional data and to assign accountability for program performance, the system will strengthen EPA's ability to monitor and evaluate performance results in Indian Country and improve environmental protection on tribal lands.

## Objective 4 – Enhance Society's Capacity for Sustainability Through Science and Research

### Key Achievements

- **Biofuels Strategy.** In FY 2008, EPA developed the *Draft EPA Biofuels Strategy* to promote policies and practices that can lead to the sustainable production of biofuels. The energy efficiency and environmental soundness of the country's biofuels system determines the degree to which biofuels reduce reliance on fossil fuels. Also, the Agency supported 14 new biofuel-related research projects and is working with other federal agencies to define a set of criteria and indicators for sustainable biofuel production.
- **Advancing Sustainability.** EPA's People, Prosperity, and the Planet Program held its fourth annual student design competition for sustainability in 2008. Winning designs included technology to produce plastic from wastewater, a laboratory to produce biodiesel from a cafeteria's vegetable oil waste, and a hand-held water sanitizer for disinfecting drinking water in households of poor communities around the world. EPA supported these finalists with grant funding to bring the designs to market.

### Challenges

- Measuring the results of the Office of Research and Development's efforts to encourage decision-makers to incorporate sustainability principles into human health and environmental decisions is a difficult challenge. EPA has developed new measurement tools to better gauge the annual and long-term success of its Science and Technology for Sustainability Research Program.



### 3. FINANCIAL ANALYSIS AND STEWARDSHIP INFORMATION

#### EPA's Sound Financial Management: Good for the Environment, Good for the Nation

EPA continues to protect the environment with the support of strong financial management: The accomplishments described in this section demonstrate that EPA adheres to the highest standards for financial management.

- Clean Audit Opinion. For the 9<sup>th</sup> consecutive year, the Agency's Office of Inspector General (OIG) issued an unqualified or "clean" opinion on EPA's financial statements. This means that the auditors can provide reasonable assurance that EPA's financial statements are presented fairly in all material respects and conform with generally accepted accounting principles for the federal government. In simple terms, a clean opinion means that the numbers are reliable.
- Compliance With Federal Financial Systems Requirements. The Agency is compliant with the Federal Financial Management Improvement Act, meaning that EPA's financial systems comply substantially with federal systems' requirements and accounting standards. EPA uses the reliable and timely information in its financial system to make wise decisions on how to use its resources.
- President's Quality Award. In December 2007, EPA received the President's Quality Award for Management Excellence. Sound financial management was one of several criteria for the award. Of 54 federal agencies that applied for the award, EPA was the only winner in Overall Management, the highest tier of recognition.

In addition to the signs of excellence noted above, the Agency maintained its "green" rating for the Improved Financial Performance initiative under the President's Management Agenda through its many significant achievements in FY 2008, a few of which are highlighted as follows:

- EPA successfully converted to the Department of the Treasury's new accounting system and eliminated one-third of the business processes to improve data accuracy.
- The Agency implemented an event-driven control that flags the 170,000 changes made to EPA vendor information. This control protects the security of personal information in EPA systems.
- Through its data integration effort, EPA linked the Federal Emergency Management Agency/EPA national response framework with utilization information so that costs are now available on-line in real time to Agency managers and decision makers on the frontlines during an emergency event.
- EPA's Working Capital Fund met its break-even goal, with a profit of \$704,000 or .3 percent of its revenue, validating the accuracy of service rates charged to customers. In addition,

the Working Capital Fund was able to refund \$250,000 to its customers through prudent fiscal management.

- The Agency strengthened its financial data security by reducing access to personal information by 75 percent and realigning security rights by 94 percent.
- EPA maximized use of assets through judicious investment of Superfund and Leaking Underground Storage Tank Trust Fund monies, earning nearly \$242 million in interest during FY 2008.
- EPA's checkbook is balanced—the general ledger matches the fund balance records maintained by the Department of the Treasury. This match translates to greater integrity of financial reports and budget results.
- EPA paid 99 percent of its invoices on time and avoided late payment penalties. Its improper payment rate was less than 1 percent, which means that the right amount was paid to the right recipient in nearly every instance.
- The EPA Administrator asserted under the Federal Managers' Financial Integrity Act that the Agency's internal controls are adequate and provide reasonable protection for EPA's programs and operations from waste, fraud, and abuse.

## EPA's Financial Statements for Fiscal Year 2008

### EPA's Balance Sheet and Statement of Net Cost Highlight EPA's Overall Financial Condition

Financial statements are formal financial records of the Agency that document its activities at the transaction level. The transaction level is where a "financial event" occurs. A financial event is any occurrence having financial consequences to the federal government related to the receipt of appropriations or other financial resources; acquisition of goods or services; payments or collections; recognition of guarantees, benefits to be provided, other potential liabilities; or other reportable financial activities.

EPA prepares four consolidated statements: Balance Sheet, Statement of Net Cost, Statement of Changes in Net Position, and the Statement of Custodial Activity and one combined Statement of Budgetary Resources. Together, these statements with their accompanying notes provide the complete picture of EPA's financial situation. Reviewers can glean a snapshot of EPA's overall financial condition by examining key pieces of information from these statements. The complete statements with accompanying notes, as well as the auditor's opinion, are available in Section III of this document.

The **Balance Sheet** displays assets, liabilities, and net position as of September 30, 2008, and September 30, 2007. The **Statement of Net Cost** shows EPA's gross cost to operate, minus exchange revenue earned from its activities. Together, these two statements provide information about key components of EPA's financial condition—assets, liabilities, net position, and net cost of operations.

(Dollars in Billions)	FY 2007	FY 2008	Increase (Decrease)
Total Assets	\$17,554,689	\$17,106,998	(\$447,691)
Total Liabilities	\$1,755,298	\$1,664,042	(\$91,256)
Net Position	\$15,799,391	\$15,442,956	(\$356,435)
Net Cost of Operations	\$8,713,206	\$8,041,210	(\$671,996)

### Accounting 101

**Assets**—What EPA owns and manages

**Liabilities**—Amounts EPA owes as a result of past transactions or events

**Net position**—The difference between assets and liabilities (similar to net worth)

**Net cost of operations**—The difference between the costs incurred by EPA programs and EPA's receipts

### Assets—What EPA Owns and Manages

EPA's assets were worth \$17.1 billion at the end of FY 2008. More than 92 percent of EPA's assets fell into two categories: 1) its Fund balance with the Department of the Treasury, the equivalent of the Agency's "checkbook" balance available to pay expenses, and 2) investments, which will be used to pay for future Superfund or leaking underground storage tank cleanups. All of EPA's investments are backed by U.S. government securities.

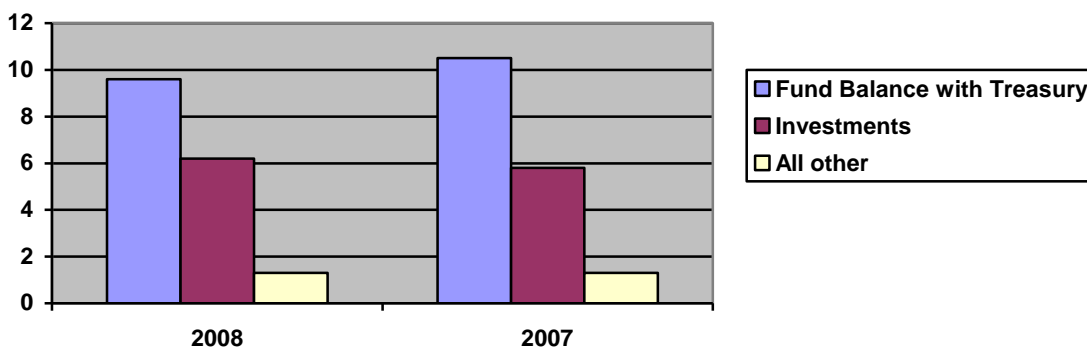
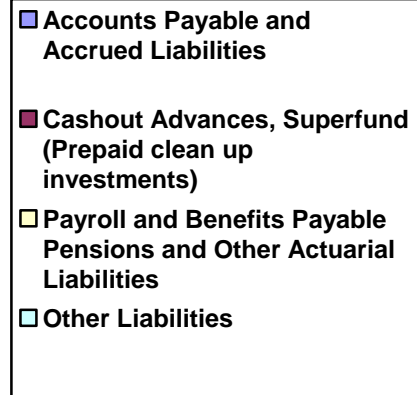
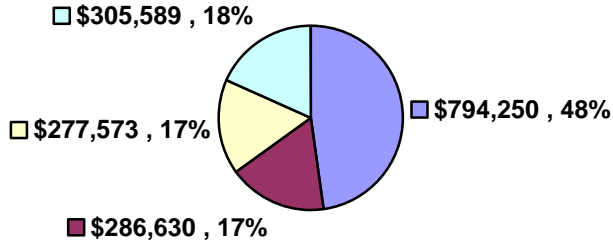


Figure 1 (Dollars in Billions)

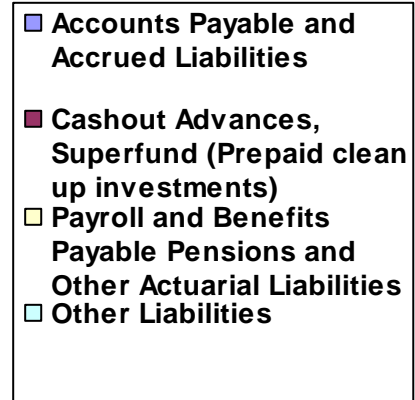
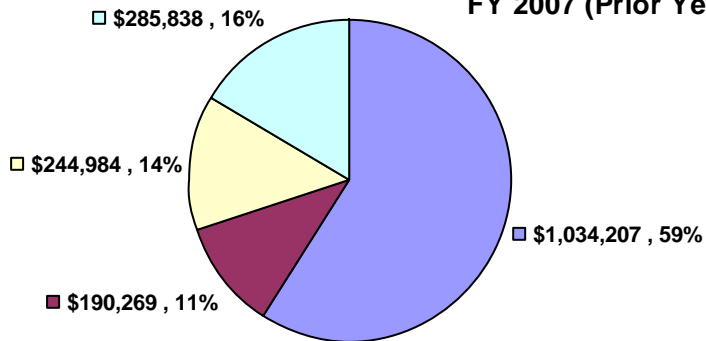
### Liabilities—What EPA Owes

EPA's liabilities were \$1.7 billion at the end of FY 2008, a decrease of \$91 million from the FY 2007 level. EPA's largest liability, its combined accounts payable and accrued liabilities, includes \$794 million and represents 48 percent of what the Agency owes. The next largest category, representing 18 percent of EPA's liabilities, covers other liabilities and includes EPA's debt due to Treasury, custodial liabilities which are necessary to maintain assets for which EPA serves as custodian, environmental clean up costs, and other miscellaneous liabilities. The remaining two categories are approximately equal and each represents 17 percent of the Agency's liabilities. Payroll and benefits payable includes salaries, pensions, and other actuarial liabilities. Superfund cashout advances include funds paid by EPA to fund cleanup of contaminated sites under the Superfund program. The charts below compare FY 2007 and FY 2008 liabilities by major categories.

**FY 2008 (Current Year)**

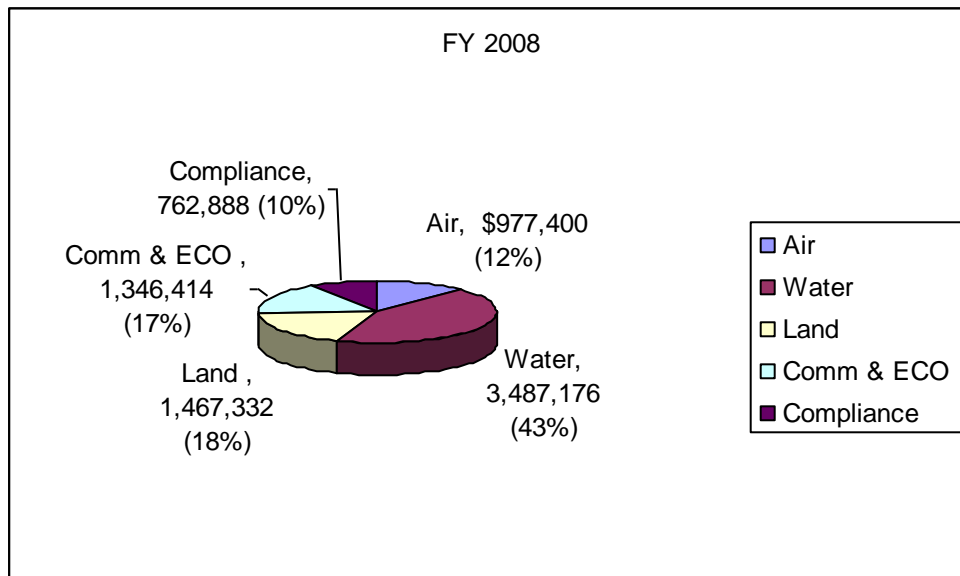


**FY 2007 (Prior Year)**



**Net Cost of Operations—How EPA Used Its Funds**

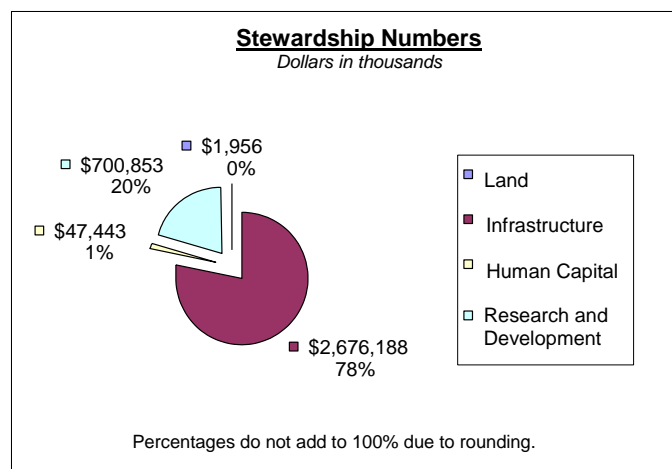
The chart below shows how EPA divided its funds among its five program goal areas in FY 2008:



## Responsible Financial Stewardship for the Nation

EPA serves as a steward on behalf of the American people for land, research and development, infrastructure, and human capital. In FY 2008, EPA devoted \$3.4 billion to its stewardship activities, as shown in the pie chart below.

- Infrastructure efforts focus on clean water and drinking water facilities. EPA funds construction of wastewater treatment projects and provides grants to states to support wastewater and drinking water treatment facilities. EPA devoted nearly \$2.7 billion to projects to ensure that Americans have clean, safe water to drink, which translates to less than \$9 per American. That amount of money would buy two cases of bottled water in a grocery store.



- Research and development activities enable EPA to identify the most important sources of risk to human health and the environment. For an annual cost of approximately \$2.31 per American—about the price of a large cup of gourmet coffee—EPA funds research into the environmental effects on children’s health, contaminants in drinking water, air pollutants, the nation’s ecosystems, and other areas that directly affect the quality of Americans’ daily lives.
- Human capital includes EPA’s educational outreach and research fellowships, all designed to enhance the nation’s environmental capacity.
- Land includes contaminated sites to which EPA acquires title under the Superfund authority. This land needs remediation and cleanup; its quality is well below any standard for usable and manageable. To gain access to contaminated sites, EPA acquires easements that are in good and usable condition. These easements also serve to isolate the site and restrict usage while the cleanup is taking place.

## Financial Management for the Future

As challenges to the environment grow, sound stewardship of EPA’s financial resources becomes increasingly critical to the Agency’s ability to protect the nation’s and the world’s environment and health. Reliable, accurate, and timely financial information is essential to inform decisions on how to address the issues facing land, water, air, and ecosystems.

To strengthen EPA’s financial stewardship capabilities, the Office of the Chief Financial Officer has focused on the fundamental elements of financial management: people and systems.

**People:** EPA is taking advantage of every available tool to recruit the best people with the necessary skill sets to meet tomorrow’s financial challenges:

- EPA is training its people in financial analysis and forecasting, not just process. Not only is it important for staff to understand the numbers, but they need to understand what they mean. EPA is integrating financial information into everyday decision-making so that the Agency maximizes the use of its resources.
- EPA is aggressively recruiting financial managers and accounting students through the Student Career Experience Program. New recruits are technologically savvy and utilize modern tools to drive financial decisions.
- EPA's financial management team encourages and supports telework, providing benefits to the employees, the Agency and the environment.

EPA is proud of its diverse financial workforce—half of the staff and half of the management represent minority groups.





**Systems:** EPA's Integrated Financial Management System has served the Agency well for 19 years, but it cannot take advantage of new technology. EPA's new system, *CGI Momentum*, will begin operation in October 2010. Extensive testing and training are taking place to ensure that the new system works properly and that an orderly transition occurs.

### Government-Wide Financial Performance Measurements

The U.S. Chief Financial Officers Council publishes Government-wide performance measures on the "Metric Tracking System" website <http://www.fido.gov/mts/cfo/public>. These measures are a series of key financial management indicators that allow government financial managers, Congress, and other stakeholders to assess the financial performance of each agency.

During FY 2008, the Agency has maintained its green status in 8 of the 9 performance metrics. The red rating on the *Delinquent Accounts Receivable from the Public over 180 Days* metric continues to be a long-standing issue, which EPA is working both internally and externally to improve. For example, improvement is being realized through litigation debt collections made by the Department of Justice on EPA's behalf.

#### GOVERNMENT-WIDE FINANCIAL PERFORMANCE METRICS

Financial Management Indicator	Rating September 2007	Rating September 2008
Fund Balance with Treasury, Net Amount in Suspense (Absolute) Greater than 60 Days Old Electronic Payments Percent Non-Credit Invoices Paid On-Time Interest Penalties Paid Purchase Card Delinquency Rates Travel Card Delinquency Rates-Individually Billed Travel Card Delinquency Rates-Centrally Billed		
Delinquent Accounts Receivable from the Public over 180 Days		

## **Limitations of the Principal Financial Statements**

The principal financial statements have been prepared to report the financial position and results of operations of EPA, pursuant to the requirements of 31 U.S.C. 3515 (b). While the statements have been prepared from the books and records of the entity in accordance with U.S. generally accepted accounting principles (GAAP) for federal entities and the formats prescribed by the Office of Management and Budget, the statements are in addition to the financial reports used to monitor and control budgetary resources that are prepared from the same books and records. The statements are for a component of the U.S. government, a sovereign entity.



## 4. IMPROVING MANAGEMENT AND RESULTS

### The President's Management Agenda







The President's Management Agenda challenges federal agencies to be “citizen-centered, results-oriented, and market-based” ([www.whitehouse.gov/results](http://www.whitehouse.gov/results)). In FY 2008, EPA achieved successful “green” progress and status ratings every quarter for all five government-wide initiatives, Human Capital, Commercial Services Management, Expanded E-Government, Improved Financial Performance, and Performance Improvement, and for a sixth program initiative, Eliminating Improper Payments. EPA's scores demonstrate that the Agency is among the highest-performing entities in the federal government. Additionally, EPA establishes quarterly commitments a year in advance and has met its goal of “green” in FY 2008.





The following table summarizes EPA's FY 2008 progress under the President's Management Agenda. More information about the Agency's work under the President's Management Agenda is available at [www.epa.gov/ocfo/pma.htm](http://www.epa.gov/ocfo/pma.htm).

**EPA's FY 2008 Progress Under the President's Management Agenda**

Initiative	Status	Progress	Proud To Be 08 Results/ 09 Plans	Highlights
<p><b>Human Capital</b> Fosters strong performance and results by improving human capital management, accountability, and linkage between employee performance and EPA goals and mission accomplishment.</p>	 Green	 Green	<p>EPA met its goal of green in its 5<sup>th</sup> year of Proud To Be</p> <p>EPA has set a goal of green next year</p>	<ul style="list-style-type: none"> <li>• Initiated effort to consolidate from 15 to three Human Resources Shared Service Centers. Anticipated completion by December 2009.</li> <li>• Aligned General Service (GS) and Senior Executive Service (SES) Performance Appraisal and Recognition System cycles and continued to improve linkage of employees' performance plans to mission success.</li> <li>• Continued implementing SES mobility and Candidate Development Programs and expanded Supervisory Leadership Program to improve leadership development across the Agency.</li> <li>• Exceeded SES time-to-hire target of 73 days, with an average hiring time of 66 days.</li> <li>• Exceeded the 45-day time-to-hire goal for GS hires averaging 27 days and notified more than 70 percent of all applicants of their results within 45 days.</li> <li>• Continued expansion of competency assessments for EPA's seventh of 19 Mission Critical Occupations resulting in no significant proficiency gaps.</li> <li>• Developed new EPA recruitment strategy for targeting a diverse applicant pool with non-traditional approaches to attract new hires.</li> <li>• Implemented multiple human capital initiatives under the Administrator's Stronger EPA initiative to improve employee recruitment, development, and morale.</li> </ul>



Initiative	Status	Progress	Proud To Be 08 Results/ 09 Plans	Highlights
<p><b>Commercial Services Management</b> Having public-private competition enables the Agency to determine the most economical mode of delivering services while ensuring the highest quality of those services.</p>	 Green	 Green	<p>EPA met its goal of green in its 5<sup>th</sup> year of Proud To Be</p> <p>EPA has set a goal of green next year</p>	<ul style="list-style-type: none"> <li>Completed 37 competitions to date, covering 351 FTE, with anticipated cost avoidance of \$138.4 million.</li> <li>Completed three competitions in FY 2008, covering 62 FTE, with \$115.4 million anticipated cost avoidance.</li> <li>Announced one competition in the past year, covering 6.27 FTE, for records management services in the Office of the Administrator.</li> <li>In March 2008, announced selection of the Agency's Most Efficient Organization in its largest and most complex standard competition to date for 47 FTE. Will provide desktop support services in all Headquarters offices, including remote locations, with \$115.4 million in anticipated cost avoidance over an eight-year period.</li> </ul>
<p><b>Expanded E-Government</b> Utilizes technology to better serve the United States and its people including electronic information, online transactions, and new information management capabilities.</p>	 Green	 Green	<p>EPA met its goal of green in its 5<sup>th</sup> year of Proud To Be</p> <p>EPA has set a goal of green next year</p>	<ul style="list-style-type: none"> <li>E-Travel: In September 2008, successfully completed migration to GovTrip, meeting the E-Travel milestones ahead of schedule.</li> <li>IT Security: Received an A+ rating on the Congressional Computer Security Scorecard based on the Agency's 2007 Federal Information Security Management Act Report.</li> <li>E-Rulemaking: As of September 2008, www.Regulations.gov received over 600,000 comments on federal rulemakings and more than 200 million hits, demonstrating public reliance on this single portal to view and comment on proposed rulemakings and public notices. This EPA-managed system now accounts for more than 90 percent of all the federal rulemakings.</li> </ul>
<p><b>Improved Financial Performance</b> Focuses on running environmental programs in a fiscally responsible manner so citizens' dollars are used wisely and their health and environment are protected.</p>	 Green	 Green	<p>EPA met its goal of green in its 5<sup>th</sup> year of Proud To Be</p> <p>EPA has set a goal of green next year</p>	<ul style="list-style-type: none"> <li>Successfully implemented efforts to make financial information readily accessible to decision-makers administering and overseeing grants. Integrated reports contributed to a 10-percent reduction in unliquidated obligations in expired grants.</li> <li>Developed and tested a framework to integrate financial and contracts reporting. Reports that combine financial and contracts data are now available to contract managers to help them address issues relating to the utilization of contract funds and the evaluation of obligations and unliquidated balances.</li> <li>Tested and deployed reports that provide improved tracking of the cost of Nationally Significant Incidents; continued developing guidance and procedures for tracking these costs; and developed a new online log to improve management of the purchase card process during emergency response events.</li> <li>Met interim and annual financial statements deadlines.</li> <li>Increased awareness of the importance of internal controls by launching Agency online awareness training completed by more than 3,400 employees to date.</li> </ul>

Initiative	Status	Progress	Proud To Be 08 Results/ 09 Plans	Highlights																																
<p><b>Performance Improvement</b> Contributes to better EPA performance, measurement and management, increased accountability, more informed decision-making, and more transparent reporting of environmental and human health results to the public.</p>	 Green	 Green	<p>EPA met its goal of green in its 5<sup>th</sup> year of Proud To Be</p> <p>EPA has set a goal of green next year</p>	<ul style="list-style-type: none"> <li>Inaugurated EPA's Performance Management Council, providing the Agency's Deputy Assistant Administrators and Deputy Regional Administrators a forum to discuss performance issues and best practices, and advance EPA's vision for performance management.</li> <li>Developed and implemented an EPA Action Plan for Program Assessment Rating Tool measures, endorsed by the Office of Management and Budget, that leveraged ongoing strategic and annual planning and reflected measure improvements.</li> <li>Reduced measures by 9 percent and improved alignment, as a result of the new Office of the Chief Financial Officer-led Agency Performance Management Workgroup's involvement in annual measures review.</li> <li>Completed Measures Central, a central repository of EPA performance measurement information, and strengthened measures governance, realizing the Deputy Administrator's goal of improving the Agency's access to, analysis of, and use of measures to manage.</li> </ul>																																
<p><b>Eliminating Improper Payments<sup>1</sup></b> Focuses on identifying, preventing, and eliminating erroneous payments.</p>	 Green	 Green	<p>EPA met its goal of green in its 5<sup>th</sup> year of Proud To Be</p> <p>EPA has set a goal of green next year</p>	<ul style="list-style-type: none"> <li>As a result of EPA's ability to demonstrate that its internal controls regarding improper payments are adequate, the Office of Management and Budget granted the Agency a three-year relief (FY 2006 -FY 2009) from statistical sampling of payments in the two state revolving funds. Additional reporting details required by IPIA are provided in Section IV of this Performance and Accountability Report.</li> <li>Continued monitoring payment activities under a three-year relief from the sampling requirements on payments in the Clean Water and Drinking Water State Revolving Funds.</li> <li>Continued to show a low incidence of improper payments (&lt;0.1 percent).</li> </ul> <table border="1" data-bbox="776 1318 1490 1665"> <thead> <tr> <th colspan="4">EPA's Improper Payment Reduction Effort Clean Water and Drinking Water State Revolving Funds (SRFs)</th> </tr> <tr> <th>Fiscal Year</th> <th>Target Error Rate</th> <th>Actual Error Rate</th> <th>Actual Improper Payments (dollars in millions)</th> </tr> </thead> <tbody> <tr> <td>FY 2003</td> <td>Baseline</td> <td>0.51%</td> <td>\$12.4</td> </tr> <tr> <td>FY 2004</td> <td>0.49%</td> <td>0.47%</td> <td>\$10.3</td> </tr> <tr> <td>FY 2005</td> <td>0.45%</td> <td>0.13%</td> <td>\$3.0</td> </tr> <tr> <td>FY 2006</td> <td>0.40%</td> <td>0.18%</td> <td>\$3.5</td> </tr> <tr> <td>FY 2007</td> <td>0.35%</td> <td>0.07%</td> <td>\$1.6</td> </tr> <tr> <td>FY 2008</td> <td>0.30%</td> <td>0.39%</td> <td>\$8.3</td> </tr> </tbody> </table>	EPA's Improper Payment Reduction Effort Clean Water and Drinking Water State Revolving Funds (SRFs)				Fiscal Year	Target Error Rate	Actual Error Rate	Actual Improper Payments (dollars in millions)	FY 2003	Baseline	0.51%	\$12.4	FY 2004	0.49%	0.47%	\$10.3	FY 2005	0.45%	0.13%	\$3.0	FY 2006	0.40%	0.18%	\$3.5	FY 2007	0.35%	0.07%	\$1.6	FY 2008	0.30%	0.39%	\$8.3
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<sup>1</sup> The Improper Payments Information Act of 2002 requires the Agency to annually review all programs and activities that it administers and identify all such programs and activities susceptible to significant improper payments. Significant improper payments are annual payments in the program exceeding both 2.5 percent of the program payments and \$10 million.

## The Program Assessment Rating Tool (PART)

EPA uses Program Assessment Rating Tool assessments, along with program evaluations, audits, and other reviews, to inform policymaking, facilitate allocation of resources, and improve environmental outcomes while ensuring the most effective and efficient use of taxpayer dollars. In FY 2008, EPA developed and implemented an action plan for Program Assessment Rating Tool measures that leveraged ongoing strategic and annual planning and reflected measure improvements. The tables of measures and results provided in Section II of this report, "Performance Results," identify all Program Assessment Rating Tool measures, which make up over 2/3 of EPA's performance measures. These measures will be incorporated into EPA's budget and other documents, including future Performance and Accountability Reports.

Distribution of PARTed Programs Across EPA's Strategic Goals



EPA's Program Assessment Rating Tool ratings, as well as the ratings for other federal programs that have been assessed, are available at [www.Expectmore.gov](http://www.Expectmore.gov). As of FY 2008, EPA developed 245 improvements for the Program Assessment Rating Tool measures, and 80 of these improvements have already been made. EPA is currently working on an additional 156 improvements.

EPA PART Improvement Plans		
Type of Improvement Plans	Number	Focus
Performance	105	Focused on improving the Agency's ability to measure, track, and assess programmatic performance and intended environmental outcomes.
Management	109	Designed to improve EPA's program management practices and facilitate the delivery of environmental results.
Budgetary	30	Designed to ensure that EPA's resources are directed toward delivering strong environmental results.
Legislative	1	Designed to affect EPA programs' legislative requirements so that the program purpose is clear and environmental outcomes can be achieved.

## Grants Management

EPA has met or exceeded all of the major performance metrics under its Grants Management Plan and implemented a comprehensive system of internal controls. As a result of these controls, the Agency has:

***EPA met or exceeded all of the major performance metrics under its Grants Management Plan***

- Incorporated accountability in EPA's training, performance evaluation, and management reporting systems.

- Enhanced transparency through the Agency’s competitive process for discretionary grants.
- Implemented policies to demonstrate the environmental results of EPA grants.

Based on the substantial progress made over the past seven years, the Agency eliminated its longstanding grants management weakness and, to address future challenges, has developed a new grants strategic plan covering the period 2009–2013.

<b>EPA Grants Management Performance Measures</b>			
<b>Performance Measure</b>	<b>Target</b>	<b>Progress in FY 2007</b>	<b>Progress in FY 2008</b>
Percentage of grants managed by certified project officers	100%	99.7%	99.7%
Percentage of new grants subject to the competition order that are competed	85%	94.7%	95%
Percentage of new grants to nonprofit recipients subject to the competition order that are competed	75%	89.3%	87.5%
* Percentage of active recipients who receive advanced monitoring	10%	10.6%	10.4%
Percentage of advanced monitoring reports closed within 120 days	90%	93.4%	97.9%
Percentage of eligible grants closed out	99% 90%	99.6% in 2005 and earlier 95.8% in 2006	99.7% in 2006 and earlier 95.5% in 2007
** Percentage of grant workplans that include well-defined environmental outcomes	N/A	61%	66.4%

\* This performance measure is tracked on a calendar year basis.

\*\* The first phase of a two-phase Comprehensive Performance Review was completed in May 2008. The first phase evaluated the consistency of grants work plans with the Environmental Results Order. A random sample of grant work plans was reviewed to determine how well they identified outputs and outcomes. The review found that 66.4 percent of the work plans were consistent with the order. Office of Grants and Debarment is establishing a work group to address recommendations in the Comprehensive Performance Review for improving work plans and, under the new Grants Management Plan, has established follow-on metrics for FY 2010.

## **Office of Inspector General Audits, Reviews, and Investigations**

EPA’s Office of Inspector General contributes to the Agency’s mission to improve human health and environmental protection by assessing the efficiency and effectiveness of EPA’s program management and results; ensuring that Agency resources are used as intended; and developing recommendations for improvements and cost savings. In FY 2008, the Office of Inspector General identified key management challenges and internal control weaknesses and provided recommendations accounting for more than \$96 million in potential savings and recoveries. Appendix A lists Office of Inspector General program evaluations and reviews completed in FY 2008 in support of each of the Agency’s five strategic goals.

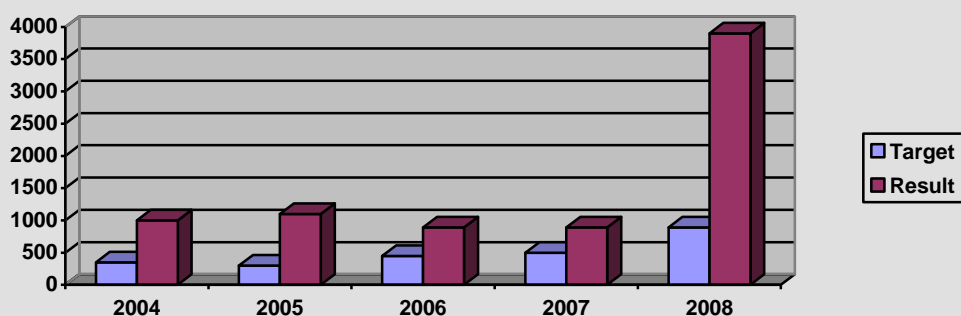
EPA's Office of Inspector General also contributes to the integrity of and public confidence in the Agency's programs and to the security of its resources by preventing and detecting possible fraud, waste, and abuse and pursuing judicial and administrative remedies. For example, in response to an Office of Inspector General recommendation concerning management of grant funds for U.S.-Mexico border water projects, EPA is requiring completion of project and design planning before awarding grant funds for construction of new facilities.

## Data Quality

In July 2008, the Office of Management and Budget directed all agencies to update the data quality information for all of their performance measures every two years. While EPA had already been updating this information annually, the Agency went a step further—exploring more meaningful ways of presenting data quality information to reveal trends and help identify and fill data gaps.

As a result of this work, throughout Section II of this report, "Performance Results," EPA has provided examples of data quality information for certain measures. These examples, selected by EPA, display current annual targets in the context of prior year performance results. The examples also display such key information as methods of data collection, assumptions, and data limitations.

### Estimated Millions of Pounds of Pollution Reduced Through Enforcement Action:



#### What This Shows:

The estimated number of pounds of pollution reduced through enforcement has been approximately one billion pounds for the past four years, consistently exceeding target values for this measure. EPA believes our progress in this area is a result of the focus on nine National Priority areas, selected for their environmental significance and high noncompliance.

#### Source:

Most of the essential data on environmental results in ICIS FE&C is collected through the Case Conclusion Data Sheet, which Agency staff began preparing after the conclusion of each civil, judicial and administrative enforcement action. In FY 2008, The Criminal Enforcement Program also collected information on pollution reductions on a separate case conclusion data form.

#### Data Limitations:

Pollutants reduced or eliminated reported in the Case Conclusion Data Sheet are projected estimates that will result over a one year time period if the defendant carries out the requirements of the settlement. (Information on expected outcomes of state enforcement is not available.) The estimates are based on information available at the time a case is settled or an order is issued.

## 5. EPA HOLDS ITSELF ACCOUNTABLE: SYSTEMS, CONTROLS, AND LEGAL COMPLIANCE

### Federal Managers' Financial Integrity Act (FMFIA)

The Federal Managers' Financial Integrity Act requires agencies to conduct an annual evaluation of their internal controls over programs and financial systems, and report the results to the President and Congress. As part of this effort, agencies are required to report on the effectiveness of internal controls over financial reporting, which includes safeguarding of assets and compliance with applicable laws and regulations in accordance with the requirements of Appendix A of the Office of Management and Budget Circular A-123.

The Administrator prepares an annual statement of assurance based on the Agency's self-assessment of the adequacy of its internal controls over programmatic operations, financial reporting, and financial systems. Each of EPA's national program and regional offices submits an annual assurance letter attesting to the soundness of the internal controls within their organizations. These assurance letters provide the basis for the Administrator's statement of assurance, included under "Management Assurances" of this section.

In FY 2008, the Administrator issued an unqualified statement of assurance. During its FY 2008 evaluation, the Agency found no material weaknesses in the design or operation of internal controls over programmatic operations (Federal Managers' Financial Integrity Act Section 2). A material weakness is a condition that could significantly impair or threaten fulfillment of a major Agency program, function, or activity and is significant enough to report to the President and Congress. Additionally, the evaluation found that the Agency's financial systems conform to government-wide financial systems requirements and substantially comply with requirements of OMB Circular A-127, *Financial Management Systems* (Federal Managers' Financial Integrity Act Section 4), and the Federal Financial Management Improvement Act (FFMIA).

To evaluate its internal controls over financial reporting, the Agency reviewed 10 key financial processes and tested 275 key controls. Based on this evaluation, no material weaknesses or new significant deficiencies were identified and internal controls were found to be operating effectively and efficiently. A significant deficiency is a condition that adversely affects the ability to initiate, authorize, record, process or report external financial data reliably.

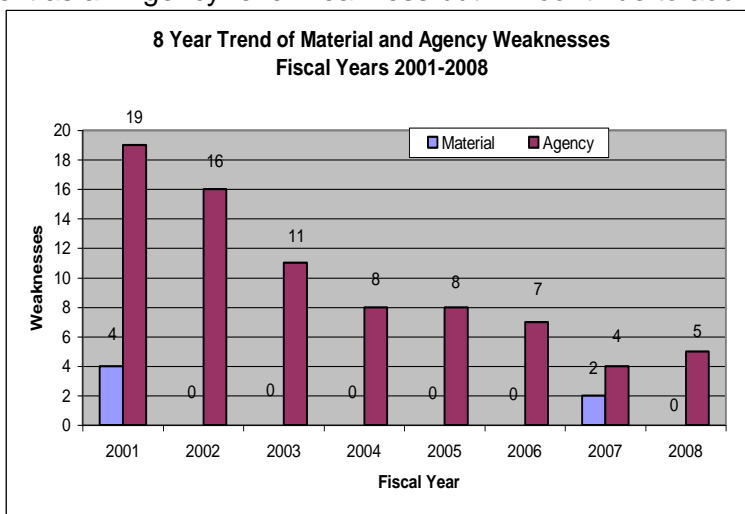
In FY 2008, the Agency closed a number of internal control weaknesses and significant deficiencies that had been identified in previous years—two material weaknesses, two Agency weaknesses, and one significant deficiency. An Agency weakness is a condition that does not reach the level of a material weakness, but merits the Administrator's attention on a periodic basis.

The two material weaknesses closed, *Physical Security of Critical Assets* and *Key Applications Need Security Controls*, were system-related significant deficiencies which, under the Federal Information Security Management Act, the Agency was required to report as material weaknesses under the Federal Managers' Financial Integrity Act and non-compliances under

the Federal Financial Management Improvement Act. EPA completed corrective actions associated with these as material weaknesses and downgraded *Key Applications Need Security Controls* to the level of an Agency weakness, which is expected to be fully corrected and closed in FY 2009.

The two Agency-level weaknesses closed, *Human Capital* and *Homeland Security*, were identified in FY 2001 and 2006, respectively. In the case of Human Capital, the Agency took sufficient corrective action to close it as an Agency-level weakness but will continue to address issues at the office level. The significant deficiency closed, *Integrated Financial Management System Suspense Table*, was identified during the audit of the Agency's FY 2007 financial statements.

In FY 2008, EPA also identified three new Agency-level weaknesses: *Key Applications Need Security Controls* (downgraded from a material weakness), *Redistribution of Superfund Payments*, and *Program Evaluation*. EPA has



corrective actions underway to rectify two other Agency-level weaknesses and one other significant deficiency and will continue to monitor progress in correcting these issues until they are resolved. Actions that EPA has taken to correct its material and Agency-level weaknesses and significant deficiencies are described under “*Management Challenges and Integrity Weaknesses*” in Section IV of this report. The accompanying graph depicts EPA’s progress in correcting its material and Agency-level weaknesses since 2001.

**EPA’s Key Management Challenges for FY 2008 Reported by the Office of Inspector General**

1. Threat and Risk Assessments
2. EPA’s Organization and Infrastructure
3. Performance Measurement
4. Water and Wastewater Infrastructure
5. Meeting Homeland Security Requirements
6. Oversight of Delegation of States
7. Chesapeake Bay Program
8. Voluntary Programs – Update

For details see “EPA’s Key Management Challenges for FY 2008,” in Section IV – *Other Accompanying Information*.

EPA took a number of steps during FY 2008 to strengthen its management integrity program, emphasizing the importance of maintaining and documenting internal controls and increasing Agency-wide awareness of these responsibilities. In May 2008, the Agency launched online training for all EPA employees designed to raise awareness of personal responsibilities for maintaining effective internal controls as an integral part of day-to-day work. Additionally, the Agency revised and

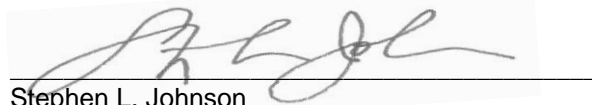
updated its internal control policy document (*EPA Order 1000.24, Management’s Responsibility for Internal Controls*) to clarify roles and responsibilities and be consistent with the Office of Management and Budget’s government-wide guidance. EPA’s Order reinforces the importance of maintaining and documenting internal controls, provides a framework for conducting internal control reviews, and updates Agency managers’ roles and responsibilities.

## Management Assurances

### Fiscal Year 2008 Assurance Statement

The U.S. Environmental Protection Agency's (EPA's) management is responsible for establishing and maintaining effective internal control and financial management systems that meet the objectives of the Federal Managers' Financial Integrity Act (FMFIA). EPA conducted its assessment of the effectiveness of internal control over the effectiveness and efficiency of operations and compliance with applicable laws and regulations in accordance with OMB Circular A-123, *Management's Responsibility for Internal Control*. Based on the results of this evaluation, I can provide reasonable assurance that as of September 30, 2008, no material weaknesses were found in the design or operation of the Agency's internal controls.

In addition, EPA conducted its assessment of the effectiveness of internal control over financial reporting, which includes safeguarding of assets and compliance with applicable laws and regulations, in accordance with the requirements of Appendix A of OMB Circular A-123. Based on the results of this evaluation, I can provide reasonable assurance that as of June 30, 2008, no material weaknesses were found in the design or operation of the internal controls over financial reporting.

  
\_\_\_\_\_  
Stephen L. Johnson  
Administrator

November 12, 2008

\_\_\_\_\_  
Date

## Federal Financial Management Improvement Act (FFMIA)

The Federal Financial Management Improvement Act requires that agencies implement and maintain financial management systems that comply with 1) federal financial management system requirements, 2) applicable federal accounting standards, and 3) the U.S. Government Standard General Ledger. Annually, agency heads are required to assess and report on whether these systems comply with the Federal Financial Management Improvement Act.

In assessing compliance with the Federal Financial Management Improvement Act, EPA uses the Federal Financial Management Improvement Act implementation guidance, results of the Office of Inspector General reports, annual financial statements audits, the Agency's annual Federal Information Security Management Act Report, and other systems-related activities.

In FY 2008, EPA corrected two systems-related material weaknesses which were originally identified in FY 2007. As a result of its corrective actions, the Agency closed one of these material weaknesses and downgraded the other to an Agency-level weakness. (See *Section IV, Other Accompanying Information*, for details.) Based on all information assessed, the Agency has determined that the Agency is in substantial compliance with the Federal Financial Management Improvement Act for FY 2008.

## Federal Information Security Management Act (FISMA)

The Federal Information Security Management Act directs federal agencies to evaluate the effectiveness of their information security programs and practices annually and submit a



report—including an independent evaluation by the Inspector General—to the Office of Management and Budget. Agencies also report quarterly to the Office of Management and Budget on the status of remediation of weaknesses found.

EPA’s Chief Information Officer, senior agency program officials, and Inspector General submitted EPA’s Federal Information Security Management Act Report for FY 2008 on October 1, 2008. The report presents the results of the Agency’s annual security program reviews and reflects EPA’s continued efforts to ensure that information assets are protected and secured in a manner consistent with the risk and magnitude of the harm resulting from the loss, misuse, or unauthorized access to or modification of information. The Agency plans to focus its FY 2009 efforts on providing Agency managers with near real time information on their security posture based on Agency collected security metrics.

In FY 2008, EPA and the Office of Inspector General reported no significant deficiencies in its information security systems.

### Inspector General Act Amendments of 1988

EPA uses the results of the Office of Inspector General audits and evaluations to assess its progress toward its strategic goals and make corrections and adjustments to improve program effectiveness and efficiency. The Agency is continuing to strengthen its audit management, addressing audit follow-up issues and working to complete corrective actions expeditiously and effectively to improve environmental results. During FY 2008, for example, the Office of Inspector General, in conjunction with the Office of the Chief Financial Officer, initiated a comprehensive audit follow-up review process to promote greater Agency awareness of, accountability for, and completion of outstanding unimplemented Office of Inspector General recommendations.

In FY 2008, EPA was responsible for addressing Office of Inspector General recommendations and tracking follow-up activities for 384 audits. The Agency achieved final action (completing all corrective actions associated with the audit) on 163 audits, which included program evaluation/program performance, assistance agreement, and single audits. EPA’s FY 2008 management activities for audits with associated dollars are represented in the table below:

Category	Disallowed Costs (Financial Audits)		Funds Put To Better Use (Performance Audits)	
	Number	Value	Number	Value
A. Audits with management decisions but without final action at the beginning of the period	67	\$ 63,555,893	7	\$ 95,477,000
B. Audits for which management decisions were made during the period	151	\$ 15,697,008	6	\$ 21,228,301
(i) Management decisions with disallowed costs (56)				
(ii) Management decisions with no disallowed costs (95)				

C. Total audits pending final action during the period (A+B)	218	\$ 79,252,901	13	\$ 116,705,301
D. Final action taken during the period:	159	\$ 5,537,144	4	\$ 2,683,900
(i) Recoveries				
a) Offsets		\$ 233,935		
b) Collection		\$ 1,405,776		
c) Value of Property		\$ 0		
d) Other		\$ 1,390,746		
(ii) Write-Offs		\$ 1,553,210		
(iii) Reinstated Through Grantee Appeal		\$ 953,477		
(iv) Value of recommendations completed				\$ 68
(v) Value of recommendations management decided should/could not be completed				\$ 2,683,832
E. Audits without final action at end of period (C-D)	59	\$ 73,715,757	9	\$114,021,401

EPA's FY 2008 management activities for audits without dollars are summarized below:

- **Final Corrective Action Not Taken.** Of the 384 audits that EPA tracked, a total of 215 audits—which include program evaluation/program performance, assistance agreement, contracts, and single audits—were without final action and not yet fully resolved at the end of FY 2008. (The 27 audits with management decisions under administrative appeal by the grantee are not included in the 215 total; see discussion below.)
- **Final Corrective Action Not Taken Beyond 1 Year.** Of the 215 audits, EPA officials had not completed final action on 47 audits within 1 year after the management decision (the point at which the Office of Inspector General and the Action Official reach agreement on the corrective action plan). Because the issues to be addressed may be complex, Agency managers often require more than 1 year after management decisions are reached with the Office of Inspector General to complete the agreed-upon corrective actions. These audits are listed below by category—audits of program performance and single audits—and identified by title and responsible office. Additional details are available on EPA's Web site at [www.epa.gov/ocfo/par/2008par](http://www.epa.gov/ocfo/par/2008par).
  - *Audits of Program Performance.* Final action for program performance audits occurs when all corrective actions have been implemented, which may take longer than 1 year when corrections are complex and lengthy. Some audits include recommendations requiring action by more than one office. EPA is tracking 35 audits in this category:

**Office of Administrator:**

2007-P00013 Evaluation of National Environmental Performance Track

**Office of Air:**

2005-P00010 Evaluation of Clean Air Act Title V Operating Permit Quality

**Office of the Chief Financial Officer:**

2006-P00027 Undistributed Superfund Costs

2007-100019 2006 Agency Financial Statement – General

**Office of Enforcement & Compliance Assurance:**

2001-P00013 State Enforcement Effectiveness – National Audit  
2004-P00021 Evaluation of EPA's Petroleum Refinery Enforcement and Compliance  
2005-P00024 Priority Enforcement and Compliance Assurance Universe  
2006-P00034 Environmental Justice Survey  
2007-P00027 Benchmarking other Organization's Statistically Valid Compliance

**Office of Environmental Information:**

2007-P00007 Managing Contractor Systems and Reporting Incidents  
2007-P00008 EPA Could Improve Controls Over Mainframe Software

**Office of Prevention, Pesticides & Toxic Substances:**

2006-P00009 Impact of Data Gaps on EPA's Implementation of the Food Quality Protection Act  
2007-P00018 EPA Did Not Properly Process Hospital Disinfectant

**Office of Solid Waste and Emergency Response:**

2000-P00028 Resource Conservation and Recovery Act Corrective Actions  
2003-P00010 Mega EPA's National Hardrock Mining Framework  
2003-P00012 EPA's Response to the World Trade Center Collapse  
2004-P00005 Mega Financial Responsibilities at Superfund Mine Sites  
2005-P00026 Resource Conservation and Recovery Act Financial Responsibility Requirements  
2006-P00013 SF Mandate: Program Efficiencies  
2006-P00016 EPA's Management Strategy for Contaminated Sediments  
2006-P00027 Undistributed Superfund Costs  
2006-P00007 More Information Is Needed on Toxaphene Degradation Products  
2006-P00022 EPA Needs to Better Implement CIPP  
2007-P00002 Asbestos Cleanup in Libby, Montana  
2007-200003 Superfund Cooperative Agreement Obligations  
2007-P00005 Review of Resource Conservation and Recovery Act Interim Status Permits

**Office of Water:**

2002-P00012 Controlling and Abating Combined Sewer Overflows  
2004-P00030 EPA's Pretreatment Program  
2005-P00025 Challenges/Opportunities to Implement the Watershed Approach  
2006-P00007 More Information Is Needed on Toxaphene Degradation Products  
2006-P00016 EPA's Management Strategy for Contaminated Sediments  
2007-P00025 EPA Can Improve Its Oversight of Audit Followup

**Region 2:**

2007-P00016 Ringwood Mines/Landfill Superfund Site

**Region 3:**

2007-P00004 Nonpoint Source Best Management Practices in Chesapeake Bay Restoration

**Region 5:**

2007-S00002 Superfund Special Accounts

- *Single audits.* Final action for single audits occurs when non-monetary compliance actions are completed. This may take longer than 1 year to implement if the findings are complex or if the grantee does not have the resources to take corrective action. Single audits are conducted of nonprofit organizations, universities, and state and local governments. EPA is tracking completion of corrective action on single audits for the period beginning October 1, 2007.

**Region 5:**

2005-300114 North Lawrence Water Authority, FY 2003

**Region 9:**

2005-300212 Yavapai Apache Nation FY 2003

2005-300211 Yavapai Apache Nation FY 2002

**Region 10:**

2002-300009 Iliama Village Council

2002-300042 Iliama Village Council

2003-300047 Stevens Village Council

2003-300117 Stevens Village Council

2003-300145 Circle Village Council

2004-300011 Northway Village Council

2005-300084 Hoonah Indian Association – FY 2002

2005-300218 Chalkyitsik Village Council

2005-300239 Chalkyitsik Village Council

2006-300085 Stevens Village Council FY 2003

- *Audits of Assistance Agreements.* Final action for assistance agreement audits can take longer than 1 year, as the grantee may appeal, refuse to repay, or be placed on a repayment plan that spans several years.

**Region 3:**

2001-100101 Center for Chesapeake Communities Assistance Agreements

- *Audits Awaiting Decision on Appeal.* EPA regulations allow grantees to appeal management decisions on financial assistance audits that seek monetary reimbursement from the recipient. In the case of an appeal, EPA must not take action to collect the account receivable until the Agency issues a decision on the appeal. At the end of FY 2008, 27 audits were in administrative appeal. When these audits are out of appeal and all issues have been resolved, they will be captured in audit follow-up data reported in EPA's Performance and Accountability Report.

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<sup>1</sup> This figure includes 25 percent of the total amount of waste reduction, waste prevention, recycling, and buy-recycled efforts reported by those WasteWise partners who submitted annual reports to EPA for 2007. EPA is not claiming that all of the waste reduction, waste prevention, recycling, and buy-recycled efforts achieved by WasteWise partners are attributable to the WasteWise program. EPA is working on a method to better quantify the impact of WasteWise on business behavior and waste reduction.

<sup>2</sup> Data source: Integrated Compliance Information System(ICIS), available at: <http://www.epa.gov/compliance/data/systems/modernization/index.html>

<sup>3</sup> Data source: Integrated Compliance Information System(ICIS), available at: <http://www.epa.gov/compliance/data/systems/modernization/index.html>

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<sup>4</sup> The estimate of benefits reducing PM<sub>2.5</sub> precursors was generated using the mean values of benefit per ton estimates from source/pollutant combinations from the Laden et al. (2006) epidemiological study discussed in the Ozone NAAQS Final Regulatory Impact Analysis (RIA). U.S. EPA, 2006. The benefit-per-ton estimates do not include health benefits from reducing ozone precursors, ecological benefits, visibility benefits, or other unquantified/nonmonetized health benefits. For more detailed information regarding benefit per ton estimates, please see U.S. EPA. *Technical Support Document: Calculating Benefit Per-Ton estimates*, Ozone NAAQS Docket #EPA-HQ-OAR-2007-0225-0284, 2008. Available: <http://www.regulations.gov/fdmspublic/component/main?main=DocumentDetail&o=09000064803f33e4>.