

Environmental Protection Agency
2004 Annual Performance Plan and Congressional Justification
Table of Contents

Goal 10: Effective Management	X-1
Provide Leadership.....	X-8
Manage for Results Through Services, Policies, and Operations	X-12
Provide Quality Work Environment.....	X-26
Provide Audit, Evaluation, and Investigative Products and Services.	X-32

Environmental Protection Agency

FY 2004 Annual Performance Plan and Congressional Justification

Effective Management

Strategic Goal: EPA will maintain the highest-quality standards for environmental leadership and for effective internal management and fiscal responsibility by managing for results.

Resource Summary

(Dollars in thousands)

	FY 2002 Actuals	FY 2003 Pres. Bud.	FY 2004 Request	FY 2004 Req. v. FY 2003 Pres Bud
Effective Management	\$443,458.1	\$460,815.7	\$468,826.6	\$8,010.9
Provide Leadership	\$47,027.5	\$49,850.6	\$51,380.5	\$1,529.9
Manage for Results Through Services, Policies, and Operations.	\$176,749.8	\$201,230.9	\$198,525.6	(\$2,705.3)
Provide Quality Work Environment.	\$166,878.6	\$156,141.5	\$162,127.5	\$5,986.0
Provide Audit, Evaluation, and Investigative Products and Services	\$52,802.2	\$53,592.7	\$56,793.0	\$3,200.3
Total Workyears	2,009.9	1,942.2	1,890.9	-51.3

Background and Context

The programs under this Goal are designed to deliver services that enable EPA program offices to make results-based decisions and meet environmental protection goals in a cost-effective manner. Sound leadership, proactive management of human resources, policy guidance, innovation, quality customer service, consultation with stakeholders, results-based planning and budgeting, fiscal accountability, and careful stewardship of our resources provide the foundation for everything EPA does to advance the protection of human health and the environment.

Developing and carrying out these policies and services is accomplished through focus on front-line customer services and measuring results. EPA routinely consults and coordinates with industries, communities and other customers and partners to identify emerging issues and develop strategies to meet shared objectives. In addition, work under this goal ensures that EPA's management systems and processes are supported by independent evaluations that promote operational integrity and program efficiency and effectiveness, allowing us to obtain the greatest return on taxpayer investments.

Activities under this goal support the full range of Agency activities for a healthy and sustainable environment and include the following areas:

- \$ Effective vision and leadership;
- \$ Results-based planning and budgeting;
- \$ Fiscal accountability;
- \$ Quality customer service;
- \$ Professional development of the Agency workforce;
- \$ Independent evaluation of Agency programs;
- \$ Investment in core infrastructure;
- \$ Streamlined business processes;
- \$ Program integrity;
- \$ Management of human resources; and
- \$ Performance-based procurement.

EPA's strategy for providing effective management specifically addresses the major challenges facing the Federal government as a whole. EPA's management objectives align closely with the President's Management Agenda:

- \$ *Strategic Management of Human Capital:* The Agency's Human Capital Action Plan will build on the work we have accomplished for FY 2002 and plan for FY 2003, and implement several new initiatives, including: a mechanism to recruit and retain talented researchers; a program to attract desirable skills and competencies through a multi-media approach; and, targeted electronic recruitment that links with one of the leaders in private-sector electronic recruitment.
- \$ *Improved Financial Performance:* To further strengthen grants management, EPA is developing a long-term strategic plan. The Agency's five-year Strategic Plan for Grant's Management will focus on: developing a skilled grants management workforce; promoting grant competition; enhancing the Agency's oversight program; and improving accountability, coordination and resource management of grants. The Agency continues to make significant progress on the replacement of its aging financial management systems, and will focus on completing the Agency payroll implementation plan, making recommendations for replacing EPA's integrated financial management system, and developing desk-top access to key cost accounting and performance information.
- \$ *Competitive Sourcing:* EPA has worked diligently to implement the Agency's Competitive Sourcing Action Plan and received a "green" Executive Scorecard progress score from OMB. To sustain this progress, EPA has formed an Agency-wide team to adopt an ongoing, strategic approach to Competitive Sourcing. In FY 2004, the full-time, senior team members will benchmark best practices, identify candidate positions for competition or conversion, and provide suggestions to better align future Federal Activity Inventories with the Competitive Sourcing process.
- \$ *Budget and Performance Integration:* EPA received a "green" Executive Scorecard progress score from OMB, and the Agency will continue improving the quality of its

performance goals and measures and restate them more closely to environmental outcomes across its goals. In FY 2004, the Agency will develop new sources of performance data, improve the quality and usability of existing data sources, and develop tools to set strategic priorities and track performance.

- \$ *E-Government:* The Agency's financial systems modernization initiative, which is framed by the Agency's Enterprise Architecture development efforts, is being designed to make maximum use of enabling technologies for e-Government, including e-Grants, e-Procurement, e-Payroll, and e-Travel. (See Goal 7 for the full discussion of the Agency's strategy for e-government issues.)

Means and Strategy

The Agency will continue to provide vision, leadership, policy and oversight for all its programs and partnerships. It will employ management strategies to advance the protection of human health and the environment. Strategies that cut across all organizational boundaries and are imperative to performing the Agency's mission are:

- \$ Developing partnerships with stakeholders to ensure mutual goals are met;
- \$ Committing to manage human resources; foster diversity; and work to secure, develop, empower, and retain talented people to accomplish the Agency's environmental mission;
- \$ Promoting energy efficiency and Green procurement, and, maintaining a safe, healthy, and productive work environment for EPA employees;
- \$ Implementing streamlined systems and processes in grants and contracts/management;
- \$ Promoting cost-effective investment in environmental protection and public health through sound stewardship and responsible results-based management. EPA works to achieve this goal through keeping pace with technological change, meeting accounting standards, consulting with customers and stakeholders, and improving delivery of services;
- \$ Providing responsive and accountable management;
- \$ Assessing management challenges and program risks identified by Congress, oversight agencies, EPA's Office of Inspector General (OIG) and state and Tribal partners; and
- \$ Recognizing the special vulnerability of children to environmental risks and facilitating the intensified commitment to protect children.

In FY 2004, the Agency will continue its emphasis on the implementation of the Human Capital Action Plan. In addition to improving current programs, new initiatives in FY 2004 include a focused program to recruit and retain talented researchers; a pilot outreach and recruiting program to attract desirable skills and competencies and carried out through a multi-

media approach; and, targeted electronic recruitment that links with one of the leaders in private-sector electronic recruitment. These efforts support the President's Management Agenda and provide a comprehensive approach to managing human capital.

In continuing to provide a quality work environment that is energy conscious and values employee safety and security, the Agency will implement repair and improvement projects at several EPA facilities. These facilities provide the tools essential to research innovative solutions for current and future environmental problems and enhance our understanding of environmental risks. In FY 2004, EPA's goals in this area are aimed at reducing energy consumption at its facilities by encouraging the use of new and advanced technologies and energy savings performance contracts.

The Agency will ensure a high level of integrity and accountability in the management of grants and contracts to protect Federal funds from waste, fraud, and abuse so taxpayers receive the full benefit of the government's investment in environmental protection. In FY 2004, the EPA will focus on strengthening grants management by improving monitoring and auditing of grants management activities, which will strengthen the Agency's ability to ensure that grantees comply with both administrative and programmatic grant requirements. These efforts support the President's Management Agenda for Improved Financial Performance.

By building on the success of its integrated planning, budgeting, and accountability processes and initiatives, EPA promotes the implementation of the Government Performance and Results Act (GPRA) to ensure sound stewardship of Agency fiscal resources. As part of this effort, the Agency is improving its capabilities to use performance data and other information to make cost-effective investments for environmental results. EPA collaborates extensively with partners and stakeholders to forge the partnerships required for shared approaches to meeting the challenges of GPRA. EPA consults with internal customers on fiscal management services to meet their needs for timeliness, efficiency and quality.

Audit, evaluation, investigative, and advisory products and services contribute to effective management by facilitating the accomplishment of the Agency's mission. Specifically, audits, evaluations, and advisory services lead to improved economy, efficiency, and effectiveness in EPA business practices and assist in the accomplishment of environmental goals. Investigations detect and deter fraud and other improprieties which undermine the integrity of EPA programs and resources. All OIG work is focused on the anticipated value it will have on influencing resolution of the Agency's major management challenges, reducing risk, improving management and program operations, and saving taxpayer dollars while leading to the attainment of EPA's strategic goals.

The Agency will continue its commitment to protect children's health by targeting resources towards activities that will ensure that the decisions and actions taken by the Agency consider risks to children, including working to develop sound scientific information to provide the basis for these decisions and actions. The Agency will also provide policy direction and guidance on equal employment opportunity and civil rights. The Agency's Administrative Law Judges and its Environmental Appeals Board Judges will issue decisions on administrative complaints and environmental adjudications, respectively, in a timely manner.

Strategic Objectives

- Provide Leadership
- Manage for Results Through Services, Policies, and Operations
- Provide Quality Work Environment
- Provide Audit, Evaluation, and Investigative Products and Services

Highlights

In support of the President's Management Agenda, the Agency will build on on-going efforts to strategically manage its human capital action plan. In FY 2004, EPA will focus on several key human capital initiatives; the Senior Executive Service (SES) Candidate Development Program, Management Development Program, and New Skills/New Options Development Program. The Agency plans to hire 20 additional interns using the EPA Intern Program and will enroll 50 candidates in the SES Candidate Development Program. These programs constitute key components in *Investing in Our People, EPA's Strategy for Human Capital*, and address Agency concerns over the potential loss of leadership, institutional knowledge and senior management expertise.

The Agency is committed to strengthening grants management and moving toward a green light in improved financial performance under the President's Management Agenda. In FY 2004, EPA's efforts will focus on post-award monitoring, including managing the administrative on-site review contractors, analyzing trends in grantee noncompliance, conducting desk reviews, and identifying potential candidates for on-site reviews. In addition, the Agency will implement its five-year strategic plan for grant's management and work via the Grant Competition advocate to ensure compliance with the new EPA Order on Grant Competition.

Agency management provides vision and leadership, and conducts policy oversight for all Agency programs. Sound management principles, practices, results-based planning and budgeting, fiscal accountability, quality customer service, rational policy guidance and careful stewardship of our resources are the foundation for everything EPA does to advance the protection of human health and the environment. The effectiveness of EPA's management systems, policies and procedures will determine, in large measure, how successful we will be in pursuit of the other goals identified in the Agency's annual plan.

In FY 2004, EPA will build on its progress in linking resources to environmental results through goal-based fiscal resource management. The Agency will provide more useful cost accounting information for environmental decision-making. EPA will make continued progress in assessing the environmental results of its program activities. Highlights of expected Agency FY 2004 achievements in effective management are:

- \$ Expand Agency and state partner capacity to manage for results through support for the improvement of the quality and use of performance measures.
- \$ Meet new Federal requirements for timely financial information and maintenance of a clean audit opinion on the Agency's financial statements to demonstrate the highest

caliber of resource stewardship and the credibility and reliability of Agency financial information.

- Continue efforts to provide decision-makers with integrated cost and performance information to support results-based management and progress on environmental priorities. FY 2004 efforts will focus on:
 - continued implementation phases for replacing EPA's integrated financial management system;
 - further development of desk-top access to key cost accounting and performance information;
 - continue improvement of the delivery of core financial management customer services;
 - provide Agency decision-makers with useful, reliable, and timely cost information associated with key results-based environmental information; and
 - further integration of cost and performance information.

The OIG will conduct and supervise independent and objective audits, evaluations, and investigations relating to Agency management and program operations, and will provide advisory and assistance services. The OIG will also review and make recommendations regarding existing and proposed legislation and regulations impacting the Agency. In addition, program evaluations/audits and four other types of audits will be conducted: contract, assistance agreement, financial statement, and systems audits. Four types of investigations will be performed: program integrity, assistance agreement, contract and procurement, and employee integrity.

The OIG Computer Crimes Unit will conduct investigations of computer intrusions, support the OIG and Agency personnel as a Penetration Testing laboratory, and provide a Forensics laboratory to assist with OIG investigations. Further, the OIG will receive, analyze, and facilitate the resolution of citizens' complaints regarding Agency programs and activities as part of the ombudsman function. Combined, these activities promote economy, efficiency, and effectiveness within the Agency, prevent and detect fraud, waste, and abuse, and contribute to improved environmental quality and human health. The OIG will keep the EPA Administrator and Congress informed fully of problems and deficiencies identified in Agency management and program operations and the necessity for corrective actions.

EPA will continue its commitment to protect children's health. The Agency will direct resources toward the programs that reduce risks to children from a range of environmental hazards. In 2004, the Agency will continue to work to decrease the frequency and severity of asthma attacks in children through reduction and avoidance of key asthma triggers, including environmental tobacco smoke, prevalent indoor allergens and ambient air pollution. The Agency will continue efforts to reduce children's exposure to lead, particularly in low income minority

neighborhoods, where children living in older housing are much more likely to be exposed to lead.

External Factors

EPA would be affected by limited availability of environmental data required to measure results and make decisions relating resources to results.

The ability of the Office of Inspector General to accomplish its annual performance goals is dependent, in part, on external factors. Indictments, convictions, fines, restitutions, civil recoveries, suspensions, and debarments are affected by the actions of others (e.g., the Department of Justice). In addition, the prosecutive criteria established within various jurisdictions (e.g., dollar thresholds) can affect the number of investigative cases.

Environmental Protection Agency

FY 2004 Annual Performance Plan and Congressional Justification

Effective Management

Objective: Provide Leadership

Provide vision, national and international leadership, executive direction, and support for all Agency programs.

Resource Summary (Dollars in Thousands)

	FY 2002 Actuals	FY 2003 Pres. Bud.	FY 2004 Request	FY 2004 Req. v. FY 2003 Pres Bud
Provide Leadership	\$47,027.5	\$49,850.6	\$51,380.5	\$1,529.9
Environmental Program & Management	\$47,027.5	\$49,850.6	\$51,380.5	\$1,529.9
Total Workyears	306.4	311.4	310.6	-0.8

Key Program (Dollars in Thousands)

	FY 2002 Enacted	FY 2003 Pres. Bud.	FY 2004 Request	FY 2004 Req. v. FY 2003 Pres Bud
Administrative Law	\$2,684.0	\$2,869.8	\$2,930.3	\$60.5
Childrens Health, Program Development and Coordination	\$6,099.0	\$6,670.9	\$6,710.4	\$39.5
Civil Rights/Title VI Compliance	\$10,143.6	\$11,770.7	\$12,113.8	\$343.1
Environmental Appeals Boards	\$1,667.3	\$1,737.7	\$1,774.8	\$37.1
Executive Support	\$3,113.0	\$3,121.2	\$3,178.5	\$57.3
Facilities Infrastructure and Operations	\$5,226.9	\$4,492.7	\$4,646.6	\$153.9
Immediate Office of the Administrator	\$4,175.9	\$4,343.7	\$4,413.9	\$70.2
Intergovernmental Relations - OA	\$2,167.4	\$2,292.7	\$2,447.3	\$154.6

	FY 2002 Enacted	FY 2003 Pres. Bud.	FY 2004 Request	FY 2004 Req. v. FY 2003 Pres Bud
Legal Services	\$3,979.2	\$4,360.4	\$4,528.7	\$168.3
Management Services and Stewardship	\$405.1	\$430.6	\$315.4	(\$115.2)
Regional Management	\$7,546.5	\$7,760.2	\$8,320.8	\$560.6

FY 2004 Request

The Agency's environmental protection framework is based on partnerships with state and Tribal governments. They are challenging their leaders to adopt tough but achievable goals for the environment including cleaner air, purer water, and better protected lands. EPA must meet these challenges while offering people and institutions the flexibility to find cost-effective ways to achieve those goals. Agency management will provide the vision and leadership needed to enable EPA to meet its commitments to protect public health and the environment in FY 2004 and beyond.

EPA will work with the states and negotiate performance partnerships with the states to agree on environmental outcomes that the states will achieve using resources they receive from the Agency. Resources dedicated to Regional management will serve to coordinate and implement, at the Regional level, the Administrator's management priorities, from an integrated cross-programmatic and multi-media point of view. They will also serve to implement integrated data management and Internet activities at the Regional level, in support of the E-Government provisions of the President's Management Agenda.

EPA will continue its commitment to protect children's health. The Agency will direct resources toward the programs that reduce risks to children from a range of environmental hazards. In FY 2004, the Agency will focus on research and analyses to provide scientific and economic information needed to address the heightened risks faced by children from environmental contaminants. The Agency will continue to work to decrease the frequency and severity of asthma attacks in children through reduction and avoidance of key asthma triggers, and to reduce children's exposure to lead, particularly in low income minority neighborhoods where children living in older housing are much more likely to be exposed to lead. We will continue to build partnerships and work with other Federal agencies, states, health care providers, and international organizations to incorporate children's environmental health into their programs and activities. We will also work with our state, local and other partners to provide information and tools to make school environments healthy places for children to learn and grow.

In FY 2004, policy, direction, and guidance will be provided within the Agency on equal employment opportunity, civil rights and diversity issues. The Agency will continue to work diligently to process all Title VII internal employment discrimination complaints as expeditiously as possible, with less than 10% of the total complaints inventory in a backlog

status. Appropriate training will be provided to Office of Civil Rights (OCR) staff to conduct Title VII counseling and investigations. EPA will continue to administer and monitor the implementation of affirmative employment programs. Furthermore, the Agency will manage special emphasis programs designed to improve the representation, utilization, and retention of minorities, women, and persons with disabilities in the Agency's workforce. Finally, the external compliance program, including Title VI of the Civil Rights Act of 1964, will prohibit discrimination in programs and activities that receive financial assistance from EPA. EPA will also issue Title VI guidance on limited English proficiency in accordance with guidelines established by the Department of Justice and develop/implement a Title VI compliance review program.

The Environmental Appeals Board (EAB) will issue final Agency decisions in environmental adjudications on appeal to the Board. These decisions are the end point in the Agency's administrative enforcement and permitting programs. The right of affected persons to appeal these decisions within the Agency is conferred by various statutes, regulations and constitutional due process rights. The Administrative Law Judges (ALJs) will preside in hearings and issue decisions in cases initiated by EPA's enforcement program concerning those accused of environmental violations under various environmental statutes. The ALJs have increased their use, in recent years, of alternative dispute resolution techniques to facilitate the settlement of cases and, thereby, avoid more costly litigation. Recently, the EAB and ALJs acquired access to videoconferencing technology that can also be used to reduce the expenses for all parties involved in the administrative litigation process.

The Office of Executive Support will provide the Agency with management infrastructure services, including personnel, administrative, budget, planning, integrity, ethics, computer support, information management security, and financial management support. The Office will assist managers and supervisors in hiring a qualified and diverse staff in accordance with the Agency's affirmative action and human resource management programs and principles. This Office will also provide the expertise, reports, financial analyses, program analyses, and related information that managers need to make decisions and understand the resource implications of their management decisions. Automated data processing and information resource management support will also be provided to meet the increasing information resource needs of the Agency, as well as development and implementation of information management security policies needed to protect electronic data.

FY 2004 Change from FY 2003 Request

There are increases for payroll, cost of living and enrichment for new and existing FTE.

Verification and Validation of PMs

None

Coordination with Other Agencies

The Administrator co-chairs, along with the Secretary of the Department of Health and Human Services, the Interagency Task Force on the Protection of Children from Environmental Health Risks. About 15 Federal cabinet departments, agencies and White House councils are members of the Task Force. EPA performs the staff work for the Task Force.

Statutory Authority

Administrative Procedure Act

Civil Rights Act of 1964, Title VI

Civil Rights Act of 1964, Title VII

Environmental Protection Agency

FY 2004 Annual Performance Plan and Congressional Justification

Effective Management

Objective: Manage for Results Through Services, Policies, and Operations.

Demonstrate leadership in managing for results by providing the management services, administrative policies, and operations to enable the Agency to achieve its environmental mission and to meet its fiduciary and workforce responsibilities and mandates.

Resource Summary (Dollars in Thousands)

	FY 2002 Actuals	FY 2003 Pres. Bud.	FY 2004 Request	FY 2004 Req. v. FY 2003 Pres Bud
Manage for Results Through Services, Policies, and Operations.	\$176,749.8	\$201,230.9	\$198,525.6	(\$2,705.3)
Environmental Program & Management	\$147,699.4	\$164,431.9	\$169,323.4	\$4,891.5
Hazardous Substance Superfund	\$28,207.5	\$35,352.7	\$27,899.6	(\$7,453.1)
Leaking Underground Storage Tanks	\$663.6	\$1,194.4	\$1,073.3	(\$121.1)
Oil Spill Response	\$6.2	\$53.2	\$52.5	(\$0.7)
Science & Technology	\$173.1	\$198.7	\$176.8	(\$21.9)
Total Workyears	1,325.3	1,243.1	1,181.2	-61.9

Key Program (Dollars in Thousands)

	FY 2002 Enacted	FY 2003 Pres. Bud.	FY 2004 Request	FY 2004 Req. v. FY 2003 Pres Bud
Environmental Finance Center Grants (EFC)	\$2,000.0	\$2,000.0	\$2,000.0	\$0.0
Facilities Infrastructure and Operations	\$50,675.0	\$54,819.0	\$55,131.4	\$312.4

	FY 2002 Enacted	FY 2003 Pres. Bud.	FY 2004 Request	FY 2004 Req. v. FY 2003 Pres Bud
Legal Services	\$4,614.5	\$4,964.6	\$5,136.0	\$171.4
Management Services and Stewardship	\$63,826.6	\$67,328.8	\$86,300.8	\$18,972.0
Planning and Resource Management	\$56,295.3	\$62,791.1	\$44,830.9	(\$17,960.2)
Public Access	\$1,429.0	\$0.0	\$0.0	\$0.0
Regional Management	\$8,934.6	\$7,725.1	\$3,380.5	(\$4,344.6)
Regulatory Development	\$1,608.0	\$1,602.3	\$1,746.0	\$143.7

FY 2004 Request

In FY 2004 Agency activities to support results-based decision-making and sound financial stewardship include the following activities: Strategic Planning, Annual Planning and Budgeting, Financial Services, Financial Management, Analysis, and Accountability. Through these activities the Agency provides executive direction for the Agency's budget, financial, and resource management functions; develops and manages a results-based management system; manages the annual planning and budgeting process; provides financial accounting and fiscal services to the Agency; operates and maintains the Agency's integrated financial management system; provides support to the Agency's Superfund cost recovery efforts; prepares the annual financial statements and performance reports; and coordinates the planning and budgeting process for the Agency Working Capital Fund. In addition, EPA's Environmental Financing Program assists states and localities in meeting their critical environmental infrastructure needs in a sustainable manner. The program provides grants to a network of university-based Environmental Finance Centers which, in turn, provide training, expert advice, education, and analysis to states, local communities and small businesses. As part of Agency efforts to provide the American public with innovative, market-based programs and services, EPA actively reviews programs as part of its Federal Activities Inventory Reform (FAIR) Act process.

In FY 2004, Regional Information Technology (IT) organizations will continue to provide support to local program offices in the areas of hardware requirements determination, software programming and applications, records management systems, data base services, Local Area Network (LAN) activities, intranet web design, and desktop support. EPA's environmental information efforts require the Agency to ensure that its keeping pace with the states and tribes in the areas of data collection, management, and utilization. Consequently, in FY 2004 EPA will emphasize its state data management grants, both from an IT and grants management perspective. Additionally, EPA will continue to focus on information security and the need for each Region to have an internal IT security capacity. The Regions will implement Agency information resources management policies in areas such as data and technology standards, central data base services, and telecommunications. The Regions will also operate Regional Centers for Environmental Information in both the Regional offices and laboratories. The

Regions will also continue to work with Headquarters on the implementation of cost accounting procedures to capture in detail all IT expenditures for all EPA offices.

Resources within this objective are aligned with four of the five initiatives outlined in the President's Management Agenda: Strategic Management of Human Capital, Competitive Sourcing, Improved Financial Performance, and Budget and Performance Integration. The fifth initiative, E-Government, is discussed in Goal 7.

Grants Management

A key component of this objective is the Agency's management of contracts and grants, which are in support of EPA's environmental mission. In FY 2004, the Agency will increase its investment to strengthen grants management. Resources will be used to: obtain contractor support to perform administrative on-site reviews and grant closeouts; provide training and technical assistance to Tribal and non-Tribal recipients on administrative grant requirements, including establishment of a grantee clearinghouse; pre-certify financial systems of non-profit recipients; and develop a comprehensive training program on grant competition. These efforts will enhance the management of our grants to support our environmental programs.

Strategic Management of Human Capital

To date, EPA has accomplished several important milestones in implementing its Human Capital Action Plan. The Agency has successfully implemented the EPA Intern Program, which attracts highly skilled new talent to the Agency. The Agency has also implemented a Management Development Program, which is aimed at equipping managers with cutting edge management skills and techniques, and a Senior Executive Service Development Program, which focuses on identifying and training the next level of senior leadership at EPA. In FY 2004, additional resources are needed to strengthen and optimize existing programs. These efforts will allow the Agency to provide a continuity of service in existing programs and expand current efforts to include new initiatives. In addition to these ongoing efforts, the Agency will implement new initiatives, including a mechanism to recruit and retain talented researchers that EPA may not otherwise be able to attract through implementation of a focused pilot program (not subject to Title V) to hire up to five researchers a year with a salary cap of \$200,000; a pilot outreach and recruiting program to attract desirable skills and competencies and carried out through a multi-media approach; and, targeted electronic recruitment that links with one of the leaders in private-sector electronic recruitment.

The Agency will implement an Innovation Fund which will foster results-oriented projects that will better integrate human capital efforts into the Agency's day to day work. As the Agency prepares for the potential retirement of a significant portion of its workforce, these products and tools will provide the foundation for the development of the Agency's next generation of leaders. It will also enable the Agency to build a workforce with the skills, flexibility, diversity of background and outlook to pursue this Agency's environmental mission by building into its structure the flexibility needed to quickly redeploy critical mission skills.

In addition, an investment is required to support the Agency's new Human Resources Management System (HR Pro). Fully deployed, HR Pro will provide a faster, more efficient means of conducting a full range of human resources business processes. The corporate human resources system will also provide an extensive workforce information data repository to support management planning and decision-making functions while serving as the authoritative source of "people" information for integration, synchronization and/or consolidation of stand-alone systems across the agency.

Competitive Sourcing

EPA received a "green" Executive Scorecard progress score from OMB for its diligent work to implement the Agency's Competitive Sourcing Action Plan. The goal of the Plan is to promote cost effective and efficient services to the public through a productive Federal Activities Inventory Reform (FAIR) Act process. EPA successfully met and exceeded its FY 2002 competitive sourcing goal of directly converting or holding competitions on 5 percent of its FAIR Act inventory, and is well on its way to meeting the FY 2003 goal of 15 percent of its FAIR Act inventory. To sustain this progress and achieve the ultimate 50 percent goal, EPA has formed an agency-wide team to adopt an ongoing, strategic approach to Competitive Sourcing. The team of full-time, senior team members will benchmark best practices, identify candidate positions for competition or conversion and provide suggestions and guidance to better align future Inventories with the Competitive Sourcing process. After Agency Senior Executives have approved the team's suggestions, and adopted an Agency plan, resources will be devoted to ongoing implementation.

Improved Financial Performance

In FY 2004, the Agency will continue development of innovative approaches to meet Federal financial management challenges and continue to improve the delivery of core financial management customer services. EPA's financial management innovations are focused on providing Agency decision-makers with useful, reliable, and timely cost information associated with key results-based environmental information. By integrating cost and performance information, the Agency can further improve its capacity to manage for results and better support environmental priorities.

EPA, along with other Federal agencies, is facing unprecedented challenges in trying to meet both internal and external stakeholders' increasing expectations for more efficient and effective stewardship of resources and a results-based approach to managing those resources. The challenges associated with meeting stakeholder demands are augmented by a dynamic technical landscape, rapidly emerging technologies, and evolving independent, executive and legislative requirements.

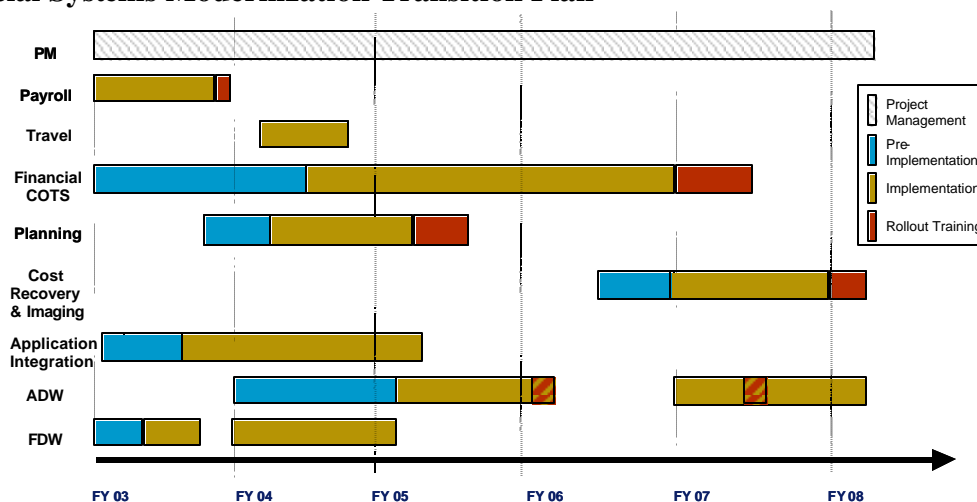
Key to improving financial performance is EPA's financial systems modernization initiative. This initiative is based on a phased, modular program to replace key elements of the Agency's aging systems. EPA began replacement of its 30 year old payroll system in 2001, and is now partnering with the Department of Agriculture to deploy a modern Commercial Off The Shelf (COTS) application under the Administration's e-Payroll initiative. Since its

implementation in 1989 the Agency's core financial system has been based on the Federal Financial System (FFS) software. Over the past decade, new requirements and demands have been placed on this system; however, implementation of changes needed to meet these requirements has been costly both in time and resources. When the FFS system was unable to accommodate EPA's needs, new systems were developed to track or house information. The result is a partially integrated system that supports strategic planning, annual planning and budgeting, financial management and services, and accountability functions.

The financial systems modernization initiative is fully aligned with the goals and strategies under the President's Management Agenda, especially those related to Budget and Performance Integration, Improved Financial Performance, and E-Government. In addition, this work is framed by the Agency's Enterprise Architecture development efforts, and is being designed to make maximum use of enabling technologies for E-Government initiatives, including E-Grants, E-Procurement, E-Payroll and E-Travel. The Agency's financial systems architecture provides the supporting infrastructure for EPA and enables the organization to achieve its environmental goals.

The proposed acquisition and implementation timeframe of the modernization program is from FY 2003 to FY 2007.

Financial Systems Modernization Transition Plan



The methodology used to implement this multi-year initiative will incorporate phased, modular deployments of system elements designed to deliver real benefits in the short term while work on longer term projects is ongoing. This will allow us to effectively meet evolving Federal requirements for cost accounting; include re-engineered and streamlined business processes; improve compliance with security and privacy requirements; and provide managers, supervisors and employees with ready access to data for analysis. Overall, the initiative will generate almost \$74 million in savings over the expected life cycle of the new system, when compared to the cost of the current systems environment. Benefits of the implementation methodology include:

- Implementation of the Enterprise Application Integration (EAI) project at the beginning of the lifecycle allows EPA to realize EAI benefits (e.g., standardization of interface

protocols, use of common interface functional capabilities, and management of communications with internal or external systems) early in the process. Additionally, it reduces the complexity/risks associated with the implementation of the Financial COTS on several accounts:

- The Financial COTS implementation team is no longer concerned with establishing or determining how interfaces to and from the system will be accomplished (i.e., separation of concerns).
- The Financial COTS team needs only to develop a single interface to the enterprise “hub” through a standard method and process. It does not need to create multiple interfaces to multiple systems using methods and processes that could prove to be incompatible with each other.
- Should the implementation of the Financial COTS take longer than expected, EPA would have already achieved a higher level of integration and ease of interface maintainability among its legacy systems, thus effectively extending the lifecycle of its legacy systems.
- Early implementation of the Financial Data Warehouse (FDW) project addresses current and short-term financial reporting needs of EPA early in the lifecycle. In addition, early implementation of FDW allows Administrative Data Warehouse (ADW) to evolve at a steady and non-constrictive pace.
- Later implementation of the Cost Recovery and Imaging project allows EPA ample time to analyze those EPA unique and critical cost recovery requirements not supported by the Financial COTS. Results of this analysis may result in streamlined cost recovery processes jointly supported by the Financial COTS and Cost Recovery and Imaging applications.
- Extended pre-implementation timeframes for the Financial COTS provide a greater degree of certainty that the selected Joint Financial Management Improvement Program (JFMIP) certified financial package will more closely meet EPA’s requirements.
- Extended implementation timeframes for the ADW provide a greater degree of certainty that ADW components will not require reengineering. ADW components are implemented only after the source application (e.g., Financial COTS, Cost Recovery and Imaging) is fully operational. The Payroll application will be the first to be integrated into the ADW as its implementation is completed first.
- Implementation of Planning is scheduled to provide sufficient time to have the application in place and fully implemented for use during the budget formulation process, which begins on March 1, 2005.

OCFO Activity	Specific Actions	Drivers
1. Improve Financial Performance	<ul style="list-style-type: none"> • Automate internal processes to reduce costs internally and within the Federal government by disseminating best practices across agencies • Support compliance with Federal laws and regulations • Support the operating, policy, and budget decision-making through improved timeliness • Streamline financial transactions and reengineering processes using best business practices • Expand the use of web-based technologies • Improve management of obligations to the Federal government by continuing to improve debt collection practices • Institute quarterly financial statements • Accelerate end of year reporting • Measure system compliance with agency ability to meet OMB and Treasury requirements 	<ul style="list-style-type: none"> • The President's Management Agenda (PMA) • OMB Circular A-127, JFMIP, GPRA, FFMIA, and FASAB • PMA • The Federal Financial Management 5 Year Plan and PMA • PMA • The Federal Financial Management 5 Year Plan
2. Improve Financial Service to the Customer	<ul style="list-style-type: none"> • Create easy-to-find single points of access to government services for individuals • Ensure IT investments minimize the redundancy and maximize the integration within an agency, as well as maximizing the interoperability between agencies • Develop financial management systems that provide timely, useable, reliable, and accessible financial information and reports to increase accountability and improve decision making and program management • Provide tools and reports that enable managers to budget and assess the full cost of programs and activities. • Offer common administrative services to achieve efficiencies and reduce cost • Explore electronic processing options for Grants • Streamline grant payment delivery • Support government-wide efforts to manage grant funds online through a common web site • Support government-wide electronic business processes, such as e-procurement • Re-engineer reporting processes and expand the use of web-based technologies 	<ul style="list-style-type: none"> • PMA • ITMRA, PMA • The Federal Financial Management 5 Year Plan • PMA and FASAB Standards • The Federal Financial Management 5 Year Plan • PMA • CFO Council • PMA • PMA • PMA
3. Maintain a Secure Financial System Environment	<ul style="list-style-type: none"> • Maintain a secure systems environment • Undertake a Public Key Infrastructure (PKI) to promote digital signatures for transactions within the Federal government • Integrate cost-effective security into government information systems to enable, and not unnecessarily impede, Agency business operations 	<ul style="list-style-type: none"> • The Federal Financial Management 5 Year Plan • PMA • Executive Order on Critical Infrastructure Protection in the Information Age dated October 16, 2001

OCFO Activity	Specific Actions	Drivers
4. Improve Financial Accountability	<ul style="list-style-type: none"> • Ensure sound accounting standards that provide the basis for EPA financial statements, and for consistent and reliable information • Prepare annual financial statements and obtain "clean" unqualified opinions • Require comparative financial statements • Report specific financial performance measurements 	<ul style="list-style-type: none"> • The Federal Financial Management 5 Year Plan • The Federal Financial Management 5 Year Plan • PMA • PMA
5. Improve Performance and Budget Integration	<ul style="list-style-type: none"> • Support the integration of program performance review with program budget decisions, and the production of performance based budgeting • Support the identification and monitoring of high quality performance measures and outcome measures of programs, and provide support for competitive sourcing initiatives. • Integrate financial and performance information 	<ul style="list-style-type: none"> • PMA • PMA • PMA

Budget and Performance Integration

The FY 2004 request includes resources for the Agency to develop new capacities to improve the quality and use of performance measures. This work is part of EPA's overarching endeavor to develop results-based goals and evaluate the Agency's work in terms of its impact on human health and the environment. The Agency has integrated Planning, Budgeting, Analysis, and Accountability (PBAA) processes to support EPA's implementation of GPRA. In FY 2004, EPA plans to continue to support program efforts to develop more outcome-based annual goals and measures, develop new sources of performance data, improve the quality and usability of existing data sources, and develop tools to set strategic priorities and track performance.

These objectives will be achieved through targeted efforts with EPA programs and state partners. This effort will support results-based management through a variety of potential approaches such as: addressing data gaps to develop more outcome oriented measures and goals, increasing state use of environmental data and performance information in environmental policy and management decisions, promoting integration of information on environmental conditions with other management systems used to make environmental policies and management decisions, supporting development of statistical models for linking program outputs and environmental improvements, and developing best practices and case studies based on current successful EPA or state environmental management efforts.

As part of these efforts, EPA will continue to consult with its partners and stakeholders (states, Tribes, local government, other Federal agencies, environmental associations, industry groups, the EPA Science Advisory Board) and the Congress and OMB. EPA will work to link annual plans to long-term goals and objectives of the Agency. Our continued work with state governments through the Environmental Council of the States (ECOS) and Tribal governments will ensure collaboration and cooperation with respect to the Agency's short- and long-term goals and objectives. In the development of the Agency's Annual Plan, EPA will involve the Agency's regulatory partners (principally states and Indian tribes) in identifying short- and long-term program priorities that can be considered in EPA's planning efforts.

EPA will report on the results of its Annual Plan implementation in the Agency's consolidated Annual Report, which provides information on the status of performance goals and measures and progress toward strategic objectives. The Annual Report provides Congress and the public a comprehensive picture of EPA's program, financial and management performance, including the results of annual performance goals and measures described in the Agency's revised final FY 2003 Annual Plan.

In addition to assessing the Agency's performance results and progress toward its longer-term strategic objectives, the Annual Report also summarizes the results of EPA's work to comply with the Federal Managers' Financial Integrity Act and the Inspector General Act Amendments. The Agency continuously assesses the effectiveness of EPA management controls, vulnerabilities and challenges, and monitors progress on audit closeout.

Procurement

In FY 2004, the Agency will increase the number of contracts that are performance-based, improve electronic commerce capabilities, and enhance the education of its contract workforce. The Procurement Executive Council (PEC) has established a Federal-wide goal in FY 2004 that 40% of contracts be performance-based. EPA intends to meet this goal by converting more program requirements to performance-based contracting, increasing training on how to use this type of contract, and providing outreach to the programmatic areas with percentage target.

In addition, the Agency will meet the President's initiative on electronic commerce by:

- \$ extending the use of electronic signatures;
- \$ developing interfaces with all current Agency-wide systems involved in the buying and paying process;
- \$ evaluating and working to eliminate paper-processing in the acquisition process;
- \$ completing development and implementation of the Program Office Interface (POI), which will allow EPA program managers to electronically manage their contracts; and
- \$ posting solicitations to the General Services Administration's (GSA) FEDBIZOPPS system as the single point of entry for vendors to government purchasing.

To meet the President's goal that 90 percent of all acquisition employees meet mandatory training requirements by 2005, the Agency will improve the qualifications and education of its contract workforce by providing appropriate training opportunities and establishing and enforcing mandatory training requirements.

FY 2004 Change from FY 2003 Request

Multi-Appropriation

- (+\$4,000,000 EPM and +\$1,000,000 SF) With this increase in non-payroll resources, EPA will fulfill the FY 2004 phase of modernizing major Agency financial systems to provide decision-makers with integrated cost and performance information and timely and reliable financial information and reports to increase accountability and improve decision-making and program management. FY 2004 efforts will focus on completing the Agency payroll implementation plan that will reduce costs and burdens, making recommendations for replacing EPA's integrated financial management system, and further developing desk-top access to key cost accounting and performance information.

EPM

- (+\$1,082,400 and +1.7 FTE) This increase reflects an effort to strengthen grants management. This increase will lead to a substantial reduction in the number of adverse findings in Inspector General audit reports and on site reviews; increased compliance by non-profit recipients with administrative grant requirements; and a pool of recipients trained on EPA grant requirements. *(Note: The total increase to Grants Management in FY 2004 is \$1,700,000 and 7.0 FTE. The amount shown reflects the increase to this particular goal, objective. The remainder is reflected in other goals and objectives, as a result of the Agency Grant Distribution methodology, which allocates grant resources in proportion to Headquarters grants resources located in each goal and objective.)*
- (+\$1,300,000) This increase supports the Agency's automated Human Resources Management System (HR Pro) and the increased operational costs associated with this system. These resources will improve the integrity of employee and organization data; provide online, real time access to that data; decrease personnel action processing times; and provide more accurate and timely management information.
- (+\$600,000 and +3.0 FTE) This increase will enhance the Agency's ability to align its Human Capital Strategy Plan with the President's Management Agenda and the Agency's mission and strategic objectives. The FTE increase will be used to support the SES Candidate Development Program, Management Development Program, and New Skills/New Options Module.
- (+\$300,000) This increase provides additional resources for EPA's participation in the Integrated Acquisition E-Government initiative.
- (+\$1,136,900) Resources, dollars and FTE, associated with rent are allocated in proportion to Agency-wide FTE located in each goal, objective. Resources, dollars and FTE, associated with utilities, security and human resource operations are allocated in proportion to Headquarters FTE located in each goal, objective. Changes reflect shifts in FTE between goals and objectives. Resources, dollars and FTE, associated with contracts and grants are allocated in proportion to Headquarters' contracts and grants

resources located in each goal, objective. Changes in these activities reflect shifts in resources between goals and objectives. (Total changes -> rent: +\$1,417,000, utilities: +\$2,374,800, Security: +\$3,425,000 and 75 FTE, Human Resources: +\$870,400 and +5.4 FTE, Contracts: +\$642,400 and -18.5 FTE, Grants: +\$3,015,500 and +19.7 FTE)

Superfund

- (-\$6,911,200) Adjustments in resource allocations reflect changes to existing distribution accounts to support Capital Planning and Investment Control (CPIC) projects in the amount of \$1,000,000, and the establishment of two new distribution accounts to improve allocation of regional Financial Services costs (\$2,900,000) and headquarters Integrated Financial Management Systems (IFMS) costs in the amount of \$3,000,000.

There are additional increases for payroll, cost of living and enrichment for new and existing FTE.

GOAL: EFFECTIVE MANAGEMENT

OBJECTIVE: MANAGE FOR RESULTS THROUGH SERVICES, POLICIES, AND OPERATIONS.

Annual Performance Goals and Measures

Strengthen EPA’s Management

- In 2004 Strengthen EPA's management services in support of the Agency's mission while addressing the challenges included in the President's Management Agenda
- In 2003 Strengthen EPA's management services in support of the Agency's mission while addressing the challenges included in the President's Management Agenda
- In 2002 EPA prepared and submitted its FY 2001 financial statements and received a clean audit opinion.

Performance Measures:	FY 2002 Actuals	FY 2003 Pres. Bud.	FY 2004 Request	Statements/Rpt.
Agency's audited Financial Statements and Annual Report are submitted on time.	Goal Met			
EPA's audited Financial Statements receive an unqualified opinion and provide information that is useful and relevant to the Agency and external parties.	Goal Met			finan statement
Cumulative number of Agency offices using the workforce planning model which identifies skills and competencies needed by the Agency for strategic recruitment, retention and development planning.		5	10	Offices
Percentage of total eligible service contracting dollars obligated as performance based in FY2003.		30	40	Percent
Agency audited Financial Statements are timely, and receive an unqualified opinion.		1	1	Finan statement

Baseline: The Agency's audited FY 2004 Financial Statements will be submitted on time to OMB and receive an unqualified opinion. Based on FY 2002 performance baselines are: zero for number of Agency offices using the workforce planning model and 20% for performance-based contracts.

Verification and Validation of Performance Measures

Performance Measure: Number of Agency offices using the workforce planning model which identifies skills and competencies needed by the Agency for strategic recruitment, retention and developmental training.

Performance Database: No database. Agency staff track manually.

Data Source: Agency staff.

QA/QC Procedures: N/A

Data Quality Review: N/A

Data Limitations: N/A

New/Improved Data or Systems: N/A

Performance Measure: Agency's audited Financial Statements are timely and receive an unqualified opinion.

Performance Database: N/A

Data Source: OMB acknowledgement of receipt of financial statements, OIG audit report.

QA/QC Procedures: OCFO management review, OIG audit

Data Quality Review: OIG audit

Data Limitations: N/A

New/Improved Data or Systems: N/A

Performance Measure: Percentage of total eligible service contracting dollars obligated as performance based.

Performance Database: The Integrated Contracts Management System (ICMS), which has an identifier to show which contracts are performance based and the dollars associated with it.

Data Source: Agency personnel inputs data into ICMS.

QA/QC Procedures: N/A

Data Quality Review: N/A

Data Limitations: N/A

New/Improved Data or Systems: ICMS was updated in order to track this performance measure.

Coordination with Other Agencies

PA will develop and issue guidance for executive agencies to use when purchasing goods and services in response to Executive Order 13101 to show a preference for "environmentally preferable" products and services.

To achieve its mission, OCFO has undertaken specific coordination efforts with federal and state agencies and departments through two separate vehicles: 1) the National Academy of Public Administration's Consortium on Improving Government Performance; 2) active contributions to standing interagency management committees, including the Chief Financial Officers Council and the Federal Financial Managers' Council. These groups are focused on improving resources management and accountability throughout the Federal government. OCFO also coordinates appropriately with Congress and other federal agencies, such as Department of Treasury, Office of Management of Budget, and the General Accounting Office.

Statutory Authority

Federal Manager's Financial Integrity Act (1982)

The Chief Financial Officers Act (1990)

The Prompt Payment Act (1982)

The Government Performance and Results Act (1993)

Government Management Reform Act (1994)

Inspector General Act of 1978 and Amendments of 1988

Title 5 United States Code

Annual Appropriations Act

EPA's Environmental Statutes, and the Federal Grant and Cooperative Agreement Act

Federal Acquisition Regulations (FAR), contract law, and EPA's Assistance Regulations (40CFR Parts 30, 31, 35, 40, 45, 46, 47)

Clinger-Cohen Act

Paperwork Reduction Act

Freedom of Information Act

Computer Security Act

Privacy Act

Electronic Freedom of Information Act

Comprehensive Environmental Response, Compensation and Liability Act

Environmental Protection Agency

FY 2004 Annual Performance Plan and Congressional Justification

Effective Management

Objective: Provide Quality Work Environment.

Effectively conduct planning and oversight for building operations and provide employees with a quality work environment that considers safety, new construction, and repairs and that promotes pollution prevention within EPA and with our state, tribal, local, and private partnerships.

Resource Summary (Dollars in Thousands)

	FY 2002 Actuals	FY 2003 Pres. Bud.	FY 2004 Request	FY 2004 Req. v. FY 2003 Pres Bud
Provide Quality Work Environment.	\$166,878.6	\$156,141.5	\$162,127.5	\$5,986.0
Building and Facilities	\$30,452.8	\$42,918.0	\$42,918.0	\$0.0
Environmental Program & Management	\$87,460.4	\$80,105.9	\$84,328.9	\$4,223.0
Hazardous Substance Superfund	\$23,917.0	\$21,608.3	\$23,368.3	\$1,760.0
Leaking Underground Storage Tanks	\$954.3	\$1,018.4	\$1,021.4	\$3.0
Oil Spill Response	\$541.4	\$451.9	\$451.9	\$0.0
Science & Technology	\$23,552.7	\$10,039.0	\$10,039.0	\$0.0
Total Workyears	18.5	15.4	27.2	11.8

Key Program (Dollars in Thousands)

	FY 2002 Enacted	FY 2003 Pres. Bud.	FY 2004 Request	FY 2004 Req. v. FY 2003 Pres Bud
Facilities Infrastructure and Operations	\$58,464.4	\$100,221.3	\$101,513.8	\$1,292.5
Homeland Security-Protect	\$30,040.0	\$19,000.0	\$19,288.0	\$288.0

	FY 2002 Enacted	FY 2003 Pres. Bud.	FY 2004 Request	FY 2004 Req. v. FY 2003 Pres Bud
EPA Personnel/Infrastructure				
Legal Services	\$140.2	\$150.6	\$157.2	\$6.6
Management Services and Stewardship	\$61,807.7	\$8,974.0	\$12,097.7	\$3,123.7
Regional Management	\$18,807.3	\$20,416.7	\$27,724.0	\$7,307.3
Regional Program Infrastructure	\$6,132.2	\$6,032.1	\$0.0	(\$6,032.1)
Superfund Remedial Actions	\$1,346.8	\$1,346.8	\$1,346.8	\$0.0

FY 2004 Request

This objective supports the Agency's goal for Effective Management through the construction of new facilities, and the design and establishment of state-of-the-art laboratories. These facilities provide the tools essential to research innovative solutions to current and future environmental problems and enhancing our understanding of environmental risks. In addition, EPA is well engaged in reducing energy use needed to operate these facilities. In FY 2004, the Agency will continue to improve operating efficiency and encourage the use of new and advanced technologies and energy savings performance contracts.

In FY 2004, the Agency intends to redirect the New Headquarters Project construction funding of \$3.1M to support energy conservation and other repair and improvement projects. By the close of FY 2003, we will have completed the construction activities at the Complex and will be focusing resources on funding follow-on costs, as well as internal office moves that are planned as part of the EPA Headquarters consolidation effort.

Resources in this objective will also be used to comply with Executive Orders (EO) 13149, *Greening the Government through Federal Fleet and Transportation Efficiency* and EO 13123, *Greening the Government through Efficient Energy Management*.

EO 13149 requires that by FY 2005, petroleum use be 20% lower than that in 1999. EPA will direct resources towards acquiring alternative fuel vehicles and more fuel-efficient passenger cars and light trucks to meet this goal. EO 13123 requires a 20 percent reduction of energy consumption (per square foot or per unit production) in laboratory facilities by FY 2005. The Agency will attain this goal through several initiatives including comprehensive facility energy audits, sustainable building design in Agency construction and alteration projects, energy savings performance contracts to achieve energy efficiencies, the use of off-grid energy equipment, energy load reduction strategies, and the use of Energy Star products and buildings.

Homeland Security

The FY 2004 request includes resources to enhance security background checks and improve the background investigation process for employees, contractors, and grantees. Since September 11, 2001, many programs and offices are re-evaluating position sensitivity designations and security levels for staff to determine if a higher security clearance is needed to adequately support Homeland Security efforts and preparedness for emergency responses. The additional recruitment of emergency response personnel and the creation of additional emergency response command posts will also increase the number of employees that must be processed by the personnel security staff. In FY 2004, the workload of EPA's personnel security office is expected to increase by 60 - 70% as the staff assumes a broader mandate to ensure that all grantees and EPA contractor personnel are investigated for suitability and that employment of these persons are also consistent with national security interests.

The FY 2004 request supports an increased focus on strengthening the Agency's physical infrastructure security. EPA is currently conducting physical security vulnerability risk assessments to develop a baseline on the physical security conditions of EPA's facilities. This includes gathering, assimilating and evaluating physical security data; identifying and documenting the security vulnerabilities, assessing human threat; and determining and prioritizing the qualitative risks. In FY 2004, we will continue to implement physical security countermeasures, including perimeter, entrance/exit, and interior security (e.g., protecting air intakes, utilities, and hazardous materials.) In addition, the Agency will:

- Incorporate technological advancements into existing physical security countermeasures.
- Mitigate residual vulnerabilities and risks identified in assessments.
- Enhance physical security of mail rooms against biological agents.
- Safeguard facilities against explosive agents.
- Provide funding for the security guard costs associated with increased need since September 11.

FY 2004 Change from FY 2003 Request

Multiple Appropriations

- (+\$1,097,300 EPM and +\$833,800 SF) This increase provides additional resources for Regional moves and health and safety cost increases.

EPM

- (+\$1,000,000) This increase will support the full implementation of an Environmental Management System (EMS) for EPA's own operations, facilities and employees (as required under Executive Order 13148). The FY 2004 resources will (1) provide technical and site assistance to the 36 official EMS reporting sites, (2) allow EPA Health and Safety staff prepare for and conduct internal EMS self-certification audits and other support costs associated with external certification efforts in accordance with the International Standards Organization, and (3) enhance and continue an FY 2003 senior management development program which provides Agency executives with an improved understanding of their roles in implementing a successful EMS within EPA. This funding is essential if the Agency is to attain compliance with Executive Order 13148 and assume a leadership role on EMS in the Federal government.
- (+\$288,00 and +3.0 FTE) This increase will enhance the efforts and support additional workloads placed on the current staff dedicated to Security. FTE will support EPA facility security and help ensure that every applicant or appointee to the Agency is investigated for suitability, and sensitive position placement is consistent with national security interests. In addition, a new effort will begin to develop the capability to conduct background investigations of contractor and grantee personnel.
- (-\$3,327,200) Resources, dollars and FTE, associated with rent are allocated in proportion to Agency-wide FTE located in each goal, objective. Resources, dollars and FTE, associated with utilities, security and human resource operations are allocated in proportion to Headquarters FTE located in each goal, objective. Changes reflect shifts in FTE between goals and objectives. Resources, dollars and FTE, associated with contracts and grants are allocated in proportion to Headquarters' contracts and grants resources located in each goal, objective. Changes in these activities reflect shifts in resources between goals and objectives. *(Total changes -> rent: +\$1,417,000, utilities: +\$2,374,800, Security: +\$3,425,000 and 75 FTE, Human Resources: +\$870,400 and +5.4 FTE, Contracts: +\$642,400 and -18.5 FTE, Grants: +\$3,015,500 and +19.7 FTE)*

There are additional increases for payroll, cost of living and enrichment for new and existing FTE.

B&F

- (-\$3,060,000) This decrease reflects the ramping down of the New Headquarters Project as we complete construction and consolidation into the Federal Triangle Complex.
- (+\$3,060,000) This increase will support energy conservation and other repair and improvement projects.

GOAL: EFFECTIVE MANAGEMENT

OBJECTIVE: PROVIDE QUALITY WORK ENVIRONMENT.

Annual Performance Goals and Measures

Energy Consumption Reduction

In 2004 By 2004, EPA will achieve a 16% energy consumption reduction from 1990 in its 21 laboratories which is in line to meet the 2005 requirement of a 20% reduction from the 1990 base. This includes Green Power purchases.

Performance Measures:	FY 2002 Actuals	FY 2003 Pres. Bud.	FY 2004 Request	16	Percent
Cumulative percentage reduction in energy consumption (from 1990).					

Baseline: In FY 2000, energy consumption of British Thermal Units (BTUs) per square foot is 320,000 BTUs per square foot.

Verification and Validation of Performance Measures

Performance Measure: Cumulative percentage reduction in energy consumption in EPA's 21 laboratories from the 1990 base.

Performance Database: No database. Agency staff track manually.

Data Source: Agency staff.

QA/QC Procedures: Agency staff/contractor review utility bills from laboratories.

Data Quality Review: Agency staff/contractor review utility bills.

Data Limitations: N/A

New/Improved Data or Systems: N/A

Coordination with Other Agencies

EPA will develop and issue guidance for executive agencies to use when purchasing goods and services in response to Executive Order 13101 to show a preference for "environmentally preferable" products and services.

Statutory Authority

Federal Manager's Financial Integrity Act (1982)

The Chief Financial Officers Act (1990)

The Prompt Payment Act (1982)

The Government Performance and Results Act (1993)

Government Management Reform Act (1994)

Inspector General Act of 1978 and Amendments of 1988

Title 5 United States Code

Annual Appropriations Act

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Federal Acquisition Regulations (FAR), contract law, and EPA's Assistance Regulations (40CFR Parts 30, 31, 35, 40, 45, 46, 47)

Clinger-Cohen Act

Paperwork Reduction Act

Freedom of Information Act

Computer Security Act

Privacy Act

Electronic Freedom of Information Act

Comprehensive Environmental Response, Compensation and Liability Act

Environmental Protection Agency

FY 2004 Annual Performance Plan and Congressional Justification

Effective Management

Objective: Provide Audit, Evaluation, and Investigative Products and Services

Provide audit, evaluation, and investigative products and advisory services resulting in improved environmental quality and human health.

Resource Summary (Dollars in Thousands)

	FY 2002 Actuals	FY 2003 Pres. Bud.	FY 2004 Request	FY 2004 Req. v. FY 2003 Pres Bud
Provide Audit, Evaluation, and Investigative Products and Services	\$52,802.2	\$53,592.7	\$56,793.0	\$3,200.3
Environmental Program & Management	\$6,587.0	\$4,290.0	\$5,233.2	\$943.2
Hazardous Substance Superfund	\$10,984.9	\$13,977.7	\$14,752.1	\$774.4
Inspector General	\$35,230.3	\$35,325.0	\$36,807.7	\$1,482.7
Total Workyears	359.7	372.3	371.9	-0.4

Key Program (Dollars in Thousands)

	FY 2002 Enacted	FY 2003 Pres. Bud.	FY 2004 Request	FY 2004 Req. v. FY 2003 Pres Bud
Assistance Agreement Audits	\$2,000.0	\$0.0	\$0.0	\$0.0
Assistance Agreement Investigations	\$2,900.0	\$0.0	\$0.0	\$0.0
Contract Audits	\$5,200.0	\$0.0	\$0.0	\$0.0
Contract and Procurement Investigations	\$3,100.0	\$0.0	\$0.0	\$0.0
Employee Integrity Investigations	\$1,000.0	\$0.0	\$0.0	\$0.0

	FY 2002 Enacted	FY 2003 Pres. Bud.	FY 2004 Request	FY 2004 Req. v. FY 2003 Pres Bud
Facilities Infrastructure and Operations	\$5,673.2	\$5,243.6	\$6,129.5	\$885.9
Financial Statement Audits	\$4,000.0	\$0.0	\$0.0	\$0.0
Investigations	\$0.0	\$9,469.6	\$10,527.2	\$1,057.6
Management Services and Stewardship	\$402.2	\$282.1	\$525.7	\$243.6
Planning and Resource Management	\$0.0	\$0.0	\$116.5	\$116.5
Planning, Analysis, and Results - IG	\$6,286.0	\$0.0	\$0.0	\$0.0
Program Audits	\$4,900.0	\$0.0	\$0.0	\$0.0
Program Evaluation - IG	\$15,000.0	\$0.0	\$0.0	\$0.0
Program Evaluations/Audit	\$0.0	\$38,597.4	\$39,494.1	\$896.7
Program Integrity Investigations	\$1,500.0	\$0.0	\$0.0	\$0.0

FY 2004 Request

The Office of Inspector General (OIG) provides audit, evaluation, investigative, and advisory services that fulfill the requirements of the IG Act and contribute to improved Agency management, environmental quality and human health. The work of the OIG supports the attainment of Agency Strategic Goals and assists the Agency in resolving its top management challenges. Audits and program evaluations, selected based on relative risk, materiality, and results of past reviews, identify best practices, areas for improvement, and cooperative solutions to problems. Investigations focus on alleged fraud, waste, abuse, and other illegal activities by EPA employees, contractors, and grantees. Investigations are also vital in identifying high-risk vulnerabilities, systemic weaknesses, improvements in programs and operations, savings, and economic benefits.

During FY 2004, the OIG will continue to: 1) *perform program evaluations* to provide Congress and the Agency with best practices, analyses, and recommendations to address the most serious management challenges, accomplish environmental objectives, and achieve Government Performance and Results Act (GPRA) goals; 2) *perform audits* of EPA's business systems processes and human capital to assess EPA's capacity to efficiently and effectively carry out its mission and prevent fraud, waste, and abuse; 3) *conduct investigations* which focus on detection and prosecution of financial fraud, laboratory fraud, and cyber crime; 4) *partner with others*, including other Federal and state auditors, evaluators, law enforcement officials and associations who also have environmental missions, to leverage our resources to attain maximum environmental benefits with available resources; and 5) *implement human resource and knowledge management strategies* that will ensure that the OIG has a diverse, highly motivated

and accountable staff with the skill sets and tools needed to perform increasingly complex work. More specifically, the OIG will concentrate during FY 2004 on the following areas:

- **Air** - The OIG's approach to assessing EPA's achievement of its clean air goal will center on evaluating major opportunities for cost-effective pollution reduction. The OIG will focus on the quality of emission data, the effectiveness of emission allowance trading, and the adequacy of air monitoring networks.
- **Water** - The OIG's work will center on the Agency's watershed approach with emphasis on national effluent guideline limitations and standards, water quality monitoring information, and assessing the effectiveness of point and non-point source programs. Further, the OIG will assess whether the Agency has comprehensive contingency plans ensuring continuity and protection of essential water functions across a wide range of potential emergencies.
- **Waste Management** - The OIG will concentrate on determining the extent of contaminated waste sites remaining to be cleaned up, identifying future sites, evaluating the environmental risks these sites pose, whether cleanup activities are scientifically sound, cost-effective, and the involvement and capabilities of states and tribes in cleanup activities. We will also develop information for evaluating the adequacy of the current Superfund Program. Further, we will evaluate progress and performance in the Brownfields cleanup program.
- **Scientific Research** - The OIG will continue to investigate potential criminal activity in laboratory work.
- **Computer Security** - In accordance with the Government Information Security Reform Act, the OIG will continue to evaluate major aspects of EPA's computer security program and practices. The OIG plans to: (1) monitor computer security weaknesses previously identified by our office and the General Accounting Office (GAO); (2) identify new and emerging vulnerabilities to network security; and (3) advise the Agency of any additional computer security enhancements needed to reduce the risk of damage and disruption to EPA's critical systems. The OIG will also continue performing criminal investigations of intrusive activities affecting EPA computer security and participate with other law enforcement agencies in the growing effort to protect computer security.
- **Systems** - The OIG will evaluate EPA's organizational systems and capacity to achieve citizen-centered, results-based management. Specifically, the OIG will evaluate the Agency's efforts to implement a systematic, customer-oriented, automated managerial cost accounting system that will provide program managers with relevant and reliable information relating costs to activities, outputs, and outcomes. We will also evaluate the Agency's progress in implementing strategies to improve its business processes, systems, data, and human capital. This will include assessing EPA's E-Government initiatives.

The OIG will continue to build capacity for performing program evaluations. The primary emphasis of those evaluations will be to determine whether EPA has designed the programs, projects, and tasks within the goals, objectives, and subobjectives reported to Congress under GPRA to achieve the desired results and impacts in the most efficient and cost-effective manner. Staffed with a mix of program analysts, scientists, auditors, economists, and others, program evaluations will assist the Agency in identifying what works, and, at what cost. Evaluation efforts in FY 2004 will include: 1) evaluating the effectiveness of EPA's national effluent guideline limitations and standards to determine whether they are appropriate for reducing industrial discharge of pollutants; 2) evaluating the cost and effectiveness of emission allowance trading in terms of environmental justice; examining the relationship of pollutants to environmental measures; assessing the adequacy of air monitoring networks, the validity and reliability of emission data, and the adequacy of EPA's human health and ecological impact measures; 3) assessing the effectiveness of the Brownfields program; 4) evaluating the adequacy of the current Superfund program; and 5) evaluating the impact of EPA activities on community relations. Planned program audits will focus increased attention on contract administration, including the effective use of performance based contracting to achieve environmental and business results. The OIG will also continue to focus on grants administration.

The OIG Computer Crimes Unit (CCU) will conduct investigations of computer intrusions, support the OIG and Agency personnel as a Penetration Testing laboratory, and provide a Forensics laboratory to assist with OIG investigations. The CCU will continue to be an active participant in the law enforcement computer crimes community, working collaboratively on joint projects. The Intrusion Unit of the CCU will develop guidelines for computer incident response and serve as a clearinghouse for all computer incident reports. The Intrusion Unit will also work collaboratively with the Agency to develop an Agency-wide training program for information security professionals regarding response to computer intrusion incidents. The Forensics Unit of the CCU will conduct forensic examinations in support of OIG investigations. As the Agency continues to move toward a paperless environment, the need for these examinations is expected to grow significantly.

The Ombudsman receives and reviews complaints and allegations of inappropriate decisions, actions, or activities involving Agency programs, employees, or designees. The Ombudsman screens and recommends work assignment suggestions for staffing within OIG offices, monitors those work assignments to include reviewing reports of findings and recommendations, and informs external stakeholders of the results. The Ombudsman also reports on fiscal year activity.

The OIG product line includes:

Audits

- *Contract Audits* - determine the allowability, allocability, and reasonableness of costs claimed by contractors.
- *Assistance Agreement Audits* - financial audits of EPA's State Revolving Fund programs, Performance Partnership Grants, as well as other EPA grants, interagency agreements, and cooperative agreements.

- *Financial Statement Audits* - audits of the Agency's financial systems and statements to ensure that adequate controls are in place and the Agency's accounting information is timely, accurate, reliable and useful, and complies with applicable laws and regulations.
- *Systems Audits* - review the economy, efficiency and effectiveness of operations by examining the Agency's support systems for achieving environmental goals, including its information systems and systems for setting priorities, developing and implementing strategies to accomplish them, and measuring performance. Key processes our work will focus on include those related to financial systems, information systems, and human capital.

Program Evaluations/Audits

- *Program Evaluations/Audits* use sophisticated analytical tools, methodologies and specialized skills to determine the extent to which the desired results and benefits envisioned by the Administration and Congress are being achieved.
- *Process evaluations* assess the extent to which a program is operating as it was intended.
- *Outcome evaluations* assess the extent to which a program achieves its outcome-oriented objectives.
- *Impact evaluations* assess net effect of a program by comparing outcomes with the absence of the program; and Cost
- *Benefit evaluations* compare the program's outputs or outcomes with the costs to produce them.
- Our *program audit* work involves determining whether a myriad of EPA programs and processes are operating effectively and efficiently.

Investigations

OIG investigations focus on detection and prosecution of financial fraud, laboratory fraud, and cyber crime.

- *Program Integrity Investigations* focus on activities that could undermine the integrity of Agency programs, and erode public confidence in the Agency.
- *Assistance Agreement Investigations* focus on criminal activities related to Agency grants, State Revolving Funds, Interagency Agreements, and Cooperative Agreements.
- *Contract and Procurement Investigations* focus on acquisition management, contracts, and procurement practices.

- *Employee Integrity Investigations* involve allegations against EPA employees that could threaten the credibility of the Agency.
- Investigations of computer crime identify and counter illegal intrusions of EPA's computer systems. Through a specialized computer intrusion unit, the OIG will coordinate with the FBI's National Infrastructure Protection Center, and with the GAO's Federal Computer Intrusion Response Center. These investigations may be part of any of the above investigative categories.

The OIG's initiative to uncover criminal activity in laboratories involves investigating indicators of laboratory fraud within the environmental community to include commercial and EPA laboratories. The Agency relies upon laboratory test results to assess environmental threats and determine what actions are necessary to control hazardous wastes, toxins, and other contaminated substances that pollute our air, water, and land. These investigations generally are part of contract and procurement investigations or program integrity investigations.

Advisory and Assistance Services

Advisory and Assistance Services include a wide range of products and services designed to give Agency managers and congressional requesters information they need more expediently than audits or evaluations, and to assist EPA management in assessing and/or implementing control systems and processes.

Linking Our Work to Outcomes and Impacts

All of our work is planned based on the anticipated value toward influencing resolution of the Agency's major management challenges, reducing risk, improving practices and program operations, and saving taxpayer dollars while leading to the attainment of EPA's Strategic Goals. Our strategic plan aligns OIG products and services with current Agency goals and priorities based upon emerging issues, legislative initiatives, needs of various customers, clients and stakeholders and multiple dynamic external factors.

FY 2004 Change from FY 2003 Request

EPM

- (+\$728,700) Resources, dollars and FTE, associated with rent are allocated in proportion to Agency-wide FTE located in each goal, objective. Resources, dollars and FTE, associated with utilities, security and human resource operations are allocated in proportion to Headquarters FTE located in each goal, objective. Changes reflect shifts in FTE between goals and objectives. Resources, dollars and FTE, associated with contracts and grants are allocated in proportion to Headquarters' contracts and grants resources located in each goal, objective. Changes in these activities reflect shifts in resources between goals and objectives. (*Total changes -> rent: +\$1,417,000, utilities: +\$2,374,800, Security: +\$3,425,000 and 75 FTE, Human Resources: +\$870,400 and +5.4 FTE, Contracts: +\$642,400 and -18.5 FTE, Grants: +\$3,015,500 and +19.7 FTE*)

IG

- (+\$1,113,700) This increase reflects an increase in workforce costs and Working Capital Fund expenses.
- (+\$369,000) This increase reflects an OIG initiative to assess state environmental stewardship to determine if states use high performance concepts to deliver environmental protection.
- (+\$340,600) This increase reflects an increase in workforce costs and Working Capital Fund expenses.
- (+\$131,000) This increase reflects an OIG initiative to assess state environmental stewardship to determine if states use high performance concepts to deliver environmental protection.

There are additional increases for payroll, cost of living and enrichment for new and existing FTE.

GOAL: EFFECTIVE MANAGEMENT

OBJECTIVE: PROVIDE AUDIT, EVALUATION, AND INVESTIGATIVE PRODUCTS AND SERVICES

Annual Performance Goals and Measures

Fraud Detection and Deterrence

In 2004 Improve Agency management and program operations by making 160 recommendations, identifying savings, recoveries, and fines, and reducing risks or loss or integrity through 50 criminal, civil, or administrative actions, 80 actions for better business practices and a 150 percent return on investment.

Performance Measures:	FY 2002 Actuals	FY 2003 Pres. Bud.	FY 2004 Request		
Number of business recommendations, improved business practices, and judicial, administrative, or other actions.			290		Actions
Return on the annual dollar investment in the OIG			150		Percent

Baseline: In FY 2002, the OIG established a baseline of 270 business recommendations, improved business practices, and judicial, administrative or other actions for improving Agency management; and a 100% potential dollar return on the investment in the OIG from savings and recoveries.

Audit and Advisory Services

- In 2004 Improve environmental quality and human health by identifying 90 environmental recommendations, risks, and best practices; contributing to the reduction of 25 environmental risks, and 70 actions influencing positive environmental or health impact s.
- In 2003 Improve environmental quality and human health by identifying 80 environmental recommendations, risks, and best practices; contributing to the reduction of 20 environmental risks, and 60 actions influencing positive environmental or health impacts.
- In 2002 The OIG is promoting partnering relationships across governmental entities for collaborative goal setting planning performance measurement evaluation & resource sharing for greater economies of scale. For example, the OIG in collaboration w/PCIE produced an Environmental compendium, a web enabled.

Performance Measures:	FY 2002 Actuals	FY 2003 Pres. Bud.	FY 2004 Request	
Number of environmental risks reduced.		20	25	Risks
Number of environmental actions.	116	60	70	Improvements
Number of recommendations, risks, and best practices identified.	18	80	90	Recommendations

Baseline: In FY 2002, the OIG established a baseline of 75 recommendations, best practices and risks identified contributing to improved Agency environmental goals; and the reduction of 15 environmental risks.

Verification and Validation of Performance Measures

FY 2004 External Performance Measures:

Number of actions for environmental improvement, reductions in environmental risks, and recommendations for environmental improvement.

Number of actions for improvement in business practices, criminal/civil/administrative actions, potential dollar return, and recommendations for improved business practices.

Performance Database: The OIG Performance Results and Measurement System is used to capture and aggregate information on an array of measures in logic model format, linking immediate outputs with longer term intermediate outcomes and results. Because intermediate and long-term results may not be realized for several years, only verifiable results are reported in the year completed, while others remain prospective until completed and verified. Database measures include numbers of: 1) recommendations for environmental improvement; 2) legislative and regulatory changes; 3) policy, directive, or process changes; 4) environmental risks identified, reduced or eliminated; 5) best practices identified and transferred; and 6) examples of environmental improvement.

Data Source: Designated OIG staff are responsible for entering data into the system. Data are from OIG performance evaluations, audits, research and from EPA data systems and reports and track the extent of environmental improvements, risks reduced or avoided, and best practices transferred as well as certifications of actions taken by EPA officials. OIG also collects independent data from EPA's partners.

Methods, Assumptions and Suitability: OIG performance results are reported in a hierarchy: outputs, intermediate outcomes and better business practices and environmental impacts. All performance measures are categorized and accumulated by type of output, such as recommendations made, and by type of outcome in terms of action taken, such as new/improved procedures adopted or reduction of an operational or environmental risk. By using common categories of performance, absolute and cumulative totals can be summed and trends reported. The OIG can only recommend and influence changes, with no authority to make changes.

QA/QC Procedures: All performance data submitted to the database require at least one verifiable source assuring data accuracy and reliability. Data quality assurance and control are automatically performed as an extension of OIG products and services, subject to rigorous compliance with the Government Auditing Standards of the Comptroller General, and regularly

reviewed by OIG management, an independent OIG Management Assessment Review Team, and external independent peer reviews. The statutory mission of the OIG is to conduct independent audits, evaluations, and investigations to promote, among other things, integrity in Agency operations and reporting systems.

Data Quality Reviews: There have not been any previous audit findings or reports by external groups on data or database weaknesses in the OIG Performance Results and Accountability System.

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

Error Estimate: The error rate for outputs is estimated at +/-5%, while the error rate for reported outcomes is estimated to be at least +/-10%.

New/Improved Data or Systems: The OIG developed the Performance Results and Accountability System as a prototype in FY 2001 and anticipates enhancing it in FY 2003 with more sophisticated software designed to improve data collection, retention, and analysis. We expect the quality of the data to improve with greater familiarity with the new system and definition of measures. This system is a best practice in government for linking an array of measures from outputs to eventual results and impacts. With enhanced linkages to customer satisfaction results and resource investments, it will provide a full balanced scorecard with return on investment information for accountability and decision-making.

References: All OIG non-restricted performance results are referenced in the OIG Performance Results Database with supporting documentation available either through the OIG Web Site or other Agency databases. The OIG Web Site is www.epa.gov/oigearth.

Coordination with Other Agencies

The EPA Inspector General is a member of the President's Council on Integrity and Efficiency (PCIE), an organization comprised of Federal Inspectors General (IG). The PCIE coordinates and improves the way IGs conduct audits and investigations, and completes projects of government-wide interest. The EPA OIG is also a member of the Environmental Consortium. The Consortium, which seeks effective solutions to cross-cutting environmental issues, currently includes representatives from 19 executive agencies and GAO. The OIG Computer Crimes Unit coordinates activities with other law enforcement organizations with computer crimes units such as the Federal Bureau of Investigation, the Secret Service, and the Department of Justice. In addition, the OIG participates with various inter-governmental audit forums, professional associations, and other cross-governmental forums to exchange information, share best practices and directly collaborate efforts.

Statutory Authorities

Inspector General Act of 1978, as amended

Chief Financial Officers Act

Government Management Reform Act

Federal Financial Management Improvement Act

Comprehensive Environmental Response, Compensation and Liability Act

Government Information Security Reform Act

Reports Consolidation Act of 2000

Single Audit Act

Food Quality Protection Act