

United States Office of Personnel Management  
**PRESIDENT'S QUALITY AWARDS**

Application

For the

**2007 Presidential Award  
for  
Management Excellence**

Submitted by:



United States Environmental Protection Agency  
August 10, 2007

## 2007 PQA NOMINATION FORM

**NOMINATION CATEGORY:** (Please check one only. A separate Nomination Form is required for each category nominated)

Category One Award, falling under:

- Strategic Management of Human Capital       Competitive Sourcing  
 Budget and Performance Integration       Improved Financial Performance  
 Expanded Electronic Government

Category Two Award for:

- Strategic Management of Human Capital       Competitive Sourcing  
 Budget and Performance Integration       Improved Financial Performance  
 Expanded Electronic Government

Category Three Award

**1. Name of Organization (responsible for the project/initiative/process being submitted):**

Office of Policy, Economics and Innovation

**2. Name of Parent Department or Agency (e.g., Department of Labor, Department of Defense, Environmental Protection Agency, etc.):**

Environmental Protection Agency

**3. Department/Agency Point of Contact:**

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4. **Certification by Responsible Organization:** The person most senior in the organization responsible for the project must sign below:

I certify that, to the best of my knowledge, the information contained in this application is accurate.

Marcus Peacock Deputy Administrator  
Printed name Title

Mailing Address: 1200 Pennsylvania Avenue NW  
Washington DC 20460 mailcode 1101A

Phone Number: 202 564-6956 E-mail Address: Peacock.Marcus@epa.gov

Marcus Peacock 8/10/07  
Signature Date

5. **Head of the Department/Agency:**

Stephen L. Johnson Administrator  
Printed name Title  
[Signature] AUG 10 2007  
Signature Date

# Organizational Background

## What is your mission?

The mission of the Environmental Protection Agency is to protect human health and the environment. Since 1970, EPA has been working for a cleaner, healthier environment for the American people.

## What are your primary strategic goals and objectives?

- **Clean air and global climate change** - Protect and improve the air so it is healthy to breathe and risks to human health and the environment are reduced. Reduce greenhouse gas intensity by enhancing partnerships with businesses and other sectors. Specific objectives are: healthier indoor and outdoor air, protect the ozone layer, radiation, reduce greenhouse gas emissions, and enhance science and research.
- **Clean and safe water** - Ensure drinking water is safe. Restore and maintain oceans, watersheds, and their aquatic ecosystems to protect human health, support economic and recreational activities, and provide healthy habitat for fish, plants, and wildlife. Specific objectives are to: protect human health and water quality, and enhance science and research.
- **Land preservation and restoration** - Preserve and restore the land by using innovative waste management practices and cleaning up contaminated properties to reduce risks posed by releases of harmful substances. Specific objectives are to: preserve and restore land, and enhance science and research.
- **Healthy communities and ecosystems** - Protect, sustain, or restore the health of people, communities, and ecosystems using integrated and comprehensive approaches and partnerships. Specific objectives focus on chemical and pesticide risks, communities, restoring and protecting critical ecosystems, and enhancing science and research.
- **Compliance and environmental stewardship** - Protect human health and the environment through ensuring compliance with environmental requirements by enforcing environmental statutes, preventing pollution, and promoting environmental stewardship. Encourage innovation and provide incentives for governments, businesses, and the public that promote environmental stewardship and long-term sustainable outcomes. Specific objectives are to achieve environmental protection through environmental compliance, improve environmental performance through pollution prevention and other stewardship practices, improve human health and the environment in Indian Country, and enhance society's capacity for sustainability through science and research.

## Who are your primary customers?

EPA's primary customer is the public, which depends on our agency to protect human health and the environment. This expectation extends not only to this generation, but to those generations that will follow. Other customers include domestic and international government agencies, non-governmental organizations, and educational and research institutions, which rely on EPA for environmental information and tools. As co-regulators, States are EPA's most important partners and customers.

### **What is your primary product or service?**

EPA sets standards, develops and implements regulatory programs, enforces environmental laws, and conducts research, education and assessment efforts. Specific products and services are described below:

- **Develop and enforce regulations:** EPA works to develop and enforce regulations that implement environmental laws enacted by Congress. EPA is responsible for researching and setting national standards for a variety of environmental programs, and delegates to states and tribes the responsibility for issuing permits and for monitoring and enforcing compliance. Where national standards are not met, EPA can issue sanctions and take other steps to assist the states and tribes in reaching the desired levels of environmental quality.
- **Offer financial assistance:** In recent years, between 40 and 50 percent of EPA's enacted budgets have provided direct support through grants to State environmental programs. EPA grants to states, non-profits and educational institutions support implementation of delegated programs, high-quality research that will improve the scientific basis for decisions on national environmental issues and help EPA achieve its goals.
- **Perform environmental research:** At laboratories located throughout the nation, the Agency works to assess environmental conditions and to identify, understand, and solve current and future environmental problems; integrate the work of scientific partners such as nations, private sector organizations, academia and other agencies; and provide leadership in addressing emerging environmental issues and in advancing the science and technology of risk assessment and risk management.
- **Sponsor voluntary partnerships and programs:** The Agency works through its headquarters and regional offices with over 10,000 industries, businesses, non-profit organizations, and state and local governments, on voluntary pollution prevention programs and energy conservation efforts. Partners set voluntary pollution-management goals; examples include conserving water and energy, minimizing greenhouse gases, slashing toxic emissions, re-using solid waste, controlling indoor air pollution, and getting a handle on pesticide risks. In return, EPA provides incentives like vital public recognition and access to emerging information.
- **Further environmental education:** EPA advances educational efforts to develop an environmentally conscious and responsible public, and to inspire personal responsibility in caring for the environment.
- **Publish information:** Through written materials and the Web, EPA informs the public about our activities.

### **How many employees do you have in your organization?**

EPA employs 17,000 people across the country, including our headquarters offices in Washington, DC, 10 regional offices, and more than a dozen labs. Our staff are highly educated and technically trained; more than half are engineers, scientists, and policy analysts. In addition, a large number of employees are legal, public affairs, financial, information management and computer specialists. EPA is led by the Administrator, who is appointed by the President of the United States.

## Narrative Summary

Over the past five years, EPA greatly improved its management systems. As of March 31, 2007, EPA achieved 'green' status scores on four of five President's Management Agenda initiatives; Competitive Sourcing; Improved Financial Performance; E-Government; and Performance Improvement. For the one 'yellow' status initiative, Human Capital, EPA is 'green' for progress. But, of all of these achievements, we are most proud of our success in using measures to drive results. Through innovative new approaches, we continue to convert the Agency from a "reporting" organization to a "learning and doing" organization; from a "compliance" culture to one devoted to "performance."

Much of this change has come recently. EPA's mission is to protect human health and the environment. Since 1970, EPA has provided a cleaner, healthier environment to the American people. Until last year, however, many top managers were "flying blind." Although the Agency extensively collected and used annual indicators of progress, few managers could honestly say that they were using these measures to manage or improve their programs. Only in the last few years has EPA revisited its approach and developed a system for identifying its highest priority outcomes, for streamlining and focusing its measurement systems on those outcomes, and for cascading from those long-term outcomes all the way down to quarterly commitments and measures that can be used in the day-to-day management of the Agency.

In the last 18 months EPA has become a federal leader in performance management by further integrating these systems and adopting a common vision for their use. Now, more than ever before, EPA has a system to improve its operations and results through: engaging Agency managers and staff across organizational units and at various management levels in performance management activities; facilitating the collection and accessibility of performance data; and improving the presentation and the use of performance measures to inform decisions. Each of these actions reinforces the Agency's conversion to a results-based organizational culture. For instance, we believe EPA is now the only agency that does *any* of the following:

- provides web-based quarterly updates of our performance to the public and has the Chief Operating Officer personally meet with each top policy official every quarter to review these results;
- maintains a regular public blog regarding Agency performance and management improvements; and
- systematically identifies, diffuses, and monitors best management practices.

EPA's management activities emphasize continuous learning through participation, evaluation, information sharing, and replication. These management actions provide EPA the tools to measure and learn from its performance. They are a necessary aspect of ensuring what we get better and better at completing our mission of protecting human health and the environment.

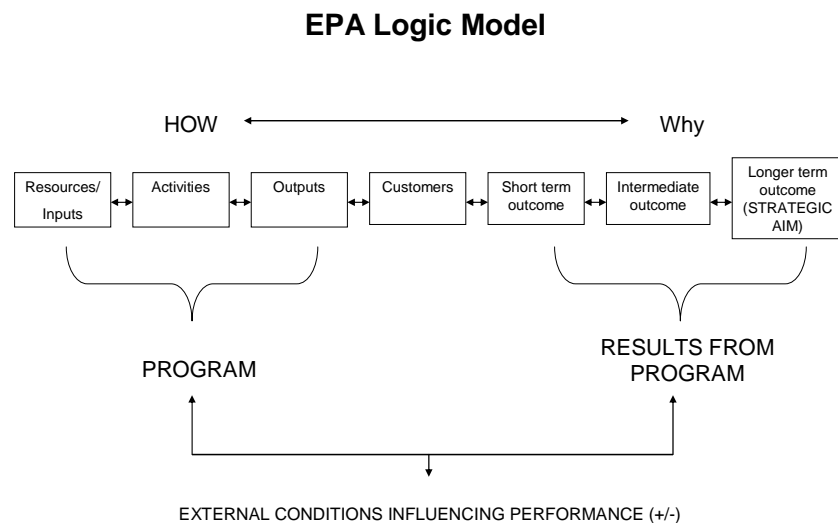
## A. Describe how your management systems are integrated.

The President's charge to EPA is to "accelerate the pace of environmental protection while maintaining our nation's economic competitiveness." This means protecting and enhancing our air, water, and land resources through cost-effective means that go hand-in-hand with a growing economy.

### How it all comes together

EPA has integrated its management systems so that its workforce can constantly learn how to better achieve the President's charge through its day-to-day work. First, to make sure what we do results in outcomes (i.e., real environmental improvement) rather than outputs (i.e., activity-based measures), EPA has employed a logic model approach. Logic modeling systematically focuses on the environmental and public health outcomes that EPA is working to achieve while helping its offices and programs identify the activities and outputs needed to obtain those outcomes.

The figure below provides a visual representation of this framework for understanding how EPA's ongoing work enables progress toward the Agency's longer-term goals.



At different points in the logic model, EPA issues performance reports and information. These include:

- a Strategic Plan outlining our mission, goals and objectives;
- annual planning and budgeting process
- an annual Performance and Accountability Report (PAR);
- Program Assessment Rating Tool (PART) measures and goals;
- annual performance measures as part of EPA's annual commitment system (Measures Central); and

- a Quarterly Management Report.

How do these all fit together? At EPA we sometimes use a metaphor of a fountain to describe the linkage.



How is it a metaphor? Start at the top. The water jets that surmount the fountain represent EPA’s mission: To protect human health and the environment. The next level down represents the five broad goals that support the mission; clean air, clean water, protecting land, providing healthy communities/ecosystems, and promoting environmental compliance and stewardship. The five goals, in turn, cascade down into 20 more specific objectives. The mission statement, the

five goals and 20 objectives are all laid out in EPA’s long-term Strategic Plan.

How do we know if EPA is on the right track to meeting its long-term goals and objectives? The objectives further flow down into a pool of many sub-objectives that have annual goals and measures. These are tracked once a year using the Performance and Accountability Report, Program Assessment Rating Tool measures and the annual commitment system (what we call “Measures Central”). All these pieces add up to a lot of annual measures – well over 300 of them.

Finally, dipping into the large pool of annual measures on a more frequent basis is the Quarterly Management Report. This examines about 60 metrics every 3 months. The purpose is to not just track what is going on, but help us learn what is going on so we can change how we do what we do. If we can find ways to exceed our annual goals, we will exceed our long-term objectives and goals. That means we will better meet our mission to protect human health and the environment and make the United States an even safer, better place to live.

### **The integrated pieces**

We have different systems that then use the information from this integrated network of measures to drive results throughout the Agency. These systems are: Strategic Planning, Accountability Systems, Continuous Learning Initiatives, Evaluation Programs, Budgeting and Financing for Results, Human Capital Strategies, and Electronic Support Systems.

Each of these systems, and its purpose, is described below; but, in summary, here is how they fit together. The Strategic Plan sets forth the overall goals and objectives. These goals and objectives drive the annual and –more recently – the quarterly commitments and measures that EPA uses to guide work and track progress. In turn, these commitments and measures drive accountability, continuous learning, and budgeting



systems. Within the last two years, the Agency has undertaken a major effort to assure that these systems are not just aligned, but used to manage for results.

## **Strategic Planning**

EPA's 2006 -2011 Strategic Plan was updated to include input from state, tribal and other stakeholders. The Plan sets forth five goals. They are: (1) to protect and improve air quality, (2) to provide Americans with clean and safe water resources, (3) to preserve and restore land and clean up contaminated properties, (4) to sustain healthy communities and ecosystems, and (5) to assure compliance with environmental laws while promoting environmental stewardship. More specific objectives and sub-objectives cascade down from these broad goals.

EPA's Strategic Plan directs the Agency's priorities on an annual basis. Each year, EPA develops commitments related to each of its five goals. We also work with states, tribal partners, and other co-regulators to establish the annual guidance that is used by EPA's national programs to negotiate annual commitments with our regional offices, states and tribes. In this way, EPA's national goals help to align environmental work conducted at multiple levels of government.

## **Accountability**

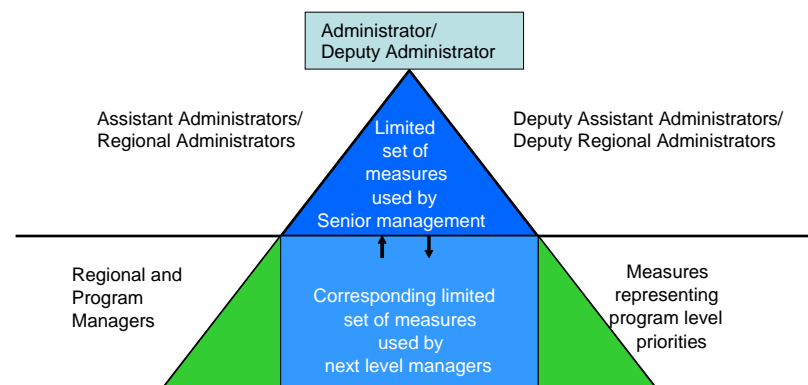
Once goals, objectives, and annual and quarterly commitments and measures are established, EPA uses accountability systems to assess progress, report results and assure that all EPA employees are well-directed, motivated and driven to achieve results. In recent years, EPA has made extensive and ambitious revisions to its accountability processes with the ultimate goal of driving real results.

1. **Organizational Assessments:** In 2003, EPA launched a new system of organizational assessments whereby national programs and regions describe their activities, accomplishments, and key challenges from the past year. The collective results reveal where the Agency is performing well and where there are challenges in need of attention.
2. **Quarterly Management Reporting (the QMR):** In 2006, for the first time in our history, EPA now has a system for collecting, reviewing, analyzing, and using results on a quarterly basis. Rather than relying on data that may be more than a year old, EPA uses quarterly commitments and measures to gauge progress every three months. These measures are the focus of quarterly management meetings, whereby the Agency's senior leadership discusses results, constraints, opportunities to improve performance, and best practices that have potential for improving results on a larger scale. The QMR is also made public via the internet so that the people we serve can hold us accountable for how we are doing.
3. **Measures Central:** Historically, EPA has collected and housed measures and data in a variety of repositories. Over the last several years, EPA has united its systems for storing and accessing data into a central repository. In addition, EPA launched complementary efforts with states to review the value of all reporting

requirements. States were asked to identify the top five most burdensome, least value added reporting requirements and any measures that should be modified or eliminated. As a result, by FY 2008, EPA will have reduced the number of measures being reported by 15% percent below FY 2005 levels without compromising our ability to account for program results.

4. **Prioritizing Measures:** EPA also prioritizes measures so that top executives have a manageable number of measures to inform decision-making. The pyramid

### Prioritization of Measures



above illustrates how information in the central repository is available for managers at different levels. It shows a set of “senior management” measures used routinely by senior management that are supported by corresponding measures used by other Agency managers and staff. As measures cascade down the management chain, the total set of measures becomes larger to reflect the multiple tasks necessary to conduct day-to-day operations. This approach recognizes that different levels of management have different needs for data in assessing results. By linking these measures to specific objectives in EPA’s Strategic Plan, this approach also creates stronger alignment between ongoing work and our long term goals.

### Human Capital Planning

To ensure these strategic priorities and commitments cascade down to all levels of Agency employees, EPA also established new accountability mechanisms for managers and staff.

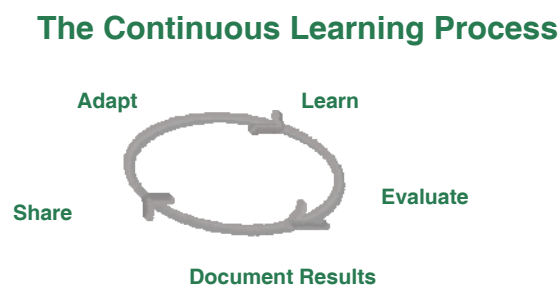
- (1) **Senior Executive Service (SES) Performance Commitments:** The generic job elements in each SES members’ annual performance agreements are now linked to EPA’s Strategic Plan. They stress achievement of mission results and also respond to priorities under the President’s Management Agenda and additional

EPA objectives. Each year, the Deputy Administrator uses the Organizational Assessments and the SES Performance commitments to determine senior executives' performance ratings, salary increases, and bonuses.

- (2) GS Performance and Accountability Rating System (PARS): Senior Executive commitments are, in turn, cascaded down into the performance agreements of their GS managers and staff. These also link to EPA's Strategic Plan.

## Continuous Improvement

Just in the last two years, EPA established processes to assure that measures drive results. The figure below illustrates the Agency's general approach.



These processes include:

- (1) Quarterly Reporting: Every quarter, EPA tallies results in “Measures Central” and reports on the findings through two mechanisms – the Quarterly Management Report and meetings with national programs and regional offices. At these meetings, the top managers examine the data, assess progress toward “stretch” goals, identify constraints that may be inhibiting performance, look for potential improvement opportunities, and identify best practices that can be disseminated throughout the organization. All of these actions focus attention on results and continuous improvement.
- (2) Best Practice Memos: When effective practices are identified in an EPA national program or region, the Deputy Administrator sends a memo to that organization to congratulate them on their success and investigate whether the practice could be replicated by others. If so, these best practices are then documented, shared, posted on the “continuous learning website,” and discussed with senior managers.
- (3) Cross-Agency Senior Management Meetings: In addition to the quarterly management meetings described above, EPA now systematically uses other cross-Agency senior management meetings to discuss best practices and improvement opportunities. These include weekly meetings of the Agency's leadership, as well as periodic senior management forums. For example, EPA is transforming EPA's Innovation Action Council (consisting of the senior Deputy Assistant Administrators and Deputy Regional Administrators) into a new “Performance and Innovation Action Council” devoted to management improvement and innovation.

## **Evaluations**

In addition to using and improving measures to continuously track results, EPA recognizes that it needs a system for looking holistically at programs to evaluate whether they are achieving outcomes most efficiently and effectively. To promote these evaluations, EPA established a training program to improve program evaluation and logic modeling. The Agency also launched an annual Program Evaluation Competition whereby programs compete to obtain contract assistance in conducting evaluations of select initiatives. The Agency is making commitments to do certain program evaluations in each Strategic Plan. Using these evaluations, along with the Report on the Environment, PART scores, and external evaluations and audits, EPA is able to continuously reconnect programs activities and outputs to ultimate outcomes set forth in the Strategic Plan.

## **Budgeting and Finance**

Strategic planning, accountability, and evaluation, in turn, are critical to EPA's budget planning and execution. In devising a budget, EPA begins with the overall goals set forth in the Strategic Plan. We then take into account results from our accountability and evaluation systems. These are supplemented with evaluative information from other sources such as the Inspector General and Government Accountability Office. Prior to the preparation of a draft budget, the Deputy Administrator and Chief Financial Officer hold hearings where the national programs, regional offices, and state and tribal partners explain their resource needs and priorities. These discussions, combined with the evaluative information and financial indicators, inform the development of a draft budget, which is then discussed by the senior leadership prior to completion.

In addition to strengthening ties between budgeting and other management systems, EPA is improving budgeting and finance in another way – by replacing all outdated legacy financial systems with a new system that will promote increased integration of EPA's financial management, planning, budgeting, performance analysis and accountability systems. By using state-of-the-art technology, this new financial system will improve the efficiency and effectiveness of internal processes, and reduce the number of systems and associated costs for financial management. EPA expects this new system, which is being developed under a competitive sourcing procurement, to meet our needs for the next 15 to 20 years.

## **Electronic Support**

EPA has worked hard over the last several years to streamline the electronic mechanisms and tools that support the above management systems. These improvements unify common work processes, provide individuals with one-stop access to services, help reduce redundant information collection, and ensure the data and information are collected online only once, then shared and updated as needed. To this end, two major projects are particularly noteworthy:

- (1) The Dashboard: In 2006, EPA undertook development of a desk-top computer “dashboard” that could be used at all levels of the organization to track results. Structured like a logic model, the dashboard will connect Strategic Plan goals and objectives to annual and quarterly commitments and measures. When fully developed, it will allow users at all management levels to integrate performance information and monitor progress in *real time* – another first and one that will take performance measurement and accountability to a whole new level at EPA. Prototype dashboards are already being piloted in EPA Region 2 and the Agency is now progressing with developing a consistent national product. Performance and financial reports are available to EPA through OCFO Reporting and Business Intelligence Tool (ORBIT) on a real time basis. This allows managers and staff to select standard reports or develop ad hoc reports at their desk top to inform management decisions and assessing results.
- (2) Central Data Exchange (CDX): CDX is EPA's point of entry and exit for electronic data, information, and documents. CDX is also the heart of the Environmental Information Exchange Network, our collaborative effort with states, territories and Indian Tribes to exchange data and information electronically over the Internet. The numbers of states and tribes flowing data over the Network are also tracked in the QMR. CDX now supports 33 Agency information systems or data flows on an ongoing or "production" basis, and 15 more flows are in development. We have 48 states engaged in the Network, and three Tribes. Where it has been used, CDX has delivered a combination of lower costs, enhanced data quality, and much better timeliness of data and services. This benefits both EPA and our environmental protection partners.

## **B. Describe how critical management information is made available to all levels of leadership and management within the agency.**

Sharing critical management information and ensuring its availability are key elements of EPA’s planning and accountability systems. EPA relies on participatory processes and systems to facilitate the sharing of critical information. This participatory approach leverages the broad-range of EPA staff experiences and expertise with timely and relevant information. Processes and systems are designed to be transparent and to facilitate communication across organizational boundaries and management levels. EPA is also deploying and implementing electronic tools such as the Dashboard, described in the previous section, to make information accessible. For example, access to critical management information is emphasized through the following processes: (1) Team Approach to Strategic Planning; (2) National Program Annual Guidance to Regions and States; (3) Quarterly Management Reports; (4) Measures Central; and (5) Enterprise-wide management tools.

## **Team approach to strategic planning**

To develop a practical and pragmatic strategic plan, EPA relies on both internal cross-functional teams and external stakeholders to develop its strategic plan. These teams, which are set up around specific goals, include executives, middle-managers and key staff. This approach ensures that strategic plan goals and objectives are on the one hand visionary while on the other hand realistic and practical. By including a cross-section of staff across EPA programs and across management levels, EPA supports information sharing and discussion of critical management information.

## **National Program Annual Guidance to Regions, States and Tribes**

EPA programs and regions rely on an annual guidance process to support development of their own annual goals. This interactive and iterative process facilitates discussion and the sharing of critical management information among EPA national programs, EPA regional offices, state and tribal environmental departments and agencies. Executives and managers in the national program offices develop, with consultation of regional planning managers, broad goals and program areas of emphasis for a particular year. This framework is shared with regional offices and provides areas of management emphasis in the coming year. Regional executives and managers use this guidance to set their own priorities and identify areas where they can contribute and support the national goals. Much interaction occurs with state and tribal partners during this process to make commitments realistic. This process helps align priorities and commitments among state, tribal, regional, and national priorities through the explicit sharing of critical management information across management levels and organizational units.

## **Quarterly Management Report**

EPA's Quarterly Management Report (QMR) was launched in 2006 and is now used by executives and managers to track the Agency's progress on a more "fresh and frequent" basis than our traditional budget, performance, and financial reporting mechanisms. The report provides Agency managers and staff the most current data available on a select set of regional and national priorities. Measures include operational activities related to the President's Management Agenda such as: timeliness of hiring (Human Capital); small business contracting (Competitive Sourcing); status of the Agency's selection and deployment of a new financial tracking system (Financial Performance); and electronic transactions (Electronic Government). The report also includes program and regional measures that relate to environmental outcomes such as: number of days specific areas exceed the Agency's ozone standard; the number of water pollution limits set; and the number of contaminated properties cleaned up. Each measure is linked to the Agency's Strategic Plan (Performance Improvement Initiative). In June 2006, the most recent QMR was made available to the public via the web, so anyone who wants to see how we are doing can do so.

## Measures Central

As discussed earlier, EPA has, within the past two years, consolidated and streamlined the Agency's performance measures into a central repository. Historically, the Agency took a decentralized approach. Each program office was encouraged to work with the Agency's ten regional offices to define and report on relevant measures. This decentralized approach led to many similar and overlapping measures. This created a problem for managers at different levels and across organizational units.

By creating a central repository of measures, EPA has reduced the internal reporting burden by reducing the number of measures tracked by 15% while increasing the Agency's ability to use performance data by Agency managers. This approach has strengthened data quality and governance by clarifying "ownership" of measures and data. Measures Central also supports the ongoing deployment of enterprise-wide, electronic desktop tools that are increasingly easing access to critical data for managers throughout EPA.

## Enterprise-wide management tools

EPA has deployed several enterprise-wide (agency-wide) electronic management tools to increase the accessibility of critical information to Agency managers. In the previous section, we described the electronic Dashboard. This tool provides managers at different levels and across organizational boundaries access to relevant and timely data at their desk. This effort builds upon experiences gained by EPA managers over the last several years from two web tools that generate management reports out of the Agency's financial and budgeting system or pulls information from a variety of sources (e.g., financial systems, environmental results, social indicators) and combines it to provide EPA managers with critical information related to environmental, programmatic, budget and financial information.

A second tool, *Scout*, tracks the development and status of regulatory, policy and guidance activities throughout EPA. *Scout* provides managers an easy-to-use database to identify and describe priority actions, establish key milestones, and produce meaningful reports. *Scout* reports, for example, are used to monitor performance in meeting internal milestones, track statutory and court deadlines, and share upcoming actions with OMB and others in the Executive Branch. *Scout* reports are used by senior executives (e.g., political appointees and senior career staff) during weekly meetings as well as middle managers to track regulatory activities and by regional offices as a means of communicating key information to headquarters.

## **C. Describe how this information has been and is being used in making critical management decisions.**

Over its thirty-six year history, EPA has developed lots of measures and measurement systems. Some have come and gone, others have come and stayed, and some are required

by law. But EPA has never, until now, had a consistent set of measures that have been reported frequently or regularly at a high level. These new measures are giving EPA more immediate feedback for making critical management decisions. To quote the Deputy Administrator, “Metrics for reporting don’t mean much; metrics for managing are vital.”

As you have been reading, EPA has accomplished much over the past 18 months in using performance measures to drive results. EPA has put into place a system that reports on a limited set of measures, which reflect priorities at a high level. These are reviewed at quarterly meetings between the Deputy Administrator and senior executives in the program and regional offices. These measures and quarterly results are shared with managers and staff throughout the Agency via the Quarterly Management Report. The key result is that EPA is learning and doing a better job because of that learning.

### **Using Measures to Drive Environmental Results**

The best way to show how EPA is using measures to drive environmental results is with an example. Consider EPA’s work to improve water quality. Let’s follow the ‘logic model’ from overall result down to ‘day-to-day’ work.

EPA’s mission is to protect human health and the environment. Within EPA’s Strategic Plan, one of the five goals for completing this mission is achieving clean water. Under the goal of clean water, a sub-objective focuses on improving water quality in watersheds. It calls for pollution prevention and restoration approaches to protect the quality of rivers, lakes and streams on a watershed basis. To determine some near-term actions, EPA’s Office of Water develops National Program Guidance. This annual document takes the goals and objectives in the Strategic Plan and describes the work that needs to be done to reach clean water goals.

An essential step in restoring watersheds is calculating the maximum amount of water pollution a water body can receive and still meet water quality standards. These maximum amounts are “allocated” to the pollutant sources in the watershed. These calculations, known as total maximum daily loads, or TMDLS, set a pollution “budget” for the watershed, which drives water quality permitting and local, state and federal watershed programs.

To make these strategies operational, EPA’s national water program develops measures to determine whether activities are aligned with goals and leading to progress. Again, for our example, EPA has two measures related to TMDLS. One measures the number and national percent of TMDLS that are developed by States and approved by EPA on a schedule consistent with national policy. Another measures the number of water segments identified as impaired in 2002 for which States and EPA agree initial restoration planning (including development of all needed TMDLS) is complete.

These measures are reviewed quarterly and annually by EPA managers in the TMDL program as well as by Office of Water Senior Managers and the Deputy Administrator to



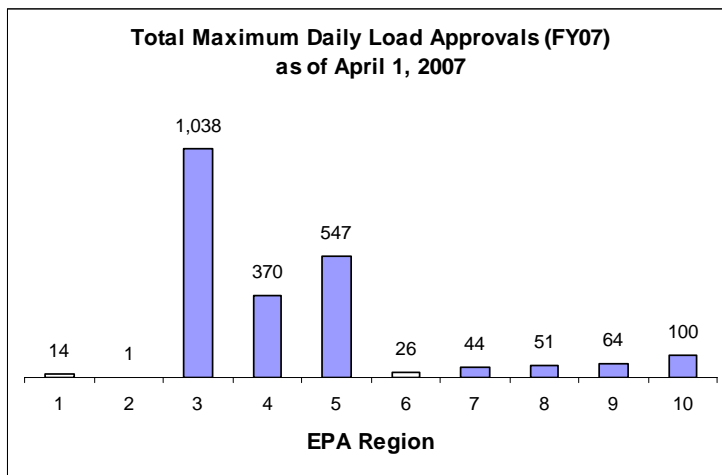
evaluate progress. EPA uses the measures in three ways – to produce national water program performance reports, to inform regularly scheduled dialogues between the national program and EPA’s regional offices, and to conduct evaluations using the Program Assessment Rating Tool.

The results from EPA’s measures then become the basis for organizational and individual assessments. Thus, the number of TMDLs developed and approved has a direct bearing on the performance rating and award potential of SES managers with clean water responsibilities, and lower-level managers and staff working on TMDL issues. In this way, the whole chain of command is held accountable for achieving results.

That’s the big picture, but the story does not end there. EPA routinely tracks how many TMDLs EPA and states set every quarter to make sure we are getting the job done. Here’s what senior managers saw over the first half of fiscal year 2007.

Through April 1, Region 3 had approved over 1,000 TMDLs, an extraordinary number compared to the typical TMDL production elsewhere.

Through EPA’s new continuous learning process (Best Practices Memo, Discussions in Generals and Regional Priority Meetings), Region 3 has described three things that led to this success:



- Used a template for mine sites. EPA and Pennsylvania concentrated on a large number of waters that were contaminated by abandoned mine sites. They had a standard template for setting TMDLs for these sites that helped them set a lot of TMDLs in a short period of time.
- State/EPA partnership. In general, the states and EPA shared information early and often. That reduced delays by letting people identify and resolve differences earlier rather than later in the process.
- Streamlined Review Process. EPA implemented an intensive and streamlined TMDL review process.

EPA has pointed out this finding to other regions and states and is looking to see if others can learn from the Region 3 success. A similar process is being replicated for all priority problems tracked on a quarterly basis.

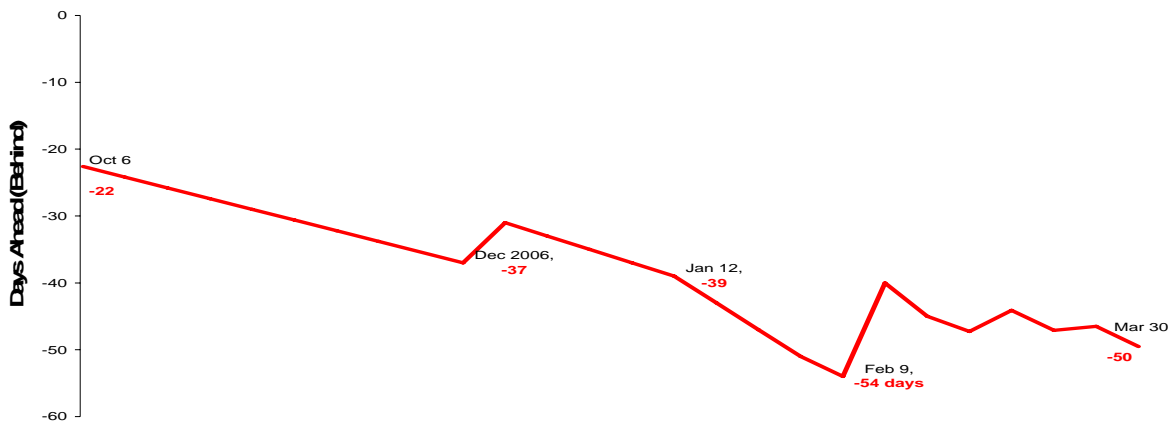
## Using measures to improve Agency operations

In addition to using performance measurement on activities aimed at environmental results, EPA is also using this approach to improve its internal operations. Two examples illustrate EPA's approach.

### Timeliness of Regulatory Actions

EPA is a regulatory agency and developing regulations, policy and guidance materials are at the heart of its core business. Many of EPA's actions have court deadlines and the Agency frequently found itself against a deadline with analysis or policy issues still under discussion. To address this 'rush at the end,' the Agency began tracking how well it was meeting internal development milestones. In essence, could the rush at the end be avoided by improved performance up front? The Agency began measuring the average number of days ahead (behind) schedule for a limited set of actions. The chart below illustrates the Agency's performance over the period from October 2006 through March 2007. EPA's timeliness in meeting internal milestones declined from October though February 2007. Clearly, the data was confirming the impression that we were falling behind and would likely need to 'rush at the end.'

**Average Number of Days Ahead (Behind) for DA Priority Actions (10/1/2006 thru 3/31/2007)**



Prompted by a memo from the Deputy Administrator, further analysis by the Agency's process managers found that a relatively small number of regulations fall significantly 'behind schedule' and drive the adverse timeliness results. Consequently, the Agency is focusing on 'unsticking' these relatively few actions. To further encourage results, new management reports have been developed and the Deputy Administrator reports on progress each week at a senior management meeting. This has resulted in performance 'leveling out' at about 50 days late on average. Senior management is now engaged on the most 'delayed' actions and the Agency expects continued progress will occur.

### Timeliness of Congressional Correspondence

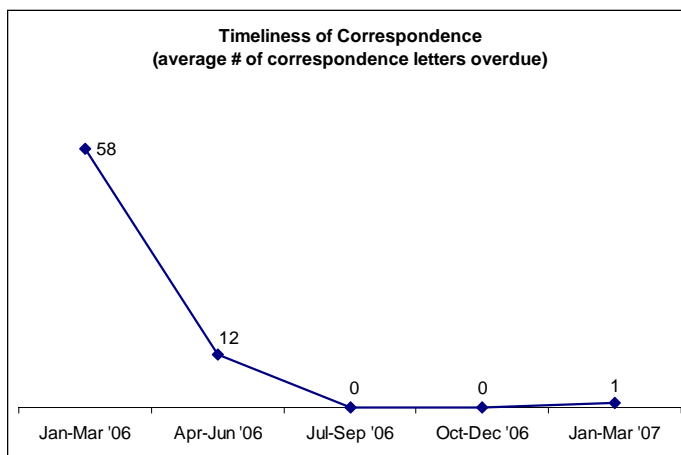
In an average week, EPA receives about 65 letters from Senators, Governors, Congressman, and other elected officials. Many ask us to provide information or answer questions. A timely response affects how and whether the elected official is serving their

constituents and is a reflection of whether EPA has its act together. EPA's current goal is to respond to every letter within two weeks or have a very good reason why we need more time to respond.

Sentiment within the Agency was generally that it would be 'impossible' to meet such a goal. All these letters must be routed to the correct individual at EPA who can draft a response. That person must draft the response and then it must be reviewed by their supervisor(s) as well as other offices, and sometimes Departments, for accuracy, grammar, consistency, etc. Just having the wrong person out sick for a couple days can make this a tough goal to meet.

And, indeed, it is a very tough goal. In early 2006, EPA typically had 65 to 75 responses that were overdue. Then we decided to do the impossible.

The Agency revamped the system to cut down on the number of reviews. Each EPA office was held more accountable for getting responses done swiftly. For instance, performance was tracked at a senior staff meeting every Monday. Offices started getting on letters right away rather than waiting until they were 'late.' As you can see, we met the goal during the last quarter of FY2006 and we continue to keep the number very low.



#### **D. Describe how your agency has developed a common management culture and language to address issues relating to the planning and execution of work.**

Over the past two years, EPA's Deputy Administrator has led an effort to develop a consistent vision, culture and language around performance management. In January 2007, the Deputy Administrator articulated his vision in a memo entitled "Performance Management – The Road Ahead:"

##### *Vision*

*A limited set of measures are regularly used to manage programs and make decisions. Specifically, we will:*

- *Use measures for stronger program and organizational accountability.*
- *Access measures through and automated central repository.*

- *Achieve stronger central governance and periodic Agency-wide consultation which results in a concise set of measure that are relevant, clearly defined, stable, timely, and meet multiple needs.*

This effort resulted in the creation of a continuous learning/best practice process, all-hands meetings, and the actual use of performance measures in senior staff meetings, national program meetings, and regional program discussions. Several examples are noted below. As a result, EPA has adopted new terminology that immediately reinforces and supports the practical use of performance management.

### **Quarterly Management Report (QMR)**

Organizational change is difficult for most organizations; EPA is no exception. Implementation of the QMR in effect required changes and improvements to set ways of establishing, reporting and using information about performance on a frequent basis. The development and distribution of the Agency's Quarterly Management Report (QMR) illustrates an example of how EPA is working to develop a common performance culture. EPA launched the QMR during 2006. Since that time, the QMR's distribution has increased from just the senior executives to all staff and the public. Quarterly management meetings that focus on the QMR provide additional focus on performance management that infuse a 'results-based' culture.

### **Senior Leadership Councils**

EPA has continued to build on previous PMA successes to strengthen overall systems integration and performance measurement through networking and leadership at all levels of the Agency. EPA's Office of the Chief Financial Officer (OCFO) established and currently chairs an Agency-wide PMA Coordinating Council to enhance collaboration among EPA's PMA initiative owners. The Council meets with EPA's Deputy Administrator every six weeks to discuss key issues and facilitate implementation of the PMA. Through this effort, EPA's senior leaders consistently focus on and discuss performance and accountability at all levels of the Agency.

The Agency is also tapping into senior management councils to foster a performance culture. These councils are comprised of the Agency's senior career staff and provide consistent leadership across administrations. For example, the Agency formed a Quality Information Council to lead its information technology efforts, including e-Government. The Agency is also in the process of refocusing the activities of its Innovative Action Council to better incorporate its performance based culture. This council has traditionally spurred innovation through the testing, evaluation and dissemination of new approaches. EPA is renaming the council the Performance and Innovation Council to emphasize and reinforce its evolving results-based culture.

## **Alignment with State Partners**

EPA's Deputy Administrator initiated two complementary efforts in 2006 to improve EPA's overall performance management strategy: states should identify high-burden, low-value reporting requirements (burden reduction), and states and regions should identify measures in Measures Central for modification or deletion (measures streamlining). This effort strengthens both the EPA culture and spreads this performance-based ethic to the Agency's state partners.

For example, the states and EPA are working together to streamline state reporting and focus on the highest priority problems. When asked to assist EPA in reducing the number of measures and improving their quality, thirty-eight states submitted a total of 239 specific recommendations. After review by EPA program offices and regions, the Agency has found that 20 percent of the states' budget reduction recommendations can be implemented in FY 2008 or sooner. Also, in the past year, EPA has reduced the total number of measures in the system by 15 percent from FY 2005 to FY 2008. EPA will continue to review and adjust measures on an annual basis, as part of the Agency's program planning and budgeting processes, in order to make sustained incremental improvements to performance measurement. Key benefits of measures refinement and streamlining include gaining a better set of measures (many measures were revised to improve their clarity), increased collaboration between EPA and states on measures that require state input, and greater transparency in EPA's processes.

## **Program and Regional Program Discussions**

To enhance day-to-day decision-making, EPA now has a limited set of metrics that are regularly used to manage programs and make decisions. This set of approximately 30 top tier measures, developed in early 2007, are known as EPA's Senior Management Measures. This set of measures will also be discussed each year as part of EPA's annual organizational assessment process, in which each region and program office describes their previous year's activities, accomplishments, and unique challenges (with associated performance results), in an efficient one-page template customized for EPA's regions, national programs, and environmental support programs.

## **Performance and Accountability Rating Systems (PARS)**

As described under Question A, EPA's accountability systems, including Organizational Assessments, SES commitments and General Schedule PARS agreements, reflect an Agency-wide commitment to results. For example, all generic elements must be linked to EPA's *Strategic Plan*, stress achievement of mission results, and respond to PMA and additional EPA objectives. One example of an individual commitment is, "Enhance [the office's] ability to assess our responsiveness to the Administrator's priorities and the PMA by identifying key performance and productivity measures for [the office's] activities. Close tracking of this performance information will enable [the office] to measure its progress, make necessary midcourse adjustments, deliver high quality products and services in a timely manner, and identify future research priorities." The

Deputy Administrator discusses individual achievement of the critical job elements and annual commitments at the conclusion of each performance cycle with each program and regional senior executive. Achievement on critical job elements and annual commitments is reflected in executives' performance ratings, salary increases, and bonus potential.

In addition, the Agency's annual General Schedule (GS) employees' performance and accountability rating system (PARS) was changed to ensure that critical elements in individual performance agreements cascade from strategic plan, annual commitments, and SES commitments. The Agency moved to a five-tiered rating system to provide additional accountability. This supports EPA efforts to create a culture that ties rewards to results.

### **The Web, Blog and Metro Signs**

EPA has taken substantial steps within the last two years to enhance the ability of managers, at all levels, to access information on the web. In particular, EPA is improving



its performance management web resources to communicate a common vision and set of tools. This includes communicating results and critical information to managers using tools such as the availability of the Quarterly Management Report. EPA is about to launch a new "continuous learning" intranet site featuring best practices. In addition, the EPA Deputy Administrator launched a public Blog that focuses on performance management. This enables every EPA employee and the public to engage and participate in the Agency's performance management system. This informal discussion

provides a vehicle for employees to comment on the management system, provide suggestions for improvement, and make recommendations for celebrating success. EPA also has designed posters at the Metro exit and entrance of the Agency's Headquarters Office that feature environmental results from Agency programs. These posters allow employees entering and exiting the building to see what progress is being made and what results have occurred.

### **E. Describe, as quantitatively as possible, your results. This should include before and after improvements in decision making, survey results relating to management culture, examples of more effective use of resources, etc.**

As described above, in prior years, EPA managers were "flying blind" with respect to performance measurement. There was no Report on the Environment, no Measures Central, no Quarterly Management Report, no senior management measures, no regular

and frequent management meetings to examine results and discuss improvement strategies, no mechanism for sharing best practices and encouraging continuous learning. Within the last two years, EPA has focused on establishing new systems and integrating them with old systems to put in place an overall performance management process that allows EPA managers to use data to manage. Here are examples of results to date:

## Air

Through a series of regulatory actions, the United States has made significant progress in reducing air toxics from industry, fuels, and vehicles. Since the Clean Air Act was amended in 1990, EPA has issued 96 standards for 174 types of major industrial sources of air toxics and 15 categories of smaller sources. When fully implemented, these standards together are projected to reduce annual emissions by 1.7 million tons from 1990 levels. Vehicles and fuels also emit air toxics. By 2020, EPA’s fuels and vehicles programs will reduce air toxic emissions by another 2.4 millions tons compared to 1990 levels. In 2006, EPA reported in its Performance and Accountability Report that it had achieved a 37.6 percent reduction in air toxics emissions from stationary and mobile sources but did not meet the annual performance goal of 40 percent. EPA has since focused efforts on the most significant problems in an effort to accelerate progress.

One example of a focused effort is EPA’s work to reduce emissions from old diesel engines. Old diesel engines are a major source of soot or particulate matter (PM). In 2006, EPA held a “leapfrog” meeting of high-level managers across its programs in an effort to brainstorm ideas that could ‘leapfrog’ current expectations and accelerate progress in addressing these engines. Region 9’s West Coast Diesel Collaborative was highlighted as a “best practice” to be replicated by other Regions. Under the Collaborative, EPA’s San Francisco, CA and (Region 9) Seattle, WA (Region 10) offices have brought together over 800 partners, including outreach efforts across international borders into Canada and Mexico to discuss, raise awareness, and address public health concerns of reducing diesel emissions. Within the last two years, this approach to addressing diesel emissions has expanded across the nation and a list of ‘best practices’ for these Collaboratives has been developed as part of the Agency’s Best Practices process. The number of diesel engines retrofitted to reduce emissions under these programs is now tracked in the Quarterly Management Report (see below) and experiences are being shared between the Regions in the Quarterly “Regional Priority” meetings and at meetings of the Innovation Action Council.

36 Old diesel engines are a major source of soot and these projects are an extremely cost-effective way to improve air quality. Results are reported jointly for Blue Skyways (Regions 6 & 7) and West Coast Collaborative (Regions 9 & 10).

**Air Quality**  
Links to Strategic Plan Objective 1.1

Projects and Retrofits: Diesel Projects in Select Regions

	Region 1	Region 2	Region 3	Region 4	Region 5	Regions 6,7	Region 8	Regions 9,10	TOTAL
# of Pollution Reduction Projects	01	11	3	9	63	19	13	0	28
	02	40	7	32	71	54	20	0	51
	T07	N/A	N/A	N/A	10	N/A	25	8	N/A
# of Diesel Engines Retrofitted	01	6,877	107	0	362	301	354	0	4,324
	02	9,139	1,138	220	362	1,178	2,118	0	4,820
	T07	N/A	N/A	N/A	0	N/A	500	N/A	N/A

Data Source: RC10200; W200 (Quarterly progress reports)

Source: EPA Quarterly Management Report, Jan-Mar 2007

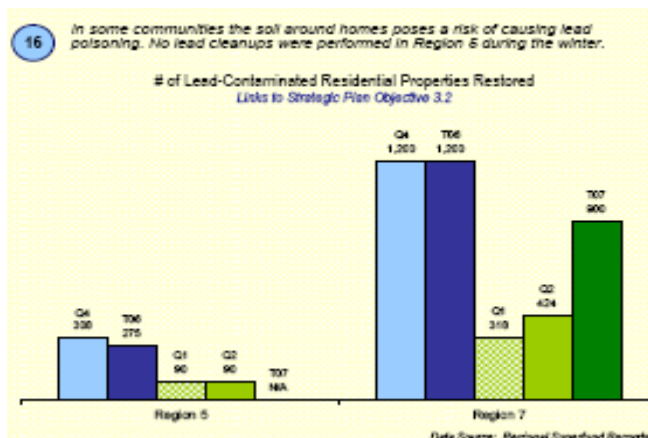


## Water

In 2000, EPA established a goal in the Strategic Plan to restore 25 % of the nation's impaired water bodies by 1012. Restoring impaired water bodies is a tremendous challenge and involves coordinating state and EPA efforts, using a variety of tools under the Clean Water Act. EPA and States must work together on keeping water quality criteria up-to-date, assessing waters, and establishing pollutant reduction budgets or Total Maximum Daily Loads (TMDLs). As described under Question 3, TMDLs are essential in determining permit limits and strategies for reducing pollution loads that contribute to a water body's impairment. In 2006, EPA and States completed 24,131 TMDLs, compared to a target of 20,501.

As noted above, EPA began to use the new Quarterly Management Reports in 2006 to track the number of TMDLs developed in for several Regions. This tracking led to the identification of potential "best practices" in Region 3, where the number of TMDLs in the first half of FY2007 were double the number of any other Region (1,083 TMDLs compared to the next best of 547). (See graph page 12.) These practices have been the subject of a Best Practice memo from the Deputy Administrator and the topic of conversation at "Generals" with senior managers from the Office of Water as well as the Innovation Action Council meetings.

## Land



In 2006, EPA began tracking the number of homes at which lead cleanups were performed in the Quarterly Management Report and discussing these in "Regional Priority" meetings with the Deputy Administrator. These discussions and reports have led to the identification of a potential "best practice" in Region 7 for lead cleanups. As with other potential "best practices," Region 7's methods

are being evaluated and shared with other Regions and will be the topic of future senior management and Innovation Council meetings.

Source: EPA Quarterly Management Report, Jan-Mar 2007

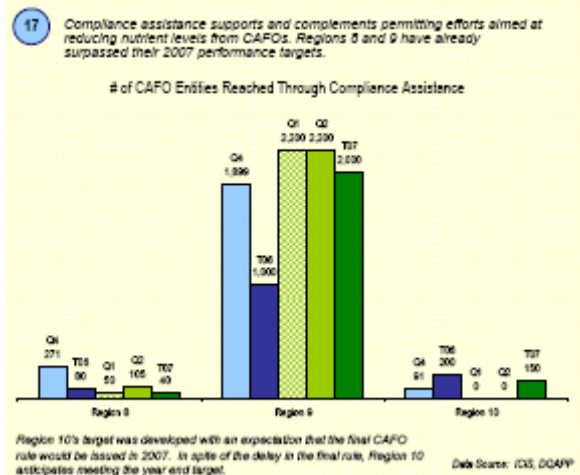
## Other Examples

There are numerous examples in which the new quarterly tracking system and senior management discussions have resulted in improved results. These include:



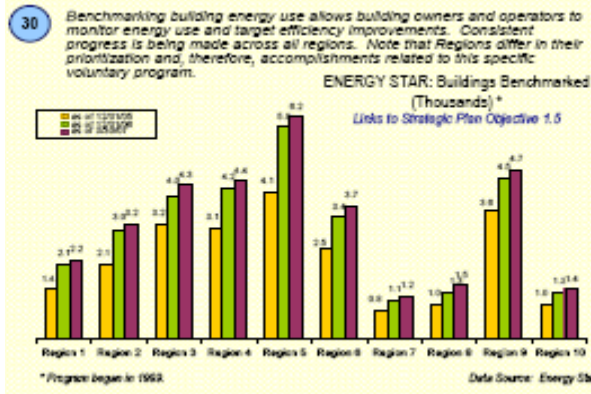
CAFO Compliance Assistance

Combined Animal Feeding Operations have become a significant source of pollution to both air and water. In the first Quarterly Management Report published in 2006, Region 9 reported that it had delivered compliance assistance to 2,200 facilities, significantly more than the next best Region. The Region has since shared its methods with other Regions and those practices are being adapted and replicated as appropriate.



Benchmarking Energy Star Buildings

Benchmarking the energy used by buildings allows building owners and operators to monitor energy use and improve their energy efficiency. Since tracking this metric in the QMR, results have gone up in every Region every quarter.

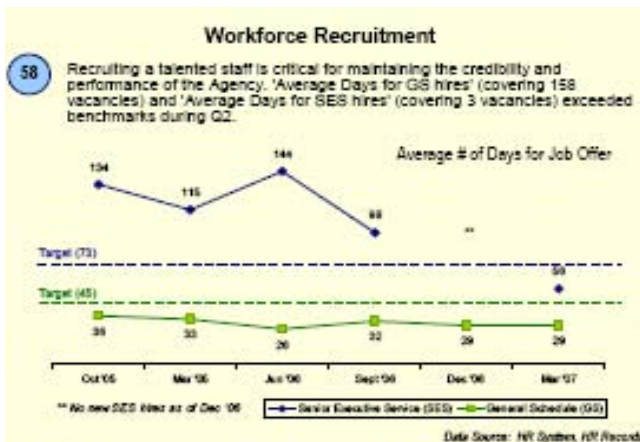


EEO Complaints

EPA firmly believes that maintaining a diverse workforce is key to its productivity and the quality of its decisions. EPA tracks the diversity of its workforce compared to the National Civilian Labor Force in the QMR. And the Deputy Administrator tracks and discusses additional measures in quarterly meetings with senior managers in the Office of Civil Rights. Since tracking began, the Office of Civil Rights has reported steady improvements in reducing the number of EEO complaints in the Agency and has developed a training and communications strategy to sustain that trend.

Timeliness of Recruitment Processes

In years past, EPA's performance in turning around SES recruitment packages once advertised has lagged. With recent management focus through the PMA scorecard, the QMR, and Deputy Administrator "Generals"



with the Office of Administration and Resource Management, EPA has succeeded in going from an average of 134 days to 56 days between advertisement and offers for SES positions.

These are only a few examples of the ways EPA's new integrated management systems are making a difference.