

Section III.

Management Accomplishments *and* Challenges



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Management Accomplishments and Challenges

Introduction

The Reports Consolidation Act of 2000 requires the Inspector General to identify, briefly assess, and report annually the most serious management and performance challenges facing the Agency. Management challenges represent vulnerabilities in program operations and their susceptibility to fraud, waste, abuse and mismanagement. This section includes a discussion of areas that the Office of Inspector General (OIG) and the Government Accountability Office (GAO) identified as EPA's 2005 management challenges. It also includes a discussion of the Agency's response to the challenges and progress in addressing the issues.

In FY 2005, OIG and GAO identified nine areas they consider EPA's most pressing management challenges. While OIG identified the majority of these areas, GAO raised a number of the same issues, such as human capital and assistance agreements. Notably, neither OIG nor GAO suggested elevating any of the issues to the level of a material weakness—a reportable condition

that could adversely impact the integrity of Agency programs and activities. Most of the challenges identified are recurring issues that take time to resolve. EPA has been working to address these long-standing issues for the past several years and has made good progress during FY 2005.



EPA's senior managers are committed to resolving current issues and identifying and addressing emerging issues before they become serious

problems. To sustain management attention to issues raised by OIG, GAO, and other external evaluators, EPA maintains a system of internal controls to ensure that program activities are carried out effectively and in accordance with applicable laws and sound management policy. Currently, EPA has elevated three of the nine management challenges to the level of an Agency weakness under FMFIA. EPA leaders meet periodically to review and discuss the progress the Agency is making to address the issues, and each year the Agency reports on the status of its efforts in its Performance and Accountability Report and Budget Submission.

The material that follows includes a table of the management challenges identified by OIG and their relationship to EPA's *Strategic Plan* and the President's Management Agenda. This section also includes OIG's description of these issues and EPA's summary of actions it has taken to address them.

Office of Inspector General

2005 Key Management Challenges

(Prepared by the Agency's Office of Inspector General)

The table below includes issues identified by OIG as the 2005 key management challenges facing EPA and the relationship of the issues to the Agency's *Strategic Plan* and the President's Management Agenda. Following the table is a brief discussion of the challenges. A more detailed discussion of each challenge can be found in OIG's memorandum to EPA's Administrator, *EPA's Key Management Challenges 2005*, dated April 25, 2005.

EPA'S TOP MANAGEMENT CHALLENGES REPORTED BY THE OFFICE OF INSPECTOR GENERAL	FY 2003	FY 2004	FY 2005	LINK TO EPA STRATEGIC GOAL	LINK TO PRESIDENT'S MANAGEMENT AGENDA
Linking Mission and Management*: Development of more outcome-based strategic and annual targets in collaboration with partners.	●	●	●	Cross-Goal	Integrating Performance & Budget
Agency Efforts in Support of Homeland Security: Implementing a strategy to effectively coordinate and address threats.	●	●	●	Cross-Goal	
Superfund Evaluation and Policy Identification: Improving the usefulness of internal evaluations, and implementing program policy decisions.			●	Goal 3	
Information Resources Management and Data Quality: Improving the quality of data used to make decisions and monitor progress.	●	●	●	Cross-Goal	E-Gov
EPA's Use of Assistance Agreements to Accomplish Its Mission: Improving the management of the billions of dollars of grants awarded by EPA.	●	●	●	Cross-Goal	Financial Performance
Challenges in Addressing Air Toxics Program: Reducing air toxic emissions by improving measurement of risk assessment and progress.	●	●	●	Goal I	
Human Capital Management: Implementing a strategy that will result in a competent, well-trained, and motivated workforce.	●	●	●	Cross-Goal	Human Capital
Information Security: Protecting information systems by preventing intrusion and abuse of systems, and protecting integrity of data.	●	●	●	Cross-Goal	E-Gov

*In FY 2004 and 2005 Working Relationships with the States was consolidated in "Linking Mission and Management"

OIG's FY 2005 Key Management Challenges for EPA

LINKING MISSION AND MANAGEMENT

EPA faces a continuing challenge in demonstrating accomplishment of its environmental mission through programs with clear objectives, measurable results, and accurate cost information. We have considered Linking Mission and Management as a top management challenge since 2001. While the Agency is making progress, we continue to observe weaknesses across various activities, programs, and offices.

EPA's 2003-2008 *Strategic Plan* is superior to preceding plans; however, it does not contain sufficient substantive strategies or resource and schedule commitments leading to the attainment of its stated goals. In a series of reviews of various Agency activities, we have observed a systematic disconnect between program goals, performance objectives developed in response to the Government Performance and Results Act (GPRA), and measures of effectiveness.

As noted in prior years, developing outcome based performance measures linked to Agency activities is a challenging undertaking. EPA's Fiscal Year (FY) 2006 Program Assessment Rating Tool (PART) Assessments continue to cite a need for improved measures in a number of programs. Past Office of Management and Budget PART assessments have noted that the absence of valid outcome performance data has hindered EPA in evaluating the impacts of its programs on the environment and public health.

As EPA works to develop more outcome-oriented performance measures, it must continue improvements to track the cost of achieving environmental results. A March 2005 policy change will allow EPA to more closely link costs by familiar program or

project names instead of broader, more abstract categories. It is important for EPA to collect and integrate data for tracking the cost of organizational performance. A recent OIG report on Superfund expenditures re-enforces this need through findings that all costs

EPA's Response (Prepared by the Agency)

EPA has made significant progress over the past years in linking program performance with resource decisions; developing outcome-oriented goals and measures; and providing managers with timely, reliable, and consistent cost information.

Highlights from Prior Years:

- Issued EPA's 2003-2008 *Strategic Plan*, which moved the Agency from ten to five strategic goals centered on environmental and human health results.
- Increased the use of performance information and trend data in developing the FY 2005 budget.
- Developed more outcome-oriented annual performance goals and measures as well as efficiency measures.
- Developed a new accounting framework to track resources across the five goals.
- Released a *Draft Report on the Environment*, which is intended to help assess the current state of the environment and to provide a baseline against which future performance can be measured.

Highlights of FY 2005 Progress:

- Developed and implemented a new performance tracking feature in the Agency's Annual Commitment System that supports the entry and tracking of annual performance data against annual regional performance commitments.
- Continued to improve PART scores by developing efficiency measures for environmental programs. (As of July 2005, 6 of the 32 EPA programs assessed show results not demonstrated.)
- Enhanced the Office of the Chief Financial Officer's Reporting and Business Intelligence Tool (ORBIT) functionality by expanding the programmatic and performance reporting capability and adding additional data sources (Administrative Data Mart).
- Began to develop the Agency's 2006-2011 *Strategic Plan*, including outreach to partners and stakeholders and consultation with state and tribal partners.

incurred by the Superfund program cannot be identified or isolated.

Once accurate and current cost information is available, EPA managers need to consider it when making operational and strategic decisions. With the right information at hand, they can analyze organizational and

programmatic performance. EPA's success in implementing cost accounting will rely, to a great extent, on how well the Office of the Chief Financial Officer works with program offices. An essential aspect of this challenge will be persuading EPA managers to incorporate use of cost accounting data into the normal course of managing their programs. In

addition, EPA continues to work with its Federal, State, and Tribal partners to develop appropriate outcome measures and accounting systems that track environmental and human health results across the Agency's revised goal structure. This information must then become an integral part of the Agency's decision-making process.

AGENCY EFFORTS IN SUPPORT OF HOMELAND SECURITY

While the Department of Homeland Security (DHS) maintains the lead for the unified national response to terrorist threats, many other Federal, State, and local agencies, including EPA, play a vital role in implementing homeland security efforts. EPA has developed chemical, biological, and radiological, technical and scientific expertise that enhances the ability of DHS to address potential terrorist threats. EPA also possesses emergency response capabilities that complement the efforts of other Federal agencies. The Public Health Security and Bioterrorism Preparedness and Response Act (Public Law 107-188) specifically tasked EPA with funding and overseeing water system vulnerability assessments and resulting emergency response plans. In addition, several Homeland Security Presidential Directives direct EPA to support and develop the preparedness of state, local, and tribal governments, and private industry, to respond to, recover from, and continue operations after a terrorist attack.

Over the past year, OIG analyzed several of EPA's actions to address its homeland security

responsibilities. We found that the Agency has showed continued improvement on several fronts such as establishing the EPA Homeland Security Collaborative Network and updating its Homeland Security Strategy. The agency must continue to work

with stakeholders to develop performance measures for water security and to identify impediments that are preventing water systems from successfully reducing or mitigating vulnerabilities in computer systems used to control water equipment (Supervisory

EPA's Response (Prepared by the Agency)

EPA plays an important role in protecting the environment from potential threats such as chemical, biological, and radiological contamination and must be prepared to respond to these threats effectively and efficiently. In FY 2005, EPA declared Homeland Security an Agency weakness.

Highlights from Prior Years:

- Established the Office of Homeland Security (OHS) within the Administrator's Office.
- Established the Homeland Security Collaborative Network to coordinate and directly address high-priority, cross-Agency technical and policy issues related to homeland security programs.
- Supported federal law enforcement agencies at Nationally Significant Events (e.g., U.S. Secret Service and Federal Bureau of Investigations during the G-8 Nations Summit).

Highlights of FY 2005 Progress:

- Updated EPA's *Homeland Security Strategic Plan* to identify the range of EPA's homeland security activities, taking into consideration the evolving role of the DHS.
- Assisted drinking water systems in protecting their infrastructure from terrorist attacks by completing vulnerability assessments.
- Drafted a policy that promotes consistency across the regions in implementing *BioWatch* consequence management activities, while accommodating region-specific needs.

Control and Data Acquisition, SCADA systems). The Agency must also take steps to ensure that it is performing all BioWatch designated responsibilities and develop a better process for identifying, obtaining, maintaining, and tracking response equipment nec-

essary for Nationally Significant Incidents.

EPA has undertaken a number of efforts to work with Federal, State and local counterparts to enhance critical infrastructure protection. As new threats to the

Nation continue to evolve, EPA's success will require simultaneous attention to questions of risk, capabilities and deficiencies, preparedness, management and oversight, as well as effective coordination with EPA's partners at all levels of government and industry.

SUPERFUND EVALUATION AND POLICY IDENTIFICATION

The Agency can be credited with reducing risks at hazardous waste sites across the Nation, identifying and implementing needed reforms, instituting program infrastructure, and making progress in cleaning up the

nation's most contaminated sites. However, troubling obstacles have been identified to the Agency's ability to effectively meet the Nation's current and future needs for hazardous waste cleanup. Despite having its own processes

for evaluating and reforming the Superfund program, EPA has failed to proactively identify, or communicate, the current fiscal and other program management challenges that are causing great pressure and attention on the program. EPA has had mixed success in implementing reforms.

The EPA should continue its important internal evaluation and reform activities that have characterized the Superfund program since 1989. However, changes or modifications in its evaluation and policy identification process are needed to respond to new challenges. In the future, the Agency will need to identify and provide solutions for major program challenges and policy decisions, including (1) lack of Trust Fund appropriations and decreasing general appropriations; (2) the inability to fund all sites that require funding, including increasing expectations to identify and implement program efficiencies, account for and explain costs, and establish site prioritization processes; (3) determining potential future financial and environmental liability from sites that have not yet formally entered the Superfund program; (4) lack of viable, or fully cooperative, responsible parties, inadequate financial assurance for site

EPA's Response (Prepared by the Agency)

EPA's Response: The Superfund program is complex, dealing with cleanup requirements that have been changing since its inception over 20 years ago. However, despite the program's complexity and unique administrative structure, it has made and continues to make significant progress in cleaning up Superfund sites and reducing risks to human health and the environment.

Highlights from Prior Years:

- Initiated an internal review of the Superfund program (120-Day Study) to identify opportunities for program efficiencies that would enable the Agency to begin and ultimately complete remedial actions with current resources.
- Completed data collection and analysis on hazardous sites impacting Indian country.
- Established the EPA tribal forum to work collaboratively on issues involving tribes.
- Worked to increase oversight of the Tribal Association on Solid Waste and Emergency Response (TASWER) cooperative agreement, in accordance with commitments to OIG.

Highlights of FY 2005 Progress:

- Published *Superfund: Building on the Past, Looking to the Future*, an internal review of the Superfund program that contains recommendations for program improvements.
- Developed a 120-Day Study Action Plan which outlines how EPA will carry out the recommendations.
- Completed the Superfund Tribal Strategy and implementation plan.

(Relates to APG 3.3 in Section 2, Page 101.)

cleanup, and the inability to consistently rely on other programs to support Superfund needs; and (5) use of credible measures of the ecological benefits that result from Superfund cleanups.

Recognizing that tribes are important partners in implementing the Agency's environmental programs, the Agency has undertaken three major initiatives since 1998. These initiatives have produced some positive results and lessons have been incorporated into the Agency's current strategy for managing the role of the tribes in the Superfund program. The

Agency's tribal strategy has faltered because it does not have a detailed implementation plan with milestones, priorities, resource needs, and corresponding measures to track progress and effects of the strategy. In addition, the strategy cannot be effectively implemented without critical information, including an inventory of hazardous waste sites on Indian lands. A strong working relationship between EPA and the States and Tribes is necessary if environmental goals are to be achieved.

If the Agency is to maintain the public's trust and confidence in

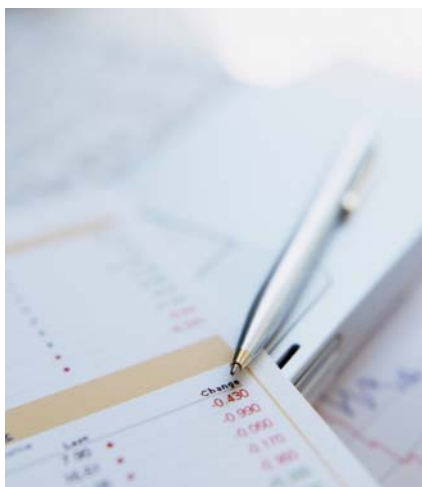
its ability to effectively manage the Superfund program and protect human health and the environment at the Nation's most contaminated waste sites, it needs to demonstrate the ability to proactively identify and address the program's most serious challenges. This is particularly important when the Agency has processes in place to accomplish this. In addition, effective and credible program planning, budgeting, and resource allocation are accomplished when the Agency is informed of what the program's current and future challenges and needs are.

INFORMATION RESOURCES MANAGEMENT (IRM) AND DATA QUALITY*

EPA acknowledges IRM data management practices as an Agency-level weakness under the Federal Managers' Financial Integrity Act and has specifically targeted various components for improvement. The Agency faces a number of challenges with the data it uses to make decisions and monitor progress against environmental goals. These challenges cover a broad range of interrelated activities including: using enterprise and data architecture strategies to guide the integration and management of data and to make investment decisions; implementing data standards to facilitate data sharing; and establishing quality assurance practices to improve the reliability, accuracy, and scientific basis of environmental data, including data derived from laboratories. EPA and most States often apply different data definitions, and sometimes collect and input different data, resulting in

inconsistent, incomplete, or obsolete, consolidated national data.

While EPA has developed several core registry systems and metadata registries, it has yet to



implement a 1998, agreed-upon, OIG recommendation to formally revise its policies and procedures supporting an Agency standards program. EPA has developed and formally approved ten data standards, and continues to partner with the Environmental

Data Standards Council to develop additional standards for environmental information collection and exchange. However, the true challenge lies in the implementation of the approved standards, because many parties must follow through for EPA and others to realize the benefits.

Some of the approved standards will not be fully implemented until Fiscal Year 2006, and some have been implemented only in a targeted set of national EPA systems. If EPA's exchange network infrastructure is to work effectively, timely implementation should be required for all applicable systems. Moreover, the use of data standards should be a required condition for receiving money under the Exchange Network Grant Program. In addition, while EPA is focusing its efforts on standards for data shared with external partners, additional attention is needed for

*This challenge was also identified by GAO.

internal data. Standards for internal data are necessary to facilitate the efficient and effective development and implementation of truly integrated systems within EPA. These data standards would help to reduce reliance on interfaces and data warehouses to allow for the sharing and integration of internal data.

Data reliability is another major aspect of data management needing continued attention. The Government Accountability Office noted that although EPA has made some progress in addressing critical data gaps in the agency's environmental information, the Agency still has further to go in obtaining the data it

needs to manage for environmental results. EPA should establish clear lines of responsibility and accountability among the agency's various organizational components, and identify specific requirements for developing and using environmental indicators.

Data quality concerns extend to questionable analyses by laboratories. The number of ongoing lab fraud investigations increased by more than 150% between Fiscal Years 2001 and 2003 due to complaints received. The method of fraud employed by all but two of the involved laboratories dealt with some form of altered or fraudulent test results. The Agency has taken significant action to address the quality of laboratory data and decided that Laboratory Quality System Practices was corrected as a Federal Managers' Financial Integrity Act in FY 2004. Follow-up activities will determine if weaknesses in Agency laboratory practices have been corrected.

EPA's ability to manage its business processes, enforce environmental laws, evaluate the impact of its programs in terms of environmental improvement, and accurately inform the public about the status of the environment may continue to be limited by gaps and inconsistencies in the quality of its data. EPA needs to continue its efforts to identify what data is necessary to manage its programs, and work, both internally and with its partners, to ensure that such information is captured and reported in a timely, accurate, and consistent manner.

EPA's Response (Prepared by the Agency)

In FY 2001, EPA acknowledged both laboratory quality system practices and data management practices as Agency weaknesses. In FY 2004, the Agency corrected its laboratory quality system practices as a FMFIA weakness.

Highlights from Prior Years:

- Provided tools, technical evaluations, and training to help environmental laboratory managers ensure that their operations produce data of documented quality.
- Developed a policy directive focused on ensuring and documenting the competency of Agency laboratories.
- Conducted discussions with Agency and outside representatives on how to assure the quality of laboratory data. EPA incorporated the results of these discussions into training courses and recommendations for best practices for laboratory quality systems.
- Validated the effectiveness of corrective actions by summarizing audit reports, documenting guidance for detecting and deterring misconduct, and documenting the review process for the modified Quality Assurance Annual Reports and Work Plans.

EPA has made significant progress in addressing data management. Specifically, EPA developed an effective data standard program and promulgated six Reinventing Environmental Information data standards for the Agency. In FY 2005, the Agency completed the final corrective actions for the data management practices weakness.

Highlights of FY 2005 Progress:

- Developed a process for ensuring data management policies and procedures are planned, maintained, and revised as appropriate (e.g., changed the structure and operating procedures for the Quality Information Council to better fulfill its role as the information policy-making body for the Agency).
- Developed an Agency-approved planning process to identify key data gaps by building on data-gap information included in EPA's *Draft Report on the Environment*.
- Proposed a new Agency weakness, Implementation of Data Standards, to ensure that new standards adopted by the Agency are fully implemented in a cost effective and timely manner.

EPA'S USE OF ASSISTANCE AGREEMENTS TO ACCOMPLISH ITS MISSION*

Assistance agreements are a primary means EPA uses to carry out its mission of protecting human health and the environment. More than half of EPA's fiscal 2004 budget, approximately \$4.4 billion, was awarded to organizations through assistance agreements. Because the amount is large, and because the work involved is critically important to fulfilling EPA's mission, it is imperative that the Agency use good management practices in awarding and overseeing these agreements to ensure they cost-effectively contribute to attaining environmental goals.

Since 1996, EPA has reported Management of Assistance Agreements as a material or agency weakness under the Federal Managers' Financial Integrity Act. Recent OIG reports show that grant management challenges continue to exist. In March 2005, we reported on the implementation of EPA's new grant competition order and concluded that EPA needs to compete more assistance agreements. The order was ineffective because it included too many exemptions and, therefore, only applied to \$161 million of more than \$835 million of discretionary grants awarded in 2003.

We also continue to identify pre-award and monitoring weaknesses that waste money and weaken program effectiveness. While EPA issued a Grants Management Plan in April 2003, EPA has not completed all of the proposed actions in its Plan. To address many of our recommendations, EPA has issued several

Orders since January 2005 containing new requirements for 1) identifying environmental results under assistance agreements, 2) competing grants, and 3) assessing capabilities of non-profit

applicants for managing such agreements. Because these significant policies are so new, EPA has no data to show that the problems that precipitated the issuance of these policies have been corrected.

EPA's Response (Prepared by the Agency)

Over the past several years, OIG and GAO continued to raise concerns about the Agency's grant management practices. EPA acknowledges Assistance Agreements as an Agency weakness and has a strategy in place to address concerns. EPA established a long-term Grants Management Plan which serves as a roadmap of the Agency's approach for improving grants management.

Highlights from Prior Years:

- Issued a long-term Grants Management Training Plan that outlines the Agency's strategy for ensuring that employees and grant applicants are understand their grant management obligations.
- Modified the Agency's Compliance Monitoring Policy to require that EPA offices use a standard format to collect and itemize information on problem areas.
- Instituted three types of internal reviews that provide EPA an early warning system to detect emerging grant weaknesses.
- Revised employees' performance standards to reflect grants management responsibilities.
- Deployed the Integrated Grants Management System in all 10 regions.
- Issued an interim policy requiring program offices to document how grant proposals further EPA's *Strategic Plan* goals.

Highlights of FY 2005 Progress:

- Issued a new policy on the internal review of discretionary grants that requires senior managers to certify that noncompetitive discretionary grants and competitive announcements have appropriate environmental outcomes and support of program goals.
- Issued policy on roles and responsibilities that strengthens accountability for effective grants management.
- Issued a pre-award policy to help ensure that grants are not awarded to nonprofit organizations with weaknesses in their administrative capability to manage grant funds or programmatic capability to carry out a project.
- Issued a revised competition policy to increase the number and improve the quality of competitions.
- Issued an EPA *Order on Environmental Results* to ensure that assistance agreement solicitations, work plans, and decision memoranda discuss anticipated environmental results and their linkage to EPA's *Strategic Plan*.

*This challenge was also identified by GAO.

CHALLENGES IN ADDRESSING AIR TOXICS PROGRAM GOALS

EPA's goal is to reduce emissions and implement area-specific approaches to reduce the risk to public health and the environment from air toxics by 2010. To achieve its goal, the Agency has increased its efforts to address air toxics in recent years as evidenced by a nearly 41 percent increase in funding from \$90.7 million in FY 1999 to \$127.7 million for FY 2004. The Agency has also completed its Clean Air Act requirement to issue technology-based standards, Maximum Achievable Control

Technology (MACT) standards, for categories of major stationary sources. This area remains a management challenge, among other reasons, because of the difficulties and uncertainties associated with developing Phase II risk-based standards for major stationary sources; EPA is years behind statutory deadlines for developing standards for area sources; and identifying risk-based strategies and measuring progress is difficult because of the uncertainties associated with characterizing air toxics

emissions, ambient concentrations, human exposure, and health risks from exposure.

Persistent bio-accumulative toxics, such as mercury, present challenges because of their ability to be transported over great distances before they are deposited into water bodies. For example, atmospheric deposition of mercury has contributed to impaired listings of numerous waters and widespread fish consumption advisories. At least 44 states have issued fish consumption advisories related to the accumulation of mercury in fish tissue. In some States, a substantial proportion of the atmospheric deposition of mercury derives from sources located outside the State's boundary, and State-specific efforts to reduce mercury in water may have limited success in reducing mercury fish-tissue concentrations to safe levels. In these cases, water bodies may attain water quality standards only with additional reductions of mercury air emissions from other states, regions, and countries. Addressing this problem will require EPA to work nationally and internationally across traditional program boundaries of water and air.

Finally, hundreds of new chemicals are introduced into the environment every year, yet no new air toxics have been added to the original list of 188 since it was established in 1990. Some of these recently introduced chemicals could be more harmful than those currently regulated through the air toxics program. We will continue to monitor the progress EPA makes in addressing these important issues.

EPA's Response (Prepared by the Agency)

The Air Toxics Program faces significant challenges because much remains to be done to address requirements of the Clean Air Act (CAA) Amendments (e.g., issuance of final standards for 70 stationary area source categories). However, the Agency has made great progress in reducing air toxic emissions. In FY 2004, EPA closed Air Toxics Program as an Agency weakness because it had developed a strategy for achieving toxic risk reductions.

Highlights from Prior Years:

- Promulgated all remaining Maximum Achievable Control Technology (MACT) standards, as of February 2004.
- Completed 15 area source standards.
- Developed a comprehensive, integrated air toxics program that better meets long-term goals by addressing risks from all sources of toxics.
- Worked with partners to design a national toxics monitoring network and completed the data analysis phase of the initial assessment work.
- Initiated work on an efficiency measure on the cause-and-effect relationships between the air toxics program and environmental conditions or cancer incidence, as part of the effort to address concerns about data gaps for toxicity and data collection and analysis.
- As of March 2004, toxic emissions from large industrial facilities have decreased by 1.7 million tons per year, a 35 percent reduction since 1990.

Highlights of FY 2005 Progress:

- Completed the first residual risk standard for coke ovens in March 2005.
- Promulgated the Clean Air Interstate Rule and Clean Air Mercury Rule, two rules that will reduce mercury emissions from power plants, the largest remaining uncontrolled sources of mercury in the U.S.
- Working to develop standards for an additional 25 area source categories (5 of which are under court-ordered deadlines).

(Relates to APG I.5 in Section 2, Page 50.)

HUMAN CAPITAL MANAGEMENT*

EPA continues to face challenges in developing and sustaining a highly skilled, diverse, results-oriented workforce with the right mix of technical expertise, experience, and leadership capabilities. EPA also faces challenges in more thoroughly integrating human capital management activities and measures into its core business processes. Such integration will help strengthen accountability and ensure alignment of strategic human capital goals with environmental and human health goals as well as achievement of all these goals. Additionally, the Office of Personnel Management (OPM) and Office of Management and Budget (OMB) are concerned about EPA's efforts to achieve "Green Status" under the President's Management Agenda (PMA) human capital initiative. Specifically, OPM and OMB are concerned about EPA's ability to address skill gaps for mission critical occupations and its ability to achieve a green status by July 2005 based on its current Proud to Be (P2B) milestones. OPM and OMB have indicated that they will work with the Agency to help resolve their concerns.

The Agency remains committed to ensuring that it addresses these challenges through its various human capital initiatives. In the past year, EPA made substantial progress in addressing human capital concerns by implementing many of the initiatives presented in its human capital strategic plan, Investing in Our People II, EPA's Strategy for Human Capital: 2004

and Beyond. During the year, EPA also linked employee performance standards to the Agency's five strategic goals; developed a comprehensive strategic workforce strategy and deployment plan; provided restructuring options to all EPA senior managers; and monitored and reported diversity statistics to address under representation.

Although EPA has made progress, it still needs to do more to ensure successful Agency-wide implementation of strategic

human capital management activities. In a recent report, the OIG concluded that while EPA's headquarters and regional offices are prepared to implement strategic human capital management activities, the offices have not aligned their human capital activities to the Agency's Strategy for Human Capital. The report emphasized that senior executives vary in their recognition of the importance of human capital management and have not fully integrated human capital manage-

EPA's Response (Prepared by the Agency)

EPA is committed to addressing its human capital challenges. Currently, EPA acknowledges Human Capital as an Agency weakness and will continue to implement its corrective action plan to ensure that deficiencies identified do not impair the Agency's ability to accomplish its mission.

Highlights from Prior Years:

- Established a senior Human Capital Official.
- Aligned human capital planning activities with strategic planning and budgeting processes.
- Completed the Strategic Workforce Planning Pilot with nine EPA organizations.
- Continued to implement and enhance training programs for all levels of EPA staff and maintain SES development and rotation programs.

Highlights of FY 2005 Progress:

- Established a human capital accountability system to monitor and report on the Agency's progress and to develop vulnerability assessments.
- Revised its approach to Agency-wide strategic workforce planning and presented a workforce plan to the Administrator.
- Developed a comprehensive National Recruitment and Outreach Strategy that coordinates outreach activities for a variety of positions and Agency programs.
- Integrated human capital with the Agency's planning and budgeting process during the FY 2007 budget formulation cycle by making the issue a critical factor in resource discussions.
- Developed "local" human capital plans at the national program and regional office level to identify workforce needs and skill gaps in greater detail.

*This challenge was also identified by GAO.

ment activities into the Agency's core management processes. These variations hamper the Agency's ability to measure Agency-wide progress on strategic human capital management activities.

In another report, the OIG emphasized the need for the Office of Acquisition Management (OAM) to identify skill and full-time equivalent gaps within its workforce. The OIG

recommended that OAM complete its workload analysis and then perform a workforce analysis. These analyses will allow OAM to identify needed skills so that any skill gaps or surpluses can be addressed. OAM indicated that it had previously attempted to conduct a workload analysis partly to compare full-time equivalents usage against workload processes. However, OAM was unable to complete the analysis because of

the poor quality of data in their information systems and the application of subjective weighting to the data.

In summary, while EPA is steadily progressing in its efforts to address human capital management, it continues to be a challenge and should remain as an Agency-level weakness under the Federal Managers' Financial Integrity Act.

EPA'S INFORMATION SYSTEMS SECURITY

EPA must implement adequate security measures to help ensure the smooth functioning of information systems and protect the Agency from loss or embarrassment caused by security failures. Under the leadership of the Office of Environmental Information (OEI), EPA's goal is to make information on its computer systems available, while protecting the confidentiality and integrity of the information. As indicated in its FY 2004 Annual Report, EPA continues to enhance its security program by strengthening management controls to improve implementation of the Agency's security program. For example, EPA implemented a testing and evaluation program to measure the effectiveness of implemented controls. In addition, EPA continues to enhance its program through risk assessments, penetration testing, and monitoring of the Agency's firewall. The dynamic nature of security, however, requires continued emphasis and vigilance.

We believe EPA needs to take the following additional

actions to protect its information and systems:

- Implement processes to ensure system Certification and Accreditation (C&A) are complete and up to date. OEI needs to do more to ensure EPA program officials assess the risks to operations and assets under their control and



determine the level of security appropriate to protect such assets and operations. Without regular, effective, oversight processes, EPA will continue to place unsubstantiated trust in the many components involved in implementing,

practicing, and documenting security requirements.

- Develop and ensure implementation of a training program to provide information security training to EPA employees with significant information security responsibilities. This includes OEI's plans to implement a system to aid in the tracking of such training.
- Establish a process to complete timely background investigations on contractor personnel who, by the nature of their work, have access to sensitive and/or confidential files. At this time, EPA has contract employees with such access who have not received any clearance. EPA has not established a target date for correcting security weaknesses in the Fiscal 1999 Remediation Plan regarding security screening for contractor personnel. Until the Agency addresses this issue, it will be vulnerable to information leaks, theft, tampering, and destruction.

- Develop and implement oversight processes to increase security surrounding remote access servers. EPA needs to establish processes to independently verify and validate that remote access servers comply with published policies and standards. Without an effectively implemented process for securing remote access servers, the confidentiality and integrity of EPA's data, as well as the availability of the network, is at risk.

We recognize that EPA has made significant strides to secure its data resources. Last year, the Agency decided to consider this weakness under the Federal Managers' Financial Integrity Act as corrected. While progress has been made, we still consider information security to be a weakness given the evolving nature of technology, the magnitude of system development activities, and new technology implementation efforts.

EPA's Response (Prepared by the Agency)

EPA continues to improve the management and oversight of the Agency information security program and has successfully demonstrated a high level of security for its information resources and environmental data. In FY 2004, EPA closed Information Security as an Agency weakness.

Highlights from Prior Years:

- Finalized an interim System Life Cycle Policy and Interim Procedures document.
- Enhanced security programs through risk assessments, penetration testing, and monitoring of firewalls and intrusion detection systems.
- Implemented a comprehensive strategy to address security-related deficiencies systematically.
- Validated the effectiveness of management controls developed to address security-related deficiencies.

Highlights of FY 2005 Progress:

- Established a robust training program that requires all EPA employees with significant security responsibilities to complete at least two role-based security training courses.
- Developed a draft EPA Certification & Accreditation (C&A) Guide, a tool designed to help assist EPA staff in conducting a C&A for EPA information systems.
- Completed all corrective action plans for previously identified security-related Automated Security Self Evaluation and Remediation Tool (ASSERT) weaknesses.

GAO's FY 2005 Key Management Challenges for EPA

INCONSISTENCY AMONG EPA'S REGIONAL OFFICES

For each of its program activities, EPA attempts to achieve some level of consistency to ensure that: (1) the public is afforded equal protection under environmental laws, and (2) regulated parties, taxpayers, and ratepayers are not subjected to widely varying costs of environmental compliance. Nonetheless, EPA has long maintained that some variation is to be expected—and even encouraged—in the way its ten regional offices oversee their respective states, take direct enforcement action, provide technical assistance, and carry out a host of other responsibilities. Such variation is often necessary to reflect the wide diversity among very different parts of the country—diversity in ecology, economic development, and immediate attention, and how they can be most effectively implemented. A recurring finding among many of our reviews, however, have been that the inconsistencies in program delivery among EPA's regional offices have often gone beyond the level that should be expected to take into account geographical diversity. For example, during the past few years, we have reported on

inconsistencies among regional offices in their approaches toward approving or disapproving proposals by states to change their water quality standards and wide variations in regional offices' enforcement programs because of

differences in their philosophical approaches, differences in the resources devoted to enforcement, and a lack of adequate enforcement data that hampered the Agency's ability to accurately characterize the extent of variation.

EPA's Response (Prepared by the Agency)

While EPA has mechanisms in place to ensure basic consistency in environmental programs, the Agency expects and encourages some variation in regional-state interaction. States and regions have differing ecological, economic, and other factors that influence which environmental laws and regulations require the most immediate attention and how they can be most effectively managed. EPA has a significant effort underway with the states to improve alignment of the budget and planning process and to better define performance expectations.

Highlights from Prior Years:

- Improved alignment of EPA and state planning and budgeting process to better define performance expectations.
- Developed the State Enforcement Program Review Framework to achieve greater consistency among state and regional enforcement program.
- Established various internal and external working groups to improve program consistency, communication and coordination on water quality standards issues across regions and states.

Highlights of FY 2005 Progress:

- Continued to convene monthly meetings of the WQS Managers Association, Regional WQS Coordinators, and Regional Endangered Species Act Coordinators to discuss issues of national significance and ensure an appropriate level of consistency.