



U.S. ENVIRONMENTAL PROTECTION AGENCY  
PERFORMANCE AND ACCOUNTABILITY REPORT

*Fiscal Year*  
**2006**



ENVIRONMENTAL AND FINANCIAL PROGRESS

# About This Report

## PURPOSE OF THE REPORT

The Environmental Protection Agency's (EPA's) Performance and Accountability Report for Fiscal Year 2006 provides performance and financial information that enables Congress, the President, and the public to assess the progress EPA is making in achieving environmental results—improving the quality of air and water and preserving and protecting the land—and using taxpayer dollars efficiently and effectively. This document also satisfies reporting requirements of the following legislation:

- Federal Managers' Financial Integrity Act of 1982 (FMFIA)
- Inspector General Act Amendments of 1988
- Chief Financial Officers Act of 1990
- Government Performance and Accountability Act of 1993 (GPRA)
- Government Management Reform Act of 1994
- Federal Financial Management Improvement Act of 1996 (FFMIA)
- Reports Consolidation Act of 2000
- Improper Payments Information Act of 2002

## HOW THE REPORT IS ORGANIZED

### *Transmittal Letter to the President*

This letter transmits EPA's FY 2006 *Performance and Accountability Report* from the Administrator to the President, Congress, and Office of Management and Budget. The letter highlights some of the Agency's FY 2006 accomplishments. It provides an assessment of the reliability and completeness of the financial and performance data contained in the report and two statements of assurance, as required by the Federal Managers' Financial Integrity Act of 1982 (FMFIA), the Federal Financial Management Improvement Act

1996 (FFMIA), and the Office of Management and Budget Circular A-123 “Internal Control Systems,” issued in 1986.

### ***Message from the Chief Financial Officer (CFO)***

The CFO’s message describes progress and challenges pertaining to EPA’s financial management. It discusses EPA’s efforts to integrate budget and performance information, and it provides information on the Agency’s management and financial reportable controls program under FMFIA and financial management systems under FFMIA.

### ***Section I—Management’s Discussion and Analysis (MD&A)***

The MD&A presents an overview of the entire report. It includes an overview of the organization, a summary of the most significant performance results and challenges for FY 2006, information on the Agency’s progress in implementing the President’s Management Agenda, and a brief analysis of financial performance. It also discusses EPA’s progress in strengthening its management practices and compliance with laws and regulations (FMFIA,

FFMIA, and others) to assure the integrity of its programs and operations. Lastly, the MD&A includes the Administrator’s assurance statement, on the soundness of the Agency’s overall internal controls and its internal controls over financial reporting. The MD&A is supported and supplemented by detailed information contained in the Performance Section, Management Accomplishments and Challenges Section, Financial Section, and Appendices.

### ***Section II—Performance Section***

This section discusses our performance results and progress toward achieving the strategic objectives presented in our 2003–2008 *Strategic Plan*. Along with the details that can be found in Section II.2—*Annual Performance Goal Results: Detailed Results FY 2003–FY 2006*, this section addresses all of the required elements of an annual program performance report as specified in OMB Circular A-11, “Preparing, Submitting and Executing the Budget.” Performance results are presented for each of the Agency’s five strategic goals. For more information on this section, please contact EPA’s Office of Planning,

Analysis, and Accountability at (202) 564-9327.

### ***Section III—Management Accomplishments and Challenges***

This section discusses EPA’s progress in strengthening management practices to achieve program results. It includes the Inspector General’s list of top management challenges and discusses the Agency’s progress in responding to each issue. For more information on this section, please contact EPA’s Office of Planning, Analysis, and Accountability at (202) 564-9327.

### ***Section IV—Financial Section***

This section contains the Agency’s financial statements and related Independent Auditor’s Report, as well as other information on the Agency’s financial management. For more information on this section, please contact EPA’s Office of Financial Management at (202) 564-4905.

### ***Appendices***

The Appendices include summaries of program evaluation results, information on data quality, a list of relevant EPA internet links, and a glossary of acronyms.

# Table of Contents

Transmittal Letter from the Administrator .....	iv
Message from the Chief Financial Officer .....	vii

## SECTION I—MANAGEMENT’S DISCUSSION AND ANALYSIS

Introduction .....	2
Mission and Organization .....	3
Highlights of FY 2006 Program Performance .....	5
—Significant Environmental Accomplishments and Challenges .....	5
—Homeland Security and Emergency Response .....	10
—Summary of Performance Data .....	11
Financial Analysis .....	15
—Highlights of Financial Performance .....	16
—Government-Wide Financial Performance Measures .....	18
—Analysis of Financial Statements and Stewardship Information .....	18
EPA’s FY 2006 Management Integrity and Audit Management Reports .....	21
—Federal Managers’ Financial Integrity Act .....	21
—Management Assurances .....	22
—Inspector General Act Amendments of 1988 .....	23
—Federal Financial Management Improvement Act .....	25
—Federal Information Security Management Act .....	25
—Improper Payments Information Act .....	25
—Government Management Reform Act—Audited Financial Statements .....	25
The President’s Management Agenda .....	26
Improving Performance, Results, and Management .....	29
—Strengthening Planning and Accountability .....	29
—Using the PART and Program Evaluation .....	30
—Improving Environmental Indicators, Performance Measurement, and Data Quality .....	32
—Improving and Integrating Financial Information .....	35
—Considering Future Trends and Looking Ahead .....	36

## SECTION II.1—PERFORMANCE RESULTS

Introduction to Performance Section .....	40
Goal 1—Clean Air and Global Climate Change .....	42
—Objective 1.1: Healthier Outdoor Air .....	45
—Objective 1.2: Healthier Indoor Air .....	50
—Objective 1.3: Protect the Ozone Layer .....	53
—Objective 1.4: Radiation .....	55
—Objective 1.5: Greenhouse Gas Intensity .....	57
—Objective 1.6: Enhance Science and Research .....	60
Goal 2—Clean and Safe Water .....	63
—Objective 2.1: Protect Human Health .....	65
—Objective 2.2: Protect Water Quality .....	69
—Objective 2.3: Enhance Science and Research .....	72
Goal 3—Land Preservation and Restoration .....	75
—Objective 3.1: Preserve Land .....	77
—Objective 3.2: Restore Land .....	81
—Objective 3.3: Enhance Science and Research .....	87

Goal 4—Healthy Communities and Ecosystems	89
—Objective 4.1: Chemical, Organism, and Pesticide Risks	91
—Objective 4.2: Communities	99
—Objective 4.3: Ecosystems	103
—Objective 4.4: Enhance Science and Research	110
Goal 5—Compliance and Environmental Stewardship	115
—Objective 5.1: Improve Compliance	118
—Objective 5.2: Improve Environmental Performance Through Pollution Prevention and Innovation	122
—Objective 5.3: Build Tribal Capacity	127
—Objective 5.4: Enhance Science and Research	130

## **SECTION II.2—ANNUAL PERFORMANCE GOAL RESULTS: DETAILED RESULTS FY 2003–FY 2006**

Introduction to Performance Results	133
Goal 1—Clean Air and Global Climate Change	134
Goal 2—Clean and Safe Water	149
Goal 3—Land Preservation and Restoration	160
Goal 4—Healthy Communities and Ecosystems	165
Goal 5—Compliance and Environmental Stewardship	178
Annual Performance Goals and Measures: Detailed Results FY 2003–FY 2006 Enabling and Support Programs	186
PART Measures with Data Availability Beyond FY 2006	190

## **SECTION III—MANAGEMENT ACCOMPLISHMENTS AND CHALLENGES**

Introduction to Management Section	194
EPA's Progress in Addressing FY 2006 Agency-level Weaknesses	195
OIG's 2006 Key Management Challenges and EPA's Response	197

## **SECTION IV—FINANCIAL STATEMENTS**

Introduction to Financial Section	214
Principal Financial Statements	216
—Consolidated Balance Sheet	217
—Consolidated Statement of Net Cost	218
—Consolidated Statement of Net Cost by Goal	219
—Consolidated Statement of Changes in Net Position	221
—Combined Statement of Budgetary Resources	222
—Consolidated Statement of Financing	224
—Statement of Custodial Activity	226
Notes to Financial Statements	227
Required Supplementary Information (Unaudited)	257
—Supplemental Statement of Budgetary Resources (Unaudited)	257
—Stewardship Property, Plant, and Equipment (Land)	259
Required Supplementary Stewardship Information (Unaudited)	260
Supplemental Information and Other Reporting Requirements (Unaudited)	262
—Superfund Financial Statements and Related Notes	262
—Improper Payments Information Act of 2002 (IPIA) Report	270
Inspector General's Audit Report	273

## **APPENDICES**

Appendix A—Program Evaluations Completed in FY 2006	A-1
Appendix B—Data Quality	B-1
Appendix C—Public Access	C-1
Appendix D—Acronyms	D-1

# Administrator's Letter



November 15, 2006

The President  
The White House  
Washington, DC 20500

Dear Mr. President:

I am pleased to present the Environmental Protection Agency's *Fiscal Year 2006 Performance and Accountability Report*. This report reviews the Environmental Protection Agency's (EPA's) programmatic and financial performance over the past fiscal year. I give my assurance that the performance and financial data included in this report are complete and reliable, consistent with guidance provided by the Office of Management and Budget.

This report meets the requirements of the Government Performance and Results Act and other management legislation; it also demonstrates EPA's commitment to be accountable for results measured against the annual performance goals presented in our FY 2006 Annual Plan. With the help of our state, local, and tribal partners, EPA has made considerable progress toward each of the five long-term goals for protecting human health and the environment established in our 2003–2008 *Strategic Plan*.

This year, EPA celebrated its 35th anniversary. Since our founding, EPA has led the nationwide effort to clean up and protect the environment, for today and for

the future. We have taken your charge seriously—to accelerate the pace of environmental protection, while maintaining our nation's economic competitiveness. Today, we are relying on collaborative efforts, innovative programs and approaches, and sound science to promote a culture of environmental stewardship here in the United States and throughout the world.

## PERFORMANCE HIGHLIGHTS

- Nationwide, our air is cleaner today than it was three decades ago.
- We are advancing clean, renewable fuels and clean air through a renewable fuel

standard which guarantees the use of renewable fuels produced from American crops will double by 2017.

- To help meet your greenhouse intensity reduction goal, I recently kicked off ENERGY STAR's annual Change a Light, Change the World campaign to encourage more Americans to make smart lighting decisions. If every American household changed just one traditional light to an ENERGY STAR-qualified bulb, we would conserve enough power to light more than 2.5 million homes for a year, save more than \$500 million in energy costs, and prevent the equivalent greenhouse gas emission of nearly 800,000 cars.
- We practice what we preach since, as of September 1, 2006, EPA is purchasing nearly 300 million kilowatt hours of green power annually in the form of either renewable energy certificates or delivered product. I am proud to say that EPA is the first federal agency to purchase green power equal to 100 percent of its estimated annual electricity use nationwide.
- By the end of FY 2006, more than 2,500 polluted waters identified by states in 2000 were restored or found to be meeting water quality standards.
- We exceeded our target under Superfund—by the end of FY 2006, EPA controlled site contamination posing unacceptable risks to human health at an additional 34 sites and controlled the spread of groundwater contamination at 21 other sites.
- We put your strong commitment to Brownfields redevelopment into practice by strong public-private partnerships and innovative and creative solutions. By encouraging cleanup and redevelopment of America's abandoned and contaminated waste sites, the Brownfields Program has leveraged more than \$8.2 billion in private investment, more than 37,500 jobs, and more than 8,300 properties assessed for potential redevelopment.
- Over the past year, we worked with our federal, state, and local agency partners to assist in the Gulf Coast recovery from hurricanes Katrina and Rita. EPA produced more than 400,000 analyses as a result of environmental monitoring and sampling of water, air, floodwater, and residual sediment. We assessed approximately 4,000 water systems to determine their viability after the storm; inspected more than 3,500 potable water trucks to ensure the availability of safe drinking water; assessed approximately 1,300 underground storage tank locations and more than 1,600 chemical facilities and refineries; and provided technical advice and assistance, promoted recycling, and handled the disposal of more than 4 million containers of household hazardous waste. The lessons we learned in meeting this enormous challenge have better prepared us to respond to future emergencies.
- EPA recognizes that homeland security is your top priority. We play a lead role in

supporting the protection of critical water infrastructure and coordinating development of national capabilities and strategies to address chemical, biological, and radiological contamination from a terrorist event. In FY 2006, EPA received emergency response plans for 100 percent of all large and medium community drinking water systems that conducted vulnerability assessments; launched a pilot water contamination warning system; developed short-term exposure limits and established health effects guidelines for exposure to hazardous chemicals or a terrorist incident; and updated the National Response Plan in light of lessons learned from hurricanes Katrina and Rita.

## MANAGEMENT

EPA's leadership team is committed to achieving the goals set under the President's Management Agenda for delivering environmental results to our customers—the American public—effectively and efficiently. During FY 2006, EPA made progress under each of the government-wide initiatives: Human Capital, Competitive Sourcing, Expanded E-Government, Improved Financial Performance, Budget and Performance Integration, and Eliminating Improper Payments. As of

September 2006, the Agency achieved six “green” scores for progress on implementation and four “green” scores on the status of PMA Initiative implementation.

For the fifth year running, EPA has no material weaknesses to report under the Federal Managers' Financial Integrity Act, the law that safeguards against fraud, waste, abuse, and misappropriation of federal funds. In FY 2006, EPA expanded its FMFIA program to address new internal controls related to financial reporting, as required in Office of Management and Budget Circular A-123. EPA made great strides in implementing the new requirements and as a result, this report includes my two “unqualified” statements of assurance on the effectiveness of EPA's overall internal controls and its internal controls over financial reporting. Additionally, EPA closed one of its eight existing, less severe internal deficiencies in the area of water quality standards, as well as several deficiencies identified under A-123 related to financial management. We will continue diligently to address our remaining issues.

## FUTURE

With the involvement of our partners and stakeholders, EPA issued its *2006–2011 Strategic Plan* on September 30, 2006. Our *Plan*

charts an ambitious course for the Agency's work over the next five years, laying the foundation to meet our long-term goals and demonstrate progress along the way. It reflects our principles of results and accountability, innovation and collaboration, and the use of the best available science. EPA is proud of our and our partners' achievements in improving the quality of air and water and protecting the land. We intend to learn from our experience, adjust our approaches as necessary, and build on our FY 2006 results to fulfill our responsibility for protecting human health and the environment. EPA will continue to promote environmental stewardship within the United States and abroad and to take advantage of opportunities for using environmental protection to drive economic growth. We will meet our responsibilities for enforcing environmental laws and regulations and approach new challenges with enthusiasm. As we look ahead, we pledge to continue our efforts to ensure a safe and healthy environment for future generations.

Sincerely,



Stephen L. Johnson



# CFO's Message



As we fulfill our mission of protecting human health and the environment, EPA is committed to delivering the best results to the American people by managing government resources effectively and efficiently. I am proud of the significant progress EPA has made towards achieving the long-term goals that support our mission. I would like to thank all of our partners and stakeholders—states, tribes, businesses, local governments, and other federal agencies—for their contribution to these FY 2006 results, and I look forward to their continued collaboration as we work to protect and restore the nation's air, water, and land.

This *Performance and Accountability Report* (PAR) discusses our achievements in FY 2006, reviews our progress toward the goals and objectives established in our 2003–2008 *Strategic Plan*, and also lays out our plans for addressing

key challenges and making future progress. We have redesigned this year's PAR to provide more concise, executive-level summaries of results and to better integrate detailed resource information.

## PERFORMANCE

The performance section of this report discusses the relationship between EPA's programmatic activities and the environmental results achieved in FY 2006, as articulated in the Agency's 80 annual performance goals. These FY 2006 annual performance goals were established in the Agency's FY 2006 *Annual Plan* as required by the Government Performance and Results Act (GPRA) and further developed through the Office of Management and Budget's Program Assessment Rating Tool (PART) evaluations.

EPA strives to provide accurate, timely data for all performance goals and measures. While in

many cases data for FY 2006 will not be available until 2007, we have provided data that are now available for prior years. As required, EPA's FY 2006 PAR includes performance trend data for FY 2003 through FY 2006, encompassing all of the Agency's most recent performance results.

## FINANCIAL MANAGEMENT

As in the past 6 years, the Agency's Office of the Inspector General (OIG) issued EPA an unqualified opinion in its FY 2006 Financial Statements Audit. We submitted corrective action plans for 9 reportable conditions and 1 non-compliance issue within 10 months of the OIG's FY 2005 Financial Statements Audit. We are committed to correcting audit recommendations in a timely manner and have already begun corrective actions to address identified issues for FY 2006.

## PRESIDENT'S MANAGEMENT AGENDA AND OTHER ACHIEVEMENTS

We are making steady progress in meeting PMA goals, as demonstrated by green status scores for our accomplishments in the areas of Improved Financial Performance and Eliminating Improper Payments and a green progress score for Budget and Performance Integration. We continue to improve our ability to meet and exceed government-wide financial performance metrics—for which EPA now has green scores on seven of nine measures.

In FY 2006, EPA broadened its management integrity program to assess the effectiveness of the Agency's internal controls over financial reporting, as required by OMB Circular A-123, Appendix A, "Internal Control over Financial Reporting." The assessment uncovered no material weaknesses and found the Agency's internal control mechanisms were operating effectively. In FY 2006, EPA resolved 7 of 11 reportable conditions and expects to resolve the remaining 4 by January 2007. The next cycle of internal control assessments will begin with a follow-up review of the effectiveness of the corrective actions for all reportable conditions and continue with an assessment of the financial processes selected for review in FY 2007.

Like other federal agencies participating in the Hurricane Katrina response and relief effort, in FY 2006 EPA implemented a stewardship plan, documenting our internal controls to mitigate any waste, fraud, or mismanagement. Our Katrina Stewardship Plan has afforded us a high level of confidence in our

financial management activities and will inform our decisions in the event of future emergencies.

We have consolidated financial functions from 14 regional and headquarters financial centers to 4 Centers of Excellence. In FY 2006, the Agency completed consolidation of travel operations and vendor payment operations; the remaining financial consolidations, grants and accounts receivable, will be completed within the first half of FY 2007. When complete, our consolidation effort will produce a net savings of more than \$3 million annually.

As part of OMB's E-Gov initiative, we completed the final steps in migrating our Payroll Processing function to the Department of Defense's "Defense Civilian Pay System—DCPS." Many stakeholders, including OMB, the Office of Personnel Management, and the Department of Defense were responsible for making this migration a success.

## LOOKING AHEAD

EPA's significant achievements during our first 35 years have laid the groundwork for addressing more complex emerging environmental issues in the years to come. In FY 2006, as we prepared our 2006–2011 *Strategic Plan*, we considered the changing face of environmental protection. We sharpened our focus on achieving measurable environmental results, initiated a variety of place-based efforts to address regional and local issues, and considered future potential threats to human health and the environment to help us establish clear priorities and prepare ourselves to address them.

Building a business infrastructure based on modern technology is another key element of EPA's vision for ensuring effective resource management and supporting the Agency's environmental mission in the future. We have made it a top priority to develop a comprehensive financial management system that will streamline financial workflow; transform administrative services; and further integrate programmatic, performance and financial information. We are also developing an Administrative Data Warehouse to reduce the need for redundant management and data sources among the various EPA offices and ensure the most efficient and cost-effective information exchange.

While we have made progress towards our strategic goals in FY 2006, we recognize the challenges that lie ahead. Like other agencies, EPA must continue to search for efficiencies, management improvements, and more effective stewardship of limited resources. We are constantly working to accomplish our key goals using innovative, collaborative methods, and we look to our partners and stakeholders for their continued participation and support as we work to achieve our mission to protect human health and the environment.

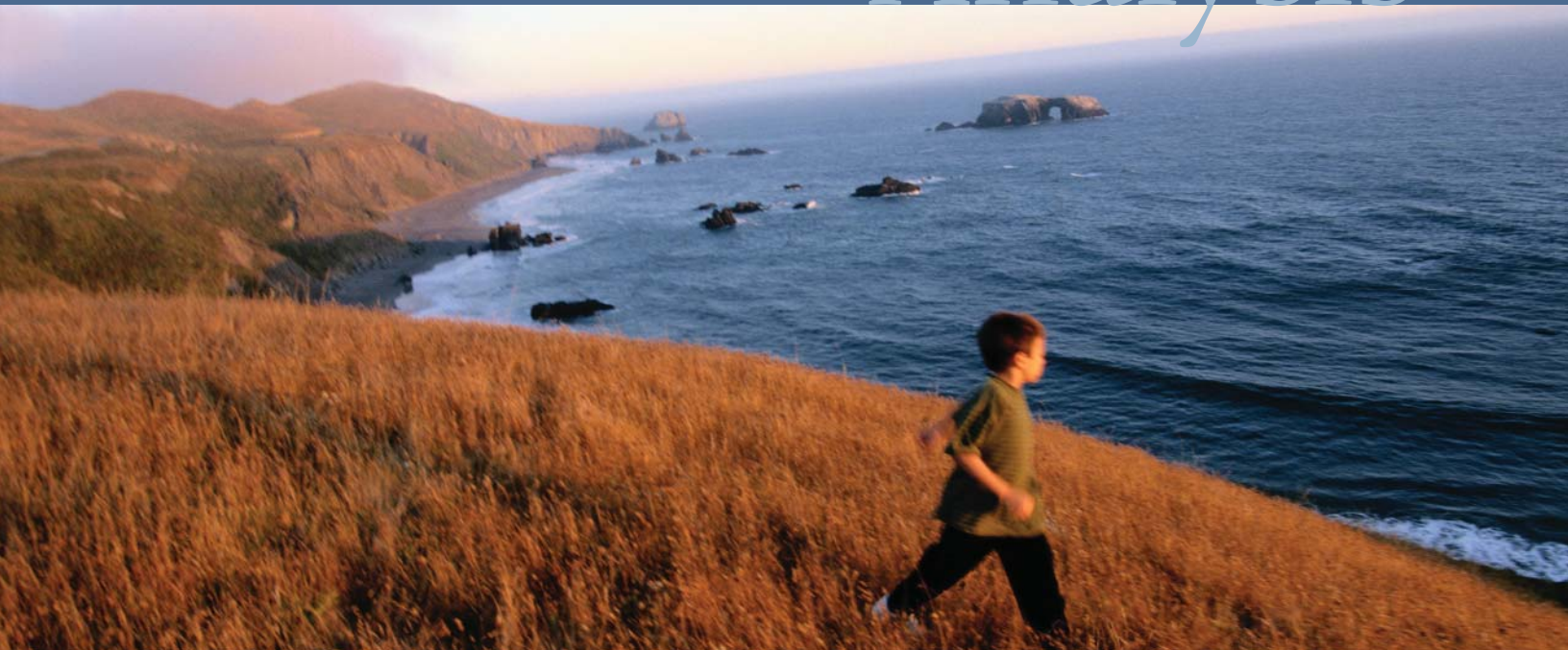
In closing, I would like to thank EPA's committed, hard-working staff all over the country who contributed to this report and made our progress in FY 2006 possible.



Lyons Gray  
Chief Financial Officer

*Section I.*

# Management's Discussion *and* Analysis



## CONTENTS

Introduction .....	2
Mission and Organization .....	3
Highlights of FY 2006 Program Performance .....	5
Financial Analysis .....	15
EPA's FY 2006 Management Integrity and Audit Management Reports .....	21
The President's Management Agenda .....	26
Improving Performance, Results, and Management .....	29



*Management's*

# Discussion *and* Analysis

## Introduction

In FY 2006, the U.S. Environmental Protection Agency (EPA) celebrated 35 years of working to protect human health and the environment. Since 1970, the Agency—in collaboration with partners and stakeholders—has been delivering a cleaner, healthier environment to Americans. From regulating auto emissions to banning the use of DDT, from cleaning up toxic waste to protecting the ozone layer, and from increasing recycling to revitalizing inner-city brownfields sites, EPA's achievements have resulted in cleaner air, purer water, and better protected land.

Over the last 35 years, EPA has not only changed the way it does its business of protecting human health and the environment, but has changed the way the nation's businesses, communities and individuals view their role in protecting our environment. Today, Americans understand that environmental protection is everyone's responsibility.

But while the Agency and its partners have achieved a great deal, much work remains. The environmental problems the nation faced in FY 2006 are more complex than

those of 35 years ago, and implementing solutions is more challenging. Recent national and international events, such as the devastation left by hard hitting hurricanes, the advance of Avian flu, threats to homeland security, global warming, and population growth and its associated resource consumption, are altering the environment in unprecedented ways.

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

Clean Air and Global Climate Change  
Clean and Safe Water  
Land Preservation and Restoration  
Healthy Communities and Ecosystems  
Compliance and Environmental Stewardship

Scientific advances and emerging technologies offer new opportunities for protecting human health and the environment, but also pose new risks and challenges. Most of today's environmental problems cannot be solved by traditional regulatory controls alone; they will require the combined expertise, perspectives, and resources of many. More than ever before, we need to look toward the future to

anticipate potential threats to human health and the environment, establish clear priorities, and prepare ourselves to address them.

The President has charged EPA with accelerating the pace of environmental protection while maintaining our nation's economic competitiveness. This report reviews the progress EPA made toward its strategic and annual performance goals during FY 2006. It fulfills the requirements of the Government Performance and Results Act and other management legislation<sup>1</sup> for reporting on environmental and financial performance and demonstrating results.

To help measure EPA's progress towards its mission goals and assess its success, Agency leaders established 80 annual performance goals at the beginning of FY 2006. The chapters that follow describe EPA's results in meeting these annual goals. This report also presents a picture of the Agency's financial activities and achievements during the year, because managing taxpayer dollars efficiently and effectively is critical to delivering the best results to the American people.

# Mission and Organization

EPA has a clear mission: “To protect human health and the environment.” Under this mission, the Agency assesses environmental conditions and works with its partners and stakeholders to identify, understand, and solve current and future environmental problems. The Agency develops and enforces regulations that implement national environmental laws to protect America’s air,

water, and land. It works with the regulated community to provide assistance and incentives for complying with environmental laws along with enforcement actions as appropriate.

EPA employs approximately 17,400 people across the country, including its headquarters offices in Washington, DC, 10 regional offices, and more than a dozen

laboratories and field sites. The Agency’s staff is highly educated and technically trained; more than half are engineers, scientists, and policy analysts. In addition, EPA employs legal, public affairs, financial, information management, and computer specialists. EPA Administrator Stephen L. Johnson, who was appointed by the President, is the first career scientist to lead the Agency.

## U.S. Environmental Protection Agency

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





## EPA Offices

### Office of the Administrator

Provides overall supervision of the Agency and is responsible directly to the President of the United States.

### Office of Administration and Resources Management

Manages EPA's human, financial, and physical resources.

### Office of Air and Radiation

Oversees the air and radiation protection activities, including national programs, technical policies, and regulations.

### Office of the Chief Financial Officer

Manages and coordinates EPA's planning, budgeting, and accountability processes and provides financial management services.

### Office of Enforcement and Compliance Assurance

Delivers compliance with U.S. environmental laws and promotes pollution prevention.

### Office of Environmental Information

Advances the creation, management, and use of information as a strategic resource at EPA.

### Office of General Counsel

Provides legal service to all organizational elements of the Agency.

### Office of Inspector General

Conducts audits, evaluations, and investigations of Agency programs and operations.

### Office of International Affairs

Manages Agency involvement in international policies and programs that cut across Agency offices and regions and acts as the focal point on international environmental matters.

### Office of Prevention, Pesticides and Toxic Substances

Regulates pesticides and chemicals to protect public health and the environment and promotes innovative programs to prevent pollution.

### Office of Research and Development

Meets programs' research and development needs and conducts an integrated research and development program for the Agency.

### Office of Solid Waste and Emergency Response

Provides policy, guidance, and direction for safely managing waste; preparing for and preventing chemical and oil spills, accidents, and emergencies; and cleaning up and reusing contaminated property. Provides technical assistance to all levels of government to safeguard the air, water, and land from the improper management of waste.

### Office of Water

Develops national programs, technical policies, and regulations relating to drinking water; water quality; ground water; pollution source standards; and the protection of wetlands, marine, and estuarine areas.

### Research Triangle Park (RTP), North Carolina

The Agency's center for research on how humans and ecosystems are exposed to various pollutants, the extent of that exposure, and the health and ecological effects which result from such exposure. RTP is also the hub of EPA's air pollution programs under the Clean Air Act and home of the EPA National Computer Center.

### Regional Offices

EPA has 10 regional offices, each responsible for several states and territories.

# Highlights of FY 2006 Program Performance

Throughout FY 2006, the Agency collaborated closely with its partners to protect the nation's air, water and land. With resource obligations of \$10.2 billion and 17,355 full-time-equivalent employees, EPA achieved significant results under each of the five long-term environmental goals established in its 2003-2008 *Strategic Plan*. This section highlights the Agency's FY 2006 accomplishments and continuing performance challenges under each of its strategic goals. It also discusses EPA's accomplishments in homeland security and emergency response programs and under the President's Management Agenda. Section II of this report contains more detailed performance information.

## SIGNIFICANT ENVIRONMENTAL ACCOMPLISHMENTS AND CHALLENGES

**Goal 1: Clean Air and Global Climate Change.** In FY 2006, EPA issued the Agency's most protective suite of national air quality standards for particle pollution ever. The standards address two categories of particle pollution: fine particles (PM<sub>2.5</sub>) and inhalable coarse particles (PM<sub>10</sub>). EPA projects that fully meeting the PM<sub>2.5</sub> standards will yield an estimated \$9 billion to \$75 billion in health benefits by reducing premature death, aggravated asthma, bronchitis, heart

attacks, hospital admission for heart and lung disease, and the numbers of days that Americans miss work or school because of health symptoms related to particle pollution (<http://www.epa.gov/particles>).<sup>2</sup>

Beginning June 1, 2006, EPA required that refiners and fuel importers cut the sulfur content of highway diesel fuel by 97 percent, from 500 parts per million to 15. Ultra-low sulfur diesel is now available at retail gasoline stations. When these requirements are fully implemented, the use of the reduced-sulfur fuels will prevent nearly 8,300 premature deaths and tens of thousands of cases of respiratory ailments such as bronchitis and asthma annually. By addressing diesel fuel and engines as a single system, this action is expected to produce the clean air equivalent of eliminating air pollution from 90 percent—or about 13 million tons—of today's trucks and buses. Further, the Agency anticipates that 2.6 million tons of nitrogen oxides and 110,000 tons of particulate matter will be reduced annually (<http://www.epa.gov/otaq/highway-diesel/index.htm>).

In addition, EPA proposed a renewable fuels standard (RFS) in FY 2006. The RFS program is designed to reduce the nation's dependence on foreign oil by doubling the use of renewable fuels such as ethanol and

## PARTNERING WITH THE PRIVATE SECTOR TO ACHIEVE RESULTS

In FY 2006, EPA and the United Parcel Service (UPS) partnered to develop a delivery truck, the first of its kind, which uses EPA-patented hydraulic hybrid technology to deliver 60 to 70 percent higher fuel economy in urban driving.

With the breakthrough technology onboard, the delivery truck also lowers greenhouse gas emissions by reducing carbon dioxide (CO<sub>2</sub>) by 40 percent, compared to conventional UPS diesel delivery trucks.

biodiesel. The program, authorized by the Energy Policy Act of 2005, will promote the use of fuels largely produced by American crops.

In April 2006, EPA released the latest annual report on greenhouse gas emissions, "Inventory of U.S. Greenhouse Gas Emissions and Sinks: 1990-2004," prepared for the United Nations Framework on Climate Change.<sup>3</sup> The report shows that the United States is making progress in reducing the emissions of some critical gases as it works toward cutting U.S. greenhouse gas intensity by 18 percent by 2012. Fossil fuel combustion was

the largest source of emissions, accounting for 80 percent of the total. The report shows that both methane and nitrous oxide emissions have decreased from 1990 levels by 10 percent and 2 percent, respectively. Overall, greenhouse gas emissions during 2004 increased by 1.7 percent from the previous year while the U.S. Gross Domestic Product grew 6.9 percent (in current dollars).<sup>4</sup> This increase, which occurred during a period of economic expansion, was due primarily to an increase in carbon dioxide emissions associated with fuel and electricity consumption. While the U.S. economy expanded by 51 percent from 1990 to 2004, emissions have grown by only 15.8 percent over the same period.

In FY 2006, EPA continued to address the challenges of implementing the 1990 Clean Air Act air toxics program, striving to meet court-ordered deadlines while developing data and improving capacity to take risk-based actions. EPA has a large number of rules pertaining to hazardous air pollutants scheduled for completion under different provisions of the Clean Air Act: mobile source emission standards, stationary source emission standards, and risk-based standards. In March 2006, EPA proposed a rule that would reduce air toxics from mobile sources. Once it is promulgated and fully implemented, this rule is expected to result in the reduction of 350,000 tons of air toxics annually by 2030.

EPA also provided new research findings in FY 2006 that support reviewing and implementing the National Ambient Air Quality Standards, as well as contributing fundamental information on the emission, measurement/control, and health impacts of other important hazardous air pollutants. For example, the Agency completed studies on exposure to air pollutants and health concerns, providing basic auto emission data relevant to public exposures and serving to frame a strategy to be used in detailed multi-disciplined studies planned for three U.S. locations in 2007 and 2008.

**Goal 2: Clean and Safe Water.** Through the end of FY 2006, approximately 3,000 polluted waters (14 percent) identified by states in 2000 were restored or examined more closely and found to be meeting water quality standards. In FY 2006, permits implementing standards for industrial sources, municipal treatment plants and stormwater, under EPA's National Pollutant Discharge Elimination System, prevented the discharge of 31 billion pounds of pollutants.

EPA worked with states to improve state water quality monitoring strategies across the country in FY 2006 and released an innovative statistically valid survey of the condition of streams nationwide, the first in a planned series of national assessments of the condition of aquatic resources.<sup>5</sup> According to the streams survey results, 28 percent of U.S. streams are in good condition; 25 percent in fair condition; 42 percent in poor condition. In addition,

### RESTORING DRINKING WATER AND WASTEWATER SERVICES IN THE AFTERMATH OF HURRICANES KATRINA AND RITA

In FY 2006, EPA, along with local water systems, state environmental agencies, and health departments, undertook extraordinary efforts to restore drinking water and wastewater services in the aftermath of Hurricanes Katrina and Rita.

EPA monitored the status of drinking water and wastewater systems, provided technical assistance for emergency repairs and system assessments, and supplied mobile labs for testing water samples.

To protect public health, the Agency also provided educational materials in English, Spanish, and Vietnamese.





during the past year's swimming season (calendar year 2005), coastal and Great Lake beaches were open and safe for swimming 97 percent of beach season days, exceeding EPA's FY 2006 goal of 94 percent.

During FY 2006, EPA completed the modernization of the Safe Drinking Water Information System (SDWIS), a national database that tracks information on the quality of the public's drinking water. The modernization will greatly improve the accuracy of the data collected and address 3 of 5 identified historical data quality issues: difficulty getting drinking water data into the system, the high cost of storing and processing the data, and difficulty in getting data out of the system. The Agency is fully addressing the remaining data quality issues through two Data Reliability Action Plans (2000 and 2003). In FY 1999 less than 50 percent of the data in the system were accurate and complete; in FY 2007 the Agency will work toward the 2011 goal of ensuring that 90 percent of data are accurate and complete.

EPA and its partners face significant challenges in ensuring that Americans served by community water systems receive safe drinking water. To protect public health, each day the more than 52,000 community water systems nationwide must deliver water that meets health based standards for more than 90 chemical, radiological, and microbial contaminants. Water systems are faced with applying these existing standards, as well as with implementing new ones. Moreover,

drinking water and municipal wastewater infrastructure that was constructed in the 1970s and 1980s is deteriorating. Demands on this aging infrastructure are further increasing by a steadily growing population's needs for drinking water supplies, wastewater treatment, and storm water management. Drinking Water State Revolving Funds (DWSRFs) provide low-interest loans to support needed improvements to infrastructure, and EPA is working with states to ensure that DWSRFs are sustainable over the long term.

**Goal 3: Land Preservation and Restoration.** In FY 2006, EPA added five new hazardous waste sites that pose risks to human health and the environment to the National Priorities List (NPL) of Superfund sites. That brings the total to 1,246 final NPL sites which have been identified for possible long-term cleanup by EPA's Superfund program. Contaminants found at these final and proposed sites include arsenic, chromium, benzene, dichloroethene, dieldrin, dioxin, lead, pentachlorophenol, polychlorinated biphenyls, toluene, toxaphene, trichloroethene, tetrachloroethene, xylene, zinc and other heavy metals.

EPA completed the cleanup ("construction completes") and reduced risks posed to human health at 40 sites on the NPL in FY 2006. Since the Superfund Program's inception, the Agency has completed all remedial cleanup construction activities at 1,006 Superfund sites, more than 80 percent of the 1,246 sites on the NPL. In addition, by the end

## PITTSBURGH INCREASES RECYCLING AT PIRATES' BASEBALL GAMES

In FY 2006, Pittsburgh baseball fans began helping the environment by recycling. In early July, EPA and the City of Pittsburgh began encouraging fans to "recycle on the go" by depositing their cans and bottles in bins in the tailgate area and at other key locations across their baseball stadium.

Pittsburgh adopted EPA's "Recycle on the Go" philosophy as part of a comprehensive plan to increase recycling participation in the city. Revenue generated from the collected recyclable material will benefit Pittsburgh youth programs.

According to municipal authorities, Pittsburgh collects on average 20,000 tons of recyclable material per year, which is below the national average reported by similar cities. In FY 2006, Mayor Bob O'Conner challenged the city to double the city's collection to 40,000 tons—to "make Pittsburgh one of the cleanest, safest cities in America."

EPA's "Recycle on the Go" initiative works with partners like the City of Pittsburgh to encourage people to recycle wherever they go by making recycling easy and convenient. EPA is working toward a 35 percent national recycling rate by 2008. Recycling saves energy, conserves resources, reduces the need for new landfills and incinerators, and stimulates the development of green technologies.

of FY 2006, EPA controlled site contamination posing unacceptable risks to human health at an additional 34 sites and controlled the spread of groundwater contamination at 21 additional sites, exceeding the Agency's FY 2006 targets. The complexity of the sites remaining on the NPL will present significant challenges to EPA over the next few years.

Under the Agency's hazardous waste management program under the Resource Conservation and Recovery Act (RCRA), EPA met its FY 2006 goal for increasing the number of hazardous waste management facilities with approved controls in place to prevent dangerous releases to air, soil, and groundwater and is on track to bring 95 percent of facilities under approved controls by FY 2008. Further, more than 89 percent of high priority facilities requiring RCRA corrective action have met Agency goals for preventing human exposure to hazardous waste under current land and groundwater uses, and more than 74 percent have met goals for having controls in place to prevent groundwater migration.

In FY 2006, EPA's state and tribal partners completed 14,493 cleanups of leaking underground storage tanks, exceeding the Agency's target of 13,600. This includes 43 cleanups in Indian country. EPA will continue to work with states to complete cleanups and reduce the backlog of 116,949 cleanups not yet completed. Since the beginning of the Agency's Underground Storage Tank Program, EPA has cleaned up more than 75 percent (or 350,818) of all reported releases.

EPA has made significant progress toward meeting its FY 2006 municipal solid waste (MSW) reduction goals of diverting 83.1 million tons of MSW and maintaining a daily per capita generation of MSW at 4.5 pounds. According to 2004 and 2005 data, the last 2 years for which the Agency has data, the nation generated more than 245.7 million tons of solid waste and recycled more than 79 million tons. Data in support of the FY 2006 goals will be available in FY 2008. During FY 2006, EPA targeted its efforts to encourage the reduction and recycling of the most significant waste streams: paper, organic wastes, containers and packaging, and electronics.

**Goal 4: Healthy Communities and Ecosystems.** Throughout FY 2006, EPA worked to reduce risks to communities, homes, workplaces, and ecosystems. The Agency reviewed new chemicals and pesticides for unacceptable risks to human health and the environment before they were put on the market. EPA also reassessed risks posed by older pesticides and established new risk mitigation measures where needed. By the end of FY 2006, the Agency had reassessed 99.1 percent of the pesticide tolerance levels (legal limits on pesticide residues in food) requiring reassessment under the 1996 Food Quality Protection Act. EPA will reassess the five remaining chemicals in FY 2007.

Under EPA's High Production Volume (HPV) Challenge Program, the Agency identifies and addresses risks posed to human health and the

environment by chemicals currently in commerce. In FY 2006, EPA released the HPV Information System, a searchable on-line database that provides all the known toxicity data on HPV chemicals. By the end of calendar year 2006, EPA will provide the public with critical health and environmental effects data on 1,710 chemicals.

Data released in 2005 by the Centers for Disease Control demonstrated major reductions in the incidence of childhood lead poisoning—from approximately 900,000 children with elevated blood lead levels in the early 1990s to 310,000 children from 1999 to 2002. These findings indicate major progress towards EPA's 2008 strategic target for reducing the incidence of childhood lead poisoning to 90,000 cases as well as toward the federal goal to eliminate this disease as a public health concern by 2010.

Because the remaining population of at-risk children is often difficult to reach and evidence has shown a higher incidence of childhood lead poisoning among low-income than non-low income children, in FY 2006 EPA established a second long-term goal for the Lead Program to reduce the disparity in blood lead levels between low- and non-low-income children. In addition, the Agency refined its public education and outreach efforts to reduce exposure to at-risk children and launched a targeted grant program aimed at reducing the incidence of childhood lead poisoning in vulnerable populations. To reduce children's exposure to hazards created by

## PROTECTING CHILDREN FROM LEAD POISONING IN BOSTON

Elevated blood lead levels in young children can trigger learning disabilities, decreased growth, hyperactivity, impaired hearing, and even brain damage.

In FY 2006, EPA's Region I Office worked with the city of Boston to reduce blood lead levels in children.

Elevated blood lead levels in children were reduced from 1,123 cases in 2001 to 497 cases in 2006. This represents an 18.5 percent decrease from 2005.



renovation, remodeling, and painting that disturb lead-based paint, EPA proposed a major new rule in FY 2006 to establish lead-safe work practices and is currently working to finalize this rule.

The Agency's National Estuary Program continued to implement key actions to protect 28 nationally significant estuaries and coastal habitat, including protecting an estimated 140,000 acres. In FY 2006, EPA began taking actions to improve the Great Lakes Ecosystem under the Great Lakes Regional Collaboration Strategy, including remediating contaminated sediments.

According to the U.S. Fish and Wildlife Service's 2006 *National Wetlands Inventory Status and Trends Report*, acreage of some wetland types is on the increase overall—wetland gains exceeded wetland losses from 1998 to 2004 at a rate of 32,000 acres per year.

However, vegetated estuarine wetlands—the wetland areas with significant ecological value—continued to decrease and vegetated estuarine wetland areas that provide significant flood protection continue to decrease at an increasing rate. The loss of vegetated estuarine wetlands is most vivid on the Louisiana coast. EPA faces many challenges over the next few years in protecting critical ecosystems. Among other challenges, the Agency will work to accelerate the rate of progress in restoring the Chesapeake Bay and reduce nutrient loadings, a major source of non-point source pollution, in the Gulf of Mexico.

### **Goal 5: Compliance and Environmental Stewardship.**

In FY 2006, EPA achieved an estimated 890 million pounds of reduced, treated, or eliminated pollutants. This represents an increase of 440 million pounds over the Agency's original FY 2006 target of 450 million pounds.<sup>6</sup>

In addition, the Agency settled several important civil and criminal enforcement cases this year that will significantly improve human health and environmental quality. For example, EPA reached a settlement with two coal fired power plants, Minnkota Power Cooperative and Square Butte Electric Cooperative, that will result in a 132 million pounds reduction in air pollution, a \$5 million investment in renewable energy, and better pollution control technology that will dramatically reduce sulfur dioxide and nitrous oxides—chemicals linked to respiratory impairment in humans, acid rain, and smog in North Dakota and downwind areas.<sup>7</sup>

Environmental stewardship programs achieved significant environmental results in FY 2006 through voluntary efforts to prevent pollution before it is released into the environment. Work conducted under the Federal Electronics Program Challenge using the Electronics Products Environmental Assessment Tool reduced the use of hazardous materials by 2.7 million pounds, conserving 250 billion BTUs of energy and saving \$5.6 million in federal costs related to purchasing and managing electronic equipment.<sup>8</sup> In FY 2006, EPA's Green Suppliers Network (GSN) expanded efforts to include the Aerospace, Automotive, Healthcare/Pharmaceutical, and Office Furniture sectors. In FY 2006 the GSN program completed 36 technical reviews that have identified more than \$22.4 million in potential cost savings from clean environmental opportunities.<sup>9</sup>

Winners in the Presidential Green Chemistry Challenge Program's five FY 2006 Awards categories<sup>10</sup> collectively accounted for 145 million pounds of hazardous materials reductions, bringing cumulative totals to 750 million pounds and 550 million gallons of water saved since 1995.<sup>11</sup> In addition, through promotion of pollution prevention and stewardship opportunities, the Design for the Environment's Furniture Flame Retardancy Partnership replaced 19 million pounds of pentaBDE with safer flame retardants through FY 2006.<sup>12</sup> PentaBDE has been accumulating in human tissues and breast milk over the last two decades. Some animal studies demonstrate that exposure can damage the thyroid and liver and cause hyperactivity, changes in motor behavior, and other brain functions.

## HOMELAND SECURITY AND EMERGENCY RESPONSE

Homeland security and responding to environmental emergencies is a top priority for the Agency and the nation. For the past several years, EPA has worked with other federal agencies to protect human health and the environment from intentional harm. The Agency plays a lead role in supporting the protection of critical water infrastructure and coordinating the development of national capabilities and strategies to address chemical, biological, and radiological contamination during a terrorist event. In FY 2006, the Agency conducted the following key homeland security and emergency response work:

- **Protecting Community Drinking Water Systems:** By the end of FY 2006, 100 percent of all large and medium community drinking water systems had conducted vulnerability assessments and submitted to EPA emergency response plans based on the findings of the assessments. Of the nation's small systems, 98 percent had completed vulnerability assessments and 96 percent had created emergency response plans.
- **Developing a Contamination Warning System:** In FY 2006, EPA launched a pilot water contamination warning system at a drinking water utility. This warning system will increase the utility's ability to quickly detect and respond to contamination threats and incidents in its drinking water distribution system.
- **Training Water Utilities in Water Security:** To complement the contamination warning system pilot mentioned above, the Agency provided training and technical assistance on effective water security activities to approximately 125 large water utilities in FY 2006.
- **Establishing Guidelines for Exposure to Hazardous Chemicals:** In FY 2006, the Agency developed short-term exposure limits and health effects guidelines for an additional 23 extremely hazardous substances to which the general population could be exposed during a terrorist incident or chemical accident,

## IN FY 2006, EPA BECAME THE FIRST FEDERAL AGENCY TO PURCHASE 100 PERCENT GREEN POWER

Fostering renewable energy production and developing better renewable technologies benefits the environment, expands the diversity of our energy supply, and improves the reliability of our power supply systems. Through its purchases, onsite renewable energy systems, and outreach efforts, EPA supports the development of the green power market, which is a critical component in the long-term strategy to protect our environment.

EPA is the first major federal agency to purchase green power equal to 100 percent of its estimated annual electricity use nationwide. As of September 1, 2006, EPA is purchasing nearly 300 million kilowatt hours of green power annually in the form of either renewable energy certificates or delivered product. This amount is equal to 100 percent of the total estimated annual electricity consumption at all of EPA's nearly 200 facilities across the country—enough electricity to power 27,970 homes for an entire year.



bringing the total number of chemicals for which these guidelines have been developed to 184.

- **Working with Department of Homeland Security:** In FY 2006, EPA worked with the Department of Homeland Security (DHS) to update the National Response Plan in light of lessons learned from Hurricanes Katrina and Rita.

## SUMMARY OF PERFORMANCE DATA

**Goals Met.** In its *FY 2006 Annual Plan*, EPA committed to 80 annual performance goals (APGs). In FY 2006, the Agency met 29 of these APGs, 64 percent of the APGs for which data were available at the time this report was published. FY 2006 results to date reflect a decrease in the percentage of APGs met from FY 2005; last year, EPA met 67 percent of its APGs for which data were available.

EPA significantly exceeded its targets for a number of its FY 2006 APGs. In many of these cases, the Agency had established new performance goals or measures for FY 2006—evidence of its continuing effort to improve its measures and sharpen its focus on environmental outcomes. For some of these new measures, the Agency may have lacked the trend data or experience it needed to determine ambitious yet realistic targets and consequently set FY 2006 targets conservatively.

**Goals Not Met.** Despite their best efforts, however, EPA and its partners were not able to meet all planned targets for FY 2006. EPA

### Hurricanes Katrina and Rita: One Year Anniversary

On August 29, 2005, Hurricane Katrina made landfall along the Gulf coast of the southeastern United States, causing unprecedented damage from eastern Louisiana to near Mobile, Alabama, due to the high winds and storm surge. Over the past year, EPA has worked with federal, state and local partners to assist in the recovery from Hurricanes Katrina and Rita. To date, EPA has:

- Conducted environmental monitoring and sampling of water, air, flood-water and residual sediment resulting in more than 400,000 analyses

- Responded to approximately 70 emergency situations to address chemical spills, fires, and other emergencies causing an immediate public threat

- Played a key role in the overall debris mission with the Federal Emergency Management Agency and the U.S. Army Corps of Engineers, for which the total estimates are expected to top 118 million cubic yards. EPA provided technical advice and assistance, promoted recycling, and handled the disposal of over 4 million containers of household hazardous waste

- Assisted in the proper handling and recycling of over 380,000 large appliances (refrigerators, freezers, and air conditioners)

- Collected and recycled over 661,000 electronic goods to save important landfill space and ensure the reuse of metal components

- Assessed approximately 4,000 water systems to determine their viability after the storms and provide assistance where requested; inspected over 3,500 potable water trucks to ensure drinkable water was delivered promptly to areas affected by the hurricane

- Assessed approximately 1,300 underground storage tank locations and over 1,600 chemical facilities and refineries

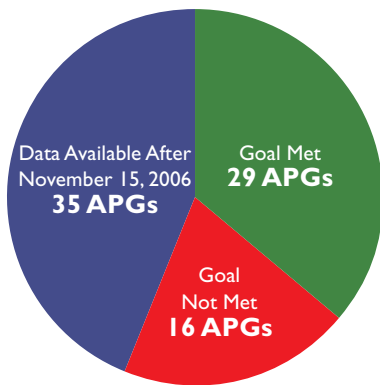
- Assessed approximately 900 public and parochial school chemistry classrooms and removed chemicals and other equipment from 130 chemistry laboratory classrooms to ensure safe schools for returning students

- Continued to monitor 12 temporary ambient air monitoring sites throughout Louisiana

- Continued to provide oversight of the cleanup by Murphy Oil of a large oil spill which impacted hundreds of homes in St. Bernard Parish.



EPA's FY 2006 Performance Results



Summary of FY 2006 Performance Results by Goal

Result	Goal 1	Goal 2	Goal 3	Goal 4	Goal 5	ESP	Total
Met	4	6	4	10	1	4	29
Not Met	2	1	1	6	6	0	16
Data Available After November 15, 2006	14	13	2	4	1	1	35
<b>Total</b>	<b>20</b>	<b>20</b>	<b>7</b>	<b>20</b>	<b>8</b>	<b>5</b>	<b>80</b>

did not meet 16 of the 45 FY 2006 APGs for which performance data were available. The Agency is considering the various causes of these shortfalls as it adjusts its annual goals and program strategies for FY 2007 and beyond.

There are a number of reasons for these missed goals. In some cases, unexpected demands on resources or competing priorities prevented EPA and its partners from meeting FY 2006 targets. For example, EPA completed 157 Superfund lead-removal actions and 93 voluntary removal actions with EPA oversight, falling short of its FY 2006 targets of 195 and 115 actions, respectively (APG 3.6). However, these lower-than-expected results are directly related to the Agency's continued response to Hurricanes Katrina and Rita—the largest hurricane and cleanup effort in EPA's history. In support of the Katrina response effort, the Agency analyzed hundreds of thousands of drinking water, air, floodwater, and sediment samples; responded to emergencies posing an immediate public health threat; worked with other agencies to remove contaminated debris; and supported recycling and other efforts which

diverted resources from Superfund removal actions and resulted in a missed FY 2006 goal.

In other cases, in its commitment to develop meaningful goals and measures that evidence environmental outcomes, the Agency may have overestimated its ability to achieve annual results. Working with its Chesapeake Bay Program partners, EPA set an ambitious FY 2006 goal for reducing nitrogen, phosphorous, and sediment pollution loads entering the Chesapeake Bay (APG 4.15). This FY 2006 goal was established to accord with 2010 deadlines outlined in the Chesapeake 2000 agreement. However, despite expanded implementation efforts by EPA, states, and others, pollution reduction strategies have not improved water quality conditions in the Bay to the extent envisioned by Bay Program partners. Continued growth in communities and farms in the region have affected progress, and EPA is implementing several key strategies designed to increase the current pace of restoration. As another example, to support management of persistent bio-accumulative toxic chemicals worldwide, EPA set a new

FY 2006 goal for collecting mercury use and emission inventory data for key industry sectors in China and India (APG 4.2). While an assessment of mercury use and emissions for the power sector was completed for China, monitoring and reporting on mercury stack emissions in India has been delayed while discussions about the sector continue.

EPA may also miss an annual performance goal due to the difficulty of forecasting a performance target or as a function of its measurement scheme. Under the Performance Track Program, members collectively meet targets for reducing water use, energy use, materials use, nonhazardous solid waste, air releases, and discharges to water (APG 5.6). While EPA's goal for FY 2006 was to meet targeted reduction levels in all six media/resource areas, it met only three—for waste usage, water use, and discharges to water. However, these lower-than-anticipated results are not representative of fewer improvements, but rather of the effect that large facilities have on aggregate Performance Track results. In FY 2006, while the number of facilities making small improvements increased, fewer

large facilities reported “high magnitude” results than did in previous years. Performance Track does not dictate members’ selection of commitment indicators nor controls the size of facilities that apply to program, so determining when the program will meet its targets is difficult. Growing interest in program and increasing emphasis on meeting targets, however, suggests Performance Track will be on track to meet FY 2007 targets.

A different issue related to measurement explains the Agency’s missed goal for the percentage of the population served by community water systems (APG 2.1). In FY 2006, while the vast majority of the nation’s community water systems supplied drinking water that met all applicable health-based drinking water standards, some very large systems serving a large number of people reported short-term violations during the year. Even these brief episodes of noncompliance significantly affected annual performance results. As a result, though final FY 2006 data is not yet available, EPA anticipates missing this goal. To account for the time-limited nature of these kinds of noncompliance events, the Agency has developed a new performance measure which is included in its *2006-2011 Strategic Plan*.

Certain contractual or technological issues largely outside EPA’s control may also contribute to missed annual goals. The Agency let a contract to provide information about new, commercial-ready environmental

technology that influences users to purchase effective environmental technology in the United States and abroad and established an annual goal related to this assessment (APG 5.8). However, the Agency discontinued the project due to poor contractor performance. Then, in response to subsequent budget cuts, funds originally targeted for this work were shifted to higher priority needs. As a result, the Agency missed this annual goal and does not plan to resume this effort. Similarly, in FY 2006 EPA planned to purchase 51 state-of-the-art radiation monitoring units to be deployed to sites based on

**Data Unavailable.** Because final end-of-year data were not available when this report went to press, EPA is not yet able to report on 35 of its 80 APGs, an increase over the 33 APGs for which data were not available in EPA’s FY 2005 report. This difference is largely attributable to the Agency’s increased focus on achieving longer-term environmental and human health outcomes, rather than activity-based outputs. Environmental outcome results may not become apparent within a federal fiscal year, and assessing environmental improvement often requires multi-year information. As a result, EPA



population and geographical coverage (APG 1.12). Due to delays in siting, however, the Agency reduced its order to 41 monitors to avoid a backup of monitors waiting to be installed. Subsequently, technical difficulties arose concerning the monitors first installed, and shipment of additional monitors was suspended until the problem could be resolved.

may not yet have the data required to determine whether an FY 2006 APG such as reducing exposure to and health effects from priority industrial chemicals (APG 4.6) has been met. Many variables are involved in evaluating progress toward this goal, and it takes time to understand exposure and the impact of these chemicals on human health. Over 90 percent of the measures

for which EPA does not yet have final performance data are outcome-oriented.

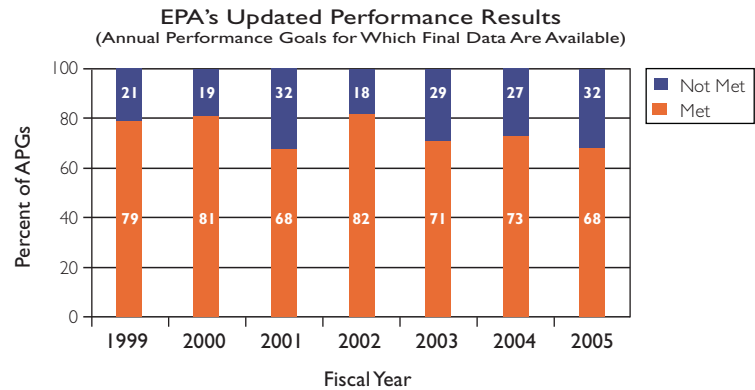
In other cases, reporting cycles—including some which are legislatively mandated—do not correspond with the federal fiscal year on which this report is based. Data reported biennially or on a calendar year basis, for example, are not yet available for this report. In some cases, such as for certain compliance and enforcement information, the Agency has adjusted data collection and QA/QC processes to meet the November 15 date for submitting this report. To provide as much information as possible on its progress toward achieving its goals, however, EPA continues to present the most current data available.

Furthermore, EPA obtains performance data from local, state, and tribal agencies, all of which require time to collect the information and review it for quality. Often, EPA is unable to obtain complete end-of-year information from all sources in time to meet the deadline for this report. The Agency is working to reduce such delays in reporting, however, by capitalizing on new information technologies to exchange and integrate electronic data and information, improve data quality and reliability, and reduce the burden on its partners.

#### Data Now Available.

The Agency is now able, however, to report data from previous years

that became available in FY 2006. Final performance results data became available for 20 of the 33 FY 2005 APGs on which the Agency did not report in its *FY 2005 Annual Report*. Of these 20 FY 2005 APGs, EPA met 14. For example, the Agency met its FY 2005 goal for 20 percent of source water areas for community water systems achieving minimized risk to human health (FY 2005 APG 2.7). EPA also met its suite of four FY 2005 goals focused on the number of people living in areas with monitored ambient concentrations below the NAAQS for PM<sub>10</sub>, PM<sub>2.5</sub>, CO/NO<sub>2</sub>/SO<sub>2</sub>/lead, and 8-hour ozone (FY 2005 APGs 1.1-1.4). EPA can now report achieving 48 (68 percent) of the 84 FY 2005 APGs for which it has data. For FY 2004, EPA can now report achieving 58 (73 percent) of the 79 APGs for which it has performance data. Delays in reporting cycles and targets set beyond the fiscal year continue to affect one APG for FY 2003.



Note: During FY 2006, final performance results data became available for a number of APGs from prior years: 20 for FY 2005, 5 for FY 2004, 1 for FY 2003, and 1 for FY 2002.

**Improving Measures and Adjusting Targets.** EPA is continuing to develop better and more meaningful measures of its performance. In FY 2006, the Agency introduced 36 new or improved performance measures. Equipped with better data, EPA is also adjusting performance targets to reflect an improved understanding of current conditions and the outcomes to be achieved. For example, the Agency is adjusting its target for the number of inspections and exercises conducted at oil storage facilities that are required to have facility response plans, in the event of a release of a harmful substance (APG 3.6). New data has allowed the Agency to determine more accurately the number of these facilities nationwide, and thus to set a more appropriate target. EPA will continue to benefit from improved data, revising annual performance measures and adjusting targets to provide a more useful assessment of its progress.



# Financial Analysis

In FY 2006, EPA had resources of \$13.5 billion to support the achievement of its strategic goals. Of this amount, the Congress provided \$7.8 billion (58.2 percent) in the form of direct FY 2006 appropriations and \$3.1 billion (23.1 percent) available from prior years. In addition, EPA received \$1.2 billion (8.9 percent) in spending authority from offsetting collections (including \$544.4 million for the Hurricane Katrina cleanup effort) and payments from the public for fees, fines, and penalties. The Agency also had other resources of \$1.4 billion (9.8 percent). (See Chart I.)

EPA's net cost of operations in FY 2006 was \$8.3 billion. (See Chart II.)

Forty-six percent of this amount was spent performing the goal related to Clean and Safe Water (\$3.8 billion) and

19 percent was spent on Land Preservation and Restoration (\$1.6 billion).

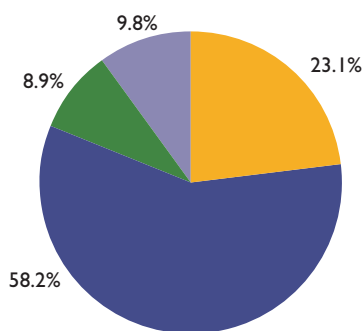
The majority of the costs (56 percent) in accomplishing the Agency's goals are for grant programs with the states, tribes, and universities. During FY 2006, EPA awarded \$4.7 billion in grants to assist in accomplishing its mission. EPA also maintains partnerships with other federal agencies and uses commercial contractors to achieve its program goals. (See Chart III.)

EPA leverages its own resources through innovative financing mechanisms. The Agency uses partnerships with the states to manage the resources in the Clean Water and Drinking Water State Revolving Funds to keep the nation's water clean and safe. As of September 30, 2006, the Clean Water State Revolving Fund has leveraged nearly

\$24 billion in federal capitalization grants into more than \$57 billion in assistance to municipalities and other entities for wastewater projects. And as of June 30, 2006, the Drinking Water State Revolving Fund has leveraged nearly \$7.3 billion in federal capitalization grants into more than \$11 billion in assistance to municipalities and other entities for drinking water infrastructure projects.

The Comprehensive Environmental Response, Compensation, and Liability Act (CERCLA) authorizes EPA to retain and use the proceeds from settlement agreements to conduct cleanup activities. These funds are placed in interest-bearing site specific special accounts. As of September 30, 2006, EPA had 612 special accounts with \$243 billion in receipts, which earned \$40 million in interest during the fiscal year.

Chart I: FY 2006 Resources



Source: FY 2006 Combined Statement of Budgetary Resources

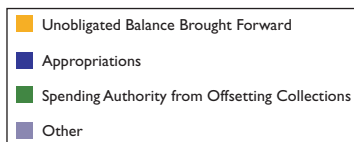
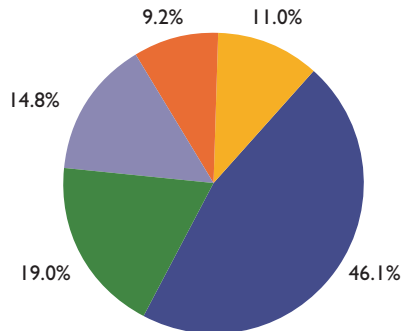


Chart II: FY 2006 Net Cost By Goal



Source: FY 2006 Statement of Net Cost by Goal

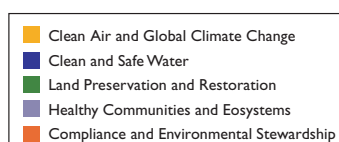
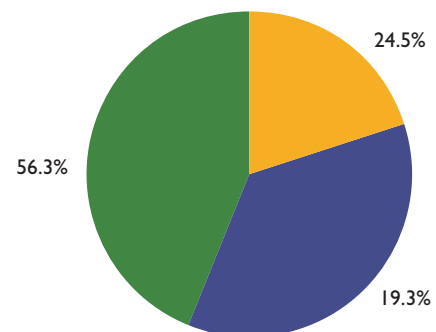
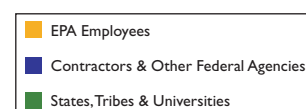


Chart III: How Our Work Gets Done (Based on Percent of Total Dollars)



Source: ORBIT Report by BOC



## EPA IS FINANCIALLY ACCOUNTABLE

- Effective stewardship of public resources
- High standards of financial performance
- Low incidence of improper payments

### Measuring Success

- Clean audit opinions for 7 consecutive years
- No material weaknesses for 5 consecutive years
- “Green” PMA scores for Improved Financial Performance for 3 consecutive years
- Accelerated financial reporting deadlines met for 3 consecutive years
- Improper payments of less than 0.50 percent for 3 consecutive years

### FY 2006 Accomplishments

- Migrated payroll management to another federal service provider (E-Government initiative)
- Achieved “Green” PMA score for Eliminating Improper Payments
- Implemented Katrina Stewardship Plan
- Implemented Office of Management and Budget Circular A-123, Management’s Responsibility for Internal Control
- Retooled internal budget process to expand accountability

### On the Horizon

- A new financial management system
- An administrative data warehouse for improved access to and reporting of administrative data
- Measures to increase efficiency of operations



The *Environmental Finance Program* helps regulated parties find ways to pay for environmental activities through an Environmental Finance Advisory Board, an on-line data base, and a network of nine university-based Environmental Finance Centers. For every dollar that EPA has invested in the Environmental Finance Program, the network has raised \$3.71 in project work.

## HIGHLIGHTS OF FINANCIAL PERFORMANCE

EPA is equally committed to protecting human health and the environment and to being accountable for and an effective steward of the public’s resources. The Agency’s financial management measures of success include implementing effective internal control and providing accurate financial information and timely financial reporting. EPA has a number of initiatives underway that support the Agency’s management strategy for improved financial performance. The progress and results of these initiatives are presented below and in the section on Improving and Integrating Financial Information of this Performance and Accountability Report.

### Consolidating Financial Processes and Services

EPA is consolidating its financial functions from 14 regional offices to four Finance Centers to improve efficiency of accounting operations and customer service. Under EPA’s consolidation plan, functions associated with vendor payments were transferred to EPA’s Research Triangle Park Finance Center, and financial functions associated with travel were transferred to EPA’s Cincinnati Finance Center in FY 2006. In addition, six regions transferred some of their functions associated with grants to EPA’s Las Vegas Finance Center and some financial functions associated with accounts receivable to EPA’s Cincinnati Finance Center. All remaining finance operations will be transferred in FY 2007. Overall, EPA estimates that consolidating accounting functions from 14 locations into four Finance Centers will produce a net savings of \$3 to \$6 million annually.

### Katrina Stewardship Plan

After Hurricane Katrina devastated the Gulf Coast of the United States on August 29, 2005, OMB issued guidance for agencies to implement stewardship plans that documented their internal controls to mitigate any waste, fraud, and mismanagement. Implementing EPA’s

Stewardship Plan has afforded the Agency a higher level of confidence in its financial activities and will allow management to make better assessments of risk for future emergencies.

As of September 30, 2006, EPA had received \$544.5 million in funding from the Federal Emergency Management Agency and Army Corps of Engineers for the Hurricane Katrina relief effort. Of this amount, EPA had obligated \$475.5 million, plus an additional \$13.6 million of its own funds, for a total of \$489.1 million. EPA disbursed \$344.4 million of the \$489.1 million as of September 30, 2006.

### Improper Payments

In FY 2006, the Agency achieved a “Green” as its status under the President’s Management Agenda for the progress made in significantly decreasing improper payments in the Clean Water and Drinking Water State Revolving Funds (SRFs).

EPA had low error rates in a statistical sampling of payments to direct recipients Agency-wide and

EPA’s Improper Payment Reduction Effort Clean Water and Drinking Water SRFs			
Fiscal Year	Target Error Rate	Actual Error Rate	Actual Improper Payments (dollars in millions)
FY 2003	Baseline	0.51%	\$12.4
FY 2004	0.49%	0.47%	\$10.3
FY 2005	0.45%	0.13%	\$3.0
FY 2006	0.40%	0.18%	\$3.5
FY 2007	0.35%	—	—
FY 2008	0.30%	—	—

to sub-recipients in two states. In addition, no improper payment issues were found in an analysis of payments to sub-recipients in a third state. Based on EPA’s ability to demonstrate that its internal controls are adequate, OMB has granted the Agency a 3-year relief from measurement and annual reporting on payments in the two SRFs. Additional reporting details required by the Improper Payments Improvement Act (IPIA) are provided in Section IV, Annual Financial Statements of this Performance and Accountability Report.

### Grants Management

Under the Agency’s Grants Management Plan, EPA has put in place a comprehensive strategy to address its grants management weakness. In implementing the Plan, the Agency is adjusting its corrective actions as necessary to fully address the grants management challenges faced by the EPA. The Agency is creating a new culture that places a premium on transparency, accountability and results, with a view to making EPA a ‘best practice’ agency for grants management. The table

Performance Measures	Target	Progress in FY 2006
Percentage of grants managed by certified project officers	100%	99.1%
Percentage of new grants subject to the competition order that are competed	90%	95.0%
Percentage of new grants to non-profit recipients subject to the competition order that are competed	90%	90.8%
* Percentage of active recipients who receive advanced monitoring	10%	8.4%
Percentage of advanced monitoring reports closed within 120 days	90%	93.8%
Percentage of eligible grants closed out	99% in 2004 90% in 2005	99.4% in 2004 96.6% in 2005
** Percentage of grant workplans that include a discussion of qualitative environmental results	80%	100%

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

\*\* This performance measure is based on a sample of grants awarded in FY 2005.

below lists the Agency’s grant performance measures and the results achieved in FY 2006.

### GOVERNMENT-WIDE FINANCIAL PERFORMANCE MEASUREMENTS

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

During FY 2006, the Agency’s performance improved from yellow to green in one metric, from red to green in one metric, and remained unchanged in the other seven metrics. EPA is currently green in seven of nine metrics.

EPA improved its performance in several areas in FY 2006. *Under*

Government-Wide Financial Performance Metrics		
Financial Management Indicator	Rating September 2005	Rating September 2006
Amount in Suspense (Absolute) Greater than 60 Days Old	●	●
Delinquent Accounts Receivable from the Public Over 180 Days	●	●
Electronic Payments	●	●
Percent Non-Credit Invoices Paid On-Time	●	●
All Other: <sup>13</sup> Fund Balance with Treasury, Net Interest Penalties Paid Purchase Card Delinquency Rates Travel Card Delinquency Rates-Individually Billed Travel Card Delinquency Rates-Centrally Billed	●	●

*Electronic Payments*, the Agency is up to paying 95.9 percent of its invoices electronically, in line with its goal of 96.0 percent. The goal for *Delinquent Accounts Receivable* from the Public over 180 Days is 10 percent or less and EPA improved by reducing its delinquency rate from 68 percent to 25 percent.

The Agency is taking aggressive action to improve the financial indicators for which a green status has not been achieved and plans to maintain its performance in areas where it is already successful. EPA will improve its performance in the metric on *Delinquent Accounts Receivable from the Public over 180 Days* by completing consolidation of its accounts receivable accounting function, updating its policies and procedures, and taking a more aggressive

approach to managing receivables. Through consolidation of vendor payments at one location, EPA expects to improve its performance in the metric on *Electronic Payments*.

### ANALYSIS OF FINANCIAL STATEMENTS AND STEWARDSHIP INFORMATION

#### Audit Results

For the seventh consecutive year, EPA received an unqualified opinion on its consolidated financial statements. However, the auditors identified two reportable conditions, one noncompliance issue that was not considered substantial, and no material weaknesses. EPA takes pride in its progress in reducing the number of reportable conditions in the annual audit from ten to two between the FY 2005 audit and the FY 2006 audit.

#### Overview of Financial Position

The following discussion summarizes key financial information and significant variances between FY 2005 and FY 2006 in



the Agency's financial statements. EPA's Financial Statements appear in Section IV, Annual Financial Statements, of this Performance and Accountability Report.

**Assets:** The Agency had total assets of \$17.8 billion at the end of FY 2006. The decrease of \$382 million from FY 2005 primarily resulted from a decrease in the Fund Balance with Treasury partly offset by increased investments in the Hazardous Substance Trust Fund (Superfund) and the Leaking Underground Storage Tanks Trust Fund (LUST), as well as increased payments in FY 2006 for grants and activities associated with the Hurricane Katrina cleanup effort and increased software and equipment assets.

**Liabilities:** The Agency had total liabilities of \$1.6 billion at the end of FY 2006, which is reported in the Consolidated Balance Sheet and summarized in the following table.

The decrease of \$140 million (8.1 percent) from FY 2005 is primarily the result of significant decreases in the Custodial Liability and Cashout Advances, Superfund accounts. Fines and penalties, interest assessments, repayments of loans, and other miscellaneous accounts receivable that, when collected, will be deposited to the Treasury General Fund are considered Custodial Liability. Cashout Advances are funds received under settlement agreements to finance response action costs at specified Superfund sites. (See Notes 12 and 16 in Section IV, Annual Financial Statements).

#### Assets, U.S. Environmental Protection Agency

	FY 2006 (in thousands)	FY 2005 (in thousands)
Fund balance with Treasury	\$11,173,443	\$12,139,207
Investments	\$5,366,264	\$4,811,065
Accounts Receivable, Net	\$371,551	\$440,728
Loans Receivable	\$30,836	\$39,347
Property Plant and Equipment, Net	\$756,794	\$708,716
Other Assets	\$63,431	\$5,134
<b>Total Assets</b>	<b>\$17,762,319</b>	<b>\$18,144,197</b>

#### Liabilities, U.S. Environmental Protection Agency

	FY 2006 (in thousands)	FY 2005 (in thousands)
Accounts Payable and Accrued Liabilities	\$833,192	\$850,114
Debt Due to Treasury	\$18,896	\$21,744
Custodial Liability	\$32,963	\$142,347
Cashout Advances, Superfund	\$223,760	\$270,811
Payroll and Benefits Payable	\$195,746	\$190,394
Pensions and Other Actuarial Liabilities	\$39,408	\$39,380
Environmental Cleanup Costs	\$10,083	\$6,989
Commitments and Contingencies	\$8	\$1,950
Other Liabilities	\$234,256	\$204,594
<b>Total Liabilities</b>	<b>\$1,588,312</b>	<b>\$1,728,323</b>

**Net Position:** The Agency's Net Position at the end of FY 2006 was \$16.2 billion, a \$242 million decrease from the previous year's total of \$16.4 billion. This decrease is primarily attributable to lower undelivered orders and unobligated balances (Unexpended Appropriations) at the end of the year. Specific details are provided in Note 17 in Section IV. An increase in Cumulative Results of Operations due to the increase in Earmarked Funds for Superfund and LUST activities was not sufficient to offset the decrease in Unexpended Appropriations.

**Net Cost of Operations:** The Agency's Net Cost of Operation for FY 2006 rose by \$312 million (from \$8.0 to \$8.3 billion) over FY 2005. This increase was primarily related to activities associated with the Hurricane Katrina cleanup effort and to increased grant payments. For FY 2006, EPA's Net Cost of Operations of \$8.3 billion consisted of Gross Costs of \$9.2 billion, less Earned Revenue of \$0.9 billion. Most of this amount, \$3.8 billion (46.1 percent) was spent performing the goal related to "Clean and Safe Water." Net

costs totaling \$1.6 billion (18.9 percent) were spent on Land Preservation and Restoration.

### Statement of Budgetary Resources

This Statement provides information on resources available to EPA and the status of those resources at the end of the fiscal year.

The Agency's total budgetary resources of \$13.5 billion for FY 2006 were \$221 million more than the budgetary resources for FY 2005, primarily because of increased reimbursements related to the Hurricane Katrina cleanup, which are also reflected in the increased reimbursable obligations. EPA's total obligations were \$10.2 billion and total net outlays were \$8.3 billion.

### Stewardship Information

Under the requirements of OMB Circular A-136, Financial Reporting Requirements, EPA reports on one area of Required Supplementary information—Stewardship Land (PP&E). In addition, the Agency reports three areas of Required

Statement of Budgetary Resources

	FY 2006 (in thousands)	FY 2005 (in thousands)
Total Budgetary Resources	\$13,452,220	\$13,231,189
Obligations Incurred:		
Direct	\$9,292,415	\$9,573,696
Reimbursable	\$912,718	\$550,737
<b>Total Obligations Incurred</b>	<b>\$10,205,133</b>	<b>\$10,124,433</b>
Gross Outlays	\$10,607,195	\$9,918,889
Less Collections and Receipts	(\$2,291,623)	(\$1,999,386)
<b>Total, Net Outlays</b>	<b>\$8,315,572</b>	<b>\$7,919,503</b>

Supplementary Stewardship information—Research and Development, Infrastructure (clean water and drinking water facilities), and Human Capital (awareness training). More information on these is provided in Section IV of this Performance and Accountability Report.

### Limitations of the Financial Statements

The principal financial statements have been prepared to report the financial position and results of operations of the entity, pursuant to the requirements of 31 U.S.C. 3515 (b).

While the statements have been prepared from the books and records of the entity in accordance with U.S. generally accepted accounting principles (GAAP) for Federal entities and the formats prescribed by OMB, the statements are in addition to the financial reports used to monitor and control budgetary resources which are prepared from the same books and records.

The statements should be read with the realization that they are for a component of the U.S. Government, a sovereign entity. Other limitations are included in the footnotes to the principal statements.



# EPA's FY 2006 Management Integrity and Audit Management Reports

In FY 2006, EPA's Administrator provided his unqualified Statements of Assurance on overall internal controls and internal controls over financial reporting. The Agency continues to make progress in strengthening its management practices and the internal controls carried out by the Agency to assure the integrity of its programs and operations.

## FEDERAL MANAGERS' FINANCIAL INTEGRITY ACT

The Federal Managers' Financial Integrity Act (FMFIA) requires agencies to establish and maintain internal controls and financial systems that provide reasonable assurance that federal programs and operations are protected from fraud, waste, abuse, and misappropriation of federal funds. FMFIA holds agency heads accountable for correcting deficiencies and requires them annually to identify and report internal control and accounting systems problems and planned remedies.

In FY 2005 OMB issued its revised Circular A-123, *Management's Responsibility for Internal Control*, which provides guidance on using the range of tools agency managers have at their disposal to achieve desired

program results and meet FMFIA requirements. The revised Circular requires agencies to submit a separate statement attesting to the effectiveness of internal controls over financial reporting as of June 30 of each year (revised Circular A-123, Appendix A).

In FY 2006, EPA broadened its management integrity process to meet the new internal control requirements under Appendix A of the revised Circular.

The Agency developed a communications strategy that explained to managers and executives at all levels that strong internal controls contribute to operating efficiency; provide greater accountability; reduce fraud, waste, and mismanagement; and promote cost-effective results. With the assistance of an independent contractor, EPA documented, tested, and assessed 195 key controls associated with 10 financial reporting processes and selected transactions associated with Hurricane Katrina.

The assessment uncovered no material weaknesses and found the Agency's internal control mechanisms were operating effectively. However, 11 internal controls were classified as reportable conditions, and several others were classified as less significant



deficiencies. EPA developed corrective action plans and milestones for these reportable conditions and, as of September 30, 2006, seven were resolved, and the remaining four are scheduled for correction in FY 2007. EPA plans to create a "Controls Portfolio Analysis" for one financial process to document the value of an A-123 assessment in terms of improved efficiency and cost effectiveness. The next cycle of internal control assessments will begin with a follow-up review of

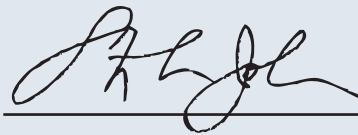
the effectiveness of the corrective actions for all reportable conditions and continue with an assessment of the financial processes selected for review in FY 2007.

Based on EPA's self-assessment of its internal controls and financial systems, Agency managers have determined that the Agency's controls are achieving their intended objectives. The

Administrator's unqualified Statement of Assurance on the Agency's overall internal controls and its internal controls over financial reporting for FY 2006 follows.

### FISCAL YEAR 2006 ANNUAL ASSURANCE STATEMENT

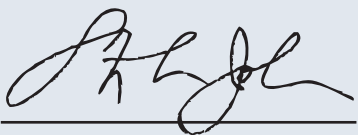
I am pleased to give an unqualified statement of assurance that the U.S. Environmental Protection Agency's (EPA) programs and resources are protected from fraud, waste, abuse, and mismanagement. Based on EPA's annual self-assessment of its internal management controls and financial control systems, I can reasonably assure that there are no material weaknesses in the Agency's control.



Stephen L. Johnson  
Administrator  
November 13, 2006

### FISCAL YEAR 2006 "UNQUALIFIED" ANNUAL ASSURANCE STATEMENT ON INTERNAL CONTROLS OVER FINANCIAL REPORTING

The U.S. Environmental Protection Agency's (EPA) management is responsible for establishing and maintaining effective internal control over financial reporting, which includes safeguarding of assets and compliance with applicable laws and regulations. EPA conducted its assessment of the effectiveness of its internal control over financial reporting in accordance with OMB Circular A-123, *Management's Responsibility for Internal Control*. Based on the results of this evaluation, I can provide reasonable assurance that internal control over financial reporting as of June 30, 2006 was operating effectively and no material weaknesses were found in the design or operation of the internal controls over financial reporting.

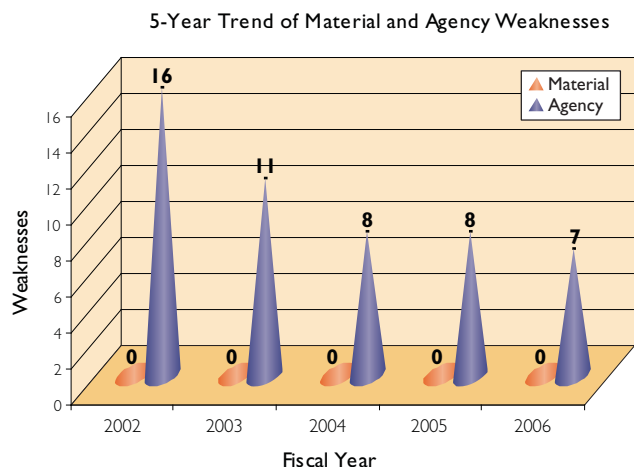


Stephen L. Johnson  
Administrator  
November 13, 2006

### MANAGEMENT ASSURANCES

To identify management issues and monitor progress in addressing them, EPA's senior leaders use a system of internal program evaluations and independent audit reviews conducted by the Government Accountability Office, EPA's OIG, and other oversight organizations to assess program effectiveness. In FY 2006, for the fifth year, EPA has no material weaknesses to report under FMFIA. Material weaknesses are control deficiencies that could adversely impact the integrity of Agency programs and activities and/or violate statutory, judicial, or regulatory requirements. These deficiencies significantly impair or threaten fulfillment of the Agency's mission and must be reported to the President and Congress along with the Agency's corrective action strategy to remedy the problem. While the Agency reported no new material weaknesses, EPA currently has a number of less severe, internal Agency-level weaknesses. Agency-level weaknesses, which are not required to be reported outside the Agency, are tracked by EPA senior managers who meet periodically to ensure that progress is being made to resolve the issues. During the year, EPA closed one of its existing Agency-level weaknesses related to water quality standards. Three of the





Agency's current weaknesses were identified by OIG as management challenges under the Reports Consolidation Act of 2000 (RCA). The RCA requires the Inspector General to identify, briefly assess, and report annually the most serious management and performance challenges facing the Agency. Unlike material or Agency-level weaknesses, management challenges are not control deficiencies under FMFIA, unless specifically declared so by the Administrator, but require an Agency response to the IG's assessment of the issues identified. (See Section III, *Management Accomplishments and Challenges*, for detailed information on EPA's Key Management Challenges.)

### INSPECTOR GENERAL ACT AMENDMENTS OF 1988

The Inspector General (IG) Act Amendments require federal agencies to report to Congress on their progress in carrying out audit recommendations. EPA uses audit management as a tool in assessing its progress and its ability to meet its strategic objectives. The Agency is continuing to strength-

en its audit management practices and is working to address issues and complete corrective actions in a timely manner.

#### EPA's Audit Follow-up

**Activities:** In FY 2006, EPA was responsible for addressing OIG recommendations and tracking follow-up activities on 634 audits. The Agency achieved final action (completing all corrective actions associated with an audit) on 359 audits, including Program Evaluation/Program Performance, Assistance Agreement, Contracts, and Single audits. The OIG

questioned costs of more than \$63.3 million, and recommended to disallow costs and put funds to better use in 226 of the 359 audits. After careful review, OIG and the Agency agreed to disallow approximately \$39.6 million of these questioned costs and \$10 million funds put to better use (see table, line D). As required by the IG Act Amendments, the following table presents information on audits that involve disallowed costs and funds put to better use.

A broader discussion of EPA's FY 2006 audit management activities are summarized below. These activities include audits with associated dollars (represented in the table above) as well as audits without dollars.

- **Final Corrective Action Not Taken.** At the end of FY 2006, 244 audits were without final action and not yet fully resolved. (This total excludes the 31 audits with management decisions under administrative appeal by the grantee—see write-up below.)

#### EPA'S AGENCY WEAKNESSES

1. Safe Drinking Water Information System (SDWIS)
2. Clean Water Act Section 305(b) Reporting
3. Human Capital\*
4. EPA's Use of Assistance Agreements to Accomplish Its Mission\*
5. Agency Efforts in Support of Homeland Security\*
6. Permit Compliance System
7. Implementation of Data Standards

\* OIG identified these weaknesses as management challenges in its 2006 list of key management challenges for the Agency.

For more details on EPA's Agency-level weaknesses and progress in addressing them, refer to Section III—Management Accomplishments and Challenges.

### EPA'S KEY MANAGEMENT CHALLENGES REPORTED BY THE OFFICE OF INSPECTOR GENERAL

1. Managing for Results
2. Agency Efforts in Support of Homeland Security\*
3. Data Standards and Data Quality
4. EPA's Use of Assistance Agreements to Accomplish Its Mission\*
5. Emissions Factors for Sources of Air Pollution
6. Human Capital Management\*
7. Voluntary, Alternative, and Innovative Practices and Programs
8. Efficiently Managing Water and Wastewater Resources and Infrastructure
9. Information Technology Systems Development and Implementation
10. Data Gaps

\* EPA acknowledges these challenges as Agency-level weaknesses and is tracking progress under the FMFIA process. For more details on OIG's Key Management Challenges and EPA's response, refer to Section III—Management Accomplishments and Challenges

- **Final Corrective Action Not Taken Beyond 1 Year.**  
Of the 244 audits, EPA officials had not completed final action on 34 audits within 1 year after the management decision (the point at which OIG and the Action Official reach agreement on the corrective action plan). Because the issues to be addressed may be complex, Agency managers often require more than 1 year after management decisions are reached with OIG to complete the agreed-upon corrective actions.
- **Audits Awaiting Decision on Appeal.**  
EPA regulations allow grantees to appeal management decisions on financial assistance audits that seek monetary reimbursement from the recipient. In the case of an appeal, EPA must not take action to collect the account receivable until the Agency issues a decision on the appeal. At the end of FY 2006, 31 audits were in administrative appeal.

Disallowed Costs & Funds Put To Better Use October 1, 2005 - September 30, 2006				
Category	Disallowed Costs		Funds Put to Better Use	
	Number	Value	Number	Value
A. Audits with management decisions but without final action at the beginning of FY 2006.	56	\$ 71,883,901	1	\$ 2,002,296
B. Audits for which management decisions were made during FY 2006:				
(i) Management decisions with disallowed costs. (54)				
(ii) Management decisions with no disallowed costs. (179)	233	\$ 33,975,596	7	\$ 49,382,454
C. Total audits pending final action during FY 2006. (A+B)	289	\$ 105,859,497	8	\$ 51,384,750
D. Final action taken during FY 2006 Recoveries: (*)	221	\$ 39,631,896	5	\$ 10,031,750
a) Offsets		\$ 1,108,261		
b) Collections		\$ 3,026,689		
c) Value of Property		\$ 0		
d) Other		\$ 32,735,931		
(ii) Write-offs		\$ 790,451		
(iii) Reinstated through grantee appeal.		\$ 1,970,569		
(iv) Value of recommendations completed.				\$ 2,059,069
(v) Value of recommendations management decided should/could not be completed.				\$ 7,972,681
E. Audit reports needing final action at the end of FY 2006. (C-D)	68	\$ 66,227,601	3	\$ 41,353,000

## FEDERAL FINANCIAL MANAGEMENT IMPROVEMENT ACT

The Federal Financial Management Improvement Act of 1996 (FFMIA) requires that agencies' financial management systems substantially comply with federal financial management system requirements, applicable federal accounting standards, and the U.S. Government Standard General Ledger. In response to the FY 1999 financial statement audit, EPA implemented an FFMIA remediation plan to improve the Agency's financial management systems to comply with federal financial system requirements. Currently, EPA has completed all but two corrective actions: security certification policy for contractor personnel and security certification policy for grantee personnel. EPA anticipates completing these actions by the first quarter of FY 2007. The Agency continues to improve cost accounting and reconciliation of intragovernmental transactions.

## FEDERAL INFORMATION SECURITY MANAGEMENT ACT

The Federal Information Security Management Act (FISMA) directs federal agencies to conduct annual evaluations of information security programs and practices to ensure that information security controls over information resources supporting federal operations and assets are

effective. EPA's October 1, 2006 FISMA Report highlights the results of the Agency's annual security program review, completed by EPA's Chief Information Officer, senior agency program officials, and Inspector General. The report reflects EPA's continued efforts to ensure that information assets are protected and



secured in a manner consistent with the risk and magnitude of the harm resulting from the loss, misuse, or unauthorized access to or modification of information. In FY 2006, EPA reported no significant deficiencies in its information security systems under FISMA.

## IMPROPER PAYMENTS INFORMATION ACT

The Improper Payments Information Act (IPIA) of 2002, Public Law 107-300, requires agencies to review their programs and activities to identify those

considered "high risk" for significant improper payments. Because EPA has been able to demonstrate effective internal controls in eliminating improper payments, OMB has granted relief from the annual reporting requirement for the Clean Water and Drinking Water SRFs, the two high-risk programs. However, the Agency may be required to re-initiate measurement activities if there are any substantial changes to the programs (legislation, funding, etc.) that may affect payment accuracy.

## GOVERNMENT MANAGEMENT REFORM ACT—AUDITED FINANCIAL STATEMENTS

The Government Management Reform Act of 1994 amended the requirements of the Chief Financial Officers Act of 1990 by requiring the annual preparation and audit of agency-wide financial statements. EPA's statements are audited by the Inspector General, who issues an audit report on the principal financial statements, internal controls, and compliance with laws and regulations.

For seven consecutive years, the Agency submitted timely financial statements and received an unqualified audit opinion—another important aspect of accountability. These statements (presented in Section IV of this report) present the Agency's financial position at the end of fiscal year.

# The President's Management Agenda


Over the past 5 years, the President's Management Agenda (PMA) has challenged federal agencies to be "citizen-centered, results-oriented, and market-based" (see <http://www.whitehouse.gov/results>). During FY 2006, EPA made progress under each of the seven government-wide PMA initiatives: Human Capital, Competitive Sourcing, Expanded E-Government, Improved Financial Performance, Budget and Performance Integration, Eliminating Improper Payments, and Research and Development.

Each quarter, the Office of Management and Budget (OMB)

releases an executive scorecard that uses a color-coded "stop light" system that rates each federal agency's progress and overall status under each of the PMA initiatives. During FY 2006, OMB did not issue a PMA scorecard for EPA's Research and Development Investment Criteria because the requirements for that initiative were under review. As of September 2006, the Agency achieved six out of six "Green" scores for progress toward implementation and four out of six "Green" scores on the status of PMA initiative implementation.







In addition to tracking PMA progress on a quarterly basis, federal agencies establish yearly goals for where they would be "Proud to Be" on the status of PMA initiative implementation. The Proud to Be milestones and goals are set every July and assessed during the third quarter PMA Scorecard process. This past year, three of EPA's PMA Initiatives achieved a "Green" rating on Proud to Be Goals: Competitive Sourcing, Financial Performance, and Eliminating Improper Payments. More information about the Agency's work under the PMA is available at <http://www.epa.gov/pmresults>.

## EPA's FY 2006 Progress Under the President's Management Agenda




INITIATIVE	STATUS <sup>14</sup>	PROGRESS	PROUD TO BE (07/06) RESULTS	HIGHLIGHTS
Human Capital			<p>"Yellow" EPA did not meet its goal of "Green" for P2B3</p> <p>EPA has set a goal of "Yellow" for P2B4</p>	<ul style="list-style-type: none"> <li>—Completed HR, IT, &amp; leadership competency assessments, identified gaps, developed plans and began gap closure efforts.</li> <li>—Completed Agency Strategic Workforce Plan using competency-based planning approach.</li> <li>Developed and obtained OPM approval of Succession Management Plan.</li> <li>—Implemented SES mobility program and decreased SES hiring time.</li> <li>—Completed first cycle of 5-tier Performance Appraisal System (PARS).</li> <li>Expanded PARS improvement beta sites to ensure expectations cascade and align.</li> <li>Maintained an average GS hiring target well below the OPM 45-day target.</li> <li>Developed and obtained approval from the Office of Personnel Management of EPA Human Capital Accountability System to ensure optimal management of EPA human resources.</li> </ul>

**EPA's Challenges in Human Capital**—Use a competency assessment tool to evaluate Agency leaders and priority Mission Critical Occupations (MCOs). Redirect and refocus our recruitment approach and use of development opportunities to close identified competency gaps. Ensure that PARS expectations cascade from the proper level and are visible, competency-based, and outcome oriented. Concerted effort must continue in order to meet the OPM 30-day SES hiring standard.

## EPA’S FY 2006 PROGRESS UNDER THE PRESIDENT’S MANAGEMENT AGENDA

INITIATIVE	STATUS <sup>14</sup>	PROGRESS	PROUD TO BE (07/06) RESULTS	HIGHLIGHTS
Expanded E-Government			<p>“Yellow” EPA did not meet its goal of Maintaining “Green” for P2B3</p> <p>EPA has set a goal of “Green” for P2B4</p>	<p>EPA demonstrated the existence of adequate procedures for identifying systems that require Privacy Impact Assessments and System of Records Notices.</p> <p>E-Rulemaking successfully resumed agency implementation of the Federal Docket Management System and Initiated all scheduled and approved agency deployments.</p> <p>EPA has posted 100% of its grants on the website “Grants.gov”</p>
<p><b>EPA’s Challenges in E-Gov</b>—Like many other agencies, EPA will continue to face funding challenges for E-Government activities until Congressional appropriators grow more comfortable with the value proposition offered by E-Government and Line of Business projects overall. The E-Rulemaking Program Management Office (PMO) successfully managed to work through the funding freeze in 2006, but if funds are similarly frozen in 2007 it could have additional impacts on the E-Rulemaking project.</p>				
Improved Financial Performance			<p>“Green” EPA met its goal of “Green” for P2B3”</p> <p>EPA has set a goal of “Green” for P2B4</p>	<ul style="list-style-type: none"> <li>—EPA delivered its FY 2006 Performance and Accountability Report with audited financial statements by the required deadline of November 15, 2006, and issued its interim financial statements within the required deadline of 21 days after the end of the quarter.</li> <li>—No material weaknesses were identified during EPA’s testing of 195 key controls associated with financial reporting processes as part of the Agency’s assessment of internal control activities under OMB Circular A-123 (see EPA’s “unqualified statement of assurance,” signed by the Administrator, as of June 30, 2006).</li> <li>—EPA successfully demonstrated the viability of its Data Integration Green Plan, the blueprint for producing timely, useful, and usable information to drive program results.</li> <li>—In FY 2006, under the Data Integration Green Plan, EPA successfully assessed the types of financial/grant information needed to improve overall decision making for grants management and made substantial progress in developing the capability to produce this information. EPA has selected emergency management as the next area for review.</li> </ul>
<p><b>EPA’s Challenges in Improved Financial Performance</b>—No challenges at this time.</p>				
Budget and Performance Integration			<p>“Yellow” EPA did not meet its goal of “Green” for P2B3.</p> <p>EPA has set a goal of “Green” for P2B4.</p>	<ul style="list-style-type: none"> <li>—The Agency received green progress scores for all four quarters in FY 2006.</li> <li>—EPA worked cooperatively with OMB on the 2006 Program Assessment Rating Tool (PART) process, completing 51 PART assessments to date.</li> <li>—At the conclusion of the 2006 PART Appeals process, EPA has developed or is developing efficiency measures for 45 of its 51 PARTed programs.</li> <li>—Overall momentum remains strong as Agency focuses on demonstrating results in current PART reviews, works to improve consideration of performance information in its internal planning &amp; budget processes, and devotes significant attention to developing appropriate efficiency measures that meet PART standards.</li> </ul>

## EPA's FY 2006 PROGRESS UNDER THE PRESIDENT'S MANAGEMENT AGENDA

INITIATIVE	STATUS <sup>14</sup>	PROGRESS	PROUD TO BE (07/06) RESULTS	HIGHLIGHTS
<p><b>EPA's Challenges in Budget and Performance Integration (BPI)</b>—EPA must continue to develop appropriate OMB-approved measures that gauge the efficiency of an environmental program's administration. Each program evaluated by the PART is required to have at least one OMB-approved efficiency measure.</p>				
Eliminating Improper Payments			<p><b>"Green"</b>—EPA met its goal for P2B3.</p> <p>EPA has set a goal of <b>"Green"</b> for P2B4.</p>	<ul style="list-style-type: none"> <li>—EPA's error rate for payments to direct recipients of State Revolving Funds (SRF) is 0.00 percent, and an analysis of sub-recipient payments in three states, including targeted sampling in two of those states, indicates that total improper payments in those states are well below the OMB's threshold error rate of 2.5 percent of total program dollars and \$10 million.</li> <li>—EPA has received OMB's approval of a three-year relief from annual reporting or measurements for the SRF programs based on the low error rate for the past two years. EPA may be required to resume measurement activities if there are substantial changes to the program that may affect payment accuracy.</li> </ul>
<p><b>EPA's Challenges in Eliminating Improper Payments</b>—No challenges at this time.</p>				
Research and Development Investment Criteria		EPA has not received a quarterly scorecard evaluating progress on implementing the R&D Investment Criteria during FY 2006	NA	<ul style="list-style-type: none"> <li>—The Board of Scientific Counselors (BOSC), an independent, external panel, reviewed the following research programs in FY 2006: Global Change, Land Protection and Restoration, and Water Quality Research.</li> <li>—Four of the Agency's research programs were reviewed in the 2006 PART process: Global Change, Human Health Risk Assessment, Land Protection and Restoration, and Water Quality Research. ORD has made significant progress negotiating with OMB and the Board of Scientific Counselors to develop long-term measures derived from an independent expert review process.</li> <li>—In the 2006 PART process, EPA developed an OMB-accepted efficiency measure for the Water Quality Research Program. The Agency is determining if other research programs could benefit from utilizing a similar efficiency measure.</li> <li>—Beginning in FY 2007, EPA's Annual Research Planning process expanded to include regular discussions about resources and performance in the context of the R&amp;D Investment Criteria.</li> </ul>
<p><b>EPA's Challenges in Research and Development</b>—EPA continues to work to attain acceptable performance and efficiency measures for all of its research programs. To this end, EPA has established a workgroup comprised of representatives from OMB, the BOSC, and EPA's Office of Research and Development to develop measures that are meaningful to program managers and clearly illustrate performance over time.</p>				

# Improving Performance, Results, and Management

EPA aims to be an organization in which performance measures are well-defined and understood, managers use accurate and timely performance and financial analyses to make decisions, and costs can be linked to performance and results. The Agency continues efforts to provide decision makers with performance and resource information to help them plan and manage their programs most effectively and to expand the amount of real-time information available to managers by improving our systems and reporting capabilities. In FY 2006, EPA collaborated with states, tribes, and other partners to strengthen its approaches to tracking and assessing progress. Internally, the Agency implemented measures to hold its senior managers more accountable for achieving results. EPA continues to pursue greater operating efficiency and effectiveness so that tax payer dollars are used wisely to achieve environmental results.

## STRENGTHENING PLANNING AND ACCOUNTABILITY

With the release of the Agency's 2006-2011 *Strategic Plan* in September 2006, EPA more clearly identified the environmental and human health outcomes the Agency expects to achieve over the next 5 years. A primary focus of the *Plan* revision effort was to increase the outcome-



orientation of EPA's long-term measures, including taking better advantage of the Agency's ongoing efforts to develop improved environmental indicators for its *Report on the Environment* and improved performance measures under the Office of Management and Budget's (OMB's) Program Assessment Rating Tool (PART). *The 2006-2011 Plan* retains the five-goal structure of the Agency's 2003 strategic plan and discusses important new challenges and opportunities facing EPA in the coming years. It emphasizes the significant contributions of the Agency's federal, state, tribal, and local partners and reflects the importance of strong collaboration. The new *Plan* also expands on EPA's more significant geographic initiatives, and emphasizes

tribal issues, environmental justice concerns, and innovation and environmental stewardship.

## Collaboration with Partners

EPA's effective collaboration with its partners—states, tribes, and other federal agencies—is essential to address the increasingly complex environmental challenges. The Agency continued to advance the Environmental Council of the States (ECOS)-EPA Partnership and Performance Work Group, a senior-level oversight body governing ongoing efforts to strengthen the state-EPA partnership. In FY 2006, the Work Group focused on implementing OMB's directive in the FY 2007 President's Budget requiring that EPA develop a standardized template that states will use to present

## ENHANCING TRIBAL ENVIRONMENTAL MANAGEMENT

In FY 2006, EPA continued to work with tribes on a government-to-government basis to protect the land, air, and water in Indian country. In September, the Quinault Indian Nation hosted, the National Tribal Forum on Environmental Science, attended by more than 350 tribal and federal officials to discuss current science issues related to environmental and public health problems in Indian country.

As of FY 2006, 90.4 percent of tribes (517 tribes) have access to EPA funds for hiring environmental program staff, managing environmental activities, and implementing multimedia environmental programs in Indian country.

<sup>15</sup> This represents an increase of approximately 5 percent a year since 1996, when 36 percent of tribes had access.



performance measures in FY 2007 work plans. EPA and ECOS are jointly developing templates that link to EPA's *Strategic Plan*, provide consistent requirements for regular performance reporting, and allow for meaningful comparisons of states' past and planned activities. State grant performance information will be tracked annually using EPA's Annual Commitment System (ACS) and reports generated for OMB using the Reporting and Business Intelligence Tool. During FY 2007, EPA and states will work to examine state reporting burden and streamline performance measures.

The Agency streamlined and simplified the ACS, making it more user-friendly for EPA decisionmakers by reducing the number of unnecessary output measures more than 16 percent from previous years. The system now allows state grant template measures to be flagged and tracked on an annual basis. EPA expects to continue this work in FY 2007, improving state grant performance measures, reducing the number and improving the meaning of measures in the ACS, and identifying opportunities for reducing state reporting burden.

Finally, the Agency took steps to hold its senior managers more accountable for achieving results on an annual basis. For example, in FY 2006, the Agency began linking senior manager awards to annual results achieved under EPA's strategic goals. In addition, internal planning and budget discussions required senior managers to conduct a more rigorous analysis of performance information to

explain and defend their current level of program resources. In FY 2006, the Deputy Administrator also initiated a "Quarterly Management Report" under which senior managers from across EPA report to the Administrator every 3 months on a suite of critical performance and management indicators.

## USING THE PROGRAM ASSESSMENT RATING TOOL AND PROGRAM EVALUATION

EPA uses OMB's PART assessments and individual program evaluations and audits to inform policy making, facilitate allocation of resources, and improve environmental outcomes while ensuring the most effective and efficient use of taxpayer dollars.

The PART is a series of diagnostic questions used to assess and evaluate programs across a set of performance-related criteria, including program design and purpose, strategic planning, program management, and results. To date, EPA and OMB have completed PART reviews for 51 of the Agency's programs. In FY 2006, the Agency conducted PART assessments on an additional eight programs and one reassessment of the Alaska Native Village Water Infrastructure program, which will be available in February 2007.

PART-assessed programs are assigned ratings of "Effective, Moderately Effective, Adequate, Ineffective, or Results Not Demonstrated" based on the responses and evidence prepared to address PART questions. The PART assessment was first used in 2002 in developing the federal



FY 2004 budget. During that year, only 1 of EPA’s 11 assessed programs was rated “Adequate.” The remaining ten programs received “Results Not Demonstrated” ratings. At the conclusion of the 2005 PART cycle, EPA advanced its PART standings so that 37 out of 43 assessed programs were rated “Adequate” or “Moderately Effective.” This improvement in PART ratings illustrates EPA’s commitment to designing and implementing programs that achieve environmental outcomes through more effective and efficient operations.

Section II.1 of this report lists PART assessments conducted for programs under each of the Agency’s five strategic goals and provides a separate table of future PART measures along with the year EPA expects to begin reporting data against them. Section II.2 identifies all performance measures associated with the PART and reports FY 2006 results for the measures where data are currently available. Ratings for the new

programs assessed during 2006 for the FY 2008 budget will be available with the release of the President’s Budget on February 5, 2007. EPA PART ratings, as well as the ratings for other assessed federal programs, are publicly accessible at: <http://www.Expectmore.gov>.

As a final step in the PART evaluation, EPA and OMB agree to a series of PART follow-up actions, also known as improvement plans, which are implemented in response to PART findings. PART Improvement Plans are intended to link budgeting and performance and to create a cycle of continuous program improvement to help programs reach their environmental goals more effectively. Follow up actions are characterized as: Performance, Management, Budgetary, or Legislative. In FY 2006, for example, a key performance follow-up action for the Superfund Federal Facilities program involved working with other federal agencies to support attainment of long-term environmental and

human health goals by reviewing and recommending remedies for cleanup. EPA’s New Chemicals Program provides an example of an important management follow-up action which involved developing an efficiency measure targeting reduced costs in the later stages of the Pre-Manufacture Notice (PMN) review process. The table below shows the number of improvement plans in each category as well as the focus of each.

As of FY 2006, EPA has developed 133 follow-up actions. Twenty-three follow-up actions have been completed, 105 are currently active, and 5 have had no action taken to date (for more information see: <http://www.Expectmore.gov>). Through the PART process and the associated PART Improvement Plans, EPA will continue to work collaboratively with OMB to ensure the effective protection of human health and the environment.

### EPA PART FOLLOW-UP ACTIONS

Type of Follow-Up Action	Quantity*	Focus
<b>Performance</b>	65	Focus on improving the Agency’s ability to measure, track, and assess programmatic performance and intended environmental outcomes.
<b>Management</b>	51	Designed to improve EPA’s program management practices and facilitate the delivery of environmental results.
<b>Budgetary</b>	14	Budgetary proposals designed to ensure that EPA’s resources are directed toward delivering strong environmental results.
<b>Legislative</b>	3	Designed to affect EPA programs’ legislative requirements so that the program purpose is clear and environmental outcomes can be achieved.

\*Quantity totals include all Follow-Up Actions: “completed”, “action taken, but not completed” and “no action taken.”

During FY 2006, EPA also conducted other types of program evaluations to determine how well a program is working. (Appendix A contains a list by strategic goal of program evaluations and reviews completed in FY 2006.) For example, for the Agency's Office of Solid Waste and Emergency Response and the National Academy of Sciences completed a case study on the Coeur d'Alene River Basin Superfund site in northern Idaho to examine EPA's scientific and technical practices in Superfund megasites. The evaluation found that EPA's practices for human health risk decision making at the Superfund site are generally sound; however, it raised substantial concerns, particularly regarding the effectiveness of the selected remedy. Among other recommendations, the evaluation suggested incorporating U.S. Geological Survey data into EPA's remedial planning and developing a better understanding

of dissolved metals to account for movements to and from groundwater and surface water. EPA's National Mining Team has formed a subgroup to carefully evaluate and draft action items for each recommendation.

EPA's OIG contributes to the Agency's mission to improve human health and environmental protection by assessing the effectiveness of EPA's program management and results, developing recommendations for improvement, and ensuring that Agency resources are used as intended. For example, in FY 2006, the OIG reviewed the development of emissions factors under the Agency's Clean Air Program—a critical component of state clean air plans. The OIG sought to determine whether the air emissions factors used by EPA are of acceptable quality for making environmental decisions, and whether EPA's decisions and process for improving and rating

emissions factors is sufficient to meet users' needs. The OIG report found that the percentage of emissions factors rated below average or poor increased from 56 percent in 1996 to 62 percent in 2004. In response to the report, EPA is implementing a three-pronged plan to revamp the emissions factor program that includes developing an electronic reporting tool to make it easier for state, local, and tribal agencies to accept, assess the quality, and transmit emissions test data (more information on this evaluation is available in Appendix A).

### IMPROVING ENVIRONMENTAL INDICATORS, PERFORMANCE MEASUREMENT, AND DATA QUALITY

**Environmental Indicators:** To define goals, measure progress, and hold managers accountable for achieving results, EPA needs accurate, timely environmental data.



In FY 2006, EPA continued work to develop and use a suite of scientifically sound indicators to track trends in environmental conditions and human health. This indicator work is based on EPA's *Draft Report on the Environment—2003*. In FY 2007, the Agency expects to release the *Report on the Environment—Technical Document*, which will provide a snapshot of current environmental conditions.

In FY 2006, EPA used the latest set of environmental indicator information in the development of the *2006-2011 Strategic Plan*. Indicator information was used to inform the Agency's 2006-2011 decisions about strategic goals, objectives, sub-objectives, and associated strategic targets, which define the measurable environmental results we are trying to achieve. Information on trends in environmental conditions and human health will also help EPA to identify key environmental concerns and emerging issues and assess the effect of federal, state, local, tribal, and private efforts in improving environmental quality. The Agency plans to continue to use environmental indicator information and the *Report on the Environment* to help inform future strategic planning. More information on the Agency's "Indicators Initiative" is available at: <http://www.epa.gov/indicators>.


#### **Performance Measurement:**

EPA realizes the importance of performance measurement in managing programs effectively, and is continuously working to improve the quality of our measures to make them more

### NEW PERFORMANCE MEASURES DEVELOPED TO SUPPORT EPA'S 2006-2011 STRATEGIC PLAN

These new measures will help EPA fill key data gaps in describing health and environmental trends over time and demonstrate the results of specific environmental programs:

- **Mercury Levels in Women:** The Agency will track blood mercury levels in women of childbearing age.
- **Waterborne Disease Outbreaks:** EPA will measure waterborne disease outbreaks from swimming in recreational waters with pathogens.
- **Tribal Water Quality:** EPA will measure the number of monitoring stations in tribal waters showing improved water quality in one or more of seven key ecological parameters.
- **Safe Chemicals:** EPA will track the percent of chemicals or organisms introduced into commerce that do not pose unreasonable risks to workers, consumers, or the environment.
- **Pesticide Concentrations:** EPA will measure the percent reduction in concentrations of pesticides detected in the human population.



meaningful and outcome-oriented. During FY 2006, a number of programs worked to revamp their measures to make them more useful as management tools. For example, in FY 2006, the vast majority of the nation's community water systems supplied drinking water that met all health-based standards, however, some very large systems serving a large number of people (e.g., New York City and San Antonio) reported short-term violations during the year. Because of these short-term violations, EPA did not meet two of its

FY 2006 drinking water performance goals. To address this issue and improve the accuracy of the Agency's performance reporting, EPA has developed a new measure that accounts for the time-limited nature of drinking water standard violations which is included in EPA's *2006-2011 Strategic Plan* (see chart below for examples of other measures developed for the new *Plan*).

In addition, to measure and communicate its enforcement and compliance assurance performance

results more effectively, EPA is examining ways to move toward a problem-based approach. Currently, the Agency tracks results associated with EPA's four tools for improving and maintaining compliance: compliance assistance, incentives, monitoring, and enforcement. While this approach clearly communicates the strategies EPA uses, linking the results of these tools directly to changes in environmental conditions and human health is

challenging. By altering the Agency's performance measures to focus on environmental compliance problems (for example, wet weather or air toxics noncompliance), it will be possible to more clearly link results to precise changes in environmental conditions.

The Agency made considerable progress in FY 2006 in aligning its current performance measures with new performance and efficiency measures developed through OMB's PART assessments. The FY 2007 Annual Performance Plan, developed in FY 2006, contained 119 PART performance measures out of a total set of 179. The Plan also included a detailed list of 144 additional PART metrics with targets still under development (54), as well as long-term targets which were included in the 2006-2011 *Strategic Plan* (90).

In FY 2006, EPA used information from PART metrics and follow-up actions, and improved the alignment of annual performance goals in developing its FY 2008 budget submission. EPA also incorporated 92 percent of its PART long-term metrics in the Agency's 2006-2011 *Strategic Plan*.

**Performance Data Quality:** In FY 2006, EPA worked to fill key data gaps and improve the completeness and reliability of its performance data. For example, EPA continued its efforts to transition from program outputs to more ambitious, outcome-oriented performance measures that enable the Agency to better assess cumulative impacts on the environment and human health. (See examples of

new outcome measures in table above.) Collecting environmental outcome results and assessing environmental improvement, however, often requires multiyear information. These circumstances largely explain the existence of data lags in EPA's current performance measures. EPA's use of outcome-oriented measures, however, has contributed to the Agency's dissemination of meaningful trend data that provides a more substantive context in which to view the Agency's overall progress and areas for improvement.

EPA managers have also continued to incorporate reliable performance data in their decision making while taking into account known limitations raised by the OIG in data standards, data quality, and data lags. (See Section III for more information on OIG concerns and what the Agency has done to address them.) Efforts underway at EPA to enhance data reliability include addressing programmatic differences in collecting place-based information and assessing the accuracy and usefulness of environmental reporting based on voluntary, third-party contributors. In preparing the Agency's 2006-2011 *Strategic Plan*, EPA programs also developed preliminary strategies to address critical data gaps. Often data gaps in EPA's reporting are the result of high costs associated with collecting statistically valid environmental monitoring and human health data. Collaborative efforts between EPA and other federal agencies to combine available resources will help to eliminate these gaps.

#### DATA IN FY 2006 PERFORMANCE AND ACCOUNTABILITY REPORT ARE COMPLETE AND RELIABLE

EPA determined that the performance information in this report is complete and reliable and no material inadequacies are present, as defined by OMB Circular A-11.

For more information on the data sources used in FY 2006 performance measures and the quality of the data see Appendix B.



## IMPROVING AND INTEGRATING FINANCIAL INFORMATION

Federal financial management approaches are changing rapidly. In its 2006 Federal Financial Management Report, the Chief Financial Officers Council envisioned “a Federal Government that, as a whole, increasingly achieves first class financial management practices.” EPA endorses this vision and is working with the federal financial management community to learn and share best practices, strengthen internal controls, participate in financial management reforms, support E-Government and E-Travel initiatives, address financial management workforce issues, and improve financial management accountability.

The Agency is committed to developing and providing useful financial information to influence program management decisions and maximize results. EPA's efforts are framed by federal E-Government and Line of Business initiatives that seek economies of scale and use today's technology to improve financial management and accountability, gain efficiencies, and meet today's information delivery and security standards.

### Financial System Replacement

EPA is acquiring a new comprehensive financial management system that will better integrate programmatic, performance, and financial information; streamline financial workflow and transform administrative services; and improve the Agency's ability to inform the public. Implementation of the new system is



scheduled for FY 2007 to 2009. Detailed plans for this project are available at: <http://www.epa.gov/ocfo/modernization/index.htm>.

### Financial Data Integration

During FY 2006, EPA continued its effort to make financial information readily accessible to inform decision making related to

administering and overseeing grants. Initiated in FY 2005, this effort required building a data interface between two operating systems and defining the requirements of an integrated reporting platform. It is planned for completion in FY 2007.

For its next initiative under the Data Integration effort, EPA in FY 2006 began to address emergency management. The key objective of this initiative is to explore ways to improve the Agency's management of financial and administrative information associated with natural disasters and other significant emergencies. EPA will continue to investigate opportunities for producing financial information to improve program efficiency.

### Financial Data Accessibility

EPA is also developing an accessible enterprise Administrative Data Warehouse to meet the changing business and data manipulation needs of the Agency's decision makers and analysts. The warehouse will provide a common source of authoritative data, reducing redundant management and data sources. Through this initiative, the Agency will continually update its administrative system architecture, thereby ensuring the most efficient and cost-effective information exchange. The new warehouse will be phased in by the

end of FY 2008 in conjunction with the new financial management system.

### Budget Formulation and Execution

EPA is engaged in the new Budget Formulation and Execution Line of Business (LoB) formally launched by OMB in 2006. This effort seeks to improve budget processes and related analytic capabilities government-wide. The Budget Formulation and Execution LoB is to focus on building a “budget of the future,” employing standards and technologies for electronic information exchange to link budget, execution, performance, and financial information throughout all phases of the annual budget formulation and execution cycle.

### Improving Financial Services and Operations

Building on the recent financial consolidation, EPA management will undertake a comprehensive review of the effectiveness of its financial services functions. The Agency will consider realigning its operations and adopting best practices from other agencies and will continue to further automate its operations to increase efficiency.

EPA will begin using an e-travel software, GovTrip, consistent with the President’s Management Agenda goal.

GovTrip offers a seamless system that automates end-to-end travel arrangements. It will also interface with EPA’s financial system to streamline the reimbursement of a traveler’s expenses. The software is



scheduled to replace EPA’s legacy system in FY 2007.

### CONSIDERING FUTURE TRENDS AND LOOKING AHEAD

Rapidly developing technologies and other emerging social and economic changes can have potentially significant implications for the Agency’s programs. Several years ago, the Agency began conducting “futures analysis” to help its senior leaders anticipate future environmental challenges and plan strategically to avoid problems. To bring these issues to the forefront, EPA convened a series of workshops in FY 2006, as an integral part of developing the *2006-2011 Strategic Plan*. The workshops were structured around the Agency’s strategic goals, and provided an

opportunity for senior program officials, key staff, and selected external experts to identify and discuss the implications of some of these issues.

The results of these workshops were used to develop a new section under each of the five strategic goals in the Agency’s *2006-2011 Strategic Plan* that addresses the potential new challenges and opportunities the Agency could face over the coming years. Some of the emerging technologies present new opportunities for the Agency to address environmental problems,

and some also present novel risks. Anticipating these risks and developing the tools to identify and address them will become increasingly important as these technologies enter the marketplace. EPA’s *2006-2011 Strategic Plan* describes potential challenges facing the Agency as illustrated below:

- **Stratospheric Ozone:** Recent scientific studies indicate that the stratospheric ozone layer is likely to take longer to heal than previously anticipated. Therefore, the Agency expects more people to be exposed to excess UV radiation over a longer period. Timely, comprehensive actions by all nations are critical to restoring the ozone layer and protecting people

from skin cancer, cataracts, and other illnesses.

- **Climate Change and Sea Level Rise:** Understanding of the effects of climate change and projected increases in sea levels on the health and productivity of coastal waters and habitats, fisheries, and wetlands is necessary to inform sound environmental management and protection of these resources.
- **Renewable Energy:** Renewable energy and fuel sources such as biofuels could have many implications for EPA. The Agency will need to examine how producing new renewable and non-renewable forms of energy and the infrastructure for distributing and storing them might affect the environment.

EPA's progress over the next several years will depend greatly on

our ability and commitment to find more effective tools and approaches to meet today's complex environmental challenges. Broad-based problems, such as polluted runoff, global climate change, and loss of habitat and biodiversity, are often the result of diffuse causes and cannot be solved fully with conventional regulatory controls. Rapid technological and scientific advances can bring breakthrough solutions, but also pose unknown or unexpected environmental and public health risks.

As EPA faces these complex challenges and a tightening federal budget, we increasingly turn to two important strategies that cross all of our goals and programs: finding innovative solutions and collaborating with others. In the coming years, we must work even more effectively with organizations engaged in environmental issues, leveraging limited resources and coordinating our

authorities and capabilities. We also must involve other government agencies, businesses, communities, and individuals who might not ordinarily focus on environmental matters, yet have the distinctive expertise, perspectives, and resources to help solve environmental problems.

To make the greatest progress, we will promote an ethic of environmental stewardship that engages all parts of society—businesses, companies, communities, and individuals—in taking responsibility for environmental quality and achieving sustainable results. Environmental stewardship is based on the premise that government cannot meet environmental challenges alone. Rather we need all parts of society to understand how environmental protection aligns with broader social and economic interests and to engage with us in actively creating a sustainable future.



## NOTES

1. The Federal Managers' Financial Integrity Act, the Inspector General Act Amendments, the Government Management Reform Act, the Chief Financial Officers Act, and the Reports Consolidation Act.
2. The Regulatory Impact Analysis and supporting documents: <http://www.epa.gov/particles/actions.html>.
3. *The Inventory of U.S. Greenhouse Gas Emissions and Sinks: 1994-2004*, U.S. EPA 430-R-06-002, April 2006.
4. Data source: <http://bea.gov/bea/dn/gdpchg.xls>.
5. *Wadeable Streams Assessment: A Collaborative Survey of the Nation's Streams*, draft report, EPA 841-B-06-002, April 2006.
6. Data Source: Integrated Compliance Information System (ICIS), available at: <http://www.epa.gov/compliance/data/systems/modernization/index.html>.
7. US EPA. "Minnkota Power Cooperative and Square Butte Electric Cooperative." <http://www.epa.gov/compliance/resources/cases/civil/caa/minnkota.html>.
8. Federal Electronics Challenge: <http://www.federalectronicchallenge.net/report.htm>; Environmental Products Environmental Assessment Tool: <http://www.epeat.net/docs/Agreement.pdf>.
9. Green Suppliers Network (GSN): <http://www.greensuppliers.gov>.
10. Presidential Green Chemistry Challenge Program Awards: <http://www.epa.gov/opptintr/greenchemistry/>.
11. Green Chemistry (GC): <http://www.epa.gov/opptintr/greenchemistry/>.
12. Design for the Environment (DfE): <http://www.epa.gov/opptintr/dfe/>; Green Engineering (GE): <http://www.epa.gov/opptintr/greenengineering/>.
13. For specific information about these financial indicators, see: <http://www.fido.gov/mts/cfo/public>.
14. The Office of Management and Budget (OMB) regularly releases an executive scorecard which rates each federal agency's overall status and progress in implementing the PMA initiatives. The scorecard ratings use a color-coded system based on criteria determined by OMB.
15. US EPA, American Indian Environmental Office. "Target 1 Program Performance Report." Goal 5, Objective 5.3 Reporting System.
16. *New York Times*, December 7, 2005, Scientists Say Recovery of the Ozone Layer may take Longer Than Expected, Kenneth Chang. Available online at: <http://www.nytimes.com/2005/12/07/science/07ozone.html?ex=1291611600&en=6e8ca9c8549a6f6b&ei=5090&partner=rssuserland&emc=rss>. Date of Access: April 26, 2006.



# Section II.1

# Performance Results



## CONTENTS

Introduction .....	40
Goal 1—Clean Air and Global Climate Change .....	42
Goal 2—Clean and Safe Water .....	63
Goal 3—Land Preservation and Restoration .....	75
Goal 4—Healthy Communities and Ecosystems .....	89
Goal 5—Compliance and Environmental Stewardship .....	115
Section II.2—Annual Performance Goals and Measures: Detailed Results, FY 2003–FY 2006 .....	133

# Introduction

## EPA'S PERFORMANCE FRAMEWORK

EPA is committed to using the taxpayer funds it receives from Congress to produce meaningful environmental results. The Agency has established five long-term strategic goals that describe the results it is striving to achieve: (1) Clean Air and Global Climate Change, (2) Clean and Safe Water, (3) Land Preservation and Restoration, (4) Healthy Communities and Ecosystems, and (5) Compliance and Environmental Stewardship.

These five goals are supported by a planning and budgeting framework, or strategic “architecture,” which serves as the structure for EPA’s annual planning, budgeting, and accountability work. By integrating these activities under one framework, the Agency has been better able to assess its performance, evaluate its programs, and use that information to make budget and program improvement decisions. EPA’s strategic planning and budgeting architecture comprises strategic goals, objectives, annual performance goals, and annual performance measures.

## EPA’s Performance Framework

*FY 2006 Costs and Obligations Are Presented for Each Strategic Goal (In Thousands of Dollars)\**

Strategic Goals				
<b>Clean Air &amp; Global Climate Change</b> Cost: \$917,821 Obligation: \$997,006	<b>Clean &amp; Safe Water</b> Cost: \$3,843,391 Obligation: \$3,338,109	<b>Land Preservation &amp; Restoration</b> Cost: \$1,581,114 Obligation: \$3,697,845	<b>Healthy Communities &amp; Ecosystems</b> Cost: \$1,232,936 Obligation: \$1,373,993	<b>Compliance &amp; Environmental Stewardship</b> Cost: \$770,478 Obligation: \$800,006
Strategic Objectives				
<b>Outdoor Air</b> (8 APGs) Cost: 62.6% Obligation: 64.0%	<b>Human Health</b> (12 APGs) Cost: 34.7% Obligation: 36.8%	<b>Preserve Land</b> (2 APGs) Cost: 14.0% Obligation: 6.4%	<b>Chemical, Organism &amp; Pesticide Risks</b> (8 APGs) Cost: 31.6% Obligation: 34.2%	<b>Improved Compliance</b> (3 APGs) Cost: 63.5% Obligation: 64.2%
<b>Indoor Air</b> (3 APGs) Cost: 5.1% Obligation: 4.8%	<b>Water Quality</b> (6 APGs) Cost: 62.0% Obligation: 59.0%	<b>Restore Land</b> (4 APGs) Cost: 82.3% Obligation: 91.1%	<b>Communities</b> (3 APGs) Cost: 21.0% Obligation: 20.1%	<b>Improved Environmental Performance through P2 and Innovation</b> (3 APGs) Cost: 16.1% Obligation: 16.3%
<b>The Ozone Layer</b> (1 APG) Cost: 2.4% Obligation: 1.8%	<b>Science &amp; Research</b> (2 APGs) Cost: 3.3% Obligation: 4.2%	<b>Science &amp; Research</b> (1 APG) Cost: 3.7% Obligation: 2.5%	<b>Ecosystems</b> (5 APGs) Cost: 14.1% Obligation: 14.6%	<b>Tribal Capacity to Implement Environmental Programs</b> (1 APG) Cost: 10.5% Obligation: 10.0%
<b>Radiation</b> (3 APGs) Cost: 3.8% Obligation: 4.2%			<b>Science &amp; Research</b> (4 APGs) Cost: 33.3% Obligation: 31.1%	<b>Science &amp; Research</b> (1 APG) Cost: 9.9% Obligation: 9.5%
<b>Greenhouse Gas Intensity</b> (2 APGs) Cost: 12.2% Obligation: 11.1%				
<b>Science &amp; Research</b> (3 APGs) Cost: 13.9% Obligation: 14.1%				

Note: See Performance Results for each Goal and Strategic Objective for presentation of dollars associated with FY 2006 costs and obligations.  
 \* Reconciles with SF-133, Lines 8a and 8b—Obligations.

## ABOUT THE PERFORMANCE SECTION

The Performance Section of this report provides performance information for each of EPA's five strategic goals. Each goal chapter opens by reviewing the purpose of the goal and the public benefits it provides. The rest of the chapter is organized by the objectives supporting the goal. For each objective, we list the Agency's APGs, noting which have been met, missed, or are awaiting data. We describe our FY 2006 performance results against these APGs, and we discuss future challenges the Agency may face in achieving its objectives. This general information is intended to provide an overview of EPA's FY 2006 performance and progress toward its longer-term goals and objectives. More complete and detailed information for each APG is presented in Section II.2 – Annual Performance Goals and Measures: Detailed Results FY 2003 through FY 2006.

This year EPA is providing more detailed resource information in its PAR. In the past, the Agency has displayed obligation and cost data for each of its strategic objectives. Now, EPA is including obligation and cost data at the “program/project” level within each objective to provide a finer level of detail and better linkage with the Agency's budget. The “program/project” is the Agency's fundamental unit for budget execution and cost accounting and serves as the foundation for EPA's budget.

The Performance Section also lists Program Assessment Rating Tool (PART) assessments conducted under each of the strategic goals. Future PART measures are listed in a separate table for each strategic goal, along with the year EPA expects to begin reporting data against them. Ratings for programs assessed during 2006 for the FY 2008 budget will be available in February 2007.

EPA is working to integrate GPRA and PART measures to meet standards for performance measurement established by EPA and OMB. This integration is another step in EPA's ongoing efforts to establish a set of measures that clearly defines environmental outcomes and achieve EPA's Budget and Performance Integration goals. Additional information on PART assessments and EPA's progress in making program improvements is available at [ExpectMore.gov](http://ExpectMore.gov).

## Chapter Organization



- **STRATEGIC GOAL:** Identifies the overall environmental result that EPA is working to achieve in carrying out its mission to protect human health and the environment.
- **OBJECTIVE:** Supports EPA's strategic goals by identifying more specific environmental outcomes or results the Agency intends to achieve within a given time frame, using available resources. EPA's 2003-2008 Strategic Plan includes 20 objectives.
- **ANNUAL PERFORMANCE GOAL (APG):** Specific results EPA intends to achieve in a given fiscal year. APGs represent the year-by-year accomplishments that EPA believes are needed to achieve its objectives. APGs generally include a target to be achieved (relative to a baseline) and performance measure. Some of EPA's APGs, however, are specific environmental outcomes or results that may take longer than a year to realize and quantify. As a result, data for a number of EPA's FY 2006 APGs will not be available until FY 2007 or beyond.
- **PERFORMANCE MEASURE (PM):** The metric that EPA uses to evaluate its success in meeting an annual performance goal. In many cases, the APG is itself the performance measure.

## Strategic Goal 1:

# Clean Air *and* Global Climate Change

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

## Goal Purpose

Air pollution is a problem for all of us. The average adult breathes more than 3,000 gallons of air every day, and children breathe even more air per pound of body weight. Air pollutants, such as those that form urban smog may remain in the environment for long periods of time and can be carried by the wind hundreds of miles from their origin. Millions of people live in areas where urban smog, very small particles, and toxic pollutants pose serious health concerns. People exposed to certain air pollutants may experience burning in their eyes, an irritated throat, or breathing difficulties. Long-term exposure to certain air pollutants may cause cancer and may damage the immune, neurological, reproductive, and respiratory systems.

Under this goal, EPA implements the Clean Air Act Amendments of 1990 and other environmental laws, and uses innovative approaches, such as emissions trading, to reduce and prevent the harmful emissions from power plants and other large sources,

motor vehicles, and fuels that contribute to outdoor air pollution. The Clean Air Act Amendments

### Contributing Programs

- Acid Rain Program
- AirNow
- Air Toxics
- Air Toxics Research
- National Ambient Air Quality Standards Development and Implementation
- Mobile Sources
- National Ambient Air Quality Standards (NAAQS) Research
- NO<sub>x</sub> Budget Program
- New Source Review
- Regional Haze
- Indoor Air Quality
- Stratospheric Ozone Layer Protection Program
- Sunwise Schools Program
- Radiation Programs
- Voluntary climate programs

authorize EPA to set limits on how much of a pollutant can be in the air anywhere in the United States,

ensuring that all Americans have the same basic health and environmental protections. While the law allows individual states to establish stronger pollution controls, no state is allowed to have weaker pollution controls than those set for the country as a whole. It makes sense for states to take the lead in carrying out the Clean Air Act, because pollution control problems often require a particular understanding of factors such as local industries, geography, and housing patterns. The U.S. government, through EPA, assists states by providing scientific research, expert studies, engineering designs and money to support state clean air programs.

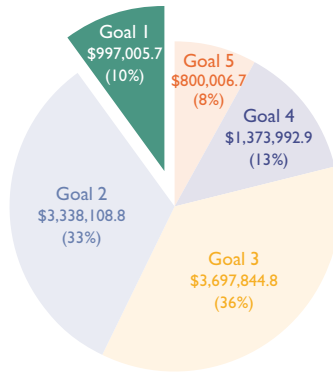
Since most people spend a majority of their lives indoors, the quality of indoor air is another major area of concern for EPA. Sources of indoor air pollution include oil, gas, kerosene, coal, wood, and tobacco products and building materials and furnishings, such as asbestos-containing insulation, damp carpets, household cleaning

## Goal 1 At a Glance

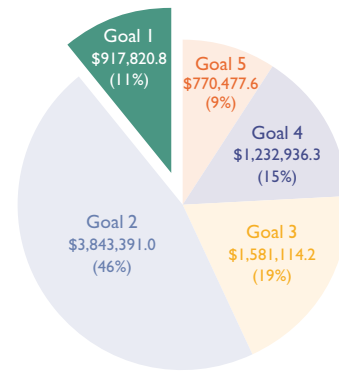
### FY 2006 ANNUAL PERFORMANCE GOALS (APGs)

Met = 4 Not Met = 2  
Data Available After  
November 15, 2005 = 14  
(Total APGs = 20)



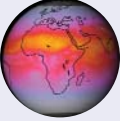



EPA FY 2006 Obligations  
(in thousands)



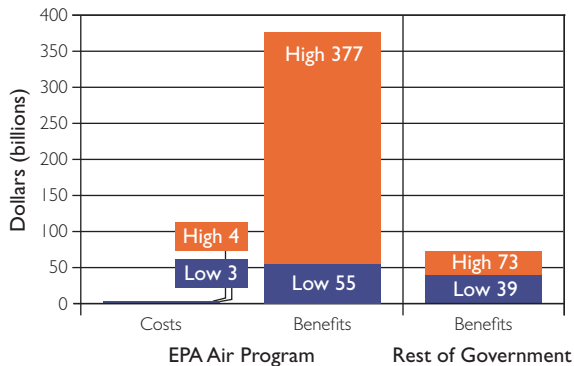
EPA FY 2006 Costs  
(in thousands)



### FY 2006 PERFORMANCE AND RESOURCES

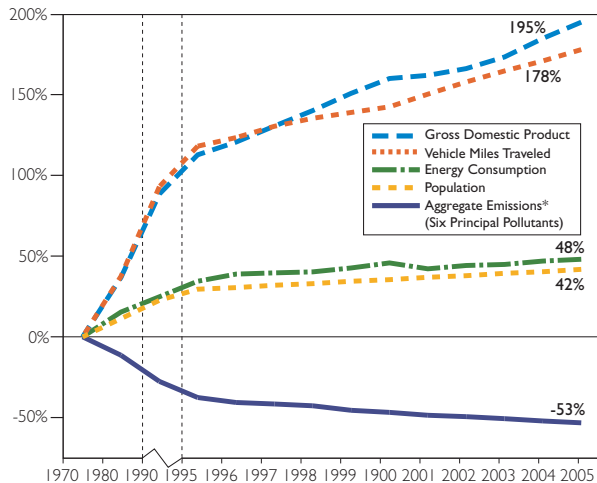
STRATEGIC OBJECTIVE	APG STATUS	OBLIGATIONS	COSTS
 <p><b>OBJECTIVE 1-HEALTHIER OUTDOOR AIR</b> Through 2010, working with partners, protect human health and the environment by attaining and maintaining health-based air-quality standards and reducing the risk from toxic air pollutants.</p>	<p>7 Data Available After 11/15/06 1 Goal Met</p>	\$638,212.5	\$574,488.0
 <p><b>OBJECTIVE 2-HEALTHIER INDOOR AIR</b> By 2008, 22.6 million more Americans than in 1994 will be experiencing healthier indoor air in homes, schools, and office buildings.</p>	<p>2 Data Available After 11/15/06 1 Goal Met</p>	\$47,951.6	\$46,862.3
 <p><b>OBJECTIVE 3-PROTECT THE OZONE LAYER</b> By 2010, through worldwide action, ozone concentrations in the stratosphere will have stopped declining and slowly begun the process of recovery, and the risk to human health from overexposure to ultraviolet (UV) radiation, particularly among susceptible subpopulations, such as children, will be reduced.</p>	<p>1 Data Available After 11/15/06</p>	\$18,035.8	\$22,107.7
 <p><b>OBJECTIVE 4-RADIATION</b> Through 2008, working with partners, minimize unnecessary releases of radiation and be prepared to minimize impacts to human health and the environment should unwanted releases occur.</p>	<p>1 Data Available After 11/15/06 1 Goal Met 1 Goal Not Met</p>	\$42,083.1	\$35,278.2
 <p><b>OBJECTIVE 5-REDUCE GREENHOUSE GAS INTENSITY</b> Through EPA's voluntary climate protection programs, contribute 45 million metric tons of carbon equivalent (MMTCE) annually to the President's 18 percent greenhouse gas intensity improvement goal by 2012. (An additional 75 MMTCE to result from the sustained growth in the climate programs are reflected in the Administration's business-as-usual projection for greenhouse gas intensity improvement.)</p>	<p>2 Data Available After 11/15/06</p>	\$110,492.7	\$111,873.1
 <p><b>OBJECTIVE 6-ENHANCE SCIENCE AND RESEARCH</b> Through 2010, provide and apply sound science to support EPA's goal of clean air by conducting leading-edge research and developing a better understanding and characterization of environmental outcomes under Goal 1.</p>	<p>1 Data Available After 11/15/06 1 Goal Met 1 Goal Not Met</p>	\$140,230.0	\$127,211.5
<b>GOAL 1 TOTAL</b>	<b>20 APGs</b>	<b>\$997,005.7</b>	<b>\$917,820.8</b>

Annual Costs and Benefits of Air Program Compared with Benefits of All Other U.S. Government Regulations Combined  
(from Draft 2006 Report to Congress on the Cost and Benefits of Federal Regulations (OMB))



Note: Figures are averages for the 10-year period Oct 93 through Sept 03. "High" and "Low" indicate the range of uncertainty in the estimates.

Comparison of Growth Areas and Emissions



products, and lead-based paints. Often, the people who may be exposed to indoor air pollutants for the longest periods of time are also those most susceptible to the effects of indoor air pollution: the young, the elderly, and the chronically ill, especially those suffering from respiratory or cardiovascular disease. EPA provides hotlines, publications, outreach and other initiatives to improve the quality of air in our homes, schools, and offices.

Finally, under Goal 1, EPA works to address climate change. Since the beginning of the industrial revolution, concentrations of

several greenhouse gases (including carbon dioxide, methane, and nitrous oxide) have increased substantially. Important questions remain about how much warming will occur, how fast it will occur and how the warming will affect the rest of the climate system. It is for these reasons that the President's climate change program is focused on furthering understanding of the science of climate change and developing new technologies to reduce emissions. EPA's voluntary and incentive-based programs to reduce emissions of greenhouse gases,

such as ENERGY STAR, Climate Leaders, and the Landfill Methane Outreach program, are a critical part of President Bush's aggressive plan to reduce greenhouse gas emissions. Under the stratospheric ozone layer protection program, EPA coordinates numerous regulatory programs designed to help the ozone layer, and continues to be active in developing international ozone protection policies.

EPA has made tremendous progress toward achieving clean, healthy air that is safe to breathe. In the chapter that follows, the Agency reports on accomplishments and challenges in

addressing national air quality issues, collaborating with partners and stakeholders to solve more localized problems, and working domestically and internationally to protect the Earth's ozone layer and restore the atmosphere.

### In the Years Ahead. . .

EPA's annual performance goals are stepping stones to longer-range results. These results are specified in a series of "Strategic Targets" that lay out the work the Agency intends to accomplish over the next several years to achieve objectives under Goal 1. Meeting these annual performance goals moves us closer to such Strategic Targets as:

By 2007, through maximum achievable control technology (MACT) standards, reduce air toxics emissions from major stationary sources by 1.7 million tons from the 1993 level of 2.7 million tons.

By 2008, approximately 12.8 million additional people will be living in homes with healthier indoor air. These include people living in homes with radon-resistant features, children not being exposed to environmental tobacco smoke, and asthmatics with reduced exposure to indoor asthma triggers.

Through EPA's industrial sector programs, prevent 80 MMTCE in 2012, in addition to the 43 MMTCE prevented annually in 2002.

For a complete list of strategic targets, see EPA's new *2006-2011 Strategic Plan*, available at <http://www.epa.gov/ocfo/plan/htm>.



# Strategic Objective I— Healthier Outdoor Air

*Through 2010, working with partners, protect human health and the environment by attaining and maintaining health-based air-quality standards and reducing the risk from toxic air pollutants.*

## OUTDOOR AIR

In February 2006 EPA released an important tool to guide further local, state and federal steps to cut toxic air pollution and build upon the significant emissions reductions achieved since 1990. The second National-Scale Air Toxics Assessment (NATA) is a state-of-the-science screening tool that estimates cancer and other health risks from exposure to air toxics. The results of the assessment will help EPA and state and local air quality regulators identify pollutants and sources of greatest concern and set priorities for addressing them. NATA also will help identify areas where EPA needs to collect additional information to improve the understanding of risks from air toxics exposure. EPA develops NATA in cooperation with state and local environmental agencies, which provide key information about air toxics emissions (<http://www.epa.gov/ttn/atw/natamain/>).

NATA estimates that in most of the United States between 1 and 25 out of 1 million people have an increased likelihood of developing cancer as a result of breathing air toxics from outdoor sources, if they were exposed to 1999 levels over the course of

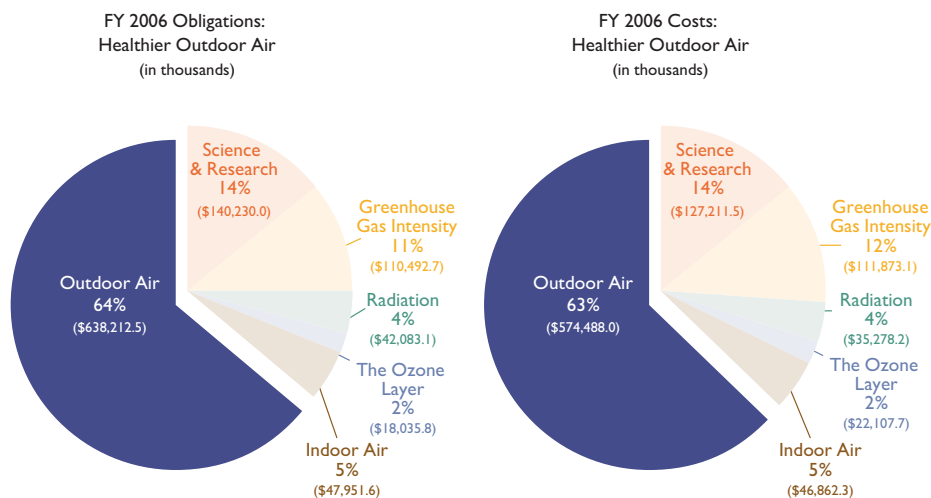
STRATEGIC OBJECTIVE I—HEALTHIER OUTDOOR AIR		
APG #	APG Title	APG Status
1.1	Reduce Exposure to Unhealthy PM Levels—PM <sub>10</sub>	FY 2006 Data Available in 2007
		✓ Goal Met for FY 2005
1.2	Reduce Exposure to Unhealthy CO, SO <sub>2</sub> , NO <sub>2</sub> , Lead	FY 2006 Data Available in 2007
		✓ Goal Met for FY 2005
1.3	Reduce Exposure to Unhealthy Ozone Levels—8 Hour	FY 2006 Data Available in 2007
		✓ Goal Met for FY 2005
1.4	Reduce Exposure to Unhealthy PM Levels—PM <sub>2.5</sub>	FY 2006 Data Available in 2007
		✓ Goal Met for FY 2005
1.5	Reduce SO <sub>2</sub> Emissions	FY 2006 Data Available in 2007
		✓ Goal Met for FY 2005
1.6	Reduce Air Toxic Emissions—Stationary and Mobile Sources	FY 2006 Data Available in 2018
		FY 2005 Data Available in 2015
		✓ Goal Met for FY 2004
		✓ Goal Met for FY 2003
		✗ Goal Not Met for FY 2002
1.7	Reduce Air Toxic Emissions—Leaded Gasoline Phase-out in Africa	✓ Goal Met for FY 2006
1.8	Air Toxicity-Weighted	FY 2006 Data Available in 2007

Detailed information on these APGs is provided in Section II.2—Annual Performance Goals and Measures: Detailed Results FY 2003–FY 2006, pages 134–139. Additionally, the data that EPA has used to measure its performance are described in the “Supplemental Information” to this report, provided on the Internet. See pages B-4–B-20 at <http://www.epa.gov/ocfo/finstatement/2006PAR>.

their lifetimes (70 years). The assessment estimates that most urban locations pose an air toxics lifetime cancer risk greater than 25 out of 1 million people, and that risk in transportation corridors and some other locations is greater

than 50 out of 1 million people. In comparison, when all causes (including exposure to air toxics) are taken into account, one out of every three Americans (330,000 out of 1 million) will develop cancer during his or her lifetime.

GOAL 1: OBJECTIVE 1—HEALTHIER OUTDOOR AIR—FY 2006 RESOURCES



FY 2006 RESOURCES FOR PROGRAM PROJECTS SUPPORTING THIS OBJECTIVE\*

Program/Projects are EPA's fundamental unit for budget execution and cost accounting, and they serve as the foundation for the Agency's budget. Frequently, program/projects support multiple APGs and objectives. This table lists the program/projects and associated resources that support this objective.

PROGRAM PROJECT	FY 2006 OBLIGATIONS	FY 2006 COSTS
Categorical Grant: State and Local Air Quality Management	\$236,021.6	\$211,752.9
Categorical Grant: Tribal Air Quality Management	\$11,638.1	\$11,172.3
Clean Air Allowance Trading Programs	\$21,837.4	\$20,513.6
Congressionally Mandated Projects	\$9,516.2	\$12,035.4
Federal Stationary Source Regulations	\$23,553.1	\$23,112.0
Federal Support for Air Quality Management	\$102,861.6	\$103,793.9
Federal Support for Air Toxics Program	\$26,192.2	\$26,451.1
Federal Vehicle and Fuels Standards and Certification	\$63,366.2	\$56,112.2
Homeland Security: Communication and Information	\$604.2	\$558.8
Homeland Security: Critical Infrastructure Protection	\$6,779.9	\$787.4
Homeland Security: Protection of EPA Personnel and Infrastructure	\$3,093.8	\$3,773.1
International Capacity Building	\$2,364.1	\$2,207.2
Radiation: Protection	\$0.0	\$40.0
Administrative Law	\$432.0	\$428.2
Alternative Dispute Resolution	\$121.9	\$145.3
Central Planning, Budgeting, and Finance	\$6,974.8	\$6,481.3
Children and other Sensitive Populations	(\$0.6)	\$3.8
Civil Rights / Title VI Compliance	\$976.9	\$1,051.2
Congressional, Intergovernmental, External Relations	\$4,138.5	\$4,460.4
Exchange Network	\$3,194.1	\$1,488.7
Facilities Infrastructure and Operations	\$46,681.6	\$46,354.9
Acquisition Management	\$2,941.2	\$2,931.5
Human Resources Management	\$5,506.0	\$5,365.7
Information Security	\$576.5	\$541.0
IT / Data Management	\$34,694.5	\$14,535.3
Legal Advice: Environmental Program	\$4,331.2	\$4,505.7
Legal Advice: Support Program	\$1,664.4	\$1,772.0
Audits, Evaluations, and Investigations	\$3,924.2	\$4,206.9
Regional Science and Technology	\$313.4	\$352.6
Science Advisory Board	\$449.4	\$477.8
Small Minority Business Assistance	\$189.3	\$231.1
Financial Assistance Grants / IAG Management	\$2,153.8	\$2,145.0
Clean School Bus Initiative	\$9,478.6	\$3,223.0
Regulatory/Economic-Management and Analysis	\$1,642.3	\$1,476.5
<b>TOTAL</b>	<b>\$638,212.4</b>	<b>\$574,487.8</b>

\*Resources associated with Program Projects may not match the Goal and Objective obligations and costs exactly due to rounding.



The United States has made significant progress in reducing air toxics from industry, fuels and vehicles, and indoor sources. Since the Clean Air Act was amended in 1990, EPA has issued 96 standards for 174 different types of industrial sources of air toxics, including chemical plants, oil refineries, aerospace equipment manufacturers, and steel mills. The Agency also has issued regulations for 15 categories of smaller sources, such as dry cleaners, commercial sterilizers, secondary lead smelters, and chromium electroplating facilities. When fully implemented, these standards together are projected to reduce annual emissions of air toxics by about 1.7 million tons from 1990 levels. These reductions are not fully reflected in this assessment, however, because a number of these regulations took effect after 1999.

Vehicles and fuels also emit air toxics. By 2020, EPA's fuels and vehicles programs will reduce air toxic emissions by another 2.4 million tons, compared to 1990 levels.

**EXPLANATION OF MISSED GOALS (SEE SECTION II.2 FOR PERFORMANCE RESULTS AND TREND INFORMATION):**

**APG 1.6:** The Air Toxics program met its overall target to reduce air toxics in FY 2003 and FY 2004 but did not achieve the expected level of progress on all associated annual performance measures. The reduction in air toxics is attributed to three areas: mobile sources; major stationary sources, and area and all other air toxics emissions. The first two categories saw air toxics reductions

greater than those projected for FY 2003 and 2004. However, reductions for area and all other air toxics emissions were less than those projected for both years. The reductions in all cases are attributable to rules promulgated by EPA and implemented by states and sources. The Air Toxics program will work with the states and sources to ensure that the toxics reductions meet future projections from the area and all other air toxics emissions sources. Overall, the program remains on track to meet its long-term goal. The Agency will be adjusting the structure and presentation of annual performance goals and measures in future documents.

In FY 2002, EPA 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. The FY 2002 results were calculated based on an updated baseline which provides better emissions inventory data (7.2 million tons versus the 6.0 Million ton baseline used to establish the target).

In 2006, due to continued efforts under the Global campaign for phase out of leaded gasoline, the Agency met the goal of 20 sub-Saharan African countries earlier than anticipated. Due to the early success of the targeted countries, the Agency was able to work and partner with other governments to broaden efforts toward attaining the Global goal, reaching 16 additional sub-Saharan African countries. In addition, Croatia, Indonesia, Turkey, and Syria eliminated lead from gasoline in 2006, affecting



approximately 395 million people. By 2011 EPA plans to achieve leaded gasoline phase outs in 35 more countries worldwide.

In 2006, EPA proposed a rule to establish a national Renewable Fuel Standards Program (RFS Program), which would become effective in 2007. Developed in collaboration with the Departments of Energy (DOE) and Agriculture (USDA) and other stakeholders, the program is designed to encourage blending of renewable fuels into the nation's motor vehicle fuel supply. Specifically, the rule proposes standards for renewable fuel, responsibilities for refiners and other fuel producers, a credit trading system, compliance mechanisms, and recordkeeping and reporting requirements. The proposal also contains preliminary analyses of the economic and environmental impacts of the expanded use of renewable fuels. The RFS Program is expected to increase the volume of renewable fuel required to be blended into gasoline, beginning in 2006 with 4.0 billion gallons and nearly doubling to 7.5 billion gallons by 2012.

## 15th Anniversary of the 1990 Clean Air Act Amendments: Significant Public Health Benefits Achieved

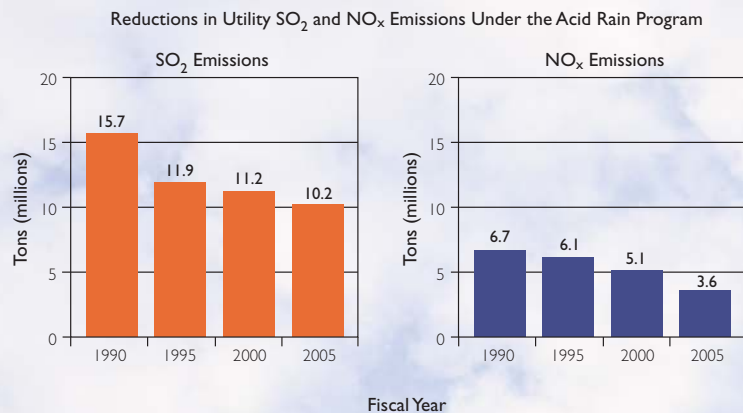
In November 2005, EPA celebrated the 15th anniversary of the signing of the 1990 Clean Air Act Amendments, a landmark piece of legislation that has led to significant environmental and public health benefits across the United States. The Amendments are designed to foster the growth of industry and a strong American economy while improving human health and the environment. To date, the benefits to public health that have resulted from this legislation outweigh costs by four to one.

One highlight of the 1990 Amendments was the creation of the Acid Rain Program. According to the Office of Management and Budget, the Acid Rain Program has accounted for the largest quantified human health benefits of any federal regulatory program implemented in the last 10 years, with annual benefits exceeding costs by more than 40 to 1.

The Acid Rain Program's cap-and-trade market approach, the basis for President Bush's proposed Clear Skies legislation, has reduced sulfur dioxide emissions by 5 million tons and nitrogen oxides by 3 million tons from 1990 levels. In addition to providing substantial health benefits, these reductions have led to a decline in acid deposition and fewer acidic lakes.

The Amendments have also generated significant progress improving the quality of the air in most U.S. cities and communities. Over the last 30 years, total emissions of the six principal air pollutants have decreased by more than 50 percent, while the Gross Domestic Product has increased by more than 185 percent.

Under the 1990 Clean Act Amendments:



- From 1990 to 2006 over 67 million more people are breathing healthier air due to a 73 percent reduction in the number of areas that violate the National Ambient Air Quality Standards for carbon monoxide, sulfur dioxide and PM<sub>10</sub>.
- Stricter emissions standards on mobile sources (such as cars and light and heavy trucks) have significantly reduced hydrocarbons, carbon monoxide, nitrogen oxides, and particulate matter.
- Of the 126 areas designated nonattainment for 8-hour ozone in 2003, 10 were redesignated to attainment in 2006, resulting in 1.72 million more people living in areas meeting the ozone NAAQS.
- When programs are fully implemented, the regulation of 188 toxic air pollutants will have reduced toxic air emissions by 1.7 million tons annually since 1990.

In FY 2006, EPA continued to address the challenges of implementing the 1990 Clean Air Act air toxics program, striving to meet court-ordered schedule deadlines while developing data and improving capacity to take risk-based actions. EPA has a large number of rules pertaining to hazardous air pollutants scheduled for completion under different provisions of the Clean Air Act: mobile source emission standards, stationary source emission standards, and risk-based standards. In March 2006, EPA proposed a rule that would reduce air toxics from mobile sources. Once promulgated and fully implemented, this rule is expected to result in the reduction of 350,000 tons of air toxics by 2030.

### ADDITIONAL INFORMATION RELATED TO OBJECTIVE 1

#### PROGRAM EVALUATIONS:

**Particulate Matter: EPA Has Started to Address the National Academies' Recommendations on Estimating Health Benefits, but More Progress is Needed;** **Clean Air Act: EPA Should Improve the Management of Its Air Toxics Program.** Additional information on these reports is available in the Program Evaluation Section, Appendix A, page A-2 and page A-3.

**Monitoring Needed to Assess Impact of EPA's Clean Air Mercury Rule on Potential Hotspots; EPA Can Improve Emissions Factors Development and Management.** Additional information on these reports is available in the Program Evaluation Section, Appendix A, page A-4.

**GRANTS:** EPA has a plan to significantly reduce pollution from new diesel engines. It is a two-step approach that first set new emission standards for diesel engines that took effect in 2004. In the second step, EPA will establish even more stringent emission standards for these engines beginning in 2007 in combination with ultra-low sulfur diesel fuel. However, because new vehicles and engines are purchased gradually over time to replace older units EPA has developed the

Voluntary Diesel Retrofit Program to help make a difference in the immediate future. The program will address pollution from diesel construction equipment and heavy-duty vehicles that are currently on the road today. Building on the successes of EPA's regulatory and voluntary efforts to reduce emissions from diesel engines, EPA has created the National Clean Diesel Campaign. Through this campaign, EPA awards grants to communities to retrofit engines and take other measures (fuel switching, idling reduction strategies) to reduce diesel pollution.

The following grants are examples of ones awarded in the past year to reduce diesel pollution. These were awarded in 2006; as the grants are implemented, areas will see less pollution. Areas will include these reductions in their clean air plans for ozone and particulate matter.

- As part of the Blue Skyways Collaborative, EPA Regions 6 and 7 in June announced the award of approximately \$1.14 million in grants to assist school districts in reducing pollution from diesel-powered school buses through EPA-verified, EPA-certified, or California Air Resources Board-verified pollution reduction technology.
- As part of the Northeast Diesel Collaborative, EPA Regions 1 and 2, in May announced the award of \$1.5 million in grants for projects to reduce diesel emissions.
- EPA's Midwest Clean Diesel Initiative in April, announced approximately \$1 million in grants for projects that focus on reducing diesel emissions from the existing fleet of engines.

In 2006, states received \$220,261,043 in State and Tribal Assistance grants. These funds allowed states to continue revising their State Implementation Plan to attain the NAAQS for 8-hour ozone and PM<sub>2.5</sub> and to reduce regional haze. These funds also provided for the continued operation of states' ambient air monitoring networks, including PM<sub>2.5</sub>, air toxic, and visibility monitoring.

In partnership with the Department of Interior, EPA continues to track improvements in visibility in our national parks and other protected areas. The Agency

upgraded laboratory equipment to provide more precise measurements of the carbon content of light-absorbing PM and more scientifically robust equations to relate air pollution concentrations to visible visibility range.

Through AIRNow, a greater number of cities started advising the public on a daily basis of the health risks associated with forecasted PM pollution. States continue to use air monitoring data to understand the causes of PM pollution so that they can develop better strategies to reduce it.



For the National Air Toxics Trends Stations, data completeness, precision, and accuracy indicators showed improvement. EPA developed more accurate sampling and analysis methods for two national risk drivers, acrolein and hexavalent chromium. Community-scale air toxics monitoring grants progressed toward completion; individual project goals typically include risk assessment and identifying and characterizing local sources of hazardous air pollutants. Twenty new grants for air toxics monitoring community-scale assessments were awarded to state, local, and tribal agencies across the United States. Air toxics characterization and trends analyses were completed by EPA and made available to the public.

EPA is working in partnership with the Hearth, Patio and Barbecue Association, American Lung Association, and others

on the Great American Woodstove Changeout—a national effort to help state, local, and tribal agencies establish campaigns to change old, dirty, “conventional” woodstoves to new, cleaner-burning appliances like masonry heaters and gas, pellet, and EPA-certified woodstoves. Already in place in targeted areas, the Great American Woodstove Changeout is a voluntary effort that can effectively reduce emissions of particulates and air toxics indoors and help bring areas into attainment with the national fine particle standard. As part of each campaign, EPA encourages and supports air pollution control agencies in reaching out to the public to “Burn Clean”, that is, to burn only seasoned wood and no garbage. Burn Clean and changeout materials are available at [www.epa.gov/woodstoves](http://www.epa.gov/woodstoves).

**PART:** *The Air Toxics program was assessed in the 2002 PART process and received a rating of “results not demonstrated.” The program was reassessed in the 2004 PART process and received a rating of “adequate.” In response to the PART process, the program is conducting follow-up actions which include developing baseline and target information to measure program efficiency.*

*The Acid Rain program was assessed in the 2004 PART process and received a rating of “moderately effective.” In response to the PART process, the program is conducting follow-up actions which include analyzing alternative options for an efficiency measure and promoting Clear Skies.*

*The Mobile Sources program was assessed in the 2004 PART process and received a rating of “moderately effective.” In response to the PART process, the program is conducting follow-up actions which include collecting data to support the program's efficiency measures.*

*The NAAQS program was assessed in the 2005 PART process in two parts: the Federal NAAQS program and the Air Quality Grants and Permitting program. The Federal NAAQS program received a rating of “adequate.” The Air Quality Grants and Permitting program received a rating of “ineffective.” In response to the PART process, the program is conducting follow-up actions which include establishing efficiency measures for both the Federal NAAQS and Air Quality Grants and Permitting programs.*



# Strategic Objective 2— Healthier Indoor Air

By 2008, 22.6 million more Americans than in 1994 will be experiencing healthier indoor air in homes, schools, and office buildings.

## INDOOR AIR

One of EPA’s strategic objectives is to provide 22.6 million Americans with healthier indoor air by 2008. To meet this objective, the Agency uses two key strategies: (1) increasing public awareness of actual and potential indoor air risks, so that individuals can take steps to reduce their exposure and (2) relying on partnerships with a variety of organizations to spur action. EPA conducts outreach activities to provide the public and the professional and research communities with essential information about indoor air risks. In partnership with a variety of nongovernmental and professional entities, the Agency develops and disseminates multimedia materials to improve the design, operation, and

STRATEGIC OBJECTIVE 2—HEALTHIER INDOOR AIR		
APG #	APG Title	APG Status
1.9	Healthier Residential Indoor Air	FY 2006 Data Available in 2007
		FY 2005 Data Available in 2007
1.10	Healthier Indoor Air in Schools	FY 2006 Data Available in 2007
		✓ Goal Met for FY 2005
1.11	Healthier Indoor Air in Workplaces	✓ Goal Met for FY 2006

Detailed information on these APGs is provided in Section II.2 – Annual Performance Goals and Measures: Detailed Results FY 2003–FY 2006, pages 140–141. Additionally, the data that EPA has used to measure its performance are described in the “Supplemental Information” to this report, provided on the Internet. See pages B-20–B-25 at <http://www.epa.gov/ocfo/finstatement/2006PAR>.

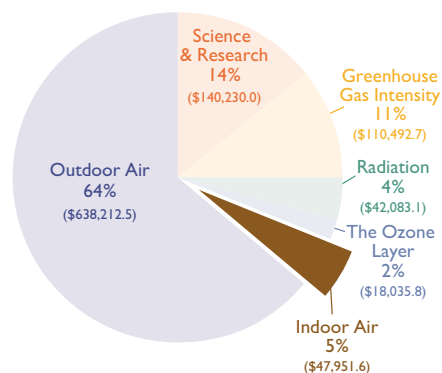
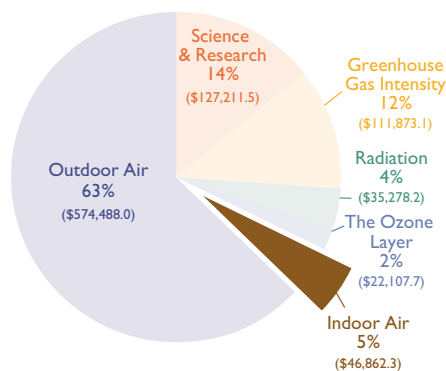
maintenance of all types of buildings—including schools, homes, and workplaces—and bring about healthier indoor environments.

EPA’s Indoor Air Quality Tools for Schools (IAQ TfS) Program provides schools with information on improving indoor air problems using straightforward

activities and in-house staff. The IAQ TfS Kit, co-sponsored by the National Parent Teacher Association, National Education Association, Association of School Business Officials, American Federation of Teachers, and the American Lung Association, provides individual schools, school districts, educational organizations, and educators with information on best practices, industry guidelines and sample policies, and indoor air quality management plans. By following the TfS guidance, schools can save time and money, enabling them to direct valuable resources toward educating children. Recent survey results indicate that 22 percent of U.S. schools have indoor air quality practices that meet EPA guidelines.



## GOAL 1: OBJECTIVE 2—HEALTHIER INDOOR AIR—FY 2006 RESOURCES

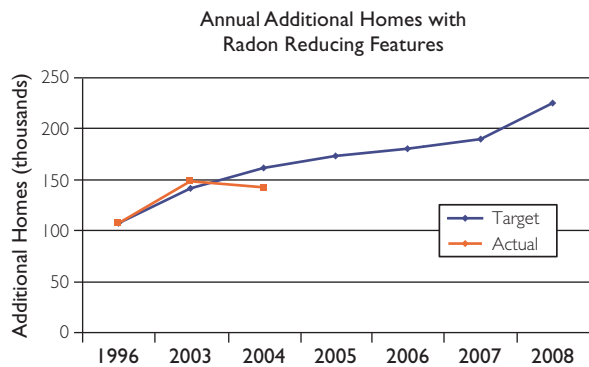
FY 2006 Obligations:  
Healthier Indoor Air  
(in thousands)FY 2006 Costs:  
Healthier Indoor Air  
(in thousands)

## FY 2006 RESOURCES FOR PROGRAM PROJECTS SUPPORTING THIS OBJECTIVE\*

Program/Projects are EPA's fundamental unit for budget execution and cost accounting, and they serve as the foundation for the Agency's budget. Frequently, program/projects support multiple APGs and objectives. This table lists the program/projects and associated resources that support this objective.

PROGRAM PROJECT	FY 2006 OBLIGATIONS	FY 2006 COSTS
Categorical Grant: Radon	\$7,986.6	\$7,887.5
Categorical Grant: Tribal Air Quality Management	\$117.6	\$32.6
Congressionally Mandated Projects	\$0.0	\$329.2
Homeland Security: Communication and Information	\$48.9	\$45.2
Homeland Security: Protection of EPA Personnel and Infrastructure	\$235.7	\$303.3
Indoor Air: Asthma Program	\$1,565.7	\$4,790.2
Indoor Air: Environment Tobacco Smoke Program	\$306.5	\$1,331.1
Indoor Air: Radon Program	\$5,471.4	\$6,447.0
Indoor Air: Schools and Workplace Program	\$348.5	\$3,459.8
International Capacity Building	\$193.8	\$123.0
Research: Air Toxics	(\$83.2)	\$68.0
Administrative Law	\$35.0	\$34.6
Alternative Dispute Resolution	\$9.9	\$11.8
Central Planning, Budgeting, and Finance	\$730.1	\$676.8
Civil Rights / Title VI Compliance	\$76.9	\$83.2
Congressional, Intergovernmental, External Relations	\$333.5	\$359.4
Exchange Network	\$258.5	\$120.5
Facilities Infrastructure and Operations	\$4,953.4	\$4,969.5
Acquisition Management	\$251.9	\$250.8
Human Resources Management	\$467.3	\$448.8
Information Security	\$50.4	\$44.4
IT / Data Management	\$3,281.7	\$1,570.9
Legal Advice: Environmental Program	\$351.9	\$367.0
Legal Advice: Support Program	\$139.6	\$148.8
Audits, Evaluations, and Investigations	\$285.7	\$306.2
Regional Science and Technology	\$24.7	\$27.2
Science Advisory Board	\$36.4	\$38.7
Small Minority Business Assistance	\$15.3	\$18.7
Financial Assistance Grants / IAG Management	\$441.9	\$438.9
Reduce Risks from Indoor Air	\$19,883.2	\$12,009.6
Regulatory/Economic-Management and Analysis	\$132.9	\$119.5
<b>TOTAL</b>	<b>\$47,951.7</b>	<b>\$46,862.2</b>

\*Resources associated with Program Projects may not match the Goal and Objective obligations and costs exactly due to rounding.



Asthma is a serious, life-threatening respiratory disease that affects more than 20 million Americans. Rates of asthma have risen sharply over the past 30 years, particularly among children aged 5 to 14. Although there is no cure, asthma can be controlled through medical treatment and by managing asthma triggers. EPA's goal is to reduce exposure to asthma triggers and improve the quality of life for 4.9 million people by 2008. Toward this end, EPA provides educational material about the environmental factors—indoor and outdoor—that trigger asthma. In 2006, the Agency held symposia and worked with 2,000 health professionals to increase awareness of asthma triggers. EPA met its goals in FY 2005 and is on track to meet its goals in 2006; results for 2006 will be included in the *FY 2007 Annual Performance Report*.

EPA's indoor radon program promotes voluntary public action to reduce risks from radon in indoor air. Since the mid-1980s, there has been significant progress in reducing the risk from exposure to radon in homes. This progress is the result of continuing collaboration between EPA, citizens, nongovernmental organizations, state and local governments, the radon services and business community, and other federal agencies. EPA recommends that homes with radon levels above the action level be mitigated and that new homes be built radon-resistant. Through 2005, (the last year for which data is available) EPA conservatively estimates that 632,000 homes had an operating mitigation system. In 2005 alone, approximately 93,000 homes were mitigated. These estimates are based on radon mitigation vent fan sales data provided by the major U.S. radon vent fan manufacturers after 1996 and on consumer surveys conducted before 1996. An annual survey by the National Association of Home

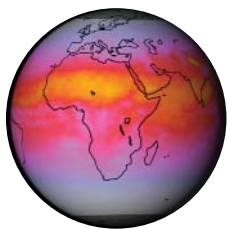
Builders Research Center estimates that from 1990 to 2004, 1.3 million new homes were built radon-resistant, with approximately 780,000 (60 percent) of those homes located in areas of high radon potential. EPA estimates that the combination of homes with radon mitigation systems and homes built with radon-resistant techniques saves approximately 550 lives annually. Data from partners and other sources indicate that the Agency is on track to meet FY 2006 performance targets.

#### ADDITIONAL INFORMATIONAL RELATED TO OBJECTIVE 2:

**GRANTS:** The Indoor Environments Division conducted an assistance grant competition providing \$4 million to eligible entities that will conduct demonstrations, training, education and/or outreach projects that seek to reduce exposure to indoor air pollutants in all indoor environments program areas including radon, asthma, schools, and environmental tobacco smoke. The results will be seen in future years in the form of improved communication techniques, educational packages and other outreach.

**PART:** *The Indoor Air Program was assessed in the 2005 PART process and received a rating of "moderately effective." In response to the PART process, the program is conducting follow-up actions which include focusing on efficiency improvements.*





## Strategic Objective 3— Protect the Ozone Layer

By 2010, through worldwide action, ozone concentrations in the stratosphere will have stopped declining and slowly begun the process of recovery, and the risk to human health from overexposure to ultraviolet (UV) radiation, particularly among susceptible subpopulations, such as children, will be reduced.

### STRATOSPHERIC OZONE

The stratospheric ozone layer protects life on earth from harmful ultraviolet (UV) radiation. Scientific evidence amassed over the past 30 years indicates that the use of chlorofluorocarbons (CFCs) and other halogenated chemicals has destroyed stratospheric ozone.

In FY 2006, EPA furthered the nation's commitment to restoring the ozone layer by tracking, through a marketable permit system, domestic industry compliance with regulatory restrictions on the consumption of ozone-depleting substances (ODS). EPA has been at the forefront of developing and implementing flexible, innovative, and effective approaches to ensure stratospheric ozone layer protection. In FY 2006, EPA launched new partnerships with the air conditioning and refrigeration industries to minimize the use of hydrofluorocarbons (HFCs) and hydrochlorofluorocarbons (HCFCs) in the manufacture of more than 8 million residential and commercial air conditioning units and refrigeration systems annually. EPA also established a new partnership with supermarkets which will ultimately

STRATEGIC OBJECTIVE 3—PROTECT THE OZONE LAYER		
APG #	APG Title	APG Status
1.12	Restrict Domestic Consumption of Class II HCFCs	FY 2006 Data Available in 2008
		FY 2005 Data Available in 2007

Detailed information on these APGs is provided in Section II.2 – Annual Performance Goals and Measures: Detailed Results FY 2003–FY 2006, page 142. Additionally, the data that EPA has used to measure its performance are described in the “Supplemental Information” to this report, provided on the Internet. See pages B-25–B-26 at <http://www.epa.gov/ocfo/finstatement/2006PAR>.

result in significantly reduced ODS emissions and important energy savings while supermarkets upgrade their refrigeration systems.

The participation of developing countries is also essential to ensure timely restoration of the ozone layer. The United States works with its international partners through the Montreal Protocol to reduce CFCs (<http://www.epa.gov/air/ozondep.html>).

Progress on the stratospheric ozone program is tracked by monitoring industry reports of compliance with EPA's phase-out regulations and U.S. obligations under the Montreal Protocol. EPA will have information on FY 2006 progress in phasing out ODS during the last quarter of 2007.

Ozone-depleting substances have a long life and were emitted for many years before the international agreements and Clean Air

Act requirements were established. Thus, EPA developed the SunWise Program to teach children and their caregivers how to protect themselves from overexposure to the sun. More than 13,000 kindergarten through grade 8 schools and 1,100 informal education institutions have registered to use the SunWise Program since it was launched nationally in May 2000 (<http://www.epa.gov/sunwise/>).

### ADDITIONAL INFORMATION RELATED TO OBJECTIVE 3:

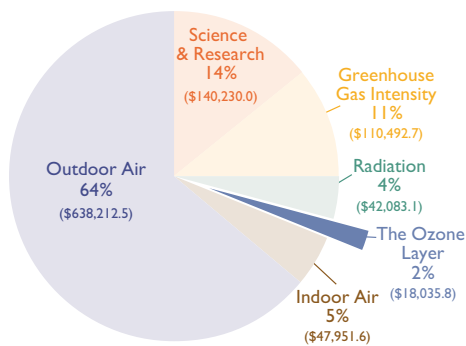
**PART:** *The Stratospheric Ozone program was assessed in the 2004 PART process and received a rating of “adequate.” In response to the PART process, the program is conducting follow-up actions which include monitoring intermediate goals (such as HCFC consumption) in the near term. (The program has long-term outcome goals that are much further out in the future, for example, reduced melanoma skin cancers in 2165).*

### Web Links:

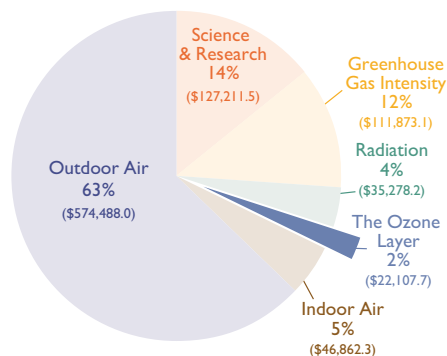
<http://www.epa.gov/air/oaqps/index.html>

**GOAL 1: OBJECTIVE 3—PROTECT THE OZONE LAYER—FY 2006 RESOURCES**

**FY 2006 Obligations:**  
Protect the Ozone Layer  
(in thousands)



**FY 2006 Costs:**  
Protect the Ozone Layer  
(in thousands)



**FY 2006 RESOURCES FOR PROGRAM PROJECTS SUPPORTING THIS OBJECTIVE\***

Program/Projects are EPA's fundamental unit for budget execution and cost accounting, and they serve as the foundation for the Agency's budget. Frequently, program/projects support multiple APGs and objectives. This table lists the program/projects and associated resources that support this objective.

PROGRAM PROJECT	FY 2006 OBLIGATIONS	FY 2006 COSTS
Homeland Security: Communication and Information	\$12.2	\$11.3
Homeland Security: Protection of EPA Personnel and Infrastructure	\$93.5	\$121.1
Stratospheric Ozone: Domestic Programs	\$5,455.7	\$6,170.7
Stratospheric Ozone: Multilateral Fund	\$8,582.9	\$12,577.4
Administrative Law	\$8.7	\$8.6
Alternative Dispute Resolution	\$2.5	\$2.9
Central Planning, Budgeting, and Finance	\$322.6	\$296.8
Civil Rights / Title VI Compliance	\$14.7	\$16.0
Congressional, Intergovernmental, External Relations	\$50.2	\$57.1
Exchange Network	\$64.3	\$30.0
Facilities Infrastructure and Operations	\$1,536.0	\$1,573.1
Acquisition Management	\$84.6	\$84.2
Human Resources Management	\$149.7	\$142.3
Information Security	\$19.7	\$17.0
IT / Data Management	\$1,200.1	\$544.5
Legal Advice: Environmental Program	\$85.7	\$91.6
Legal Advice: Support Program	\$38.1	\$41.6
Audits, Evaluations, and Investigations	\$109.8	\$117.8
Regional Science and Technology	\$2.5	\$4.8
Science Advisory Board	\$9.1	\$9.6
Small Minority Business Assistance	\$3.8	\$4.7
Financial Assistance Grants / IAG Management	\$156.2	\$155.0
Regulatory/Economic-Management and Analysis	\$33.1	\$29.7
<b>TOTAL</b>	<b>\$18,035.7</b>	<b>\$22,107.8</b>

\*Resources associated with Program Projects may not match the Goal and Objective obligations and costs exactly due to rounding.





## Strategic Objective 4— Radiation

*Through 2008, working with partners, minimize unnecessary releases of radiation and be prepared to minimize impacts to human health and the environment should unwanted releases occur.*

### RADIATION

EPA supports safe and environmentally sound radioactive waste management by maintaining certification and oversight responsibilities for DOE waste disposal activities at the Waste Isolation Pilot Plant (WIPP); providing technical support to the Nuclear Regulatory Commission (NRC) in applying pending standards at Yucca Mountain; coordinating with other federal agencies (including NRC and DOE) and states to develop mechanisms for controlling industrial materials with a radioactive component; and developing waste management regulations to facilitate the disposal of low-activity mixed waste by combining existing RCRA requirements with traditional radiological waste management components.

In 2006, DOE sent 45,000 drums of radioactive waste that met EPA specifications to the Waste Isolation Pilot Plant facility.

In FY 2006, EPA implemented its strategy to address Technologically Enhanced Naturally-Occurring Radioactive Material issues in cooperation with other federal Agencies, states, tribes, industry, and environmental groups. When making environmental protection

STRATEGIC OBJECTIVE 4—RADIATION		
APG #	APG Title	APG Status
I.13	Build National Radiation Monitoring System	<b>X</b> Goal Not Met for FY 2006
I.14	Homeland Security—Readiness & Response	FY 2006 Data Available in December 2006
		<b>✓</b> Goal Met for FY 2005
I.15	Ensure WIPP Safety	<b>✓</b> Goal Met for FY 2006

Detailed information on these APGs is provided in Section II.2 – Annual Performance Goals and Measures: Detailed Results FY 2003–FY 2006, pages 142–144. Additionally, the data that EPA has used to measure its performance are described in the “Supplemental Information” to this report, provided on the Internet. See pages B-27–B-29 at <http://www.epa.gov/ocfo/finstatement/2006PAR>.

decisions, EPA seeks the most extensive public participation possible. The Agency believes that open dialogue and public participation in both technical and non-technical matters improve the regulatory process and foster sound public policy decisions.

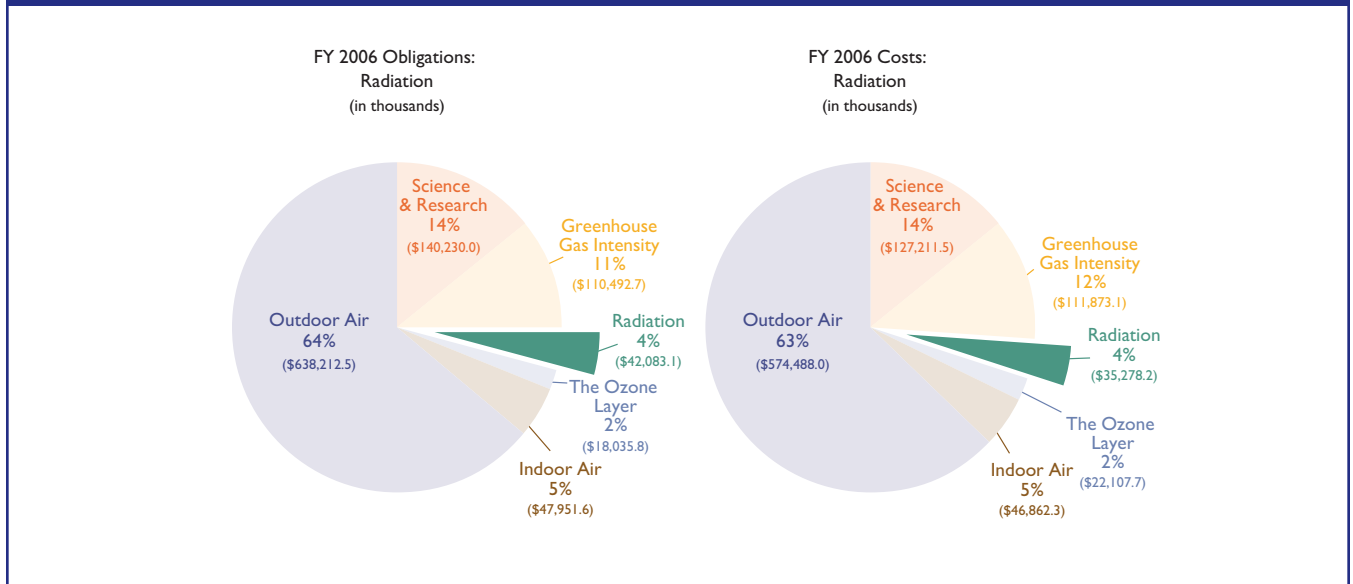
EPA is developing a nationwide, continuously operating environmental radiation monitoring system. RadNet tracks national and regional levels of ambient radiation and identifies the degree and extent of contamination in the event of an emergency. By monitoring potential impact to population and public health, RadNet supports EPA’s role in incident assessment. RadNet’s nearly real-time data allows for the provision of information within a very short time (approximately 1-2 hours).

### EXPLANATION OF MISSED GOALS (SEE SECTION II.2 FOR PERFORMANCE RESULTS AND TREND INFORMATION):

**APG 1.13:** In FY 2006, EPA placed an order for 41 RadNet monitors, not the originally planned purchase of 51. The reduced order is based upon a revised installation schedule that allows for delays resulting from technical issues with several of the first installed monitors. EPA also must ensure that a site is fully functional (monitor pad, land-line and cell service, electricity, and identified operator) before a monitor is shipped from the manufacturer to be installed.

EPA’s Radiological Emergency Response Team (RERT) systematically trains its members so they have the knowledge, skills, equipment,

GOAL 1: OBJECTIVE 4—RADIATION—FY 2006 RESOURCES



FY 2006 RESOURCES FOR PROGRAM PROJECTS SUPPORTING THIS OBJECTIVE\*

Program/Projects are EPA's fundamental unit for budget execution and cost accounting, and they serve as the foundation for the Agency's budget. Frequently, program/projects support multiple APGs and objectives. This table lists the program/projects and associated resources that support this objective.

PROGRAM PROJECT	FY 2006 OBLIGATIONS	FY 2006 COSTS
Homeland Security: Communication and Information	\$58.8	\$53.7
Homeland Security: Preparedness, Response, and Recovery	\$5,102.5	\$2,532.5
Homeland Security: Protection of EPA Personnel and Infrastructure	\$416.5	\$525.7
Radiation: Protection	\$15,739.0	\$14,951.7
Radiation: Response Preparedness	\$5,667.8	\$5,780.8
Administrative Law	\$45.0	\$44.6
Alternative Dispute Resolution	\$14.7	\$16.3
Central Planning, Budgeting, and Finance	\$585.7	\$534.2
Civil Rights / Title VI Compliance	\$78.4	\$85.1
Congressional, Intergovernmental, External Relations	\$275.8	\$311.0
Exchange Network	\$318.4	\$157.4
Facilities Infrastructure and Operations	\$5,259.2	\$5,117.9
Acquisition Management	\$820.6	\$753.6
Human Resources Management	\$753.0	\$730.2
Information Security	\$85.7	\$81.8
IT / Data Management	\$5,193.0	\$1,905.0
Legal Advice: Environmental Program	\$418.7	\$443.0
Legal Advice: Support Program	\$172.3	\$187.7
Audits, Evaluations, and Investigations	\$208.8	\$203.0
Regional Science and Technology	\$14.6	\$25.8
Science Advisory Board	\$46.8	\$49.7
Small Minority Business Assistance	\$19.7	\$24.1
Financial Assistance Grants / IAG Management	\$617.3	\$609.6
Regulatory/Economic-Management and Analysis	\$171.0	\$153.7
<b>TOTAL</b>	<b>\$42,083.3</b>	<b>\$35,278.1</b>

\*Resources associated with Program Projects may not match the Goal and Objective obligations and costs exactly due to rounding.

and support systems needed to respond to emergencies involving radioactive materials. The program achieves this goal through preparedness activities including developing and streamlining response plans and procedures, providing guidance and training to first responders, and testing plans and procedures during exercises.

ADDITIONAL INFORMATION FOR OBJECTIVE 4:

**PART:** OMB will assess the Radiation program in the 2007 PART process and results will be included in the FY 2009 President's Budget.

**Web Links:** <http://www.epa.gov/air/oaqps/index.html>



## Strategic Objective 5— Reduce Greenhouse Gas Intensity

*Through EPA's voluntary climate protection programs, contribute 45 million metric tons of carbon equivalent (MMTCE) annually to the President's 18 percent greenhouse gas intensity improvement goal by 2012. (An additional 75 MMTCE to result from the sustained growth in the climate programs are reflected in the Administration's business-as-usual projection for greenhouse gas intensity improvement.)*

### CLIMATE CHANGE

In February 2002, President Bush announced a new approach to global climate change designed to harness the power of the marketplace and technological innovation. The President committed America to cut greenhouse gas intensity by 18 percent by 2012.

In support of the President's goal, EPA's climate protection programs overall will promote the avoidance of 162 million metric tons of carbon equivalent (MMTCE) annually by 2012, up from 58 MMTCE in 2002. Of this annual additional 104 MMTCE prevented, 24 MMTCE will be attributable to the sustained growth of many climate programs and are reflected in the Administration's business-as-usual projection for greenhouse gas intensity improvement; the remaining 80 MMTCE will contribute to attaining the President's goal of 18 percent greenhouse gas intensity improvement.

At the core of EPA's climate change efforts are government-industry partnership programs designed to capitalize on the

STRATEGIC OBJECTIVE 5—REDUCE GREENHOUSE GAS INTENSITY		
APG #	APG Title	APG Status
I.16	Reduce Greenhouse Gas Emissions	FY 2006 Data Available in 2007
		✓ Goal Met for FY 2005
I.17	Reduce Energy Consumption	FY 2006 Data Available in 2007
		✓ Goal Met for FY 2005

Detailed information on these APGs is provided in Section II.2 – Annual Performance Goals and Measures: Detailed Results FY 2003–FY 2006, pages 144–146. Additionally, the data that EPA has used to measure its performance are described in the “Supplemental Information” to this report, provided on the Internet. See pages B-29–B-33 at <http://www.epa.gov/ocfo/finstatement/2006PAR>.

opportunities that consumers, businesses, and organizations have for investing in efficient equipment, policies, and practices. While thousands of equipment purchases are made every day, consumers often select the least efficient equipment, thereby committing themselves to higher energy bills for 10 to 20 years at a time, depending upon the life of the equipment. At the same time, organizations often overlook the investment opportunities and competitive advantages represented by more efficient equipment.

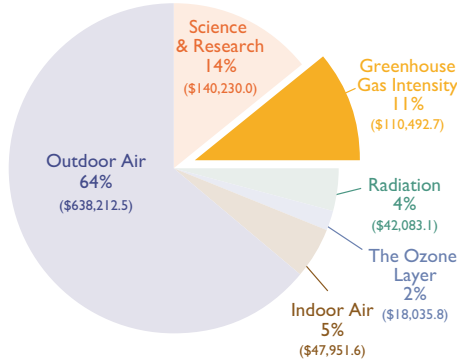
EPA manages a number of efforts, such as ENERGY STAR and transportation efficiency programs, to remove marketplace barriers and deploy technology faster in the residential,

commercial, transportation, and industrial sectors of the economy. EPA programs do not provide financial subsidies. Instead, they work by overcoming to energy efficiency: lack of clear, reliable information on technology opportunities; lack of awareness of energy-efficient products and services; low incentives to manufacturers for efficiency research and development; and lack of awareness about more energy-efficient transportation choices.

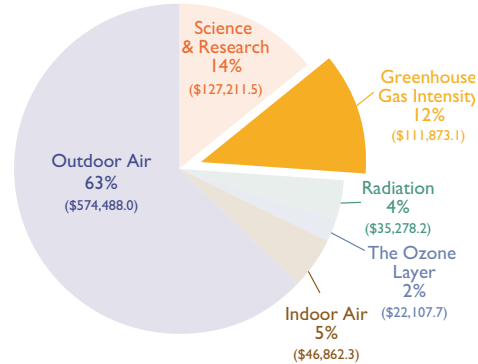
EPA's climate protection programs reduced emissions of carbon dioxide (CO<sub>2</sub>) and other potent greenhouse gases, such as methane and perfluorocarbons (PFCs). In addition, EPA's climate protection programs will deliver substantial energy and environmental

**GOAL 1: OBJECTIVE 5—REDUCE GREENHOUSE GAS INTENSITY—FY 2006 RESOURCES**

**FY 2006 Obligations:**  
Reduce Greenhouse Gas Intensity  
(in thousands)



**FY 2006 Costs:**  
Reduce Greenhouse Gas Intensity  
(in thousands)



**FY 2006 RESOURCES FOR PROGRAM PROJECTS SUPPORTING THIS OBJECTIVE\***

Program/Projects are EPA's fundamental unit for budget execution and cost accounting, and they serve as the foundation for the Agency's budget. Frequently, program/projects support multiple APGs and objectives. This table lists the program/projects and associated resources that support this objective.

PROGRAM PROJECT	FY 2006 OBLIGATIONS	FY 2006 COSTS
Climate Protection Program	\$85,882.0	\$91,087.5
Congressionally Mandated Projects	\$0.0	\$94.6
Homeland Security: Communication and Information	\$79.3	\$73.3
Homeland Security: Protection of EPA Personnel and Infrastructure	\$571.2	\$739.2
Administrative Law	\$56.7	\$56.2
Alternative Dispute Resolution	\$16.0	\$19.1
Central Planning, Budgeting, and Finance	\$1,980.7	\$1,822.9
Civil Rights / Title VI Compliance	\$101.3	\$109.8
Congressional, Intergovernmental, External Relations	\$364.6	\$408.5
Exchange Network	\$419.1	\$195.4
Facilities Infrastructure and Operations	\$9,747.4	\$9,957.0
Acquisition Management	\$525.2	\$522.8
Human Resources Management	\$937.8	\$891.9
Information Security	\$120.3	\$104.1
IT / Data Management	\$7,405.7	\$3,398.0
Legal Advice: Environmental Program	\$559.8	\$595.9
Legal Advice: Support Program	\$243.6	\$264.9
Audits, Evaluations, and Investigations	\$668.1	\$716.3
Regional Science and Technology	\$20.0	\$33.4
Science Advisory Board	\$59.0	\$62.7
Small Minority Business Assistance	\$24.8	\$30.3
Financial Assistance Grants / IAG Management	\$494.6	\$495.6
Regulatory/Economic-Management and Analysis	\$215.5	\$193.8
<b>TOTAL</b>	<b>\$110,492.7</b>	<b>\$111,873.2</b>

\*Resources associated with Program Projects may not match the Goal and Objective obligations and costs exactly due to rounding.

benefits over the next decade. As many of the investments promoted through EPA's climate programs involve energy-efficient equipment with lifetimes of decades or more, the investments made to date will continue to deliver environmental and

economic benefits through 2012 and beyond. EPA currently estimates that, based on investments in equipment already made due to EPA's programs, organizations and consumers across the country will net savings of about \$100 billion and reduce greenhouse emissions

by more than 700 MMTCE over the next ten years (cumulative reductions based upon estimated 2004 achievements). These programs continue to offer highly cost effective approaches for delivering environmental benefits across the country.

EPA's international activities help provide developing and industrialized countries with greater information and the increased technical capacity they need to implement emissions reduction policies and climate protection programs. In addition, EPA works with state and local governments interested in technical, educational, and outreach assistance for clean energy projects that reduce carbon emissions.

With the help of ENERGY STAR, in FY 2005 alone Americans prevented 63 MMTCE of greenhouse gas emissions, up from 57 MMTCE in 2004. Around 2 billion ENERGY STAR-qualified products have been purchased; more than 500,000 new ENERGY STAR homes have been built; and more than 26,000 office buildings, schools, supermarkets, hotels, and other types of commercial buildings have benchmarked their energy use. ENERGY STAR partners, which include Fortune 500 companies and small businesses, commit to superior energy management and investing in energy efficient technologies and practices. For example, a retailer reduced energy use by 25 percent in more than 1,200 of its stores, and a property



management firm improved energy efficiency of more than 22 million square feet, saving more than \$2 million annually.<sup>1</sup>

Cars, trucks, aircraft, and other components of the nation's transportation system emit about one-third of total U.S. greenhouse gas emissions. Transportation policies, plans, and choices have an immense effect on greenhouse gas emissions, particularly on carbon production. Although technology and market-oriented measures will make a major contribution toward reducing emissions, efforts to reduce vehicle miles of travel are also critical for achieving EPA's greenhouse gas emission reduction goals. In FY 2006, EPA actively supported regional, state, and community voluntary efforts that encourage additional travel choices and alternatives to single-occupancy vehicle driving.

The Agency met the aggregate greenhouse gas goal for FY 2005 but did not achieve the expected level of progress on all associated annual performance measures. The Climate Change program develops and aggregate, overall goal based on

expected progress in each of the program sectors. In FY 2005, while meeting the overall target for greenhouse gas reductions, two areas were short of their contributions to the overall target: Industrial Methane Outreach Programs and Industrial HFC/PFC programs. We will work with our partners in those areas in FY 2006 and beyond to ensure that they continue to meet the programmatic goals for these sectors. The Agency will be adjusting the structure and presentation of annual performance goals and measures in future documents.

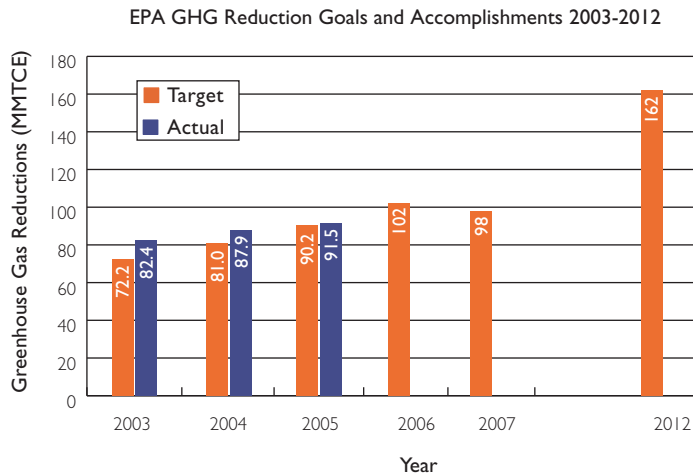
#### ADDITIONAL INFORMATION RELATED TO OBJECTIVE 5:

**PROGRAM EVALUATIONS:** Climate Change—EPA and DOE Should Do More to Encourage Progress Under Two Voluntary Programs. Additional information on this report is available in the Program Evaluation Section, Appendix A, page A-5.

**PART:** The Climate Change program was assessed in the 2004 PART process and program received a rating of "adequate." In response to the PART process, the program is conducting follow-up actions which include implementing sector-wide efficiency measures (for the building, industry, and transportation sectors) to inform management and planning decisions. The program is also developing performance measures for the Clean Automotive Technology Program.

#### Web Links:

<http://www.epa.gov/air/oaqps/index.html>





# Strategic Objective 6— Enhance Science and Research

*Through 2010, provide and apply sound science to support EPA's goal of clean air by conducting leading-edge research and developing a better understanding and characterization of environmental outcomes under Goal 1.*

## ENHANCING SCIENCE AND RESEARCH

EPA's research program continues to conduct leading-edge research to provide and apply sound science to support EPA's goals for clean air. In 2006, EPA's clean air research program provided results that will help in implementing future ambient particle standards by focusing emission reduction efforts on the sources with the largest health impacts. One significant finding indicated that hospital admissions among the elderly for cause-specific cardiovascular and respiratory diseases were region-specific, based on a comparison of the eastern and western United States.<sup>2</sup> Differentiation in particulate matter (PM) composition also appeared to be an important factor in these hospital admissions. Another study, which used ambient PM collected from different locations across the country, linked specific particle attributes with toxicity.<sup>3,4,5</sup> Because these components could be traced back to specific types of PM sources (for example, mobile or coal),



researchers were able to estimate the relative source contributions to the observed toxicity.

In 2006, the Clean Air Research Program also supported EPA's recent review of the Particulate Matter National Ambient Air Quality Standards (PM NAAQS). Research targeted identified knowledge gaps and yielded a series of findings that will assist with NAAQS implementation. A new Community Multi-scale Air Quality model for atmospheric PM/ozone predictions is now more accurate and processes more rapidly, allowing better

compliance assessments and State Implementation Plan development. Similarly, EPA has transferred control technologies that aid in emission reductions and other mitigations to clients for application and field deployment.

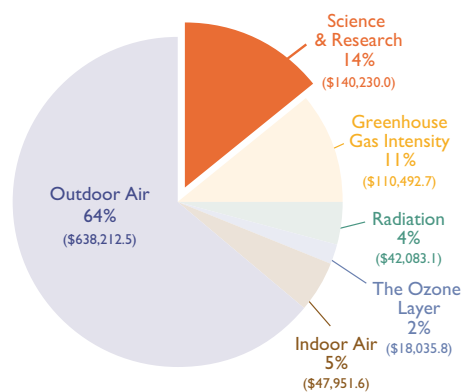
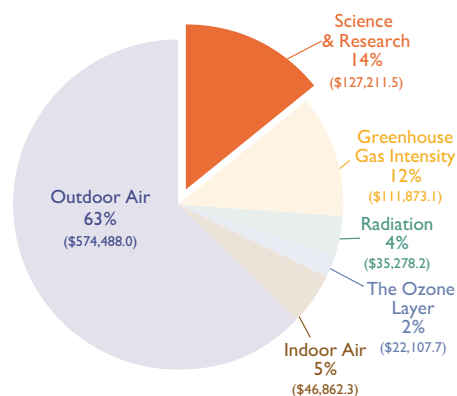
### EXPLANATION OF MISSED GOALS (SEE SECTION II.2 FOR PERFORMANCE RESULTS AND TREND INFORMATION):

**APG 1.19:** EPA set an ambitious goal of completing 100 percent of its key research actions toward the long-term goal of reducing uncertainty in the science that supports standard-setting and air quality management decisions. Due to the difficulties in predicting research findings, only 94 percent of planned actions were completed in 2006.

STRATEGIC OBJECTIVE 6—ENHANCE SCIENCE AND RESEARCH		
APG #	APG Title	APG Status
1.18	Clean Automotive Technology	FY 2006 Data Available in 2007
1.19	PM Effects Research	<span style="color: red;">✗</span> Goal Not Met for FY 2006
1.20	PM Measurement Research	<span style="color: green;">✓</span> Goal Met for FY 2006

Detailed information on these APGs is provided in Section II.2 – Annual Performance Goals and Measures: Detailed Results FY 2003–FY 2006, pages 146–148. Additionally, the data that EPA has used to measure its performance are described in the “Supplemental Information” to this report, provided on the Internet. See pages B-33–B-34 at <http://www.epa.gov/ocfo/finstatement/2006PAR>.

## GOAL 1: OBJECTIVE 6—ENHANCE SCIENCE AND RESEARCH

FY 2006 Obligations:  
Enhance Science and Research  
(in thousands)FY 2006 Costs:  
Enhance Science and Research  
(in thousands)

## FY 2006 RESOURCES FOR PROGRAM PROJECTS SUPPORTING THIS OBJECTIVE\*

Program/Projects are EPA's fundamental unit for budget execution and cost accounting, and they serve as the foundation for the Agency's budget. Frequently, program/projects support multiple APGs and objectives. This table lists the program/projects and associated resources that support this objective.

PROGRAM PROJECT	FY 2006 OBLIGATIONS	FY 2006 COSTS
Clean Air Allowance Trading Programs	\$3,744.7	\$3,917.5
Climate Protection Program	\$20,921.9	\$19,334.6
Congressionally Mandated Projects	\$6,616.2	\$5,462.2
Federal Support for Air Quality Management	\$375.6	\$430.2
Federal Support for Air Toxics Program	\$210.4	\$391.7
Homeland Security: Communication and Information	\$128.1	\$118.5
Homeland Security: Protection of EPA Personnel and Infrastructure	\$724.0	\$861.8
Radiation: Protection	\$1,417.2	\$1,532.0
Research: Air Toxics	\$19,269.0	\$16,870.8
Research: Particulate Matter	\$11,450.0	\$29,565.9
Research: Troposphere Ozone	\$952.7	\$2,312.5
Administrative Law	\$91.6	\$90.8
Alternative Dispute Resolution	\$25.8	\$30.8
Central Planning, Budgeting, and Finance	\$2,678.4	\$2,462.5
Civil Rights / Title VI Compliance	\$152.7	\$166.0
Congressional, Intergovernmental, External Relations	\$515.2	\$587.0
Exchange Network	\$677.1	\$315.6
Facilities Infrastructure and Operations	\$2,770.6	\$2,449.5
Acquisition Management	\$901.9	\$897.7
Human Resources Management	\$1,530.1	\$1,514.0
Information Security	\$191.8	\$199.4
IT / Data Management	\$8,445.4	\$1,464.3
Legal Advice: Environmental Program	\$899.1	\$962.4
Legal Advice: Support Program	\$402.8	\$439.9
Audits, Evaluations, and Investigations	\$916.7	\$982.9
Regional Science and Technology	\$24.0	\$49.4
Science Advisory Board	\$95.2	\$101.2
Small Minority Business Assistance	\$40.1	\$49.0
Financial Assistance Grants / IAG Management	\$442.5	\$445.6
Research: NAAQS	\$53,270.9	\$32,893.0
Regulatory/Economic-Management and Analysis	\$348.2	\$313.0
<b>TOTAL</b>	<b>\$140,229.9</b>	<b>\$127,211.7</b>

\*Resources associated with Program Projects may not match the Goal and Objective obligations and costs exactly due to rounding.

ADDITIONAL INFORMATION  
RELATED TO OBJECTIVE 6:

**PART:** The NAAQS Research program was first assessed in the 2003 PART process and received a rating of "results not demonstrated." The program was reassessed in the 2005 PART

process and received a rating of "adequate." In response to the PART process, the program is conducting follow-up actions which include a commitment to convene annual independent review meetings to assess the state of the science and ensure progress toward program

goals. To this end, the NAAQS Research program has initiated a plan for annual update meetings and identified five discipline areas in which to contract experts.

**Web Links:**

<http://www.epa.gov/pmresearch/>

## EPA Partners with Industry to Improve Fuel Economy

EPA and the United Parcel Service (UPS) partnered to develop a first-of-its-kind delivery truck using EPA-patented hydraulic hybrid technology. With the breakthrough technology onboard, the UPS truck can increase fuel efficiency by 60 to 70 percent in urban driving. It also lowers greenhouse gas emissions by reducing carbon dioxide (CO<sub>2</sub>) by 40 percent, compared to conventional UPS diesel delivery trucks. EPA estimates that upfront costs for the hybrid components in a typical delivery vehicle can be recouped in fewer than 3 years, and the net savings over the vehicle's lifespan could exceed \$50,000, assuming current fuel prices. The new vehicle features a full hydraulic hybrid powertrain and a unique hydraulic hybrid propulsion system integrated with the drive axle; energy saved when applying the brakes is reused to help accelerate the vehicle. Following a road tour of EPA regional offices, the vehicle will be delivering UPS packages across Michigan in summer 2007. This partnership is occurring through Cooperative Research and Development Agreements, which Congress established to facilitate technology transfer of patented inventions from national laboratories to industry and the marketplace. For more information about other such partnerships, see <http://www.epa.gov/otaq/technology/recentdevelopments.htm>.

This innovative technology is simple. The main components in HHVs are:

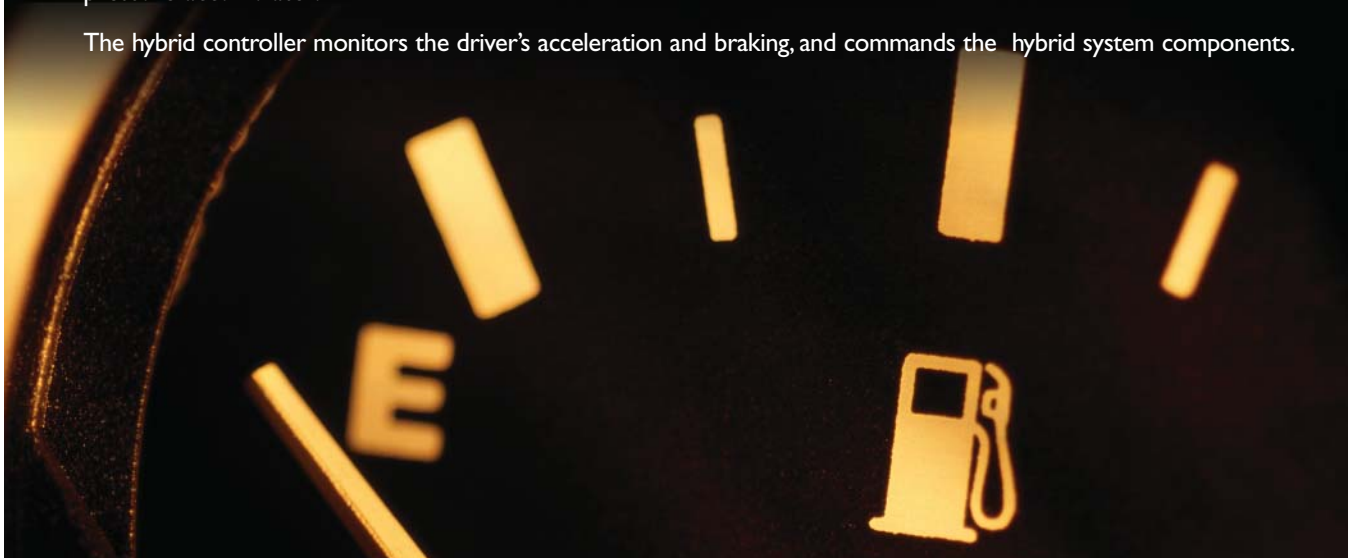
The high pressure accumulator stores energy as a battery would in a hybrid electric vehicle using hydraulic fluid to compress nitrogen gas.

The low pressure reservoir stores the low pressure fluid after it has been used by the pump/motor.

The rear drive pump/motor converts the pressure from the hydraulic fluid into rotating power for the wheels, and recovers braking energy which is stored in the high pressure accumulator.

The engine pump/motor pressurizes and transfers hydraulic fluid to the rear drive pump/motor and/or high pressure accumulator.

The hybrid controller monitors the driver's acceleration and braking, and commands the hybrid system components.



## NOTES

1. Businesses Turn Energy Savings into a Profit for the Environment (U.S. EPA, 03/21/2006) <http://yosemite.epa.gov/opa/admpress.nsf/a8f952395381d3968525701c005e65b5/8f64b6c92126674385257138005c3f18!OpenDocument>
2. Dominici, F.; Peng, R. D.; Bell, M. L.; Pham, L.; McDermott, A.; Zeger, S. L.; Samet, J. L. (2006) Fine particulate air pollution and hospital admission for cardiovascular and respiratory diseases. *J. Am. Med. Assoc.* JAMA 295: 1127-1134.
3. Laden, F Schwartz, J Speizer, FE Dockery, DW, Reduction in Fine Particulate Air Pollution and Mortality: Extended Follow-up of the Harvard Six Cities Study. *Am J Respir Crit Care Med*, 2006.
4. Boyles, R., Gilmour, M, Jaspers, I. (2006) Effects of ambient PM on cytokine production in mouse macrophages and epithelial cells. *The Toxicologist* (2006) Abstract #1199.
5. Schmitt, MT, Dailey, LA, Graff, D. Devlin, RB. (2006) Microarray analysis of PM-induced gene expression in human bronchial epithelial cells. *The Toxicologist*, Abstract #645.



## Strategic Goal 2:

# Clean *and* Safe Water

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

## Goal Purpose

Under this goal, EPA works to protect and improve the quality of the nation's drinking and surface waters. To ensure that tap water is safe to drink, we set limits for drinking water contaminants; help to sustain the network of pipes and treatment facilities that constitute the nation's water infrastructure; and work with water systems to plan for, prevent, detect, and respond to terrorist or other threats to our water supplies. EPA also protects underground and above ground sources of drinking water by implementing source water protection plans to protect the area surrounding drinking water sources and effectively implementing the Underground Injection Control program to regulate what is injected into wells to ensure safe ground water supplies. In addition, EPA monitors surface water quality and works with state partners to strengthen water quality standards, approve discharge permits, and reduce pollution from diffuse or

nonpoint sources. EPA is restoring polluted waters across the country by implementing cleanups and promoting innovative, cost-effective practices, such as water quality trading and permitting on a watershed basis.

While EPA continues to make progress toward safe and secure drinking water, challenges remain. Population growth, for example, is generating higher levels of water pollution. Expanding populations also increase demands on aging infrastructures and on drinking water systems when sufficient planning has not occurred. In the chapter that follows, we report on our accomplishments and challenges in addressing water quality issues—strengthening and improving compliance with drinking water standards, maintaining safe water quality at public beaches, restoring polluted waterbodies, and improving the health of coastal waters.

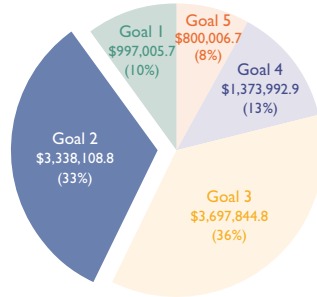
### CONTRIBUTING PROGRAMS:

- Water Monitoring Analytical Methods
- Beach Program
- Coastal and Ocean Programs
- Clean Water State Revolving Fund
- Cooling Water Intakes Program
- Drinking Water and Ground Water Protection Programs
- Drinking Water State Revolving Fund Effluent Guidelines
- Fish Consumption Advisories
- Great Lakes National Program
- Gulf of Mexico Program
- National Pollutant Discharge Elimination System
- Nonpoint Source Pollution Control
- Pollutant Load Allocation
- Surface Water Protection Program
- Sustainable Infrastructure Program
- Targeted Watersheds
- Underground Injection Control Program
- Wastewater Management
- Water Efficiency, Water Quality Standards and Criteria
- Watershed Information Network
- Watershed Management
- Wetlands Program

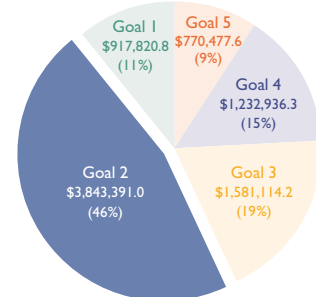
## Goal 2 At a Glance

FY 2006  
ANNUAL PERFORMANCE  
GOALS (APGs)  
**Met = 6 Not Met = 1**  
Data Available After  
November 15, 2006 = 13  
(Total APGs = 20)

EPA FY 2006 Obligations  
(in thousands)



EPA FY 2006 Costs  
(in thousands)



### GOAL 2 FY 2006 PERFORMANCE AND RESOURCES

STRATEGIC OBJECTIVE	APG STATUS	OBLIGATIONS	COSTS
 <b>OBJECTIVE 1—PROTECT HUMAN HEALTH</b> Protect human health by reducing exposure to contaminants in drinking water (including protecting source waters), in fish and shellfish, and in recreational waters.	11 Data Available After 11/15/06 1 Goal Met	\$1,229,922.6	\$1,334,571.8
 <b>OBJECTIVE 2—PROTECT WATER QUALITY</b> Protect the quality of rivers, lakes, and streams on a watershed basis and protect coastal and ocean waters.	2 Data Available After 11/15/06 3 Goals Met 1 Goal Not Met	\$1,967,646.9	\$2,382,589.0
 <b>OBJECTIVE 3—ENHANCE SCIENCE AND RESEARCH</b> Provide and apply a sound scientific foundation to EPA's goal of clean and safe water by conducting leading-edge research and developing a better understanding and characterization of the environmental outcomes under Goal 2.	2 Goals Met	\$140,539.3	\$126,230.2
<b>GOAL 2 TOTAL</b>	20 APGs	\$3,338,108.8	\$3,843,391.0

### IN THE YEARS AHEAD...

EPA's annual performance goals are stepping stones to longer-range results. These results are specified in a series of "Strategic Targets" that lay out the work we intend to accomplish over the next several years to achieve our objectives under Goal 2. Meeting our annual performance goals moves us closer to such Strategic Targets as:

By 2011, 90 percent of community water systems will provide drinking water that meets all applicable health based drinking water standards through approaches including effective treatment and source water protection.

By 2012, improve water quality conditions in 250 impaired watersheds nationwide using the watershed approach (cumulative).

By 2012, attain water quality standards for all pollutants and impairments in more than 2,250 water bodies identified in 2002 as not attaining standards (cumulative).

By 2012, remove at least 5,600 of the specific causes of water body impairment identified by states in 2002 (cumulative).

By 2011, maintain the percentage of days of the beach season that coastal and Great Lakes beaches monitored by state beach safety programs are open and safe for swimming at 96 percent.

For a complete list of strategic targets, see EPA's new 2006–2011 Strategic Plan, available at <http://www.epa.gov/ocfo/plan/htm>.



# Strategic Objective I— Protect Human Health

*Protect human health by reducing exposure to contaminants in drinking water (including protecting source waters), in fish and shellfish, and in recreational waters.*

## SAFE DRINKING WATER

In FY 2006, the cooperative efforts of EPA, states, tribes, and others contributed to safe drinking water and cleaner surface waters. Significant accomplishments towards the safe drinking water effort included EPA's continued work in the aftermath of Hurricane Katrina. Local water systems, state environmental agencies and health departments, and EPA took extraordinary efforts to restore drinking water and wastewater services under difficult circumstances. EPA provided technical and logistical support to Alabama, Mississippi, and Louisiana. This support included assessing the operational status of public drinking water and wastewater systems, as well as laboratory analysis assistance.

### EXPLANATION OF MISSED GOALS (SEE SECTION II.2 FOR PERFORMANCE RESULTS AND TREND INFORMATION):

**APG 2.1, 2.2:** By the end of the third quarter FY 2006, 89 percent of the population served by community water systems received drinking water that met all applicable health-based drinking water standards, falling short of the target of 93 percent. In FY 2005, 88.5 percent of the population

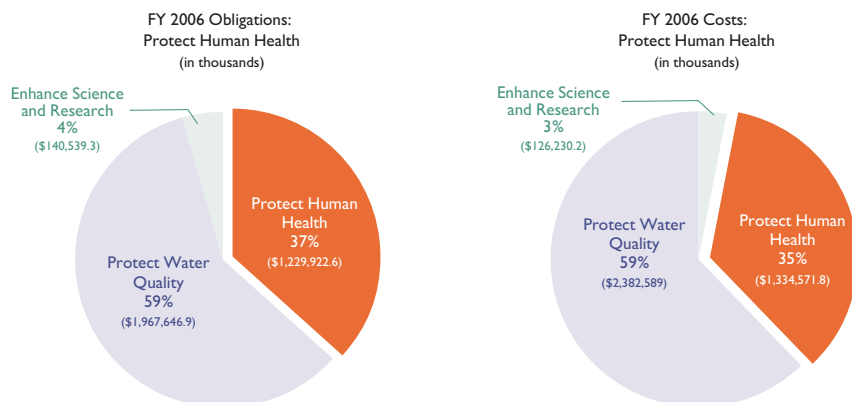
STRATEGIC OBJECTIVE I—HEALTHIER OUTDOOR AIR		
APG #	APG Title	APG Status
2.1	Safe Drinking Water Meeting All Standards—Population	FY 2006 Data Available in 2007
		✓ Goal Met for FY 2005
2.2	Safe Drinking Water Meeting Existing Standards—Population	FY 2006 Data Available in 2007
		✓ Goal Met for FY 2005
2.3	Safe Drinking Water Meeting New Standards—Population	FY 2006 Data Available in 2007
		✓ Goal Met for FY 2005
2.4	Safe Drinking Water Meeting Existing Standards—Systems	FY 2006 Data Available in 2007
		✗ Goal Not Met for FY 2005
2.5	Safe Drinking Water Meeting New Standards—Systems	FY 2006 Data Available in 2007
		✓ Goal Met for FY 2005
2.6	Safe Drinking Water—Systems in Tribal Communities	FY 2006 Data Available in 2007
		✗ Goal Not Met for FY 2005
2.7	Safe Drinking Water—Tribal Household Access	FY 2006 Data Available in 2007
2.8	Safe Drinking Water—Source Water Protection	FY 2006 Data Available in 2007
		✓ Goal Met for FY 2005
2.9	River/Lake Assessments for Fish Consumption	FY 2006 Data Available in 2009
2.10	Shellfish Growing Acres Approved for Use	FY 2006 Data Available in 2007
		FY 2005 Data Available in 2007
2.11	Restore Stream/Lake Water Quality for Swimming	FY 2006 Data Available in 2007
		FY 2005 Data Available in 2007
2.12	Coastal/Great Lakes Beaches Safe for Swimming	✓ Goal Met for FY 2006

Detailed information on these APGs is provided in Section II.2 – Annual Performance Goals and Measures: Detailed Results FY 2003–FY 2006, pages 149–155. Additionally, the data that EPA has used to measure its performance are described in the “Supplemental Information” to this report, provided on the Internet. See pages B-34–B-53 at <http://www.epa.gov/ocfo/finstatement/2006PAR>.

served by community water systems received drinking water that met this standard, falling short of the target of 93 percent. For both periods, although the vast majority of the nation's

community water systems supplied drinking water that met all health-based standards, some very large systems serving a large number of people (e.g., New York City and San Antonio in

GOAL 2: OBJECTIVE I—PROTECT HUMAN HEALTH—FY 2006 RESOURCES



FY 2006 RESOURCES FOR PROGRAM PROJECTS SUPPORTING THIS OBJECTIVE\*

Program/Projects are EPA's fundamental unit for budget execution and cost accounting, and they serve as the foundation for the Agency's budget. Frequently, program/projects support multiple APGs and objectives. This table lists the program/projects and associated resources that support this objective.

PROGRAM PROJECT	FY 2006 OBLIGATIONS	FY 2006 COSTS
Categorical Grant: Public Water System Supervision (PWSS)	\$104,130.7	\$90,322.2
Categorical Grant: Underground Injection Control (UIC)	\$11,338.0	\$11,169.3
Categorical Grant: Pesticides Program Implementation	(\$223.8)	\$2,265.6
Categorical Grant: Beaches Protection	\$10,077.0	\$9,822.7
Categorical Grant: Homeland Security	\$3,974.1	\$3,209.3
Beach / Fish Programs	\$3,509.9	\$2,942.1
Congressionally Mandated Projects	\$126,261.1	\$93,491.4
Drinking Water Programs	\$94,884.5	\$98,484.8
Homeland Security: Communication and Information	\$280.3	\$259.3
Homeland Security: Critical Infrastructure Protection	\$14,188.7	\$24,665.1
Homeland Security: Protection of EPA Personnel and Infrastructure	\$838.2	\$1,071.0
Infrastructure Assistance: Drinking Water SRF	\$793,628.2	\$936,266.5
International Capacity Building	\$2,518.8	\$2,880.8
Pesticides: Field Programs	\$129.0	\$182.3
Administrative Law	\$200.4	\$198.7
Alternative Dispute Resolution	\$56.5	\$67.4
Central Planning, Budgeting, and Finance	\$3,778.9	\$3,520.5
Children and other Sensitive Populations	(\$52.3)	\$6.7
Civil Rights / Title VI Compliance	\$506.5	\$545.6
Congressional, Intergovernmental, External Relations	\$2,329.3	\$2,477.3
Exchange Network	\$1,481.9	\$690.7
Facilities Infrastructure and Operations	\$24,269.6	\$23,954.2
Acquisition Management	\$1,074.9	\$1,072.1
Human Resources Management	\$2,149.4	\$2,095.1
Information Security	\$182.9	\$164.0
IT / Data Management	\$13,222.6	\$6,867.8
Legal Advice: Environmental Program	\$2,052.0	\$2,105.5
Legal Advice: Support Program	\$727.4	\$762.5
Audits, Evaluations, and Investigations	\$9,190.3	\$9,852.1
Regional Science and Technology	\$196.5	\$189.2
Science Advisory Board	\$208.5	\$221.7
Small Minority Business Assistance	\$87.8	\$107.2
Financial Assistance Grants / IAG Management	\$1,962.5	\$1,956.0
Regulatory/Economic-Management and Analysis	\$762.0	\$685.1
<b>TOTAL</b>	<b>\$1,229,922.3</b>	<b>\$1,334,571.8</b>

\*Resources associated with Program Projects may not match the Goal and Objective obligations and costs exactly due to rounding.

FY 2006) reported short-term violations during the year. These violations had a similar impact on the annual goal for the percentage of the population served by community water systems receiving drinking water that met health-based standards with which systems needed to comply as of December 2001. As a result, this goal also had not been met as of the end of the third quarter FY 2006, nor was it met for FY 2005 when 92 percent of the population served by community water systems receiving drinking water that met health-based standards that were in effect as of December 2001. This fell short of the target of 94 percent. The Agency has developed a new performance measure that accounts for the time-limited nature of these kinds of non-compliance events; it will be included in EPA's 2006-2011 Strategic Plan.

By the end of the third quarter FY 2006, 97 percent of the population served by community water systems received drinking water that met health-based drinking water standards with a compliance date of January 2002 or later. The measure tracks newer standards such as the Cryptosporidium Rule.

For FY 2005, 92 percent of community water systems provided drinking water that met health-based standards with which systems needed to comply as of December 2001, falling short of

the target of 94 percent. Additionally, 86.3 percent of the population served by community systems in Indian country received drinking water that met all applicable health-based standards, which fell short of the target of 90 percent. For both of these goals, small drinking water systems, including those supplying drinking water to tribes, were particularly challenged by the need to obtain infrastructure improvements and the capacity to meet new and existing standards.



### SAFE FISH AND SHELLFISH

The data to report progress on maintaining shellfish growing acres are still based on 2003 results. When the measure was proposed, EPA anticipated that the Shellfish Information Management System (SIMS) developed by the Interstate Shellfish Sanitation Conference (ISSC) would be the data source for this measure. However, states have not fully utilized the system as quickly as expected. To help fill the data gap, EPA has asked the ISSC to conduct a survey to

provide the data needed to report on the measure. The survey is underway and we expect final survey results in December 2006. We are also continuing to encourage states to adopt SIMS so that in the future we will be able to report annually on this measure.

Data to report progress on the increased consumption of fish in waters identified by states and tribes as having fish consumption advisories in 2002 will not be available until spring of 2007. In

the interim, we continue to take actions that we believe will result in fewer fish advisories in waters for which advisories were issued in 2002. These activities include encouraging states to revisit existing advisories to evaluate whether water quality has improved sufficiently to revise them and allow more safe consumption of fish.

For its new strategic plan, EPA has developed a measure that will track improvements in blood mercury levels of women. The measure will rely on data published every 2 years by the Centers for Disease Control through their National Health and Nutrition Examination Surveys. Because the primary source of mercury in women's blood is consumption of fish containing mercury, this measure will allow EPA to track improvements in human health resulting from our fish advisory program.

## SAFE SWIMMING

The data to report progress on restored water quality to allow swimming in streams miles and lake acres identified by states in 2000 as having unsafe water quality for swimming are not currently available. These data are provided by states every 2 years. We expect to be able to report on this measure in EPA's FY 2007 *Performance and Accountability Report*. Limited monitoring information makes it difficult to aggregate data on individual stream segments into a meaningful watershed scale assessment that can be used to report progress. EPA continues to work toward developing better measures for documenting environmental improvement on a watershed basis. Such measures will track incremental progress toward full restoration and document the results of the considerable effort EPA and its partners devote to maintaining water quality.

For the past swimming season (CY 2005), coastal and Great Lake beaches were open and safe for swimming 97 percent of beach season days. These results exceed EPA's FY 2006 goal of 94 percent and also exceed the 2008 target of 96 percent.

For its 2006-2011 *Strategic Plan*, EPA is instituting a measure to track waterborne disease outbreaks resulting from swimming in recreational waters with pathogens. This new measure should provide a sound basis for measuring the effectiveness of EPA and state beach monitoring and advisory programs.

### ADDITIONAL INFORMATION RELATED TO OBJECTIVE 1:

#### PROGRAM EVALUATIONS:

EPA Should Strengthen Ongoing Efforts to Ensure that Consumers are Protected from Lead Contamination. Additional information on this report is available in the Program Evaluation Section, Appendix A, page A-6.

Promising Techniques Identified to Improve Drinking Water Laboratory Integrity and Reduce Public Health Risks; Lessons Learned: EPA's Response to Hurricane Katrina; and Much Effort and Resources Needed to Help Small Drinking Water Systems Overcome Challenges. Additional information on these reports is available in the Program Evaluation Section, Appendix A, pages A-6–A-8.

**GRANTS:** Drinking Water State Revolving Fund, Public Water System Supervision (PWSS) Grant Program, Underground Injection Control (UIC) Grant Program. Over the past 5 years, EPA has provided a total of almost \$42 million in grants to 35 coastal and Great Lakes states and territories that support state and local government beach monitoring and notification programs that provide the public with information on the safety of water for swimming.

**PART:** The PWSS Grant Program was assessed in the 2004 PART process and received a rating of "adequate." In response to the PART process, the program is conducting follow-up actions which include developing a new long-term outcome performance measure to assess the impact of drinking water compliance on public health.

The Drinking Water State Revolving Fund Program was first assessed in the 2002 PART process and initially received a rating of "results not demonstrated." The program was reassessed in the 2004 PART process and received a rating of "adequate." In response to the PART process, the program is conducting follow-up actions, including implementing recommendations from the second triennial drinking water data quality review, which are designed to improve the overall quality of the data in EPA's drinking water compliance reporting system.

The UIC Grant Program was assessed in the 2004 PART process and received a rating of "adequate." In response to the PART process, the program is conducting follow-up actions which include developing an outcome-based annual performance measure and an efficiency measure, which demonstrate the protection of source water quality.

The Drinking Water Protection Program is being assessed in the 2006 PART process and results will be included in the FY 2008 President's Budget.

#### WEB LINKS:

<http://www.epa.gov/safewater/>  
<http://www.epa.gov/waterscience/shellfish/>  
<http://www.epa.gov/waterscience/>





## Strategic Objective 2— Protect Water Quality

*Protect the quality of rivers, lakes, and streams on a watershed basis and protect coastal and ocean waters.*

EPA continued to exceed its interim targets for restoring 25 percent of the nation's impaired water bodies by 2012. By the end of FY 2006, states and EPA restored 12.1 percent of the waters identified in 2000 as impaired, compared to the interim target for 2006 of 10.3 percent. Restoring impaired water bodies is a tremendous challenge and involves coordinating state and EPA efforts and using a variety of tools available under the Clean Water Act. EPA and states were able to meet the 2006 targets in several programs. A total of 66.1 percent of states and territories kept their water quality standards up to date within the past 3 years with the latest scientific information (against a target of 66 percent). With the 2006 completion of the *Wadeable Streams Assessment*, the first statistically valid report on the ecological condition of all wadeable, perennial streams within the conterminous United States, EPA met its target of assessing a cumulative total of 54 percent of the nation's waters using statistically valid surveys. EPA and states were able to complete 24,131 EPA-approved watershed pollutant reduction budgets (total maximum daily loads, or TMDLs) by the end of 2006, compared to the target of 20,501. EPA and states exceeded targets

STRATEGIC OBJECTIVE 2—PROTECT WATER QUALITY		
APG #	APG Title	APG Status
2.13	Watershed Protection—Meeting Water Quality Standards in Water Segments	FY 2006 Data Available in 2007
2.14	Watershed Protection—Attainment and Restoration	FY 2006 Data Available in 2007
2.15	Tribal Water Quality Standards—Monitoring	FY 2006 Data Available in 2007
		<b>X</b> Goal Not Met for FY 2005
2.16	Tribal Household Access to Basic Sanitation	<b>✓</b> Goal Met for FY 2006
2.17	Coastal Aquatic Health—Ecological Health	<b>✓</b> Goal Met for FY 2006
2.18	Coastal Health—Use Attainment	<b>✓</b> Goal Met for FY 2006

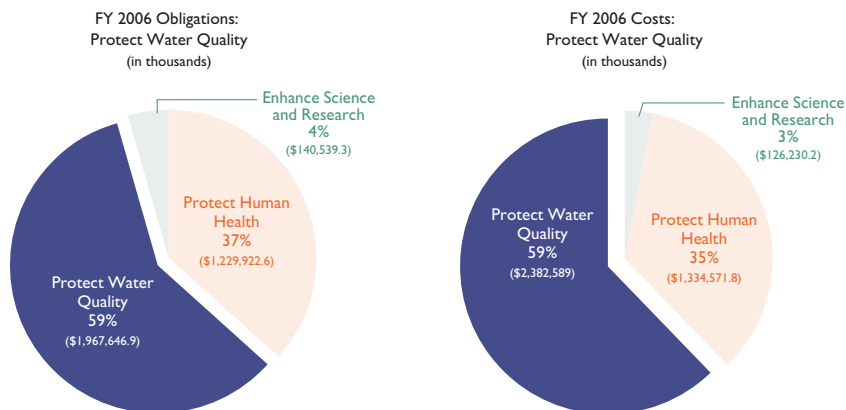
Detailed information on these APGs is provided in Section II.2 – Annual Performance Goals and Measures: Detailed Results FY 2003–FY 2006, pages 155–158. Additionally, the data that EPA has used to measure its performance are described in the “Supplemental Information” to this report, provided on the Internet. See pages B-53–B-78 at <http://www.epa.gov/ocfo/finstatement/2006PAR>.

to issue 95 percent high-priority NPDES permits. EPA and states also met the target for utilizing 93.3 percent of the available funds in Clean Water State Revolving Funds to provide low interest loans to help finance wastewater treatment facilities and other water quality projects. These projects are critical for continuing the public health and water quality gains of the past 30 years.

Although 2006 data indicate that the waterbodies listed in 2000 as impaired are being quickly removed from the list, EPA recognizes that waterbodies that are more easily restored are often the

first to be removed. Also, some of the restorations to date represent waters where improved assessments have found that the waters were in fact already meeting water quality standards. Thus we anticipate that the number of these “easier” restorations will soon decline, as states and EPA begin tackling waters with such complex problems as non-point sources or issues related to increasing population growth and changing land use. EPA is addressing these issues squarely. Many of the answers lie in improving efficiency through the watershed approach—dealing with water pollution problems holistically

GOAL 2: OBJECTIVE 2—PROTECT WATER QUALITY—FY 2006 RESOURCES



FY 2006 RESOURCES FOR PROGRAM PROJECTS SUPPORTING THIS OBJECTIVE\*

Program/Projects are EPA's fundamental unit for budget execution and cost accounting, and they serve as the foundation for the Agency's budget. Frequently, program/projects support multiple APGs and objectives. This table lists the program/projects and associated resources that support this objective.

PROGRAM PROJECT	FY 2006 OBLIGATIONS	FY 2006 COSTS
Categorical Grant: Nonpoint Source (Sec. 319)	\$217,344.3	\$219,137.8
Categorical Grant: Water Quality Cooperative Agreements	\$11,227.6	\$14,131.2
Categorical Grant: Pollution Control (Sec. 106)	\$224,582.7	\$204,015.5
Categorical Grant: Wastewater Operator Training	\$1,491.0	\$781.5
Congressionally Mandated Projects	\$263,416.5	\$271,381.2
Homeland Security: Communication and Information	\$517.8	\$478.9
Homeland Security: Protection of EPA Personnel and Infrastructure	\$1,141.7	\$1,475.9
Infrastructure Assistance: Alaska Native Villages	\$33,791.4	\$24,788.6
Brownfields Projects	\$0.0	(\$1.9)
Infrastructure Assistance: Clean Water SRF	\$897,523.3	\$1,338,196.1
International Capacity Building	\$474.3	\$1,078.1
Marine Pollution	\$11,233.5	\$10,784.9
Surface Water Protection	\$193,591.6	\$194,548.8
Administrative Law	\$370.2	\$366.9
Alternative Dispute Resolution	\$104.4	\$124.5
Central Planning, Budgeting, and Finance	\$7,262.3	\$6,791.9
Civil Rights / Title VI Compliance	\$1,013.6	\$1,084.6
Congressional, Intergovernmental, External Relations	\$4,752.8	\$5,014.2
Exchange Network	\$2,737.2	\$1,275.8
Facilities Infrastructure and Operations	\$45,445.6	\$44,943.3
Acquisition Management	\$1,585.1	\$1,587.5
Human Resources Management	\$3,417.2	\$3,333.3
Information Security	\$239.6	\$207.4
IT / Data Management	\$20,424.6	\$12,078.8
Legal Advice: Environmental Program	\$3,651.0	\$3,715.9
Legal Advice: Support Program	\$1,247.9	\$1,293.1
Audits, Evaluations, and Investigations	\$14,487.4	\$15,529.7
Regional Science and Technology	\$417.8	\$388.9
Science Advisory Board	\$385.2	\$409.6
Small Minority Business Assistance	\$162.2	\$198.0
Financial Assistance Grants / IAG Management	\$2,199.3	\$2,183.5
Regulatory/Economic-Management and Analysis	\$1,407.4	\$1,265.3
<b>TOTAL</b>	<b>\$1,967,646.5</b>	<b>\$2,382,588.8</b>

\*Resources associated with Program Projects may not match the Goal and Objective obligations and costs exactly due to rounding.



with stakeholder involvement, rather than piecemeal waterbody-by-waterbody or permit-by-permit. On Earth Day 2005, the Assistant Administrator for Water established an internal EPA Watershed Managers Forum to promote implementation of watershed approaches in EPA's own programs and with its external partners, especially states, to help effect watershed protection. The Forum played a critical role in developing the water quality portion of EPA's *2006-2011 Strategic Plan*, which for the first time includes challenging but realistic targets for restoring 250 full-scale watersheds by 2012; for removing 5,600 specific impairments to waterbodies by 2012; and for maintaining good water quality in wadeable streams and other waters. The Forum has also developed a comprehensive capacity-building strategy to aid states and local organizations as they address water pollution problems at the watershed level. Additionally, EPA is investing in data systems to allow more accurate tracking of impaired waters and restoration activities.

**EXPLANATION OF MISSED ANNUAL PERFORMANCE GOALS (SEE SECTION II.2 FOR PERFORMANCE RESULTS AND TREND INFORMATION):**

**APG 2.13, 2.14:** Some specific water programs are also facing increased challenges. EPA was able to approve 89 percent of state water quality standards revisions in the past year, an increase over 83.5 percent in 2005. Nevertheless, the Agency fell short of its goal of approving 90.9 percent.

States are required to review water quality standards every 3 years and revise them if necessary. EPA must approve the standards for them to take effect under the Clean Water Act. This measure evaluates how well EPA and states work together to enable timely approval of revised standards. In FY 2006, states submitted an unusually high number of revisions that presented complex technical and policy issues. Some revisions also involve nationally significant issues that require policy-level review before EPA can approve or disapprove them. Although EPA was able to approve some of those provisions, the Agency was not able to resolve the remaining issues in time to be counted under this measure for FY 2006. EPA has adjusted its targets for FY 2007 and 2008 to reflect more realistic, yet challenging, goals.

**APG 2.15:** EPA also did not meet its goal for improving water quality in Indian country for FY 2005 and FY 2006 due to limitations in data collection. The amount of data collected from monitoring stations was insufficient for analysis. As a result, EPA revised this measure during the development of its *2006-2011 Strategic Plan*.

**ADDITIONAL INFORMATION RELATED TO OBJECTIVE 2:**

**PROGRAM EVALUATIONS:** Clean Water—How States Allocate Revolving Loan Funds and Measure Their Benefits. Additional information on this report is available in the Program Evaluation Section, Appendix A, page A-8.

Sustained Commitment Needed to Further Advance Watershed Approach; EPA Can Better Implement Its Strategy for Managing Contaminated Sediments. Additional information on these reports is

**Clean Water: Alaska Native Villages**

Ouzinkie, Alaska is a community of 191 residents located on the ocean shoreline of a small island near Kodiak Island. As in many Alaska Native Villages, the population depends on fishing and hunting for subsistence and supplements these activities with commercial fishing to survive in the harsh climate and remote location. Along the ocean shoreline—the site of fishing and other activities—wastewater discharged from the existing community system as well as from many individual homes represented a direct health threat to local residents. Through cooperative funding from EPA's Clean Water Indian Set-Aside Program, the Indian Health Service, and the State of Alaska, Ouzinkie completed a \$928,000 project to replace and relocate the community ocean outfall pipe and to connect more residents to an expanded wastewater system, helping safeguard the health of Ouzinkie residents and protect water resources.



available in the Program Evaluation Section, Appendix A, page A-9.

**GRANTS:** Clean Water Act (CWA) Section 106 grants which fund state water quality programs. CWA Section 319 grants also support this objective by reserving \$100 million for developing and implementing comprehensive watershed plans that function to restore impaired waters on a watershed basis while protecting healthy waters. Additionally, the Targeted Watershed Grants (TWG) Program encourages collaborative, community-driven approaches to meet clean water goals. The National Estuary Grant Program (CFDA 66.456) also supports this objective.

**PART:** The Surface Water Protection Program was assessed in the 2005 PART process and received a rating of “moderately effective.” In response to the PART process, the program is conducting follow-up actions which include working with states and other partners to assess 100 percent of rivers, lakes, and streams in the lower 48 states using statistically-valid surveys by 2010.

The Pollution Control (106) Grants Program was assessed in the 2005 PART process and received a rating of “adequate.” In response to the PART process, the program is conducting follow-up actions which include providing incentives for states to implement or improve their permit fee programs, increasing the resources available for water quality programs.

The Oceans and Coastal Program was assessed in the 2005 PART process and received a rating of “adequate.” In response to the PART process, the program is conducting follow-up actions which include developing an annual performance measure for the Ocean Dumping Program.

The Non-Point Source Program was assessed in the 2004 PART process and received a rating of “adequate.” In response to the PART process, the program is conducting follow-up actions which include contracting for an independent evaluation for the program that can serve as the basis for further improvements.

The CWSRF Program was assessed in the 2004 PART process and received a rating of “adequate.” In response to the PART

process, the program is conducting follow-up actions which include focusing on improving the quality and breadth of CWSRF performance data.

The Alaska Native Village Program was first assessed in the 2004 PART process and initially received a rating of “ineffective.” The program is currently being reassessed in the 2006 PART process and results will be included in the FY 2008 President’s Budget.

**Web Links:**

- <http://www.epa.gov/owow/monitoring/>
- <http://www.epa.gov/owow/streamsurvey/>
- <http://www.epa.gov/owow/oceans/nccr/>
- <http://www.epa.gov/owow/lakes/lakessurvey/>
- <http://www.reo.gov/monitoring/watershed/index.htm>
- <http://www.epa.gov/owow/oceans/>
- <http://www.epa.gov/owow/estuaries/>
- <http://www.epa.gov/owow/oceans/factsheets/index.html>
- <http://www.epa.gov/owow/tmdl>
- <http://www.epa.gov/owow/wetlands/>
- <http://www.mitigationactionplan.gov/>
- <http://www.coastalamerica.gov/>



## Strategic Objective 3— Enhance Science and Research

*Provide and apply a sound scientific foundation to EPA’s goal of clean and safe water by conducting leading-edge research and developing a better understanding and characterization of the environmental outcomes under Goal 2.*

EPA’s research programs continue to conduct leading-edge research and develop a better understanding and characterization of water-related environmental outcomes to support the Agency’s work toward clean and safe water.

For example, to promote stewardship in the handling of pharmaceuticals and minimize their introduction into the environment, EPA’s water quality research program produced a

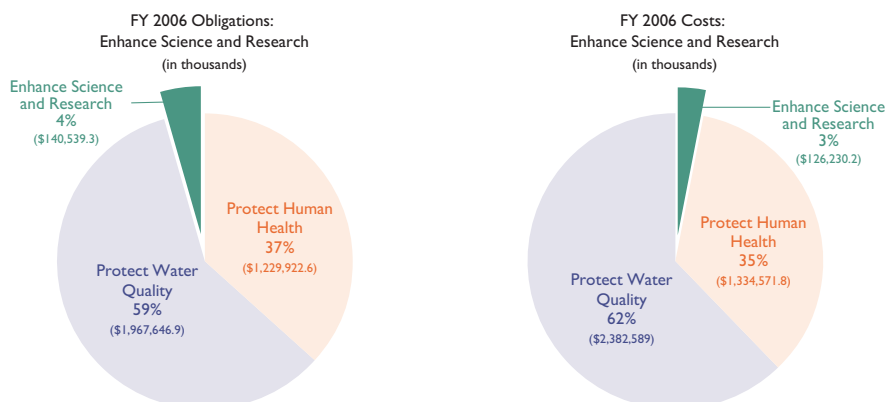
STRATEGIC OBJECTIVE 2—PROTECT WATER QUALITY		
APG #	APG Title	APG Status
2.19	Scientific Rationale for Surface Water Criteria	✓ Goal Met for FY 2006
2.20	Drinking Water Research	✓ Goal Met for FY 2006

Detailed information on these APGs is provided in Section II.2 – Annual Performance Goals and Measures: Detailed Results FY 2003–FY 2006, pages 158–159. Additionally, the data that EPA has used to measure its performance are described in the “Supplemental Information” to this report, provided on the Internet. See pages B-78 at <http://www.epa.gov/ocfo/finstatement/2006PAR>.

comprehensive review as a roadmap for related research and other actions. This overview has even broader implications, as a

generalized application of this approach could be used in the future to develop Superfund risk assessments and cleanup decisions.

## GOAL 2: OBJECTIVE 3—ENHANCE SCIENCE AND RESEARCH—FY 2006 RESOURCES



## FY 2006 RESOURCES FOR PROGRAM PROJECTS SUPPORTING THIS OBJECTIVE\*

Program/Projects are EPA's fundamental unit for budget execution and cost accounting, and they serve as the foundation for the Agency's budget. Frequently, program/projects support multiple APGs and objectives. This table lists the program/projects and associated resources that support this objective.

PROGRAM PROJECT	FY 2006 OBLIGATIONS	FY 2006 COSTS
Congressionally Mandated Projects	\$8,128.6	\$10,830.7
Homeland Security: Communication and Information	\$200.5	\$185.4
Homeland Security: Protection of EPA Personnel and Infrastructure	\$1,120.5	\$1,328.9
Research: Drinking Water	\$52,087.4	\$46,053.3
Research: Water Quality	\$48,496.3	\$48,889.5
Surface Water Protection	\$866.9	\$1,181.8
Administrative Law	\$143.4	\$142.1
Alternative Dispute Resolution	\$40.4	\$48.2
Central Planning, Budgeting, and Finance	\$2,514.6	\$2,312.7
Civil Rights / Title VI Compliance	\$239.0	\$259.8
Congressional, Intergovernmental, External Relations	\$806.5	\$918.8
Exchange Network	\$1,059.9	\$494.0
Facilities Infrastructure and Operations	\$3,706.7	\$3,170.5
Acquisition Management	\$1,411.8	\$1,405.2
Human Resources Management	\$2,392.2	\$2,369.9
Information Security	\$299.3	\$312.9
IT / Data Management	\$13,017.4	\$2,090.3
Legal Advice: Environmental Program	\$1,407.4	\$1,506.6
Legal Advice: Support Program	\$630.5	\$688.5
Audits, Evaluations, and Investigations	\$857.0	\$918.9
Regional Science and Technology	\$37.6	\$77.3
Science Advisory Board	\$149.0	\$158.4
Small Minority Business Assistance	\$62.8	\$76.7
Financial Assistance Grants / IAG Management	\$318.5	\$319.6
Regulatory/Economic-Management and Analysis	\$545.0	\$490.0
<b>TOTAL</b>	<b>\$140,539.2</b>	<b>\$126,230.0</b>

\*Resources associated with Program Projects may not match the Goal and Objective obligations and costs exactly due to rounding.

Also in 2006, EPA developed methods for the sampling and biological assessment of non-wadeable rivers, providing the basis for EPA's Survey of Non-Wadeable Streams and Rivers, as well as the scientific framework for developing

bioassessment and biocriteria for establishing water quality standards and meeting other Agency water quality goals. Additionally, EPA conducted research to develop more cost-effective means of controlling storm water runoff pollution, particularly in urban

areas. This work supports state and local governments in making watershed decisions to protect and restore water bodies more effectively to meet Clean Water Act goals.

EPA's drinking water research program also completed a substan-

tial body of work in 2006. For instance, the program assisted in implementing the Arsenic Rule by publishing treatment design manuals based on laboratory studies and conducting full-scale demonstrations of treatment technologies in more than 40 small communities in more than

20 states. The program also provided leading-edge research to inform the Agency's mandated 6-year reviews of existing regulations, concluding a series of studies and review papers on cancer and non-cancer effects and on *in utero* and food-borne exposure that will support the risk assessment associated with the planned 2008 review of the Arsenic Rule.

To fulfill SDWA requirements, the drinking water research program worked extensively with the Office of Water in publishing a series of papers summarizing the research conducted on waterborne disease in the last 10 years. Improved models on *Cryptosporidium* dose-response and methods for measuring levels of *Cryptosporidium* in water supported the Enhanced Surface Water

Treatment Rule. Finally, research evaluated various combinations of microfiltration and ultrafiltration systems to develop filtration credits for protozoan removal following conventional package plant systems.



the public, natural resource agencies need to be able to rapidly detect the presence of an HAB before it leads to health concerns. However, in the late 1990s when massive fish kills and unusual health symptoms among fishermen were reported in North Carolina and Maryland, the algae causing the problem could not be readily identified using light microscopy.

Researchers turned to molecular techniques for a solution. They developed a real-time test, a polymerase chain reaction assay that made it possible to identify *Pfiesteria piscicida* rapidly. Using this assay in waterways in Maryland and Delaware, the researchers determined in which rivers and which seasons *Pfiesteria* bloom events were most likely to occur. To further aid resource managers, the team also developed assays for other species of concern. These tests are now used by the Maryland Department of Natural Resources for routine monitoring and rapid response evaluation of possible HAB events.

#### ADDITIONAL INFORMATION RELATED TO OBJECTIVE 3:

##### PROGRAM EVALUATIONS:

Board of Scientific Counselors (BOSC): Subcommittee on Drinking Water Research: Review of ORD's Drinking Water Research Program; Subcommittee on Water Quality Research: Review of ORD's Water Quality Research Program. Additional information on these reports is available in the Program Evaluation Section, Appendix A, pages A-10-A-11.

**GRANTS:** Example of Ecohab-Supported Research: The Development of Molecular Probes for Faster Detection of Harmful Algal Blooms (HABs). To protect

**PART:** *The Drinking Water Research Program was assessed in the 2005 PART process and received a rating of "adequate." In response to the PART process, the program is conducting follow-up actions which include developing baselines and targets for long-term and annual performance measures. Specifically, the program is participating in a workgroup comprising representatives from OMB, ORD, and the BOSC to develop long-term measures derived from an independent panel review process.*

*The Water Quality Research Program is being assessed in the 2006 PART process and results will be included in the FY 2008 President's Budget.*

**Web Links:** <http://www.epa.gov/ord/>

## Strategic Goal 3:

# Land Preservation *and* Restoration

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

## Goal Purpose

EPA's land preservation and restoration goal presents our strategic vision for managing waste, conserving and recovering the value of wastes, preventing releases, responding to emergencies, and cleaning up contaminated land. Uncontrolled wastes can cause acute illness or chronic disease and can threaten healthy ecosystems. Cleanup almost always costs more than prevention and contaminated land can be a barrier to bringing jobs and revitalization to a community. Disposed wastes also represent a loss of important material and energy values.

EPA employs a hierarchy of approaches to protect the land, including reducing waste at its source, recycling waste for materials or energy values, managing waste effectively to prevent spills and releases of toxic materials, and cleaning up contaminated properties. Under this goal, EPA works to ensure that hazardous and solid wastes are managed safely at

industrial facilities. Working with states, tribes, local governments and responsible parties, we clean up uncontrolled or hazardous waste sites and return land to productive use. Similarly, we work to address risks associated with leaking underground storage tanks and wastes managed at industrial facilities.

We are helping develop public-private partnerships to conserve resources in key areas. We collaborate with our partners in innovative, non-regulatory efforts to minimize the amount of waste generated and promote recycling to recover materials and energy. Through programs like our Resource Conservation Challenge, we promote opportunities for converting waste to economically viable products, which conserve resources.

We also work closely with other government agencies to ensure that we are ready to respond in the

event of an emergency which could affect human health or the environment. Under this goal, we strive to improve our preparedness and response capabilities, particularly in the area of homeland security.

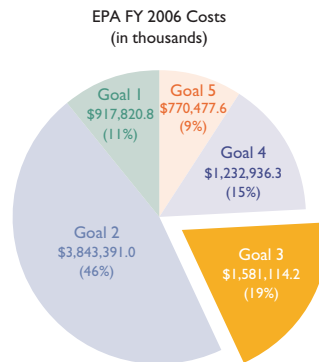
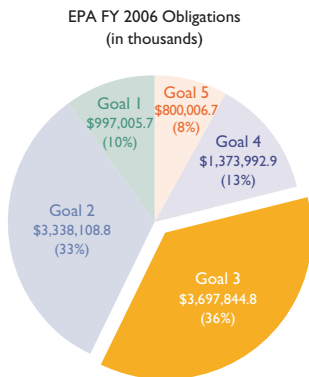
Finally, we conduct and apply scientific research to develop cost-effective methods for managing wastes, assessing risks, and cleaning up hazardous waste sites.

### Contributing Programs




- RCRA Waste Management
- RCRA Corrective Action
- RCRA Waste Minimization
- Superfund Emergency Preparedness
- Superfund Remedial
- Superfund Enforcement
- Superfund Removal
- Federal Facilities
- Oil Spills
- Leaking Underground Storage Tanks
- Underground Storage
- Tank Compliance
- Land Science and Research Program
- Homeland Security

## Goal 3 At a Glance

FY 2006  
ANNUAL PERFORMANCE  
GOALS (APGs)  
Met = 4 Not Met = 1  
Data Available After  
November 15, 2006 = 2  
(Total APGs = 7)



### GOAL 3 FY 2006 PERFORMANCE AND RESOURCES

STRATEGIC OBJECTIVE	APG STATUS	OBLIGATIONS	COSTS
 <b>OBJECTIVE 1—PRESERVE LAND</b> By 2008, reduce adverse effects to land by reducing waste generation, increasing recycling, and ensuring proper management of waste and petroleum products at facilities in ways that prevent releases.	2 Data Available after 11/15/06	\$237,779.6	\$222,156.6
 <b>OBJECTIVE 2—RESTORE LAND</b> By 2008, control the risks to human health and the environment by mitigating the impact of accidental or intentional releases and by cleaning up and restoring contaminated sites or properties to appropriate levels.	3 Goals Met 1 Goal Not Met	\$3,368,195.0	\$1,300,792.3
 <b>OBJECTIVE 3—ENHANCE SCIENCE AND RESEARCH</b> Through 2008, provide and apply sound science for protecting and restoring land by conducting leading-edge research and developing a better understanding and characterization of environmental outcomes under Goal 3.	1 Goal Met	\$91,870.2	\$58,165.3
<b>GOAL 3 TOTAL</b>	<b>7 APGs</b>	<b>\$3,697,844.8</b>	<b>\$1,581,114.2</b>

### IN THE YEARS AHEAD. . .

EPA's annual performance goals are stepping stones to longer-range results. These results are specified in a series of "Strategic Targets" that lay out the work we intend to accomplish over the next several years to achieve our objectives under Goal 3. Meeting our annual performance goals moves us closer to such Strategic Targets as:

By 2011, increase reuse and recycling of construction and demolition debris by 6 percent from a baseline of 59 percent in 2003.

Each year through 2011, minimize the number of confirmed releases at underground storage tank facilities to 10,000 or fewer from a universe of approximately 650,000 underground storage tanks.

By 2011, prevent releases at 500 RCRA hazardous waste management facilities by implementing initial approved controls or updated controls.

By 2011, ensure that 36 percent (345) of 966 final and deleted construction complete National Priority List sites are ready for reuse site-wide.

For a complete list of strategic targets, see EPA's new 2006–2011 Strategic Plan, available at <http://www.epa.gov/ocfo/plan/htm>.



# Strategic Objective I— Preserve Land

By 2008, reduce adverse effects to land by reducing waste generation, increasing recycling, and ensuring proper management of waste and petroleum products at facilities in ways that prevent releases.

## WASTE MINIMIZATION

In the area of municipal waste reduction and recycling, 2006 was a very successful year for several of our key partnership programs. Membership increased in two of our premier programs: WasteWise, which focuses on partnerships with businesses and institutions such as universities, hospitals, non-profits, and state, local, and tribal governments, added 150 new members for a total of more than 1,600; and GreenScapes, which focuses on organics reuse, added 24 members for a total of 90. The municipal waste reduction and recycling program is successfully educating the public about the benefits of recycling and how to increase their participation in recycling programs.

STRATEGIC OBJECTIVE I—PRESERVE LAND		
APG #	APG Title	APG Status
3.1	Municipal Solid Waste Source Reduction	Data Available in FY 2008
		✗ Goal Not Met for FY 2005
		✗ Goal Not Met for FY 2004
3.2	Waste and Petroleum Management Controls	Data Available in FY 2007
		✓ Goal Met for FY 2005

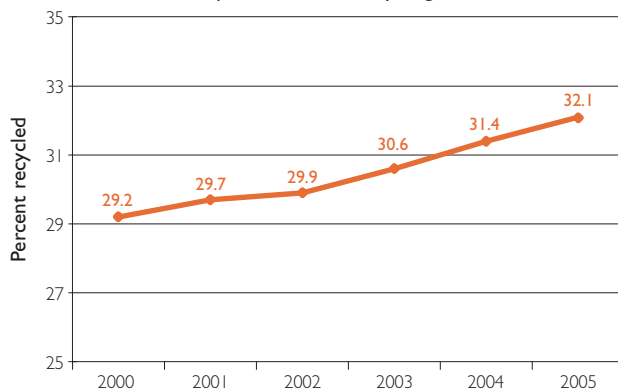
Detailed information on these APGs is provided in Section II.2 – Annual Performance Goals and Measures: Detailed Results FY 2003–FY 2006, pages 160–161. Additionally, the data that EPA has used to measure its performance are described in the “Supplemental Information” to this report, provided on the Internet. See pages B-78–B-81 at <http://www.epa.gov/ocfo/finstatement/2006PAR>.

In 2006, EPA finalized its data collection for 2004 and 2005 which demonstrates that EPA has achieved progress toward meeting its municipal solid waste (MSW) reduction goals, including diverting a cumulative total of 83.1 million tons MSW by FY 2006 and maintaining daily per capita generation of MSW at 4.5 pounds.

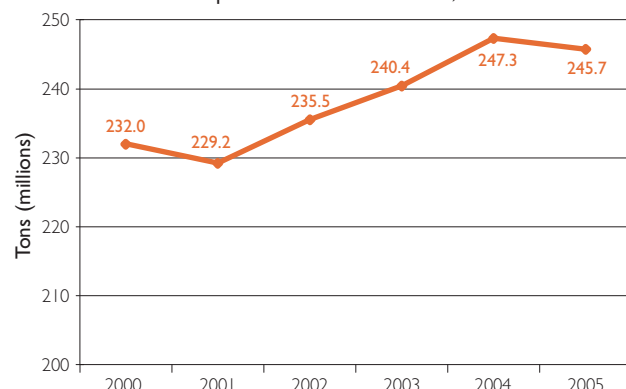
### EXPLANATION OF MISSED GOALS (SEE SECTION II.2 FOR PERFORMANCE RESULTS AND TREND INFORMATION):

**APG 3.1:** In 2004 and 2005, the nation generated more than 247.3 million tons and 245.7 million tons of municipal solid waste, and recycled more than 77.7 and 79.0 million tons,

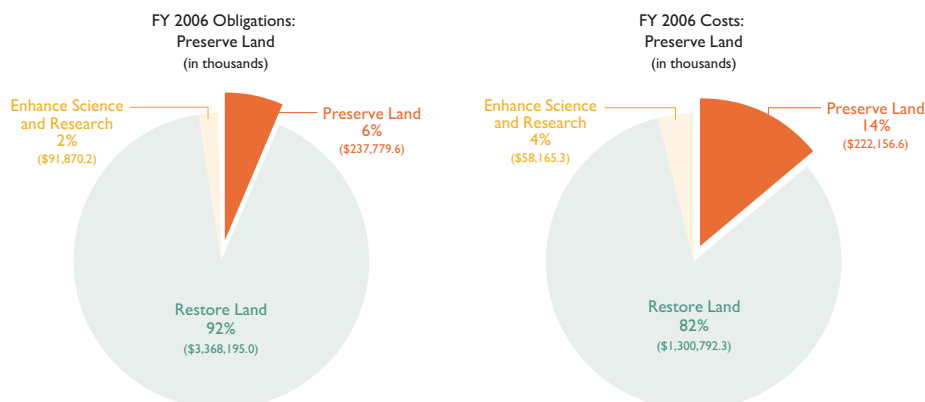
Municipal Solid Waste Recycling, 2000-2005



Municipal Solid Waste Generation, 2000-2005



GOAL 3: OBJECTIVE I—PRESERVE LAND—FY 2006 RESOURCES



FY 2006 RESOURCES FOR PROGRAM PROJECTS SUPPORTING THIS OBJECTIVE\*

Program/Projects are EPA's fundamental unit for budget execution and cost accounting, and they serve as the foundation for the Agency's budget. Frequently, program/projects support multiple APGs and objectives. This table lists the program/projects and associated resources that support this objective.

PROGRAM PROJECT	FY 2006 OBLIGATIONS	FY 2006 COSTS
Categorical Grant: Hazardous Waste Financial Assistance	\$80,067.5	\$72,847.6
Categorical Grant: Tribal General Assistance Program	(\$4.6)	\$107.5
Categorical Grant: Underground Storage Tanks	\$15,040.7	\$10,895.9
Compliance Assistance and Centers	\$569.6	\$533.0
Congressionally Mandated Projects	\$1,747.9	\$2,270.3
Homeland Security: Communication and Information	\$250.0	\$231.2
Homeland Security: Protection of EPA Personnel and Infrastructure	\$883.2	\$1,142.3
LUST / UST	\$9,084.3	\$8,099.1
RCRA:Waste Management	\$67,298.8	\$70,304.7
RCRA:Waste Minimization & Recycling	\$9,604.6	\$9,406.0
Administrative Law	\$178.7	\$177.1
Alternative Dispute Resolution	\$50.4	\$60.1
Central Planning, Budgeting, and Finance	\$2,558.9	\$2,386.2
Civil Rights / Title VI Compliance	\$441.8	\$475.0
Congressional, Intergovernmental, External Relations	\$1,960.1	\$2,090.4
Exchange Network	\$1,321.3	\$615.8
Facilities Infrastructure and Operations	\$24,107.9	\$24,162.6
Acquisition Management	\$992.2	\$991.4
Human Resources Management	\$1,976.9	\$1,912.4
Information Security	\$185.6	\$160.6
IT / Data Management	\$13,385.1	\$7,068.5
Legal Advice: Environmental Program	\$1,769.9	\$1,824.4
Legal Advice: Support Program	\$635.7	\$669.2
Audits, Evaluations, and Investigations	\$1,383.4	\$1,483.1
Regional Science and Technology	\$162.7	\$165.0
Science Advisory Board	\$185.9	\$197.7
Small Minority Business Assistance	\$78.3	\$95.6
Financial Assistance Grants / IAG Management	\$1,183.2	\$1,173.1
Regulatory/Economic-Management and Analysis	\$679.4	\$610.8
<b>TOTAL</b>	<b>\$237,779.4</b>	<b>\$222,156.6</b>

\*Resources associated with Program Projects may not match the Goal and Objective obligations and costs exactly due to rounding.



respectively. These results do not meet the annual targets of 79 million tons recycled in FY 2004 and 81 million tons recycled in FY 2005 because the percentage increase in the generation of MSW in the U.S. outpaced the percentage increase in recycling. EPA is targeting its efforts to encourage the reduction and recycling of the most significant waste streams: paper, organic wastes, and containers and packaging. In addition, EPA did not meet the 2004 target, but did meet the 2005 target for maintaining a daily per capita generation of solid waste rate of 4.5 pounds/person/day. The annual daily per capita generation rate in 2004 and 2005 was 4.6 and 4.5 pounds/person/day, respectively.

EPA and its partners continued to develop a multi-agency federal strategy for removing legacy accumulations of dangerous chemicals and implementing sustainable chemical management plans in schools to prevent future accumulations of chemicals. Grants were awarded to seven programs (e.g., state-level programs, state partnerships with localities) in FY 2006 to remove legacy chemicals and implement chemical management practices. As a result of the FY 2004 grants, 175,000 pounds of legacy chemical accumulations were removed, and safe chemical management practices were implemented in approximately 500 schools. An estimated 300,000 children, as well as school personnel, enjoy a reduced risk of exposure to dangerous chemicals.

Additionally, as part of our effort to encourage safe recycling

and reuse of electronics, EPA promulgated the final rule for Cathode Ray Tubes (CRTs) in 2006. A CRT is the glass video display component of an electronic device. The benefits of this rule are substantial: conservation of landfill capacity, increase in resource efficiency, growth of a recycling infrastructure for CRTs, and reduction of lead emissions to the environment from CRT recycling. Approximately 3,690 tons or 545,000 cubic feet of CRTs per year will be directed away from landfills towards recycling. We estimate that the rule will save CRT handlers \$5.0 million per year in reduced administrative, transportation, and disposal costs.

### HAZARDOUS WASTE FACILITY PERMITTING

EPA's primary approach to preventing releases of hazardous waste is issuing facility permits that mandate appropriate controls for each site. The permitting program exceeded its 2006 annual target of increasing the percentage of hazardous waste management facilities under appropriate controls by 2.5 percent. During 2006, EPA increased the percentage of facilities under control to 4.3 percent. The program expects to bring 95 percent of the facilities under approved controls by the end of FY 2008.

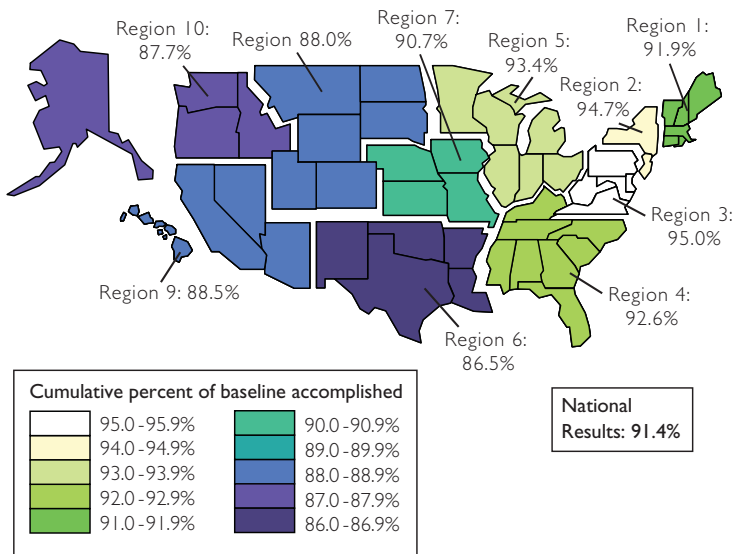
Hazardous waste facilities that do not have approved controls often present complex management issues. Developing approved controls for large federal facilities, particularly those with nontraditional treatment units is difficult. These facilities are complex and require more time to evaluate

### "Green" Electronics

The EPA-funded Electronic Products Environmental Assessment Tool is designed to help purchasers identify and buy green computers, laptops, and monitors. Since July 2006, more than 118 models of desktop computers, laptops, and monitors now bear the Electronic Products Environmental Assessment Tool (EPEAT) label, and this initial list of EPEAT-registered products is growing as additional manufacturers register products. EPEAT is already referenced in nearly \$200 billion worth of computer contracts, including contracts issued by the Department of Defense, the Department of Homeland Security, the National Aeronautics and Space Administration, and the States of Minnesota and Massachusetts. EPA conservatively estimates that over the next 5 years, purchases of EPEAT computers will result in reductions totaling more than 13 million pounds of hazardous waste, more than 3 million pounds of non-hazardous waste, and more than 600,000 MWh of energy—enough to power 6 million homes.



**Regional Permitting Program Progress  
Fiscal Year 2006, End of Year Results**



technical information, address risks, and deal with public concerns. Many of the 84 hazardous waste facilities that came under approved controls in FY 2006 had relatively difficult types of units to address. For example, a boiler facility in Ohio was difficult to permit because more stringent conditions were required for mercury control than specified in the federal regulations.

EPA has made progress with reducing the regulatory burden on hazardous waste operations. In April 2006, the Agency completed a deregulatory action by publishing the final “RCRA Burden Reduction Rule.” The final rule streamlined RCRA record keeping and reporting requirements, saving the RCRA regulated community an estimated \$2-3 million per year, with no reduction in environmental protection.

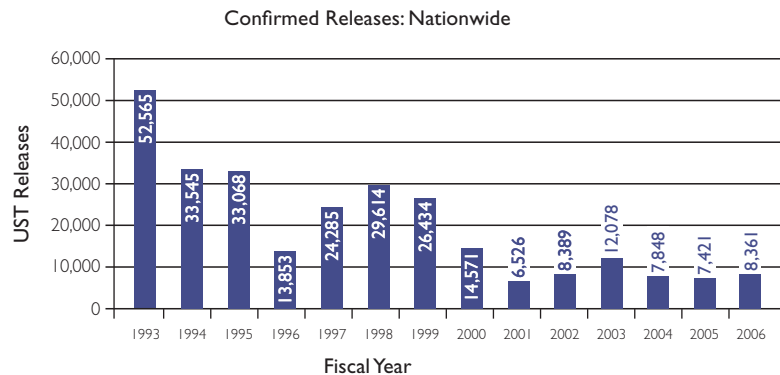
On September 5, 2006, all hazardous waste handlers in the

United States were required to begin using the new Uniform Hazardous Waste Manifest Form. This standard form streamlines the waste handling process, helps interstate commerce, and reduces regulatory paperwork while ensuring the continued safe management of hazardous waste. The benefits of this rule are substantial. More than 139,000 facilities in the United States generate, transport, or manage RCRA waste. About 12 million tons of hazardous waste per year are manifested for shipment, involving 2.4 to 5.1 million manifests, requiring 4.4 to 9.2 million labor hours, and

costing \$187 to \$733 million annually. EPA estimates that the standardized form and associated rule revisions will result in \$12.7 to \$20.6 million in cost savings annually, while improving the hazardous waste manifest system.

**UNDERGROUND STORAGE TANK SIGNIFICANT OPERATIONAL COMPLIANCE AND CONFIRMED RELEASES**

To prevent releases from underground storage tanks (USTs), EPA and its partners ensure that UST systems are in significant operational compliance (SOC) with required release detection and release prevention equipment and that the equipment is used, functioning, and properly maintained. End-of-year performance data for the UST compliance program will be available in December 2006. EPA achieved a SOC rate of 66 percent in FY 2005 thereby exceeding the target of 65 percent. Through its compliance activities, EPA remains committed to maintaining the number of confirmed releases at UST facilities at 10,000 or fewer. At the end of FY 2006, the actual number of confirmed releases was 8,361.



## ADDITIONAL INFORMATION RELATED TO OBJECTIVE 1:

**GRANTS:** State and Tribal Assistance Grants were awarded to 50 states; Washington, DC; Puerto Rico; 4 territories; and 16 tribes through the Underground Storage Tanks (UST) categorical grants to encourage owners and operators to properly operate and maintain their USTs. Tribal grants funded projects that included the development of UST compliance assistance and certification programs and compliance assistance visits, technical support to tribes, tribal UST owner/operator training workshops and outreach materials, conducting UST compliance inspections and tracking significant operational compliance in Indian Country, UST program capacity building, and oversight of UST program implementation.

State and Tribal Assistance Grants also provided funding to states implementing the UST provisions of the Energy Policy Act. These grants included funding for conducting inspections at previously uninspected facilities, developing third-party inspection programs to enable states to increase inspection presence, and preparing to implement delivery prohibition, secondary containment and other Energy Policy Act requirements.

**PART:** The RCRA Recycling, Waste Minimization and Waste Management program was assessed in the 2004 PART process and received a rating of “adequate.” In response to the PART process, the program is developing an efficiency measure for the waste minimization component of the RCRA base program.

The Oil Spill program was assessed in the 2005 PART process and received a rating of “adequate.” In response to the PART process, the program is conducting follow-up actions which include developing a forum to share and implement best practices among Regional offices that will improve the program’s overall performance and efficiency.

The UST Grants program is being assessed in the 2006 PART process and results will be included in the FY 2008 President’s Budget.

### Web Links:

<http://www.epa.gov/oust/aboutust.htm>

[http://www.epa.gov/oust/fedlaws/epact\\_05.htm#Final](http://www.epa.gov/oust/fedlaws/epact_05.htm#Final)

<http://www.epa.gov/epaoswer/osw/>

<http://www.epa.gov/epp/pubs/products/epcat.htm>

<http://www.epa.gov/oilspill/>



## Strategic Objective 2—Restore Land

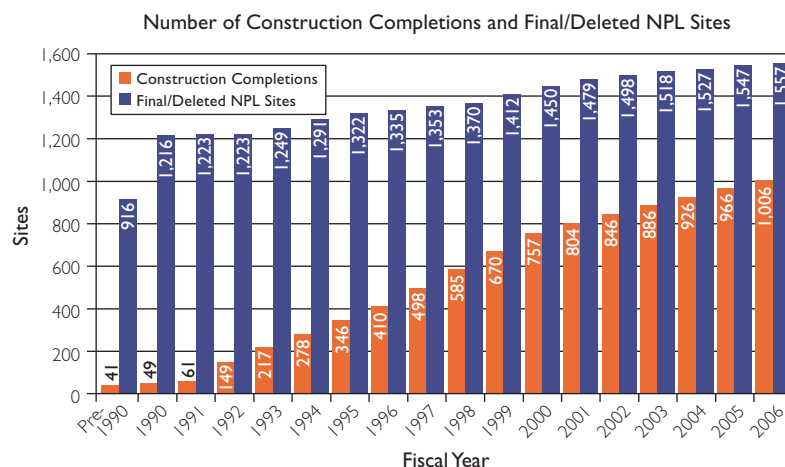
By 2008, control the risks to human health and the environment by mitigating the impact of accidental or intentional releases and by cleaning up and restoring contaminated sites or properties to appropriate levels.

To meet its objective to control the risks to human health and the environment at contaminated properties or sites through cleanup, stabilization, or other actions, and to make land available for reuse, EPA achieved the following results in FY 2006:

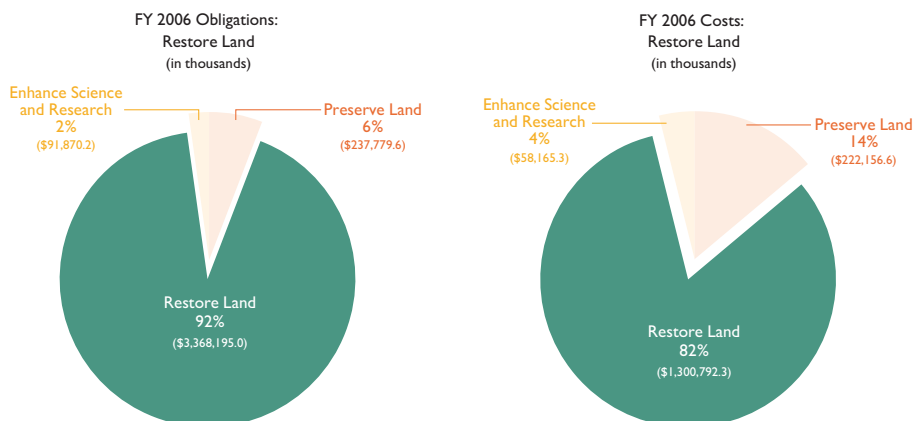
- Made 518 final site-assessment decisions under Superfund, exceeding the target of 419.
- Controlled all identified unacceptable human exposures from site contamination for current land and/or groundwater use conditions at a net total of 34 additional Superfund human exposure sites, exceeding the target of 10.
- Controlled the migration of contaminated groundwater through engineered remedies

STRATEGIC OBJECTIVE 2—RESTORE LAND		
APG #	APG Title	APG Status
3.3	Assess and Cleanup Contaminated Land	✓ Goal Met for FY 2006
3.4	Superfund Cost Recovery	✓ Goal Met for FY 2006
3.5	Superfund Potentially Responsible Party Participation	✓ Goal Met for FY 2006
3.6	Prepare/Respond to Accidental/Intentional Releases	✗ Goal Not Met for FY 2006

Detailed information on these APGs is provided in Section II.2—Annual Performance Goals and Measures: Detailed Results FY 2003–FY 2006, pages 161–164. Additionally, the data that EPA has used to measure its performance are described in the “Supplemental Information” to this report, provided on the Internet. See pages B-78–B-81 at <http://www.epa.gov/ocfo/finstatement/2006PAR>.



GOAL 3: OBJECTIVE 2—RESTORE LAND—FY 2006 RESOURCES



FY 2006 RESOURCES FOR PROGRAM PROJECTS SUPPORTING THIS OBJECTIVE\*

Program/Projects are EPA's fundamental unit for budget execution and cost accounting, and they serve as the foundation for the Agency's budget. Frequently, program/projects support multiple APGs and objectives. This table lists the program/projects and associated resources that support this objective.

PROGRAM PROJECT	FY 2006 OBLIGATIONS	FY 2006 COSTS
Categorical Grant: Hazardous Waste Financial Assistance	\$29,508.2	\$26,706.6
Base Realignment and Closure (BRAC)	\$8,750.2	(\$5.4)
Civil Enforcement	\$2,548.4	\$2,527.0
Compliance Assistance and Centers	\$266.0	\$261.7
Congressionally Mandated Projects	\$212.1	(\$1,031.9)
Homeland Security: Communication and Information	\$627.2	\$470.6
Homeland Security: Preparedness, Response, and Recovery	\$38,626.3	\$34,468.6
Homeland Security: Protection of EPA Personnel and Infrastructure	\$2,085.6	\$2,559.6
LUST / UST	\$27,764.0	\$10,194.6
LUST Cooperative Agreements	\$75,407.1	\$61,964.2
Oil Spill: Prevention, Preparedness and Response	\$27,358.5	\$13,138.6
RCRA: Corrective Action	\$38,754.7	\$39,792.5
Superfund: Emergency Response and Removal	\$669,157.1	\$190,233.6
Superfund: Enforcement	\$181,647.5	\$118,728.6
Superfund: EPA Emergency Preparedness	\$11,219.0	\$10,471.6
Superfund: Federal Facilities	\$33,894.4	\$28,497.1
Superfund: Federal Facilities IAGs	(\$8.6)	(\$6.8)
Superfund: Remedial	\$1,971,858.8	\$557,107.2
Superfund: Support to Other Federal Agencies	\$5,462.2	\$5,135.2
Administrative Law	\$970.4	\$961.7
Alternative Dispute Resolution	\$633.9	\$540.4
Central Planning, Budgeting, and Finance	\$37,180.3	\$30,514.8
Civil Rights / Title VI Compliance	\$2,848.5	\$3,051.7
Congressional, Intergovernmental, External Relations	\$14,107.0	\$14,759.6
Exchange Network	\$4,677.7	\$3,772.1
Facilities Infrastructure and Operations	\$84,022.8	\$74,317.2
Acquisition Management	\$19,105.6	\$16,821.8
Human Resources Management	\$6,239.5	\$5,892.8
Information Security	\$332.8	\$602.9
IT / Data Management	\$32,529.0	\$21,638.0
Legal Advice: Environmental Program	\$2,048.9	\$2,014.4
Legal Advice: Support Program	\$417.2	\$427.0
Audits, Evaluations, and Investigations	\$17,922.2	\$5,275.2
Regional Science and Technology	\$1,215.7	\$1,409.4
Science Advisory Board	\$1,009.6	\$1,073.5
Small Minority Business Assistance	\$425.2	\$519.0
Financial Assistance Grants / IAG Management	\$3,741.8	\$3,548.3
Superfund: Federal Facilities Enforcement	\$9,939.7	\$9,122.9
Regulatory/Economic-Management and Analysis	\$3,688.7	\$3,316.3
<b>TOTAL</b>	<b>\$3,368,195.2</b>	<b>\$1,300,792.2</b>

\*Resources associated with Program Projects may not match the Goal and Objective obligations and costs exactly due to rounding.

or natural processes at a net total of 21 additional Superfund groundwater exposure sites, exceeding the target of 10.

- Selected final remedies (cleanup targets) at 37 Superfund sites, exceeding the target of 10.
- Completed construction of remedies at 40 Superfund sites, meeting the target of 40.

During FY 2006, the Superfund program conducted an intensive analysis of the human exposure determination for each site on the National Priority List (NPL) to ensure that the human exposure determinations are made consistently nationwide and reflect similar environmental conditions. With regard to efficiency measures, the Superfund removal program completed 1.02 removal actions per million dollars, thereby meeting the target of 0.91.

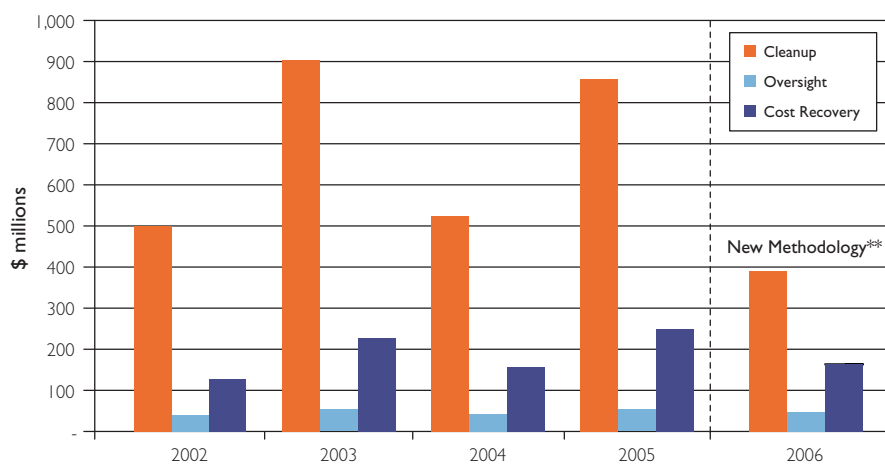
The Superfund Enforcement Program continues to pursue the "Enforcement First" and "Smart Enforcement" strategies. The "Enforcement First" strategy allows EPA to focus appropriated funds on sites where potentially responsible parties either do not exist or lack the funds or capabilities needed to conduct the cleanup. "Smart Enforcement" ensures that EPA utilizes the most appropriate enforcement or compliance tools to address the most significant problems to achieve the best outcomes. By applying these two strategies, EPA met both of its FY 2006 Superfund enforcement goals, which are to reach a settlement or taking an enforcement action by the start of Remedial Action (RA) at 95

### Rocky Flats Superfund Site

The Rocky Flats Superfund site, a 6,500-acre former nuclear weapons facility located approximately 16 miles northwest of Denver, CO and within 50 miles of 2.5 million people, is the first former Department of Energy weapons plant to achieve construction completion. EPA and its partners treated, stabilized, or removed 34,731 cubic yards of soil or other solid-based media (roughly equivalent to 6.5 football fields, covered 1 yard deep) and 12,082,393 gallons of water or other liquid-based media (roughly equivalent to 16 Olympic-sized swimming pools) contaminated with radioactive plutonium, uranium, other radionuclides, and volatile organic compounds. Construction was completed in FY 2006, 14 months ahead of schedule and \$560 million under budget. The majority of the site will become a National Wildlife Refuge managed by the U.S. Fish and Wildlife Service.



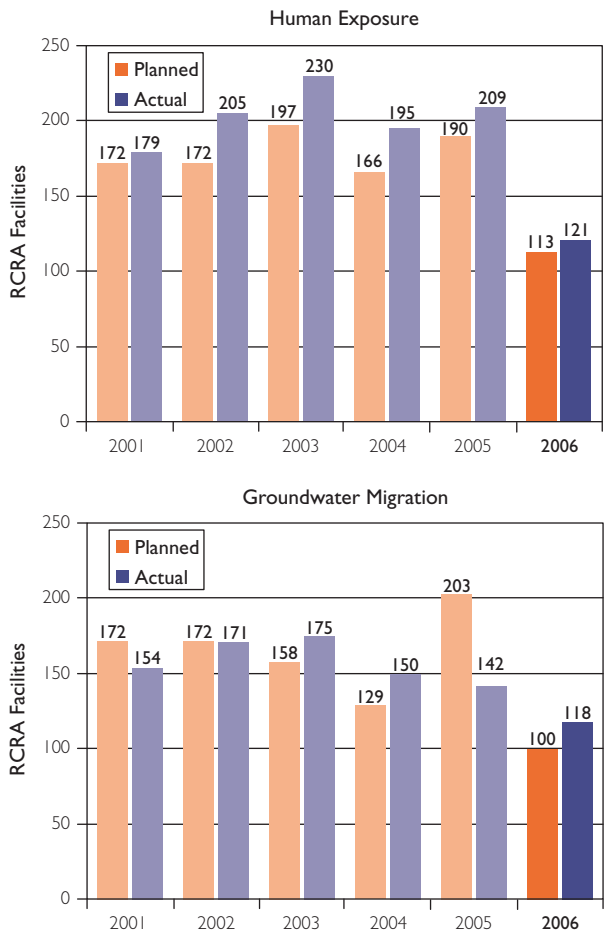
FY 2006 Compliance & Enforcement Annual Results  
Potentially Responsible Party Commitments  
for Superfund Site Cleanup, Oversight, and Cost Recovery,  
FY 2002–FY 2006



Data Source: Cleanup & Cost Recovery—Comprehensive Environmental Response, Compensation & Liability Information System (CERCLIS) EOY Data Pull Oversight—Integrated Financial Management System (IFMS) EOY Data Pull

\*\*In FY 2006, the Office of Site Remediation Enforcement (OSRE) changed the reporting requirements for Consent Decrees (CDs) to count only CDs that have been entered by the courts. In previous years, OSRE gave credit at the referred, lodged or entered stages. For FY 2006, the chart shows results based on the new methodology. The amounts for FY 2006 cleanup and cost recovery include some CDs that were counted in previous years (at the referred or entry stages). In order to present total Potentially Responsible Party (PRP) commitments, the chart now includes oversight amounts billed to PRPs in addition to PRP cleanup commitments.

RCRA Environmental Indicators



percent of non-federal Superfund sites that have viable, liable parties, and to address cost recovery at all NPL and non-NPL sites with a statute of limitations on total past costs equal to or greater than \$200,000.

Through enforcement, settlement, or compromise/write-off, cost recovery was addressed at 162 NPL and non-NPL sites, of which 63 cost recovery cases had outstanding unaddressed past costs. EPA also secured private party commitments for cleanup and cost recovery, and billed private parties for oversight, for amounts that exceeded \$602 million.

For the universe of 1,698 RCRA corrective action facilities, the 2006 targets for the percentage of facilities with current human exposures under control, with migration of contaminated groundwater under control, and with final remedies constructed was 82, 68, and 13, respectively. In each case EPA exceeded these targets by increasing the percentage to 89, 74, and 22, respectively.

EPA's RCRA Corrective Action Program continues to emphasize revitalization and reuse of former hazardous waste management sites. For example, Atlantic Station, a mixed use, 375-acre

**Uncovering the Past: Eastern Surplus Superfund Site, Meddybemps, Maine**

Eight thousand years before it served as a dump for hazardous materials, the Eastern Surplus Superfund site in Meddybemps, Maine was home to Native Americans living in ancestral Passamaquoddy territory. Archaeologists have known about the site since the 1960's, but it is only recently that the importance of the site has become more widely recognized through archaeological research completed in 2006. "N'tolonapemk," which means "Our Ancestor's Place," has long been known to the Passamaquoddy Tribe and is described in their oral history and traditional stories.



As required by the National Historic Preservation Act of 1966, EPA's cleanup plan for the Eastern Surplus Superfund site included an archaeological investigation and subsequent education and outreach. Members of the Passamaquoddy Tribe were trained to take part in the excavations conducted by the University of Maine at Farmington. "Tribal people need to be involved in archaeology, so we can have a voice while we look for links to our past," said Passamaquoddy Tribal Historic Preservation Officer, Donald Soctomah. "Being the first person to touch an artifact that your ancestor left behind is pretty powerful stuff."



revitalization of a closed Steel Mill in Atlanta, Georgia, won the prestigious Brownfields Phoenix Award during FY 2006. This vacant property, which was considered a blight to neighbors just a decade ago, is one of the largest revitalization efforts in the country, and is expected to secure close to \$2 billion in investment. It is being developed with a smart growth design that includes green space, residential, and commercial development, and has already become a popular hub for Atlanta residents. Federal and state regulators, the developer and the community collaborated to address the many issues presented by a project of this size and to streamline and phase the cleanup so that portions of business and residential areas are complete and occupied today. Two other Phoenix Award winners this past year were at RCRA sites: the Chester Waterfront Redevelopment Project in Chester, Pennsylvania (a former power plant and solvent recovery site) and the Platte River Commons and Salt Creek Heights Business Center in Casper, Wyoming (a former Amoco/BP refinery).

EPA's Oil Program's exceeded its 2006 target of 100 by conducting 345 inspections and exercises at oil storage facilities required to have Facility Response Plans (FRP). The Agency continues its efforts to improve the accuracy and value of this measure, and since setting this target, additional research has revealed a more precise count of facilities in the FRP universe; future targets will be adjusted accordingly.

### EXPLANATION OF MISSED GOAL (SEE SECTION II.2 FOR PERFORMANCE RESULTS AND TREND INFORMATION):

**APG 3.6:** EPA completed 157 Superfund-lead removal actions in comparison to the FY 2006 target of 195 and completed 93 voluntary removal actions, with EPA oversight, which was short of the target of 115. The lower than expected removal results were directly related to EPA's continued support in FY 2006 of the response to Hurricanes Katrina and Rita—the largest hurricane response and cleanup efforts in the history of the Agency.

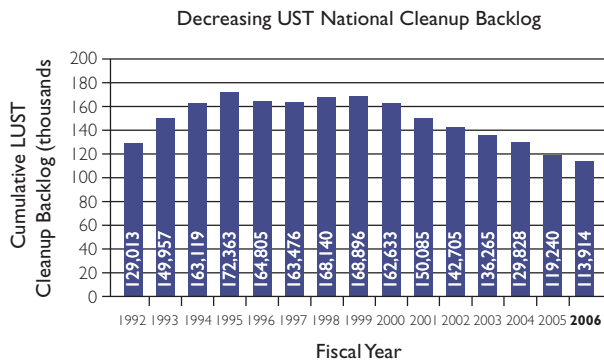
EPA's accomplishments during its responses to Katrina and Rita are notable. EPA conducted environmental monitoring and sampling of water, air, floodwater and residual sediment resulting in more than 400,000 analyses; responded to approximately 70 emergency situations to address chemical spills, fires, and other emergencies causing an immediate public threat; supported the overall debris mission with the U.S. Federal Emergency Management Agency and the U.S. Army Corps of Engineers, for which the total estimates are expected to top 118 million cubic yards; provided technical advice and assistance, promoted recycling, handled the disposal of more than 4 million containers of household hazardous waste, assist in the proper handling and recycling of more than 380,000 large appliances (refrigerators, freezers, and air conditioners), and recycled more than 649,000 electronic goods to save important landfill space and ensure the reuse of metal components. Furthermore,

EPA continues to provide oversight of the cleanup by Murphy Oil of a large oil spill which affected more than 1,800 homes in St. Bernard Parish, Louisiana.

EPA continued to respond quickly and effectively to emergency releases throughout the country, as highlighted in the 215 oil spills we responded to in 2006. While this is less than the target of 300, it reflects the need for fewer cleanups at the federal level and the success of state and local prevention and preparedness activities in FY 2006.

The target for EPA's Oil Program for the compliance rate of inspected facilities subject to spill prevention, control and countermeasures (SPCC) regulations was 100 percent, and EPA achieved 50 percent compliance for these facilities. The target for the compliance rate of inspected facilities subject to FRP regulations was 100 percent, and EPA completed 71 percent compliance for these facilities. The lower than expected results may be partially explained by the lack of a nationwide definition for compliance in the oil program. In September 2006, EPA adopted a stringent definition of compliance to better address the Sill Prevention, Control and Countermeasure Plan and the Facility Response Plan requirements. This will provide greater consistency and may also necessitate a reassessment of annual targets.

The Leaking Underground Storage Tanks (LUST) Program promotes rapid and effective responses to releases from federally-regulated USTs containing petroleum by enhancing state,



local, and Tribal enforcement and response capability. EPA's on-going work focuses attention and efforts on increasing the efficiency of LUST cleanups nationwide. In FY 2006, EPA's state and tribal partners completed 14,493 cleanups, exceeding the target of 13,600. This includes 43 tribal LUST cleanups that exceed the target of 30. EPA will continue to work with states to complete cleanups and reduce the backlog of 116,949 cleanups not yet completed. Since the beginning of the UST program, EPA has cleaned up more than 75 percent (or 350,818) of all reported releases.

#### ADDITIONAL INFORMATION RELATED TO OBJECTIVE 2:

##### PROGRAM EVALUATIONS:

**Federal Facilities Restoration and Reuse Office (FFRRO):** A Comprehensive Review of EPA Policy and Guidance for Federal Facility Cleanup and Property Transfer. Additional information on this report is available in the Program Evaluation Section, Appendix A, page A-12.

**More Complete Data and Continued Emphasis on Leak Prevention Could Improve EPA's Underground Storage Tank Program.** Additional information on this report is available in the Program Evaluation Section, Appendix A, page A-12.

**Report on Superfund and Mining Megasites: Lessons from the Coeur d'Alene River Basin.** Additional information on this report is available in the Program Evaluation Section, Appendix A, page A-13.

**EPA Can Better Manage Superfund Resources; and Information Security Series: Security Practices—**

**Comprehensive Environmental Response, Compensation, and Liability Information System.** Additional information on these reports is available in the Program Evaluation Section, Appendix A, page A-14 and page A-15.

**Site-Specific Charging at Superfund Sites: Benchmarking Regional Practices; A Formative Evaluation of a National Program for School Pollution Prevention and Chemical Cleanout (SC3)** prepared by Indtai, Inc. Additional information on these reports is available in the Program Evaluation Section, Appendix A, page A-15 and page A-17.

**GRANTS:** EPA awards Superfund cooperative agreements to states, political subdivisions of states, federally-recognized Indian tribes, and U.S. territories. These intergovernmental partners help EPA achieve its strategic goals by sharing the responsibilities for cleaning up sites on the National Priority List (NPL).

**Technical Assistance Grants (TAGs)** are an important tool for involving the local community meaningfully in the cleanup process. By providing independent technical expertise to local communities, TAGs help community members better understand the technical issues affecting site cleanups, the risks associated with site contamination, and options for effective and safe site remediation.

The **Technical Outreach Services for Communities (TOSC)** Program provides free, independent, university-based technical assistance to communities facing hazardous waste contamination issues that do not qualify for TAGs. Created in 1994, TOSC has provided more than 200 communities with an independent understanding of technical issues related to hazardous substance contamination, enabling them to participate substantively in the decision-making process.

**LUST Cooperative Agreements** were awarded to 49 states; Washington DC; Puerto Rico; 4 territories; and 10 tribes. Tribal cooperative agreements funded projects that included site assessments and cleanups; sampling equipment for Tribal inspectors; LUST program capacity building; and oversight of LUST program implementation. In FY 2006, LUST

cooperative agreements provided funding to states for emergency responses, responsible party lead cleanups with state oversight, state-lead cleanups, and state LUST capacity building.

Congress appropriated supplemental funds for necessary expenses to address releases from underground storage tanks related to the consequences of the 2005 Gulf of Mexico hurricanes. EPA received these funds to identify releases of petroleum from underground storage tanks and initiate corrective action as necessary to achieve state-specific cleanup requirements. EPA developed detailed grant guidance and provided the initial funding to the affected states.

**PART:** The Superfund Remedial program was assessed in the 2004 PART process and received a rating of "adequate." In response to the PART process, the program is conducting follow-up actions which include implementing recommendations from the Agency's 120 day study on management of the Superfund program and modernizing the program's data repository.

The Superfund Federal Facilities program was assessed in the 2005 PART process and received a rating of "moderately effective." In response to the PART process, the program is conducting follow-up actions which include working with other Federal agencies to support attainment of long-term environmental and human health goals by reviewing and recommending remedies for cleanup.

The Superfund Removal program was assessed in the 2005 PART process and received a rating of "moderately effective." In response to the PART process, the program is conducting follow-up actions which include modernizing the program's data repository and developing a plan for conducting, on a regular basis, independent evaluations of key areas of the program to determine program performance.

The RCRA Corrective Action program was assessed in the 2003 PART process and received a rating of "adequate." In response to the PART process, the program is conducting follow-up actions which include defining new baselines for performance measures and establishing ambitious annual targets to achieve the long-term objectives of the program.

#### Web Links:

<http://www.epa.gov/superfund/>  
<http://www.epa.gov/swierffrr/>  
<http://www.epa.gov/epaoswer/hazwaste/ca/index.htm>





## Strategic Objective 3— Enhance Science and Research

*Through 2008, provide and apply sound science for protecting and restoring land by conducting leading-edge research and developing a better understanding and characterization of environmental outcomes under Goal 3.*

EPA continues to provide and apply sound science for protecting and restoring land by conducting leading-edge research and developing a better understanding and characterization of the environmental outcomes under Goal 3.

Over the past 5 years, EPA has established the science needed to demonstrate the ability of evapotranspiration (ET) covers, which use vegetation and soils as a sponge to prevent water transmission into landfill contents, to replace conventional landfill covers in many environmental settings. Continuing training and technology transfer activities in FY 2006 have encouraged landfill owners/operators and regulatory authorities to accept the new covers. ET covers have been or are being installed on landfills at

STRATEGIC OBJECTIVE 3—ENHANCE SCIENCE AND RESEARCH		
APG #	APG Title	APG Status
3.7	Scientifically Defensible Decisions for Site Cleanup	✓ Goal Met for FY 2006

Detailed information on these APGs is provided in Section II.2—Annual Performance Goals and Measures: Detailed Results FY 2003–FY 2006, page 164. Additionally, the data that EPA has used to measure its performance are described in the “Supplemental Information” to this report, provided on the Internet. See pages B-89–B-90 at <http://www.epa.gov/ocfo/finstatement/2006PAR>.

more than 30 sites, with cost savings estimated between a few thousand dollars and \$100,000 or more per acre. Research results influenced the responsible parties’ cover selection and were cited in many of the permit applications. Additional training is scheduled for FY 2007.

Also in 2006, EPA published a report describing the results of field research measuring vapor intrusion into homes overlying contaminated ground water.

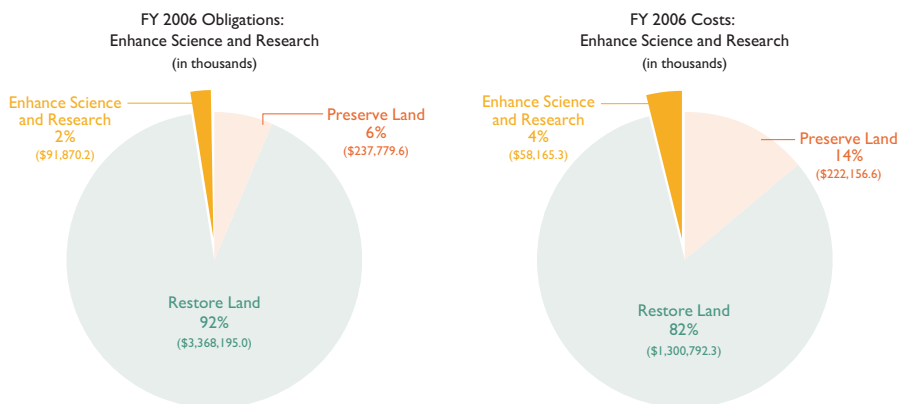
Among other findings, the study illustrated a method to distinguish between volatile organic compounds originating in ground water and those from household sources. The minimally-invasive procedures tested in the study allow direct measurement of contaminants in household air and in the soil immediately below the slab. Results of this work and related research will help inform revisions to EPA’s guidance on evaluating this exposure pathway.

Other EPA work in 2006 included research on monitored natural attenuation (MNA), which has proven to be a cost-effective approach for cleaning up ground water contaminated with organic compounds under conditions where natural degradation processes are not much slower than remedial interventions like pumping and treating. Current research is evaluating the applicability of MNA for inorganic contamination, which has to rely on non-degradative mechanisms to remove the

### PCB Residue Effects Database

When PCBs (polychlorinated biphenyls) are of concern at Superfund sites, lengthy and costly efforts may be required to define critical tissue residues and determine appropriate remediation goals. To shorten this effort and reduce conflict, EPA’s research program has assembled a database on residue-effects for birds, fish, and mammals. Completed in 2006, the database contains 1969 test records for PCBs, 1626 records for polychlorinated dibenzo-p-dioxins, and 7181 records for polychlorinated dibenzofurans. In total, the database includes 904 papers of the 3646 reviewed for potential. In FY 2007, EPA’s research program will make the database available to Superfund Remedial Project Managers and Risk Assessors via its ECOTOX website. The public, private sector, and regulatory authorities will all benefit from more efficient, transparent, and consistent risk estimation practices, which can streamline remedial actions by reducing unnecessary controversy and/or litigation.

GOAL 3: OBJECTIVE 3—ENHANCE SCIENCE AND RESEARCH—FY 2006 RESOURCES



FY 2006 RESOURCES FOR PROGRAM PROJECTS SUPPORTING THIS OBJECTIVE\*

Program/Projects are EPA's fundamental unit for budget execution and cost accounting, and they serve as the foundation for the Agency's budget. Frequently, program/projects support multiple APGs and objectives. This table lists the program/projects and associated resources that support this objective.

PROGRAM PROJECT	FY 2006 OBLIGATIONS	FY COSTS
Congressionally Mandated Projects	\$3,507.5	\$5,043.0
Homeland Security: Communication and Information	\$66.0	\$61.1
Homeland Security: Protection of EPA Personnel and Infrastructure	\$371.0	\$440.7
Research: Land Protection and Restoration	\$66,353.0	\$37,605.0
Research: SITE Program	\$4,569.5	\$3,886.3
Superfund: Remedial	\$6,554.2	\$4,726.1
Administrative Law	\$47.2	\$46.8
Alternative Dispute Resolution	\$13.3	\$15.9
Central Planning, Budgeting, and Finance	\$1,087.7	\$981.8
Civil Rights / Title VI Compliance	\$78.7	\$85.6
Congressional, Intergovernmental, External Relations	\$265.6	\$302.6
Exchange Network	\$349.1	\$162.7
Facilities Infrastructure and Operations	\$1,218.6	\$1,021.1
Acquisition Management	\$509.6	\$491.9
Human Resources Management	\$788.2	\$780.9
Information Security	\$98.7	\$102.9
IT / Data Management	\$4,280.3	\$679.6
Legal Advice: Environmental Program	\$463.6	\$496.2
Legal Advice: Support Program	\$207.7	\$226.8
Audits, Evaluations, and Investigations	\$402.5	\$369.1
Regional Science and Technology	\$12.4	\$25.5
Science Advisory Board	\$49.1	\$52.2
Small Minority Business Assistance	\$20.7	\$25.3
Financial Assistance Grants / IAG Management	\$376.4	\$374.8
Regulatory/Economic-Management and Analysis	\$179.5	\$161.4
<b>TOTAL</b>	<b>\$91,870.1</b>	<b>\$58,165.3</b>

\*Resources associated with Program Projects may not match the Goal and Objective obligations and costs exactly due to rounding.

contamination from the migrating water. A cross-office team has developed a framework for developing lines of evidence for MNA for radioactive and non-radioactive metals. Research at the Industriplex Superfund site in Region 1 contributed to

selection of a remedy estimated to save \$13 million.

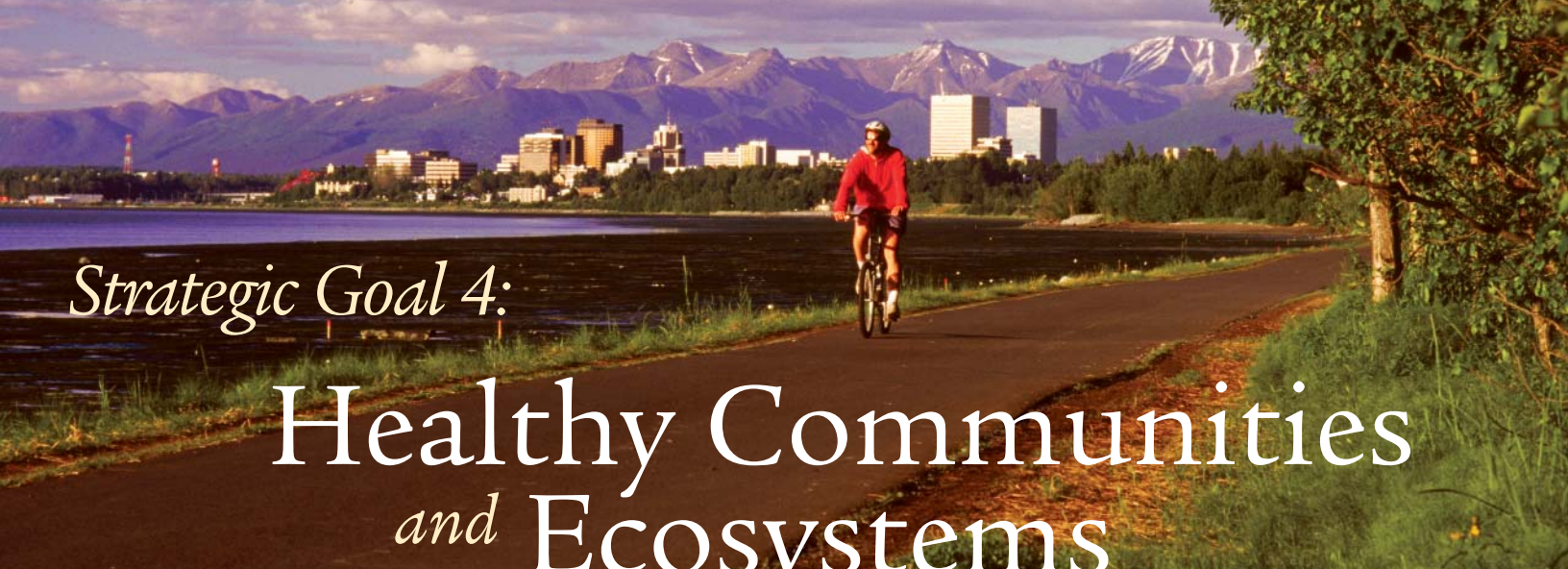
ADDITIONAL INFORMATION RELATED TO OBJECTIVE 3:

**PROGRAM EVALUATIONS:** Board of Scientific Counselors (BOSC) Subcommittee on Land Restoration and Preservation Research: Review of the Office of Research and Development's

Land Restoration and Preservation Research Program. Additional information on this report is available in the Program Evaluation Section, Appendix A, page A-17.

**PART:** The Land Protection and Restoration Research program is being assessed in the 2006 PART process and results will be included in the FY 2008 President's Budget.

**Web Links:** <http://www.epa.gov/ord/>



## Strategic Goal 4:

# Healthy Communities and Ecosystems

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

## Goal Purpose

To protect, sustain, and restore our nation's communities and ecosystems, EPA uses a mix of regulatory programs, partnership efforts, and incentive-based approaches. EPA programs ensure that pesticides and other chemicals entering the market meet health and safety standards, chemicals already in commerce will not harm our health or environment, and that action is taken to reduce risks from chemicals of greatest concern.

Many of our programs to achieve and sustain healthy communities are designed to bring tools, resources, and approaches to bear at the local level. We encourage community redevelopment by providing funds to identify, assess, and clean up hundreds of thousands of properties that lie abandoned or unused due to previous pollution. We help promote community involvement and establish a sense of environmental stewardship to sustain

environmental improvements by assisting communities in addressing local pollution problems through partnerships.

We also collaborate with other federal agencies, states, tribes, local governments and many

nongovernmental organizations on geographically based efforts to protect America's wetlands and major estuaries. Working with our partners and stakeholders, we have established special programs to protect and restore our natural resources.

### Contributing Programs

- Brownfields
- Chemical Risk Review and Reduction
- Chemical Risk Management
- Chesapeake Bay
- Children's Health Protection
- Commission for Environmental Cooperation
- Community Action for a Renewed Environment (CARE)
- Computational Toxicology Research
- Endocrine Disruptors Research
- Environment and Trade
- Environmental Justice
- Global Change Research
- Great Lakes
- Gulf of Mexico
- Homeland Security Research
- Human Health and Ecosystem Protection Research

- Human Health Risk Assessment
- International Capacity Building
- Lead and Lead Categorical Grant Programs
- Long Island Sound
- Mercury Research
- National Environmental Monitoring Initiative
- National Estuary Program
- Persistent Organic Pollutants
- Pesticides and Toxics Research
- Pesticides Licensing and Field Program
- Smart Growth
- Research Fellowships
- State and Local Prevention and Preparedness
- Targeted Watersheds
- US-Mexico Border Wetlands

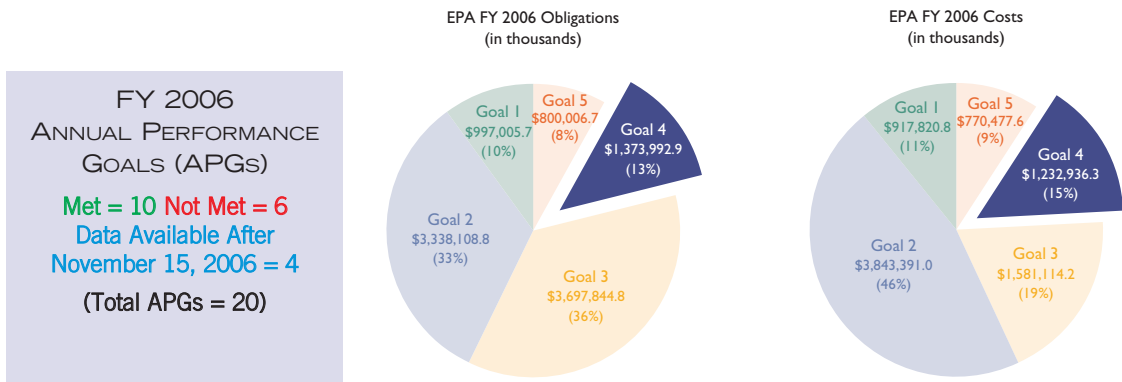
Many human health and environmental risks to the American public originate outside our borders. Many pollutants can travel easily across borders—via rivers, air and ocean currents, and migrating wildlife. EPA employs a range of strategies to help mitigate some of these risks, including participation

in bilateral programs, cooperation with multinational organizations, and contribution to a set of measurable environmental and health end points.


Sound science guides us in identifying and addressing emerging issues and advances our understanding of long-standing

human health and environmental challenges. Our cutting edge research helps us better characterize risks and benefits, further our ability to measure and describe environmental conditions, and encourage stewardship and sustainable solutions to environmental problems.

### Goal 4 At a Glance



#### GOAL 4 FY 2006 PERFORMANCE AND RESOURCES

STRATEGIC OBJECTIVE	APG STATUS	OBLIGATIONS	COSTS
 <b>OBJECTIVE 1—CHEMICAL, ORGANISM, AND PESTICIDE RISKS</b> Prevent and reduce pesticide, chemical, and genetically engineered biological organism risks to humans, communities, and ecosystems.	3 Goals Met 3 Goals Not Met 2 Data Available After 11/15/06	\$469,194.2	\$389,810.4
 <b>OBJECTIVE 2—COMMUNITIES</b> Sustain, clean up, and restore communities and the ecological systems that support them.	2 Goals Met 1 Data Available After 11/15/06	\$276,470.5	\$259,481.7
 <b>OBJECTIVE 3—ECOSYSTEMS</b> Protect, sustain, and restore the health of natural habitats and ecosystems.	2 Goals Met 2 Goals Not Met 1 Data Available After 11/15/06	\$201,189.7	\$173,625.4
 <b>OBJECTIVE 4—ENHANCE SCIENCE AND RESEARCH</b> Through 2008, provide a sound scientific foundation for EPA's goal of protecting, sustaining, and restoring the health of people, communities, and ecosystems by conducting leading-edge research and developing a better understanding and characterization of environmental outcomes under Goal 4.	3 Goals Met 1 Goal Not Met	\$427,138.5	\$410,018.8
<b>GOAL 4 TOTAL</b>	<b>20 APGs</b>	<b>\$1,373,992.9</b>	<b>\$1,232,936.3</b>

## In the Years Ahead. . .

EPA's annual performance goals are stepping stones to longer-range results. These results are specified in a series of "Strategic Targets" that lay out the work we intend to accomplish over the next several years to achieve our objectives under Goal 4. Meeting our annual performance goals moves us closer to such Strategic Targets as:

By 2011, eliminate childhood lead poisoning as a public health concern by reducing to zero the number of cases of children (aged 1-5 years) with elevated blood lead levels.

By 2011, reduce the concentration of pesticides detected in the general population by 50 percent. (Baselines are determined from the Centers for Disease Control's 1999-2002 National Health and Nutrition Examination Survey.)

By 2011, make an additional 1,125 acres of Brownfields ready for reuse from the 2006 baseline.

By 2012, provide safe drinking water to 25 percent of homes in the Mexican border area that lacked access to safe drinking water in 2003. (In 2003, 98,515 homes lacked access to safe drinking water.)

By 2011, working with partners, achieve a net increase of 100,000 acres of wetlands per year with additional focus on biological and functional measures and assessment of wetland condition.

By 2011, prevent water pollution and protect aquatic systems so that the overall ecosystem health of the Great Lakes is at least 23 points on a 40-point scale.

For a complete list of strategic targets, see EPA's new *2006–2011 Strategic Plan*, available at <http://www.epa.gov/ocfo/plan/htm>.



# Strategic Objective 1— Chemical, Organism, and Pesticides Risks

*Prevent and reduce pesticide, chemical, and genetically engineered biological organism risks to humans, communities, and ecosystems.*

EPA's pesticide program promotes public health safety, safe and abundant food, worker safety, and protection of land and other media from pesticide contamination. Our FY 2006 efforts put the Agency on a trajectory to provide long-term health benefits by 2011 that include:

- Reducing the concentration of pesticides detected in the general population by 50 percent.
- Protecting workers exposed to pesticides by maintaining or improving upon the current low incident rate.

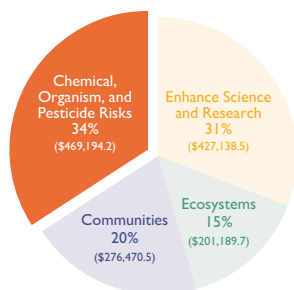
### STRATEGIC OBJECTIVE 1—CHEMICAL, ORGANISM, AND PESTICIDES RISKS

APG #	APG Title	APG Status
4.1	Pesticide Tolerance Reassessments	✓ Goal Met for FY 2006
4.2	Managing PBT Chemicals Internationally	✗ Goal Not Met for FY 2006
4.3	Decrease Risk from Agricultural Pesticides—Pesticide Registration	✗ Goal Not Met for FY 2005
4.4	Decrease Risk from Agricultural Pesticides—Acre Treatments with Reduced Risk Pesticides	FY 2006 Data Available in 2007
		✓ Goal Met for FY 2005
4.5	TRI Information	✓ Goal Met for FY 2006
4.6	Exposure to Industrial/Commercial Chemicals	FY 2006 Data Available in 2009
		FY 2005 Data Available in 2009
4.7	Risks from Industrial/Commercial Chemicals	✗ Goal Not Met
4.8	Chemical Facility Risk Reduction	✓ Goal Met for FY 2006

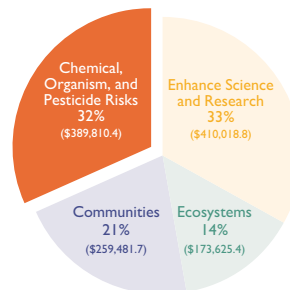
Detailed information on these APGs is provided in Section II.2—Annual Performance Goals and Measures: Detailed Results FY 2003–FY 2006, pages 165–169. Additionally, the data that EPA has used to measure its performance are described in the "Supplemental Information" to this report, provided on the Internet. See pages B-90–B-108 at <http://www.epa.gov/ocfo/finstatement/2006PAR>.

**GOAL 4: OBJECTIVE I—CHEMICAL, ORGANISM, AND PESTICIDE RISKS—FY 2006 RESOURCES**

**FY 2006 Obligations:**  
Chemical, Organism, and Pesticide Risks  
(in thousands)



**FY 2006 Costs:**  
Chemical, Organism, and Pesticide Risks  
(in thousands)



**FY 2006 RESOURCES FOR PROGRAM PROJECTS SUPPORTING THIS OBJECTIVE\***

*Program/Projects are EPA's fundamental unit for budget execution and cost accounting, and they serve as the foundation for the Agency's budget. Frequently, program/projects support multiple APGs and objectives. This table lists the program/projects and associated resources that support this objective.*

PROGRAM PROJECT	FY 2006 OBLIGATIONS	FY 2006 COSTS
Categorical Grant: Pesticides Program Implementation	\$14,605.4	\$9,235.6
Categorical Grant: Lead	\$14,961.5	\$12,180.0
Commission for Environmental Cooperation	\$510.3	\$335.2
Congressionally Mandated Projects	\$3,117.8	\$7,291.9
Homeland Security: Communication and Information	\$645.8	\$597.2
Homeland Security: Preparedness, Response, and Recovery	\$2,072.6	\$1,684.7
Homeland Security: Protection of EPA Personnel and Infrastructure	\$4,324.7	\$5,588.1
International Capacity Building	\$2,497.5	\$2,637.3
Pesticides: Field Programs	\$25,171.1	\$22,830.0
Pesticides: Registration of New Pesticides	\$54,496.6	\$31,335.0
Pesticides: Review / Reregistration of Existing Pesticides	\$78,948.1	\$57,246.4
POPs Implementation	\$1,953.3	\$2,839.0
State and Local Prevention and Preparedness	\$11,425.1	\$12,381.3
Toxic Substances: Chemical Risk Management	\$9,658.2	\$10,352.2
Toxic Substances: Chemical Risk Review and Reduction	\$43,070.5	\$44,043.0
Toxic Substances: Lead Risk Reduction Program	\$12,022.5	\$13,238.7
TRI / Right to Know	\$13,887.5	\$13,805.2
Administrative Law	\$461.7	\$457.6
Alternative Dispute Resolution	\$130.3	\$155.3
Central Planning, Budgeting, and Finance	\$6,319.8	\$5,837.3
Children and other Sensitive Populations	(\$0.1)	\$6.0
Civil Rights / Title VI Compliance	\$862.0	\$934.4
Congressional, Intergovernmental, External Relations	\$3,241.6	\$3,596.3
Exchange Network	\$3,413.6	\$1,591.1
Facilities Infrastructure and Operations	\$78,308.5	\$76,965.6
Acquisition Management	\$4,072.8	\$4,055.4
Human Resources Management	\$7,267.7	\$6,981.0
Information Security	\$914.9	\$795.5
IT / Data Management	\$56,618.7	\$26,018.5
Legal Advice: Environmental Program	\$4,559.5	\$4,833.7
Legal Advice: Support Program	\$1,946.3	\$2,108.6
Audits, Evaluations, and Investigations	\$2,228.8	\$2,389.6
Regional Science and Technology	\$197.0	\$291.5
Science Advisory Board	\$480.4	\$510.8
Small Minority Business Assistance	\$202.3	\$247.0
Financial Assistance Grants / IAG Management	\$2,844.7	\$2,836.4
Regulatory/Economic-Management and Analysis	\$1,755.2	\$1,578.0
<b>TOTAL</b>	<b>\$469,194.2</b>	<b>\$389,810.4</b>

\*Resources associated with Program Projects may not match the Goal and Objective obligations and costs exactly due to rounding.

- Achieving a 50 percent reduction in moderate to severe incidents for 6 acutely toxic pesticides.
- Reducing the percent of urban watersheds that exceed National Pesticide Program aquatic life benchmarks for three key pesticides and reducing the percent of agricultural watersheds that exceed EPA aquatic life benchmarks for two key pesticides.

In addition, the Pesticide Program's success in ensuring that safe pesticides continue to be available to address emergency pest infestations results in avoiding \$1.5 billion in crop losses and \$900 million in termite structural damage each year.

The 1996 Food Quality Protection Act (FQPA) required EPA to reassess the safety of thousands of existing tolerances and tolerance exemptions by August 3, 2006, while simultaneously making determinations about the reregistration of existing pesticides and reviewing the registrations of thousands of pesticide end-use products. EPA substantially succeeded in meeting these important goals.

FQPA required the Agency to complete 33 percent of the required tolerance reassessment decisions within 3 years, 66 percent within 6 years, and 100 percent within 10 years, giving priority to the review of pesticides that pose the greatest risk to public health. EPA readily met the first two statutory deadlines and completed nearly all the remaining

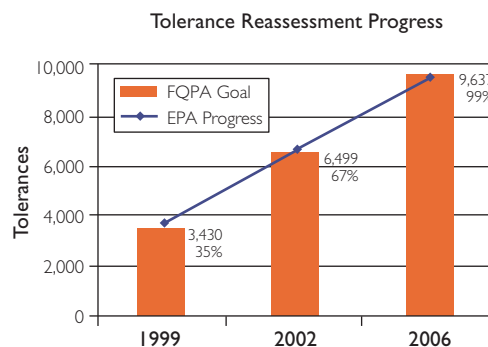
tolerance reassessment decisions within the 10-year timeframe. This tolerance reassessment effort has led to EPA decisions to revoke or modify thousands of existing tolerances and to require the establishment of many new tolerances, improving food safety and human health protection in the United States.

FQPA presented new challenges that strengthened EPA's existing pesticide reregistration program. Thus, the Agency set a goal to complete reregistration of all the food-use pesticides as it completed their tolerance reassessments. Reregistering food-use pesticides meant not only that EPA reassessed their tolerances, but also evaluated the safety of those pesticides for workers and the environment. This effort entailed review of tens of thousands of new studies—a significant amount of additional work to accomplish in 10 years. EPA has completed nearly all of this work:

- Completed 9,637, or over 99 percent of the 9,721 tolerance reassessment decisions required by FQPA.
- Recommended the revocation of 3,200 tolerances.
- Recommended the modification of 1,200 tolerances.
- Confirmed the safety of 5,237 tolerances.

The 84 remaining tolerance reassessment decisions are directly linked to 5 pesticides (aldicarb, oxamyl, carbaryl, formetanate,

and carbofuran). All of these are carbamates, with aldicarb having 23 of the tolerance decisions pending. The remaining 4 are carbamates linked to 61 of the tolerance decisions, where the individual tolerance has been completed but cannot be counted until the cumulative assessment is done. In order to complete cumulative assessment on these carbamates, EPA first needs to complete aldicarb. Human studies legislation in August 2005 required EPA develop a new rule to guide EPA consideration of such data. Following Congress' direction, EPA established a Human Studies Review Board (HSRD) in February 2006. The Board is tasked with conducting an independent review of EPA data used for this and other purposes, which directly contributes toward EPA's decisions on tolerance reassessments. EPA asked the HSRB to review the results of 29 completed human toxicity studies concerning 12 different



pesticides. The Board recommended EPA incorporate additional human studies data for aldicarb, studies deemed to have been conducted in an ethical manner. EPA concurred with the Board's recommendation resulting in the need to

## PESTICIDE PROGRAMS IN THE FIELD

EPA's regional pesticide programs work with states, tribes, local governments, and the regulated community in a variety of efforts to reduce risks associated with pesticide use and protect communities and the environment.

### Collecting and Disposing of Pesticides

One objective established in EPA's Strategic Plan is to reduce the worldwide inventory of persistent organic pollutants, such as DDT, Endrin, and Toxaphene. EPA Region 9 staff worked with Arizona and Sonora, Mexico to collect unwanted and obsolete pesticides from farmers in the U.S-Mexico Border region and dispose of them properly. Many of the pesticides collected had been improperly stored, were packaged in deteriorating containers, or posed a risk to children playing in or waste piles. Approximately 36,000 pounds and 300 gallons of waste pesticides were collected in San Luis, Sonora; the Yuma, AZ event brought in approximately 5,600 pounds and 180 gallons of waste pesticides, including Endrin, Diazinon, and 2,4-D—all of which have been cancelled or severely restricted in approved uses.

### Pesticide Tribal Circuit Rider

To ensure coverage of Indian country under the Federal Insecticide, Fungicide, and Rodenticide Act (FIFRA), EPA's Region 8 successfully piloted an innovative approach with the Cheyenne River Sioux Tribe. Under a unique cooperative agreement with EPA, the Tribe hosts a pesticide circuit rider who performs program and enforcement activities on several reservations as an extension of Region 8's responsibility for direct implementation. As a result, FIFRA program coverage was extended to two South Dakota reservations: Lower Brule and Crow Creek. Other tribes in the region are following the development and implementation of the circuit rider program with great interest. Region 8 has secured additional EPA funding to add two more pesticide tribal circuit riders to the program.

conduct a new risk assessment. EPA will complete decisions on the remaining tolerance reassessments by 2007 after following all appropriate procedures for the new risk assessment, such as considering public comment.

EPA's pesticide registration program licenses pesticides for use, ensuring they present a reasonable certainty of no harm to human health and the environment. During FY 2006, EPA made impressive progress in reviewing and registering new pesticides, new uses for existing pesticides, and other registration requests in accordance with FQPA standards and Pesticide Registration Improvement Act timeframes. In completing these actions, EPA gave special consideration to susceptible populations, especially children. Specific accomplishments included registering 15 reduced-risk chemicals and biopesticides, 101 new active ingredients, and 235 new uses.

### EXPLANATION OF MISSED GOAL (SEE SECTION II.2 FOR PERFORMANCE RESULTS AND TREND INFORMATION):

**APG 4.3:** EPA did not achieve its annual performance goal for Decreased Risk from Agricultural Pesticides because the program was unable to meet its target for the following measure, "Maintain timeliness of S18 decisions." EPA's response time for S18 decisions (emergency pesticide use exemptions for pest infestations) was slightly higher than the target of 45 days because the focus of the program was diverted to address





Homeland Security and food security concerns associated with soybean rust.

Under this objective, EPA also identifies and reduces risks presented by new and existing chemicals and manages risks associated with national priority chemicals, such as polychlorinated biphenyls (PCBs), asbestos, and lead. The Agency achieved significant results in FY 2006 that contribute to providing many important health benefits by 2011, including:

- Managing risks that EPA has identified as unacceptable from 100 percent of High Production Volume (HPV) chemicals.
- Eliminating childhood blood lead poisoning as a public health concern.
- Reducing to 28 percent the difference in the geometric mean blood lead level in low-income children aged 1-5 as compared to the geometric mean for non-low-income children aged 1-5.
- Eliminating the use of lead in gasoline in 35 countries that still use lead as an additive, affecting more than 700 million people.

EPA's HPV Challenge Program is a key component of the Agency's strategy for identifying and addressing risks posed by chemicals already in commerce. Under the HPV Challenge, the Agency will complete work by December 2006 to provide the public with critical health and environmental effects data on

more than 2,200 chemicals encountered in communities every day. As of August 2006, 373 chemical companies and 104 industry consortia had volunteered to provide data directly to EPA for 1,383 HPV chemicals and to the International Council of Chemical Associations (ICCA), the European component of the program, for 862 chemicals. Data for 1,350 of the HPV chemicals and 360 of the ICCA chemicals



will be available to the public by the end of 2006. U.S. chemical manufacturers voluntarily expanded the HPV program, launching the Extended HPV Program in FY 2006 to make data publicly available for an additional 574 chemicals that achieved HPV status after the EPA HPV Challenge Program was established.

EPA's ability to make HPV data publicly available was substantially enhanced in FY 2006 through the release of the HPV

Information System (HPVIS), a searchable on-line database. As of August 2006 this powerful new tool contained 300 submissions, representing 863 chemical substances, either as single chemical submissions or as members of chemical categories. Additional submissions will be added over time. HPVIS is also being used to run a step-wise Tiering Process to set priorities for the Agency's reviews of individual chemicals and categories of chemicals. The reviews will result in a screening-level characterization of the potential hazards of each chemical examined.

#### EXPLANATION OF MISSED GOALS (SEE SECTION II.2 FOR PERFORMANCE RESULTS AND TREND INFORMATION):

**APG 4.6:** EPA did not achieve its FY 2004 targets regarding the safe disposal of 8,000 transformers and 6,000 capacitors because EPA's annual performance targets for PCB disposal were established using uncertain and outdated information.

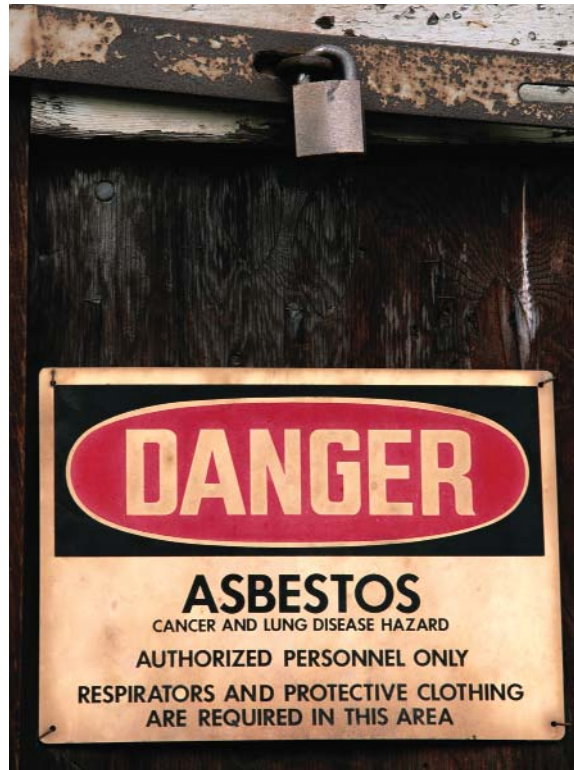
**APG 4.7:** With regard to the Voluntary Children's Chemical Evaluation Program (VCCEP) Data Needs, EPA could not complete and issue the Data Needs documents because additional information needed to finalize the documents could not be obtained from the volunteer company sponsors. The volunteer company sponsors experienced unexpected delays in responding to requests for additional information.

In addition to focusing on HPV chemicals and reviewing new chemicals before they enter U.S. commerce, EPA also is assessing and acting on several prominent existing chemicals of potential concern. The Agency continued to explore the hazards, sources, and pathways of exposure and risks of perfluorooctanoic acid (PFOA), a chemical widely used in consumer products such as non-stick cookware coating, fire resistance materials, dental floss, and breathable sportswear and clothing. In FY 2006 EPA launched a global PFOA Stewardship Program, under which participating companies have committed to reducing PFOA from emissions and product content by 95 percent no later than 2010 and completely by 2015.

Polybrominated diphenyl ethers (PBDEs) used as flame retardants appear to be persistent and bioaccumulative in the environment. During FY 2006 EPA outlined a comprehensive approach to addressing PBDEs. In addition, pursuant to Great Lakes Chemical Corporation's voluntary phase-out of pentaBDE and octaBDE, on June 13, 2006 EPA issued a final Significant New Use Rule requiring that EPA be notified prior to U.S. manufacture or import of these commercial products for any use.

The Agency has also made substantial progress in addressing national priority chemicals, including asbestos, PCBs, and mercury. In November 2005 EPA

issued an Asbestos Project Plan to (1) improve the state of the science for asbestos; (2) identify and address ways people are exposed to asbestos in products, schools, and buildings and potential ways to reduce exposure; and (3) assess and reduce risks associated with areas that require asbestos cleanup. During FY 2006 EPA continued outreach to raise



public awareness of asbestos issues, for example, releasing a draft brochure for public comment on *Current Best Practices for Preventing Asbestos Exposure Among Brake and Clutch Repair Workers* (August 2006). Other FY 2006 efforts focused on asbestos-contaminated vermiculite attic insulation.

EPA continued to focus on the safe management, cleanup, and disposal of PCBs, issuing *PCB Site Revitalization Guidance* to assist with PCB cleanups,

particularly in Brownfields redevelopment. EPA worked with the Navy to ensure proper disposal of the ex-Oriskany as an artificial reef off the coast of Florida.

EPA's *Roadmap for Mercury*, released in FY 2006, lays out the Agency's direction for mercury and provides the most current programmatic information on ongoing and planned actions to reduce mercury. Through international partnerships, EPA is working both domestically and abroad to reduce the use of mercury in products. Under the National Vehicle Mercury Switch Recovery Program, mercury switches are removed from old automobiles before the vehicles are melted to make new steel, thereby reducing the mercury emitted by electric arc furnaces (See Goal 5). EPA also proposed a rule effectively to close out the use of elemental mercury switches in convenience light assemblies and anti-lock brake systems in post-2003 automobiles.

The proposed Significant New Use Rule for mercury switches in motor vehicles is one way the Agency is promoting reduced use of mercury in products cost-effectively.

Data released in 2005 by the Centers for Disease Control demonstrated major reductions in the incidence of childhood lead poisoning—from approximately 900,000 children with elevated blood lead levels in the early 1990s to 310,000 children from 1999 to 2002. These findings

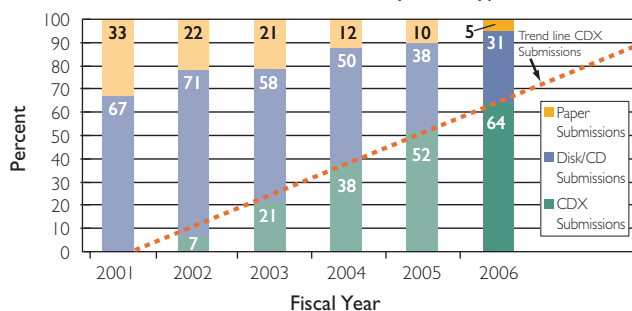
indicate major progress towards EPA's 2008 strategic target for reducing the incidence of childhood lead poisoning to 90,000 cases as well as toward the federal goal to eliminate this disease as a public health concern by 2010. Because the remaining population of at-risk children is often difficult to reach and evidence has shown a higher incidence of childhood lead poisoning among low-income than non-low income children, in FY 2006 EPA established a second long-term goal for the Lead Program to reduce the disparity in blood lead levels between low- and non-low-income children. In addition, the Agency refined its public education and outreach efforts to reduce exposure to at-risk children and launched a targeted grant program aimed at reducing the incidence of child lead poisoning in vulnerable populations. To reduce children's exposure to hazards created by renovation, remodeling, and painting that disturb lead-based paint, EPA proposed a major new rule to establish lead-safe work practices and is currently working

to finalize this rule. EPA, in coordination with the Partnership for Clean Fuels and Vehicles, also assisted 40 countries in phasing lead out of gasoline, including 36 countries in sub-Saharan Africa.

EPA's Central Data Exchange (CDX)—the portal for electronic data reporting for the Agency—supports the Government Paperwork Elimination Act, enhances the quality of information, and allows for more timely collection and publication of environmental data. EPA tracks the utilization of CDX by stakeholders (EPA programs, states, tribes, local governments, and industry), which is correlated with improved data quality and timeliness of information needed to

support environmental program management. For FY 2006, CDX exceeded the majority of its performance measures, for example, achieving a total of 32 systems flowing data, exceeding the FY 2006 target of 29 data flows. At the end of FY 2005, CDX reported 22 data flows in production. Between FYs 2005 and 2006, CDX added 10 data flows—an increase of more than 24 percent. CDX and the Exchange Network achieved a total of 41 state nodes and 1 tribal node in production for FY 2006, exceeding the target for state nodes by 3. The number of states participating in the TRI State Data Exchange expanded from 4 to 12. Due to the addition of new data flows, CDX achieved more than 60,000 registered accounts in FY 2006, exceeding its target by 26 percent.

TRI Submissions by Media Type



#### EXPLANATION OF MISSED GOAL (SEE SECTION II.2 FOR PERFORMANCE RESULTS AND TREND INFORMATION):

**APG 4.2:** By supporting the United Nations Environment Programme's (UNEP) publication of the Global Mercury Assessment in 2002 and creation of the UNEP Mercury Program in 2003, EPA catalyzed many efforts to

better characterize mercury use and emissions globally. As part of a voluntary effort to inventory emission data by key sector, for example, China completed a "situational assessment" of mercury use and emissions. The inventory measured coal content in various coals in China, traced which coals were going to which power plants, and arrived at an overall emissions estimate for the entire power sector in China (comprising about 300 plants of 300 mw or greater generating capacity). The Department of Energy took stack emissions measurements at six of these power plants. With these two sets of data, we achieved a clear picture of the emissions from this sector in China.

In India, monitoring and reporting on mercury stack emissions has been delayed due to ongoing national discussions regarding this power sector. As a result, fewer power sector inventories are underway than were planned for FY 2006. EPA continues to work closely with appropriate ministries in the Government of India and will disseminate data to U.S. government partners once they become available.

#### ADDITIONAL INFORMATION RELATED TO OBJECTIVE 4.1:

**PROGRAM EVALUATIONS:** OIG Reports: Measuring the Impact of the Food Quality Protection Act: Challenges and Opportunities; and Opportunities to Improve Data Quality and Children's Health through the Food Quality Protection Act.

Eastern Research Group Inc. for EPA Office of Planning, Economics and Innovation and EPA Office of Pollution Prevention and Toxics: Evaluation of EPA Hospitals for Healthy Environment (H2E) Program.

Additional information on these reports is available in the Program Evaluation Section, Appendix A, page A-18.

**GRANTS:** The Exchange Network Grant Program is used to support the state, tribe, and territories performance measure. Grants are available to build out state IT infrastructure, develop state nodes, and to develop data exchanges with EPA and states.

Lead Categorical Grants contribute significantly to reductions in the incidence of childhood lead poisoning. In FY 2006, the Agency launched a targeted grant program aimed at reducing the incidence of child lead poisoning in vulnerable populations.

**PART:** *The Existing Chemicals Program was assessed in the 2002 PART process and received a rating of "results not demonstrated." The program was reassessed in the 2003 PART process and received a rating of "adequate." In response to the PART process, the program is conducting follow-up actions which include developing an efficiency measure targeting reduced costs to process TSCA 8(e) Notice of Substantial Risk reports and making data available to users.*

*The New Chemicals Program was assessed in the 2002 PART process. The program initially received a rating of "adequate." The program was reassessed in the 2003 PART process and received a rating of "moderately effective." In response to the PART process, the program is conducting follow-up actions which include developing an efficiency measure targeting reduced costs during initial stages of the Pre-Manufacture Notice review process resulting from information technology improvements.*

*The Lead Program (including Lead Categorical Grants) was assessed in the 2005 PART process and received a rating of "moderately effective." In response to the PART process, the program is conducting follow-up actions which include improving oversight of regional office operations and grantee performance, assessing the effectiveness of the program's*

*outreach activities, and improving the linkage of program goals to the resources supporting their achievement.*

*The Pesticide Registration Program was first assessed in the 2002 PART process and initially received a rating of "results not demonstrated." The program was reassessed in the 2003 PART process and received a rating of "adequate." In response to the PART process, the program is conducting follow-up actions which include the development of outcome efficiency measures and risk-based outcome performance measures, improvements to management grantee performance information, and establishing more substantive linkages between the budget and program performances.*

*The Pesticide Reregistration Program was first assessed in the 2002 PART process and initially received a rating of "results not demonstrated." The program was reassessed in the 2004 PART process and received a rating of "adequate." In response to the PART process, the program is conducting follow-up actions which include the development of outcome efficiency measures and risk-based outcome performance measures, improvements to management grantee performance information, and establishing more substantive linkages between the budget and program performances.*

*The Pesticide Field Program was assessed in the 2004 PART process and received a rating of "results not demonstrated." In response to the PART process, the program is conducting follow-up actions which include the development of outcome efficiency measures and risk-based outcome performance measures, improvements to management grantee performance information, and establishing more substantive linkages between the budget and program performances.*

*The Endocrine Disruptor Program (consisting of the OPPTS Endocrine Disruptor Screening Program (EDSP and ORD endocrine disruptor efforts) was assessed in the 2004 PART process and received a rating of "adequate." In response to the PART process, the program is conducting follow-up actions, which include developing an efficiency measure.*

#### Web Links:

[www.epa.gov/tri/report/trime/tutorials/index.htm](http://www.epa.gov/tri/report/trime/tutorials/index.htm) [www.epa.gov/cdx](http://www.epa.gov/cdx)



## Strategic Objective 2— Communities

*Sustain, clean up, and restore communities and the ecological systems that support them.*

### MEXICO BORDER

Through the Border Water Infrastructure Program, EPA, Mexico's National Water Commission, and U.S. and Mexican states sharing the international boundary continue to make significant progress in providing access to safe drinking water and adequate wastewater collection and treatment to residents in the border area. Under the program, each federal and state participant provides a share of the capital funding which, together with border area communities' resources, is used to construct water and wastewater plants and pipelines where this infrastructure does not exist, is undersized, or is outdated and obsolete. In FY 2006, EPA implemented a new system to identify the most severe public health and environmental threats for funding priority. All of the EPA-funded projects are beginning design and construction. EPA has solicited project proposals for FY 2007-08, and the evaluation process for ranking projects is underway. The ranking emphasizes program efficiency, based on the number of people served and homes connected to facilities relative to EPA funding. Projects selected, developed, and designed before the new prioritization system was in place are now either completed and operating or nearing completion.

STRATEGIC OBJECTIVE 2—COMMUNITIES		
APG #	APG Title	APG Status
4.9	World Trade Organization—Regulatory System	✓ Goal Met for FY 2006
4.10	Revitalize Properties	FY 2006 Data Available in 2007
		✗ Goal Not Met for FY 2005
4.11	U.S. – Mexico Border Outreach	✓ Goal Met for FY 2006

Detailed information on these APGs is provided in Section II.2—Annual Performance Goals and Measures: Detailed Results FY 2003–FY 2006, pages 169–170. Additionally, the data that EPA has used to measure its performance are described in the “Supplemental Information” to this report, provided on the Internet. See pages B-108–B-111 at <http://www.epa.gov/ocfo/finstatement/2006PAR>.

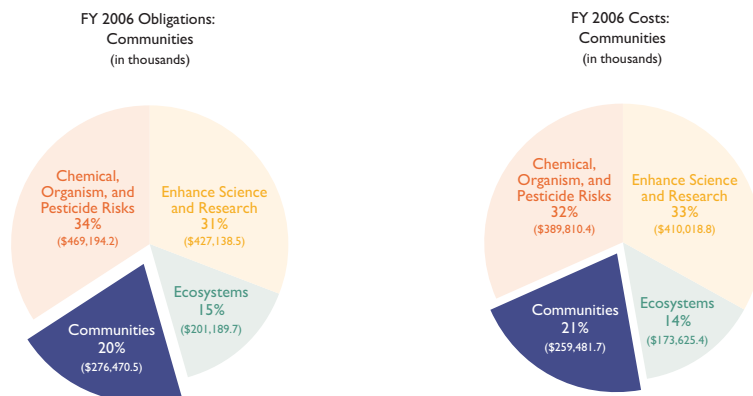
Along the U.S.-Mexico border, the second of the three largest tire piles is expected to be cleaned up by the end of 2006. The Centinela site in the Mexicali area contained approximately 1.2 million scrap tires. Removed tires are used in cement kilns as tire-derived fuel, in asphalt as crumb rubber, and in erosion control embankments, among other uses. Since 2003, close to 2.5 million scrap tires have been cleaned up along the border, using resources from both the United States and Mexico. The number of abandoned scrap tires along the U.S.-Mexico border is estimated at 9-10 million. EPA also has worked closely with Secretariat of Environment & Natural Resources (Secretaría del Medio Ambiente y Recursos Naturales, SEMARNAT) to introduce ultra-low sulfur fuels in the U.S.-Mexico border region.

### BROWNFIELDS

EPA's Brownfields Program is on target to achieve its performance goals. Complete performance information for FY 2006 is not yet available because of the grantee reporting cycle; however, EPA expects to report this information in June 2007. FY 2005 results now available show that the Brownfields program achieved its performance goals, assessing 1,381 properties, cleaning up 68 properties, and leveraging 6,128 jobs and \$1 billion in cleanup and redevelopment funding.

EPA's Brownfields Program made 1,088 acres ready for reuse through site assessment or property cleanup. The Agency has expanded the definition of “ready for reuse” to include certification that any required institutional controls are in place.

GOAL 4: OBJECTIVE 2—COMMUNITIES—FY 2006 RESOURCES



FY 2006 RESOURCES FOR PROGRAM PROJECTS SUPPORTING THIS OBJECTIVE\*

Program/Projects are EPA's fundamental unit for budget execution and cost accounting, and they serve as the foundation for the Agency's budget. Frequently, program/projects support multiple APGs and objectives. This table lists the program/projects and associated resources that support this objective.

PROGRAM PROJECT	FY 2006 OBLIGATIONS	FY 2006 COSTS
Categorical Grant: Brownfields	\$52,993.5	\$46,542.7
Brownfields	\$8,670.7	\$38,730.2
Commission for Environmental Cooperation	\$3,686.5	\$3,746.8
Congressionally Mandated Projects	\$2,239.8	\$1,310.6
Environment and Trade	\$2,329.6	\$1,914.3
Environmental Justice	\$5,286.1	\$5,723.1
Geographic Program: Other	\$1,726.6	\$905.3
Homeland Security: Communication and Information	\$99.7	\$92.0
Homeland Security: Protection of EPA Personnel and Infrastructure	\$456.0	\$571.3
Brownfields Projects	\$100,288.4	\$51,908.4
Infrastructure Assistance: Mexico Border	\$48,929.1	\$63,248.4
Regulatory Innovation	\$2,702.4	\$2,961.8
US Mexico Border	\$8,003.0	\$6,678.1
Administrative Law	\$72.0	\$71.4
Alternative Dispute Resolution	\$20.8	\$24.5
Central Planning, Budgeting, and Finance	\$1,958.7	\$1,793.3
Children and other Sensitive Populations	\$969.4	\$2,694.9
Civil Rights / Title VI Compliance	\$177.5	\$190.5
Congressional, Intergovernmental, External Relations	\$817.2	\$873.9
Exchange Network	\$529.0	\$248.9
Facilities Infrastructure and Operations	\$9,943.4	\$9,914.8
Acquisition Management	\$524.7	\$507.4
Human Resources Management	\$834.7	\$805.8
Information Security	\$78.0	\$68.0
IT / Data Management	\$5,697.5	\$3,002.9
Legal Advice: Environmental Program	\$703.5	\$724.7
Legal Advice: Support Program	\$257.0	\$271.4
Audits, Evaluations, and Investigations	\$2,086.2	\$2,128.8
Regional Geographic Initiatives	\$7,734.1	\$7,404.1
Regional Science and Technology	\$64.7	\$63.7
Science Advisory Board	\$75.0	\$79.7
Small Minority Business Assistance	\$31.6	\$38.5
Financial Assistance Grants / IAG Management	\$1,628.0	\$1,624.7
Children and Other Sensitive Populations: Agency Coordination	\$4,582.3	\$2,370.7
Regulatory/Economic-Management and Analysis	\$273.8	\$246.2
<b>TOTAL</b>	<b>\$276,470.5</b>	<b>\$259,481.8</b>

\*Resources associated with Program Projects may not match the Goal and Objective obligations and costs exactly due to rounding.

**EXPLANATION OF MISSED GOAL (SEE SECTION II.2 FOR PERFORMANCE RESULTS AND TREND INFORMATION):**

**APG 4.10:** EPA believes that the 62 percent placement rate (cumulative) for the Job Training Program is primarily linked to two issues. First, grantees may not be reporting job placements following the close of their grant once funding has been exhausted. EPA is working with its job training grantees to establish procedures that will count persons placed after the grant has been closed out. Second, while grantees often train many people, there are a number of reasons why individuals may not be placed. Some graduates elect to pursue further education; others may take a number of temporary contractual work placements before obtaining full-time employment in the construction/remediation/environmental industry.

**ENVIRONMENTAL JUSTICE**

EPA continued to integrate environmental justice in the Agency's day-to-day work and to address environmental justice concerns, funding and working with 30 community-based organizations nationwide to improve environmental and human health conditions through collaborative problem-solving. In FY 2006, EPA also awarded six grants to community-based organizations located in areas impacted by Hurricanes Katrina and Rita to help address environmental justice concerns.

**Canyon Creek Watershed Brownfields Assessment Project**

Ouray County, CO is receiving a \$200,000 Brownfields Assessment Grant that targets approximately 2,204 acres of the Canyon Creek watershed impacted by silver and gold mining activities in the late 1800s. In April 2006, 231 patented mining claims within the Canyon Creek Basin were investigated, and 160 of the 232 claims were found to be free of mining contamination. Now that the uncertainty about contamination has been removed, public entities and land trusts are moving forward to acquire the privately held claims. The U.S. Forest Service has acquired 5 claims totaling 55.66 acres; a local land trust is in negotiations to acquire an additional 90 acres to be preserved as backcountry open space. The study also identified those claims with the greatest potential for health and environmental impacts. The second phase of this project entails an assessment to fully characterize 10 of these claims. Ouray County is preparing to undertake cleanup and restoration efforts that may be required.



**INTERNATIONAL EFFORTS**

EPA is cooperating with Russia to develop and implement joint projects on homeland security research, including a new project on the use of polyguanidine-based disinfectants for protecting drinking water and a proposed project on hazardous

chemical stability in drinking water. Even in the remote Arctic, industrial chemicals such as polychlorinated biphenyls (PCBs) are found in the tissues of local wildlife. As a result of EPA's efforts, in FY 2006 more than 756 metric tons of obsolete pesticides were inventoried and placed into environmentally-safe

## Wastewater Collection and Treatment Along the U.S.-Mexico Border

Before 1989, rapid, unplanned urban growth occurred in much of the South Central region of Doña Ana County, New Mexico. During this time, development and construction in the communities of Vado, Del Cerro, La Mesa, San Miguel, Berino, and Chamberino were essentially unregulated. Today, many existing unregulated residential lots contain five or six homes on one acre of land. Wastewater is treated by onsite systems, many including failing septic tanks, and 40 percent of the homes have cesspools. Field observations have shown that surface flow of raw sewage is rampant within all six communities, threatening the shallow groundwater table. Furthermore, the high density of homes combined with a prominent layer of poorly draining soil causes frequent surfacing of contaminated water, posing an immediate threat to public health. Rodents and insects are attracted into the area, and children who enjoy playing in water puddles after rainstorms can stray into contaminated water.

To address this lack of sanitation, EPA has proposed a project to construct a wastewater collection system and wastewater treatment plant. The project, which will cover an area beginning 12 miles south of Las Cruces along Highway 128 and extending to about 10 miles south, will serve a 2000 population of 9,140 and a 2020 population of 17,400.



temporary storage facilities in eight Arctic and sub-Arctic regions of the Russian Federation. To date, EPA's efforts have helped to inventory and store more than 2300 tons of obsolete pesticides.

### ADDITIONAL INFORMATION RELATED TO OBJECTIVE 4.2:

**PROGRAM EVALUATIONS:** EPA Needs to Conduct Environmental Justice Reviews of Its Programs, Policies, and Activities. Additional information on this report is available in the Program Evaluation Section, Appendix A, page A-20.

**GRANTS:** This objective is supported by grants provided to the Border Environment Cooperation Commission and the North American Development Bank for water infrastructure. In FY 2005, the funding for the U.S.-Mexico Border water infrastructure grants was \$49.6 million. Although no new projects were certified in FY 2005 due to the development of the prioritization system, progress on existing projects continued to provide safe drinking water and sanitation to citizens on the border.

EPA's Brownfields Program works in partnership with states, tribes, localities, and other stakeholders to promote the assessment, cleanup, and sustainable reuse of brownfields properties. In 2006, EPA selected 184 communities to receive Brownfields Assessment Grants for inventory, planning, and assessment activities. EPA selected 96 communities to receive Brownfields Cleanup Grants for work at identified properties. In addition, 12 communities received grants to capitalize revolving loan funds that provide loans and subgrants for property cleanup; 12 grants were awarded to establish environmental job training programs in communities impacted by brownfields. EPA awarded nearly \$50 million in grant funding to states and tribes to establish and enhance state and tribal response programs.

**PART:** *The U.S.-Mexico Border Water Infrastructure Program was assessed in the 2004 PART process and received a rating of "adequate." In response to the PART process, the program is conducting follow-up actions which include developing baselines and targets for its long-term and efficiency measures.*

*The Brownfield's Program was assessed in the 2003 PART process and received a rating of "adequate." In response to the PART process, the program is conducting follow-up actions which include implementing new performance measures, modernizing its information collection infrastructure, and conducting regional program reviews.*

#### Web Links:

<http://www.epa.gov/border2012/>  
<http://www.epa.gov/brownfields/>  
<http://www.epa.gov/gmpo/>  
<http://www.epa.gov/brownfields/>





# Strategic Objective 3— Ecosystems

*Protect, sustain, and restore the health of natural habitats and ecosystems.*

## ECOSYSTEMS

In FY 2006, the cooperative efforts of EPA, states, tribes, and others helped to restore and protect important ecosystems across the country. Some key successes include:

- Protecting nationally significant estuaries and coastal habitat. EPA and its partners expanded implementation of key actions called for in plans for protecting 28 nationally significant estuaries, including protecting more than 140,000 acres of coastal habitat in these estuarine areas.
- Protecting the Great Lakes. EPA began implementing near-term actions to improve the Great Lakes ecosystem, including remediating contaminated sediments.

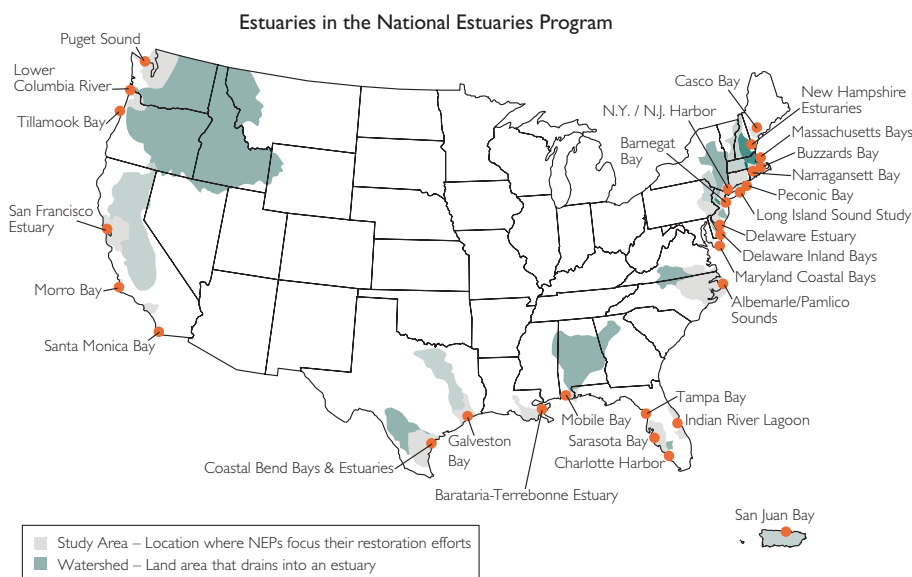
STRATEGIC OBJECTIVE 3—ECOSYSTEMS		
APG #	APG Title	APG Status
4.12	Protecting and Enhancing Estuaries	✓ Goal Met for FY 2006
4.13	Protect Wetlands	FY 2006 Data Available in 2011
		FY 2005 Data Available in 2011
4.14	Great Lakes Ecosystem	✓ Goal Met for FY 2006
4.15	Chesapeake Bay Habitat	✗ Goal Not Met for FY 2006
4.16	Gulf of Mexico	✗ Goal Not Met for FY 2006

Detailed information on these APGs is provided in Section II.2—Annual Performance Goals and Measures: Detailed Results FY 2003–FY 2006, pages 171–173. Additionally, the data that EPA has used to measure its performance are described in the “Supplemental Information” to this report, provided on the Internet. See pages B-111–B-131 at <http://www.epa.gov/ocfo/finstatement/2006PAR>.

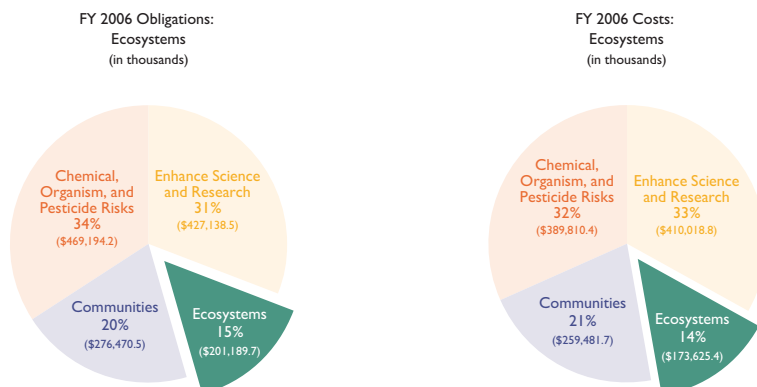
- Protecting the Gulf of Mexico. EPA and states implemented programs, including restoring and protecting coastal habitat and restoring polluted waterbodies, which resulted in an improvement in the overall condition of the Gulf of Mexico.

## NATIONAL ESTUARY PROGRAM

The return on EPA’s investment in the National Estuary Program (NEP) is high. In 2006, the 28 NEPs leveraged approximately \$18 million in EPA base funding to generate nearly \$600 million (35:1). (See the NEP GPRA Habitat Report and [ww.epa.gov/owow/estuaries](http://ww.epa.gov/owow/estuaries)). In 2006, NEPs used these and other funds to protect and restore more than 140,000 acres of habitat. These results were obtained via the strong relationships NEPs have forged with a diversity of private, local, state, and federal partners. Because population growth density are rapidly increasing along U.S. coasts, progress in improving water quality and restoring and protecting habitat in these coastal areas will continue to require the concerted efforts of EPA and our state and local partners.



**GOAL 4: OBJECTIVE 3—ECOSYSTEMS—FY 2006 RESOURCES**



**FY 2006 RESOURCES FOR PROGRAM PROJECTS SUPPORTING THIS OBJECTIVE\***

Program/Projects are EPA's fundamental unit for budget execution and cost accounting, and they serve as the foundation for the Agency's budget. Frequently, program/projects support multiple APGs and objectives. This table lists the program/projects and associated resources that support this objective.

PROGRAM PROJECT	FY 2006 OBLIGATIONS	FY 2006 COSTS
Categorical Grant:Wetlands Program Development	\$13,336.9	\$13,927.9
Categorical Grant:Targeted Watersheds	\$15,670.4	\$8,040.3
Congressionally Mandated Projects	\$7,377.3	\$3,202.0
Geographic Program: Chesapeake Bay	\$22,273.7	\$24,481.1
Geographic Program: Great Lakes	\$20,044.0	\$20,604.9
Geographic Program: Gulf of Mexico	\$3,712.3	\$3,544.2
Geographic Program: Lake Champlain	\$3,980.8	\$2,429.3
Geographic Program: Long Island Sound	\$958.6	\$1,147.8
Geographic Program: Other	\$6,520.8	\$4,147.6
Great Lakes Legacy Act	\$32,567.0	\$17,784.7
Homeland Security: Communication and Information	\$130.2	\$120.4
Homeland Security: Protection of EPA Personnel and Infrastructure	\$213.1	\$275.6
National Estuary Program / Coastal Waterways	\$26,298.5	\$25,539.2
Wetlands	\$20,449.3	\$20,868.2
Administrative Law	\$93.1	\$92.3
Alternative Dispute Resolution	\$26.3	\$31.3
Central Planning, Budgeting, and Finance	\$5,053.1	\$4,762.5
Civil Rights / Title VI Compliance	\$269.1	\$286.2
Congressional, Intergovernmental, External Relations	\$1,245.7	\$1,305.6
Exchange Network	\$688.3	\$320.8
Facilities Infrastructure and Operations	\$10,889.4	\$10,828.9
Acquisition Management	\$349.0	\$347.6
Human Resources Management	\$797.8	\$780.3
Information Security	\$44.8	\$38.8
IT / Data Management	\$4,231.4	\$2,651.5
Legal Advice: Environmental Program	\$958.9	\$970.5
Legal Advice: Support Program	\$298.1	\$306.1
Audits, Evaluations, and Investigations	\$1,363.3	\$1,461.3
Regional Geographic Initiatives	(\$282.2)	\$1,733.4
Regional Science and Technology	\$100.8	\$101.5
Science Advisory Board	\$96.9	\$103.0
Small Minority Business Assistance	\$40.8	\$49.8
Financial Assistance Grants / IAG Management	\$1,038.4	\$1,022.7
Regulatory/Economic-Management and Analysis	\$353.9	\$318.2
<b>TOTAL</b>	<b>\$201,189.8</b>	<b>\$173,625.5</b>

\*Resources associated with Program Projects may not match the Goal and Objective obligations and costs exactly due to rounding.

### EXPLANATION OF SIGNIFICANTLY EXCEEDED GOAL (SEE SECTION II.2 FOR PERFORMANCE RESULTS AND TREND INFORMATION):

**APG 4.12:** It is extremely difficult to determine a realistic acreage goal when so many varying factors can influence that number. Moreover, acreage has varied widely among and between NEPs and from year to year, making it very difficult to determine any pattern or trends in the total number of acres protected or restored from one year to the next. However, because most NEPs have now been implementing protection and restoration projects for 15 years, there is general agreement that most of the "easier" projects have been tackled. Remaining projects will be more difficult—at a minimum, they will require more lead time. In addition, some NEPs with smaller study areas have less land in need of protection or restoration.

As part of the PART process, EPA revised NEP habitat acreage goals. While the program's PART results came too late to affect the FY 2006 strategic planning process, EPA considered them when setting FY 2007 targets. For the NEP acreage strategic target, EPA has increased its goal by 100 percent, setting a national target of 50,000 acres.

### WETLANDS

The 2006 National Wetlands Inventory Status and Trends Report showed that from 1998 to 2004 wetland gains exceeded wetland losses in the United

States at a rate of 32,000 acres per year. EPA works with the U.S. Army Corps of Engineers to implement the Clean Water Act (CWA) Section 404 wetlands permit program. Also, through several non-regulatory wetlands programs, EPA works with states and other partners to protect and restore wetlands.

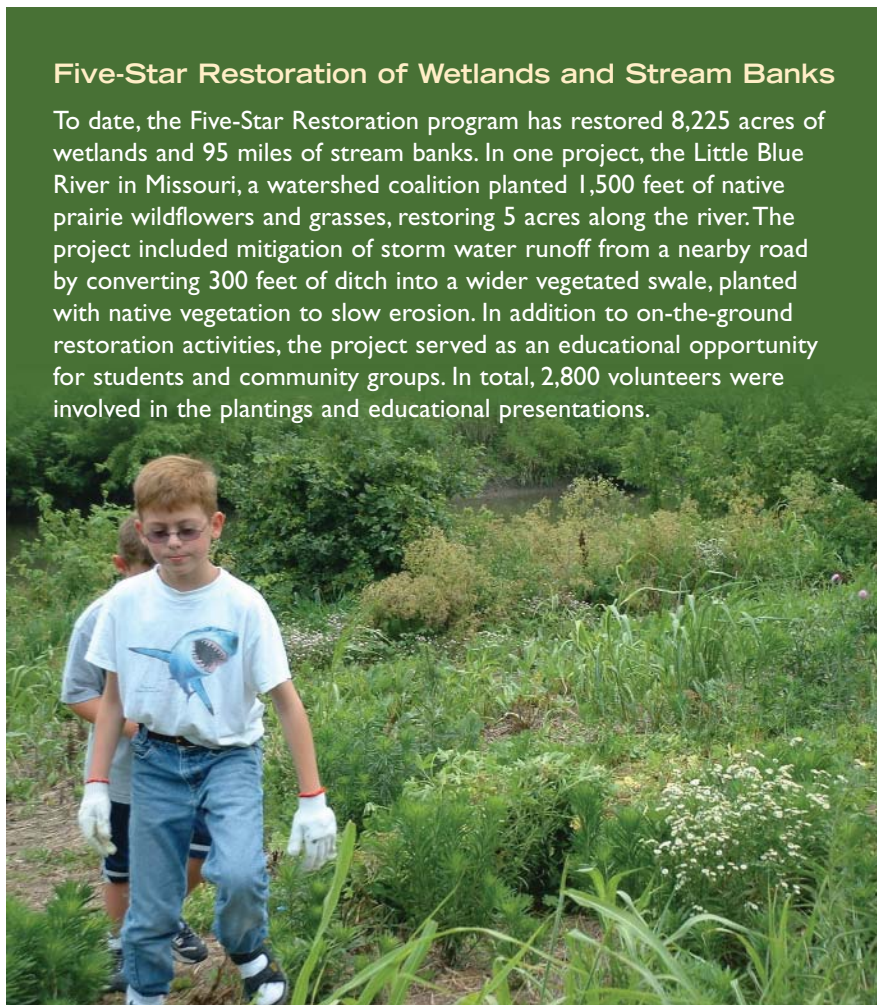
### GREAT LAKES

Measures under EPA's Great Lakes annual performance goal assess the overall progress U.S. environmental programs are making in protecting and restoring the chemical, physical, and biological integrity of the Great Lakes ecosystem. Improvements in the index and measure would

indicate that fewer toxics are entering the food chain, ecosystem and human health is better protected, fish are safer to eat, water is safer to drink, and beaches are safer for swimming. EPA met its FY 2006 Great Lakes Index target score of 21.1 out of a possible 40, but the decline from 21.9 to 21.1 in FY 2006 is due to the drinking water quality violation. Although the index did not maintain last year's higher score, performance results show long-term progress in the Great Lakes ecosystem condition from a baseline score of 20. Improvements in phosphorus concentrations and air toxics deposition and a decrease in drinking water quality are reflected in the current index

### Five-Star Restoration of Wetlands and Stream Banks

To date, the Five-Star Restoration program has restored 8,225 acres of wetlands and 95 miles of stream banks. In one project, the Little Blue River in Missouri, a watershed coalition planted 1,500 feet of native prairie wildflowers and grasses, restoring 5 acres along the river. The project included mitigation of storm water runoff from a nearby road by converting 300 feet of ditch into a wider vegetated swale, planted with native vegetation to slow erosion. In addition to on-the-ground restoration activities, the project served as an educational opportunity for students and community groups. In total, 2,800 volunteers were involved in the plantings and educational presentations.



### Ruddiman Creek Cleanup

In May 2006, the community of Muskegon, Michigan celebrated completing the Great Lakes Legacy sediment cleanup project at Ruddiman Creek and Pond. Completed in about 10 months, the project removed 89,870 cubic yards of sediment, which contained approximately 328,000 pounds of lead, chromium, and other contaminants. Wing dams and flow structures were installed to better protect the shoreline during storm events. The disturbed areas are being graded and new native plantings installed to protect the creek banks and begin restoring the site. The project cost about \$13 million, with 65 percent funded through the Great Lakes Legacy Act and 35 percent through the State of Michigan's Clean Michigan Initiative funds. This is the third remediation project completed to date under the Great Lakes Legacy Program.

Further information on the Great Lakes Legacy Act program is available from: <http://www.epa.gov/greatlakes/sediment/legacy/index.html>



score.<sup>1</sup> The drinking water component of the index reflecting three drinking water quality violations in 2005 has proven more volatile than anticipated and is expected to be revised in 2007 to be consistent with EPA's drinking water program. According to the rating guidelines, the drinking water component received a perfect score of 5 when reported in 2005 because no treatment facilities reported drinking water violations. Although only 3 violations were reported throughout the whole of the Great Lakes, a score of 3 was assigned for reporting in 2006 because those 3 violations were in the 2–5 percent range described in the index. There has been no substantial increase to human health risk because of these isolated drinking water violations. State information now shows that only 40 million, rather than 75 million, cubic yards of contaminated sediment require remediation; this is good news for the Great Lakes, but a baseline issue that did not otherwise affect the index in 2006. Thus, while one performance measure under this annual performance goal was not met for FY 2006 and data is unavailable for another, the more comprehensive measure based on the Great Lakes Index indicates that EPA met its goal for FY 2006.

On December 12, 2005, EPA Administrator Steve Johnson announced at the Great Lakes Regional Collaboration that the Bush Administration had identified 48 near-term prioritized actions in support of the Great Lakes. Since then, the Wetlands Working Group has been created

and is making advances such as the Great Lakes Habitat Initiative and Coastal Wetlands Restoration Partnership. The Aquatic Invasive Species Rapid Response Working Group was created and is making progress; the Midwest Natural Resources Group has developed an “Action Plan for Addressing Terrestrial Invasive Species Within the Great Lakes Basin;” and beach sanitary surveys have been developed to help state and local water program managers ascertain local beach contamination and evaluate conditions that pose risks to human health at recreational beaches.

Analysis reported in 2006 indicated that on average, total PCB concentrations in whole Great Lakes top predator fish declined 6 percent annually between 1990 and 2003, meeting the target for declines in concentration trends. Additional reporting for this measure will be delayed until mid-2007, due to a change in principal investigators. Cleanup efforts, such as remediating contaminated sediments and reducing PCB loadings to the Great Lakes, need to be continued and enhanced to maintain the declining trend. Based on Lake Michigan data, current concentrations in lake trout are approximately eight times the wildlife protection value (0.16 ppm), and current concentrations in game fish fillets are approximately ten times the unlimited consumption level for protection of human health (.05ppm). Atmospheric deposition has been shown to be a significant source of pollutants to the Great Lakes. From 1992 to 2004, concentrations of PCBs in

U.S. air measured at stations on Lakes Superior, Michigan, and Erie decreased an average of 8 percent annually, meeting the targeted commitment.

In FY 2006, EPA reported the remediation of 375,000 cubic yards of contaminated sediments in calendar year 2005 through the combined efforts of EPA, states, and other partners, including the second and third Great Lakes Legacy Act projects. On May 15, 2006, at the completion of Ruddiman Creek dredging, Congressman Peter Hoekstra stated that, “A lot of times we go to Washington, and we pass a bill, and we declare a victory, and nothing has happened. This is actually a case where we go to Washington, we pass a bill, it comes back, and it almost works exactly the way we envisioned it to work, and that’s because of all the folks that have come together that have shared the same vision.” Having remediated 4.1 million cubic yards of contaminated sediments through calendar year 2005, EPA and its partners have already substantially exceeded the 2008 goal of remediating 3.3 million cubic yards of contaminated sediments.

In 2006, EPA and its state and local partners announced that cleanup efforts had improved conditions enough to remove the Oswego River Area of Concern (AOC) from the list of the most polluted areas in the Great Lakes basin. This is the first U.S. area to come off the list of Great Lakes’ AOCs. The Oswego River has been transformed from an area plagued by a legacy of pollution problems, uncontrolled wastewater

discharges, contaminated fish and fish habitats, and excessive algae growth to an environmental success story. Pollution reduction activities; watershed best-management practices; cooperation by local municipalities, industry, power utilities and the Port of Oswego; and many other improvements have contributed to a healthier watershed. EPA is working with states to restore impaired beneficial uses (such as restrictions on fish consumption due to high contaminant levels) in the AOCs in order to delist eight AOCs by 2010 and all by 2025. Monitoring results in 2006 identified impediments to restoring additional AOCs until 2007. EPA has targeted additional resources to accelerate progress in AOCs in order to meet AOC restoration goals.

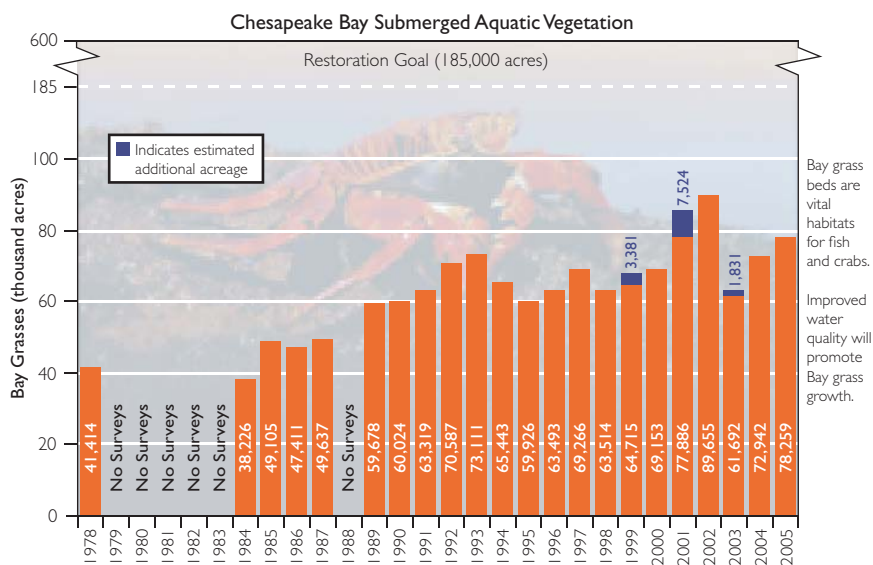
Phosphorus is the limiting nutrient in the Great Lakes that controls algae growth. Lake Erie exceeded phosphorus guideline levels in recent years, particularly in its central basin, which is most representative of the Lake’s anoxia problems. Elevated phosphorus

concentrations in Lake Erie are linked to the increased “dead zone,” or zone of limited dissolved oxygen. FY 2006 data indicate that the targeted concentration level was not met. Exploration of this problem, which was identified by the Great Lakes National Program Office, is being augmented by work with the National Oceanic and Atmospheric Administration (NOAA) and Environment Canada.

### CHESAPEAKE BAY

In FY 2006, the Chesapeake Bay Program achieved 42 percent (78,260 acres) of its long-term goal to restore 185,000 acres of submerged aquatic vegetation (SAV) necessary to achieve Chesapeake Bay water quality standards, compared to 21 percent (38,211 acres) in 1984.

To achieve water quality standards in the Chesapeake Bay as soon as possible, EPA is committed to increasing the current pace of restoration. Working with its Bay Program partners, the Agency will make the most cost-effective use of



Source: US EPA Chesapeake Bay Program data from Virginia Institute of Marine Sciences.

available regulatory, incentive, and voluntary tools; identify opportunities to reduce nutrient and sediment loads; and find new economies and innovations to accelerate progress dramatically. A key strategy to reduce nutrient discharges is implementing advanced wastewater treatment. Another key strategy to reduce nitrogen, phosphorus, and sediment loadings is restoring and protecting riparian forests that prevent sediment and nutrient pollution from entering waterways from the land. Implementing best agricultural management practices to reduce nutrients and sediment is also key to achieving Bay goals, and EPA will work closely with the U.S. Department of Agriculture to promote these efforts.

**EXPLANATION OF MISSED GOAL (SEE SECTION II.2 FOR PERFORMANCE RESULTS AND TREND INFORMATION):**

**APG 4.15:** EPA did not meet its FY 2006 goal of restoring acres of SAV to 90,000, as it missed targets for reducing the nutrient (phosphorus and nitrogen) and sediment pollution loads that play a crucial role in restoring SAV. The FY 2006 target for SAV was developed in accordance with an ambitious timeframe that reflects deadlines for 2010 established in *Chesapeake 2000* agreements. To develop the targets included in its 2006-2011 *Strategic Plan*, EPA conducted a “reality-check” assessment of timeframes for accomplishing long-term goals. The FY 2011 target for achieving 45 percent (83,250 acres) of the SAV restoration goal is ambitious, yet realistically reflects this assessment.

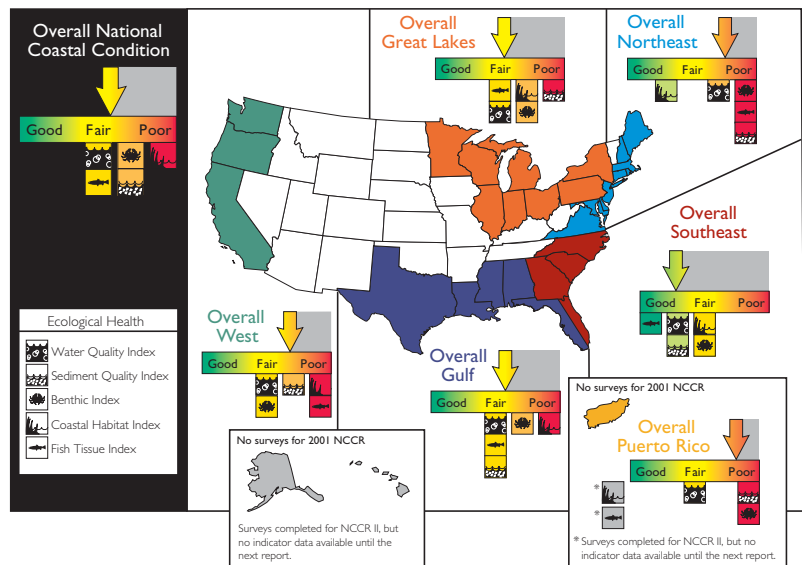
**GULF OF MEXICO**

The National Coastal Condition Report II released in 2005 describes the ecological and environmental conditions in U.S. coastal waters. It represents a coordinated effort among EPA, NOAA, the U.S. Geological Survey, the U.S. Fish and Wildlife Service, and coastal states. The 2005 Coastal Condition Report was based on data collected from a variety of federal, state, and local sources, most notably EPA's National Coastal Assessment Program. These data sets include samples taken from 1997 to 2000 at more than 191 locations across the Gulf of Mexico. The resulting

ecological assessment of the Gulf shows estuaries to be in fair condition. The condition of the Gulf of Mexico improved from 1.9 in the 2001 report to 2.4 in the 2005 report. There is a data gap of 2 years, with the next report to be released in 2007.

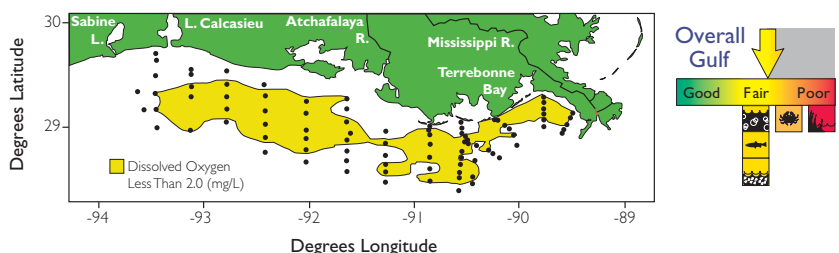
In 2006, the coast-wide extent of the Gulf of Mexico's hypoxic zone was mapped at 17,280 square kilometers (6,662 square miles). The low-oxygen waters extended from near the Mississippi River to the Louisiana-Texas border. The 5-year running average from 2002-2006 is now 14,994, up from the previous average of 14,128.

Overall National Coastal Condition



Source: US EPA National Coastal Condition Report II, December 2004. More information available at <http://www.epa.gov/owow/oceans/nccr2>

Area of Bottom Hypoxia, Gulf of Mexico, July 21-28, 2006



Data provided by N. Rabalais, Louisiana Universities Marine Consortium

### EXPLANATION OF MISSED GOAL (SEE SECTION II.2 FOR PERFORMANCE RESULTS AND TREND INFORMATION):

**APG 4.16:** This goal was not met due to an increase in the hypoxic zone in the Gulf of Mexico. Seasonal formation of hypoxia is influenced by discharges and nutrient loads of Mississippi and Atchafalaya Rivers. The larger hypoxic zone in summer 2006 was attributed to nitrate loading in May. While there was a lower-than-average Mississippi River flow in 2006, the higher nitrate loading in May 2006 resulted in a larger hypoxic zone.

### ADDITIONAL INFORMATION RELATED TO OBJECTIVE 4.3:

#### PROGRAM EVALUATIONS:

Chesapeake Bay Program—Improved Strategies Are Needed to Better Assess, Report, and Manage Restoration Progress, October 28, 2005. Additional information on this report is available in the Program Evaluation Section, Appendix A, page A-20.

**GRANTS:** Section 320 of the Clean Water Act provides for annual grants to NEPs. NEPs have been very effective at leveraging this “base” grant funding by building relationships with diverse private, local, state, and federal partners

Wetland Program Development Grants (WPDG) are critical for building state, tribal and local government capacity to protect and manage wetlands. Established in 1990, the WPDG program provides \$15 million in funds to states, tribes, and local governments to develop programs that increase their participation in wetland restoration, improvement, and protection activities.

The Great Lakes National Program Office program issues state and tribal grants for Lake-wide Management Plans and Remedial Action Plans (addressing Areas of Concern). The program issues competitive grants addressing Pollution Prevention and Reduction, Habitat (Ecological) Protection and Restoration, Invasive Species, and Strategic or Emerging Issues, Atmospheric Deposition, Fish Contaminants, and Biology. The program also addresses contaminated sediments through grants and through project agreements pursuant to the Great Lakes Legacy Act.

CWA Section 117(e) grants fund the full range of state water quality nutrient reduction programs. The grants have a particular emphasis on state tributary strategy implementation to improve water quality and help meet the goals of the Chesapeake 2000 agreement.

Chesapeake Bay Small Watershed Grants funding goes to local governments and watershed organizations to restore wetlands, create riparian buffers, protect undeveloped lands, and improve citizen awareness. All of these outcomes will reduce nutrients and sediments that will help improve water clarity, which will improve SAV habitat.

Targeted Watershed Initiative grants support nitrogen reduction in the Mississippi River Basin, with a special emphasis on support for innovative programs allowing trading of nutrient reductions.

**PART:** *The Chesapeake Bay Program is being assessed in the 2006 PART process and results will be included in the FY 2008 President’s Budget.*

#### Web Links:

<http://www.epa.gov/glnpo/>

<http://www.chesapeakebay.net/>

<http://www.ijc.org/php/publications/html/sedrem.html>

### Achievements in the Gulf of Mexico

With the support of numerous federal, state, local, and private partners, the Gulf of Mexico Program in FY 2006 reduced impaired water-body listings in the 13 priority areas of the Gulf of Mexico by 20 percent. This achievement is largely attributable to measures the program has taken to improve states’ science and monitoring capabilities, advancing their ability to identify and remediate excess sources of non-point source pollution.

In FY 2006, the Harmful Algal Blooms (HABs) Observing System went “live” in South Florida. Launched in collaboration with the National Oceanic and Atmospheric Administration, the U.S. Geological Survey, and the National Aeronautic and Space Administration, the HABs system is recognized as a flagship model coastal ocean monitoring application for the Gulf Coast Ocean Observing System, currently used to identify and track Red Tide outbreaks in South Florida. The HABs system will provide state public health agencies with more effective tools for protecting the public from respiratory risks along affected bathing beaches and potential consumption of poisoned shellfish. In FY 2007, the application helps support HABs monitoring in South Texas and Veracruz, MX.

To advance best management practices for reducing nutrient discharges and loadings to the Mississippi River Basin, the Gulf of Mexico Program helped to establish a four-region (Dallas, Atlanta, Kansas City, and Chicago), two-office (Office of Water and Gulf of Mexico Program) cooperative. The cooperative is expected more effectively to engage major Mississippi River Basin agricultural producers in the Gulf Hypoxia Reduction Program.

The Gulf Program exceeded its cumulative goal to restore, protect, or enhance coastal and marine habitats by 3,000 acres for FY 2006. In collaboration with the National Oceanic and Atmospheric Administration’s Coastal Restoration Program, the Corporate Wetlands Restoration Program, The Nature Conservancy, and the National Fish and Wildlife Foundation, the Gulf Program has reached 16,458 acres toward a 20,000 acre goal by 2009.





## Strategic Objective 4— Enhance Science and Research

*Through 2008, provide a sound scientific foundation for EPA's goal of protecting, sustaining, and restoring the health of people, communities, and ecosystems by conducting leading-edge research and developing a better understanding and characterization of environmental outcomes under Goal 4.*

EPA's research programs continue to conduct leading-edge research to provide a sound scientific foundation for EPA's goal of protecting, sustaining, and restoring the health of people, communities, and ecosystems.

In FY 2006, EPA developed an interactive watershed toolkit (Watershed Health Assessment Tools Investigating Fisheries—What If<sup>2</sup>) to assist environmental managers in developing and implementing solutions to restore damaged areas and protect aquatic systems. By linking habitat quality and aquatic ecosystem response models with a regional hydrologic model that simulates habitat characteristics, managers can determine how fisheries would develop under differing management scenarios.

EPA also completed research to identify the species of mold responsible for causing and exacerbating asthma. This work is important for understanding human health risks and developing effective mitigation strategies following natural disasters. Human health researchers also developed biological models that will help evaluate human risk of exposure to environmental pollutants such as arsenic, based on experimental evidence from laboratory animals. Collaborative

STRATEGIC OBJECTIVE 4—ENHANCE SCIENCE AND RESEARCH		
APG #	APG Title	APG Status
4.17	Validating Assays for Endocrine Disruptors	✗ Goal Not Met for FY 2006
		✗ Goal Not Met for FY 2005
4.18	Human Health Risk Assessment Research	✓ Goal Met for FY 2006
4.19	Research on Endocrine Disrupting Chemicals	✓ Goal Met for FY 2006
4.20	Homeland Security Research	✗ Goal Not Met for FY 2006
		✗ Goal Not Met for FY 2005

Detailed information on these APGs is provided in Section II.2—Annual Performance Goals and Measures: Detailed Results FY 2003–FY 2006, pages 174–177. Additionally, the data that EPA has used to measure its performance are described in the “Supplemental Information” to this report, provided on the Internet. See page B-131 at <http://www.epa.gov/ocfo/finstatement/2006PAR>.

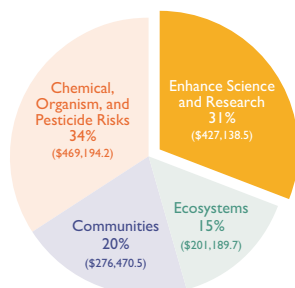
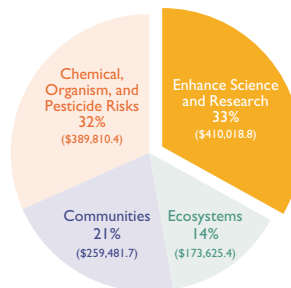
efforts with other federal agencies have also identified the potential non-residential sources of exposures for several environmental agents known to produce developmental toxicity. This information is essential for risk managers responsible for developing mitigation and prevention strategies to prevent unnecessary exposure to toxic materials in non-residential settings.

Research under EPA's pesticides and toxics research program is directly influencing regulatory actions and risk assessment decisions. Research identifying pesticides to which the young are uniquely sensitive was critical to EPA's decisions to cancel or reduce household and agricultural uses of selected cholinesterase-inhibiting pesticides and to collect

data on comparative sensitivity to further evaluate the risk to infants and children. EPA created and validated a model for assessing the fate and transport of organophosphates as they move from natural source waters through municipal water treatment plants. Further, EPA created a cross-laboratory working group on perfluorinated chemicals (PFCs) research to foster communication and collaboration. PFC research products on characterizing the developmental toxicity and exposure levels in animals, developing analytical methods for characterizing their environmental distribution, and determining their environmental degradation have been incorporated into EPA's risk assessments. Additionally, EPA research found the first evidence for escape of



## GOAL 4: OBJECTIVE 4—ENHANCE SCIENCE AND RESEARCH—FY 2006 RESOURCES

FY 2006 Obligations:  
Enhance Science and Research  
(in thousands)FY 2006 Costs:  
Enhance Science and Research  
(in thousands)

## FY 2006 RESOURCES FOR PROGRAM PROJECTS SUPPORTING THIS OBJECTIVE\*

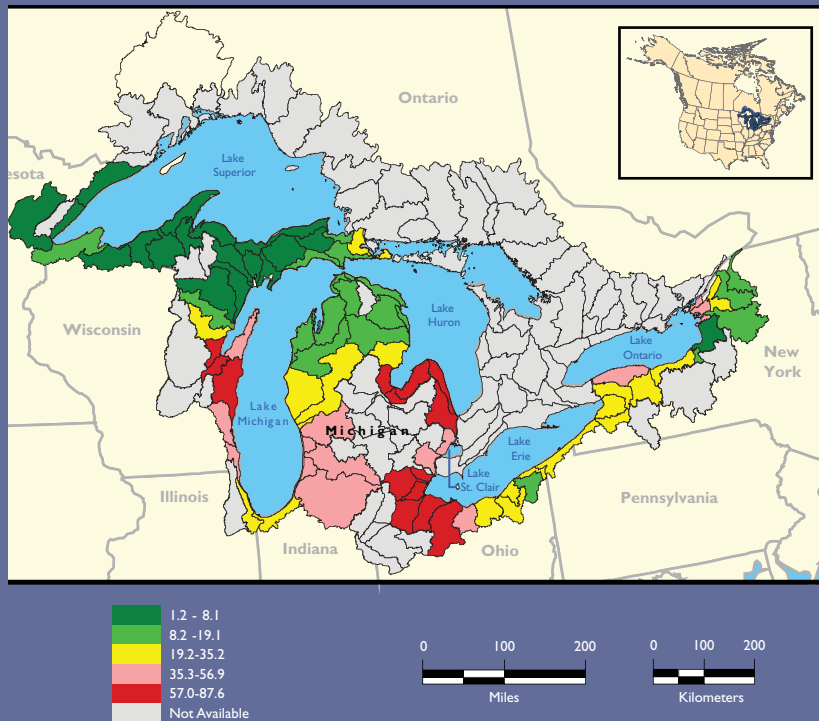
Program/Projects are EPA's fundamental unit for budget execution and cost accounting, and they serve as the foundation for the Agency's budget. Frequently, program/projects support multiple APGs and objectives. This table lists the program/projects and associated resources that support this objective.

PROGRAM PROJECT	FY 2006 OBLIGATIONS	FY 2006 COSTS
Congressionally Mandated Projects	\$16,723.3	\$14,976.6
Endocrine Disruptors	\$7,278.7	\$10,186.5
Homeland Security: Communication and Information	\$465.1	\$430.1
Homeland Security: Preparedness, Response, and Recovery	\$29,804.4	\$36,508.8
Homeland Security: Protection of EPA Personnel and Infrastructure	\$2,623.1	\$3,120.1
Human Health Risk Assessment	\$37,459.7	\$36,405.0
Research: Computational Toxicology	\$13,340.1	\$8,516.5
Research: Endocrine Disruptor	\$11,218.4	\$12,152.4
Research: Global Change	\$17,858.2	\$19,028.7
Research: Human Health and Ecosystems	\$170,479.2	\$173,756.5
Research: Pesticides and Toxics	\$28,675.3	\$30,841.4
Research: Fellowships	\$15,488.8	\$15,764.8
Science Policy and Biotechnology	\$2,041.5	\$2,261.1
Administrative Law	\$332.5	\$329.6
Alternative Dispute Resolution	\$93.8	\$111.8
Central Planning, Budgeting, and Finance	\$7,973.6	\$7,330.9
Civil Rights / Title VI Compliance	\$554.4	\$602.5
Congressional, Intergovernmental, External Relations	\$1,870.6	\$2,131.0
Exchange Network	\$2,458.3	\$1,145.8
Facilities Infrastructure and Operations	\$9,785.1	\$8,604.7
Acquisition Management	\$3,274.4	\$3,259.2
Human Resources Management	\$5,553.8	\$5,496.5
Information Security	\$695.8	\$724.1
IT / Data Management	\$30,573.6	\$5,228.4
Legal Advice: Environmental Program	\$3,264.2	\$3,494.2
Legal Advice: Support Program	\$1,462.4	\$1,596.9
Audits, Evaluations, and Investigations	\$2,727.3	\$2,924.4
Regional Science and Technology	\$87.2	\$179.2
Science Advisory Board	\$345.6	\$367.5
Small Minority Business Assistance	\$145.7	\$177.8
Financial Assistance Grants / IAG Management	\$1,220.4	\$1,229.3
Regulatory/Economic-Management and Analysis	\$1,264.0	\$1,136.4
<b>TOTAL</b>	<b>\$427,138.5</b>	<b>\$410,018.7</b>

\*Resources associated with Program Projects may not match the Goal and Objective obligations and costs exactly due to rounding.

## Great Lakes Basin Technology

In 2006, EPA developed the Great Lakes Basin (GLB) Landscape Ecology Metric Browser, a product that maps and interprets landscape-scale ecological metrics within 1, 5, and 10 kilometer regions of coastal land in the Great Lakes Basin. EPA's Region 5 and the Great Lakes National Program Office use the browser for planning and decision making.



engineered genes from genetically modified (GM) crops into wild plant populations within the United States. Experimental protocols will be used to help inform regulatory decisions regarding the environmental safety of GM crops.

In the study of endocrine disruptors, EPA scientists have developed cell lines and receptor binding assays to measure a chemical's ability to interact with estrogen (female hormone) and androgen (male hormone) receptors. Additional research has identified the best parameters to use from these assays to develop Quantitative Structure Activity Relationship models to predict whether an untested chemical

may interfere with these hormones. EPA's research is leading to the development of a "tool box" of assays and computational models that could be used to prioritize and screen large numbers of chemicals for their potential to interfere with normal estrogenic and androgenic activity, without having to use large numbers of laboratory animals.

To support homeland security efforts, EPA developed several tools, protocols and tested numerous technologies through the National Homeland Security Research Center that are being used by many federal, state and local organizations. EPA developed a decision support tool (DST) for disposing of residues

from the decontamination of buildings and water systems. The DST was successfully used in response to Hurricane Katrina to assess and locate landfill capacity within the affected regions. The decision to discontinue the burning of debris in favor of demolishing structures was based on the tool's estimates of landfill capacity. The DST also was used during the anthrax response of 2006 to generate a list of incinerators and landfills. However, under the direction of EPA, the contaminated material was sent to and processed at an autoclave in Oneonta, NY to sterilize the wastes according to procedures developed by EPA. Additionally, in the immediate aftermath of Hurricane Katrina, EPA quickly modified its Emergency Consequence Assessment Tool to evaluate risks to human health caused by the flooding. As a result, regional public health officials had instant access to critical information and were able to implement actions to protect public health from contaminants including vibrio cholera, tetanus, E. coli, hepatitis, shigella (dysentery), and vibrio vulnificus. EPA also tested multiple methods for fumigating buildings contaminated with *B. anthracis* spores. The results of these tests contributed to the method used for mold fumigation in Louisiana and Mississippi in response to flooding and for EPA's development of new or modified registration claims against *B. anthracis* spores for building decontamination. EPA also tested several low-cost liquids for the decontamination of H5N1 viruses on indoor and outdoor materials.

EPA's mercury research program continues to increase the accuracy, precision, and effectiveness of continuous emission monitors. This work is critically important to the implementation of the Clean Air Mercury Rule (CAMR), since it will assist EPA, states, and utilities in ensuring that necessary reductions will occur if certain technologies are installed. In 2006, the program conducted field tests of various mercury monitoring technologies at coal-fired utilities to demonstrate their ability to achieve required CAMR performance specifications. Additionally, EPA is evaluating the effectiveness of CAMR in protecting the environment and human health by collecting and analyzing mercury deposition data to study whether mercury "hot spots" already exist and may occur in the future as CAMR is implemented.

EPA continues to conduct research to understand the implications of global change—particularly climate change and variability—for air and water quality, ecosystems, and human health in the United States. The program also leads EPA's participation in the U.S. Climate Change Science Program (CCSP), which coordinates climate change research among federal agencies and produces statutorily mandated assessments of the state of climate change science. The program is producing two of the high-priority CCSP Synthesis and Assessment Products that address some of the CCSP's highest priority research and decision support needs.

In 2006, EPA's human health risk assessment program delivered 16 Integrated Risk Information System (IRIS) assessments to interagency or external peer review, along with 25 Provisional Peer Reviewed Toxicity Values and three microbial risk assessments. Additionally, the program completed the Ozone Air Quality Criteria Document (AQCD) to

support EPA's Office of Air and Radiation's National Ambient Air Quality Standards regulatory decision-making, and it is completing the first external review of the lead AQCD. The Hazardous Organic NESHAP relied on dozens of IRIS assessments, including those for ethylene oxide, butadiene, benzene, acrolein, toluene, and maleic anhydride.

### Global Climate Change Research

EPA's Global Change Research Program developed a Climate Assessment Tool that has been incorporated into BASINS, a multi-purpose environmental analysis system that regional, state, and local agencies use to study watershed and water quality. The Climate Assessment Tool will help managers understand how water resources could be affected by a range of potential changes in climate and consider the effectiveness of management practices to increase the resilience of water resources to changes in climate.

Climate change influences the amount and quality of water available to meet human needs and, therefore, can affect a community's ability to meet the requirements of EPA's Combined Sewer Overflow (CSO) Control Policy. EPA completed research in 2006 to characterize the impact of climate change on CSO mitigation efforts in the Great Lakes and New England regions. Results suggest that projected climate change will reduce the effectiveness of CSO abatement measures based on historical precipitation characteristics.

Every day, publicly owned treatment works (POTWs) discharge billions of gallons of effluent to water bodies throughout the United States. Because POTW design and operating costs are closely tied to climatological conditions in the areas they serve, climate change may have important implications over long POTW lifetimes. In 2006, EPA completed a study that characterized the potential effects of climate change on operating costs at 147 POTWs that are discharging to impaired rivers and streams in the Great Lakes Region. Results suggest that climate change could have a significant effect on two of EPA's most important water programs—the National Pollutant Discharge Elimination System permitting and POTW financing through the State Revolving Fund.



EPA's recently completed *Report on the Environment* describes the current status of the human health and the environment using scientifically sound data. This data should ultimately enable the Agency to better articulate its strategic objectives in terms of measurable, meaningful environmental outcomes.

**EXPLANATION OF MISSED GOAL (SEE SECTION II.2 FOR PERFORMANCE RESULTS AND TREND INFORMATION):**

**APG 4.17:** The endocrine disruptor assay program discovered a requirement for additional scientific and technical evaluation that had not been anticipated in the original schedule for developing these assays (e.g., aromatase, steroidogenesis, androgen binding). The program also faced unanticipated delays in international decisions on assays being validated in coordination with the Organisation for Economic Co-operation and Development (OECD) (e.g., estrogen and androgen binding assays). Data are now available for several of the assays that were delayed because of scientific and technical issues, and the schedule for OECD participation is now

better understood. Using the FY 2004 PART evaluation as a basis, the program has reassessed its performance measures to account for these developments. The results of this process are reflected in EPA's 2006-2011 *Strategic Plan*.

**ADDITIONAL INFORMATION RELATED TO OBJECTIVE 4.4:**

**PROGRAM EVALUATIONS:**

Board of Scientific Counselors (BOSC) Subcommittee on Global Change Research: Review of ORD's Global Change Research Program at the U.S. Environmental Protection Agency. Additional information on this report is available in the Program Evaluation Section, Appendix A, page A-21.

**GRANTS:** *Columbia Center for Children's Environmental Health.* This research used biomarkers to estimate internal dose of exposure to environmental agents and was the first study to employ such biomarkers of prenatal exposure to assess the effectiveness of the integrated pest management approach for reducing pest infestation levels.

*Reducing Uncertainty in Children's Risk Assessment.* This research generated the first published physiologically based pharmacokinetic model for a pyrethroid insecticide. This research developed a quantitative approach to estimate internal dose following external exposure that will facilitate the dose-response analysis and risk assessment of a class of insecticides in high use by the American public.

**PART:** *The Human Health Research Program was assessed in the 2005 PART process and received a rating of "adequate." In response to the PART process, the program is conducting follow-up actions which include*

*developing ambitious long-term performance targets that clearly define the outcomes that would represent a successful program. The program is also participating in a workgroup comprising representatives from OMB, ORD, and the BOSC to develop long-term measures derived from an independent panel review process.*

*The Ecological Research Program was first assessed in the 2003 PART process and initially received a rating of "results not demonstrated." The program was reassessed in the 2005 PART process and received a rating of "ineffective." In response to the PART process the program is conducting follow-up actions, which include refining the questions used in independent scientific reviews to improve EPA's understanding of program utility and performance in relation to environmental outcomes.*

*The Endocrine Disruptors Research Program was assessed in the 2004 PART process and received a rating of "adequate." In response to the PART process, the program is conducting follow-up actions which include clearly articulating R&D priorities to ensure compelling, merit-based justifications for funding allocations. The program's priorities are now clearly articulated in the Endocrine Disruptors Research Plan and a more detailed Multi-Year Plan in which priorities are specifically detailed from 2000 to 2012.*

*The Global Change Research Program is being assessed in the 2006 PART process and results will be included in the FY 2008 President's Budget.*

*The Human Health Risk Assessment Program is being assessed in the 2006 PART process and results will be included in the FY 2008 President's Budget.*

**Web Links:**

<http://www.epa.gov/ord/>  
<http://www.epa.gov/ord/html/researchstrategies.htm>

**NOTES**

1. The "fairly poor" rating for the benthic health component of the Great Lakes Index has not changed. Invasive species, particularly zebra and/or quagga mussels, are altering nutrient cycling in the environment and are likely linked to a re-emergence of nuisance algae on Great Lakes beaches and a major decline of the salmon fishery in Lake Huron. Responding to results from the GLNPO biological monitoring program, fisheries managers have cut back salmon stocking numbers in Lake Huron because there is insufficient food for the salmon. These problems are being investigated through monitoring and a proposed request for proposals.
2. Watershed Health Assessment Tools Investigating Fisheries: [http://www.epa.gov/athens/research/modeling/cvi\\_files/WHAT%20IF%20factsheet.pdf#search=%22Watershed%20Health%20Assessment%20Tools%20Investigating%20Fisheries%20E2%80%93%20What%20IF%22](http://www.epa.gov/athens/research/modeling/cvi_files/WHAT%20IF%20factsheet.pdf#search=%22Watershed%20Health%20Assessment%20Tools%20Investigating%20Fisheries%20E2%80%93%20What%20IF%22).

# Strategic Goal 5: Compliance and Environmental Stewardship

*Improve environmental performance through compliance with environmental requirements, preventing pollution, and promoting environmental stewardship. Protect human health and the environment by encouraging innovation and providing incentives for governments, businesses, and the public that promote environmental stewardship.*

## Goal Purpose

EPA ensures that government, business, and the public comply with federal laws and regulations by monitoring compliance and taking enforcement actions that result in reduced pollution and improved environmental management practices. To accelerate the nation's environmental protection efforts, EPA works to prevent pollution at the source, to advance other forms of environmental stewardship, and to employ the tools of innovation and collaboration.

Effective compliance assistance and strong, consistent enforcement are critical to achieving the human health and environmental benefits expected from our environmental laws. EPA monitors compliance patterns and trends and focuses on priority problem areas identified in consultation with states, tribes, and other partners. The Agency supports the regulated community by assisting regulated entities in understanding environmental requirements, helping

### Clean Air Act Settlement: Cargill, Inc.

EPA and the U.S. Department of Justice reached a Clean Air Act (CAA) settlement with Cargill, Inc. that addresses CAA violations at 27 facilities in 5 EPA regions and requires a cumulative reduction of 24,950 tons of pollutants per year. Under the settlement, Cargill, Inc. will install or optimize pollution controls for volatile organic compounds (VOCs), nitrous oxides, carbon monoxide, sulfur dioxide, and solvents.

This settlement results in environmental performance for solvent levels better than that required under the CAA Maximum Achievable Control Technology Standard for oilseed plants. Cargill's North Dakota facility will install \$4.4 million in better pollution control equipment. One of Cargill's Supplemental Environmental Projects (SEPs) will eliminate gaseous sulfur dioxide at corn mill plants in Blair, Nebraska; Cedar Rapids and Eddyville, Iowa; Dayton, Ohio; and Memphis, Tennessee. Other SEPs will reduce VOC and hazardous air pollutants in Memphis, Tennessee and eliminate emissions of ozone-depleting substances in Eddyville, Iowa and Blair, Nebraska, helping to protect people from skin cancer. Community-based SEPs will improve air quality through the Mid-South Clean Air Coalition diesel retrofit program in Shelby County, Tennessee. Cargill will also conduct dune and wetland restoration projects in Eddyville and Cedar Rapids, Iowa. Nationwide, settlements with Cargill will result in emission reductions of nearly 1.2 million pounds of VOCs and 400,000 pounds of carbon monoxide. The cumulative civil penalty amount agreed to is \$1.6 million and \$4.4 million in SEPs. (Data Source: US EPA. Integrated Compliance Information System (ICIS), <http://www.epa.gov/compliance/data/systems/modernization/index.html>.)

them identify cost-effective compliance options and strategies, and providing incentives for compliance.

EPA promotes the principles of responsible environmental stewardship, sustainability, and

accountability to achieve its strategic goals. Collaborating closely with other federal agencies, states, and tribes, the Agency identifies and promotes innovations that assist businesses and communities in improving their environmental performance. EPA works to improve and encourage pollution prevention and sustainable practices, helping businesses and communities move beyond compliance and become partners in protecting our national resources and improving the environment and our citizens' health. It works with businesses to increase energy efficiency, find environmentally preferable substitutes for chemicals of concern, and change processes to reduce toxic waste. EPA promotes improved communication through data sharing and collaboration and conducts research on pollution prevention, new and

developing technologies, social and economic issues, and decision making to help promote environmental stewardship. EPA also works with other nations as they develop their own environmental protection programs, leading to lower levels of pollution in the United States and worldwide.

Improving environmental performance in Indian country is an important component of the Agency's efforts to ensure compliance and promote stewardship under this goal. EPA continues to support approximately 513 federally recognized tribes in assessing environmental conditions on their lands and building environmental programs tailored to their needs. The first stewards of America's environment, tribes, provide an invaluable perspective on environmental protection, which benefits and strengthens all of our stewardship programs.

## Contributing Programs

- Compliance Assistance Program
- Compliance Incentives Program
- Monitoring and Enforcement Program
- Toxic Substances Compliance Grant Program
- Pesticide Enforcement Grant Program
- Sector Grant Program
- Pollution Prevention Program
- State and Tribal Pollution Prevention Grants
- National Center for Environmental Innovation
- American Indian Environmental Office
- Tribal General Assistance Program
- Environmental Technology Verification Program
- Resource Conservation Challenge
- National Partnership for Environmental Priorities
- Economic Decision Sciences Research
- Sustainability Research

## IN THE YEARS AHEAD. . .

EPA's annual performance goals are stepping stones to longer-range results. These results are specified in a series of "Strategic Targets" that lay out the work we intend to accomplish over the next several years to achieve our objectives under Goal 5. Meeting our annual performance goals moves us closer to such Strategic Targets as:

By 2011, maximize compliance to protect human health and the environment through enforcement and other compliance assurance activities by achieving a 5 percent increase in the pounds of pollutants reduced, treated or eliminated by regulated entities, including those in Indian country. (Baseline: 3-year rolling average FYs 2003-2005: 900,000,000 pounds.)

By 2011, save \$791.9 million through pollution prevention improvements in business, institutional, and governmental costs cumulatively compared to the 2002 baseline of \$0.0 saved.

By 2011, reduce 4 million pounds of priority chemicals from waste streams as measured by National Partnership for Environmental Priorities contributions, Supplemental Environmental Projects, and other tools used by EPA to achieve priority chemical reductions.

By 2011, the participating manufacturing and service sectors in the Sector Strategies Program will achieve an aggregate 10 percent reduction in environmental releases to air, water, and land working from a 2004 baseline and normalized to reflect economic growth. (Baseline and normalization factors to be developed in December 2006.)

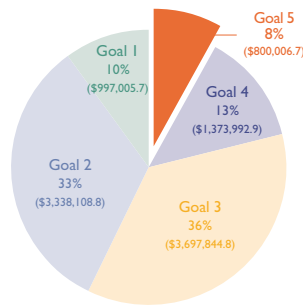
By 2011, increase the percent of tribes implementing federal environmental programs in Indian country to 9 percent. (FY 2005 baseline: 5 percent of 572 tribes.)

For a complete list of strategic targets, see EPA's new *2006-2011 Strategic Plan*, available at <http://www.epa.gov/ocfo/plan/htm>.

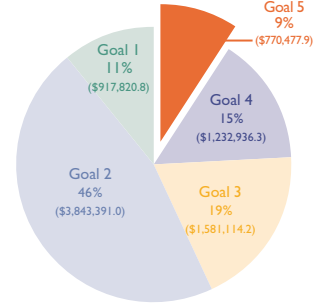
## Goal 5 At a Glance

FY 2006  
ANNUAL PERFORMANCE  
GOALS (APGs)  
Met = 1 Not Met = 6  
Data Available After  
November 15, 2006 = 1  
(Total APGs = 8)



FY 2006 Obligations  
Compliance and Environmental Stewardship  
(in thousands)



FY 2006 Costs  
Compliance and Environmental Stewardship  
(in thousands)



### GOAL 5 FY 2006 PERFORMANCE AND RESOURCES

STRATEGIC OBJECTIVE	APG STATUS	OBLIGATIONS	COSTS
 <p><b>OBJECTIVE 1—IMPROVE COMPLIANCE</b> By 2008, maximize compliance to protect human health and the environment through compliance assistance, compliance incentives, and enforcement by achieving a 5 percent increase in the pounds of pollution reduced, treated, or eliminated, and achieving a 5 percent increase in the number of regulated entities making improvements in environmental management practices.</p>	<p>1 Goal Met 2 Goals Not Met</p>	\$513,705.4	\$489,415.2
 <p><b>OBJECTIVE 2—IMPROVE ENVIRONMENTAL PERFORMANCE THROUGH POLLUTION PREVENTION AND INNOVATION</b> By 2008, improve environmental protection and enhance natural resource conservation on the part of government, business, and the public through the adoption of pollution prevention and sustainable practices that include the design of products and manufacturing processes that generate less pollution, the reduction of regulatory barriers, and the adoption of results-based, innovative, and multimedia approaches.</p>	<p>1 Data Available After 11/15/06 2 Goals Not Met</p>	\$130,492.3	\$123,829.1
 <p><b>OBJECTIVE 3—BUILD TRIBAL CAPACITY</b> Through 2008, assist all federally recognized tribes in assessing the condition of their environment, help in building their capacity to implement environmental programs where needed to improve tribal health and environments, and implement programs in Indian country where needed to address environmental issues.</p>	<p>1 Goal Not Met</p>	\$80,197.8	\$80,905.1
 <p><b>OBJECTIVE 4—ENHANCE SCIENCE AND RESEARCH</b> Through 2008, strengthen the scientific evidence and research supporting environmental policies and decisions on compliance, pollution prevention, and environmental stewardship.</p>	<p>1 Goal Not Met</p>	\$75,611.2	\$76,328.2
<b>GOAL 5 TOTAL</b>	<b>8 APGs</b>	<b>\$800,006.7</b>	<b>\$770,477.6</b>



# Strategic Objective I— Improve Compliance

By 2008, maximize compliance to protect human health and the environment through compliance assistance, compliance incentives, and enforcement by achieving a 5 percent increase in the pounds of pollution reduced, treated, or eliminated, and achieving a 5 percent increase in the number of regulated entities making improvements in environmental management practices.

EPA provides assistance to help members of the regulated community understand environmental regulations, improve their environmental management practices (EMPs), and reduce the amount of pollution they produce or discharge. The Agency offers compliance assistance directly, through onsite visits and training, and through its Compliance Assistance Centers. EPA uses inspections, investigations, and enforcement actions to identify egregious violations and return violators to compliance as quickly as possible, greatly reducing impacts on sensitive populations. To increase compliance and improve EMPs, EPA encourages facilities to identify, disclose, and correct violations through incentives such as reduced or eliminated penalties.

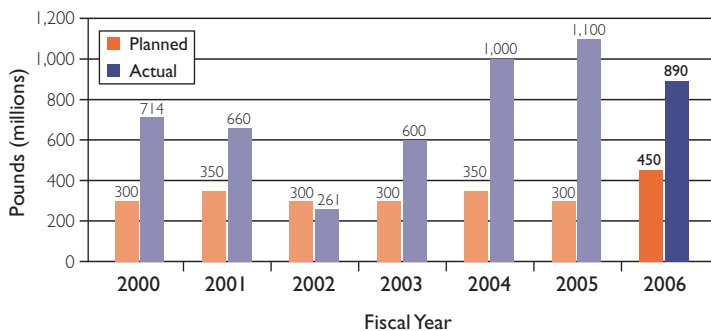
STRATEGIC OBJECTIVE I—IMPROVE COMPLIANCE		
APG #	APG Title	APG Status
5.1	Regulated Communities	✓ Goal Met
5.2	Compliance Incentives	✗ Goal Not Met for FY 2006
5.3	Non-Compliance Reduction	✗ Goal Not Met for FY 2006

Detailed information on these APGs is provided in Section II.2—Annual Performance Goals and Measures: Detailed Results FY 2003–FY 2006, pages 178–180. Additionally, the data that EPA has used to measure its performance are described in the “Supplemental Information” to this report, provided on the Internet. See pages B-90–B-108 at <http://www.epa.gov/ocfo/finstatement/2006PAR>.

EPA’s progress toward this objective can be demonstrated through a few key performance accomplishments. EPA has reduced, treated, or eliminated 890 million pounds of pollution through enforcement actions in FY 2006. That represents an increase of 97.78 percent over the performance target of 450 million pounds. EPA significantly exceeded the FY 2006 performance target of

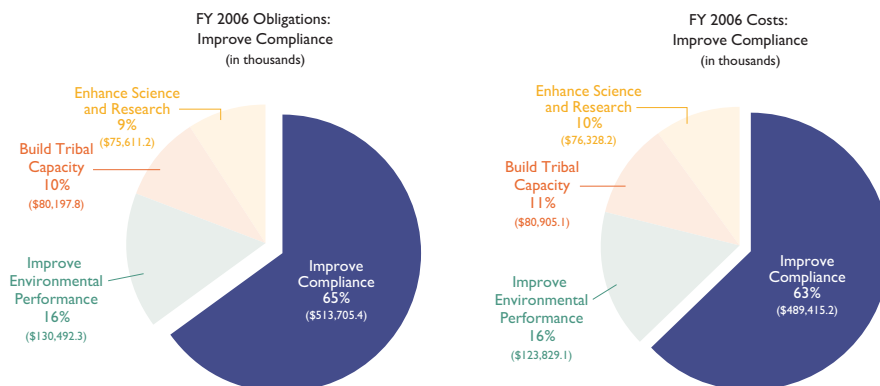
450 million pounds of pollutants due to a greater than anticipated pollutant reduction from Clean Air Act settlements that account for nearly 50 percent of the total 890 million pound pollutant reduction reported this year. Pollutant reduction totals show large variations from year to year due to the fact that reductions tend to be driven by the results in a few very large cases. For additional information on recent air enforcement cases, please visit EPA’s web site: <http://www.epa.gov/compliance/resources/cases/index.html>. As a result of concluded enforcement actions, violators have committed to spending \$5 billion dollars to improve their environmental performance or improve their EMPs. Seventy-four percent of facilities receiving direct compliance assistance from EPA have improved their EMPs.

Millions of Pounds of Pollutants Reduced Through Enforcement Actions





## GOAL 5: OBJECTIVE I—IMPROVE COMPLIANCE—FY 2006 RESOURCES



## FY 2006 RESOURCES FOR PROGRAM PROJECTS SUPPORTING THIS OBJECTIVE\*

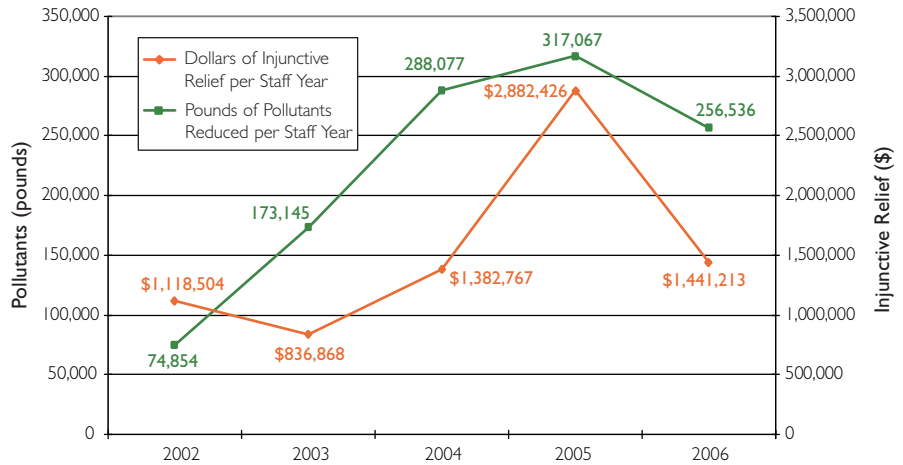
Program/Projects are EPA's fundamental unit for budget execution and cost accounting, and they serve as the foundation for the Agency's budget. Frequently, program/projects support multiple APGs and objectives. This table lists the program/projects and associated resources that support this objective.

PROGRAM PROJECT	FY 2006 OBLIGATIONS	FY 2006 COSTS
Categorical Grant: Pesticides Enforcement	\$21,110.5	\$19,814.7
Categorical Grant: Toxics Substances Compliance	\$5,715.5	\$5,101.2
Categorical Grant: Sector Program	\$1,905.2	\$1,152.4
Civil Enforcement	\$119,478.2	\$122,555.3
Compliance Assistance and Centers	\$27,861.0	\$28,063.9
Compliance Incentives	\$8,557.8	\$9,127.1
Compliance Monitoring	\$88,138.5	\$80,691.0
Congressionally Mandated Projects	\$423.6	\$761.8
Criminal Enforcement	\$51,194.3	\$51,856.7
Enforcement Training	\$3,246.7	\$3,199.8
Homeland Security: Communication and Information	\$928.2	\$855.6
Homeland Security: Critical Infrastructure Protection	\$4,426.5	\$4,434.4
Homeland Security: Protection of EPA Personnel and Infrastructure	\$2,216.9	\$2,865.4
International Capacity Building	\$754.3	\$879.7
Administrative Law	\$676.8	\$670.8
Alternative Dispute Resolution	\$200.1	\$233.1
Central Planning, Budgeting, and Finance	\$9,294.2	\$8,664.0
Civil Rights / Title VI Compliance	\$1,825.2	\$1,958.8
Congressional, Intergovernmental, External Relations	\$9,426.1	\$9,994.0
Exchange Network	\$4,940.9	\$2,343.2
Facilities Infrastructure and Operations	\$82,940.0	\$81,510.0
Acquisition Management	\$4,809.0	\$4,520.0
Human Resources Management	\$6,412.6	\$6,262.1
Information Security	\$424.9	\$375.7
IT / Data Management	\$38,386.6	\$23,134.0
Legal Advice: Environmental Program	\$6,634.2	\$6,739.6
Legal Advice: Support Program	\$2,211.8	\$2,288.5
Audits, Evaluations, and Investigations	\$2,596.8	\$2,654.1
Regional Science and Technology	\$733.9	\$696.6
Science Advisory Board	\$704.2	\$748.8
Small Minority Business Assistance	\$296.6	\$362.0
Financial Assistance Grants / IAG Management	\$2,661.3	\$2,587.7
Regulatory/Economic-Management and Analysis	\$2,573.0	\$2,313.2
<b>TOTAL</b>	<b>\$513,705.4</b>	<b>\$489,415.2</b>

\*Resources associated with Program Projects may not match the Goal and Objective obligations and costs exactly due to rounding.

To measure and communicate its enforcement and compliance assurance performance results more effectively, EPA is examining ways to move toward a problem-based approach. Currently, the compliance objective tracks results associated with EPA's four tools for improving and maintaining compliance: compliance assistance, incentives, monitoring, and enforcement. While this approach clearly communicates the strategies we use, linking the results of these tools directly to changes in environmental conditions and human health is challenging. By altering enforcement and compliance assurance performance measures to focus on environmental compliance problems (for example, wet weather or air toxics noncompliance), it will be possible to more clearly link results to precise changes in environmental conditions. If preliminary studies show that we can demonstrate environmental results in a more compelling way, EPA may develop new performance measures and long-term strategic sub-objectives that focus on environmental and human health problems for the Agency's 2009-2014 Strategic Plan.

OECA Enforcement Efficiency Measures



"Injunctive relief" is the term used to describe the steps a defendant must carry out, as part of a settlement agreement, to return to compliance such as improving or replacing pollution control equipment.

**EXPLANATION OF THE MISSED GOAL (SEE SECTION II.2 FOR PERFORMANCE RESULTS AND TREND INFORMATION):**

**APG 5.2:** Pollutant reductions through compliance incentives vary widely from year to year based on a small number of audit settlements. In FY 2006, the Agency did not meet the performance target for the pounds of pollutants reduced as a result of audits because fewer facilities reporting large pollutant reductions chose to participate in this voluntary compliance incentive

program in FY 2006 than initially anticipated when the Agency set our 0.4 million pound target. EPA determines appropriate performance targets for the enforcement and compliance assurance program based on past performance. In FY 2005, EPA reduced a record 1.9 million pounds of pollutants through compliance incentives due to a single audit settlement that reduced pollution by an estimated 1.5 million pounds. To increase the pounds of pollutants reduced through the EPA compliance incentive program in future years, the Agency will be exploring ways to increase the number of facilities participating in this program by encouraging companies to participate in our program following mergers and acquisitions, which are often some of the largest pollutant reduction audit settlements from participants in our program.

EPA did not meet the performance target for the percentage of cases that require pollutant reductions because of a one-time



initiative by which the Agency reached 2,568 enforcement settlements with farms that chose to participate in the Animal Feeding Operations (AFO) Air Compliance Agreement for Animal Feeding Operations. The Agency is currently unable to accurately calculate pollutant reductions for a new type of pollutant reduction associated with animal feeding operations non-compliance under the Clean Air Act that represents forty percent of our cases this year. In order to accurately estimate the percent of cases requiring pollutants to be reduced, treated, or eliminated for animal feeding operations in FY 2006, EPA will conduct a two-year monitoring study to estimate the air emissions from AFOs and determine individual AFO emissions under the Clean Air Act (CAA). EPA would have met this performance target if the result for this measure excludes animal feeding operation cases for which data are currently unavailable until FY 2008.

**APG 5.3:** EPA missed the performance target for complying actions taken during on-site inspections and evaluations due to low levels of complying actions. The absolute number of facilities that took complying actions reported went from 947 in FY 2005 to 1,234 in FY2006. The percentage of complying actions reported went down because the number of facilities with a deficiency increased by 50 percent—from 5,061 to 7,749. While

inspectors communicated deficiencies to 7,749 facilities, not all deficiencies can be corrected immediately. The data shows a wide range between media programs, indicative of whether deficiencies associated with a specific program can be corrected immediately. For example, results for complying actions taken during mobile source inspections and evaluations fluctuate greatly from year to year from 80 percent in 2003 to 4 percent in FY 2006. The Agency plans to take the following steps to address the failure to meet the performance target by expanding the type of corrective actions reported to include those which occur after the inspector leaves and prior to an enforcement action and reevaluating the appropriateness of this measure for specific programs.

#### ADDITIONAL INFORMATION RELATED TO OBJECTIVE 1:

**PROGRAM EVALUATIONS:** EPA Performance Measures Do Not Effectively Track Compliance Outcomes. Additional information on this report is available in the Program Evaluation Section, Appendix A, page A-21.

**GRANTS:** Categorical Grants—Pesticides Enforcement; Toxic Substance Compliance.

**PART:** *The EPA Enforcement of Environmental Laws (Civil) program was first assessed in the 2002 PART process and initially received a rating of “results not demonstrated.” The program was reassessed in the 2004 PART process and received a rating of “adequate.” In response to the PART process, the program is conducting follow-up actions which include developing questions and criteria for evaluating the civil enforcement program and identifying potential outside independent*



*parties to conduct the evaluation. The program is also evaluating the historical use of recidivism rates in the civil enforcement program to determine whether to begin using the measure again.*

*The Enforcement of Environmental Laws (Criminal) was first assessed in the 2003 PART process and received a rating of “results not demonstrated.” The program was reassessed in the 2004 PART process and received a rating of “adequate.” In response to the PART process, the program is conducting follow-up actions which include developing recidivism baselines and targets for criminal enforcement.*

*The Pesticide Enforcement Grant program was assessed in the 2004 PART process and received a rating of “ineffective.” In response to the PART process, the program is conducting follow-up actions which included finalizing outcome performance measures in March 2005 and negotiating state and tribal cooperative agreements in 2006. The program will also develop baseline and targets for the performance measures and will evaluate the cost-effectiveness of the program.*

#### Web Links:

<http://www.epa.gov/compliance>  
<http://www.epa.gov/compliance/data/results/index.html>



# Strategic Objective 2— Improve Environmental Performance Through Pollution Prevention and Innovation

*By 2008, improve environmental protection and enhance natural resource conservation on the part of government, business, and the public through the adoption of pollution prevention and sustainable practices that include the design of products and manufacturing processes that generate less pollution, the reduction of regulatory barriers, and the adoption of results-based, innovative, and multimedia approaches.*

During fiscal year 2006, EPA made significant progress in encouraging government, business, and the public to adopt pollution prevention and sustainable practices; in reducing regulatory barriers; and in promoting results-based, innovative, and multimedia approaches. Progress was particularly notable with respect to preventing pollution at the source: As of early November 2006, businesses, institutions, and governments participating in EPA’s pollution prevention programs reduced their use of hazardous materials by 482.7 million pounds, reduced their use of energy by 13.3 trillion BTUs, and conserved 5.0 billion gallons of water—exceeding associated 2006 performance targets while achieving \$20.6 million in cost savings.<sup>1,2</sup>

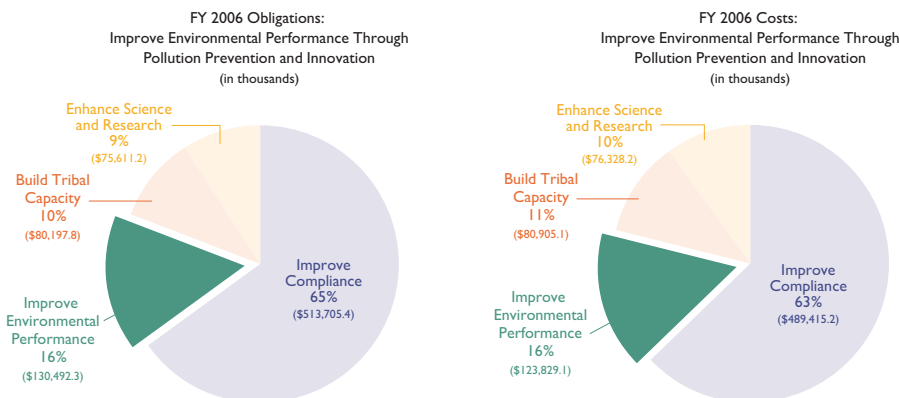
These substantial pollution prevention results were achieved entirely through EPA-directed voluntary and collaborative action. For example:

STRATEGIC OBJECTIVE 2—IMPROVE ENVIRONMENTAL PERFORMANCE THROUGH POLLUTION PREVENTION AND INNOVATION		
APG #	APG Title	APG Status
5.4	Reducing PBTs in Hazardous Waste Streams	FY 2006 Data Available in FY 2008
		X Goal Not Met for FY 2004
5.5	Reduction of Industrial /Commercial Chemicals	X Goal Not Met for FY 2006
		X Goal Not Met for FY 2004
5.6	Innovation Activities	X Goal Not Met for FY 2006

Detailed information on these APGs is provided in Section II.2—Annual Performance Goals and Measures: Detailed Results FY 2003–FY 2006, pages 180–182. Additionally, the data that EPA has used to measure its performance are described in the “Supplemental Information” to this report, provided on the Internet. See pages B-135–B-147 at <http://www.epa.gov/ocfo/finstatement/2006PAR>.

- In response to the Presidential Green Chemistry Challenge, businesses and academia developed safer chemicals and processes.
  - In response to the Federal Electronics Challenge, government agencies increased their purchasing of environmentally preferable products.
  - Through the Green Suppliers Network, the National Institute of Standards and Technology expanded the Lean Manufacturing business paradigm and associated technical assistance to include pollution prevention practices.
  - Under the Design for the Environment Program, partners collaborated to develop safer and effective substitutes for tin lead solder and safer detergents.
- These results were accomplished despite numerous challenges. While many were overcome, some will require further effort:

## GOAL 5: OBJECTIVE 2—IMPROVE ENVIRONMENTAL PERFORMANCE THROUGH POLLUTION PREVENTION AND INNOVATION—FY 2006 RESOURCES



### FY 2006 RESOURCES FOR PROGRAM PROJECTS SUPPORTING THIS OBJECTIVE\*

Program/Projects are EPA's fundamental unit for budget execution and cost accounting, and they serve as the foundation for the Agency's budget. Frequently, program/projects support multiple APGs and objectives. This table lists the program/projects and associated resources that support this objective.

PROGRAM PROJECT	FY 2006 OBLIGATIONS	FY 2006 COSTS
Categorical Grant: Pollution Prevention	\$4,079.1	\$5,462.8
Categorical Grant: Environmental Information	\$19,574.5	\$16,672.4
Congressionally Mandated Projects	\$5,679.4	\$3,061.2
Homeland Security: Communication and Information	\$154.6	\$143.0
Homeland Security: Protection of EPA Personnel and Infrastructure	\$639.4	\$827.3
NEPA Implementation	\$13,680.7	\$13,464.2
Pollution Prevention Program	\$17,506.5	\$17,981.6
RCRA: Waste Minimization & Recycling	\$2,446.6	\$3,066.0
Regulatory/Economic-Management and Analysis	(\$278.1)	\$899.0
Regulatory Innovation	\$20,040.0	\$18,524.2
Administrative Law	\$110.5	\$109.5
Alternative Dispute Resolution	\$31.2	\$37.2
Central Planning, Budgeting, and Finance	\$2,052.9	\$1,914.8
Civil Rights / Title VI Compliance	\$257.7	\$277.4
Congressional, Intergovernmental, External Relations	\$1,171.8	\$1,257.0
Environmental Education	\$8,434.5	\$10,008.6
Exchange Network	\$817.2	\$380.9
Facilities Infrastructure and Operations	\$15,777.0	\$15,751.5
Acquisition Management	\$681.8	\$679.4
Human Resources Management	\$1,344.8	\$1,294.9
Information Security	\$134.5	\$116.4
IT / Data Management	\$9,377.5	\$4,868.4
Legal Advice: Environmental Program	\$1,110.7	\$1,150.7
Legal Advice: Support Program	\$411.8	\$436.6
Audits, Evaluations, and Investigations	\$733.6	\$786.6
Regional Science and Technology	\$92.8	\$97.4
Science Advisory Board	\$115.0	\$122.3
Small Minority Business Assistance	\$48.4	\$59.1
Financial Assistance Grants / IAG Management	\$1,346.4	\$1,334.7
Small Business Ombudsman	\$2,499.2	\$2,666.3
Regulatory/Economic-Management and Analysis	\$420.2	\$377.7
<b>TOTAL</b>	<b>\$130,492.2</b>	<b>\$123,829.1</b>

\*Resources associated with Program Projects may not match the Goal and Objective obligations and costs exactly due to rounding.

- EPA needs consistent, reliable performance information from all components of its Pollution Prevention Program, including its ten regional offices and numerous state pollution prevention programs. The Agency made significant progress on this front in FY 2006 by implementing the State P2 Results Reporting System under a cooperative agreement with the National Pollution Prevention Roundtable. The reporting system will provide initial data covering 2004 and 2005 in the spring of 2007 and will provide 2006 and subsequent years' results approximately a year after the close of each calendar year.

**EXPLANATION OF THE MISSED GOAL (SEE SECTION II.2 FOR PERFORMANCE RESULTS AND TREND INFORMATION):**

**APG 5.5:** The Pollution Prevention program no longer collects data on these performance measures and are developing new metrics under the PART process that are “intervention-based”, which track results of the program’s direct interactions with its business, government, and institutional customers and provide more useful data on program performance and management. Therefore this goal is not met due to data collection interruption. Delayed 2004 data from EPA’s Toxics Release Inventory (TRI)

reporting system made available in FY 2006 indicated that (after controlling for production changes in the U.S. manufacturing sector) while 106 million pounds of non-recycled TRI wastes were reduced in 2004—a 1.8 percent reduction from 2003 levels—the program still fell shy of its FY 2004 target of a 2 percent decline. Due to the difficulty in making a sufficient causal connection between Pollution Prevention (P2) program activities and changes reported in TRI, the Pollution Prevention Program stopped using that performance measure in FY 2005 and has moved away from TRI-based measures in its performance measures currently under development.

**ENVIRONMENTALLY PREFERABLE PURCHASING**

EPA made considerable progress in promoting environmentally preferable purchasing by federal agencies.<sup>4</sup> The federal government is the world’s largest purchaser of information technology products and services. In FY 2006, as a result of improvements made in response to EPA’s Federal Electronics Challenge and use of the Electronics Products Environmental Assessment Tool (EPEAT), the federal government will have decreased its use of hazardous materials by at least 2.7 million pounds, conserved 250 billion BTUs of energy, and saved \$5.6 million.<sup>5</sup> EPA expects that as EPEAT criteria become a final American National Standard in 2006, EPEAT’s benefits will expand significantly in the future, rising to 18 million pounds,

**MERCURY SWITCHES**

The National Vehicle Mercury Switch Recovery Program is designed to capture the mercury switches from old automobiles that wind up in scrap yards to be shredded and melted to make new steel. Mercury switches contribute at least half of the mercury emitted by electric arc furnaces, which are the nation’s fourth largest source of mercury air emissions. Removing the switches can help to prevent the mercury emissions that result from steel manufacturing—up to 75 tons of mercury emissions over the next 15 years.<sup>3</sup> Working with the Agency’s Offices of Policy, Economics, and Innovation; Air; and Solid Waste, the Pollution Prevention Division of EPA’s Office of Pollution Prevention and Toxics, provided the expertise needed to build an effective pollution prevention program around this environmental issue.



1.6 trillion BTUs, and nearly \$35 million annually by 2011.

Leading by example, EPA used a blanket purchasing agreement to increase its purchase of environmentally safer products and became the first federal agency to purchase renewable energy, or “green power,” equivalent to 100 percent of its annual electricity needs. The Agency totaled nearly 300 million kilowatt hours per year of direct green power delivery or renewable energy certificates, enough renewable energy to provide electricity for 27,970 homes for an entire year. EPA’s total green power purchases will offset more than 600 million pounds of carbon dioxide annually—an amount equivalent to that emitted by nearly 54,000 cars over the course of a year.<sup>6</sup>

### GREEN SUPPLIERS NETWORK

EPA’s Green Suppliers Network (GSN) is a collaborative venture with industry and the Department of Commerce’s National Institute of Standards and Technology Manufacturing Extension Partnerships, Working with all levels of the manufacturing supply chain, the GSN achieves environmental, economic, and social benefits by leveraging a national network of manufacturing technical assistance resources. In FY 2006, the GSN expanded efforts to include the aerospace, automotive, health-

care/pharmaceutical, and office furniture economic sectors. By the end of 2006, the GSN completed 36 technical reviews, identifying over \$22.4 million in potential cost savings from lean and environmental opportunities.<sup>7</sup>

### PRESIDENTIAL GREEN CHEMISTRY CHALLENGE PROGRAM

The Presidential Green Chemistry Challenge Program fosters the development of new



chemistries that cost less, eliminate or reduce hazardous chemical usage and waste, and eliminate the need for potentially dangerous processes and end-of-pipe controls. Winners in the program’s five FY 2006 award categories collectively accounted for 145 million pounds of hazardous materials reduction. Since its inception in 1995, the program has cumulatively reduced hazardous materials by 750 million pounds and saved 550 million gallons of water.<sup>8</sup>

### DESIGN FOR THE ENVIRONMENT PROGRAM

Collaborating with industry and nongovernmental organizations to reduce risk from chemicals, the Design for the Environment (DfE) Program promotes opportunities for pollution prevention and stewardship in the design and use of chemical products and formulations. Since 1997, DfE’s Formulator Program has reviewed and recognized more than 130 products, leading to reductions in the use of approximately 37 million pounds of hazardous chemicals. In FY 2006, reductions resulted specifically from the use of 22.5 million pounds of safer laundry detergents and 44 million pounds of lead-free solder. DfE Program efficiency has increased to the point where the program’s cost per pound of reduction has fallen to two cents.<sup>9</sup>

### NATIONAL PARTNERSHIP FOR ENVIRONMENTAL PRIORITIES

The National Partnership for Environmental Priorities (NPEP) works to reduce priority list chemicals in the hazardous waste stream. During 2006, NPEP partners committed to reducing priority chemicals by a total of 1.5 million pounds over the period 2007 to 2011. In June, NPEP reached a milestone in accepting Tinker Air Force Base (OK) as its

100th partner. Tinker has committed to reducing over 1,000 pounds of priority chemicals—including trifluralin, pendimethalin, naphthalene, cadmium, and mercury—by December 2007 through replacement of old equipment and product substitution. In FY 2006, NPEP also accepted its first municipal partner; Blacksburg, VA joined NPEP with a commitment to reduce 325 pounds of priority chemicals by implementing a comprehensive chemical management plan in facilities throughout the municipality.

#### EXPLANATION OF THE MISSED GOAL (SEE SECTION II.2 FOR PERFORMANCE RESULTS AND TREND INFORMATION):

**AGP 5.4:** The FY 2006 results for priority chemical reduction are not currently available due to a two-year lag in data reported in the Toxics Release Inventory (TRI). As of August 2006, actual reductions reported for FY 2004 totaled 941,000 pounds against the target of 1,200,000 pounds. TRI, NPEP's measurement tool, is highly influenced by external factors such as industrial production. When industrial production

increases, TRI releases and waste stream numbers tend to increase. Beginning in 2007, NPEP will measure progress by program achievements, rather than by TRI. The new measure will allow EPA to more accurately report what the NPEP program has achieved, rather than what TRI reports regarding national industrial production trends.

#### PERFORMANCE TRACK

In FY 2006, Performance Track members made environmental contributions in all six of the target areas: water use; energy use; materials use; solid waste; air releases; and discharges to water. As it intended, Performance Track is showing that facilities of all types and sizes are willing and able to identify and commit to important, beyond-compliance environmental performance improvement opportunities and to share their results with the public. In five out of the six target areas, the number of Performance Track members demonstrating improved performance grew between FY 2005 and FY 2006. (The number of water use improvements grew from 80 to 105; energy use improvements

grew from 96 to 129; materials use improvements grew from 36 to 42; solid waste improvements increased from 116 to 127; and the reductions in air releases grew from 104 to 113. The number of improvements under the water discharge indicators stayed steady at 19.) In fact, in four out of six areas, the number of improvements has grown steadily every year since FY 2003. This growth reflects not only an increase in Performance Track membership, but also the program's increasing emphasis on key performance areas.

#### EXPLANATION OF THE MISSED GOAL (SEE SECTION II.2 FOR PERFORMANCE RESULTS AND TREND INFORMATION):

**APG 5.6:** In FY 2006, Performance Track members with commitments in the six target areas demonstrated the following achievements: 1.7 billion fewer gallons of water use; 4.3 million fewer MMBtus of energy use; 24,719 fewer tons of materials use; 48,200 fewer tons of solid waste; 24,400 fewer tons of air releases; and 16,903 fewer tons of discharges to water.

Three of these results (water use, materials use, and discharges to water) meet the program's specific targets for the year. Performance Track's APG was to meet all six targets. In FY 2007, Performance Track will begin to report normalized data.

FY 2006 results are not a factor of fewer positive results, but of the effect that large facilities have on the aggregate results.





Large facilities' use of materials and their associated impacts can be many orders of magnitude larger than those of other facilities, so their annual results, whether positive or negative, can easily dominate the overall results.

Similarly, the number "high magnitude" results contained in a data set can affect the order of magnitude of the aggregated results. For example, this year's solid waste results contained no changes (positive or negative) that exceeded 100,000 tons, whereas the FY 2005 results contained three such "high magnitude" pieces of data, and the FY 2000 results contained one. It is not surprising, then, that despite the significantly greater number of improvements shown by member facilities in FY 2006, the aggregated results are an order of magnitude lower than the target.

As Performance Track does not dictate members' selection of commitment indicators, and as it cannot control the size of the facilities that apply to the program, it cannot be determined exactly when the program will meet these targets. However, with the programs' increasing emphasis on the target areas as well as a growing interest in the program from large companies such as Intel, the program will believe it will be on track with the targets by FY 2007.

#### ADDITIONAL INFORMATION RELATED TO OBJECTIVE 2:

##### PROGRAM EVALUATIONS:

Office of Policy, Economics, and Innovation: An Evaluation of the California Dairy Quality Assurance Program (CAQAP) and the Livestock and Poultry Environmental Stewardship (LPES) Curriculum. Additional information on this report is available in the Program Evaluation Section, Appendix A, page A-22.

**GRANTS:** Pollution Prevention Categorical Grants and Source Reduction Assistance Grants contribute directly and

significantly to the 400 million pounds of hazardous materials use, 900 billion BTUs of energy use, 1.8 billion gallons of water use and nearly 40 million dollars of business, institutional and government cost reductions targeted by the Pollution Prevention Program in FY 2006. These grants are expected to account for 9 percent of the pounds results, 62 percent of the BTUs results, 15 percent of the gallons results, and 40 percent of the cost savings. These grants also support the eight Pollution Prevention Resource Exchange (P2Rx) Centers.

**PART:** The Pollution Prevention program is being assessed in the 2006 PART process and results will be included in the FY 2008 President's Budget.

##### Web Links:

[www.epa.gov/oppt](http://www.epa.gov/oppt)  
<http://www.federalelectronicschallenge.net/report.htm>  
<http://www.epa.gov/epaoswer/hazwaste/minimize/partnership.htm>  
<http://www.greensuppliers.gov>  
<http://www.epa.gov/opptintr/greenchemistry/>  
<http://www.epa.gov/opptintr/dfe/>  
<http://www.epa.gov/opptintr/greenengineering/>  
<http://www.epa.gov/oppt/p2home/index.htm>  
<http://www.epa.gov/Networkg>  
<http://www.p2.org/workgroup/Background.cfm>



## Strategic Objective 3— Build Tribal Capacity

*Through 2008, assist all federally recognized tribes in assessing the condition of their environment, help in building their capacity to implement environmental programs where needed to improve tribal health and environments, and implement programs in Indian country where needed to address environmental issues.*

EPA is working to develop core tribal environmental program capacity critical to protecting human health and the environment in Indian country as required by the Indian General Assistance Program (GAP) and the EPA Indian Policy. Tribal capacity-building

STRATEGIC OBJECTIVE 3—BUILD TRIBAL CAPACITY		
APG #	APG Title	APG Status
5.7	Tribal Environmental Baseline/Environmental Priorities	<b>X</b> Goal Not Met for FY 2006

Detailed information on these APGs is provided in Section II.2—Annual Performance Goals and Measures: Detailed Results FY 2003–FY 2006, pages 183–184. Additionally, the data that EPA has used to measure its performance are described in the "Supplemental Information" to this report, provided on the Internet. See pages B-147–B-150 at <http://www.epa.gov/ocfo/finstatement/2006PAR>.

performance measures track EPA's progress toward building the capacity of Indian tribal governments and intertribal consortia to administer environmental management activities and implement multimedia programs that address environmental issues in Indian country. In addition, the Agency works to establish the internal infrastructure needed to assess environmental conditions and improve environmental stewardship in Indian country.

By inclusion of the air quality system (AQS) air monitoring database, the national emissions inventory (NEI, air), and the Tribal Association of Solid Waste and Emergency Response (TASWER) Hazardous Waste Sites Database into the Tribal Program Enterprise Architecture (TPEA), the Agency is continuing to meet the commitment to develop and/or integrate EPA and interagency data systems to facilitate the EPA TPEA information in setting environmental priorities and informing policy decisions. In addition, the Agency's Indian Environmental GAP is continuing to eliminate data gaps for environmental conditions for major water,

land, and air programs as determined through the availability of information in the EPA TPEA by including ambient air monitoring, air toxics, populations served by community water systems that meet standards, and population served by adequate sewer facilities. The Agency continues to increase its implementation of environmental programs in Indian country (cumulative total) as determined by program delegations, approvals, or primacies, or by EPA direct implementation, and in fact exceeded its goal in FY 2006. In addition, the Agency will continue to exceed our goal and increase the number of EPA-approved quality assurance environmental monitoring and assessment activities. Finally, EPA continues on track to use agreements with holistic program integration and traditional use of natural resources. EPA exceeded its efficiency measure target for number of environmental programs implemented in Indian country per million dollars.

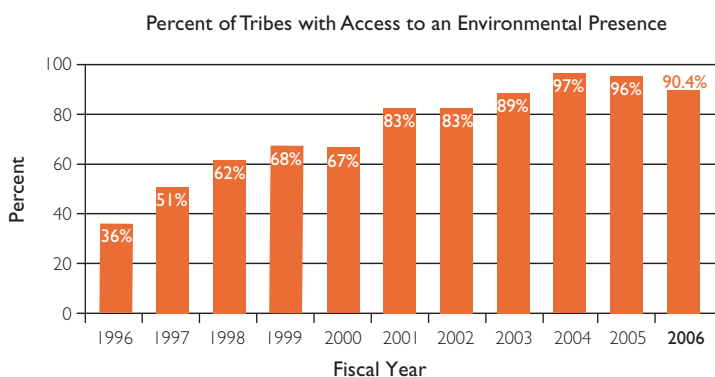
It is uncertain if EPA will be able to meet our strategic objectives of providing all of the federally-recognized Indian tribes the capacity and tools to assess

their environmental/public health conditions and building capacity to implement environmental/public health programs. Challenges exist in developing underlying baseline capacity in a limited number of tribes; in addition, stabilization in or reduction of available funding. The Agency continues to target funding to those areas where there is the likelihood of environmental/public health improvement.

**EXPLANATION OF THE MISSED GOAL (SEE SECTION II.2 FOR PERFORMANCE RESULTS AND TREND INFORMATION):**

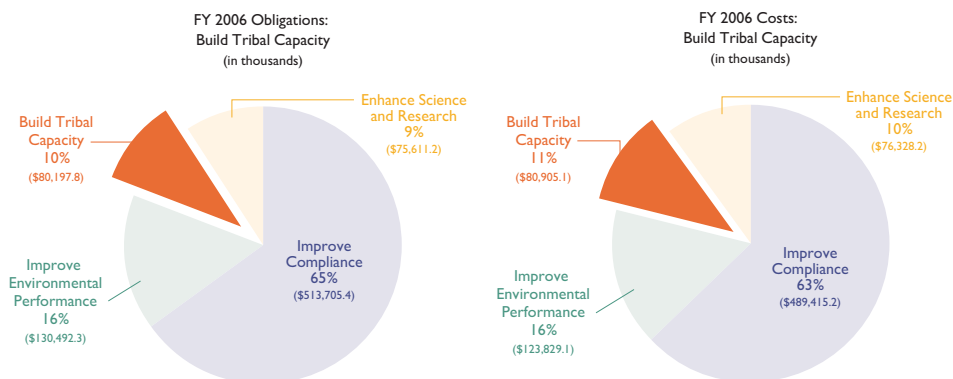
**APG 5.7:** EPA did not meet the overall annual performance goal due to challenges caused by competing funding needs as well as our need to continue working with more tribes in capacity development. Working with the tribes, the Agency, was unable to meet the goal of assisting 96 percent of federally recognized Indian tribes obtain an environmental presence in Indian country. This goal provides tribes with the capacity and tools to protect the environment and public health in Indian country, consistent with EPA's Indian Policy. Missing this goal means that fewer tribes were able to obtain an environmental presence.

The performance measure to increase tribes ability to develop environmental program capacity by ensuring that Federally recognized tribes have access to an environmental presence achieved 90.4 percent of the 96 percent promised. Consequently, fewer tribes had an environmental



Source: US EPA, American Indian Environmental Office. "Target 1 Program Performance Report." Goal 5, Objective 5.3 Reporting System, Available: [https://oasintrpnc.epa.gov/TATS/tats\\_prv/entry\\_page](https://oasintrpnc.epa.gov/TATS/tats_prv/entry_page).

## GOAL 5: OBJECTIVE 3—BUILD TRIBAL CAPACITY—FY 2006 RESOURCES



## FY 2006 RESOURCES FOR PROGRAM PROJECTS SUPPORTING THIS OBJECTIVE\*

Program/Projects are EPA's fundamental unit for budget execution and cost accounting, and they serve as the foundation for the Agency's budget. Frequently, program/projects support multiple APGs and objectives. This table lists the program/projects and associated resources that support this objective.

PROGRAM PROJECT	FY 2006 OBLIGATIONS	FY 2006 COSTS
Categorical Grant: Tribal General Assistance Program	\$61,096.5	\$62,217.6
Congressionally Mandated Projects	\$396.8	(\$467.7)
Homeland Security: Communication and Information	\$34.6	\$32.0
Homeland Security: Protection of EPA Personnel and Infrastructure	\$58.0	\$74.9
Tribal—Capacity Building	\$11,834.6	\$12,835.3
Administrative Law	\$24.7	\$24.5
Alternative Dispute Resolution	\$7.0	\$8.3
Central Planning, Budgeting, and Finance	\$412.4	\$388.8
Civil Rights / Title VI Compliance	\$68.1	\$72.7
Congressional, Intergovernmental, External Relations	\$304.0	\$324.1
Exchange Network	\$182.8	\$85.2
Facilities Infrastructure and Operations	\$2,955.2	\$2,878.0
Acquisition Management	\$80.7	\$81.1
Human Resources Management	\$214.1	\$213.9
Information Security	\$12.2	\$10.5
IT / Data Management	\$1,204.8	\$779.4
Legal Advice: Environmental Program	\$244.5	\$246.7
Legal Advice: Support Program	\$72.2	\$74.9
Audits, Evaluations, and Investigations	\$564.2	\$604.9
Regional Science and Technology	\$33.1	\$28.9
Science Advisory Board	\$25.7	\$27.3
Small Minority Business Assistance	\$10.8	\$13.2
Financial Assistance Grants / IAG Management	\$266.9	\$266.0
Regulatory/Economic-Management and Analysis	\$94.0	\$84.5
<b>TOTAL</b>	<b>\$80,197.9</b>	<b>\$80,905.0</b>

\*Resources associated with Program Projects may not match the Goal and Objective obligations and costs exactly due to rounding.

presence. The Agency was unable to meet this measure due to funding priorities.

The performance measure to increase the percent of EPA agreements with tribes that reflect holistic (multimedia) program

integration and traditional use of natural resources was not met. The agency achieved 80 percent of the targeted 104 percent promised. We were unable to meet this measure because some of the tribes are continuing to focus on a single program.

The performance measure tracking the percent of tribes with EPA-approved multimedia work-plans achieved 33 percent of the promised 39 percent. Six percent was not achieved because some of the tribes are continuing to focus on a single area.



The performance measure of percent of tribes with delegated and non-delegated programs achieved 42 percent of the 48 percent promised. The measurement of percent of tribes

does not reflect our continued efforts to reach out to smaller less advantaged tribes.

EPA did not meet PART measures related to the percentage of tribes with EPA-reviewed monitoring and assessment occurring, the percentage of tribes with delegated and non-delegated programs, or percentage of tribes with EPA-approved multimedia work-plans. We will continue to increase our efforts to work with more tribes, providing for improvement in these measures.

**ADDITIONAL INFORMATION RELATED TO OBJECTIVE 3:**

**PROGRAM EVALUATIONS:**  
Indian Tribes: EPA Should Reduce the Review Time for Tribal Requests to

Manage Environmental Programs. Additional information on this report is available in the Program Evaluation Section, Appendix A, page A-22.

**GRANTS:** Categorical Grant—Tribal General Assistance Program, authorized by the Indian General Assistance Program Act of 1992, as amended, 42 USC 4368(b).

**PART:** *The Tribal General Assistance Program was first assessed in the 2002 PART process and initially received a rating of “results not demonstrated.” The program was reassessed in the 2003 PART process and received a rating of “adequate.” In response to the PART process, the program is conducting follow-up actions which include developing ambitious performance targets for its annual and efficiency measures and working to increase the implementation and delegation of environmental programs on Indian lands.*

**Web Links:**  
[www.epa.gov/indian](http://www.epa.gov/indian)



## Strategic Objective 4— Enhance Science and Research

*Through 2008, strengthen the scientific evidence and research supporting environmental policies and decisions on compliance, pollution prevention, and environmental stewardship.*

EPA continues to strengthen the scientific evidence and research supporting environmental policies and decisions on compliance, pollution prevention, and environmental stewardship.

In 2006, EPA sustained its work on the Shepherd Creek Urban Watershed Management pilot project, collecting hydrologic, ecological, and water quality monitoring data in Cincinnati, Ohio’s Shepherd Creek. This year, EPA completed a detailed assessment of all impervious areas within in the creek, and has scheduled an experimental auction in 2007 that will

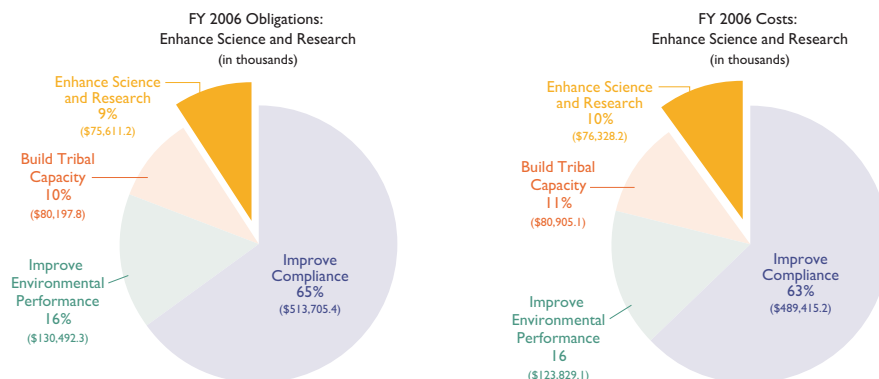
STRATEGIC OBJECTIVE 4—ENHANCE SCIENCE AND RESEARCH		
APG #	APG Title	APG Status
5.8	New Technologies	<b>X</b> Goal Not Met for FY 2006

Detailed information on these APGs is provided in Section II.2—Annual Performance Goals and Measures: Detailed Results FY 2003–FY 2006, pages 184–185. Additionally, the data that EPA has used to measure its performance are described in the “Supplemental Information” to this report, provided on the Internet. See page B-151 at <http://www.epa.gov/ocfo/finstatement/2006PAR>.

employ market-based economic incentives to home-owners in the Shepherd Creek Watershed who purchase stormwater best management practices (BMPs). These BMPs are the methods determined to be the most effective, practical means of preventing or reducing

pollution from nonpoint sources. EPA presented its research on the Shepherd Creek Urban Watershed at several national, international, and academic conferences in 2006, and published both a related journal article and conference proceeding.<sup>10, 11</sup>

## GOAL 5: OBJECTIVE 4—ENHANCE SCIENCE AND RESEARCH—FY 2006 RESOURCES



## FY 2006 RESOURCES FOR PROGRAM PROJECTS SUPPORTING THIS OBJECTIVE\*

Program/Projects are EPA's fundamental unit for budget execution and cost accounting, and they serve as the foundation for the Agency's budget. Frequently, program/projects support multiple APGs and objectives. This table lists the program/projects and associated resources that support this objective.

PROGRAM PROJECT	FY 2006 OBLIGATIONS	FY 2006 COSTS
Congressionally Mandated Projects	\$10,101.1	\$10,888.7
Forensics Support	\$16,850.4	\$16,776.3
Homeland Security: Communication and Information	\$82.6	\$75.4
Homeland Security: Protection of EPA Personnel and Infrastructure	\$520.2	\$625.3
Research: Environmental Technology Verification (ETV)	\$2,775.5	\$2,651.1
Research: Pollution Prevention	\$7,477.3	\$18,296.7
Administrative Law	\$63.8	\$63.2
Alternative Dispute Resolution	\$21.20	\$23.4
Central Planning, Budgeting, and Finance	\$1,305.9	\$1,191.5
Civil Rights / Title VI Compliance	\$106.3	\$115.5
Congressional, Intergovernmental, External Relations	\$361.0	\$411.0
Exchange Network	\$449.0	\$223.5
Facilities Infrastructure and Operations	\$2,478.8	\$1,991.6
Acquisition Management	\$1,254.5	\$1,148.3
Human Resources Management	\$1,084.0	\$1,073.7
Information Security	\$120.3	\$128.3
IT / Data Management	\$6,069.3	\$1,204.9
Legal Advice: Environmental Program	\$590.4	\$626.6
Legal Advice: Support Program	\$245.3	\$268.1
Audits, Evaluations, and Investigations	\$470.3	\$465.4
Regional Science and Technology	\$16.7	\$34.4
Science Advisory Board	\$66.3	\$70.5
Small Minority Business Assistance	\$27.9	\$34.1
Financial Assistance Grants / IAG Management	\$330.0	\$320.1
Research: Economics and Decision Science(EDS)	\$491.3	\$463.3
Research: Sustainability	\$22,009.5	\$16,939.5
Regulatory/Economic-Management and Analysis	\$242.4	\$217.9
<b>TOTAL</b>	<b>\$75,611.3</b>	<b>\$76,328.3</b>

\*Resources associated with Program Projects may not match the Goal and Objective obligations and costs exactly due to rounding.

EPA also held its annual People, Prosperity and the Planet (P3) Award Competition, an effort intended to benefit people, promote prosperity, and protect the planet by rewarding innovative designs that address

challenges to sustainability in the developed and developing world. The P3 Competition has advanced both economic competitiveness and environmental protection through engineering design innovations; small business

startups; improved recruitment and retention in science and technology disciplines; development projects for the poorest countries; and realized reductions in emissions, energy use, and finite resource consumption. In 2006,

EPA also published a report synthesizing the scientific innovations, environmental results, and economic benefits derived from the Technology for a Sustainable Environment (TSE) grant program, in which EPA partnered with NSF, from 1995 through 2003.

**EXPLANATION OF THE MISSED GOAL (SEE SECTION II.2 FOR PERFORMANCE RESULTS AND TREND INFORMATION):**

**APG 5.8:** The environmental technology verification program (ETV) committed to provide appropriate and credible performance information about new, commercial-ready environmental

technology that influences users to purchase effective environmental technology in the United States and abroad. This commitment was to be assessed by the percentage of respondents to survey vendors of ETV-verified technologies stating that ETV information positively influenced sales and/or vendor information. However, the measurement of this goal was discontinued due to poor contractor performance. Because of subsequent budget constraints, funds were shifted to other higher priority needs. This work will not be resumed.

**ADDITIONAL INFORMATION RELATED TO OBJECTIVE 4:**

**PART:** *The Pollution Prevention and New Technologies Research Program was assessed*

*in the 2003 PART process and received a "Results Not Demonstrated" rating. In its PART follow-up actions, the program committed to developing a multi-year plan with an improved strategic focus and clear goals and priorities. The program has completed drafts of both the ORD Sustainability Research Strategy and the Science and Technology for Sustainability Multi-Year Plan. These documents will undergo revisions following the recently completed Science Advisory Board (SAB) review and an external review by the program's stakeholders. Final drafts of both documents are expected by the fall of 2006. In conjunction with the development of the MYP, the program has also begun to discuss and develop performance measures, which will be used for the program's re-PART.*

**Web Links:**

<http://www.epa.gov/sustainability/>  
<http://www.epa.gov/ord/>

**NOTES**

1. Pollution Prevention (P2) Programs: <http://www.epa.gov/oppt/p2home/index.htm>.
2. The annual performance measures cited are revised versions of the Program's original FY 2006 performance measures, developed and made retroactive through the program's successful FY 2006 Performance Assessment Rating Tool assessment and included in EPA's 2006-2011 Strategic Plan.
3. <http://www.epa.gov/mercury/switch.htm>.
4. Executive Order (E.O.) 13101 requires all federal procurement officials to engage in environmentally preferable purchasing.
5. Federal Electronics Challenge: <http://www.federalelectronicschallenge.net/report.htm>; Environmental Products Environmental Assessment Tool: <http://www.epeat.net/docs/Agreement.pdf>.
6. [www.epa.gov/greeneepa/greenpower.htm](http://www.epa.gov/greeneepa/greenpower.htm).
7. Data available in March, 2007 through NIST survey responses. Green Suppliers Network (GSN): <http://www.greensuppliers.gov>.
8. Green Chemistry (GC): <http://www.epa.gov/opptintr/greenchemistry/>.
9. Design for the Environment (DfE): <http://www.epa.gov/opptintr/dfe/>.
10. Retrofit stormwater management: Navigating multidisciplinary hurdles at the watershed scale. 2006. Roy AH, H Cabezas, MP Clagett, NT Hoagland, AL Mayer, MA Morrison, WD Shuster, JJ Templeton, HW Thurston. Stormwater Magazine, May-June 2006.
11. Simulated rain garden effectiveness and performance in response to synthetic and natural rainfall patterns. 2006. WD Shuster, HW Thurston, Y Zhang, Proceedings IDM-WSUD, Melbourne Australia, April 2006. Volume 2, 285-292.

## *Section II.2:*

### *Annual Performance Goals and Measures:*

# Detailed Results

## FY 2003–FY 2006

**T**his appendix provides targets and results for all of EPA's annual performance goals (APGs) and measures for FY 2003 through FY 2006. The 4-year table included here provides the most current performance data available. While in some cases FY 2006 data are not yet available, FY 2005 data that has become available since the Agency published its FY 2005 Performance and Accountability Report has been included.

EPA has continued to improve and refine its performance measures, and as a result some APGs and measures have changed over the years and may not have targets or data for all four fiscal years included on the table. Annual performance measures that are “new” for FY 2006 are flagged; in several cases they do not have data for FY 2003 through FY 2005. Thus in addition to presenting the latest performance data available, the table also portrays the evolution of the Agency's performance metrics and illustrates performance trends.

The table presents performance measures grouped first by Goal, then Strategic Objective, and finally under the annual performance goals to which they apply. Measures developed through the Office of Management and Budget's Program Assessment and Rating Tool (PART) assessments are displayed in italics. Background information included with annual performance goals will provide context for EPA's statement of intended performance with respect to the Agency's past accomplishments and progress toward its longer-term strategic objectives.

The data that EPA has used to measure its performance are described in the “Supplemental Information” to this report, provided on the Internet. More information available at <http://www.epa.gov/ocfo/finstatement/2006PAR>.

# Goal 1: Clean Air and Global Climate Change

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

OBJECTIVE 1: HEALTHIER OUTDOOR AIR									
Through 2010, working with partners, protect human health and the environment by attaining and maintaining health-based air-quality standards and reducing the risk from toxic air pollutants.									
APG 1.1 Reduce Exposure to Unhealthy PM Levels—PM <sub>10</sub>									Status
In 2006	The number of people living in areas with monitored ambient PM concentrations below the NAAQS for the PM <sub>10</sub> standard will increase by 4% (relative to 2005) for a cumulative total of 11% (relative to 1992).								Data Avail 2007
In 2005	The number of people living in areas with monitored ambient PM concentrations below the NAAQS for the PM <sub>10</sub> standard will increase by 1% (relative to 2004) for a cumulative total of 7% (relative to 1992).								✓ Goal Met
In 2004	The number of people living in areas with monitored ambient PM concentrations below the NAAQS for the PM <sub>10</sub> standard will increase by 1% (relative to 2003) for a cumulative total of 6% (relative to 1992).								✗ Goal Not Met
In 2003	Maintain healthy air quality for 6.1 million people living in monitored areas attaining the PM standards; increase by 81 thousand the number of people living in areas with healthy air quality that have newly attained the standard.								✓ Goal Met
APG 1.1 Performance Measures*	FY 2003		FY 2004		FY 2005		FY 2006		Unit
	Target	Actual	Target	Actual	Target	Actual	Target	Actual	
Cumulative Percent Increase in the Number of People who Live in Areas with Ambient PM <sub>10</sub> Concentrations Below the Level of the NAAQS as Compared to 1992.	10	6	6	6	7	10	11	Data Avail 2007	Percent
Cumulative Percent Increase in the Number of Areas with Ambient PM <sub>10</sub> Concentrations Below the Level of the NAAQS as Compared to 1992.	45	50	40	54	74	77	130	Data Avail 2007	Percent
Total number of people who live in areas measuring clean air for PM <sub>10</sub> .					120.8	123.5	126.4	Data Avail 2007	Million People
Areas measuring clean air for PM <sub>10</sub> .					10	3	38	Data Avail 2007	Areas
Additional people living in new areas measuring clean air for PM <sub>10</sub> .					453,000	453,000	5,500,000	Data Avail 2007	People
<i>Tons of PM<sub>10</sub> Reduced since 2000 from Mobile Sources.</i>	37,297	37,297	49,729	49,729	62,161	62,161	74,594	Data Avail 2007	Tons
<p><b>Background:</b> The 1992 baseline for population is the population in areas not classified or designated as attainment for the clean air national ambient air quality standards. The 1992 baseline for areas is those areas that are designated as non-attainment of the NAAQs but not meeting the standard (50 areas). Through FY 2003, 120,279,036 are living in areas designated to attainment; 5 areas are designated to attainment for this/these pollutants. The 1995 baseline for PM<sub>10</sub> reduced from mobile sources is 880,000 tons. Beginning in FY 2005, the 2000 Mobile6 inventory is used as the baseline for mobile source emissions. The 2000 baseline for PM<sub>10</sub> from mobile source is 613,000 tons. Prior to 2005, EPA only counted the population where the ambient monitor was located; in 2005, EPA began to count the population in the defined planning area (CAA-Part 81) which took into account a larger area and population. The FY 2003 and FY 2004 targets and actuals have been adjusted to match the new methodology.</p> <p>* Program Assessment Rating Tool (PART) measures are italicized.</p>									



APG 1.2 Reduce Exposure to Unhealthy CO, SO <sub>2</sub> , NO <sub>2</sub> , Lead									Status
In 2006	The number of people living in areas with monitored ambient CO, NO <sub>2</sub> , SO <sub>2</sub> , or Pb concentrations below the NAAQS will increase by less than 13% (relative to 2005) for a cumulative total of 66% (relative to 1992).								Data Avail 2007
In 2005	The number of people living in areas with monitored ambient CO, NO <sub>2</sub> , SO <sub>2</sub> , or Pb concentrations below the NAAQS will increase by less than 1% (relative to 2004) for a cumulative total of 53% (relative to 1992).								✓ Goal Met
In 2004	The number of people living in areas with monitored ambient CO, NO <sub>2</sub> , SO <sub>2</sub> , or Pb concentrations below the NAAQS will increase by 4% (relative to 2003) for a cumulative total of 53% (relative to 1992).								✗ Goal Not Met
In 2003	Maintain healthy air quality for 53 million people living in monitored areas attaining the CO, NO <sub>2</sub> , SO <sub>2</sub> , and Lead standards; increase by 1.1 million the number of people living in areas with healthy air quality that have newly attained the standard.								✗ Goal Not Met
APG 1.2 Performance Measures*	FY 2003		FY 2004		FY 2005		FY 2006		Unit
	Target	Actual	Target	Actual	Target	Actual	Target	Actual	
Cumulative Percent Increase in the Number of People who Live in Areas with Ambient CO, NO <sub>2</sub> , SO <sub>2</sub> , or Pb Concentrations Below the Level of the NAAQS as Compared to 1992.	63	47	53	49	53	53	66	Data Avail 2007	Percent
Cumulative Percent Increase in the Number of Areas with Ambient CO, NO <sub>2</sub> , SO <sub>2</sub> , or Pb Concentrations Below the Level of the NAAQS as Compared to 1992.	74	91	87	99	108	108	111	Data Avail 2007	Percent
Total number of people who live in areas measuring clean air for CO, NO <sub>2</sub> , SO <sub>2</sub> , or Pb.					120.8	174.0	189.7	Data Avail 2007	Million People
Areas measuring clean air for CO, NO <sub>2</sub> , SO <sub>2</sub> , or Pb.					10	10	4	Data Avail 2007	Areas
Additional people living in new areas measuring clean air for CO, NO <sub>2</sub> , SO <sub>2</sub> , or Pb.					4,100,000	4,100,000	15,500,00	Data Avail 2007	People
Total Number of People Living in Areas Designated in Attainment with Clean Air Standards for CO, NO <sub>2</sub> , SO <sub>2</sub> , and Pb	54.2	53.7	174.0	173.3					Million People
Additional People Living in Newly Designated Areas with Demonstrated Attainment of the CO, NO <sub>2</sub> , SO <sub>2</sub> , and Pb Standards.	1,118,800	740,000	6,150,000	5,400,000					People
<i>Limit the increase of CO emissions (in tons) from mobile sources compared to a 2000 baseline.</i>	<i>0.51</i>	<i>0.51</i>	<i>0.67</i>	<i>0.67</i>	<i>0.84</i>	<i>0.84</i>	<i>1.01</i>	Data Avail 2007	Tons
<p><b>Background:</b> The 1992 baseline for population is the population in areas not classified or designated as attainment for the clean air national ambient air quality standards. The 1992 baseline for areas is those areas that are designated as non-attainment of the NAAQS but not meeting the standard (119 areas). Through FY 2003, 167 million people are living in areas designated to attainment: 108 areas are designated to attainment for this/these pollutants. The 1995 baseline for mobile source CO emissions was 70.9M tons. Beginning in FY 2005, the 2000 Mobile6 inventory is used as the baseline for mobile source emission. The 2000 baseline was 79.2M tons for mobile source CO emissions. While on-road CO emissions continue to decrease, there is an overall increase in mobile source CO emissions due to a growth in nonroad CO.</p> <p>* Program Assessment Rating Tool (PART) measures are italicized.</p>									

APG 1.3 Reduce Exposure to Unhealthy Ozone Levels—8 Hour									Status
In 2006	The number of people living in areas with monitored ambient ozone concentrations below the NAAQS for the 8-hour ozone standard will increase by 1% (relative to 2004) for a cumulative total of 7% (relative to 2001).								Data Avail 2007
In 2005	The number of people living in areas with monitored ambient ozone concentrations below the NAAQS for the 8-hour ozone standard will increase by 4% (relative to 2004) for a cumulative total of 7% (relative to 2001).								✓ Goal Met
In 2004	The number of people living in areas with monitored ambient ozone concentrations below the NAAQS for the 8-hour standard will increase by 3% (relative to 2003) for a cumulative total of 3% (relative to 2001).								✓ Goal Met
APG 1.3 Performance Measures*	FY 2003		FY 2004		FY 2005		FY 2006		Unit
	Target	Actual	Target	Actual	Target	Actual	Target	Actual	
<i>Cumulative percent reduction in population-weighted ambient concentration of ozone in monitored counties from 2003 baseline. (New in FY 2006)</i>			2	3	3	6	5	Data Avail 2007	Percentage
<i>Cumulative percent reduction in the number of days with Air Quality Index (AQI) values over 100 since 2003, weighted by population and AQI value. (New in FY 2006)</i>			8	15.5	13	32.1	17	Data Avail 2007	Percentage
<i>Percent of major NSR permits issued within one year of receiving a complete permit application. (New in FY 2006)</i>			61	61	65	69	70	Data Avail 2007	Percentage
<i>Percent of significant Title V operating permit revisions issued within 18 months of receiving a complete permit application. (New in FY 2006)</i>			85	85	88	88	91	Data Avail 2007	Percentage
<i>Percent of new Title V operating permits issued within 18 months of receiving a complete permit application. (New in FY 2006)</i>			75	75	79	79	83	Data Avail 2007	Percentage
<i>Millions of Tons of Volatile Organic Compounds (VOCs) Reduced since 2000 from Mobile Sources.</i>	0.51	0.51	0.68	0.68	0.86	0.86	1.03	Data Avail 2007	Million Tons
<i>Millions of Tons of Nitrogen Oxides (NOx) Reduced since 2000 Reduced from Mobile Sources.</i>	1.02	1.02	1.35	1.35	1.69	1.69	2.03	Data Avail 2007	Million Tons
<p><b>Background:</b> EPA designated the attainment status for areas in April 2004. That data provided the population baseline as well as the number of areas that are not in attainment for the 8-hour ozone standard. The 1995 baseline was 8.1M tons for mobile source VOC emissions, and 12.0M tons for mobile source NOx emissions. Beginning in FY 2005, the Mobile6 inventory is used as the baseline year for mobile source emissions. The 2000 baseline was 7.7M tons for mobile source VOC emissions, and 11.8M tons for mobile source NOx emissions. The 1992 baseline for population is the population in areas not classified or designated as attainment for the clean air national ambient air quality standards.</p> <p>* Program Assessment Rating Tool (PART) measures are italicized.</p>									

APG 1.4 Reduce Exposure to Unhealthy PM Levels—PM <sub>2.5</sub>									Status
In 2006	The number of people living in areas with monitored ambient PM concentrations below the NAAQS for the PM <sub>2.5</sub> standard will increase by 1% (relative to 2005) for a cumulative total of less than 1% (relative to 2001).								Data Avail 2007
In 2005	The number of people living in areas with monitored ambient PM concentrations below the NAAQS for the PM <sub>2.5</sub> standard will increase by 1% (relative to 2003) for a cumulative total of less than 1% (relative to 2001).								✓ Goal Met
In 2004	The number of people living in areas with monitored ambient ozone concentrations below the NAAQS for the PM <sub>2.5</sub> standard will increase by 1% (relative to 2003) for a cumulative total of less than 1% (relative to 2001).								✓ Goal Met
APG 1.4 Performance Measures*	FY 2003		FY 2004		FY 2005		FY 2006		Unit
	Target	Actual	Target	Actual	Target	Actual	Target	Actual	
Cumulative Percent Increase in the Number of People who Live in Areas with Ambient PM <sub>2.5</sub> Concentrations Below the Level of the NAAQS as Compared to 2001.			I	20	I	45	I	Data Avail 2007	Percent
Percent Increase in the Number of Areas with Ambient PM <sub>2.5</sub> Concentrations Below the Level of the NAAQS as Compared to 2001.			I	46	I	21	I	Data Avail 2007	Percent
<i>Cumulative percent reduction in population-weighted ambient concentration of fine particulate matter (PM<sub>2.5</sub>) in all monitored counties from 2003 baseline.</i>			I	3	2	5	2	Data Avail 2007	Percent
<i>Tons of PM<sub>2.5</sub> Reduced since 2000 from Mobile Sources.</i>	36,370	36,370	48,974	48,974	61,217	61,217	73,460	Data Avail 2007	Tons
<p><b>Background:</b> EPA designated the attainment status for areas in FY 2005. That data provided the population baseline as well as the number of areas that are not in attainment for the PM<sub>2.5</sub> standard. Beginning in FY 2005, the 2000 Mobile6 inventory is used as the baseline for mobile source emissions. The 2000 baseline for PM<sub>2.5</sub> from mobile sources is 613,000 tons.</p> <p>* Program Assessment Rating Tool (PART) measures are italicized.</p>									

APG 1.5 Reduce SO <sub>2</sub> Emissions <sup>1</sup>									Status
In 2006	Keep annual emissions below level authorized by allowance holdings and make progress towards achieving the year 2010 SO <sub>2</sub> emissions cap for utilities. Annual emissions reduction target is 7.0 million tons from the 1980 baseline.								Data Avail 2007
In 2005	Keep annual emissions below level authorized by allowance holdings and make progress towards achieving the year 2010 SO <sub>2</sub> emissions cap for utilities. Annual emissions reduction target is 6.9 million tons from the 1980 baseline.								✓ Goal Met
In 2004	Maintain or increase annual SO <sub>2</sub> emission reduction of approximately 5 million tons from the 1980 baseline. Keep annual emissions below level authorized by allowance holdings and make progress towards achievement of Year 2010 SO <sub>2</sub> emissions cap for utilities.								✓ Goal Met
In 2003	Maintain or increase annual SO <sub>2</sub> emission reduction of approximately 5 million tons from the 1980 baseline. Keep annual emissions below level authorized by allowance holdings and make progress towards achievement of Year 2010 SO <sub>2</sub> emissions cap for utilities.								✓ Goal Met

APG 1.5 Reduce SO <sub>2</sub> Emissions <sup>1</sup> (continued)									
APG 1.5 Performance Measures	FY 2003		FY 2004		FY 2005		FY 2006		Unit
	Target	Actual	Target	Actual	Target	Actual	Target	Actual	
SO <sub>2</sub> Emissions Reduced	5	6.8	5	7.1	6.9	7.2	7.0	Data Avail 2007	Million Tons

**Background:** The base is comparison for assessing progress on the annual performance goal is the 1980 emissions baseline. The 1980 SO<sub>2</sub> emissions inventory totals 17 million tons for electric utility sources. This inventory was developed by National Acid Precipitation Assessment Program (NAPAP) and used as the basis for reductions in Title IV of the Clean Air Act Amendments. This data is also contained in EPA's National Air Pollutant Emissions Trends Report. Statutory SO<sub>2</sub> emissions cap for year 2010 and later is at 8.95 million tons which is approximately 8.5 million tons below 1980 emissions level. "Allowable SO<sub>2</sub> emission level" consists of allowance allocations granted to sources each year under several provisions of the Act and additional allowances carried over, or banked, from previous years. Because of year to year variations in the demand for electricity and in the banking/consumption of allowances, progress towards the emissions cap will not necessarily be linear.

APG 1.6 Reduce Air Toxic Emissions—Mobile and Stationary Sources <sup>2</sup>									Status
In 2006	Air toxics emissions nationwide from stationary and mobile sources combined will be reduced by an additional 2% of the updated 1993 baseline of 6.0 million tons for a cumulative reduction of 40%.								Data Avail 2009 <sup>3</sup>
In 2005	Air toxics emissions nationwide from stationary and mobile sources combined will be reduced by an additional 1% of the updated 1993 baseline of 6.0 million tons for a cumulative reduction of 38%.								Data Avail 2009
In 2004	Air toxics emissions nationwide from stationary and mobile sources combined will be reduced by an additional 2% of the updated 1993 baseline of 6.0 million tons for a cumulative reduction of 37%.								✓ Goal Met <sup>4</sup>
In 2003	Air toxics emissions nationwide from stationary and mobile sources combined will be reduced by an additional 1% of the updated 1993 baseline of 6.0 million tons for a cumulative reduction 35%.								✓ Goal Met <sup>3</sup>

APG 1.6 Performance Measures	FY 2003		FY 2004		FY 2005		FY 2006		Unit
	Target	Actual	Target	Actual	Target	Actual	Target	Actual	
Total Cumulative reductions in Air Toxics Emissions (% reductions from baseline). (New in FY 2006)	35	39	37	41	38	Data Avail 2009	40	Data Avail 2009	Percent
Mobile Source Air Toxics Emissions Reduced.	0.68	1.5	0.71	1.6	0.80	Data Avail 2009	0.89	Data Avail 2009	Million Tons
Major Stationary Source Air Toxics Emissions Reduced.	1.57	1.8	1.59	1.9	1.59	Data Avail 2009	1.64	Data Avail 2009	Million Tons
Area and All Other Air Toxics Emissions Reduced.	0.12	0.05	0.13	0.05	0.14	Data Avail 2009	0.15	Data Avail 2009	Million Tons
Annual percentage of combined stationary and mobile source reductions in air toxic emissions. (New in FY 2006)							2	Data Avail 2009	Percent

**Background:** The baseline begins in 1993. This is the year before the first MACT (Maximum Achievable Control Technology) and mobile source regulations developed under the Clean Air Act were to be implemented. Air toxics emissions data are revised every three years to generate inventories for the National Emissions Inventory (NEI), which replaced the National Toxics Inventory (NTI). In intervening years between updates of the NEI, the model EMS-HAP (Emissions Modeling System for Hazardous Air Pollutants) is used to estimate and project annual emissions of air toxics. As new inventories are completed and improved inventory data is added, the baseline (or total tons of air toxics) is adjusted. The toxicity-weighted emission inventory will also utilize the NEI for air toxics along with the Agency's compendium of cancer and noncancer health risk criteria to develop a risk metric that can be tabulated and tracked on an annual basis. The baseline is based on emission inventory data from 1990-1993.

APG 1.7 Reduce Air Toxic Emissions—Leaded Gasoline Phase-out in Africa									Status
In 2006	Complete the phase out of leaded gasoline in 20 countries in Africa through the partnership for clean fuels and vehicles.								✓ Goal Met
APG 1.7 Performance Measures	FY 2003		FY 2004		FY 2005		FY 2006		Unit
	Target	Actual	Target	Actual	Target	Actual	Target	Actual	
Number of countries completing phase out of leaded gasoline. (cumulative) (New in FY 2006)							20	40	Countries
<p><b>Background:</b> The baseline begins in 1993. This is the year before the first MACT (Maximum Achievable Control Technology) and mobile source regulations developed under the Clean Air Act were to be implemented. Air toxics emissions data are revised every three years to generate inventories for the National Emissions Inventory (NEI), which replaced the National Toxics Inventory (NTI). In intervening years between updates of the NEI, the model EMS-HAP (Emissions Modeling System for Hazardous Air Pollutants) is used to estimate and project annual emissions of air toxics. As new inventories are completed and improved inventory data is added, the baseline (or total tons of air toxics) is adjusted. The toxicity-weighted emission inventory will also utilize the NEI for air toxics along with the Agency's compendium of cancer and non-cancer health risk criteria to develop a risk metric that can be tabulated and tracked on an annual basis. The baseline is based on emission inventory data from 1990-1993.</p>									

APG 1.8 Air Toxicity-Weighted									Status
In 2006	Reduction in tons of toxicity-weighted for cancer and non-cancer emissions of air toxics from 1993 baseline.								Data Avail 2007
APG 1.8 Performance Measures*	FY 2003		FY 2004		FY 2005		FY 2006		Unit
	Target	Actual	Target	Actual	Target	Actual	Target	Actual	
<i>Cumulative percentage reduction in tons of toxicity-weighted (for cancer risk) emissions of air toxics from 1993 baseline.</i>							22	<i>Data Avail 2007</i>	Percentage
<i>Cumulative percentage reduction in tons of toxicity-weighted (for noncancer risk) emissions of air toxics from 1993 baseline.</i>							55	<i>Data Avail 2007</i>	Percentage
<p><b>Background:</b> The toxicity-weighted emission inventory uses the NEI for air toxics along with the Agency's compendium of cancer and non-cancer health risk criteria to develop a risk metric that can be tabulated and tracked on an annual basis. The baseline is based on emission inventory data from 1990-1993.</p> <p>* Program Assessment Rating Tool (PART) measures are italicized.</p>									

OBJECTIVE 2: HEALTHIER INDOOR AIR									
By 2008, 22.6 million more Americans than in 1994 will be experiencing healthier indoor air in homes, schools, and office buildings.									
APG 1.9 Healthier Residential Indoor Air									Status
In 2006	850,000 additional people will be living in homes with healthier indoor air.								Data Avail 2007
In 2005	Additional people will be living in homes with healthier indoor air.								Data Avail 2007
In 2004	Additional people will be living in healthier residential indoor environments.								✓ Goal Met
In 2003	Additional people will be living in healthier residential indoor environments.								✓ Goal Met
APG 1.9 Performance Measures*	FY 2003		FY 2004		FY 2005		FY 2006		Unit
	Target	Actual	Target	Actual	Target	Actual	Target	Actual	
People Living in Healthier Indoor Air.	834,400	834,400	834,400	834,400	843,300	843,300	850,000	Data Avail 2007	People
<i>Number of additional homes (new and existing) with radon reducing features. (New in FY 2006)</i>	<i>142,000</i>	<i>149,000</i>	<i>162,000</i>	<i>143,000</i>	<i>173,000</i>	<i>Data Avail 2007</i>	<i>180,000</i>	<i>Data Avail 2007</i>	Homes
<i>Annual Cost to EPA per person with asthma taking all essential actions to reduce exposure to indoor environmental asthma triggers. (New in FY 2006)</i>							8.38	Data Avail 2007	Dollars
<i>Percent of public that is aware of the asthma program's media campaign. (New in FY 2006)</i>	<i>&gt;20</i>	<i>27</i>	<i>&gt;20</i>	<i>27</i>	<i>&gt;20</i>	<i>31</i>	<i>&gt;20</i>	Data Avail 2007	Percentage
<i>Additional health care professionals trained annually by EPA and its partners on the environmental management of asthma triggers. (New in FY 2006)</i>	<i>2,000</i>	<i>2,360</i>	<i>2,000</i>	<i>3,080</i>	<i>2,000</i>	<i>3,380</i>	<i>2,000</i>	Data Avail 2007	Number
<p><b>Background:</b> This performance measure includes EPA radon, ETS, and asthma work. 1. By 2006, increase the number of people living in homes built with radon reducing features to 4,785,612 from 1,826,280 in 1994 (cumulative). 2. By 2006, decrease the number of children exposed to secondhand smoke from 7.4 million (27% of children ages 6 and under) in 1994 to an estimated 4.0 million (14.5% of children ages 6 and under) (cumulative). 3. By 2006, increase by 500,000 the number of people with asthma and their caregivers who are educated about indoor air asthma triggers.</p> <p>* Program Assessment Rating Tool (PART) measures are italicized.</p>									

APG 1.10 Healthier Indoor Air in Schools		Status
In 2006	630,000 students, faculty and staff will experience improved indoor air quality in their schools.	Data Avail 2007
In 2005	Students, faculty and staff will experience improved indoor air quality in their schools.	✓ Goal Met
In 2004	Students, faculty and staff will experience improved indoor air quality in their schools.	✓ Goal Met
In 2003	Students, faculty and staff will experience improved indoor air quality in their schools.	✓ Goal Met

APG 1.10 Healthier Indoor Air in Schools <i>(continued)</i>									
APG 1.10 Performance Measures*	FY 2003		FY 2004		FY 2005		FY 2006		Unit
	Target	Actual	Target	Actual	Target	Actual	Target	Actual	
Students/Staff Experiencing Improved IAQ in Schools.	1,050,000	1,050,000	1,575,000	1,630,000	1,312,500	1,574,000	630,000	Data Avail 2007	Students/Staff
<i>Average cost to EPA per student per year in a school that is implementing an Indoor Air Quality plan. (New in FY 2006)</i>							2	Data Avail 2007	Dollars
<i>Estimated annual number of schools establishing indoor air quality programs based on EPA's Tools for Schools guidance. (New in FY 2006)</i>	2,000	3,200	3,000	3,100	2,500	3,000	1,200	Data Avail 2007	Number

**Background:** The nation has approximately 117,000 schools with an average of 525 students, faculty, and staff for a total baseline population of 61,425,000. The IAQ "Tools for Schools" Guidance implementation began in 1997. For FY 2006, the program projects an additional 1200 schools will implement the guidance. Results from a 2002 IAQ practices in schools survey suggest that approximately 20% of U.S. schools report an adequate IAQ management plan that is in accordance with EPA guidelines.

\* Program Assessment Rating Tool (PART) measures are italicized.

APG 1.11 Healthier Indoor Air in Workplaces		Status
In 2006	240,000 additional office workers will experience improved air quality in their workplaces.	✓ Goal Met
In 2005	150,000 additional office workers will experience improved air quality in their workplaces.	✓ Goal Met

APG 1.11 Performance Measures	FY 2003		FY 2004		FY 2005		FY 2006		Unit
	Target	Actual	Target	Actual	Target	Actual	Target	Actual	
Additional office workers will experience improved air quality in their workplaces.					150,000	150,000	240,000	240,000	People

**Background:** There are approximately 750,000 office buildings with 12 billion square feet. There are approximately 24 million office workers with the mean worker density at 1 office worker per 500 square feet. Our 2008 goal is to get an additional 3% of all office buildings to adopt good IAQ measures translating to 720,000 office workers.

### OBJECTIVE 3: PROTECT THE OZONE LAYER

By 2010, through worldwide action, ozone concentrations in the stratosphere will have stopped declining and slowly begun the process of recovery, and the risk to human health from overexposure to ultraviolet (UV) radiation, particularly among susceptible subpopulations, such as children, will be reduced.

APG 1.12 Restrict Domestic Consumption of Class II HCFCs									Status
In 2006	Restrict domestic annual consumption of class II HCFCs below 9,906 ODP-weighted metric tonnes (ODP MTs) and restrict domestic exempted production and import of newly produced class I CFCs and halons below 10,000 ODP MTs.								Data Avail 2007 & 2008
In 2005	Restrict domestic annual consumption of class II HCFCs below 9,906 ODP-weighted metric tonnes (ODP MTs) and restrict domestic exempted production and import of newly produced class I CFCs and halons below 10,000 ODP MTs.								Data Avail 2007
In 2004	Restrict domestic annual consumption of class II HCFCs below 9,906 ODP-weighted metric tonnes (ODP MTs) and restrict domestic exempted production and import of newly produced class I CFCs and halons below 10,000 ODP MTs.								✓ Goal Met
In 2003	Restrict domestic consumption of class II HCFCs below 9,906 ODP-weighted metric tonnes (ODP MTs) and restrict domestic exempted production and import of newly produced class I CFCs and halons below 10,000 ODP MTs.								✓ Goal Met
APG 1.12 Performance Measures*	FY 2003		FY 2004		FY 2005		FY 2006		Unit
	Target	Actual	Target	Actual	Target	Actual	Target	Actual	
<i>Remaining US Consumption of HCFCs in tons of Ozone Depleting Potential (ODP).</i>	<9,900	7,110	<9,900	5,500	<9,900	Data Avail 2007	<9,900	Data Avail 2008	ODP MTs
Domestic Exempted Production and Import of Newly Produced Class I CFCs and Halons			<10,000	1,225	<10,000	Data Avail 2007	<10,000	Data Avail 2008	ODP MTs
<i>Cumulative federal dollars spent per school joining the SunWise program. (New in FY 2006)</i>			693	693	580	580	560	Data Avail 2007	Dollars
<p><b>Background:</b> The base of comparison for assessing progress on the 2005 annual performance goal is the domestic consumption cap of class II HCFCs as set by the Parties to the Montreal Protocol. Each Ozone Depleting Substance (ODS) is weighted based on the damage it does to the stratospheric ozone—this is its ozone-depletion potential (ODP). Beginning on January 1, 1996, the cap was set at the sum of 2.8 percent of the domestic ODP-weighted consumption of CFCs in 1989 plus the ODP-weighted level of HCFCs in 1989. Consumption equals production plus import minus export.</p> <p>* Program Assessment Rating Tool (PART) measures are italicized.</p>									

### OBJECTIVE 4: RADIATION

Through 2008, working with partners, minimize unnecessary releases of radiation and be prepared to minimize impacts to human health and the environment should unwanted releases occur.

1.13 Build National Radiation Monitoring System		Status
In 2006	EPA will purchase 51 additional state of the art monitoring units and initiate deployment to sites selected based on population and geographical coverage.	✗ Goal Not Met
In 2005	EPA will purchase 51 additional state of the art monitoring units and initiate deployment to sites selected based on population and geographical coverage.	✓ Goal Met
In 2004	EPA will purchase 60 state of the art radiation monitoring units thereby increasing EPA radiation monitoring capacity and population coverage from 37% of the contiguous U.S. population in FY 2002 to 50% in FY 2004.	✗ Goal Not Met



**1.13 Build National Radiation Monitoring System (continued)**

APG 1.13 Performance Measures	FY 2003		FY 2004		FY 2005		FY 2006		Unit
	Target	Actual	Target	Actual	Target	Actual	Target	Actual	
Purchase and Deploy State-of-the Art Monitoring Units.			60	0	51	52	51	41	Units Purchased

**Explanation of Missed FY 2006 Goal:** In FY 2006, EPA placed an order for 41 RadNet monitors, not the originally planned purchase of 51. The reduced order is based upon a revised installation schedule that allows for delays resulting from technical issues with several of the first installed monitors.

**Background:** The current fixed monitoring system, part of the Environment Radiation Ambient Monitoring System, was developed in the 1960s for the purpose of monitoring radioactive fallout from nuclear weapons testing. The system currently consists of 52 old low-tech air particulate samplers which provide coverage in cities which represent approximately 24% of the population. The current system air samplers will be retired from service due to age. As the system comes on line, EPA's schedule for estimated monitor deployment and population coverage is as follows: FY 2005: 11 monitors deployed—22.8%; FY 2006: 71 monitors deployed- for population coverage of approximately 67.7%; FY 2009: 172 cumulative monitors deployed—for population coverage of approximately 69.4%. The purchase schedule is based primarily upon contract pricing terms and the deployment schedule reflects a best estimate of our ability to get the monitors sited and out in the field.

**APG 1.14 Homeland Security—Readiness & Response****Status**

In 2006	Verify that 60 percent of EPA's Radiological Emergency Response Team (RERT) members meet scenario-based response criteria.	Data Avail Dec. 2006
In 2005	Verify that 50 percent of EPA's Radiological Emergency Response Team (RERT) members meet scenario-based response criteria.	✓ Goal Met

APG 1.14 Performance Measures	FY 2003		FY 2004		FY 2005		FY 2006		Unit
	Target	Actual	Target	Actual	Target	Actual	Target	Actual	
Percentage of EPA RERT members that meet scenario-based criteria					50	60	60	Data Avail Dec. 2006	Percent

**Background:** EPA assesses RERT readiness based on the ability of the RERT to: 1. provide effective field response, as defined today, 2. support coordination centers; and 3. provide analytical capabilities throughout as needed to support a single small-to-medium scale incident. These evaluation criteria will be reevaluated and revised in response to the Department of Homeland Security development of criteria for the Nuclear Incident Response Team established under the Homeland Security Act of 2002, which includes EPA RERT assets.

**APG 1.15 Ensure WIPP Safety****Status**

In 2006	Certify that 45,000 55-gallon drums of radioactive waste (containing approximately 135,000 curies) shipped by DOE to the Waste Isolation Pilot Plant are permanently disposed of safely and according to EPA standards.	✓ Goal Met
In 2005	Certify that 40,000 55-gallon drums of radioactive waste (containing approximately 120,000 curies) shipped by DOE to the Waste Isolation Pilot Plant are permanently disposed of safely and according to EPA standards.	✗ Goal Not Met
In 2004	Certify that 36,000 55-gallon drums of radioactive waste (containing approximately 108,000 curies) shipped by DOE to the Waste Isolation Pilot Plant are permanently disposed of safely and according to EPA standards.	✓ Goal Met
In 2003	Certify that 36,000 55 gallon drums of radioactive waste (containing approximately 108,000 curies) shipped by DOE to the Waste Isolation Pilot Plant are permanently disposed of safely and according to EPA standards.	✓ Goal Met

**APG 1.15 Ensure WIPP Safety (continued)**

APG 1.15 Performance Measures	FY 2003		FY 2004		FY 2005		FY 2006		Unit
	Target	Actual	Target	Actual	Target	Actual	Target	Actual	
Number of 55-Gallon Drums of Radioactive Waste Disposed of According to EPA Standards.	36,000	36,041	36,000	36,500	40,000	35,000	45,000	45,000	Drums

**Background:** The Waste Isolation Pilot Plant (WIPP) near Carlsbad, NM was opened in May 1999 to accept radioactive transuranic waste. By the end of FY 2004, approximately 109,000 (cumulative) 55 gallon drums will be safely disposed. In FY 2006, EPA expects that DOE will ship an additional 45,000 55- gallon drums of waste. Through FY 2006, EPA expects that DOE will shipped safely and according to EPA standards, approximately 23% of the planned waste volume, based on disposal of 860,000 drums over the next 40 years. Number of drums shipped to the WIPP facility on an annual basis is dependent on DOE priorities and funding. EPA volume estimates are based on projecting the average shipment volumes over 40 years with an initial start up.

**OBJECTIVE 5: REDUCE GREENHOUSE GAS INTENSITY**

Through EPA's voluntary climate protection programs, contribute 45 million metric tons of carbon equivalent (MMTCE) annually to the President's 18 percent greenhouse gas intensity improvement goal by 2012. (An additional 75 MMTCE to result from the sustained growth in the climate programs are reflected in the Administration's business-as-usual projection for greenhouse gas intensity improvement.)

**APG 1.16 Reduce Greenhouse Gas Emissions**

**Status**

In 2006	Greenhouse gas emissions will be reduced from projected levels by approximately 102 MMTCE per year through EPA partnerships with businesses, schools, state and local governments, and other organizations.	Data Avail 2007
In 2005	Greenhouse gas emissions will be reduced from projected levels by approximately 90 MMTCE per year through EPA partnerships with businesses, schools, state and local governments, and other organizations.	✓ Goal Met <sup>5</sup>
In 2004	Greenhouse gas emissions will be reduced from projected levels by approximately 81 MMTCE per year through EPA partnerships with businesses, schools, state and local governments, and other organizations.	✓ Goal Met
In 2003	Greenhouse gas emissions will be reduced from projected levels by approximately 72.2 MMTCE per year through EPA partnerships with businesses, schools, state and local governments, and other organizations.	✓ Goal Met

APG 1.16 Performance Measures*	FY 2003		FY 2004		FY 2005		FY 2006		Unit
	Target	Actual	Target	Actual	Target	Actual	Target	Actual	
Annual Greenhouse Gas Reductions—All EPA Programs.	72.2	82.4	81.0	87.9	90.2	91.5	102	Data Avail 2007	MMTCE
Million metric tons of carbon equivalent (mmtce) of greenhouse gas reductions in the buildings sector.	22.8	23.0	21.4	26.2	23.8	29.9	26.5	Data Avail 2007	MMTCE
Million metric tons of carbon equivalent (mmtce) of greenhouse gas reductions in the industry sector.	45.5	58.7	53.2	53.2	53.5	58.7	58.0	Data Avail 2007	MMCTE
Greenhouse Gas Reductions from EPA's Industrial Efficiency/Waste Management Programs. <sup>5</sup>	6.7	7.4	7.3	9.0	8	10.2	9.0	Data Avail 2007	MMTCE
Greenhouse Gas Reductions from EPA's Industrial Methane Outreach Programs. <sup>6</sup>	17.0	17.9	18.1	19.9	19.1	16.8	20.1	Data Avail 2007	MMTCE

APG 1.16 Reduce Greenhouse Gas Emissions (continued)									
APG 1.16 Performance Measures*	FY 2003		FY 2004		FY 2005		FY 2006		Unit
	Target	Actual	Target	Actual	Target	Actual	Target	Actual	
Greenhouse Gas Reductions from EPA's Industrial HFC/PFC Programs. <sup>5</sup>	24.9	29.8	29.6	28.2	34.4	29.8	41.0	Data Avail 2007	MMTCE
<i>Million metric tons of carbon equivalent (mmtce) of greenhouse gas reductions in the transportation sector.</i>	2.3	2.3	2.6	2.6	2.9	2.9	3.3	Data Avail 2007	MMTCE
Greenhouse Gas Reductions from EPA's State and Local Programs.	2.0	2.0	2.0	2.0	2.0	2.0	2.0	Data Avail 2007	MMTCE
<i>Tons of greenhouse gas emissions (mmtce) prevented per societal dollar in the building sector. (New in FY 2006)</i>							0.7	Data Avail 2007	Dollars
<i>Tons of greenhouse gas emissions (mmtce) prevented per societal dollar in the industry sector. (New in FY 2006)</i>							3.1	Data Avail 2007	Dollars
<i>Tons of greenhouse gas emissions (mmtce) prevented per societal dollar in the transportation sector. (New in FY 2006)</i>							0.15	Data Avail 2007	Dollars
<p><b>Background:</b> The baseline for evaluating program performance is a projection of U.S. greenhouse gas emissions in the absence of the U.S. climate change programs. The baseline was developed as part of an interagency evaluation of the U.S. climate change programs in 2002, which built on similar baseline forecasts developed in 1997 and 1993. Baseline data for carbon emissions related to energy use is based on data from the Energy Information Agency (EIA) and from EPA's Integrated Planning Model of the U.S. electric power sector. Baseline data for non-carbon dioxide (CO<sub>2</sub>) emissions, including nitrous oxide and other high global warming potential gases are maintained by EPA. Baseline information is discussed at length in the U.S. Climate Action Report 2002 (<a href="http://yosemite.epa.gov/oar/GlobalWarming.nsf/content/ResourceCenterPublicationsUSClimateActionReport.html">http://yosemite.epa.gov/oar/GlobalWarming.nsf/content/ResourceCenterPublicationsUSClimateActionReport.html</a>), which provides a discussion of differences in assumptions between the 1997 baseline and the 2002 update, including which portion of energy efficiency programs are included in the estimates. EPA develops the non-CO<sub>2</sub> emissions baselines and projections using information from partners and other sources. EPA continues to develop annual inventories as well as update methodologies as new information becomes available.</p> <p>* Program Assessment Rating Tool (PART) measures are italicized.</p>									

APG 1.17 Reduce Energy Consumption		Status
In 2006	Reduce energy consumption from projected levels by more than 145 billion kilowatt hours, contributing to over \$8.5 billion in energy savings to consumers and businesses.	Data Avail 2007
In 2005	Reduce energy consumption from projected levels by more than 120 billion kilowatt hours, contributing to over \$8.5 billion in energy savings to consumers and businesses.	✓ Goal Met
In 2004	Reduce energy consumption from projected levels by more than 110 billion kilowatt hours, contributing to over \$7.5 billion in energy savings to consumers and businesses.	✓ Goal Met
In 2003	Reduce energy consumption from projected levels by more than 95 billion kilowatt hours, contributing to over \$6.5 billion in energy savings to consumers and businesses.	✓ Goal Met

**APG 1.17 Reduce Energy Consumption (continued)**

APG 1.17 Performance Measures	FY 2003		FY 2004		FY 2005		FY 2006		Unit
	Target	Actual	Target	Actual	Target	Actual	Target	Actual	
Annual Energy Savings—All EPA Programs.	95	122.8	110	145	120	165	145	Data Avail 2007	Billion kWh

**Background:** The baseline for evaluating program performance is a projection of U.S. greenhouse gas emissions in the absence of the U.S. climate change programs. The baseline was developed as part of an interagency evaluation of the U.S. climate change programs in 2002, which built on similar baseline forecasts developed in 1997 and 1993. Baseline data for carbon emissions related to energy use is based on data from the Energy Information Agency (EIA) and from EPA's Integrated Planning Model of the U.S. electric power sector. Baseline data for non-carbon dioxide (CO2) emissions, including nitrous oxide and other high global warming potential gases are maintained by EPA. Baseline information is discussed at length in the U.S. Climate Action Report 2002 (<http://yosemite.epa.gov/oar/GlobalWarming.nsf/content/ResourceCenterPublicationsUSClimateActionReport.html>), which provides a discussion of differences in assumptions between the 1997 baseline and the 2002 update, including which portion of energy efficiency programs are included in the estimates. EPA develops the non-CO2 emissions baselines and projections using information from partners and other sources. EPA continues to develop annual inventories as well as update methodologies as new information becomes available.

**OBJECTIVE 6: ENHANCE SCIENCE AND RESEARCH**

Through 2010, provide and apply sound science to support EPA's goal of clean air by conducting leading-edge research and developing a better understanding and characterization of environmental outcomes under Goal 1.

**APG 1.18 Clean Automotive Technology**

**Status**

In 2006	Transfer hybrid powertrain components, originally developed for passenger car applications, to meet size, performance, durability, and towing requirements of Sport Utility Vehicle and urban delivery vehicle applications with an average fuel economy improvement of 35% over the baseline.	Data Avail 2007
In 2005	Transfer hybrid powertrain components, originally developed for passenger car applications, to meet size, performance, durability, and towing requirements of Sport Utility Vehicle and urban delivery vehicle applications with an average fuel economy improvement of 30% over the baseline.	✓ Goal Met
In 2004	Transfer hybrid powertrain components, originally developed for passenger car applications, to meet size, performance, durability, and towing requirements of Sport Utility Vehicle and urban delivery vehicle applications with an average fuel economy improvement of 25% over the baseline.	✓ Goal Met

APG 1.18 Performance Measures	FY 2003		FY 2004		FY 2005		FY 2006		Unit
	Target	Actual	Target	Actual	Target	Actual	Target	Actual	
Fuel Economy of EPA-developed SUV hybrid technology over EPA Driving Cycles Tested.			25.2	25.2	26.3	26.3	27.3	Data Avail 2007	MPG

**Background:** The average fuel economy of all SUVs sold in the US in 2001 is 20.2 mpg. Values for 2004, 2005, and 2006 represent 25%, 30%, and 35% improvements over this baseline, respectively.

RESEARCH APG 1.19 PM Effects Research									Status
In 2006	By 2006, develop and report on new data on the effects of different PM sizes or components to improve understanding of the health risks associated with short-term exposure to PM in healthy and select susceptible populations so that, by 2010, OAR has improved assessments of health risks to develop PM standards that maximize protection of human health, as determined by independent expert review.								X Goal Not Met
APG 1.19 Performance Measures	FY 2003		FY 2004		FY 2005		FY 2006		Unit
	Target	Actual	Target	Actual	Target	Actual	Target	Actual	
Integrated report on the health effects of different particle sizes or particle components in healthy and select susceptible subgroups.							1	1	Report
Percent progress toward completion of a hierarchy of air pollutant sources based on the risk they pose to human health.	N/A	N/A	N/A	N/A	Baseline	5	10	10	Percent
Percent of planned actions accomplished toward the long-term goal of reducing uncertainty in the science that supports standard-setting and air quality management decisions.	Baseline	71	81	84	91	94	100	94	Percent
<p><b>Background:</b> The physical attributes of PM—size, surface area and number—influence PM deposition, penetration, and persistence in the lung, as well as the potential for transport within the body and the inherent toxicity of the particle itself. Composition also varies by particle size, with products of combustion usually concentrated in fine PM. Evidence from epidemiological studies suggest that small or “fine” particles (PM with diameters less than 2.5 microns, or PM<sub>2.5</sub>) are strongly associated with cardiovascular and respiratory effects. Other studies have shown that larger, “coarse” particles (PM with diameters less than 10 microns, or PM<sub>10</sub>) may not contribute significantly to an increased risk of adverse health effects. In addition, a few studies show correlations between health outcomes and ultrafine (&lt;100 nm) ambient PM. EPA is conducting research to determine the extent to which adverse health effects can be attributed to PM belonging to a particular size class or chemical composition of PM. This APG will report on and integrate information on the influence of particle size and certain compositions on health effects in healthy and select susceptible subgroups. Specific emphasis will be placed on differential effects—in kind or intensity—for less studied particle sizes (i.e. ultrafines and coarse particles). This information will reduce uncertainties in risk assessment, be used in the development of future PM standards, and inform decision makers implementing PM reduction strategies.</p> <p>Beginning in FY 2005, regular evaluations by independent and external panels will provide reviews of EPA research programs’ relevance, quality, and successful performance to date, and will determine whether EPA has been successful in meeting its annual and long-term commitments for research. Recommendations and results from these reviews will improve the design and management of EPA research programs and help to measure their progress under GPRA.</p> <p>A multi-city approach to determining linkages between pollutant sources and health outcomes will ensure that program clients target air pollutant strategies most effectively and efficiently to best protect human health and the environment. Development of a source hierarchy represents an important effort in reducing uncertainty. Percent completion is assessed by independent expert review.</p> <p>Planned actions include milestones in the program’s multi-year plan and actions needed to address the results of reviews by the Board of Scientific Counselors.</p> <p><b>Explanation of Missed FY 2006 Goal:</b> EPA set an ambitious goal of completing 100 percent of its key research actions toward the long-term goal of reducing uncertainty in the science that supports standard-setting and air quality management decisions. Due to the difficulties in predicting research findings, only 94 percent of planned actions were completed in 2006. The NAAQS program is continuing to work in a timely manner towards completion of any of the remaining FY 2006 research objectives.</p>									

APG 1.20 PM Measurement Research									Status
In 2006	Develop and transfer new data and tools needed by OAR and the states to predict, measure, and reduce ambient PM and PM emissions to attain the existing PM NAAQS, as determined by independent expert review.								✓ Goal Met
In 2005	By FY 2005, deliver and transfer improved receptor models and data on chemical compounds emitted from sources so that, by 2006, EPA's Office of Air and Radiation and the states have the necessary new data and tools to predict, measure, and reduce ambient PM and PM emissions to attain the existing PM National Ambient Air Quality Standards (NAAQS) for the protection of public health.								✓ Goal Met
APG 1.20 Performance Measures	FY 2003		FY 2004		FY 2005		FY 2006		Unit
	Target	Actual	Target	Actual	Target	Actual	Target	Actual	
Improved receptor models and data on chemical compounds emitted from sources.					I	I			models/ data
Synthesis report with improved information on PM emissions and ambient concentrations for use in preparation and evaluation of state implementation plan development, application, and compliance.							I	I	Report
<p><b>Background:</b> The designation of non-attainment areas for the Particulate Matter National Ambient Air Quality Standards (NAAQS) in 2005 will mean that states will need to immediately begin developing State Implementation Plans (SIPs). SIPs incorporate source emission reduction rules that once implemented lead to cleaner air and standards attainment. They are due to EPA three years after designation. SIP development is predicated on the availability of recent and credible information on state-wide and regional air quality, atmospheric chemistry, and processes that transport and transform source emissions leading to PM concentrations in excess of the PM NAAQS. The national PM Supersites program has been applying the most sophisticated instruments and methods available over the past four years in seven areas across the country to fully characterize PM, its composition and contributing sources and atmospheric processes. Supersites have been located in Fresno, CA; Los Angeles, CA; Houston, TX; St. Louis, MO; Baltimore, MD; Pittsburgh, PA; and New York, NY. These locations include those with the highest annual and daily PM concentrations nationally. The observational insights from these Supersites will provide specialized information not otherwise available for their host and adjoining states. Information will be provided both as detailed area-specific information and as synthesis of findings on multiple scales. This information will provide inputs for receptor models, and confirm the emissions and chemical process information used in air quality models as part of a weight of evidence approach to be used by states to tag specific sources with reduction targets.</p> <p>Beginning in FY 2005, regular evaluations by independent and external panels will provide reviews of EPA research programs' relevance, quality, and successful performance to date, and will determine whether EPA has been successful in meeting its annual and long-term commitments for research.</p>									

# Goal 2: Clean and Safe Water

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

## OBJECTIVE 1: PROTECT HUMAN HEALTH

Protect human health by reducing exposure to contaminants in drinking water (including protecting source waters), in fish and shellfish, and in recreational waters.


APG 2.1 Safe Drinking Water Meeting All Standards—Population										Status
In 2006	93% of the population served by community water systems will receive drinking water that meets all applicable health-based drinking water standards through effective treatment and source water protection.									Data Avail 2007
In 2005	93% of the population served by community water systems will receive drinking water that meets all applicable health-based drinking water standards through effective treatment and source water protection.									X Goal Not Met
In 2004	Population served by community water systems will receive drinking water that meets all health-based standards, up from 83% in 1994.									X Goal Not Met
In 2003	Population served by community water systems will receive drinking water that meets all health-based standards in effect as of 1994, up from 83% in 1994.									X Goal Not Met
APG 2.1 Performance Measures*	FY 2003		FY 2004		FY 2005		FY 2006		Unit	
	Target	Actual	Target	Actual	Target	Actual	Target	Actual		
% of population served by community water systems that receive drinking water that meets all applicable health-based drinking water standards through effective treatment and source water protection.	92	90	92	90	93	88.5	93	Data Avail 2007 (89) <sup>‡</sup>	% Population	
<p><b>Background:</b> In 1998, 85% of the population that was served by community water systems and 96% of the population served by non-community, non-transient drinking water systems received drinking water for which no violations of federally enforceable health standards had occurred during the year. Year-to-year performance is expected to change as new standards take effect. Covered standards include: Stage 1 disinfection by-products/interim enhanced surface water treatment rule/long-term enhanced surface water treatment rule/arsenic.</p> <p><sup>‡</sup> Value represents 3rd quarter FY 05 to 3rd quarter FY 06 data.</p> <p>* Program Assessment Rating Tool (PART) measures are italicized.</p>										


APG 2.2 Safe Drinking Water Meeting Existing Standards—Population										Status
In 2006	94% of the population served by community water systems will receive drinking water that meets health-based standards with which systems need to comply as of December 2001.									Data Avail 2007
In 2005	94% of the population served by community water systems will receive drinking water that meets health-based standards with which systems need to comply as of December 2001.									X Goal Not Met

APG 2.2 Safe Drinking Water Meeting Existing Standards—Population <i>(continued)</i>									
APG 2.2 Performance Measures	FY 2003		FY 2004		FY 2005		FY 2006		Unit
	Target	Actual	Target	Actual	Target	Actual	Target	Actual	
Population served by community water systems that receive drinking water that meets health-based standards with which systems need to comply as of December 2001.					94	91	94	Data Avail 2007 (92) <sup>‡</sup>	% Population
<p><b>Background:</b> In 1998, 85% of the population that was served by community water systems and 96% of the population served by non-community, non-transient drinking water systems received drinking water for which no violations of federally enforceable health standards had occurred during the year. Year-to-year performance is expected to change as new standards take effect. Covered standards include: Stage 1 disinfection by-products/interim enhanced surface water treatment rule/long-term enhanced surface water treatment rule/arsenic.</p> <p><sup>‡</sup> Value represents 3rd quarter FY 05 to 3rd quarter FY 06 data.</p>									

APG 2.3 Safe Drinking Water Meeting New Standards—Population										Status
In 2006	75% of the population served by community water systems will receive drinking water that meets health-based standards with a compliance date of January 2002 or later.									Data Avail 2007
In 2005	75% of the population served by community water systems will receive drinking water that meets health-based standards with a compliance date of January 2002 or later.									✓ Goal Met
In 2004	Population served by community water systems will receive drinking water that meets health-based standards promulgated in 1998.									✓ Goal Met
In 2003	Population served by community water systems will receive drinking water that meets health-based standards promulgated in 1998.									✓ Goal Met
APG 2.3 Performance Measures	FY 2003		FY 2004		FY 2005		FY 2006		Unit	
	Target	Actual	Target	Actual	Target	Actual	Target	Actual		
Population served by community water systems that receive drinking water that meets health-based standards with a compliance date of January 2002 or later.					75	96	75	Data Avail 2007 (97) <sup>‡</sup>	% Population	
Population served by community drinking water systems that receive drinking water with no violations during the year of any Federally enforceable health-based standards that were in place by 1994.	92	90	92	90					% Population	
Population served by community water systems that receive drinking water meeting health-based standards promulgated in 1998.	85	96	85	96					% Population	
<p><b>Background:</b> In 1998, 85% of the population that was served by community water systems and 96% of the population served by non-community, non-transient drinking water systems received drinking water for which no violations of federally enforceable health standards had occurred during the year. Year-to-year performance is expected to change as new standards take effect. Covered standards include: Stage 1 disinfection by-products/interim enhanced surface water treatment rule/long-term enhanced surface water treatment rule/arsenic.</p> <p><sup>‡</sup> Values represent 3rd quarter FY 05 to 3rd quarter FY 06 data.</p>										



APG 2.4 Safe Drinking Water Meeting Existing Standards-Systems									Status
In 2006	94% of community water systems will provide drinking water that meets health-based standards with which systems will comply as of December 2001.								Data Avail 2007
In 2005	94% of community water systems will provide drinking water that meets all health-based standards with which systems need to comply as of December 2001.								 Goal Not Met
APG 2.4 Performance Measures	FY 2003		FY 2004		FY 2005		FY 2006		Unit
	Target	Actual	Target	Actual	Target	Actual	Target	Actual	
Percentage of community water systems that provide drinking water that meets health-based standards with which systems need to comply as of December 2001.					94	92	94	Data Avail 2007 (92) <sup>‡</sup>	% CWSs
<p><b>Background:</b> In 1998, 85% of the population that was served by community water systems and 96% of the population served by non-community, non-transient drinking water systems received drinking water for which no violations of federally enforceable health standards had occurred during the year. Year-to-year performance is expected to change as new standards take effect. Covered standards include: Stage 1 disinfection by-products/interim enhanced surface water treatment rule/long-term enhanced surface water treatment rule/arsenic.</p> <p><sup>‡</sup> Value represents 3rd quarter FY 05 to 3rd quarter FY 06 data.</p>									

APG 2.5 Safe Drinking Water Meeting New Standards-Systems									Status
In 2006	75% of community water systems will provide drinking water that meets health-based standards with a compliance date of January 2002 or later.								Data Avail 2007
In 2005	75% of community water systems will provide drinking water that meets health-based standards with a compliance date of January 2002 or later.								 Goal Met
APG 2.5 Performance Measures	FY 2003		FY 2004		FY 2005		FY 2006		Unit
	Target	Actual	Target	Actual	Target	Actual	Target	Actual	
Percentage of community water systems that provide drinking water that meets health-based standards with a compliance date of January 2002 or later.					75	97	75	Data Avail 2007 (97) <sup>‡</sup>	% CWSs
<p><b>Background:</b> In 1998, 85% of the population that was served by community water systems and 96% of the population served by non-community, non-transient drinking water systems received drinking water for which no violations of federally enforceable health standards had occurred during the year. Year-to-year performance is expected to change as new standards take effect. Covered standards include: Stage 1 disinfection by-products/interim enhanced surface water treatment rule/long-term enhanced surface water treatment rule/arsenic.</p> <p><sup>‡</sup> Value represents 3rd quarter FY 05 to 3rd quarter FY 06 data.</p>									

APG 2.6 Safe Drinking Water—Systems in Tribal Communities									Status
In 2006	90% of the population served by community water systems in Indian country will receive drinking water that meets all applicable health-based drinking water standards.								Data Avail 2007
In 2005	90% of the population served by community water systems in Indian country will receive drinking water that meets all applicable health-based drinking water standards.								X Goal Not Met
APG 2.6 Performance Measures ‡	FY 2003		FY 2004		FY 2005		FY 2006		Unit
	Target	Actual	Target	Actual	Target	Actual	Target	Actual	
Percent of the population served by community water systems in Indian country that receive drinking water that meets all applicable health-based drinking water standards.					90	86.3	90	Data Avail 2007 (87) ‡	% Population
<p><b>Background:</b> In 1998, 85% of the population that was served by community water systems and 96% of the population served by non-community, non-transient drinking water systems received drinking water for which no violations of federally enforceable health standards had occurred during the year. Year-to-year performance is expected to change as new standards take effect. Covered standards include: Stage 1 disinfection by-products/interim enhanced surface water treatment rule/long-term enhanced surface water treatment rule/arsenic.</p> <p>‡ Values represent 3rd quarter FY 05 to 3rd quarter FY 06 data.</p>									

**ADDITIONAL PART MEASURES SUPPORTING THE ABOVE DRINKING WATER GOALS:**

APG 2.6 Performance Measures*	FY 2003		FY 2004		FY 2005		FY 2006		Unit
	Target	Actual	Target	Actual	Target	Actual	Target	Actual	
<i>Fund utilization rate of DWSRF.</i>		79.2	80.6	82.8	81.9	84.7	83.3	86.9	Rate
<i>Average funding (millions of dollars) per project initiating operations.</i>	Baseline	1.73					1.67	1.9	\$
<i>Number of additional projects initiating operations.</i>	N/A	397	405	473	415	439	425	Data Avail 2007	# projects
<i>Percent of States conducting sanitary surveys at community water systems once every three years.</i>			Baseline	80	94	94	98	Data Avail 2007	% States
<p><b>Background:</b> In 1998, 85% of the population that was served by community water systems and 96% of the population served by non-community, non-transient drinking water systems received drinking water for which no violations of federally enforceable health standards had occurred during the year. Year-to-year performance is expected to change as new standards take effect. Covered standards include: Stage 1 disinfection by-products/interim enhanced surface water treatment rule/long-term enhanced surface water treatment rule/arsenic.</p> <p>* Program Assessment Rating Tool (PART) measures are italicized.</p>									

APG 2.7 Drinking Water—Small Systems									Status
In 2006	Reduce the number of households on tribal lands lacking access to safe drinking water.								Data Avail 2007
APG 2.7 Performance Measures	FY 2003		FY 2004		FY 2005		FY 2006		Unit
	Target	Actual	Target	Actual	Target	Actual	Target	Actual	
Number of household on tribal lands lacking access to safe drinking water. (New in FY 2006)							30,800	Data Avail 2007	Households
<b>Background:</b> In 2003, Indian Health Service indicates that 39,000 homes lack access to safe drinking water (12% of tribal homes nationwide).									

APG 2.8 Source Water Protection									Status
In 2006	20% of source water areas for community water systems will achieve minimized risk to public health.								Data Avail 2007
In 2005	20% of source water areas for community water systems will achieve minimized risk to public health.								✓ Goal Met
In 2004	<i>Number of community water systems and percent of population served by those CWSs that are implementing source water protection programs</i>								✓ Goal Met
In 2003	<i>Number of community water systems and percent of population served by those CWSs that are implementing source water protection programs</i>								✓ Goal Met
APG 2.8 Performance Measures*	FY 2003		FY 2004		FY 2005		FY 2006		Unit
	Target	Actual	Target	Actual	Target	Actual	Target	Actual	
Percentage of source water areas (both surface and ground water) for community water systems will achieve minimized risk to public health.					20	20	20	Data Avail 2007	% Areas
<i>Percentage of source water areas (both surface and ground water) for community water systems will achieve minimized risk to public health.</i>					20	20			% Areas
<i>Number of community water systems and percent of population served by those CWSs that are implementing source water protection programs.</i>	2,600	6,570	7,500	13,891					# CWSs
<b>Background:</b> EPA defines “achieve minimized risk” as substantial implementation of source water protection actions, as determined by a State’s source water protection strategy. Approximately 268 million people are estimated to be served by Community Water Systems (CWSs) in 2002.									
* Program Assessment Rating Tool (PART) measures are italicized.									

APG 2.9–2.10 River/Lake Assessments for Fish Consumption									Status
In 2006	91% of the shellfish growing acres monitored by states are approved or conditionally approved for use.								Data Avail 2007
In 2006	At least 1% of the water miles/acres identified by states or tribes as having a fish consumption advisory in 2002 will have improved water and sediment quality so that increased consumption of fish and shellfish is allowed.								Data Avail 2007
In 2005	80% of the shellfish growing acres monitored by states are approved or conditionally approved for use.								Data Avail 2007
In 2005	Percent of water miles/acres, identified by states or tribes as having fish consumption advisories in 2002, where increased consumption of fish is allowed.								✗ Goal Not Met
In 2004	Reduced consumption of contaminated fish by increasing the information available to states, tribes, local governments, citizens and decision-makers.								✓ Goal Met
In 2003	Reduced consumption of contaminated fish by increasing the information available to states, tribes, local governments, citizens and decision-makers.								✓ Goal Met
APG 2.9-2.10 Performance Measures	FY 2003		FY 2004		FY 2005		FY 2006		Unit
	Target	Actual	Target	Actual	Target	Actual	Target	Actual	
Percent of water miles/acres, identified by states or tribes as having fish consumption advisories in 2002, where increased consumption of fish is allowed.					1	0	1	Data Avail 2007	% Miles/Acres
Percent of the shellfish growing acres monitored by states that are approved or conditionally approved for use.					80	Data Avail 2007	91 (FY 08)	Data Avail 2007	% Areas
Lake acres assessed for the need for fish advisories and compilation of state-issued fish consumption advisory methodologies. (cumulative)	29	33	35	35					% Lake acres
River miles assessed for the need for fish consumption advisories & compilation of state-issued fish consumption advisory methodologies. (cumulative)	15	15	16	24					% River miles
<p><b>Background:</b> In 1999, 7% of the nation's rivers and 15% of the nation's lakes were assessed to determine if they contained fish that should not be eaten or should be eaten in only limited quantities. In September 1999, 25 states/tribes monitored and conducted assessments based on the national guidance to establish nationally consistent fish advisories. In the 2000 Report to Congress on the National Water Quality Inventory, 69% of assessed river and stream miles; 63% of assessed lake, reservoir, and pond acres; and 53% of assessed estuary square miles supported their designated use for fish consumption. For shell fish consumption, 77% of assessed estuary square miles met this designated use.</p>									

APG 2.11–2.12 Increase Information on Beaches		Status
In 2006	Coastal and Great Lakes beaches monitored by state beach safety programs are open and safe for swimming in 97% of the days of the beach season.	✓ Goal Met
In 2006	Restore water quality to allow swimming in not less than 3% of the stream miles and lake acres identified by states in 2000 as having water quality unsafe for swimming.	Data Avail 2007
In 2005	Coastal and Great Lakes beaches monitored by state beach safety programs are open and safe for swimming in 94% of the days of the beach season.	✓ Goal Met
In 2005	Restore water quality to allow swimming in not less than 2% of the stream miles and lake acres identified by states in 2000 as having water quality unsafe for swimming.	Data Avail 2007

APG 2.11–2.12 Increase Information on Beaches <i>(continued)</i>										Status
In 2004	Reduced human exposure to contaminated recreation waters by increasing the information available to the public and decision-makers.									✗ Goal Not Met
In 2003	Reduced human exposure to contaminated recreation waters by increasing the information available to the public and decision-makers.									✓ Goal Met
APG 2.11-2.12 Performance Measures	FY 2003		FY 2004		FY 2005		FY 2006		Unit	
	Target	Actual	Target	Actual	Target	Actual	Target	Actual		
Days (of beach season) that coastal and Great Lakes beaches monitored by state beach safety programs are open and safe for swimming.					94	96	94	97	% Days/Season	
Restore water quality to allow swimming in stream miles and lake acres identified by states.					2	Data Avail 2007	3	Data Avail 2007	% Miles/Acres	
Beaches for which monitoring and closure data is available to the public at <a href="http://www.epa.gov/waterscience/beaches/">http://www.epa.gov/waterscience/beaches/</a> . (cumulative)	2,550	2,823	2,823	1,857.00					Beaches	
<p><b>Background:</b> By the end of FY 1999, 33 states had responded to EPA's first annual survey on state and local beach monitoring and closure practices and EPA made available to the public via the internet. An average of 9 recreational contact waterborne disease outbreaks reported per year by the Centers for Disease Control for the years 1994-1998, based on data housed in EPA/ORD internal database. In 2002, monitored beaches were opened 94% of the days during the beach season.</p>										

OBJECTIVE 2: PROTECT WATER QUALITY										
Protect the quality of rivers, lakes, and streams on a watershed basis and protect coastal and ocean waters.										
APG 2.13–2.14 Watershed Protection										Status
In 2006	472 of the nation's watersheds have water quality standards met in at least 80% of the assessed water segments.									Data Avail 2007
In 2006	Water quality standards are fully attained in over 25% of miles/acres of waters by 2012, with an interim milestone of restoring 10.3% of these waters—identified in 2000 as not attaining standards by 2005.									Data Avail 2007
In 2005	462 of the nation's watersheds have water quality standards met in at least 80% of the assessed water segments.									✗ Goal Not Met
In 2005	Water quality standards are fully attained in over 25% of miles/acres of waters by 2012, with an interim milestone of restoring 2% of these waters—identified in 2000 as not attaining standards by 2005.									✓ Goal Met
In 2004	By 2005, water quality will improve on a watershed basis such that 500 of the nation's 2,262 watersheds will have greater than 80% of assessed waters meeting all water quality standards.									✗ Goal Not Met
In 2003	By FY 2003, water quality will improve on a watershed basis such that 600 of the nation's 2,262 watersheds will have greater than 80% of assessed waters meeting all water quality standards.									✗ Goal Not Met
APG 2.13–2.14 Performance Measures*	FY 2003		FY 2004		FY 2005		FY 2006		Unit	
	Target	Actual	Target	Actual	Target	Actual	Target	Actual		
Annual percentage of waterbody segments identified by States in 2000 as not attaining standards, where water quality standards are now fully attained (cumulative).			2	3	2	9	10.3	Data Avail 2007	% Miles/Acres	

APG 2.13–2.14 Watershed Protection (continued)									
APG 2.13–2.14 Performance Measures*	FY 2003		FY 2004		FY 2005		FY 2006		Unit
	Target	Actual	Target	Actual	Target	Actual	Target	Actual	
Watersheds that have greater than 80% of assessed waters meeting all water quality standards.	600	453	500	450	462	450	472	438	8-digit HUCs
<i>Number of TMDLs requires that are established by States and approved by EPA on a schedule consistent with national policy. (cumulative)</i>			11,105	11,584	14,462	15,338	18,692	19,368	# TMDLs
<i>Number of TMDLs required that are established or approved by EPA on a schedule consistent with national policy (cumulative).</i>			12,378	14,589	17,767	18,660	20,501	23,185	# TMDLs
<i>Percentage of high priority state NPDES permits that are on a schedule to be re-issued.</i>					95	104	95	96.4	% permits
<i>Percentage of high priority EPA and State NPDES permits that are re-issued on schedule.</i>					95	100	95	98.5	% permits
<i>Percentage of states, territories and authorized tribes that within the preceeding 3 year period, submitted new or revised water quality criteria acceptable to EPA that reflect scientific information from EPA to other sources not considered in the previous standard..</i>			Baseline	70	62	62	66	66.1	% submissions
<i>Percentage of submissions of new or revised water quality standards from States, and Territories that are approved by EPA.</i>			Baseline	87.6	89.5	83.5	90.9	89	% submissions
<i>Cost per water segment restored.</i>			N/A	1,544,998	Baseline	828,654	1,358,351	576,618	\$
<i>Maintain/Improve # of majors in Significant Noncompliance at any time during the fiscal year.</i>			Baseline	22.5	Maintain/Improve	19.7	Maintain/Improve	Data Avail 2007	# majors in SNC
<i>Fund utilization rate for the CWSRF.</i>	93	93.7	93	93	90	95.4	93.3	94.7	% Rate
<i>Additional pounds (in millions) of reduction to total phosphorous loadings.</i>	4.5	14.7	4.5	3.1	4.5	3.2	4.5	Data Avail 2007	# pounds
<i>Additional pounds (in millions) of reduction to total nitrogen loadings.</i>	8.5	12.5	8.5	23.4	8.5	5.9	8.5	Data Avail 2007	# pounds
<i>Additional pounds (in millions) of reduction to total sediment loadings.</i>	700,000	2,800,000	700,000	5,900,000	700,000	1,500,000	700,000	Data Avail 2007	# pounds
<i>Pounds of pollutants removed per program dollar expended.</i>			N/A	122	180	180	233	233	# pounds
<i>Percentage of waters assessed using statistically valid surveys.</i>			38	38	38	38	54	54	% waters

**Background:** As of 2002 state reports 453 watersheds had met the criteria that greater than 80% of assessed waters met all water quality standards. For a watershed to be counted toward this goal, at least 25% of the segments in the watershed must be assessed within the past 4 years consistent with assessment guidelines developed pursuant to section 305(b) of the Clean Water Act. In 2002, 0% of the 255,408 miles/and 6,803,419 acres of waters identified on 1998/2000 lists of impaired waters developed by States and approved by EPA under section 303(d) of the Clean Water Act.

\* Program Assessment Rating Tool (PART) measures are italicized.

APG 2.15–2.16 State/Tribal Water Quality Standards									Status
In 2006	In coordination with other federal partners reduce, by 17%, households on tribal lands lacking access to basic sanitation.								✓ Goal Met
In 2006	Water quality in Indian country will be improved at not less than 50 monitoring stations in tribal waters for which baseline data are available (i.e., show at least a 10% improvement for each of four key parameters: total nitrogen, total phosphorus, dissolved oxygen, and fecal coliforms.)								✗ Goal Not Met
In 2005	In coordination with other federal partners, reduce, by 34% of households on tribal lands lacking access to basic sanitation.								✓ Goal Met
In 2005	Water quality in Indian country will be improved at not less than 35 monitoring stations in tribal waters for which baseline data are available (i.e., show at least a 10% improvement for each of four key parameters: total nitrogen, total phosphorus, dissolved oxygen, and fecal coliforms.)								✗ Goal Not Met
In 2004	Assure that states and tribes had effective, up-to-date water quality standards programs adopted in accordance with the Water Quality Standards regulation and the Water Quality Standards program priorities.								✓ Goal Met
In 2003	Assure that states and tribes had effective, up-to-date water quality standards programs adopted in accordance with the Water Quality Standards regulation and the Water Quality Standards program priorities.								✓ Goal Met
APG 2.15–2.16 Performance Measures	FY 2003		FY 2004		FY 2005		FY 2006		Unit
	Target	Actual	Target	Actual	Target	Actual	Target	Actual	
Number of monitoring stations (for which baseline data on 4 key parameters are available) where water quality is improved.					35	N/A	50	N/A	Stations
Number of households on tribal lands lacking access to basic sanitation.					11	34	17	49	% Households
States with new or revised WQs that EPA has reviewed and approved or disapproved and promulgated federal replacement standards.	20	28	20	27					
Tribes with WQs adopted and approved (cumulative.)	33	23	33	25					
<p><b>Background:</b> The performance measure of state submissions represents a “rolling annual total” of updated standards acted upon by EPA, and so are neither cumulative nor strictly incremental. EPA must review and approve or disapprove state revisions to water quality standards within 60-90 days after receiving the state’s package. In 2002, there will be four key parameters available at 900 sampling stations in Indian country. In 2002, Indian Health Service indicates that 71,000 households on Tribal lands lack access to basic sanitation.</p> <p><b>Explanation of Missed FY 2006 Goal:</b> EPA did not meet its goal for improving water quality in Indian country for FY 2005 and FY 2006 due to limitations in data collection. The amount of data collected from monitoring stations was insufficient for analysis. As a result, EPA revised this measure during the development of its own 2006-2011 Strategic Plan.</p>									

APG 2.17–2.18 Dredged Material/Ocean Disposal									Status
In 2006	Improve ratings on “good/fair/poor” scale of the National Coastal Condition Report for: coastal wetlands loss by at least 0.2 point; contamination of sediments in coastal waters by at least 0.7 point; benthic quality by at least 0.5 point; & eutrophic condition by at least 1.2 point.								✓ Goal Met
In 2006	Scores for overall aquatic system health of coastal waters nationally, and in each coastal region, is improved on the (good/fair/poor) scale of the National Coastal Condition Report by at least 0.1 point								✓ Goal Met
In 2005	Improve ratings on the national “good/fair/poor” scale of the National Coastal Condition Report for: coastal wetlands loss by at least 0.1 point; contamination of sediments in coastal waters by at least 0.1 point; benthic quality by at least 0.1 point; & eutrophic condition by at least 0.1 point.								✓ Goal Met
In 2005	Scores for overall aquatic system health of coastal waters nationally, and in each coastal region, is improved on the “good/fair/poor” scale of the National Coastal Condition Report by at least 0.1 point								✓ Goal Met

APG 2.17–2.18 Dredged Material/Ocean Disposal (continued)									
APG 2.17–2.18 Performance Measures	FY 2003		FY 2004		FY 2005		FY 2006		Unit
	Target	Actual	Target	Actual	Target	Actual	Target	Actual	
National Coastal Condition Report (NCCR) score for overall aquatic ecosystem health of coastal waters nationally (1-5 scale).					2.5	2.7	2.7	2.7	Scale score
Maintain water clarity and dissolved oxygen in coastal waters at the national levels reported in the 2002 National Coastal Condition Report					4.3/4.5	2.6/4.6	4.3/4.6	4.3/4.6	Scale score
Improve ratings reported on the national “good/fair/poor” scale of the National Coastal Condition Report for coastal wetlands loss					1.5	1.7	1.7	1.7	Scale score
Improve ratings reported on the national “good/fair/poor” scale of the National Coastal Condition Report for contamination of sediments in coastal waters					1.4	2.1	2.1	2.1	Scale score
Improve ratings reported on the national “good/fair/poor” scale of the National Coastal Condition Report for benthic quality					1.5	2.0	2.0	2.0	Scale score
Improve ratings reported on the national “good/fair/poor” scale of the National Coastal Condition Report for eutrophic condition					1.8	3.0	3.0	3.0	Scale score

**Background:** National rating of “fair/poor” or 2.4 where the rating is based on a 5-point system where 1 is poor and 5 is good and is expressed as an aerially weighted mean of regional scores using the National Coastal Condition Report indicators [i.e., water clarity, dissolved oxygen, coastal wetlands loss, eutrophic conditions, sediment contamination, benthic health, and fish tissue contamination]. The 2002 National Coastal Condition Report indicated 4.3 for water clarity and 4.5 for dissolved oxygen, 1.4 for coastal wetlands loss; 1.3 for contamination of sediments in coastal waters; 1.4 for benthic quality; & 1.7 for eutrophic condition.

OBJECTIVE 3: ENHANCE SCIENCE AND RESEARCH		
Provide and apply a sound scientific foundation to EPA’s goal of clean and safe water by conducting leading-edge research and developing a better understanding and characterization of the environmental outcomes under Goal 2.		
RESEARCH APG 2.19 Scientific Rationale for Surface Water Criteria		Status
In 2006	By 2006, provide demonstrations of bioassessment methods for Mid-Western U.S. rivers, so that, by 2010, the Office of Water, states, and tribes have approaches and methods to develop and apply criteria for habitat alteration, nutrients, suspended and bedded sediments, pathogens, and toxic chemicals that will support designated uses for aquatic ecosystems, as determined by independent expert review.	✓ Goal Met
In 2005	By 2005, provide methods for developing water quality criteria so that, by 2008, approaches and methods are available to States and Tribes for their use in developing and applying criteria for habitat alteration, nutrients, suspended and bedded sediments, pathogens and toxic chemicals that will support designated uses for aquatic ecosystems and increase the scientific basis for listing and delisting impaired water bodies under Section 303(d) of the Clean Water Act.	✓ Goal Met



<b>RESEARCH</b>									
<b>APG 2.19 Scientific Rationale for Surface Water Criteria (continued)</b>									
APG 2.19 Performance Measures	FY 2003		FY 2004		FY 2005		FY 2006		Unit
	Target	Actual	Target	Actual	Target	Actual	Target	Actual	
Methods for developing water quality criteria based on population-level risks of multiple stressors to aquatic life and aquatic-dependent wildlife					09/30/05	09/30/05			Methods
Report on bioassessment methods for a range of designated uses in freshwater systems within Mid-Western U.S. rivers.							1	1	Report
<p><b>Background:</b> Under the Clean Water Act (CWA), the Office of Water is charged with setting criteria for states and tribes to use in establishing standards for identifying and restoring impaired waters and maintaining designated uses. Biological criteria have proven to be a more accurate way to measure ecological condition of waterbodies compared to traditional chemical and physical criteria. Bioassessment methods are used to develop and apply biocriteria. The historical focus of detection and monitoring has been on smaller, wadeable streams and rivers (where inputs are likely to have noticeable impacts), but the rise in awareness of the substantial role of non-point-source pollution has led to an increased interest in assessment of large rivers. Biological communities and habitats change with increasing stream size, so this research will provide river assessors with clear and consistent methods for conducting bioassessments for large rivers. Since different assessment methods use different scales of biological data (e.g., bioassays use species data and various bioassessments use community level data), this research will also compare the different levels of protection provided by different assessment methods. States and tribes are also faced with limited monitoring resources to meet their obligations for CWA 305b and 303d reporting and to meet Total Maximum Daily Load (TMDL) requirements. Until recently, the majority of state biomonitoring datasets were generated from targeted sampling designs and thus may have introduced a level of bias in some analyses. This research will provide states and tribes with guidance on balancing potential bias associated with the site selection approach with the monitoring objectives and the costs associated with a purely random sampling design. Beginning in FY 2005, regular evaluations by independent and external panels will provide reviews of EPA research programs' relevance, quality, and successful performance to date.</p>									

<b>APG 2.20 Drinking Water Research</b>									<b>Status</b>
In 2006	By 2006, provide results of full-scale treatment demonstration projects and evaluations of other approaches for managing arsenic in drinking water, so that by 2010, the Office of Water, states, local authorities and utilities have scientifically sound data and approaches to manage risks to human health posed by exposure to arsenic, as determined by independent expert review.								Goal Met
APG 2.20 Performance Measures	FY 2003		FY 2004		FY 2005		FY 2006		Unit
	Target	Actual	Target	Actual	Target	Actual	Target	Actual	
Final reports of full-scale demonstrations of arsenic treatment technologies							3	5	Reports
<p><b>Background:</b> A final drinking water standard for arsenic of ten parts per billion (10 ppb) was established by EPA in 2001, with an effective date for compliance of 2006. Nearly 97 percent of the water systems affected by this rule are small systems that serve less than 10,000 people each. These small systems have limited resources and need more cost-effective technologies to meet the new standard. To assist small communities, EPA has conducted a series of full-scale, long-term, on-site demonstrations of arsenic removal technologies, process modifications and engineering approaches. In addition, EPA has provided technical assistance and training to operators of small water treatment systems. Accomplishment of the FY 2006 APG will provide states, local authorities, and utilities across the country with cost-effective technologies and technical information that can be used to successfully implement the new arsenic standard.</p> <p>Beginning in FY 2005, regular evaluations by independent and external panels will provide reviews of EPA research programs' relevance, quality, and successful performance to date, and will determine whether EPA has been successful in meeting its annual and long-term commitments for research. Recommendations and results from these reviews will improve the design and management of EPA research programs and help to measure their progress under the Government Performance and Results Act (GPRA).</p>									

# Goal 3: 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.

OBJECTIVE 1: PRESERVE LAND									
By 2008, reduce adverse effects to land by reducing waste generation, increasing recycling, and ensuring proper management of waste and petroleum products at facilities in ways that prevent releases.									
APG 3.1 Municipal Solid Waste Source Reduction									Status
In 2006	Divert 33.4% (83.1 million tons) of municipal solid waste from land filling and combustion, and maintain per capita generation of RCRA municipal solid waste at 4.5 pounds per day.								Data Avail FY 2008
In 2005	Diverted a cumulative total of 33% or 79 million tons of municipal solid waste from land filling and combustion, and maintained per capita generation of RCRA municipal solid waste at 4.5 pounds per day.								✗ Goal Not Met
In 2004	Diverted a cumulative total of 32% or 77.7 million tons of municipal solid waste from land filling and combustion, and maintained per capita generation of RCRA municipal solid waste at 4.6 pounds per day.								✗ Goal Not Met
In 2003	Diverted a cumulative total of 30% or 72.3 million tons of municipal solid waste from land filling and combustion, and maintained per capita generation of RCRA municipal solid waste at 4.4 pounds per day.								✗ Goal Not Met
APG 3.1 Performance Measures*	FY 2003		FY 2004		FY 2005		FY 2006		Unit
	Target	Actual	Target	Actual	Target	Actual	Target	Actual	
<i>Millions of tons of municipal solid waste diverted.</i>	74	72.3	79	77.7	81	79	83.1	Data Avail FY 2008	million tons
<i>Daily per capita generation of municipal solid waste.</i>	4.5	4.4	4.5	4.6	4.5	4.5	4.5	Data Avail FY 2008	lbs. MSW
<p><b>Background:</b> An analysis conducted at the end of FY 2005 shows approximately 79 million tons of municipal solid waste diverted and 4.5 lbs of MSW per person daily generation. There is a 2 year data lag in reporting these data.</p> <p>* Program Assessment Rating Tool (PART) measures are italicized.</p>									

APG 3.2 Waste and Petroleum Management Controls		Status
In 2006	Reduce releases to the environment by managing hazardous wastes and petroleum products properly.	Data Avail FY 2007
In 2005	Reduce releases to the environment by managing hazardous wastes and petroleum products properly.	✓ Goal Met
In 2004	Reduce releases to the environment by managing hazardous wastes and petroleum products properly.	✓ Goal Met
In 2003	Increase the number of waste and petroleum facilities with acceptable or approved controls in place to prevent releases to the environment.	✓ Goal Met

APG 3.2 Waste and Petroleum Management Controls <i>(continued)</i>									
APG 3.2 Performance Measures*	FY 2003		FY 2004		FY 2005		FY 2006		Unit
	Target	Actual	Target	Actual	Target	Actual	Target	Actual	
<i>Annual increase in the percentage of RCRA hazardous waste management facilities with permits or other approved controls.</i>	<i>1.4</i>	<i>4.1</i>	<i>2.4</i>	<i>3.7</i>	<i>2.8</i>	<i>3.1</i>	<i>2.5</i>	<i>4.3</i>	percentage pts.
Number of confirmed UST releases nationally.			<10,000	7,848	<10,000	7,421	<10,000	8,361	UST releases
Percent increase of UST facilities that are in significant operational compliance with both release detection and release prevention (spill, overfill, and corrosion protection requirements).					1	2	1	Data Avail. FY 2007	percent

**Background:** FY 2004 marked the first baseline year that states and regional offices reported the percentage of UST facilities, out of a total estimated universe of approximately 256,000 facilities, that are in significant operational compliance with both release detection and release prevention (spill, overfill, and corrosion protection) requirements. At the end of FY 2004, the national compliance rate was 77 percent for release prevention, 72 percent for release detection, and 64 percent for the combined compliance measure. Between FY 1999 and FY 2004, confirmed UST releases averaged 12,641, and the annual number of confirmed releases in FY 2004 was 7,848. The RCRA program exceeded its FY 2006 goal by establishing permits or approved controls at an additional 4.3% of regulated facilities.

\* Program Assessment Rating Tool (PART) measures are italicized.

## OBJECTIVE 2: RESTORE LAND

By 2008, control the risks to human health and the environment by mitigating the impact of accidental or intentional releases and by cleaning up and restoring contaminated sites or properties to appropriate levels.

APG 3.3 Assess and Cleanup Contaminated Land									Status
In 2006	Control the risks to human health and the environment at contaminated properties or sites through cleanup, stabilization, or other action, and make land available for reuse.								✓ Goal Met
In 2005	Control the risks to human health and the environment at contaminated properties or sites through cleanup, stabilization, or other action, and make land available for reuse.								✗ Goal Not Met
In 2004	Control the risks to human health and the environment at contaminated properties or sites through cleanup, stabilization, or other action, and make land available for reuse.								✗ Goal Not Met
In 2003	Assess waste sites.								✓ Goal Met
In 2003	Clean up and reduce risk at waste sites.								✗ Goal Not Met

APG 3.3 Performance Measures*	FY 2003		FY 2004		FY 2005		FY 2006		Unit
	Target	Actual	Target	Actual	Target	Actual	Target	Actual	
Number of cleanups that meet state risk-based standards for human exposure and groundwater migration (tracked as the number LUST cleanups completed).	22,500	18,518	21,000	14,285	14,500	14,583	13,600	14,493	cleanups

APG 3.3 Assess and Cleanup Contaminated Land <i>(continued)</i>									
APG 3.3 Performance Measures*	FY 2003		FY 2004		FY 2005		FY 2006		Unit
	Target	Actual	Target	Actual	Target	Actual	Target	Actual	
<i>Number of cleanups that meet risk-based standards for human exposure and groundwater migration on Indian Country.</i>					30	53	30	43	cleanups
<i>Superfund final site assessment decisions completed.</i>	475	917	475	548	500	551	419	518	assessments
<i>Annual number of Superfund sites with remedy construction completed.</i>	40	40	40	40	40	40	40	40	completions
<i>Superfund sites with human health protection achieved (exposure pathways are eliminated or potential exposures are under health-based levels for current use of land or water resources).</i>							10	34	sites
<i>Superfund sites with contaminated groundwater migration under control.</i>	10	54	10	18	10	23	10	21	sites
<i>Number of final remedies (cleanup targets) selected at Superfund sites.</i>			20	30	20	39	20	37	remedies
<i>Percent of RCRA construction completions (New in FY 2006).</i>							13	22	percent
<i>Percentage of RCRA CA facilities with current human exposures under control (New in FY 2006).</i>							82	89	percent
<i>Percentage of RCRA CA facilities with migration of contaminated groundwater under control (New in FY 2006).</i>							68	74	percent

**Background:** By the end of FY 2005, a total of 38,770 final assessment decisions had been made out of a universe of 44,700 potentially hazardous waste sites evaluated by EPA. Additionally, Superfund controlled groundwater migration at 937 of 1,381 eligible Superfund groundwater sites, controlled human exposures at 1,266 of 1,543 NPL sites with potential human exposure pathways, completed construction at 966 of 1,498 eligible NPL sites, and selected final remedies at 1,042 of 1,498 eligible NPL sites. The performance measures for the RCRA program reflect a universe of 1,968 facilities established in October 2004. Through the end of FY 2005, EPA and the state partners had controlled human exposures at 83% (1,639) of 1,968 sites and 13% (247) of 1,968 final remedy construction completions. Through FY 2005, EPA completed 331,988 leaking underground storage tank cleanups.

\* Program Assessment Rating Tool (PART) measures are italicized.

APG 3.4 Superfund Cost Recovery		Status
In 2006	Ensure trust fund stewardship by getting PRPs to initiate or fund the work and recover costs from PRPs when EPA expends trust fund monies. Address cost recovery at all NPL and non-NPL sites with a statute of limitations (SOL) on total past costs equal to or greater than \$200,000.	✓ Goal Met
In 2005	Ensure trust fund stewardship by getting PRPs to initiate or fund the work and recover costs from PRPs when EPA expends trust fund monies. Address cost recovery at all NPL and non-NPL sites with a statute of limitations (SOL) on total past costs equal to or greater than \$200,000.	✗ Goal Not Met
In 2004	Ensure trust fund stewardship by getting PRPs to initiate or fund the work and recover costs from PRPs when EPA expends trust fund monies. Address cost recovery at all NPL and non-NPL sites with a statute of limitations (SOL) on total past costs equal to or greater than \$200,000.	✓ Goal Met
In 2003	Ensure trust fund stewardship by getting PRPs to initiate or fund the work and recover costs from PRPs when EPA expends trust fund monies. Address cost recovery at all NPL and non-NPL sites with a statute of limitations (SOL) on total past costs equal to or greater than \$200,000.	✓ Goal Met

APG 3.4 Superfund Cost Recovery (continued)									
APG 3.4 Performance Measures	FY 2003		FY 2004		FY 2005		FY 2006		Unit
	Target	Actual	Target	Actual	Target	Actual	Target	Actual	
Refer to DOJ, settle, or write off 100% of Statute of Limitations (SOLs) cases for SF sites with total unaddressed past costs equal to or greater than \$200,000 and report value of costs recovered.	100	100	100	100	100	99	100	100	percent
<b>Background:</b> In FY 98 the Agency will have addressed 100% of Cost Recovery at all NPL & non-NPL sites with total past costs equal or greater than \$200,000.									

APG 3.5 Superfund Potentially Responsible Party Participation									Status
In 2006	Reach a settlement or take an enforcement action by the time of the Remedial Action start at 90 percent of non-Federal Superfund sites that have viable, liable parties.								✓ Goal Met
In 2005	Reach a settlement or take an enforcement action by the time of the Remedial Action start at 90 percent of non-Federal Superfund sites that have viable, liable parties.								✓ Goal Met
In 2004	Reach a settlement or take an enforcement action by the time of the Remedial Action start at 90 percent of non-Federal Superfund sites that have viable, liable parties.								✓ Goal Met
In 2003	Maximize all aspects of PRP participation which includes maintaining PRP work at 70% of the new remedial construction starts at non-Federal Facility Superfund, and emphasize fairness in the settlement process.								✓ Goal Met
APG 3.5 Performance Measures	FY 2003		FY 2004		FY 2005		FY 2006		Unit
	Target	Actual	Target	Actual	Target	Actual	Target	Actual	
Percentage of Superfund sites at which settlement or enforcement action taken before the start of RA.			90	98	90	100	90	100	percent
<b>Baseline:</b> In FY 98 approximately 70% of new remedial work at NPL sites (excluding Federal facilities) was initiated by private parties. In FY2003, a settlement was reached or an enforcement action was taken with non-Federal PRPs before the start of the remedial action at approximately 90 percent of Superfund sites.									

APG 3.6 Prepare/Respond to Accidental/Intentional Releases									Status
In 2006	Reduce and control the risks posed by accidental and intentional releases of harmful substances by improving our Nation's capability to prepare for and respond more effectively to these emergencies.								✗ Goal Not Met
In 2005	Reduce and control the risks posed by accidental and intentional releases of harmful substances by improving our Nation's capability to prepare for and respond more effectively to these emergencies.								✗ Goal Not Met
In 2004	Reduce and control the risks posed by accidental and intentional releases of harmful substances by improving our Nation's capability to prepare for and respond more effectively to these emergencies.								✓ Goal Met
APG 3.6 Performance Measures*	FY 2003		FY 2004		FY 2005		FY 2006		Unit
	Target	Actual	Target	Actual	Target	Actual	Target	Actual	
Superfund-lead removal actions completed annually.					195	172	195	157	removals
Voluntary removal actions, overseen by EPA, completed.					105	137	115	93	removals
Superfund-lead removal actions completed annually per million dollars.					2.10	1.54	0.91	1.02	removals

**APG 3.6 Prepare/Respond to Accidental/Intentional Releases** *(continued)*

APG 3.6 Performance Measures*	FY 2003		FY 2004		FY 2005		FY 2006		Unit
	Target	Actual	Target	Actual	Target	Actual	Target	Actual	
Oil spills responded to or monitored by EPA.			300	308	300	260	300	215	spills
Number of inspections and exercises conducted at oil storage facilities that are required to have Facility Response Plans.					360	335	100	345	Inspections /exercises
<i>Compliance rate of inspected facilities subject to Spill Prevention, Control and Countermeasures (SPCC) regulations.</i>					100	100	100	50	percent
<i>Compliance rate of inspected facilities subject to Facility Response Plan (FRP) regulations.</i>					100	77	100	71	percent

**Background:** Between 2000 and 2005 EPA completed an average 209 Superfund-lead removal actions and an average 97 removal actions were completed by responsible parties voluntarily (i.e., undertaken without an EPA enforcement action). The efficiency baseline was 100,000 gallons of oil spilled to navigable waters per million program dollars spent annually on prevention and preparedness at Facility Response Plan facilities; this baseline was set in 2003.

**Explanation of Missed FY 2006 Goal:** The number of Superfund removal actions did not meet targets due to resource shifts associated with the Agency's continued response to Hurricanes Katrina and Rita. There were fewer oil spills requiring federal involvement in FY 2006 than anticipated. This was due, in part, to the success of state and local prevention and preparedness activities. In September 2006, EPA adopted a stringent definition of compliance to better address the SPCC and FRP requirements. This will provide greater consistency and may also necessitate a reassessment of annual targets.

\* Program Assessment Rating Tool (PART) measures are italicized.

**OBJECTIVE 3: ENHANCE SCIENCE AND RESEARCH**

Through 2008, provide and apply sound science for protecting and restoring land by conducting leading-edge research and developing a better understanding and characterization of environmental outcomes under Goal 3.

**RESEARCH**

**APG 3.7 Scientifically Defensible Decisions for Site Clean Up**

**Status**

In 2006	Document the performance, including cost savings, of innovative characterization and remediation options, so that newer approaches with cost or performance advantages are applied for Superfund and other cleanup projects.	✓ Goal Met
In 2005	In FY 2005, complete at least four SITE demonstrations, with emphasis on NAPLs and sediments, in order to, by 2010, develop or evaluate 40 scientific tools, technologies, methods, and models, and provide technical support that enable practitioners to 1) characterize the nature and extent of multimedia contamination; 2) assess, predict, and communicate risks to human health and the environment; 3) employ improved remediation options; and 4) respond to oil spills effectively.	✓ Goal Met
In 2004	Provide risk assessors and managers with site-specific data sets on three applications detailing the performance of conventional remedies for contaminated sediments to help determine the most effective techniques for remediating contaminated sites and protecting human health and the environment.	✓ Goal Met
In 2003	To ensure cost-effective and technically sound site clean-up, deliver state-of-the-science reports and methods to EPA and other stakeholders for risk management of fuel oxygenates; organic and inorganic contamination of sediments, ground water and/or soils; and oil spills.	✓ Goal Met

APG 3.7 Performance Measures	FY 2003		FY 2004		FY 2005		FY 2006		Unit
	Target	Actual	Target	Actual	Target	Actual	Target	Actual	
Draft of Annual SITE Report to Congress									Report

**Background:** Documenting the results of SITE demonstrations can accelerate the application of new technologies in the field.

# Goal 4: Healthy Communities and Ecosystems

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

## OBJECTIVE 1: CHEMICAL, ORGANISM, AND PESTICIDE RISKS

Prevent and reduce pesticide, chemical, and genetically engineered biological organism risks to humans, communities, and ecosystems.

APG 4.1 Pesticide Tolerance Reassessments		Status
In 2006	Ensure that through ongoing data reviews, pesticide active ingredients, and products that contain them are reviewed to assure adequate protection for human health and the environment, taking into consideration exposure scenarios such as subsistence lifestyles of the Native Americans.	✓ Goal Met
In 2005	Ensure that through ongoing data reviews, pesticide active ingredients, and products that contain them are reviewed to assure adequate protection for human health and the environment, taking into consideration exposure scenarios such as subsistence lifestyles of the Native Americans.	✗ Goal Not Met
In 2004	Ensure that through on-going data reviews, pesticide active ingredients and the products that contain them are reviewed to assure adequate protection for human health and the environment, taking into consideration exposure scenarios such as subsistence lifestyles of Native Americans.	✗ Goal Not Met
In 2003	Assure that pesticides active ingredients registered prior to 1984 and the products that contain them are reviewed to assure adequate protection for human health & the environment. Also consider the unique exposure scenarios such as subsistence lifestyles of Native Americans in regulatory decisions.	✗ Goal Not Met

APG 4.1 Performance Measures*	FY 2003		FY 2004		FY 2005		FY 2006		Unit
	Target	Actual	Target	Actual	Target	Actual	Target	Actual	
<i>Cumulative percentage of Tolerance Reassessments completed.</i>	68	68	78	73	87.7	7,816 (80.4)	100	99.1	% Tolerances (Cum %)
<i>Cumulative percent of Reregistration Eligibility Decisions Completed.</i>	76	75	81.7	77.6	88.2	82.3 (504)	93.5	91	% Decisions (Cum Number)
Product Reregistration.	400	306	400	127	400	501	545	545	Actions
<i>Cumulative percentage of tolerance reassessments completed for top 20 foods eaten by children.</i>	75	65.6	83	68.9	93	74.4 (664)	100	97.2	% Tolerances (Cum Number)
Number of inert ingredients tolerances reassessed.			100	28	100	168	100	286	Tolerances
<i>Reduction in time required to issue Reregistration Eligibility Decisions.</i>					7	75	10	62	% Reduction

**Background:** The baseline value for tolerance reassessments is the 9,721 tolerances that must be reassessed by 2006 using FQPA health and safety standards. The baseline for REDS is the 612 REDs that must be completed by 2008. The baseline for inerts tolerances is 870 that must be reassessed by 2006. The baseline for the top 20 foods eaten by children is 893 tolerances that must be reassessed by 2006. The measure has been completed within the scope of reasonable expectation. Minor delays to measures for re-registration eligibility decisions and tolerance reassessments were the result of the Congressional prohibition on the use of human studies, which resulted in delays to activities associated with n-methyl carbamate. These actions will be completed in FY 2007. Reregistration decision time baseline 38-40 months. As a new public participation process, the efficiencies gains and the speed at which gains were realized exceeded the goals set a few years ago. As such the Program has revised its targets for 2007 and 2008. The Tribal Life Line Project completed the pilot in FY 2004. Work continues on the suite of models for tribal risk assessment; beta testing and peer review will begin on the Alaska model early 2007.

\* Program Assessment Rating Tool (PART) measures are italicized.

APG 4.2 Managing PBT Chemicals Internationally									Status
In 2006	Collect mercury use and emission inventory data for key sectors in China and India.								Goal Not Met
APG 4.2 Performance Measures	FY 2003		FY 2004		FY 2005		FY 2006		Unit
	Target	Actual	Target	Actual	Target	Actual	Target	Actual	
Emission inventory for power sectors in China and India. (New in FY 2006).							20	6	Power plants
<p><b>Background:</b> Global mercury use and emissions estimates indicate that China and India are among the world's largest emitters and users of mercury. While a 2002 United Nations report indicates that over 50% of anthropogenic atmospheric mercury emissions are from Asia, accurate measures do not exist for quantifying emissions and uses for specific source sectors. Targeting EPA emissions reduction efforts requires accurate information on sources.</p> <p><b>Explanation of Missed FY 2006 Goal:</b> EPA did not meet its target for power sector inventories due to delays in a project in India. EPA continues to work closely with relevant ministries in the Government of India and will disseminate mercury stack emissions data to U.S. government partners once they become available.</p>									

APG 4.3 Decrease Risk from Agricultural Pesticides—Pesticide Registration									Status
In 2006	Ensure new pesticide registration actions (including new active ingredients, new uses) meet new health standards and are environmentally safe.								Goal Not Met
In 2005	Ensure new pesticide registration actions (including new active ingredients, new uses) meet new health standards and are environmentally safe.								Goal Not Met
In 2004	Decrease adverse risk from agricultural uses from 1995 levels.								Goal Met
In 2003	Decrease adverse risk from agricultural uses from 1995 levels and assure that new pesticides that enter the market are safe for humans and the environment, through ensuring that all registration action are timely and comply with standards mandated by law.								Goal Met
APG 4.3 Performance Measures*	FY 2003		FY 2004		FY 2005		FY 2006		Unit
	Target	Actual	Target	Actual	Target	Actual	Target	Actual	
Register reduced risk pesticides, including biopesticides.	14	23	14	19	14	14	14	15	Registration (Annual)
New Chemicals (Active Ingredients).	67	72	74	79	84	82	94	101	Registration (Cum)
New Uses.			200	249	200	164	200	235	Actions (Annual)
Maintain timeliness of S18 decisions.					45	42	45	48	Days
<i>Percent reduction in review time for registration of conventional pesticides.</i>					7	7	10	34	% Reduction
Reduce registration decision times for reduced risk chemicals.					3	47	3.5	20	% Reduction
<p><b>Background:</b> The baseline for registration of reduced risk pesticides, new chemicals, and new uses, is zero in the year 1996 (the year FQPA was enacted). Progress is measured cumulatively since 1996. Cumulative actual in FY 2006 for reduced risk pesticides was 172 registrations and 3,541 new use actions. As of 2003, there are no products registered for use against other potential bio-agents (non-anthrax). Conventional pesticides FY 2002 baseline for reducing decision time is 44 months; reduced risk pesticides FY 2002 baseline for reducing time is 32.5 months. The 2005 baseline for expedited new active ingredient pesticides is 4. The S18 2005 baseline is 45 days.</p> <p><b>Explanation of Missed FY 2006 Goal:</b> EPA's response time for S18 decisions (emergency pesticide use exemptions for pest infestations) was slightly higher than the target of 45 days because the program's focus was diverted to address Homeland Security and food security concerns associated with soybean rust.</p> <p>* Program Assessment Rating Tool (PART) measures are italicized.</p>									



APG 4.4 Decrease Risk from Agricultural Pesticides— Acre Treatments with Reduced Risk Pesticides									Status
In 2006	Percentage of acre treatments that will use applications of reduced-risk pesticides.								Data Avail 2007
In 2005	Percentage of acre treatments that will use applications of reduced-risk pesticides.								✓ Goal Met
In 2004	Decrease adverse risk from agricultural uses from 1995 levels.								✓ Goal Met
In 2003	Decrease adverse risk from agricultural uses from 1995 levels and assure that new pesticides that enter the market are safe for humans and the environment, through ensuring that all registration action are timely and comply with standards mandated by law.								✓ Goal Met
APG 4.4 Performance Measures*	FY 2003		FY 2004		FY 2005		FY 2006		Unit
	Target	Actual	Target	Actual	Target	Actual	Target	Actual	
Percentage of agricultural acres treated with reduced-risk pesticides.	8	8	8.5	13	8.7	13	17	Data Avail 2007	% Acre-Treatments
<p><b>Background:</b> The baseline for acres-treated is 3.6% of total acreage in 1998, when the reduced-risk pesticide acres-treatments was 30,332,499 and total (all pesticides) was 843,063,644 acre-treatments. Each year's total acre-treatments, as reported by Doane Marketing Research, Inc. serve as the basis for computing the percentage of acre-treatments using reduced risk pesticides. Acre-treatments count the total number of pesticide treatments each acre receives each year.</p> <p>* Program Assessment Rating Tool (PART) measures are italicized.</p>									

APG 4.5 TRI Information									Status
In 2006	The increased use of the Toxic Release Inventory Made Easy (TRI-ME) will result in a total burden reduction of 5% for FY 2005 from FY 2004 levels.								✓ Goal Met
APG 4.5 Performance Measures	FY 2003		FY 2004		FY 2005		FY 2006		Unit
	Target	Actual	Target	Actual	Target	Actual	Target	Actual	
Percentage increase of TRI chemical forms submitted over the Internet using TRI-ME and the Central Data Exchange.							10	24	Percent
<p><b>Background:</b> In FY 2001, TRI electronic reporting was 70%.</p>									

APG 4.6 Exposure to Industrial/Commercial Chemicals									Status
In 2006	Reduce exposure to and health effects from priority industrial/commercial chemicals.								Data Avail 2009
In 2005	Reduce exposure to and health effects from priority industrial/commercial chemicals.								Data Avail 2009
In 2004	Reduce exposure to and health effects from priority industrial/commercial chemicals.								✗ Goal Not Met
APG 4.6 Performance Measures	FY 2003		FY 2004		FY 2005		FY 2006		Unit
	Target	Actual	Target	Actual	Target	Actual	Target	Actual	
Safe Disposal of Transformers.			8,000	7,015	5000	Data Avail 2007	5,000	Data Avail 2007	Transformers
Safe Disposal of Capacitors.			6,000	1,457	9000	Data Avail 2007	9,000	Data Avail 2007	Capacitors

APG 4.6 Exposure to Industrial/Commercial Chemicals (continued)									
APG 4.6 Performance Measures	FY 2003		FY 2004		FY 2005		FY 2006		Unit
	Target	Actual	Target	Actual	Target	Actual	Target	Actual	
Number of children aged 1-5 years with elevated blood lead levels (>10ug/dl).			270,00	Data Avail 2007	225,000	Data Avail 2009	216,000	Data Avail 2009	Children
<p><b>Background:</b> Data released by CDC from the National Health and Nutritional Evaluation Survey (NHANES) in May of 2005 estimated a population of 310,000 children aged 1 - 5 with lead poisoning (blood lead levels of 10 ug/dl or greater). EPA has incorporated into its Strategic Plan the federal government goal to eliminate childhood lead poisoning as a public health concern by 2010.</p> <p>Baseline for PCB transformers is estimated at 2.2 million units and for capacitors is estimated at 1.85 million units as of 1988 as noted in the 1989 PCB Notification and Manifesting Rule.</p> <p>Baseline for percent difference in the geometric mean blood level in low-income children 1-5 years old as compared to the geometric mean for non-low income children 1-5 years old is 37% in 1991-1994.</p>									

APG 4.7 Risks from Industrial/Commercial Chemicals		Status
In 2006	Identify, restrict, and reduce risks associated with industrial/commercial chemicals.	✗ Goal Not Met
In 2005	Identify, restrict, and reduce risks associated with industrial/commercial chemicals.	Data Avail 2008
In 2004	Identify, restrict, and reduce risks associated with industrial/commercial chemicals.	✓ Goal Met

APG 4.7 Performance Measures*	FY 2003		FY 2004		FY 2005		FY 2006		Unit
	Target	Actual	Target	Actual	Target	Actual	Target	Actual	
Percentage of HPV chemicals identified as priority concerns through assessment of Screening Information Data Sets (SIDS) and other information with risks eliminated or effectively managed. (New in FY 2006).							100	100	% of HPV Chemicals
Cumulative number of chemicals for which VCCEP data needs documents are issued by EPA in response to Industry sponsored Tier 1 risk assessments. (New in FY 2006).							8	6	Cumulative Chemicals
<i>Number of chemicals or organisms introduced into commerce that pose unreasonable risks to workers, consumers, or the environment.</i>					0	0	0	0	Number Chemicals/Organisms
<i>Cumulative number of chemicals with proposed, interim, and/or final values for Acute Exposure Guidelines Levels (AEGs).</i>			105	133	125	165	145	184	Number of Chemicals
<i>Reduction in the percent current year production adjusted-risk-based score of releases and transfers of toxic chemicals.</i>					3%	Data Avail 2008	3%	Data Avail 2008	% Reduction

**Background:** The baseline for TSCA PMNs in FY2004 is zero. (EPA receives about 1,700 PMNs per year for chemicals about to enter commerce. From 1979-2002, EPA reviewed about 40,000 PMNs. Of the 78,000 chemicals potentially in commerce, 16,618 have gone through the risk-screening process of Notice of Commencement.) The baseline for HPV measure is zero chemicals in 1998. The baseline for the RSEI measure is the index calculated for 2001. Baseline is 2002; calculation methodology by addition of AEG values (10 minute, 1 hour, 4 hour and 24 hour exposure periods) and numbers of chemicals addressed. There is a list maintained by the AEGs FACA committee of highest priority chemicals: 99 chemicals are on List 1 which was generated at the program's inception in 1996 and 137 chemicals are highest priority on List 2 which was generated in 2001. Therefore the total of highest priority chemical stands today at 236 chemicals, however chemicals can be added or deleted from the list to fit stakeholder needs which is why we have decided to provide percentage targets. In FY 2006, a cumulative total of 184 chemicals were identified for AEGs. 2001 levels will serve as the baseline reference point for the percent reduction in relative risk index for chronic human health associated with environmental releases of industrial chemicals in commerce as measured by Risk Screening Environmental Indicators Model analyzing results to date. There is an unanticipated delay in producing RSEI results from 2004 Toxic Release Inventory data, however, data for FY 2003 and FY 2004 will be available in the FY 2007 PAR.

**Explanation of Missed FY 2006 Goal:** EPA did not meet its target for issuing data needs documents relating to its Voluntary Children's Chemical Evaluation Program (VCCEP) due to unexpected delays in sponsor companies' ability to respond to requests for additional information. As a result, a number of data needs documents could not be finalized.

\* Program Assessment Rating Tool (PART) measures are italicized.

APG 4.8 Chemical Facility Risk Reduction									Status
In 2006	Protect human health, communities, and ecosystems from chemical risks and releases through facility risk reduction efforts and building community infrastructures.								✓ Goal Met
In 2005	Protect human health, communities, and ecosystems from chemical risks and releases through facility risk reduction efforts and building community infrastructures.								✓ Goal Met
In 2004	Protect human health, communities, and ecosystems from chemical risks and releases through facility risk reduction efforts and building community infrastructures.								✓ Goal Met
In 2003	Increase facility risk reduction capabilities.								✓ Goal Met
APG 4.8 Performance Measures	FY 2003		FY 2004		FY 2005		FY 2006		Unit
	Target	Actual	Target	Actual	Target	Actual	Target	Actual	
Number of risk management plan audits completed.	300	300	400	730	400	885	400	550	Audits
<b>Background:</b> 1,059 Risk Management Plan audits were completed between FY 2000 and FY 2003.									

OBJECTIVE 2: COMMUNITIES									
Sustain, clean up, and restore communities and the ecological systems that support them.									
APG 4.9 World Trade Organization—Regulatory System									Status
In 2006	Assist key trade partner countries in assessing environmental effects of trade liberalization.								✓ Goal Met
In 2005	Assist key trade partner countries in assessing environmental effects of trade liberalization.								✓ Goal Met
APG 4.9 Performance Measures	FY 2003		FY 2004		FY 2005		FY 2006		Unit
	Target	Actual	Target	Actual	Target	Actual	Target	Actual	
Number of environmental reviews initiated by FTAA countries following the enactment of the 2002 Trade Promotion Act (TPA). (incremental)					3	3	3	3	Countries
Latin American countries initiating environmental assessments of trade liberalization.							3	3	Countries
<b>Background:</b> As of the end of FY 2003, two environmental reviews (Chile and Singapore) have been initiated since the enactment of the 2002 Trade Promotion Act.									

APG 4.10 Revitalize Properties									Status
In 2006	Assess, clean up and promote the reuse of Brownfields properties, and leverage jobs and cleanup/redevelopment funding.								Data Avail 2007
In 2005	Leverage jobs by assessing, promoting the cleanup and reuse of Brownfields properties.								Goal Not Met
In 2004	Leverage jobs by assessing, promoting the cleanup and reuse of Brownfields properties.								Goal Not Met
APG 4.10 Performance Measures*	FY 2003		FY 2004		FY 2005		FY 2006		Unit
	Target	Actual	Target	Actual	Target	Actual	Target	Actual	
<i>Brownfield properties assessed.</i>	1,000	1,052	1,000	1,076	1,000	1,381	1,000	Data Avail 2007	Assessments
Brownfields cleanup grants awarded.					25	88	25	Data Avail 2007	Grants
Properties cleaned up using Brownfields funding.			N/A	17.00	60	68	60	Data Avail 2007	Properties
Jobs leveraged from Brownfields activities.	2,000	5,023	2,000	2,250	5,000	6,128	5,000	Data Avail 2007	Jobs
Percentage of Brownfields job training trainees placed.	65	62	65	61	65	62	65	Data Avail 2007	% Trainees placed
<i>Billions of dollars of cleanup and redevelopment funds leveraged at Brownfields sites.</i>	0.9	0.9	0.9	0.7	0.9	1.0	1.0	Data Avail 2007	\$ Billions
<p><b>Background:</b> By the end of FY 2005, the Brownfields program assessed 1,381 properties, leveraged 6,128 jobs, achieved a 62% placement rate for Brownfields job training program participants, and leveraged \$1.0B in cleanup and redevelopment funding.</p> <p>* Program Assessment Rating Tool (PART) measures are italicized.</p>									

APG 4.11 Mexico Border Outreach									Status
In 2006	Develop air quality assessments and programs to improve air quality standards in border communities.								Goal Met
APG 4.11 Performance Measures	FY 2003		FY 2004		FY 2005		FY 2006		Unit
	Target	Actual	Target	Actual	Target	Actual	Target	Actual	
Border communities monitoring for a pollutant that has not previously been monitored in that community. (New in FY 2006).							1	1	Community
<p><b>Background:</b> In 2004, there are no border communities monitoring for pollutants that have not previously been monitored in their community. There are 17 monitoring stations along the US-Mexico Border (source: US-Mexico Border XXI Program: Progress Report 1996-2000). Monitoring for: carbon monoxide, ozone, nitrogen dioxide, sulfur dioxide, particulate matter 2.5 micrometers or less in diameter U.S. only, particulate matter 10 micrometers or less in diameter, total suspended particulate matter Mexico only, lead.</p>									

## OBJECTIVE 3: ECOSYSTEMS

Protect, sustain, and restore the health of natural habitats and ecosystems.



APG 4.12 Protecting and Enhancing Estuaries									Status
In 2006	Working with NEP partners, protect or restore an additional 25,000 acres of habitat within the study areas for the 28 estuaries that are part of the National Estuary Program (NEP).								✓ Goal Met
In 2005	Working with NEP partners, protect or restore an additional 25,000 acres of habitat within the study areas for the 28 estuaries that are part of the National Estuary Program (NEP).								✓ Goal Met
In 2004	Restore and protect estuaries through the implementation of Comprehensive Conservation and Management Plans (CCMPs).								✓ Goal Met
In 2003	Restore and protect estuaries through the implementation of Comprehensive Conservation and Management Plans (CCMPs).								✓ Goal Met
APG 4.12 Performance Measures*	FY 2003		FY 2004		FY 2005		FY 2006		Unit
	Target	Actual	Target	Actual	Target	Actual	Target	Actual	
<i>Acres protected or restored in NEP study areas.</i>	118,171	118,171	25,000	107,000	25,000	103,959	25,000	140,033	Acres
<i>Program dollars per acre of habitat protected or restored.</i>					515	533	510	401	Dollars/acre
<b>Background:</b> 2005 Baseline: 449,242 acres of habitat protected or restored; cumulative from 2002.									
* Program Assessment Rating Tool (PART) measures are italicized.									

APG 4.13 Protect Wetlands									Status
In 2006	Working with partners, achieve no net loss of wetlands.								Data Avail 2011
In 2005	Working with partners, achieve no net loss of wetlands.								Data Avail 2011
APG 4.13 Performance Measures	FY 2003		FY 2004		FY 2005		FY 2006		Unit
	Target	Actual	Target	Actual	Target	Actual	Target	Actual	
Working with partners, achieve a net increase in wetlands with additional focus on biological and functional measures (cumulative).					100,000	Data Avail 2011	200,000	Data Avail 2011	Acres
Annually, in partnership with the Corps of Engineers and States, achieve no net loss of wetlands in the Clean Water Act Section 404 regulatory program.					No Net Loss	Data Avail 2011	No Net Loss	Data Avail 2011	Acres
<b>Background:</b> Annual net wetland loss of an estimated 58,500 acres as measured by the U.S. Fish and Wildlife Service and reported in Status and Trends of Wetlands in the Conterminous United States, 1986-1997. The United States achieved a net cumulative increase of 32,000 acres per year of wetlands over a 6-year period, from 1998 through 2004, as measured by the U.S. Fish and Wildlife Service and reported in Status and Trends of Wetlands in the Conterminous United States, 1998 to 2004. (Dahl, T.E. 2006. Status and Trends of Wetlands in the Conterminous United States, 1998 to 2004. U.S. Department of the Interior; Fish and Wildlife Service, Washington, D.C. 112 pp.)									

APG 4.14 Great Lakes Ecosystem									Status
In 2006	Prevent water pollution and protect aquatic systems so that overall ecosystem health of the Great Lakes is improved.								✓ Goal Met
In 2005	Prevent water pollution and protect aquatic systems so that overall ecosystem health of the Great Lakes is improved by at least 1 point.								✓ Goal Met
In 2004	Great Lakes ecosystem components will improve, including progress on fish contaminants, beach closures, air toxics, and trophic status.								✗ Goal Not Met
In 2003	Great Lakes ecosystem components will improve, including progress on fish contaminants, beach closures, air toxics, and trophic status.								✗ Goal Not Met
APG 4.14 Performance Measures	FY 2003		FY 2004		FY 2005		FY 2006		Unit
	Target	Actual	Target	Actual	Target	Actual	Target	Actual	
Prevent water pollution and protect aquatic systems so that overall ecosystem health of the Great Lakes is improved (cumulative).					21.0	21.9	21.0	21.1	Scale
Cubic yards (in millions) of contaminated sediment remediated in the Great Lakes (cumulative from 1997).	0.1	0.19	0.2	0.97	2.9	3.7	3.2	4.1	Million cubic yards
Average concentrations of PCBs in whole lake trout and walleye samples will decline.	5	5	5	5	5	6	5	Data Avail After November 15, 2006	% Annual Decrease
Average concentrations of toxic chemicals in the air in the Great Lakes basin will decline.	7	8	7	8.4	7	7	7	8	% Annual Decrease
Restore and delist Areas of Concern (AOCs) within the Great Lakes basin.					3	0	2	1	AOC
<p><b>Background:</b> Great Lakes rating of 20 9reported in 2003, based on most current data available, generally from 2001) on a 40 point scale where the rating uses select Great Lakes State of the Lakes Ecosystem indicators based on a 1 to 5 rating system for each indicator, where 1 is poor and 5 is good. (ii) 2.1 million cubic yards of contaminated sediments were remediated from 1997 through 2001 of the 40 million requiring remediation. (iii) On average, total PCB concentrations in whole Great Lakes top predator fish have recently declined 5 percent annually—average concentrations at Lake sites from 2002 were: L Superior-9ug/g; L Michigan- 1.6ug/g; L Huron- .8ug/g L Erie- 1.8ug/g; and L Ontario- 1.2ug/g. 9iv) Average concentrations of toxic chemicals in the air (PCBs) from 2002 were; L Superior- 60 pg/m2; L Michigan- 87 pg/m2; L Huron-19 pg/m2; L Erie- 183 pg/m2; and L Ontario- 36 pg/m2. (v) In 2002, no Areas of Concern had been delisted.</p>									

APG 4.15 Chesapeake Bay Habitat		Status
In 2006	Prevent water pollution and protect aquatic systems so that overall aquatic system health of the Chesapeake Bay is improved enough so that there are 90,000 acres of submerged aquatic vegetation (cumulative).	✗ Goal Not Met
In 2005	Prevent water pollution and protect aquatic systems so that overall aquatic system health of the Chesapeake Bay is improved enough so that there are 90,000 acres of submerged aquatic vegetation (cumulative).	✗ Goal Not Met
In 2004	Improve habitat in the Chesapeake Bay.	✗ Goal Not Met
In 2003	Improve habitat in the Chesapeake Bay.	✓ Goal Met

APG 4.15 Chesapeake Bay Habitat (continued)									
APG 4.15 Performance Measures	FY 2003		FY 2004		FY 2005		FY 2006		Unit
	Target	Actual	Target	Actual	Target	Actual	Target	Actual	
Reduction, from 1985 levels, of nitrogen (N), phosphorus (P), and sediment loads (S) entering Chesapeake Bay (cumulative).	74	62.4	74	59.9	74	67	74	72.3	M lbs N
	8.4	8.36	8.4	7.7	8.7	8.4	8.7	8.7	M lbs P
					1.1	0.9	1.1	1.0	M tons S
Acres of submerged aquatic vegetation (SAV) present in the Chesapeake Bay (cumulative).	86,000	89,659	90,000	63,524	90,000	72,942	90,000	78,259 <sup>‡</sup>	Acres
<p><b>Background:</b> In 1984, there were 38,230 acres of submerged aquatic vegetation in the Chesapeake Bay. In 2002, baseline for nitrogen load reductions was 53 million pounds per year; phosphorus load reductions was 8.0 million pounds per year; and sediment load reductions was 0.8 million tons per year.</p> <p><b>Explanation of Missed FY 2006 Goal:</b> EPA is working with its state and local partners to reduce nutrient and sediment loadings to improve conditions in the bay. The target for restored acres of sub-aquatic vegetation (SAV) was not met due to a variety of external factors (e.g., weather, land use, and population growth), which impact the Chesapeake Bay.</p> <p><sup>‡</sup> Fiscal year data in this table reflects prior calendar year performance data.</p>									

APG 4.16 Gulf of Mexico									Status
In 2006	Prevent water pollution and protect aquatic species in order to improve the health of the Gulf of Mexico.								 Goal Not Met
In 2005	Prevent water pollution and protect aquatic species in order to improve the health of the Gulf of Mexico.								 Goal Met
APG 4.16 Performance Measures	FY 2003		FY 2004		FY 2005		FY 2006		Unit
	Target	Actual	Target	Actual	Target	Actual	Target	Actual	
Prevent water pollution and protect aquatic systems so that overall aquatic system health of coastal waters of the Gulf of Mexico is improved.					0.1	2.4	2.4	2.4	Scale
Reduce releases of nutrients throughout the Mississippi River Basin to reduce the size of the hypoxic zone in the Gulf of Mexico, as measured by the five year running average.					12,700	12,700	14,128	14,944	Sq km
<p><b>Background:</b> In 2004, the Gulf of Mexico rating of fair/poor was 2.4 where the rating is based on a 5-point system in which 1 is poor and 5 is good and is expressed as an aerially weighted mean of regional scores using the National Coastal Condition Report II indicators: water quality index, sediment quality index, benthic index, coastal habitat index, and fish tissue contaminants.</p> <p><b>Explanation of Missed FY 2006 Goal:</b> The target for reducing the size of the hypoxic zone was not met due to external factors (e.g., weather, river flow, land use), which impact the Gulf of Mexico.</p> <p>The hypoxia running average size for 1996-2000 = 14,128 km<sup>2</sup>. The 2002-2006 running average size = 14,944 km<sup>2</sup>.</p>									

### OBJECTIVE 4: ENHANCE SCIENCE AND RESEARCH

Through 2008, provide a sound scientific foundation for EPA's goal of protecting, sustaining, and restoring the health of people, communities, and ecosystems by conducting leading-edge research and developing a better understanding and characterization of environmental outcomes under Goal 4.

APG 4.17 Validating Assays for Endocrine Disruptors									Status
In 2006	Endocrine Disruptor Screening Program will continue its progress toward completing the validation of endocrine test methods.								X Goal Not Met
In 2005	Standardization and validation of screening assays.								X Goal Not Met
In 2004	Standardization and validation of screening assays.								X Goal Not Met
APG 4.17 Performance Measures*	FY 2003		FY 2004		FY 2005		FY 2006		Unit
	Target	Actual	Target	Actual	Target	Actual	Target	Actual	
Cumulative number of assays that have been validated.			117	0	11	0	11/20	2/21	Assays
<p><b>Background:</b> Baseline—The Food Quality Protection Act of 1996 (FQPA) requires EPA to use validated assays to screen chemicals for their potential to affect the endocrine system. The development and validation of assays is currently the principal effort in implementing the Endocrine Disruptor Screening Program (EDSP). The validation process consists of several discrete steps:</p> <p>Detailed Review Paper is the first stage of the overall validation process. It is a review of the scientific literature relevant to an assay and discusses the scientific principles on which the assay is based, reviews candidate protocols and makes recommendations as to which is most suitable as a starting point for assay refinement and validation. 17/18 detailed review papers were completed in 2006.</p> <p>Prevalidation consists of studies to optimize and standardize the protocol and verify the ability of the protocol to accurately measure the endpoints of concern. 53/60 prevalidation studies were completed in 2006.</p> <p>Validation by Multiple Labs determines the transferability of the protocol to other laboratories and determines inter-laboratory variability. 73/108 validation studies were completed in 2006.</p> <p>Peer review is the review by an independent group of experts of the scientific work establishing the validity of the protocol. 1/20 peer reviews were completed.</p> <p>Assays Ready for Use are methods whose validation have been successfully completed and peer reviewed, and therefore are judged by the Agency to be suitable for use in the EDSP either as primary or alternative tests establishing the validity of the protocol.</p> <p>EPA no longer reports on each of steps as these are intermediate steps contributing toward the final product (i.e., assays ready for use). Thus, each step is already measured within the annual performance measurement structure.</p> <p><b>Explanation of Missed FY 2006 Goal:</b> EPA did not meet its target for validating assays because additional scientific and technical evaluations, which were not anticipated in the original schedule, were needed. International coordination with the Organisation for Economic Co-operation and Development on assay validation has also taken longer than expected.</p> <p>* Program Assessment Rating Tool (PART) measures are italicized.</p>									

APG 4.18 Human Health Risk Assessment Research									Status
In 2006	By 2006, deliver at least 20 dose-response assessments, provisional values, or pathogen risk assessments so that by 2010, at least 100 assessments have been made available through the Integrated Risk Information System (IRIS) database and other communications to EPA program offices, regions, states and Tribes providing the necessary information to predict risk and make risk management decisions that protect public health.								✓ Goal Met
APG 4.18 Performance Measures	FY 2003		FY 2004		FY 2005		FY 2006		Unit
	Target	Actual	Target	Actual	Target	Actual	Target	Actual	
Completed dose-response assessments, provisional values, or pathogen risk assessments.							20	44	Assessments



APG 4.18 Human Health Risk Assessment Research (continued)									
APG 4.18 Performance Measures	FY 2003		FY 2004		FY 2005		FY 2006		Unit
	Target	Actual	Target	Actual	Target	Actual	Target	Actual	
Completed dose-response assessments, provisional values, or pathogen risk assessments.							20	44	Assessments
<p><b>Background:</b> This FY2006 APG produces dose-response assessments and health risk assessment information to support regulatory actions and risk management decisions by clients including EPA, other Federal partners, states, tribes, and local governments. These assessments integrate relevant peer-reviewed scientific literature and assessment methods to characterize the known or potential effects of specific contaminants on human health. Many of these dose-response assessments will be posted on EPA's Integrated Risk Information System (IRIS) when completed. IRIS is widely used throughout EPA and the broader risk management community as the premiere source of hazard and dose-response information for health risk assessment. The assessments conducted in this APG will serve to identify and characterize environmentally-related human health problems and support evaluation of the effectiveness of risk management actions aimed at improving public health and safeguarding the environment. In particular, these assessments will be used to inform the decision-making process and provide scientific information to decision makers who must make regulatory, enforcement, and remedial action decisions for chemical contaminant list microbes and chemicals in drinking water; residual risk assessments for air pollutants; site-specific clean-up decisions at Superfund sites; pesticide registration; and control of multi-media toxicants. EPA also uses risk assessment information as part of the Agency's risk communication efforts to convey information on environmental hazards to the public. As a result, risk assessment information provided by products under this APG, is an integral component of environmental decision-making and information transfer processes under the statutes implemented by the Agency.</p>									

APG 4.19 Research on Endocrine Disrupting Chemicals									Status
In 2006	By 2006, develop and transfer standardized protocols for screening chemicals for their potential effects on the endocrine system, so that EPA's Office of Prevention, Pesticides, and Toxic Substances has the necessary protocols to validate for use in the Agency's Endocrine Disruptors Screening Program, mandated by the Food Quality Protection Act, as determined by independent expert review.								✓ Goal Met
APG 4.19 Performance Measures	FY 2003		FY 2004		FY 2005		FY 2006		Unit
	Target	Actual	Target	Actual	Target	Actual	Target	Actual	
Report on a protocol to screen environmental chemicals for their ability to interact with the male hormone receptor.							1	1	Report
<p><b>Background:</b> The Endocrine Disruptors program provides EPA with the scientific information necessary for the Agency to reduce or prevent potential unreasonable risks to human health and wildlife from exposures to chemicals that adversely affect the endocrine system, called endocrine disrupting chemicals (EDCs). In 1998, the Endocrine Disruptors Screening and Testing Advisory Committee, a FACA convened by EPA to provide advice on the development and implementation of a screening program, identified a few assays to use as starting points. However, as they affirmed, no assays were considered to be "validated" at the time. EPA's endocrine disruptors research program refined these assays and developed new ones when the starting point assays were found to be unreliable or inadequate. Between FY 2000 and FY 2006, EPA will have completed 22 milestones associated with this APG, including reducing scientific uncertainty regarding the mechanisms by which chemicals interfere with the endocrine system, developing reports on a variety of screening assays in different animal species (e.g., fish, frogs, rats), and transferring protocols that have been standardized in our laboratories and accompanying background documentation to OPPTS. Each milestone represents an internal EPA designation of a performance measure, each of which, in turn, consists of the products of a significant body of research (e.g., a single milestone could include 5 peer reviewed publications). OPPTS will have the protocols validated by an external peer review panel and will implement a screening program using them. The data that will be developed from the application of the validated protocols will enable the Agency to conduct risk assessments from which decisions can be made that will reduce or prevent unreasonable risks to humans and wildlife from exposure to endocrine disruptors.</p> <p>Beginning in FY 2005, regular evaluations by independent and external panels will provide reviews of EPA research programs' relevance, quality, and successful performance to date, and will determine whether EPA has been successful in meeting its annual and long-term commitments for research.</p> <p>Report on a protocol to screen environmental chemicals for their ability to interact with the male hormone receptor. This report represents a compilation of a significant body of research, the products of which will provide OPPTS and the international Organization for Economic Cooperation and Development with assays that can be used to screen for endocrine activities mediated through the androgen receptor. OPPTS will use the results of application of the assays to prioritize chemicals for additional testing. The body of research includes the culmination of three years' worth of research and consists of the following products: eight peer-reviewed publications that describe the assays and/or the results of application of the assays and three reports for the international OECD that report on results of application of the assays. The OECD is using these results in their international harmonization of protocols.</p>									

APG 4.20 Homeland Security Research									Status
In 2006	Provide methods, guidance documents, technologies and tools to first responders and decision-makers to enhance safety and to mitigate adverse effects of the purposeful introduction of hazardous chemical or biological materials into the environment.								✓ Goal Met
In 2005	By FY 2005, provide tools, case studies, and technical guidance so that, by FY 2006, first responders and decision-makers will have the methods, guidance documents, and technologies to enhance safety and to mitigate adverse effects of the purposeful introduction of hazardous chemical or biological materials into the environment.								✓ Goal Met
In 2004	Provide to building owners, facility managers, and others, methods, guidance documents, and technologies to enhance safety in large buildings and to mitigate adverse effects of the purposeful introduction of hazardous chemical or biological materials into indoor air.								✓ Goal Met
In 2004	Verify two point-of-use drinking water technologies that treat intentionally introduced contaminants in drinking water supplies for application by commercial and residential users, water supply utilities, and public officials.								✓ Goal Met
In 2004	Verify two point-of-use drinking water technologies that treat intentionally introduced contaminants in drinking water supplies for application by commercial and residential users, water supply utilities, and public officials.								✓ Goal Met
APG 4.20 Performance Measures	FY 2003		FY 2004		FY 2005		FY 2006		Unit
	Target	Actual	Target	Actual	Target	Actual	Target	Actual	
Verify two treatment technologies for application in buildings by commercial and residential users, utilities, and public officials to treat contaminants in drinking water supplies.			2	2					Verifications
Prepare ETV evaluations on at least 5 new technologies for detection, containment, or decontamination of chemical/biological contaminants in buildings to help workers select safe alternatives.			5	10					Verifications
Through SBIR awards, support as least three new technologies/methods to decontaminate HVAC systems in smaller commercial buildings or decontaminate valuable or irreplaceable materials.			3	4					Techs/Methods
Prepare technical guidance for building owners and facility managers on methods/strategies to minimize damage to buildings from intentional introduction of biological/chemical contaminants.			9/30/04	9/30/04					Guidance
A restricted access database of EPA experts with knowledge, expertise, and experience for use by EPA to rapidly assess health and ecological impacts focused on safe buildings and water security.			1	1					Database
Risk assessment toolbox to predict and reduce the consequences of chemical/biological attacks in U.S. cities.					1	1			Toolbox
Technical guidance for water system owners and operators on methods/strategies for minimizing damage from intentional introduction of biological/chemical contaminants.					09/30/05	09/30/05			Tech. Guidance
Water system-related case studies that provide a spectrum of contingency planning situations and responses, including one specifically focused on the National Capital area.					09/30/05	09/30/05			Case Studies

APG 4.20 Homeland Security Research (continued)									
APG 4.20 Performance Measures	FY 2003		FY 2004		FY 2005		FY 2006		Unit
	Target	Actual	Target	Actual	Target	Actual	Target	Actual	
Comprehensive guidance document for building owners and managers on restoration of buildings after terrorist contamination with biological or chemical hazards.							I	I	Guidance
Guidance document for emergency and remedial response personnel and water utility operators for the restoration of water systems after terrorist contamination with biological or chemical hazards.							I	I	Guidance
Comprehensive guidance package including data, methodologies, and other risk assessment tools that will assist emergency responders in establishing remediation goals at incident sites.							I	I	Guidance
<p><b>Background:</b> EPA's homeland security research provides appropriate, effective, and rapid risk assessment guidelines and technologies to help decision-makers prepare for, detect, contain, and decontaminate building and water treatment systems against which chemical and/or biological attacks have been directed. The Agency intends to expand the state of the knowledge of potential threats, as well as its response capabilities, by assembling and evaluating private sector tools and capabilities so that preferred response approaches can be identified, promoted, and evaluated for future use by first responders, decision-makers, and the public. This APG will provide guidance documents for the restoration of buildings and water systems and the establishment of remediation goals. These products will enable first responders to better deal with threats to the public and the environment posed by the intentional release of toxic or infectious materials.</p>									

Discontinued APG: Reduce use of highly toxic pesticides		Status
In 2006	Decrease occurrence of residues of carcinogenic and cholinesterase-inhibiting neurotoxic pesticides on foods eaten by children from their average 1994-1996 levels.	APG and Measure discontinued
<p><b>Performance Measures:</b> Reduce occurrence of residues on a core set of 19 foods eaten by children relative to detection levels for those foods reported in 1994-1996.</p> <p>Percent occurrence of residues of FQPA priority pesticides (organophosphates and carbamates) were to be based on samples of children's foods in baseline years 94-96. Baseline percentages were to be estimated from a composite sample of children's food. In 2005, EPA discovered that the pesticides and foods surveyed by USDA change each year, thereby invalidating annual comparisons. Consequently, EPA determined that this metric cannot be used to characterize the program's performance and is no longer collecting or reporting these data. While this performance measure will no longer appear in the Agency's Annual Plans or Performance and Accountability Reports, EPA has developed a new measure of pesticide blood levels under Objective 4.1 that adequately measures the program's human health outcomes. EPA will begin reporting data on this measure in 2007.</p>		

# Goal 5: Compliance and Environmental Stewardship

Improve environmental performance through compliance with environmental requirements, preventing pollution, and promoting environmental stewardship. Protect human health and the environment by encouraging innovation and providing incentives for governments, businesses, and the public that promote environmental stewardship.

OBJECTIVE 1: IMPROVE COMPLIANCE									
By 2008, maximize compliance to protect human health and the environment through compliance assistance, compliance incentives, and enforcement by achieving a 5 percent increase in the pounds of pollution reduced, treated, or eliminated, and achieving a 5 percent increase in the number of regulated entities making improvements in environmental management practices.									
APG 5.1 Compliance Assistance									Status
In 2006	Through compliance assistance, EPA will increase the understanding of regulated entities, improve Environmental Management Practices, and reduce pollutants.								✓ Goal Met
In 2005	Through compliance assistance, EPA will increase the understanding of regulated entities, improve Environmental Management Practices, and reduce pollutants.								✗ Goal Not Met
APG 5.1 Performance Measures	FY 2003		FY 2004		FY 2005		FY 2006		Unit
	Target	Actual	Target	Actual	Target	Actual	Target	Actual	
Percentage of regulated entities receiving direct compliance assistance from EPA reporting that they improved EMP as a result of EPA assistance.					50	51	50	74	Percentage
Percentage of regulated entities receiving direct assistance from EPA reporting that they reduced, treated, or eliminated pollution, as a result of EPA assistance.					25	13	15	28	Percentage
<p><b>Background:</b> The FY 2005 baseline for the percentage of regulated entities receiving direct compliance assistance from EPA reporting that they improved EMP as a result of EPA assistance is 51%. The FY 2005 baseline for the percentage of regulated entities receiving direct compliance assistance from EPA reporting that they reduced, treated, or eliminated pollution as a result of EPA compliance assistance is 13%.</p>									

APG 5.2 Compliance Incentives									Status
In 2006	Through self-disclosure policies, EPA will increase the percentage of audits or other actions reducing pollutants or improving EMP.								✗ Goal Not Met
In 2005	Through self-disclosure policies, EPA will increase the percentage of audits or other actions reducing pollutants or improving EMP.								✓ Goal Met

APG 5.2 Compliance Incentives (continued)									
APG 5.2 Performance Measures*	FY 2003		FY 2004		FY 2005		FY 2006		Unit
	Target	Actual	Target	Actual	Target	Actual	Target	Actual	
<i>Pounds of pollutants reduced, treated, or eliminated, as a result of audit agreements.</i>					0.25 million	1.9 million	0.4 million	0.05 million	Pounds
Facilities voluntarily self-disclose and correct violations with reduced or no penalty as a result of EPA self-disclosure policies.	500	848	500	969					Facilities
<p><b>Background:</b> The FY 2005 baseline for pounds of pollutants reduced, treated, or eliminated as a result of audit agreements is 1.9 million pounds of pollutants.</p> <p><b>Explanation of the Missed FY 2006 Goal:</b> Pollutant reductions through compliance incentives vary widely from year to year based on a small number of audit settlements. In FY 2006, the Agency did not meet the performance target for the pounds of pollutants reduced as a result of audits because fewer facilities reporting large pollutant reductions chose to participate in this voluntary compliance incentive program in FY 2006 than initially anticipated when the Agency set our 0.4 million pound target.</p> <p>* Program Assessment Rating Tool (PART) measures are italicized.</p>									

APG 5.3 Monitoring and Enforcement									Status
In 2006	Through monitoring and enforcement actions, EPA will increase complying actions, pollutant reduction or treatment, and improve environmental management practices.								✗ Goal Not Met
In 2005	Through monitoring and enforcement actions, EPA will increase complying actions, pollutant reduction or treatment, and improve EMP.								✗ Goal Not Met
APG 5.3 Performance Measures*	FY 2003		FY 2004		FY 2005		FY 2006		Unit
	Target	Actual	Target	Actual	Target	Actual	Target	Actual	
Millions of pounds of pollutants required to be reduced through enforcement actions settled this fiscal year.(core optional)	300	600	350	1,000					M pounds
<i>Pounds of pollution estimated to be reduced, treated, or eliminated as a result of concluded enforcement actions. (civil enf)</i>					300	1,100	450	890	million pounds
<i>Percentage of concluded enforcement cases requiring that pollution be reduced, treated, or eliminated.</i>					30	28.8	30	Data Avail FY 2008	Percentage
<i>Percentage of concluded enforcement cases requiring implementation of improved environmental management practices.</i>					60	72.5	65	82	Percentage
<i>Percentage of regulated entities taking complying actions as a result of on-site compliance inspections and evaluations.</i>					10	19	25	16	Percentage

APG 5.3 Monitoring and Enforcement (continued)									
APG 5.3 Performance Measures*	FY 2003		FY 2004		FY 2005		FY 2006		Unit
	Target	Actual	Target	Actual	Target	Actual	Target	Actual	
Dollars invested in improved environmental performance or improved environmental management practices as a result of concluded enforcement actions (i.e., injunctive relief and SEPs)					4 billion	10 billion	4.1 billion	5.0 billion	Dollars
Percent of concluded enforcement actions that require an action that results in environmental benefits and/or changes in facility management or information practices.	75	63	75	83					Percent

**Background:** The FY 2003-2005 rolling average baseline for pounds of pollution reduced, treated, or eliminated is 900,000,000 pounds of pollutants. The FY 2005 baseline for the percent of enforcement cases requiring that pollutants be reduced, treated, or eliminated is 28.8%. The FY 2005 baseline for the percent of enforcement actions requiring environmental management practice (EMP) improvements is 72.5%. The FY 2005 baseline for the percentage of regulated entities taking complying actions as a result of on-site compliance inspections and evaluations is 19%. The FY 2003-2005 rolling average baseline for dollars invested in improved environmental performance or improved environmental management practices is \$5,900,000,000.

**Explanation of the Missed FY 2006 Goal:** While the absolute number of facilities that reported taking complying actions went from 947 in FY2005 to 1,234 in FY2006, EPA did not meet the target for percentage of facilities. In order to present a more complete picture of actions taken, the Agency plans to expand the type of corrective actions reported to include those which occur after the inspector leaves and prior to an enforcement action. EPA plans to re-evaluate the appropriateness of this measure for specific programs.

\* Program Assessment Rating Tool (PART) measures are italicized.

## OBJECTIVE 2: IMPROVE ENVIRONMENTAL PERFORMANCE THROUGH POLLUTION PREVENTION AND INNOVATION

By 2008, improve environmental protection and enhance natural resource conservation on the part of government, business, and the public through the adoption of pollution prevention and sustainable practices that include the design of products and manufacturing processes that generate less pollution, the reduction of regulatory barriers, and the adoption of results-based, innovative, and multimedia approaches.

APG 5.4 Reducing PBTs in Hazardous Waste Streams									Status
In 2006	Reduce pollution in business operations.								Data Avail FY 2008
In 2005	Reduce pollution in business operations.								Data Avail FY 2007
In 2004	Reduce pollution in business operations.								<span style="color: red;">X</span> Goal Not Met

APG 5.4 Performance Measures*	FY 2003		FY 2004		FY 2005		FY 2006		Unit
	Target	Actual	Target	Actual	Target	Actual	Target	Actual	
<i>Number of pounds reduced (in millions) in generation of priority list chemicals from 2001 baseline of 84 million pounds.</i>			1.2	1.0	1.2	Data Avail FY 2007	1.2	Data Avail FY 2008	Million Pounds

**APG 5.4 Reducing PBTs in Hazardous Waste Streams (continued)**

**Background:** In FY 2001, the baseline of priority chemicals in waste streams was established at 88 million pounds. The FY 2008 goal is a reduction of 8.8 million pounds (10%).

**Explanation of Missed FY 2004 Goal:** As of August 2006, actual reductions reported for FY 2004 totaled 941,000 pounds against the target of 1,200,000 pounds. TRI, NPEP's measurement tool, is highly influenced by external factors such as industrial production. When industrial production increases, TRI releases and waste stream numbers tend to increase.

\* Program Assessment Rating Tool (PART) measures are italicized.

APG 5.5 Reduction of Industrial / Commercial Chemicals									Status
In 2006	Prevent, reduce and recycle hazardous industrial/commercial chemicals and improve environmental stewardship practices.								X Goal Not Met
In 2005	Prevent, reduce and recycle hazardous industrial/commercial chemicals and improve environmental stewardship practices.								X Goal Not Met
In 2004	Prevent, reduce and recycle hazardous industrial/commercial chemicals and municipal solid wastes.								X Goal Not Met
APG 5.5 Performance Measures	FY 2003		FY 2004		FY 2005		FY 2006		Unit
	Target	Actual	Target	Actual	Target	Actual	Target	Actual	
Percent reduction in Toxics Release Inventory (TRI) reported toxic chemical releases at Federal Facilities.							40	N/A	Percent Releases (Cum)
Percent reduction in both Toxics Release Inventory (TRI) chemical releases to the environment from the business sector per unit of production ("Clean Index")					20	N/A	28	N/A	Percent Releases (Cum)
Percent reduction in TRI chemicals in production-related wastes generated by the business sector per unit of production ("Green Index").					10	N/A	14	N/A	Percent Waste (Cum)
Reduction of TRI non-recycled waste (normalized)	200	622	200	106	N/A	N/A	N/A	N/A	Million lbs
Millions of dollars saved through reductions in pollution.					\$134	N/A	\$170	N/A	Million Dollars (Cum)
Annual cumulative quantity of water conserved.					1.5	N/A	1.5	N/A	Billion Gallons
Billions of BTUs of energy conserved.					143	N/A	175	N/A	BTUs (Cum)

**APG 5.5 Reduction of Industrial / Commercial Chemicals (continued)**

**Background:** The baseline for the TRI non-recycled wastes measure is the amount of non-recycled wastes in 2001 reported FY 2003. The baseline for eco-friendly detergents is 0 formulations in 1997. The baseline for the alternative feed stocks / processes measure is zero in 2000. The baseline for the quantity of hazardous chemicals / solvents measures is zero pounds in the year 2000. The baseline for the hospitals measure is zero in FY 2001. The baseline reference point for reductions of pollution and conservation of BTUs and water will be zero for 2003. The baseline for money saved will be 2003. The baseline for reduction in CO2 will be zero for 1996. The baseline for the Clean and Green Index would be 2001 levels. The baseline for chemical releases is 2001 level. The baseline for chemical production related wastes is 2001 level. Note: Several output measures were changed to internal-only reporting status in 2005. Annual Performance measures under development for EPA's Environmentally Preferable Purchasing program for the FY 2006 Annual Performance Plan.

**Explanation of Missed FY 2006 Goal:** The Pollution Prevention program no longer collects data on these performance measures and are developing new metrics under the PART process that are "intervention-based", which track results of the program's direct interactions with its business, government, and institutional customers and provide more useful data on program performance and management. Therefore this goal is not met due to data collection interruption. Delayed 2004 data from EPA's Toxics Release Inventory (TRI) reporting system made available in FY 2006 indicated that (after controlling for production changes in the U.S. manufacturing sector) while 106 million pounds of non-recycled TRI wastes were reduced in 2004—a 1.8 percent reduction from 2003 levels—the program still fell shy of its FY 2004 target of a 2 percent decline. Due to the difficulty in making a sufficient causal connection between Pollution Prevention (P2) program activities and changes reported in TRI, the Pollution Prevention Program stopped using that performance measure in FY 2005 and has moved away from TRI-based measures in its performance measures currently under development.

**APG 5.6 Innovation Activities**

**Status**

In 2006	Performance Track members collectively will meet targets for annual performance improvement targets for water use, energy use, materials use, nonhazardous solid waste, air releases, and discharges to water.	X Goal Not Met
In 2005	Performance Track members collectively will achieve an annual reduction of 600 million gallons in water use; 2.5 million MMBTUs in energy use; 15,000 tons of solid waste; 6,000 tons of air releases; 10,000 tons in water discharges; and 15,000 tons of materials compared with 2001 results.	X Goal Not Met

APG 5.6 Performance Measures	FY 2003		FY 2004		FY 2005		FY 2006		Unit
	Target	Actual	Target	Actual	Target	Actual	Target	Actual	
Specific annual reductions in six media/resource areas: water use, energy use, solid waste, air releases, water discharges, & materials use.					6	1			media reduction
Reduce 3.5 billion gallons of water use; 15.5 million MMBTUs of energy use; 1,000 tons of materials use; 440,000 tons of solid waste; 66,000 tons of air releases; & 12,400 tons of water discharges.							6	3	media reduction

**Background:** For Performance Track, the baseline year is 2001. Performance will be measured against the 2001 baseline annual reduction of 475 M gallons of water conserved, 0.24 MMBTUs of energy conserved, 150,000 tons of solid waste reduced, 1,113 tons of air emissions reduced, 6,870 tons of water discharged, and -2,154 tons of materials reduced.

**Explanation of Missed FY 2006 Goal:** Performance Track is a voluntary program. It is difficult to set annual targets in this area because EPA does not control which companies choose to participate or their which kinds of media reductions they will pursue. The program missed its FY 2006 target, but this is not an indicator of fewer positive results. Aggregate results are heavily impacted by large facilities whose use of materials can be orders of magnitude higher than other participants in the program. Negative results at handful of large facilities significantly impacts the overall result.



### OBJECTIVE 3: BUILD TRIBAL CAPACITY

Through 2008, assist all federally recognized tribes in assessing the condition of their environment, help in building their capacity to implement environmental programs where needed to improve tribal health and environments, and implement programs in Indian country where needed to address environmental issues.

APG 5.7 Tribal Environmental Baseline/Environmental Priorities									Status
In 2006	Assist federally recognized tribes in assessing the condition of their environment, help in building their capacity to implement environmental programs where needed to improve tribal health and environments, and implement programs in Indian country where needed to address environmental issues.								X Goal Not Met
In 2005	Assist federally recognized tribes in assessing the condition of their environment, help in building their capacity to implement environmental programs where needed to improve tribal health and environments, and implement programs in Indian country where needed to address environmental issues.								X Goal Not Met
APG 5.7 Performance Measures*	FY 2003		FY 2004		FY 2005		FY 2006		Unit
	Target	Actual	Target	Actual	Target	Actual	Target	Actual	
Increase Tribes' ability to develop environmental program capacity by ensuring that Federally recognized tribes have access to an environmental presence.					90	96	96	90.4	% Tribes
Develop or integrate EPA and interagency data systems to facilitate the use of EPA's Tribal Program Enterprise Architecture (TPEA) information in setting environmental priorities.					5	6	10	11	Systems
Eliminate data gaps for environmental conditions for major water, land, and air environmental programs as determined through the availability of information in the EPA TPEA.					5	5	13	14	% Data Gaps
Increase implementation of environmental programs in Indian country as determined by program delegations, approvals, or primacies issued to tribes and direct implementation activities by EPA.					159	233	237	264	Programs
Increase the number of EPA-approved quality assurance plans for tribal environmental monitoring and assessment activities. (Baseline 243)					271	321	328	378	Plans
Increase percent of EPA agreements with Tribes that reflect holistic (multi-media) program integration and traditional use of natural resources.					5	102	104	80	% Agreements
Percent of Tribes with EPA-approved multimedia workplans (cumulative).			18	26	39	33	39	33	% Tribes
Percent of Tribes with delegated and non-delegated programs (cumulative).			5	28	44	47	48	42	% Tribes

**APG 5.7 Tribal Environmental Baseline/Environmental Priorities (continued)**

APG 5.7 Performance Measures*	FY 2003		FY 2004		FY 2005		FY 2006		Unit
	Target	Actual	Target	Actual	Target	Actual	Target	Actual	
<i>Percent of Tribes with EPA-reviewed monitoring and assessment occurring (cumulative).</i>			20	44	25	29	30	30.8	% Tribes
<i>Number of environmental programs implemented in Indian Country per million dollars.</i>					11.1	12.3	12.4	13.7	Programs

**Background:** There are 572 tribal entities that are eligible for GAP program funding. These entities are the ones for which environmental assessments of their lands will be conducted. Consistent with EPA's Indian Policy, the Agency works with tribes to provide them with the capacity and tools to protect the environment and public health in Indian country.

**Explanation of Missed FY 2006 Goal:** EPA fell short of its target for assisting tribes to obtain an environmental due to resource constraints and other challenges. The Agency also did not meet its targets for multimedia program integration and approved multimedia workplans because some tribes are continuing to focus on a single media program or area. EPA's efforts to reach out to smaller, less advantaged tribes was a factor in not meeting the percentage of tribes with delegated and non-delegated programs.

\* Program Assessment Rating Tool (PART) measures are italicized.

**OBJECTIVE 4: ENHANCE SCIENCE AND RESEARCH**

Through 2008, strengthen the scientific evidence and research supporting environmental policies and decisions on compliance, pollution prevention, and environmental stewardship.

RESEARCH APG 5.8 New Technologies		Status
In 2006	Provide appropriate and credible performance information about new, commercial-ready environmental technology that influences users to purchase effective environmental technology in the U.S. and abroad.	Goal Not Met
In 2005	Complete 15 verifications and two testing protocols for a program cumulative total of 280 verifications and 83 testing protocols for new environmental technologies so that, by 2009, appropriate and credible performance information about new, commercial-ready environmental technology is available that influences users to purchase effective environmental technology in the US and abroad.	Goal Met
In 2004	Verify 35 air, water, greenhouse gas, and monitoring technologies so that States, technology purchasers, and the public will have highly credible data and performance analyses on which to make technology selection decisions.	Goal Met
In 2003	Develop 10 testing protocols and completed 40 technology verifications for a cumulative Environmental Technology Verification (ETV) program total of 230 to aid industry, states, and consumers in choosing effective technologies to protect the public and environment from high risk pollutants.	Goal Met

APG 5.8 Performance Measures	FY 2003		FY 2004		FY 2005		FY 2006		Unit
	Target	Actual	Target	Actual	Target	Actual	Target	Actual	
Verify and provide information to States, technology purchasers, and the public on 40 air, water, pollution prevention and monitoring technologies for an ETV programmatic total of 230 verifications.	40	40							verifications

<b>RESEARCH</b>									
<b>APG 5.8 New Technologies (continued)</b>									
APG 5.8 Performance Measures	FY 2003		FY 2004		FY 2005		FY 2006		Unit
	Target	Actual	Target	Actual	Target	Actual	Target	Actual	
Complete an additional 10 stakeholder approved and peer-reviewed test protocols in all environmental technology categories under ETV, and provide them to international testing organizations.	10	10							protocols
Through the ETV program, verify the performance of 35 commercial-ready environmental technologies.			35	35					verifications
Verifications completed					15	15			verifications
Testing protocols completed					2	2			protocols
Percent of respondents to survey of vendors of ETV-verified technologies stating that ETV information positively influenced sales and/or vendor innovation.							60	0	Percent Respondents
<p><b>Background:</b> Actual environmental risk reduction can be directly related to performance and effectiveness of environmental technologies purchased and used. Private sector technology developers produce almost all the new technologies purchased in the U.S. and around the world. Purchasers and permittees of environmental technologies need an independent, objective, high quality source of performance information in order to make more informed decisions; and vendors with innovative, improved, faster, and cheaper environmental technologies need a reliable source of independent evaluation to be able to penetrate the environmental technology market. EPA's Environmental Technology Verification (ETV) program develops testing protocols for, and verifies the effectiveness of, new environmental technologies. EPA has designed surveys of vendors, purchasers, and permittees to determine ETV's impact on 1) vendor sales and technology innovation, 2) purchase decisions, and 3) permitting/regulatory-related decisions. The surveys will also attempt to gather information that can be used to assess vendor satisfaction with the verification process, the value placed on verification by vendors and others, and that will quantify any added efficiencies or benefits (either cost or time) that verification provides to innovative technologies entering the environmental marketplace. The information collected during the surveys will allow the ETV program to further confirm its valuable role in encouraging the use of improved environmental technologies, as well as provide information that can be used to refine or redirect future verification efforts. These surveys are complemented by an ongoing Web site survey designed to assess customer satisfaction with ETV's web site, as well as ongoing efforts to develop additional case studies highlighting various potential impacts, or outcomes, associated with the use of verified technologies.</p> <p><b>Explanation of Missed FY 2006 Goal:</b> The environmental technology verification program (ETV) committed to provide appropriate and credible performance information about new, commercial-ready environmental technology that influences users to purchase effective environmental technology in the United States and abroad. This commitment was to be assessed by the percentage of respondents to survey vendors of ETV-verified technologies stating that ETV information positively influenced sales and/or vendor information. However, the measurement of this goal was discontinued due to poor contractor performance. This work will not be resumed.</p>									

# Annual Performance Goals and Measures: Detailed Results FY 2003–FY 2006 Enabling and Support Programs

ESP-1 Energy Consumption Reduction									Status
In 2006	As required by the Energy Policy Act of 2005, EPA will achieve a 2% reduction in energy consumption from the Agency's 2003 baseline.								Data Avail 2007
ESP-1 Performance Measures	FY 2003		FY 2004 <sup>8</sup>		FY 2005		FY 2006		Unit
	Target	Actual	Target	Actual	Target	Actual	Target	Actual	
Cumulative percentage reduction in energy consumption.			16	17	20	25	2	Data Avail 2007	Percent
<b>Background:</b> For the Agency's 29 reporting facilities, the FY 2003 energy consumption of British Thermal Units (BTUs) per square foot is 341,123 BTUs per square foot.									

ESP-2 Information Exchange Network									Status
In 2006	Improve the quality, comparability, and availability of environmental data for sound environmental decision-making through the Central Data Exchange (CDX).								✓ Goal Met
In 2005	Improve the quality, comparability, and availability of environmental data for sound environmental decision-making through the Central Data Exchange (CDX).								✓ Goal Met
In 2004	Improve the quality, comparability, and availability of environmental data for sound environmental decision-making through the Central Data Exchange (CDX).								✓ Goal Met
In 2003	Decision makers have access to the environmental data that EPA collects and manages to make sound environmental decisions while minimizing the reporting burden on data providers.								✗ Goal Not Met
ESP-2 Performance Measures	FY 2003		FY 2004		FY 2005		FY 2006		Unit
	Target	Actual	Target	Actual	Target	Actual	Target	Actual	
States using the Central Data Exchange (CDX) to send data to EPA.	46	49							States
Number of major EPA environmental systems that use the CDX electronic requirements enabling faster receipt, processing, and quality checking of data. The baseline is 70 data flows.					12	22	29	32	Systems
Number of users from states, tribes, laboratories, and others that choose CDX to report environmental data electronically to EPA.					20,000	45,000	47,000	62,000	Users

ESP-2 Information Exchange Network (continued)									
In preparation for increasing the exchange of information through CDX, implement four data standards in 13 major systems and develop four additional standards in 2003.	8	7							Data Standards
Number of private sector and local government entities, such as water authorities, will use CDX to exchange environmental data with EPA.			2,000	7,050					Entities
CDX offers online data exchange for all major national systems by the end of FY 2004.			13	13					Systems
Number of states using CDX as the means by which they routinely exchange environmental data with two or more EPA media programs or Regions.			46	49					States
<b>Background:</b> The Central Data Exchange program began in FY 2001.									

ESP-3 Information Security									Status
In 2006	OMB reports that all EPA information systems meet/exceed established standards for security.								✓ Goal Met
In 2005	OMB reports that all EPA information systems meet/exceed established standards for security.								✓ Goal Met
In 2004	OMB reports that all EPA information systems meet/exceed established standards for security.								✓ Goal Met
In 2003	OMB reports that all EPA information systems meet/exceed established standards for security.								✓ Goal Met
ESP-3 Performance Measures	FY 2003		FY 2004		FY 2005		FY 2006		Unit
	Target	Actual	Target	Actual	Target	Actual	Target	Actual	
Percent of Federal Information Security Management Act reportable systems that are certified and accredited.	75	75	75	91	75	90	100	100	Percent
Percent of intrusion detection monitoring sensors installed and operational.	75	75	75	100					Percent
<b>Background:</b> In FY 2002, the Agency started planning an effort to expand and strengthen its information security infrastructure.									

ESP-4 Fraud Detection and Deterrence									Status
In 2006	In 2006, the OIG will improve public confidence and integrity in EPA program operations by detecting and preventing fraud, abuse and breaches of security.								✓ Goal Met
In 2005	In 2005, the OIG will improve Agency business and operations by identifying 800 recommendations, potential savings and recoveries equal to 150 percent of the annual investment in the OIG, 220 actions for better business operations, and 80 criminal, civil, or administrative actions reducing risk or loss of integrity.								✓ Goal Met
In 2004	In 2004, the OIG will improve Agency business and operations by identifying 240 recommendations, contributing to potential savings and recoveries equal to 150 percent of the annual investment in the OIG, 100 actions for greater efficiency and effectiveness, and 80 criminal, civil, or administrative actions reducing the risk of loss or integrity.								✗ Goal Not Met
In 2003	In 2003, the OIG will improve Agency business and program operations by identifying 155 recommendations, potential savings and recoveries equal to 150 percent of the annual investment in the OIG, 75 actions for better business operations, and 50 criminal, civil or administrative actions reducing the risk of loss or integrity.								✓ Goal Met
ESP-4 Performance Measures	FY 2003		FY 2004		FY 2005		FY 2006		Unit
	Target	Actual	Target	Actual	Target	Actual	Target <sup>9</sup>	Actual	
Criminal, civil, administrative, and fraud prevention actions.	50	83	80	108	80	125	80	121	Actions
Number of improved business practices and systems.			100	133	220	724			Improvements
Number of business recommendations, risks, and best practices identified.	155	312	240	390	800	1,119			Recommendations
Return on the annual dollar investment in the OIG.	150	856	150	48	150	285			Percent
<b>Background:</b> In FY 2005, the OIG established a baseline of 83 criminal, civil, administrative, and fraud prevention actions.									

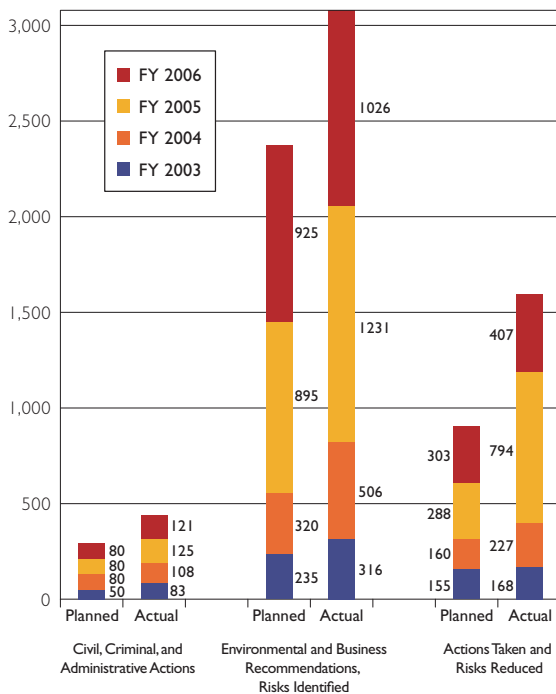
ESP-5 Audit and Advisory Services									Status
In 2006	In 2006, the OIG will contribute to human health and environmental quality through audits, evaluations, advisory services, inspections, and investigations for improved Agency business practices, accountability, and performance.								✓ Goal Met
In 2005	In 2005, the OIG will contribute to improved environmental quality and human health by identifying 95 environmental recommendations, best practices, risks, or opportunities for improvement; contributing to the reduction or elimination of 23 environmental or infrastructure security risks; and 45 actions influencing environmental improvements or program changes.								✗ Goal Not Met
In 2004	In 2004, the OIG will improve environmental quality and human health by identifying 80 recommendations, risks, or best practices; contributing to the reduction or elimination of 18 environmental risks; and 42 actions influencing positive environmental or health impacts.								✓ Goal Met
In 2003	In 2003, the OIG will improve environmental quality and human health by identifying 80 environmental recommendations, risks, and best practices; contributing to the reduction of 20 environmental risks, and 60 actions influencing positive environmental or health impacts.								✓ Goal Met

ESP-5 Audit and Advisory Services (continued)									
ESP-5 Performance Measures	FY 2003		FY 2004		FY 2005		FY 2006		Unit
	Target	Actual	Target	Actual	Target	Actual	Target <sup>10</sup>	Actual	
Environmental and business actions taken for improved performance or risk reduction.							303	407	Actions
Environmental and business recommendations or risks identified for corrective action.							925	1024	Recommendations
Return on the annual dollar investment, as a percentage of the OIG budget from audits and investigations.							150	1100	Percentage
Number of environmental risks reduced.	20	92	18	45	23	35	*10		Risks
Number of environmental actions.	60	185	42	49	45	35	*10		Improvements
Number of environmental recommendations, risks, and best practices identified.	80	485	80	116	95	112	**10		Recommendations

**Background:** In FY 2005, the OIG established a revised baseline of 564 environmental and business actions taken for improved performance or risk reduction; 885 environmental and business risks or recommendations identified for corrective action; and 150% in potential dollar return on investment as a percentage of OIG budget, from savings, questioned costs, fines, recoveries, and settlements.

EPA's OIG Helps Improve Agency Management, Accountability, and Program Operations

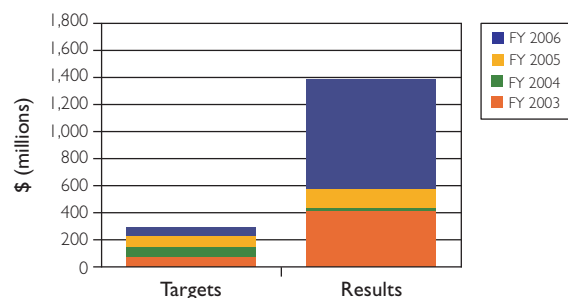
Data obtained from OIG information systems, IGOR and PMRS.



There is a time lag between when the recommendations are made, and when actions are eventually taken, resulting in a "bunching effect" in FY 2006. We believe that what we are seeing now is a delayed ripple effect of a greater number of actions being taken in FY 2006, from the large cumulative number of recommendations reported in current and previous years.

OIG Questioned Costs, Efficiencies, Savings, Fines, and Recoveries from OIG Audits, Evaluations, Inspections, and Investigations

Data obtained from OIG information systems, IGOR and PMRS.



The degree by which the OIG exceeded its target for Monetary Return on Investment was due to these extraordinary occurrences: questioned costs and efficiencies including \$67 million from audits of grants to the state of Alaska and its grantees; \$39 million in cost efficiencies from a financial audit of undistributed funds, and \$639 million in cost efficiencies associated with program evaluation findings about Superfund Special Accounts and Unliquidated Obligations where funds could be recertified for use in the program. The \$639 million in cost efficiencies was the largest individual audit amount, by far, the OIG ever reported.

# PART Measures Without Corresponding FY 2006 Goals

EPA and OMB established the annual and efficiency measures included on this table through PART Assessments. These measures will be incorporated into EPA's budget and GPRA documents, including the PAR, as data becomes available. The column titled "Data Available" provides the most current estimate for the date EPA expects to report on each measure.

PART Program	PART Measure	Status	Data Available
<b>Goal 1: Clean Air and Global Climate Change</b>			
Mobile Source Air Pollution Standards and Certification	Percent reduction in time (days) per certificate approval for large engines (nonroad, ci, Heavy duty gas and diesel engines)	Collecting Data	FY 2012
Mobile Source Air Pollution Standards and Certification	Tons of pollutants (VOC, NOx, PM, CO) reduced per total emission reduction dollars spent.	Under Development	TBD
Toxic Air Pollutants—Regulations and Regional Support	Tons of toxicity-weighted (for cancer and noncancer risk) emissions reduced per total cost (\$).	Under Development	TBD
National Ambient Air Quality Standards Research	Percent improvement in customer satisfaction and product usefulness survey score.	Under Development	TBD
Acid Rain Program	Tons of sulfur dioxide emissions from electric power generation sources. (New in FY 2006)	Progress Tracked Triennially	FY 2007
Acid Rain Program	Percent change in average sulfur deposition and mean ambient sulfate concentrations reduced.	Progress Tracked Triennially	FY 2007
<b>Goal 2: Clean and Safe Water</b>			
Alaska Native Villages	Percent of Alaska rural and Native Households with drinking water and wastewater systems.	Under Development	TBD
Drinking Water Research	Percentage of research products used by the Office of Water as the basis of or in support of Contaminant Candidate List Decisions.	Under Development	TBD
Drinking Water Research	Percentage of research products used by the Office of Water as the basis of or in support of Six Year Review Decisions.	Under Development	TBD
Drinking Water Research	Use of Drinking Water Research Program's Contaminant Candidate List research products by the Office of Water and other key clients.	Under Development	TBD
Drinking Water Research	Use of Drinking Water Research Program's Six Year Review research products by the Office of Water and other key clients.	Under Development	TBD
Drinking Water State Revolving Fund	Average funding (millions of dollars) per project initiating operations.	Collecting Data	FY 2008
Clean Water State Revolving Fund	Number of people served by projects that protect or restore waterbody uses that impact human health per million dollars of CWSRF assistance.	Collecting Data	FY 2008
Public Water System Supervision Grant Program & Drinking Water State Revolving Fund	Dollars per community water system in compliance with health-based drinking water standards.	Collecting Data	FY 2008
Drinking Water State Revolving Fund, Underground Injection Control, Public Water System Supervision	People receiving drinking water in compliance with health-based drinking water standards per million dollars (federal and state).	Collecting Data	FY 2008



PART Program	PART Measure	Status	Data Available
<b>Goal 3: Land Preservation and Restoration</b>			
Leaking Underground Storage Tank Cleanup Program	Cleanups complete (3-year rolling average) per total cleanup dollars.	Finalizing Baseline	TBD
EPA's Recycling, Waste Minimization, and Waste Management Program	Facilities under control (permitted) per total permitting costs.	Developing Targets	TBD
EPA's Recycling, Waste Minimization, and Waste Management Program	Tons of municipal solid waste recycled over total net costs of recovery.	Under Development	TBD
Superfund Remedial Action	Superfund NPL sites with human exposures under control per million dollars.	Under Development	TBD
<b>Goal 4: Healthy Communities and Ecosystems</b>			
Brownfields Revitalization	Acres of brownfields property made ready for reuse.	Under Development	TBD
Brownfields Revitalization	Acres of brownfields made ready for reuse per million dollars.	Under Development	TBD
Human Health Research	Average score of customer satisfaction survey for use of Human Health Program methods, models and data	Under Development	TBD
<b>Goal 5: Compliance and Environmental Stewardship</b>			
EPA Enforcement of Environmental Laws (Civil)	Pounds of pollutants reduced, treated, or eliminated per FTE.	Under Development	FY 2007
EPA Enforcement of Environmental Laws (Criminal)	Pollutant impact.	Under Development	FY 2008
EPA Enforcement of Environmental Laws (Criminal)	Pounds of pollutant reduction per FTE.	Under Development	FY 2007
EPA Enforcement of Environmental Laws (Criminal)	Pounds of pollutants reduced, treated, or eliminated.	Under Development	FY 2007
EPA Enforcement of Environmental Laws (Criminal)	Reduction in recidivism.	Under Development	FY 2007
EPA Enforcement of Environmental Laws (Criminal)	Change in behavior to use Improved Management practices.	Under Development	FY 2007
EPA Pesticide Enforcement Grant Program	Percent of violators committing subsequent violations.	Under Development	FY 2007
EPA Pesticide Enforcement Grant Program	Number of enforcement actions taken (Federal + State) per million dollars of costs (Federal + State).	Under Development	FY 2007
EPA Pesticide Enforcement Grant Program	Percent of compliance actions taken as a result of inspection/enforcement.	Under Development	FY 2007
EPA's Recycling, Waste Minimization, and Waste Management Program	Pounds of priority chemicals reduced in waste streams per federal and private sector costs.	Under Development	FY 2008
EPA Environmental Education	Ratio of number of students/teachers that have improved environmental knowledge per total dollars expended.	Under Development	FY 2008

## NOTES

- 1 Additional annual performance goals and metrics tracking sulfur and nitrogen deposition and sulfate and nitrate ambient concentration were developed and approved for EPA's Acid Rain program through a PART assessment. These metrics have triennial rather than annual targets with the next report date scheduled for FY 2007. The full text of the additional metrics is available in the supplemental table, "PART Measures with Data Availability beyond FY 2006."
- 2 Results for FY 2002 are available for the first time in the FY 2006 PAR. APG Statement—In FY 2002, Air toxics emissions nationwide from stationary and mobile sources combined will be reduced by an additional 2% of the updated 1993 baseline of 6.0 million tons for a cumulative reduction of 40%. EPA achieved a 37.6% reduction in air toxics emissions and did not meet the goal of a 40% reduction.
- 3 The FY 05 PAR and FY 07 Annual Plan contained estimated report dates of 2015 for FY 2005 and 2018 for FY 2006. These numbers have been revised to 2009 to reflect the Agency's data collection and processing methods.
- 4 The Air Toxics program met its overall target to reduce air toxics in 2003 and 2004 but did not achieve the expected level of progress on all associated annual performance measures. The first two categories saw air toxics reductions greater than those projected for FY 2003 and 2004. However, reductions for area and all other air toxics emissions were less than those projected for both years.
- 5 The Agency met the aggregate greenhouse gas goal for FY 2005 but did not achieve the expected level of progress on all associated annual performance measures. In FY 2005, while meeting the overall target for greenhouse gas reductions, two areas were short of their contributions to the overall target.
- 6 Result contributes to performance measure, 'Million metric tons of carbon equivalent (mmtce) of greenhouse gas reductions in the industry sector.'
- 7 In FY 2006, the target and actual reflect both the annual plan (11) and the universe of assays (20). Note also that in FY 2006, the universe of assays increased by one (21) after EPA had set its target.
- 8 While these years represent a cumulative figure, FY 2006 is the first year for reporting on a new baseline.
- 9 In FY 2006, these PMs are merged with Audit and Advisory Services to avoid overlap, simplify data collection and streamline reporting. The "Number of improved business practices and systems" measure is merged with the "Environmental and business actions taken for improved performance or risk reduction". The "Number of business recommendations, risks, and best practices identified" measure is merged with the "Environmental and business recommendations or risks identified for corrective action".
- 10 \*In FY 2006, these PMs are combined with the "Environmental and business actions taken for improved performance or risk reduction" measure in order to avoid overlap, simplify data collection and streamline reporting.  
 \*\*In FY 2006, this measure is combined with the "Environmental and business recommendations or risks identified for corrective action" measure in order to avoid overlap, simplify data collection and streamline reporting.

*Section III.*

Management  
Accomplishments  
*and*  
Challenges

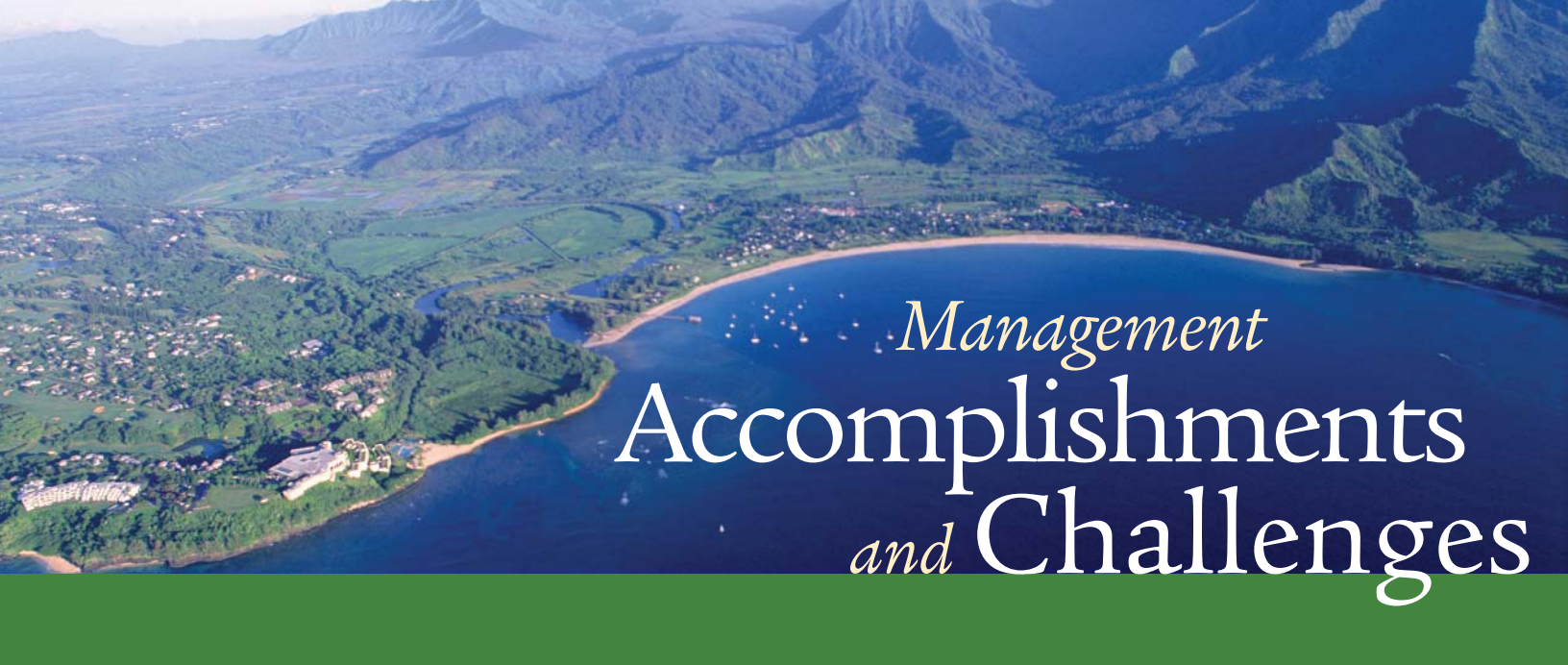


**CONTENTS**

Introduction .....194

EPA's Progress in Addressing FY 2006 Agency Level Weaknesses .....195

OIG's 2006 Key Management Challenges and EPA's Responses .....197



# Management Accomplishments and Challenges

## Introduction

Management challenges and integrity weaknesses represent vulnerabilities in program operations that may impair EPA's ability to achieve its mission and threaten the Agency's safeguards against fraud, waste, abuse, and mismanagement. These areas are identified through internal Agency reviews and independent reviews by EPA's external evaluators, such as the Office of Management and Budget (OMB), the Government Accountability Office (GAO), and EPA's Office of Inspector General (OIG). This section includes two components: (1) a brief discussion of EPA's progress in addressing its FY 2006 integrity weaknesses, and (2) a discussion of the top ten management challenges identified by EPA's OIG and the Agency's response.

Under the Federal Managers' Financial Integrity Act (FMFIA), all federal agencies must provide reasonable assurance that policies, procedures, and guidance are adequate to support the achievement of their intended mission, goals, and objectives. (See the Management

Discussion and Analysis section for EPA's assurance statements.) Agencies also must report any material weaknesses identified through internal and/or external reviews and their strategies to remedy the problems. EPA closed the last of its material weaknesses in FY 2001 and has had no material weaknesses since that time. The Agency continues to make progress in reducing a number of less severe Agency weaknesses. In FY 2006, EPA closed its Agency-level weakness on water quality standards (see page III-2 of this section for more details). The Agency will continue to address and report its progress in addressing the remaining seven weaknesses.

As required by the Reports Consolidation Act of 2000, OIG identifies, briefly assesses, and reports annually the most serious management and performance challenges facing the Agency. In FY 2006, OIG identified ten areas it considers to be EPA's most pressing management challenges. While some are new, others are recurring issues that take time to resolve (e.g., managing

human capital and assistance agreements). Notably, OIG did not suggest elevating any of these issues to the level of a material weaknesses—a deficiency that could adversely impact the integrity of Agency programs and activities. EPA has made great progress in addressing the issues OIG identified and will continue to work diligently in assessing and resolving vulnerabilities before they become serious management issues.

EPA's senior managers remain committed to maintaining effective and efficient internal controls to ensure that program activities are carried out in accordance with applicable laws and sound management policy. EPA leaders meet periodically to review and discuss progress the Agency is making to address issues raised by OIG and other external evaluators, as well as progress in addressing current weaknesses and emerging issues.

## EPA's Progress in Addressing FY 2006 Agency Level Weaknesses (Prepared by the EPA)

In FY 2006, EPA declared no new material or Agency-level weaknesses. The Agency continued to address eight Agency-level weaknesses identified in previous fiscal years, completing corrective actions and closing the weakness related to water quality standards. This section discusses five of the eight Agency-level weaknesses EPA tracked in FY 2006; the remaining three—homeland security, assistance agreements, and human capital—are discussed in the management challenges section that follows.

### BACKLOG OF WATER QUALITY STANDARDS

In FY 1999, EPA identified a weakness in the backlog of actions to approve, disapprove, and promulgate water quality standards to assure timely improvements in water quality. Over the years, the Agency has made significant resource and programmatic changes to help reduce the number of backlogs. In FY 2006, the Agency restructured its oversight of water quality standards to rely more heavily on state and regional standards review and has implemented a real-time tracking system. Data for the past 4 years show that the Agency has made good progress in reducing the number of pre-Alaska outstanding disapprovals and the number of pre-Alaska outstanding submissions. EPA has met its two goals for closing this weakness: (1) no more than one state in each EPA region on average with pre-Alaska

disapproved elements of water quality standards, and (2) on an EPA regional basis, at least 75 percent of all state submissions receiving EPA action within 90 days of submission, and at least 90 percent of all state submissions receiving EPA action within 1 year of submission. The Agency now has the management structure and internal control processes in place to continue to reduce and prevent the backlog of water quality standards. **Completed all corrective actions in FY 2006.**

### SAFE DRINKING WATER INFORMATION SYSTEM (SDWIS)

In FY 2006, EPA worked diligently to complete SDWIS modernization efforts which successfully addressed three historical data quality issues: difficulty getting data into SDWIS, high costs for data processing and storage, and difficulty getting data out of SDWIS. The modernization was completed on September 30, 2005. SDWIS data quality was

identified as an Agency weakness in 1999 and has a corrective action completion target date that extends to 2007. SDWIS' weaknesses centered around five major issues: (1) completeness of the data (e.g., the inventory of public water systems, violations of maximum contaminant levels, enforcement actions) submitted by the states, (2) timeliness of the data sent by the states, i.e., if states do not report at specified times, then enforcement and oversight actions suffer, (3) difficulty receiving data from the states, (4) both cost and difficulty processing and storing data in SDWIS after it has been received, and (5) difficulty getting SDWIS data for reporting and analysis. While the modernization does not fully address data completeness and timeliness, the software applies Agency data standards as well as streamlined validation checks that allow the user to perform faster, more frequent data validations prior to submitting data to SDWIS. The Agency is



also working to better quantify the confidence levels for SDWIS data. To fully address data completeness and timeliness, EPA is adhering to a robust field audit process in the Data Reliability Plan that provides on-site data verification reviews and a state-EPA plan for data reliability improvement. The data verification reviews compare the public water system data that states have in their files and databases with the data in SDWIS. EPA enhanced the state data management software (SDWIS/STATE) to make it web accessible and easier to use. This effort has led to reduced data entry screens, simplified data entry processes, and shared-data capabilities within each primacy agency.

In FY 2007, the Agency will begin tracking the quality of data reported to SDWIS/FED and report on the two indicators that support the *2006-2011 Strategic Plan*. The Agency has streamlined its strategic targets on drinking water standards and expects to be able to calculate the percentage of communities meeting EPA drinking water standards, subject to a confidence interval, by the end of FY 2007. **Correction is scheduled for FY 2007.**

### CLEAN WATER ACT SECTION 305(B) REPORTING

EPA has worked with states, federal agencies, and others in the monitoring community to improve the quality of water monitoring data and information and to improve reports on water quality that are needed by decision-makers and the public to judge progress toward CWA goals. In

April 2006, EPA issued a draft report on the Wadeable Streams Assessment that provides a statistically-valid survey of stream conditions nationwide. To keep pace with developing technologies and Agency-wide standards, EPA is making significant changes to the STORET model of data sharing. The new Water Quality Exchange system will make it easier



for partners to submit and share water quality information over the internet and provide a new analytical tool to help evaluate water quality status and trends.

The Agency's corrective action strategy focuses on strengthening state water quality monitoring programs; promoting the use of multiple monitoring approaches to answer questions about different water body types at the national, regional, state, and watershed levels to support good management decisions; improving reports on water quality conditions at the national, regional, and state levels; and ensuring that data management systems contain the needed water quality information

and are accessible to decision makers and the public. The Agency has made progress in each of these areas. **Correction is scheduled for FY 2007.**

### PERMIT COMPLIANCE SYSTEM (PCS)

Since 1999, EPA has worked with the states to identify revisions needed to PCS that are critical to effective National Pollutant Discharge Elimination System (NPDES) program management and oversight. While PCS has been enhanced periodically, it relies on old technology and no longer meets the business needs of today's NPDES program. Moreover, states are increasingly proposing to develop their own systems, often multi-media integrated systems, and are reluctant to maintain data in PCS as well.

Through its modernization efforts and data quality strategy, EPA has been working with the states to improve the quality and comprehensiveness of the data and to reduce the transaction costs of state users.

While EPA has now developed and successfully implemented a modernized, national information system designed to meet the needs of today's NPDES permitting and enforcement program, not all states have been migrated from PCS to the new system (ICIS-NPDES). Currently 21 states, 2 tribes, and 9 territories are using the new system. These users are generally referred to as "direct-users," since they use ICIS-NPDES directly to manage the NPDES program.

Beginning in FY 2007, EPA will be building the batch component for the new system to allow the remaining states to electronically transfer data into the new system. The development of the batch component of the new system would allow for the submission of NPDES data from state systems to ICIS in the Extensible Mark-up Language format via the National Environmental Exchange Network and EPA's Central Data Exchange. As this is completed these states will migrate from PCS to the new system over the next few years. **Correction is scheduled for FY 2009.**

### IMPLEMENTATION OF DATA STANDARDS

While the Agency has a substantive effort in place to develop data standards and provide guidance for their implementation, EPA needs to establish a process for ensuring that each data standard adopted by the Agency is fully implemented in a cost-effective and timely manner.

The Agency has made progress in addressing the implementation of data standards. In FY 2006, EPA completed five of its eight major milestones, which included promulgating a number of standards, developing and Agency-wide data architecture to guide information

management decisions, establishing a system of registries to provide a reference point of implementation of standards, developing a communications plan promoting implementation of upcoming standards, and issuing a semi-annual Data Standards "Report Card." The remaining corrective actions are on track for completion by FY 2010.

EPA's strategy to validate the effectiveness of its actions will include continuous monitoring of implementation of data standards within the Registry of EPA Applications and Databases and publishing the semi-annual Data Standards Report Card. **Correction is scheduled for 2010.**

## Office of Inspector General 2006 Key Management Challenges (Prepared by the Agency's Office of Inspector General)

The table below summarizes the issues identified by OIG as the 2006 key management challenges facing EPA and the relationship of the issues to the Agency's *Strategic Plan* and to the President's Management Agenda. Following the table is a detailed discussion of the challenges, as reported in OIG's memorandum to EPA's Administrator, *EPA's Key Management Challenges*, dated April 21, 2006. The discussions include a box which presents EPA's response to the challenge.

EPA'S TOP MAJOR MANAGEMENT CHALLENGES REPORTED BY THE OFFICE OF INSPECTOR GENERAL	FY 2004	FY 2005	FY 2006	LINK TO EPA STRATEGIC GOAL	LINK TO PRESIDENT'S MANAGEMENT AGENDA
<b>Managing for Results*:</b> Focusing on the logic of design, measures of success (outputs and outcomes), and measures of efficiency, so that EPA programs and processes can be set up to evaluate results and make necessary changes.	●	●	●	Cross-Goal	Integrating Performance & Budget
<b>Agency Efforts in Support of Homeland Security:</b> Implementing a strategy to effectively coordinate and address threats.	●	●	●	Cross-Goal	Homeland Security
<b>Data Standards and Data Quality**:</b> Improving the quality of data used to make decisions and monitor progress, and data accessibility to EPA's partners.	●	●	●	Cross-Goal	E-Gov

EPA'S TOP MAJOR MANAGEMENT CHALLENGES REPORTED BY THE OFFICE OF INSPECTOR GENERAL	FY 2004	FY 2005	FY 2006	LINK TO EPA STRATEGIC GOAL	LINK TO PRESIDENT'S MANAGEMENT AGENDA
<b>EPA's Use of Assistance Agreements to Accomplish Its Mission:</b> Improving the management of the billions of dollars of grants awarded by EPA.	●	●	●	Cross-Goal	Financial Performance
<b>Emissions Factors for sources of Air Pollution:</b> Reliable emission factors and data are needed for targeting the right control strategies, ensuring permitting is done properly, and measuring the effectiveness of programs in reducing air pollution.			●	Goal 1	
<b>Human Capital Management:</b> Implementing a strategy that will result in a competent, well-trained, and motivated workforce.	●	●	●	Cross-Goal	Human Capital
<b>Voluntary, Alternative, and Innovative Practices and Programs:</b> Applying voluntary approaches and innovative or alternative practices to provide flexible, collaborative, market driven solutions for measurable results.			●	Cross-Goal	
<b>Efficiently Managing Water and Wastewater Resources and Infrastructure:</b> Current drinking water, treatment and supply, and wastewater treatment and disposal systems are wearing out and will take huge investments to replace, repair and construct facilities.			●	Goal 2	
<b>Information Technology Systems Development and Implementation:</b> Overseeing information technology projects to ensure they meet planned budgets and schedules.			●	Cross-Goal	E-Gov
<b>Data Gaps:</b> Deciding what environmental and other indicators will be measured, providing data standards and common definitions to ensure that sufficient, consistent and usable data are collected.			●	Cross-Goal	E-Gov

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

\*\* In FY 2004 and 2005 Information Resources Management and Data Quality were consolidated into "Data Standards and Data Quality."



## MANAGING FOR RESULTS

EPA has made considerable progress in linking resource investments to results. Programs reviewed using OMB's Program Assessment Rating Tool have received improved scores. EPA plans to work with its partners and stakeholders to develop more outcome-oriented goals and intends to integrate performance and cost information more closely when developing the FY 2008 budget.

EPA needs to focus on the logic of program design, measures of success (outcomes and outputs), measures of efficiency, and ensuring that Agency programs and processes are set up so that EPA can evaluate the results and make necessary changes. As discussed above, the type and quality of the data used are key factors in determining the success of any program. This long-term challenge encompasses the Agency's work from strategic planning, through tracking what is actually accomplished, and how much it costs.

As the Agency drafts the new 2006-2011 Strategic Plan, it has the opportunity to strengthen this underlying foundation for managing for environmental results. This effort challenges all EPA offices to:

- leverage all parties' resources by coordinating EPA's mission more closely with the missions of Federal, State, and tribal partners and identify specific opportunities for eliminating gaps or conflicts;
- fully address cross-media issues;
- link goals, performance objectives, sub-objectives,

### EPA's Response (Prepared by the Agency)

Over the past years, EPA has worked with stakeholders to strengthen results-based management at EPA. In FY 2006, the Agency completed its *2006-2011 Strategic Plan*, which reflects a sharpened focus on achieving measurable results and will help advance protection of human health and the environment. The Agency continues to improve the quality of its performance measures and ability to track costs, and it is making cost and performance information available to managers for operational and strategic decision making.

#### Highlights of progress include:

- Improved the outcome orientation of the objectives, sub-objectives, and strategic targets presented in EPA's *2006-2011 Strategic Plan*.
- Worked with the Environmental Council of the States to implement OMB's directive that requires EPA to develop standard templates for states to use to submit state grant agreements.
- Improved the Agency's annual planning and budgeting process by analyzing performance trends and cost information to establish priorities for EPA's 2008 budget. Conducted performance and budget hearings with program offices, regions, states, and tribes to review performance and identify potential efficiencies.
- Enhanced the Annual Commitment System (ACS) to track three new classes of measures (Senior Executive Service organizational assessment, state grant template, and regional priorities). The system also flags measures which contribute to OMB's Program Assessment and Rating Tool (PART) evaluations.
- Launched a new intranet website (<http://intranet.epa.gov/ocfo/acs>) to provide information on ACS developments and the annual performance commitment process.
- Developed a new detailed performance report and financial management reports through the Office of the Chief Financial Officer's Reporting and Business Intelligence Tool (ORBIT).
- Recognized significant cost savings by retiring the Management and Accounting Reporting Systems (MARS) in FY 2006.
- Finalized the Agency's *2006-2011 Strategic Plan* by September 30, 2006.

#### Plans for further improvements include:

- Continue to enhance the reporting capabilities of the Agency's ACS.
- strategies and measures explicitly and clearly;
- integrate EPA's human capital strategy into each goal;
- build in considerations of risk, cost/benefit analysis, and stakeholder consultations; and
- incorporate the strategic goals of its regional offices in a coherent approach that demonstrates how to link local and regional environmental issues to national goals and measures.

The new plan should provide a clear roadmap of substantive strategies, interim and long-term measures, and timeframes to meet its stated goals.

To evaluate program efficiency, EPA must continue improvements to track the cost of achieving environmental results. Equally important is getting EPA man-

agers to consider cost when making operational and strategic decisions. With the right information in hand, EPA can analyze and improve its performance.

## AGENCY EFFORTS IN SUPPORT OF HOMELAND SECURITY

The Department of Homeland Security (DHS) maintains the lead for the unified national effort to better prepare for, prevent, and respond to potential attacks against the United States. In addition to carrying out its mission to protect human health and the environment, EPA has the important responsibility of protecting the environment from terrorist acts. EPA has developed chemical, biological, 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. EPA's role in responding to terrorist incidents and other national emergencies, such as Hurricanes Katrina and Rita, has further defined and demonstrated the Nation's expectations of EPA's emergency response capabilities. 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. The National Response Plan and 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.

### EPA's Response (Prepared by the Agency)

EPA plays a vital 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. To respond to growing demand, the Agency continues to coordinate and address high-priority, cross-Agency technical and policy issues related to day-to-day homeland security policies and activities. EPA currently acknowledges homeland security as an Agency-level weakness and is scheduled to close the weakness in FY 2008.

#### Highlights of progress include

- Developed and implemented an information technology strategy to move seamlessly from field tools to enterprise architecture. The strategy will link prevention and preparedness data to response.
- Developed a draft *Incident Management Handbook* that provides guidance on organizational structure and outlines the communications flow during an incident of national significance.
- Formed an Administrative and Finance Workgroup to address procurement, property tracking, and pay issues.
- Deployed the National Decontamination Team during the Hurricane Katrina response.
- Established a steering committee to provide oversight and leadership to the numerous workgroups that support the Agency's National Approach to Response.

#### Plans for further improvements include:

- Develop and implement homeland security performance measures to better define expectations and assess progress.
- Develop a "How To" manual that covers roles and responsibilities for incidents of national significance and includes pre-approved messaging templates.
- Complete the Emergency Response Equipment Data Tracking System (January 2007).
- Continue to coordinate the implementation of the 2004 CIPP.

Over the past year, OIG analyzed EPA's homeland security emergency response activities. We found that the Agency's *Emergency Response Business Plan* ("the Plan") provides a framework to address readiness for simultaneous incidents of national significance while maintaining effective "day-to-day" emergency response and removal operations. Also, the Plan briefly describes the necessary changes in the management of personnel, financial, and other resources required to address incidents of national significance readiness. However, continuing challenges remain as EPA's Office of Emergency Management finalizes the Plan to address four observations and related suggestions we identified during our analysis: (1) selecting incidents of national significance scenarios included in the Plan, (2) dealing with the conflicts inherent in preparing for incidents of national significance while maintaining an effective emergency response and removal

program, (3) specifying EPA's role in the National Approach to Response work plans, and (4) monitoring progress through the Core Emergency Response evaluation process.

The OIG also reviewed the accountability and procedures of key homeland security activities to assure they were accomplished effectively and in a timely manner. We found that EPA made limited progress in accomplishing the initiatives in its 2004 Critical Infrastructure and Key Resources Protection Plan (CIPP). The CIPP contained those actions the Agency considered essential for identifying, acquiring and protecting critical infrastructure and key resources needed to respond to emergencies. While EPA began work on 9 of the 10 major CIPP initiatives, it had not sufficiently accomplished 5, had not assigned milestones for 4 other initiatives, and did not have a system for effectively tracking counter terrorism/emergency

response (CT/ER) equipment. As a result, EPA's ability to protect public health and the environment from future terrorist attacks or other nationally significant incidents is not at the level the Agency determined necessary.

The lack of overall accountability for monitoring the CIPP delayed its implementation, and hindered EPA's efforts to obtain and protect needed CIPP assets. Furthermore, the lack of procedures for managing CT/ER equipment caused inconsistencies that could delay getting equipment to an emergency. This was apparent in EPA's response to Hurricane Katrina because needed equipment could not be located easily. EPA needs to assign responsibility for monitoring the CIPP, which is now spread across four offices, to one office that will be held accountable for all key actions, better ensuring emergency responsiveness as envisioned by the Agency.

## DATA STANDARDS AND DATA QUALITY

The Agency has a substantive effort in place to develop data standards and provide guidance for their implementation, but incorporating data standards in information collections from initial plans to obtaining the data for analysis is not yet a routine activity in all programs.<sup>1</sup> Data standards are an essential component of EPA's information program. They promote efficiently sharing environmental information among EPA, States, tribes, and other information partners. Using common data standards among

partners ensures consistently defined and formatted data elements and sets of data values, and ensures access to more meaningful environmental data.

EPA recognizes data standards as a weakness and has developed a three-step corrective action plan involving a communication strategy that promotes the awareness of implementation documentation and best practices, tracking implementation of data standards, and a validation strategy to review progress in implementing the

standards and the effectiveness of corrective actions. Completing this plan is projected for 2010.

EPA and its partners also need to continue to focus on ensuring that data are of sufficient quality for decision-making. For example, EPA considers data quality for drinking water as an Agency-level weakness and has a corrective action completion target date that extends to 2007.<sup>2</sup> OIG evaluation and investigative activities involving laboratories' analysis of drinking water samples

continue to raise concerns with the integrity of sample results. Without any national studies of water quality data that include examining laboratory integrity, the full extent of the problem remains unassessed. Given the potential impact of poor quality data on human health, EPA should assess drinking water laboratory integrity and incorporate promising techniques to identify improper practices and fraud into the required elements of the laboratory oversight process.

Also impacting the data quality issue is the need for policies and procedures for approving electronic reporting systems under the Cross-Media Electronic Reporting Rule (CROMERR). CROMERR is intended to permit and encourage using electronic reporting that reduces the cost and burden of data transfer and maintenance, improves data quality and availability, and maintains the level of corporate and individual responsibility and accountability for electronic reports and records that exist in the paper environment.<sup>3</sup> The integrity and quality of electronic reports are essential. Inconsistencies in deploying these systems could place at risk the continued viability of self-monitoring and self reporting that provide the framework for

compliance under most EPA environmental programs. Therefore, EPA should take further steps to ensure consistent approval of electronic reporting systems throughout EPA.<sup>45</sup> In addition, EPA has reconsidered its approach to electronic record keeping and is not issuing final record keeping

rules at this time.<sup>6</sup> Enforcement activities rely on the availability of electronically submitted documents needed to prosecute enforcement violations. Therefore, EPA should take steps to continue its efforts to address the “Record Keeping” portion of the rule.<sup>7</sup>

### EPA's Response (Prepared by the Agency)

The Agency currently has an organizational structure for the review and approval of electronic reporting systems operated by EPA and authorized state, tribal, and local government programs. The CROMERR approval process has been in place for several months, and there is no evidence that approvals might be inconsistent. EPA has also put additional management controls in place to address laboratory quality system practices. NOTE: A discussion of the progress EPA has made in the area of data standards can be found in the preceding section on Agency-level weaknesses.

#### Highlights of progress include:

- Developed draft standard operating procedures for the Technical Review Committee.
- Developed CROMERR guidance, which includes a system checklist and a set of examples on approaches to CROMERR-compliant e-reporting.
- Developed a tracking system for CROMERR approvals.
- Agency laboratories must demonstrate on-going performance through independent external assessments and participation in inter-laboratory comparison studies (policy directive Feb. 2004).

#### Plans for further improvements include:

- Provide a fact sheet for existing EPA systems that are working on CROMERR compliance.
- Develop a step-by-step guide for program system managers to determine if they are compliant with the electronic reporting rule.

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

Since 1996, EPA has reported Management of Assistance Agreements as a material or agency weakness under the Federal Managers Financial Integrity Act.<sup>8</sup> EPA awarded more

than half of its fiscal year 2005 obligations to organizations through assistance agreements. 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. EPA has taken action to improve

its management of grants and to address issues in OIG reports. Two areas where continued emphasis is needed are incorporating environmental results into grants and holding project officers and their supervisors accountable for effective grants management.

Since January 2005, EPA policy has been to link grants to the strategic plan and ensure that work plans contain well-defined outputs and, to the maximum extent practicable, well-defined outcomes. The Agency needs to continue its work to define environmental measures for its activities, so that the measures can be incorporated into grant documentation. An agency evaluation of non-competed grants in 2005 showed that many grant work plans (77 percent) included a discussion of outcomes, but only a small percentage (17 percent) included quantifying outcomes.

EPA also needs to continue to emphasize accountability for managing grants in accordance with policies and procedures. In September 2005, the OIG reported that while EPA had made progress in establishing accountability, managers did not sufficiently hold supervisors and project officers accountable for grants management because no process existed to measure most grants management activities. Managers and supervisors generally did not discuss grants management responsibilities during year-end evaluations. In the limited cases where grants management weaknesses were identified, managers did not effectively communicate these weaknesses to staff.<sup>9</sup>

### EPA's Response (Prepared by the Agency)

EPA has made significant progress in addressing issues raised by OIG and GAO. The Agency has adjusted its corrective action and internal controls as necessary to further the principles of accountability, transparency, and results. In FY 2003, EPA issued its first long-term Grants Management Plan, with associated performance measures, to map the Agency's approach for improving grants management. The Agency is continuing to implement this plan. EPA currently acknowledges assistance agreements as an Agency-level weakness and is scheduled to close the weakness in FY 2007.

#### Highlights of progress include:

- Subjected 92 percent of new grants to the revised competition policy, exceeding the performance goal set in the Grants Management Plan.
- Conducted pre-award administrative capability reviews of nonprofit grant applicants as a way to detect and resolve problems before grants are awarded.
- Significantly improved the timeliness of grant closeouts. This effort will lead to a reduction in unliquidated obligations.
- Implemented a statistical approach for selecting grantees for administrative post award monitoring reviews that will provide the Agency with more precise information on grants management deficiencies.
- Provided training to headquarters users on the Integrated Grants Management System.

#### Plans for further improvements include:

- Enhance the Agency's employee performance evaluation system to require that grants management performance measures be incorporated into the performance standards of project officers, supervisors, and managers with grants management responsibilities.
- Require all managers and supervisors to complete the on-line grants management training before approving grant awards.
- Require baseline monitoring for all grants documented in the Agency's Integrated Grants Management System.
- Implement the Agency's "Green Plan" to integrate grants with financial data and eliminate duplicate data entry.

EPA agreed with the report's recommendations and developed a twelve-step corrective action plan to be completed by February 2008. The final step is to conduct 2007 performance reviews using new grants management performance measures. EPA established a Performance Measures Workgroup

to develop the 2007 performance measures by October 2006. The Workgroup is also exploring options for creating new performance recognition and incentive programs for individual project officers and supervisors to encourage excellence in grants management.

## EMISSIONS FACTORS FOR SOURCES OF AIR POLLUTION

EPA; State, local, and tribal agencies; industries; environmental groups; and others use emissions factors to develop the emissions data that are the cornerstone of many important environmental decisions.<sup>10</sup> Emissions factors are used for about 80 percent of emissions determinations for sources of air pollution.<sup>11</sup> These decisions include facility permitting, developing control strategies, making compliance and enforcement decisions, measuring environmental progress, and demonstrating program results under the Government Performance and Results Act.<sup>12</sup> Without reliable emissions factors, users cannot be sure that (1) air pollution control strategies target the right industries or products, (2) permitting programs include all required sources and establish proper emission limits, and (3) air programs are effective in reducing air pollution.<sup>13</sup>

The Agency faces significant challenges in improving emissions factors. A recent OIG evaluation found (1) conflicting guidance on appropriately using emissions factors, (2) a rating system that did not quantify the uncertainty associated with the emission factor, (3) inadequate funding of the emissions factor program, and (4) the lack of a comprehensive plan to improve data collection and set emissions factor priorities.<sup>14</sup> These management-related issues contribute to impairing emissions factor development, and hamper achieving the Clean Air Act's requirements and major air program goals.<sup>15</sup>

As a result, emissions factors are being inappropriately used for

key environmental decisions.<sup>16</sup> For example, emissions factors are being used for non-inventory purposes, such as setting permit limits and reporting the level of air pollution control at specific facilities.<sup>17</sup> For three industry sectors EPA examined, inappropriately using emissions factors contributed to more than 1 million tons of pollutants not being controlled.<sup>18</sup> EPA guidance states that the user must take into account the uncertainty of the emission factor when considering its use;<sup>19</sup> however, emission factor uncertainty is little understood, leading to inappropriate uses.<sup>20</sup> As one example, because

the fiberglass industry believed EPA emissions factors were overestimating their emissions, it developed new emissions factors.<sup>21</sup> As a result, their improved emissions factors increased the estimated emissions for the fiberglass industry by about 100 percent.<sup>22</sup>

EPA is shifting its efforts toward more direct, continuous monitoring and measuring emissions from all major emissions sources.<sup>23</sup> However, increased demand for low-cost quality environmental data is driving the need for more quality emissions factors.<sup>24</sup> Factors will continue to be

### EPA's Response (Prepared by the Agency)

EPA and its stakeholders use emissions factors to make about 80 percent of emissions determinations for sources of air pollution and rely on them for other environmental decisions as well. The Agency is making it easier for industries to transform their emissions data into emissions factors and to transmit them to state and federal reviewers quickly.

#### Highlights of progress include

- Developed the Electronic Reporting Tool to provide an electronic version of emissions test plans and test reports.
- Launched WebFIRE, an interactive website of the emissions Factor Information Retrieval System that combines AP-42 and FIRE data so that users are no longer required to conduct independent checks while searching for emission factors (see <http://cfpub.epa.gov/oarweb/index.cfm?action=fire.main> ).
- Conducted an analysis on determining the uncertainty of highly-rated emissions factors.

#### Plans for further improvements include:

- Enhance WebFIRE to allow users to independently check and verify background information for emissions factors.
- Provide the results of the uncertainty analysis to external partners for review and comment.
- Develop emissions factors for coke ovens, landfills, municipal waste combustors, steel mini-mills, landing losses for external floating roofs, and low pressure petroleum storage tanks.
- Initiate development of emissions factors for natural gas engines, rubber manufacturers, and animal feeding operations.

used for a broad array of environmental decisions, including measuring and reporting environmental progress.<sup>25</sup> If EPA can improve the quality of its factors, this should improve environmental decision-making for reducing air pollution.<sup>26</sup> However, if EPA continues to use insufficient

measures to determine program results, the Agency may not be reaching the goals it has claimed to reach, the air may not be as clean as the Agency claims,<sup>27</sup> and EPA and States may make misinformed selections regarding the most promising future actions to improve air quality.<sup>28</sup>

EPA's challenges are to limit the decisions being made with poor quality emissions factors, and provide significant non-regulatory incentives to industry, State, or local agencies to provide EPA with the data it has long sought to improve the quality of emissions factors.<sup>29</sup>

## HUMAN CAPITAL MANAGEMENT

Maintaining a highly skilled, diverse, results-oriented workforce is vital to successfully accomplishing EPA's mission. EPA faces challenges in developing, attracting, and sustaining this type of workforce. Like many Federal agencies, EPA is trying to maintain its workforce as the number of employees eligible to retire increases.<sup>30</sup> EPA recognizes the importance of implementing a workforce planning system, supported by reliable and valid workforce data, to ensure that it hires the right number and type of people, and allocates resources to meet mission needs.<sup>31</sup>

In FY 2005, EPA reported Human Capital Strategy Implementation/Employee Competencies as an Agency weakness with a planned closure date in fiscal year 2006.<sup>32</sup> EPA's corrective action strategy for eliminating human capital (HC) management as an Agency weakness includes actions to address workforce planning and human capital accountability among other efforts.

**Workforce Planning.** EPA issued its first comprehensive Strategic Workforce Plan (SWP) in March 2006, which presents a national-level approach to workforce planning for the Agency. This

SWP provides data and focuses on developing, implementing, and

evaluating activities for meeting the Agency's future workforce

### EPA's Response (Prepared by the Agency)

EPA is working closely with OMB and the Office of Personnel Management (OPM) to align the Agency's Human Capital Strategy to meet the objectives outlined in the PMA as it relates to the Strategic Management of Human Capital. Developing and implementing a comprehensive strategic workforce planning model and development strategy will address concerns identified. EPA currently acknowledges human capital as an Agency-level weakness and is scheduled to close the weakness in FY 2008.

#### Highlights of progress include:

- Completed and distributed comprehensive Agency Strategic Workforce Plan, based on local level workforce plans and an Agency-level workforce analysis.
- Completed an assessment and gap analysis of competencies for human resources specialists, information technology specialists (IT), and senior leaders and developed a strategy to close gaps.
- Continued progress in closing competency gaps for IT specialists.
- Worked with four federal agencies to develop a shared competency-based approach to developing and measuring collaboration and partnering competencies.
- Developed and implemented an Agency Plan for Strategic Leadership Succession.
- Focused recruitment and outreach efforts on the Agency's Mission Critical Occupations.

#### Plans for further improvements include:

- Track and assess program and regional workforce plans to ensure alignment with the Agency's workforce plans and strategic goals.
- Continue to monitor and report on progress of EPA's human capital initiatives to assess the overall effectiveness of the Agency Strategy for Human Capital and to determine whether EPA is achieving its desired human capital results.

needs and, as appropriate, controlling workforce costs. It presents a framework that will guide all of EPA's future workforce development activities. The process as shown in the SWP includes four primary activities that EPA needs to complete: identifying high priority competencies needed to achieve Agency goals, completing an inventory of the current workforce, comparing what exists to what is needed and identifying gaps, and developing strategies and solutions to close identified gaps.

The SWP recognizes the reality of tight budgets as one of the drivers that will influence the

nature or emphasis of EPA's work. EPA will need to impose greater rigor in focusing on priorities and managing limited human capital resources to achieve continued improvements in environmental and human health protection.

#### **Human Capital Accountability.**

In September 2005, EPA issued the Human Capital Accountability Plan for Achieving Results that focuses on both results and the accountability process needed to drive EPA toward achieving HC goals. The Plan also describes how the Agency evaluates its headquarters and regional HC operations for effectiveness, efficiency, and

compliance with Merit System Principles and the laws and regulations that support them.

On the President's Management Agenda scorecard for the second quarter of FY 2006, OPM indicated that EPA continued to make progress in developing performance appraisals and workforce planning. EPA received "Green in Progress" for its accomplishments during this quarter.<sup>33</sup> However, EPA must now evaluate the results of the HC initiatives over time and adjust its strategy as necessary to ensure the Agency meets its HC goals.

## **VOLUNTARY, ALTERNATIVE, AND INNOVATIVE EPA PRACTICES AND PROGRAMS**

EPA supports and advocates a range of voluntary programs, and innovative or alternative practices, designed to provide flexibility and novel and beneficial approaches to achieve environmental goals. The basic premise of voluntary approaches is flexible, collaborative, market-driven solutions that can deliver measurable environmental results. These programs primarily work with business, community or other partners to either reduce pollution below regulatory requirements, or ameliorate environmental problems not otherwise regulated by EPA (e.g. water and energy use, recycling). In 2002, EPA released an innovation strategy that described EPA activities and priority issues.

Significant and noteworthy examples of successful innovative or voluntary practices and programs exist. For example, "Energy Star," one of EPA's flagship volun-

tary programs, is recognized by more than 60 percent of the American public and results in reduced energy consumption, as well as consumer savings on utility bills. EPA's recent "Good Samaritan" initiative can provide private, and innocent, landowners the ability to voluntarily clean up pollution from abandoned mine sites, without fear of Superfund liability. This innovative approach holds promise for restoring and protecting watersheds that could otherwise remain contaminated due to private party concerns about Superfund cleanup liability.

Voluntary programs and innovative or alternative approaches hold promise and need to be encouraged. However, their growth has not been matched by efforts or processes to define the programs, determine which programs work, how efficiently they work, or how to determine the respective goals and expectations

of voluntary programs or alternative approaches compared to regulated programs and approaches. The challenge this poses for EPA is to overcome its inability to fully articulate or measure the results of voluntary programs or innovative and alternative approaches. In 2002, the National Academy of Sciences reported that rigorously evaluating voluntary programs is important because of the historical failure of markets and voluntarism to address environmental problems, and because resource depletion creates a heavy burden of proof for those who advocate voluntary alternatives to regulation.

Clearly, EPA must be innovative and flexible, and adapt to changes in environmental protection, to move forward and continue progress toward environmental goals. The challenge is to maintain those vital elements of the existing system, such as the



standards, permits, and compliance assurance efforts that are part of EPA's basic mandate, while simultaneously pursuing creative new tools and approaches that complement and enhance the Agency's efficiency and effectiveness.

In 2004, the Innovation Action Council was charged with voluntary program oversight and created the Voluntary Program Coordination team. This team has issued several guidance documents and has attempted to stay in regular contact with many of the voluntary programs. However, it does not have Agency-wide oversight authority to conduct day-to-day management functions, or to develop management procedures, measurement protocols, or outcome reporting requirements. EPA can take steps to address these oversight, evaluation, and management challenges to maximize potential environmental benefits of voluntary, innovative, and alternative approaches.

### EPA's Response (Prepared by the Agency)

EPA's Innovation Action Council (IAC), which directs and oversees the Agency's innovation agenda, has a number of efforts underway to clarify the goals and measures and evaluate the results of innovative and "voluntary" partnership programs. While it does not have the authority to manage or oversee voluntary programs, the IAC, supported by the National Center for Environmental Innovation, has established workgroups on Performance Management, Voluntary Partnership Programs, and Environmental Stewardship.

#### Highlights of progress include:

- Conducted a needs assessment to identify what additional information, tools, or services would be helpful in improving the design, measurement, and evaluation of innovative and other programs.
- Developed guidance which promotes a strategic approach to program evaluation and encourages innovative programs to participate in EPA's annual Program Evaluation Competition.
- Develop a notification system to ensure that proposed new or significantly redesigned partnership programs undergo a basic level of Agency-wide review.

#### Plans for further improvements include:

- Continue implementing the three areas of the needs assessment (design, measurement, and evaluation).
- Implement a new information collection request that will enable a number of voluntary programs to collect data critical to evaluating their impacts and effectiveness.
- Develop an Agency-wide partnership program accomplishments report to summarize and aggregate the overall environmental results achieved by these programs.

## EFFICIENTLY MANAGING WATER AND WASTEWATER RESOURCES AND INFRASTRUCTURE

America's water assets are critical to the country's public health and economic, environmental, and cultural vitality. About 160,000 public drinking water systems and 16,000 sewage treatment plants throughout the Nation supply fresh water and remove and treat used water. Over the past 20 years, communities have spent more than \$1 trillion (in 2001 dollars) on drinking water treatment and supply, and wastewater treatment and

disposal. Still, these systems are projected to have huge costs to repair, replace, and construct new water infrastructure. Current systems are wearing out, and recent and future environmental requirements from EPA will necessitate additional investments. In 2002, EPA estimated the 20-year water infrastructure capital needs as ranging between \$485 billion and \$896 billion.

EPA has had a two-pronged approach to influencing this gap.

It annually commits funding to the Clean Water and Drinking Water State Revolving Funds (SRFs) to ensure that communities have access to capital for their drinking and wastewater infrastructure needs. The 2007 President's Budget proposes \$688 million for the Clean Water SRF and \$841.5 million for the Drinking Water SRF. These amounts are less than previous years and will play a limited role in meeting overall needs. EPA has

approached this challenge by focusing on its “Four Pillars of Sustainable Infrastructure”—better management, water efficiency, full cost pricing, and the watershed approach.

While EPA hopes to build upon these pillars using the tools of technology, innovation, and collaboration, it is faced with the challenge of trying to do more with less. It has to find ways to be more innovative on the finance and management fronts to assist States and communities in overcoming infrastructure issues. OIG work on such topics as Drinking Water Protection Efforts, Source Water Protection, Combined Sewer Overflows and State Revolving Funds have all found funding to be a significant barrier to progress. Our work has shown that a competition exists between infrastructure and other priority water needs (e.g. drinking water source protection, regulatory program implementation, security.) for the limited available SRF money. Funding requirements can be more difficult for small systems to meet, impeding their ability to obtain much needed resources.

The Agency faces a continuing challenge to find ways to reach and influence the management behavior, skills, and abilities of thousands of small utilities. Preparing and publishing documents, and convening workshops reach only a small portion of the

### EPA's Response (Prepared by the Agency)

EPA has taken, and will continue to take, effective steps to define its role in closing the gap in funding for water infrastructure and assisting states and communities in overcoming infrastructure issues. The Agency is incorporating the four pillars of its Sustainable Water Infrastructure Initiative—better management, full cost pricing, water efficiency, and the watershed approach—into existing programs and redirecting funds toward this initiative.

#### Highlights of progress include:

- Launched WaterSense, a market enhancement program that is increasing national awareness of water-efficient choices and the value of clean and safe water. (see <http://www.epa.gov/watersense/index.htm>)
- Co-sponsored the Water Quality Trading Conference with USDA that brought together companies and the agricultural community to build further momentum for trading programs that maximize impact from infrastructure investments.
- Continued to produce assistance documents and tools targeting the needs and special circumstances of small utilities (e.g., Simple Tools for Effective Performance [STEPS]<sup>d</sup> and Total Electronic Asset Management Software [TEAMS]).

#### Plans for further improvements include:

- Develop an internal strategy that focuses on better management of wastewater for small communities and disadvantaged and underserved populations.
- Prepare a Drinking Water Capacity Development Strategic Plan to ensure that the Agency's outreach efforts to small utilities are well coordinated and effective.

systems that need EPA's expertise. Recent OIG work shows that lack of long-term planning, management and operator competencies and retention, and problems understanding regulations continue to be challenges for small utilities. Good practices, such as mentoring programs by larger utilities, show promise for wider application to benefit small

utilities and could help address the management issues that are a component of the water infrastructure challenges. EPA needs to define its role as part of a long-term national strategy on sustainable water infrastructure that addresses financial and management issues, so that the Nation's water quality is protected now and in the future.

## INFORMATION TECHNOLOGY SYSTEMS DEVELOPMENT AND IMPLEMENTATION

EPA requested approximately \$600 million in system development/maintenance funding for fiscal years 2006 and 2007.<sup>34</sup> The Agency has experienced system development and implementation problems similar to those encountered by other Federal agencies. Recently, we reported that the EPA did not sufficiently oversee information technology (IT) projects to ensure they met planned budgets and schedules. For example, PeoplePlus, EPA's new combined human resources, payroll, and time and attendance application, cost at least \$3.7 million more than originally budgeted and took 1 year longer than planned to deploy. The cost of the Clean Air Markets Division Business Systems' development has increased by approximately \$2.8 million and the target completion date has been extended by 2 years.<sup>35</sup>

Among EPA's numerous system projects, two financially related information system efforts have Agency-wide implications—migrating EPA's payroll processing functions to the Defense Finance and Accounting Service and replacing its core financial accounting system. Modernizing any major system will never be a risk-free proposition; the Government Accountability Office (GAO) has reported that the Federal government has long been plagued by financial

### EPA's Response (Prepared by the Agency)

In response to concerns noted and audit findings and recommendations in OIG's September 2005 report, EPA developed an action plan calling for formal delegation of independent oversight responsibility and an additional question in the CPIC process focusing on System Life Cycle documentation and approvals. The plan also calls for increased emphasis on reviewing solutions architecture documents and an outreach and education program for senior management and Senior Information Officials.

#### Highlights of progress include:

- Issued a revised System Life Cycle Management Policy.
- Developed Enterprise Architecture Governance Procedures that require review, approval, and certification that solutions architectures are aligned with both federal and EPA enterprise architectures.

#### Plans for further improvements include:

- Continue to conduct outreach briefings with senior management.
- Review information submitted in response to the CPIC question on System Life Cycle documentation and approval.

management system modernization efforts that have failed to meet their cost, schedule, and performance goals.<sup>36</sup>

The EPA Chief Information Officer has taken steps to strengthen EPA's Capital Planning and Investment Control (CPIC) and system development processes by:

- updating its CPIC policy to ensure that the process for managing information technology investments is consistent with Federal statutes, regulations, and policies, and supports the Agency's System Life Cycle and Enterprise Architecture requirements<sup>37</sup>;

- publishing an interim Agency System Life Cycle Management Policy<sup>38</sup>; and
- promulgating procedures for EPA offices to utilize Earned Value Management for its IT projects.<sup>39</sup>

EPA needs to further enhance its IT investment control structure and hold system managers accountable for following it. Revisions to the Interim Policy to define requirements for life cycle documentation and ensuring that system managers follow established procedures are just two examples of steps that should be taken.

## DATA GAPS

If EPA is to manage for results, it needs to decide what environmental and other indicators will be measured; provide data standards so that organizations responsible for delivering environmental programs are measuring what is important and are using common definitions; and ensure that data are of sufficient quality for effective decision making. OIG audits and evaluations have also pointed out that data to measure program success are not always present.

EPA's FY 2005 Performance Report and the latest draft of the Report on the Environment 2007 demonstrate the utility and value of environmental indicators for accountability and tracking environmental progress. Some important environmental results information is already being captured, such as trends in wetlands acreage, statistically representative baselines for the condition of the Nation's coastal waters and small streams, concentrations of ozone-depleting chemicals in the lower atmosphere, and baselines for the number of Superfund National Priorities List sites and Resource Conservation Recovery Act high priority corrective action sites where offsite migration of contaminated groundwater is or is not occurring. Such information helps EPA managers make more effective and efficient resource investment decisions.

While some important data exist, EPA and its partners are not

### EPA's Response (Prepared by the Agency)

As part of its strategic planning, EPA continues to implement and refine processes to identify and prioritize data gaps, including coordinating the draft Report of the Environment (ROE) with the Agency's strategic planning and budgeting process.

#### Highlights of progress include:

- Completed gaps analysis and documentation.
- Developed a process for identifying and ranking key data gaps.
- Prepared an options paper addressing ROE indicators and data gaps for the Indicators Steering Committee (ICS).
- Developed a pilot (endorsed by ICS) that assesses how the ROE and strategic planning efforts can best inform and support one another.

#### Plans for further improvements include:

- Analyze and discuss ROE indicator gaps and limitations.
- Further refine the process to identify and prioritize data gaps identified in the ROE as part of the Agency's strategic and budget planning process.
- Continue to use existing interagency forums, such as the Global Earth System of Systems and the Collaboration on Indicators in the Nation's Environment, to identify how and where existing efforts can be leveraged among partners.

yet engaged in an effort to ensure that high priority data gaps are filled and that data deemed important will be collected in the future. Most indicators rely on data gathered by the States, other Federal programs, and the private sector. Increasing budgetary pressures at the State and Federal levels may threaten the future collection and analysis of such data. For example, many indicators in the draft Report on the Environment 2007 are based on land use/land cover data that are already 15 years old. Such information needs to be updated.

Addressing data gaps will require a coordinated effort by EPA and its partners involving extensive collaboration during both budget preparation and strategic prioritization activities. EPA plans additional actions to address this challenge. We understand that during the development of the 2006-2011 *Strategic Plan*, the Agency will identify data gaps by building on the information in the draft Report on the Environment 2007. Progress will then be reported to the Quality Information Council and the Chief Financial Officer on a regular basis.

## NOTES

1. Attachment 2, p. 2, regarding OEI's Weaknesses for a 10/5/05 Management Integrity Meeting, Office of Environmental Information FY 2005 Integrity Act Report, Implementation of Data Standards.
2. EPA's FY 2005 Performance and Accountability Report, Appendix C, Data Quality, p. C18.
3. Federal Register, Part III Environmental Protection Agency, Cross-Media Electronic Reporting: Final Rule, p. 59849, Section I Overview.
4. EPA Procedure: Office of Information Collection Cross-Media Electronic Reporting Rule (CROMERR) Implementation Procedures for EPA Systems, March 22, 2006.
5. EPA Procedure: Procedure for Approval of State, Tribal or Local Government Delegated Program Allocations for Implementing the Cross-Media Electronic Reporting Rule (CROMERR), March 22, 2006.
6. Federal Register, Part III EPA, Cross-Media Electronic Reporting: Final Rule, p. 59851, Section I Overview, Letter C.
7. Federal Register, Part III EPA, Cross-Media Electronic Reporting: Final Rule, p.59851, Section I Overview. Letter C.
8. *Additional Efforts Needed to Improve EPA's Oversight of Assistance Agreements*, Report No. 2002-P-00018, September 30, 2002.
9. *EPA Managers Did Not Hold Supervisors and Project Officers Accountable for Grants Management*, Report No. 2005-P-00027, September 27, 2005.
10. *EPA Summary of Emissions Factors Improvements Projects Fact Finding Survey*, June 2004, p. 1.
11. GAO Report # GAO-01-46 *EPA Should Improve Oversight of Emissions Reporting by Large Facilities*, April 2001 p. 3.
12. *EPA Summary of Emissions Factors Improvements Projects Fact Finding Survey*, June 2004, table 2.
13. OIG Report No. 2006-P-00017: *EPA Can Improve Emissions Factors Development and Management*, At a Glance.
14. OIG Report No. 2006-P-00017: *EPA Can Improve Emissions Factors Development and Management*, pp. 15-24.
15. OIG Report No. 2006-P-00017: *EPA Can Improve Emissions Factors Development and Management*, pp. 15-24; Memorandum: Inspector General's Candidates for Fiscal 1996 Weaknesses, To: Sallyanne Harper, Acting Chief Financial Officer, Attachment 2 of 9.
16. OIG Report No. 2006-P-00017: *EPA Can Improve Emissions Factors Development and Management*, At a Glance.
17. *Ibid.*
18. *Ibid.*
19. "Procedures for Preparing Emission Factor Documents," EPA-454/R-95-015 revised, Office of Air Quality Planning and Standards, Office of Air and Radiation, U.S. Environmental Protection Agency, November 1997 pg 8; Introduction to AP-42, Volume 1, Fifth Edition—January 1995, pp. 4-5.
20. Document entitled "3.0 Options for Revising Factor Quality Assessments" prepared by MACTEC for Emission Factors and Policy Application Group, EMAD, OAQPS, OAR, August 2004 pp. 2-4.
21. e-mail Response from Indiana Department of Environmental Management, September 22, 2005.
22. *Ibid.*
23. OIG Report No. 2006-P-00017: *EPA Can Improve Emissions Factors Development and Management*, p. 32.
24. Document prepared for OIG, prepared by Emission factors and Policy Application Group, EMAD, OAQPS, OAR, January 6, 2005; OIG Report No. 2006-P-00017: *EPA Can Improve Emissions Factors Development and Management*, p. 35.
25. OIG Report No. 2006-P-00017: *EPA Can Improve Emissions Factors Development and Management*, p. 35.
26. *Ibid.*
27. OIG Report No. 2006-P-00017: *EPA Can Improve Emissions Factors Development and Management*, p. 25.
28. *Ibid.*
29. OIG Report No. 2006-P-00017: *EPA Can Improve Emissions Factors Development and Management*, pp. 17, 18, 19, 23, 25, OIG opinion.
30. EPA's FY 2005 Human Capital Accomplishments Report, Attachment, p. 3.

31. FY 2005 HR Integrity Act Report, p. 1.
32. FY 2005 OARM Assurance Letter, p. 8 and HR Integrity Report, p. 1.
33. EPA's PMA Scorecard for the quarter ending December 31, 2005.
34. OEI email *Total Dollars for Major IT Investments in the Development Phase of the System Life Cycle*, March 31, 2006.
35. Report No. 2005-P-00023, *EPA Needs to Improve Oversight of Its Information Technology Projects Report*, September 14, 2005, p. 4.
36. GAO Report No.06-184, *Financial Systems Modernization*, March, 2006, pp. 1, 3.
37. CIO Policy Transmittal 06-003, Classification No.: 2100.3, Capital Planning and Investment Control (CPIC) Program Policy for Management of Information Technology (IT) Investments, December 15, 2005, p. 1.
38. Interim EPA Order 2100.4, Interim Agency System Life Cycle Management Policy, December 29, 2003, p. 1.
39. EPA, Earned Value Management (EVM) Procedures, Addendum To CPIC Procedures, December 2005, p. 1.

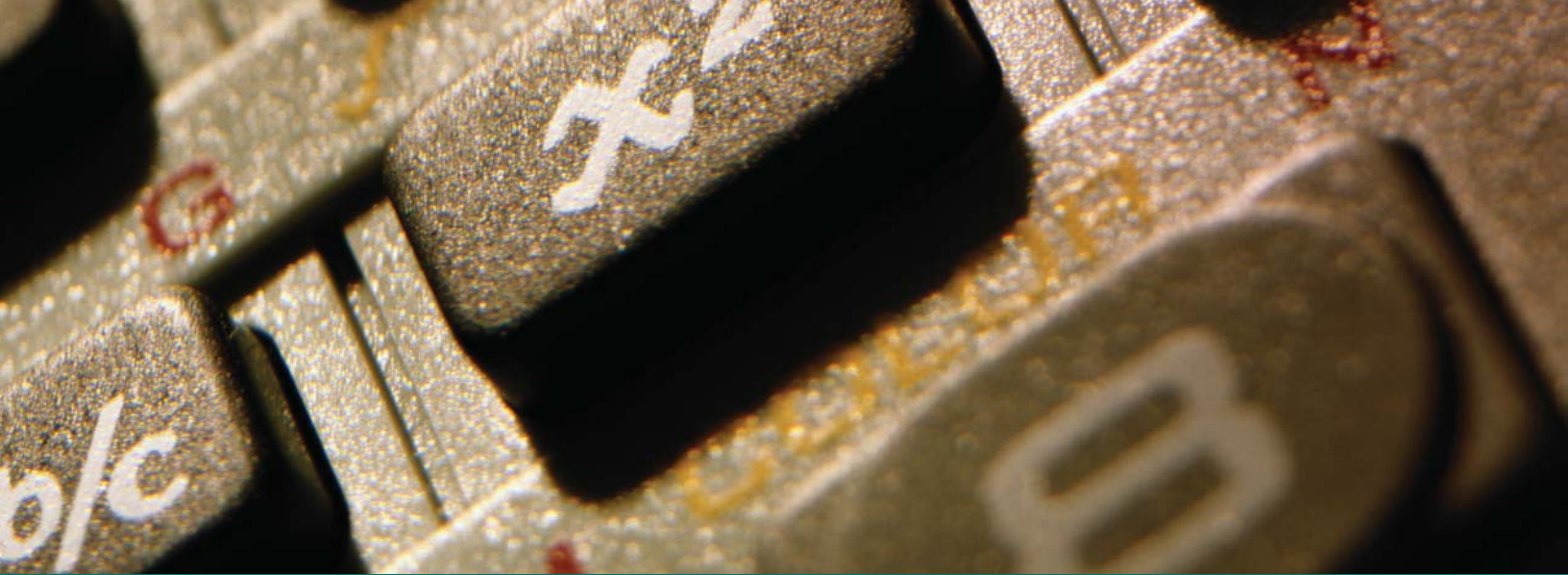
*Section IV.*

# Annual Financial Statements



## CONTENTS

Introduction .....	214
Principal Financial Statements .....	216
Inspector General's Report on EPA's Fiscal 2006 and 2005 Financial Statements ...	273



# Introduction

EPA earned a clean opinion on the financial statements. For FY 2006, the auditors identified two reportable conditions, one non-compliance and no material weaknesses. The Agency is proud of the reduction from ten reportable conditions in FY 2005. The Chief Financial Officer's comments on the audit results are included in the Independent Auditor's Report.

This section of the Performance and Accountability Report contains the Agency's financial statements, required supplementary information and related Independent Auditor's Report, as well as other information on the Agency's financial management. Information presented here satisfies the reporting requirements of OMB Circular A-136, *Financial Reporting Requirements*, as well as the following legislation:



- Chief Financial Officers Act of 1990
- Government Management Reform Act of 1994
- Improper Payments Information Act of 2002

The first portion of this section contains Principal Financial Statements. The statements provide a comparison of FY 2006 and 2005 data. EPA prepares the following required statements:

- **Balance Sheet**—presents, as of a specific time, amounts of future economic benefits owned or managed by the reporting entity exclusive of items subject to stewardship reporting (assets), amounts owed by the entity (liabilities), and amounts which comprise the difference (net position).
- **Statement of Net Cost**—presents the gross cost incurred by the reporting entity less any exchange revenue earned from its activities. EPA also prepares a Statement of Net Cost by Goal to provide cost information at the strategic goal level.
- **State of Changes in Net Position**—reports the change in net position during the reporting period. Net position is affected by changes to its two components: Cumulative Results of Operations and Unexpended Appropriations.
- **Statement of Budgetary Resources**—provides information about how budgetary resources were made available as well as their status at the end of the period.



- **Statement of Financing**—serves as a bridge between an entity’s budgetary and financial (i.e., proprietary) accounting. The statement articulates the relationship between net obligations derived from an entity’s budgetary accounts and net cost of operations derived from the entity’s proprietary accounts by identifying and explaining key differences between the two numbers.
- **Statement of Custodial Activity**—reports collection of nonexchange revenue for the General Fund of the Treasury, trust funds, and other recipient entities. EPA, as the collecting entity, does not recognize these collections as revenue. Rather, the Agency accounts for sources and disposition of the collections as custodial activities on this statement.

The accompanying *Notes to Financial Statements* provide a description of significant accounting policies as well as detailed information on select statement lines. These Notes and the principal statements are audited by EPA’s Inspector General.

The *Required Supplementary Information* portion of this section provides the following unaudited information:

- **Deferred Maintenance**—reports maintenance that was not performed when it should have been or was scheduled to be and which, therefore, is put off or delayed for a future period.
- **Supplemental Statement of Budgetary Resources**—provides information by Agency fund group about how the budgetary resources were made available as well as their status at the end of the period.
- **Stewardship PP&E (Land)**—provides information on EPA land and land rights (easements) acquisitions/withdrawals related to remedial clean-up sites.

The *Required Supplementary Stewardship Information* portion provides information on substantial investments made by the Federal Government for the benefit of the nation—physical assets not owned by the Government. EPA reports on three areas: Stewardship Investments for Non-Federal Physical Property (clean water and drinking water facilities),



Human Capital (awareness training and fellowships), and Research and Development.

The *Supplemental Information* portion of Section IV presents the following unaudited information:

- **Superfund Financial Statements and Related Notes**—provides information on the Superfund Trust Fund.
- **Improper Payments Information Act of 2002 (IPIA) Report**—reports on EPA’s efforts to identify and eliminate erroneous payments.

The Inspector General’s Report on EPA’s Fiscal 2006 and 2005 Financial Statements provides the following information:

- Auditor’s opinion on the financial statements,
- Audit findings and/or recommendations,
- Evaluation of internal controls,
- Test of compliance with laws and regulations, and
- Agency comments on the audit findings and the Inspector General’s evaluation.



# Principal Financial Statements

## FINANCIAL STATEMENTS

1. Consolidated Balance Sheet
2. Consolidated Statement of Net Cost
3. Consolidated Statement of Net Cost by Goal
4. Consolidated Statement of Changes in Net Position
5. Combined Statement of Budgetary Resources
6. Consolidated Statement of Financing
7. Statement of Custodial Activity

## NOTES TO FINANCIAL STATEMENTS

- Note 1. Summary of Significant Accounting Policies
- Note 2. Fund Balances with Treasury
- Note 3. Cash and Other Monetary Assets
- Note 4. Investments
- Note 5. Accounts Receivable
- Note 6. Other Assets
- Note 7. Loans Receivable, Net- Non-Federal
- Note 8. Accounts Payable and Accrued Liabilities
- Note 9. General Plant, Property and Equipment (PP&E)
- Note 10. Debt Due to Treasury
- Note 11. Stewardship PP&E
- Note 12. Custodial Liability
- Note 13. Other Liabilities
- Note 14. Leases
- Note 15. Pensions and Other Actuarial Liabilities
- Note 16. Cashout Advances, Superfund
- Note 17. Unexpended Appropriations—Other Funds
- Note 18. Amounts Held by Treasury
- Note 19. Commitments and Contingencies
- Note 20. Earmarked Funds
- Note 21. Exchange Revenues, Statement of Net Cost
- Note 22. Intragovernmental Costs and Exchange Revenue
- Note 23. Cost of Stewardship PP&E
- Note 24. Environmental Cleanup Costs
- Note 25. State Credits

- Note 26. Preauthorized Mixed Funding Agreements
- Note 27. Custodial Revenues and Accounts Receivable
- Note 28. Statement of Budgetary Resources
- Note 29. Recoveries and Resources Not Available, Statement of Budgetary Resources
- Note 30. Unobligated Balances Available
- Note 31. Undelivered Orders at the End of Period
- Note 32. Offsetting Receipts
- Note 33. Statement of Financing
- Note 34. Costs Not Assigned to Goals
- Note 35. Transfers-In and Out, Statement of Changes in Net Position
- Note 36. Imputed Financing Sources
- Note 37. Payroll and Benefits Payable
- Note 38. Other Adjustments, Statement of Changes in Net Position
- Note 39. Nonexchange Revenue, Statement of Changes in Net Position
- Note 40. Other, Statement of Financing

## REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED)

1. Deferred Maintenance (Unaudited)
2. Supplemental Statement of Budgetary Resources (Unaudited)
3. Stewardship PP& E (Land)

## REQUIRED SUPPLEMENTARY STEWARDSHIP INFORMATION (UNAUDITED)

## SUPPLEMENTAL INFORMATION AND OTHER REPORTING REQUIREMENTS (UNAUDITED)

1. Superfund Financial Statements and Related Notes
2. Improper Payments Information Act of 2002 (IPIA) Report

I.

**Environmental Protection Agency**  
**Consolidating Balance Sheet**  
 For the Periods Ending September 30, 2006 and 2005  
 (Dollars in Thousands)

	FY 2006	FY 2005
<b>ASSETS</b>		
Intragovernmental		
Fund Balance With Treasury (Note 2)	\$ 11,173,443	\$ 12,139,207
Investments (Notes 4 and 18)	5,366,264	4,811,065
Accounts Receivable, Net (Note 5)	127,727	66,060
Other (Note 6)	59,143	2,335
Total Intragovernmental	\$ 16,726,577	\$ 17,018,667
Cash and Other Monetary Assets (Note 3)	10	10
Accounts Receivable, Net (Note 5)	243,824	374,668
Loans Receivable, Net—Non-Federal (Note 7)	30,836	39,347
Property, Plant and Equipment, Net (Note 9)	756,794	708,716
Other (Note 6)	4,278	2,789
<b>Total Assets</b>	<b>\$ 17,762,319</b>	<b>\$ 18,144,197</b>
Stewardship PP&E (Note 11)		
<b>LIABILITIES</b>		
Intragovernmental		
Accounts Payable and Accrued Liabilities (Note 8)	\$ 107,525	\$ 119,836
Debt Due to Treasury (Note 10)	18,896	21,744
Custodial Liability (Note 12)	32,963	142,347
Other (Note 13)	102,934	106,530
Total Intragovernmental	\$ 262,318	\$ 390,457
Accounts Payable and Accrued Liabilities (Note 8)	725,667	730,278
Pensions and Other Actuarial Liabilities (Note 15)	39,408	39,380
Environmental Cleanup Costs (Note 24)	10,083	6,989
Cashout Advances, Superfund (Note 16)	223,760	270,811
Commitments and Contingencies (Notes 19 and 24)	8	1,950
Payroll and Benefits Payable (Note 37)	195,746	190,394
Other (Note 13)	131,322	98,064
<b>Total Liabilities</b>	<b>\$ 1,588,312</b>	<b>\$ 1,728,323</b>
<b>NET POSITION</b>		
Unexpended Appropriations—Other Funds (Note 17)	\$ 10,299,640	\$ 11,007,589
Cumulative Results of Operations—Earmarked Funds (Note 20)	4,177,329	-
Cumulative Results of Operations—Other Funds	1,697,038	5,408,285
Total Net Position	16,174,007	16,415,874
<b>Total Liabilities and Net Position</b>	<b>\$ 17,762,319</b>	<b>\$ 18,144,197</b>

The accompanying notes are an integral part of these statements.

## 2.

Environmental Protection Agency  
**Consolidating Statement of Net Cost**  
 For the Periods Ending September 30, 2006 and 2005  
 (Dollars in Thousands)

	FY 2006	FY 2005
<b>COSTS</b>		
Gross Costs (Note 22)	\$ 9,215,502	\$ 8,497,422
Less:		
Earned Revenue (Notes 21, 22)	<u>869,762</u>	<u>463,477</u>
<b>NET COST OF OPERATIONS (Note 22)</b>	<b><u>\$ 8,345,740</u></b>	<b><u>\$ 8,033,945</u></b>

## 3.

**Environmental Protection Agency**  
**Consolidated Statement of Net Cost by Goal**  
 For the Period Ending September 30, 2006  
 (Dollars in Thousands)

	Clean Air	Clean & Safe Water	Land Preservation & Restoration	Healthy Communities & Ecosystems	Compliance & Environmental Stewardship
<b>COSTS</b>					
Intragovernmental	\$ 192,774	\$ 137,874	\$ 448,101	\$ 271,667	\$ 183,628
With the Public	<u>764,539</u>	<u>3,717,427</u>	<u>1,870,476</u>	<u>1,030,019</u>	<u>598,997</u>
Total Costs (Note 22)	<u>957,313</u>	<u>3,855,301</u>	<u>2,318,577</u>	<u>1,301,686</u>	<u>782,625</u>
Less:					
Earned Revenue, Federal	37,264	9,088	440,068	37,670	9,998
Earned Revenue, non Federal	<u>2,228</u>	<u>2,822</u>	<u>297,395</u>	<u>31,080</u>	<u>2,149</u>
Total Earned Revenue (Note 22)	<u>39,492</u>	<u>11,910</u>	<u>737,463</u>	<u>68,750</u>	<u>12,147</u>
<b>NET COST OF OPERATIONS (Note 22)</b>	<b><u>\$ 917,821</u></b>	<b><u>\$ 3,843,391</u></b>	<b><u>\$ 1,581,114</u></b>	<b><u>\$ 1,232,936</u></b>	<b><u>\$ 770,478</u></b>

	Not Assigned to Goals	Consolidated Totals
<b>COSTS</b>		
Intragovernmental	\$ -	\$ 1,234,044
With the Public	<u>-</u>	<u>7,981,458</u>
Total Costs (Note 22)	<u>-</u>	<u>9,215,502</u>
Less:		
Earned Revenue, Federal	-	534,088
Earned Revenue, non Federal	<u>-</u>	<u>335,674</u>
Total Earned Revenue (Note 22)	<u>-</u>	<u>869,762</u>
<b>NET COST OF OPERATIONS (Note 22)</b>	<b><u>\$ -</u></b>	<b><u>\$ 8,345,740</u></b>

## 3. (continued)

Environmental Protection Agency  
**Consolidated Statement of Net Cost by Goal**  
 For the Period Ending September 30, 2005  
 (Dollars in Thousands)

	Clean Air	Clean & Safe Water	Land Preservation & Restoration	Healthy Communities & Ecosystems	Compliance & Environmental Stewardship
<b>COSTS</b>					
Intragovernmental	\$ 186,667	\$ 209,631	\$ 376,717	\$ 280,492	\$ 174,321
With the Public	<u>803,822</u>	<u>3,297,570</u>	<u>1,639,157</u>	<u>992,360</u>	<u>539,857</u>
Total Costs (Note 22)	<u>990,489</u>	<u>3,507,201</u>	<u>2,015,874</u>	<u>1,272,852</u>	<u>714,178</u>
Less:					
Earned Revenue, Federal	20,295	15,444	42,567	15,638	12,000
Earned Revenue, non Federal	<u>2,205</u>	<u>2,570</u>	<u>312,487</u>	<u>32,509</u>	<u>1,353</u>
Total Earned Revenue (Note 22)	<u>22,500</u>	<u>18,014</u>	<u>355,054</u>	<u>48,147</u>	<u>13,353</u>
<b>NET COST OF OPERATIONS (Note 22)</b>	<b><u>\$ 967,989</u></b>	<b><u>\$ 3,489,187</u></b>	<b><u>\$ 1,660,820</u></b>	<b><u>\$ 1,224,705</u></b>	<b><u>\$ 700,825</u></b>

	Not Assigned to Goals	Consolidated Total
<b>COSTS</b>		
Intragovernmental	\$ 10,567	\$ 1,238,395
With the Public	(13,739)	7,259,027
Total Costs (Note 22)	<u>(3,172)</u>	<u>8,497,422</u>
Less:		
Earned Revenue, Federal	(291)	105,653
Earned Revenue, non Federal	<u>6,700</u>	<u>357,824</u>
Total Earned Revenue (Note 22)	<u>6,409</u>	<u>463,477</u>
<b>NET COST OF OPERATIONS (Note 22)</b>	<b><u>\$ (9,581)</u></b>	<b><u>\$ 8,033,945</u></b>

## 4.

### Environmental Protection Agency Consolidating Statement of Changes in Net Position

For the Periods Ending September 30, 2006 and 2005

(Dollars in Thousands)

	FY 2006 Consolidated Earmarked Funds	FY 2006 Consolidated All Other Funds	FY 2006 Eliminations	FY 2006 Consolidated Total	FY 2005 Consolidated Total
<b>Cumulative Results of Operations:</b>					
<b>Net Position—Beginning of Period</b>	\$ 4,882,528	\$ 525,757	\$ -	\$ 5,408,285	\$ 5,186,611
Beginning Balances, as Adjusted	4,882,528	525,757	-	5,408,285	5,186,611
<b>Budgetary Financing Sources:</b>					
Appropriations Used	-	8,204,577	-	8,204,577	7,787,245
Nonexchange Revenue (Note 39)	456,025	-	-	456,025	318,662
Transfers In/Out (Note 35)	(32,672)	(127)	43,493	10,694	11,136
Trust Fund Appropriations	1,204,826	-	(1,204,826)	-	-
Total Budgetary Financing Sources	\$ 1,628,179	\$ 8,204,450	\$ (1,161,333)	\$ 8,671,296	\$ 8,117,043
<b>Other Financing Sources (Non-Exchange)</b>					
Transfers In/Out (Note 35)	-	(28)	-	(28)	436
Imputed Financing Sources (Note 36)	19,106	121,448	-	140,554	138,140
Total Other Financing Sources	\$ 19,106	\$ 121,420	\$ -	\$ 140,526	\$ 138,576
Net Cost of Operations	(1,219,124)	(7,154,589)	27,973	(8,345,740)	(8,033,945)
Net Change	428,161	1,171,281	(1,133,360)	466,082	221,674
<b>Cumulative Results of Operations</b>	<b>\$ 5,310,689</b>	<b>\$ 1,697,038</b>	<b>\$ (1,133,360)</b>	<b>\$ 5,874,367</b>	<b>\$ 5,408,285</b>
<b>Unexpended Appropriations:</b>					
<b>Net Position—Beginning of Period</b>	\$ -	\$ 11,007,589	\$ -	\$ 11,007,589	\$ 10,860,136
Beginning Balances, as Adjusted	-	11,007,589	-	11,007,589	10,860,136
<b>Budgetary Financing Sources:</b>					
Appropriations Received	-	7,691,493	-	7,691,493	8,005,446
Appropriations Transferred In/Out (Note 35)	-	753	-	753	4,702
Other Adjustments (Note 38)	-	(195,618)	-	(195,618)	(75,450)
Appropriations Used	-	(8,204,577)	-	(8,204,577)	(7,787,245)
Total Budgetary Financing Sources	\$ -	\$ (707,949)	\$ -	\$ (707,949)	\$ 147,453
<b>Total Unexpended Appropriations</b>	<b>-</b>	<b>10,299,640</b>	<b>-</b>	<b>10,299,640</b>	<b>11,007,589</b>
<b>TOTAL NET POSITION</b>	<b>\$ 5,310,689</b>	<b>\$ 11,996,678</b>	<b>\$ (1,133,360)</b>	<b>\$ 16,174,007</b>	<b>\$ 16,415,874</b>

The accompanying notes are an integral part of these statements.

## 5.

Environmental Protection Agency  
**Combined Statement of Budgetary Resources**  
 For the Periods Ending September 30, 2006 and 2005  
 (Dollars in Thousands)

	FY 2006	FY 2005
<b>BUDGETARY RESOURCES</b>		
Unobligated Balance, Brought Forward, October 1:	\$ 3,106,756	\$ 2,996,708
Recoveries of Prior Year Unpaid Obligations (Note 29)	264,710	174,641
Budgetary Authority:		
Appropriation	7,828,401	8,032,620
Borrowing Authority	-	436
Spending Authority from Offsetting Collections		
Earned:		
Collected	930,417	557,692
Change in Receivables from Federal Sources	87,322	5,311
Change in Unfilled Customer Orders:		
Advance Received	(8,617)	37,615
Without Advance from Federal Sources	149,607	118,144
Expenditure Transfers from Trusts Funds	<u>43,366</u>	<u>48,682</u>
Total Spending Authority from Offsetting Collections	1,202,095	767,444
Nonexpenditure Transfers, Net, Anticipated and Actual (Note 35)	1,258,208	1,348,725
Temporarily Not Available Pursuant to Public Law (Note 29)	(9,466)	(11,141)
Permanently Not Available (Note 29)	<u>(198,484)</u>	<u>(78,244)</u>
<b>Total Budgetary Resources (Note 28)</b>	<b><u>\$ 13,452,220</u></b>	<b><u>\$ 13,231,189</u></b>
<b>STATUS OF BUDGETARY RESOURCES</b>		
Obligations Incurred:		
Direct	\$ 9,292,415	\$ 9,573,696
Reimbursable	<u>912,718</u>	<u>550,737</u>
Total Obligations Incurred (Note 28)	10,205,133	10,124,433
Unobligated Balances:		
Apportioned (Note 30)	<u>3,156,100</u>	<u>3,018,689</u>
Total Unobligated Balances	3,156,100	3,018,689
Unobligated Balances Not Available (Note 30)	<u>90,987</u>	<u>88,067</u>
<b>Total Status of Budgetary Resources</b>	<b><u>\$ 13,452,220</u></b>	<b><u>\$ 13,231,189</u></b>



## 5. (continued)

Environmental Protection Agency  
**Combined Statement of Budgetary Resources**  
 For the Periods Ending September 30, 2006 and 2005  
 (Dollars in Thousands)

	FY 2006	FY 2005
<b>CHANGE IN OBLIGATED BALANCE</b>		
Obligated Balance, Net:		
Unpaid Obligations, Brought Forward, October 1	\$ 11,623,098	\$ 11,592,197
Less: Uncollected Customer Payments from Federal Sources, Brought Forward, October 1	<u>(486,985)</u>	<u>(384,421)</u>
Total Unpaid Obligated Balance, Net	11,136,113	11,207,776
Obligations Incurred, Net (Note 28)	10,205,133	10,124,433
Less: Gross Outlays (Note 28)	(10,607,195)	(9,918,889)
Less: Recoveries of Prior-Year Unpaid Obligations, Actual (Note 29)	(264,710)	(174,641)
Change in Uncollected Customer Payments from Federal Sources	<u>(225,252)</u>	<u>(102,566)</u>
Total, Change in Obligated Balance	10,244,089	11,136,113
Obligated Balance, Net, End of Period:		
Unpaid Obligations	10,956,328	11,623,098
Less: Uncollected Customer Payments from Federal Sources	<u>(712,239)</u>	<u>(486,985)</u>
Total, Unpaid Obligated Balance, Net, End of Period	\$ 10,244,089	\$ 11,136,113
<b>NET OUTLAYS</b>		
Net Outlays:		
Gross Outlays (Note 28)	\$ 10,607,195	\$ 9,918,889
Less: Offsetting Collections (Note 28)	(976,843)	(664,878)
Less: Distributed Offsetting Receipts (Note 32)	<u>(1,314,780)</u>	<u>(1,334,508)</u>
<b>Total, Net Outlays</b>	\$ 8,315,572	\$ 7,919,503

## 6.

Environmental Protection Agency  
**Consolidating Statement of Financing**  
 For the Periods Ending September 30, 2006 and 2005  
 (Dollars in Thousands)

FY 2006

FY 2005

**RESOURCES USED TO FINANCE ACTIVITIES:**

## Budgetary Resources Obligated

Obligations Incurred	\$ 10,205,133	\$ 10,124,433
Less: Spending Authority from Offsetting Collections and Recoveries	<u>(1,466,805)</u>	<u>(942,084)</u>
Obligations, Net of Offsetting Collections	\$ 8,738,328	\$ 9,182,349
Less: Offsetting Receipts (Note 32)	<u>(1,314,780)</u>	<u>(1,334,508)</u>
Net Obligations	\$ 7,423,548	\$ 7,847,841

## Other Resources

Imputed Financing Sources (Note 36)	<u>140,554</u>	<u>138,140</u>
Net Other Resources Used to Finance Activities	\$ 140,554	\$ 138,140

## Total Resources Used To Finance Activities

	\$ 7,564,102	\$ 7,985,981
--	--------------	--------------

**RESOURCES USED TO FINANCE ITEMS NOT PART OF NET COST OF OPERATIONS**

Change in Budgetary Resources Obligated	\$ 722,153	\$ (33,501)
Resources that Fund Prior Period Expenses (Note 33)	(2,020)	(1,120)
Budgetary Offsetting Collections and Receipts that Do Not Affect Net Cost of Operations:		
Credit Program Collections Increasing Loan Liabilities for Guarantees or Subsidy Allowances	4,114	4,337
Offsetting Receipts Not Affecting Net Cost	109,955	87,031
Resources that Finance Asset Acquisition	<u>(115,641)</u>	<u>(137,277)</u>
Total Resources Used to Finance Items Not Part of the Net Cost of Operations	\$ 718,561	\$ (80,530)
Total Resources Used to Finance the Net Cost of Operations	\$ 8,282,663	\$ 7,905,451

## 6. (continued)

Environmental Protection Agency  
**Consolidating Statement of Financing**  
 For the Periods Ending September 30, 2006 and 2005  
 (Dollars in Thousands)

FY 2006

FY 2005

**COMPONENTS OF THE NET COST OF OPERATIONS THAT WILL NOT REQUIRE OR GENERATE RESOURCES IN THE CURRENT PERIOD:**

Components Requiring or Generating Resources in Future Periods:

Increase in Annual Leave Liability (Note 33)	\$ 4,776	\$ 3,889
Increase in Environmental and Disposal Liability (Note 33)	3,352	99
Increase in Unfunded Contingencies (Note 33)	-	1,525
Upward/Downward Reestimates of Credit Subsidy Expense (Note 33)	-	3
Increase in Public Exchange Revenue Receivables	(35,668)	(101,645)
Increase in Workers Compensation Costs (Note 33)	37	-
Other (Note 40)	<u>1,823</u>	<u>1,969</u>
Total Components of Net Cost of Operations that Require or Generate Resources in Future Periods	\$ (25,680)	\$ (94,160)
Components Not Requiring/Generating Resources:		
Depreciation and Amortization	\$ 56,959	\$ 39,760
Expenses Not Requiring Budgetary Resources	<u>31,798</u>	<u>182,894</u>
Total Components of Net Cost that Will Not Require or Generate Resources	\$ 88,757	\$ 222,654
Total Components of Net Cost of Operations That Will Not Require or Generate Resources in the Current Period	\$ <u>63,077</u>	\$ <u>128,494</u>
Net Cost of Operations	<u><u>\$ 8,345,740</u></u>	<u><u>\$ 8,033,945</u></u>

## 7.

Environmental Protection Agency  
**Statement of Custodial Activity**  
 For the Periods Ending September 30, 2006 and 2005  
 (Dollars in Thousands)

FY 2006

FY 2005

**Revenue Activity:**

## Sources of Collections

Fines and Penalties	\$ 35,842	\$ 141,087
Other	<u>66,348</u>	<u>(53,836)</u>
Total Cash Collections	\$ 102,190	\$ 87,251
Accrual Adjustment	<u>(82,620)</u>	<u>63,565</u>
Total Custodial Revenue (Note 27)	\$ <u>19,570</u>	\$ <u>150,816</u>

**Disposition of Collections:**

Transferred to Others (General Fund)	\$ 102,298	\$ 87,334
Increases/Decreases in Amounts to be Transferred	<u>(82,728)</u>	<u>63,482</u>
Total Disposition of Collections	\$ <u>19,570</u>	\$ <u>150,816</u>
<b>Net Custodial Revenue Activity (Note 27)</b>	<b>\$ <u><u>-</u></u></b>	<b>\$ <u><u>-</u></u></b>

# Environmental Protection Agency

## Notes to Financial Statements (Dollars in Thousands)

### Note I. Summary of Significant Accounting Policies

#### A. BASIS OF PRESENTATION

These consolidated financial statements have been prepared to report the financial position and results of operations of the U. S. Environmental Protection Agency (EPA or Agency) as required by the Chief Financial Officers Act of 1990 and the Government Management Reform Act of 1994. The reports have been prepared from the financial system and records of the Agency in accordance with *Financial Reporting Requirements*, OMB Circular A-136, and the EPA's accounting policies which are summarized in this note. In addition to the reports required by OMB Circular A-136, the Statement of Net Cost has been prepared by the Agency's strategic goals.

#### B. REPORTING ENTITIES

The EPA was created in 1970 by executive reorganization from various components of other federal agencies in order to better marshal and coordinate federal pollution control efforts. The Agency is generally organized around the media and substances it regulates—air, water, land, hazardous waste, pesticides and toxic substances.

For FY 2006, the accompanying financial statements are grouped and presented in a consolidated manner. The accompanying financial statements include the accounts of all funds described in this note by their respective Treasury fund group.

#### General Fund Appropriations (Treasury Fund Groups 0000—3999)

##### a. State and Tribal Assistance Grants (STAG) Appropriation:

The STAG appropriation, Treasury fund group 0103, provides funds for environmental programs and infrastructure assistance including capitalization grants for State revolving funds and performance partnership grants. Environmental programs and infrastructure supported are: Clean and Safe Water; Capitalization grants for the Drinking Water State Revolving Funds; Clean Air; Direct grants for Water and Wastewater Infrastructure needs, Partnership grants to meet Health Standards, Protect Watersheds, Decrease Wetland Loss, and Address Agricultural and Urban Runoff and Storm Water; Better Waste Management; Preventing Pollution and Reducing Risk in Communities, Homes, Workplaces and Ecosystems; and Reduction of Global and Cross Border Environmental Risks.

##### b. Science and Technology (S&T) Appropriation:

The S&T appropriation, Treasury fund group 0107, finances salaries, travel, science, technology, research and development activities including laboratory and center supplies, certain operating expenses, grants, contracts, intragovernmental agreements, and purchases of scientific equipment. These activities provide the scientific basis for the Agency's regulatory actions. In FY 2006, Superfund research costs were appropriated in Superfund and transferred to S&T to allow for proper accounting of the costs. Environmental scientific and technological activities and programs include Clean Air; Clean and Safe Water; Americans Right to Know About Their Environment; Better Waste Management; Preventing Pollution and Reducing Risk in

Communities, Homes, Workplaces, and Ecosystems; and Safe Food.

##### c. Environmental Programs and Management (EPM) Appropriation:

The EPM appropriation, Treasury fund group 0108, includes funds for salaries, travel, contracts, grants, and cooperative agreements for pollution abatement, control, and compliance activities and administrative activities of the Agency's operating programs. Areas supported from this appropriation include: Clean Air; Clean and Safe Water; Land Preservation and Restoration, Healthy Communities and Ecosystems, and Compliance and Environmental Stewardship.

##### d. Buildings and Facilities

**Appropriation (B&F):** The B&F appropriation, Treasury fund group 0110, provides for the construction, repair, improvement, extension, alteration, and purchase of fixed equipment or facilities that are owned or used by the EPA.

##### e. Office of Inspector General (OIG)

**Appropriation:** The OIG appropriation, Treasury fund group 0112, provides funds for audit and investigative functions to identify and recommend corrective actions on management and administrative deficiencies that create the conditions for existing or potential instances of fraud, waste and mismanagement. Additional funds for audit and investigative activities associated with the Superfund and the LUST Trust Funds are appropriated under those Trust Fund accounts and transferred to the Office of Inspector General account. The audit function provides contract, internal controls and performance, and financial and grant audit services. The appropriation includes expenses incurred and reimbursed from the appropriated trust funds accounted for under Treasury fund group 8145 and 8153.

**f. Payments to the Hazardous Substance Superfund Appropriation:**

The Payment to the Hazardous Substance Superfund appropriation Treasury fund group 0250, authorizes appropriations from the General Fund of the Treasury to finance activities conducted through the Hazardous Substance Superfund Program.

**g. Payments to Leaking Underground Storage Tank Appropriation:**

The Payment to the Leaking Underground Storage Tank appropriation Treasury fund group 0251, authorizes appropriations from the General Fund of the Treasury to finance activities conducted through the Leaking Underground Storage Tank program.

**h. Asbestos Loan Program:** The Asbestos Loan Program is accounted for under Treasury fund group 0118 for the subsidy and administrative support; under Treasury fund group 4322 for loan disbursements, loans receivable and loan collections on post-FY 1991 loans; and under Treasury fund group 2917 for pre-FY 1992 loans receivable and loan collections.

The Asbestos Loan Program was authorized by the Asbestos School Hazard Abatement Act of 1986 to finance control of asbestos building materials in schools. Funds have not been appropriated for this Program since FY 1993. For FY 1993 and FY 1992, the program was funded by a subsidy appropriated from the General Fund for the actual cost of financing the loans, and by borrowing from Treasury for the unsubsidized portion of the loan. The Program Fund disburses the subsidy to the Financing Fund for increases in the subsidy. The

Financing Fund receives the subsidy payment, borrows from Treasury and collects the asbestos loans.

**i. Allocations and Appropriations transferred to the Agency:**

Allocations and appropriations transferred to the Agency from other federal agencies include funds from the Appalachian Regional Commission, which provides economic assistance to state and local developmental activities, and the Agency for International Development, which provides assistance on environmental matters at international levels. The transfer allocations are accounted for under Treasury fund group 0200 and the appropriation transfers are accounted for under 0108.

**j. Treasury Clearing Accounts:**

The EPA Department of the Treasury Clearing Accounts include: (1) the Budgetary Suspense Account, (2) the Unavailable Check Cancellations and Overpayments Account, and (3) the Undistributed Intra-agency Payments and Collections (IPAC) Account. These are accounted for under Treasury fund groups 3875, 3880 and 3885, respectively.

**k. General Fund Receipt Accounts:**

General Fund Receipt Accounts include: Hazardous Waste Permits; Miscellaneous Fines, Penalties and Forfeitures; General Fund Interest; Interest from Credit Reform Financing Accounts; Downward Reestimates of Subsidies; Fees and Other Charges for Administrative and Professional Services; and Miscellaneous Recoveries and Refunds. These accounts are accounted for under Treasury fund groups 0895, 1099, 1435, 1499, 2753.3, 3200 and 3220, respectively.

**Revolving Funds (Treasury Fund Group 4000—4999)**

**a. Federal Insecticide, Fungicide and Rodenticide Act (FIFRA):** The FIFRA Revolving Fund, Treasury fund group 4310, was authorized by the FIFRA Act of 1972, as amended in 1988 and as amended by the Food Quality Protection Act of 1996. Pesticide Maintenance fees are paid by industry

to offset the costs of pesticide reregistration and reassessment of tolerances for pesticides used in or on food and animal feed, as required by law.

**b. Tolerance Revolving Fund:** The Tolerance Revolving Fund, Treasury fund group 4311, was authorized in 1963 for the deposit of tolerance fees. Fees are paid by industry for federal services to set pesticide chemical residue limits in or on food and animal feed. The fees collected prior to January 2, 1997 were accounted for under this fund. Presently these fees are being deposited in the FIFRA fund (see above).

**c. Asbestos Loan Program:** The Asbestos Loan Program is accounted for under Treasury fund group 4322 for loan disbursements, loans receivable and loan collections on post FY 1991 loans. Refer to General Fund Appropriations paragraph h. for details.

**d. Working Capital Fund (WCF):** The WCF Treasury fund group, 4565, includes three activities: computer support services, financial system services, and postage. The WCF derives revenue from these activities based upon a fee for services. WCF's customers currently consist primarily of Agency program offices and a small portion from other federal agencies. Accordingly, those revenues generated by the WCF from services provided to Agency program offices and expenses recorded by the program offices for use of such services along with the related advances/liabilities, are eliminated on consolidation.

**Special Funds (Treasury Fund Group 5000—5999)**

**a. Environmental Services Receipt Account:** The Environmental Services Receipt Account authorized by a 1990 Act, "To amend the Clean Air Act (PL 101-549)," Treasury fund group 5295, was established for the deposit of fee receipts associated with environmental programs, including radon measurement proficiency ratings and training, motor vehicle engine certifications, and water pollution permits. Receipts in

this special fund will be appropriated to the S&T and the EPM appropriations to meet the expenses of the programs that generate the receipts.

**b. Exxon Valdez Settlement Fund:** The Exxon Valdez Settlement Fund authorized by a 1992 Act, "Making appropriations for the Department of Veterans Affairs and Housing and Urban Development, and for sundry independent agencies, boards, commissions, corporations, and offices for the fiscal year ending September 30, 1993 (P.L. 102-389)," Treasury fund group 5297, has funds available to carry out authorized environmental restoration activities. Funding is derived from the collection of reimbursements under the Exxon Valdez settlement as a result of an oil spill.

**c. Pesticide Registration Fund:** The Pesticide Registration Fund authorized by a 2004 act, "Consolidated Appropriations Act (P.L. 108-199)," Treasury fund group 5374, was authorized in 2004 for the expedited processing of certain registration petitions and associated establishment of tolerances for pesticides to be used in or on food and animal feed. Fees covering these activities, as authorized under the FIFRA Act of 1988, are to be paid by industry and deposited into this fund group.

#### **Deposit funds (Treasury Fund Group 6000—6999)**

Deposit funds include: Fees for Ocean Dumping; Nonconformance Penalties; Clean Air Allowance Auction and Sale; Advances without Orders; and Suspense and Payroll Deposits for Savings Bonds, and State and City Income Taxes Withheld. These funds are accounted for under Treasury fund groups 6050, 6264, 6265, 6266, 6275 and 6500.

#### **Trust Funds (Treasury Fund Group 8000—8999)**

**a. Superfund Trust Fund:** In 1980, the Superfund Trust Fund, Treasury fund group 8145, was established by the Comprehensive Environmental

Response, Compensation, and Liability Act of 1980 (CERCLA) to provide resources needed to respond to and clean up hazardous substance emergencies and abandoned, uncontrolled hazardous waste sites. The Superfund Trust Fund financing is shared by federal and state governments as well as industry. The EPA allocates funds from its appropriation to other federal agencies to carry out CERCLA. Risks to public health and the environment at uncontrolled hazardous waste sites qualifying for the Agency's National Priorities List (NPL) are reduced and addressed through a process involving site assessment and analysis and the design and implementation of cleanup remedies. NPL cleanups and removals are conducted and financed by the EPA, private parties, or other federal agencies. The Superfund Trust Fund includes Treasury's collections and investment activity.

#### **b. Leaking Underground Storage Tank (LUST) Trust Fund:**

The LUST Trust Fund, Treasury fund group 8153, was authorized by the Superfund Amendments and Reauthorization Act of 1986 (SARA) as amended by the Omnibus Budget Reconciliation Act of 1990. The LUST appropriation provides funding to respond to releases from leaking underground petroleum tanks. The Agency oversees cleanup and enforcement programs which are implemented by the states. Funds are allocated to the states through cooperative agreements to clean up those sites posing the greatest threat to human health and the environment. Funds are used for grants to non-state entities including Indian Tribes under Section 8001 of the Resource Conservation and Recovery Act. The program is financed by a one cent a gallon tax on motor fuels which will expire in 2011.

**c. Oil Spill Response Trust Fund:** The Oil Spill Response Trust Fund, Treasury fund group 8221, was authorized by the Oil Pollution Act of 1990 (OPA). Monies were appropriated to the Oil Spill Response Trust Fund in 1993. The Agency is responsible for directing, monitoring and providing technical

assistance for major inland oil spill response activities. This involves setting oil prevention and response standards, initiating enforcement actions for compliance with OPA and Spill Prevention Control and Countermeasure requirements, and directing response actions when appropriate. The Agency carries out research to improve response actions to oil spills including research on the use of remediation techniques such as dispersants and bioremediation. Funding for oil spill cleanup actions is provided through the Department of Transportation under the Oil Spill Liability Trust Fund and reimbursable funding from other federal agencies.



#### **d. Miscellaneous Contributed Funds Trust Fund:**

The Miscellaneous Contributed Funds Trust Fund authorized in the Federal Water Pollution Control Act (Clean Water Act) as amended P.L. 92-500 (The Federal Water Pollution Control Act Amendments of 1972), Treasury fund group 8741, includes gifts for pollution control programs that are usually designated for a specific use by donors and/or deposits from pesticide registrants to cover the costs of petition hearings when such hearings result in unfavorable decisions to the petitioner.

## C. BUDGETS AND BUDGETARY ACCOUNTING

### General Funds

Congress adopts an annual appropriation for STAG, B&F, and for Payments to the Hazardous Substance Superfund to be available until expended, as well as annual appropriations for S&T, EPM and for the OIG to be available for 2 fiscal years. When the appropriations for the General Funds are enacted, Treasury issues a warrant to the respective appropriations. As the Agency disburses obligated amounts, the balance of funds available to the appropriation is reduced at Treasury.

The Asbestos Loan Program is a commercial activity financed from a combination of two sources, one for the long term costs of the loans and another for the remaining non-subsidized portion of the loans. Congress adopted a 1 year appropriation, available for obligation in the fiscal year for which it was appropriated, to cover the estimated long term cost of the Asbestos loans. The long term costs are defined as the net present value of the estimated cash flows associated with the loans. The portion of each loan disbursement that did not represent long term cost is financed under permanent indefinite borrowing authority established with the Treasury. A permanent indefinite appropriation is available to finance the costs of subsidy re-estimates that occur after the year in which the loan was disbursed.

Funds transferred from other federal agencies are funded by a nonexpenditure transfer of funds from the other federal agencies. As the Agency disburses the obligated amounts, the balance of funding available to the appropriation is reduced at Treasury.

Clearing accounts and receipt accounts receive no appropriated funds. Amounts are recorded to the clearing accounts pending further disposition. Amounts recorded to the receipt accounts capture amounts collected for or payable to the Treasury General Fund.

### Revolving Funds

Funding of the FIFRA and Pesticide Registration Funds is provided by fees collected from industry to offset costs incurred by the Agency in carrying out these programs. Each year the Agency submits an apportionment request to OMB based on the anticipated collections of industry fees.

Funding of the WCF is provided by fees collected from other Agency appropriations and other federal agencies to offset costs incurred for providing Agency administrative support for computer and telecommunication services, financial system services, and postage.

### Special Funds

The Environmental Services Receipt Account obtains fees associated with environmental programs that will be appropriated to the S&T and EPM appropriations.

Exxon Valdez uses funding collected from reimbursement from the Exxon Valdez settlement.

### Deposit Funds

Deposit accounts receive no appropriated funds. Amounts are recorded to the deposit accounts pending further disposition.

### Trust Funds

Congress adopts an annual appropriation amount for the Superfund, LUST and the Oil Spill Response Trust Funds to remain available until expended. A transfer account for the Superfund and LUST Trust Fund has been established for purposes of carrying out the program activities. As the Agency disburses obligated amounts from the transfer account, the Agency draws down monies from the Superfund and LUST Trust Fund at Treasury to cover the amounts being disbursed. The Agency draws down all the appropriated monies from the Treasury's Oil Spill Liability Trust Fund to the Oil Spill Response Trust Fund when Congress adopts the appropriation amount.

## D. BASIS OF ACCOUNTING

Transactions are recorded on an accrual accounting basis and on a budgetary basis (where budgets are issued). Under the accrual method, revenues are recognized when earned and expenses are recognized when a liability is incurred, without regard to receipt or payment of cash. Budgetary accounting facilitates compliance with legal constraints and controls over the use of federal funds. Material inter-fund balances and transactions are eliminated.



## E. REVENUES AND OTHER FINANCING SOURCES.

The following EPA policies and procedures to account for inflow of revenue and other financing sources are in accordance with Statement of Federal Financial Accounting Standards (SFFAS) No. 7, "Accounting for Revenues and Other Financing Sources."

The Superfund program receives most of its funding through appropriations that may be used, within specific statutory limits, for operating and capital expenditures (primarily equipment). Additional financing for the Superfund program is obtained through: reimbursements from other federal agencies, state cost share payments under Superfund State Contracts (SSCs), and settlement proceeds from Potentially Responsible Parties (PRPs),



under CERCLA Section 122(b)(3), placed in special accounts. The Agency establishes a special account when, at the time of the settlement agreement, there is potential “future work” at the site. Future work occurs when CERCLA response actions remain to be performed or costs remain to be incurred at the site. If no future work remains, funds should be deposited into the Trust Fund and made available for future appropriation.

The majority of all other funds receive funding needed to support programs through appropriations, which may be used, within statutory limits, for operating and capital expenditures. However, under Credit Reform provisions, the Asbestos Loan Program received funding to support the subsidy cost of loans through appropriations which may be used with statutory limits. The Asbestos Direct Loan Financing fund, an off-budget fund, receives additional funding to support the outstanding loans through collections from the Program fund for the subsidized portion of the loan. The last year Congress provided appropriations to make new loans was 1993.

The FIFRA and Pesticide Registration funds receive funding through fees collected for services provided and interest on invested funds. The WCF receives revenue through fees collected for services provided to Agency program offices. Such revenue is eliminated with related Agency program expenses upon consolidation of the Agency’s financial statements. The Exxon Valdez Settlement Fund receives funding through reimbursements.

Appropriated funds are recognized as Other Financing Sources expended when goods and services have been rendered without regard to payment of cash. Other revenues are recognized when earned, i.e., when services have been rendered.

## F. FUNDS WITH THE TREASURY

The Agency does not maintain cash in commercial bank accounts. Cash

receipts and disbursements are handled by Treasury. The major funds maintained with Treasury are Appropriated Funds, Revolving Funds, Trust Funds, Special Funds, Deposit Funds, and Clearing Accounts. These funds have balances available to pay current liabilities and finance authorized obligations, as applicable.

## G. INVESTMENTS IN U.S. GOVERNMENT SECURITIES

Investments in U.S. Government securities are maintained by Treasury and are reported at amortized cost net of unamortized discounts. Discounts are amortized over the term of the investments and reported as interest income. No provision is made for unrealized gains or losses on these securities because, in the majority of cases, they are held to maturity (see Note 4).

## H. NOTES RECEIVABLE

The Agency records notes receivable at their face value and any accrued interest as of the date of receipt.

## I. MARKETABLE SECURITIES

The Agency records marketable securities at cost as of the date of receipt. Marketable securities are held by Treasury and reported at their cost value in the financial statements until sold (see Note 4).

## J. ACCOUNTS RECEIVABLE AND INTEREST RECEIVABLE

The majority of receivables for non-Superfund funds represent penalties and interest receivable for general fund receipt accounts, unbilled intragovernmental reimbursements receivable, allocations receivable from Superfund (eliminated in consolidated totals), and refunds receivable for the STAG appropriation.

Superfund accounts receivable represent recovery of costs from PRPs as provided under CERCLA as amended

by SARA. However, cost recovery expenditures are expensed when incurred since there is no assurance that these funds will be recovered (see Note 5).

The Agency records accounts receivable from PRPs for Superfund site response costs when a consent decree, judgment, administrative order, or settlement is entered. These agreements are generally negotiated after site response costs have been incurred. It is the Agency’s position that until a consent decree or other form of settlement is obtained, the amount recoverable should not be recorded.

The Agency also records accounts receivable from states for a percentage of Superfund site remedial action costs incurred by the Agency within those states. As agreed to under SSCs, cost sharing arrangements may vary according to whether a site was privately or publicly operated at the time of hazardous substance disposal and whether the Agency response action was removal or remedial. SSC agreements are usually for 10 percent or 50 percent of site remedial action costs. States may pay the full amount of their share in advance, or incrementally throughout the remedial action process. Allowances for uncollectible state cost share receivables have not





been recorded, because the Agency has not had collection problems with these agreements.

#### Change in Accounting Principle for Delinquent Debt

In FY 2006, based on Treasury's guidance, "Managing Federal Receivables," Chapter 7, "Termination of Collection Action, Write-off and Close-out/ Cancellation of Indebtedness," (issued May 2005), EPA implemented OMB Circular A-129, "Policies for Federal Credit Programs and Non-Tax Receivables." This Circular prescribes policies and procedures for justifying, designing, and managing Federal credit programs and for collecting non-tax receivables. OMB Circular A-129 requires write-off of delinquent debt older than two years. In the event debts meeting this criteria are not written off, documentation and justification must be provided to OMB in consultation with Treasury. Once written-off, the agency must either classify the debt as currently not collectible (CNC) or close-out the debt.

During FY 2006, the agency wrote-off and reclassified to CNC \$704.2 million of non federal receivables older than two years. Of this amount, approximately \$653.6 million are Superfund related receivables. This is a significant accounting change from FY 2005 when such amounts were reported as receivables and included in the allowance for doubtful accounts. The net book value of the receivables written-off and reclassified to CNC was \$20 million.

EPA, through its own actions or in coordination with the Departments of Treasury and Justice, continues to pursue collection of the CNC debts. When it is determined that no additional collection efforts will be made, the debt will be removed from CNC and closed-out.

### K. ADVANCES AND PREPAYMENTS

Advances and prepayments represent funds advanced or prepaid to other entities both internal and external to the Agency for which a budgetary expenditure has not yet occurred.

### L. LOANS RECEIVABLE

Loans are accounted for as receivables after funds have been disbursed. Loans receivable resulting from obligations on or before September 30, 1991, are reduced by the allowance for uncollectible loans. Loans receivable resulting from loans obligated on or after October 1, 1991, are reduced by an allowance equal to the present value of the subsidy costs associated with these loans. The subsidy cost is calculated based on the interest rate differential between the loans and Treasury borrowing, the estimated delinquencies and defaults net of recoveries offset by fees collected and other estimated cash flows associated with these loans.

### M. APPROPRIATED AMOUNTS HELD BY TREASURY

For the Superfund and LUST Trust Funds and for amounts appropriated from the Superfund Trust Fund to the OIG, cash available to the Agency that is not needed immediately for current disbursements remains in the respective Trust Funds managed by Treasury.

### N. PROPERTY, PLANT, AND EQUIPMENT

EPA accounts for its personal and real property accounting records in accordance with SFFAS No. 6, "Accounting for Property, Plant and Equipment." For EPA-held property, the Fixed Assets Subsystem (FAS) automatically generates depreciation entries monthly based on acquisition dates.

A purchase of EPA-held or contractor-held personal property is capitalized if it is valued at \$25 thousand or more and has an estimated useful life of at least 2 years. Prior to implementing FAS, depreciation was taken on a modified straight-line basis over a period of 6 years depreciating 10 percent the first and sixth year, and 20 percent in years 2 through 5. This modified straight-line method is still used for contractor-held property; detailed records are maintained and accounted for in contractor systems, not in FAS. All EPA-held personal property purchased before the implementation of FAS was assumed to have an estimated useful life of 5 years. New acquisitions of EPA-held personal property are depreciated using the straight-line method over the specific asset's useful life, ranging from 2 to 15 years.

Superfund contractor-held property used as part of the remedy for site-specific response actions is capitalized in accordance with the Agency's capitalization threshold. This property is part of the remedy at the site and eventually becomes part of the site itself. Once the response action has been completed and the remedy implemented, EPA will retain control of the property, e.g., pump and treat facility, for 10 years or less, and will transfer its interest in the facility to the respective state for mandatory operation and maintenance—usually 20 years or more. Consistent with EPA's 10 year retention period, depreciation for this property will be based on a 10 year life. However, if any property is transferred to a state in a year or less, this property will be charged to expense. If any property is sold prior to EPA relin-

quishing interest, the proceeds from the sale of that property shall be applied against contract payments or refunded as required by the Federal Acquisition Regulations.

Real property consists of land, buildings, and capital and leasehold improvements. Real property, other than land, is capitalized when the value is \$85 thousand or more. Land is capitalized regardless of cost. Buildings were valued at an estimated original cost basis, and land was valued at fair market value if purchased prior to FY 1997. Real property purchased during and after FY 1997 is valued at actual cost. Depreciation for real property is calculated using the straight-line method over the specific asset's useful life, ranging from 10 to 102 years. Leasehold improvements are amortized over the lesser of their useful life or the unexpired lease term. Additions to property and improvements not meeting the capitalization criteria, expenditures for minor alterations, and repairs and maintenance are expensed as incurred.

Software for Working Capital Fund, a revenue generating activity, is capitalized if the purchase price was \$100 thousand or more with an estimated useful life of 2 years or more. All other funds capitalize software whose acquisition value is \$500 thousand or more in accordance with the provisions of SFFAS No. 10, "Accounting for Internal Use Software." Software is depreciated using the straight-line method over the specific asset's useful life ranging from 2 to 10 years.

## O. LIABILITIES

Liabilities represent the amount of monies or other resources that are likely to be paid by the Agency as the result of a transaction or event that has already occurred. However, no liability can be paid by the Agency without an appropriation or other collections. Liabilities for which an appropriation has not been enacted are classified as unfunded liabilities and

there is no certainty that the appropriations will be enacted. Liabilities of the Agency arising from other than contracts can be abrogated by the Government acting in its sovereign capacity.

## P. BORROWING PAYABLE TO THE TREASURY

Borrowing payable to Treasury results from loans from Treasury to fund the Asbestos direct loans described in part B and C of this note. Periodic principal payments are made to Treasury based on the collections of loans receivable.

## Q. INTEREST PAYABLE TO TREASURY

The Asbestos Loan Program makes periodic interest payments to Treasury based on its debt to Treasury. At the end of FY 2006 and FY 2005, there was no outstanding interest payable to Treasury since payment was made through September 30.

## R. ACCRUED UNFUNDED ANNUAL LEAVE

Annual, sick and other leave is expensed as taken during the fiscal year. Sick leave earned but not taken as of the end of the fiscal year, is not accrued as a liability. Annual leave earned but not taken as of the end of the fiscal year is accrued as an unfunded liability. Accrued unfunded annual leave is included in the Statement of Financial Position as a component of "Payroll and Benefits Payable."

## S. RETIREMENT PLAN

There are two primary retirement systems for federal employees. Employees hired prior to January 1, 1987, may participate in the Civil Service Retirement System (CSRS). On January 1, 1984, the Federal Employees Retirement System (FERS) went into effect pursuant to Public Law 99-335. Most employees hired after December

31, 1983, are automatically covered by FERS and Social Security. Employees hired prior to January 1, 1984, elected to either join FERS and Social Security or remain in CSRS. A primary feature of FERS is that it offers a savings plan to which the Agency automatically contributes one percent of pay and matches any employee contributions up to an additional four percent of pay. The Agency also contributes the employer's matching share for Social Security.

With the issuance of SFFAS No. 5, "Accounting for Liabilities of the Federal Government," accounting and reporting standards were established for liabilities relating to the federal employee benefit programs (Retirement, Health Benefits and Life Insurance). SFFAS No. 5 requires that the employing agencies recognize the cost of pensions and other retirement benefits during their employees' active years of service. SFFAS No. 5 requires that the Office of Personnel Management (OPM), as administrator of the Civil Service Retirement and Federal Employees Retirement Systems, the Federal Employees Health Benefits Program, and the Federal Employees Group Life Insurance Program, provide federal agencies with the actuarial cost factors to compute the liability for each program.

## T. PRIOR PERIOD ADJUSTMENTS

Prior period adjustments will be made in accordance with SFFAS No. 21, "Reporting Corrections of Errors and Changes in Accounting Principles." Specifically, prior period adjustments will only be made for material prior period errors to: (1) the current period financial statements, and (2) the prior period financial statements presented for comparison. Adjustments related to changes in accounting principles will only be made to the current period financial statements, but not to prior period financial statements presented for comparison.

## Note 2. Fund Balance with Treasury (FBWT)

Fund Balances with Treasury as of September 30, 2006 and 2005, consist of the following:

	FY 2006			FY 2005		
	Entity Assets	Non-Entity Assets	Total	Entity Assets	Non-Entity Assets	Total
<b>Trust Funds:</b>						
Superfund	\$ 35,086	\$ -	\$ 35,086	\$ 213,797	\$ -	\$ 213,797
LUST	25,497	-	25,497	17,613	-	17,613
Oil Spill & Misc.	6,789	-	6,789	9,169	-	9,169
<b>Revolving Funds:</b>						
FIFRA/Tolerance	8,074	-	8,074	7,970	-	7,970
Working Capital	77,635	-	77,635	69,401	-	69,401
Cr. Reform Finan.	400	-	400	489	-	489
<b>Appropriated</b>	10,820,079	-	10,820,079	11,655,287	-	11,655,287
<b>Other Fund Types</b>	182,303	17,580	199,883	157,303	8,178	165,481
<b>Total</b>	<u>\$ 11,155,863</u>	<u>\$ 17,580</u>	<u>\$ 11,173,443</u>	<u>\$ 12,131,029</u>	<u>\$ 8,178</u>	<u>\$ 12,139,207</u>

Entity fund balances, except for special fund receipt accounts, are available to pay current liabilities and to finance authorized purchase commitments (see Status of Fund Balances below). Entity Assets for Other Fund Types consist of special purpose funds and special fund receipt accounts, such as the Pesticide Registration funds and the Environmental Services receipt account. The Non-Entity Assets for Other Fund Types consist of clearing accounts and deposit funds, which are either awaiting documentation for the determination of proper disposition or being held by EPA for other entities.

Status of Fund Balances:	FY 2006	FY 2005
Unobligated Amounts in Fund Balances:		
Available for Obligation	\$ 3,156,100	\$ 3,018,690
Unavailable for Obligation	90,987	88,066
Net Receivables from Invested Balances	(2,515,007)	(2,278,343)
Balances in Treasury Trust Fund (Note 18)	12,505	19,965
Obligated Balance not yet Disbursed	10,244,089	11,136,112
Non-Budgetary FBWT	184,769	154,717
<b>Totals</b>	<u>\$ 11,173,443</u>	<u>\$ 12,139,207</u>

The funds available for obligation may be apportioned by the OMB for new obligations at the beginning of the following fiscal year. Funds unavailable for obligation are mostly balances in expired funds, which are available only for adjustments of existing obligations. For FY 2006 and FY 2005 no differences existed between Treasury's accounts and EPA's statements for fund balances with Treasury.

## Note 3. Cash and Other Monetary Assets

For September 30, 2006 and September 30, 2005, cash consists of an imprest fund of \$10 thousand.

## Note 4. Investments

For September 30, 2006 and September 30, 2005 investments consist of the following:

Intragovernmental Securities:		Cost	Unamortized (Premium) Discount	Interest Receivable	Investments, Net	Market Value
Non-Marketable	FY 2006	\$ 5,305,992	\$ (21,752)	\$ 38,520	\$ 5,366,264	\$ 5,366,264
Non-Marketable	FY 2005	\$ 4,762,154	\$ (16,261)	\$ 32,650	\$ 4,811,065	\$ 4,811,065

CERCLA, as amended by SARA, authorizes EPA to recover monies to clean up Superfund sites from responsible parties (RP). Some RPs file for bankruptcy under Title 11 of the U.S. Code. In bankruptcy settlements, EPA is an unsecured creditor and is entitled to receive a percentage of the assets remaining after secured creditors have been satisfied. Some RPs satisfy their debts by issuing securities of the reorganized company. The Agency does not intend to exercise ownership rights to these securities, and instead will convert them to cash as soon as practicable. (See Note 6.) All investments in Treasury securities are earmarked funds.

## Note 5. Accounts Receivable

The Accounts Receivable for September 30, 2006 and September 30, 2005, consist of the following:

	FY 2006	FY 2005
<b>Intragovernmental Assets:</b>		
Accounts & Interest Receivable	\$ <u>127,727</u>	\$ <u>66,060</u>
<b>Non-Federal Assets:</b>		
Unbilled Accounts Receivable	\$ 116,060	\$ 89,818
Accounts & Interest Receivable	364,517	1,092,376
Less: Allowance for Uncollectibles	<u>(236,753)</u>	<u>(807,526)</u>
<b>Total</b>	\$ <u>243,824</u>	\$ <u>374,668</u>

The Allowance for Uncollectible Accounts is determined both on a specific identification basis, as a result of a case-by-case review of receivables, and on a percentage basis for receivables not specifically identified.

As of September 30, 2006, EPA reclassified \$704 million in non-federal and \$21 million in federal receivables as Currently Not Collectible (CNC).

## Note 6. Other Assets

Other Assets for September 30, 2006 and 2005, consist of the following:

	FY 2006	FY 2005
<b>Intragovernmental Assets:</b>		
Advances to Federal Agencies	\$ 58,847	\$ 1,102
Advances to WCF	-	827
Advances for Postage	296	406
<b>Total Intragovernmental Assets</b>	<b>\$ 59,143</b>	<b>\$ 2,335</b>
<b>Non-Federal Assets:</b>		
Travel Advances	\$ 154	\$ (898)
Letter of Credit Advances	9	9
Grant Advances	118	1,710
Other Advances	3,249	946
Operating Materials and Supplies	183	183
Inventory for Sale	565	204
Securities Received in Settlement of Debt	-	635
<b>Total Non-Federal Assets</b>	<b>\$ 4,278</b>	<b>\$ 2,789</b>

## Note 7. Loans Receivable, Net—Non-Federal

Asbestos Loan Program loans disbursed from obligations made prior to FY 1992 are net of allowances for estimated uncollectible loans, if an allowance was considered necessary. Loans disbursed from obligations made after FY 1991 are governed by the Federal Credit Reform Act, which mandates that the present value of the subsidy costs (i.e., interest rate differentials, interest subsidies, anticipated delinquencies, and defaults) associated with direct loans be recognized as an expense in the year the loan is made. The net loan present value is the gross loan receivable less the subsidy present value. The amounts as of September 30, 2006 and 2005, are as follows:

	FY 2006			FY 2005		
	Loans Receivable, Gross	Allowance*	Value of Assets Related to Direct Loans	Loans Receivable, Gross	Allowance*	Value of Assets Related to Direct Loans
Direct Loans Obligated Prior to FY 1992	\$ 12,327	\$ -	\$ 12,327	\$ 18,118	\$ -	\$ 18,118
Direct Loans Obligated After FY 1991	22,391	(3,882)	18,509	26,427	(5,198)	21,229
<b>Total</b>	<b>\$ 34,718</b>	<b>\$ (3,882)</b>	<b>\$ 30,836</b>	<b>\$ 44,545</b>	<b>\$ (5,198)</b>	<b>\$ 39,347</b>

\* Allowance for Pre-Credit Reform loans (prior to FY 1992) is the Allowance for Estimated Uncollectible Loans, and the Allowance for Post Credit Reform Loans (after FY 1991) is the Allowance for Subsidy Cost (present value).

Subsidy Expenses for Credit Reform Loans (reported on a cash basis):

	Interest Rate Re-estimate	Technical Re-estimate	Total
Upward Subsidy Reestimate—FY 2006	\$ 32	\$ 26	\$ 58
<b>FY 2006 Totals</b>	<b>\$ <u>32</u></b>	<b>\$ <u>26</u></b>	<b>\$ <u>58</u></b>
Downward Subsidy Reestimate—FY 2005	\$ (233)	\$ (203)	\$ (436)
Upward Subsidy Reestimate—FY 2005	129	128	257
<b>FY 2005 Totals</b>	<b>\$ <u>(104)</u></b>	<b>\$ <u>(75)</u></b>	<b>\$ <u>(179)</u></b>

## Note 8. Accounts Payable and Accrued Liabilities

The Accounts Payable and Accrued Liabilities are current liabilities and consist of the following amounts as of September 30, 2006 and 2005.

	FY 2006	FY 2005
<b>Intragovernmental:</b>		
Accounts Payable to other Federal Agencies	\$ 923	\$ 774
Liability for Allocation Transfers	20,580	19,878
Accrued Liabilities, Federal	<u>86,022</u>	<u>99,184</u>
<b>Total Intragovernmental</b>	<b>\$ <u>107,525</u></b>	<b>\$ <u>119,836</u></b>
<b>Non-Federal:</b>		
Accounts Payable, Non-Federal	\$ 106,156	\$ 105,027
Advances Payable, Non-Federal	16	24
Interest Payable	7	7
Grant Liabilities	414,112	449,206
Other Accrued Liabilities, Non-Federal	<u>205,376</u>	<u>176,014</u>
<b>Total Non-Federal</b>	<b>\$ <u>725,667</u></b>	<b>\$ <u>730,278</u></b>

## Note 9. Property, Plant and Equipment (PP&E)

Plant, property and equipment consist of software; real, EPA-Held and Contractor-Held personal, and capital lease property. As of September 30, 2006 and 2005, Plant, Property and Equipment consist of the following:

	FY 2006			FY 2005		
	Acquisition Value	Accumulated Depreciation	Net Book Value	Acquisition Value	Accumulated Depreciation	Net Book Value
EPA-Held Equipment	\$ 207,328	\$ (116,228)	\$ 91,100	\$ 194,410	\$ (109,683)	\$ 84,727
Software	198,961	(37,871)	161,090	146,132	(19,777)	126,355
Contractor Held Equip.	64,757	(25,001)	39,756	56,746	(22,706)	34,040
Land and Buildings	573,887	(132,168)	441,719	558,689	(122,012)	436,677
Capital Leases	<u>49,844</u>	<u>(26,715)</u>	<u>23,129</u>	<u>50,111</u>	<u>(23,194)</u>	<u>26,917</u>
<b>Total</b>	<b>\$ <u>1,094,777</u></b>	<b>\$ <u>(337,983)</u></b>	<b>\$ <u>756,794</u></b>	<b>\$ <u>1,006,088</u></b>	<b>\$ <u>(297,372)</u></b>	<b>\$ <u>708,716</u></b>

## Note 10. Debt Due to Treasury

The debt due to Treasury consists of the following as of September 30, 2006 and 2005:

All Others Funds	FY 2006			FY 2005		
	Beginning Balance	Net Borrowing	Ending Balance	Beginning Balance	Net Borrowing	Ending Balance
<b>Intragovernmental:</b>						
Debt to Treasury	\$ <u>21,744</u>	\$ <u>(2,848)</u>	\$ <u>18,896</u>	\$ <u>24,101</u>	\$ <u>(2,357)</u>	\$ <u>21,744</u>

## Note: 11 Stewardship PP & E

The Agency acquires title to certain land and land rights under the authorities provided in Section 104 (j) CERCLA related to remedial clean-up sites. The land rights are in the form of easements to allow access to clean-up sites or to restrict usage of remediated sites. In some instances, the Agency takes title to the land during remediation and returns it to private ownership upon the completion of clean-up. A site with "land acquired" may have more than one acquisition property. Sites are not counted as a withdrawal until all acquired properties have been transferred. **For additional information on Stewardship PP & E (Land) see Required Supplementary Information Section.**

## Note 12. Custodial Liability

Custodial Liability represents the amount of net accounts receivable that, when collected, will be deposited to the Treasury General Fund. Included in the custodial liability are amounts for fines and penalties, interest assessments, repayments of loans, and miscellaneous other accounts receivable.



## Note 13. Other Liabilities

Other Liabilities consist of the following as of September 30, 2006:

	Covered by Budgetary Resources	Not Covered by Budgetary Resources	Total
<b>Other Liabilities—Intragovernmental</b>			
<b>Current</b>			
Employer Contributions & Payroll Taxes	\$ 13,203	\$ -	\$ 13,203
WCF Advances	11,730	-	11,730
Other Advances	8,786	-	8,786
Advances, HRSTF Cashout	38,684	-	38,684
Deferred HRSTF Cashout	53	-	53
Liability for Deposit Funds	(44)	-	(44)
Resources Payable to Treasury	29	-	29
<b>Non-Current</b>			
Unfunded FECA Liability	-	8,493	8,493
Payable to Treasury Judgment Fund	-	22,000	22,000
<b>Total Intragovernmental</b>	<b>\$ 72,441</b>	<b>\$ 30,493</b>	<b>\$ 102,934</b>
<b>Other Liabilities—Non-Federal</b>			
<b>Current</b>			
Unearned Advances, Non-Federal	\$ 78,123	\$ -	\$ 78,123
Liability for Deposit Funds, Non-Federal	17,477	-	17,477
<b>Non-Current</b>			
Other Liabilities	-	280	280
Capital Lease Liability	-	35,442	35,442
<b>Total Non-Federal</b>	<b>\$ 95,600</b>	<b>\$ 35,722</b>	<b>\$ 131,322</b>

Other Liabilities consist of the following as of September 30, 2005:

	Covered by Budgetary Resources	Not Covered by Budgetary Resources	Total
<b>Other Liabilities—Intragovernmental</b>			
<b>Current</b>			
Employer Contributions & Payroll Taxes	\$ 12,731	\$ -	\$ 12,731
WCF Advances	17,392	-	17,392
Other Advances	4,737	-	4,737
Advances, HRSTF Cashout	41,207	-	41,207
Deferred HRSTF Cashout	60	-	60
Liability for Deposit Funds	(82)	-	(82)
Resources Payable to Treasury	1	-	1
<b>Non-Current</b>			
Unfunded FECA Liability	-	8,484	8,484
Payable to Treasury Judgment Fund	-	22,000	22,000
<b>Total Intragovernmental</b>	<b>\$ 76,046</b>	<b>\$ 30,484</b>	<b>\$ 106,530</b>
<b>Other Liabilities—Non-Federal</b>			
<b>Current</b>			
Unearned Advances, Non-Federal	\$ 59,388	\$ -	\$ 59,388
Liability for Deposit Funds, Non-Federal	(70)	-	(70)
<b>Non-Current</b>			
Other Liabilities	-	30	30
Capital Lease Liability	-	38,716	38,716
<b>Total Non-Federal</b>	<b>\$ 59,318</b>	<b>\$ 38,746</b>	<b>\$ 98,064</b>

## Note 14. Leases

### Capital Leases:

The Capital Leases:

Summary of Assets Under Capital Lease:	FY 2006	FY 2005
Real Property	\$ 40,913	\$ 40,913
Personal Property	2,494	2,761
Software License	6,437	6,437
<b>Total</b>	<b>\$ 49,844</b>	<b>\$ 50,111</b>
Accumulated Amortization	\$ 26,715	\$ 23,194

EPA has three capital leases for land and buildings housing scientific laboratories and/or computer facilities. All of these leases include a base rental charge and escalator clauses based upon either rising operating costs and/or real estate taxes. The base operating costs are adjusted annually according to escalators in the Consumer Price Indices published by the Bureau of Labor Statistics, U.S. Department of Labor. The real property leases terminate in FYs 2010, 2013, and 2025. EPA also has capital leases terminating in FY 2007 for seven shuttle buses. However, during FY 2006, three of the seven shuttle buses were no longer needed and disposed of in the Fixed Asset System and General Ledger. These leases are expended out of the EPM appropriation.

EPA has two capital leases expended out of the Working Capital Fund — the capital leases are for an IBM Supercomputer and MicroSoft Office software. These leases terminate in 2006 and 2009, respectively.

During FY 2005, EPA entered into a capital lease for a Storage Area Network. The lease terminates in FY 2007 and payments are expended from the EPM appropriation. The total future minimum capital lease payments are listed below.

Future Payments Due:	Capital Leases
<b>Fiscal Year</b>	
2007	\$ 8,275
2008	7,866
2009	6,295
2010	6,101
2011	5,714
After 5 Years	<u>59,198</u>
<b>Total Future Minimum Lease Payments</b>	\$ 93,449
Less: Imputed Interest	<u>(58,007)</u>
<b>Net Capital Lease Liability</b>	<b>\$ <u>35,442</u></b>
<b>Liabilities not Covered by Budgetary Resources (See Note 13)</b>	<b>\$ <u>35,442</u></b>

### *Operating Leases:*

The GSA provides leased real property (land and buildings) as office space for EPA employees. GSA charges a Standard Level User Charge that approximates the commercial rental rates for similar properties.

EPA has three direct operating leases for land and buildings housing scientific laboratories and/or computer facilities. Most of these leases include a base rental charge and escalator clauses based upon either rising operating costs and/or real estate taxes. The base operating costs are adjusted annually according to escalators in the Consumer Price Indices published by the Bureau of Labor Statistics. Two of these leases expire in FYs 2017 and 2020. A third lease, originally expired in FY 2001, was extended until FY 2007. These charges are expended from the EPM appropriation. The total minimum future operating lease costs are listed below.

Fiscal Year	Operating Leases, Land & Buildings
2007	\$ 81
2008	74
2009	74
2010	74
2011	74
Beyond 2011	<u>550</u>
<b>Payments</b>	<b>\$ <u>927</u></b>

## Note 15. Pensions and Other Actuarial Liabilities

The Federal Employees' Compensation Act (FECA) provides income and medical cost protection to covered federal civilian employees injured on the job, employees who have incurred a work-related occupational disease, and beneficiaries of employees whose death is attributable to a job-related injury or occupational disease. Annually, EPA is allocated the portion of the long term FECA actuarial liability attributable to the entity. The liability is calculated to estimate the expected liability for death, disability, medical and miscellaneous costs for approved compensation cases. The liability amounts and the calculation methodologies are provided by the Department of Labor.

The FECA Actuarial Liability at September 30, 2006 and 2005, consists of the following:

	FY 2006	FY 2005
<b>FECA Actuarial Liability</b>	<b>\$ 39,408</b>	<b>\$ 39,380</b>

The FY 2006 present value of these estimated outflows are calculated using a discount rate of 5.17 percent in the first year, and 5.313 percent in the years thereafter. The estimated future costs are recorded as an unfunded liability.

## Note 16. Cashout Advances, Superfund

Cashouts are funds received by EPA, a state, or another PRP under the terms of a settlement agreement (e.g., consent decree) to finance response action costs at a specified Superfund site. Under CERCLA Section 122(b)(3), cashout funds received by EPA are placed in site-specific, interest bearing accounts known as special accounts and are used for potential future work at such sites in accordance with the terms of the settlement agreement. Funds placed in special accounts may be disbursed to potentially responsible parties, to States that take responsibility for the site, or to other Federal agencies to conduct or finance response actions in lieu of EPA without further appropriation by Congress.

## Note 17. Unexpended Appropriations—Other Funds

As of September 30, 2006 and 2005, the Unexpended Appropriations consist of the following:

Unexpended Appropriations:	FY 2006	FY 2005
Unobligated		
Available	\$ 1,724,552	\$ 1,887,884
Unavailable	51,852	40,328
Undelivered Orders	<u>8,523,236</u>	<u>9,079,377</u>
<b>Total</b>	<b>\$ <u>10,299,640</u></b>	<b>\$ <u>11,007,589</u></b>

## Note 18. Amounts Held by Treasury

Amounts Held by Treasury for Future Appropriations consist of amounts held in trusteeship by Treasury in the Superfund and LUST Trust Funds.

### Superfund (Unaudited)

Superfund is supported primarily by general revenues, cost recoveries of funds spent to clean up hazardous waste sites, interest income, and fines and penalties.

The following reflects the Superfund Trust Fund maintained by Treasury as of September 30, 2006 and 2005. The amounts contained in these notes have been provided by Treasury. As indicated, a portion of the outlays represents amounts received by EPA's Superfund Trust Fund; such funds are eliminated on consolidation with the Superfund Trust Fund maintained by Treasury.

SUPERFUND FY 2006			
	EPA	Treasury	Combined
<b>Undistributed Balances</b>			
Uninvested Fund Balance	\$ -	\$ 775	\$ 775
Total Undisbursed Balance	-	775	775
Interest Receivable	-	7,985	7,985
Investments, Net	2,446,467	173,069	2,619,536
<b>Total Assets</b>	<b>\$ 2,446,467</b>	<b>\$ 181,829</b>	<b>\$ 2,628,296</b>
<b>Liabilities &amp; Equity</b>			
Receipts and Outlays	-	82,274	82,274
Equity	\$ 2,446,467	\$ 99,555	\$ 2,546,022
<b>Total Liabilities and Equity</b>	<b>\$ 2,446,467</b>	<b>\$ 181,829</b>	<b>\$ 2,628,296</b>
<b>Receipts</b>			
Corporate Environmental	\$ -	\$ 1,144	\$ 1,144
Cost Recoveries	-	59,661	59,661
Fines & Penalties	-	2,467	2,467
Total Revenue	-	63,272	63,272
Appropriations Received	-	1,189,826	1,189,826
Interest Income	-	108,807	108,807
<b>Total Receipts</b>	<b>\$ -</b>	<b>\$ 1,361,905</b>	<b>\$ 1,361,905</b>
<b>Outlays</b>			
Transfers to/from EPA, Net	\$ 1,280,333	\$ (1,280,333)	-
Transfers from CDC (recovery)	-	702	702
Total Outlays	1,280,333	(1,279,631)	702
<b>Net Income</b>	<b>\$ 1,280,333</b>	<b>\$ 82,274</b>	<b>\$ 1,362,607</b>

In FY 2006, the EPA received an appropriation for Superfund of \$1,207.6 million. Treasury's Bureau of Public Debt (BPD), the manager of the Superfund Trust Fund assets, records a liability to EPA for the amount of the appropriation. BPD does this to indicate those trust fund assets that have been assigned for use and, therefore, are not available for appropriation. As of September 30, 2006 and 2005, the Treasury Trust has a liability to EPA for previously appropriated funds of \$2,446.5 million and \$2,204.9 million, respectively.

## SUPERFUND FY 2005

	EPA	Treasury	Combined
<b>Undistributed Balances</b>			
Uninvested Fund Balance	\$ _____ -	\$ _____ 7,212	\$ _____ 7,212
Total Undisbursed Balance	-	7,212	7,212
Interest Receivable	-	4,180	4,180
Investments, Net	<u>2,204,850</u>	<u>88,163</u>	<u>2,293,013</u>
<b>Total Assets</b>	<b>\$ <u>2,204,850</u></b>	<b>\$ <u>99,555</u></b>	<b>\$ <u>2,304,405</u></b>
<b>Liabilities &amp; Equity</b>			
Equity	\$ <u>2,204,850</u>	\$ <u>99,555</u>	\$ <u>2,304,405</u>
<b>Total Liabilities and Equity</b>	<b>\$ <u>2,204,850</u></b>	<b>\$ <u>99,555</u></b>	<b>\$ <u>2,304,405</u></b>
<b>Receipts</b>			
Corporate Environmental	\$ -	\$ 3,663	\$ 3,663
Cost Recoveries	-	62,978	62,978
Fines & Penalties	<u>-</u>	<u>2,428</u>	<u>2,428</u>
Total Revenue	-	69,069	69,069
Appropriations Received	-	1,247,477	1,247,477
Interest Income	<u>-</u>	<u>52,540</u>	<u>52,540</u>
<b>Total Receipts</b>	<b>\$ <u>-</u></b>	<b>\$ <u>1,369,086</u></b>	<b>\$ <u>1,369,086</u></b>
<b>Outlays</b>			
Transfers to/from EPA, Net	\$ 1,261,913	\$ (1,261,913)	\$ -
Total Outlays	<u>1,261,913</u>	<u>(1,261,913)</u>	<u>-</u>
<b>Net Income</b>	<b>\$ <u>1,261,913</u></b>	<b>\$ <u>107,173</u></b>	<b>\$ <u>1,369,086</u></b>

**LUST (Unaudited)**

LUST is supported primarily by a sales tax on motor fuels to clean up LUST waste sites. In FYs 2006 and 2005 there were no fund receipts from cost recoveries. The following represents the LUST Trust Fund as maintained by Treasury. The amounts contained in these notes have been provided by Treasury. Outlays represent appropriations received by EPA's LUST Trust Fund; such funds are eliminated on consolidation with the LUST Trust Fund maintained by Treasury.

<b>LUST FY 2006</b>			
	EPA	Treasury	Combined
<b>Undistributed Balances</b>			
Uninvested Fund Balance	\$ -	\$ 11,750	\$ 11,750
Total Undisbursed Balance	-	11,750	11,750
Interest Receivable	-	30,535	30,535
Investments, Net	<u>88,417</u>	<u>2,619,793</u>	<u>2,708,210</u>
<b>Total Assets</b>	<b>\$ <u>88,417</u></b>	<b>\$ <u>2,662,078</u></b>	<b>\$ <u>2,750,495</u></b>
<b>Liabilities &amp; Equity</b>			
Equity	<u>88,417</u>	<u>2,662,078</u>	<u>2,750,495</u>
<b>Total Liabilities and Equity</b>	<b>\$ <u>88,417</u></b>	<b>\$ <u>2,662,078</u></b>	<b>\$ <u>2,750,495</u></b>
<b>Receipts</b>			
Highway TF Tax	\$ -	\$ 196,371	\$ 196,371
Airport TF Tax	-	2,772	2,772
Inland TF Tax	-	404	404
Transfers from EPA	-	15,000	15,000
Refund Gasoline Tax	-	(1,453)	(1,453)
Refund Diesel Tax	-	(1,434)	(1,434)
Refund Aviation Fuel	-	(409)	(409)
Refund Aviation Tax	-	(24)	(24)
Cost Recoveries	<u>-</u>	<u>-</u>	<u>-</u>
Total Revenue	-	211,227	211,227
Interest Income	<u>-</u>	<u>97,666</u>	<u>97,666</u>
<b>Total Receipts</b>	<b>\$ <u>-</u></b>	<b>\$ <u>308,893</u></b>	<b>\$ <u>308,893</u></b>
<b>Outlays</b>			
Transfers to/from EPA, Net	<u>86,861</u>	<u>(86,861)</u>	<u>-</u>
Total Outlays	<u>86,861</u>	<u>(86,861)</u>	<u>-</u>
<b>Net Income</b>	<b>\$ <u>86,861</u></b>	<b>\$ <u>222,032</u></b>	<b>\$ <u>308,893</u></b>

## LUST FY 2005

	EPA	Treasury	Combined
<b>Undistributed Balances</b>			
Uninvested Fund Balance	\$ _____ -	\$ _____ 12,754	\$ _____ 12,754
Total Undisbursed Balance	-	12,754	12,754
Interest Receivable	-	28,470	28,470
Investments, Net	<u>86,584</u>	<u>2,398,823</u>	<u>2,485,407</u>
<b>Total Assets</b>	<b>\$ <u>86,584</u></b>	<b>\$ <u>2,440,047</u></b>	<b>\$ <u>2,526,631</u></b>
<b>Liabilities &amp; Equity</b>			
Equity	\$ <u>86,584</u>	\$ <u>2,440,047</u>	\$ <u>2,526,631</u>
<b>Total Liabilities and Equity</b>	<b>\$ <u>86,584</u></b>	<b>\$ <u>2,440,047</u></b>	<b>\$ <u>2,526,631</u></b>
<b>Receipts</b>			
Highway TF Tax	\$ -	\$ 182,953	\$ 182,953
Airport TF Tax	-	11,034	11,034
Inland TF Tax	-	456	456
Refund Gasoline Tax	-	(1,760)	(1,760)
Refund Diesel Tax	-	(2,643)	(2,643)
Refund Aviation Fuel	-	(342)	(342)
Refund Aviation Tax	-	(30)	(30)
Cost Recoveries	<u>-</u>	<u>1,455</u>	<u>1,455</u>
Total Revenue	-	191,123	191,123
Interest Income	<u>-</u>	<u>77,666</u>	<u>77,666</u>
<b>Total Receipts</b>	<b>\$ <u>-</u></b>	<b>\$ <u>268,789</u></b>	<b>\$ <u>268,789</u></b>
<b>Outlays</b>			
Transfers to/from EPA, Net	\$ <u>69,440</u>	\$ <u>(69,440)</u>	\$ _____ -
Total Outlays	<u>69,440</u>	<u>(69,440)</u>	<u>-</u>
<b>Net Income</b>	<b>\$ <u>69,440</u></b>	<b>\$ <u>199,349</u></b>	<b>\$ <u>268,789</u></b>



## Note 19. Commitments and Contingencies

EPA may be a party in various administrative proceedings, legal actions and claims brought by or against it. These include:

- Various personnel actions, suits, or claims brought against the Agency by employees and others.
- Various contract and assistance program claims brought against the Agency by vendors, grantees and others.
- The legal recovery of Superfund costs incurred for pollution cleanup of specific sites, to include the collection of fines and penalties from responsible parties.
- Claims against recipients for improperly spent assistance funds which may be settled by a reduction of future EPA funding to the grantee or the provision of additional grantee matching funds.

### ***Superfund:***

Under CERCLA Section 106(a), EPA issues administrative orders that require parties to clean up contaminated sites. CERCLA Section 106(b) allows a party that has complied with such an order to petition EPA for reimbursement from the fund of its reasonable costs of responding to the order, plus interest. To be eligible for reimbursement, the party must demonstrate either that it was not a liable party under CERCLA Section 107(a) for the response action ordered, or that the Agency's selection of the response action was arbitrary and capricious or otherwise not in accordance with law.

As of September 30, 2006, there are currently three CERCLA Section 106(b) administrative claims. If the claimants are successful, the total losses on the claims could amount to approximately \$36.8 million. The Environmental Appeals Board has not yet issued final decisions on any of the administrative claims; therefore, a definite estimate of the amount of the contingent loss cannot be made. The claimants' chance of success overall is characterized as reasonably possible.

### ***All Other Funds:***

As of September 30, 2006, there are no claims which may be considered threatened litigation involving all other appropriated funds of the Agency.

### ***Judgment Fund:***

In cases that are paid by the U.S. Treasury Judgment Fund, the Agency must recognize the full cost of a claim regardless of who is actually paying the claim. Until these claims are settled or a court judgment is assessed and the Judgment Fund is determined to be the appropriate source for the payment, claims that are probable and estimable must be recognized as an expense and liability of the Agency. For these cases, at the time of settlement or judgment, the liability will be reduced and an imputed financing source recognized. See Interpretation of Federal Financial Accounting Standards No. 2, "Accounting for Treasury Judgment Fund Transactions."

As of September 30, 2006, there are no material claims pending in the Treasury Judgment Fund. However, EPA has a \$22 million liability to the Treasury Judgment Fund for a payment made by the Fund to settle a contract dispute claim.

## Note: 20 Earmarked Funds

	Environmental Services	LUST	Superfund	Other Earmarked Funds	Total Earmarked Funds	Earmark Eliminations
<b>Balance Sheet as of September 30, 2006</b>						
ASSETS						
Fund Balance with Treasury	\$ 165,722	\$ 25,497	\$ 35,086	\$ 31,444	\$ 257,749	\$ -
Investments	-	2,738,746	2,627,521	(3)	5,366,264	-
Accounts Receivable, Net	-	-	221,343	2,821	224,164	-
Other Assets	-	176	63,874	1,067	65,117	(8,601)
Total Assets	<u>\$ 165,722</u>	<u>\$ 2,764,419</u>	<u>\$ 2,947,824</u>	<u>\$ 35,329</u>	<u>\$ 5,913,294</u>	<u>\$ (8,601)</u>
Other Liabilities	\$ -	\$ 7,094	\$ 563,759	\$ 31,753	\$ 602,606	\$ (41,931)
Total Liabilities	<u>\$ -</u>	<u>\$ 7,094</u>	<u>\$ 563,759</u>	<u>\$ 31,753</u>	<u>\$ 602,606</u>	<u>\$ (41,931)</u>
Cumulative Results of Operations	\$ 165,722	\$ 2,757,325	\$ 2,384,065	\$ 3,576	\$ 5,310,688	\$ (1,133,360)
Total Liabilities and Net Position	<u>\$ 165,722</u>	<u>\$ 2,764,419</u>	<u>\$ 2,947,824</u>	<u>\$ 35,329</u>	<u>\$ 5,913,294</u>	<u>\$ (1,175,291)</u>

**Statement of Changes in Net Cost For the Period Ended September 30, 2006**

Gross Programs Costs	\$ -	\$ 75,073	\$ 1,438,109	\$ 62,435	\$ 1,575,617	\$ (27,973)
Less: Earned Revenues	-	-	321,263	35,230	356,493	-
Net Cost of Operations	<u>\$ -</u>	<u>\$ 75,073</u>	<u>\$ 1,116,846</u>	<u>\$ 27,205</u>	<u>\$ 1,219,124</u>	<u>\$ (27,973)</u>

**Statement of Changes in Net Position for the Period Ended September 30, 2006**

Net Position, Beginning of Period	\$ 145,088	\$ 2,523,158	\$ 2,200,115	\$ 14,167	\$ 4,882,528	\$ -
Nonexchange Revenue	\$ 20,634	\$ 293,893	\$ 141,498	\$ -	\$ 456,025	\$ -
Other Budgetary Financing Sources	-	15,000	1,141,824	15,330	1,172,154	(1,161,333)
Other Financing Sources	-	347	17,474	1,285	19,106	-
Net Cost of Operations	-	(75,073)	(1,116,846)	(27,205)	(1,219,124)	27,973
Change in Net Position	<u>\$ 20,634</u>	<u>\$ 234,167</u>	<u>\$ 183,950</u>	<u>\$ (10,590)</u>	<u>\$ 428,161</u>	<u>\$ (1,133,360)</u>
Net Position End of Period	<u>\$ 165,722</u>	<u>\$ 2,757,325</u>	<u>\$ 2,384,065</u>	<u>\$ 3,577</u>	<u>\$ 5,310,689</u>	<u>\$ (1,133,360)</u>

Earmarked funds are as follows:

**Environmental Services Receipt Account:** The Environmental Services Receipt Account authorized by a 1990 Act, "To amend the Clean Air Act (PL. 101-549)," Treasury fund group 5295, was established for the deposit of fee receipts associated with environmental programs, including radon measurement proficiency ratings and training, motor vehicle engine certifications, and water pollution permits. Receipts in this special fund will be appropriated to the S&T and the EPM appropriations to meet the expenses of the programs that generate the receipts.

**Leaking Underground Storage Tank (LUST) Trust Fund:** The LUST Trust Fund, Treasury fund group 8153, was authorized by the Superfund Amendments and Reauthorization Act of 1986 (SARA) as amended by the Omnibus Budget Reconciliation Act of 1990. The LUST appropriation provides funding to respond to releases from leaking underground petroleum tanks. The Agency oversees cleanup and enforcement programs which are implemented by the states. Funds are allocated to the states through cooperative agreements to clean up those sites posing the greatest threat to human health and the environment. Funds are used for grants to non-state entities including Indian tribes under Section 8001 of the Resource Conservation and Recovery Act. The program is financed by a one cent a gallon tax on motor fuels which will expire in 2011.

**Superfund Trust Fund:** In 1980, the Superfund Trust Fund, Treasury fund group 8145, was established by the Comprehensive Environmental Response, Compensation, and Liability Act of 1980 (CERCLA) to provide resources needed to respond to and clean up hazardous substance emergencies and abandoned, uncontrolled hazardous waste sites. The Superfund Trust Fund financing is shared by federal and state governments as well as industry. The EPA allocates funds from its appropriation to other federal agencies to carry out CERCLA. Risks to public health and the environment at uncontrolled hazardous waste sites qualifying for the Agency's National Priorities List (NPL) are reduced and addressed through a process involving site assessment and analysis and the design and implementation of cleanup remedies. NPL cleanups and removals are conducted and financed by the EPA, private parties, or other federal agencies. The Superfund Trust Fund includes Treasury's collections, special account receipts from settlement agreements, and investment activity.

Other Earmarked Funds:

**Oil Spill Response Trust Fund:** The Oil Spill Response Trust Fund, Treasury fund group 8221, was authorized by the Oil Pollution Act of 1990 (OPA). Monies were appropriated to the Oil Spill Response Trust Fund in 1993. The Agency is responsible for directing, monitoring and providing technical assistance for major inland oil spill response activities. This involves setting oil prevention and response standards, initiating enforcement actions for compliance with OPA and Spill Prevention Control and Countermeasure requirements, and directing response actions when appropriate. The Agency carries out research to improve response actions to oil spills including research on the use of remediation techniques such as dispersants and bioremediation. Funding for oil spill cleanup actions is provided through the Department of Transportation under the Oil Spill Liability Trust Fund and reimbursable funding from other federal agencies.

**Miscellaneous Contributed Funds Trust Fund:** The Miscellaneous Contributed Funds Trust Fund authorized in the Federal Water Pollution Control Act (Clean Water Act) as amended P.L. 92-500 (The Federal Water Pollution Control Act Amendments of 1972), Treasury fund group 8741, includes gifts for pollution control programs that are usually designated for a specific use by donors and/or deposits from pesticide registrants to cover the costs of petition hearings when such hearings result in unfavorable decisions to the petitioner.

**Pesticide Registration Fund:** The Pesticide Registration Fund authorized by a 2004 Act, "Consolidated Appropriations Act (P.L. 108-199)," Treasury fund group 5374, was authorized in 2004 for the expedited processing of certain registration petitions and associated establishment of tolerances for pesticides to be used in or on food and animal feed. Fees covering these activities, as authorized under the FIFRA Act of 1988, are to be paid by industry and deposited into this fund group.

**Federal Insecticide, Fungicide and Rodenticide Act (FIFRA):** The FIFRA Revolving Fund, Treasury fund group 4310, was authorized by the FIFRA Act of 1972, as amended in 1988 and as amended by the Food Quality Protection Act of 1996. Pesticide Maintenance fees are paid by industry to offset the costs of pesticide reregistration and reassessment of tolerances for pesticides used in or on food and animal feed, as required by law.

**Tolerance Revolving Fund:** The Tolerance Revolving Fund, Treasury fund group 4311, was authorized in 1963 for the deposit of tolerance fees. Fees are paid by industry for federal services to set pesticide chemical residue limits in or on food and animal feed. The fees collected prior to January 2, 1997 were accounted for under this fund. Presently these fees are being deposited in the FIFRA fund.

## Note 21. Exchange Revenues, Statement of Net Cost

Exchange revenues on the Statement of Net Cost include income from services provided, interest revenue (with the exception of interest earned on trust fund investments), and miscellaneous earned revenue.

## Note: 22 Intragovernmental Costs and Exchange Revenue

	FY 2006			FY 2005		
	Intragovernmental	With the Public	TOTAL	Intragovernmental	With the Public	TOTAL
<b>Clean Air</b>						
Program Costs	\$ 192,774	\$ 764,539	\$ 957,313	\$ 186,667	\$ 803,822	\$ 990,489
Earned Revenue	<u>37,264</u>	<u>2,228</u>	<u>39,492</u>	<u>20,295</u>	<u>2,205</u>	<u>22,500</u>
NET COST	\$ 155,510	\$ 762,311	\$ 917,821	\$ 166,372	\$ 801,617	\$ 967,989
<b>Clean &amp; Safe Water</b>						
Program Costs	\$ 137,874	\$ 3,717,427	\$ 3,855,301	\$ 209,631	\$ 3,297,570	\$ 3,507,201
Earned Revenue	<u>9,088</u>	<u>2,822</u>	<u>11,910</u>	<u>15,444</u>	<u>2,570</u>	<u>18,014</u>
NET COST	\$ 128,786	\$ 3,714,605	\$ 3,843,391	\$ 194,187	\$ 3,295,000	\$ 3,489,187
<b>Land Preservation &amp; Restoration</b>						
Program Costs	\$ 448,101	\$ 1,870,476	\$ 2,318,577	\$ 376,717	\$ 1,639,157	\$ 2,015,874
Earned Revenue	<u>440,068</u>	<u>297,395</u>	<u>737,463</u>	<u>42,567</u>	<u>312,487</u>	<u>355,054</u>
NET COST	\$ 8,033	\$ 1,573,081	\$ 1,581,114	\$ 334,150	\$ 1,326,670	\$ 1,660,820
<b>Healthy Communities &amp; Ecosystems</b>						
Program Costs	\$ 271,667	\$ 1,030,019	\$ 1,301,686	\$ 280,492	\$ 992,360	\$ 1,272,852
Earned Revenue	<u>37,670</u>	<u>31,080</u>	<u>68,750</u>	<u>15,638</u>	<u>32,509</u>	<u>48,147</u>
NET COST	\$ 233,997	\$ 998,939	\$ 1,232,936	\$ 264,854	\$ 959,851	\$ 1,224,705
<b>Compliance &amp; Environmental Stewardship</b>						
Program Costs	\$ 183,628	\$ 598,997	\$ 782,625	\$ 174,321	\$ 539,857	\$ 714,178
Earned Revenue	<u>9,998</u>	<u>2,149</u>	<u>12,147</u>	<u>12,000</u>	<u>1,353</u>	<u>13,353</u>
NET COST	\$ 173,630	\$ 596,848	\$ 770,478	\$ 162,321	\$ 538,504	\$ 700,825
<b>Not Assigned</b>						
Program Costs	\$ -	\$ -	\$ -	\$ 10,567	\$ (13,739)	\$ (3,172)
Earned Revenue	<u>-</u>	<u>-</u>	<u>-</u>	<u>(291)</u>	<u>6,700</u>	<u>6,409</u>
NET COST	\$ -	\$ -	\$ -	\$ 10,858	\$ (20,439)	\$ (9,581)
<b>Total</b>						
Program Costs	\$ 1,234,044	\$ 7,981,458	\$ 9,215,502	\$ 1,238,395	\$ 7,259,027	\$ 8,497,422
Earned Revenue	<u>534,088</u>	<u>335,674</u>	<u>869,762</u>	<u>105,653</u>	<u>357,824</u>	<u>463,477</u>
NET COST	\$ <u>699,956</u>	\$ <u>7,645,784</u>	\$ <u>8,345,740</u>	\$ <u>1,132,742</u>	\$ <u>6,901,203</u>	\$ <u>8,033,945</u>

Intragovernmental costs relate to the source of the goods or services not the classification of the related revenue.

## Note 23. Cost of Stewardship PP&amp;E

The costs related to the acquisition of stewardship land in FY 2006 were approximately \$1 million. These costs are included in the Statement of Net Cost.

## Note 24. Environmental Cleanup Costs

As of September 30, 2006, EPA has four sites that require clean up stemming from its activities. Costs amounting to \$110.9 thousand may be paid out of the Treasury Judgment Fund. (The \$110.9 thousand represents the lower end of a range estimate, of which the maximum of the range will total \$212.9 thousand.) Two claimants' chance of success is characterized as reasonably possible and one as probable (settled July 11, 2006 for \$7.9 thousand). Additionally EPA has one site (\$80 thousand) characterized as remote chance of success. EPA also holds title to a site in Edison, New Jersey which was formerly an Army Depot. While EPA did not cause the contamination, the Agency could potentially be liable for a portion of the cleanup costs. However, it is expected that the Department of Defense and General Services Administration will bear all or most of the cost of remediation. In addition, EPA has 2 sites that have an unfunded environmental liability of \$280 thousand.

### *Accrued Cleanup Cost:*

The EPA has 15 sites that will require future clean up associated with permanent closure. The estimated costs will be approximately \$10 million. Since the cleanup costs associated with permanent closure are not primarily recovered through user fees, EPA has elected to recognize the estimated total cleanup cost as a liability and record changes to the estimate in subsequent years.

The FY 2006 estimate for unfunded cleanup costs increased by \$3 million from the FY 2005 estimate. This increase is due primarily to new estimated costs for cleanup at two sites.

## Note 25. State Credits

Authorizing statutory language for Superfund and related federal regulations require states to enter into SSCs when EPA assumes the lead for a remedial action in their state. The SSC defines the state's role in the remedial action and obtains the state's assurance that they will share in the cost of the remedial action. Under Superfund's authorizing statutory language, states will provide EPA with a 10 percent cost share for remedial action costs incurred at privately owned or operated sites, and at least 50 percent of all response activities (i.e., removal, remedial planning, remedial action, and enforcement) at publicly operated sites. In some cases, states may use EPA approved credits to reduce all or part of their cost share requirement that would otherwise be borne by the states. Credit is limited to state site-specific expenses EPA has determined to be reasonable, documented, direct out-of-pocket expenditures of non-federal funds for remedial action.

Once EPA has reviewed and approved a state's claim for credit, the state must first apply the credit at the site where it was earned. The state may apply any excess/remaining credit to another site when approved by EPA. As of September 30, 2006, the total remaining state credits have been estimated at \$17.1 million. The estimated ending credit balance on September 30, 2005 was \$10.1 million.

## Note 26. Preauthorized Mixed Funding Agreements

Under Superfund preauthorized mixed funding agreements, PRPs agree to perform response actions at their sites with the understanding that EPA will reimburse the PRPs a certain percentage of their total response action costs. EPA's authority to enter into mixed funding agreements is provided under CERCLA Section 111(a)(2). Under CERCLA Section 122(b)(1), as amended by SARA, PRPs may assert a claim against the Superfund Trust Fund for a portion of the costs they incurred while conducting a preauthorized response action agreed to under a mixed funding agreement. As of September 30, 2006, EPA had 15 outstanding preauthorized mixed funding agreements with obligations totaling \$31 million. A liability is not recognized for these amounts until all work has been performed by the PRP and has been approved by EPA for payment. Further, EPA will not disburse any funds under these agreements until the PRP's application, claim, and claims adjustment processes have been reviewed and approved by EPA.

## Note 27. Custodial Revenues and Accounts Receivable

	FY 2006	FY 2005
<b>Fines, Penalties and Other Miscellaneous Receipts</b>	<b>\$ 19,570</b>	<b>\$ 150,816</b>
<b>Accounts Receivable for Fines, Penalties and Other Miscellaneous Receipts</b>		
Accounts Receivable	\$ 155,023	\$ 167,533
Less: Allowance for Uncollectible Accounts	(122,064)	(51,954)
<b>Total</b>	<b>\$ 32,959</b>	<b>\$ 115,579</b>

EPA uses the accrual basis of accounting for the collection of fines, penalties and miscellaneous receipts. Collectibility by EPA of the fines and penalties is based on the RPs' willingness and ability to pay.

## Note 28. Statement of Budgetary Resources

Budgetary resources, obligations incurred, and outlays, as presented in the audited FY 2006 Statement of Budgetary Resources, will be reconciled to the amounts included in the FY 2008 Budget of the United States Government when they become available. The Budget of the United States Government with actual numbers for FY 2006 has not yet been published. We expect it will be published by March 2007, and it will be available on the OMB website at <[www.whitehouse.gov/omb/budget/fy2008](http://www.whitehouse.gov/omb/budget/fy2008)>. The actual amounts published for the year ended September 30, 2005 are included in EPA's FY 2006 financial statement disclosures.

FY 2005	Budgetary Resources	Obligations	Offsetting Receipts	Net Outlays
<b>Statement of Budgetary Resources</b>	\$ 13,231,189	10,124,433	\$ 1,334,508	\$ 9,254,011
Funds Reported by Other Federal Entities	19,285	4,576		5,329
Adjustments to Unliquidated Obligations, Unfilled Customer Orders and Other	7,348	1,586		
Less: 1993 Superfund Cost Recovery	(1,970)		(1,970)	
Plus: Funds received in a receipt account transferred to "no year" account			10,780	
Expired and Immaterial Funds*	(100,687)	(3,312)		
Rounding Differences**	(2,165)	(1,283)	(318)	660
<b>Reported in Budget of the U. S. Government</b>	<b>\$ 13,153,000</b>	<b>\$ 10,126,000</b>	<b>\$ 1,343,000</b>	<b>\$ 9,260,000</b>

\* Expired funds are not included in Budgetary Resources Available for Obligation and Total New Obligations in the Budget Appendix (lines 23.90 and 10.00). Also, minor funds are not included in the Budget Appendix.

\*\* Balances are rounded to millions in the Budget Appendix.

## Note 29. Recoveries and Resources Not Available, Statement of Budgetary Resources

Recoveries of Prior Year Obligations, Temporarily Not Available, and Permanently Not Available on the Statement of Budgetary Resources consist of the following amounts:

	FY 2006	FY 2005
Recoveries of Prior Year Obligations-downward adjustments of prior years' obligations	\$ 264,710	\$ 174,641
Temporarily Not Available-rescinded authority	(9,466)	(11,141)
Permanently Not Available:		
Payments to Treasury	(2,848)	(2,793)
Rescinded authority	(185,472)	(64,018)
Canceled authority	(10,164)	(11,433)
<b>Total Permanently Not Available</b>	<b>\$ (198,484)</b>	<b>\$ (78,244)</b>

## Note 30. Unobligated Balances Available

The availability of unobligated balances consists of the following as of September 30, 2006 and 2005. Unexpired unobligated balances are available to be apportioned by the OMB for new obligations at the beginning of the following fiscal year. The expired unobligated balances are only available for upward adjustments of existing obligations.

	FY 2006	FY 2005
Unexpired Unobligated Balance	\$ 3,156,100	3,011,341
Expired Unobligated Balance	90,987	95,415
<b>Total Permanently Not Available</b>	<b>\$ <u>3,247,087</u></b>	<b>\$ <u>3,106,756</u></b>

## Note 31. Undelivered Orders at The End of the Period

Budgetary resources obligated for undelivered orders at the end of the September 30, 2006 and 2005 are as follows:

	FY 2006	FY 2005
<b>Undelivered Orders</b>	<b>\$ <u>10,000,509</u></b>	<b>\$ <u>10,636,009</u></b>

## Note 32. Offsetting Receipts

Distributed offsetting receipts credited to the general fund, special fund, or trust fund receipt accounts offset gross outlays. For FYs 2006 and 2005, the following receipts were generated from these activities:

	FY 2006	FY 2005
Trust Fund Recoveries	\$ 59,748	\$ 66,419
Special Fund Environmental Service	20,634	20,176
Downward Re-estimates of Subsidies	-	436
Trust Fund Appropriation	1,204,825	1,247,477
Treasury Specified Miscellaneous Receipts and Clearing Accounts	29,573	-
<b>Total</b>	<b>\$ <u>1,314,780</u></b>	<b>\$ <u>1,334,508</u></b>

## Note 33. Statement of Financing

Specific components requiring or generating resources in future periods and resources that fund expenses recognized in prior periods are related to changes in liabilities not covered by budgetary resources. For FYs 2006 and 2005, the following line items are reconciled to the increases or decreases in those liabilities.

	FY 2006	FY 2005
<b>Statement of Financing Lines:</b>		
Resources that fund prior period expenses	\$ (2,020)	\$ (1,120)
Components requiring or generating resources in future periods:		
Increases in environmental liabilities	3,352	99
Increase in unfunded contingencies	-	1,525
Increase in annual leave liabilities	4,776	3,889
Up/downward re-estimates of subsidy exp.	-	3
Increase in Workers Compensation Costs	37	-
<b>Total</b>	<b>\$ <u>6,145</u></b>	<b>\$ <u>4,396</u></b>

## Note 33. Statement of Financing (continued)

	FY 2006	FY 2005
<b>Increases (Decreases) in Liabilities Not Covered by Budgetary Resources and Reconciling Items</b>		
Unfunded Annual Leave Liability	\$ 4,776	\$ 4,092
Unfunded Contingent Liability	(1,942)	325
Unfunded Judgment Fund Liability	-	-
Unfunded Workers Compensation Liability	9	(220)
Actuarial Workers Compensation Liability	28	(901)
Unfunded Clean-up Costs Liability	3,094	1,269
Unfunded Environmental Liability	250	30
Subsidy re-estimates	<u>(70)</u>	<u>(199)</u>
<b>Total</b>	<b>\$ <u>6,145</u></b>	<b>\$ <u>4,396</u></b>

## Note 34. Costs Not Assigned to Goals

In FY 2006, there are no unassigned costs. All costs are now being allocated to the program/project level based on established business rules. For Net Cost by Goals, program/project costs are rolled-up to the five designated EPA environmental goals.

FY 2005's Statement of Net Cost by Goal had \$3 million in gross costs not assigned to goals. This amount is comprised of decreases of \$0.2 million in overhead costs, \$22 million in operating expenses, \$0.7 million in unfunded expenses; offset by increases of \$16 million in undistributed payroll costs, \$0.3 million in depreciation expenses, \$0.6 million in other expenses, and \$3 million in loss on disposition of assets.

## Note 35. Transfers-In and Out, Statement of Changes in Net Position

### *Appropriation Transfers, In/Out:*

For FYs 2006 and 2005, the Appropriation Transfers under Budgetary Financing Sources on the Statement of Changes in Net Position are comprised of nonexpenditure transfers that affect Unexpended Appropriations for non-invested appropriations. These amounts are included in the Budget Authority, Net Transfers and Prior Year Unobligated Balance, Net Transfers lines on the Statement of Budgetary Resources. Detail of the Appropriation Transfers on the Statement of Changes in Net Position and a reconciliation with the Statement of Budgetary Resources follow:

### *Transfers In/Out Without Reimbursement, Budgetary:*

Fund/Type of Account	FY 2006	FY 2005
Department of State	\$ 1,500	\$ -
Appalachian Regional Commission	(747)	-
S & T	-	(992)
EPM	<u>-</u>	<u>5,694</u>
Total Appropriation Transfers	<b>\$ <u>753</u></b>	<b>\$ <u>4,702</u></b>
Net Transfers from Invested Funds	1,248,523	1,328,667
Transfers to Other Agencies	-	4,736
Allocations Rescinded	<u>8,932</u>	<u>10,620</u>
<b>Total of Net Transfers on Statement of Budgetary Resources</b>	<b>\$ <u>1,258,208</u></b>	<b>\$ <u>1,348,725</u></b>



For FYs 2006 and 2005 Transfers In/Out under Budgetary Financing Sources on the Statement of Changes in Net Position consist of transfers to or from other federal agencies and between EPA funds. These transfers affect Cumulative Results of Operations. Detail of the transfers-in and transfers-out, expenditure and nonexpenditure, follows:

Type of Transfer/Funds	FY 2006	FY 2005
Transfers-out, nonexpenditure to other federal agencies	\$ (4,636)	\$ (4,736)
Transfers-in, nonexpenditure, Oil Spill	<u>15,330</u>	<u>15,872</u>
<b>Total Transfers in (out) without Reimbursement, Budgetary</b>	<b>\$ <u>10,694</u></b>	<b>\$ <u>11,136</u></b>

### *Transfers In/Out without Reimbursement, Other Financing Sources:*

For FYs 2006 and 2005 Transfers In/Out without Reimbursement under Other Financing Sources on the Statement of Changes in Net Position are comprised of negative subsidy to a special receipt fund for the credit reform funds. The amounts reported on the Statement of Changes in Net Position are as follows:

Type of Transfer/Funds	FY 2006	FY 2005
Transfers-in (out) of prior year negative subsidy to be paid following year	<u>(28)</u>	<u>436</u>
<b>Total Transfers in (out) without Reimbursement, Budgetary</b>	<b>\$ <u>(28)</u></b>	<b>\$ <u>436</u></b>

## Note 36. Imputed Financing Sources

In accordance with SFFAS No. 5, "Liabilities of the Federal Government," federal agencies must recognize the portion of employees' pensions and other retirement benefits to be paid by the OPM trust funds. These amounts are recorded as imputed costs and imputed financing for each agency. Each year the OPM provides federal agencies with cost factors to calculate these imputed costs and financing that apply to the current year. These cost factors are multiplied by the current year's salaries or number of employees, as applicable, to provide an estimate of the imputed financing that the OPM trust funds will provide for each agency. The estimates for FY 2006 were \$131.1 million. For FY 2005, the estimates were \$129.7 million.

In addition to the pension and retirement benefits described above, EPA also records imputed costs and financing for Treasury Judgment Fund payments on behalf of the agency. Entries are made in accordance with the Interpretation of Federal Financial Accounting Standards No. 2, "Accounting for Treasury Judgment Fund Transactions." For FY 2006 entries for Judgment Fund payments totaled \$9.4 million. For FY 2005, entries for Judgment Fund payments totaled \$8.4 million.

## Note 37. Payroll and Benefits Payable

Payroll and benefits payable to EPA employees for the years ending September 30, 2006 and 2005, consist of the following:

	Covered by Budgetary Resources	Not Covered by Budgetary Resources	Total
<b>FY 2006 Payroll and Benefits Payable</b>			
Accrued Funded Payroll and Benefits	\$ 31,023	\$ -	\$ 31,023
Withholdings Payable	27,653	-	27,653
Employer Contributions Payable—TSP	2,010	-	2,010
Accrued Unfunded Annual Leave	<u>-</u>	<u>135,060</u>	<u>135,060</u>
<b>Total—Current</b>	<b>\$ <u>60,686</u></b>	<b>\$ <u>135,060</u></b>	<b>\$ <u>195,746</u></b>

## Note 37. Payroll and Benefits Payable (continued)

	Covered by Budgetary Resources	Not Covered by Budgetary Resources	Total
<b>FY 2005 Payroll &amp; Benefits Payable</b>			
Accrued Funded Payroll and Benefits	\$ 30,881	\$ -	\$ 30,881
Withholdings Payable	26,977	-	26,977
Employer Contributions Payable—TSP	1,896	-	1,896
Other Post-employment Benefits Payable	36	-	36
Accrued Funded Leave, WCF	320	-	320
Accrued Unfunded Annual Leave	-	130,284	130,284
<b>Total—Current</b>	<b>\$ 60,110</b>	<b>\$ 130,284</b>	<b>\$ 190,394</b>

## Note 38. Other Adjustments, Statement of Changes in Net Position

The Other Adjustments under Budgetary Financing Sources on the Statement of Changes in Net Position consist of rescissions to appropriated funds and cancellation of funds that expired five years earlier. These amounts affect Unexpended Appropriations.

	FY 2006	FY 2005
Rescissions to General Appropriations	\$ 185,472	\$ 64,017
Canceled General Authority	10,146	11,433
<b>Total Other Adjustments</b>	<b>\$ 195,618</b>	<b>\$ 75,450</b>

## Note 39. Nonexchange Revenue, Statement of Changes in Net Position

The Nonexchange Revenue, Budgetary Financing Sources, on the Statement of Changes in Net Position for FYs 2006 and 2005 consists of the following items:

	FY 2006	FY 2005
Interest on Trust Fund Investments	\$ 206,474	\$ 130,206
Tax Revenue, Net of Refunds	197,371	194,786
Fines and Penalties Revenue	31,422	(26,506)
Special Receipt Fund Revenue	20,758	20,176
<b>Revenue</b>	<b>\$ 456,025</b>	<b>\$ 318,662</b>

## Note 40. Other, Statement of Financing

The "Other" balance on the Statement of Financing of \$1.8 million for FY 2006 and \$1.9 million for FY 2005 represent a portion of the 1993 Cost Recovery received from the Uniroyal bankruptcy judgment that was transferred from the Treasury Managed Receipt Account 20X8145.4 to the Superfund Trust Account 68-20X8145. The transfer was necessary in order to execute expenditures from consent decrees.

1.  
**Environmental Protection Agency**  
**Required Supplemental Information**  
 As of September 30, 2006  
 (Dollars in Thousands)  
 (Unaudited)

**Deferred Maintenance**

The EPA classifies tangible property, plant, and equipment as follows: (1) EPA-Held Equipment, (2) Contractor-Held Equipment, (3) Land and Buildings, and, (4) Capital Leases. The condition assessment survey method of measuring deferred maintenance is utilized. The Agency adopts requirements or standards for acceptable operating condition in conformance with industry practices. No deferred maintenance was reported for any of the four categories.

2.  
**Environmental Protection Agency**  
**Required Supplemental Information**  
**Supplemental Statement of Budgetary Resources (Unaudited)**  
 As of September 30, 2006  
 (Dollars in Thousands)

	EPM	FIFRA	LUST	S&T	STAG	OTHER	TOTAL
<b>BUDGETARY RESOURCE</b>							
Unobligated Balance Brought Forward, October 1	\$ 371,613	\$ 5,016	\$ 5,460	\$ 238,199	\$ 1,469,949	\$ 1,016,519	\$ 3,106,756
Recoveries of prior year unpaid obligations	19,068	894	9,016	6,743	102,574	126,415	264,710
Budgetary Authority:							-
Appropriation	2,387,752	-	15,000	741,722	3,261,696	1,422,231	7,828,401
Spending Authority from Offsetting Collections:							-
Collected	388,338	26,866	113	7,385	6,910	500,805	930,417
Change in receivables from Federal sources	87,353	-	-	(143)	27	85	87,322
Advance received	2,170	(437)	-	1,948	-	(12,298)	(8,617)
Without advance from Federal source	183,370	-	-	(1,342)	(27)	(32,394)	149,607
Expenditure Transfers from trust funds	-	-	-	30,156	-	13,210	43,366
Nonexpenditure transfers, net anticipated and actual	1,500	-	73,026	-	-	1,183,682	1,258,208
Temporarily not available pursuant to Public Law	-	-	(1,165)	-	-	(8,301)	(9,466)
Permanently not available	(40,272)	-	-	(15,171)	(120,602)	(22,439)	(198,484)
<b>Total Budgetary Resources</b>	<b>\$ 3,400,892</b>	<b>\$ 32,339</b>	<b>\$ 101,450</b>	<b>\$ 1,009,497</b>	<b>\$ 4,720,527</b>	<b>\$ 4,187,515</b>	<b>\$ 13,452,220</b>

**STATUS OF BUDGETARY RESOURCES**

Obligations Incurred:

Direct	\$ 2,334,104	\$ -	\$ 86,183	\$ 797,536	\$ 3,409,715	\$ 2,664,877	\$ 9,292,415
Reimbursable	500,573	26,693	-	6,169	-	379,283	912,718
<b>Total Obligations Incurred</b>	<b>2,834,677</b>	<b>26,693</b>	<b>86,183</b>	<b>803,705</b>	<b>3,409,715</b>	<b>3,044,160</b>	<b>10,205,133</b>
Unobligated Balances:							
Unobligated funds apportioned	498,955	5,646	15,267	185,284	1,310,812	1,140,136	3,156,100
Unobligated balance not available	67,260	-	-	20,508	-	3,219	90,987
<b>Total Status of Budgetary Resources</b>	<b>\$ 3,400,892</b>	<b>\$ 32,339</b>	<b>\$ 101,450</b>	<b>\$ 1,009,497</b>	<b>\$ 4,720,527</b>	<b>\$ 4,187,515</b>	<b>\$ 13,452,220</b>

2. (continued)  
 Environmental Protection Agency  
 Required Supplemental Information  
**Supplemental Statement of Budgetary Resources (Unaudited)**  
 As of September 30, 2006  
 (Dollars in Thousands)

	EPM	FIFRA	LUST	S&T	STAG	OTHER	TOTAL
<b>CHANGE IN OBLIGATED BALANCE</b>							
Obligated Balance, Net							
Unpaid obligations brought forward, October 1	\$ 945,687	\$ 2,949	\$ 84,528	\$ 627,792	\$ 8,251,146	\$ 1,710,996	\$ 11,623,098
Less: Uncollected customer payments from Federal sources brought forward, October 1	(275,461)	-	-	(54,827)	-	(156,697)	(486,985)
Total unpaid obligation balance, net	670,226	2,949	84,528	572,965	8,251,146	1,554,299	11,136,113
Obligations incurred, net	2,834,676	26,694	86,184	803,706	3,409,714	3,044,159	10,205,133
Less: Gross outlays	(2,771,891)	(26,322)	(76,253)	(837,997)	(3,883,505)	(3,011,227)	(10,607,195)
Less: Recoveries of prior year unpaid obligations, actual	(19,068)	(895)	(9,016)	(6,742)	(102,574)	(126,415)	(264,710)
Change in uncollected customer payments from Federal sources	(270,722)	-	-	12,531	-	32,939	(225,252)
Total	443,221	2,426	85,443	544,463	7,674,781	1,493,755	10,244,089
Obligated balance, net, end of period:							
Unpaid obligations	989,405	2,426	85,443	586,759	7,674,781	1,617,514	10,956,328
Less: Uncollected customer payments from Federal sources	(546,184)	-	-	(42,296)	-	(123,759)	(712,239)
Total, unpaid obligated balance, net, end of period	\$ 443,221	\$ 2,426	\$ 85,443	\$ 544,463	\$ 7,674,781	\$ 1,493,755	\$ 10,244,089
<b>NET OUTLAYS</b>							
Gross outlays	\$ 2,771,891	\$ 26,322	\$ 76,254	\$ 837,996	\$ 3,883,505	\$ 3,011,227	\$ 10,607,195
Less: Offsetting collections	(390,508)	(26,429)	(115)	(50,536)	(6,910)	(502,345)	(976,843)
Less: Distributed Offsetting Receipts	-	-	-	-	-	(1,314,780)	(1,314,780)
<b>Total, Net Outlays</b>	\$ 2,381,383	\$ (107)	\$ 76,139	\$ 787,460	\$ 3,876,595	\$ 1,194,102	\$ 8,315,572

3.  
 Environmental Protection Agency  
**Required Supplemental Information (Unaudited)**  
 For the year ended September 30, 2006  
 (Dollars in Thousands)  
 (Unaudited)

## Stewardship PP&E (Land)

The Agency acquires title to certain land and land rights under the authorities provided in Section 104 (j) CERCLA related to remedial clean-up sites. The land rights are in the form of easements to allow access to clean-up sites or to restrict usage of remediated sites. In some instances, the Agency takes title to the land during remediation and returns it to private ownership upon the completion of clean-up. A site with "land acquired" may have more than one acquisition property. Sites are not counted as a withdrawal until all acquired properties have been transferred.

As of September 30, 2006, the Agency possesses the following land and land rights:

### Superfund Sites with Easements

Beginning Balance	33
Additions	0
Withdrawals	<u>1</u>
<b>Ending Balance</b>	<b><u><u>32</u></u></b>

### Superfund Sites with Land Acquired

Beginning Balance	29
Additions	2
Withdrawals	<u>0</u>
<b>Ending Balance</b>	<b><u><u>31</u></u></b>

Environmental Protection Agency  
**Required Supplementary Stewardship Information (Unaudited)**  
 For the Year Ended September 30, 2006  
 (Dollars in Thousands)

## Investment in the Nation's Research and Development: (Non-Federal Physical Property):

Public and private sector institutions have long been significant contributors to our nation's environment and human health research agenda. EPA's Office of Research and Development, however, is unique among scientific institutions in this country in combining research, analysis, and the integration of scientific information across the full spectrum of health and ecological issues and across the risk assessment and risk management paradigm. Research enables us to identify the most important sources of risk to human health and the environment, and by so doing, informs our priority-setting, ensures credibility for our policies, and guides our deployment of resources. It gives us the understanding and technologies we need to detect, abate, and avoid environmental problems. Research also provides the crucial underpinning(s) for EPA decisions and challenges us to apply the best available science and technical analysis to our environmental problems and to practice more integrated, efficient and effective approaches to reducing environmental risks.

Among the Agency's highest priorities are research programs that address the environmental effects on children's health; the development of alternative techniques for prioritizing chemicals for further testing through computational toxicology; the provision of near-term, appropriate, affordable, reliable, tested, and effective technologies and guidance for potential threats to homeland security; the potential risks of unregulated contaminants in drinking water; the health effects of air pollutants such as particulate matter; and the protection of the nation's ecosystems. For FY 2006, the full cost of the Agency's Research and Development activities totaled over \$734.6 million. Below is a breakout of the expenses (dollars in thousands):

	FY 2002	FY 2003	FY 2004	FY 2005	FY 2006
Programmatic Expenses	\$ 559,218	\$ 593,295	\$ 581,323	\$ 628,467	\$ 630,438
Allocated Expenses	123,307	106,971	91,675	112,558	104,167

See Section II of the PAR for more detailed information on the results of the Agency's investment in research and development. Each of EPA's strategic goals has a Science and Research Objective.

## Investment in the Nation's Infrastructure:

The Agency makes significant investments in the nation's drinking water and clean water infrastructure. The investments are the result of three programs: the Construction Grants Program which is being phased out and two State Revolving Fund (SRF) programs.

**Construction Grants Program:** During the 1970s and 1980s, the Construction Grants Program was a source of Federal funds, providing more than \$60 billion of direct grants for the construction of public wastewater treatment projects. These projects, which constituted a significant contribution to the nation's water infrastructure, included sewage treatment plants, pumping stations, and collection and intercept sewers, rehabilitation of sewer systems, and the control of combined sewer overflows. The construction grants led to the improvement of water quality in thousands of municipalities nationwide.

Congress set 1990 as the last year that funds would be appropriated for Construction Grants. Projects funded in 1990 and prior will continue until completion. After 1990, EPA shifted the focus of municipal financial assistance from grants to loans that are provided by State Revolving Funds.

**State Revolving Funds:** EPA provides capital, in the form of capitalization grants, to state revolving funds which state governments use to make loans to individuals, businesses, and governmental entities for the construction of wastewater and drinking water treatment infrastructure. When the loans are repaid to the state revolving fund, the collections are used to finance new loans for new construction projects. The capital is reused by the states and is not returned to the Federal Government.

The Agency also is appropriated funds to finance the construction of infrastructure outside the Revolving Funds. These are reported below as Other Infrastructure Grants.

The Agency's expenses related to investments in the nation's Water Infrastructure are outlined below (dollars in thousands):

	FY 2002	FY 2003	FY 2004	FY 2005	FY 2006
Construction Grants	\$ 149,841	\$ 15,845	\$ 48,948	\$ 21,148	\$ 39,193
Clean Water SRF	1,389,048	1,295,394	1,407,345	1,127,883	1,339,702
Safe Drinking Water SRF	708,528	842,936	802,629	715,060	910,032
Other Infrastructure Grants	367,259	582,091	341,767	385,226	411,023
Allocated Expenses	576,536	493,349	410,129	402,853	446,113

See the Goal 2—Clean and Safe Water portion in Section II of the PAR for more detailed information on the results of the Agency's investment in infrastructure.

## Human Capital

Agencies are required to report expenses incurred to train the public with the intent of increasing or maintaining the nation's economic productive capacity. Training, public awareness, and research fellowships are components of many of the Agency's programs and are effective in achieving the Agency's mission of protecting public health and the environment, but the focus is on enhancing the nation's environmental, not economic, capacity.

The Agency's expenses related to investments in the Human Capital are outlined below (dollars in thousands):

	FY 2002	FY 2003	FY 2004	FY 2005	FY 2006
Training and Awareness Grants	\$ 49,444	\$ 47,827	\$ 48,416	\$ 46,750	\$ 43,765
Fellowships	8,728	6,572	7,553	10,195	12,639
Allocated Expenses	12,827	9,808	8,826	10,199	9,320

I.  
Environmental Protection Agency  
Supplemental Information and Other Reporting Requirements (Unaudited)  
**Balance Sheet For Superfund Trust Fund**  
For the Periods Ending September 30, 2006 and 2005  
(Dollars in Thousands)

FY 2006

FY 2005

**ASSETS**

Intragovernmental:		
Fund Balance With Treasury (Note S1)	\$ 35,086	\$ 213,797
Investments	2,627,521	2,297,193
Accounts Receivable, Net	8,012	28,160
Other	<u>8,191</u>	<u>9,859</u>
Total Intragovernmental	\$ 2,678,810	\$ 2,549,009
Accounts Receivable, Net	213,331	260,736
Property, Plant & Equipment, Net	54,917	49,530
Other	<u>766</u>	<u>1,533</u>
<b>Total Assets</b>	<b><u>\$ 2,947,824</u></b>	<b><u>\$ 2,860,808</u></b>

**LIABILITIES**

Intragovernmental:		
Accounts Payable & Accrued Liabilities	\$ 84,706	\$ 105,386
Custodial Liability	-	26,763
Other	<u>44,324</u>	<u>46,809</u>
Total Intragovernmental	\$ 129,030	\$ 178,958
Accounts Payable & Accrued Liabilities	122,788	126,898
Pensions & Other Actuarial Liabilities	6,925	7,037
Cashout Advances, Superfund (Note S2)	223,760	270,811
Payroll & Benefits Payable	34,969	35,597
Other	<u>46,287</u>	<u>43,392</u>
<b>Total Liabilities</b>	<b><u>\$ 563,759</u></b>	<b><u>\$ 660,693</u></b>

**NET POSITION**

Cumulative Results of Operations	<u>2,384,065</u>	<u>2,200,115</u>
Total Net Position	<u>2,384,065</u>	<u>2,200,115</u>
<b>Total Liabilities and Net Position</b>	<b><u>\$ 2,947,824</u></b>	<b><u>\$ 2,860,808</u></b>



Environmental Protection Agency  
Supplemental Information and Other Reporting Requirements (Unaudited)  
**Statement of Net Cost for Superfund Trust Fund**  
For the Periods Ending September 30, 2006 and 2005  
(Dollars in Thousands)

	FY 2006	FY 2005
<b>COSTS</b>		
Gross Costs	\$ 1,438,109	\$ 1,580,848
Expenses from Other Appropriations (Note S5)	<u>61,635</u>	<u>90,167</u>
Total Costs	1,499,744	1,671,015
Less:		
Earned Revenue	<u>321,263</u>	<u>336,879</u>
<b>Net Cost of Operations</b>	<b><u>\$ 1,178,481</u></b>	<b><u>\$ 1,334,136</u></b>

Environmental Protection Agency  
Supplemental Information and Other Reporting Requirements (Unaudited)  
**Statement of Changes in Net Position for Superfund Trust Fund**  
For the Periods Ending September 30, 2006 and 2005  
(Dollars in Thousands)

	Cumulative Results of Operations FY 2006	Cumulative Results of Operations FY 2005
Net Position—Beginning of Period	\$ <u>2,200,115</u>	\$ <u>2,199,969</u>
Beginning Balances, as Adjusted	\$ 2,200,115	\$ 2,199,969
Budgetary Financing Sources:		
Nonexchange Revenue	\$ 141,498	\$ 29,697
Transfers In/Out	(48,002)	(53,418)
Trust Fund Appropriations	1,189,826	1,247,477
Income from Other Appropriations (Note S5)	<u>61,635</u>	<u>90,167</u>
Total Budgetary Financing Sources	\$ 1,344,957	\$ 1,313,923
Other Financing Sources (Non-Exchange):		
Imputed Financing Sources	<u>17,474</u>	<u>20,359</u>
Total Other Financing Sources	\$ 17,474	\$ 20,359
Net Cost of Operations	(1,178,481)	(1,334,136)
Net Change	<u>183,950</u>	<u>146</u>
<b>Cumulative Results of Operations</b>	<b><u>\$ 2,384,065</u></b>	<b><u>\$ 2,200,115</u></b>

Environmental Protection Agency  
 Supplemental Information and Other Reporting Requirements (Unaudited)  
**Statement of Budgetary Resources for Superfund Trust Fund**  
 For the Periods Ending September 30, 2006 and 2005  
 (Dollars in Thousands)

	FY 2006	FY 2005
<b>BUDGETARY RESOURCES</b>		
Unobligated Balance, Brought Forward, October 1:	\$ 930,392	\$ 823,713
Recoveries of Prior Year Unpaid Obligations	121,664	104,852
Budgetary Authority:		
Appropriation	92,269	
Spending Authority from Offsetting Collections:		
Earned:		
Collected	289,736	250,487
Change in Receivables from Federal Sources	54	648
Change in Unfilled Customer Orders:		
Advance Received	(18,990)	25,798
Without Advance from Federal Sources	<u>3,693</u>	<u>5,789</u>
Total Spending Authority from Collections	274,493	282,722
Nonexpenditure Transfers, Net, Anticipated and Actual	1,184,428	1,274,023
Temporarily Not Available Pursuant to Public Law	(7,767)	(10,060)
Permanently Not Available	<u>(19)</u>	<u>-</u>
<b>Total Budgetary Resources</b>	<b>\$ <u>2,595,460</u></b>	<b>\$ <u>2,475,250</u></b>
<b>STATUS OF BUDGETARY RESOURCES</b>		
Obligations Incurred:		
Direct	\$ 1,337,854	\$ 1,369,647
Reimbursable	<u>169,218</u>	<u>175,211</u>
Total Obligations Incurred	1,507,072	1,544,858
Unobligated Balances:		
Apportioned	<u>1,088,388</u>	<u>930,373</u>
Total Unobligated Balances	1,088,388	930,373
Unobligated Balances Not Available	<u>-</u>	<u>19</u>
<b>Total Status of Budgetary Resources (Note S6)</b>	<b>\$ <u>2,595,460</u></b>	<b>\$ <u>2,475,250</u></b>

Environmental Protection Agency  
 Supplemental Information and Other Reporting Requirements (Unaudited)  
**Statement of Budgetary Resources for Superfund Trust Fund**  
 For the Periods Ending September 30, 2006 and 2005  
 (Dollars in Thousands)

	FY 2006	FY 2005
<b>CHANGE IN OBLIGATED BALANCE</b>		
Obligated Balance, Net:		
Unpaid Obligations, Brought Forward, October 1	\$ 1,546,186	\$ 1,641,157
Less: Uncollected Customer Payments from Federal Sources, Brought Forward, October 1	<u>(78,234)</u>	<u>(71,797)</u>
Total Unpaid Obligated Balance, Net	1,467,952	1,569,360
Obligations Incurred	1,507,072	1,544,858
Less: Gross Outlays	(1,477,100)	(1,534,977)
Less: Recoveries of Prior Year Unpaid Obligations, Actual	(121,664)	(104,852)
Change in Uncollected Customer Payments from Federal Sources	<u>(3,748)</u>	<u>(6,438)</u>
Total, Change in Obligated Balance	1,372,512	1,467,951
Obligated Balance, Net, End of Period:		
Unpaid Obligations	1,454,494	1,546,186
Less: Uncollected Customer Payments from Federal Sources	<u>(81,983)</u>	<u>(78,235)</u>
Total, Unpaid Obligated Balance, Net, End of Period	\$ 1,372,511	\$ 1,467,951
<b>NET OUTLAYS</b>		
Net Outlays:		
Gross Outlays	\$ 1,477,100	\$ 1,534,977
Less: Offsetting Collections	(270,746)	(276,285)
Less: Distributed Offsetting Receipts	<u>(59,748)</u>	<u>(64,964)</u>
<b>Total, Net Outlays (Note S6)</b>	\$ 1,146,606	\$ 1,193,728

Environmental Protection Agency  
 Supplemental Information and Other Reporting Requirements (Unaudited)  
**Statement of Financing for Superfund Trust Fund**  
 For the Periods Ending September 30, 2006 and 2005  
 (Dollars in Thousands)

FY 2006

FY 2005

**RESOURCES USED TO FINANCE ACTIVITIES:**

## Budgetary Resources Obligated

Obligations Incurred	\$ 1,507,072	\$ 1,544,858
Less: Spending Authority from Offsetting Collections and Recoveries	<u>(396,158)</u>	<u>(387,574)</u>
Obligations, Net of Offsetting Collections	\$ 1,110,914	\$ 1,157,284
Less: Offsetting Receipts	<u>(59,748)</u>	<u>(64,964)</u>
Net Obligations	\$ 1,051,166	\$ 1,092,320

## Other Resources

Imputed Financing Sources	17,474	20,359
Income from Other Appropriations (Note S5)	<u>61,635</u>	<u>90,167</u>
Net Other Resources Used to Finance Activities	\$ 79,109	\$ 110,526

## Total Resources Used To Finance Activities

	\$ 1,130,275	\$ 1,202,846
--	--------------	--------------

**RESOURCES USED TO FINANCE ITEMS NOT PART OF NET COST OF OPERATIONS**

Change in Budgetary Resources Obligated	\$ 53,253	\$ 82,049
Resources that Fund Prior Period Expenses	(136)	(278)
Budgetary Offsetting Collections and Receipts that Do Not Affect Net Cost of Operations:		
Offsetting Receipts Not Affecting Net Cost	59,748	64,964
Resources that Finance Asset Acquisition	(18,938)	(17,588)
Adjustments to Expenditure Transfers that Do Not Affect Net Cost	<u>(43,366)</u>	<u>(48,682)</u>

## Total Resources Used to Finance Items Not Part of the Net Cost of Operations

	\$ 50,561	\$ 80,465
--	-----------	-----------

## Total Resources Used to Finance the Net Cost of Operations

	\$ 1,180,836	\$ 1,283,311
--	--------------	--------------

Environmental Protection Agency  
Supplemental Information and Other Reporting Requirements (Unaudited)  
**Statement of Financing for Superfund Trust Fund**  
For the Periods Ending September 30, 2006 and 2005  
(Dollars in Thousands)

FY 2006

FY 2005

**COMPONENTS OF NET COST OF OPERATIONS THAT WILL NOT REQUIRE OR GENERATE RESOURCES IN THE CURRENT PERIOD**

Components Requiring or Generating Resources in Future Periods:

Increase in Annual Leave Liability	\$ 978	\$ 990
Increase in Public Exchange Revenue Receivables	(36,455)	(87,714)
Other (Note S8)	<u>1,823</u>	<u>1,969</u>
Total Components of Net Cost of Operations that Require or Generate Resources in Future Periods	\$ (33,654)	\$ (84,755)
Components Not Requiring/Generating Resources:		
Depreciation and Amortization	9,828	7,849
Expenses Not Requiring Budgetary Resources	<u>21,471</u>	<u>127,730</u>
Total Components of Net Cost of Operations that Will Not Require or Generate Resources	\$ 31,299	\$ 135,579
Total Components of Net Cost of Operations That Will Not Require or Generate Resources in the Current Period	\$ <u>(2,355)</u>	\$ <u>50,824</u>
<b>Net Cost of Operations</b>	<b>\$ <u>1,178,481</u></b>	<b>\$ <u>1,334,136</u></b>

Environmental Protection Agency  
Supplemental Information (Unaudited)  
**Related Notes to Superfund Trust Financial Statements**

**Note S1. Fund Balance with Treasury for Superfund Trust**

Fund Balances with Treasury as of September 30, 2006 and 2005 consist of the following:

	FY 2006	FY 2005
Fund Balance	\$ 35,086	\$ 213,797

Fund balances are available to pay current liabilities and to finance authorized purchase commitments (see Status of Fund Balances below).

Status of Fund Balances:	FY 2006	FY 2005
<b>Unobligated Amounts in Fund Balances:</b>		
Available for Obligation	\$ 1,088,389	\$ 930,373
Unavailable for Obligations	-	19
Net Receivables from Invested Balances	(2,426,589)	(2,191,759)
Balances in Treasury Trust Fund	775	7,212
Obligated Balance not yet Disbursed	<u>1,372,511</u>	<u>1,467,952</u>
Totals	<b>\$ <u>35,086</u></b>	<b>\$ <u>213,797</u></b>

The funds available for obligation may be apportioned by the OMB for new obligations at the beginning of the following fiscal year. Funds unavailable for obligation are mostly balances in expired funds, which are available only for adjustments of existing obligations.

## Note S2. Cashout Advances, Superfund

Cashouts are funds received by EPA, a state, or another PRP under the terms of a settlement agreement (e.g., consent decree) to finance response action costs at a specified Superfund site. Under CERCLA Section 122(b)(3), cashout funds received by EPA are placed in site-specific, interest bearing accounts known as special accounts and are used in accordance with the terms of the settlement agreement. Funds placed in special accounts may be used without further appropriation by Congress.

## Note S3. Superfund State Credits

Authorizing statutory language for Superfund and related federal regulations require states to enter into SSCs when EPA assumes the lead for a remedial action in their state. The SSC defines the state's role in the remedial action and obtains the state's assurance that they will share in the cost of the remedial action. Under Superfund's authorizing statutory language, states will provide EPA with a 10 percent cost share for remedial action costs incurred at privately owned or operated sites, and at least 50 percent of all response activities (i.e., removal, remedial planning, remedial action, and enforcement) at publicly operated sites. In some cases, states may use EPA approved credits to reduce all or part of their cost share requirement that would otherwise be borne by the states. Credit is limited to state site-specific expenses EPA has determined to be reasonable, documented, direct out-of-pocket expenditures of non-federal funds for remedial action.

Once EPA has reviewed and approved a state's claim for credit, the state must first apply the credit at the site where it was earned. The state may apply any excess/remaining credit to another site when approved by EPA. As of September 30, 2006, the total remaining state credits have been estimated at \$16.5 million. The estimated ending credit balance on September 30, 2005 was \$10.1 million.

## Note S4. Superfund Preauthorized Mixed Funding Agreements

Under Superfund preauthorized mixed funding agreements, PRPs agree to perform response actions at their sites with the understanding that EPA will reimburse the PRPs a certain percentage of their total response action costs. EPA's authority to enter into mixed funding agreements is provided under CERCLA Section 111(a)(2). Under CERCLA Section 122(b)(1), as amended by SARA, PRPs may assert a claim against the Superfund Trust Fund for a portion of the costs they incurred while conducting a preauthorized response action agreed to under a mixed funding agreement. As of September 30, 2006, EPA had 15 outstanding preauthorized mixed funding agreements with obligations totaling \$31 million. A liability is not recognized for these amounts until all work has been performed by the PRP and has been approved by EPA for payment. Further, EPA will not disburse any funds under these agreements until the PRP's application, claim, and claims adjustment processes have been reviewed and approved by EPA.

## Note S5. Income and Expenses from other Appropriations; General Support Services Charged to Superfund

The Statement of Net Cost reports costs that represent the full costs of the program outputs. These costs consist of the direct costs and all other costs that can be directly traced, assigned on a cause and effect basis, or reasonably allocated to program outputs.

During FYs 2006 and 2005, the EPM appropriation funded a variety of programmatic and non-programmatic activities across the Agency, subject to statutory requirements. This appropriation was created to fund personnel compensation and benefits, travel, procurement, and contract activities.

This distribution is calculated using a combination of specific identification of expenses to Reporting Entities, and a weighted average that distributes expenses proportionately to total programmatic expenses. As illustrated below, this estimate does not impact the consolidated totals of the Statement of Net Cost or the Statement of Changes in Net Position.

	FY 2006			FY 2005		
	Income From Other Appropriations	Expenses From Other Appropriations	Net Effect	Income From Other Appropriations	Expenses From Other Appropriations	Net Effect
Superfund	\$ 61,635	(61,635)	-	\$ 90,167	(90,167)	-
All Others	(61,635)	61,635	-	(90,167)	90,167	-
<b>Total</b>	\$ -	-	-	\$ -	-	-

In addition, the related general support services costs allocated to the Superfund Trust Fund from the S&T and EPM funds are \$3 million for FY 2006 and \$6.9 million for FY 2005.

## Note S6. Statement of Budgetary Resources, Superfund

Budgetary resources, obligations incurred, and outlays, as presented in the audited FY 2006 Statement of Budgetary Resources, will be reconciled to the amounts included in the Budget of the United States Government when they become available. The Budget of the United States Government with actual numbers for FY 2006 has not yet been published. We expect it will be published by March 2007, and it will be available on the OMB website at <[www.whitehouse.gov/omb/budget/fy2008](http://www.whitehouse.gov/omb/budget/fy2008)>. The actual amounts published for the year ended September 30, 2005 are included in EPA's FY 2006 financial statement disclosures.

FY 2005	Budgetary Resources	Obligations	Offsetting Receipts	Outlays
<b>Statement of Budgetary Resources</b>	\$ 2,475,250	1,544,858	\$ 64,964	\$ 1,258,692
Funds Reported by Other Federal Entities	19,285	4,576		5,329
Adjustments to Outlays				5,105
Less: 1993 Superfund Cost Recovery	(1,970)		(1,970)	
Expired and Immaterial Funds*	(4)	(23)		
Rounding Differences**	(561)	589	(16)	(126)
<b>Reported for Budget of the U.S. Government</b>	<b>\$ 2,492,000</b>	<b>\$ 1,550,000</b>	<b>\$ 62,978</b>	<b>\$ 1,269,000</b>

\* Expired funds are not included in Budgetary Resources Available for Obligation and Total New Obligations in the Budget Appendix (lines 23.90 and 10.00).

\*\* Balances are rounded to millions in the Budget Appendix.

## Note S7. Superfund Eliminations

The Superfund Trust Fund has intra-agency activities with other EPA funds which are eliminated on the consolidated Balance Sheet and the Statement of Net Cost. These are listed below:

	FY 2006	FY 2005
Advances	\$ 7,843	\$ 9,256
Expenditure Transfers Payable	\$ 37,227	\$ 48,903
Accrued Liabilities	\$ 4,642	\$ 6,398
Expenses	\$ 25,491	\$ 29,674
Transfers	\$ 43,493	\$ 49,097

## Note S8. Other, Statement of Financing

The "Other" balance on the Statement of Financing of \$1.8 million for FY 2006 and \$1.9 million for FY 2005 represent a portion of the 1993 Cost Recovery received from the Uniroyal bankruptcy judgment that was transferred from the Treasury Managed Receipt Account 20X8145.4 to the Superfund Trust Account 68-20X8145. The transfer was necessary in order to execute expenditures from consent decrees.

2.  
Environmental Protection Agency  
Supplemental Information and Other Reporting Requirements (Unaudited)  
**Improper Payments Information Act of 2002 (IPIA) Report**  
For the Year Ended September 30, 2006

**I. RISK ASSESSMENTS:** After reviewing and sampling disbursements made in the highest risk susceptible inventories, EPA determined that its programs do not have "significant erroneous payments," defined by the IPIA as payments exceeding \$10 million and 2.5% of program payments. Because the Clean Water and the Drinking Water State Revolving Funds (SRFs) are former Section 57 programs, EPA is required to submit an IPIA corrective action plan for them. The Agency's corrective action proposed to reduce the error rate of improper payments in the SRFs from 0.51 percent to 0.30 percent over a five-year period. By the end of FY 2005, EPA surpassed the FY 2008 target of 0.30 percent. The error rates for these two programs were as follows:

Program: Clean Water and Drinking Water SRFs			
Fiscal Year	Outlays	Erroneous Payments	Error Rate
2004	\$2.1 billion	\$10.3 million	0.47 percent
2005	\$2.3 billion	\$3.0 million	0.13 percent
2006	\$2.0 billion (est.)	\$3.5 million	0.18 percent

**II. STATISTICAL SAMPLING PROCESS:** Based on the FY 2006 Measurement Plan approved by OMB, EPA pulled a statistical sample of 252 direct payments from a population of 5,800 direct grant payments (126 transactions for each SRF). The error rate for the direct payment sample was 0.0 percent. Additionally, the Agency reviewed a statistical sample of subrecipient transactions for each SRF in South Carolina and New Hampshire. Results for South Carolina indicated erroneous payments of \$683 thousand from a universe of \$56 million payments (an error rate of 1.2 percent). Erroneous payments in New Hampshire totaled \$47 thousand from a universe of \$31 million payments (an error rate of 0.15%). In FY 2006, EPA also reviewed the Texas Single Audit Act audit report. The auditors did not find any improper payment issues. In addition, the Agency reviewed a judgmental sample of over 200 transactions for each SRF program during State reviews. These reviews identified \$2.8 million of erroneous payments from a universe of over \$875 million payments.

**III. CORRECTIVE ACTION PLANS:** In order to meet OMB's objectives, EPA initially conducted additional risk assessments by forming four subgroups with expertise in grants, contracts, payroll, and travel/purchase credit cards to review internal controls, identify and measure high risk areas, and develop corrective action plans for each subject area. Updated planned actions in each of the areas are as follows:

- A. **Grants:** As described in Section II above, EPA continued reviewing direct and subrecipient SRF payments. In FY 2005, the Agency identified modifications needed to enable tracking erroneous payments by grant recipient in the Grantee Compliance Database. These modifications were implemented in FY 2006.

During FY 2005, EPA performed an erroneous payments review for calendar year (CY) 2004 using judgmental risk-based sampling to select 267 grant recipients for administrative reviews including 111 non-profit grantees. Nineteen of the non-profit grantee reviews identified potential erroneous payments. In FY 2006, the Agency completed its risk-based judgmental sample of CY 2005 99 non-profit recipient reports to determine erroneous payments. Of the 99 reviews, 24 identified potential erroneous payments. Results of both years are provided in the table below. EPA will report updated information on the appeal process results (no final determination/may not to be erroneous) in the FY 2007 PAR. The Agency also reports on these results for the Improved Financial Management Initiative of the President's Management Agenda.

Non-Profit Grantees Review/Audit Results	CY 2004 Review	CY 2005 Review
All potential erroneous payments cited	\$650,799	\$1,016,967
Questioned costs determined allowable	\$224,977	\$217,418
Actual erroneous payments (unallowable costs)	\$18,755	\$14,298
Costs that have been recovered	\$18,755	\$14,298
Costs still in recipient appeal process	\$421,260	\$785,251
Percent of erroneous payments	0.21 percent	0.07 percent



Additionally in FY 2006, EPA introduced a new statistical sampling approach for the review of CY 2006 non-profit grantee monitoring/audit reports for erroneous payments

- B. **Contracts:** EPA continues to take appropriate action as needed to reduce or eliminate improper payments. The appropriate Contracts Officer Representatives or On Scene Coordinators are notified of all improper payments discovered. In January 2003, EPA implemented a monthly Improper Contracts Payment Report. The report captures the number of improper payments per month and provides information on each improper payment including the reason and recovery status. In FY 2006, the Agency received final Recovery Audit Report—the audit reviewed 376,000 small purchase and contract payment transactions worth \$6.5 billion. The Audit Recovery contractor reviewed 100,471 contract payments totaling \$4.3 million and found only 4 erroneous payments (a 0.01 percent error rate). EPA has addressed all audit recommendations cited in the Recovery Audit Report.

Based on EPA's excellent performance and effective controls, the Agency does not plan future externally conducted recovery audits—a formal Recovery Audit is not cost effective for the contractor who is paid based on erroneous payments found/recovered. The Agency will continue using the monthly Improper Contracts Payment Report as the tool for monitoring contract payments.

#### Results of EPA's Improper Contract Payments Report

Fiscal Year	Number of Erroneous Payments	Erroneous Payments (Dollars in Thousands)	Error Rate for Dollars
2003 *	25 (of 24,056)	\$206.1	0.02 percent
2004	21 (of 24,886)	\$748.5	0.08 percent
2005	21 (of 26,305)	\$121.5	0.01 percent
2006	25 (of 28,098)	\$406.5	0.03 percent

\* FY 2003 only included data from January through September. For all four years, all erroneous payments were fully recovered.

- C. **Commodity Payments:** Since no high risk areas have been identified, no corrective action is required. EPA continues to take appropriate action as needed to reduce or eliminate any improper payments. The commodity payments were included in the Recovery Audit described above in Section III. B. Contracts. The Recovery Audit contractor reviewed 275,185 invoices paid totaling \$2.2 million and found 31 improper payments (less than 0.01 percent error rate). The improper commodity payments were attributed to product returns not deducted, duplicate payments due to keypunch errors and vendor number errors, cash discounts not taken, and state and local tax exemptions not taken. As of January 2006, the Agency consolidated its commodity payments operation to one Finance Center. The consolidation achieves a higher degree of internal control, consistency and oversight. The consolidation plus several other corrective actions address the Recovery Audit Report recommendations. In preparation for replacing the core financial system, EPA is completing a review of the vendor file to ensure the accuracy of all vendor codes.

The Agency implemented a commodities payment tracking mechanism in January 2004 to gather improper payment data. This tracking system provides the data for a monthly Improper Commodities Payment Report which includes information on each improper payment. Given the low rate of erroneous payments, EPA does not plan future externally conducted recovery audits—a formal Recovery Audit is not cost effective for the contractor who is paid based on erroneous payments found/recovered. The Agency will continue using the monthly Improper Commodities Payment Report as the tool for monitoring these payments.

#### Results of EPA's Improper Commodity Payments Report

Fiscal Year	Number of Erroneous Payments	Erroneous Payments (Dollars in Thousands)	Error Rate for Dollars
2005	40 (of 42,698)	\$416.0	0.17 percent
2006	102 (of 50,665)	\$695.5	0.23 percent

- D. **Payroll:** By December 31, 2004, the Payroll Workgroup completed a comprehensive review of internal controls and submitted recommendations to reduce improper payments. Additionally, in FY 2005, the workgroup developed a corrective action plan/best practices. EPA implemented these corrective actions before the Agency transferred the payroll disbursement function to the Department of Defense. EPA now benefits from the combination of both agencies' internal controls.

E. **Travel Card/Purchase Card:** The Agency continues to monitor the travel and purchase charge card transactions in accordance with the Agency policies and procedures. In addition, EPA monitors the issuance of purchase cards to ensure that spending limits and span of control are kept to a minimum. The Agency implemented a monitoring program that requires each of the Senior Resource Officials to perform yearly reviews of the purchases made within their program offices. These reviews ensure the integrity of the purchase card program. During FY 2006, EPA implemented a Katrina Stewardship plan which added the following controls:

- Notify card holder's approving official via email for each purchase—daily;
- Conduct reviews within 60 days of transactions; and
- Review Agency Atypical Report which identifies airline ticket purchase without authorizations.

**IV. IMPROPER PAYMENT (IP) REDUCTION OUTLOOK FY 2004—FY 2007**

(Dollars in millions)

Program	FY 2004 Outlays	FY 2004 IP %	FY 2004 IP \$	FY 2005 Outlays	FY 2005 IP %	FY 2005 IP \$	FY 2006 Outlays	FY 2006 IP %	FY 2006 IP \$	FY 2007 Outlays	FY 2007 IP %	FY 2007 IP \$	FY 2008 Outlays	FY 2008 IP %	FY 2008 IP \$
Clean Water and Drinking Water SRFs	\$2,182 (actual)	0.47	\$10.3	\$2,302 (actual)	0.45 target 0.13 actual	\$3.0	\$1,963 (est.)	0.40 target 0.18 actual	\$3.5	\$1,543 (est.)	0.35	\$5.4 (est.)	\$1,565 (est.)	0.30	\$4.7 (est.)

**V. RECOVERY AUDIT PROGRAMS:** The Agency hired a contractor, Business Strategy, Inc (BSI), to conduct the recovery audit. BSI provided their final report and recommendations in FY 2006. As reported above in the Contracts and Commodities sections, BSI did not uncover any material transactions that were erroneously paid.

During FY 2006, EPA implemented cost effective corrective actions to address BSI recommendations. These actions strengthened payment processes and internal controls to help prevent further occurrences.

**VI. ENSURING MANAGEMENT ACCOUNTABILITY:** As previously outlined in the corrective action plans, the Agency continues to strengthen already strong internal controls in key payment processes. Information on erroneous payments from reviews and audits for the two SRFs, our largest grant programs, is reported quarterly to management in both the Office of Water and the Office of the Chief Financial Officer. In all cases action is taken with the appropriate officials to ensure improper payments are recovered and to avoid future improper payments. Similar monitoring through reports is done for the contracts and commodities payment areas.

**VII. INFORMATION SYSTEMS AND INFRASTRUCTURE:** The Agency's information systems are sufficient to reduce improper payments to targeted levels.

**VIII. STATUTORY AND REGULATORY BARRIERS:** None.

**IX. CONCLUSIONS:** EPA met all of the requirements and received a Green Status on Eliminating Improper Payments as of June 30, 2006. The Agency has demonstrated a low level of risk for the SRF programs through statistical sampling of direct payments, targeted state reviews, statistical sampling of subrecipient payments in two states, and analysis of subrecipient payments in Texas Single Audit Act report. Based on the guidelines contained in Appendix C to OMB Circular A-123, Part I, Section K, EPA requested relief from the annual reporting requirements of the Improper Payment Information Act for the Clean Water and Drinking Water SRFs. Section K permits agencies to request relief from IPIA reporting requirements if a program has documented a minimum of two consecutive years of improper payments that are less than \$10 million annually. EPA met this requirement for FYs 2005 and 2006 for the SRF programs. On October 5, 2006, OMB granted the Agency's request to waive statistical testing of SRF transactions for FYs 2007-2009. EPA will be required to resume statistical assessment and report on the SRF programs in the FY 2010 PAR. OMB's approval to begin reporting every third year is contingent on no significant legislative or programmatic changes, significant funding increases and/or any change that would result in substantial program impact. If such changes occur, the Agency must reinstate risk assessments and comply with IPIA reporting requirements if there is significant risk of improper payments occurring.

For FY 2007, EPA committed to the following activities:

- Report on improper payments in the PAR;
- Continue to monitor commercial payments to ensure accuracy and characterize monitoring efforts annually in the PAR; and
- Brief OMB, as needed, depending on program changes, legislative and/or funding revision, or anything that development from EPA's monitoring.



# Inspector General's Report on EPA's Fiscal 2006 and 2005 Consolidated Financial Statements

## Contents

At a Glance .....	274
-------------------	-----

### Inspector General's Report on EPA's Fiscal 2006 and 2005 Consolidated Financial Statements (Report No. 2007-1-00019 issued November 15, 2006)

Review of EPA's Required Supplementary Stewardship Information, Required Supplementary Information, Supplemental Information, and Management's Discussion and Analysis .....	276
Evaluation of Internal Controls .....	277
Tests of Compliance with Laws and Regulations .....	279
Prior Audit Coverage .....	280
Agency Comments and OIG Evaluation .....	280

### Attachments

I. Reportable Conditions .....	281
EPA's Implementation of Accounting Processes Resulted in Misstatements .....	281
EPA Misclassified Interagency Agreement Advances to Other Federal Agencies .....	282
II. Compliance with Laws and Regulations .....	284
EPA Did Not Reconcile Differences With Trading Partners .....	284
III. Status of Prior Audit Report Recommendations .....	285

### Appendices

I. EPA's Fiscal 2006 and 2005 Consolidated Financial Statements .....	216
II. Agency's Response to Draft Report .....	286
III. Report Distribution List .....	288



U.S. Environmental Protection Agency  
Office of Inspector General

2007-I-00019  
November 15, 2006

# At a Glance

*Catalyst for Improving the Environment*

## Why We Did This Audit

We performed this audit in accordance with the Government Management Reform Act, which requires the U.S. Environmental Protection Agency (EPA) to prepare, and the Office of Inspector General to audit, the Agency's financial statements each year. Our primary objectives were to determine whether:

- EPA's consolidated financial statements were fairly presented in all material respects.
- EPA's internal controls over financial reporting were in place.
- EPA management complied with applicable laws and regulations.

## Background

The requirement for audited financial statements was enacted to help bring about improvements in agencies' financial management practices, systems, and controls so that timely, reliable information is available for managing Federal programs.

For further information, contact our Office of Congressional and Public Liaison at (202) 566-2391.

To view the full report, click on the following link:

[www.epa.gov/oig/reports/2007/20061115-2007-I-00019.pdf](http://www.epa.gov/oig/reports/2007/20061115-2007-I-00019.pdf)

## Audit of EPA's Fiscal 2006 and 2005 Consolidated Financial Statements

### EPA RECEIVES UNQUALIFIED OPINION

We rendered an unqualified, or clean, opinion on EPA's Consolidated Financial Statements for fiscal 2006 and 2005, meaning that they were fairly presented and free of material misstatement.

### INTERNAL CONTROL REPORTABLE CONDITIONS NOTED

We noted the two following reportable conditions:

- EPA implemented two accounting processes in fiscal 2006 that led to misstatements of the Agency's fiscal 2006 bad debt expense, revenue, contra revenue, advance accounts, and unearned revenue accounts. The processes included reclassifying receivables older than 2 years as currently not collectible, and transferring the receivables and related allowance accounts from regional financial management offices to financial management centers.
- EPA did not properly account for advance funding agreements with other Federal Government agencies. EPA recorded advances disbursed under Interagency Agreements as expenses instead of as assets. As a result, EPA overstated expenses and understated assets by \$55,982,983.

### NONCOMPLIANCE WITH LAWS AND REGULATIONS NOTED

EPA is in noncompliance with regulations relating to reconciling intragovernmental transactions. The Agency did not reconcile material activity and balances with the Department of Health and Human Services during the year, and had out of balance situations with many other agencies.

### AGENCY COMMENTS AND OFFICE OF INSPECTOR GENERAL EVALUATION

In a memorandum received on November 13, 2006, from the Chief Financial Officer, the Agency agreed with the issues raised and indicated it will take needed corrective actions.



UNITED STATES ENVIRONMENTAL PROTECTION AGENCY  
WASHINGTON, D.C. 20460

November 15, 2006

OFFICE OF  
INSPECTOR GENERAL

MEMORANDUM

SUBJECT: Audit of EPA's Fiscal 2006 and 2005 Consolidated Financial Statements  
Report No. 2007-1-00019

FROM: Paul C. Curtis  
Director, Financial Statement Audits

A handwritten signature in black ink that reads "Paul C. Curtis".

TO: Lyons Gray  
Chief Financial Officer

Attached is our audit report on the U.S. Environmental Protection Agency's fiscal 2006 and 2005 consolidated financial statements. We are reporting a reportable condition and noncompliance with laws and regulations related to EPA's accounting for interagency activity, as well as a reportable condition related to erroneous postings to bad debt expense. Attachment 3 contains the status of recommendations from prior years.

The estimated cost of this report—calculated by multiplying the project's staff days by the applicable daily full cost billing rates in effect at the time—is \$2,561,416.

This audit report represents the opinion of the OIG, and the findings contained in this report do not necessarily represent the final EPA position. EPA managers in accordance with established EPA audit resolution procedures will make final determinations on matters in this audit report. Accordingly, the findings described in this audit report are not binding upon EPA in any enforcement proceeding brought by EPA or the Department of Justice. We have no objections to the further release of this report to the public. This report will be available at <http://www.epa.gov/oig/>.

In accordance with EPA Manual 2750, *Audit Management Process*, you are required to provide us with a written response to the final audit report within 90 days of the final report date. The response should address all issues and recommendations contained in Attachments 1 and 2. For corrective actions planned but not completed by the response date, reference to specific milestone dates will assist us in deciding whether or not to close this report in our audit tracking system.

Should you or your staff have any questions about the report, please contact me at (202) 566-2523, or Melissa Heist, Assistant Inspector General of Audit, at (202) 566-0899.

Attachments

cc: See Appendix III, Report Distribution List

## Inspector General's Report on EPA's Fiscal 2006 and 2005 Consolidated Financial Statements

The Administrator  
U.S. Environmental Protection Agency

We have audited the consolidated balance sheets of the U.S. Environmental Protection Agency (EPA, or the Agency) as of September 30, 2006 and 2005, and the related consolidated statements of net cost, net cost by goal, changes in net position, financing and custodial liability, and the combined statement of budgetary resources for the years then ended. These financial statements are the responsibility of EPA's management. Our responsibility is to express an opinion on these financial statements based upon our audit.

We conducted our audit in accordance with generally accepted auditing standards; the standards applicable to financial statements contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and Office of Management and Budget (OMB) Bulletin 06-03, *Audit Requirements for Federal Financial Statements*. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatements. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As discussed in Note 1.J., the Agency changed its accounting for delinquent debts in fiscal 2006 to comply with OMB Circular A-129, Policies for Federal Credit Programs and Non-Tax Receivables.

The financial statements include expenses of grantees, contractors, and other Federal agencies. Our audit work pertaining to these expenses included testing only within EPA. Audits of grants, contracts, and interagency agreements performed at a later date may disclose questioned costs of an amount undeterminable at this time. The U.S. Treasury collects and accounts for excise taxes that are deposited into the

Superfund and Leaking Underground Storage Tank Trust Funds. The U.S. Treasury is also responsible for investing amounts not needed for current disbursements and transferring funds to EPA as authorized in legislation. Since the U.S. Treasury, and not EPA, is responsible for these activities, our audit work did not cover these activities.

The Office of Inspector General (OIG) is not independent with respect to amounts pertaining to OIG operations that are presented in the financial statements. The amounts included for the OIG are not material to EPA's financial statements. The OIG is organizationally independent with respect to all other aspects of the Agency's activities.

In our opinion, the consolidated financial statements present fairly, including the accompanying notes, in all material respects, the consolidated assets, liabilities, net position, net cost, net cost by goal, changes in net position, reconciliation of net cost to budgetary obligations, custodial activity, and combined budgetary resources of EPA, as of and for the years ended September 30, 2006 and 2005, in conformity with accounting principles generally accepted in the United States of America.

### Review of EPA's Required Supplementary Stewardship Information, Required Supplementary Information, Supplemental Information, and Management's Discussion and Analysis

We inquired of EPA's management as to its methods for preparing Required Supplementary Stewardship Information (RSSI), Required Supplementary Information, Supplemental Information, and Management's Discussion and Analysis, and reviewed this information for consistency with the financial statements. The Supplemental Information includes the unaudited Superfund Trust Fund financial statements for fiscal 2006 and 2005, which are being presented for additional analysis and are not a required part of the basic financial statements. However, our audit was not designed to express an opinion and, accordingly, we do not express an opinion on EPA's RSSI, Required

Supplementary Information, Supplemental Information, and Management's Discussion and Analysis.

We did not identify any material inconsistencies between the information presented in EPA's consolidated financial statements and the information presented in EPA's RSSI, Required Supplementary Information, Supplemental Information, and Management's Discussion and Analysis.

## Evaluation of Internal Controls

As defined by OMB, internal control, as it relates to the financial statements, is a process, affected by the Agency's management and other personnel, designed to provide reasonable assurance that the following objectives are met:

- **Reliability of financial reporting:** Transactions are properly recorded, processed, and summarized to permit the preparation of the financial statements and RSSI in accordance with generally accepted accounting principles, and assets are safeguarded against loss from unauthorized acquisition, use, or disposition.
- **Reliability of performance reporting:** Transactions and other data that support reported performance measures are properly recorded, processed, and summarized to permit the preparation of performance information in accordance with criteria stated by management.
- **Compliance with applicable laws and regulations:** Transactions are executed in accordance with laws governing the use of budget authority and any other laws, regulations, and government-wide policies identified by OMB that could have a direct and material effect on the financial statements or RSSI.

In planning and performing our audit, we considered EPA's internal controls over financial reporting by obtaining an understanding of the Agency's internal controls, determining whether internal controls had been placed in operation, assessing control risk, and performing tests of controls in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements. We limited our internal control testing to those controls necessary

to achieve the objectives described in OMB Bulletin No. 06-03, *Audit Requirements for Federal Financial Statements*. We did not test all internal controls relevant to operating objectives as broadly defined by the Federal Managers' Financial Integrity Act of 1982 (FMFIA), such as those controls relevant to ensuring efficient operations. The objective of our audit was not to provide assurance on internal controls and, accordingly, we do not express an opinion on internal controls.

Our consideration of the internal controls over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be reportable conditions. Under standards issued by the American Institute of Certified Public Accountants, reportable conditions are matters coming to our attention relating to significant deficiencies in the design or operation of the internal control that, in our judgment, could adversely affect the Agency's ability to record, process, summarize, and report financial data consistent with the assertions by management in the financial statements. Material weaknesses are reportable conditions in which the design or operation of internal control does not reduce to a relatively low level the risk that errors, fraud or noncompliance in amounts that would be material in relation to the financial statements or RSSI being audited, or material to a performance measure or aggregation of related performance measures, may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Because of inherent limitations in internal controls, misstatements, losses, or noncompliance may nevertheless occur and not be detected. We noted certain matters discussed below involving the internal control and its operation that we consider to be reportable conditions, although none of the reportable conditions is believed to be a material weakness.

In addition, we considered EPA's internal control over the RSSI by obtaining an understanding of the Agency's internal controls, determined whether these internal controls had been placed in operation, assessed control risk, and performed tests of controls as required by OMB Bulletin No. 06-03. Our procedures were not designed to provide assurance on these internal controls and, accordingly, we do not express an opinion on such controls.

Finally, with respect to internal controls related to performance measures presented in EPA's FY 2006 *Performance and Accountability Report*, we obtained an understanding of the design of significant internal controls relating to the existence and completeness assertions, as required by OMB Bulletin No. 06-03. Our procedures were not designed to provide assurance on internal control over reported performance measures and, accordingly, we do not express an opinion on such controls.

### REPORTABLE CONDITIONS

Reportable conditions are internal control weaknesses coming to the auditor's attention that, in the auditor's judgment, should be communicated because they represent significant deficiencies in the design or operation of internal controls that could adversely affect the organization's ability to meet the OMB objectives for financial reporting discussed above. In evaluating the Agency's internal control structure, we identified two reportable conditions, as follows:

#### *Implementing Accounting Processes Resulted in Misstatements*

EPA implemented two accounting processes in fiscal 2006 that led to misstatements of the Agency's fiscal 2006 bad debt expense, revenue, contra revenue, advance accounts, and unearned revenue accounts. The Agency adopted OMB Circular A-129, *Policies for Federal Credit Programs and Non-Tax Receivables*, which provides for the reclassification of receivables older than 2 years as currently not collectible (CNC). The Agency's revised CNC transaction posting model was not mapped to the allowance account and did not include an entry to offset the reduction of current year revenue. The combination of subsequent CNC reclassifications and allowance adjustment caused the misstatement of EPA's fiscal 2006 bad debt expense, revenue, contra revenue, and advance accounts. In addition, the Agency transferred the receivables and related allowance accounts from regional financial management offices to financial management centers. Inadvertent increases of allowance accounts and subsequent adjustments to remove the allowance accounts resulted in incorrect postings to bad debt expense, revenue, contra revenue, and unearned revenue accounts.

#### *Misclassified Interagency Agreement Advances to Other Federal Agencies*

EPA did not properly account for advance funding agreements with other Federal Government agencies. Though Federal accounting standards and EPA's accounting procedures require that advances made to other agencies be recorded as assets, EPA recorded advances disbursed under Interagency Agreements (IAGs) as an expense. This occurred because the other Federal agencies drew down the funds under the IAGs soon after the funds were obligated. EPA contributed to the problem by not following its own accounting policies or that of the U.S. Treasury. In addition, the Agency has not developed written procedures for recovering advances from other Agencies. As a result, EPA overstated expenses and understated assets by \$55,982,983.

We have reported less significant matters regarding internal controls in the form of position papers during the course of the audit. We will not issue a separate management letter.

### COMPARISON OF EPA'S FMFIA REPORT WITH OUR EVALUATION OF INTERNAL CONTROLS

OMB Bulletin No. 06-03, *Audit Requirements for Federal Financial Statements*, requires us to compare material weaknesses disclosed during the audit with those material weaknesses reported in the Agency's FMFIA report that relate to the financial statements and identify material weaknesses disclosed by the audit that were not reported in the Agency's FMFIA report.

For reporting under FMFIA, material weaknesses are defined differently than they are for financial statement audit purposes. OMB Circular A-123, *Management Accountability and Control*, defines a material weakness as a deficiency that the Agency head determines to be significant enough to be reported outside the Agency.

For financial statement audit purposes, OMB defines material weaknesses in internal control as reportable conditions in which the design or operation of the internal control does not reduce to a relatively low level the risk that errors, fraud, or non-compliance in amounts that would be material in relation to the financial statements or RSSI being



audited, or material to a performance measure or aggregation of related performance measures, may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.

The Agency did not report, and our audit did not detect, any material weaknesses for fiscal 2006.

## Tests of Compliance with Laws and Regulations

EPA management is responsible for complying with laws and regulations applicable to the Agency. As part of obtaining reasonable assurance about whether the Agency's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws and regulations, noncompliance with which could have a direct and material effect on the determination of financial statement amounts, and certain other laws and regulations specified in OMB Bulletin No. 06-03, *Audit Requirements for Federal Financial Statements*. The OMB guidance also requires that we report on EPA's compliance with the Federal Financial Management Improvement Act (FFMIA) of 1996. We limited our tests of compliance to these provisions and did not test compliance with all laws and regulations applicable to EPA.

Providing an opinion on compliance with certain provisions of laws and regulations was not an objective of our audit and, accordingly, we do not express such an opinion. A number of ongoing investigations involving EPA's grantees and contractors could disclose violations of laws and regulations, but a determination about these cases has not been made. In addition, the Agency is changing the confidential financial disclosure forms required to be filed by EPA employees, the forms are for the period October 1, 2005 thru December 31, 2006 and are due February 15, 2007. Since the Agency did not require these forms to be prepared in time to be reviewed for this audit, we did not perform any tests or inquiries about those reports. Had the Agency required the confidential financial disclosure forms be prepared and had we been able to review the reports and perform tests or make additional inquiries, matters may have come to our attention that would require reporting.

Our tests of laws and regulations disclosed the following noncompliance issue.

### EPA DID NOT RECONCILE DIFFERENCES WITH TRADING PARTNERS

EPA has taken some action to reconcile its intragovernmental activity on a quarterly basis, but did not reconcile differences for intragovernmental transactions with 47 of its trading partners. During the fourth quarter, these differences totaled \$518 million. EPA has experienced problems reconciling with its intragovernmental trading partners in prior years, including differences with the HHS that prohibited EPA from fully complying with the applicable U.S. Treasury requirements. In fiscal 2006, we found that HHS records receipts from EPA as deferred revenue while EPA erroneously records disbursements to HHS as expenses when paid, rather than advances. Without confirmation from its trading partners, EPA has limited assurance that intragovernmental balances are accurate. Attachment 2 provides additional details, and our recommendation on actions that should be taken on this matter.

### FEDERAL FINANCIAL MANAGEMENT IMPROVEMENT ACT NONCOMPLIANCE

Under FFMIA, we are required to report whether the Agency's financial management systems substantially comply with the Federal financial management systems requirements, applicable Federal accounting standards, and the United States Government Standard General Ledger at the transaction level. OMB memorandum dated January 4, 2001, *Revised Implementation Guidance for the Federal Financial Management Improvement Act*, lists the specific requirements of FFMIA, as well as factors to consider in reviewing systems and for determining substantial compliance with FFMIA. It also provides guidance to Agency heads for developing corrective action plans to bring an Agency into compliance with FFMIA. To meet the FFMIA requirement, we performed tests of compliance with FFMIA section 803(a) requirements and used the OMB guidance, revised on January 4, 2001, for determining substantial noncompliance with FFMIA.

The results of our tests did not disclose any instances where the Agency's financial management systems did not substantially comply with FFMIA requirements.

We reported other less significant matters involving compliance with laws and regulations in position papers during the course of our audit. We will not be issuing a separate management letter.

## Prior Audit Coverage

During previous financial or financial-related audits, we reported weaknesses that impacted our audit objectives in the following areas:

- Payroll Internal Controls.
- General Ledger Adjustments for Receivables Transferred to Cincinnati Finance Center (CFC).
- Contingency Plans for Financial Applications.
- Reconciling and reporting intragovernmental transactions, assets, and liabilities by Federal trading partner.
- Recording Marketable Securities.
- Correcting Rejected Transactions.
- Assessing automated application processing controls for IFMS.

- Security Screenings for Non-Federal Personnel.
- Change Control Procedures for IFMS.

Attachment 3, Status of Prior Audit Report Recommendations, summarizes the current status of corrective actions taken on prior audit report recommendations.

## Agency Comments and OIG Evaluation

In a memorandum dated November 13, 2006, the Office of the Chief Financial Officer (OCFO) responded to our draft report.

The rationale for our conclusions and a summary of the Agency comments are included in the appropriate sections of this report, and the Agency's complete response is included as Appendix II to this report.

This report is intended solely for the information and use of the management of EPA, OMB, and Congress, and is not intended to be and should not be used by anyone other than these specified parties.



Paul C. Curtis  
 Director, Financial Audit  
 Office of Inspector General  
 U.S. Environmental Protection Agency  
 November 14, 2006

## Attachment I: Reportable Conditions

### I EPA's Implementation of Accounting Processes Resulted in Misstatements

In fiscal 2006, EPA adopted OMB Circular A-129, *Policies for Federal Credit Programs and Non-Tax Receivables*, which provides for the reclassification of receivables older than 2 years as currently not collectible (CNC). The general ledger automated posting model established by the Agency to record CNC entries reduced the receivables—related revenue or advance account—and recorded the CNC receivables in memo accounts. However, the posting model was not mapped to the allowance accounts and did not include an entry to offset the reduction of current year revenue. The allowance account was subsequently adjusted for decreases in the open accounts receivable due to CNC reclassifications. The combination of the CNC reclassifications and subsequent allowance adjustment caused the initial misstatement of EPA's fiscal 2006 bad debt expense, revenue, contra revenue, and advance accounts. In the fourth quarter, the Agency revised the accounting model to include the allowance account.

In addition, the Agency has been moving its financial operations from the regional FMOs to the finance management centers over the past several years. In fiscal 2006, the receivables and related allowance accounts were transferred from FMOs to financial management centers. Fourth quarter transfers included amounts previously classified by the FMOs as CNC under the original accounting model. By reducing the receivables recorded by the FMOs under the original accounting model, and recording the transfer under the revised accounting model, the allowance accounts were inadvertently increased. Subsequent adjustments to remove the allowance accounts resulted in additional incorrect postings to bad debt expense, revenue, contra revenue, and unearned revenue accounts.

As a result, at the end of fiscal 2006, bad debt expense has a credit balance of \$54,792,630 and several revenue accounts have debit balances totaling \$9,342,912. The US Standard General Ledger dictates that bad debt expense and contra revenue accounts

#### Contents

1. EPA's Implementation of Accounting Processes Resulted in Misstatements .....281
2. EPA Misclassified Interagency Agreement Advances to Other Federal Agencies .....282

should normally have a debit balance and revenue accounts should normally have a credit balance. In addition, the advance account for Superfund future cost special account receivables has a debit balance of \$2,749,860. The account for advances received from others should normally have a credit balance.

#### RECOMMENDATIONS

We recommend the OCFO require the Reporting and Analysis Staff:

1. Make the necessary corrections to properly adjust fiscal 2006 bad debt expense, revenue and advance accounts to their normal balances.
2. Work with finance offices to correct the impact of any future CNC reductions.

We recommend the OCFO have the Financial Management Offices and Finance Centers:

3. Monitor CNC decrease entries to transactions for abnormal increases in the allowance accounts and decreases in revenue.
4. Notify Reports and Analysis Staff of these CNC decrease entries and any allowance for doubtful account decrease entries needed to correct allowance accounts.

#### AGENCY COMMENTS AND OIG EVALUATION

The Agency generally concurred with our recommendations; however, OCFO only made a partial adjustment to bad debt expense for financial statement purposes. Our analysis indicated that there were entries that created abnormal balances in certain revenue and liability accounts that need to be adjusted.

## 2 EPA Misclassified Interagency Agreement Advances to Other Federal Agencies

EPA did not properly account for advance funding agreements with other Federal Government agencies. These agreements usually involve the joint funding of expenses, grants or contracts for projects that are administered by another Government agency. Federal accounting standards and EPA's accounting procedures require that advances made to other agencies be recorded as assets that are reduced when goods and services are received, contract terms are met, or progress is made. However, EPA recorded advances disbursed to administering agencies under IAGs as an expense. This occurred because the other Federal agencies drew down the funds under the IAGs soon after the funds were obligated. EPA contributed to the problem by not following its own accounting policies or that of the U.S. Treasury by not ensuring it received support for the funds disbursed under the IAGs. In addition, the Agency has not developed written procedures for recovering advances from other Agencies when they do not provide proper cost documentation on advance agreements. As a result, EPA overstated expenses and understated assets by \$55,982,983.

The Treasury Financial Manual Volume 1, Part 2, Chapter 2500, Section 2515.10, *Payments to Other Appropriations and Funds as Reimbursements or Advances*, states:

*“Advance Payments Required by Law—These transactions are required by a specific law, by which a determined amount is to be transferred from one agency and merged with a specific account of another agency. The amount is payment in advance for goods and services that will be provided by the second agency.*

*Advance Payments to Certain Revolving and Working Capital Funds—These are transactions authorized by law, by which certain revolving and working capital funds are permitted to request payment for goods and services in advance of delivery. These advances represent a liability of the revolving or working capital fund pending delivery of the goods and services.*

*Advance Payments to Management Funds—Management fund accounts are authorized by specific laws to receive advances from appropriations to ease accounting for and administration of intra-governmental activities. These accounts are classified either as annual or no-year accounts, depending on the circumstances.*

*Advance Payments to Consolidated Working Funds—advances for goods and services to be provided within the same fiscal year by the performing agency through use of its own facilities may be made to “consolidated working fund” accounts of the performing agency under Section 601 of the Economy Act, 31 U.S.C. 686. This method of financing reimbursement for goods and services provided by one agency to another should be used only in instances where arrangements for current billings and reimbursements would be impractical.”*

Statement of Federal Financial Accounting Standards No. 1, *Accounting for Selected Assets and Liabilities*, dated March 30, 1993, defines advances as cash outlays made by a Federal entity to its employees, contractors, grantees, or others to cover a part or all of the recipients' anticipated expenses. Statement of Federal Financial Accounting Standards No. 1 states that advances should be recorded as assets. The advances should be reduced when goods or services are received, contract terms are met, or progress is made.

A Disbursement Interagency Agreement is an agreement in which another Federal agency delivers goods or services to EPA, and EPA disburses funds to the other agency's account to pay for that agency's expenses. EPA Resource Management Directives 2550c, Paragraphs 6. a. and b. define the methods of payment for goods or services under disbursement IAGs.

- “a. Reimbursable Payment. The agency performing the work specified in the agreement periodically bills the other agency or agencies who are party to the agreement for amounts obligated or costs incurred in providing the services or goods. The agency is then reimbursed by the other agencies for those costs.*
- b. Advance Payment. Some agencies which perform work on a reimbursable basis must receive pay-*

*ment for the provision of goods or services in advance, i.e., before they actually incur costs. In this arrangement, the agency requesting the work provides advance payment to the other agency; these funds are placed in the other agency's working fund account. As work is performed, the agency doing the work will report its expenditures on a regular basis to the agency requesting the work. The requesting agency is then able to liquidate the advance payment in its accounting records."*

During disbursement testing at CFC, we identified an advance funded IAG in our sample universe that was misclassified in IFMS. Based on the results of that testing, we expanded our review to look at all EPA advance IAGs with other Federal agencies. The review included data retrieved from the Integrated Grants Management System that identified EPA IAGs with other Federal agencies that were marked "advance" funded. From the search of the Integrated Grants Management System and discussions with EPA project officers and grant specialists, CFC verified which IAGs were truly advance funded. Then they tried to determine the status of those IAGs by obtaining progress reports with supporting cost detail. Where available, CFC used the most recent progress reports that included supporting cost detail from its files. CFC reviewed the detailed cost documentation to try to determine total advances, expenditures incurred to date, and the remaining outstanding advance for the advance funded IAGs. Based on this review CFC identified IAG advances totaling \$55,982,983 that were misclassified as operating expenses.

Payments made under disbursement IAGs are typically processed with transaction codes and types that record transactions as operating expenses. We

found that CFC recorded the entire \$55,982,983 of advance payments to other Federal agencies as operating expenses rather than as advances. Further, CFC did not originally record the advance payments as an advance in fiscal 2006, and did not follow up on the status of the outstanding advance. As a result of CFC recording advances as expenses, expenses were overstated by \$55,982,983.

## RECOMMENDATIONS

We recommend the OCFO have the CFC:

5. Ensure all future payments under advanced funded disbursement IAGs are recorded as advances, and expenses are recognized in the period incurred.

We recommend the OCFO:

6. Establish written procedures for recovering advances from other agencies when those agencies fail to provide proper and timely supporting documentation of the funds being used.

## AGENCY COMMENTS AND OIG EVALUATION

The CFO generally agreed with our recommendations, agreeing to coordinate efforts with the Office of Grants and Debarment to strengthen procedures when entering into agreements with other Federal entities so that both entities will be able to accurately compile financial reporting information. However, the OCFO stated they have written policies and procedures in place governing intragovernmental transactions, and will refine them after issuance of OMB business rules governing such transactions. OCFO volunteered to participate on the government-wide committee designed to resolve trading partner issues among agencies.

## Attachment 2: Compliance with Laws and Regulations

### 3 EPA Did Not Reconcile Differences With Trading Partners

EPA has taken some action to reconcile its intragovernmental activity on a quarterly basis, but has not reconciled differences for intragovernmental transactions with 47 of its trading partners. During the fourth quarter, these differences totaled \$518 million. EPA has experienced problems reconciling with its intragovernmental trading partners in prior years, including being unable to reconcile differences with the HHS that prohibited EPA from fully complying with the applicable U.S. Treasury requirements. In fiscal 2006, we found that HHS records receipts from EPA as deferred revenue, while EPA erroneously

#### Contents

3. EPA Did Not Reconcile Differences With Trading Partners .....284

records disbursements to HHS as expenses when paid, rather than advances. Without confirmation from its trading partners, EPA has limited assurance that intragovernmental balances are accurate.

Of the 47 trading partners with differences, we identified three with material differences, as shown below. Two of the three, DHS and HHS, had outstanding material differences for each quarter of fiscal 2006.

Federal Agency	Difference	Category of Difference
Department of Treasury General Fund	\$237 million	Not Assigned to Any Category
Department of Homeland Security	\$204 million	Unbilled Accounts Receivables/Revenue
Department of Health and Human Services	(\$96 million)	Advances from Other Agencies
Other Federal Agencies	\$173 million	Various Categories

The U.S. Treasury’s *Federal Intragovernmental Transactions Accounting Policies Guide* (July 2005) provides Government-wide accounting policies for Federal agencies to account for and reconcile intragovernmental transactions. The Guide states that agencies should reconcile and confirm intragovernmental activity and balances with their trading partners before submitting year-end data and reporting it in audited financial statements. The Guide also provides tools (procedures and examples) to facilitate quarterly reconciliation of intragovernmental activities.

Intragovernmental transactions have been classified by the Government Accountability Office as a Government-wide internal control weakness due to the lack of standardization in recording and processing intragovernmental activities. To resolve the issue, OMB established standard business rules (Memorandum M-03-01, October 4, 2002) to be used in intragovernmental exchange activities. OMB Circular A-136, *Financial Reporting Requirements*, which was updated July 24, 2006, requires Federal agencies to report intragovernmental assets, liabilities, revenue, and certain reporting entities with their

trading partners. This information is presented in the financial statements, the Closing Package, and should be in agreement with line items reported on the balance sheet. Intragovernmental balances and transactions are a key component in the consolidation of the financial information submitted by Federal entities and in the overall compilation process of the government-wide financial report.

Since FY 2003 we have reported the need to reconcile differences with HHS as a noncompliance issue. The Agency has not acted to reconcile its intragovernmental activity on a quarterly basis with HHS, causing these differences to continue. EPA should increase its efforts to resolve these differences.

#### RECOMMENDATION

We recommend the OCFO:

7. Require the Office of Financial Management to reconcile the Agency’s intragovernmental transactions to comply with Federal financial reporting requirements.

#### AGENCY COMMENTS AND OIG EVALUATION

OCFO agreed with our recommendation.

## Attachment 3: Status of Prior Audit Report Recommendations

EPA's position is that "audit follow-up is an integral part of good management," and "corrective action taken by management on resolved findings and recommendations is essential to improving the effectiveness and efficiency of Government operations." The Chief Financial Officer is the Agency Follow-up Official and is responsible for ensuring that corrective actions are implemented. In fiscal 2006, OCFO included in its Organizational Assessment

Measures a metric for audit follow-up. OCFO management regularly reviews these measures during OCFO's monthly Budget and Performance Review meetings.

The Agency has continued to make substantial progress in completing corrective actions from prior years. The status of issues from prior financial statement audits, that have corrective actions in process, are listed in the following table.

### AUDIT ISSUE AREAS WITH CORRECTIVE ACTIONS IN PROCESS

#### *Automated Application Processing Controls for IFMS:*

EPA has made progress towards replacing IFMS. However, until EPA implements the planned replacement automated accounting system that addresses past issues, we will continue to disclose a reportable condition concerning documentation of the current accounting system and its automated application processing controls.

#### *EPA Needs to Strengthen Practices Regarding Security Screening for Non-Federal Personnel:*

EPA had not completed the remaining actions in the Agency's fiscal 1999 Remediation Plan by the end of fiscal 2006. However, EPA reported that in October 2006 it published the Personal Identity Verification Handbook, which outlines procedures for conducting background investigations for non-Federal workers. We will schedule a review to evaluate the effectiveness of the Agency's implemented procedures.

#### *EPA Did Not Promptly Record Marketable Securities:*

The Agency plans to transfer the processing of marketable securities to the Cincinnati Finance Center (CFC) in January 2007. As part of the transfer, CFC will develop a reconciliation procedure to ensure a proper and complete non-cash asset balance.

#### *EPA Continues to Experience Difficulties in Reconciling Intragovernmental Transactions:*

The Agency has been working to reconcile Intragovernmental Transactions, however, as described in attachment 2, Compliance with Laws and Regulations, the Agency still has reconciling differences with many other Federal Government Agencies.

#### *Weaknesses in Change Control Procedures for Integrated Financial Management System:*

EPA had not completed the remaining corrective action needed by the end of fiscal 2006. However, EPA reported that in October 2006 it finalized the ENDEVOR security plan that documents the system's implemented security controls. We will schedule a review to evaluate the effectiveness of the Agency's implemented procedures.

#### *EPA Should Improve Payroll Internal Controls:*

EPA has made progress towards improving payroll internal controls to reduce default payments to current and separated employees. However, EPA has not implemented an automated control in PeoplePlus to limit the number of consecutive default payments. EPA plans to complete the remaining action by December 31, 2006.

#### *EPA Needs to Improve Correction of Rejected Transactions:*

EPA had not completed the remaining action needed by the end of fiscal 2006. However, EPA published on November 1, 2006, formal procedures for managing rejected payroll transactions between PeoplePlus and IFMS. We will schedule a review to evaluate the effectiveness of the Agency's implemented procedures.

#### *EPA Needs to Improve Contingency Plans for Financial Applications:*

Although EPA has made some progress in correcting this reportable condition, EPA still needs to (1) finalize contingency plans for all OCFO applications not subscribing to the National Computer Center Disaster Recovery Services Plan, and (2) update the personnel contact information within the NCC Critical Application Disaster Recovery Plan. OCFO plans to complete the first action by December 31, 2006. OCFO requested NCC update the Critical Application Disaster Recovery Plan.



**UNITED STATES ENVIRONMENTAL PROTECTION AGENCY**  
WASHINGTON, D.C. 20460

OFFICE OF THE  
CHIEF FINANCIAL OFFICER

November 13, 2006

## MEMORANDUM

**SUBJECT:** Draft Audit Report: Response to Audit of EPA's FYs 2006 and 2005 Financial Statements

**FROM:** Lyons Gray  
Chief Financial Officer

A handwritten signature in black ink that reads "Lyons Gray".

**TO:** Bill Roderick  
Acting Inspector General

My staff and I thank you for the opportunity to respond to the Draft Audit Report of the U. S. Environmental Protection Agency's FYs 2006 and 2005 Financial Statements. We agree with the issues raised and have some observations and clarifications to offer. These are provided in the attachment.

We believe our existing controls, policies and procedures are effective. We are in the final stages of consolidating several financial functions that will improve our efficiency and effectiveness and have already assisted in streamlining the audit process. As with anything new, challenges exist, but we are currently evaluating ways to improve operations without compromising fiscal integrity.

This year was a model year for both of us. We worked closely implementing some of the best practices in Government, which resulted in a smoother audit process. We thank you for your commitment and diligence.

We look forward to another productive year working with the Office of Inspector General. If you have any questions, please contact Lorna McAllister, Director of the Office of Financial Management at 202-564-4905.

### Attachment

cc: Melissa Heist  
Paul Curtis  
Maryann Froehlich  
Joshua Baylson  
Lorna M. McAllister  
Iantha Gilmore  
Milton Brown  
Raffael Stein



## Attachment I: OCFO's Response to the FY 2006 and FY 2005 Draft Audit Report

### INTRODUCTION

We offer the following observations and clarifications:

- The transfer of receivables to the Finance Centers started in FY 2004 and continued into FY 2006. EPA was consolidating processes for efficiency, consistency, and improved internal controls. The consolidation did not cause changes in accounting processes or internal controls.
- As part of the transition, we concede that transferring the receivables from the regions to Cincinnati could have been executed more effectively.
- Consolidating accounting functions and reclassifying debt over two years old consistent with OMB Circular A-129 and Treasury guidance during FY 2006 contributed to the unanticipated abnormal account balances including the year-end bad debt expense account.
- Each quarter EPA works to reconcile differences reported by the Department of Treasury with our major trading partners. As a result of our preliminary review of the 4th quarter Treasury Intragovernmental Activity Report, OCFO identified potential adjustments that will reduce the total unreconciled difference from \$518 million to \$231 million.

### REPORTABLE CONDITIONS

#### 1. EPA's Implementation of Accounting Processes Resulted in Misstatements

**OIG Recommendation 1:** We recommend the OCFO require the Reporting and Analysis

Staff: Make the necessary corrections to properly adjust fiscal 2006 bad debt expense, revenue and advance accounts to their normal balances.

**OCFO Response:** OCFO agrees. OCFO's review determined that only the bad debt expense account required an adjustment. This adjustment was made for financial statement purposes and will be posted in the accounting system in FY 2007.

**OIG Recommendation 2:** We recommend the OCFO require the Reporting and Analysis Staff: Work with finance offices to correct the impact of any future Currently Not Collectible (CNC) reductions against entries originally recorded in the first through third quarters of fiscal 2006.

**OCFO Response:** OCFO believes that the recommendation should be modified to end after the word "reductions." An analysis was completed on all fiscal 2006 CNC activity. For FY 2007, the accounting model will be re-evaluated and the impact will be monitored.

**OIG Recommendation 3:** We recommend the OCFO have the Financial Management Offices and Finance Centers: Continually monitor CNC decrease entries to transactions originally recorded in the first through third quarters of fiscal 2006 for abnormal increases in the allowance accounts and decreases in revenue.

**OCFO Response:** OCFO believes that the recommendation should delete the words "continually" and "originally

recorded the first through third quarters of fiscal 2006." OCFO will formally monitor these transactions monthly instead of quarterly.

**OIG Recommendation 4:** We recommend the OCFO have the Financial Management Offices and Finance Centers: Notify Reporting and Analysis Staff of these CNC decrease entries and any allowance for doubtful account decrease entries needed to correct allowance accounts.

**OCFO Response:** OCFO will revise the appropriate accounting models and amend the CNC policy.

#### 2. EPA Misclassified Interagency Agreement Advances to Other Federal Agencies

**OIG Recommendation 5:** We recommend the OCFO have the CFC: Ensure all future payments under advanced funded disbursement IAGs are recorded as advances and expenses are recognized in the period incurred.

**OCFO Response:** OCFO will coordinate efforts with the Office of Grants and Debarment to strengthen procedures when entering into advance agreements with other federal entities. Such agreements will establish terms and conditions within the IAG process, so that both entities will be able to compile complete, accurate and timely financial information for reporting and recognizing revenue and expenses in the proper period.

**OIG Recommendation 6:** We

recommend the OCFO:  
Establish written procedures for recovering advances from other agencies when those agencies fail to provide proper and timely supporting documentation of the funds being used.

**OCFO Response:** OCFO has written policy and procedures in place governing intragovernmental transactions with trading partners. These policies and procedures will be refined after issuance of OMB business rules (expected by early calendar year 2007) with stringent requirements governing the accounting for intragovernmental transac-

tions including the appropriate handling of advances and other accounting transactions. In addition, OCFO volunteered to participate on the government-wide committee designed to resolve trading partner issues among agencies.

### COMPLIANCE WITH LAWS AND REGULATIONS

#### 3. EPA Did Not Reconcile Differences with Trading Partners

**OIG Recommendation 7:** We recommend the OCFO: Require the Office of

Financial Management to reconcile the Agency's intragovernmental transactions to comply with Federal financial reporting requirements.

**OCFO Response:** OCFO agrees with the recommendation and will continue to make progress in this area. The Office of Financial Services will work with the appropriate EPA offices and other federal agencies to obtain the necessary documentation to support these transactions.

## Appendix III: Report Distribution List

Chief Financial Officer, Agency Follow-up Official	Director, Financial Policy and Planning Staff
Assistant Administrator for Administration and Resources Management	Director, Washington Finance Center
Assistant Administrator for Environmental Information	Agency Follow-up Coordinator
Director, Office of Policy and Resources Management, Office of Administration and Resources Management	Audit Liaison for the Office of Chief Financial Officer
Director, Office of Grants and Debarment	Audit Liaison for the Office of Administration and Resources Management
Director, Office of Technology Operations and Planning	Audit Liaison for the Office of Solid Waste and Emergency Response
Director, Office of Budget	Audit Liaison for the Office of Administrative Services
Director, Grants Administration Division	Audit Liaison for the Office of Environmental Information
Director, Office of Administrative Services	Audit Liaison for the Office of Enforcement and Compliance Assurance
Director, Office of Financial Management	Audit Liaison for the Grants Administration Division
Director, Office of Financial Services	Audit Liaison for the Office of the Administrator
Director, Cincinnati Finance Center	Audit Liaison for the Offices of Financial Management and Financial Services
Director, Las Vegas Finance Center	Office of General Counsel
Director, Reporting and Analysis Staff	Acting Inspector General
Director, Financial Systems Staff	

### Abbreviations

CFC	Cincinnati Finance Center
CNC	Currently Not Collectible
EPA	U.S. Environmental Protection Agency
FFMIA	Federal Financial Management Improvement Act
FMFIA	Federal Managers' Financial Integrity Act
FMO	Financial Management Office
IAG	Interagency Agreement
IFMS	Integrated Financial Management System
HHS	Health and Human Services
OCFO	Office of the Chief Financial Officer
OIG	Office of Inspector General
OMB	Office of Management and Budget
RSSI	Required Supplementary Stewardship Information



# Appendices

## CONTENTS

Appendix A—Program Evaluations Completed in FY 2006 .....	A-2
Appendix B—Data Quality .....	B-1
Appendix C—Public Access .....	C-1
Appendix D—Acronyms and Definitions .....	D-1

# Appendix A: Program Evaluations Completed in FY 2006

## INTRODUCTION

EPA relies on program evaluations and analyses to inform decisions, design effective strategies, and adjust approaches to improve results. Appendix A lists and summarizes information for each program evaluation completed in FY 2006. It includes evaluations that apply to a specific annual performance goal (APG) (which are also listed under relevant APGs in Section 2 of this report) and broader evaluations that encompass more than one APG. This appendix lists evaluations by goal and objective, and provides information on the evaluator; scope of the evaluation; relevant findings; recommendations; EPA's response; and public access to the evaluation reports.

## Goal 1

**Evaluation Title:** Particulate Matter: EPA Has Started to Address the National Academies' Recommendations on Estimating Health Benefits, but More Progress is Needed

**Evaluator:** U.S. Government Accountability Office

**Scope of Evaluation:** Goal 1, Objective 1. Under the Clean Air Act, EPA periodically reviews the appropriate air quality level at which to set national standards to protect the public against the health effects of particulate matter. EPA proposed revisions to these standards in January 2006 and issued a draft regulatory impact analysis of the revisions' expected costs and benefits. A 2002 National Academies (NAS) report generally supported EPA's approach but made 34 recommendations to improve how EPA implements its approach. GAO was asked to determine whether and how EPA applied the NAS' recommendations in its estimates of the health benefits expected from the January 2006 proposed revisions to the particulate matter standards. GAO examined the draft analysis, met with EPA officials and interviewed members of the NAS' committee.

**Evaluation Findings:** EPA has begun to change the way it conducts and presents its analyses of health benefits in response to recommendations from the NAS. Specifically, EPA applied, at least in part, 22 of the recommendations to its health benefit analysis of proposed revisions to particulate matter standards. EPA officials said that ongoing research and development efforts will allow the agency to gradually achieve more progress in applying the recommendations. EPA has not applied the remaining 12 recommendations to the analysis for a variety of reasons. EPA considers most of these recommendations as relevant to its health benefit analyses and emphasized the agency's commitment to respond to the recommendations.

**Planned Response:** As noted, EPA considers most of the NAS recommendations as relevant to its health benefit analyses and remains committed to implementing the NAS recommendations.

**Public Access:** The report is available at <http://www.gao.gov/new.items/d06780.pdf>, Report No. GAO-06-780, July 2006.

## Evaluation Title: Clean Air Act: EPA Should Improve the Management of Its Air Toxics Program

Evaluator: U.S. Government Accountability Office

**Scope of Evaluation:** Goal I, Objective I. EPA's most recent data indicates that 95 percent of all Americans face an increased likelihood of developing cancer as a result of breathing air toxics—pollutants such as benzene and asbestos that may cause cancer or other serious health problems. Sources of air toxics include large industrial facilities, smaller facilities such as dry cleaners and cars and trucks. The 1990 Clean Air Act Amendments required EPA to regulate 190 pollutants from these sources through a multifaceted regulatory program. While EPA issues federal standards, state and local agencies generally administer these standards and some develop their own rules to complement the federal standards. In this context, GAO was asked to assess: (1) EPA's progress and challenges in implementing the air toxics program; (2) available information on the program's costs and benefits; and, (3) practices of state and local air toxics programs.

**Evaluation Findings:** While EPA has made some progress implementing the 1990 CAA air toxics program, major aspects of the program have still not been addressed. Many of the unmet requirements pertain to limiting emissions from small stationary and mobile sources, which collectively account for most emissions of air toxics. The agency faces continuing implementation challenges stemming from the programs low priority relative to other programs and related funding constraints. The program's agenda is largely set by external stakeholders who file litigation when the agency misses deadlines. As a result of EPA's limited progress, the Agency has not addressed health risks from air toxics to the extent or in the time frames envisioned in the CAAA. Available information on EPA's efforts to control air toxics is not sufficiently comprehensive to measure the program's total costs and benefits. Specifically, EPA has not comprehensively estimated the national economic costs of all air toxics standards and lacks the data necessary to assess the benefits of these standards. The state and local programs reviewed use practices that could potentially help EPA enhance the effectiveness of its air toxics program. For example several state programs have systematic approaches for identifying and prioritizing new pollutants that could inform EPA's efforts to meet the Act's requirement to review and update the list of regulated pollutants.

**Evaluation Recommendations:** EPA agrees in part with the conclusions and recommendations in the report. EPA must coordinate its internal plans to reduce toxic air pollution with court ordered actions. EPA has a large number of rules pertaining to hazardous air pollutants (HAP) scheduled for completion under different provisions of the Clean Air Act (CAA): mobile source emission standards, stationary source emission standards, and risk-based standards. In March 2006, EPA proposed a rule that would reduce air toxics from mobile sources. Specifically, the rule proposes standards to limit: (a) the benzene content of gasoline; (b) exhaust and evaporative emissions from passenger vehicles; and (c) emissions from gas cans due to evaporation and spillage. Promulgation of this rule is expected to reduce 350,000 tons of air toxics by 2030. The result of the proposal and other mobile source control programs would be a reduction by over 1 million tons in mobile source air toxics between 1999 and 2030. The final rule is expected to be promulgated February 9, 2007. The final MSAT rule mentioned above is the only mandatory air toxics activity for mobile sources. EPA has aggressively been working on mobile source regulations through fuel and engine standards, and other efforts. The Agency is focusing on reducing air toxics through regulatory actions, as well as a voluntary diesel retrofit program, which we are expanding to include stationary diesel engines. Based on 1990 levels, we expect a 90 percent reduction in diesel emissions and a 60 percent reduction in other mobile source air toxics (MSAT) by 2020. GAO recommends that EPA develop a plan for improving the management of its air toxics program, including a prioritization scheme, timelines, and estimates of resources needed to meet its statutory obligations. EPA met its obligations to adopt standards for major stationary source categories by issuing 96 Maximum Achievable Control Technology (MACT) standards that apply to 174 source categories. To meet fully our statutory obligations, we are developing additional standards for area source categories according to the following schedule that is consistent with an order recently issued by the U.S. District Court for the District of Columbia in *Sierra Club v. Johnson*, No. 1:01-cv-01537-PLF (August 2, 2006). While EPA sought to develop a strategy that prioritizes resources to maximize risk reduction, the above-mentioned court-ordered schedule has caused us to reexamine our plans in light of the extremely tight deadlines imposed by the court's order. We are making every effort to complete the remaining rules and comply with the court's order, but this will have a significant impact on our ability to prioritize based on risk, and will necessitate our focusing on those rules for which we have the greatest available information currently and can thus most readily meet the near-term deadlines.

**Planned Response:** EPA will work on meeting the court-ordered deadlines and on developing the residual risk and technology review program.

**Public Access:** The report is available at <http://www.gao.gov/new.items/d06669.pdf>, Report No. GAO-06-780, June 2006.

**Evaluation Title: Monitoring Needed to Assess Impact of EPA's Clean Air Mercury Rule on Potential Hotspots**

Evaluator: U.S. EPA's Office of the Inspector General

**Scope of Evaluation:** Goal I, Objective I. About 40 percent of U.S. man-made airborne mercury is emitted from coal-fired utilities. EPA revised a previous finding that mercury emissions from coal-fired utilities be regulated with a Maximum Achievable Control Technology standard. Instead, EPA adopted a cap-and-trade program to reduce mercury emissions. Several State agencies and environmental groups objected to these actions. One concern was that a cap-and-trade program could result in localized areas with unacceptably high levels of mercury, or "hotspots." In support of its Clean Air Mercury Rule (CAMR), the EPA conducted a detailed analysis of mercury emissions and deposition. EPA concluded that "utility-attributable" hotspots would not occur after implementation of CAMR's mercury trading program. This evaluation assesses the basis for EPA's conclusion.

**Evaluation Findings:** EPA brought significant scientific, technical and modeling expertise to bear in developing a specific methodology to consider the potential for mercury hotspots. Several uncertainties associated with key variables in the analysis could affect the accuracy of the Agency's conclusion that the CAMR will not result in "utility-attributable" hotspots. The OIG noted: gaps in available data and science for mercury emissions estimates; limitations with the model used for predicting mercury deposition; uncertainty over how mercury reacts in the atmosphere; and, uncertainty over how mercury changes to a more toxic form in waterbodies. The OIG also concluded that based on their interpretation of CAMR, the Agency could not take action to mitigate a mercury hotspot unless the Agency first determined that the hotspot was solely "utility-attributable."

**Evaluation Recommendations:** The OIG recommended that EPA develop and implement a mercury monitoring plan to: (1) assess the impact of CAMR, if adopted on mercury deposition and fish tissue; and (2) evaluate and refine mercury estimation tools and models. The OIG also recommended that EPA clarify in the final rule that the "utility-attributable" hotspot does not establish a prerequisite for making future revisions to CAMR.

**Planned Response:** EPA agrees that additional mercury monitoring is needed and explained that CAMR does not establish the "utility-attributable" hotspot definition as a prerequisite for future changes to CAMR.

**Public Access:** The report is available at <http://www.epa.gov/oig/reports/2006/20060515-2006-P-00025.pdf>, Report No. 2006-P-00025, May 15, 2006.

**Evaluation Title: EPA Can Improve Emissions Factors Development and Management**

Evaluator: U.S. EPA's Office of the Inspector General

**Scope of Evaluation:** Goal I, Objective I. Emissions factors are broad estimates of the emissions generated from a source, such as a factory. Nationally, emissions factors are used for about 80 percent of emissions reporting. An emissions factor is a representative value that attempts to relate the quantity of a pollutant released with an activity rate associated with the release. Emissions factors underlie many environmental decisions. Recently, states and industry have been developing emissions factors and submitting them to EPA. The OIG sought to determine whether the air emissions factors used by EPA are of acceptable quality for making environmental decisions, and whether EPA's decisions, and whether EPA's process for developing, improving and rating emissions factors is sufficient to meet users' needs.

**Evaluation Findings:** EPA has made progress in emissions factors development since our review of the program in 1996 but a large number of factors continue to be rated low. The number of EPA-rated factors increased by nearly 94 percent from 1996 to 2004. However the percentage of emissions factors rated below average or poor increased from 56 percent in 1996 to 62 percent in 2004. The quality of many emissions factors remains low in part because EPA did not have a sufficient process for developing, improving and rating emissions factors, nor did EPA have a comprehensive strategic plan. The OIG found inconsistent emissions factors guidance, continuing reliance on a qualitative rating system when a quantitative range of uncertainty is needed, an insufficient program funding when needs are increasing.

**Evaluation Recommendations:** The OIG made a number of recommendations including: develop emissions factors guidance that addresses the development and appropriate use of emissions factors for non-inventory purposes; establish a rating system that provides the quantitative range of uncertainty for emissions factors for both inventory and non-inventory purposes; work with industry, state and local agencies, and others to leverage available resources for meeting increasing demands for new factors; and establish a workgroup to develop a comprehensive strategic plan for the Emissions Factors Program, and ensure that requested resources are used to achieve program goals.

### Evaluation Title: EPA Can Improve Emissions Factors Development and Management

Evaluator: U.S. EPA's Office of the Inspector General

**Planned Response:** The OIG recommendations generally align with EPA's current improvement efforts. EPA is making it easier for industry to transform their emissions data into emissions factors and to transmit them to State and Federal reviewers quickly through reengineering the program to speed the development of emissions factors, increasing the number of emissions factors, and accounting for uncertainty in emissions factors. By analyzing and reporting on the uncertainty of emissions factors, we will be able to assess the uncertainty of not only future, but also existing, emissions factors. Our analysis and report have undergone an internal peer review process, and our efforts were determined to be acceptable, scientific approaches to evaluating uncertainty. We are summarizing the documents now for a non-technical audience. The analysis and report will be available on the web for external review and comment this year. We expect that discussions and decisions on the means to express uncertainties will take eighteen to twenty-four months to complete. In addition, guidance on rulemaking that may follow from the decisions is expected to take at least another thirty-six months. Before fall 2006, EPA will have developed and tested a new emissions factors streamlining process and developed emissions factors for coke ovens, landfills, municipal waste combustors, steel mini-mills, landing losses for external floating roofs, and low pressure petroleum storage tanks. Working with other groups—consistent with our long-term goal of using others' resources to improve emissions factors—we will initiate development of emissions factors for natural gas engines, rubber manufacturers, and animal feeding operations.

**Public Access:** The report is available at <http://www.epa.gov/oig/reports/2006/20060322-2006-P-00017.pdf>, Report No. 2006-P-00017, March 22, 2006.

### Evaluation Title: Climate Change: EPA and DOE Should Do More to Encourage Progress Under Two Voluntary Programs

Evaluator: U.S. Government Accountability Office

**Scope of Evaluation:** Goal 1, Objective 5. To reduce greenhouse gas emissions linked to climate change, two voluntary programs encourage participants to set emissions reduction goals. The Climate Leaders Program, managed by EPA, focuses on firms. The Climate VISION (Voluntary Innovative Sector Initiative: Opportunities Now) Program, managed by the Department of Energy (DOE) along with other agencies, focuses on trade groups. GAO examined: (1) participants' progress in completing program steps, the agencies' procedures for tracking progress, and their policies for dealing with participants that are not progressing as expected; (2) the types of emissions reduction goals established by participants; and, (3) the agencies' estimates of the share of U.S. greenhouse gas emissions that their programs account for and their estimates of the programs' impacts on U.S. emissions.

**Evaluation Findings:** EPA expects Climate Leaders firms to complete several program steps within general time frames, but firms' progress on completing those steps is mixed. EPA is developing a system for tracking firms' progress in completing these steps, but it has no written policy on what to do about firms that are not progressing as expected. DOE has no means of tracking trade groups' progress in completing the steps in their plans and no written policy on what to do about group that are not progressing as expected.

**Evaluation Recommendations:** GAO recommends that DOE develop a system for tracking groups' progress in completing program steps. Also, GAO recommends that both agencies develop written policies on what to do about participants not progressing as quickly as expected. EPA did not comment on the recommendation and DOE agreed with the recommendation on a tracking system and said it will consider the recommendation on establishing a written policy.

**Planned Response:** EPA believes that the recommendation identified by GAO is not a program weakness and has been addressed in the initial design of the program. In response to GAO's finding, EPA has detailed its existing policy in an internal written memo which documents the steps that EPA will take if it believes a Partner is not progressing in completing the program requirements in a timely manner. Given the differences in the size and complexity of Partners' corporate inventories, EPA believes that a public written policy establishing consequences for not meeting program steps on a specified schedule would be detrimental to recruiting companies to undertake the significant voluntary effort that is necessary to meet the program requirements.

**Public Access:** The report is available at <http://www.gao.gov/new.items/d0697.pdf>, Report No. GAO-06-97, April 2006.

## Goal 2

### Evaluation Title: Drinking Water: EPA Should Strengthen Ongoing Efforts to Ensure That Consumers Are Protected from Lead Contamination, GAO-06-148

Evaluator: U.S. Government Accountability Office

**Scope of Evaluation:** Goal 2, Objective 1. GAO was asked to evaluate: (1) the completeness of information that EPA has to evaluate implementation; (2) areas of the rule where modifications could strengthen public health protection; and (3) the availability of information to assess the quality of drinking water in schools and child care facilities with respect to lead.

**Evaluation Findings:** GAO found that data submitted by states to EPA is incomplete and EPA has not analyzed violation and enforcement data to assess the adequacy of state oversight efforts. They identified several areas of the rule where, based on their review, protection could be strengthened. They identified other issues that require additional research and evaluation to inform whether changes to rule or guidance are needed and found there is little information on how states implemented the 1988 Lead Contamination Control Act.

**Evaluation Recommendations:** GAO recommended that EPA (1) work with states to get complete data and analyze data on violations and corrective actions, (2) review regulations and guidance to address specific issues raised in the report, (3) carry out additional research to address other issues raised in the report, and (4) collect and analyze the results of testing in schools and child care facilities, assess the pros and cons of remediation strategies, and make results known the public.

**Planned Response:** As part of its Drinking Water Lead Reduction Plan (announced in March 2005), EPA is carrying out a number of activities that are responsive to the findings raised in the report, specifically with respect to changes to regulation and guidance. Regulatory revisions, which addressed some of GAO's concerns, were proposed in July 2006. EPA will continue to work with states to ensure that we have complete data with which to assess implementation and engaging in a broad effort to encourage voluntary testing for lead in drinking water in schools and child care facilities.

**Public Access:** The report is available at <http://www.gao.gov/new.items/d06148.pdf>

### Evaluation Title: Promising Techniques Identified to Improve Drinking Water Laboratory Integrity and Reduce Public Health Risks

Evaluator: EPA's Office of the Inspector General

**Scope of Evaluation:** Goal 2, Objective 1. This evaluation was conducted to identify: vulnerabilities in the drinking water sample analysis process, techniques to mitigate those vulnerabilities, and opportunities to further safeguard human health.

**Evaluation Findings:** Within the drinking water sample analysis process, we identified vulnerabilities not addressed by EPA's process which can compromise the integrity of the analysis process and the quality of data produced. States that have implemented new techniques to detect laboratory integrity problems have found additional deficiencies, inappropriate procedures, and even cases of fraud. Without any national studies of water quality data that examine the integrity of laboratories, the full extent of the problem remains unassessed.

**Evaluation Recommendations:** EPA assess drinking water laboratory integrity and incorporate promising techniques to better identify inappropriate procedures and fraud into the laboratory oversight process. In addition, EPA must better address the root causes of vulnerabilities, including limited laboratory controls and economic pressures.

Specifically, EPA needs to:

- Enhance guidance and further encourage EPA and State laboratory certification officers to use promising techniques, and reduce uncertainty by monitoring and assessing laboratory and certification program conditions.
- Review procurement policy and promote ethical practices.
- Create a policy and mechanism to identify affected data.



### Evaluation Title: Promising Techniques Identified to Improve Drinking Water Laboratory Integrity and Reduce Public Health Risks

Evaluator: EPA's Office of the Inspector General

**Planned Response:** EPA indicated that it will encourage the use of promising techniques identified and "play a greater role" in preventing and detecting inappropriate procedures and fraud in drinking water laboratories. EPA stated a commitment to the quality of data in Agency databases and will submit OIG's recommendations to the Agency's Quality and Information Steering Committee for action. A full corrective action plan is expected.

**Public Access:** Website access: <http://www.epa.gov/oig/reports/2006/20060921-2006-P-00036.pdf>. Available: September 21, 2006. Report number: 2006-P-00036.

### Evaluation Title: Lessons Learned: EPA's Response to Hurricane Katrina

Evaluator: EPA's Office of the Inspector General

**Connection to EPA's Strategic Plan:** This evaluation was not included in the "Proposed Future Program Evaluation" section in the *FY 2003–2008 Strategic Plan*.

**Scope of Evaluation:** Goal 2; Objective 1. This report consolidated the lessons learned by the OIG in conducting three prior evaluations in assessing EPA's response to Hurricane Katrina in restoring drinking water and wastewater treatment facilities; and managing debris and hazardous waste removal. The report also compared EPA's response to Hurricane Katrina to the lessons learned in the prior OIG report on *EPA's Response to the World Trade Center Collapse: Challenges, Successes, and Areas for Improvement* (Rpt. No. 2003-P-00012, August 21, 2003).

**Evaluation Findings:** We found that coordination problems within EPA, with State and local officials, and with the U.S. Army Corps of Engineer (USACE) resulted in duplicative work being completed by EPA and Louisiana officials. Also, initially, there were problems with the transport of drinking water in potentially hazardous tanker trucks. In addition, State of Louisiana officials reported problems querying and verifying the quality of data in EPA's database used to collect floodwater results.

**Evaluation Recommendations:** We recommended that the Assistant Administrators for the Offices of Solid Waste and Emergency Response and of Water, as part of EPA's lessons learned from Katrina, ensure that planned corrective actions are implemented, including conducting interagency meetings and establishing coordination protocols with the trucks in tribal lands in Region 4.

**Planned Response:** EPA agreed with our recommendations and have taken action or is currently taken actions to implement the recommendations.

**Public Access:** The report is available at <http://www.epa.gov/oig/reports/2006/20060914-2006-P-00033.pdf>. Also, the report is available by contacting the OIG Office of Congressional and Public Liaison. September 14, 2006. Report No. 2006-P-00033.

### Evaluation Title: Much Effort and Resources Needed to Help Small Drinking Water Systems Overcome Challenges

Evaluator: EPA's Office of the Inspector General

**Scope of Evaluation:** Goal 2, Objective 1. The challenges of small drinking water systems in providing water that is safe to drink and the adequacy of EPA and State initiatives for addressing those challenges, including: (1) assuring that drinking water meets current and future Safe Drinking Water Act (SDWA) requirements; (2) the effectiveness of EPA and the States in assisting small drinking water systems and (3) the impact of these efforts on the health of consumers of drinking water from small systems.

### Evaluation Title: Much Effort and Resources Needed to Help Small Drinking Water Systems Overcome Challenges

Evaluator: EPA's Office of the Inspector General

**Evaluation Findings:** After many years, small drinking water systems continue struggling with financial/management matters and regulatory/compliance issues, despite many Government and nongovernmental initiatives and approaches to assist their resolution of these problems. While it is difficult to measure the effectiveness of individual EPA and State activities to assist small drinking water systems, we identified several indicators of success as well as limitations of these approaches.

Limited data exist on the health impacts related to small drinking water systems. The Centers for Disease Control and Prevention (CDC) states that while incidence is vastly underreported, data does show health outbreaks related to small drinking water systems.

**Evaluation Recommendations:** EPA should work with States to identify successful approaches for working with small systems to obtain financing. EPA should work closer with States to identify and compile small system best practices and establish a method for disseminating the information, to maximize limited resources to assist small systems.

**Planned Response:** In response to our report, the Agency has agreed to accept our recommendations, and proposed corrective actions that the OIG has accepted. The OIG will track the Agency's progress implementing these actions.

**Public Access:** The report is available at: <http://www.epa.gov/oig/reports/2006/20060530-2006-P-00026.pdf>. Report Number: 2006-P-00026.

### Evaluation Title: Clean Water: How States Allocate Revolving Loan Funds and Measure Their Benefits

Evaluator: U.S. Government Accountability Office

**Scope of Evaluation:** Goal 2, Objective 2. At the request of the House of Representatives Committee on Appropriations, Subcommittee on Interior, Environment, and Related Agencies, GAO undertook a study of (1) the extent to which states currently use their Clean Water State Revolving Funds (CWSRF) to support conventional wastewater treatment plant construction versus other qualifying expenses; (2) the strategies states use to allocate their CWSRF dollars among qualifying expenses; and (3) the measures states use to evaluate their allocation strategies.

**Evaluation Findings:** (1) Since 1987, states have used 96 percent (about \$50 billion) of their CWSRF dollars to build, upgrade, or enlarge conventional wastewater treatment facilities and conveyances. (2) The 50 states (and Puerto Rico) have used a variety of strategies to allocate CWSRF funds to meet their individual needs. For example, some states target a certain portion of their funds to nonpoint source projects, while other states target borrowers in small or rural communities. States' allocation strategies may change as certain states' priorities and clean water needs shift. (3) EPA and the states use a uniform set of financial and environmental measures to help determine efficient and effective use of CWSRF resources. EPA regional officials conduct annual reviews of each state program to help ensure the fiscal integrity of the state programs. All programs are also subject to annual independent financial audits. To measure environmental outcomes of CWSRF-funded projects, in FY 2005, EPA developed an electronic benefits reporting system that all 51 programs have agreed to use.

**Evaluation Recommendations:** None.

**Planned Response:** No response or action is necessary since the GAO report did not contain recommendations.

**Public Access:** Public access to the report can be found at: <http://www.gao.gov/new.items/d06579.pdf>

## Evaluation Title: Sustained Commitment Needed to Further Advance Watershed Approach

Evaluator: EPA's Office of Inspector General

**Scope of Evaluation:** Goal 2, Objective 2. The OIG undertook this evaluation to determine how well the EPA is doing in four critical elements to advance the watershed approach. These four elements are integration, stakeholder participation, strategic planning, and performance measurement.

**Evaluation Findings:** EPA has made progress integrating watershed approach principles into some of its core water programs, but needs to address challenges to ensure further success. Stakeholders were enthusiastic about the watershed approach, but identified a number of obstacles when adopting the approach. EPA has made important strides incorporating the watershed approach into its strategic plans, but it must improve some key steps. Although EPA developed a performance measurement system for improving water quality on a watershed basis, EPA did not develop measures to evaluate key programs and activities, and its national outcome measures were not understandable, comparable, and reliable.

**Evaluation Recommendations:** The OIG recommended that EPA address challenges to integrating watershed approach principles into its core programs, as well as obstacles identified by stakeholders concerning the watershed approach. EPA also needs to improve its strategic plans and performance measurement system that address the watershed approach.

**Planned Response:** EPA will continue to integrate the watershed approach into its core water programs; work in partnership with stakeholders to ensure obstacles with implementing the watershed approach are addressed; continue to refine and improve key aspects of the strategic planning process; and continue to improve key aspects of the performance measurement system. The results of the program evaluation will influence changes in the strategic architecture. The evaluation impacted how EPA develops the performance baseline for sub objective 2.2.1 of the strategic plan. The evaluation also recommends that EPA improve the design of the outcome measures for sub objective 2.2.1. Finally, the evaluation recommends that EPA revise its Program Activity Measures to better measure the impact of critical national strategies and core water programs that lead to achieving sub objective 2.1.1.

**Public Access:** Public access to the report can be found at: <http://www.epa.gov/oig/reports/2005/20050921-2005-P-00025.pdf>

## Evaluation Title: EPA Can Better Implement Its Strategy for Managing Contaminated Sediments

Evaluator: EPA's Office of Inspector General

**Scope of Evaluation:** Goal 2, Objective 2. The OIG undertook this evaluation to determine the effectiveness and outcomes achieved from the EPA's *Contaminated Sediment Management Strategy* (1998). In particular the OIG evaluated whether Federal authorities and resources provided effective solutions, and how well EPA measured Strategy effectiveness and assessed contamination.

**Evaluation Findings:** EPA needs to better manage its efforts to clean up contaminated sediments on a nationwide basis. EPA made some progress with its *Contaminated Sediments Management Strategy*. However, the Agency cannot assure that resources devoted to addressing contaminated sediments provide the most effective and efficient solutions for reducing the environmental and human health risks posed by this national problem. Program offices generally did not use National Sediment Inventory data for decision making, even though the inventory represents the most comprehensive source of data on contaminated sediments in the United States. EPA did not sufficiently coordinate contaminated sediment activities performed by various EPA program offices. The Agency did not develop sediment quality criteria to ensure the comparability of data gathered to assess sediment contamination and its effects. EPA contaminated sediment research efforts did not fully meet the Agency's needs, and EPA can improve coordination of its research efforts with those of other Federal agencies. The Agency also did not establish cross-program performance measures that fully evaluate the effectiveness of its Strategy and enable EPA to determine its progress. Many of these issues occurred because no program office within EPA has responsibility for overseeing contaminated sediments. EPA's 2004 *National Sediment Quality Survey* report did not provide a complete assessment of the extent and severity of sediment contamination across the Nation, nor fully meet the requirements of the Water Resources Development Act.

**Evaluation Recommendations:** The committee indicated below is addressing.

**Planned Response:** An Intra-agency Committee on Preventing and Managing Contaminated Sediments led by OW was established on April 6, 2006. The committee is meeting regularly and has developed an initial workplan for completing the Action Plan which will describe specific actions to: (1) ensure that the Agency uses the National Sediment Inventory as part of EPA's decision making; (2) ensure that contaminated sediment issues are managed and addressed through a cross-program approach; and 3) update the Strategy.

**Public Access:** Public access to the report can be found at: <http://www.epa.gov/waterscience/cs/stratndx.html>.

**Evaluation Title:** Review of the Office of Research and Development's Drinking Water Research Program at the U.S. Environmental Protection Agency

**Evaluator:** Board of Scientific Counselors (BOSC) Subcommittee on Drinking Water Research.

**Strategic Plan Connection:** This evaluation was conceptually included as a Proposed Future Program Evaluation in the *FY 2003–2008 Strategic Plan*. Under "Research" evaluations, research programs were proposed to be reviewed against the OMB Criteria of relevance, quality and performance.

**Scope of Evaluation:** Goal 2, Objective 3. This evaluation reviewed the DWRP performance, relevance, quality, and scientific leadership.

**Evaluation Findings:** The DWRP is relevant and critically important to the overall EPA mission. The DWRP is also focused on timely delivery of high-quality research that is of national importance. It has remained involved within rapidly evolving drinking water areas by conducting innovative research and methods development.

**Evaluation Recommendations:**

Key recommendations for this program include:

- The decision to consolidate three long-term goals into two is not well justified.
- Evaluate strategies that could be implemented to encourage more cutting edge research to identify and circumscribe issues, problems, and solutions that impact safe drinking water:
- Develop a "Science Leadership" mission statement and to identify those areas it believes it is capable of establishing or sustaining international leadership over the long term.
- Be proactive in developing metrics to document and support its assertion that translation of its research outputs is making significant contributions.
- Aggressively pursue partnering with other agencies and nongovernment organizations to ensure that the Criteria Contaminant List (CCL) needs are addressed adequately.
- To anticipate new problems in drinking water contamination, treatment, distribution, and source water protection, the Agency should consider STAR solicitations that are somewhat more open ended.

**Planned Response:** Findings from this evaluation will be used to revise the long-term goal structure of the program to encourage anticipatory and cutting-edge research ideas. The DWRP will also increase utilization of research partnerships to help fund research of mutual interest. Finally, the DWRP is working towards improved long-term outcome metrics that will measure program performance.

**Public Access:** The report is available online at: <http://www.epa.gov/osp/bosc/pdf/dw1027rpt.pdf>.

**Evaluation Title:** Review of the Office of Research and Development's Water Quality Research Program at the U.S. Environmental Protection Agency

**Evaluator:** Board of Scientific Counselors (BOSC) Subcommittee on Water Quality Research

**Strategic Plan Connection:** This evaluation was conceptually included as a Proposed Future Program Evaluation in the *FY 2003–2008 Strategic Plan*. Under "Research" evaluations, research programs were proposed to be reviewed against the OMB Criteria of relevance, quality and performance.

**Scope of Evaluation:** Goal 2, Objective 3. This evaluation reviewed the Water Quality Research Program's (WQRP) performance, relevance, quality, scientific leadership, and coordination/communication.

**Evaluation Findings:** Overall, the WQRP is contributing significantly to the strategic goals of the EPA and provides needed technical support and products for environmental managers. The program also has a diverse and competent staff and is providing leadership in the area of water quality research for management.

**Evaluation Recommendations:**

Key recommendations for this program include:

- A more transparent approach to prioritizing research is recommended. This should be provided in the next update to Multi-Year Plan document.
- An annual accounting of Program outcomes is needed.
- The exploratory part of the Science To Achieve Results (STAR) Program should be reinstated and made sustainable.
- The Program should continue to improve partnering and collaboration, particularly with the states.
- The Multi-Year Plan needs considerable improvement if it is to better communicate the goals of the Program as it is intended.
- Biosolids should not be elevated to a Long-Term Goal (LTG). This research should be subsumed either in LTG 3 or under the same structure as other pollutant sources in the frameworks for LTGs 1, 2, and 3.

**Planned Response:** The program is currently revising its Multi-Year Plan (MYP) document with attention to creating a process for collecting information and transparently prioritizing its research. In this revised MYP, the program is striving to provide greater background information and context, along with a description of future research directions. Also as part of the MYP process, workgroups (consisting of representative from ORD, OW offices, and Regions) are actively seeking new opportunities for collaboration by identifying State and/or Regional individuals who can help create local contributions to national efforts on a subject-by-subject basis. Additionally, the program is developing metrics and collecting data to better track progress toward its outcomes.

**Public Access:** The report is available online at: <http://www.epa.gov/osp/bosc/pdf/wq0605rpt.pdf>

## Goal 3

### Evaluation Title: A Comprehensive Review of EPA Policy and Guidance for Federal Facility Cleanup and Property Transfer

Evaluator: U. S. EPA, Federal Facilities Restoration and Reuse Office (FFRO)

**Scope of Evaluation:** Goal 3, Objective 2. As a follow-up to the Superfund Federal Facilities Response Program's 2005 PART assessment, the purpose of this evaluation was to inform the program of where current policy and/or guidance could be made more effective, as well as identify means to make future policy development and implementation more efficient and effective.

**Evaluation Findings:** The evaluation found that despite their age, policy and guidance for Federal facilities cleanup and property transfer should not be retired, nor should they be revised or updated unless a change in statute or EPA policy would require it. In addition, the evaluation identified key aspects of the policy development process where improvements could be made for future policy development, as well as methods to ensure policy and guidance are more accessible and meet the needs of EPA Regions.

**Evaluation Recommendations:**

The evaluation resulted in the following key recommendations:

- Evaluate the current policy development process to increase effectiveness of Regional participation;
- Leverage existing communications infrastructure to inform policy development;
- Develop policy and guidance "packaging" prototype;
- Implement website improvements;
- Consider developing training or outreach on complex subject matters; and
- Review policy and guidance inventory to identify appropriate candidates for revisions.

**Planned Response:** The Superfund Federal Facilities Response Program will evaluate the findings and recommendations of the evaluation and implement appropriate actions in FY 2007.

**Public Access:** Additional information on this evaluation can be found at <http://www.epa.gov/fedfac>.

### Evaluation Title: More Complete Data and Continued Emphasis on Leak Prevention Could Improve EPA's Underground Storage Tank Program (GAO-06-45)

Evaluator: U.S. Government Accountability Office

**Strategic Plan Connection:** This evaluation was a "Proposed Future Program Evaluation" in the *FY 2003–2008 Strategic Plan*. The title in the Plan was: *Evaluation of Factors Influencing Performance in Underground Storage Tank Program*. The completed Program Evaluation focused on one of the aspects affecting the Agency's ability to meet or exceed the performance goal of cleanups completed.

**Scope of Evaluation:** Goal 3, Objective 2. To investigate the national status of abandoned tank cleanup. The study includes 5 case studies of states and how they prioritize, conduct, and fund cleanups, including Federal funding sources, such as the Leaking Underground Storage Tanks (LUST) Trust Fund.

**Evaluation Findings:** The data the states report to EPA on underground storage tanks provides the Agency with information it can use to determine the overall trends and status of the UST program; however, with the data currently collected, the Agency cannot readily determine the number of abandoned tanks requiring cleanup nationwide, whether this number is growing, whether states are completing work, and what are the potential impacts on state and Federal resources.

**Evaluation Recommendations:** GAO recommends that the Administrator of EPA require that states separately identify, in their reports to the Agency, information on the number of and cleanup status of all known abandoned underground storage tanks within their boundaries.

**Evaluation Title: More Complete Data and Continued Emphasis on Leak Prevention Could Improve EPA's Underground Storage Tank Program (GAO-06-45)**

Evaluator: U.S. Government Accountability Office

**Planned Response:** Obtaining information on abandoned tanks would be an important contribution to the underground storage tank program. In EPA's response, it states that the Agency will explore the extent to which states may already have information on abandoned tanks and whether EPA can access it without placing an undue burden on states. Additionally, EPA noted that collecting specific information on abandoned tank sites might be difficult because of the need to conduct site assessments.

**Public Access:** The report is available at <http://www.gao.gov/new.items/d0645.pdf>. Contact: Robin Hughes, Office of Underground Storage Tanks, [hughes.robin@epa.gov](mailto:hughes.robin@epa.gov)

**Evaluation Title: The National Academy of Sciences Report on Superfund and Mining Megasites: Lessons from the Coeur d'Alene River Basin.**

Evaluator: National Academy of Sciences.

**Scope of Evaluation:** Goal 3, Objective 2. In 2002, Congress instructed EPA to ask the National Research Council (NRC) to conduct an independent evaluation of the Coeur d'Alene River basin Superfund site in northern Idaho as a case study to examine EPA's scientific and technical practices in Superfund megasites, including physical site definition, human and ecologic risk assessment, remedial planning, and decision making. NRC established the Committee on Superfund Site Assessment and Remediation in the Coeur d'Alene River Basin. In this report, the committee analyzes the record of decision and supporting documents from this Superfund site to assess the adequacy and application of EPA's own Superfund guidance in terms of available scientific and technical knowledge and best practices.

**Evaluation Findings:** The committee found that scientific and technical practices used by EPA for decision making regarding human health risks at the Coeur d'Alene River basin Superfund site are generally sound. However, for EPA's decision-making regarding environmental protection, the committee has substantial concerns, particularly regarding the effectiveness and long-term protection of the selected remedy. The findings included the need for greater collection and use of site-specific information, the need for universal blood lead screening of children age 1-4 years, increased support of institutional-control programs, increased attention to groundwater, factoring in flooding in the remedy decision, and increased attention to needed waste repositories.

**Evaluation Recommendations:** In its remedial planning, EPA should incorporate new data that have been made available by the U.S. Geologic Survey (USGS), the Coeur d'Alene tribe, and others since issuance of the ROD and should proceed, as planned, with more thorough source identification before cleanup to verify the location, magnitude, disposition, and contributions from contaminant sources. A better understanding of dissolved metals, particularly zinc, is needed to account for movement to and from groundwater and surface water. The chemical and hydrologic components of the assessment should be sufficiently rigorous to identify source areas of contaminants and permit evaluation of the consequences of alternative remedies to the transport of dissolved metals through the system. Understanding the speciation of metals is important to characterize risk more effectively and ascertain the potential effectiveness of remedial actions. Speciation information should be collected and examined to elucidate the potential for metal transport and the effect of transformation processes on the fluxes and bioavailability of metals.

**Planned Response:** EPA's National Mining Team (NMT) has formed a subgroup to carefully evaluate each one of the recommendations made by the NAS. Over the next year, the subgroup will draft action items for each recommendation, as it sees applicable and develop work plans as appropriate. These draft action items will be discussed with the entire NMT and senior management and finalized, if approved. In addition, EPA will develop blood lead and geometric standard deviation (GSD) guidance, and bioavailability guidance.

**Public Access:** The report can be downloaded from <http://www.epa.gov/superfund/reports/coeur.htm>.

**Evaluation Title:** EPA Can Better Manage Superfund Resources; Report No. 2006-P-00013; dated February 28, 2006. The OIG closed this report on July 07, 2006.

**Evaluator:** EPA's Office of Inspector General

**Scope of Evaluation:** Goal 3, Objective 2. The OIG performed this review in response to a congressional request to evaluate Superfund expenditures at headquarters and the regions and recommended options to increase resources directed to extramural cleanup while minimizing administrative costs. The OIG addressed four questions, developed in agreement with Senate and House Appropriations Committee staff:

- What have headquarters and regional Superfund expenditures been for the last 5 years (FYs 1999 to 2003)?
- How effective are the processes and criteria for determining, allocating, and optimizing regional and headquarters' Superfund administrative and support resources?
- How effective are the processes and criteria for allocating Superfund program dollars to program needs?
- How effective are EPA's procedures for integrating efficiency and effectiveness information into the Superfund program?

**Evaluation Findings:** The OIG provided answers to congressional questions about EPA's Superfund program expenditures and identified numerous opportunities for EPA to more effectively manage its existing Superfund resources, its program, and direct more resources to cleanup. EPA needs to overcome challenges in accounting for Superfund resources, understanding the program's resource needs, and decentralized management of the Superfund program. Several obstacles prevented EPA from efficiently and effectively managing the Superfund program for performance and adequately accounting for Superfund resources. EPA has been unable to allocate and manage Superfund resources for cleanup efficiently and effectively as possible because of the way the Agency accounts for program resources, manages by functions, supplements the program with other funds, relies on an outdated workload model, and maintains unliquidated Superfund obligations and funds in special accounts. Closely aligning offices that support the Superfund program, and producing program performance and cost data, have been limited because EPA disperses the responsibility for allocating and managing program resources.

**Evaluation Recommendations:** The OIG recommended changes that will help EPA overcome these obstacles and better manage its Superfund resources. They recommended actions that enabled the Agency to direct additional funds to Superfund cleanup and recommended a specific action Congress could take to help improve the Superfund program.

**Planned Response:** The Agency concurred with the OIG's recommendation that there be an accountable entity to allocate and manage Superfund resources across the Agency and stated that the existing Superfund Board of Directors serves that purpose. The Agency concurred with the OIG's recommendation that costs be defined in a manner that supports management decision making and as a result modified Superfund eFacts to reflect site costs. In addition, the Agency agreed to explore alternative definitions of administrative costs and to seek approval from Congress, as appropriate, to revise the definition. The Agency concurred with the OIG's recommendation that EPA monitor Superfund carryover and evaluate the need to reprogram carryover for extramural cleanup. The Agency stated that we would continue to monitor the utilization of appropriated Superfund resources periodically throughout each fiscal year and evaluate the need to reprogram carryover for extramural cleanup on an annual basis. The Agency concurred with the OIG recommendation that EPA undertake a workforce assessment and stated that an FTE analysis was already underway across headquarters and regions to assist in making future resource allocations. This workload assessment is scheduled for completion by January 31, 2007. The Agency concurred with the recommendation that EPA continue to review and deobligate unliquidated obligations with the goal of reducing the time it currently takes to deobligate funds. The Agency described their existing annual process to review unliquidated obligations and return funds to the national remedial action funding pool. The Agency concurred in part with the OIG recommendation on the need to monitor the use of special accounts. While the Agency disagreed with the OIG's identification of \$465 million as available for deobligation, EPA stated that they would continue to monitor special accounts in accordance with the existing "Management of Special Accounts" guidance. Concurring with the OIG recommendations to continue EPA's processes for effectively managing Superfund resources did not result in any change in the Agency's strategic architecture in terms of what should be measured or what the targets should be.

**Public Access:** EPA Can Better Manage Superfund Resources; Report No. 2006-P-00013; dated February 28, 2006; can be viewed in full at <http://www.epa.gov/oig/reports/land.htm>.



### Evaluation Title: Site-Specific Charging at Superfund Sites: Benchmarking Regional Practices

Evaluator: EPA, Office of Solid Waste and Emergency Response

**Scope of Evaluation:** Goal 3, Objective 2. EPA conducted its first benchmarking project, which is the process of identifying best practices and adapting these practices for use throughout an organization to improve program performance. The first process selected by EPA Superfund's Best Practices/Benchmarking Steering Committee was to identify regional best practices in site-specific payroll charging. Site-specific charging is the basis for the Agency's cost recovery efforts and is a primary means of demonstrating to external parties, such as Congress and OMB, how the Agency is managing and accounting for its Superfund resources. A small benchmarking team composed two regional EPA employees and three from EPA headquarters interviewed staff from four regions (regions 3,5,7,10) and headquarters for this project.

**Evaluation Findings:** The Benchmarking Team identified four primary regional Best Practices with respect to site-specific payroll charging: 1) availability of technical assistance and training on all aspects of PeoplePlus to staff via a point of contact(s); 2) availability of regular in Superfund site-specific payroll charging reports to managers on all staff with Superfund fixed account numbers (FAN); 3) providing clear criteria for what can and what cannot be charged site-specifically; and 4) providing consistent and firm senior and mid-level management attention and oversight. The Benchmarking Team also identified several issues that impact site-specific payroll charging nationwide and, ultimately, impact the ability of the Agency to accurately document the hours spent doing site-specific work. There are instances where staff can do site-specific work but cannot charge their time to specific sites according to Agency policy or are unsure of the Agency policy with respect to these instances. These instances are time spent responding to Freedom of Information Act (FOIA) requests; and overtime or compensatory time. By excluding this time from site-specific payroll charging, the Agency is not accurately accounting for all the time staff spent doing site-specific work. The Benchmarking Team also identified time that is charged site-specifically using Special Accounts that is not being captured in Agency site-specific payroll charging reports.

**Evaluation Recommendations:** The Benchmarking Team recommended: (1) that EPA headquarters and regional Superfund personnel work to implement these best practices; (2) that regional and headquarters Superfund site-specific payroll charging be benchmarked again in FY 2007 to determine whether practices have changed; (3) that the Agency address the FOIA and overtime/compensatory charging issue; and (4) that the Agency capture site-specific time charged to Special Accounts in its standard reports on site-specific payroll charging.

**Planned Response:** The program is implementing recommendations 1, 2, and 4. Work is underway to determine how to address recommendation 3.

**Public Access:** This is an internal program report. For a copy of this report, please contact Melanie Hoff of EPA's Office of Superfund Remediation and Technology Innovation at 703-603-8808.

### Evaluation Title: Information Security Series: Security Practices - Comprehensive Environmental Response, Compensation and Liability Information System; Report No. 2006-P-00019; dated March 28, 2006. This evaluation was closed August 10, 2006.

Evaluator: EPA's Office of Inspector General

**Scope of Evaluation:** Goal 3, Objective 2. The overall general objective of this assignment was to perform an independent evaluation of the implementation and effectiveness of EPA's information security practices. More in depth reviews were conducted in the following security areas:

- To what extent have program and regional offices implemented processes and security controls over contractor owned and operated information systems which contain EPA data?
- Has EPA: (1) developed and implemented procedures for performing incident handling and reporting and (2) implemented incident prevention strategies to complement its incident response capability?

**Evaluation Findings:** The Office of Solid Waste and Emergency Response's (OSWER's) implemented practices to ensure production servers were being monitored for known vulnerabilities and personnel with significant security responsibility completed the Agency's recommended specialized security training. However, the OIG found that OSWER's CERCLIS, a major application, was operating without a current (1) certification and accreditation package and (2) contingency plan or testing of the plan. OSWER officials could have discovered the noted deficiencies had they implemented practices to ensure these Federal and Agency information security requirements were followed. As a result, CERCLIS had security control weaknesses that could effect OSWER's operations, assets, and personnel.

**Evaluation Title:** Information Security Series: Security Practices - Comprehensive Environmental Response, Compensation and Liability Information System; Report No. 2006-P-00019; dated March 28, 2006. This evaluation was closed August 10, 2006.

**Evaluator:** EPA's Office of Inspector General

**Evaluation Recommendations:** It was recommended that the CERCLIS System Owner:

- Conduct an independent review of security controls and a full formal risk assessment of CERCLIS and update the certification and accreditation package in accordance with Federal and Agency requirements,
- Conduct a test of the updated CERCLIS contingency plan, and
- Develop a Plan of Action and Milestones in the Agency's security weakness tracking system (ASSERT database) for all noted deficiencies.

It was recommended that the OSWER Information Security Officer:

- Conduct a review of OSWER's current information security oversight processes and implement identified process improvements.

**Planned Response:** OSWER agreed with the report's findings and has updated the CERCLIS security plan and re-authorized the application. OSWER has also updated the CERCLIS contingency plan and conducted a tabletop exercise in the updated plan.

- An independent review of CERCLIS security controls, and an inspection and update of the current risk assessment. These activities resulted in a subsequent update to the CERCLIS Security Plan which was approved and signed December 23, 2005.
- A review, update, and test of the CERCLIS Continuity of Operations Plan (COOP) conducted on December 17, 2005.
- All security vulnerabilities identified during the FISMA annual self-assessments will be documented and monitored in the Agency's ASSERT database. Upon completion of the risk assessment, risks will be identified and documented, and all deficiencies will be monitored and remediated using ASSERT.
- A re-certification and accreditation of CERCLIS in accordance with Federal and Agency requirements approved and signed February 01, 2006.

**Public Access:** Information Security Series: Security Practices - Comprehensive Environmental Response, Compensation, and Liability Information System; Report No. 2006-P-00019; dated March 28, 2006; can be viewed in full at <http://www.epa.gov/oig/reports/infotech.htm>.

**Evaluation Title:** A Formative Evaluation of a National Program for School Pollution Prevention and Chemical Cleanout (SC3).

**Evaluator:** Office of Solid Waste and Emergency Response, prepared by Indtai, Inc.

**Scope of Evaluation:** Goal 3, Objective 2. The goal of this evaluation project was to gain insights into the structure, processes, stakeholders and administrators, and operations of existing SC3-like programs to help EPA design its national SC3 program. The purpose of this formative evaluation was to provide EPA with a review of the potential components of a national SC3 program, and an analysis of potential roles for EPA and various partner organizations in program scoping and implementation.

**Evaluation Findings:** While each school has its own set of unique circumstances, one common thread is the need for chemical management and prevention practices that ensure schools are safe from chemical risks. The formative evaluation has clearly shown that elements of a SC3 program are not one size fits all due to the complex nature of effective chemical management.

**Evaluation Recommendations:** The evaluation made the following recommendations: conduct a scoping and needs assessment exercise prior to SC3 program creation; increase promotion of EPA grant fund availability; use the grant process to inventory current state of chemicals in schools; provide program management services; leverage existing resources and relationships; and dedicate a source of "emergency" funds for cleanout.

**Evaluation Title:** A Formative Evaluation of a National Program for School Pollution Prevention and Chemical Cleanout (SC3).

**Evaluator:** Office of Solid Waste and Emergency Response, prepared by Indtai, Inc.

**Planned Response:** EPA plans to use the results of this evaluation, in combination with the results of the results evaluation which is underway, to develop a national cleanout, prevention, and awareness program. A national schools chemical cleanout campaign will help achieve the our 2008 performance objectives under several sub-objectives:

- 3.2.1—Prepare for and Respond to Accidental and Intentional Releases.
- 4.1.3—Reduce Chemical and Biological Risks.
- 4.2.2—Restore Community Health.
- 5.2.1—Prevent Pollution and Promote Environmental Stewardship by Government and Public.

As a result of the formative evaluation and the early findings of the program evaluation, EPA has worked to build a national public/private network to address the issue of dangerous chemicals in K-12 schools. Using the logic model approach in the evaluations, this group is developing tools and approaches for behavior change, based on the findings of the evaluation.

**Public Access:** The SC3 formative program evaluation is not yet publicly available.

**Evaluation Title:** Review of the Office of Research and Development's Land Restoration and Preservation Research Program at the U.S. Environmental Protection Agency

**Evaluator:** Board of Scientific Counselors (BOSC) Subcommittee on Land Restoration and Preservation Research

**Strategic Plan Connection:** This evaluation was conceptually included as a Proposed Future Program Evaluation in the *FY 2003–2008 Strategic Plan*. Under "Research" evaluations, research programs were proposed to be reviewed against the OMB Criteria of relevance, quality and performance.

**Scope of Evaluation:** Goal 3, Objective 3. This evaluation reviewed the Land Research program's performance, relevance, quality, and leadership.

**Evaluation Findings:** The Land Research program is relevant and bases its research plans and goals off of the needs of EPA Program Offices and Regions. The program design used for producing knowledge, know-how, and decision-support tools is logical and comprehensive. The Land program also applies regular peer review to maintain high quality output.

**Evaluation Recommendations:** Key recommendations for this program include:

- Improve the primary planning document to better anticipate future conditions, increase clarity, and search for additional collaboration opportunities.
- Increase focus on emerging issues.
- Address problem of retiring scientific expertise by developing new scientists.
- Balance need for performance metrics with the costs and restraints these place on the program.
- Improve linkage between short-term performance outcomes with long-term outcomes.
- Consider how to characterize and communicate uncertainties inherent in assessment methods and models.

**Planned Response:** The program has taken steps in its revised Multi-Year Plan to better communicate research, document collaboration, and anticipate future needs. For example, the program is currently discussing how nanotechnology research should fit into the program. Additionally, Land program researchers routinely note emerging issues as part of their professional activities and advise the research coordination team of potential research directions. In conjunction with the 2006 PART review, the program is working to improve the clarity of the linkages between its annual performance measures and its long-term measures.

**Public Access:** Full report available online at: <http://www.epa.gov/osp/bosc/pdf/land0603rpt.pdf>.

## Goal 4

### Evaluation Title: Measuring the Impact of the Food Quality Protection Act: Challenges and Opportunities

Evaluator: EPA's Office of the Inspector General

**Scope of Evaluation:** Goal 4, Objective 1. Determine the ability of EPA's Office of Pesticide Programs (OPP) to measure its performance in meeting the mandates of the Food Quality Protection Act (FQPA), the strengths and weaknesses of OPP's current measuring system, ways OPP can use existing data to measure, and the impact FQPA had on mitigating dietary pesticide exposure risk on children's health.

**Evaluation Findings:** EPA has made progress in implementing the requirements of the FQPA, however OPP has primarily measured its success and the impact of FQPA by adherence to its reregistration schedule rather than by reductions in risk to children's health. OPP generally uses measures of actions taken, but lacks measures of outcomes to assess the specific impact of those actions on the health of children and others. By integrating existing data on health-based indicators of children's health risks from other federal agencies into a suite of performance measures, OPP can better track the effectiveness of regulatory decisions and program performance. For example EPA can measure the impact of FQPA on children's health more efficiently with the pesticide exposure, changes in usage patterns, substitutions, and import trends by using the U.S. Department of Agriculture's Pesticide Data Program data to illustrate dietary risk changes since the passage of FQPA in toxicity risks on foods consumed by children.

**Evaluation Recommendations:** OPP should implement a suite of output and outcome measures to assess the human health and environmental impacts of its work. OPP should pursue revision of EPA's goal structure as appropriate, and work with other EPA program offices and other Federal agencies to obtain needed data.

**Planned Response:** In response to our report, the Agency has agreed to accept our recommendations. The OIG awaits the Agency's 90-Day Response specifying the corrective actions to be taken. Outcome oriented strategic targets have been developed for the 2006-2011 Strategic Plan, still awaiting final acceptance. Likewise the program is developing output oriented goals and measures to be included in the 2008 Annual Plan and Congressional Justification.

**Public Access:** The report is available at: <http://www.epa.gov/oig/reports/2006/20060801-2006-P-00028.pdf>. Report Number 2006-P-00028.

### Evaluation Title: Evaluation of EPA Hospitals for Healthy Environment (H2E) Program

Evaluator: Eastern Research Group Inc. for EPA Office of Planning, Economics and Innovation and EPA Office of Pollution Prevention and Toxics

**Scope of Evaluation:** Goal 4, Objective 1. The evaluation attempted to answer 6 questions covering assessment of measurable environmental outcomes and waste reducing environmental activities for both mercury and non-mercury waste reductions; satisfaction of H2E partners with the program; and, potential improvements to the program.

**Evaluation Findings:** The H2E Program has developed a product that has met the needs of its customer base; almost all hospitals have taken actions, or are taking actions, to virtually eliminate mercury; H2E partners have tended to take more actions that lead to successful outcomes than non-partners; and, it is not possible to generate representative estimates of reduced waste or to isolate the effect of the H2E program given the available data.

**Evaluation Recommendations:** Use the results of this evaluation for strategic planning purposes; focus on what customers liked and where improvements are still needed; make a strong effort to collect baseline and annual follow-up Facility Assessment form data from current partners; collect baseline and annual follow-up data from new partners; and, develop a method of normalizing the data collected from the Facility Assessment form.

### Evaluation Title: Evaluation of EPA Hospitals for Healthy Environment (H2E) Program

Evaluator: Eastern Research Group Inc. for EPA Office of Planning, Economics and Innovation and EPA Office of Pollution Prevention and Toxics

**Response to recommendations:** The H2E program was launched as an independent, non-profit organization in the spring of 2006 and is no longer an EPA-run program. Though EPA is no longer able to unilaterally direct the program to implement the recommended changes on its own, we will continue to ensure continuous improvement, including the recommendations from this assessment by (1) including performance requirements in any future EPA cooperative agreements with the H2E organization and (2) having the EPA representative, who serves as a non-voting representative on the Board of Directors of the H2E organization, ensure that the Board of Directors reviews progress on the implementation of the recommendations in the Program Evaluation, as well as other continuous improvement measures.

**Public Access:** This report is available at <http://www.h2e-online.org/>.

### Evaluation Title: Opportunities to Improve Data Quality and Children's Health through the Food Quality Protection Act

Evaluator: EPA's Office of the Inspector General

**Scope of Evaluation:** Goal 4, Objective 1. Determine the impact of the 1996 Food Quality Protection Act (FQPA) on EPA's need for scientific data on the impact of pesticides on children's health, and whether EPA enacted guidelines and procedures, and addressed new aggregate exposure and cumulative risk assessment efforts.

**Evaluation Findings:** To meet the requirements of FQPA, EPA instituted numerous data requirements designed to provide infants and children with better protection against the health risks of pesticides, and revisions of regulations, guidelines, and procedures. The Office of Pesticide Programs (OPP) made substantial changes to the aggregate risk assessment process and collected data on the cumulative effects of pesticides sharing a common mechanism of toxicity, representing combined risks from a group of pesticides. EPA's required testing does not include sufficient evaluation of behavior, learning, or memory in developing animals and there is no standard evaluation procedure for interpreting results from developmental neurotoxicity tests. OPP is unable to collect sufficient data on aggregate risk due to time and cost, relying on data of other agencies. Evaluation Recommendations: EPA can improve: its data collection by developing standard evaluation procedures, evaluating certain testing methods, and reducing uncertainties; and its aggregate exposure and cumulative risk assessments, including updating databases and expanding partnerships with other Federal organizations. EPA can also enhance accountability, act on Science Policy papers, try alternative testing strategies, and develop an overarching logic model and long-term strategic plan.

**Planned Response:** OPP agreed to develop a Standard Evaluation Procedure to assess results of developmental neurotoxicity testing (DNT), and to update the dietary exposure databases. The Office also agreed to finalize selected Science Policy Issue papers; sustain the development of an alternative testing strategy, and develop an overarching logic model and long-term strategic plan across divisions to identify and link immediate work outputs to outcomes. Finally, that OPP coordinate with the Office of Research and Development on a variety of pesticide science issues to address FQPA mandates.

**Public Access:** The report is available at: <http://www.epa.gov/oig/reports/2006/20060110-2006-P-00009.pdf>. Report Number: 2006-P-00009.

**Evaluation Title: EPA Needs to Conduct Environmental Justice Reviews of Its Programs, Policies, and Activities****Evaluator:** EPA's Office of the Inspector General

**Scope of Evaluation:** Goal 4, Objective 2. Determine whether EPA's program and regional offices performed environmental justice reviews of their programs, policies, and activities as required by Executive Order 12898 and whether they needed additional guidance.

**Evaluation Findings:** The OIG survey results showed that EPA senior management has not sufficiently directed program and regional offices to conduct environmental justice reviews in accordance with Executive Order 12898. Consequently, environmental justice reviews were not conducted and survey respondents expressed a need for further guidance to conduct reviews. Until environmental justice reviews are performed, the Agency cannot determine whether its programs cause disproportionately high and adverse human health or environmental effects on minority and low-income populations.

**Evaluation Recommendations:** The Deputy Administrator should: (1) require the Agency's program and regional offices, to the Executive Order applies, to plan for performing the necessary reviews; (2) ensure that environmental justice reviews determine whether the programs, policies, and activities may have a disproportionately high and adverse health or environmental impact on minority and low-income populations; (3) require each program and regional office to develop, with the assistance of the Office of Environmental Justice, specific environmental justice review guidance, which includes protocols, a framework, or directions for conducting environmental justice reviews; and (4) designate a responsible office to (a) compile the results of environmental justice reviews, and (b) recommend appropriate actions to review findings and make recommendations to the decision-making office's senior leadership.

**Planned Response:** The Agency has agreed to accept our recommendations and is developing its plan for taking specific corrective actions.

**Public Access:** The report is available at: <http://www.epa.gov/oig/reports/2006/20060918-2006-P-00034.pdf>. Report Number: 2006-P-00034

**Evaluation Title: Chesapeake Bay Program: Improved Strategies Are Needed to Better Assess, Report, and Manage Restoration Progress, October 28, 2005****Evaluator:** U.S. Government Accountability Office

**Scope of Evaluation:** Goal 4, Objective 3. Examine (1) the extent to which appropriate measures for assessing restoration progress have been established, (2) the extent to which current reporting mechanisms clearly and accurately describe the bay's overall health, (3) how much funding was provided for the effort for FYs 1995 through 2004, and (4) how effectively the effort is being coordinated and managed.

**Evaluation Findings:** Need to improve measures and communication about Bay health and develop realistic measures. Refer to summary of findings at <http://www.gao.gov/highlights/d0696high.pdf>.

**Evaluation Recommendations:** (1) complete its efforts to develop and implement an integrated assessment approach; (2) revise its reporting approach to improve the effectiveness and credibility of its reports; and (3) develop a comprehensive, coordinated implementation strategy that takes into account available resources. In commenting on this report, the signatories to the Chesapeake 2000 agreement generally agreed with GAO's recommendations.

**Planned Response:** The Chesapeake Bay Program concurred in all the recommendations and has implemented, or is in the process of implementing, all of them. At a July 13, 2006, follow-up hearing, GAO testified that EPA-CBPO had taken affirmative steps on all the assessing and reporting recommendations. The GAO also acknowledged that the Program was engaged in a program management review to address the recommendation for a "realistic" implementation plan that takes into account available resources. New communications products that reflect the assessment and reporting recommendations from GAO have been adopted by the Program. Integrated assessment methods are under further development, including peer-review by the Program's Scientific and Technical Advisory Committee. The Program has worked with the Office of Water to revise the FY07 Guidance to better reflect realistic targets, and the Program has similarly worked with the Office of the Chief Financial Officer to develop more appropriate targets for the draft *Strategic Plan* for FY 2006-2011. The results of the program evaluation influenced changes to the strategic plan through development of ambitious yet realistic (taking into account available resources) targets for *FY 2006-2011 Strategic Plan*.

**Public Access:** Public access to the report can be found at: <http://www.gao.gov/highlights/d0696high.pdf>.

## Evaluation Title: Review of the Office of Research and Development's Global Change Research Program at the U.S. Environmental Protection Agency

Evaluator: Board of Scientific Counselors (BOSC) Subcommittee on Global Change Research

**Scope of Evaluation:** Goal 4, Objective 4. This evaluation reviewed the Global Change Research Program's performance, relevance, quality, scientific leadership, and resources.

**Evaluation Findings:** The Global Change Research Program has provided substantial benefits to the nation and is on course to make significant further contributions to societal outcomes by informing and facilitating decisions by the public and private sector actors who must consider the prospects of global change.

**Evaluation Recommendations:** Key recommendations for this program include:

- A more rigorous approach to priority setting.
- Redirection of its place-based activities toward those that will have broader national applicability.
- Increased attention to threshold and episode-driven changes.
- An expansion of its consultation with external advisors who can identify emerging opportunities for productive work, help the Program avoid projects with minimal payoffs, and increase interaction with complementary U.S. Climate Change Science Program efforts.

**Planned Response:** The program is in the process of developing a more rigorous approach to priority setting. Specifically, the program is exploring a "decision-assessment" approach; if successful, the results will be used to develop an explicit framework for priority setting and project selection. The approach entails developing a dynamic "decision inventory" to identify different classes of climate-sensitive decisions in different regions of the country, and evaluating the returns from providing better scientific information to inform those decisions. The program is also committed to continuing its practice of engaging external advisors at key points in its research activities during which major decisions are made about future program directions and focus area projects. As a result of BOSC recommendations, the program has already taken action to integrate its ecosystems and water quality components, more closely aligning those areas with EPA's statutory mandates related to water quality.

**Public Access:** The full report is available at: <http://www.epa.gov/osp/bosc/pdf/glob0603rpt.pdf>.

## Goal 5

### Evaluation Title: EPA Performance Measures Do Not Effectively Track Compliance Outcomes.

Evaluator: EPA's Office of the Inspector General

**Scope of Evaluation:** Goal 5, Objective 1. The evaluation examined the methods EPA uses to measure and report effectiveness and progress in achieving enforcement and compliance assurance results. The evaluation assessed how well the Agency's performance measures track changes in compliance or other outcomes and ensure transparency.

**Evaluation Findings:** The assessment of EPA compliance and enforcement performance measures indicated that: (1) some measures track outputs, rather than outcomes; (2) there are data gaps associated with compliance rates; (3) EPA cannot demonstrate the reliability of its proxy measures because it has not verified the estimated, predicted, or facility self-reported outcomes; and (4) changes in performance measures through time reduces transparency.

**Evaluation Recommendations:** The OIG recommends that the Agency verify and publicly report estimated, predicted, and facility-reported outcomes of enforcement and compliance assurance work. While continuing to improve enforcement and compliance performance measures, the OIG also recommended that the EPA continue publicly reporting key measures and comparable trend data. The report highlights the need for stronger linkages between goals and measures that appear in Strategic Plans and budget documents.

**Planned Response:** EPA will design and implement a pilot project over the next twelve months that verifies the estimated, predicted, and facility self-reported outcomes of the enforcement and compliance assurance program. EPA will improve the linkage and relationship between goals and measures in strategic planning, annual performance reporting, and budget documents by increasing the consistency of the wording of the goals and measures across these documents.

**Public Access:** The report is available at <http://www.epa.gov/oig/reports/2006/20051215-2006-P-00006.pdf>, December 15, 2005, Report Number: 2006-P-00006.

### Evaluation Title: An Evaluation of the California Dairy Quality Assurance Program (CAQAP) and the Livestock and Poultry Environmental Stewardship (LPES) Curriculum

Evaluator: Office of Policy, Economics, and Innovation

**Scope of Evaluation:** Goal 5, Objective 2. The goal of this evaluation is to determine whether these two innovative programs are good candidates for broader Agency application.

**Evaluation Findings:** Scale-up of the CDQAP could include: (1) expand to address new regulations; (2) adapt for use by a new segment of the animal production sector and; (3) transfer to dairy producers in other states. Scale-up efforts for the LPES Curriculum could include: (1) provide additional support for current dissemination efforts, (2) develop and promote an LPES modeled curriculum for other segments of the agricultural industry (for example, crop growers), (3) develop and promote an LPES modeled curriculum for other non-agriculture industry sectors, and (4) add materials to the existing curriculum.

**Evaluation Recommendations:** For the CDQAP environmental stewardship program, OPEI recommends three actions. First, look for potential locations where industry groups within the agriculture sector have expressed clear interest in and concern about improving their environmental stewardship and compliance practices. Second, address barriers to environmental stewardship certification in order to enhance program results, e.g. developing financial or regulatory-based incentives. Third, consider scaling up specific components of the CDQAP environmental stewardship program, e.g., developing comprehensive regulatory checklists for federal, state and local regulations applicable to various types of producers. For the LPES Curriculum, OPEI recommends three actions. First, update and expand existing curriculum materials with greater industry participation in curriculum development and dissemination. Second, repeat the LPES Curriculum Impact survey to develop quantitative data of the numbers of producers, students and other stakeholders trained with the curriculum and what modifications they have made in order to apply it for local use. Third, promote further state and local dissemination activities to facilitate modifying and adapting the curriculum.

**Planned Response:** The agency's Innovation Action Council will consider the results of this evaluation as part of its plans for promoting innovative environmental solutions in the Agriculture sector in FY 2007.

**Public Access:** For a copy of the report, please contact Katherine Dawes at [dawes.katherine@epa.gov](mailto:dawes.katherine@epa.gov).

### Evaluation Title: Indian Tribes: EPA Should Reduce the Review Time for Tribal Requests to Manage Environmental Programs

Evaluator: U.S. Government Accountability Office (GAO)

**Scope of Evaluation:** Goal 5, Objective 3. At the request of Congressional sponsors, GAO evaluated the extent to which EPA has followed its processes for reviewing and approving tribal applications for TAS and program authorization under the Clean Water, Safe Drinking Water and Clean Air Acts.

**Evaluation Findings:** The report found that "EPA followed its processes in most respects for approving tribal requests for TAS status and program authorization for the 20 cases we reviewed, but we found some lengthy delays in these processes." The report also notes that some tribes are frustrated by what they perceive as difficulty in getting clear information about the status of pending applications.

**Evaluation Recommendations:** To better facilitate the timely review of tribal requests for TAS status for program authorization and to increase the transparency of the process to tribes, GAO recommends that "EPA should develop a written strategy, including estimated time frames, for reviewing tribes' TAS applications for program authority and updating the tribes on the review status."

**Planned Response:** EPA sent its response to GAO on June 8, 2006. EPA agrees with GAO's recommendation and agrees more could be done to improve the timeliness of EPA's reviews and to improve communication with tribes concerning their TAS requests. EPA is developing a strategy for improving the management of EPA's reviews of tribal TAS applications to administer EPA regulatory programs. The strategy will be designed to improve the timeliness and efficiency of EPA's reviews and provide regular, useful feedback to applicant tribes concerning the status of their requests.

**Public Access:** Public access to the report can be found at <http://www.gao.gov/new.items/d0695.pdf>.



# Appendix B: Data Quality

This section addresses performance data completeness and reliability in compliance with the Office of Management and Budget's (OMB's) Circular A-11. For a fuller explanation of data limitations, data quality reviews and audits as well as improvements to data systems and collection activities, please refer to the on-line Data Quality Appendix at <http://www.epa.gov/ocfo/finstatement/2006PAR> (see "Supplemental Information"). This information is organized by 2006 performance measure (as presented in the *FY 2006 Performance and Accountability Report [PAR]*) and supporting database.

## Data Completeness

Per OMB's definition of data completeness in its Circular A-11 (Section 230), EPA's performance data for 2006 are complete. According to OMB, performance data are complete if actual or preliminary performance is reported for every performance goal and measure. In cases where data are not currently available, OMB considers data complete if the Agency notes the year when actual performance data will be published.

For each 2006 performance target, EPA provides a measure of actual performance or a projected date when actual performance will be reported. EPA prefers not to publish preliminary data for end-of-year results where externalities could have an unpredicted impact on measured performance. As a result, in instances where a data lag exists and a date substitutes for actual data, an expectation of whether or not the annual target will be met is usually included in the goal chapter:

### Limitations on Data Completeness

*Output Measures versus Outcome Measures*—EPA's on-going measurement improvement effort, centered in the Office of the Chief Financial Officer and in conjunction with OMB's PART process, results in the conversion of program outputs into outcome measures that track environmental results and health effects. Often, changes in environmental outcomes occur over a longer time frame than a year. Consequently, EPA emphasizes the use of performance data as a trend rather than as a 1-year result. Section II.2 (Annual Performance Goals and Measures: Detailed Results FY 2003-FY 2006) of the PAR presents these trends. In most cases where data are missing for 2006, results are reported for prior years. These trend data provide a

fuller picture of Agency progress than any 1 year snapshot could capture.

*Monitoring and Reporting*—One reason why annual results may be missing for 2006 is because monitoring data for outcomes may be collected biennially or even less frequently. Processing the data takes additional time and results for "off-years" may be modeled. The National Emissions Inventory of Hazardous Air Pollutants, for example, is compiled every 3 years. Consequently, off-year results are projected using an emissions modeling system which accounts for economic growth and implementation of the Maximum Achievable Control Technology standards.

In the cases where performance data are collected on a calendar year basis, final results are often not published until at least the next fiscal year report. For example, data on blood-lead levels in children are collected every calendar year (by the Centers for Disease Control), but released to the public in 2-year sets. The most current data set for 2001-2002 was released in early 2005. Section II.2 (Annual Performance Goals and Measures: Detailed Results FY 2003-FY 2006), which contains more descriptive information on the performance data, indicates whether the data are collected on a fiscal or calendar year basis.

### Data Reliability

Per OMB's definition of reliable data, the performance data supporting the 2006 PAR are reliable. Agency managers and decision-makers use these data on an ongoing basis in the normal course of their duties, taking into account data limitations, compensating for uncertainties, and qualifying results.

EPA has a "Quality System" in place, which encompasses formal and compulsory policies and procedures "to ensure

that environmental programs and decisions are supported by the type and quality of data appropriate for their intended use and decisions involving environmental technology are supported by appropriate quality-assured engineering standards and practices." Quality system policies and documentation (e.g., Quality Management Plans), annual reviews and planning, management assessments, training, project planning, project implementation and quality assurance project plans, and verification and validation of data are all components of the Agency's Quality System. For additional information, see EPA's Quality System website at <http://www.epa.gov/quality>.

Because the Agency's performance data are reliable, they are not materially inadequate and, therefore, do not significantly impede the use of performance data by Agency managers.

### Limitations on Data Reliability

Notwithstanding the reliability of the data presented in the FY 2006 PAR, EPA's Office of the Inspector General (OIG) and the U.S. Government Accountability Office have raised broad concerns beyond the scope of the PAR. The issues include the need to make the incorporation of data standards into data collections routine across all Agency programs, data quality associated with laboratories, and the need to be systematic in filling data gaps relating to outcome indicators presented in EPA's *DRAFT Report on the Environment*.

In addition, EPA is internally tracking three data-related management issues: data standard implementation, Permit Compliance System modernization, and Safe Drinking Water Information System Improvements. None are considered material weaknesses under the Federal Managers' Financial Integrity Act.

Section III, Management Accomplishment and Challenges, includes a discussion of issues identified as management challenges by the OIG (e.g., *Data Standards and Data Quality*) as well as the Agency's progress in addressing its self-declared management issues.

*Data Standards and Data Quality*—Data standards are necessary to allow EPA offices, states, tribes, and other partners to share and integrate performance information seamlessly. Without data standards, national composites can be biased, incomplete, and/or inaccurate, and development of performance outcomes can be impeded. For example, current land cleanup performance measures are based on the number of cleaned-up contaminated sites. Capturing the area or extent of land ready for use/reuse, however, would more accurately and clearly communicate the outcomes or results that EPA and its partners are striving to achieve. Some, but not all, of EPA's cleanup programs are using consistent definitions and accounting for programmatic differences in collecting placed-based information. The Agency is continuing to develop data standards and guide their implementation, for example, through an organization structured to review and approve

electronic reporting systems operated by EPA and authorized state, tribal, and local government programs.

EPA and its partners are also working to ensure that data are of sufficient quality for decision making. For example, the OIG raised concerns about the integrity of results provided by laboratories' analysis of drinking water samples and the implications of poor quality data for decisions regarding human health. To address laboratory quality, EPA developed training to deter and detect improper laboratory practices. All Agency organizations, including laboratories, continue to operate under approved Quality Management Plans, which are reviewed every 3 to 4 years. For additional discussion of the Agency's efforts to address data standards and data quality, see Section III, Management Accomplishments and Challenges.

*Data Gaps*—The expense of collecting statistically-valid, environmental monitoring and human health data creates a challenge for the Agency to fill critical data gaps. Also, it keeps the Agency from developing important outcome measures. The Office of Water, for example, recognizes that current monitoring and assessment activities have not provided consistent and defensible national

assessments of water and ecological quality (e.g., areal extent of streams, coastal waters, lakes, rivers, and wetlands impacted by nutrients, excess sedimentation, acidification, pathogens, fish and benthic animal pathologies, etc.) Collaborative efforts among EPA's Office of Research and Development and Office of Water; United States Geological Survey, National Oceanic Atmospheric Administration, and other partners will result in leveraged resources and a large-scale effort to eliminate this gap.

As part of the development of the Agency's *2006-2011 Strategic Plan*, EPA's programs were required to develop Preliminary Strategies for addressing critical data gaps, which now prevent the use of environmental outcomes. The Preliminary Strategies articulate a plan for improved environmental measures in future *Strategic Plans* as well as innovative approaches for implementation, using advanced technologies (e.g., e-reporting), collaboration and pooled resources to fill the data gaps.

# Appendix C: Public Access

EPA invites the public to access [www.epa.gov](http://www.epa.gov) to obtain the latest environmental news, browse EPA topics, learn about environmental conditions in their communities, obtain information on interest groups, research laws and regulations, search specific program areas, or access EPA's historical database. Some of the most interesting and frequently used sites are listed below:

## EPA Newsroom:

<http://www.epa.gov/newsroom/>

- News releases:  
<http://www.epa.gov/newsroom/newsreleases.htm>
- Regional Newsrooms:  
<http://www.epa.gov/newsroom/newsrooms.htm>

## Laws, Regulations, and Dockets:

<http://www.epa.gov/epahome/lawregs.htm>

- Major Environmental Laws:  
<http://www.epa.gov/epahome/laws.htm>
- Regulations and Proposed Rules:  
<http://www.epa.gov/epahome/rules.html#proposed>

## Where You Live:

<http://www.epa.gov/epahome/whereyoulive.htm>

- Search Your Community:  
<http://www.epa.gov/epahome/commsearch.htm>
- EPA Regional Offices:  
<http://www.epa.gov/epahome/whereyoulive.htm#regiontext>

## Information Sources:

<http://www.epa.gov/epahome/resource.htm>

- Hotlines and Clearinghouses:  
<http://www.epa.gov/epahome/hotline.htm>
- Publications:  
<http://www.epa.gov/epahome/publications.htm>

## Education Resources:

<http://www.epa.gov/epahome/educational.htm>

- Teachers:  
<http://www.epa.gov/teachers/>
- Office of Environmental Education:  
<http://www.epa.gov/enviroed/>

## About EPA:

<http://www.epa.gov/epahome/aboutepa.htm>

- History:  
<http://www.epa.gov/epahome/aboutepa.htm#history>
- Organization:  
<http://www.epa.gov/epahome/aboutepa.htm#org>

## Programs:

<http://www.epa.gov/epahome/programs.htm>

- List of All Programs and Projects:  
<http://www.epa.gov/epahome/abcpgram.htm>
- Programs with a Geographic Focus:  
<http://www.epa.gov/epahome/places.htm>

## Partnerships:

<http://www.epa.gov/epahome/partnerships.htm>

- Central Data Exchange:  
<http://www.epa.gov/cdx/>
- Industry Partnerships:  
<http://www.epa.gov/epahome/industry.htm>

## Business Opportunities:

<http://www.epa.gov/epahome/doingbusiness.htm>

- Small Business Opportunities:  
<http://www.epa.gov/osdbu/>
- Grants and Environmental Financing:  
<http://www.epa.gov/epahome/finance.htm>

## Careers:

<http://www.epa.gov/careers/>

- EZ Hire:  
<http://www.epa.gov/ezhire/>
- Student Opportunities:  
<http://www.epa.gov/careers/stuopp.html>

## EPA en Español:

<http://www.epa.gov/espanol/>

## Environmental Kids Club:

<http://www.epa.gov/kids/>

# Appendix D:

## Acronyms and Definitions

<b>ACS</b>	Annual Commitment System	<b>DST</b>	Decision Support Tool
<b>AEGL</b>	Acute Exposure Guideline Levels	<b>DWSRF</b>	Drinking Water State Revolving Fund
<b>AFO</b>	Animal Feeding Operation		
<b>AOC</b>	Area of Concern	<b>ECOS</b>	Environmental Council of the States
<b>APG</b>	Annual Performance Goal	<b>EDSP</b>	Endocrine Disruptor Screening Program
<b>AQCD</b>	Air Quality Criteria Document	<b>EHPV</b>	Extended High Production Volume
<b>AQI</b>	Air Quality Index	<b>EIA</b>	Energy Information Agency
<b>AQS</b>	Air Quality System	<b>EMPs</b>	Environmental Management Practices
		<b>EMS-HAP</b>	Emissions Modeling System for Hazardous Air Pollutants
<b>BMPs</b>	Best Management Practices	<b>EPA</b>	Environmental Protection Agency
<b>BOSC</b>	Board of Scientific Counselors	<b>EPEAT</b>	Electronics Products Environmental Assessment Tool
<b>BTU</b>	British Thermal Unit	<b>ET</b>	Evapotranspiration
		<b>ETS</b>	Emissions Tracking System
<b>CAMR</b>	Clean Air Mercury Rule	<b>ETV</b>	Environmental Technology Verification Program
<b>CARE</b>	Community Action for a Renewed Environment		
<b>CASTNet</b>	Clean Air Status and Trends Network	<b>FEMA</b>	Federal Emergency Management Agency
<b>CCMPs</b>	Comprehensive Conservation and Management Plans	<b>FFMIA</b>	Federal Financial Management Improvement Act of 1996
<b>CCSP</b>	Climate Change Science Program	<b>FFRRO</b>	Federal Facilities Restoration and Reuse Office
<b>CDC</b>	Centers for Disease Control	<b>FISMA</b>	Federal Information Security Management Act
<b>CDX</b>	Central Data Exchange	<b>FMFIA</b>	Federal Managers' Financial Integrity Act of 1982
<b>CEMS</b>	Continuous Emission Monitoring System	<b>FQPA</b>	Food Quality Protection Act
<b>CFCs</b>	Chlorofluorocarbons	<b>FTE</b>	Full Time Equivalent
<b>CFO</b>	Chief Financial Officer	<b>FY</b>	Fiscal Year
<b>CO</b>	Carbon Monoxide		
<b>CO<sub>2</sub></b>	Carbon Dioxide	<b>GAAP</b>	Generally Accepted Accounting Principles
<b>CRTs</b>	Cathode Ray Tubes	<b>GAO</b>	Government Accountability Office
<b>CWA</b>	Clean Water Act	<b>GAP</b>	General Assistance Program
<b>CY</b>	Calendar Year	<b>GIS</b>	Geographical Information System
<b>DDT</b>	Dichloro-Diphenyl-Trichloroethane		
<b>DfE</b>	Design for the Environment		
<b>DHS</b>	Department of Homeland Security		
<b>DOE</b>	Department of Energy		

<b>GM</b>	Genetically Modified	<b>NEP</b>	National Estuary Program
<b>GMRA</b>	Government Management Reform Act	<b>NESHAP</b>	National Emission Standard for Hazardous Air Pollutants
<b>GPRA</b>	Government Performance and Accountability Act of 1993	<b>NO<sub>2</sub></b>	Nitrogen Dioxide
<b>GSN</b>	Green Suppliers Network	<b>NOAA</b>	National Oceanic and Atmospheric Administration
<b>GWP</b>	Global Warming Potential	<b>Non Road CI</b>	Non Road Compression Ignition
<b>H2E</b>	Hospitals for Healthy Environment	<b>NO<sub>x</sub></b>	Nitrogen Oxides
<b>HABs</b>	Harmful Algal Blooms	<b>NPAP</b>	National Performance Audit Program
<b>HCFCs</b>	Hydrochlorofluorocarbons	<b>NPEP</b>	National Partnership for Environmental Priorities
<b>HFCs</b>	Hydrofluorocarbons	<b>NPL</b>	National Priorities List
<b>HPV</b>	High Production Volume	<b>NRC</b>	Nuclear Regulatory Commission
<b>HPVIS</b>	High Production Volume Information System	<b>NSR</b>	New Source Review
<b>HUC</b>	Hydrologic Unit Code	<b>NTI</b>	National Toxics Inventory
		<b>NWI</b>	National Wetlands Inventory
<b>IAQ</b>	Indoor Air Quality	<b>ODS</b>	Ozone-Depleting Substances
<b>IAQTS</b>	Indoor Air Quality Tools for Schools	<b>OECD</b>	Organization for Economic Cooperation and Development
<b>ICIS</b>	Integrated Compliance Information System	<b>OEI</b>	Office of Environmental Information
<b>IPIA</b>	Improper Payments Information Act	<b>OFM</b>	Office of Financial Management
<b>IRIS</b>	Integrated Risk Information System	<b>OIG</b>	Office of the Inspector General
<b>ISSC</b>	Interstate Shellfish Sanitation Conference	<b>OMB</b>	Office of Management and Budget
<b>LoB</b>	Line of Business	<b>OPAA</b>	Office of Planning, Analysis and Accountability
<b>LUSTs</b>	Leaking Underground Storage Tanks	<b>ORD</b>	Office of Research and Development
<b>MACT</b>	Maximum Achievable Control Technology	<b>P2RX</b>	Pollution Prevention Resource Exchange
<b>MCO</b>	Mission Critical Occupation	<b>P3</b>	People, Prosperity and the Planet
<b>MD&amp;A</b>	Management's Discussion and Analysis	<b>PAR</b>	Performance and Accountability Report
<b>MMBTUs</b>	Million Metric British Thermal Units	<b>PARS</b>	Performance Appraisal and Recognition System
<b>MMTCE</b>	Million Metric Tons of Carbon Equivalent	<b>PART</b>	Program Assessment Rating Tool
<b>MNA</b>	Monitored Natural Attenuation	<b>Pb</b>	Lead
<b>MSW</b>	Municipal Solid Waste	<b>PBDEs</b>	Polybrominated Diphenyl Ethers
<b>NAAQS</b>	National Ambient Air Quality Standards	<b>PCBs</b>	Polychlorinated Biphenyls
<b>NAPL</b>	Non-aqueous Phase Liquids	<b>PCFV</b>	Partnership for Clean Fuels
<b>NAS</b>	National Academy of Sciences	<b>PFC</b>	Perfluorocarbons
<b>NATA</b>	National-Scale Air Toxics Assessment	<b>PFOA</b>	Perfluorooctanoic Acid
<b>NEI</b>	National Emissions Inventory		

<b>PM</b>	Particulate Matter	<b>SITE</b>	Superfund Innovative Technology Evaluation
<b>PM</b>	Performance Measure	<b>SLAMS</b>	State and Local Air Monitoring Stations
<b>PMA</b>	President's Management Agenda	<b>SO<sub>2</sub></b>	Sulfur Dioxide
<b>PMN</b>	Pre-Manufacture Notice	<b>SOC</b>	Significant Operational Compliance
<b>PMO</b>	Program Management Office	<b>SOL</b>	Statute of Limitations
<b>PPM</b>	Parts Per Million	<b>SPCC</b>	Spill Prevention, Control and Countermeasures
<b>PPRTVs</b>	Provisional Peer Reviewed Toxicity Values	<b>SRF</b>	State Revolving Fund
<b>PRP</b>	Potential Responsible Parties	<b>TAGs</b>	Technical Assistance Grants
<b>PWSS</b>	Public Water System Supervision	<b>TASWER</b>	Tribal Association of Solid Waste and Emergency Response
<b>QA/QC</b>	Quality Assurance/Quality Control	<b>TMDL</b>	Total Maximum Daily Load
<b>R&amp;D</b>	Research and Development	<b>TOSC</b>	Technical Outreach Services for Communities
<b>RA</b>	Remedial Action	<b>TPEA</b>	Tribal Program Enterprise Architecture
<b>RCA</b>	Reports Consolidation Act of 2000	<b>TRI</b>	Toxic Release Inventory
<b>RCRA</b>	Resource Conservation and Recovery Act	<b>TRI-ME</b>	Toxic Release Inventory Made Easy
<b>RCRA CA</b>	Resource Conservation and Recovery Act Corrective Action	<b>TSCA</b>	Toxic Substances Control Act
<b>RED</b>	Registration Eligibility Decision	<b>TSE</b>	Technology for a Sustainable Environment
<b>RERT</b>	Radiological Emergency Response Team	<b>TWG</b>	Targeted Watershed Grants
<b>RfC</b>	Reference Concentrations	<b>UIC</b>	Underground Injection Control
<b>RFS</b>	Renewable Fuels Standard	<b>UNEP</b>	United Nations Environment Programme
<b>RSEI</b>	Risk Screening Environmental Indicators	<b>URE</b>	Unit Risk Estimate
<b>RTP</b>	Research Triangle Park	<b>USTs</b>	Underground Storage Tanks
<b>SAB</b>	Science Advisory Board	<b>UV</b>	Ultra Violet
<b>SAV</b>	Submerged Aquatic Vegetation	<b>VCCEP</b>	Voluntary Children's Chemical Evaluation Program
<b>SDWA</b>	Safe Drinking Water Act	<b>VOC</b>	Volatile Organic Compound
<b>SDWIS</b>	Safe Drinking Water Information System	<b>WHAT If</b>	Watershed Health Assessment Tools Investigating Fisheries
<b>SEMARNAT</b>	Secretariat of Environment & Natural Resources	<b>WIPP</b>	Waste Isolation Pilot Plant
<b>SEPs</b>	Supplemental Environmental Projects	<b>WPDG</b>	Wetland Program Development Grants
<b>SES</b>	Senior Executive Service		
<b>SIDS</b>	Screening Information Data Sets		
<b>SIMS</b>	Shellfish Information Management System		
<b>SIP</b>	State Implementation Plans		

## ORDERING INFORMATION

This report is available on OCFO's home page at:  
<http://www.epa.gov/ocfo/finstatement/2005par>

through EPA's National Service Center for  
Environmental Publications at 1-800-490-9198,

or by ordering online at:  
<http://www.epa.gov/ncepihom>.

## EPA'S FY 2006 PERFORMANCE AND ACCOUNTABILITY REPORT

The FY 2006 report is available at:  
<http://www.epa.gov/ocfo/finstatement/2006par>

EPA's *FY 2006-2011 Strategic Plan* is available at:  
<http://www.epa.gov/ocfopage/plan/plan.htm>

The *FY 2006 Annual Performance Plan* is available at:  
<http://www.epa.gov/ocfo/budget/index.htm>

Information about EPA's programs:  
<http://www.epa.gov>

Para informacion acerca de los programas de EPA:  
<http://www.epa.gov/espanol>

EPA-190-R-06-002

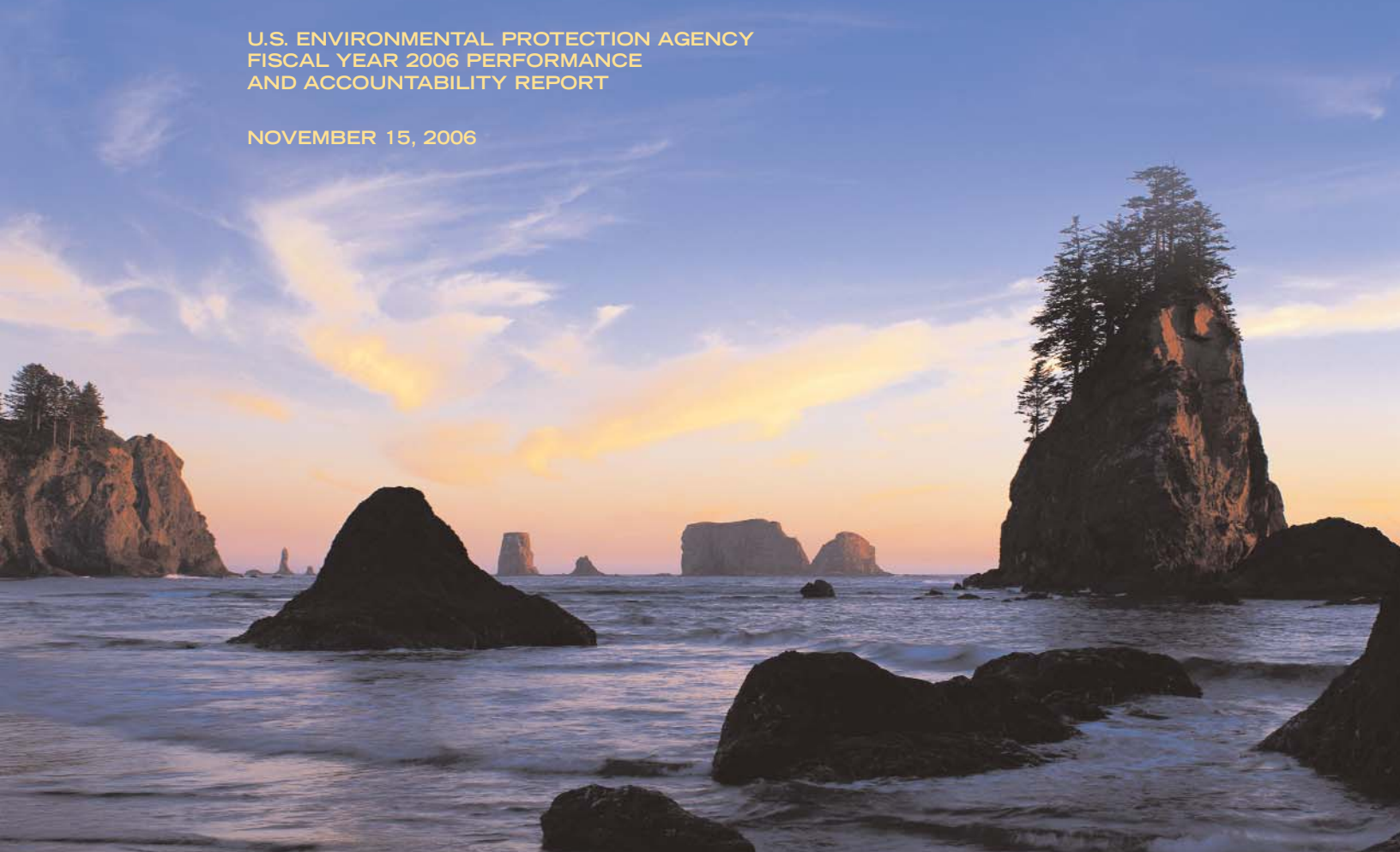
## U.S. ENVIRONMENTAL PROTECTION AGENCY FISCAL YEAR 2006 PERFORMANCE AND ACCOUNTABILITY REPORT

NOVEMBER 15, 2006

## WE WELCOME YOUR COMMENTS!

Thank you for your interest in the  
Environmental Protection Agency's  
*FY 2006 Performance and  
Accountability Report*. We welcome  
your comments on how we can  
make this report a more informa-  
tive document for our readers. We  
are particularly interested in your  
comments on the usefulness of  
the information and the manner in  
which it is presented. Please send  
your comments to:

Office of the Chief  
Financial Officer  
Office of Planning, Analysis, and  
Accountability  
Environmental Protection Agency  
1200 Pennsylvania Ave., NW  
Washington, DC 20460



Office of the Chief Financial Officer  
Office of Planning, Analysis, and  
Accountability (2724A)  
United States Environmental Protection Agency  
1200 Pennsylvania Avenue, NW  
Washington, DC 20460

[www.epa.gov/ocfopage](http://www.epa.gov/ocfopage)  
EPA-190-R-06-002  
November 2006



Recycled/Recyclable—Printed with Vegetable Oil Based Inks on 100% Postconsumer, Process Chlorine Free Recycled Paper