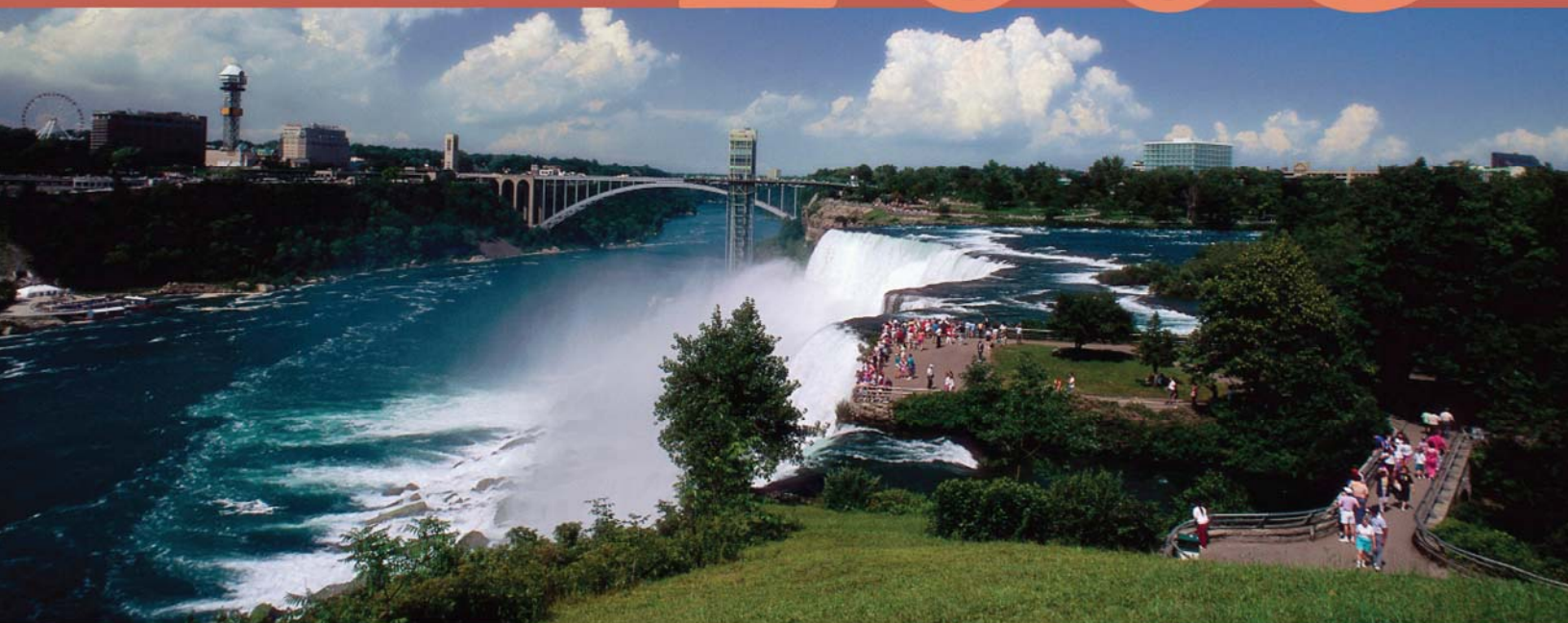




U.S. ENVIRONMENTAL PROTECTION AGENCY  
PERFORMANCE AND ACCOUNTABILITY REPORT

*Fiscal Year*  
**2008**



ENVIRONMENTAL AND FINANCIAL PROGRESS

# TABLE OF CONTENTS

About This Report .....	v
Letter From the Administrator.....	vii
Message from the Chief Financial Officer .....	ix
<b>SECTION I MANAGEMENT’S DISCUSSION AND ANALYSIS .....</b>	<b>1</b>
1. INTRODUCTION.....	2
What EPA Does.....	3
What EPA Is .....	3
How EPA Works: Collaborating With Partners and Stakeholders .....	3
Working With States.....	7
Working With Tribes.....	7
How EPA Works: A Framework for Performance Management .....	7
Improving Performance Measures and Performance Management .....	8
EPA Receives President’s Highest Quality Award.....	9
2. FY 2008 PROGRAM PERFORMANCE .....	11
Overview of Performance Trends and Results .....	11
Performance Measures Met.....	11
Performance Measures Not Met .....	11
Data Unavailable.....	12
Data Now Available.....	12
Highlights of Program Performance by Goal .....	12
STRATEGIC GOAL 1 – CLEAN AIR AND GLOBAL CLIMATE CHANGE.....	13
STRATEGIC GOAL 2 – CLEAN AND SAFE WATER.....	18
STRATEGIC GOAL 3 – LAND PRESERVATION AND RESTORATION .....	21
STRATEGIC GOAL 4 – HEALTHY COMMUNITIES AND ECOSYSTEMS .....	25
STRATEGIC GOAL 5 – COMPLIANCE AND ENVIRONMENTAL STEWARDSHIP .....	30
3. FINANCIAL ANALYSIS AND STEWARDSHIP INFORMATION .....	33
EPA’s Sound Financial Management: Good for the Environment, Good for the Nation.....	33
EPA’s Financial Statements for Fiscal Year 2008 .....	34
EPA’s Balance Sheet and Statement of Net Cost Highlight EPA’s Overall Financial Condition .....	34
Responsible Financial Stewardship for the Nation.....	37
Financial Management for the Future .....	37
Government–Wide Financial Performance Measurements .....	38
Limitations of the Principal Financial Statements.....	39
4. IMPROVING MANAGEMENT AND RESULTS .....	40
The President’s Management Agenda .....	40
The Program Assessment Rating Tool (PART).....	43
Grants Management .....	43
Office of Inspector General Audits, Reviews, and Investigations .....	44
5. EPA HOLDS ITSELF ACCOUNTABLE: SYSTEMS, CONTROLS, AND LEGAL COMPLIANCE.....	46
Federal Managers’ Financial Integrity Act (FMFIA) .....	46
Management Assurances .....	48
Federal Financial Management Improvement Act (FFMIA).....	48
Federal Information Security Management Act (FISMA).....	48
Inspector General Act Amendments of 1988.....	49

<b>SECTION II PERFORMANCE RESULTS .....</b>	<b>54</b>
INTRODUCTION TO PERFORMANCE SECTION .....	55
GOAL 1: CLEAN AIR AND GLOBAL CLIMATE CHANGE.....	56
Goal at a Glance.....	56
Goal Purpose: Clean Air and Global Climate Change .....	57
Data Trends .....	58
Contributing Programs .....	60
Objective 1.1: Healthier Outdoor Air .....	61
FY 2008 Resources for Program Projects Supporting This Objective** .....	63
Additional Information Related to Objective 1 .....	64
Objective 1.2: Healthier Indoor Air .....	67
FY 2008 Resources for Program Projects Supporting This Objective** .....	68
Additional Information Related to Objective 2 .....	70
Objective 1.3: Protect the Ozone Layer .....	71
FY 2008 Resources for Program Projects Supporting This Objective** .....	72
Additional Information Related to Objective 3 .....	73
Objective 1.4: Radiation.....	74
FY 2008 Resources for Program Projects Supporting This Objective** .....	76
Additional Information Related to Objective 4 .....	77
Objective 1.5: Reduce Greenhouse Gas Intensity.....	78
FY 2008 Resources for Program Projects Supporting This Objective** .....	81
Additional Information Related to Objective 5 .....	82
Objective 1.6: Enhance Science and Research .....	83
FY 2008 Resources for Program Projects Supporting This Objective** .....	84
Additional Information Related to Objective 6 .....	85
Goal 1: Clean Air and Global Climate Change .....	87
GOAL 2: CLEAN AND SAFE WATER .....	105
Goal at a Glance.....	105
Goal Purpose: Clean and Safe Water .....	106
Data Trends .....	107
Contributing Programs .....	109
Objective 2.1: Protect Human Health .....	110
FY 2008 Resources for Program Projects Supporting This Objective** .....	112
Additional Information Related to Objective 1 .....	113
Objective 2.2: Protect Water Quality.....	114
FY 2008 Resources for Program Projects Supporting This Objective** .....	115
Additional Information Related to Objective 2 .....	116
Objective 2.3: Enhance Science and Research .....	118
FY 2008 Resources for Program Projects Supporting This Objective** .....	121
Additional Information Related to Objective 3 .....	121
Goal 2: Clean and Safe Water.....	123
GOAL 3: LAND PRESERVATION AND RESTORATION .....	139
Goal at a Glance.....	139
Goal Purpose: Land Preservation and Restoration .....	140
Data Trends .....	141
Contributing Programs .....	143
Objective 3.1: Preserve Land .....	144
FY 2008 Resources for Program Projects Supporting This Objective** .....	146
Additional Information Related to Objective 1 .....	147
Objective 3.2: Restore Land .....	149

FY 2008 Resources for Program Projects Supporting This Objective**	151
Additional Information Related to Objective 2	152
Objective 3.3: Enhance Science and Research	154
FY 2008 Resources for Program Projects Supporting This Objective**	155
Additional Information Related to Objective 3	156
Goal 3: Land Preservation and Restoration	157
GOAL 4: HEALTHY COMMUNITIES AND ECOSYSTEMS	170
Goal at a Glance	170
Goal Purpose: Healthy Communities and Ecosystems	171
Data Trends	172
Contributing Programs	174
Objective 4.1: Chemical, Organism, and Pesticide Risks	175
FY 2008 Resources for Program Projects Supporting This Objective**	180
Additional Information Related to Objective 1	181
Objective 4.2: Communities	183
FY 2008 Resources for Program Projects Supporting This Objective**	186
Additional Information Related to Objective 2	187
Objective 4.3: Ecosystems	188
FY 2008 Resources for Program Projects Supporting This Objective**	193
Additional Information Related to Objective 3	194
Objective 4.4: Enhance Science and Research	196
FY 2008 Resources for Program Projects Supporting This Objective**	201
Additional Information Related to Objective 4	202
Goal 4: Healthy Communities and Ecosystems	204
GOAL 5: COMPLIANCE AND ENVIRONMENTAL STEWARDSHIP	247
Goal at a Glance	247
Goal Purpose: Compliance and Environmental Stewardship	248
Data Trends	249
Contributing Programs	250
Objective 5.1: Improve Compliance	251
Explanation of the Missed Measures	254
FY 2008 Resources for Program Projects Supporting This Objective**	254
Additional Information Related to Objective 1	255
Objective 5.2: Improve Environmental Performance Through Pollution Prevention and Innovation	256
FY 2008 Resources for Program Projects Supporting This Objective**	260
Additional Information Related to Objective 2	261
Objective 5.3: Improve Human Health and the Environment in Indian Country	263
FY 2008 Resources for Program Projects Supporting This Objective**	264
Additional Information Related to Objective 3	265
Objective 5.4: Enhance Society's Capacity for Sustainability through Science and Research	266
FY 2008 Resources for Program Projects Supporting This Objective**	267
Additional Information Related to Objective 4	268
Goal 5: Compliance and Environmental Stewardship	270
ENABLING SUPPORT PROGRAMS	283
<b>SECTION III FINANCIAL STATEMENTS</b>	<b>304</b>
FINANCIAL STATEMENTS	307
NOTES TO FINANCIAL STATEMENTS	316

REQUIRED SUPPLEMENTARY INFORMATION .....	360
REQUIRED SUPPLEMENTARY STEWARDSHIP INFORMATION (UNAUDITED).....	362
SUPPLEMENTAL INFORMATION AND OTHER REPORTING REQUIREMENTS (UNAUDITED).....	365
AUDIT OF EPA'S FISCAL 2008 AND 2007 CONSOLIDATED FINANCIAL STATEMENTS .....	374
<b>SECTION IV OTHER ACCOMPANYING INFORMATION.....</b>	<b>501</b>
MANAGEMENT CHALLENGES AND INTEGRITY WEAKNESSES.....	502
EPA's Progress in Addressing FY 2008 Weaknesses.....	503
Material Weaknesses.....	503
Agency-Level Weaknesses.....	504
Significant Deficiencies .....	509
FY 2008 Key Management Challenges Identified by the Office of Inspector General and EPA's Response.....	511
The Office of Inspector General's List of Key Management Challenges for FY 2008....	512
EPA's Response to Office of Inspector General Identified Management Challenges....	529
IMPROPER PAYMENTS INFORMATION ACT OF 2002 REPORTING DETAILS .....	536
Risk Assessments .....	536
Statistical Sampling Process .....	536
Corrective Action Plans .....	536
Grants .....	537
Contracts.....	537
Commodity Payments .....	538
Payroll .....	539
Travel Card/Purchase Card .....	539
Improper Payment (IP) Reduction Outlook FY 2005 – FY 2009.....	539
Ensuring Management Accountability .....	539
Information Systems and Infrastructure.....	540
Statutory and Regulatory Barriers .....	540
Conclusions .....	540
<b>APPENDIX A PROGRAM EVALUATIONS COMPLETED IN FY 2008.....</b>	<b>541</b>
<b>APPENDIX B PUBLIC ACCESS.....</b>	<b>562</b>
<b>APPENDIX C ACRONYMS AND ABBREVIATIONS .....</b>	<b>564</b>

## About This Report

### PURPOSE OF THE REPORT

The U.S. Environmental Protection Agency's *FY 2008 Performance and Accountability Report* (PAR) describes the Agency's many accomplishments and challenges in both program performance and overall management. Specifically, the Performance and Accountability Report presents results in meeting the 219 performance measures established in the FY 2008 Annual Performance Plan and Budget and explains advances made toward the long-term goals set forward in the [2006-2011 Strategic Plan](http://www.epa.gov/ocfo/plan/2006/entire_report.pdf) (www.epa.gov/ocfo/plan/2006/entire\_report.pdf). The report also shares ideas for future directions and offers opportunities for comments and questions. Readers will learn how EPA has made a difference and where the Agency has met and overcome obstacles. This document satisfies reporting requirements of the following statutes:

- Federal Managers' Financial Integrity Act of 1982 (FMFIA)
- Inspector General Act Amendments of 1988
- Chief Financial Officers Act of 1990
- Government Performance and Results 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***

The transmittal letter transmits EPA's *FY 2008 Performance and Accountability Report* from the Administrator to the President and the Congress. The letter states in general terms the Administrator's priorities, FY 2008 Agency accomplishments and indicates future directions. The letter also provides an assessment of the reliability and completeness of the financial and performance data contained in this report and a statement of assurance, as required by the Federal Managers' Financial Integrity Act, the Federal Financial Management Improvement Act, and the Office of Management and Budget Circular A-123, "Internal Control Systems."

#### ***Message from the Chief Financial Officer***

The Chief Financial Officer's message describes progress and challenges pertaining to EPA's performance and 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 the Federal Managers' Financial Integrity Act and financial management systems under the Federal Financial Management Improvement Act.

### ***Section I – Management's Discussion and Analysis (MD&A)***

The Management's Discussion and Analysis provides an overview of the full *FY 2008 Performance and Accountability Report*. It outlines the Agency's organization, discusses significant FY 2008 environmental performance results, and points out challenges the Agency encounters in carrying out its work. The Management's Discussion and Analysis also describes EPA's framework for performance management, briefly analyzes the Agency's financial performance, and summarizes progress in implementing the President's Management Agenda. Lastly, this section discusses EPA's progress in strengthening its management practices and compliance with laws and regulations (the Federal Managers' Financial Integrity Act, the Federal Financial Management Improvement Act and others) to ensure the integrity of its programs and operations. It contains the Administrator's assurance statement on the soundness of EPA's overall internal controls and its internal controls over financial reporting. The Management's Discussion and Analysis is supported and supplemented by detailed information provided in the Performance, Financial, and Other Accompanying Information sections of this report and the appendices.

### ***Section II – Performance Results***

This section presents performance results for each of the Agency's five strategic goals outlined in the *EPA 2006-2011 Strategic Plan*. A "Goal at a Glance" table is presented for each goal, which summarizes investments, outlines the objectives, and gives an overview of results achieved in FY 2008. Each section discusses progress toward achieving the strategic objectives and targets and offers a table of detailed performance results for each of the FY 2008 performance measures contained in the FY 2008 Annual Performance Plan and Budget. This performance section addresses all of the elements of an annual performance report as specified under OMB Circular A-11, "Preparing and Submitting the Annual Performance Report."

### ***Section III – Financial Statements***

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.

### ***Section IV – Other Accompanying Information***

This section provides additional material as specified under OMB Circular A-136, "Financial Reporting Requirements." The section entitled "Management Challenges" discusses EPA's progress in strengthening management practices to achieve program results, including the Inspector General's list of top management challenges and the Agency's progress in responding to each issue. This section also contains a "Summary of Financial Statement Audit and Management Assurances" and information on Improper Payments Information Act reporting.

### ***Appendices***

The appendices include summaries of program evaluation results, a list of relevant EPA Internet links, and a glossary of acronyms.

## ADMINISTRATOR'S LETTER

November 17, 2008

The President  
The White House  
Washington, D.C. 20500



Dear Mr. President:

I am pleased to transmit the U.S. Environmental Protection Agency's *Fiscal Year 2008 Performance and Accountability Report*. This report presents the Agency's programmatic and financial performance results for the year, discusses successes and challenges, and will inform policy and programmatic decisions.

The information delivered in this report is in compliance with guidance provided by the Office of Management and Budget. In addition, this report meets the requirements of the Government Performance and Results Act and other management legislation. In this report, EPA's performance is assessed against annual commitments in our *FY 2008 Annual Plan and Budget* and progress toward long-term goals in the *2006-2011 Strategic Plan*.

Data used to report progress are reliable and as complete as possible. Inherent to the nature of our work is a time lag between when we take an action to protect human health or the environment and when we can measure a result from that action. Therefore, for the reporting year, we cannot provide results data for several of our performance measures; however, we portray trend data, when possible, to show progress toward results over time, and we present final results for prior years when data have become available in FY 2008.

### Performance Highlights

I am pleased to report that in FY 2008, EPA achieved results that demonstrate progress in advancing the Agency's mission of protecting human health and the environment. The *FY 2008 Performance and Accountability Report* describes our key accomplishments. For example, air quality is expected to improve as a result of implementing stringent new standards, including for ozone, set in the reporting year. Food is expected to be safer after the year's completed reassessment of all food-use pesticides. We improved over two thousand impaired water bodies, made 85 Superfund sites ready for reuse, and protected people from exposure to hazardous materials. As an Agency, we are more prepared to respond to emergencies and disasters. We added thousands of acres to the nation's wetlands, and we provided wastewater sanitation to thousands of homes along the United States-Mexico border. Our enforcement actions were strong and resulted in polluters taking measures to improve the environment. We have worked with partners and stakeholders across the nation to achieve these and other results while also addressing many challenges over the past year. Across our nation of 300 million partners from all sectors of society – businesses, communities, and individuals – we continue to build on our nation's environmental accomplishments and work toward creating a lasting legacy for future generations.



## Management

In FY 2008, the Agency found no new material weaknesses in the design or operation of our internal controls over programmatic operations and financial reporting. We corrected the two information systems-related material weaknesses that we had identified in FY 2007, and we completed corrective actions to close two Agency-level weaknesses — Human Capital and Homeland Security — and a significant deficiency related to the Agency's practices for removing certain transactions from the financial management system. We continue to strengthen our overall internal controls and internal controls related to financial reporting, as required in Office of Management and Budget Circular A-123. Under the Federal Managers' Financial Integrity Act, I am providing an unqualified statement of assurance that EPA's overall internal controls and its internal controls over financial reporting protect the Agency's programs and resources from fraud, waste, abuse, and mismanagement. My assurance statement appears in the Management's Discussion and Analysis section of this report.

As required by the Reports Consolidation Act of 2000, EPA's Office of the Inspector General (OIG) identified what it considers to be the Agency's most serious management challenges in FY 2008. The OIG acknowledged that it may take years to resolve these challenges, and the efforts of EPA with Congress, other federal agencies, states, and communities. An example of one such challenge is securing the funding levels needed to construct, repair, and maintain drinking water and wastewater system infrastructure across the country. Additional information on the OIG management challenges and EPA's response is found in Section IV of this report.

## Future

EPA's enclosed *FY 2008 Performance and Accountability Report* offers an opportunity to review past achievements and challenges and inform decisions on ways to adjust and strengthen program strategies. One of my stated priorities as Administrator has been to leave behind a stronger EPA. To this end, I have supported a continuing focus on improving the Agency's performance measures, strengthening scientific knowledge and capabilities, and bolstering the well-trained and talented Agency workforce. Despite our progress, the nation faces an array of complex challenges on energy, global climate change, and water resources issues. There also is a need to expand Agency capabilities to respond to multiple, simultaneous catastrophic events from both natural and human-induced forces.

Our nation's environmental results are significant, as demonstrated in the Agency's *FY 2008 Performance and Accountability Report*. EPA is on course to deliver a cleaner and healthier tomorrow, and it has been my privilege to guide this Agency toward that end.

Sincerely,

A handwritten signature in black ink, appearing to read 'S. Johnson', written in a cursive style.

Stephen L. Johnson



## Message from the Chief Financial Officer

This Performance and Accountability Report (PAR) presents the performance and financial results that the Environmental Protection Agency achieved during FY 2008. The PAR provides information to the President, the Congress, and the public on the Agency's accomplishments and challenges in protecting human health and the environment, use of the financial resources entrusted to us, and progress in addressing key management challenges. EPA's FY 2008 Citizen's Report, which will be submitted to Congress on January 15, 2008, will provide a brief overview for the general public of key performance and financial results presented in the PAR.

EPA continues to rank among the highest performing federal agencies under the President's Management Agenda (PMA) scorecard. In FY 2008, for the second straight year, EPA achieved successful "green" progress and status ratings throughout the year for the five government-wide initiatives, Human Capital, Commercial Services Management, Expanded E-Government, Improved Financial Performance, and Performance Improvement, and for a sixth program initiative, Eliminating Improper Payments.

For the 9th year in a row, EPA received an unqualified opinion on its audited financial statements. The Agency identified no new material weaknesses in the design or operation of internal controls over programmatic operations or financial reporting. The Agency closed a number of internal control weaknesses and significant deficiencies that had been identified in previous years. We also undertook a number of steps to strengthen EPA's management integrity program, emphasizing the importance of reviewing rigorously, documenting fully and improving continually the Agency's financial and programmatic internal controls.

To strengthen EPA's financial stewardship and management capabilities, the Agency is moving to a new core financial and accounting system which will replace EPA's Integrated Financial Management System (IFMS) and is targeted for implementation in 2010. System development is underway, along with extensive testing and training, to ensure that the new system meets EPA's needs and that an orderly and effective transition occurs.

EPA's commitment to financial excellence and effective use of taxpayers' dollars in fulfilling our mission to protect human health and the environment is demonstrated in the work we do and our notable accomplishments. In FY 2008, EPA successfully completed migration to GovTrip. EPA also strengthened its financial data security by reducing access to personal information and realigning security rights. EPA maximized use of assets through judicious investment of Superfund Trust Fund monies. We have achieved these results in collaboration with our partners and stakeholders; this partnership is crucial to developing innovative and cross-cutting strategies to meet the challenges ahead.

I would like to extend my sincere gratitude and appreciation to EPA's dedicated staff across the country who work to protect human health and the environment on a daily basis and without whom our progress in FY 2008 would not have been possible.

A handwritten signature in black ink that reads "Lyons Gray". The signature is written in a cursive, slightly slanted style.

Lyons Gray  
Chief Financial Officer  
November 17, 2008



# *EPA's FY 2008 Performance and Accountability Report*

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

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

## 1. INTRODUCTION

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

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

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

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

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

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

## What EPA Does

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

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

## What EPA Is

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

## How EPA Works: Collaborating With Partners and Stakeholders

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

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

## U.S. Environmental Protection Agency

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



# Highlights of Environmental

## Region 10 Implements Federal Green Challenge

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

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

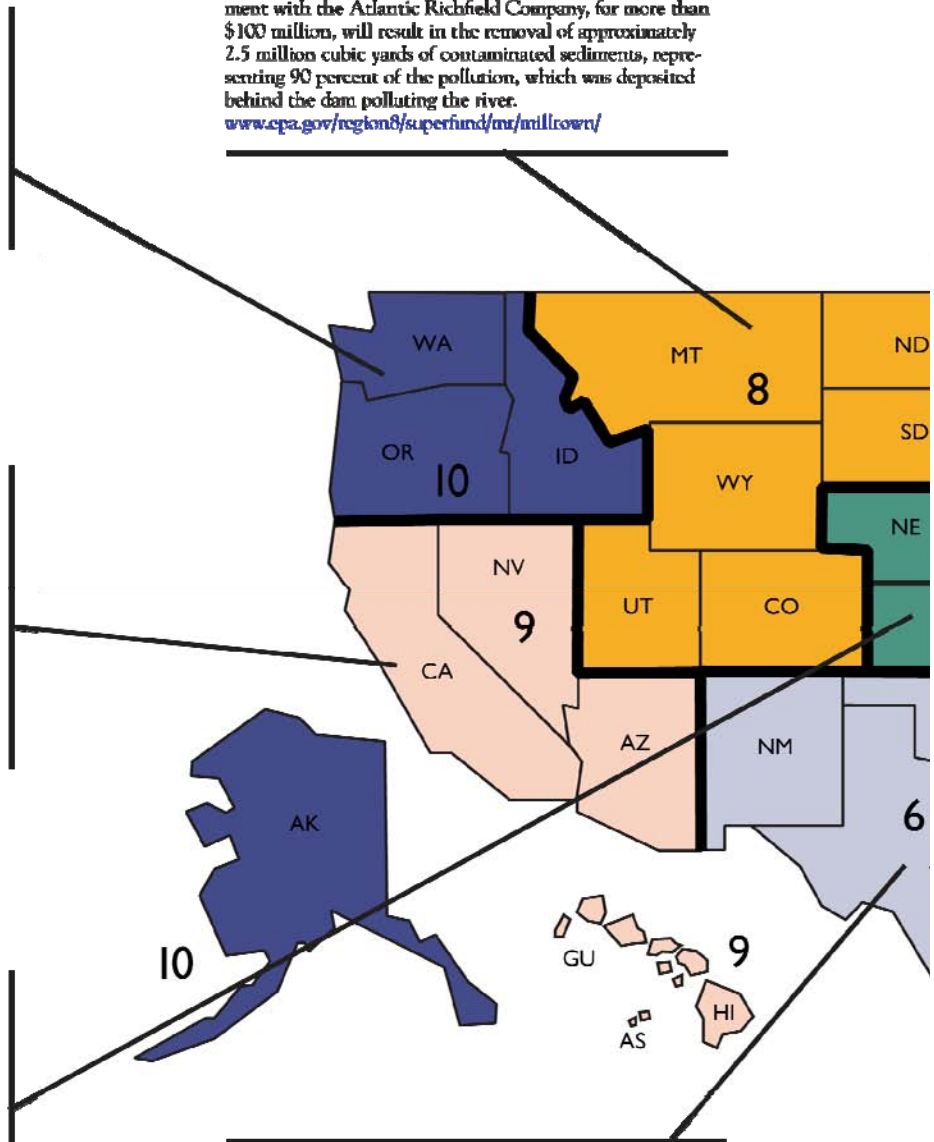
Region 9 inspected more than 50 percent of the federally regulated entities responsible for major sources of pollution to the air, land, or water along the California and Arizona border with Mexico and took actions against the worst polluters. The enforcement will result in more than \$887 million investments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

## Region 7 Assists in Iowa Flood Disaster

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

## Region 8 Milltown Dam is Now Free of Sediment

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



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

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

# Accomplishment, EPA Regions

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

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

[www.epa.gov/glnpo/earthday2008/](http://www.epa.gov/glnpo/earthday2008/)

## Region 1 Increases "No Discharge" Area Designations

In 2008, EPA approved "No Discharge" designations for significant stretches of the New England coastline, including Boston Harbor and Cape Cod Bay. Region 1 and its state and local partners have improved water quality and protected public health and marine life by halting sewage discharges from boats across more than 2,200 miles of the New England coast.

[www.epa.gov/region1/topics/water/nodischarge.html](http://www.epa.gov/region1/topics/water/nodischarge.html)

## Region 2 Reaches Agreement to Remove Contaminated Sediment

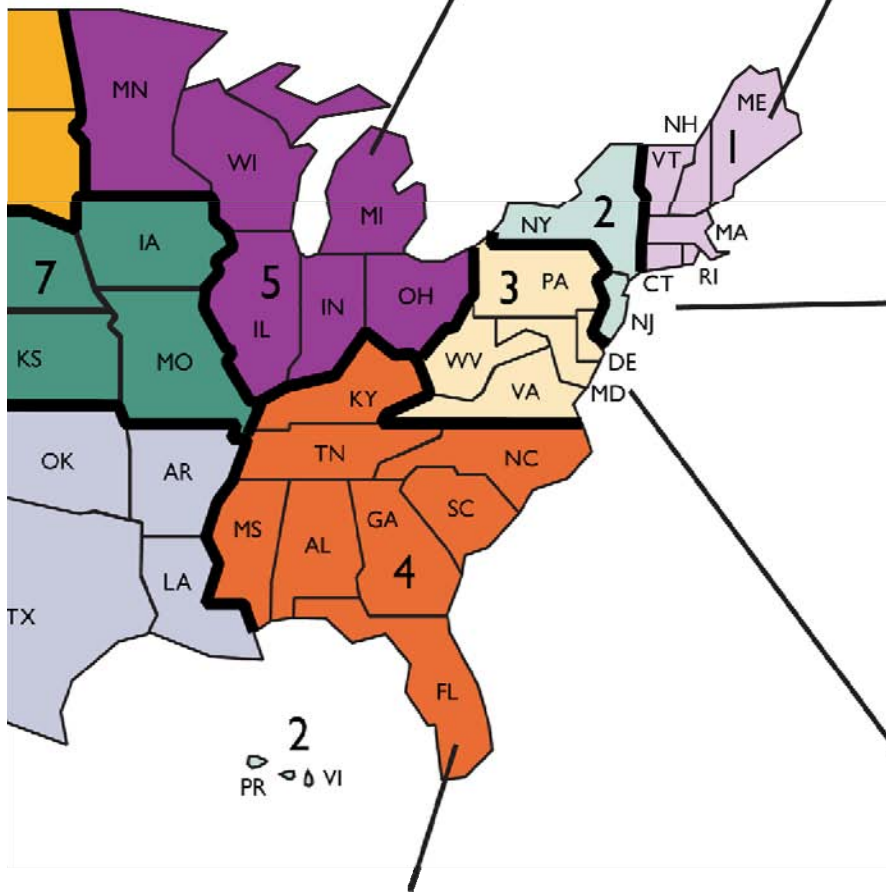
EPA has signed an agreement with Occidental Chemical and Tierra Solutions that will result in the most significant removal of contaminated sediment from the lower New Jersey Passaic River in its history. A total of 200,000 cubic yards of dioxin-laden material will be removed in two phases.

[www.epa.gov/region02/passaicriver/](http://www.epa.gov/region02/passaicriver/)

## Region 3 Embraces "Recycle Mania"

Region 3 led the nation during Recycle Mania 2008 by registering 75 colleges for the competition. The top school in each state will receive an excellence award for achieving the rank of Number 1 in the "Per Capita Classic" category.

[www.epa.gov/reg3wcmd/solidwastemania.htm](http://www.epa.gov/reg3wcmd/solidwastemania.htm)



## Region 4 Increases Greenspace at Five Mile Creek

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

[www.freshwaterlandtrust.org](http://www.freshwaterlandtrust.org)



## Working With States

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

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

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

## Working With Tribes

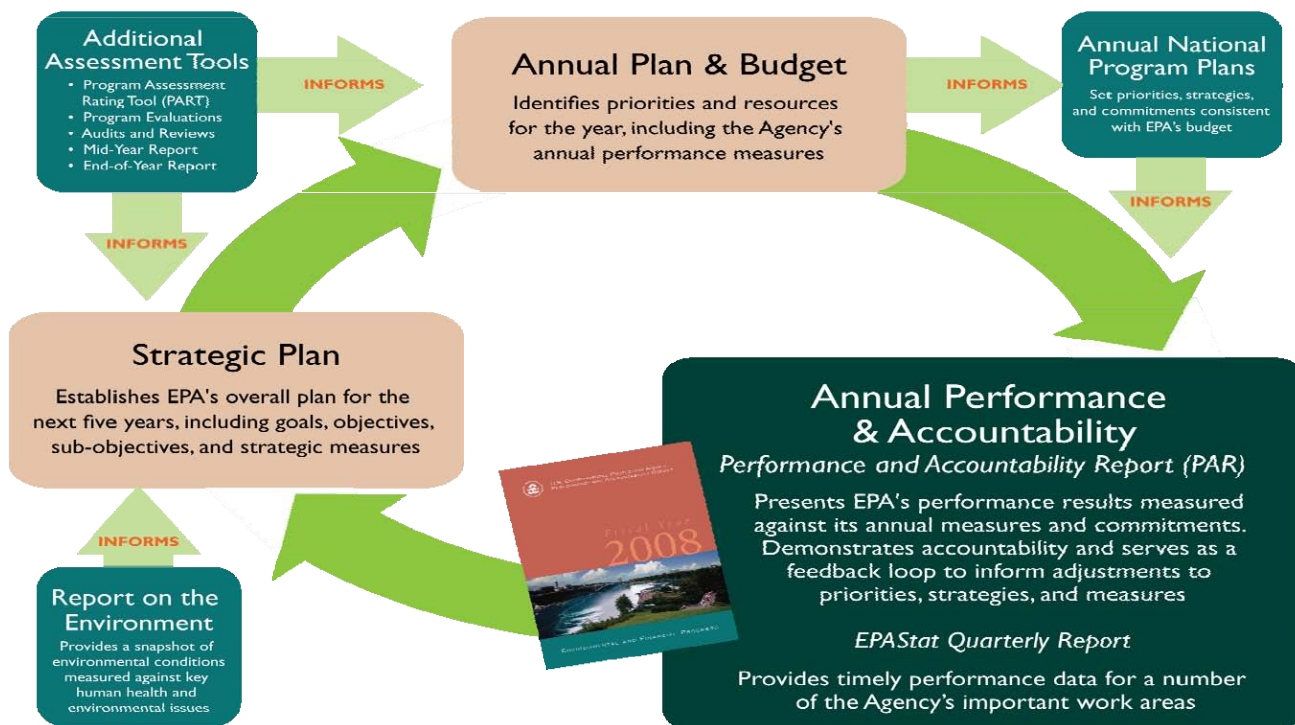
EPA works with tribes in a government-to-government relationship to improve compliance with environmental regulations in Indian Country. In FY 2008, EPA's Deputy Administrator, working closely with tribes and states, authorized a new strategy to further improve the "same treatment as states" policy and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

## How EPA Works: A Framework for Performance Management

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

# EPA's Performance Management Framework

## Planning, Budgeting, and Accountability for Results



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

### Improving Performance Measures and Performance Management

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

## EPA Receives President's Highest Quality Award

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



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

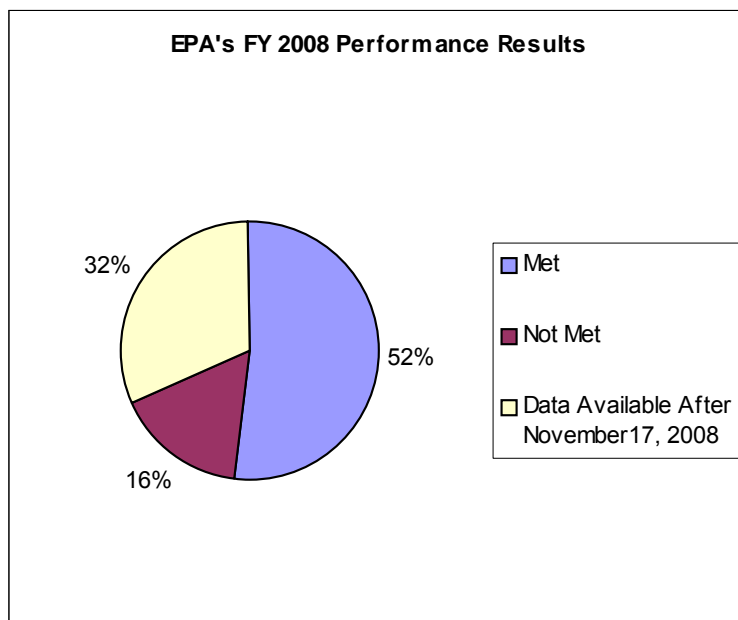
- **Identified targeted areas for revising EPA's Strategic Plan.** The Agency implemented a streamlined approach to target improvements in strategies and performance measurement and integrated the effort with development of EPA's FY 2010 budget. The targeted areas of focus for the Agency include the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

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

## 2. FY 2008 PROGRAM PERFORMANCE

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

### Overview of Performance Trends and Results



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

#### Performance Measures Met

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

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

#### Performance Measures Not Met

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

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

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

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

### **Data Unavailable**

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

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

### **Data Now Available**

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

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

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

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

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

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

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

(Total Measures = 30)

### Objective 1 – Healthier Outdoor Air

#### Key Achievements

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

## Challenges

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

## Objective 2 – Healthier Indoor Air

### Key Achievements

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

### Challenges

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



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

### Objective 3 – Protect the Ozone Layer

#### Key Achievement

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

#### Challenges

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

### Objective 4 – Radiation

#### Key Achievements

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

#### Challenges

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

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

## Objective 5 – Reduce Greenhouse Gas Intensity

### Key Achievements

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

### Challenges

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

## Objective 6 – Enhance Science and Research

### Key Achievements

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

## Challenges

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

## STRATEGIC GOAL 2 – CLEAN AND SAFE WATER

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

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

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

### Objective 1 – Protect Human Health

#### Key Achievements

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

#### Challenges

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

## Objective 2: Protect Water Quality

### Key Achievements

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

### Challenges

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

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

### Objective 3 – Enhance Science and Research

#### Key Achievements

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

#### Challenges

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

## STRATEGIC GOAL 3 – LAND PRESERVATION AND RESTORATION

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

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

Goal 3 FY 2008  
Performance Measures  
Met = 22 Not Met = 5  
Data Available After  
November 17, 2008 = 2  
  
(Total Measures = 29)

### Objective 1 – Preserve Land

#### Key Achievements

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

#### Challenges

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

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

## Objective 2 – Restore Land

### Key Achievements

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

### Challenges

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



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

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

### Objective 3 – Enhance Science and Research

#### Key Achievements

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

## Challenges

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

## STRATEGIC GOAL 4 – HEALTHY COMMUNITIES AND ECOSYSTEMS

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

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

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

(Total Measures = 92)

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

#### Key Achievements

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

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

## Challenges

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

## Objective 2 – Communities

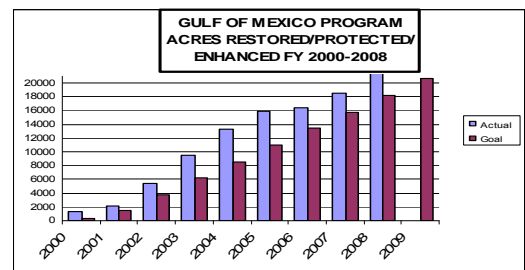
### Key Achievements

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

## Objective 3 – Ecosystems

### Key Achievements

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



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

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

## Challenges

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

## Objective 4 – Enhance Science and Research

### Key Achievements

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

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

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

## Challenges

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

## STRATEGIC GOAL 5 – COMPLIANCE AND ENVIRONMENTAL STEWARDSHIP

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

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

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

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

#### Key Achievements

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

#### Challenges

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



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

### Key Achievements

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

### Challenges

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

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

### Key Achievements

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

## Challenges

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

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

### Key Achievements

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

### Challenges

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

### 3. FINANCIAL ANALYSIS AND STEWARDSHIP INFORMATION

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

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

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

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

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

addition, the WCF was able to refund \$250,000 to its customers through prudent fiscal management.

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

## EPA's Financial Statements for Fiscal Year 2008

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

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

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

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

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

### Accounting 101

**Assets**—What EPA owns and manages

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

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

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

### Assets—What EPA Owns and Manages

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

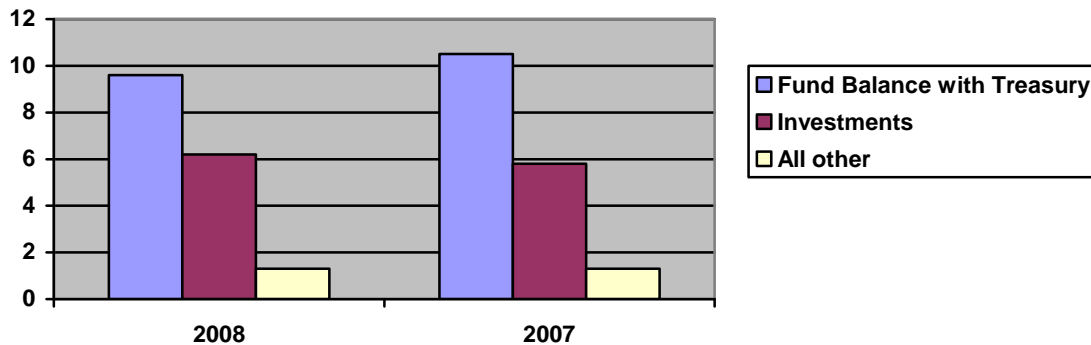
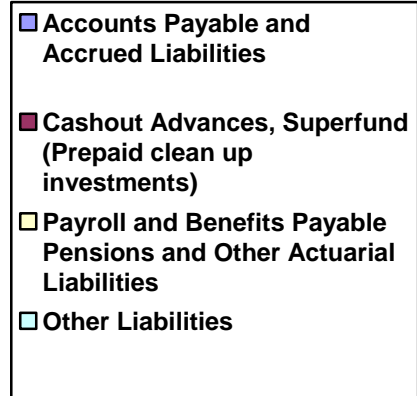
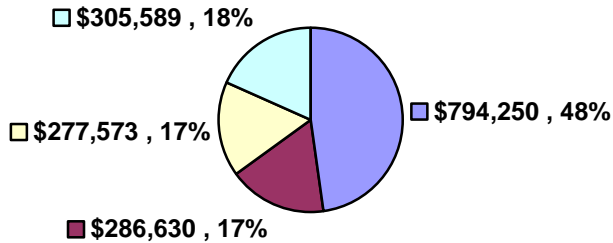


Figure 1 (Dollars in Billions)

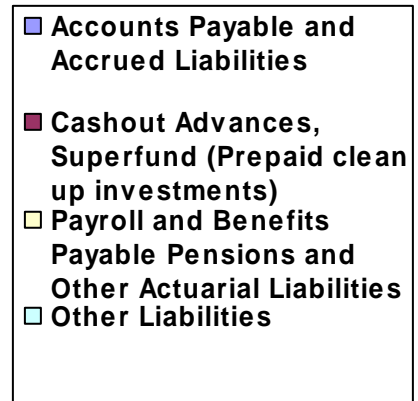
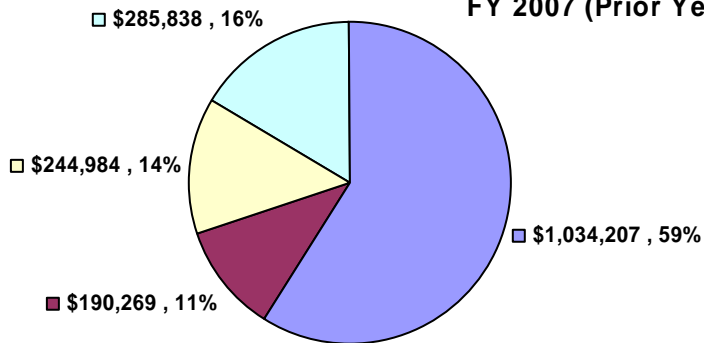
### Liabilities—What EPA Owes

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

**FY 2008 (Current Year)**

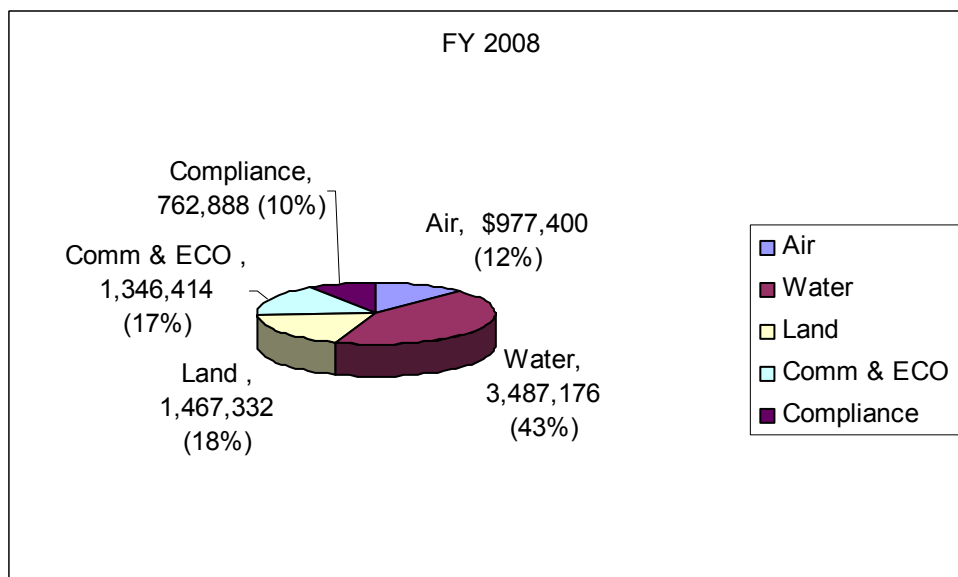


**FY 2007 (Prior Year)**



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

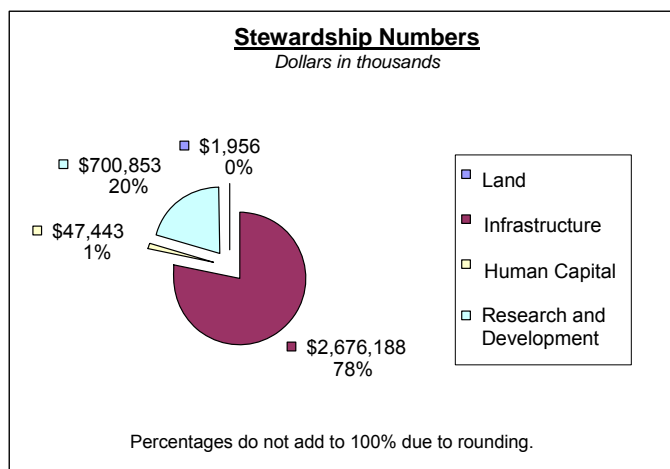
The chart below shows how EPA divided its funds among its five program goal areas in FY 2008:



## Responsible Financial Stewardship for the Nation

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

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



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

## Financial Management for the Future

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

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

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

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

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





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

### Government-Wide Financial Performance Measurements

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

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

#### GOVERNMENT-WIDE FINANCIAL PERFORMANCE METRICS

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



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

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



## 4. IMPROVING MANAGEMENT AND RESULTS







### The President's Management Agenda





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

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

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

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

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

Initiative	Status	Progress	Proud To Be 08 Results/ 09 Plans	Highlights																																
<p><b>Performance Improvement</b> Contributes to better EPA performance, measurement and management, increased accountability, more informed decision-making, and more transparent reporting of environmental and human health results to the public.</p>	 Green	 Green	<p>EPA met its goal of green in its 5<sup>th</sup> year of Proud To Be</p> <p>EPA has set a goal of green next year</p>	<ul style="list-style-type: none"> <li>• Inaugurated EPA's Performance Management Council, providing the Agency's Deputy Assistant Administrators and Deputy Regional Administrators a forum to discuss performance issues and best practices, and advance EPA's vision for performance management.</li> <li>• Developed and implemented an EPA Action Plan for Program Assessment Rating Tool measures, endorsed by the Office of Management and Budget, that leveraged ongoing strategic and annual planning and reflected measure improvements.</li> <li>• Reduced measures by 9 percent and improved alignment, as a result of the new Office of the Chief Financial Officer-led Agency Performance Management Workgroup's involvement in annual measures review.</li> <li>• Completed Measures Central, a central repository of EPA performance measurement information, and strengthened measures governance, realizing the Deputy Administrator's goal of improving the Agency's access to, analysis of, and use of measures to manage.</li> </ul>																																
<p><b>Eliminating Improper Payments<sup>1</sup></b> Focuses on identifying, preventing, and eliminating erroneous payments.</p>	 Green	 Green	<p>EPA met its goal of green in its 5<sup>th</sup> year of Proud To Be</p> <p>EPA has set a goal of green next year</p>	<ul style="list-style-type: none"> <li>• As a result of EPA's ability to demonstrate that its internal controls regarding improper payments are adequate, the Office of Management and Budget granted the Agency a three-year relief (FY 2006 -FY 2009) from statistical sampling of payments in the two state revolving funds. Additional reporting details required by IPIA are provided in Section IV of this Performance and Accountability Report.</li> <li>• Continued monitoring payment activities under a three-year relief from the sampling requirements on payments in the Clean Water and Drinking Water State Revolving Funds.</li> <li>• Continued to show a low incidence of improper payments (&lt;0.1 percent).</li> </ul> <table border="1" data-bbox="776 1333 1490 1682"> <thead> <tr> <th colspan="4">EPA's Improper Payment Reduction Effort Clean Water and Drinking Water State Revolving Funds (SRFs)</th> </tr> <tr> <th>Fiscal Year</th> <th>Target Error Rate</th> <th>Actual Error Rate</th> <th>Actual Improper Payments (dollars in millions)</th> </tr> </thead> <tbody> <tr> <td>FY 2003</td> <td>Baseline</td> <td>0.51%</td> <td>\$12.4</td> </tr> <tr> <td>FY 2004</td> <td>0.49%</td> <td>0.47%</td> <td>\$10.3</td> </tr> <tr> <td>FY 2005</td> <td>0.45%</td> <td>0.13%</td> <td>\$3.0</td> </tr> <tr> <td>FY 2006</td> <td>0.40%</td> <td>0.18%</td> <td>\$3.5</td> </tr> <tr> <td>FY 2007</td> <td>0.35%</td> <td>0.07%</td> <td>\$1.6</td> </tr> <tr> <td>FY 2008</td> <td>0.30%</td> <td>0.39%</td> <td>\$8.3</td> </tr> </tbody> </table>	EPA's Improper Payment Reduction Effort Clean Water and Drinking Water State Revolving Funds (SRFs)				Fiscal Year	Target Error Rate	Actual Error Rate	Actual Improper Payments (dollars in millions)	FY 2003	Baseline	0.51%	\$12.4	FY 2004	0.49%	0.47%	\$10.3	FY 2005	0.45%	0.13%	\$3.0	FY 2006	0.40%	0.18%	\$3.5	FY 2007	0.35%	0.07%	\$1.6	FY 2008	0.30%	0.39%	\$8.3
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<sup>1</sup> The Improper Payments Information Act of 2002 requires the Agency to annually review all programs and activities that it administers and identify all such programs and activities susceptible to significant improper payments. Significant improper payments are annual payments in the program exceeding both 2.5 percent of the program payments and \$10 million.

## The Program Assessment Rating Tool (PART)

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

Distribution of PARTed Programs Across EPA's Strategic Goals



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

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

## Grants Management

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

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

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

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

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

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

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

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

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

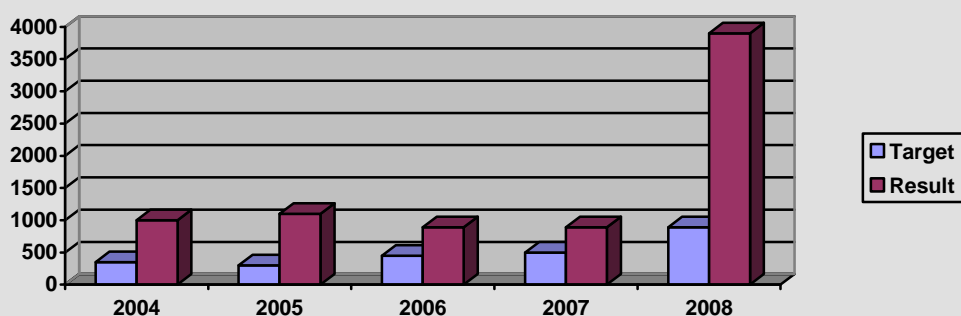
EPA's Office of Inspector General also contributes to the integrity of and public confidence in the Agency's programs and to the security of its resources by preventing and detecting possible fraud, waste, and abuse and pursuing judicial and administrative remedies. For example, in response to an Office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

## Data Quality

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

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

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



#### What This Shows:

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

#### Source:

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

#### Data Limitations:

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

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

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

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

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

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

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

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

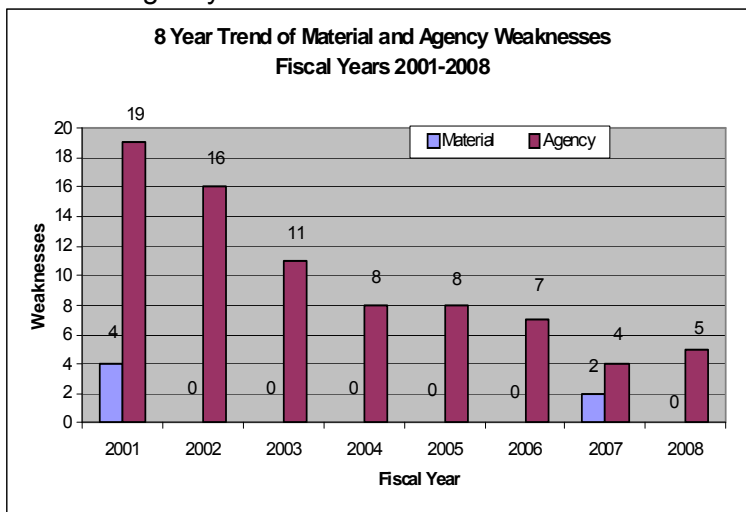
The two material weaknesses closed, *Physical Security of Critical Assets* and *Key Applications Need Security Controls*, were system-related significant deficiencies which, under the Federal Information Security Management Act, the Agency was required to report as material weaknesses under the Federal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



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

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

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



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

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

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

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

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

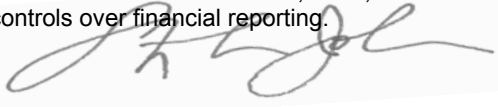
updated its internal control policy document (*EPA Order 1000.24, Management’s Responsibility for Internal Controls*) to clarify roles and responsibilities and be consistent with the Office of Management and Budget’s government-wide guidance. EPA’s Order reinforces the importance of maintaining and documenting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

## Management Assurances

### Fiscal Year 2008 Assurance Statement

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

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

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

\_\_\_\_\_  
November 12, 2008

Date

### Federal Financial Management Improvement Act (FFMIA)

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

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

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

### Federal Information Security Management Act (FISMA)

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

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

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

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

**Inspector General Act Amendments of 1988**

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

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

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

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

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

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

**Office of Administrator:**

2007-P00013 Evaluation of National Environmental Performance Track

**Office of Air:**

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

**Office of the Chief Financial Officer:**

2006-P00027 Undistributed Superfund Costs

2007-100019 2006 Agency Financial Statement – General

**Office of Enforcement & Compliance Assurance:**

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

**Office of Environmental Information:**

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

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

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

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

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

**Office of Water:**

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

**Region 2:**

2007-P00016 Ringwood Mines/Landfill Superfund Site

**Region 3:**

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

**Region 5:**

2007-S00002 Superfund Special Accounts

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

**Region 5:**

2005-300114 North Lawrence Water Authority, FY 2003

**Region 9:**

2005-300212 Yavapai Apache Nation FY 2003

2005-300211 Yavapai Apache Nation FY 2002

**Region 10:**

2002-300009 Iliama Village Council

2002-300042 Iliama Village Council

2003-300047 Stevens Village Council

2003-300117 Stevens Village Council

2003-300145 Circle Village Council

2004-300011 Northway Village Council

2005-300084 Hoonah Indian Association – FY 2002

2005-300218 Chalkyitsik Village Council

2005-300239 Chalkyitsik Village Council

2006-300085 Stevens Village Council FY 2003

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

**Region 3:**

2001-100101 Center for Chesapeake Communities Assistance Agreements

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

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

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

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

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



# *EPA's FY 2008 Performance and Accountability Report*

## **Section II Performance Results**

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



## INTRODUCTION TO PERFORMANCE SECTION

This section provides performance information for each of EPA's five strategic goals: 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. Each goal chapter is introduced with a "Goal at a Glance" section which provides a tabular goal overview outlining the performance measures met or not met by objective, and a program cost comparison by EPA strategic goal, providing a snapshot view of the overall Goal progress. Following the data, the goal purpose is discussed which reviews the goal and the public benefits it provides, and the progress that the Agency has made toward achieving each of the strategic objectives supporting that goal and the challenges we face. This general information is intended to provide an overview of EPA's FY 2008 performance and progress toward its longer-term goals and objectives.

In each goal overview section, information on data trends is provided to present progress EPA has achieved on selected performance measures over time. The quality of the data is discussed, including an explanation of what the data tell us, their source and limitations. Following the goal overview, each objective is discussed, outlining the performance measures achieved and the cost of the objective in comparison to the total goal costs. Detailed performance information is provided in each objective discussion, including tables outlining FY 2008 resources for the program projects supporting the objective. Each objective discussion includes additional information related to the objective, which includes a discussion of grants, weblinks and an EPA Program Assessment Rating Tool (PART) update.

At the end of each goal section, EPA provides a table of results. The table is organized by objective and includes the longer-range strategic targets that are a part of EPA's 2006-2011 *Strategic Plan*. Objective-by objective, the table provides detailed FY 2005 through FY 2008 results for each annual performance measure included in EPA's FY 2008 Annual Plan and Budget. For measures where EPA has missed or significantly exceeded its FY 2008 target or does not yet have complete FY 2008 performance data, the table provides explanations. Measures that are not currently used for Program Assessment Rating Tool assessments appear in italics.

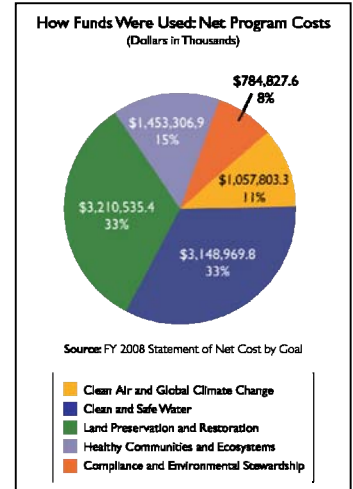
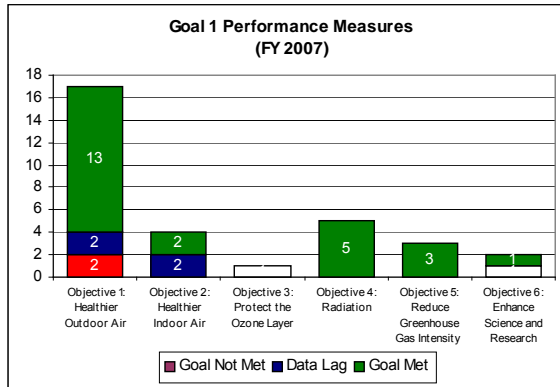
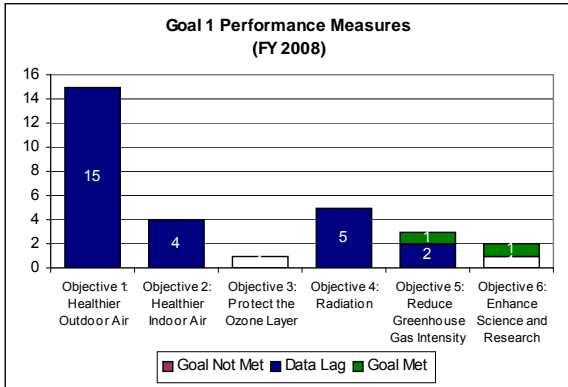
At the end of the Performance Section, readers will find a list of Program Assessment Rating Tool measures, by strategic goal and the date by which EPA expects to begin reporting data against them. Additional information on Program Assessment Rating Tool assessments and EPA's progress in making program improvements is available at [www.expectmore.gov](http://www.expectmore.gov).

# GOAL 1: CLEAN AIR AND GLOBAL CLIMATE CHANGE

## Goal at a Glance

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 1 FY 2008 Performance Measures  
 Met = 2 Not Met = 0 Data Available After November 17, 2008 = 28  
 (Total Measures = 30)



Goal 1 FY 2008 Performance and Resources		
Strategic Objective	FY 2008 Obligations (in thousands)	% of Goal 1 Funds
<b>1 – Healthier Outdoor Air</b> <i>Protect human health and the environment by attaining and maintaining health-based air-quality standards and reducing the risk from toxic air pollutants.</i>	<b>\$685,364.3</b>	<b>65%</b>
<b>Objective 2 – Healthier Indoor Air</b> <i>Healthier indoor air in homes, schools, and office buildings.</i>	<b>\$51,632.2</b>	<b>5%</b>
<b>Objective 3 – Protect the Ozone Layer</b> <i>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.</i>	<b>\$18,413.6</b>	<b>2%</b>
<b>Objective 4 – Radiation</b> <i>Working with partners, minimize unnecessary releases of radiation and be prepared to minimize impacts to human health and the environment should unwanted releases occur.</i>	<b>\$47,698.3</b>	<b>5%</b>
<b>Objective 5 – Reduce Greenhouse Gas Intensity</b> <i>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.</i>	<b>\$152,864.9</b>	<b>14%</b>
<b>Objective 6 – Enhance Science and Research</b> <i>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.</i>	<b>\$101,830.0</b>	<b>10%</b>
<b>Goal 1 Total</b>	<b>\$1,057,803.3</b>	<b>100%</b>

“This year, EPA established stringent new air quality standards for lead, strengthened air quality standards for ground-level ozone, and issued new emission standards that will cut pollution from locomotive and marine diesel engines by up to 90 percent.”

- Robert J. Meyers, Principal Deputy Assistant Administrator for Air and Radiation

## Goal Purpose: Clean Air and Global Climate Change

Air pollution affects everyone. 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, can 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 can experience burning in their eyes, an irritated throat, or breathing difficulties. Long-term exposure to certain air pollutants can cause cancer and damage the immune, neurological, reproductive, respiratory systems, and premature death.

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 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 protection. Although 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. States 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 transportation patterns. The U.S. government, through EPA, supports state clean air programs by providing scientific research, expert studies, engineering designs, and money. In its *2008 Report to Congress on the Benefits and Costs of Federal Regulations*, the government looks back at 10 years of major rules and finds that EPA air rules provide more benefits than costs.

Because most people spend much 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; tobacco products; household cleaning products; and building materials and furnishings, such as asbestos-containing insulation, damp carpets, and lead-based paints. Often, the people who are exposed to indoor air pollutants for the longest periods of time are also those most susceptible to the ill 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 homes, schools, and offices.

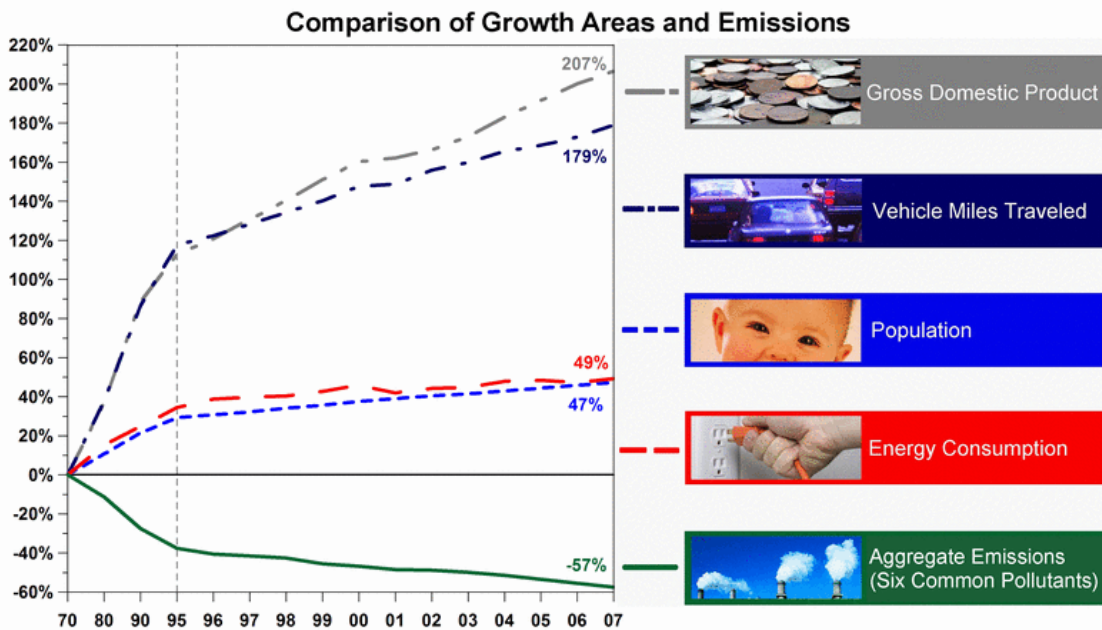
EPA also works to address global climate change. Since the beginning of the Industrial Revolution, emissions of several greenhouse gases (including carbon dioxide, methane, and nitrous oxides) have increased substantially, contributing to climate change. Important questions remain about how much warming will occur, how fast it will occur, and how the warming will affect the rest of the climate system. To help answer these questions, 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<sup>®</sup>, SmartWay, Climate Leaders, and the Landfill Methane Outreach Program, are a critical part of the President's plan to reduce greenhouse gas emissions.

In addition, under EPA's stratospheric ozone layer protection program, the Agency coordinates numerous regulatory programs designed to protect and restore the ozone layer. It also

continues to participate actively in developing international stratospheric ozone protection policies.

### Data Trends

For almost four decades, EPA has successfully reduced air emissions of harmful pollutants without impeding economic growth. This chart shows that even though economic growth indicators such as Gross Domestic Product, Vehicle Miles Traveled, Energy Consumption, and Population have been increasing, pollutant emissions have been steadily decreasing. Environmental protection and economic growth can simultaneously take place.

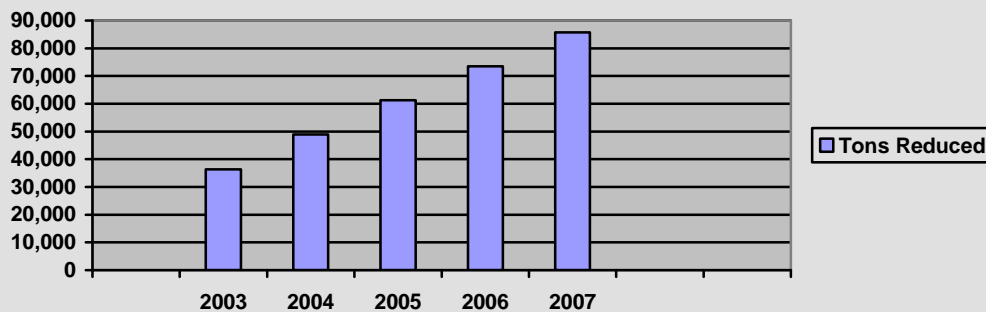


## Data Quality

EPA uses data from its performance measurements to manage and to ensure that the data are complete and reliable; information is subject to the Agency's Quality System policies and procedures. Every performance measure in this report has corresponding in-depth information to explain the data's source, limitations, and other factors. This report includes examples in each goal to better inform EPA's stakeholders. For a complete list of this information, visit [www.epa.gov/ocfo/budget/2008/verify\\_validation.pdf](http://www.epa.gov/ocfo/budget/2008/verify_validation.pdf). This is particularly helpful for Goal 1 performance measures, since due to reporting cycles, much of the 2008 data will not be available until 2009.

### Performance Measure

#### **Tons of particulate matter 2.5 (PM<sub>2.5</sub>) reduced since 2000 from mobile sources**



**What This Shows:** Mobile sources are emitting increasingly greater amounts of particulate matter 2.5 (fine particles). Therefore, there is a positive effect on human health and the environment since exposure to fine particles is linked to a variety of health problems, such as aggravated asthma, chronic bronchitis, reduced lung function, irregular heartbeat, heart attack, and premature death in people with heart or lung disease.

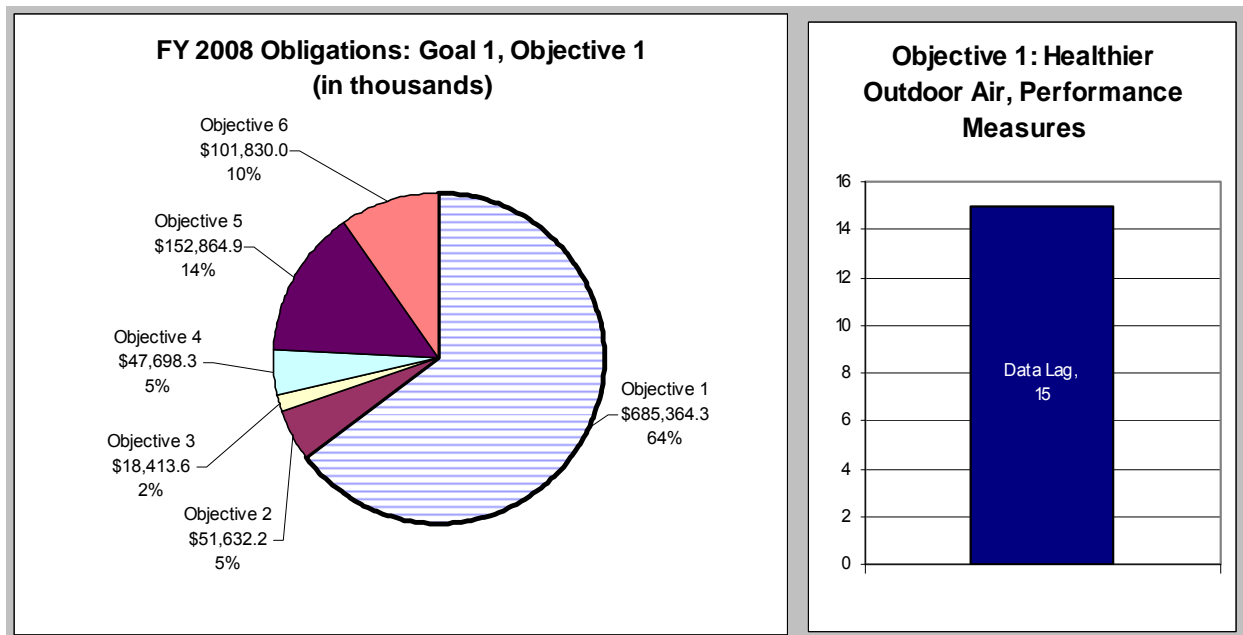
**Source:** National Emissions Inventory Database. See: [www.epa.gov/ttn/chief/trends/](http://www.epa.gov/ttn/chief/trends/). Mobile source emissions inventories and Regulatory Impact Analyses Estimates for on-road, off-road mobile source emissions are built from inventories fed into the relevant models, which in turn provide input to the National Emissions Inventory Database.

**Data Limitations:** The limitations of the inventory estimates for mobile sources come from limitations in the modeled emission factors (based on emission factor testing and models predicting overall fleet emission factors in grams/mile) and also in the estimated vehicle miles traveled for each vehicle class (derived from Department of Transportation data). See: [www.epa.gov/otaq/m6.htm](http://www.epa.gov/otaq/m6.htm).

## **Contributing Programs**

Acid Rain Program, AirNow, Air Toxics, Clean Air Allowance Trading Programs, Clean Air Research, National Ambient Air Quality Standards Development and Implementation, Mobile Sources, New Source Review, Regional Haze, Indoor Air Quality, Stratospheric Ozone Layer Protection Program, Radiation Programs, Voluntary Climate Programs.

## Objective 1.1: Healthier Outdoor Air



The Clean Air Act directs EPA to identify and set national ambient air quality standards for commonly found air pollutants that adversely affect public health and the environment. EPA has set national air quality standards for six common air pollutants—ground-level ozone (smog), carbon monoxide, lead, nitrogen dioxide, sulfur dioxide, and particulate matter (measured as particulate matter 2.5 and particulate matter 10). For each of these six pollutants, EPA has set health-based, or "primary," standards to protect public health as well as environment-based, or "secondary," standards to protect the public welfare (e.g., crops, vegetation, wildlife, buildings and monuments, visibility). The Clean Air Act requires EPA to review the health- and environment-based standards at least once every five years and revise them as necessary to continue to protect public health and the environment.

In FY 2008, EPA promulgated the most stringent 8-hour standard ever for ozone, revising the standards for the first time in more than a decade. The Agency based the changes on the most recent scientific evidence about the effects of ozone, the primary component of smog. The United States has made significant progress in reducing ground-level ozone across the country. Since 1980, ozone levels have dropped 21 percent as EPA, states, and local governments have worked together to improve the quality of the nation's air. EPA estimates that the final standards will yield health benefits valued between \$2 billion and \$19 billion. Those benefits include preventing cases of bronchitis, aggravated asthma, nonfatal heart attacks, and premature death, as well as hospital

In September, 2008, EPA announced the award of \$492,200 to the Connecticut Department of Environmental Protection for clean diesel projects across the state. This funding was part of \$14.8 million that was made available this year for State Clean Diesel programs nationally. Diesel engines contribute significantly to air pollution, especially in urban areas. The fine particles in diesel exhaust pose serious health risks, including aggravated asthma and other respiratory symptoms. Children are especially vulnerable to these effects.

and emergency room visits. EPA's regulatory impact analysis shows that the value of the benefits are likely greater than the cost of implementing the standards. Cost estimates range from \$7.6 billion to \$8.5 billion.

***New Diesel Standards Deliver Clean Air:*** EPA promulgated emission standards in FY 2008 that will slash pollution from locomotive and marine diesel engines by up to 90 percent, helping Americans to breathe cleaner air. When fully implemented, these new standards will reduce soot or particulate matter by 90 percent, or 27,000 tons, and reduce nitrogen oxides (NOx) emissions by 80 percent, or nearly 800,000 tons. Nationwide, this regulation will help prevent 1,400 premature deaths and 120,000 lost workdays annually by 2030. The estimated annual health benefits are valued between \$8.4 billion and \$12 billion. When older locomotive and marine engines reach the end of their useful lives, and new engines enter into the nation's diesel fleet, the benefits of today's action will increase. The rule cuts emissions from all types of diesel locomotives, including line-haul, switch, and passenger rail, as well as from a wide range of marine sources, including ferries, tugboats, Great Lakes freighters, and all types of marine auxiliary engines.

For the first time ever, this rule requires remanufacturing standards for marine engines, reductions in engine idling, and the use of after-treatment technology that will further reduce diesel emissions. After-treatment technology aims to remove emissions from the air that the engine itself cannot take out, by cleaning pollutants out of the exhaust emission immediately before exhaust is emitted from the vehicle. Phasing in tighter long-term standards for particulate matter and nitrous oxides emissions will begin in 2014 for marine diesel engines and in 2015 for locomotive engines. Advanced after-treatment technology will apply to both types of engines. The effective dates for nitrous oxides emissions will be two years earlier than last year's proposal, bringing cleaner air sooner.

***State and Local Governments Gain Flexibility on Transportation Conformity:*** State and local governments gained more flexibility to meet transportation conformity requirements without reducing important health and air quality benefits under a new EPA final rule. Transportation conformity is a Clean Air Act requirement that ensures that federally supported highway and transit project activities are consistent with (conform to) the purpose of a state air quality implementation plan. The Safe, Accountable, Flexible, Efficient Transportation Equity Act: A Legacy for Users, enacted August 2005, provides state and local governments more time to meet conformity requirements, more flexibility before the consequences of not meeting conformity requirements apply, and the option of shortening the timeframe of conformity determinations. EPA revised the transportation conformity rule in June 2008 to make it consistent with the 1990 Clean Air Act amendments. Also, this final rule streamlines conformity requirements for transportation projects in carbon monoxide nonattainment and maintenance areas.

***Clean Fuels Programs Dramatically Reduce Air Pollution:*** EPA's clean fuels programs have exceeded expectations in reducing ozone-forming pollutants and air toxics. In FY 2008, EPA published *The Fuel Trends Report: Gasoline 1995–2005* (available at: [www.epa.gov/otaq/regs/fuels/rfg/properf/rfgperf.htm](http://www.epa.gov/otaq/regs/fuels/rfg/properf/rfgperf.htm)) based on data collected from 1995 through 2005, which found that emission reductions were often significantly greater than regulatory requirements. The data, which provide a view of recent gasoline property trends, are mainly from EPA's reformulated gasoline and anti-dumping programs. Highlights of the report include:

- **Gasoline sulfur decreases.** Average annual sulfur content in all gasoline dropped from about 300 parts per million in 1997 to about 90 parts per million in 2005.



- **Reformulated gasoline nitrogen oxides reductions exceed requirements.** Reformulated gasoline exceeded applicable nitrogen oxides performance standards during both Phase I (1998 to 1999) and Phase II (2000 and beyond).
- **Reformulated gasoline toxics reductions exceed requirements.** On average, Phase I reformulated gasoline complied with Phase II standards, and toxic performance still improved with the transition to Phase II standards.
- **Conventional gasoline nitrogen oxides and toxics emissions decreased.** Between 1998 and 2005, the summer nitrogen oxides emissions of conventional gasoline dropped 5.7 percent, while summer exhaust toxics dropped 4.7 percent.
- **Ethanol use in reformulated gasoline increased, and methyl tertiary butyl ether (MTBE) use decreased.** In the summer of 1996, about 11 percent of the reformulated gasoline sold contained ethanol, while virtually all of the remaining reformulated gasoline contained methyl tertiary butyl ether. By the summer of 2005, the ethanol share increased to about 53 percent, with corresponding decreases in methyl tertiary butyl ether.

**Renewable Fuels Standards:** EPA raised the 2008 renewable fuels standard—the amount of renewable fuel that must be used in transportation fuel to power private vehicles—to 7.76 percent. This move is in response to the Energy Independence and Security Act, which President Bush signed in December 2007.

In November 2007, EPA announced a renewable fuel standard of 4.66 percent, based on a previous law mandating that at least 5.4 billion gallons of renewable fuels be blended into the nation's transportation fuels in 2008. The new increase of 7.76 percent complies with a new minimum of 9 billion gallons of renewable fuel that the Energy Independence and Security Act requires.

The Energy Independence and Security Act increases the overall volume of renewable fuels that must be blended each year, reaching 36 billion gallons by 2022. To achieve these volumes, EPA annually calculates the percentage-based standard, which applies to refiners, importers, and non-oxygenate blenders of gasoline.

#### **FY 2008 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 foundations for the Agency's budget. Frequently, Program Projects support multiple performance measures and objectives. This table lists the Program Projects and associated resources that support this objective.*

*\*\*Resources associated with Program Projects might not match the goal and objective obligations exactly because of rounding.*

<b>Goal 1: Objective 1 - Healthier Outdoor Air</b>			
<b>Program Project</b>	<b>FY 2006 Obligations</b>	<b>FY 2007 Obligations</b>	<b>FY 2008 Obligations</b>
Categorical Grant: State and Local Air Quality Management	\$236,021.6	\$205,599.0	\$232,504.1
Categorical Grant: Tribal Air Quality Management	\$11,638.1	\$11,175.5	\$11,724.9
Clean Air Allowance Trading Programs	\$21,837.4	\$27,339.6	\$28,838.0

Congressionally Mandated Projects	\$9,516.2	\$619.6	\$2,357.7
Federal Stationary Source Regulations	\$23,553.1	\$22,837.7	\$27,327.4
Federal Support for Air Quality Management	\$102,861.6	\$105,383.1	\$108,377.9
Federal Support for Air Toxics Program	\$26,192.2	\$26,981.5	\$28,121.5
Federal Vehicle and Fuels Standards and Certification	\$63,366.2	\$59,807.3	\$71,043.4
Homeland Security: Communication and Information	\$604.2	\$945.5	\$760.8
Homeland Security: Critical Infrastructure Protection	\$6,779.9	\$2,817.4	\$3,107.8
Homeland Security: Protection of EPA Personnel and Infrastructure	\$3,093.8	\$2,585.1	\$2,311.2
International Capacity Building	\$2,364.1	\$2,367.7	\$1,735.8
Administrative Law	\$432.0	\$504.6	\$585.9
Alternative Dispute Resolution	\$121.9	\$123.0	\$142.2
Central Planning, Budgeting, and Finance	\$6,974.8	\$7,196.3	\$8,797.5
Children and other Sensitive Populations	(\$0.6)	\$0.0	\$0.0
Civil Rights / Title VI Compliance	\$976.9	\$978.3	\$963.1
Congressional, Intergovernmental, External Relations	\$4,138.5	\$4,210.7	\$4,196.7
Exchange Network	\$3,194.1	\$3,507.6	\$2,464.3
Facilities Infrastructure and Operations	\$46,681.6	\$49,738.4	\$51,260.6
Acquisition Management	\$2,941.2	\$3,223.1	\$3,967.3
Human Resources Management	\$5,506.0	\$5,122.0	\$5,418.4
Information Security	\$576.5	\$619.0	\$935.0
IT / Data Management	\$34,694.5	\$36,583.9	\$34,173.7
Legal Advice: Environmental Program	\$4,331.2	\$4,759.2	\$4,941.9
Legal Advice: Support Program	\$1,664.4	\$1,542.6	\$1,722.6
Audits, Evaluations, and Investigations	\$3,924.2	\$3,641.6	\$5,029.8
Regional Science and Technology	\$313.4	\$288.5	\$252.9
Science Advisory Board	\$449.4	\$488.9	\$573.0
Small Minority Business Assistance	\$189.3	\$240.7	\$296.1
Financial Assistance Grants / IAG Management	\$2,153.8	\$2,071.8	\$2,916.1
Clean School Bus Initiative	\$9,478.6	\$6,138.6	\$6,979.6
Diesel Emissions Reduction Grant Program	\$0.0	\$0.0	\$29,798.9
Regulatory/Economic-Management and Analysis	\$1,642.3	\$1,769.8	\$1,738.1
<b>Total</b>	<b>\$638,212.4</b>	<b>\$601,207.6</b>	<b>\$685,364.2</b>

### Additional Information Related to Objective 1

#### Grants:

- EPA's National Clean Diesel Campaign is using a two-step approach to reduce pollution from diesel engines: emission standards for new diesel engines took effect in 2004, and

more stringent emission standards for these engines in combination with ultra-low sulfur diesel fuel went into effect in 2007. EPA will be implementing new stringent emissions standards for nonroad engines in 2008. However, because new vehicles and engines are purchased gradually over time to replace older units, EPA has developed innovative, sector-based strategies to address pollution from diesel construction equipment and heavy-duty vehicles that are currently on the road. As part of these programs, EPA awards grants to communities to retrofit engines and implement other strategies (e.g., fuel switching, idling reduction) to reduce diesel pollution.

- For fiscal year 2008, Congress appropriated funds for the first time under the Energy Policy Act (2005) to help reduce harmful emissions from heavy duty diesel engines. Through the National Clean Diesel Campaign, EPA will award grants to assist its eligible partners in building diesel emission reduction programs across the country that improve air quality and protect public health. For fiscal year 2008, the amount of funding available is \$49.2 million. This year, Clean Diesel funding is split into two basic components:
  - National Clean Diesel program (70 percent of funding)
  - State Clean Diesel Grant program (30 percent of funding)
- Across the country, EPA's regional offices awarded \$14.8 million for 50 state grants to reduce emissions in a variety of fleets and technologies. In addition, the regional offices awarded \$27.6 million for approximately 150 diesel emissions reduction projects. In addition, the Office of Transportation and Air Quality awarded \$3.4 million for grants for emerging technology projects and innovative financing projects. As these grants are implemented, areas will see less pollution. Communities will include these reductions in their clean air plans for ozone and particulate matter.
- In 2007, states received \$200 million in State and Tribal Assistance Grants. These funds allowed states to continue revising their State Implementation Plans to attain the National Ambient Air Quality Standard (NAAQS) for 8-hour ozone and particulate matter 2.5, and to reduce regional haze. These funds also provided for the continued operation of states' ambient air monitoring networks, including particulate matter 2.5, air toxics, and visibility monitoring.
- In partnership with the Department of Interior, EPA continues to track improvements in visibility in national parks and other protected areas. The Agency has improved its methods for estimating visibility range based on light-absorbing properties of particulate matter.
- Through AirNow, an EPA program that offers daily air quality forecasts as well as real-time air quality conditions for over 300 U.S. cities, citizens are more aware of air quality and associated health effects. States continue to use air monitoring data to understand the causes of particulate matter 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. Work under 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. In FY 2007, 20 new grants for air toxics monitoring community-scale assessments were awarded to state, local, and tribal agencies across the

United States. EPA completed air toxics characterization and trends analyses and made them available to the public.

- EPA is working with the Hearth, Patio and Barbecue Association, the 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).

**Web Links:**

AIRNow: <http://airnow.gov/>

Air Program: [www.epa.gov/ebtpages/air.html](http://www.epa.gov/ebtpages/air.html)

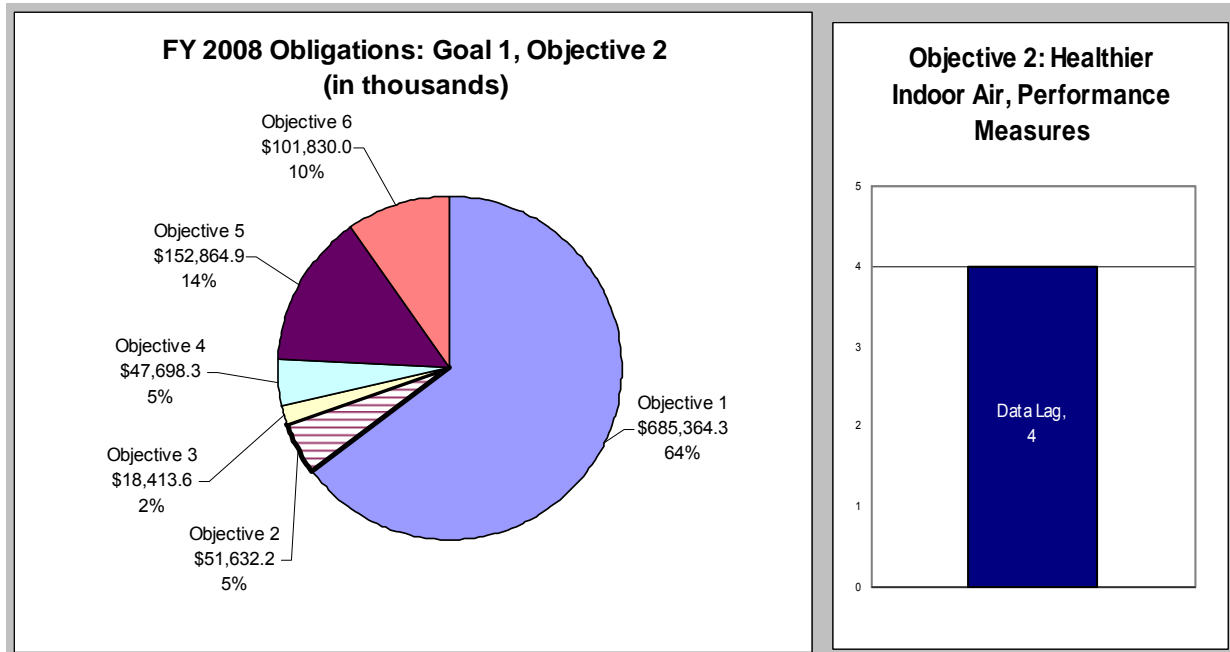
Plain English Guide to the Clean Air Act: [www.epa.gov/air/caa/peg/](http://www.epa.gov/air/caa/peg/)

Toxic Air Pollutants Program: [www.epa.gov/air/toxicair/](http://www.epa.gov/air/toxicair/)

**Program Assessment Rating Tool (PART):**

In FY 2008, EPA developed and implemented an action plan for all Agency Program Assessment Rating Tool measures in response to a government-wide Program Assessment Rating Tool measure review. The plan leveraged ongoing strategic and annual planning and reflected measure improvements. The tables of measures and results provided in Section II of this report, “Performance Results,” identify all Program Assessment Rating Tool measures, which make up more than two-thirds of EPA’s performance measures. Please refer to [www.expectmore.gov](http://www.expectmore.gov) for more detailed information.

## Objective 1.2: Healthier Indoor Air



EPA employs two key strategies to improve the nation's indoor air: 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, as well as the professional and research communities (e.g., American Medical Association; American Society of Heating, Refrigerating, and Air-Conditioning Engineers), with essential information about indoor air risks. In partnership with nongovernmental and professional entities, the Agency develops and disseminates multimedia materials to improve the design, operation, and maintenance of all types of buildings—including schools, homes, and workplaces—and bring about healthier indoor environments.

**40,000 Schools Benefit From Indoor Air Quality Tools for Schools:** EPA's "Indoor Air Quality Tools for Schools" effort provides individual schools, school districts, educational organizations, and educators with information on best practices, industry guidelines and sample policies, and management plans for improving indoor air quality. The EPA Indoor Air Quality Tools for Schools Awards Program recognizes schools and school districts that have demonstrated a strong commitment to improving children's health by promoting good indoor air quality. A recently released study by the Centers for Disease Control and Prevention found that 30 to 40 percent of the nation's schools have effective indoor

In 2008, EPA Region 7 recognized Lincoln Public Schools for its continued work in implementing EPA's Tools for Schools program. Lincoln Public Schools is the recipient of the EPA Tools for Schools Leadership Award. The award recognizes Lincoln Public Schools for their continued work implementing EPA's Tools for Schools program, which emphasizes prevention, diagnoses and solutions for indoor air quality. Lincoln Public Schools is the second largest public school district in Nebraska, serving approximately 32,100 students through 54 neighborhood schools.

air quality management programs in place that are grounded in EPA's program guidance; this translates to approximately 40,000 schools. In FY 2007, 1,300 additional schools began implementing indoor air quality management programs based on the Indoor Air Quality Tools for Schools Program.

***EPA Aims to Reduce Asthma Triggers for Millions of People:*** Asthma is a serious, life-threatening respiratory disease that affects more than 22 million Americans, including 6.8 million children. Rates of asthma have risen sharply over the past 30 years, particularly among children aged 5 to 14.<sup>2</sup> Although there is no cure, asthma can be controlled by managing environmental asthma triggers and providing medical treatment. EPA's goal is to reduce exposure to asthma triggers for 6.5 million people by 2012. To this end, EPA provides educational material about the environmental factors—indoor and outdoor—that trigger asthma. Through FY 2007, an estimated 4.5 million people have taken all essential actions to reduce exposure to indoor environmental asthma triggers, thereby avoiding approximately 64,000 emergency room visits annually. In FY 2007, the Agency worked in conjunction with grantees to train more than 4,500 health professionals on asthma and environmental trigger management and increased national awareness of asthma triggers, through the Goldfish Public Service Campaign, to an all-time high of 33 percent. EPA exceeded its goals in FY 2007 and is on track to meet its FY 2008 goals.

***Reducing Radon Exposure Saves Lives:*** Radon in indoor air is the second leading cause of lung cancer in America and contributes to nearly 20,000 deaths from lung cancer each year.<sup>3</sup> The purpose of EPA's indoor radon program is to promote voluntary action to reduce risks from radon. EPA estimates that in FY 2006 (the most recent year for which the Agency has complete data), the use of two voluntary public actions that EPA promotes—retrofitting homes with radon mitigation systems and building homes with radon-resistant techniques—saved approximately 600 lives.

Radon is an invisible radioactive gas that seeps into homes undetected through foundation cracks and can reach harmful levels if trapped indoors. It travels up from underground sources of uranium in the earth's crust. EPA estimates that one in 15 homes will have a radon level of 4 picocuries per liter of air or more, a level the Agency considers high. Through Radon Leaders Saving Lives, EPA is working in partnership with the American Association of Radon Scientists and Technologists and the Conference of Radiation Control Program Directors, and with state and local governments, nonprofit organizations, and radon professionals across the country to get more action on reducing the radon risk in existing and new homes. Radon preventive actions have saved an estimated 6,000 lives in the last 20 years. EPA has a goal to double that number, to 12,000 lives saved, in the next five years. At the 2008 national radon meeting the Radon Leaders Saving Lives partners unveiled a new Web portal ([www.radonleaders.org](http://www.radonleaders.org)) to facilitate achieving the 2012 goal. EPA will also launch a new "green" themed public service campaign during National Radon Action Month in January 2009.

#### **FY 2008 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 foundations for the Agency's budget. Frequently, Program Projects support multiple performance*

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<sup>2</sup> See the Centers for Disease Control and Prevention Asthma Web site at: <http://www.cdc.gov/asthma/>

<sup>3</sup> See EPA's Radon Health Risks Web page at [www.epa.gov/radon/healthrisks.html](http://www.epa.gov/radon/healthrisks.html) and EPA's "EPA Assessment of Risks from Radon in Homes," June 2003, EPA-402-R-03-003, at: [www.epa.gov/radon/pdfs/402-r-03-003.pdf](http://www.epa.gov/radon/pdfs/402-r-03-003.pdf).

measures and objectives. This table lists the Program Projects and associated resources that support this objective.

\*\*Resources associated with Program Projects might not match the goal and objective obligations exactly due to rounding.

<b>Goal 1: Objective 2 - Healthier Indoor Air</b>			
<b>Program Project</b>	<b>FY 2006 Obligations</b>	<b>FY 2007 Obligations</b>	<b>FY 2008 Obligations</b>
Categorical Grant: Radon	\$7,986.6	\$7,314.2	\$10,032.1
Categorical Grant: Tribal Air Quality Management	\$117.6	\$0.0	(\$9.7)
Homeland Security: Communication and Information	\$48.9	\$72.5	\$58.6
Homeland Security: Protection of EPA Personnel and Infrastructure	\$235.7	\$176.8	\$151.0
Indoor Air: Asthma Program	\$1,565.7	(\$74.7)	(\$107.6)
Indoor Air: Environment Tobacco Smoke Program	\$306.5	(\$11.9)	(\$26.9)
Indoor Air: Radon Program	\$5,471.4	\$5,614.3	\$5,735.4
Indoor Air: Schools and Workplace Program	\$348.5	(\$54.6)	(\$108.8)
International Capacity Building	\$193.8	\$30.8	\$3.2
Research: Air Toxics	(\$83.2)	(\$548.4)	(\$30.3)
Administrative Law	\$35.0	\$38.7	\$45.1
Alternative Dispute Resolution	\$9.9	\$9.4	\$11.0
Central Planning, Budgeting, and Finance	\$730.1	\$776.0	\$974.3
Civil Rights / Title VI Compliance	\$76.9	\$73.6	\$76.0
Congressional, Intergovernmental, External Relations	\$333.5	\$326.1	\$339.4
Exchange Network	\$258.5	\$269.0	\$189.9
Facilities Infrastructure and Operations	\$4,953.4	\$4,694.0	\$4,288.1
Acquisition Management	\$251.9	\$255.0	\$303.1
Human Resources Management	\$467.3	\$405.6	\$406.6
Information Security	\$50.4	\$49.4	\$66.1
IT / Data Management	\$3,281.7	\$3,199.3	\$2,858.4
Legal Advice: Environmental Program	\$351.9	\$365.6	\$385.1
Legal Advice: Support Program	\$139.6	\$120.0	\$134.5
Audits, Evaluations, and Investigations	\$285.7	\$274.5	\$373.8
Regional Science and Technology	\$24.7	\$22.2	\$20.8
Science Advisory Board	\$36.4	\$37.5	\$44.2
Small Minority Business Assistance	\$15.3	\$18.5	\$22.8
Financial Assistance Grants / IAG Management	\$441.9	\$528.6	\$588.6
Reduce Risks from Indoor Air	\$19,883.2	\$22,586.9	\$24,673.5
Regulatory/Economic-Management and Analysis	\$132.9	\$135.7	\$133.9
<b>Total</b>	<b>\$47,951.7</b>	<b>\$46,704.6</b>	<b>\$51,632.2</b>

## **Additional Information Related to Objective 2**

### **Grants:**

As part of its ongoing work, in FY 2006 EPA awarded grants to conduct demonstrations, training, and education and/or outreach projects in all indoor-environment program areas (including radon, asthma, and schools) that will reduce exposure to indoor air pollutants. These assistance agreements incorporated environmental results reporting and tracking requirements, which have improved the Agency's ability to evaluate the overall effectiveness of the grant. Standardized results templates are now a part of State Indoor Radon Grants work plans, and EPA expects to see improved comparability of reporting with the template.

### **Web Links:**

Indoor Air Quality: [www.epa.gov/air/basic.html#indoor](http://www.epa.gov/air/basic.html#indoor)

Asthma: [www.cdc.gov/asthma/children.htm](http://www.cdc.gov/asthma/children.htm)

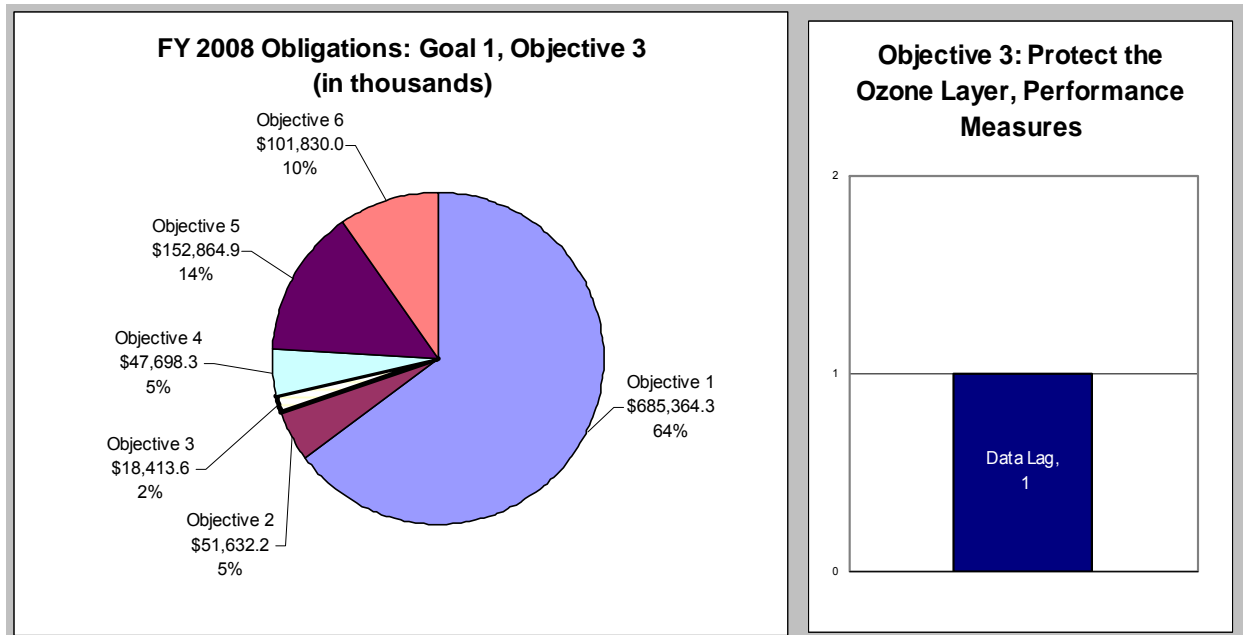
Radon Program: [www.epa.gov/radon/healthrisks.html](http://www.epa.gov/radon/healthrisks.html)

### **Program Assessment Rating Tool:**

In FY 2008, EPA developed and implemented an action plan for all Agency Program Assessment Rating Tool measures in response to a government-wide Program Assessment Rating Tool measure review. The plan leveraged ongoing strategic and annual planning and reflected measure improvements. The tables of measures and results provided in Section II of this report, "Performance Results," identify all Program Assessment Rating Tool measures, which make up more than two-thirds of EPA's performance measures. Please refer to [www.expectmore.gov](http://www.expectmore.gov) for more detailed information.



## Objective 1.3: Protect the Ozone Layer



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

**Sharp Decreases in Methyl Bromide Result From EPA Actions:** EPA has been at the forefront in developing and implementing flexible, innovative, and effective approaches to ensure stratospheric ozone layer protection. In FY 2008, in accordance with the Clean Air Act and Montreal Protocol, EPA issued final exemptions for methyl bromide production and authorized important critical uses. The exemptions for continued production and import of methyl bromide will honor the U.S. commitment to obtain methyl bromide for American farmers, in a manner that is consistent with the Montreal Protocol but that also protects the ozone layer. Authorized critical uses include strawberry and tomato production as well as commodity fumigation. In 2008, production or import of methyl bromide in the United States will be almost 88 percent less than 1991 levels.

**Supermarkets Join Forces to Reduce Ozone-Depleting Substances:** GreenChill is an EPA cooperative alliance with the supermarket industry and suppliers to promote advanced technologies, strategies, and practices that reduce emissions of stratospheric ozone-depleting substances and greenhouse gases. Since launching last November, the GreenChill Advanced Refrigeration Partnership has nearly tripled its membership. GreenChill now has a total of 28 partners, including 19 supermarket chains, four advanced refrigeration systems manufacturers,

Since launching November 2007, the GreenChill Advanced Refrigeration Partnership has tripled its membership and prevented emissions of 2.5 million metric tons of carbon dioxide equivalent, equal to the annual emissions of almost 500,000 cars. GreenChill partners in the food retail business have refrigerant emissions rates nearly 50 percent lower than the EPA-estimated industry average.

and five chemical manufacturers.

GreenChill partners are working to meet their goals with approaches such as improving equipment leak tightness at installation, developing a Retrofits Best Practices Guideline, and setting goals to convert more supermarkets to advanced refrigeration technologies. To chart their progress in the future, GreenChill's supermarket partners created baseline measurements of corporate-wide refrigerant emissions in 2007 and developed refrigeration management plans to reduce those emissions in 2008. Compared with the rest of the supermarket industry, GreenChill partners are already emitting fewer ozone-depleting refrigerants and greenhouse gases than their competitors—and saving money at the same time. The partners' savings in operating costs total almost \$13 million. In addition to reducing ozone-depleting substances, this program has the benefit of preventing emissions of 2.5 million metric tons of carbon dioxide equivalent, equal to the annual emissions of almost 500,000 cars. If every supermarket in the nation joined GreenChill and reduced emissions to the current GreenChill average, the industry could annually prevent the release of 13 million metric tons of carbon dioxide equivalent and 157 tons of ozone-depleting substances.

**International Action Helps Reduce Ozone-Depleting Substances:** The participation of developing countries is essential to ensure timely restoration of the ozone layer. The United States works with its international partners through the Montreal Protocol to reduce ozone-depleting substances. In 2007, the United States, with support from EPA, proposed to accelerate the phase-out of hydrochlorofluorocarbons (HFCs) by 10 years, adding interim reduction steps, setting an earlier baseline, and, as first priority, phasing out the hydrochlorofluorocarbons that are most damaging to the ozone layer. These proposals further U.S. efforts to address ozone layer protection, cleaner air, and climate change by calling on the global community to accelerate the phase-out of hydrochlorofluorocarbons.

**FY 2008 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 foundations for the Agency's budget. Frequently, Program Projects support multiple performance measures and objectives. This table lists the Program Projects and associated resources that support this objective.*

*\*\*Resources associated with Program Projects might not match the goal and objective obligations exactly because of rounding.*

<b>Goal 1: Objective 3 - Protect the Ozone Layer</b>			
<b>Program Project</b>	<b>FY 2006 Obligations</b>	<b>FY 2007 Obligations</b>	<b>FY 2008 Obligations</b>
Homeland Security: Communication and Information	\$12.2	\$18.3	\$14.7
Homeland Security: Protection of EPA Personnel and Infrastructure	\$93.5	\$73.0	\$66.4
Stratospheric Ozone: Domestic Programs	\$5,455.7	\$5,376.0	\$5,040.0
Stratospheric Ozone: Multilateral Fund	\$8,582.9	\$11,315.0	\$9,683.0
Administrative Law	\$8.7	\$9.8	\$11.3
Alternative Dispute Resolution	\$2.5	\$2.4	\$2.8
Central Planning, Budgeting, and Finance	\$322.6	\$401.2	\$421.6
Civil Rights / Title VI Compliance	\$14.7	\$13.7	\$13.6
Congressional, Intergovernmental, External Relations	\$50.2	\$49.3	\$49.7
Exchange Network	\$64.3	\$68.0	\$47.7

Facilities Infrastructure and Operations	\$1,536.0	\$1,477.8	\$1,301.5
Acquisition Management	\$84.6	\$92.5	\$113.5
Human Resources Management	\$149.7	\$139.2	\$146.1
Information Security	\$19.7	\$19.9	\$27.1
IT / Data Management	\$1,200.1	\$1,200.4	\$1,099.2
Legal Advice: Environmental Program	\$85.7	\$92.8	\$97.0
Legal Advice: Support Program	\$38.1	\$32.1	\$37.4
Audits, Evaluations, and Investigations	\$109.8	\$127.1	\$136.5
Regional Science and Technology	\$2.5	\$2.8	\$0.5
Science Advisory Board	\$9.1	\$9.5	\$11.1
Small Minority Business Assistance	\$3.8	\$4.7	\$5.7
Financial Assistance Grants / IAG Management	\$156.2	\$21.8	\$53.5
Regulatory/Economic-Management and Analysis	\$33.1	\$34.3	\$33.6
<b>Total</b>	<b>\$18,035.7</b>	<b>\$20,581.6</b>	<b>\$18,413.5</b>

### Additional Information Related to Objective 3

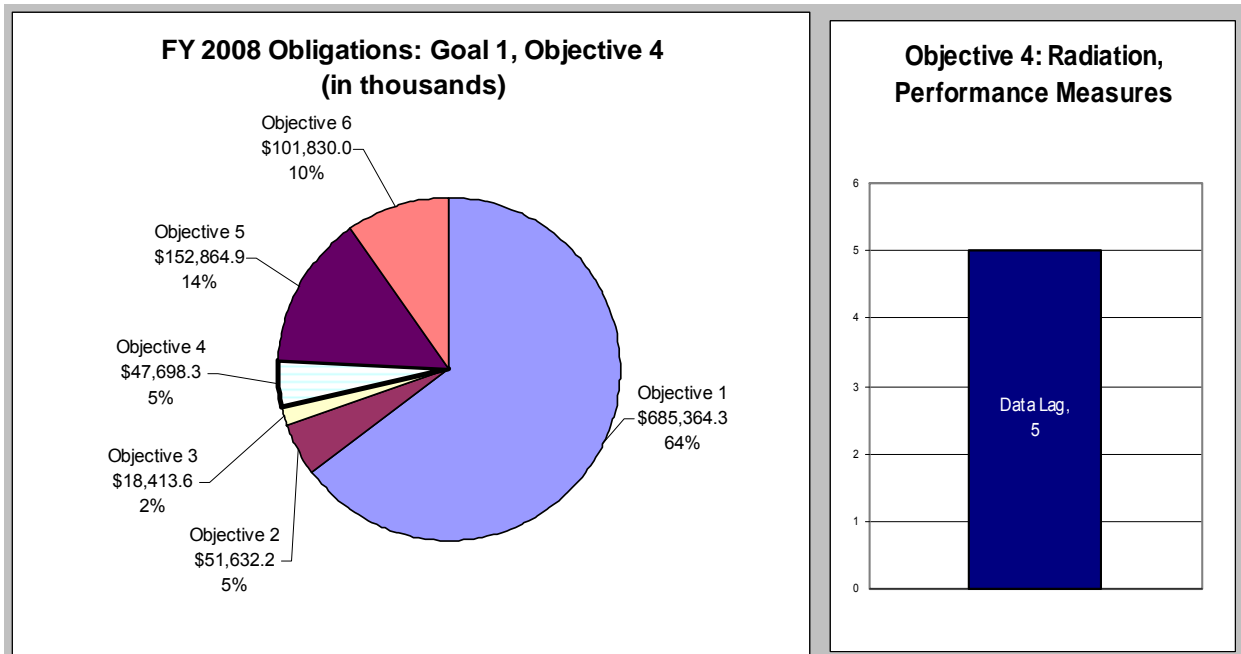
#### Web Links:

Ozone Depletion: [www.epa.gov/ebtpages/airatmospozonedepletion.html](http://www.epa.gov/ebtpages/airatmospozonedepletion.html)

#### Program Assessment Rating Tool:

In FY 2008, EPA developed and implemented an action plan for all Agency Program Assessment Rating Tool measures in response to a government-wide Program Assessment Rating Tool measure review. The plan leveraged ongoing strategic and annual planning and reflected measure improvements. The tables of measures and results provided in Section II of this report, "Performance Results," identify all Program Assessment Rating Tool measures, which make up more than two-thirds of EPA's performance measures. Please refer to [www.expectmore.gov](http://www.expectmore.gov) for more detailed information.

## Objective 1.4: Radiation



EPA's Radiation Protection Program minimizes unnecessary releases of radiation and helps mitigate impacts to human health and the environment, should unwanted releases occur. The program manages a nationwide environmental radiation monitoring program, RadNet, and actively responds to accidents and incidents involving nuclear or radiological material. It also oversees the safe disposal of radioactive waste and provides generally applicable standards to all federal agencies for protecting human health and the environment from radioactive material.

***EPA Works With Other Departments and Agencies to Safely Dispose of Waste:*** EPA supports safe and environmentally sound radioactive waste management by maintaining certification and oversight responsibilities for U.S. Department of Energy (DOE) waste disposal activities at the Waste Isolation Pilot Plant; providing technical support to the Nuclear Regulatory Commission in applying pending standards at Yucca Mountain; coordinating with other federal agencies 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 mandated requirements with traditional radiological waste management components. The EPA waste characterization program is focused on inspecting Department of Energy radioactive waste generator sites and supports the department's goals for disposal of defense-related transuranic radioactive waste at the Waste Isolation Pilot Plant. In 2008, the Department of Energy made approximately 1,000 waste shipments of transuranic waste to the Waste Isolation Pilot Plant.

On September 30, 2008, EPA established radiation standards for the proposed spent nuclear fuel and high-level radioactive waste disposal facility at Yucca Mountain, Nevada. The Yucca Mountain standards are in line with approaches used in the international radioactive waste management community.

***EPA Reduces Time Needed to Review Waste for Disposal:*** EPA continues its oversight responsibilities for waste disposal activities at waste generator sites and the Waste Isolation Pilot Plant site itself. Through the Program Assessment Rating Tool process, EPA developed a way to track progress in this program area by measuring the time it takes for EPA to approve waste characterization program modifications at Department of Energy waste generator sites without diminishing EPA's oversight responsibilities and without modifying EPA's technical approach. From an FY 2004 baseline of 150 days, EPA had already reduced the number of days for approval to 86 in FY 2007, the most recent year for which the agency recorded data.

***EPA Nears Target for Monitoring Systems:*** In FY 2008, EPA continued to enhance RadNet and strengthen the response capabilities in the existing monitoring system, including its ability to provide near real-time data directly to EPA decision-makers, states, local officials, and the Department of Homeland Security. With the information that the radiation monitoring program provides, health officials can guide the public to take essential actions to reduce exposures to radiation. By monitoring potential impact to population and public health, RadNet supports EPA's role in incident assessment. Through the Program Assessment Rating Tool process, EPA developed a measure to track progress in this program area by measuring the percentage of the most populous U.S. cities with a RadNet ambient radiation air monitoring system, which will provide data to assist in protective action determinations. EPA is well on its way to its target of 90 percent of the most populous cities by 2010, having reached 87 percent by 2007.

***EPA Participates in Emergency Preparedness and Response Exercises:*** EPA's Radiological Emergency Response Team members are systematically provided with the knowledge, skills, equipment, and support systems needed to respond to emergencies involving radioactive materials. To this end, the program undertakes preparedness activities, including developing and streamlining response plans and procedures, providing guidance and training to first responders, and testing plans and procedures during exercises. In FY 2008, EPA participated in several major radiological emergency response exercises designed to increase preparedness. EPA was a major player in "TOPOFF," the Top Officials 4 Full-Scale Exercise, which included more than 15,000 participants representing federal, state, territorial, and local entities working in Oregon, Guam, Arizona, and Washington, D.C. EPA also developed and implemented an exercise designed to practice response to an overseas incident; supported the Department of Energy in its nuclear weapons exercise, Diablo Bravo; and supported several nuclear power plant exercises throughout FY 2008.

***EPA Increases Readiness for Emergency Response:*** EPA developed a measure to track progress in readiness for emergency response by measuring the level of readiness of radiation program personnel and assets to support federal radiological emergency response and recovery operations (measured as the percentage of radiation response team members and assets that meet response criteria). The 2005 baseline for the emergency response program readiness was 50 percent. The measured readiness level was 83 percent in FY 2007, the most recent year for which data are available. EPA, working with federal and state partners, has continued to develop and expand RadMap during FY 2008. RadMap is a geographic information systems-based, interactive desktop tool providing quick access to information on long-term radiation monitoring locations across the country. RadMap is designed for emergency responders and provides access to key information on more than 1,600 radiological monitors and sampling stations. The number of systems covered in RadMap more than tripled during FY 2008.

***EPA Radioactive Materials Labs Conduct Thousands of Tests:*** Throughout FY 2008, EPA scientists and field response staff provided continued support to state, tribal, and local

governments who were faced with situations involving radioactive material. EPA's two laboratories with unique radioanalytical expertise conducted more than 11,000 analyses of air, water, and soil samples. Additionally, the labs supported partners with training, field sampling and analyses, and technical advice on radiological incidents.

### **FY 2008 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 foundations for the Agency's budget. Frequently, Program Projects support multiple performance measures and objectives. This table lists the Program Projects and associated resources that support this objective.*

*\*\*Resources associated with Program Projects might not match the goal and objective obligations exactly because of rounding.*

<b>Goal 1: Objective 4 - Radiation</b>			
<b>Program Project</b>	<b>FY 2006 Obligations</b>	<b>FY 2007 Obligations</b>	<b>FY 2008 Obligations</b>
Homeland Security: Communication and Information	\$58.8	\$93.8	\$73.2
Homeland Security: Preparedness, Response, and Recovery	\$5,102.5	\$3,947.6	\$7,886.6
Homeland Security: Protection of EPA Personnel and Infrastructure	\$416.5	\$333.1	\$278.1
Radiation: Protection	\$15,739.0	\$17,120.0	\$17,094.4
Radiation: Response Preparedness	\$5,667.8	\$6,345.1	\$6,767.8
Administrative Law	\$45.0	\$53.2	\$60.1
Alternative Dispute Resolution	\$14.7	\$17.0	\$17.0
Central Planning, Budgeting, and Finance	\$585.7	\$596.5	\$827.2
Civil Rights / Title VI Compliance	\$78.4	\$77.3	\$75.0
Congressional, Intergovernmental, External Relations	\$275.8	\$287.6	\$281.1
Exchange Network	\$318.4	\$354.7	\$242.7
Facilities Infrastructure and Operations	\$5,259.2	\$5,707.0	\$5,775.6
Acquisition Management	\$820.6	\$946.6	\$1,070.3
Human Resources Management	\$753.0	\$770.7	\$807.7
Information Security	\$85.7	\$94.1	\$126.9
IT / Data Management	\$5,193.0	\$5,412.5	\$4,819.3
Legal Advice: Environmental Program	\$418.7	\$480.4	\$483.7
Legal Advice: Support Program	\$172.3	\$155.6	\$176.9
Audits, Evaluations, and Investigations	\$208.8	\$191.0	\$270.7
Regional Science and Technology	\$14.6	\$16.9	\$4.8
Science Advisory Board	\$46.8	\$51.6	\$58.8
Small Minority Business Assistance	\$19.7	\$25.4	\$30.4
Financial Assistance Grants / IAG Management	\$617.3	\$215.6	\$291.7
Regulatory/Economic-Management and Analysis	\$171.0	\$186.6	\$178.3
<b>Total</b>	<b>\$42,083.3</b>	<b>\$43,479.9</b>	<b>\$47,698.3</b>

## **Additional Information Related to Objective 4**

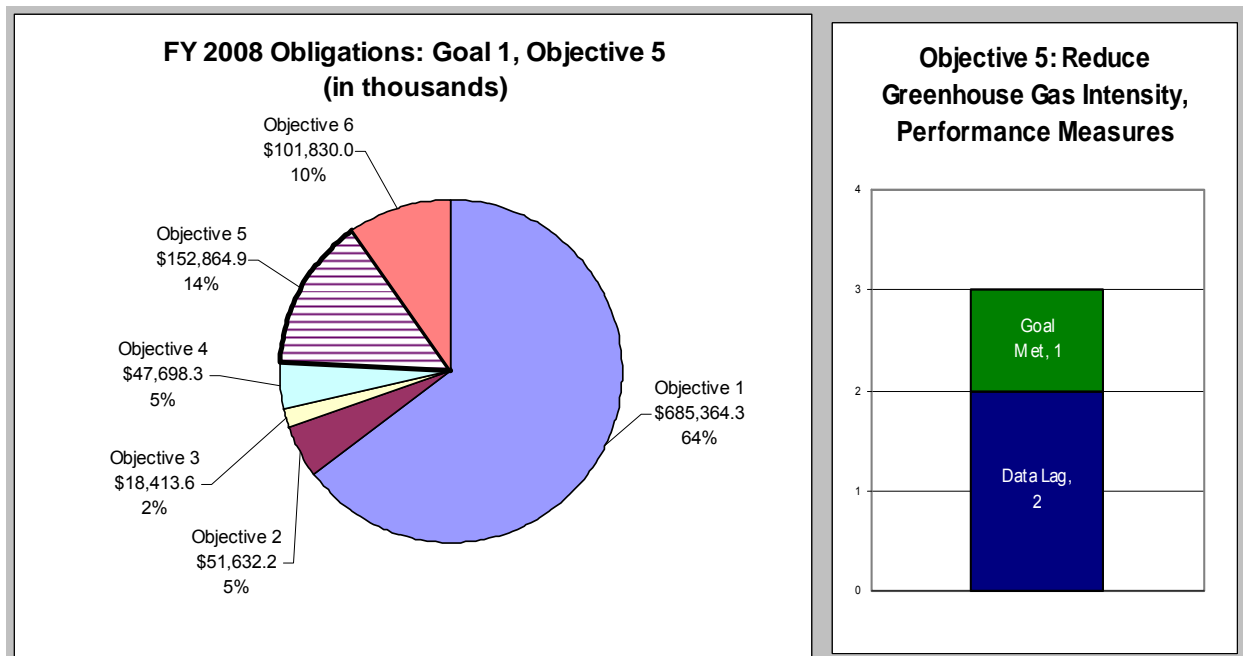
### ***Web Links:***

Radiation and Radioactivity: [www.epa.gov/ebtpages/radiationandradioactivity.html](http://www.epa.gov/ebtpages/radiationandradioactivity.html)

### ***Program Assessment Rating Tool:***

In FY 2008, EPA developed and implemented an action plan for all Agency Program Assessment Rating Tool measures in response to a government-wide Program Assessment Rating Tool measure review. The plan leveraged ongoing strategic and annual planning and reflected measure improvements. The tables of measures and results provided in Section II of this report, "Performance Results," identify all Program Assessment Rating Tool measures, which make up more than two-thirds of EPA's performance measures. Please refer to [www.expectmore.gov](http://www.expectmore.gov) for more detailed information.

## Objective 1.5: Reduce Greenhouse Gas Intensity



In February 2002, the President announced a new approach to global climate change, designed to harness the power of the marketplace and technological innovation. The President set a national goal to cut greenhouse gas intensity by 18 percent by 2012, which the US is on track to meet. In support of the President's goal, EPA's climate protection programs promote the avoidance of 162 million metric tons of carbon equivalent annually by 2012, up from 58 million metric tons of carbon equivalent in 2002. Of this additional 104 million metric tons of carbon equivalent, 24 million 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 million metric tons of carbon equivalent will contribute to attaining the President's goal of 18 percent greenhouse gas intensity improvement.

EPA manages a number of efforts, such as ENERGY STAR and The SmartWay Transport Partnership, to remove marketplace barriers to accelerate the adoption and deployment of energy efficiency technology and in the building, industrial, and transportation sectors of the economy. EPA programs do not provide financial subsidies. Instead, they work by overcoming market barriers to energy efficiency: lack of clear and objective information on technology opportunities; lack of awareness of products, services, and transportation choices; low incentives to manufacturers for research and development; split incentives; and high transaction costs.

**EPA Programs Reduce Emissions of Greenhouse Gases:** 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), and will continue to deliver substantial energy and environmental benefits over the next decade. Because 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 because of EPA's programs, organizations and consumers across the country will net savings of about \$130 billion and reduce greenhouse emissions by more than 800 million metric tons of carbon equivalent over the next 10 years.<sup>4</sup> 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 emission 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.

***ENERGY STAR Saves Billions in Energy Consumption:*** In 2007, Americans, with the help of ENERGY STAR, saved \$16 billion on their energy bills and avoided greenhouse gas emissions equivalent to those of 27 million vehicles. To date, more than 2.5 billion ENERGY STAR-qualified products have been sold, and nearly 840,000 new homes and 4,000 office buildings, schools, hospitals, and public buildings have earned the ENERGY STAR label. ENERGY STAR qualified products, homes, and buildings provide the quality, features, and personal comfort today's consumers expect. EPA introduced ENERGY STAR in 1992 as a voluntary market-based partnership to reduce greenhouse gas emissions through increased energy efficiency. Today, in partnership with the U.S. Department of Energy, ENERGY STAR offers businesses and consumers energy-efficient solutions to conserve energy, save money, and help protect the environment for future generations. More than 12,000 organizations are ENERGY STAR partners, committed to improving the energy efficiency of products, homes, buildings, and businesses.

***More Than 4,000 Manufacturing Plants Earn EPA's ENERGY STAR Rating:*** Energy use in commercial buildings and manufacturing plants accounts for nearly half of the total U.S. greenhouse gas emissions and nearly 50 percent of energy consumption nationwide. For more than a decade, EPA has worked with businesses and organizations to reduce greenhouse gas emissions through strategic energy management practices. Today, there are ENERGY STAR qualified facilities in every state across the country. To qualify for the ENERGY STAR, a building or manufacturing plant must score in the top 25 percent using EPA's National Energy Performance Rating System.

The number of commercial buildings and manufacturing plants to earn the ENERGY STAR for superior energy efficiency is up by more than 25 percent in the past year, and the amount of carbon dioxide emissions reduced has reached an all-time high of more than 25 billion pounds. Nearly 4,100 buildings and manufacturing plants have earned the ENERGY STAR through the end of 2007, with the addition of more than 1,400 in 2007 alone. They include about 1,500 office buildings, 1,300 supermarkets, 820 K-12 schools, and 250 hotels. Also, more than 185 banks, financial centers, hospitals, courthouses, warehouses, dormitories, and—for the first time—big-box retail buildings earned the ENERGY STAR. More than 35 manufacturing plants, such as cement, auto assembly, corn refining, and—new this year—petroleum refining, are also being recognized. In total, these award-winning commercial buildings and manufacturing plants have saved nearly \$1.5 billion annually in lower energy bills and prevented carbon dioxide emissions equal to the emissions associated with electricity use of more than 1.5 million American homes for a year, compared with typical buildings. Commercial buildings that have earned the

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<sup>4</sup> 2006 estimated annual results.

ENERGY STAR use nearly 40 percent less energy than average buildings and emit 35 percent less carbon dioxide into the atmosphere, thus reducing their carbon footprint. About 500 ENERGY STAR buildings use 50 percent less energy than average buildings. Many of these buildings excel due to good energy management practices such as routine energy efficiency benchmarking.

**SmartWay Transport Saves More Than 500 Million Gallons of Diesel:** Cars, trucks, aircraft, and other components of the nation's transportation system emit nearly one-third of total U.S. greenhouse gas emissions. SmartWay Transport is EPA's flagship voluntary program for improving fuel efficiency and reducing greenhouse gases and air pollution from the freight transportation industry. This innovative collaboration, launched in 2004, is composed of partnerships, financial incentives, policy and technical solutions, and research and evaluation projects that find new ways to optimize the transportation networks in a company's supply chain. Endorsed by major freight industry associations, companies, and trade publications, SmartWay Transport is leading the way to greater fuel efficiency and lower emissions from the freight sector, while presenting a model of government and industry cooperation for public and private benefits. Participating companies benchmark their current freight operations, identify technologies and strategies to reduce their carbon emissions, track emission reductions, and project future improvement.

As of September 2008, more than 1,000 SmartWay partners drive approximately 600,000 trucks and travel nearly 52 billion miles per year. With their three-year commitments to upgrade trucks with auxiliary power units, fuel-efficient tires, enhanced trailer aerodynamics, and other improvements, SmartWay partners are saving more than 500 million gallons of diesel fuel—a cost benefit of more than \$2 billion—and eliminating nearly 6 million tons of carbon dioxide emissions that contribute to global climate change. SmartWay partners will also reduce nitrogen oxides by 30,000 tons and particulate matter by 800 tons.

In September, 2008, EPA committed more than \$1 million to assess the economic and technical feasibility of recovering and using methane from coal mines in China. If methane recovery programs are implemented at all three project sites, up to 1.8 million metric tons of carbon dioxide equivalent could be reduced each year. That's equal to the annual emissions of up to 330,000 passenger vehicles.

**Hybrid Delivery Trucks Aim to Reduce Fuel Consumption:** EPA's Clean Automotive Technology Program demonstrated a new hydraulic hybrid United Parcel Service delivery vehicle. The unique United Parcel Service delivery vehicle features EPA-patented hydraulic hybrid technology. During FY 2008, EPA worked with its industry technology transfer partners transferring its hydraulic hybrid vehicle experience and know-how, developing the first generation of road-worthy pre-production hydraulic hybrid vehicles to begin road testing over the next few years. United Parcel Service announced that it has ordered seven hydraulic hybrid delivery trucks for its fleet, the first two of which will be deployed in Minneapolis, Minnesota, early next year. Developed by EPA, Eaton Corporation, and Navistar, the vehicles store braking energy as hydraulic pressure, then use that to launch the vehicle from a stop, achieving a fuel economy improvement of 45-50 percent.

**Advance Notice of Proposed Rulemaking on Climate Change Published:** In FY 2008, EPA released an Advance Notice of Proposed Rulemaking (ANPR) soliciting public input on the complexity and magnitude of the question of whether and how greenhouse gases could be effectively controlled under the Clean Air Act. This action was in response to the April 2, 2007, Supreme Court decision in *Massachusetts v. EPA*, which found that greenhouse gas emissions

could be regulated if EPA determines greenhouse gas emissions cause or contribute to air pollution that can reasonably be expected to endanger public health or welfare. With the Advance Notice of Proposed Rulemaking, EPA is evaluating the broader ramifications of the decision throughout the Clean Air Act, which covers air pollution from both stationary and mobile sources. The Advance Notice of Proposed Rulemaking solicits public input as EPA considers the specific effects of climate change and potential regulation of greenhouse gas emissions. In the advance notice, EPA presented and requested comment on the best available science, requested relevant data, and asked questions about the advantages and disadvantages of using the Clean Air Act to potentially regulate stationary and mobile sources of greenhouse gases. The Advance Notice of Proposed Rulemaking also reviewed various petitions, lawsuits, and court deadlines before the Agency, as well as the profound effect that regulating under the Clean Air Act could have on the economy.

**EPA-State Clean Energy and Climate Change Forum Held**

- Led by Regional Administrator Richard Greene, EPA's Region 6 Office welcomed more than 30 officials and representatives from six states to the first regional dialogue on climate change.
- The first-of-its-kind forum is part of the Region 6 Clean Energy and Climate Change Strategy that calls for expanding partnerships to address the factors that contribute to climate change.
- The forum's main goals were to familiarize participants with state and federal perspectives; better understand individual and mutual concerns; and identify follow-up needs.
- Senior representatives from state environmental agencies took part in the roundtable discussions and shared their climate change strategies and suggestions.
- In addition representatives from Great Britain shared lessons learned from the United Kingdom's climate change policies.

**FY 2008 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 foundations for the Agency's budget. Frequently, Program Projects support multiple performance measures and objectives. This table lists the Program Projects and associated resources that support this objective.*

*\*\*Resources associated with Program Projects might not match the goal and objective obligations exactly due to rounding.*

<b>Goal 1: Objective 5 - Reduce Greenhouse Gas Intensity</b>			
<b>Program Project</b>	<b>FY 2006 Obligations</b>	<b>FY 2007 Obligations</b>	<b>FY 2008 Obligations</b>
Climate Protection Program	\$85,882.0	\$117,999.8	\$123,247.9
Homeland Security: Communication and Information	\$79.3	\$158.7	\$124.0
Homeland Security: Protection of EPA Personnel and Infrastructure	\$571.2	\$565.3	\$482.1
Administrative Law	\$56.7	\$84.7	\$95.5
Alternative Dispute Resolution	\$16.0	\$20.6	\$23.2
Central Planning, Budgeting, and Finance	\$1,980.7	\$2,727.3	\$3,517.8
Civil Rights / Title VI Compliance	\$101.3	\$125.6	\$122.3
Congressional, Intergovernmental, External Relations	\$364.6	\$470.8	\$468.1
Exchange Network	\$419.1	\$589.0	\$401.6
Facilities Infrastructure and Operations	\$9,747.4	\$11,194.8	\$10,122.2
Acquisition Management	\$525.2	\$763.1	\$900.7
Human Resources Management	\$937.8	\$1,151.9	\$1,170.6

Information Security	\$120.3	\$161.2	\$217.7
IT / Data Management	\$7,405.7	\$9,386.4	\$8,268.2
Legal Advice: Environmental Program	\$559.8	\$803.1	\$811.7
Legal Advice: Support Program	\$243.6	\$276.0	\$308.8
Audits, Evaluations, and Investigations	\$668.1	\$856.8	\$1,130.6
Regional Science and Technology	\$20.0	\$27.8	\$10.4
Science Advisory Board	\$59.0	\$82.1	\$93.4
Small Minority Business Assistance	\$24.8	\$40.4	\$48.2
Financial Assistance Grants / IAG Management	\$494.6	\$570.3	\$1,016.7
Regulatory/Economic-Management and Analysis	\$215.5	\$297.1	\$283.2
<b>Total</b>	<b>\$110,492.7</b>	<b>\$148,352.8</b>	<b>\$152,864.9</b>

### Additional Information Related to Objective 5

#### **Grants:**

Grants are an integral part of the Climate Change Program's efforts to reduce greenhouse gas emissions through energy efficiency, clean energy, and cost-effective partnerships with industries and governments. The climate change grant program seeks proposals from eligible entities that will advance national, regional, state and local energy efficiency and clean energy programs through market-based approaches to program design, outreach, and delivery, as well as by fostering information exchange. Programs or projects should demonstrate potential to create lasting change in the marketplace for energy-efficient and clean energy products, services, and best practices. Grant funding also supports technical, outreach, and education projects to advance public and private sector climate goals; projects for collecting and analyzing economic data relating to climate change; and programs, such as Methane to Markets, that facilitate climate technology transfer in developing countries. All of the activities supported by the climate change program's grant funds reduce greenhouse gas emissions and contribute to achieving performance goals.

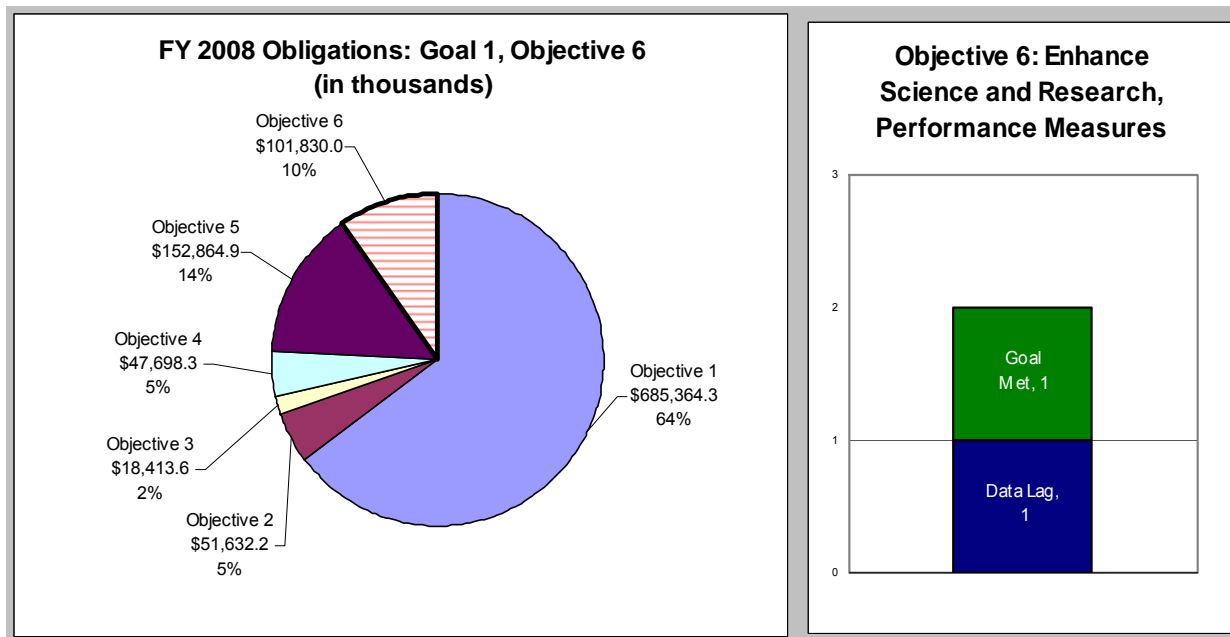
#### **Web Links:**

Energy Star Program: [www.energystar.gov/](http://www.energystar.gov/)

#### **Program Assessment Rating Tool:**

In FY 2008, EPA developed and implemented an action plan for all Agency Program Assessment Rating Tool measures in response to a government-wide Program Assessment Rating Tool measure review. The plan leveraged ongoing strategic and annual planning and reflected measure improvements. The tables of measures and results provided in Section II of this report, "Performance Results," identify all Program Assessment Rating Tool measures, which make up more than two-thirds of EPA's performance measures. Please refer to [www.expectmore.gov](http://www.expectmore.gov) for more detailed information.

## Objective 1.6: Enhance Science and Research



EPA's research programs support a sound scientific foundation for decisions to protect and improve air quality.

**Research Informs National Ambient Air Quality Standards:** In FY 2008, EPA completed 100 percent of its planned actions toward reducing uncertainty in the science that supports standard-setting and air quality management decisions. In controlled human studies, EPA scientists evaluated how ultrafine, fine, and coarse particles in the air affect the respiratory and cardiovascular health of humans. Researchers found that breathing in these particles affects blood clotting, can cause changes in heart rate, and can result in mild lung infections. Other studies in animals suggest that long-term particulate matter exposure increases the risk of atherosclerosis, commonly known as "hardening of the arteries," a condition in which fatty substances coat the inner lining of arteries. EPA continues to study long-term particulate matter exposure to and effects in humans.

The Agency provided research, data, and advice, which were critical in National Ambient Air Quality Standards reviews and decisions on ozone, nitrogen oxides, sulfur oxides (SO<sub>x</sub>), and lead. Additionally, the Agency's research supported locomotive and marine rule decisions, as well as decisions in the greenhouse gas advanced notice of proposed rulemaking. Ongoing research continues to provide information that can be used in future rulemaking and other decisions.

EPA's Clean Air Research Program developed and evaluated a new, real-time, *in situ* method to measure air pollutants, which allows researchers and environmental managers to characterize area source emissions. EPA researchers put this method into practice to measure total site elemental mercury at a chlor-alkali facility in FY 2008. This effort significantly increased knowledge about fugitive mercury emissions from chlor-alkali facilities. The Clean Air Research

program also teamed up with Region 8 and the state of Colorado to complete a two-week field study using optical remote sensing to characterize emissions of volatile organic compounds and greenhouse gases from upstream oil and gas operations.

**EPA Research Helps States:** EPA provided states with new tools and models in 2008 to improve their understanding of particulate matter and other pollutant sources in support of State Implementation Plans. For example, states are applying one model called Positive Matrix Factorization to evaluate the contributions of various sources, such as cement manufactures, to ambient air particulate concentrations. The sector-specific model results are informing regulatory decisions on performance standards for that sector. Another example is a new “open-path optical remote sensing method,” developed to characterize air emissions as they happen. This method can measure mercury at chlor-alkali facilities, as well as air contaminants such as volatile organic compounds and greenhouse gas emissions generated from oil and gas operations. The research will help EPA inform regulatory decisions by improving emissions inventories. Additionally, state and local organizations are using this method to develop action plans for meeting EPA’s particulate matter regulations. The Agency also released an update of the Community Multiscale Air Quality modeling system including improvements to the sulfur, nitrogen and mercury predictions. This system integrates multiple models to help environmental managers and policymakers predict and make decisions regarding air quality and air emission impacts on humans and ecosystems.

**Research Improves Understanding of Health Effects from Air Pollution:** EPA research in FY 2008 produced valuable information on the health effects of diesel exhaust. This research demonstrated that diesel exhaust can affect certain susceptible groups (notably asthmatics in this case) altering indicators that suggest a tendency to wheeze, a hallmark of asthma exacerbation. These findings contribute to a strategy to compare the potency of various sources of particulate matter and their effects on human health, including those with specific susceptibility.

EPA research in FY 2008 also helped understand the neurotoxic effects of exposure to volatile organic compounds, a class of hazardous air pollutants. The research informed incorporation of physiologically based pharmacokinetic models into setting Acute Exposure Guideline Levels for volatile organic compounds, such as those associated with new fuels and fuel additives.

**FY 2008 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 foundations for the Agency’s budget. Frequently, Program Projects support multiple performance measures and objectives. This table lists the Program Projects and associated resources that support this objective.*

*\*\*Resources associated with Program Projects might not match the goal and objective obligations exactly because of rounding.*

<b>Goal 1: Objective 6 - Enhance Science and Research</b>			
<b>Program Project</b>	<b>FY 2006 Obligations</b>	<b>FY 2007 Obligations</b>	<b>FY 2008 Obligations</b>
Clean Air Allowance Trading Programs	\$3,744.7	\$0.0	\$0.0
Climate Protection Program	\$20,921.9	\$456.0	(\$100.3)
Congressionally Mandated Projects	\$6,616.2	\$5,475.5	\$0.0
Federal Support for Air Quality Management	\$375.6	\$0.0	\$0.0
Federal Support for Air Toxics Program	\$210.4	\$0.0	\$0.0

Homeland Security: Communication and Information	\$128.1	\$172.4	\$137.4
Homeland Security: Protection of EPA Personnel and Infrastructure	\$724.0	\$458.7	\$339.6
Radiation: Protection	\$1,417.2	\$0.0	\$0.0
Research: Air Toxics	\$19,269.0	\$13,810.6	\$1,359.7
Research: Particulate Matter	\$11,450.0	(\$534.9)	(\$241.8)
Research: Troposphere Ozone	\$952.7	(\$37.8)	(\$11.9)
Administrative Law	\$91.6	\$92.0	\$105.8
Alternative Dispute Resolution	\$25.8	\$22.4	\$25.7
Central Planning, Budgeting, and Finance	\$2,678.4	\$1,964.7	\$2,200.0
Civil Rights / Title VI Compliance	\$152.7	\$127.2	\$125.4
Congressional, Intergovernmental, External Relations	\$515.2	\$455.2	\$454.7
Exchange Network	\$677.1	\$638.1	\$445.0
Facilities Infrastructure and Operations	\$2,770.6	\$4,245.7	\$7,999.1
Acquisition Management	\$901.9	\$880.0	\$1,070.2
Human Resources Management	\$1,530.1	\$1,274.3	\$1,362.9
Information Security	\$191.8	\$180.1	\$255.7
IT / Data Management	\$8,445.4	\$7,476.9	\$6,828.1
Legal Advice: Environmental Program	\$899.1	\$871.8	\$903.4
Legal Advice: Support Program	\$402.8	\$302.6	\$350.0
Audits, Evaluations, and Investigations	\$916.7	\$625.0	\$715.0
Regional Science and Technology	\$24.0	\$25.4	\$2.9
Science Advisory Board	\$95.2	\$89.1	\$103.5
Small Minority Business Assistance	\$40.1	\$43.9	\$53.5
Financial Assistance Grants / IAG Management	\$442.5	\$655.3	\$561.8
Research: NAAQS	\$53,270.9	\$63,025.8	\$18,690.1
Regulatory/Economic-Management and Analysis	\$348.2	\$322.7	\$313.9
Research: Clean Air	\$0.0	\$0.0	\$57,780.5
<b>Total</b>	<b>\$140,229.9</b>	<b>\$103,118.7</b>	<b>\$101,829.9</b>

## Additional Information Related to Objective 6

### Grants:

- In a study of more than 65,000 women over the age of 50, EPA grantees found that the risk of having a heart attack or other cardiovascular event—and the risk of dying from that event—was significantly higher in areas with higher average airborne particulate matter levels. This study adds to the growing evidence that air pollution, especially fine particulate matter, has important adverse health consequences. (Supported by Grant Entitled: “Northwest Research Center for Particulate Air Pollution and Health.”)
- EPA-funded researchers in Southern California found that local exposure to traffic on a freeway has adverse effects on children's lung development, which could result in important deficits in lung function in later life. (Supported by Grant Entitled: “Southern California Center for Airborne Particulate Matter.”)

- EPA grantee research findings have revealed new information about the atmospheric processes that lead to formation of organic particulate matter, helping to explain the discrepancy between atmospheric measurements and air quality model predictions. These results will be used to develop effective and efficient emission control strategies to reduce particulate matter levels. (Supported by the Following Four Grants: 1) “Atmospheric Processing of Organic Particulate Matter: Formation, Properties, Long Range Transport, and Removal”; 2) “Fundamental Experimental and Modeling Studies of Secondary Organic Aerosol”; 3) “Highly Time-Resolved Source Apportionment Techniques for Organic Aerosols Using the Aerodyne Aerosol Mass Spectrometer”; and 4) “Secondary and Regional Contributions to Organic PM: A Mechanistic Investigation of Organic PM in the Eastern and Southern United States.”)

**Web Links:**

The Clean Air Research Program supports EPA’s goal of clean air by conducting leading-edge research and developing a better understanding and characterization of human health and environmental outcomes. Additional information on the program can be found at: [www.epa.gov/pmresearch](http://www.epa.gov/pmresearch).

**Program Assessment Rating Tool:**

In FY 2008, EPA developed and implemented an action plan for all Agency Program Assessment Rating Tool measures in response to a government-wide Program Assessment Rating Tool measure review. The plan leveraged ongoing strategic and annual planning and reflected measure improvements. The tables of measures and results provided in Section II of this report, “Performance Results,” identify all Program Assessment Rating Tool measures, which make up more than two-thirds of EPA’s performance measures. Please refer to [www.expectmore.gov](http://www.expectmore.gov) for more detailed information.



## 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: 1.1: HEALTHIER OUTDOOR AIR

Through 2011, 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.

Performance Measures Met	Performance Measures Not Met	Data Available After November 17, 2008	Total Performance Measures
0	0	15	15

#### SUB-OBJECTIVE: 1.1.1: Ozone and PM2.5

By 2015, working with partners, improve air quality for ozone and PM2.5.

##### Strategic Target (1)

By 2015, reduce the population-weighted ambient concentration of ozone in all monitored counties by 14 percent from the 2003 baseline.

Annual Performance Measures and Baselines	FY 2005		FY 2006		FY 2007		FY 2008		Unit
	Target	Actual	Target	Actual	Target	Actual	Target	Actual	
(M9) Cumulative percent reduction in population-weighted ambient concentration of ozone in monitored counties from 2003 baseline.	3	6	5	7	6	6	8	Data Available 2009	Percentage
Baseline - The ozone concentration measure reflects improvements (reductions) in ambient ozone concentrations across all monitored counties, weighted by the populations in those areas. To calculate the weighting, pollutant concentrations in monitored counties are multiplied by the associated county populations. The units for this measure are therefore "million people parts per billion." The 2003 baseline is 15,972 million people-ppb.									

Annual Performance Measures and Baselines	FY 2005		FY 2006		FY 2007		FY 2008		Unit
	Target	Actual	Target	Actual	Target	Actual	Target	Actual	
Explanation - Due to reporting cycle, data are unavailable until 2009.									

**Strategic Target (2)**

By 2015, reduce the population-weighted ambient concentration of PM2.5 in all monitored counties by six percent from the 2003 baseline

Annual Performance Measures and Baselines	FY 2005		FY 2006		FY 2007		FY 2008		Unit
	Target	Actual	Target	Actual	Target	Actual	Target	Actual	
(M91) Cumulative percent reduction in population-weighted ambient concentration of fine particulate matter (PM-2.5) in all monitored counties from 2003 baseline.	2	4	2	7	3	8	4	Data Available 2009	Percentage
Baseline - The PM 2.5 concentration reduction annual measure reflects improvements (reductions) in the ambient concentration of fine particulate matter PM 2.5 pollution across the monitored counties, weighted by the populations in those areas. To calculate this weighting, pollutant concentrations in monitored counties are multiplied by the associated county populations. Therefore, the units for this measure are "million people micrograms per meter cubed: (million people µg/mg3)". The 2003 baseline is 2,581 million people-µg/mg3. Beginning in FY 2005, the 2000 Mobile6 inventory is used at the baseline for mobile source emissions.									
Explanation - Due to reporting cycle, data are unavailable until 2009.									

**Strategic Target (3)**

By 2011, reduce emissions of fine particles from mobile sources by 134,700 tons from the 2000 level of 510,550 tons.

Annual Performance Measures and Baselines	FY 2005		FY 2006		FY 2007		FY 2008		Unit
	Target	Actual	Target	Actual	Target	Actual	Target	Actual	
(P34) Tons of PM-2.5 Reduced since 2000 from Mobile Sources	61,217	61,217	73,460	73,460	85,704	85,704	97,947	Data Available 2009	Tons
Baseline - The 2000 baseline for PM 2.5 from mobile sources is 510,552 tons.									
Explanation - Due to reporting cycle, data are unavailable until 2009									

**Strategic Target (4)**

By 2011, reduce emissions of nitrogen oxides (NOx) from mobile sources by 3.7 million tons from the 2000 level of 11.8 million tons.

Annual Performance Measures and Baselines	FY 2005		FY 2006		FY 2007		FY 2008		Unit
	Target	Actual	Target	Actual	Target	Actual	Target	Actual	
(O34) Millions of Tons of Nitrogen Oxides (NOx) Reduced since 2000 Reduced from Mobile Sources	1.69	1.69	2.03	2.03	2.37	2.37	2.71	Data Available 2009	Millions of Tons
Baseline - The 1995 baseline was 12.0M tons for mobile source NOx emissions. The 2000 baseline was 11.8M tons for mobile source NOx emissions.									
Explanation - Due to reporting cycle, data are unavailable until 2009									

**Strategic Target (5)**

By 2011, through federal emission standards, reduce annual emissions of volatile organic compounds from mobile sources by 1.9 million tons from the 2000 level of 7.7 million tons.

Annual Performance Measures and Baselines	FY 2005		FY 2006		FY 2007		FY 2008		Unit
	Target	Actual	Target	Actual	Target	Actual	Target	Actual	
(O33) Millions of Tons of Volatile Organic Compounds (VOCs) Reduced since 2000 from Mobile Sources	0.86	0.86	1.03	1.03	1.20	1.20	1.37	Data Available 2009	Millions of Tons
Baseline - The 1995 baseline was 8.1M tons for mobile source VOC emissions. The 2000 baseline was 7.7M tons for mobile source VOC emissions.									
Explanation - Due to reporting cycle, data are unavailable until 2009									

**Strategic Target (6)**

By 2018, visibility in eastern Class I areas will improve by 15 percent on the 20 percent worst visibility days, as compared to visibility on the 20 percent worst days during the 2000-2004 baseline period.

**Strategic Target (7)**

By 2018, visibility in western Class I areas will improve by five percent on the 20 percent worst visibility days, as compared to visibility on the 20 percent worst days during the 2000-2004 baseline period.

**Strategic Target (8)**

By 2011, with EPA support, 30 additional tribes (6 per year) will have completed air quality emission inventories. (FY 2005 baseline: 28 tribal emission inventories.)

**Strategic Target (9)**

By 2011, 18 additional tribes will possess the expertise and capability to implement the Clean Air Act in Indian country (as demonstrated by successful completion of an eligibility determination under the Tribal Authority Rule). (FY 2005 baseline: 24 tribes.)

**No Strategic Target**

Annual Performance Measures and Baselines	FY 2005		FY 2006		FY 2007		FY 2008		Unit
	Target	Actual	Target	Actual	Target	Actual	Target	Actual	
(M92) Cumulative percent reduction in the number of days with Air Quality Index (AQI) values over 100 since 2003, weighted by population and AQI value.	17	28	21	39	21	42	25	Data Available 2009	Percentage
Baseline - Baseline was zero in 2003.									
Explanation - Due to reporting cycle, data are unavailable until 2009									
(M83) Cumulative percent reduction in the average number of days during the ozone season that the ozone standard is exceeded in baseline non-attainment areas, weighted by population	8	27	12	31	16	28	19	Data Available 2009	Percentage
Baseline – 2003 baseline is zero.									
(M94) Percent of major NSR permits issued within one year of	65	69	70	70	75	83	78	Data Available	Percentage

Annual Performance Measures and Baselines	FY 2005		FY 2006		FY 2007		FY 2008		Unit
	Target	Actual	Target	Actual	Target	Actual	Target	Actual	
receiving a complete permit application.								2009	
Baseline - The baseline for NSR permits issued within one year of receiving a complete permit application is 61 percent in 2004.									
Explanation – Due to reporting cycle, data are unavailable until 2009									
(M95) Percent of significant Title V operating permit revisions issued within 18 months of receiving a complete permit application.	88	88	91	91	94	81	100	Data Available 2009	Percentage
Baseline - The 2004 baseline for significant title V operating revisions issued within 18 months of receiving a complete permit application is 85 percent.									
Explanation – Due to reporting cycle, data are unavailable until 2009									
(M96) Percent of significant and new Title V operating permits issued within 18 months of receiving a complete permit application.	79	79	83	83	87	51	95	Data Available 2009	Percentage
Baseline - The 2004 baseline for new title V operating permits issued within 18 months of receiving a complete permit application is 75 percent.									
Explanation – Due to reporting cycle, data are unavailable until 2009									
(P33) Tons of PM-10 Reduced since 2000 from Mobile Sources	62,161	62,161	74,594	74,594	87,026	87,026	99,458	Data Available 2009	Tons
Baseline - Beginning in FY 2005, the 2000 mobile inventory is used as the baseline for mobile source emissions. The 2000 baseline for PM-10 from mobile source is 613,497 tons.									
Explanation - Due to reporting cycle, data are unavailable until 2009									

**SUB-OBJECTIVE: 1.1.2: Air Toxics**

By 2011, working with partners, reduce air toxics emissions and implement area-specific approaches to reduce the risk to public health and the environment from toxic air pollutants.

**Strategic Target (1)**

By 2010, reduce toxicity-weighted (for cancer risk) emissions of air toxics to a cumulative reduction of 19 percent from the 1993 non-weighted baseline of 7.24 million tons.

Annual Performance Measures and Baselines	FY 2005		FY 2006		FY 2007		FY 2008		Unit
	Target	Actual	Target	Actual	Target	Actual	Target	Actual	
(001) Cumulative percentage reduction in tons of toxicity-weighted (for cancer risk) emissions of air toxics from 1993 baseline.			34	Data avail. 2008	35	Data Available 2009	35	Data Available 2011	Percentage
<p>Baseline - The toxicity-weighted emission inventory will utilize the National Emissions Inventory (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. The baseline is in 1993. Air toxics emissions data are revised every three years to generate inventories for the NEI, which replaced the National Toxics Inventory (NTI). The 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 are added, the baseline (or total tons of air toxic) is adjusted.</p>									
<p>Explanation - Due to a major modification to the National Emissions Inventory, 2006 and 2007 data will not be available until 2009.</p>									

**Strategic Target (2)**

By 2010, reduce toxicity-weighted (for non-cancer risk) emissions of air toxics to a cumulative reduction of 55 percent from the 1993 non-weighted baseline of 7.24 million tons.

Annual Performance Measures and Baselines	FY 2005		FY 2006		FY 2007		FY 2008		Unit
	Target	Actual	Target	Actual	Target	Actual	Target	Actual	
(002) Cumulative percentage reduction in tons of toxicity-weighted (for noncancer risk)			58	Data avail. 2008	58	Data Available 2009	59	Data Available 2011	Percentage

Annual Performance Measures and Baselines	FY 2005		FY 2006		FY 2007		FY 2008		Unit
	Target	Actual	Target	Actual	Target	Actual	Target	Actual	
emissions of air toxics from 1993 baseline.									
<p>Baseline - The toxicity-weighted emission inventory will utilize the National Emissions Inventory (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. The baseline is in 1993. Air toxics emissions data are revised every three years to generate inventories for the NEI, which replaced the National Toxics Inventory (NTI). The 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 are added, the baseline (or total tons of air toxic) is adjusted.</p>									
<p>Explanation - Due to a major modification to the National Emissions Inventory, 2006 and 2007 data will not be available until 2009.</p>									

**SUB-OBJECTIVE: 1.1.3: Chronically Acidic Water Bodies**

By 2011, reduce the number of chronically-acidic water bodies in acid-sensitive regions by two percent from 1984 levels.

**Strategic Target (1)**

By 2011, reduce national annual emissions of sulfur dioxide (SO<sub>2</sub>) from utility electrical power generation sources by approximately 8.45 million tons from the 1980 level of 17.4 million tons, through implementation of the Acid Rain Program and Clean Air Interstate Rule, achieving and maintaining the Acid Rain statutory SO<sub>2</sub> emissions cap of 8.95 million tons.

Annual Performance Measures and Baselines	FY 2005		FY 2006		FY 2007		FY 2008		Unit
	Target	Actual	Target	Actual	Target	Actual	Target	Actual	
(A01) Tons of sulfur dioxide emissions from electric power generation sources	6,900,000	7,200,000	7,000,000	8,000,000	7,500,000	8,450,000	8,000,000	Data Available 2009	Tons Reduced
<p>Baseline - The baseline year is 1980. The 1980 SO<sub>2</sub> emissions inventory totals 17.4 million tons for electric utility sources. This inventory was developed by National Acid Precipitation Assessment Program and is used as the basis for reductions in Title IV of the Clean Air Act Amendments. These data are 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, 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.</p>									

Annual Performance Measures and Baselines	FY 2005		FY 2006		FY 2007		FY 2008		Unit
	Target	Actual	Target	Actual	Target	Actual	Target	Actual	
Explanation - Due to reporting cycle, data are unavailable until 2009									

### Strategic Target (2)

By 2011, reduce total annual average sulfur deposition and mean ambient sulfate concentration by 30 percent from 1990 monitored levels of up to 25 kilograms per hectare for total sulfur deposition and 6.4 micrograms per cubic meter for mean ambient sulfate concentration.

Annual Performance Measures and Baselines	FY 2005		FY 2006		FY 2007		FY 2008		Unit
	Target	Actual	Target	Actual	Target	Actual	Target	Actual	
(A21) Percent change in annual average sulfur deposition	No FY05 Target	No FY05 Target	No FY06 Target	No FY06 Target	29	38	No FY08 Target	No FY08 Target	Percentage Reduced
Baseline - Sulfur deposition contributes to acidification of lakes and streams, making them unable to support fish and other aquatic life. Reductions in sulfur deposition are critical to reducing the number of chronically acidic water bodies. Ambient sulfate and ambient nitrate ("acid rain" "particulate") contribute to unhealthy air and respiratory problems in humans, especially children and other sensitive populations. The baseline is established from monitored site levels based on consolidated map of 1989-1991 showing three years of deposition levels produced from the CASTNET sites ( <a href="http://www.epa.gov/castnet/sites.html">http://www.epa.gov/castnet/sites.html</a> ). This measure sets targets in 5 year increments.									
Explanation - This measure sets targets in five year increments; there is no target for FY 2008.									

### Strategic Target (3)

By 2011, reduce total annual average nitrogen deposition and mean total ambient nitrate concentration by 15 percent from 1990 monitored levels of up to 11 kilograms per hectare for total nitrogen deposition and 4.0 micrograms per cubic meter for mean total ambient nitrate concentration.

Annual Performance Measures and Baselines	FY 2005		FY 2006		FY 2007		FY 2008		Unit
	Target	Actual	Target	Actual	Target	Actual	Target	Actual	
(A11) Percent change in annual average nitrogen deposition	No FY05 Target	No FY05 Target	No FY06 Target	No FY 06 target	10	18	No FY08 Target	No FY08 Target	Percentage Reduced
Baseline - Nitrogen deposition contribute to acidification of lakes and streams, making them unable to support fish and other aquatic life. Reductions in nitrogen deposition are critical to reducing the number of chronically acidic water bodies. Ambient nitrate ("acid rain" "particulate") contribute to unhealthy air and respiratory problems in humans, especially and other sensitive populations. The baseline is established from monitored site levels based on consolidated map of 1989-1991 showing three years of deposition levels produced from									



Annual Performance Measures and Baselines	FY 2005		FY 2006		FY 2007		FY 2008		Unit
	Target	Actual	Target	Actual	Target	Actual	Target	Actual	
the CASTNET sites ( <a href="http://www.epa.gov/castnet/sites.html">http://www.epa.gov/castnet/sites.html</a> ). This measure sets targets in 5 year increments.									
Explanation - This measure sets targets in five year increments; there is no target for FY 2008.									

### OBJECTIVE-LEVEL MEASURES

Annual Performance Measures and Baselines	FY 2005		FY 2006		FY 2007		FY 2008		Unit
	Target	Actual	Target	Actual	Target	Actual	Target	Actual	
(N35) Limit the increase of CO emissions (in tons) from mobile sources compared to a 2000 baseline.	0.84	0.84	1.01	1.01	1.18	1.18	1.35	Data Available 2009	Tons
Baseline - The 2000 baseline was 79.2 M tons for CO.									
Explanation - Due to reporting cycle, data are unavailable until 2009									

### OBJECTIVE: 1.2: HEALTHIER INDOOR AIR

Through 2012, working with partners, reduce human health risks by reducing exposure to indoor air contaminants through the promotion of voluntary actions by the public.

Performance Measures Met	Performance Measures Not Met	Data Available After November 17, 2008	Total Performance Measures
0	0	4	4

#### SUB-OBJECTIVE: 1.2.1: Radon

By 2012, the number of future premature lung cancer deaths prevented annually through lowered radon exposure will increase to 1,250 from the 1997 baseline of 285 future premature lung cancer deaths prevented.

### No Strategic Target

Annual Performance Measures and Baselines	FY 2005		FY 2006		FY 2007		FY 2008		Unit
	Target	Actual	Target	Actual	Target	Actual	Target	Actual	
(R10) Number of additional homes (new and existing) with radon reducing features	173,000	194,000.	180,000	219,000	190,000	Data Available 2009	225,000	Data Available 2010	Number of Homes
Baseline – The baseline for the performance measure was 1996 (107,000 homes).									
Explanation - Due to reporting cycle, data are unavailable until 2010									

### SUB-OBJECTIVE: 1.2.2: Asthma

By 2012, the number of people taking all essential actions to reduce exposure to indoor environmental asthma triggers will increase to 6.5 million from the 2003 baseline of 3 million. EPA will place special emphasis on children and other disproportionately impacted populations.

### No Strategic Target

Annual Performance Measures and Baselines	FY 2005		FY 2006		FY 2007		FY 2008		Unit
	Target	Actual	Target	Actual	Target	Actual	Target	Actual	
(R15) Number of people taking all essential actions to reduce exposure to indoor environmental asthma triggers.	No FY05 Target	No FY05 Target	4,100,000	Data Available 2009	No FY07 Target	No FY07 Target	No FY08 Target	No FY08 Target	Number of People
Baseline – 2003 baseline is 3,000,000. This measure sets targets in 3 year increments.									
Explanation - This measure sets targets in three year increments; there is no target for FY 2008.									
(R16) Percent of public that is aware of the asthma program's media campaign.	>20%	31	>20%	33	>20	Data Available Late 2008	>20	Data Available 2009	Percentage
Baseline – 2003 baseline is >20 percent.									
Explanation - Due to reporting cycle, data are unavailable until 2009									

Annual Performance Measures and Baselines	FY 2005		FY 2006		FY 2007		FY 2008		Unit
	Target	Actual	Target	Actual	Target	Actual	Target	Actual	
(R17) Additional health care professionals trained annually by EPA and its partner on the environmental management of asthma triggers.	2000	3,380	2000	3,582	2000	4,582	2000	Data Available 2009	Number of healthcare professionals
Baseline – 2003 baseline is 2,360.									
Explanation - Due to reporting cycle, data are unavailable until 2009									

**SUB-OBJECTIVE: 1.2.3: Schools**

By 2012, the number of schools implementing an effective indoor air quality management plan will increase to 40,000 from the 2002 baseline of 25,000.

**No Strategic Target**

Annual Performance Measures and Baselines	FY 2005		FY 2006		FY 2007		FY 2008		Unit
	Target	Actual	Target	Actual	Target	Actual	Target	Actual	
(R22) Estimated annual number of schools establishing indoor air quality programs based on EPA's Tools for Schools guidance.	2500	3,000	1,200	1,200	1,100	1,346	1,100	Data Available 2009	Number of schools
Baseline - The nation has approximately 118,000 (updated to include new construction) schools. Each school has an average of 525 students, faculty, and staff for a total estimated population of 62,000,000. The IAQ "Tools for Schools" Guidance implementation began in 1997. Results from a 2002 IAQ practices in schools survey suggest that approximately 20-22 percent of U.S. schools report an adequate effective IAQ management plan that is in accordance with EPA guidelines.									
Explanation - Due to reporting cycle, data are unavailable until 2009									

**OBJECTIVE: 1.3: PROTECT THE OZONE LAYER**

By 2030, through worldwide action, ozone concentrations in the stratosphere will have stopped declining and slowly begun the process of recovery, and overexposure to ultraviolet radiation, particularly among susceptible subpopulations, such as children, will be reduced.

Performance Measures Met	Performance Measures Not Met	Data Available After November 17, 2008	Total Performance Measures
0	0	1	1

**Strategic Target (1)**

By 2015, reduce U.S. consumption of Class II ozone-depleting substances to less than 1,520 tons per year of ozone-depleting potential from the 2003 baseline of 9,900 tons per year.

Annual Performance Measures and Baselines	FY 2005		FY 2006		FY 2007		FY 2008		Unit
	Target	Actual	Target	Actual	Target	Actual	Target	Actual	
(S01) Remaining U.S. consumption of HCFCs, in tons of Ozone Depleting Potential (ODP).	<9,900	6,770	<9,900	6,205	<9,900	Data avail. 2009	<9,900	Data Available 2010	Tons
Baseline – The base of comparison for assessing progress on the 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 the 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 equal production plus import minus export.									
Explanation - Due to reporting cycle, data are unavailable until 2010									

**OBJECTIVE: 1.4: RADIATION**

Performance Measures Met	Performance Measures Not Met	Data Available After November 17, 2007	Total Performance Measures
0	0	5	5

Through 2011, working with partners, minimize unnecessary releases of radiation and be prepared to minimize impacts to human health and the environment should unwanted releases occur.

**Strategic Target (1)**

By 2011, the radiation program will maintain a 90 percent level of readiness of radiation program personnel and assets to support federal radiological emergency response and recovery operations. (2005 baseline is a 50 percent level of readiness.)

Annual Performance Measures and Baselines	FY 2005		FY 2006		FY 2007		FY 2008		Unit
	Target	Actual	Target	Actual	Target	Actual	Target	Actual	
(R35) Level of readiness of radiation program personnel and assets to support Federal radiological emergency response and recovery operations (measured as percentage of radiation response team members and assets that meet scenario-based response criteria).	Baseline	50	75	78	80	83	85	Data Available 2009	Percentage
Baseline – 2005 baseline is 50 percent.									
Explanation - Due to reporting cycle, data are unavailable until 2009									

**Strategic Target (2)**

By 2011, 77 percent of the U.S. land area will be covered by the RadNet ambient radiation air monitoring system. (2001 baseline is 35 percent of the U.S. land area.)

Annual Performance Measures and Baselines	FY 2005		FY 2006		FY 2007		FY 2008		Unit
	Target	Actual	Target	Actual	Target	Actual	Target	Actual	
(R34) Percentage of most populous U.S. cities with a RadNet ambient radiation air monitoring system, which will provide data to assist in protective action determinations.	Baseline	55	65	67	80	87	85	Data Available 2009	Percentage
Baseline – 2005 baseline is 55 percent.									
Explanation - Due to reporting cycle, data are unavailable until 2009									
(R39) Level of readiness of	Baseline	0	7	7	20	21	35	Data	Percentage

Annual Performance Measures and Baselines	FY 2005		FY 2006		FY 2007		FY 2008		Unit
	Target	Actual	Target	Actual	Target	Actual	Target	Actual	
national environmental radiological laboratory capacity (measured as percentage of laboratories adhering to EPA quality criteria for emergency response and recovery decisions).								Available 2009	
Baseline – 2005 baseline is zero.									
Explanation - Due to reporting cycle, data are unavailable until 2009									
(R36) Average time of availability of quality assured ambient radiation air monitoring data during an emergency	Baseline	2.5	1.9	1.9	1.3	1.3	1.0	Data Available 2009	Number of Days
Baseline – 2005 baseline is 2.5.									
Explanation - Due to reporting cycle, data are unavailable until 2009									
(R37) Time to approve site changes affecting waste characterization at DOE waste generator sites to ensure safe disposal of transuranic radioactive waste at WIPP (measured as percentage reduction from a 2004 baseline).	20	24	30	33	40	43	46	Data Available 2009	Percentage
Baseline – 2004 baseline is zero.									
Explanation - Due to reporting cycle, data are unavailable until 2009									

**OBJECTIVE: 1.5: REDUCE GREENHOUSE GAS INTENSITY**

By 2012, 160 million metric tons of carbon equivalent (MMTCE) of emissions will be reduced through EPA's voluntary climate protection programs.

Performance Measures Met	Performance Measures Not Met	Data Available After November 17, 2008	Total Performance Measures
1	0	2	3

**SUB-OBJECTIVE: 1.5.1: Buildings Sector**

Buildings Sector. By 2012, 46 MMTCE will be reduced in the buildings sector (compared to the 2002 level).

**No Strategic Target**

Annual Performance Measures and Baselines	FY 2005		FY 2006		FY 2007		FY 2008		Unit
	Target	Actual	Target	Actual	Target	Actual	Target	Actual	
(G02) Million metric tons of carbon equivalent (MMTCE) of greenhouse gas reductions in the buildings sector.	23.8	28.2	26.5	30.1	29.4	36.1	32.4	Data Available 2009	MMTCE
<p>Baseline - 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 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 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.</p>									
<p>Explanation - Due to reporting cycle, data are unavailable until 2009</p>									

**SUB-OBJECTIVE: 1.5.2: Industrial Sector**

Industry Sector. By 2012, 99 MMTCE will be reduced in the industry sector (compared to the 2002 level).

**No Strategic Target**

Annual Performance Measures and Baselines	FY 2005		FY 2006		FY 2007		FY 2008		Unit
	Target	Actual	Target	Actual	Target	Actual	Target	Actual	
(G16) Million metric tons of carbon equivalent (MMTCE) of greenhouse gas reductions in the industry sector.	53.5	64.1	57.8	68.7	62.6	72.9	67.7	Data Available 2009	MMCTE
<p>Baseline - 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 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 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.</p>									
Explanation - Due to reporting cycle, data are unavailable until 2009									

**SUB-OBJECTIVE: 1.5.3: Transportation Sector**

By 2012, 15 MMTCE will be reduced in the transportation sector (compared to the 2002 level).

**No Strategic Target**

Annual Performance Measures and Baselines	FY 2005		FY 2006		FY 2007		FY 2008		Unit
	Target	Actual	Target	Actual	Target	Actual	Target	Actual	
(G06) Million metric tons of carbon equivalent (MMTCE) of greenhouse gas reductions in the transportation sector.	0.3	0.3	0.6	0.6	0.9	1.15	1.5	1.6	MMTCE
<p>Baseline - 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 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 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</p>									



Annual Performance Measures and Baselines	FY 2005		FY 2006		FY 2007		FY 2008		Unit
	Target	Actual	Target	Actual	Target	Actual	Target	Actual	
estimates.									
Explanation - Due to reporting cycle, data are unavailable until 2009									

**OBJECTIVE: 1.6: ENHANCE SCIENCE AND RESEARCH**

Through 2012, provide sound science to support EPA's goal of clean air by conducting leading-edge research and developing a better understanding and characterization of human health and environmental outcomes.

Performance Measures Met	Performance Measures Not Met	Data Available After November 17, 2007	Total Performance Measures
1	0	1	2

**OBJECTIVE-LEVEL MEASURES**

Annual Performance Measures and Baselines	FY 2005		FY 2006		FY 2007		FY 2008		Unit
	Target	Actual	Target	Actual	Target	Actual	Target	Actual	
(H34) Percent progress toward completion of a hierarchy of air pollutant sources based on the risk they pose to human health.	Baseline	5	10	10	30	UD	50	Data Unavailable	Percent
Baseline - In 2005, the program began measuring its progress in completing a hierarchy of air pollutant sources based on the risk they pose to human health and completed 5 percent of the hierarchy. This measure contributes to EPA's goal of developing a better understanding and characterization of human health and environmental outcomes related to clean air.									
Explanation - EPA's Board of Scientific Counselors will provide feedback regarding how to most meaningfully									
(H35) Percent planned actions accomplished toward the long-term goal of reducing uncertainty in the science that support standard setting and air quality management decisions.	100	94	100	94	100	100	100	100	Percent
Baseline - In 2003, the program began measuring its planned actions that support the long-term goal of reducing uncertainty in the									

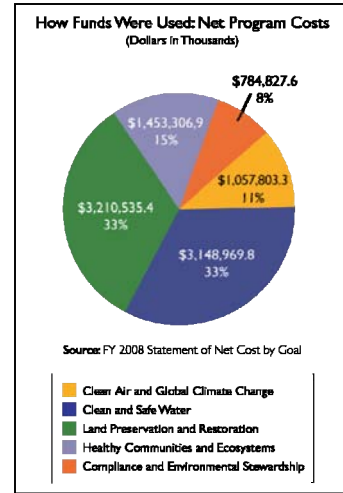
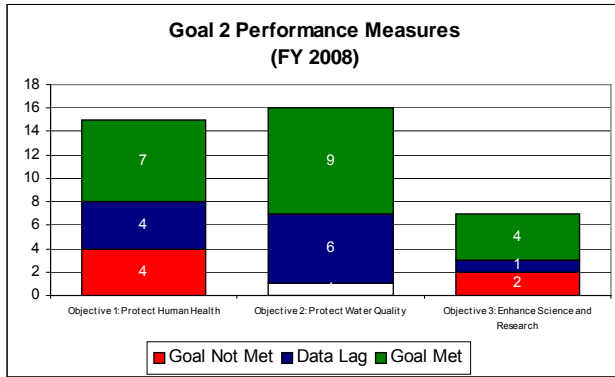
Annual Performance Measures and Baselines	FY 2005		FY 2006		FY 2007		FY 2008		Unit
	Target	Actual	Target	Actual	Target	Actual	Target	Actual	
<p>science that supports the standard-setting and air quality management decisions. The program completed 71 percent of its actions in support of this goal in 2003. This measure contributes to EPA's goal of developing a better understanding and characterization of human health and environmental outcomes related to clean air.</p>									

## GOAL 2: CLEAN AND SAFE WATER

### Goal at a Glance

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



Goal 2 FY 2008 Performance and Resources		
Strategic Objective	FY 2008 Obligations (in thousands)	% of Goal 2 Funds
<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.	<b>\$1,339,331.9</b>	<b>43%</b>
<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.	<b>\$1,664,746.0</b>	<b>53%</b>
<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.	<b>\$144,891.9</b>	<b>5%</b>
<b>Goal 2 Total</b>	<b>\$3,148,969.8</b>	<b>100%</b>

**“EPA has made significant progress in protecting the nation's water resources -- in FY 2008, over 2,165 waterbodies that were listed as impaired in 2002 are now fully attaining water quality standards.”**

- Benjamin Grumbles, Assistant Administrator for Office of Water

## **Goal Purpose: Clean and Safe Water**

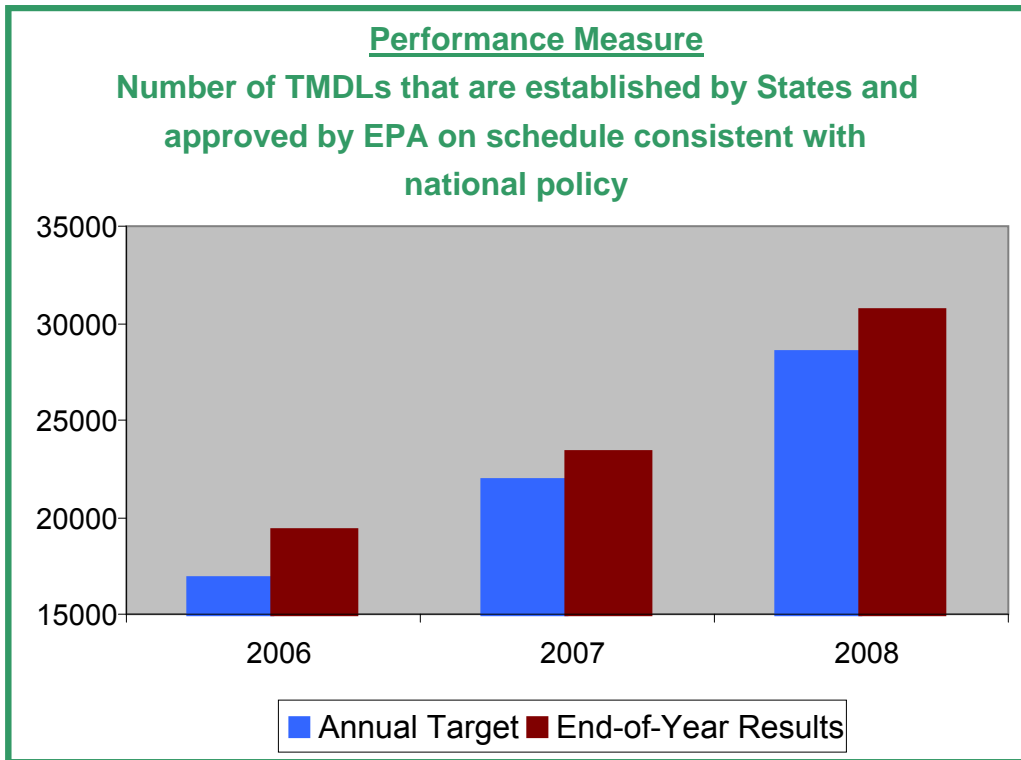
EPA, in coordination with its partners, ensures that drinking water is safe and restores and maintains the quality of the nation's surface waters.

To ensure that tap water is safe to drink, the Agency sets limits for drinking water contaminants; helps to sustain the network of pipes and treatment facilities that constitute the nation's water infrastructure; and works with water systems to plan for, prevent, detect, and respond to terrorist or other threats to drinking water supplies. EPA works with state and local partners to implement source water protection plans for the area surrounding drinking water sources. Also, the Underground Injection Control program regulates the subsurface injections of hazardous and nonhazardous substances in wells.

To protect surface waters, EPA works with state and tribal partners to implement core clean water programs to protect waters nationwide by strengthening water quality standards; improving water quality monitoring and assessment; implementing Total Maximum Daily Loads (TMDLs) and other watershed related plans; strengthening the National Pollutant Discharge Elimination System (NPDES) permit program, particularly through the issuance of high priority and stormwater permits; and implementing practices to reduce pollution from nonpoint sources. Furthermore, EPA's four pillars for sustainability and the Clean Water State Revolving Fund (SRF) are important tools for supporting sustainable water infrastructure.

While EPA continues to make progress toward clean and safe water, challenges remain. For example, drinking water systems and improvements in water quality are increasingly stressed due to aging infrastructure and expanding populations. In this goal section, EPA reports on accomplishments and challenges in addressing water quality issues—strengthening and improving drinking water standards, maintaining safe water quality at public beaches, restoring polluted water bodies, and improving the health of coastal waters.

## Data Trends



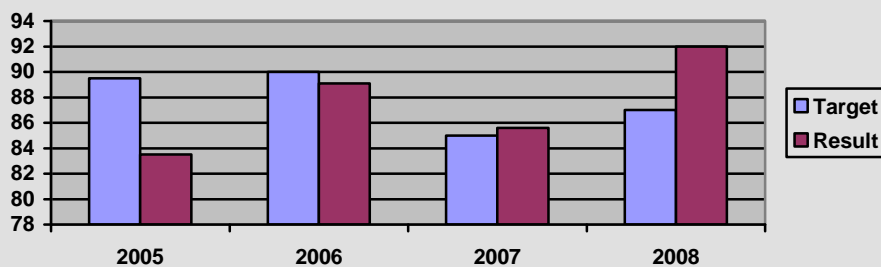
Development and implementation of Total Maximum Daily Loads for an impaired water body is a critical tool for meeting water restoration goals. Total Maximum Daily Loads focus on clearly defined environmental goals and establish a pollutant budget, which is then implemented via permit requirements and through local, state, and federal watershed plans/programs.

## Data Quality

EPA uses data from its performance measurements to manage, and to ensure that the data are complete and reliable; information is subject to the Agency's Quality System policies and procedures. Every performance measure in this report has corresponding in-depth information to explain the data's source, limitations, and other factors. This report includes examples in each goal to better inform EPA's stakeholders. For a complete list of this information, visit: [www.epa.gov/ocfo/budget/2008/verify\\_validation.pdf](http://www.epa.gov/ocfo/budget/2008/verify_validation.pdf).

### Performance Measure

Percentage of submissions of new or revised water quality standards from states and territories that are approved by EPA



**What This Shows:** EPA has gotten better at working with states and territories early in their standards development process to help them submit standards that EPA can approve. EPA also improved its ability to estimate the number and approvability of standards revisions that states and territories submit, making broader use of partial approvals so that the great majority of standards revisions can be immediately effective while unresolved issues are being elevated. In 2008 the results are particularly welcome, but might not be sustainable year after year. There is a trend toward states tackling more difficult environmental problems, which can increase the number of standards provisions that raise complex technical and policy issues.

**Source:** The underlying data sources for this measure are submissions from states and territories of water quality standards to EPA pursuant to the Clean Water Act and EPA's water quality standards regulation at 40 CFR Part 131. EPA regional office staff members compile information from each submission and enter it into the WATA system.

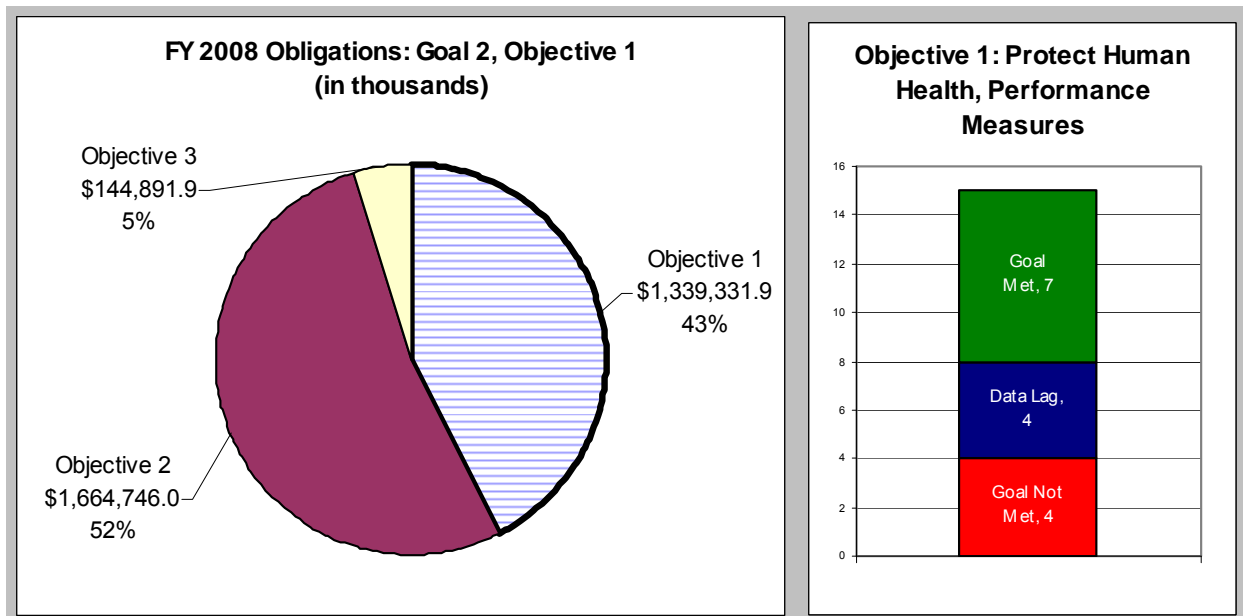
**Data Limitations:** Submissions may vary considerably in size and complexity. For example, a submission may include statewide water quality standards revisions, use attainability analyses for specific water bodies, site-specific criteria applicable to specific types of waters, general statewide policies, anti-degradation policies or procedures, and variances. Therefore, these measures—the number of submissions approved, and the number of jurisdictions with updated scientific information contained in adopted standards—do not provide an indicator of the scope, geographic coverage, policy importance, or other qualitative aspects of water quality standards. This information would need to be obtained in other ways, such as by reviewing the content of adopted and approved standards available at:

[www.epa.gov/waterscience/standards/wqslibrary/](http://www.epa.gov/waterscience/standards/wqslibrary/).

## **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, Drinking Water Research, Effluent Guidelines, Fish Consumption Advisories, National Pollutant Discharge Elimination System, Nonpoint Source Pollution Control, Pollutant Load Allocation, Surface Water Protection Program, Sustainable Infrastructure Program, Total Daily Maximum Loads, Underground Injection Control Program, Wastewater Management, Water Efficiency, Water Quality Standards and Criteria, Watershed Management, Water Quality Research.

## Objective 2.1: Protect Human Health



In collaboration with states and tribes, EPA is working to protect human health by reducing contaminants in drinking water, fish and shellfish, and recreational waters.

**EPA Exceeds Drinking Water Goal:** EPA and its partners continue to make progress in providing the public with drinking water that meets health-based standards. Water systems across the country are working to meet standards for more than 90 contaminants to keep drinking water safe and secure. In FY 2008, 92 percent of Americans were served by community water systems that met applicable health-based drinking water standards. This percentage exceeded the National Drinking Water Program's commitment of 90 percent, despite the fact that water systems throughout the country are challenged daily with protecting public health by applying existing regulations and implementing new standards.

**New Underground Injection Control Regulation Helps Address Climate Change:** The EPA Underground Injection Control program for addressing significant violations for Class I, II, and III wells continued to make progress in identifying and closing or permitting high-priority wells, including motor vehicle waste disposal wells, in community water system source water protection areas. In FY 2008, EPA proposed regulations for the sequestration of carbon dioxide in a manner that protects underground sources of drinking water. Geologic sequestration is the process of injecting carbon dioxide from a source, such as a coal-fired electric generating power plant, through a well into the deep subsurface of the earth. With proper site selection and management, geologic sequestration could play a major role in reducing emissions of carbon dioxide. Future management challenges will include developing final regulations and cultivating underground injection control primacy program capacity, such as providing permit assistance, supporting analysis of risks associated with carbon sequestration, and developing technical assistance information.



**EPA Expands Contaminant Warning Systems:** In FY 2008, EPA expanded the contamination warning system pilot program by selecting four additional drinking water utilities to award cooperative agreements for establishing contamination water system pilots. Two of these pilots began in FY 2008. The pilot program is meant to demonstrate the concept of an early warning system to quickly detect and respond to contamination threats and incidents in drinking water distribution systems. EPA also developed and published two guidance documents to transfer knowledge gained from the pilot projects to water utilities and other stakeholders.

**Agency Works Toward Development of a Water Laboratory Alliance:** In FY 2008, EPA conducted 11 functional exercises to test the Regional Laboratory Response Plans using blind samples in all 10 EPA regions, including Hawaii. Regional Laboratory Response Plans provide regions with a structure for joint response by laboratories (e.g., EPA regional and state public health/environmental laboratories, larger drinking water utility laboratories) within each region.

**EPA Works to Improve Water Quality to Protect Fish and Shellfish:** Throughout FY 2008, EPA worked with states and other federal agencies to address poor water quality, including waters used for shellfish-growing areas. Through its surface water protection program, EPA addresses human-related activities that cause these closures, such as discharges from sewage treatment plants. States continue to monitor shellfishing waters and restrict harvesting if shellfish are deemed unsafe for consumption.

**EPA Increases Public Access to Fish Advisory Information:** EPA works to reduce the release of contaminants into the nation's waters and conducts activities to expand information access about safe fish consumption. In FY 2008, EPA continued work with states and tribes in monitoring fish contaminants and issuing fish consumption advice. EPA also encouraged states to revisit existing advisories to evaluate whether contaminants levels in fish tissue have improved sufficiently to revise those advisories.

**EPA Promotes Safe Swimming:** EPA, through its Beaches Environmental Assessment, Closure and Health Program, is working with state, tribal, and local governmental partners to make beach advisory information available to the public. EPA established this program to provide a framework for local governments to develop equally protective and consistent programs across the country for monitoring the quality of water at beaches and posting warnings or beach closings when pollutant levels are too high.

**EPA Meets Goal on Limiting Beach Closures:** Stormwater running off streets, fields, and forests, as well as other sources of contamination, including wastewater from sanitary sewer overflows, feed into coastal waters and can contaminate beaches. Under EPA's Beach

#### Promoting Water Conservation Through Partnerships

- In partnership with EPA's Region 6 Office and the Texas AgriLife Extension, Tarrant County launched a successful water conservation campaign involving 1.7 million people, 33 cities, and 4,000 employees.
- This campaign was the first county-wide water conservation initiative, and featured Water Summits for elected officials, city facility managers, public works directors, independent school districts, and other large water users.
- A public education program coined, "Every Drop Counts" resulted in 900 county employees pledging to reduce water use at work and home, and prompted several newspaper articles promoting water conservation tips.
- At the conclusion of the campaign, 23 Tarrant County buildings installed automatic flush low-flow toilets, 18 buildings installed automatic "hands free" water faucets; an out-of-date cooling tower was replaced, which netted a water savings of 40 percent; and the largest water user, the Tarrant County Corrections Center recorded a 50 percent reduction in water use by installing 3-minute timers on shower facilities.

Program, more than 3,600 beaches were monitored by 35 states and territories to ensure that beaches were safe for swimming. During calendar year 2007, coastal and Great Lakes beaches were open 95 percent of beach season days, meeting EPA's FY 2008 goal. Of the more than 663,164 beach season days during the year, fewer than 5 percent were restricted because of contamination-related closings. Most (94 percent) of beach notification actions reported during the 2007 swimming season lasted a week or less.

***New Tools Help in Beach Management:*** In FY 2008, EPA worked to control pollution at beaches. The Office of Water and the Office of Research and Development combined efforts to create new software that predicts recreational water quality and allows for timelier decision-making on beach management and closure. The number of beaches in EPA's Beach Program continues its downward trend, due to consolidations and corrected state survey data. EPA and its state partners are improving data collection and reporting to provide a more complete picture of the nation's beaches.

### **FY 2008 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 foundations for the Agency's budget. Frequently, Program Projects support multiple performance measures and objectives. This table lists the Program Projects and associated resources that support this objective.*

*\*\*Resources associated with Program Projects might not match the goal and objective obligations exactly because of rounding.*

<b>Goal 2: Objective 1 - Protect Human Health</b>			
<b>Program Project</b>	<b>FY 2006 Obligations</b>	<b>FY 2007 Obligations</b>	<b>FY 2008 Obligations</b>
Categorical Grant: Public Water System Supervision (PWSS)	\$104,130.7	\$96,073.7	\$105,801.3
Categorical Grant: Underground Injection Control (UIC)	\$11,338.0	\$10,073.0	\$12,376.1
Categorical Grant: Pesticides Program Implementation	(\$223.8)	(\$45.4)	\$0.1
Categorical Grant: Beaches Protection	\$10,077.0	\$10,023.4	\$10,881.6
Categorical Grant: Homeland Security	\$3,974.1	\$3,705.7	\$5,528.5
Beach / Fish Programs	\$3,509.9	\$2,774.9	\$2,239.7
Congressionally Mandated Projects	\$126,261.1	\$73,346.0	\$42,670.4
Drinking Water Programs	\$94,884.5	\$105,061.2	\$112,121.7
Homeland Security: Communication and Information	\$280.3	\$436.9	\$346.2
Homeland Security: Critical Infrastructure Protection	\$14,188.7	\$14,578.9	\$34,416.8
Homeland Security: Protection of EPA Personnel and Infrastructure	\$838.2	\$680.0	\$591.0
Infrastructure Assistance: Drinking Water SRF	\$793,628.2	\$789,624.4	\$942,982.2
International Capacity Building	\$2,518.8	\$2,476.7	\$2,174.5
Pesticides: Field Programs	\$129.0	\$0.0	(\$0.9)
Administrative Law	\$200.4	\$233.2	\$266.6
Alternative Dispute Resolution	\$56.5	\$56.8	\$64.7
Central Planning, Budgeting, and Finance	\$3,778.9	\$3,924.8	\$5,409.7
Children and other Sensitive Populations	(\$52.3)	(\$13.2)	(\$4.8)

Civil Rights / Title VI Compliance	\$506.5	\$513.3	\$502.3
Congressional, Intergovernmental, External Relations	\$2,329.3	\$2,332.9	\$2,307.1
Exchange Network	\$1,481.9	\$1,621.5	\$1,121.4
Facilities Infrastructure and Operations	\$24,269.6	\$24,220.8	\$22,691.3
Acquisition Management	\$1,074.9	\$1,123.5	\$1,359.2
Human Resources Management	\$2,149.4	\$1,911.2	\$1,941.9
Information Security	\$182.9	\$197.3	\$300.5
IT / Data Management	\$13,222.6	\$13,971.0	\$12,811.3
Legal Advice: Environmental Program	\$2,052.0	\$2,209.0	\$2,254.2
Legal Advice: Support Program	\$727.4	\$692.2	\$741.7
Audits, Evaluations, and Investigations	\$9,190.3	\$8,463.5	\$11,779.1
Regional Science and Technology	\$196.5	\$170.8	\$172.4
Science Advisory Board	\$208.5	\$225.9	\$260.7
Small Minority Business Assistance	\$87.8	\$111.2	\$134.7
Financial Assistance Grants / IAG Management	\$1,962.5	\$1,734.9	\$2,298.0
Regulatory/Economic-Management and Analysis	\$762.0	\$817.7	\$790.9
<b>Total</b>	<b>\$1,229,922.3</b>	<b>\$1,173,327.7</b>	<b>\$1,339,332.1</b>

#### **Additional Information Related to Objective 1**

##### **Grants:**

Base program support grants include: Drinking Water State Revolving Fund, Public Water System Supervision Grant Program, Underground Injection Control Grant Program. In addition, over the past six years, EPA has provided a total of over \$59 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.

##### **Web Links:**

Ground Water and Drinking Water Program: [www.epa.gov/safewater/](http://www.epa.gov/safewater/)

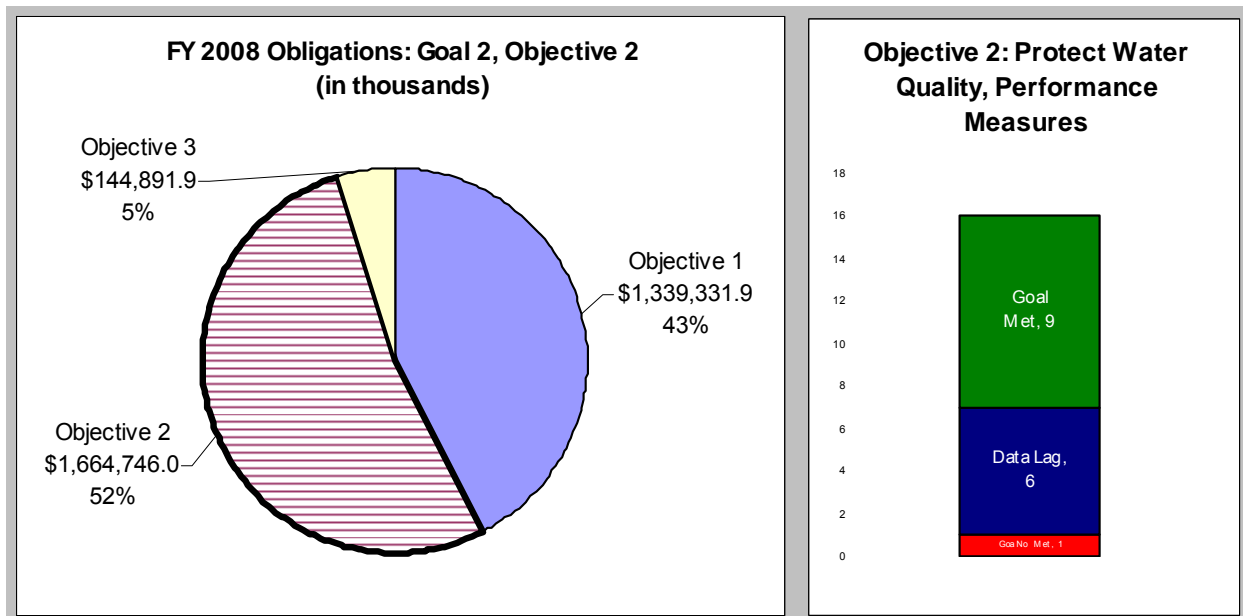
Shellfish Protection: [www.epa.gov/waterscience/shellfish/](http://www.epa.gov/waterscience/shellfish/)

Water Science: [www.epa.gov/waterscience/](http://www.epa.gov/waterscience/)

##### **Program Assessment Rating Tool:**

In FY 2008, EPA developed and implemented an action plan for all Agency Program Assessment Rating Tool measures in response to a government-wide Program Assessment Rating Tool measure review. The plan leveraged ongoing strategic and annual planning and reflected measure improvements. The tables of measures and results provided in Section II of this report, "Performance Results," identify all Program Assessment Rating Tool measures, which make up more than two-thirds of EPA's performance measures. Please refer to [www.expectmore.gov](http://www.expectmore.gov) for more detailed information.

## Objective 2.2: Protect Water Quality



With its federal, state, and tribal partners, EPA is working to protect the quality of rivers, lakes, and streams on a watershed basis and to protect coastal and ocean waters.

**Water Permits Prevented Discharge of 188 Billion Pounds of Pollution:** Under the EPA National Pollutant Discharge Elimination System, permits that implemented standards for industrial sources, municipal treatment plants, and stormwater prevented the discharge of 188 billion pounds of pollutants into waterways in FY 2008. The original target of 40 billion pounds of pollutants removed was achieved. EPA and states exceeded their goal of issuing 95 percent of designated priority National Pollutant Discharge Elimination System permits. Also, in FY 2008, EPA approved 92 percent of the new or revised water quality standards that states submitted for the year, exceeding the performance goal of 87 percent. This accomplishment reflects EPA's and states' continuing efforts to work together more closely during states' formulation of new and revised standards.

**EPA Collects Data for National Report on the Condition of Rivers and Streams:** EPA is working with partners in the states and tribes on a series of statistically representative surveys of the aquatic resources of the U.S.—its streams, rivers, lakes, coastal waters, and wetlands ([www.epa.gov/owow/monitoring/reporting.html](http://www.epa.gov/owow/monitoring/reporting.html)). The surveys are designed to yield unbiased estimates of the condition of each resource, based on a representative sample of waters. During summer 2008, EPA and its partners began to conduct sampling of U.S. flowing waters for indicators of ecological, recreational, and physical habitat condition. Data collected will be used for a baseline assessment of U.S. rivers and a second assessment of wadeable streams to be included in a combined national report in 2012. A national assessment of the baseline condition of the nation's lakes will be completed in 2009; a report will be issued in 2010. An updated survey of the nation's coastal waters will begin in 2010, followed by a wetlands survey in 2011. These statistically representative surveys have begun providing EPA and the states with

information to help identify national priorities and evaluate the effectiveness of pollution control and prevention actions.

**New Data Tool Supports Water Quality Management:** In 2008, EPA continued to improve the quality, quantity, and accessibility of water quality data to provide decision-makers with better information they need to protect and restore the waters of the United States. The newly released ATTAINS database presents state-reported information on support of designated uses in assessed waters; identified causes and sources of impairment; identified impaired waters; and status of Total Maximum Daily Loads, or the permissible contaminant level, to restore impaired waters. These data are dynamic and continuously updated and can be sorted by state, EPA region, or the nation as a whole.

**State Use of EPA Clean Water Revolving Fund Is Stable and Strong:** In 2008, the Clean Water State Revolving Fund program showed strong performance in committing funds to protect, improve, and restore water quality in the nation's streams, river, and lakes. The Clean Water State Revolving Fund performance, as measured by the fund utilization rate, continues to be stable and strong at over 90 percent nationally. In partnership with EPA, over the last 20 years, the states have provided \$65 billion for low-cost loans for a variety of wastewater projects that help communities meet environmental standards and ensure public health.

**Guide for Utility Companies Helps Keep Water Safe:** One of the Agency's most important challenges is ensuring that the nation's vital water infrastructure is sustainable and that water remains clean and safe. In 2008, EPA and six of the major trade associations jointly released a guide for effective utility management. This guide included sample measures utilities can use to track their progress in achieving the 10 attributes of effectively managed utilities. Release of an Energy Management Guidebook, and subsequent training, is helping hundreds of utilities cut costs.

**EPA Releases New Method to Test for Pharmaceuticals and Personal Care Products in Water:** In FY 2008, the Agency developed two new state-of-the-art analytical methods to identify and measure pharmaceuticals, steroids, and hormones in water. These methods cover more than 100 chemicals (74 pharmaceuticals and personal care products and 27 steroids/hormones), as well as raw and treated sewage water and sludge.

#### **FY 2008 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 foundations for the Agency's budget. Frequently, Program Projects support multiple performance measures and objectives. This table lists the Program Projects and associated resources that support this objective.*

*\*\*Resources associated with Program Projects might not match the goal and objective obligations exactly because of rounding.*

<b>Goal 2: Objective 2 - Protect Water Quality</b>			
<b>Program Project</b>	<b>FY 2006 Obligations</b>	<b>FY 2007 Obligations</b>	<b>FY 2008 Obligations</b>
Categorical Grant: Nonpoint Source (Sec. 319)	\$217,344.3	\$204,706.7	\$211,415.7
Categorical Grant: Water Quality Cooperative Agreements	\$11,227.6	\$303.8	(\$21.6)
Categorical Grant: Pollution Control (Sec. 106)	\$224,582.7	\$205,320.3	\$252,150.7

Categorical Grant: Wastewater Operator Training	\$1,491.0	\$786.3	\$678.9
Congressionally Mandated Projects	\$263,416.5	\$146,254.7	\$38,079.8
Homeland Security: Communication and Information	\$517.8	\$806.0	\$636.4
Homeland Security: Protection of EPA Personnel and Infrastructure	\$1,141.7	\$921.5	\$821.8
Infrastructure Assistance: Alaska Native Villages	\$33,791.4	\$47,745.0	\$21,193.7
Infrastructure Assistance: Clean Water SRF	\$897,523.3	\$1,033,490.9	\$818,164.1
International Capacity Building	\$474.3	\$480.0	\$347.7
Marine Pollution	\$11,233.5	\$13,703.4	\$13,557.4
Surface Water Protection	\$193,591.6	\$194,720.9	\$199,809.3
Administrative Law	\$370.2	\$430.2	\$490.1
Alternative Dispute Resolution	\$104.4	\$104.8	\$118.9
Central Planning, Budgeting, and Finance	\$7,262.3	\$7,155.5	\$7,908.5
Civil Rights / Title VI Compliance	\$1,013.6	\$1,036.8	\$1,003.2
Congressional, Intergovernmental, External Relations	\$4,752.8	\$4,869.8	\$4,779.5
Exchange Network	\$2,737.2	\$2,992.5	\$2,061.4
Facilities Infrastructure and Operations	\$45,445.6	\$44,877.9	\$40,726.4
Acquisition Management	\$1,585.1	\$1,595.4	\$1,902.3
Human Resources Management	\$3,417.2	\$2,957.6	\$2,990.9
Information Security	\$239.6	\$251.0	\$470.4
IT / Data Management	\$20,424.6	\$21,520.3	\$19,835.7
Legal Advice: Environmental Program	\$3,651.0	\$3,910.5	\$3,983.5
Legal Advice: Support Program	\$1,247.9	\$1,228.0	\$1,277.2
Audits, Evaluations, and Investigations	\$14,487.4	\$13,929.2	\$14,475.5
Regional Science and Technology	\$417.8	\$362.0	\$378.7
Science Advisory Board	\$385.2	\$416.8	\$479.3
Small Minority Business Assistance	\$162.2	\$205.2	\$247.7
Financial Assistance Grants / IAG Management	\$2,199.3	\$2,730.3	\$3,329.1
Regulatory/Economic-Management and Analysis	\$1,407.4	\$1,508.7	\$1,453.8
<b>Total</b>	<b>\$1,967,646.5</b>	<b>\$1,961,322.0</b>	<b>\$1,664,746.0</b>

## Additional Information Related to Objective 2

### Grants:

Clean Water Act Section 106 grants fund state water quality programs. Clean Water Act Section 319 nonpoint source grants also support this objective with grants for developing and implementing comprehensive watershed plans that function to restore impaired waters and protect healthy waters on a watershed basis. Additionally, the Targeted Watershed Grants (TWG) Program encourages collaborative, community-driven approaches to meet clean water goals. The National Estuary Grant Program (Catalog of Federal Domestic Assistance 66.456) also supports this objective.

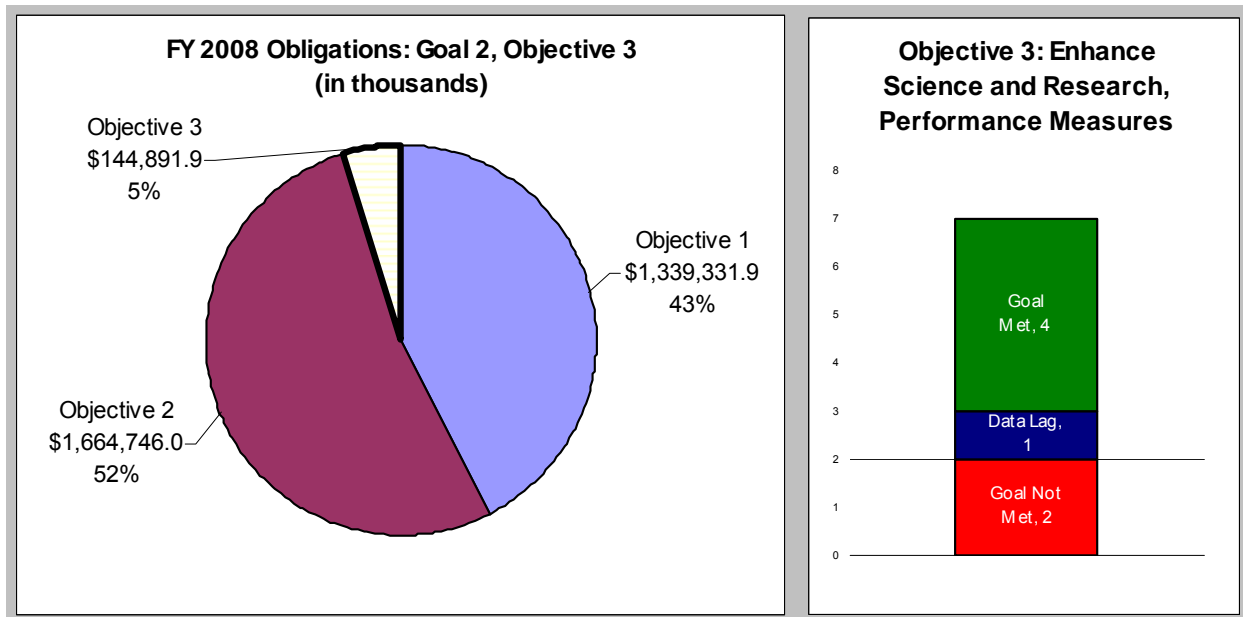
**Web Links:**

Monitoring and Assessing Quality: [www.epa.gov/owow/monitoring/](http://www.epa.gov/owow/monitoring/)  
National Stream Report: [www.epa.gov/owow/streamsurvey/](http://www.epa.gov/owow/streamsurvey/)  
National Coastal Condition Reports: [www.epa.gov/owow/oceans/nccr/](http://www.epa.gov/owow/oceans/nccr/)  
Survey of the Nation's Lakes: [www.epa.gov/owow/lakes/lakessurvey/](http://www.epa.gov/owow/lakes/lakessurvey/)  
Watershed Monitoring: [www.epa.gov/owow/watershed/](http://www.epa.gov/owow/watershed/)  
Oceans, Coasts, and Estuaries Program: [www.epa.gov/owow/oceans/](http://www.epa.gov/owow/oceans/)  
National Estuary Program: [www.epa.gov/owow/estuaries/](http://www.epa.gov/owow/estuaries/)  
Coastal Watershed Factsheets: [www.epa.gov/owow/oceans/factsheets/index.html](http://www.epa.gov/owow/oceans/factsheets/index.html)  
Wetlands Program: [www.epa.gov/owow/wetlands/](http://www.epa.gov/owow/wetlands/)  
National Wetlands Mitigation Action Plan: [www.mitigationactionplan.gov/](http://www.mitigationactionplan.gov/)  
Coastal America: [www.coastalamerica.gov/](http://www.coastalamerica.gov/)  
Total Maximum Daily Load Program: [www.epa.gov/owow/tmdl](http://www.epa.gov/owow/tmdl)

**Program Assessment Rating Tool:**

In FY 2008, EPA developed and implemented an action plan for all Agency Program Assessment Rating Tool measures in response to a government-wide Program Assessment Rating Tool measure review. The plan leveraged ongoing strategic and annual planning and reflected measure improvements. The tables of measures and results provided in Section II of this report, "Performance Results," identify all Program Assessment Rating Tool measures, which make up more than two-thirds of EPA's performance measures. Please refer to [www.expectmore.gov](http://www.expectmore.gov) for more detailed information.

## Objective 2.3: Enhance Science and Research



EPA's research programs support a sound scientific foundation for decisions to protect and improve drinking water and surface water quality.

**EPA Develops Tools That Improve Safe Drinking Water:** EPA's Drinking Water Research Program completed 100 percent of its planned research outputs, including several important milestones in support of regulatory decisions and their implementation. Three noteworthy milestones achieved in FY 2008 follow:

- In FY 2008, the Agency completed research on health risks associated with drinking water exposures to disinfection byproducts. This research provides scientific support for more robust health risk assessments of both regulated and unregulated disinfection byproducts, enabling water suppliers to make more informed treatment decisions that control exposure to disinfection byproducts while meeting disinfection requirements.
- EPA released an online Drinking Water Treatability Database, which provides decision support for determining appropriate drinking water treatment technologies to address regulated and emerging contaminants.
- The research program provided scientific support to help meet the challenges associated with simultaneous compliance of the Disinfection Byproduct Rule, the Lead and Copper Rule, and other components of National Primary Drinking Water Regulations. Water treatment systems must be designed and operated to consistently achieve compliance with all components of the Safe Drinking Water Act.

**Water Quality Gets a Boost From New Studies and Models:** In support of Clean Water Act regulatory and nonregulatory activities, EPA's Water Quality Research Program completed 100

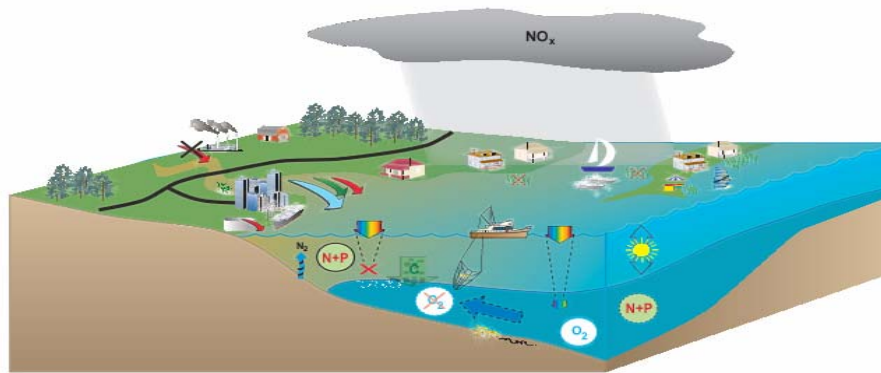


percent of its planned research outputs. Three major accomplishments of the Water Quality Research Program, which supported Clean Water Act regulatory and nonregulatory activities, follow:

- EPA conducted a study on how wet weather impacts the disinfection processes in wastewater treatment plants. During extreme rain events, wastewater flows that are much larger than typical flows can alter the effectiveness of treatment processes. This study investigated the impact of a wet weather practice called “blending.” This practice, common at large wastewater treatment plants, involves blending partially treated effluent with fully treated effluent then disinfecting the combined flow prior to discharge. The primary objective of the study was to evaluate the effect of blending on the concentration of several microbiological indicators as well as total residual chlorine in final blended effluent. The results from this research will support policies for treating wastewater during severe wet weather to ensure adequate protection of human health and the environment.
- Agency researchers developed “Virtual Beach” and “Beach Advisor” modeling software programs, which utilize site-specific weather and other factors to predict the likelihood that recreational water criteria will be exceeded at a given beach location. Local beach managers can use “Virtual Beach,” and the more user friendly “Beach Advisor,” to make timelier, same-day beach closure or advisory decisions. These abilities are an improvement over the current approach of using fecal indicator analyses that require over 24 hours for results.
- Researchers updated the Automated Geospatial Watershed Assessment, a geographic information system (GIS) interface jointly developed with the U.S. Department of Agriculture and the University of Arizona. This landscape assessment software tool can save enormous monitoring resources by allowing environmental managers to quickly identify potential problem areas where additional monitoring or mitigation activities are needed. The software can also help identify relatively pristine areas where protection programs can be applied.

#### **Agencies Work With States to Research Water Quality Factors**

EPA scientists have made significant contributions in advancing the technical basis for setting water quality criteria and for providing accessible information to states and tribes. The Office of Water and the Office of Research and Development initiated a collaboration to produce case studies documenting the application of methods to obtain numeric nutrient criteria for U.S. estuaries. Case studies for Pensacola Bay, Florida, and Yaquina Bay, Oregon, derived hypothetical values for numeric nutrient criteria for nitrogen, phosphorus, chlorophyll *a*, water clarity, and dissolved oxygen, providing states and tribes with major new insights for assessing water quality.



## Pensacola Bay

### Legend

- Low-amplitude (<0.5 m) diurnal tide
- River inputs of freshwater, dissolved organic carbon and nutrients
- Atmospheric nitrogen deposition
- Nutrient inputs from municipal wastewater
- Industrial point sources mostly eliminated. Coal-fired power generation emits to atmosphere.
- Cross-pycnocline diffusive mixing is low
- 2-layer estuarine circulation, sometimes very weak
- Moderate light attenuation (upper estuary), high light transmittance (lower estuary)
- Macrobenthos degraded, most likely by hypoxia. High and low dissolved oxygen
- Medium and low dissolved nutrients
- Particulate C and N sinking
- Denitrification
- Recreational uses, including contact and non-contact uses
- Commercial fishing, principally shrimp trawling
- Large fraction of watershed is forested (but managed for timber production)
- Development along estuarine shorelines
- Seagrasses present in lower Bay, but largely lost elsewhere.



## Yaquina Bay

- Ocean input of nutrients, phytoplankton, and hypoxic water associated with coastal upwelling
- Riverine input of freshwater (blue) & nutrients (red)
- Watershed primarily forested, nutrient inputs associated with Red Alder.
- Logging occurs in watershed
- Nutrient input from municipal wastewater
- Benthic input of nutrients & grazing control
- Intermittent high nutrients
- Intermittent phytoplankton blooms
- Intermittent low dissolved oxygen water
- Pulp mill adjacent to estuary; discharge offshore
- Shellfish aquaculture
- Recreational uses, including fishing, clamming, crabbing and boating.
- Development along estuary shoreline
- Seagrass primarily in lower estuary; occur at shallower depth in upper estuary.
- Macroalgal blooms primarily in lower estuary; fueled by oceanic nutrients.
- Water clearer in lower estuary; attenuation of light greater in upper estuary.
- Strong tidal forcing

## FY 2008 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 foundations for the Agency's budget. Frequently, Program Projects support multiple performance measures and objectives. This table lists the Program Projects and associated resources that support this objective.

\*\*Resources associated with Program Projects might not match the goal and objective obligations exactly because of rounding.

<b>Goal 2: Objective 3 - Enhance Science and Research</b>			
<b>Program Project</b>	<b>FY 2006 Obligations</b>	<b>FY 2007 Obligations</b>	<b>FY 2008 Obligations</b>
Congressionally Mandated Projects	\$8,128.6	\$2,924.7	(\$16.3)
Homeland Security: Communication and Information	\$200.5	\$321.8	\$250.4
Homeland Security: Protection of EPA Personnel and Infrastructure	\$1,120.5	\$856.1	\$618.9
Research: Drinking Water	\$52,087.4	\$44,628.3	\$48,421.8
Research: Water Quality	\$48,496.3	\$55,089.4	\$53,777.1
Surface Water Protection	\$866.9	(\$6.0)	\$0.0
Administrative Law	\$143.4	\$171.7	\$192.8
Alternative Dispute Resolution	\$40.4	\$41.8	\$46.8
Central Planning, Budgeting, and Finance	\$2,514.6	\$2,454.5	\$2,896.9
Civil Rights / Title VI Compliance	\$239.0	\$237.4	\$228.5
Congressional, Intergovernmental, External Relations	\$806.5	\$849.7	\$828.6
Exchange Network	\$1,059.9	\$1,191.0	\$810.8
Facilities Infrastructure and Operations	\$3,706.7	\$7,924.5	\$14,575.9
Acquisition Management	\$1,411.8	\$1,642.5	\$1,950.1
Human Resources Management	\$2,392.2	\$2,378.4	\$2,483.5
Information Security	\$299.3	\$336.1	\$465.9
IT / Data Management	\$13,017.4	\$13,955.4	\$12,442.1
Legal Advice: Environmental Program	\$1,407.4	\$1,627.1	\$1,646.2
Legal Advice: Support Program	\$630.5	\$564.9	\$637.8
Audits, Evaluations, and Investigations	\$857.0	\$780.9	\$941.5
Regional Science and Technology	\$37.6	\$47.4	\$5.3
Science Advisory Board	\$149.0	\$166.4	\$188.6
Small Minority Business Assistance	\$62.8	\$81.9	\$97.4
Financial Assistance Grants / IAG Management	\$318.5	\$895.5	\$829.4
Regulatory/Economic-Management and Analysis	\$545.0	\$602.3	\$571.9
<b>Total</b>	<b>\$140,539.2</b>	<b>\$139,763.7</b>	<b>\$144,891.9</b>

### Additional Information Related to Objective 3

#### Grants:

- EPA STAR grantees developed methods to: 1) assess the extent to which current water and wastewater treatment practices are successful at removing pharmaceutical and personal

care products from water bodies, 2) fill important data gaps on the occurrence, fate, transport and ecological impacts of pharmaceutical and personal care products; and 3) inform risk assessments of pharmaceuticals and provide a model for the pharmaceutical monitoring commercialization process. (Supported by the following five grants: 1) “Impact of Residual Pharmaceutical Agents and their Metabolites in Wastewater Effluents on Downstream Drinking Water Treatment Facilities”; 2) “Pharmaceuticals and Antiseptics: Occurrence and Fate in Drinking Water, Sewage Treatment Facilities, and Coastal Waters”; 3) “Effectiveness of Ultraviolet Irradiation for Pathogen Inactivation in Surface Waters”; 4) “The Environmental Occurrence, Fate, and Ecotoxicity of Selective Serotonin Reuptake Inhibitors in Aquatic Environments”; and 5) “Environmental Toxicology Chemistry and The Environmental Occurrence, Fate, and Ecotoxicity of Selective Serotonin Reuptake Inhibitors in Aquatic Environments.”)

- EPA-funded research linked sewage disposal to the overgrowth destruction of some coral reefs in Southeast Florida. Florida’s Department of Environmental Protection, the Florida Wildlife Research Institute, and EPA are using these research results to assess alternatives for wastewater treatment and disposal in Southeast Florida. Additionally, scientists and resource managers in the Southeast Florida Coral Reef Initiative are using these results to improve knowledge of land-based sources of pollution in the region. (Supported by a grant entitled: Physiology and Ecology of Macroalgal Blooms on Coral Reefs off Southeast Florida.)

#### **Web Links:**

The Drinking Water Research and Water Quality Research Programs conduct leading-edge research in support of EPA’s goal of clean water. Additional information on the Drinking Water program can be found at [www.epa.gov/ord/npd/dwresearch-intro.htm](http://www.epa.gov/ord/npd/dwresearch-intro.htm).

#### **Program Assessment Rating Tool:**

In FY 2008, EPA developed and implemented an action plan for all Agency Program Assessment Rating Tool measures in response to a government-wide Program Assessment Rating Tool measure review. The plan leveraged ongoing strategic and annual planning and reflected measure improvements. The tables of measures and results provided in Section II of this report, “Performance Results,” identify all Program Assessment Rating Tool measures, which make up more than two-thirds of EPA’s performance measures. Please refer to [www.expectmore.gov](http://www.expectmore.gov) for more detailed information.

## 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: 2.1: 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.

Performance Measures Met	Performance Measures Not Met	Data Available After November 17, 2008	Total Performance Measures
7	4	4	15

#### SUB-OBJECTIVE: 2.1.1: Water Safe To Drink

By 2011, 91 percent 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. (2005 Baseline: 89 percent).

##### Strategic Target (1)

By 2011, 90 percent of community water systems will provide drinking water that meets all applicable health-based drinking water standards throughout the year. (2005 baseline: 89 percent).

Annual Performance Measures and Baselines	FY 2005		FY 2006		FY 2007		FY 2008		Unit
	Target	Actual	Target	Actual	Target	Actual	Target	Actual	
(aph) Percent of community water systems (CWSs) that have undergone a sanitary survey within the past three years (five years for outstanding performance.)	94	94	95	94	95	92	95	87	Percent CWSs
Baseline - The baseline for this measure is 80 percent of community water systems in 2004.									
Explanation – Sanitary surveys are resource-intensive efforts, as state staff or contractors must physically visit the system. The costs of									

Annual Performance Measures and Baselines	FY 2005		FY 2006		FY 2007		FY 2008		Unit
	Target	Actual	Target	Actual	Target	Actual	Target	Actual	
individual sanitary surveys have increased due to higher labor costs and higher gas prices. In addition, requirements on the states have increased with the promulgation of LT2/Stage2 and the Ground Water Rule.									
(apm) Percent of community water systems that meet all applicable health-based standards through approaches that include effective treatment and source water protection.			93.5	89.3	94	89	89.5	89	Percent CWSs
Baseline - In 2002, 91.8 percent of community water systems met all applicable health-based standards through approaches that included effective treatment and source water protection.									
Explanation - New rules, such as arsenic and the ground water rule, pose greater challenges for small systems than for larger ones, which in turn affects this measure more than the population measure.									

**Strategic Target (2)**

By 2011, community water systems will provide drinking water that meets all applicable health-based drinking water standards during 96 percent person months (i.e., all persons served by community water systems times 12 months). (2005 baseline: 95.2 percent)

Annual Performance Measures and Baselines	FY 2005		FY 2006		FY 2007		FY 2008		Unit
	Target	Actual	Target	Actual	Target	Actual	Target	Actual	
(B) (SP-2) Percent of person-months during which community water systems provide drinking water that meets all applicable health-based standards.							95	97	Percent Person-months
Baseline – In 2005, 95.2 percent of goal achieved.									

**Strategic Target (3)**

By 2011, 86 percent of the population in Indian country served by community water systems will receive drinking water that meets all applicable health-based drinking water standards. (2005 baseline: 86 percent).

Annual Performance Measures and Baselines	FY 2005		FY 2006		FY 2007		FY 2008		Unit
	Target	Actual	Target	Actual	Target	Actual	Target	Actual	
(E) Percent of the population in Indian country served by community water systems that receive drinking water that meets all applicable health-based drinking water standards	86.3	86.3	90	86.60	93	87	87	83	Percent Population
Baseline - 91.1 percent of the population in Indian country was served by community water systems that received drinking water that met all applicable health-based standards in 2002.									
Explanation – When it comes to implementation of rules and new rules, smaller systems have a great challenge compared to larger systems. 93 percent of the population in Indian Country is served by a small system or very small system – population under 3,300.									

**Strategic Target (4)**

By 2011, minimize risk to public health through source water protection for 50 percent of community water systems and for the associated 62 percent of the population served by community water systems (i.e., "minimized risk" achieved by substantial implementation, as determined by the state, of actions in a source water protection strategy). (2005 baseline: 20 percent of community water systems; 28 percent of population).

**Strategic Target (5)**

By 2015, in coordination with other federal agencies, reduce by 50 percent the number of homes on tribal lands lacking access to safe drinking water.(2003 baseline: Indian Health Service data indicate that 12 percent of homes on tribal lands lack access to safe drinking water [i.e., 38,637 homes lack access]).

### No Strategic Target

Annual Performance Measures and Baselines	FY 2005		FY 2006		FY 2007		FY 2008		Unit
	Target	Actual	Target	Actual	Target	Actual	Target	Actual	
(F1) (SDW-8a) Percentage of identified Class V motor vehicle waste disposal wells closed or permitted.							90	Data Available December 2008	Percent Class V Wells
(G) (SDW-7) Percentage of Class I, II, and III wells that maintain mechanical integrity without a failure that releases contaminants to underground sources of drinking water.							98	Data Available December 2008	Percent Class I, II, III Wells
(A) (SDW-8) Percentage of prohibited Class IV and high-priority, identified, potentially endangering Class V wells closed or permitted in ground-water based source water areas.							96	Data Available December 2008	Percent Class IV Wells
(aa) Percent of population served by community water systems that will receive drinking water that meets all applicable health-based drinking water standards through approaches including effective treatment and source water protection.	88.5	88.5	93	89.4	94	92	90	92	Percent Population
<p>Baseline - In 2002, 93.6 percent of the population that was served by community water systems and 96 percent 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>									



(apc) Fund utilization rate for the Drinking Water State Revolving Fund (DWSRF).	81.9	84.7	83.3	86.9	85	88	86	90	Rate
Baseline - The baseline for this measure is a 79.2 percent fund utilization rate in 2003.									
(apd) Number of additional projects initiating operations.	415	439	425	431	433	438	440	556	Projects
Baseline - In 2002, 1,538 projects were initiating operations.									

**SUB-OBJECTIVE: 2.1.2: Fish and Shellfish Safe to Eat**

By 2011, reduce public health risk and allow increased consumption of fish and shellfish, as measured by the strategic targets described.

**Strategic Target (1)**

By 2011, reduce the percentage of women of childbearing age having mercury levels in blood above the level of concern to 4.6 percent. (2002 baseline: 5.7 percent of women of childbearing age have mercury blood levels above levels of concern identified by the National Health and Nutrition Examination Survey [NHANES].)

Annual Performance Measures and Baselines	FY 2005		FY 2006		FY 2007		FY 2008		Unit
	Target	Actual	Target	Actual	Target	Actual	Target	Actual	
(H) (SP-6) Percent of women of childbearing age having mercury levels in blood above the level of concern.							5.5	Data Available 2009	Percent of Women
Baseline - 2002 baseline: 5.7 percent of women of childbearing age have mercury blood levels above levels of concern identified by the National Health and Nutrition Examination Survey.									
Explanation – The 4 <sup>th</sup> National Report on Human Exposure to Environmental Chemicals will be the Agency’s source of data but no firm date has been given for when the report will be released. The current expectation is that it will be published by the end of 2008.									

**Strategic Target (2)**

By 2011, maintain or improve the percentage of state-monitored shellfish-growing acres impacted by anthropogenic sources that are approved or conditionally approved for use. (2003 baseline: 65 to 85 percent of 16.3 million acres of state-monitored shellfish-growing acres estimated to be impacted by anthropogenic sources are approved or conditionally approved for use.)

Annual Performance Measures and Baselines	FY 2005		FY 2006		FY 2007		FY 2008		Unit
	Target	Actual	Target	Actual	Target	Actual	Target	Actual	
(fs2) Percent of state-monitored shellfish-growing acres impacted by anthropogenic sources that are approved or conditionally approved for use.	80	81.2	91	Data no longer available	81	Data no longer available	65-85	Measure no longer tracked	Percent Areas
Baseline - 2003 baseline: 65 to 85 percent of 16.3 million acres of state-monitored shellfish-growing acres estimated to be impacted by anthropogenic sources are approved or conditionally approved for use.									
Explanation - The Interstate Shellfish Sanitation Conference (ISSC) typically requests the data on approved acreages from shellfish producing states on a two-year cycle and prepares reports. Survey responses are voluntary. New data are not available for this measure and the ISSC has not yet issued a date for the next Report.									

**SUB-OBJECTIVE: 2.1.3: Water Safe for Swimming**

By 2011, improve the quality of recreational waters as measured by the strategic targets.

**Strategic Target (1)**

By 2011, the number of waterborne disease outbreaks attributable to swimming in or other recreational contact with coastal and Great Lakes waters will be maintained at two, measured as a 5-year average. (2005 baseline: an annual average of two recreational contact waterborne disease outbreaks reported per year by the Centers for Disease Control over the years 1998 to 2002; adjusted to remove outbreaks associated with waters other than coastal and Great Lakes waters and other than natural surface waters [i.e., pools and water parks].

Annual Performance Measures and Baselines	FY 2005		FY 2006		FY 2007		FY 2008		Unit
	Target	Actual	Target	Actual	Target	Actual	Target	Actual	
(J1) (ss1) Number of waterborne disease outbreaks attributable to swimming in or other recreational contact with coastal and Great Lakes waters measured as a 5-							2	0	Number of Outbreaks

Annual Performance Measures and Baselines	FY 2005		FY 2006		FY 2007		FY 2008		Unit
	Target	Actual	Target	Actual	Target	Actual	Target	Actual	
year average.									
Baseline - 2005 baseline: an annual average of two recreational contact waterborne disease outbreaks reported per year by the Centers for Disease Control over the years 1998 to 2002; adjusted to remove outbreaks associated with waters other than coastal and Great Lakes waters and other than natural surface waters [i.e., pools and water parks].									

**Strategic Target (2)**

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. (2005 baseline: Beaches open 96 percent of the 743,036 days of the beach season [i.e., beach season days are equal to 4,025 beaches multiplied by variable number of days of beach season at each beach]).

Annual Performance Measures and Baselines	FY 2005		FY 2006		FY 2007		FY 2008		Unit
	Target	Actual	Target	Actual	Target	Actual	Target	Actual	
(ss2) Percent of days of beach season that coastal and Great Lakes beaches monitored by state beach safety programs are open and safe for swimming.			94	97	92.6	95.2	92.6	95	Percent Days/Season
Baseline - 2005 baseline: Beaches open 96 percent of the 743,036 days of the beach season [i.e., beach season days are equal to 4,025 beaches multiplied by variable number of days of beach season at each beach									

**OBJECTIVE: 2.2: PROTECT WATER QUALITY**

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

Performance Measures Met	Performance Measures Not Met	Data Available After November 17, 2008	Total Performance Measures
9	1	6	16

**SUB-OBJECTIVE: 2.2.1: Improve Water Quality on a Watershed Basis**

By 2012, use pollution prevention and restoration approaches to protect the quality of rivers, lakes, and streams on a watershed basis.

**Strategic Target (1)**

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). (2002 Baseline: 37,978 water bodies identified by states and tribes as not meeting water quality standards. Water bodies where mercury is among multiple pollutants causing impairment may be counted toward this target when all pollutants but mercury attain standards, but must be identified as still needing restoration for mercury; [1,703 impaired water bodies are impaired by multiple pollutants including mercury, and 6,501 are impaired by mercury alone].)

Annual Performance Measures and Baselines	FY 2005		FY 2006		FY 2007		FY 2008		Unit
	Target	Actual	Target	Actual	Target	Actual	Target	Actual	
(L1) (L) Number of waterbody segments identified by states in 2002 as not attaining standards, where water quality standards are now fully attained (cumulative.)					1,166	1,409	1,550	2,165	Number of Segments
Baseline - In 2002, 0 percent 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.									
Explanation – Reasons for significantly exceeding the target include heightened efforts by states and EPA to document water quality successes; reducing backlogs of pending lists of impaired waters from 2004 and 2006 reporting cycles; increasing use of watershed approaches.									
(bpb) Fund utilization rate for the CWSRF.	90	95.4	93.3	94.7	93.4	96.7	93.5	98	Percent Rate
Baseline – In 2005, fund utilization rate for the CWSRF was 94.7 percent.									
(bpk) Number of Total Maximum Daily Loads (TMDLs) that are established by states and approved by EPA on schedule consistent with national policy (cumulative).	14,462	15,342	16,896	19,373	21,923	23,376	28,527	30,658	TMDLs
Baseline - The baseline for this measure is 2,677 TMDLs in 2000.									
Explanation - Reasons for significantly exceeding the target include TMDLs completed ahead of schedule for 2009 and 2011 consent decree deadlines; state collaboration with EPA to overcome significant technical and regulatory obstacles relating to the complex task of developing nutrient TMDLs within the Mississippi River Delta region; and additions of segments to an in-place state wide mercury TMDL									

Annual Performance Measures and Baselines	FY 2005		FY 2006		FY 2007		FY 2008		Unit
	Target	Actual	Target	Actual	Target	Actual	Target	Actual	
effort. Note: A TMDL is a technical plan for reducing pollutants in order to attain water quality standards. The terms 'approved' and 'established' refer to the completion and approval of the TMDL itself.									
(bpl) Percentage of high priority state NPDES permits that are scheduled to be reissued.	95	104	95	96.4	95	111	95	120	Percent Permits
Baseline – 95 percent (measure is annual, Regions required to meet 95 percent of the universe).									
Explanation - When states establish their lists each year, they designate priority permits to be issued within the fiscal year as well as for two successive years. If a state is able to issue permits designated for a future fiscal year ahead of schedule, they receive credit toward the current fiscal year target, which may result in issuing more permits than originally targeted.									
(bpn) Percentage of major dischargers in Significant Noncompliance at any time during the fiscal year.	22.5	19.7	22.5	20.2	22.5	22.5	22.5	Data Available January 2009	Percent Dischargers
Baseline - The baseline for this measure is 22.5 percent of major dischargers in Significant Noncompliance in 2004.									
(bpo) Percent of states and territories that, within the preceding 3-year period, submitted new or revised water quality criteria acceptable to EPA that reflect new science info from EPA or other sources not considered in previous standard	62	62	66	66.1	67	66.1	68	62.5	Percent of States and Territories
Baseline - Not applicable because number of submissions changes on an annual basis.									
Explanation - Some states and tribes have insufficient technical expertise to deal with complex science and policy issues, including issues raised in litigation and in difficult Endangered Species Act consultations. EPA will continue to work with states and tribes to address those issues.									
(bpp) Percentage of submissions of new or revised water quality standards from states and territories that are approved by	89.5	83.5	90.9	89	85	85.6	87	92.5	Percent Submissions

Annual Performance Measures and Baselines	FY 2005		FY 2006		FY 2007		FY 2008		Unit
	Target	Actual	Target	Actual	Target	Actual	Target	Actual	
EPA.									
Baseline - Not applicable because the number of submissions changes on an annual basis.									
(bps) Number of TMDLs that are established or approved by EPA on a schedule consistent with national policy (cumulative).	17,767	18,660	20,501	23,185	25,811	27,377	33,801	35,979	Number of TMDLs
Baseline - The baseline for this measure is 2,843 TMDLs in 2000.									
Explanation - Reasons for significantly exceeding the target include TMDLs completed ahead of schedule for 2009 and 2011 consent decree deadlines; state collaboration with EPA to overcome significant technical and regulatory obstacles relating to the complex task of developing nutrient TMDLs within the Mississippi River Delta region; and additions of segments to an in-place state wide mercury TMDL effort. . Note: A TMDL is a technical plan for reducing pollutants in order to attain water quality standards. The terms 'approved' and 'established' refer to the completion and approval of the TMDL itself.									
(bpt) Percentage of waters assessed using statistically valid surveys.	38	38	54	54	54	54	65	65	Percent Waters
Baseline - 2000 Baseline = 31percent.									
(bpv) Percent of high priority EPA and state NPDES permits that are reissued on schedule.	95	100	95	98.5	95	104	95	119	Percent Permits
Baseline – 95 percent (Measure is annual. Regions are required to meet 95percent of the universe.)									
Explanation - When states and regions establish their lists each year, they designate priority permits to be issued within the fiscal year as well as for two successive years. If a state is unable to issue permits designated for a future fiscal year ahead of schedule, they receive credit toward the current fiscal year target, which may result in issuing more permits than originally targeted.									
(O) (bpc) Percentage of all major publicly owned treatment works (POTWs) that comply with their permitted wastewater discharge standards.							86	Data Available January 2009	Percent POTWs

Annual Performance Measures and Baselines	FY 2005		FY 2006		FY 2007		FY 2008		Unit
	Target	Actual	Target	Actual	Target	Actual	Target	Actual	
Baseline – In 2005, 3,670 (86.6 percent) publicly owned treatment works complied with their permitted wastewater discharge standards.									

### Strategic Target (2)

By 2012, remove at least 5,600 of the specific causes of water body impairments identified by states in 2002 (cumulative). (2002 baseline: Estimate of 69,677 specific causes of water body impairments identified by states).

Annual Performance Measures and Baselines	FY 2005		FY 2006		FY 2007		FY 2008		Unit
	Target	Actual	Target	Actual	Target	Actual	Target	Actual	
(bpf) Reduction in phosphorus loadings (millions of pounds).	4.5	3.2	4.5	11.8	4.5	7.5	4.5	Data Available April 2009	Pounds in Millions
Explanation - Load reductions need to be estimated by applying models to data. EPA is estimating runoff into a waterbody from a land area. Field data from many projects around the watershed must be gathered, and then run through the model to come up with an estimation of load reductions.									
(bpg) Additional pounds (in millions) of reduction to total nitrogen loadings.	8.5	5.9	8.5	14.5	8.5	19.1	8.5	Data Available April 2009	Pounds in Millions
Explanation - Load reductions need to be estimated by applying models to data. We are estimating runoff into a waterbody from a land area. Field data from many projects around the watershed must be gathered, and then run through the model to come up with an estimation of load reductions.									
(bph) Additional tons of reduction to total sediment loadings.	700,000	1,500,000	700,000	1,200,000	700,000	3,900,000	700,000	Data Available April 2009	Tons
Explanation - Load reductions need to be estimated by applying models to data. We are estimating runoff into a waterbody from a land area. Field data from many projects around the watershed must be gathered, and then run through the model to come up with an estimation of load reductions.									

**Strategic Target (3)**

By 2012, improve water quality conditions in 250 impaired watersheds nationwide using the watershed approach (cumulative). (2002 Baseline: zero watersheds improved of an estimated 4,800 impaired watersheds with one or more water bodies impaired. The watershed boundaries for this measure are those established at the "12-digit" scale by the U.S. Geological Survey. Watersheds at this scale average between 22 square miles in size. "Improved" means that one or more of the impairment causes identified in 2002 are removed for at least 40 percent of the impaired water bodies or impaired miles/acres; or there is significant watershed-wide improvement, as demonstrated by valid scientific information, in one or more water quality parameters or related indicators associated with the impairments.)

**Strategic Target (4)**

Through 2012, the condition of the nation's wadeable streams does not degrade (i.e., there is no statistically significant increase in the percent of streams rated "poor" and no statistically significant decrease in the streams rated "good"). (2006 baseline: Wadeable Stream Survey identifies 28 percent of streams in good condition; 25 percent in fair condition; 42 percent in poor condition.)

**Strategic Target (5)**

By 2015, in coordination with other federal partners, reduce by 50 percent the number of homes on tribal lands lacking access to basic sanitation (cumulative). (2003 baseline: Indian Health Service data indicate that 8.4 percent of homes on tribal lands lack access to basic sanitation [i.e., 26,777 homes of an estimated 319,070 homes.]

**Strategic Target (6)**

By 2012, improve water quality in Indian country at not fewer than 50 baseline monitoring stations in tribal waters (i.e., show improvement in one or more of seven key parameters: dissolved oxygen, pH, water temperature, total nitrogen, total phosphorus, pathogen indicators, and turbidity). (2006 baseline: 185 monitoring stations on tribal waters located where water quality has been depressed and activities are underway or planned to improve water quality, out of an estimated 1,661 stations operated by tribes).

**SUB-OBJECTIVE: 2.2.2: Improve Coastal and Ocean Waters**

By 2011, prevent water pollution and protect coastal and ocean systems to improve national coastal aquatic ecosystem health by at least 0.2 points on the "good/fair/poor" scale of the National Coastal Condition Report. (2004 Baseline: national rating of "fair/poor," or 2.3, where the rating is based on a 4-point system ranging from 1.0 to 5.0 in which 1 is poor and 5 is good using the National Coastal Condition Report indicators for water and sediment, coastal habitat, benthic index, and fish contamination).

**Strategic Target (1)**

By 2011, at least maintain aquatic ecosystem health on the "good/fair/poor" scale of the National Coastal Condition Report in the Northeast Region. (2004 Baseline: Northeast rating of 1.8.)



**Strategic Target (2)**

By 2011, at least maintain aquatic ecosystem health on the "good/fair/poor" scale of the National Coastal Condition Report in the Southeast Region. (2004 Baseline: Southeast rating of 3.8)

**Strategic Target (3)**

By 2011, at least maintain aquatic ecosystem health on the "good/fair/poor" scale of the National Coastal Condition Report in the West Coast Region. (2004 Baseline: West Coast rating of 2.0)

**Strategic Target (4)**

By 2011, at least maintain aquatic ecosystem health on the "good/fair/poor" scale of the National Coastal Condition Report in the Puerto Rico Region. (2004 Baseline: Puerto Rico rating of 1.7)

**Strategic Target (5)**

By 2011, 95 percent of active dredged material ocean dumping sites will have achieved environmentally acceptable conditions (as reflected in each site's management plan and measured through onsite monitoring programs). (2005 Baseline: 94 percent)

Annual Performance Measures and Baselines	FY 2005		FY 2006		FY 2007		FY 2008		Unit
	Target	Actual	Target	Actual	Target	Actual	Target	Actual	
(P2) (CO5) Percent of active dredged material ocean dumping sites that will have achieved environmentally acceptable conditions (as reflected in each site's management plan).							95	99	Percent Sites
Baseline – In 2005, 94 percent active dredged material ocean dumping sites had achieved environmentally acceptable conditions.									

**No Strategic Target**

Annual Performance Measures and Baselines	FY 2005		FY 2006		FY 2007		FY 2008		Unit
	Target	Actual	Target	Actual	Target	Actual	Target	Actual	
(P2) (Opb) Percent of serviceable rural Alaska homes with access to drinking water supply and wastewater disposal.					87	92	94	Data Available March 2009	Percent Homes

Annual Performance Measures and Baselines	FY 2005		FY 2006		FY 2007		FY 2008		Unit
	Target	Actual	Target	Actual	Target	Actual	Target	Actual	
Baseline - In 2003, 77 percent of serviceable rural Alaska homes had access to drinking water supply and wastewater disposal.									

**OBJECTIVE: 2.3: ENHANCE SCIENCE AND RESEARCH**

By 2011, conduct leading-edge, sound scientific research to support the protection of human health through the reduction of human exposure to contaminants in drinking water, fish and shellfish, and recreational waters and to support the protection of aquatic ecosystems-specifically, the quality of rivers, lakes, and streams, and coastal and ocean waters.

Performance Measures Met	Performance Measures Not Met	Data Available After November 17, 2008	Total Performance Measures
4	2	1	7

**OBJECTIVE-LEVEL MEASURES**

Annual Performance Measures and Baselines	FY 2005		FY 2006		FY 2007		FY 2008		Unit
	Target	Actual	Target	Actual	Target	Actual	Target	Actual	
(H37) Percentage of planned outputs delivered in support of Six Year Review decisions.	100	90	100	94	100	100	100	100	Percent
Baseline - In 2003, the program began measuring its planned actions in support of Six Year Review decisions and completed 100 percent of its actions on time. This measure contributes to EPA's goal of supporting the protection of human health through the reduction of human exposure to contaminants in drinking water.									
(H38) Percentage of planned outputs delivered in support of Contaminate Candidate List Decisions.	100	60	100	100	100	100	100	100	Percent
Baseline - In 2003, the program began measuring its planned actions in support of the Contaminant Candidate List decisions and completed 73 percent of its planned actions on time. This measure contributes to EPA's goal of supporting the protection of human health through the reduction of human exposure to contaminants in drinking water.									
(H66) Percentage of planned	100	100	100	100	100	100	100	100	Percent

Annual Performance Measures and Baselines	FY 2005		FY 2006		FY 2007		FY 2008		Unit
	Target	Actual	Target	Actual	Target	Actual	Target	Actual	
outputs (in support of the Water Quality Research Program [WQRP] long-term goal #1) delivered									
Baseline - In 2003, the program began measuring its planned actions in support of long-term goal one and completed 100% of its actions on time. This measure contributes to EPA's goal of supporting the protection of human health through the reduction of human exposure to contaminants in fish, shellfish, and recreational waters, and to support the protection of aquatic ecosystems.									
Explanation - Percentage of planned outputs delivered in support of the protection of human health and ecosystems as related to designated uses for aquatic systems and the beneficial use of biosolids long-term goal.									
(H68) Percentage of planned outputs (in support of WQRP long-term goal #2) delivered	100	67	100	100	100	100	100	100	Percent
Baseline - In 2003, the program began measuring its planned actions in support of long-term goal two and completed 100 percent of its actions on time. This measure contributes to EPA's goal of supporting the protection of human health through the reduction of human exposure to contaminants in fish, shellfish, and recreational waters, and to support the protection of aquatic ecosystems.									
Explanation - Percentage of planned outputs delivered in support of the diagnostics and forecasting techniques for the protection of human health and ecosystems as related to designated uses for aquatic systems and the beneficial use of biosolids long-term goal.									
(H70) Percentage of planned outputs (in support of WQRP long-term goal #3) delivered	100	71	100	92	100	100	100	Data Available 2008	Percent
Baseline - In 2003, the program began measuring its planned actions in support of long-term goal three and completed 100 percent of its actions on time. This measure contributes to EPA's goal of supporting the protection of human health through the reduction of human exposure to contaminants in fish, shellfish, and recreational waters, and to support the protection of aquatic ecosystems.									
Explanation - Percentage of planned outputs delivered in support of the 1) restore impaired aquatic systems, 2) protect unimpaired systems, 3) provide human health risk and treatment process information on the beneficial use of biosolids, and 4) forecast the ecologic, economic, and human health benefits of alternative approaches to attaining water quality standards long-term goal.									
(H96) Percentage of Water Quality research publications rated as highly cited publications	Baseline	14.2	biennial	biennial	biennial	biennial	15.7	15.2	Percent

Baseline - In 2005, EPA's Office of Research and Development obtained baseline data for the percentage of program publications rated as highly cited papers, finding that 14.2.percent of papers fit this criteria. In 2008, 15.2 percent of program publications were rated as highly cited papers.

Explanation - This metric provides a systematic way of quantifying research performance and impact by counting the number of times an article is cited within other publications. The "highly cited" data are based on the percentage of all program publications that are cited in the top 10% of their field, as determined by "Thomson's Essential Science Indicator." Each analysis evaluates the publications from the last ten year period, and is timed to match the cycle for independent expert program reviews by the Board of Scientific Counselors (BOSC). This "highly cited" metric provides information on the quality of the program's research, as well as the degree to which that research is impacting the science community. As such, it is an instructive tool both for the program and for independent panels—such as the BOSC— in their program evaluations.

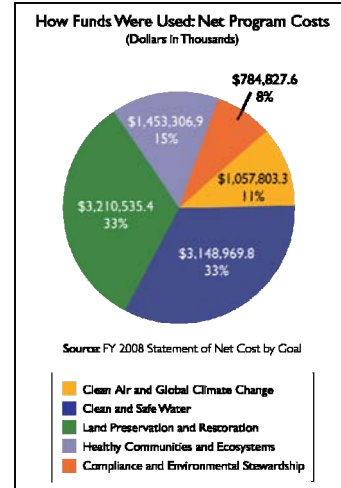
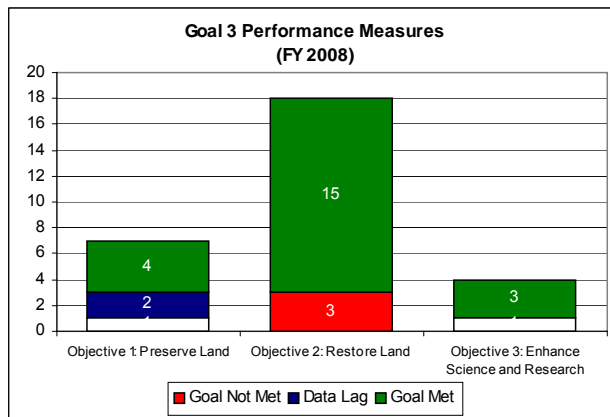
<b>(H92)</b> Percentage of Water Quality publications in "high impact" journals	Baseline	13.2	biennial	biennial	biennial	biennial	14.7	13.8	Percent
<p>Baseline - In 2005, EPA's Office of Research and Development obtained baseline data for the percentage of program publications rated as high impact papers, finding that 13.2% of papers fit these criteria. In 2008, 13.8 percent of program publications were rated as high impact papers.</p>									
<p>Explanation - This measure provides a systematic way of quantifying research quality and impact by counting those articles that are published in prestigious journals. The "high impact" data are based on the percentage of all program articles that are published in prestigious journals, as determined by "Thomson's Journal Citation Reports." Each analysis evaluates the publications from the last ten year period, and is timed to match the cycle for independent expert program reviews by the Board of Scientific Counselors (BOSC). This "high impact" metric provides information on the quality of the program's research, as well as the degree to which that research is impacting the science community. As such, it is an instructive tool both for the program and for independent panels—such as the BOSC— in their program evaluations.</p>									

## GOAL 3: LAND PRESERVATION AND RESTORATION

### Goal at a Glance

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 3 FY 2008  
Performance Measures  
Met = 22 Not Met = 5 Data Available After November 17, 2008 = 2  
(Total Measures = 29)



Goal 3 FY 2008 Performance and Resources		
Strategic Objective	FY 2008 Obligations (in thousands)	% of Goal 3 Funds
<b>Objective 1 – Preserve Land</b> <i>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.</i>	<b>\$220,845.8</b>	<b>7%</b>
<b>Objective 2 – Restore Land</b> <i>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.</i>	<b>\$2,909,314.3</b>	<b>91%</b>
<b>Objective 3 – Enhance Science and Research</b> <i>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.</i>	<b>\$80,375.3</b>	<b>3%</b>
<b>Goal 3 Total</b>	<b>\$3,210,535.4</b>	<b>100%</b>

**“EPA increased its ability to assist during national disasters by establishing a network of response labs this year and through its 1,800 Volunteer Response Support Corps employees.”**

- Susan Bodine, Assistant Administrator for Solid Waste and Emergency Response

## Goal Purpose: Land Preservation and Restoration

EPA's land preservation and restoration goal presents its 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. It works to ensure that hazardous and solid wastes are managed safely at industrial facilities. Working with states, tribes, local governments, and responsible parties, EPA cleans up uncontrolled or hazardous waste sites and returns land to productive use. Similarly, EPA works to address risks associated with leaking underground storage tanks and wastes managed at industrial facilities.

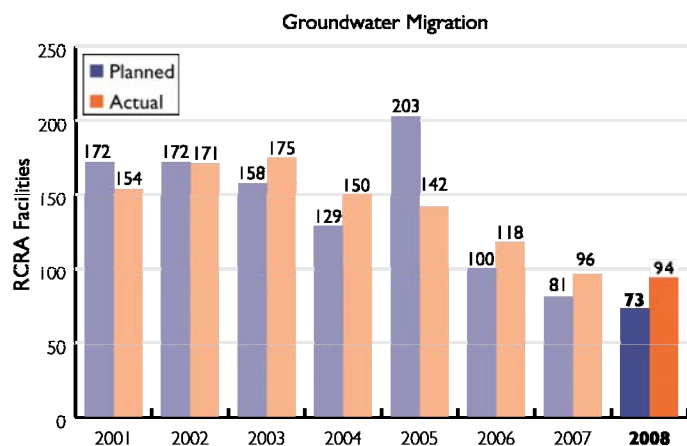
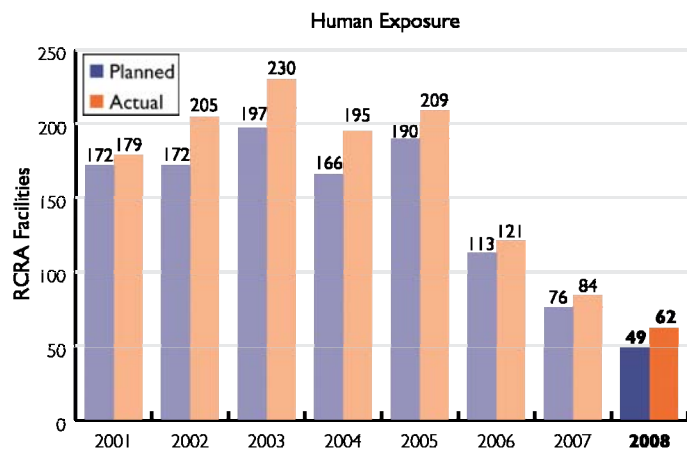
EPA is helping develop public-private partnerships to conserve resources in key areas. The Agency collaborates with partners in innovative, non-regulatory efforts to minimize the amount of waste generated and promote recycling to recover materials and energy. Through programs like the Resource Conservation Challenge, EPA promotes opportunities for converting secondary materials to economically viable products, which conserve resources.

The Agency also works closely with other government agencies to ensure that it is ready to respond in the event of an emergency that could affect human health or the environment. It strives to improve its preparedness and response capabilities, particularly in the area of homeland security.

Finally, EPA conducts and applies scientific research to develop cost-effective methods for managing wastes, assessing risks, and cleaning up hazardous waste sites.

## Data Trends

### RCRA Environmental Indicators



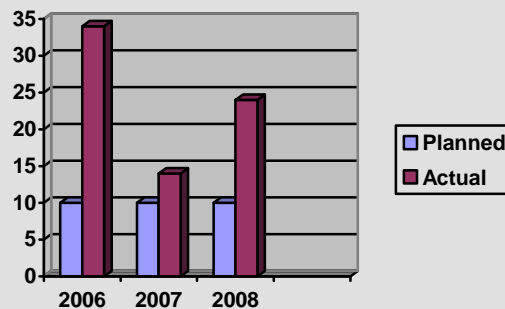
In FY 2008, EPA continued to focus on those hazardous waste facilities presenting the greatest risk to human health and the environment. EPA exceeded all three targets for its list of the 1,968 high-priority hazardous waste facilities requiring cleanup or “corrective action” under the Resource Conservation and Recovery Act (RCRA). At these high-priority facilities, human exposure to contaminants is now under control at more than 96 percent of facilities, compared to a target of 95 percent. The migration of contaminated ground water is under control at more than 83 percent of facilities, compared to a target of 81 percent. Final cleanup remedies have been constructed for more than 34 percent of these facilities, exceeding the target of 27 percent. In FY 2008 alone, EPA achieved human exposure under control at 62 sites, controlled the mitigation of groundwater at 94 sites, and completed construction at 98 sites.

## Data Quality

EPA uses data from its performance measurements to manage and ensure that the data are complete and reliable; they are subject to the Agency's Quality System policies and procedures. Every performance measure in this report has corresponding in-depth information to explain the data's source, limitations, and other factors. This report includes examples in each goal to better inform EPA's stakeholders. For a complete list of this information, visit [www.epa.gov/ocfo/budget/2008/verify\\_validation.pdf](http://www.epa.gov/ocfo/budget/2008/verify_validation.pdf). This is particularly helpful for performance measures with data lags in FY 2008 due to reporting cycles.

## Performance Measure

### Number of Superfund Sites With Human Exposure Under Control



**What This Shows:** Sites are assigned to this category when assessments for human exposures indicate there are no unacceptable human exposure pathways and the region has determined the site is under control for current conditions sitewide. More sites are moved to this category every year. For sites that do not have current human exposures under control, either there are insufficient data to determine if an exposure pathway to contaminants above levels of concern exist or data indicate that there are complete human exposure pathways that present unacceptable exposures to humans, and actions have yet to be completed to address these human exposure pathways for the entire site.

**Source:** The Comprehensive Environmental Response, Compensation, and Liability Information System is an automated EPA system; EPA Headquarters and regional offices enter data into the system on a rolling basis. The Integrated Financial Management System is EPA's financial management system and the official system of record for budget and financial data.

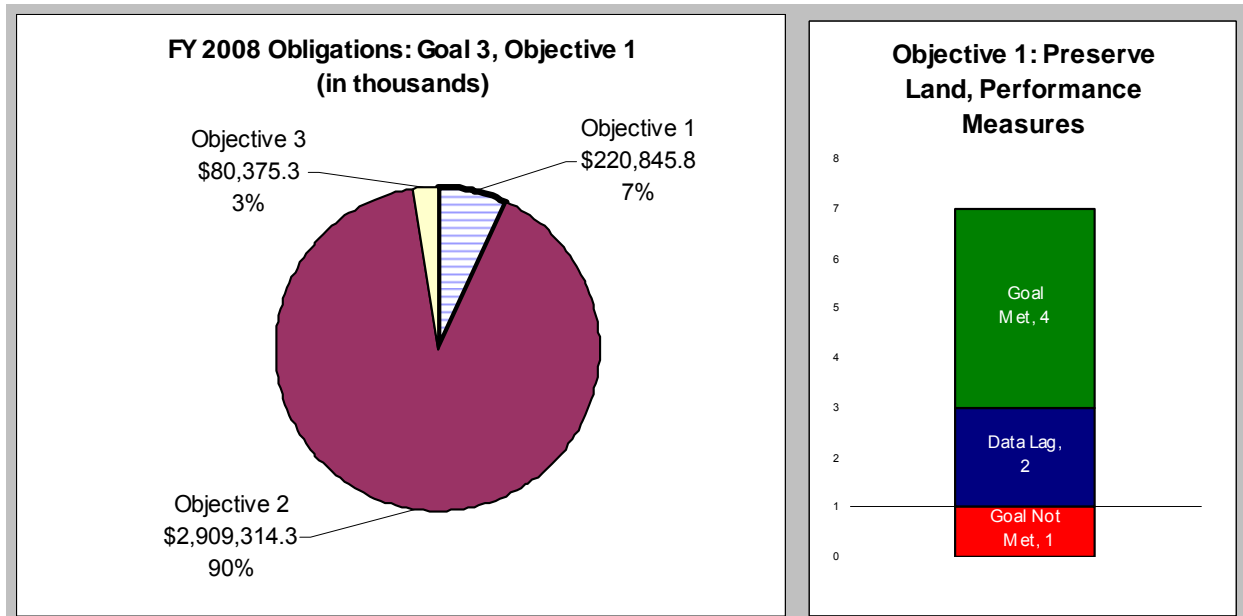
**Data Limitations:** Weaknesses were identified by the Office of Inspector General in an audit in 2002. While EPA did not fully agree with the audit, the Agency is continuously improving its quality assurance process for the Comprehensive Environmental Response, Compensation, and Liability Information System.



## **Contributing Programs**

Resource Conservation and Recovery Act (RCRA) Waste Management, Resource Conservation and Recovery Act Corrective Action, Resource Conservation and Recovery Act Waste Minimization, Superfund Emergency Preparedness, Superfund Remedial, Superfund Enforcement, Superfund Removal, Federal Facilities, Oil Spills, Leaking Underground Storage Tanks, Underground Storage Tank Compliance, Land Protection and Restoration Research, Homeland Security.

## Objective 3.1: Preserve Land



**EPA Works Toward Recycling and Waste Reduction:** Although 2008 data and, in some cases, 2007 data will not be available until 2009, EPA is on track for meeting its recycling and waste reduction goals through the successes of partnership programs such as the Coal Combustion Partnership Program, WasteWise, and Plug-In to eCycling. In FY 2008, EPA expects to meet its municipal solid waste reduction goal of diverting almost 20 billion pounds per year. EPA initiated a number of activities to increase the volume of waste diverted, including outreach to local governments, organizations, and businesses; creating new recycling and reuse tool kits; and demonstrating the significant energy savings and greenhouse gas reduction benefits of recycling municipal solid waste and industrial materials. In addition, during 2008, EPA greatly increased the number of partners with whom the Agency is collaborating.

WasteWise, which focuses on partnerships with businesses and institutions, such as universities, hospitals, nonprofits, and state, local, and tribal governments, to set and achieve waste reduction goals, increased to over 2,100 members in FY 2008.

EPA's Plug-In To eCycling program collaborated with electronics manufacturers, retailers, and service providers to improve consumer awareness and expand infrastructure for collection and safe recycling of electronics. In 2007, Plug-In partners collected more than 47 million pounds of electronics, such as computers, hard copy peripherals, cell phones, and televisions. Through the Federal Electronics Challenge, federal agencies are

### Region 10: Eight Open Dumps Cleaned Up at the Yakama Nation

This year the Yakama Nation, with technical assistance from the Region 10 Resource Conservation and Recovery Act (RCRA) Tribal Waste Team and funding from EPA and the Washington State Department of Ecology, cleaned up and closed eight illegal open dumps. The 3,625 tons of waste removed for proper disposal included 360,000 tires. The tire project at Yakama Nation has paved the way for other tribes to partner with the state to remove tires.

becoming leaders in promoting sustainable environmental stewardship of their electronics assets. As a result of their activities in FY2007, 62 reporting partners saved 303 million pounds of virgin materials.

***EPA Reduces Risks to Hazardous Waste:*** Reducing the amount of hazardous waste generated in the first place is a program priority; however, as long as any hazardous waste is being created, it must be managed under protective controls. In FY 2008, EPA established and updated waste management controls at treatment, storage and disposal facilities regulated by the Resource Conservation and Recovery Act.

EPA's Government Performance Results Act strategy for preventing releases of hazardous waste relies on issuing and maintaining facility permits that mandate approved controls for each hazardous waste facility site. In FY 2008, the permitting program met its annual target of 44 updated controls. In total, 96 percent of facilities in the current universe of 2,457 are now under approved controls. Once a facility is permitted, the program needs to regularly update and maintain the permit. EPA expects that there will be a higher demand in the future for permit renewals. Facilities that were permitted 10 or more years ago will have outdated controls, so the program must issue permit renewals in order for the waste to continue to be handled properly. During FY 2008, EPA and state partners issued 74 permit renewals, exceeding the FY 2008 annual target of 50. This progress also allowed the program to exceed the FY 2008 strategic goal; EPA and its state partners completed 237 permit renewals, which exceeded the final FY 2008 target of 150.

Permitted treatment, storage, or disposal facilities that cease operations could pose threats if not closed, cleaned up, and monitored properly (that is, in accordance with EPA standards). A critical component of EPA's hazardous waste program is ensuring future protection to people living around these facilities and to the environment, including making sure that these facilities have updated financial assurance to provide funds to close and maintain the sites.

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 and requires detailed evaluation of technical information and risks as well as methods for handling public concerns.

Many of the 50 hazardous waste facilities that have come under approved controls in FY 2008 presented types of units that were relatively difficult to address. In many cases, the remaining facilities left to permit have units that are either difficult to permit or have difficulty meeting the "under control criteria" because of the large number of units at a given facility.

***EPA and Partners Reduce Risks From Underground Storage Tanks:*** Except in Indian Country, the Underground Storage Tank program is carried out by states. To prevent releases from underground storage tanks, EPA and its state and tribal partners ensure that underground storage tank systems are in operational compliance with release detection and release prevention equipment requirements, ensuring that the equipment is used, functioning, and properly maintained. For FY 2008, EPA and its partners achieved a significant operational compliance rate of 66 percent. This rate is lower than the target of 68 percent for FY 2008 (which represents a 1 percent increase over the previous year's target). In accordance with the 2005 Energy Policy Act's inspection requirements, states targeted previously uninspected facilities, which accounted for the lower compliance rates. For FY 2009, EPA is revising the operational compliance target to better reflect the Energy Policy Act requirements. For FY 2009,

the target is 65 percent, and future targets will be 0.5 percent increases from the previous year's rate of compliance.

EPA and its partners have been increasing efforts to meet the Energy Policy Act's requirement to inspect all underground storage tank facilities at least once every three years. The program expects that over time the increased frequency of inspections will result in improved rates of facility compliance. Through its compliance activities, EPA and its partners have succeeded in maintaining the number of confirmed releases at underground storage tank facilities at 10,000 or fewer. For 2008, the actual number of confirmed releases was 7,364, and EPA is adopting a more aggressive confirmed releases annual target in FY 2009.

### **FY 2008 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 foundations for the Agency's budget. Frequently, Program Projects support multiple performance measures and objectives. This chart lists the Program Projects and associated resources that support this objective.*

*\*\*Resources associated with Program Projects might not match the goal and objective obligations exactly because of rounding.*

<b>Goal 3: Objective 1 - Preserve Land</b>			
<b>Program Project</b>	<b>FY 2006 Obligations</b>	<b>FY 2007 Obligations</b>	<b>FY 2008 Obligations</b>
Categorical Grant: Hazardous Waste Financial Assistance	\$80,067.5	\$71,530.0	\$74,022.0
Categorical Grant: Tribal General Assistance Program	(\$4.6)	(\$2.8)	(\$1.0)
Categorical Grant: Underground Storage Tanks	\$15,040.7	\$29,008.8	\$4,686.5
Compliance Assistance and Centers	\$569.6	\$843.6	\$1,037.1
Congressionally Mandated Projects	\$1,747.9	\$2,216.9	(\$3.5)
Homeland Security: Communication and Information	\$250.0	\$389.6	\$308.9
Homeland Security: Protection of EPA Personnel and Infrastructure	\$883.2	\$711.3	\$621.6
LUST / UST	\$9,084.3	\$9,827.1	\$12,372.4
RCRA: Waste Management	\$67,298.8	\$66,032.9	\$66,517.6
RCRA: Waste Minimization & Recycling	\$9,604.6	\$9,516.2	\$11,079.6
Administrative Law	\$178.7	\$207.9	\$237.8
Alternative Dispute Resolution	\$50.4	\$50.7	\$57.7
Central Planning, Budgeting, and Finance	\$2,558.9	\$2,760.3	\$3,188.2
Civil Rights / Title VI Compliance	\$441.8	\$447.5	\$436.9
Congressional, Intergovernmental, External Relations	\$1,960.1	\$2,019.4	\$2,003.6
Exchange Network	\$1,321.3	\$1,446.5	\$1,000.5
Facilities Infrastructure and Operations	\$24,107.9	\$23,781.0	\$21,125.2
Acquisition Management	\$992.2	\$1,058.3	\$1,246.4
Human Resources Management	\$1,976.9	\$1,781.9	\$1,797.9
Information Security	\$185.6	\$193.7	\$293.3
IT / Data Management	\$13,385.1	\$13,954.5	\$12,563.5
Legal Advice: Environmental Program	\$1,769.9	\$1,913.8	\$1,964.3

Legal Advice: Support Program	\$635.7	\$603.5	\$649.9
Audits, Evaluations, and Investigations	\$1,383.4	\$1,458.0	\$1,530.4
Regional Science and Technology	\$162.7	\$143.8	\$147.2
Science Advisory Board	\$185.9	\$201.5	\$232.6
Small Minority Business Assistance	\$78.3	\$99.2	\$120.2
Financial Assistance Grants / IAG Management	\$1,183.2	\$1,006.0	\$903.3
Regulatory/Economic-Management and Analysis	\$679.4	\$729.3	\$705.6
<b>Total</b>	<b>\$237,779.4</b>	<b>\$243,930.4</b>	<b>\$220,845.7</b>

### Additional Information Related to Objective 1

#### Grants:

- Through underground storage tank categorical grants, State and Tribal Assistance Grants were awarded to 49 states; Washington, D.C.; Puerto Rico; four territories; and 15 tribes to encourage owners and operators to operate and maintain their underground storage tanks properly. Tribal grants funded projects that included developing underground storage tank compliance assistance and certification programs; conducting compliance assistance visits and providing technical support for tribes; developing tribal underground storage tank owner/operator training workshops and outreach materials; conducting underground storage tank compliance inspections and tracking significant operational compliance in Indian Country; building underground storage tank program capacity; and overseeing underground storage tank program implementation.
- State and Tribal Assistance Grants also provided funding to states implementing the underground storage tank 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 their inspection presence; and implementing delivery prohibition, secondary containment, and other Energy Policy Act requirements. At the end of FY 2008, there was a reduction over the previous year's target of Underground Storage Tank facilities that were in significant operational compliance. Additionally, between FY 1999 and FY 2008, confirmed Underground Storage Tank releases averaged 8,208, and the annual number of confirmed releases in FY 2008 was 7,364.
- State and Tribal Assistance Grants were used to make competitive awards of five cooperative agreements, up to a total of \$288,000, to Indian tribal governments and intertribal consortia in support of programs that address hazardous waste mismanagement in Indian Country. This grant program is designed to support comprehensive hazardous waste management activities that will ensure that hazardous waste is managed safely from "cradle-to-grave." The grant projects will improve the tribe's knowledge about the location of hazardous waste handlers/facilities, and the types of hazardous waste they manage as reflected by inventories of facilities. The projects will also help tribes develop codes, regulations, ordinances, policies, and/or guidance for regulating hazardous waste, and promote their ability to properly identify, manage, or dispose of hazardous waste, as demonstrated by a reduction in the number of citations under tribal codes, regulations, and ordinances, and fewer reports of illegal hazardous waste disposal. In addition, the projects

will also: increase the use of hazardous waste reduction and reuse activities as demonstrated by increased use of household hazardous waste collection stations and reuse centers; train tribal leaders and environmental staff and improve community awareness of proper hazardous waste and used oil management practices, as demonstrated by level of participation in household hazardous waste collection events and used oil collection programs; and increase the purchasing of alternative, less hazardous products.

- The Resource Conservation and Recovery Act statute authorizes EPA to assist state governments through the Hazardous Waste Financial Assistance Grants program. The states propose legislation and upgrade regulations to achieve equivalence with the Federal Hazardous Waste Management Program, and apply to EPA for authorization to administer the program. The state grants provide for the development and implementation of an authorized hazardous waste management program for the purpose of controlling the generation, transportation, treatment, storage and disposal of hazardous wastes, including controlling and cleaning up past and continuing releases from hazardous waste management facilities through corrective action.

**Web Links:**

Overview of the Federal Underground Storage Tank Program:

[www.epa.gov/OUST/overview.htm](http://www.epa.gov/OUST/overview.htm)

Underground Storage Tank Provisions of the Energy Policy Act of 2005:

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

EPA Waste Programs: [www.epa.gov/epaoswer/osw](http://www.epa.gov/epaoswer/osw)

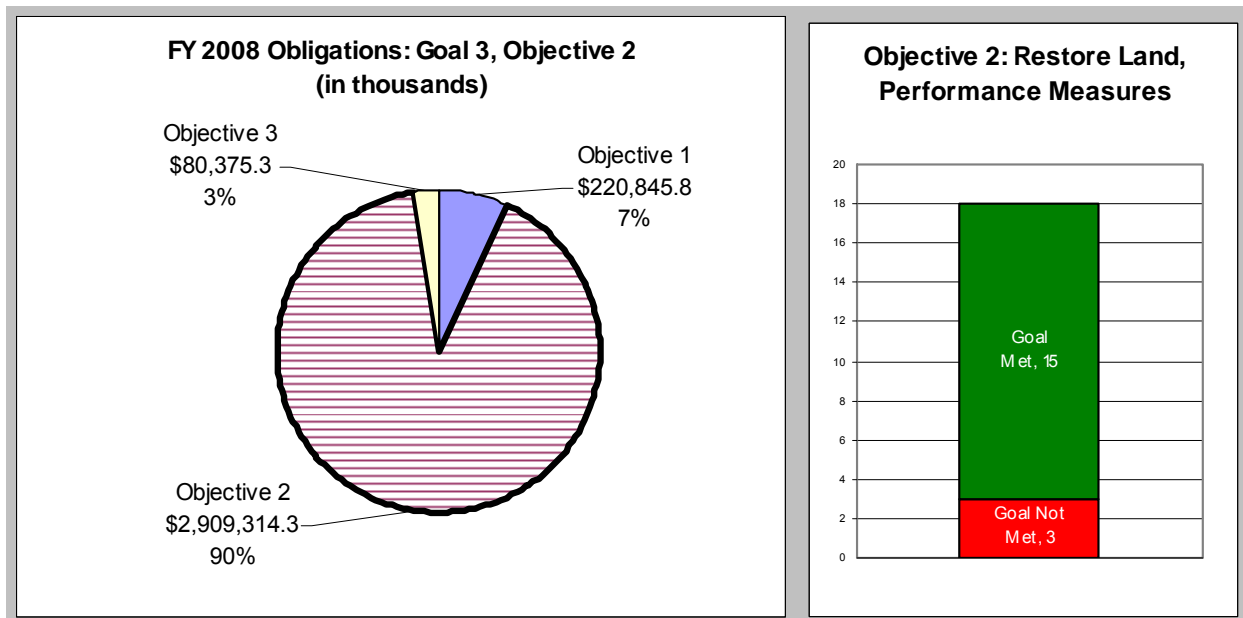
Electronic Product Environmental Assessment Tool [www.epa.gov/epp/pubs/products/epeat.htm](http://www.epa.gov/epp/pubs/products/epeat.htm)

Oil Spill Program: [www.epa.gov/oilspill](http://www.epa.gov/oilspill)

**Program Assessment Rating Tool (PART):**

In FY 2008, EPA developed and implemented an action plan for all Agency Program Assessment Rating Tool measures in response to a government-wide Agency Program Assessment Rating Tool measure review. The plan leveraged ongoing strategic and annual planning and reflected performance measure improvements. The tables of measures and results provided in Section II of this report, "Performance Results," identify all Program Assessment Rating Tool measures, which make up more than two-thirds of EPA's performance measures. Please refer to [www.expectmore.gov](http://www.expectmore.gov) for more detailed information.

## Objective 3.2: Restore Land



EPA's cleanup programs (the Comprehensive Environmental Response, Compensation, and Liability Act [CERCLA] program, commonly known as Superfund; the Resource Conservation and Recovery Act [RCRA] Corrective Action program; and the Leaking Underground Storage Tank program) aim to control risks to human health and the environment at contaminated properties and make land available for reuse through cleanup, stabilization, or other actions. These programs made significant strides in FY 2008.

**EPA Makes Significant Strides in Cleaning Up Superfund Sites:** In FY 2008, the Superfund Remedial and Federal Facility Response programs conducted or oversaw 681 ongoing cleanup construction projects (by EPA, potentially responsible parties, and federal facilities) at 423 sites. federal facilities accounted for 230 of these ongoing projects at 84 sites. Through these activities, the program accomplished the following:

- Determined that 85 Superfund sites were ready for reuse, exceeding the target of 30. The Sitewide Ready for Anticipated Use performance measure tracks sites on the National Priority List at which: 1) construction of the remedy is completed, 2) all cleanup goals to reduce unacceptable risk that could affect current and reasonably anticipated future land uses of the site have been achieved, and 3) all institutional controls have been implemented.
- Controlled all identified unacceptable human exposures from site contamination for current land and/or ground water use conditions at a net total of 24 additional Superfund human exposure sites, exceeding the target of 10.
- Controlled ground water migration at a net total of 20 sites exceeding the target of 15.

- Completed construction of remedies at 30 Superfund sites, achieving the target of 30 private and federal sites.
- Made 415 final site-assessment decisions under Superfund, exceeding the target of 400.

**“Enforcement First” Program Helps EPA Meet Targets:** The Superfund Enforcement Program continued to pursue its strategy, emphasizing Enforcement First. Enforcement First 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. EPA also continues to use the most appropriate enforcement or compliance tools to address the most significant problems and achieve the best outcomes. Pursuant to this strategy, EPA’s FY 2008 Superfund enforcement goals are: to reach a settlement or take an enforcement action by the start of remedial action at 95 percent of non-federal Superfund sites that have viable, liable parties, and to address cost recovery at all National Priority List and non- National Priority List sites with a statute of limitations on total past costs equal to or greater than \$200,000.

In FY 2008, EPA met its goal to reach a settlement or take an enforcement action by the start of remedial action at 95 percent of non-federal Superfund sites that have viable, liable parties. EPA also achieved its goal of addressing 100 percent of the pending cost recovery cases with outstanding unaddressed past costs greater than \$200,000 and pending statute of limitations concerns through enforcement, settlements, or compromise/write-off. Cost recovery was addressed at 335 National Priority List and Non- National Priority List sites, of which 157 had total costs greater than or equal to \$200,000, of those 65 had potential SOL concerns.

In addition, EPA secured private party commitments for cleanup and cost recovery and billed private parties for oversight for amounts that exceeded \$1.9 billion.

**Priority-Setting Helps EPA Meet Corrective Action Goals:** For the universe of 1,968 Resource Conservation and Recovery Act corrective action facilities, EPA has achieved 96.2 percent of facilities with current human exposures under control, 83.4 percent with migration of contaminated ground water under control, and 34.6 percent with final remedies constructed. This has exceeded targets of 95 percent, 81 percent, and 27 percent, respectively.

The Resource Conservation and Recovery Act Corrective Action Program owes its success in 2008 largely to the many years EPA regions and state environmental agencies have spent characterizing high-priority facilities and moving them toward final cleanups. In 2008, these efforts culminated in the control of human exposures and the containment of contaminated ground water at many of the Corrective Action Program’s most difficult sites. Meanwhile, the Agency’s ambitious goal for 2020—to complete remedy construction at 95 percent of all 3,746 facilities believed to need corrective action—has spurred regions and states to accelerate remedy construction efforts.

**States and Tribes Make Significant Progress in Cleaning Up Leaking Underground Storage Tanks:** The Leaking Underground Storage Tank Program promotes rapid and effective responses to releases from federally regulated underground storage tanks containing petroleum by enhancing state, local, and tribal remediation efforts and enforcement and response capability. EPA continues to focus on increasing the efficiency of leaking underground storage tank cleanups nationwide. In FY 2008, EPA’s state and tribal partners completed 12,768 leaking underground storage tank cleanups (including 40 cleanups in Indian Country).



**EPA Exceeds Targets in Preparedness and Response:** In FY 2008, the Emergency Response and Removal Program exceeded both of its targets by completing 215 Superfund-lead removals and 157 voluntary emergency removals.

**EPA Sets New Core Emergency Response Standards:** The Core Emergency Response sets standards to ensure that each EPA region works toward improving and maintaining an excellent response program that is ready to respond quickly and effectively to chemical, oil, biological, and radiological incidents. Beginning in FY 2007, the Office of Emergency Management expanded the Core Emergency Response evaluation to measure progress in carrying out the Agency's National Approach to Response. The Office of Emergency Management is now evaluating each EPA region, Headquarters, and EPA emergency response special teams to measure their progress in preparing for multiple events of national significance.

**EPA's Oil Program Sets New Outcome Measures:** During FY 2008, the Office of Emergency Management's Oil Program piloted several new outcome measures in select regions. The purpose of establishing new measures was in response to the 2005 Program Assessment Rating Tool improvement plan. In general, the pilot measures focus on bringing facilities into Spill Control and Countermeasure Plan and Facility Response Plan compliance. Select measures will be used for the *FY 2009-2014 Strategic Plan* and the Program Assessment Rating Tool process.

#### **FY 2008 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 foundations for the Agency's budget. Frequently, Program Projects support multiple performance measures and objectives. This chart lists the Program Projects and associated resources that support this objective.*

*\*\*Resources associated with Program Projects might not match the goal and objective obligations exactly because of rounding.*

<b>Goal 3: Objective 2 - Restore Land</b>			
<b>Program Project</b>	<b>FY 2006 Obligations</b>	<b>FY 2007 Obligations</b>	<b>FY 2008 Obligations</b>
Categorical Grant: Hazardous Waste Financial Assistance	\$29,508.2	\$31,539.2	\$32,318.6
Base Realignment and Closure (BRAC)	\$8,750.2	\$7,014.3	\$20,493.7
Civil Enforcement	\$2,548.4	\$2,298.0	\$2,594.2
Compliance Assistance and Centers	\$266.0	\$274.3	\$297.0
Congressionally Mandated Projects	\$212.1	\$244.3	\$2,943.5
Homeland Security: Communication and Information	\$627.2	\$998.4	\$721.5
Homeland Security: Preparedness, Response, and Recovery	\$38,626.3	\$52,203.5	\$46,622.6
Homeland Security: Protection of EPA Personnel and Infrastructure	\$2,085.6	\$1,806.7	\$1,630.5
LUST / UST	\$27,764.0	\$16,784.8	\$16,001.0
LUST Cooperative Agreements	\$75,407.1	\$63,043.5	\$86,742.1
Oil Spill: Prevention, Preparedness and Response	\$27,358.5	\$30,338.4	\$32,328.8
RCRA: Corrective Action	\$38,754.7	\$39,593.4	\$40,063.9
Superfund: Emergency Response and Removal	\$669,157.1	\$185,759.1	\$240,559.8

Superfund: Enforcement	\$181,647.5	\$211,533.9	\$223,162.3
Superfund: EPA Emergency Preparedness	\$11,219.0	\$10,154.1	\$11,156.7
Superfund: Federal Facilities	\$33,894.4	\$35,957.5	\$38,258.4
Superfund: Federal Facilities IAGs	(\$8.6)	(\$36.0)	\$0.0
Superfund: Remedial	\$1,971,858.8	\$1,787,050.0	\$1,873,550.8
Superfund: Support to Other Federal Agencies	\$5,462.2	\$4,874.2	\$3,691.9
Administrative Law	\$970.4	\$1,130.2	\$1,300.0
Alternative Dispute Resolution	\$633.9	\$1,044.3	\$803.5
Central Planning, Budgeting, and Finance	\$37,180.3	\$29,542.6	\$31,908.5
Civil Rights / Title VI Compliance	\$2,848.5	\$2,926.1	\$2,873.2
Congressional, Intergovernmental, External Relations	\$14,107.0	\$14,499.7	\$14,346.9
Exchange Network	\$4,677.7	\$5,002.8	\$3,481.4
Facilities Infrastructure and Operations	\$84,022.8	\$80,805.3	\$80,797.4
Acquisition Management	\$19,105.6	\$21,330.4	\$23,014.3
Human Resources Management	\$6,239.5	\$6,933.0	\$7,234.7
Information Security	\$332.8	\$583.3	\$671.6
IT / Data Management	\$32,529.0	\$32,217.9	\$30,747.8
Legal Advice: Environmental Program	\$2,048.9	\$2,109.4	\$2,071.1
Legal Advice: Support Program	\$417.2	\$420.9	\$453.4
Audits, Evaluations, and Investigations	\$17,922.2	\$14,620.0	\$13,368.8
Regional Science and Technology	\$1,215.7	\$1,040.1	\$1,198.2
Science Advisory Board	\$1,009.6	\$1,095.1	\$1,271.4
Small Minority Business Assistance	\$425.2	\$539.1	\$657.0
Financial Assistance Grants / IAG Management	\$3,741.8	\$3,133.9	\$3,935.6
Superfund: Federal Facilities Enforcement	\$9,939.7	\$11,150.4	\$12,185.6
Regulatory/Economic-Management and Analysis	\$3,688.7	\$3,963.8	\$3,856.6
<b>Total</b>	<b>\$3,368,195.2</b>	<b>\$2,715,519.9</b>	<b>\$2,909,314.3</b>

## Additional Information Related to Objective 2

### 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 Priorities List (NPL). EPA awards Core cooperative agreements to states and tribes to conduct Comprehensive Environmental Response, Compensation, and Liability Act implementation activities that are not directly assignable to specific sites, but are intended to develop and maintain a state's or Indian tribe's ability to participate in the Comprehensive Environmental Response, Compensation, and Liability Act response program. Activities funded include: hiring staff, administrative salaries, clerical help, financial accounting, data management, program management, medical monitoring, health and safety training for field employees, computer systems purchases, training, legal assistance, and legislative

development. Outputs include reports, accounting and tracking systems, hired and trained staff, cost recovery procedures and techniques, and laws and regulations for hazardous waste control. EPA also awards site-specific cooperative agreements (pre-remedial, remedial response, removal, enforcement, and support agency) to assure participation of states and Indian tribes in assessing and cleaning up Superfund sites. All 10 EPA regional offices awarded cooperative agreements to EPA intergovernmental partners to lead cleanup actions, or to support EPA-organized cleanup actions, at hazardous waste sites. Cooperative agreements were awarded to lead the evaluation of newly discovered sites, to assess and investigate sites that have been identified as needing further action, to select, in partnership with EPA, the appropriate technologies and cleanup actions for these sites, to design the selected technologies and cleanup actions, and to construct the designed remedy. Funding was used to start or continue long-term remedial actions to treat ground water where remediation goals have not yet been reached. Finally, funding was provided to states and tribes to meaningfully and substantially participate in cleanup actions where EPA led the cleanup.

- In FY 2008, leaking underground storage tank cooperative agreements were awarded to states, territories, and tribes. Tribal cooperative agreements funded projects that included site assessments and cleanups, sampling equipment for tribal site managers, leaking underground storage tank program capacity building, and oversight of leaking underground storage tank program implementation. In FY 2008, EPA's state and tribal partners completed 12,768 leaking underground storage tank cleanups (which includes 40 in Indian Country). In FY 2008, leaking underground storage tank cooperative agreements provided funding to states for emergency responses, responsible-party-led cleanups with state oversight, state-led cleanups, and state leaking underground storage tank capacity building.
- Technical Assistance Grants are an important tool for involving the local community meaningfully in the cleanup process. By providing independent technical expertise to local communities, Technical Assistance Grants 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.

#### **Web Links:**

Superfund Program: [www.epa.gov/superfund](http://www.epa.gov/superfund)

Federal Facilities Restoration and Reuse Office: [www.epa.gov/fedfac](http://www.epa.gov/fedfac)

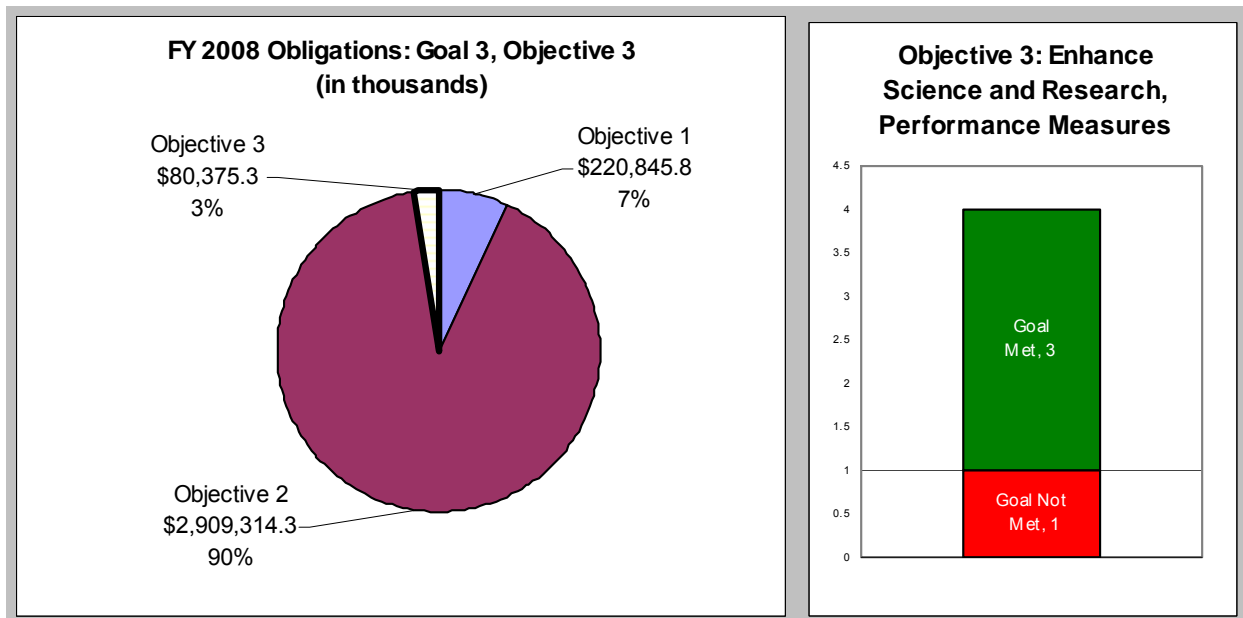
Corrective Action: [www.epa.gov/epaoswer/hazwaste/ca/index.htm](http://www.epa.gov/epaoswer/hazwaste/ca/index.htm)

Overview of the Federal Underground Storage Tank Program:  
[www.epa.gov/OUST/overview.htm](http://www.epa.gov/OUST/overview.htm)

#### **Program Assessment Rating Tool (PART):**

In FY 2008, EPA developed and implemented an action plan for all Agency Program Assessment Rating Tool measures in response to a government-wide Agency Program Assessment Rating Tool measure review. The plan leveraged ongoing strategic and annual planning and reflected performance measure improvements. The tables of measures and results provided in Section II of this report, "Performance Results," identify all Program Assessment Rating Tool measures, which make up more than two-thirds of EPA's performance measures. Please refer to [www.expectmore.gov](http://www.expectmore.gov) for more detailed information.

### Objective 3.3: Enhance Science and Research



EPA's research programs support a sound scientific foundation for decisions to preserve and restore the land.

**EPA Creates a New Method for Minimizing Pollution from Aluminum Recycling:** In 2008, EPA developed a method for characterizing the water-reactive waste generated when aluminum is recycled. Currently, this recycling byproduct, known as aluminum dross, is dumped in numerous landfills throughout the country and may create a risk to communities and ecosystems. When in contact with water, aluminum dross is prone to release hazardous gases as well as emit flammable gases, which can cause explosions. EPA scientists, along with landfill representatives and waste generators, are evaluating how to pretreat the water-reactive waste and determine what actions should be taken to reduce risks after disposal, thus ultimately reducing the impact aluminum dross has on the public and ecology in the areas surrounding landfills.

**New Technology Leads to Cost Savings of \$1 Million:** EPA developed and tested a new technology to treat hexavalent chromium, a chemical used as a pigment in dyes, paints, inks, and plastics; as an anticorrosive agent in paints and primers; and as a protective or decorative coating on metals. It is known to cause ulcers, rashes, respiratory problems, and cancer. Agency researchers discovered that injecting ground water with ferrous sulfate—commonly used to fortify foods—in combination with sodium dithionite resulted in a reduction of hexavalent chromium.

EPA successfully implemented a full-scale version of the new technology at the former Macalloy Corporation Superfund site in Charleston, South Carolina. From monitoring the full-scale system for more than three years, EPA has tracked a continual reduction of hexavalent chromium in treated ground water from concentrations initially exceeding 10 milligrams per liter to

concentrations of less than 0.1 milligrams per liter. This reduction cuts risk significantly and will save taxpayers more than \$1 million.

**New Method Detects Environmental Damage From Underground Storage Tanks:** The Land Restoration Research Program conducted modeling and field investigations to evaluate the fate and transport of methyl tertiary butyl ether (MTBE), ethanol, and other fuel oxygenates—chemicals added to gasoline to increase burning efficiency. The new EPA method is now publicly available ([www.epa.gov/athens/onsite](http://www.epa.gov/athens/onsite)) and routinely applied to many methyl tertiary butyl ether spills from underground storage tanks. Regulators in California, Michigan, New York, Utah, Virginia, West Virginia, and Wisconsin are using EPA tools to predict the fate and transport of methyl tertiary butyl ether in ground water from leaking gasoline tanks and to examine effects on water aquifers. In addition, knowledge gained from the research on fuel oxygenates, including ethanol, was applied to potential ground water contamination issues associated with biofuels.

**EPA Conducts Asbestos Health Effects Research:** EPA has been working in Libby, Montana, since 1999, when an emergency response team was sent to investigate concerns about asbestos-contaminated vermiculite. Since then, EPA has been working closely with the community to clean up contamination and reduce risks to human health. To support the Libby risk assessment, EPA developed the Libby Action Plan and continues to assess the health effects of asbestos fibers. Development and implementation of the Libby Action Plan is an interagency effort involving EPA Headquarters, EPA Region 8, and the Agency for Toxic Substances and Disease Registry. EPA's ongoing cleanup and research efforts continue to make Libby a safer place to work and live.

**EPA Evaluates Cutting-Edge Science on Nanotechnology:** In support of the Nanomaterial Research Strategy, EPA's research office began in-house research to understand which nanomaterials are most likely to enter the environment and how they move and transform within environmental media. This information will help the Agency focus its human health and ecological effects research on those nanomaterials and pathways with the most potential for harmful human exposure. In 2008 EPA scientists demonstrated that making changes to specific nanoparticles, such as coating the particles with a layer of particular types of molecules, could change their toxicity.

### **FY 2008 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 foundations for the Agency's budget. Frequently, Program Projects support multiple performance measurements and objectives. This chart lists the Program Projects and associated resources that support this objective.*

*\*\*Resources associated with Program Projects might not match the goal and objective obligations exactly because of rounding.*

<b>Goal 3: Objective 3 - Enhance Science and Research</b>			
<b>Program Project</b>	<b>FY 2006 Obligations</b>	<b>FY 2007 Obligations</b>	<b>FY 2008 Obligations</b>
Congressionally Mandated Projects	\$3,507.5	\$20.1	(\$59.4)
Homeland Security: Communication and Information	\$66.0	\$95.6	\$44.6
Homeland Security: Protection of EPA Personnel and Infrastructure	\$371.0	\$256.3	\$287.7
Research: Land Protection and	\$66,353.0	\$66,102.9	\$58,618.0

Restoration			
Research: SITE Program	\$4,569.5	\$97.5	(\$14.4)
Superfund: Remedial	\$6,554.2	\$3,691.8	\$4,115.6
Administrative Law	\$47.2	\$51.0	\$58.4
Alternative Dispute Resolution	\$13.3	\$12.4	\$30.0
Central Planning, Budgeting, and Finance	\$1,087.7	\$1,128.1	\$671.7
Civil Rights / Title VI Compliance	\$78.7	\$70.5	\$69.3
Congressional, Intergovernmental, External Relations	\$265.6	\$252.4	\$250.9
Exchange Network	\$349.1	\$353.7	\$181.4
Facilities Infrastructure and Operations	\$1,218.6	\$2,358.9	\$4,941.3
Acquisition Management	\$509.6	\$504.5	\$3,773.9
Human Resources Management	\$788.2	\$706.6	\$1,165.3
Information Security	\$98.7	\$99.9	\$72.5
IT / Data Management	\$4,280.3	\$4,144.3	\$4,481.0
Legal Advice: Environmental Program	\$463.6	\$483.3	\$330.0
Legal Advice: Support Program	\$207.7	\$167.8	\$73.7
Audits, Evaluations, and Investigations	\$402.5	\$467.1	\$298.5
Regional Science and Technology	\$12.4	\$14.1	\$1.6
Science Advisory Board	\$49.1	\$49.4	\$57.1
Small Minority Business Assistance	\$20.7	\$24.3	\$29.5
Financial Assistance Grants / IAG Management	\$376.4	\$464.1	\$723.7
Regulatory/Economic-Management and Analysis	\$179.5	\$178.9	\$173.3
<b>Total</b>	<b>\$91,870.1</b>	<b>\$81,795.5</b>	<b>\$80,375.2</b>

### Additional Information Related to Objective 3

#### Web Links:

Final Report: Absorption and Release of Contaminants On to Engineered Nanoparticles:  
[http://cfpub.epa.gov/ncer\\_abstracts/index.cfm/fuseaction/display.abstractDetail/abstract/7392/report/F](http://cfpub.epa.gov/ncer_abstracts/index.cfm/fuseaction/display.abstractDetail/abstract/7392/report/F)

#### **Program Assessment Rating Tool (PART):**

In FY 2008, EPA developed and implemented an action plan for all Agency Program Assessment Rating Tool measures in response to a government-wide Agency Program Assessment Rating Tool measure review. The plan leveraged ongoing strategic and annual planning and reflected performance measure improvements. The tables of measures and results provided in Section II of this report, "Performance Results," identify all Program Assessment Rating Tool measures, which make up more than two-thirds of EPA's performance measures. Please refer to [www.expectmore.gov](http://www.expectmore.gov) for more detailed information.

### Goal 3: Land Preservation and Restoration

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: 3.1: PRESERVE LAND

By 2011, 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.

Performance Measures Met	Performance Measures Not Met	Data Available After November 17, 2008	Total Performance Measures
4	1	2	7

#### SUB-OBJECTIVE: 3.1.1: Reduce Waste Generation and Increase Recycling

By 2011, reduce materials use through product and process redesign, and increase materials and energy recovery from wastes otherwise requiring disposal.

##### Strategic Target (2)

By 2011, increase the use of coal combustion ash to 50 percent from 32 percent in 2001.

Annual Performance Measures and Baselines	FY 2005		FY 2006		FY 2007		FY 2008		Unit
	Target	Actual	Target	Actual	Target	Actual	Target	Actual	
(MW2) Percentage increase of coal combustion ash that is used instead of disposed.					1.8 Increase over prior year	-0.7	1.8 Increase over prior year	Data Available September 2009	Percent
Baseline - In 2007, 42.7 percent of coal combustion ash was used rather than landfilled. This is ahead of our cumulative target of 42.6 percent.									
Explanation - The amount of coal ash used instead of disposed in 2007 was 42.7 percent, a decrease of 0.7 percentage points from the 2006 level.									

### Strategic Target (3)

By 2011, increase by 118 the number of tribes covered by an integrated waste management plan compared by FY 2006.

Annual Performance Measures and Baselines	FY 2005		FY 2006		FY 2007		FY 2008		Unit
	Target	Actual	Target	Actual	Target	Actual	Target	Actual	
(MW8) Number of tribes covered by an integrated solid waste management plan.					27	28	26	35	Tribes
Baseline - This is a new measure for FY 2007. The baseline is established as zero since any waste management plans developed before 2007 were reassessed based on guidelines issued that year. No tribes were covered by an integrated solid waste management plan in 2006									

### Strategic Target (4)

By 2011, close, clean up, or upgrade 138 open dumps in Indian country and on other tribal lands compared to FY 2006.

Annual Performance Measures and Baselines	FY 2005		FY 2006		FY 2007		FY 2008		Unit
	Target	Actual	Target	Actual	Target	Actual	Target	Actual	
(MW5) Number of closed, cleaned up, or upgraded open dumps in Indian Country or on other tribal lands.					30	107	30	166	Open Dumps
Baseline - This is a new measure for FY 2007. The baseline is established as zero, as this measure concerns open dumps which are addressed starting in FY 2007. No tribes were covered by an integrated solid waste management plan in 2006.									

### No Strategic Target

Annual Performance Measures and Baselines	FY 2005		FY 2006		FY 2007		FY 2008		Unit
	Target	Actual	Target	Actual	Target	Actual	Target	Actual	
(MW3) Daily per capita generation of municipal solid waste (MSW).	4.5	4.5	4.5	4.6	4.5	4.62	4.5	Data Available October 2009	Pounds MSW
Baseline - An analysis conducted at the end of FY 2005 shows approximately 4.5 lbs of MSW per person daily generation.									



Annual Performance Measures and Baselines	FY 2005		FY 2006		FY 2007		FY 2008		Unit
	Target	Actual	Target	Actual	Target	Actual	Target	Actual	
Explanation – New incoming data reports that the FY 2007 target of 4.5 lbs MSW was met.									

**SUB-OBJECTIVE: 3.1.2: Manage Hazardous Waste and Petroleum Products Properly**

By 2011, reduce releases to the environment by managing hazardous wastes and petroleum products properly.

**Strategic Target (1)**

By 2011, prevent releases at 500 RCRA hazardous waste management facilities by implementing initial approved controls or updated controls. (The universe of facilities will be reassessed in FY 2009. However, we currently estimate that there will be about 820 facilities that will require these controls. The goal of 500 represents about 60 percent of the universe of 820 facilities.)

Annual Performance Measures and Baselines	FY 2005		FY 2006		FY 2007		FY 2008		Unit
	Target	Actual	Target	Actual	Target	Actual	Target	Actual	
(HW3) Annual increase in the percentage of RCRA hazardous waste management facilities with permits or other approved controls.	2.8	3.1	2.5	4.3	2.4	2.9	1.8	2.0	Percent
Baseline – At the end of FY 2006, the percentage of hazardous waste management facilities with permits or other approved controls nationwide was 91.4 percent.									

**Strategic Target (2)**

By 2011, increase the percentage of UST facilities that are in significant operational compliance with both release detection and release prevention requirements to 71 percent from 66 percent in 2006 (an increase of 5 percent) out of a total estimated universe of approximately 245,000 facilities.

Annual Performance Measures and Baselines	FY 2005		FY 2006		FY 2007		FY 2008		Unit
	Target	Actual	Target	Actual	Target	Actual	Target	Actual	
(ST6) Increase the rate of significant operational compliance by 1% over the previous year's rate (target).	+1	2	66	62	67	63	68	66	Percent
Baseline - Annual targets increase each year by one percent from the FY04 baseline of 64 percent.									

Annual Performance Measures and Baselines	FY 2005		FY 2006		FY 2007		FY 2008		Unit
	Target	Actual	Target	Actual	Target	Actual	Target	Actual	
Explanation - One of EPA's challenges has been maintaining and even increasing the UST compliance rates. Prior to the Energy Policy Act of 2005, many UST facilities were only infrequently inspected, and because of that, had low compliance rates. EPA and states are now inspecting those infrequently inspected facilities and finding many out of compliance, which explains the lower compliance rates we have been measuring. However, EPA believes that by maintaining more frequent inspections in the future, we will ensure better compliance and fewer releases.									

**Strategic Target (3)**

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

Annual Performance Measures and Baselines	FY 2005		FY 2006		FY 2007		FY 2008		Unit
	Target	Actual	Target	Actual	Target	Actual	Target	Actual	
(ST1) No more than 10,000 confirmed releases per year.	<10,000	7,421.00	<10,000	8,361.00	<10,000	7,570.00	<10,000	7,364	UST Releases
Baseline - Between FY 1999 and FY 2008, confirmed UST releases averaged 8,208.									
Explanation - In FY 2008 there were significantly fewer releases from underground storage tanks than the goal of no more than 10,000 releases. To account for this success, the program has made its FY2009 and future goals more challenging by lowering the goal to no more than 9,000 releases.									

**OBJECTIVE: 3.2: RESTORE LAND**

By 2011, 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.

Performance Measures Met	Performance Measures Not Met	Data Available After November 17, 2008	Total Performance Measures
15	3	0	18

**SUB-OBJECTIVE: 3.2.1: Prepare for and Respond to Accidental and Intentional Releases**

By 2011, reduce and control the risks posed by accidental and intentional releases of harmful substances by improving our Nation's capability to prevent, prepare for, and respond more effectively to these emergencies.

**Strategic Target (1)**

By 2011, achieve and maintain at least 95 percent of maximum score on readiness evaluation criteria in each region.

Annual Performance Measures and Baselines	FY 2005		FY 2006		FY 2007		FY 2008		Unit
	Target	Actual	Target	Actual	Target	Actual	Target	Actual	
(C8) Score in annual Core Emergency Response assessment.					55	96	65	97.9	Percent
Baseline - In FY 2006, 96 was the average score of the ten EPA regions based on the core emergency response readiness criteria.									

**Strategic Target (2)**

Between 2006 and 2011, complete 975 Superfund-lead hazardous substance removal actions. In FY2005, 175 of these actions were completed.

Annual Performance Measures and Baselines	FY 2005		FY 2006		FY 2007		FY 2008		Unit
	Target	Actual	Target	Actual	Target	Actual	Target	Actual	
(132) Superfund-lead removal actions completed annually.	195	172.00	195	157.00	195	200.00	195	215	Removals
Baseline - In FY 2006, there were 157 Superfund-lead removal actions completed, for a total of approximately 5,300 completions since 1980.									

**Strategic Target (3)**

Between 2006 and 2011, oversee and complete 650 voluntary removal actions. In FY2005, 137 of these actions were completed.

Annual Performance Measures and Baselines	FY 2005		FY 2006		FY 2007		FY 2008		Unit
	Target	Actual	Target	Actual	Target	Actual	Target	Actual	
(135) Voluntary removal actions, overseen by EPA, completed.	105	137.00	115	93.00	120	151.00	125	157	Removals
Baseline - In FY 2006, there were 97 voluntary removal actions completed, for a total of approximately 1,200 completions since 1980									

**Strategic Target (4)**

By 2011, reduce by 25 percent the gallons of oil spilled by facilities subject to Facility Response Plan regulations relative to the 601,000 gallons of oil spilled in 2003.

**Strategic Target (5)**

By 2011, inspect (and ensure compliance at) 90 percent of the estimated 4,200 facilities subject to Facility Response Plan regulations, up from 50 percent in 2004.

Annual Performance Measures and Baselines	FY 2005		FY 2006		FY 2007		FY 2008		Unit
	Target	Actual	Target	Actual	Target	Actual	Target	Actual	
(329) Percentage of inspected facilities subject to Facility Response Plan (FRP) regulations found to be in compliance.	100	77	100	71	75	67	78	66	Percent
Baseline - In FY 2006, 71 percent of inspected facilities subject to Facility Response Plan regulations were found to be in compliance.									
Explanation - The lower than expected result is due to inspection of facilities anticipated to be out of compliance with SPCC and/or Facility Response Plan regulations as a results of state referrals, citizen complaints, and/or recent reports of oil discharge at these facilities. EPA focuses its limited resources on inspecting facilities about which we have received complaints and/or referrals.									

**No Strategic Target**

Annual Performance Measures and Baselines	FY 2005		FY 2006		FY 2007		FY 2008		Unit
	Target	Actual	Target	Actual	Target	Actual	Target	Actual	
(324) Number of inspections and exercises conducted at oil storage facilities that are required to have Facility Response Plans.	360	335	100	345	200	335	250	334	Inspections/ Exercises
Baseline - In FY 2006, there were 345 inspections and exercises conducted at oil storage facilities that are required to have Facility Response Plans.									
(328) Percentage of inspected facilities subject to Spill Prevention, Control and Countermeasures (SPCC) regulations found to be in	100	100	100	50	53	40	55	35	Percent

Annual Performance Measures and Baselines	FY 2005		FY 2006		FY 2007		FY 2008		Unit
	Target	Actual	Target	Actual	Target	Actual	Target	Actual	
compliance.									
Baseline - In FY 2006, 50 percent of inspected facilities subject to SPCC regulations were found to be in compliance.									
Explanation - The lower than expected result is due to inspection of facilities anticipated to be out of compliance with SPCC and/or Facility Response Plan regulations as a results of state referrals, citizen complaints, and/or recent reports of oil discharge at these facilities. EPA focuses its limited resources on inspecting facilities about which we have received complaints and/or referrals.									

**SUB-OBJECTIVE: 3.2.2: Clean Up and Revitalize Contaminated Land**

By 2011, 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.

**Strategic Target (1)**

By 2011, make final assessment decisions at 40,491 of 44,700 potentially hazardous waste sites evaluated by EPA to help resolve community concerns on whether these sites require long-term cleanup to protect public health and the environment and to help determine if they can be cleared for possible redevelopment.

Annual Performance Measures and Baselines	FY 2005		FY 2006		FY 2007		FY 2008		Unit
	Target	Actual	Target	Actual	Target	Actual	Target	Actual	
(121) Superfund final site assessment decisions completed.	500	551.00	419	518.00	350	395.00	400	415	Assessments
Baseline - By the end of FY 2005, a cumulative total of 39,288 final site assessment decisions had been made since the program's inception.									
Explanation - By the end of FY 2008, a cumulative total of 40,187 final site assessment decisions had been made since the program's inception.									

**Strategic Target (2)**

By 2011, control all identified unacceptable human exposures from site contamination for current land and/or groundwater use conditions at approximately 85 percent (1,316) of 1,544 Superfund final and deleted NPL sites in the environmental indicator reporting universe .BY 2011, increase to 95 percent the high National Corrective Action Prioritization System (NCAPS)-ranked RCRA facilities with human exposures to toxins controlled. (The universe of all facilities that need RCRA corrective action will be final by the end of FY 2007 and will include all high, medium and low ranked facilities.)

Annual Performance Measures and Baselines	FY 2005		FY 2006		FY 2007		FY 2008		Unit
	Target	Actual	Target	Actual	Target	Actual	Target	Actual	
(151) Number of Superfund sites with human exposures under control.			10	34.00	10	13.00	10	24	Sites
Baseline - By the end of FY 2005, Superfund had controlled human exposures at 80 percent (1,235) of 1544 final and deleted NPL sites in the environmental indicator reporting universe in that year.									
Explanation - By the end of FY 2008, Superfund had controlled human exposures at 1306 final and deleted NPL sites in the environmental indicator reporting universe.									
(CA6) Percentage of RCRA Corrective Action (CA) facilities with current human exposures under control (using 2008 baseline).			82	89	92	93	95	96.2	Percent
Baseline - In FY 2006, 88 percent of facilities have human exposures controlled, reflecting the strong EPA/state partnership in this program.									

### Strategic Target (3)

By 2011, control the migration of contaminated groundwater through engineered remedies, natural processes, or other appropriate actions at 74 percent (1,017) of 1,381 Superfund groundwater sites. (The universe of 1,381 sites is the number of NPL sites with groundwater contamination as of FY 2005 and includes 166 Superfund federal facility sites) By 2011, increase to 80 percent the high NCAPS-ranked RCRA facilities with migration of groundwater under control. (The universe of all facilities that need RCRA corrective action will be final by the end of FY 2007 and will include all high, medium and low ranked facilities.)

Annual Performance Measures and Baselines	FY 2005		FY 2006		FY 2007		FY 2008		Unit
	Target	Actual	Target	Actual	Target	Actual	Target	Actual	
(152) Superfund sites with contaminated groundwater migration under control.			10	21	10	19	15	20	Sites
Baseline - By the end of FY 2005, Superfund had controlled groundwater migration at 68 percent (937) of 1381 groundwater sites in that year.									
Explanation - By the end of FY 2008, Superfund had controlled groundwater migration at 997 groundwater sites.									

Annual Performance Measures and Baselines	FY 2005		FY 2006		FY 2007		FY 2008		Unit
	Target	Actual	Target	Actual	Target	Actual	Target	Actual	
(CA7) Percentage of RCRA CA facilities with migration of contaminated groundwater under control (using 2008 baseline).			68	74	77	78	81	83.4	Percent
Baseline - In FY 2006, 73 percent of facilities have groundwater migration controlled, reflecting the strong EPA/state partnership in this program.									

**Strategic Target (4)**

By 2011, reduce the backlog of LUST cleanups (confirmed releases that have yet to be cleaned up) that do not meet state risk-based standards for human exposure and groundwater migration from 26 percent down to 21 percent. By 2011, increase to 22 percent the RCRA facilities with final remedies constructed. (The universe of all facilities that need RCRA corrective action will be final by the end of FY 2007 and will include all high, medium and low ranked facilities.) By 2011, complete construction of remedies at 76 percent (1,171) of 1,547 Superfund sites. (The universe of 1,547 sites is the total number of sites on the NPL as of FY 2005 and includes 72 Superfund federal facilities.

Annual Performance Measures and Baselines	FY 2005		FY 2006		FY 2007		FY 2008		Unit
	Target	Actual	Target	Actual	Target	Actual	Target	Actual	
(112) Number of cleanups that meet state risk-based standards for human exposure and groundwater migration (tracked as the number LUST cleanups completed).	14,500	14,583	13,600	14,493	13,000	13,862	13,000	12,768	Cleanups
Baseline - In FY 2006, EPA completed 14,493 leaking underground storage tank cleanups (LUST), for a cumulative total of 350, 813 cleanups completed since the inception of the program. LUST cleanups completed in Indian Country are included in this number.									
Explanation - The goal of completing 13,000 cleanups per year from leaking underground storage tanks has become increasingly challenging to EPA and our state and tribal partners. There are a number of factors affecting this challenge, such as the increasing costs and complexity of cleanups, decreasing state budgets and increasing state workloads, and other factors.									
(113) Number of cleanups that meet risk-based standards for human exposure and groundwater	30	53	30	43	30	54	30	40	Cleanups

Annual Performance Measures and Baselines	FY 2005		FY 2006		FY 2007		FY 2008		Unit
	Target	Actual	Target	Actual	Target	Actual	Target	Actual	
migration in Indian Country.									
Baseline - In FY 2006, EPA completed 43 leaking underground storage tank (LUST) cleanups in Indian Country, for a cumulative total of 738 LUST cleanups completed in Indian Country since the inception of the program.									
Explanation - In FY 2008, EPA met and exceeded its goal.									

Annual Performance Measures and Baselines	FY 2005		FY 2006		FY 2007		FY 2008		Unit
	Target	Actual	Target	Actual	Target	Actual	Target	Actual	
(141) Annual number of Superfund sites with remedy construction completed.	40	40	40	40	24	24	30	30	Completions
Baseline - By the end of FY 2005, Superfund had completed construction at 62 percent (966) of 1547 final and deleted NPL sites in that year.									
Explanation - By the end of FY 2008. Superfund had completed construction at 1060 final and deleted NPL sites.									
(CA5) Percent of RCRA construction completions using 2008 baseline.			13	22	25	28	27	34.6	Percent
Baseline - In FY 2006, RCRA achieved 22 percent construction completions.									

**Strategic Target (5)**

By 2011, ensure that 36 percent (345) of 966 final and deleted construction complete NPL sites are ready for anticipated use site-wide.

Annual Performance Measures and Baselines	FY 2005		FY 2006		FY 2007		FY 2008		Unit
	Target	Actual	Target	Actual	Target	Actual	Target	Actual	
(S10) Number of Superfund sites ready for anticipated use site-wide.					30	64	30	85	Sites
Baseline - As of July 2006, 20 percent (194) of the 966 final and deleted construction complete NPL sites in that year met EPA's									



Annual Performance Measures and Baselines	FY 2005		FY 2006		FY 2007		FY 2008		Unit
	Target	Actual	Target	Actual	Target	Actual	Target	Actual	
definition for ready for anticipated use site-wide.									
Explanation - By the end of FY 2008, 343 final and deleted NPL construction NPL sites met EPA's definition for ready for anticipated use site-wide.									

**SUB-OBJECTIVE: 3.2.3: Maximize Potentially Responsible Party Participation at Superfund Sites**

Through 2011, conserve federal resources by ensuring that potentially responsible parties conduct or pay for Superfund cleanups whenever possible.

**Strategic Target (1)**

Each year through 2011, reach a settlement or take an enforcement action before the start of a remedial action at 95 percent of Superfund sites having viable, liable responsible parties other than the federal government.

Annual Performance Measures and Baselines	FY 2005		FY 2006		FY 2007		FY 2008		Unit
	Target	Actual	Target	Actual	Target	Actual	Target	Actual	
(285) Percentage of Superfund sites at which settlement or enforcement action taken before the start of remedial action (RA).	90	100	90	100	95	98	95	95	Percent
Baseline - In FY 1998 approximately 70 percent of new remedial work at NPL sites (excluding federal facilities) was initiated by private parties. In FY 2003, 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.									

**Strategic Target (2)**

Each year through 2011, address all unaddressed costs in Statute of Limitations cases for Superfund sites with unaddressed total past Superfund costs equal to or greater than \$200,000.

Annual Performance Measures and Baselines	FY 2005		FY 2006		FY 2007		FY 2008		Unit
	Target	Actual	Target	Actual	Target	Actual	Target	Actual	
(078) Refer to Department of Justice, settle, or write off 100% of Statute of Limitations (SOLs) cases for Superfund sites with	100	99	100	100	100	98	100	100	Percent

Annual Performance Measures and Baselines	FY 2005		FY 2006		FY 2007		FY 2008		Unit
	Target	Actual	Target	Actual	Target	Actual	Target	Actual	
total unaddressed past costs equal to or greater than \$200,000 and report value of costs recovered.									
Baseline - In FY 1998 the Agency will have addressed 100 percent of Cost Recovery at all NPL & non-NPL sites with total past costs equal or greater than \$200,000.									

**OBJECTIVE: 3.3: ENHANCE SCIENCE AND RESEARCH**

Through 2011, provide and apply sound science for protecting and restoring land by conducting leading-edge research, which through collaboration, leads to preferred environmental outcomes

Performance Measures Met	Performance Measures Not Met	Data Available After November 17, 2008	Total Performance Measures
3	1	0	4

**OBJECTIVE-LEVEL MEASURES**

Annual Performance Measures and Baselines	FY 2005		FY 2006		FY 2007		FY 2008		Unit
	Target	Actual	Target	Actual	Target	Actual	Target	Actual	
(H89) Percentage of planned outputs delivered in support of the managed material streams, conserve resources and appropriately manage waste long-term goal.	100	100	100	100	100	100.00	100	100	Percent
Baseline - In 2003, the program began measuring the planned outputs delivered in support of the materials management, resources conservation and waste management long-term goal; 67 percent of its outputs were completed on time. This measure contributes to EPA's goal of providing scientifically sound guidance and policy decisions related to the use of land protection and restoration.									
(H90) Percentage of planned outputs delivered in support of the mitigation, management and long-	100	70	100	96	100	100.00	100	100	Percent

Annual Performance Measures and Baselines	FY 2005		FY 2006		FY 2007		FY 2008		Unit
	Target	Actual	Target	Actual	Target	Actual	Target	Actual	
term stewardship of contaminated sites long-term goal.									
Baseline - In 2003, the program began measuring the planned outputs delivered in support of the mitigation, management and long-term stewardship of contaminated sites long-term goal; 87 percent of its outputs were completed on time. This measure contributes to EPA's goal of providing scientifically sound guidance and policy decisions related to the use of land protection and restoration.									

(H88) Percentage of Land research publications rated as highly cited publications.	Baseline	25.3	N/A	N/A	N/A	N/A	26.8	18	Percent
Baseline – In FY 2005, 25.3 percent of research publications were rates as highly cited publications.									
Explanation – In 2005, the citation analysis required publications to be categorized using data from Thomson's <i>Journal Citation Reports</i> . In 2006, Thomson Scientific's <i>Essential Science Indicators (ESI)</i> released journal categories for the first time, which provide more accurate overall citation rates. A revised analysis of the 2005 data indicated that only 19.9 percent of Land Research Program publications were "highly cited" in 2005; the 2008 data reflect a slight decrease from that citation percentage. Additional benchmarking and trend data are necessary before more meaningful future targets can be established.									

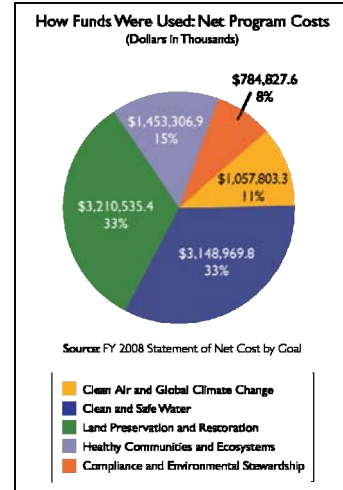
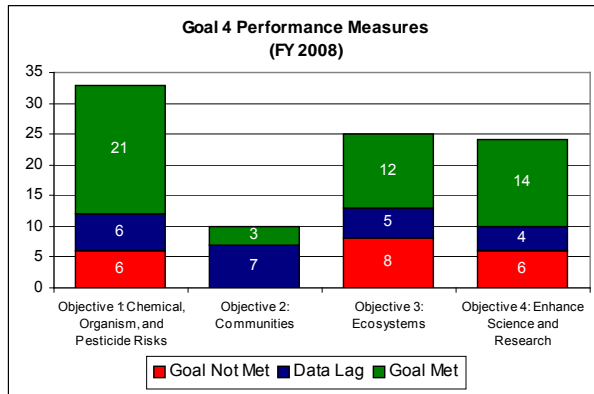
(H87) 'Percentage of Land publications in "high impact" journals.	Baseline	24.2	N/A	N/A	N/A	N/A	25.7	26.2	Percent
Baseline – In FY 2005, 24.2 percentage of Land publications were in "high impact" journals.									
Explanation – The 2008 data exceed the original targets established from the baseline but additional benchmarking and trend data are necessary before more meaningful future targets can be established.									

## GOAL 4: HEALTHY COMMUNITIES AND ECOSYSTEMS

### Goal at a Glance

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

Goal 4 FY 2008  
Performance Measures  
Met = 50 Not Met = 20 Data Available After November 17, 2008 = 22  
(Total Measures = 92)



Goal 4 FY 2008 Performance and Resources		
Strategic Objective	FY 2008 Obligations (in thousands)	% of Goal 4 Funds
<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.	\$475,850.1	33%
<b>Objective 2 – Communities</b> Sustain, clean up, and restore communities and the ecological systems that support them.	\$298,998.4	21%
<b>Objective 3 – Ecosystems</b> Protect, sustain, and restore the health of natural habitats and ecosystems.	\$272,638.5	19%
<b>Objective 4 – Enhance Science and Research</b> 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.	\$405,819.9	28%
<b>Goal 4 Total</b>	<b>\$1,453,306.9</b>	<b>100%</b>

**“EPA has now completed the reassessment of all pesticides, including those in food and around homes, resulting in the most health-protective standards in the world for pesticide safety.”**

- Jim Gulliford, Assistant Administrator for the Office of Prevention, Pesticides, and Toxic Substances

## Goal Purpose: Healthy Communities and Ecosystems

To protect, sustain, and restore the 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, that pesticides and chemicals already in commerce do not harm U.S. health or environment, and that action is taken to reduce risks from pesticides and chemicals of greatest concern.

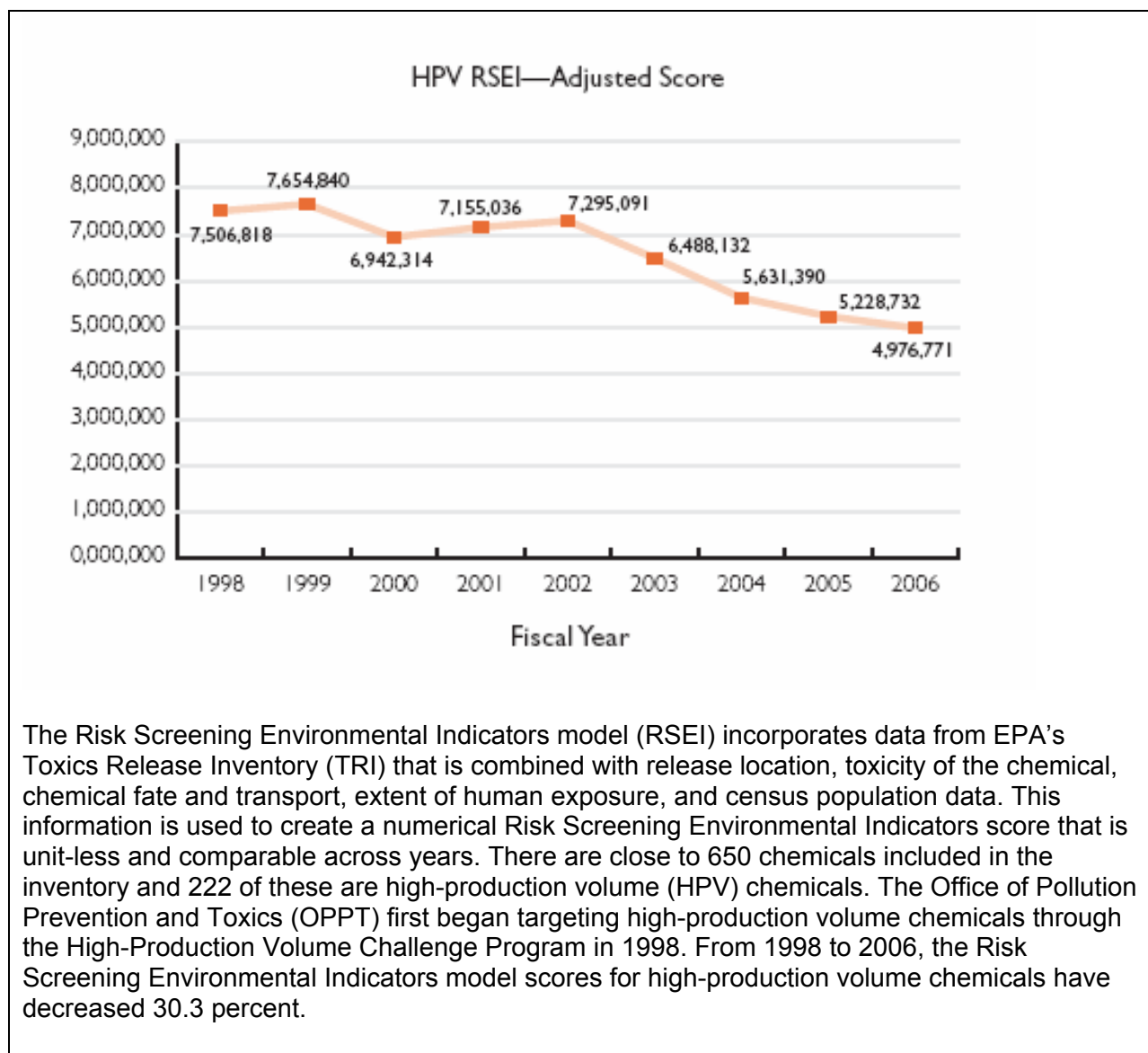
Many EPA programs to achieve and sustain healthy communities are designed to bring tools, resources, and approaches to bear at the local level. The Agency encourages community redevelopment by providing funds to identify, assess, and clean up the estimated hundreds of thousands of properties that lie abandoned or unused due to previous pollution. EPA helps promote public involvement and establishes a sense of environmental stewardship to sustain environmental improvements by forging partnerships with communities to address local pollution problems.

EPA also collaborates 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 partners and stakeholders, EPA has established special programs to protect and restore natural resources.

Some threats to Americans' health and environment originate outside U.S. borders. Many pollutants can easily travel 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 participating in bilateral programs, cooperating with multinational organizations, and contributing to a set of measurable environmental and health end points.

Sound science guides the Agency in identifying and addressing emerging issues and advances its understanding of long-standing human health and environmental challenges. EPA's cutting edge research helps it better characterize risks and benefits, furthers its ability to measure and describe environmental conditions, and encourages stewardship and sustainable solutions to environmental problems.

## Data Trends



## Data Quality

EPA uses data from its performance measurements to manage and ensure that the data are complete and reliable; they are subject to the Agency's Quality System policies and procedures. Every performance measure in this report has corresponding in-depth information to explain the data's source, limitations, and other factors. This report includes examples in each goal to better inform EPA's stakeholders. For a complete list of this information, visit [www.epa.gov/ocfo/budget/2008/verify\\_validation.pdf](http://www.epa.gov/ocfo/budget/2008/verify_validation.pdf). This is particularly helpful for performance measures with data lags in FY 2008 due to reporting cycles.

## Performance Measure

### **Annual Reduction in the Production-Adjusted Risk Based Score of Releases and Transfers of High Production Volume Chemicals From Manufacturing Facilities**



**What This Shows:** This trend is decreasing over time. From 1998 to 2005, Risk Screening Environmental Indicators scores for high-production volume chemicals have decreased 30.3 percent. This trend decreased at an accelerating rate starting in 2002 after the Office of Pollution Prevention and Toxics started making significant resource investments to implement the High-Production Volume Challenge Program.

**Source:** The Risk Screening Environmental Indicators model incorporates data on chemical emissions and transfers and facility locations from EPA's Toxics Release Inventory; chemical toxicity data from EPA's Integrated Risk Information System; stack data from EPA's Aerometric Information Retrieval System/Facility Subsystem and National Emissions Trends Database and the Electric Power Research Institute; meteorological data from the National Climatic Data Center; stream reach data from EPA's Reach File 1 Database; data on drinking water systems from EPA's Safe Drinking Water Information System; fishing activity data from the U.S. Fish and Wildlife; exposure factors from EPA's Exposure Factor Handbook; and population data from the U.S. Census Bureau.

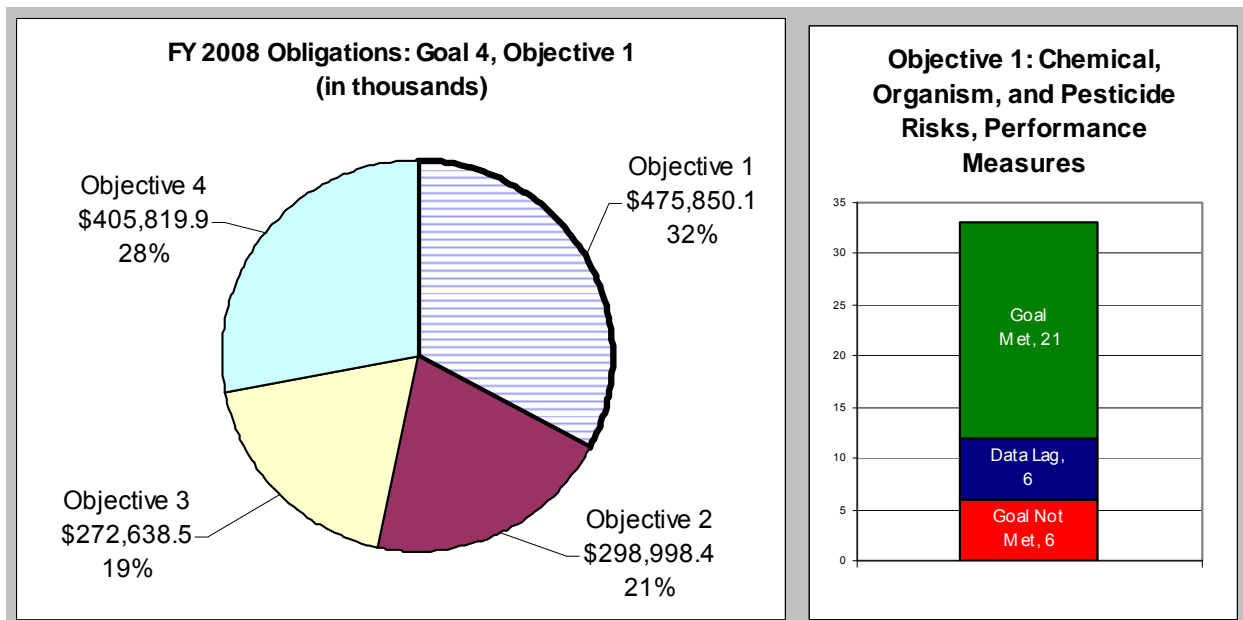
**Data Limitations:** The Risk Screening Environmental Indicators model relies on data from a variety of EPA and other sources. Toxics Release Inventory data may have errors that are not corrected in the standard inventory quality control process. In the past, the Risk Screening Environmental Indicators model has identified some of these errors and corrections have been made by reporting companies. Drinking water intake locations are not available for all intakes nationwide. In coastal areas, publicly owned treatment works (POTW) water releases may go directly to the ocean, rather than nearby streams. EPA is in the process of systematically correcting potential errors regarding these water releases.

## **Contributing Programs**

Brownfields and Land Revitalization, 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 and Program Efforts, 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, Other Geographic Programs (including Lake Pontchartrain, Puget Sound, and South Florida), Persistent Organic Pollutants, Pesticides and Toxics Research, Pesticides Licensing and Implementation, Smart Growth, Research Fellowships, State and Local Prevention and Preparedness, Targeted Watersheds, U.S.-Mexico Border, Wetlands.



## Objective 4.1: Chemical, Organism, and Pesticide Risks



Under the Toxic Substances Control Act (TSCA), EPA is charged with identifying and managing unreasonable risks to human health and the environment associated with chemicals in U.S. commerce. EPA conducts two major activities to fulfill this commitment:

6. Managing risks from new chemicals before they enter commerce.
7. Managing risks from existing chemicals already in commerce that appear on the Toxic Substances Control Act Inventory.

**EPA Successfully Reviews 1,200 New Chemicals:** Through the new chemicals program, EPA serves as America's gatekeeper, ensuring that new chemicals introduced into U.S. commerce do not pose unreasonable risks to humans or the environment. To mark progress, the program compares incoming Toxic Substances Control Act notices of substantial risk with previously assessed new chemical submissions, to determine whether initial EPA review properly identified those risks. This comparison did not identify any new unreasonable risks 109 out of 110 times from FY 2004 to FY 2007, providing strong testimony to the high-caliber analyses performed for approximately 1,200 new chemicals annually.

**Risk Reduction Practices Lower Risk by 39.5 Percent for Major Chemicals:** EPA is also charged with assessing and acting on the thousands of chemicals already in commerce. The Agency uses several performance measures to judge its progress, including two that are measured through the Risk Screening Environmental Indicators model, which combines manufacturing chemical data with chemical hazard and U.S. Census data to generate production-adjusted relative risk indices. The Risk Screening Environmental Indicators measure focuses on risk reductions for high-production volume chemicals, including many of the most commonly produced, and might best exemplify EPA's overall progress on existing chemicals over the past decade. Although 2008 results will not be available until FY 2010, due to reporting schedules, newly available data for 2006 show significant progress, bringing a cumulative risk

reduction to 39.5 percent for all chemicals since 2001. For High-production volume chemicals, an additional 1.8 percent reduction was realized for 2006.

***New Program Helps Fill Gaps for Chemical Hazard Data:*** In March 2008, EPA introduced the Chemical Assessment and Management Program (ChAMP) to accelerate the assessment of thousands of unevaluated chemicals. The Chemical Assessment and Management Program formalizes a U.S. international commitment to assess and take action on 6,750 high- and moderate-production volume chemicals (HPVs and MPVs) by 2012, as well as additional initiatives to obtain hazard data for nearly 1,000 inorganic chemicals and to “reset” the Toxic Substances Control Act Inventory.

The Chemical Assessment and Management Program grew out of EPA’s High-Production Volume Challenge Program. As of August 2008, chemical companies and industry consortia have voluntarily provided data for 1,386 U.S. high-production volume chemicals and 857 international chemicals under the Chemical Assessment and Management Program. These data are combined with newly available exposure and use information from the updated 2006 the Toxic Substances Control Act Inventory Update Reporting to develop screening level risk-based prioritizations. When exposure or use information is not available, as is the case for most moderate-production volume chemicals, screening-level hazard-based prioritizations are created. In FY 2008, 150 risk-based prioritizations and 14 hazard-based prioritizations were completed. Fifty-five hazard based prioritizations are on track to be completed in early FY 2009. Risk management action will be initiated immediately for chemicals identified under the Chemical Assessment and Management Program as high-priority special concerns.

***More Companies Partner With EPA to Assess Risks of Nanotechnology:*** In January 2008, EPA launched the Nanoscale Materials Stewardship Program. This initiative seeks voluntary information on the hazards and risks of nanoscale materials from manufacturers, processors, users, or importers. Nanotechnology, the study and use of matter on an atomic or molecular scale, offers enormous promise as well as potential liability to impact human health and the environment. EPA is gathering information to support research for these substances while evaluating its regulatory responsibility to protect the environment and human health.

As of August 7, 2008, 20 companies and trade organizations have submitted information under the basic program, and 10 more have committed to submit information in the future. Three companies additionally committed to participate in a more in-depth program. This information is being made publicly available and outreach is ongoing to encourage further participation. In addition, EPA received and took regulatory action on 11 nanoscale materials through the Premanufacture Notice Review Program.

***EPA Helps Reduce Perfluorooctanoic Acid (PFOA) Emissions:*** Under the global Perfluorooctanoic Acid Stewardship Program, the Agency continued its work to reduce the sources and pathways of exposure to perfluorooctanoic acid, a chemical used in many products including Teflon and microwave popcorn bags. Participating companies have committed to reducing perfluorooctanoic acid and related chemicals from emissions and products by 95 percent no later than 2010 and to work toward eliminating emissions and product content by 2015. As of February 2008, the first report shows substantial progress, with three of eight participating companies reporting reductions in perfluorooctanoic acid emissions and related chemicals of more than 98 percent.

***EPA Makes Progress in Managing Risks From Legacy Chemicals:*** New risks issues posed by a set of prominent “legacy” chemicals continue to emerge and require EPA to launch national

efforts to reduce current and future exposure and associated risks. Significant progress has occurred in addressing risks from such as mercury, asbestos, formaldehyde, and polychlorinated biphenyls (PCBs) in FY 2008.

In FY 2008, EPA made progress on many of the commitments outlined in EPA's *Roadmap for Mercury*. Developed in 2006, this roadmap explains how the Agency plans to address mercury issues domestically and internationally. Highlights of progress include:

- Development and application of a mercury products and alternatives database to assess and initiate follow-up regulation action on certain mercury products.
- Publication of a Chemical Management Guide for school administrators.
- Work with states to promote recycling of fluorescent lamps and other best management practices for products such as dental amalgam and non-ferrous thermometers.

EPA promoted the purchase of non-mercury products through several partnership programs including Environmentally Preferable Purchasing and Partnership for Sustainable Healthcare. In 2008, EPA has also made substantial strides in promoting the reduction of mercury use in products globally through international Mercury Products Partnerships. EPA's work under these partnerships includes efforts to reduce or eliminate mercury in products by exchanging information and expertise, transferring and applying best management practices, developing and improving mercury use and emission inventories, providing technical assistance to implement mercury product substitution and reduction programs, and raising awareness of mercury in products through public education efforts. In addition to building capacity in products inventory development and reducing mercury use in hospitals and schools worldwide, EPA is working with the Basel Secretariat to build capacity in developing countries to address mercury waste.

EPA reviewed and responded to a Toxic Substances Control Act section 21 petition from numerous organizations and individuals concerned about risks to human health and the environment from exposure to formaldehyde in composite wood products. Thorough review during the 90-day petition review period raised new analyses indicating the potential for prolonged exposure to potentially irritating levels of formaldehyde in new homes due to the use of pressed wood products. After careful review, EPA granted the petition in part and denied it in part, deciding to initiate a proceeding to investigate whether and what type of regulatory or other action might be appropriate. EPA plans to issue an advance notice of proposed rulemaking (ANPR) in October 2008, which will focus on irritation concerns associated with formaldehyde exposure from use of pressed wood products in newly built homes. At the same time, EPA will work to develop a better understanding of the pressed wood industry and alternatives to formaldehyde and will initiate development of a more detailed exposure assessment and a hazard characterization that could be used to evaluate an emissions standard approach. EPA intends to hold a number of public meetings to obtain stakeholder input on this issue.

***New Rule Reduces Children's Exposure to Lead-Based Paint Hazards:*** EPA along with other federal agencies such as the Centers for Disease Control and the Department of Housing and Urban Development are continuing to combat childhood lead poisoning. Eliminating this entirely preventable disease is a cross-agency priority as elevated blood lead levels cause neurological damage and developmental delays. The primary source of lead exposure for children is lead-based paint.

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. Because evidence has shown a higher incidence of childhood lead poisoning among low-income children compared to other children, EPA continues to measure this difference. In the early 1990's, there was a 37 percent difference in elevated blood lead levels between low-income and non-low income children. Most recently available data show that this difference has been reduced to 32 percent.

These data show that EPA is on track to meet ambitious federal governmentwide goals to eliminate childhood lead poisoning as a public health concern. The Agency plans to meet these goals by educating the public, establishing protective regulations, training a large workforce in lead-safe work practices, and making funding available. Through three competitive grant programs, EPA is focusing its funding assistance for lead on the most vulnerable populations in states, localities, and tribal areas. The funds from these grant programs enable communities to educate those at risk, provide lead-awareness training and develop local ordinances aimed at lead abatement.

To reduce children's exposure to hazards created by renovation, repair, and painting that disturb lead-based paint, EPA announced the Renovation, Repair, and Painting Rule, which requires renovation contractors to receive training and use lead-safe work practices renovating in housing and child-occupied facilities built prior to 1978. Affected contractors include builders, painters, plumbers, and electricians. Trained contractors must post warning signs, restrict occupants from work areas, contain work areas to prevent dust from spreading, conduct a thorough cleanup, and verify that cleanup was effective. The Renovation, Repair, and Painting Rule will become fully effective in April 2010, when all contractors covered by the rule must be certified in the use of lead-safe work practices. Prior to that time, EPA is currently working closely with the states, tribes, and territories to encourage them to apply for authorization.

#### **Hazardous Chemicals Removed From 33 Indian Country Schools (Region 8)**

Region 8 successfully removed more than 24,000 pounds of hazardous chemicals from 33 schools in Indian Country. Chemicals removed included neurotoxins, carcinogens, suspected carcinogens, strong oxidizers, flammable hydrocarbons, corrosive, caustic, toxic, and potentially explosive compounds, and flammable solids that can generate very high temperature and are a fire hazard. Chemicals removed were logged, transported, and disposed of at regulated Resource Conservation and Recovery Act Treatment, Storage, and Disposal Facilities. These efforts have made schools safer for 7,604 Native American schoolchildren and teachers.

***Pesticide Concentration in General Population Decreases by 20 Percent:*** EPA's National Pesticide Program promotes public health, safe and abundant food, worker safety, and protection of land and other media from pesticide contamination. EPA's FY 2008 efforts put the Agency on a path to provide long-term health benefits by 2011 that include:

- Reducing the concentration of pesticides detected in the general population by 50 percent. The progress for FY 2008 shows a reduction rate of 20 percent.
- Protecting workers exposed to pesticides by maintaining or improving on the current low incident rate.

- Achieving a 50-percent reduction in moderate to severe incidents for six 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 National 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 Agency has completed its last Reregistration Eligibility Decision. This multi-year effort resulted in the identification of a wide range of potential risks and developed mitigation to address the risks. Final reregistration eligibility decisions will be implemented over the next five years. Other progress in FY 2008 includes completing 1,194 product reregistrations, as well as registering 12 reduced-risk chemicals and biopesticides, eight new active ingredients, and 327 new uses. The Agency fully achieved all registration review goals for the year, with 46 new dockets opened for public review and comment. EPA also met Pesticide Registration Improvement Act (PRIA) deadlines for 99.7 percent of over 1,600 pesticide registration applications received. This fast and consistent turnaround of registration actions helps increase protection of human health and the environment and achieve the social and economic benefits of using pesticides

**Region Partners With Utah Department of Agriculture and Salt Lake City School District for First Region 8 School Integrated Pest Management Project**

The Region 8's first school integrated pest management project was initiated with the Salt Lake City, Utah, school district. Salt Lake City schools successfully reduced pesticide applications by 90 percent without an increase in pest problems. The district soon implemented school integrated pest management in all of its school buildings and spearheaded the formation of the Utah Integrated Pest Management Coalition. Due to the overwhelming success of the Salt Lake City Integrated Pest Management program and the creation of the Utah Coalition, the Jordan School District, Utah's largest, also adopted a school integrated pest management policy.

***EPA Completes Major Efforts in the Endocrine Disruptor Screening Program:*** Since the early 1990s, some chemicals found in the environment have been suspected of disrupting normal hormone development in animals, including humans. These chemicals have been termed "endocrine disruptors," and health effects from exposure to them can include reproductive and other hormone-related abnormalities. By the late 1990s, EPA implemented a program that will require industry to screen and test chemicals for their potential to interact with the endocrine system. The program involves:

- Developing and validating tests for chemicals to be used for screening and testing chemicals.
- 8. Priority setting by selecting chemicals to be screened.
- 9. Developing and implementing procedures for requiring testing.

In FY 2008, EPA continued progress on all three of these components, as described below:

- The program completed validation of nine Tier 1 assays; the cumulative number of assays validated through FY 2008 is 12 of 20 assays. The proposed Tier 1 battery was reviewed by

the Federal Insecticide, Fungicide, and Rodenticide Act Scientific Advisory Panel in March 2008. The panel concluded that the set of Tier 1 assays are appropriate to begin screening for disruptors of Estrogen, Androgen, and Thyroid axes.

- The program reviewed public comments on the draft list of pesticide chemicals for Tier 1 screening and prepared the final list for publication.
- Following extended comment periods, the final draft of the implementation policies and procedures, including the draft information collection request and draft 408(p) orders, were completed and submitted for interagency review. As part of the public comment periods, the Agency was seeking and received comments on measures to minimize duplicative testing, promote fair and equitable cost sharing, protect data from inappropriate public disclosure, and other issues.

#### **FY 2008 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 foundations for the Agency's budget. Frequently, Program Projects support multiple performance measures and objectives. This chart lists the Program Projects and associated resources that support this objective.*

*\*\*Resources associated with Program Projects might not match the goal and objective obligations exactly because of rounding*

<b>Goal 4: Objective 1 - Chemical, Organism, and Pesticide Risks</b>			
<b>Program Project</b>	<b>FY 2006 Obligations</b>	<b>FY 2007 Obligations</b>	<b>FY 2008 Obligations</b>
Categorical Grant: Pesticides Program Implementation	\$14,605.4	\$13,172.1	\$14,413.9
Categorical Grant: Lead	\$14,961.5	\$21,329.7	\$14,785.2
Commission for Environmental Cooperation	\$510.3	\$355.4	(\$0.3)
Congressionally Mandated Projects	\$3,117.8	\$1,140.3	(\$103.6)
Endocrine Disruptors	\$0.0	\$9,870.4	\$6,466.8
Homeland Security: Communication and Information	\$645.8	\$1,006.9	\$797.5
Homeland Security: Preparedness, Response, and Recovery	\$2,072.6	\$5,085.8	\$5,876.2
Homeland Security: Protection of EPA Personnel and Infrastructure	\$4,324.7	\$3,463.3	\$3,106.9
International Capacity Building	\$2,497.5	\$3,193.8	\$2,211.3
Pesticides: Field Programs	\$25,171.1	\$22,968.0	\$5,807.0
Pesticides: Registration of New Pesticides	\$54,496.6	\$62,365.2	\$1,904.8
Pesticides: Review / Reregistration of Existing Pesticides	\$78,948.1	\$74,150.5	\$4,441.3
POPs Implementation	\$1,953.3	\$414.7	\$29.0
Science Policy and Biotechnology	\$0.0	\$1,208.1	\$1,650.5
State and Local Prevention and Preparedness	\$11,425.1	\$12,428.7	\$11,122.0
Toxic Substances: Chemical Risk Management	\$9,658.2	\$8,294.1	\$6,529.4

Toxic Substances: Chemical Risk Review and Reduction	\$43,070.5	\$46,152.7	\$49,709.1
Toxic Substances: Lead Risk Reduction Program	\$12,022.5	\$13,720.3	\$12,701.7
TRI / Right to Know	\$13,887.5	\$14,626.8	\$15,064.3
Administrative Law	\$461.7	\$537.4	\$614.1
Alternative Dispute Resolution	\$130.3	\$130.9	\$149.0
Central Planning, Budgeting, and Finance	\$6,319.8	\$7,127.4	\$8,419.2
Children and other Sensitive Populations	(\$0.1)	\$0.0	\$0.0
Civil Rights / Title VI Compliance	\$862.0	\$848.1	\$826.2
Congressional, Intergovernmental, External Relations	\$3,241.6	\$3,343.6	\$3,270.8
Exchange Network	\$3,413.6	\$3,738.2	\$2,583.1
Facilities Infrastructure and Operations	\$78,308.5	\$76,955.9	\$67,787.9
Acquisition Management	\$4,072.8	\$4,537.5	\$5,498.1
Human Resources Management	\$7,267.7	\$6,891.6	\$7,165.1
Information Security	\$914.9	\$949.9	\$1,310.7
IT / Data Management	\$56,618.7	\$58,348.0	\$52,961.2
Legal Advice: Environmental Program	\$4,559.5	\$5,075.4	\$5,218.5
Legal Advice: Support Program	\$1,946.3	\$1,721.9	\$1,951.6
Audits, Evaluations, and Investigations	\$2,228.8	\$2,372.0	\$2,834.5
Regional Science and Technology	\$197.0	\$207.5	\$105.3
Science Advisory Board	\$480.4	\$520.7	\$600.6
Small Minority Business Assistance	\$202.3	\$256.3	\$310.3
Financial Assistance Grants / IAG Management	\$2,844.7	\$1,840.8	\$2,074.5
Regulatory/Economic-Management and Analysis	\$1,755.2	\$1,884.8	\$1,821.8
Pesticides: Protect Human Health from Pesticide Risk	\$0.0	\$0.0	\$85,098.3
Pesticides: Protect the Environment from Pesticide Risk	\$0.0	\$0.0	\$53,442.0
Pesticides: Realize the Value of Pesticide Availability	\$0.0	\$0.0	\$15,294.1
<b>Total</b>	<b>\$469,194.2</b>	<b>\$492,234.7</b>	<b>\$475,849.9</b>

### Additional Information Related to Objective 1

#### Grants:

Lead Categorical Grants contribute significantly to reductions in the incidence of childhood lead poisoning. They are used primarily to support state and EPA direct implementation of the TSCA Section 404(g) lead-based paint professionals certification and training program, grants to reduce lead risks on tribal lands, and two programs targeting populations of children deemed most at risk of exposure to lead-based paint.

#### Web Links:

Office of Pollution Prevention and Toxics: [www.epa.gov/oppt](http://www.epa.gov/oppt)

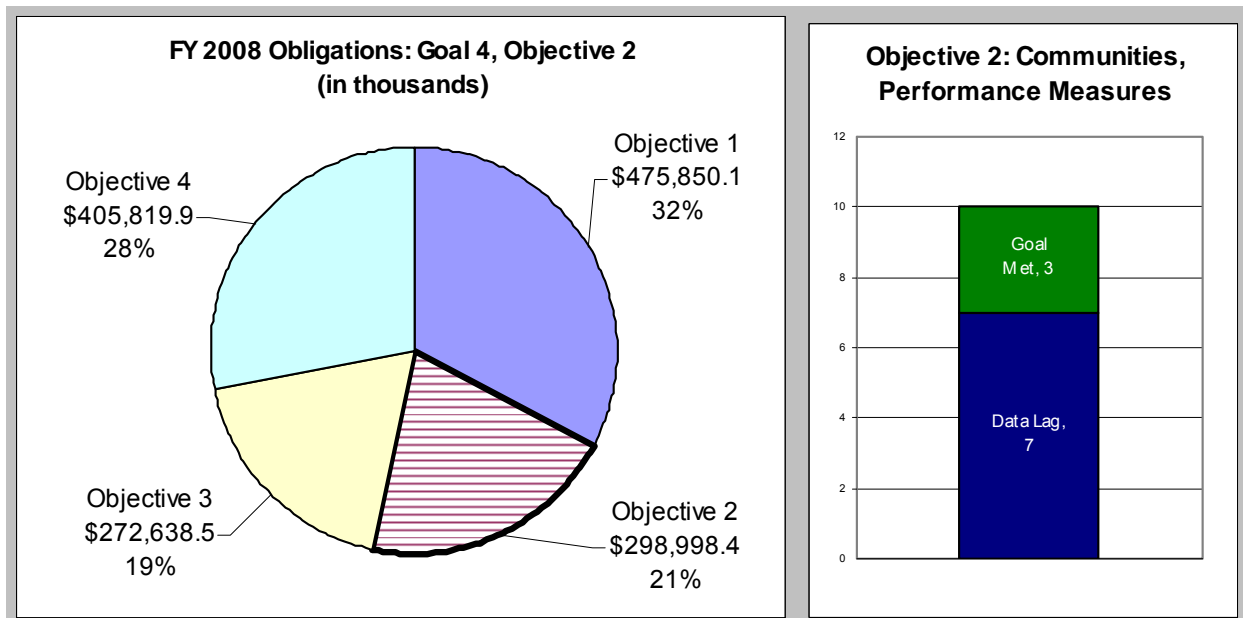
New Chemicals Program: [www.epa.gov/oppt/newchems](http://www.epa.gov/oppt/newchems)  
Chemical Information and Data Development: [www.epa.gov/oppt/chemtest](http://www.epa.gov/oppt/chemtest)  
Lead in Paint, Dust, and Soil: [www.epa.gov/oppt/lead](http://www.epa.gov/oppt/lead)  
Lead Professionals: [www.epa.gov/lead/pubs/traincert.htm](http://www.epa.gov/lead/pubs/traincert.htm)

***Program Assessment Rating Tool (PART):***

In FY 2008, EPA developed and implemented an action plan for all Agency Program Assessment Rating Tool measures in response to a government-wide Agency Program Assessment Rating Tool measure review. The plan leveraged ongoing strategic and annual planning and reflected performance measure improvements. The tables of measures and results provided in Section II of this report, "Performance Results," identify all Program Assessment Rating Tool measures, which make up more than two-thirds of EPA's performance measures. Please refer to [www.expectmore.gov](http://www.expectmore.gov) for more detailed information.



## Objective 4.2: Communities



***EPA Continues to Revitalize Contaminated Property and Leverage Jobs:*** EPA's Brownfields and Land Revitalization Program is dedicated to revitalizing real properties where expansion, redevelopment, or reuse may be complicated by hazardous substances, pollutants, or contaminants. The Brownfields program works in partnership with states, tribes, and localities to promote the assessment, cleanup, and sustainable reuse of brownfields and other contaminated properties.

Although complete FY 2008 performance information will not be available until March 2009 due to grantee reporting schedules, EPA is on track to achieve its FY 2008 Brownfields performance goals. FY 2007 results now available show that the program achieved its FY 2007 performance goals, assessing 1,371 properties, cleaning up 77 properties, and leveraging 5,209 jobs and \$1.7 billion in cleanup and redevelopment funds. In addition, the Agency made 2,399 acres ready for reuse through site assessment or property cleanup. Progress the Brownfields program made in FY 2008 includes:

- Started an initiative to work with communities and incorporate sustainable development into the planning, design, and implementation of their Brownfields projects.
- Announced and awarded four geographically based technical assistance Brownfields grants, which will help communities better understand the health impacts of brownfield sites and science and technology related to brownfield activities.
- Trained and conducted outreach to more than 5,500 communities and stakeholders at the Brownfields 2008 National Conference in Detroit, Michigan.

**Agency Expands Emergency Response Plans and Provides 15,000 More Homes With Wastewater Sanitation:**

The U.S.-Mexico Environmental Program (Border 2012) is a collaboration between the United States and Mexico to improve the environment and protect the health of the nearly 12 million people living along the border. Progress includes improvements to wastewater infrastructure systems, creation of greenhouse gas emission inventories, removal of 4 million scrap tires, establishment of a post-graduate degree program at Mexico's Institute of Public Health, and implementation of 15 sister cities' emergency response plans to better protect residents along the border.

The program met the FY 2008 target of 2,500 drinking water connections with a total of 5,162 connections made in 2008. The program also met the FY 2008 target of 15,000 additional homes served with adequate wastewater sanitation with 31,686 wastewater connections completed in 2008.

**US-Mexico Border Drinking Water Improvements**

In 2008, following finalization of a fiscal management policy for the US-Mexico Border Water Infrastructure Program in August 2007, the program has:

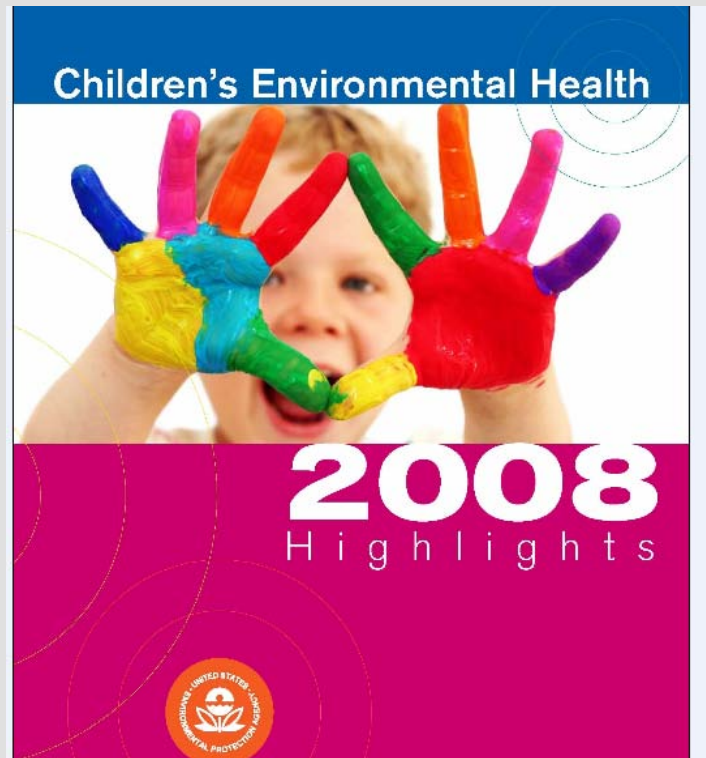
- Made 5,162 new drinking water connections
- Made 31,686 new wastewater connections

**Through Work Within Eurasia, EPA Continues to Strengthen International Environmental Efforts:**

To meet many of our domestic environmental protection goals, we must address international sources of pollutants. For example, in 2008 EPA developed the 10 Year Framework with China for Energy and Environment Cooperation. The U.S. and China created the Framework out of the Strategic Economic Dialog to ensure that shared, priority energy and environment issues continue to receive long-term, high-level attention. To facilitate development and implementation of the Framework, the U.S. and China established a joint working group including, the White House, Treasury, Department of State, Energy, and EPA. The White House designated EPA to lead the development and implementation of environmental and health action plans on clean water and clean air under the Framework.. Also, EPA, in partnership with United Nations Environment Programme (UNEP) and over 100 additional partners, has encouraged the phase-out of leaded gasoline in over 175 countries impacting a population of over 6 billion and introduced low-sulfur levels to over 40 countries benefiting approximately 4 billion people.

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, over 4,100 tons of obsolete pesticides have been inventoried and placed into safe storage in 10 Arctic and sub-Arctic regions of Russia since 2003. This includes safe storage of over 70 tons of mercury-containing pesticides, over 320 tons of POPs-containing pesticides and over 1,500 tons of POPs and mercury mixes. The safe storage of these pesticides reduces environmental releases and exposure to a population of over 17 million people residing in these ten regions.

The publication *Children's Environmental Health: 2008 Highlights* provides updates on actions that EPA is taking to protect children from environmental dangers. For example:



**Latino Outreach to Prevent Pesticide Poisoning:** An outreach campaign during National Poison Prevention Week targeted Latino families and reached 32 million people in the United States and Latin America with the message “Children act fast, and poisons do, too!” American Association of Poison Control Centers data show that more than 50 percent of the 2 million incidents of exposure to chemicals and other materials each year involve children younger than six, with 90 percent of calls concerning home exposures. EPA’s Pesticides Hispanic Outreach Initiative reduces exposure risk by showing how to minimize exposure, defining the symptoms of pesticide poisoning, and providing information on where to get help. To read more about how all programs in the Agency are acting to protect children’s environmental health, see:

[http://yosemite.epa.gov/ochp/ochpweb.nsf/content/2008\\_highlights.htm/\\$File/OCHP\\_2008\\_Highlights\\_508.pdf](http://yosemite.epa.gov/ochp/ochpweb.nsf/content/2008_highlights.htm/$File/OCHP_2008_Highlights_508.pdf)

## FY 2008 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 foundations for the Agency's budget. Frequently, Program Projects support multiple performance measures and objectives. This chart lists the Program Projects and associated resources that support this objective.

\*\*Resources associated with program projects might not match the goal and objective obligations exactly because of rounding.

<b>Goal 4: Objective 2 - Communities</b>			
<b>Program Project</b>	<b>FY 2006 Obligations</b>	<b>FY 2007 Obligations</b>	<b>FY 2008 Obligations</b>
Categorical Grant: Brownfields	\$52,993.5	\$49,267.2	\$52,612.1
Brownfields	\$8,670.7	\$16,717.8	\$15,382.1
Commission for Environmental Cooperation	\$3,686.5	\$3,855.6	\$4,291.4
Congressionally Mandated Projects	\$2,239.8	\$492.5	(\$49.8)
Environment and Trade	\$2,329.6	\$3,860.0	\$4,007.9
Environmental Justice	\$5,286.1	\$7,468.2	\$4,813.3
Geographic Program: Other	\$1,726.6	\$3,590.2	\$4,433.3
Homeland Security: Communication and Information	\$99.7	\$157.7	\$127.6
Homeland Security: Protection of EPA Personnel and Infrastructure	\$456.0	\$326.0	\$297.9
Brownfields Projects	\$100,288.4	\$115,480.9	\$97,046.6
Infrastructure Assistance: Mexico Border	\$48,929.1	\$53,967.2	\$65,100.5
POPs Implementation	\$0.0	\$1,698.6	\$2,099.2
Regulatory Innovation	\$2,702.4	\$3,175.8	\$3,681.2
US Mexico Border	\$8,003.0	\$5,727.9	\$6,043.6
Administrative Law	\$72.0	\$85.6	\$99.4
Alternative Dispute Resolution	\$20.8	\$22.6	\$24.9
Central Planning, Budgeting, and Finance	\$1,958.7	\$2,092.1	\$2,483.7
Children and other Sensitive Populations	\$969.4	(\$57.0)	(\$24.1)
Civil Rights / Title VI Compliance	\$177.5	\$181.6	\$179.0
Congressional, Intergovernmental, External Relations	\$817.2	\$858.0	\$850.4
Exchange Network	\$529.0	\$588.7	\$415.0
Facilities Infrastructure and Operations	\$9,943.4	\$10,041.7	\$9,217.9
Acquisition Management	\$524.7	\$673.6	\$729.1
Human Resources Management	\$834.7	\$799.3	\$836.8
Information Security	\$78.0	\$84.1	\$132.9
IT / Data Management	\$5,697.5	\$6,130.9	\$5,772.7
Legal Advice: Environmental Program	\$703.5	\$775.2	\$818.2
Legal Advice: Support Program	\$257.0	\$246.4	\$274.8
Audits, Evaluations, and Investigations	\$2,086.2	\$2,312.4	\$2,625.7
Regional Geographic Initiatives	\$7,734.1	\$6,281.4	\$5,529.5
Regional Science and Technology	\$64.7	\$58.2	\$54.4
Science Advisory Board	\$75.0	\$82.9	\$97.2
Small Minority Business Assistance	\$31.6	\$40.8	\$50.2
Financial Assistance Grants / IAG Management	\$1,628.0	\$1,264.8	\$1,431.5

Children and Other Sensitive Populations: Agency Coordination	\$4,582.3	\$4,978.9	\$7,217.5
Regulatory/Economic-Management and Analysis	\$273.8	\$300.1	\$294.8
<b>Total</b>	<b>\$276,470.5</b>	<b>\$303,627.9</b>	<b>\$298,998.4</b>

## Additional Information Related to Objective 2

### **Grants:**

Grants provided to the Border Environment Cooperation Commission and the North American Development Bank support development of water infrastructure. In FY 2008, the U.S.-Mexico Border Program received an appropriation for new projects were certified in FY 2008 to begin construction while existing projects continued to make progress in providing safe drinking water and sanitation to citizens on the border.

In FY 2008, EPA selected 195 Brownfields Assessment Grants for inventory, planning, and assessment activities. EPA selected 112 Brownfields Cleanup Grants for work at identified properties. In addition, 12 grants were selected to capitalize revolving loan funds that provide loans and subgrants for property cleanup; 13 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 response programs. FY 2007 data that became available in FY 2008 showed that the state and tribal grants contributed 241 properties assessed and 22 properties cleanup toward the program's national accomplishments. Additionally, EPA estimates that more than 18,900 sites were cleaned, with required institutional controls in place, through state and tribal response programs, totaling more than 250,000 acres, according to the recently release data based on data from 2006 and 2007.

### **Web Links:**

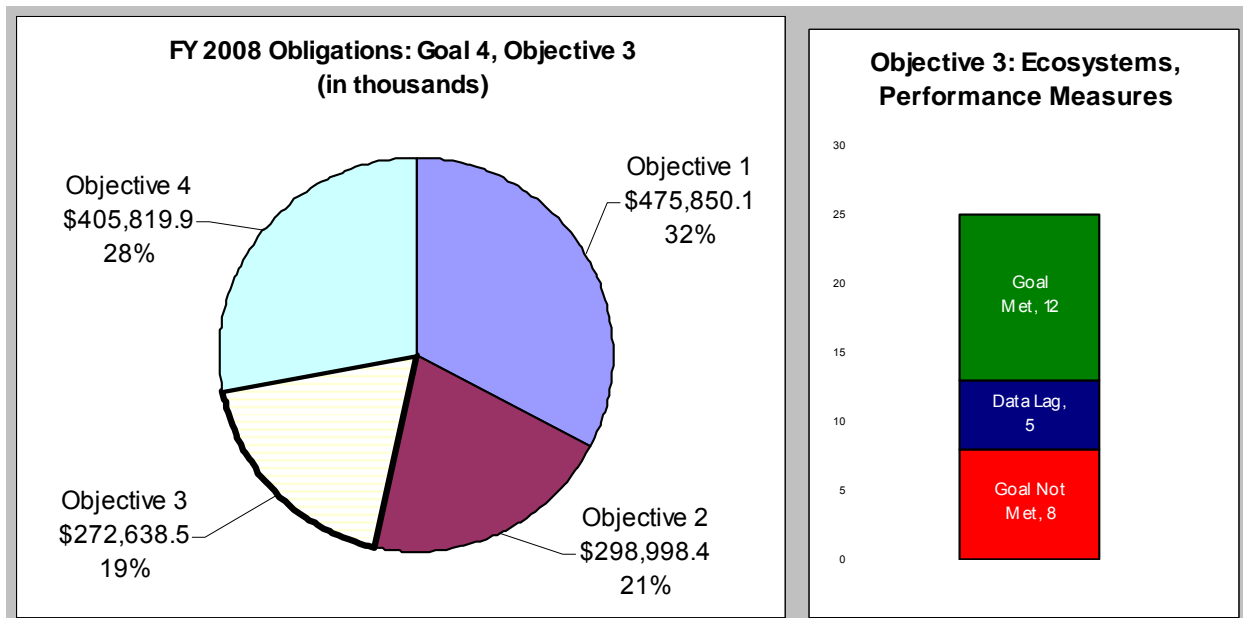
U.S.-Mexico Border Program: [www.epa.gov/border2012](http://www.epa.gov/border2012)

Brownfields Information: [www.epa.gov/brownfields](http://www.epa.gov/brownfields)

### **Program Assessment Rating Tool (PART):**

In FY 2008, EPA developed and implemented an action plan for all Agency Program Assessment Rating Tool measures in response to a governmentwide Agency Program Assessment Rating Tool measure review. The plan leveraged ongoing strategic and annual planning and reflected performance measure improvements. The tables of measures and results provided in Section II of this report, "Performance Results," identify all Program Assessment Rating Tool measures, which make up more than two-thirds of EPA's performance measures. Please refer to [www.expectmore.gov](http://www.expectmore.gov) for more detailed information.

## Objective 4.3: Ecosystems



**National Estuary Program Finds Programmatic and Financing Successes:** The National Estuary Program and its federal, state, and local partners implement Comprehensive Conservation and Management Plans to protect and restore water quality, ecological integrity, and critical habitats. National Estuary Program data for FY 2008 show that the 28 National Estuary Programs and their partners protected or restored more than 83,490 acres of habitat. Leveraging data also show that the National Estuary Program played a primary role in leveraging \$12.6 million of EPA Section 320 and earmark funds to obtain an additional \$160 million, which is a ratio of \$13 raised for every \$1 of Section 320 and earmark funds provided.

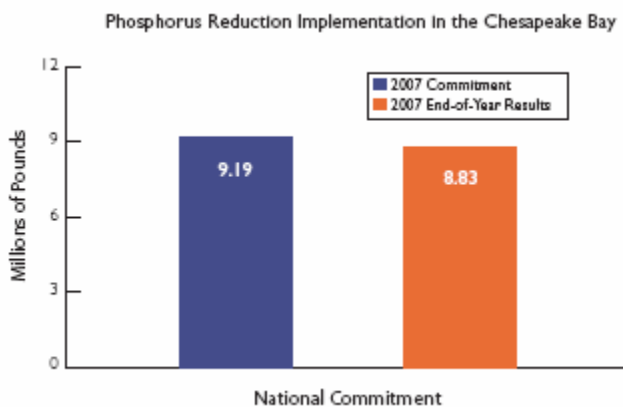
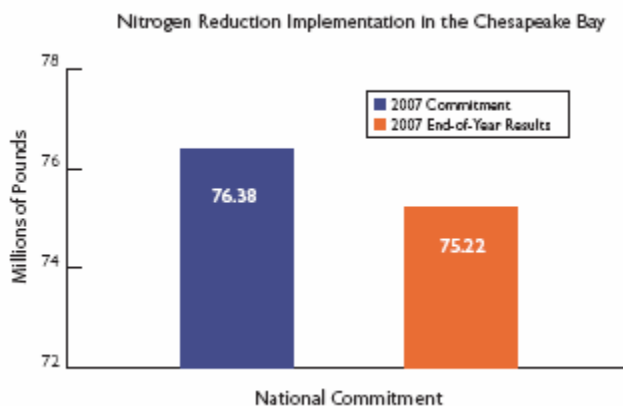
**EPA Focuses on Coastal Wetlands:** The 2006 National Wetlands Inventory Status and Trends Report showed that from 1998 to 2004, wetland gains exceeded wetland losses in the United States at a rate of 32,000 acres per year, aggregated across all wetland categories. In FY 2008, EPA reported on cumulative wetland acres gained by applying the most recent annual rate. The Agency is hopeful that the next Status and Trends Report—to be released in 2010—will show that EPA met or exceeded its goals in FY 2008. Although the increase in wetlands acres shown by the 2006 report is positive, one category of wetlands, coastal wetlands, continues to decline at a rate of about 60,000 acres per year. EPA, together with the U.S. Fish and Wildlife Service, intends to focus on addressing the trends in coastal wetlands in

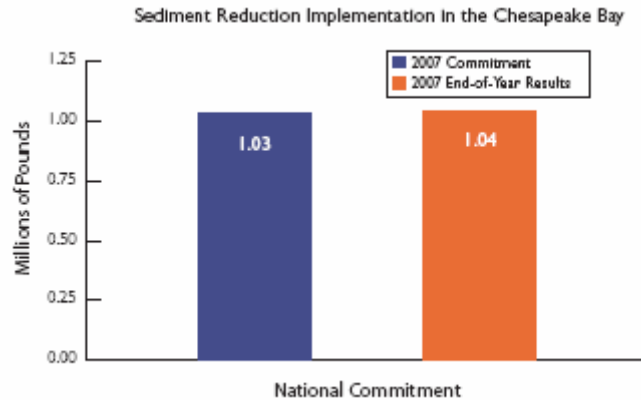
### Water Quality Criteria That Reflect Natural Background Conditions

EPA Region 6 and the Louisiana Department of Environmental Quality worked together to complete cooperative studies that support a use attainability analysis for all freshwater and tidal bayous, and coastal waters throughout the Bayou Barataria and Terrebonne basins. The studies document that indigenous fish species are able to tolerate low levels of dissolved oxygen that fall far below EPA's recommended criteria. The study results will support water quality standards revisions.

2009 and beyond. 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 nonregulatory wetlands programs, EPA works with states and other federal agencies and partners to protect and restore wetlands.

**Nutrient Loads and Clean Air Interstate Rule Impact the Chesapeake Bay:** The Chesapeake Bay Program partners have achieved 47 percent, 62 percent, and 64 percent of the goals to implement nitrogen, phosphorus, and sediment reduction practices, respectively (based on Chesapeake Bay Program Watershed Model 2007 Progress Run; 2008 results will be available in March 2009).





New challenges include increases in nutrient loads from agricultural lands due to corn-based ethanol production as well as continued air deposition of nitrogen oxides from power plants.

***Great Lakes Health Improves, Impacting Fish, Drinking Water, and Beaches:***

Improvements in the Great Lakes Index score indicate that: toxins entering the food chain are continuing to decline; ecosystem and human health are better protected; fish are safer to eat; water is safer to drink; and beaches are safer for swimming. From a baseline score of 20, EPA's Great Lakes Index target score of 23.7 out of a possible 40 indicates long-term progress in improving the condition of the Great Lakes ecosystem.

The Great Lakes Index uses assessments of the condition of ecosystem indicators (i.e., coastal wetlands, phosphorus concentrations, area of concern sediment contamination, benthic health, fish tissue contamination, beach closures, drinking water quality, and air toxics deposition) to assess the overall condition of the Great Lakes. The most recent improvement in the index is a specific result of having achieved a milestone in contaminated sediment remediation: from calendar years 1997 to 2007, EPA and its partners remediated a cumulative total of 5.5 million cubic yards of contaminated sediments (more than 10 percent of the total requiring remediation). Partners remediated approximately 450,000 cubic yards of contaminated sediments in 2008. This resulted in the removal of more than 1.5 million pounds of contaminants, such as polychlorinated biphenyls (PCBs), polycyclic aromatic hydrocarbons (PAHs), and metals (including mercury) from the environment, thereby reducing risk to aquatic life and human health.

In the Great Lakes, phosphorus is the limiting nutrient that controls algae growth. Elevated phosphorus concentrations are linked to some areas of low dissolved oxygen in the bottom waters, such as in the Lake Erie dead zone. In recent years, phosphorus concentrations in Lake Erie exceeded guideline levels, including in its central basin, in which annual anoxia problems persist. FY 2007 data now available indicate that the targeted phosphorus concentration levels were not met. Exploration of this problem by the Great Lakes National Program Office, the National Oceanic and Atmospheric Administration (NOAA), Environment Canada, the state of Ohio, and others show that changes in the Lake Erie ecosystem are due to the invasive zebra and quagga mussels and increased amounts of phosphorus entering from tributaries.

***Gulf of Mexico Receives Recognition on Ocean Issues and Approves Hypoxia Action***

**Plan:** On February 27, 2008, the Joint Ocean Commission Initiative released its 2007 Report Card on the Administration's efforts to address the Commission's recommendations. The Joint Ocean Commission Initiative commended the gulf states' leadership and achievements in regional ocean governance reform as well as the active engagement by federal agencies to



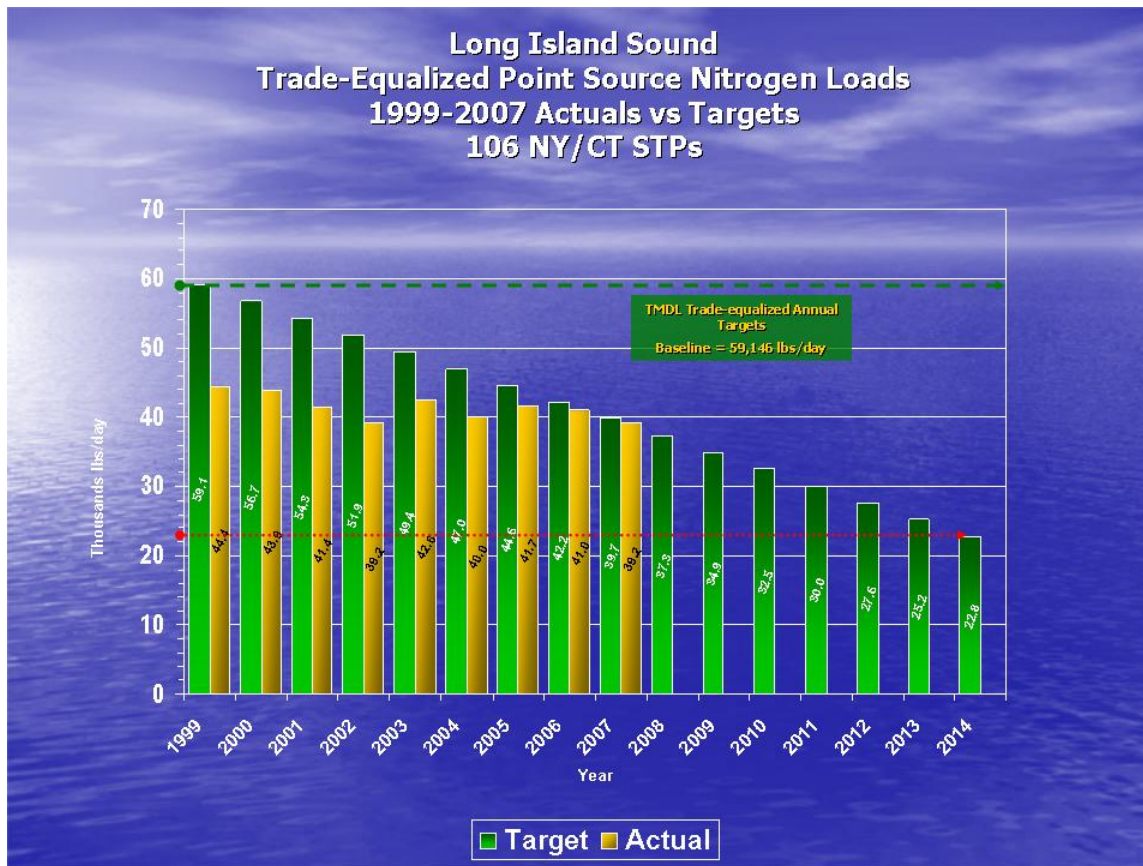
support progress in the region, and assigned the highest grade of A- for these efforts. (See Chart 2.)

JOINT OCEAN COMMISSION INITIATIVE 2007 U.S. OCEAN POLICY REPORT CARD		
Subject	Grade	Comments
<b>Regional and State Ocean Governance Reform</b> (2006=A-)	<b>A -</b> Promising strides in regions and states on a variety of ocean issues.	<p><b>Notable Progress</b></p> <ul style="list-style-type: none"> <li>• Progress establishing and implementing state ocean legislation in MA, NJ, and NY and noteworthy progress in AK, CA, FL, HI, LA, OR, and WA.</li> <li>• <b>Significant progress in Gulf of Mexico</b> and West Coast regions.</li> </ul> <p><b>Improvements Needed</b></p> <ul style="list-style-type: none"> <li>• <b>Strengthen existing initiatives, including expanding state commitment and federal support.</b></li> <li>• Implement regional initiatives in the Southeast and Mid-Atlantic.</li> </ul>

**Chart 2.**

The Gulf Hypoxia Task Force approved the 2008 Hypoxia Action Plan, signed in June 2008. The revised coastal goal states that subject to the availability of additional resources, EPA strives to reduce or make significant progress towards reducing the hypoxic zone's five-year running average aerial extent off the Gulf of Mexico to less than 5,000-square kilometers by the year 2015 by implementing specific, practical, and cost-effective voluntary actions by all states and tribes. Additionally, EPA will address all categories of sources and removals within the Mississippi/Atchafalaya River Basin to reduce the annual discharge of nitrogen and phosphorus into the Gulf of Mexico.

**Long Island Sound Exceeds Goals for Restoration and Protection:** Overall performance for the restoration and protection of Long Island Sound exceeds expectations, as measured by point source nitrogen reduction, habitat restoration/protection, and diadromous fish passage. The states continue to make progress in upgrading their wastewater treatment plants to control nitrogen discharges, which improves water quality and lessens the threat of hypoxia from excess nitrogen. The Long Island Sound program (states of New York and Connecticut, EPA Regions 1 and 2, and other partners) has generally been on target for nitrogen reduction (see Chart 3); however, New York City is now under a consent order to upgrade its wastewater treatment plants for nitrogen removal, which will cause a short-term bulge in discharges of nitrogen due to the cessation of interim nitrogen removal activities during the construction schedule.



**Chart 3. [2008 data available in March 2009]**

The Long Island Sound program has exceeded its planned goals for habitat restoration/protection and fish passage, restoring or protecting a total of 1,151 acres of habitat versus a goal of 862 acres to be restored by 2011, and reopening 124.4 miles of river corridor to fish passage versus a 2011 goal of 131 miles to be reopened. Progress is made by working with local entities to match and exceed federal funding for restoration, protection, and enhancement as well as fish passage projects.

As the Long Island Sound program continues to reduce point and nonpoint source pollution, the total cost of necessary infrastructure improvements remains an issue. A planned revision to the Total Maximum Daily Load (TMDL) program to include the states of Massachusetts, New Hampshire, and Vermont will require close cooperation and significant financial commitment by those states' taxpayers, who have no direct Long Island Sound shoreline access. Options for flexible implementation on a total watershed basis must be evaluated. EPA is involving the upstream states in Total Maximum Daily Load discussions to evaluate ways and means of achieving water quality standards in an economically realistic and environmentally responsible manner. Connecticut's innovative nitrogen credit trading program has been highly successful in controlling costs and meeting standards, which, if expanded to a regional basis, could potentially help financially stressed communities meet local commitments to clean water.

**Columbia River Improves Significant Habitat Acreage:** The Lower Columbia River Estuary Partnership is leading the effort in achieving the overall objective of improving 16,000 acres of habitat in the Lower Columbia River watershed by 2011. Progress in 2008 is well on track to meeting the overall objective with a total of 12,986 acres of habitat protected, enhanced, and

restored. The collaborative nature of the efforts of the Lower Columbia River Estuary Partnership, EPA, and other partners has attracted substantial leveraged resources, an important success.

EPA is writing a *State of the River Report* with the help of its state, tribal, federal, and local partners to tell the story of the toxics problems and solutions for the Columbia River Basin. The final report, expected December 31, 2008, will be used to educate people about the problems in the Columbia River Basin and to garner support for toxics reduction efforts.

### **FY 2008 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 foundations for the Agency's budget. Frequently, Program Projects support multiple performance measures and objectives. This chart lists the Program Projects and associated resources that support this objective.*

*\*\*Resources associated with Program Projects might not match the goal and objective obligations exactly because of rounding.*

<b>Goal 4: Objective 3 - Restore and Protect Critical Ecosystems</b>			
<b>Program Project</b>	<b>FY 2006 Obligations</b>	<b>FY 2007 Obligations</b>	<b>FY 2008 Obligations</b>
Categorical Grant: Wetlands Program Development	\$13,336.9	\$16,082.5	\$16,722.3
Categorical Grant: Targeted Watersheds	\$15,670.4	\$4,578.6	\$21,289.0
Congressionally Mandated Projects	\$7,377.3	\$2,131.4	(\$129.1)
Geographic Program: Chesapeake Bay	\$22,273.7	\$20,094.9	\$36,394.0
Geographic Program: Great Lakes	\$20,044.0	\$24,212.4	\$22,710.3
Geographic Program: Gulf of Mexico	\$3,712.3	\$4,373.0	\$4,422.0
Geographic Program: Lake Champlain	\$3,980.8	\$995.5	\$2,915.4
Geographic Program: Long Island Sound	\$958.6	\$1,326.0	\$4,822.9
Geographic Program: Other	\$6,520.8	\$6,140.0	\$13,462.1
Great Lakes Legacy Act	\$32,567.0	\$44,072.1	\$22,049.4
Homeland Security: Communication and Information	\$130.2	\$205.6	\$173.5
Homeland Security: Protection of EPA Personnel and Infrastructure	\$213.1	\$173.8	\$167.2
National Estuary Program / Coastal Waterways	\$26,298.5	\$20,744.7	\$25,820.1
Wetlands	\$20,449.3	\$60,666.8	\$70,156.6
Administrative Law	\$93.1	\$109.7	\$133.6
Alternative Dispute Resolution	\$26.3	\$26.7	\$32.4
Central Planning, Budgeting, and Finance	\$5,053.1	\$5,538.0	\$7,934.6
Civil Rights / Title VI Compliance	\$269.1	\$276.5	\$282.5
Congressional, Intergovernmental, External Relations	\$1,245.7	\$1,282.7	\$1,322.9
Exchange Network	\$688.3	\$763.4	\$562.1
Facilities Infrastructure and Operations	\$10,889.4	\$10,765.3	\$10,567.6
Acquisition Management	\$349.0	\$351.6	\$425.6
Human Resources Management	\$797.8	\$688.0	\$729.1
Information Security	\$44.8	\$47.3	\$100.9
IT / Data Management	\$4,231.4	\$4,570.9	\$4,506.9

Legal Advice: Environmental Program	\$958.9	\$1,023.7	\$1,105.0
Legal Advice: Support Program	\$298.1	\$305.1	\$336.2
Audits, Evaluations, and Investigations	\$1,363.3	\$1,345.4	\$2,170.0
Regional Geographic Initiatives	(\$282.2)	(\$99.1)	(\$27.5)
Regional Science and Technology	\$100.8	\$90.0	\$112.1
Science Advisory Board	\$96.9	\$106.3	\$130.7
Small Minority Business Assistance	\$40.8	\$52.3	\$67.5
Financial Assistance Grants / IAG Management	\$1,038.4	\$615.3	\$774.1
Regulatory/Economic-Management and Analysis	\$353.9	\$384.9	\$396.4
<b>Total</b>	<b>\$201,189.8</b>	<b>\$234,041.3</b>	<b>\$272,638.4</b>

### Additional Information Related to Objective 3

#### Grants:

- Section 320 of the Clean Water Act provides for annual grants to National Estuary Programs (NEPs). National Estuary Programs 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 are critical for building state, tribal, and local government capacity to protect and manage wetlands. Established in 1990, this grant program provides 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 issues state and tribal grants for Lakewide 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, strategic or emerging issues, atmospheric deposition, fish contaminants, and biology. The program also addresses contaminated sediments through grants and project agreements pursuant to the Great Lakes Legacy Act.
- Clean Water Act Section 117(e) grants fund the full range of state water quality nutrient reduction programs in the Chesapeake Bay watershed. In particular, the grants emphasize state tributary strategies to improve water quality and help meet the goals of the Chesapeake 2000 agreement.
- 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.

#### Web Links:

Great Lakes National Program Office: [www.epa.gov/glnpo](http://www.epa.gov/glnpo)

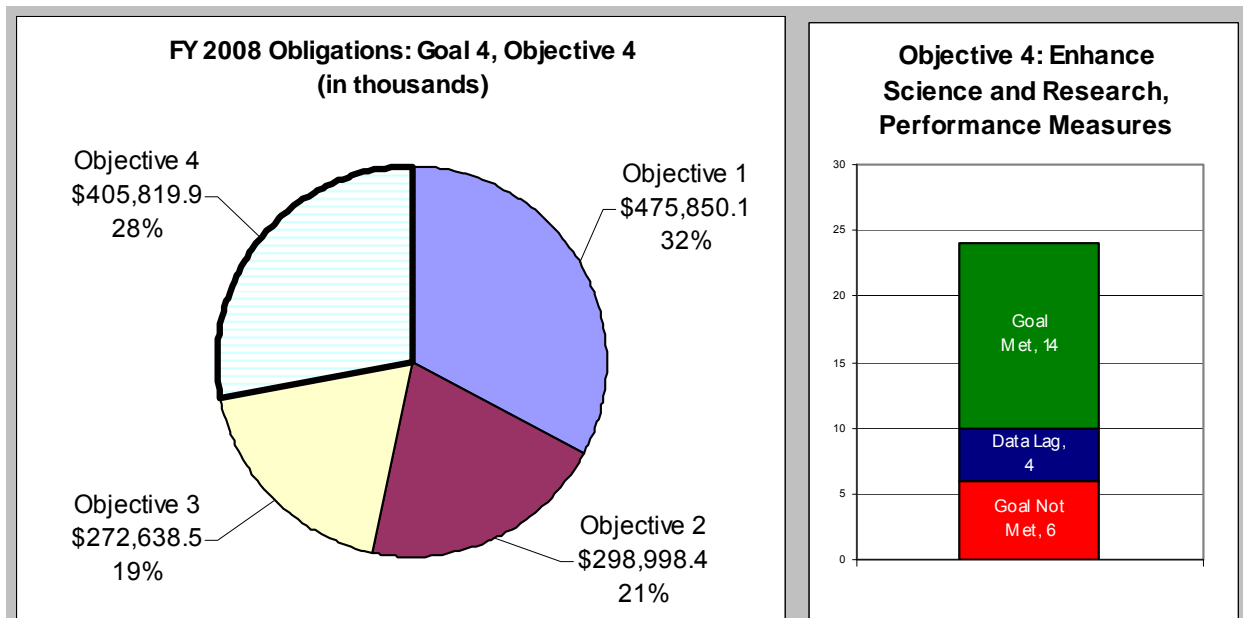
Chesapeake Bay Grants: [www.epa.gov/region03/chesapeake/grants.htm](http://www.epa.gov/region03/chesapeake/grants.htm)

Sediment White Paper: [www.ijc.org/php/publications/html/sedrem.html](http://www.ijc.org/php/publications/html/sedrem.html)

***Program Assessment Rating Tool (PART):***

In FY 2008, EPA developed and implemented an action plan for all Agency Program Assessment Rating Tool measures in response to a governmentwide Agency Program Assessment Rating Tool measure review. The plan leveraged ongoing strategic and annual planning and reflected performance measure improvements. The tables of measures and results provided in Section II of this report, "Performance Results," identify all Program Assessment Rating Tool measures, which make up more than two-thirds of EPA's performance measures. Please refer to [www.expectmore.gov](http://www.expectmore.gov) for more detailed information.

## Objective 4.4: Enhance Science and Research



EPA's research programs support a sound scientific foundation for decisions to protect, sustain, and restore human and ecosystem health.

**Research Informs Risk Assessors and Protects Human Health:** In FY 2008, EPA's Human Health Research Program furthered the Agency's understanding of how exposures to environmental pollutants can impact human health. In addition to providing new tools for measuring human exposures, this research is providing EPA regulators and risk assessors with new useful information about how chemicals like flame retardants and pesticides (conazoles and pyrethroids) act in the body. This research uses new genomics approaches to better inform risk assessments.

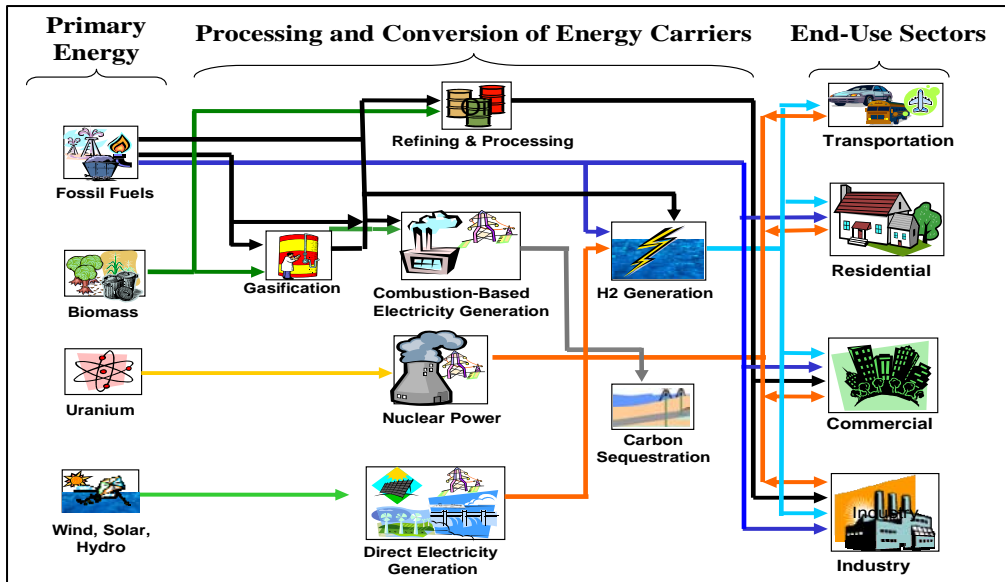
Through this program, EPA also furthered society's understanding of how children react to certain types of environmental pollution. EPA released a summary of research findings, *A Decade of Children's Health Research*, based on more than 100 research projects conducted in the Children's Environmental Health Centers, funded by EPA's Science to Achieve Results program. This report highlights 10 years of research on how exposures vary for newborn to school-age children and how responses can be based on genetics. The report complements the progress of other EPA research studying the factors that affect children's exposures, the biological markers that indicate exposure or effects, and the steps to identify and prevent harmful exposures to children.

**Ecological Research Develops New Tools for Assessing Water Bodies:** In 2008, EPA's Ecological Research Program reached its goal of providing tools and models to document the condition of lakes, streams, rivers, wetlands, and estuaries in all 50 states. In 2008, the program transitioned to helping local, regional, and national environmental managers understand how their choices affect the type, quality, and magnitude of the goods and services society receives from ecosystems. Examples of new tools delivered include:

- The third National Coastal Condition Report, showing that 6 percent of the coastal waters are in poor condition, 35 percent are in fair condition, and 59 percent are in good condition. The report also showed a slight improvement in overall condition since the first National Coastal Condition Report in 2001.
- An analytical mapping tool that provides valuable information about stream and river characteristics that support different classes of fisheries and assists environmental managers in decision-making to conserve ecosystem services. This tool, endorsed by the Michigan Department of Environmental Quality, is being used in the Lake Michigan Lakewide Management Plan and meets the Great Lakes Water Quality Agreement as well as the Critical Programs Act, both important initiatives for improving the health of the Great Lakes.
- *A Future Midwestern Landscapes Study*, which was initiated to examine different management strategies for biofuels production in a 12-state area of the Midwest. This study will help us understand how current and projected land uses affect the ecosystem services provided by Midwestern landscapes. It will provide spatially explicit information that will enable EPA to articulate sustainable approaches to environmental management. The ultimate outcome will be Web-based tools depicting alternative scenarios, so users can evaluate trade-offs affecting ecosystem services.

**EPA Undertakes Major Steps to Understand Full Impact of Climate Change:** EPA's Global Change Research Program continues to assess the potential impacts of climate change and climate variability on the United States and to evaluate alternative adaptation strategies. In support of the U.S. Climate Change Science Program, EPA completed two major assessments: *Preliminary Review of Adaptation Options for Climate-Sensitive Ecosystems and Resources* and *Analyses of the Effects of Global Change on Human Health and Welfare and Human Systems*.

The program also completed a major draft report for public review assessing the impacts of global change on regional U.S. air quality and completed an assessment of the potential impacts of climate change on combined sewer overflow events in the Great Lakes and New England regions. The program and the EPA Office of Air and Radiation are exploring how to incorporate the findings of the air quality assessment into state implementation plan guidelines. Additionally, the program is helping EPA regional offices and city planners to incorporate the findings of the combined sewer overflow report into the design of new combined sewer systems.



EPA's Global Change research program has developed a first-of-a-kind, nine-region Market Allocation, or MARKAL model of the United States that can be used by decision-makers to explore future scenarios of energy system development and the associated emissions. A key feature of the model is that it allows trading of energy supplies, electricity, petroleum products, and other fuels across regions. In support of EPA's Air Quality Assessment, this model has been used to evaluate the impacts of technological change on air pollutant emissions for the contiguous United States at the scale of the nine U.S. Census Bureau regions. The model is also being used to understand the impact of the expanded production and use of biofuels in the Midwest.

**EPA Researches Risks From Chemical Exposure:** EPA's Safe Pesticides/Safe Products Research Program is providing environmental managers and decision-makers with data needed to reduce or prevent unreasonable risks to humans, wildlife, and non-target plants from exposures to pesticides, toxic chemicals, and products of biotechnology. FY 2008 example accomplishments include:

- EPA scientists produced a publicly available Web-based modeling application that can be used to inform ecological risk assessments. For example, the application can model the potential effects on endangered and threatened species by estimating toxicity for untested species using data from tested species.
- EPA scientists continued to conduct research to support assessments of perfluorinated chemicals. Researchers worked to determine the perfluorooctanoic acid (PFOA) content in consumer products, identify major indoor perfluorooctanoic acid sources to which the general United States population is exposed, and understand concentrations of perfluorinated chemicals in domestic and foreign soils. EPA began investigating perfluorooctanoic acid, because it is persistent in the environment; was being found at very low levels both in the environment and in the blood of the general U.S. population; and causes developmental and other adverse effects in laboratory animals.
- Agency research in biotechnology improved EPA's and other agencies' abilities to characterize and monitor the impacts of genetically modified crops on the environment and human health.



**Toxicology Research Makes Critical Step Toward Decreasing Amount of Animal Testing:**

In FY 2008, EPA's Computational Toxicology Research Program completed a series of studies that show how new genomic technology can improve data used in risk assessments. Specifically, the program evaluated the chemical class of conazole fungicides to identify toxic pathways, or how the chemicals react within humans. Identifying these pathways allows scientists to interpret lab findings into possible human reactions and will move the Agency toward using genomic data in its risk assessment process. This work is a critical step toward producing more relevant data, while using fewer resources and decreasing the number of animals involved in toxicity testing.

**EPA Completes Major Milestone in Research for Evaluating Endocrine Disruptors:** EPA's Endocrine Disruptors Research Program continues to provide the Agency with the scientific information it needs to reduce or prevent unreasonable risks to humans and wildlife from exposures to pesticides, toxic chemicals, and environmental mixtures of chemicals that interfere with the function of the endocrine system. FY 2008 example accomplishments include:

- EPA completed research in developing assays for Tier 1 of the Agency's Endocrine Disruptors Screening Program. This research has resulted in tests that use fewer animals than traditional toxicity tests. The assays are also being considered for use internationally by the Organization for Economic Cooperation and Development.
- Research began across all of EPA's laboratories in collaboration with other government scientists to characterize the environmental impact of hormones (natural and synthetic) from concentrated animal feeding operations. This research will inform EPA and other federal and state agencies that are mandated to oversee the environmental impact of concentrated animal feeding operations.
- Research funded through EPA's Science to Achieve Results program determined that lowered thyroid hormone levels during development affected the sensitive balance of cells in the developing brain in rats. The results should help EPA better understand the neurological and behavioral deficits in children born to mothers with thyroid dysfunction.

**Human Health Risk Assessments Inform EPA Decision-Making:** The peer-reviewed products of EPA's Human Health Risk Assessment Program are used extensively by EPA programs, EPA regions, and other parties to support the development of regulatory standards and to manage environmental cleanups and risk management efforts. In FY 2008, EPA delivered 16 Integrated Risk Information System (IRIS) assessments to interagency review or external review and met 83 percent of its goal to post five of six final health assessment documents (see below).

<b>Review Level</b>	<b>Integrated Risk Information System (IRIS) Assessment</b>
Interagency Review	Copper, acrylonitrile, platinum, ethyl tert-butyl ether
External Review	Tetrahydrofuran, 1,2,3-trichloropropane, 2-hexanone, acrylamide, kepone, propionaldehyde, thallium, beryllium, carbon tetrachloride, cerium, ethylene glycol monobutyl ether, and tetrachloroethylene
Delivered and Finalized	Tetra-polybrominated diphenyl ether, penta-polybrominated diphenyl ether, hexa-polybrominated diphenyl ether, deca-polybrominated diphenyl ether, and propionaldehyde

In addition to Integrated Risk Information System assessments, the Human Health Risk Assessment Program completed 32 percent new or revised Provisional Peer-Reviewed Toxicity Values, which support waste site decision-making. EPA also met court-ordered deadlines for completed Integrated Science Assessments for nitrogen oxides and sulfur oxides and provided significant scientific support to the Administrator and Office of Air and Radiation for the National Ambient Air Quality Standards-setting decisions for ozone and lead.

### **Integrated Risk Information System (IRIS)**

The Integrated Risk Information System is a compilation of electronic reports on specific substances found in the environment and their potential to cause chronic adverse human health effects. The system was initially developed for EPA staff in response to a growing demand for consistent information on substances for use in risk assessments, decision-making, and regulatory activities. The information in the Integrated Risk Information System is intended for those without extensive training in toxicology but with some knowledge of health sciences.

### ***EPA Works With Homeland Security to***

***Develop Contaminant Detection Tools and Cleanup Approaches:*** In 2008, EPA partnered with Sandia National Laboratories to develop and release data analysis software to assist water utilities in detecting contamination. The CANARY software, named for its analogy to the canary in a coal mine, evaluates standard water quality data (e.g., free chlorine, pH, and total organic carbon) over time and uses mathematical and statistical techniques to identify suspicious changes in water quality. The CANARY software is available as a free download from the National Homeland Security Research Center Web site.

In FY 2008, researchers also completed several reports that support sound scientific decisions on how to clean up contaminants of interest. Researchers examined the persistence of contaminants on surfaces if left untreated, as well as the impacts of two decontamination technologies—vaporized hydrogen peroxide and chlorine dioxide—on the integrity of common building materials. This work follows previous studies that showed both vaporized hydrogen peroxide and chlorine dioxide to be effective decontamination technologies. Testing indicated that persistence is affected by temperature, humidity, time, and building materials and that building materials only showed minor structural changes after application of these technologies.

### ***EPA Evaluates Cutting-Edge Science on***

***Nanotechnology:*** Nanotechnology is a cutting-edge field of science that centers on controlling matter at the level of atoms or molecules. It works with structures that are measured in “nanometers” and the development of materials or devices that are characterized by this extremely tiny size. Nanotechnology offers great potential in many sectors. In the environmental sector, it can be used to remove toxins or reduce pollution. This technology also poses many questions, however, such as how toxic some of the nanomaterials are and whether they will pose adverse ecological and environmental health impacts.

### **Grants**

EPA-funded researchers at Rice University have produced iron oxide nanocrystals capable of removing toxic arsenic from drinking water. Results reported in 2008 indicate that after two hours, iron oxide nanocrystals removed between 98.4 and 99.2 percent of the arsenic present. These results indicate nanotechnology has the potential to provide reliable, cost-effective approaches to remediate soil and water contaminated with toxic compounds.

In 2008, EPA's research office developed a Nanomaterial Research Strategy to help guide Agency research to better understand nanomaterials movement and transformation in the environment. In addition, EPA-led research continues to publish findings on the performance of nanomaterials in removing toxins from water, building on several years of work on the use of nanomaterials to remove pollution.

#### **FY 2008 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 foundations for the Agency's budget. Frequently, Program Projects support multiple performance measures and objectives. This chart lists the Program Projects and associated resources that support this objective.*

*\*\*Resources associated with Program Projects might not match the goal and objective obligations exactly because of rounding.*

<b>Goal 4: Objective 4 - Enhance Science and Research</b>			
<b>Program Project</b>	<b>FY 2006 Obligations</b>	<b>FY 2007 Obligations</b>	<b>FY 2008 Obligations</b>
Congressionally Mandated Projects	\$0.0	\$349.2	(\$78.5)
Homeland Security: Communication and Information	\$0.0	\$722.6	\$571.6
Homeland Security: Preparedness, Response, and Recovery	\$0.0	\$35,111.2	\$37,976.2
Homeland Security: Protection of EPA Personnel and Infrastructure	\$0.0	\$1,922.6	\$1,449.3
Human Health Risk Assessment	\$0.0	\$39,415.2	\$41,401.9
Research: Computational Toxicology	\$0.0	\$12,424.8	\$14,071.1
Research: Endocrine Disruptor	\$0.0	\$10,609.4	\$11,239.7
Research: Global Change	\$0.0	\$20,317.3	\$17,834.9
Research: Human Health and Ecosystems	\$0.0	\$169,831.5	\$146,075.3
Research: Pesticides and Toxics	\$0.0	\$29,949.8	\$24,790.6
Research: Fellowships	\$0.0	\$11,982.4	\$9,387.4
Administrative Law	\$0.0	\$385.7	\$445.1
Alternative Dispute Resolution	\$0.0	\$94.0	\$111.3
Central Planning, Budgeting, and Finance	\$0.0	\$7,925.5	\$8,507.3
Civil Rights / Title VI Compliance	\$0.0	\$533.2	\$527.7
Congressional, Intergovernmental, External Relations	\$0.0	\$1,908.3	\$1,913.2
Exchange Network	\$0.0	\$2,674.7	\$1,858.8
Facilities Infrastructure and Operations	\$0.0	\$17,797.2	\$33,771.2
Acquisition Management	\$0.0	\$3,688.9	\$5,159.2
Human Resources Management	\$0.0	\$5,341.5	\$5,820.0
Information Security	\$0.0	\$754.8	\$1,061.5
IT / Data Management	\$0.0	\$31,341.6	\$28,875.8
Legal Advice: Environmental Program	\$0.0	\$3,654.3	\$3,765.8
Legal Advice: Support Program	\$0.0	\$1,268.6	\$1,447.8
Audits, Evaluations, and Investigations	\$0.0	\$2,521.0	\$2,797.8
Regional Science and Technology	\$0.0	\$106.5	\$12.2
Science Advisory Board	\$0.0	\$373.7	\$435.4
Small Minority Business Assistance	\$0.0	\$184.0	\$225.0

Financial Assistance Grants / IAG Management	\$0.0	\$2,709.9	\$3,044.9
Regulatory/Economic-Management and Analysis	\$0.0	\$1,352.6	\$1,320.6
<b>Total</b>	<b>\$0.0</b>	<b>\$417,252.0</b>	<b>\$405,820.1</b>

#### Additional Information Related to Objective 4

##### Grants:

- EPA grantee research led to an improved cumulative assessment of pesticides. This work has resulted in policy and procedural changes within local governments, grower associations, and produce shippers that will reduce the risks of exposures to multiple pesticides. (Supported by the following two grants: (1) *Centers of Excellence in Children's Environmental Health and Disease Prevention Research*, and (2) *Centers for Children's Environmental Health and Disease Prevention Research*.)
- EPA grantee research has identified wide population variability in a gene that produces enzymes for detoxifying organophosphate pesticides; these results show that some people, especially young children, are more sensitive to the adverse health effects of these pesticides. (Supported by the following two grants: (1) *Centers of Excellence in Children's Environmental Health and Disease Prevention Research*, and (2) *Centers for Children's Environmental Health and Disease Prevention Research*.)
- In 2007, EPA research grants supported Native American tribes by conducting the science to determine potential risks unique to their populations because of their customs, occupations, and lifestyles. (Supported by the grant entitled: *Lifestyles and Cultural Practices of Tribal Populations and Risks From Toxic Substances in the Environment*.)
- In 2007, an EPA-funded study of the Willamette River in Oregon found that restoration of the river's floodplain has the potential to cool thermal discharges to the river, as well as to create many other benefits such as flood control, increased aquatic habitat, and increased recreational opportunities. The researchers continue to work with local stakeholders to determine the pros and cons of alternative restoration options. (Supported by the grant entitled: *Harnessing the Hydrologic Disturbance Regime: Sustaining Multiple Benefits in Large River Floodplains in the Pacific Northwest*.)
- EPA grantee findings indicate that global change will have significant impacts on air quality in the United States, including higher ozone concentrations. Consequently, EPA is working to incorporate global change impacts in the air quality management process. (Supported by the following four grants: (1) *Modeling Heat and Air Quality Impacts of Changing Urban Land Uses and Climate*, (2) *Development and Evaluation of a Methodology for Determining Air Pollution Emissions Relative to Geophysical and Societal Changes*, (3) *Impacts of Global Climate and Emission Changes on U.S. Air Quality*, and (4) *Application of a Unified Aerosol-Chemistry-Climate GCM to Understand the Effects of Changing Climate and Global Anthropogenic Emissions on U.S. Air Quality*.)

**Web Links:**

Children's Research Center White Paper:

[yosemite.epa.gov/ochp/ochpweb.nsf/content/CEHRC\\_Findings.htm/\\$file/CEHRC%20Findings.doc](http://yosemite.epa.gov/ochp/ochpweb.nsf/content/CEHRC_Findings.htm/$file/CEHRC%20Findings.doc)

Wilamette Ecosystem Marketplace Development:

[www.mwvcog.org/WillamettePartnership/WillamEcoMarket.asp](http://www.mwvcog.org/WillamettePartnership/WillamEcoMarket.asp)

Human Health Research Program: [www.epa.gov/hhrp](http://www.epa.gov/hhrp)

Climate Change Program: [www.epa.gov/climatechange/index.html](http://www.epa.gov/climatechange/index.html)

Endocrine Disruptors Research Initiative: [www.epa.gov/endocrine](http://www.epa.gov/endocrine)

National Center for Environmental Research: [www.epa.gov/ncer/fellow](http://www.epa.gov/ncer/fellow)

Board of Scientific Counselors: <http://www.epa.gov/OSP/bosc/>

**Program Assessment Rating Tool (PART):**

In FY 2008, EPA developed and implemented an action plan for all Agency Program Assessment Rating Tool measures in response to a governmentwide Agency Program Assessment Rating Tool measure review. The plan leveraged ongoing strategic and annual planning and reflected performance measure improvements. The tables of measures and results provided in Section II of this report, "Performance Results," identify all Program Assessment Rating Tool measures, which make up more than two-thirds of EPA's performance measures. Please refer to [www.expectmore.gov](http://www.expectmore.gov) for more detailed information.

## 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: 4.1: CHEMICAL AND PESTICIDE RISKS

By 2011, prevent and reduce pesticide and industrial chemical risks to humans, communities, and ecosystems.

Performance Measures Met	Performance Measures Not Met	Data Available After November 17, 2008	Total Performance Measures
21	6	6	33

#### SUB-OBJECTIVE: 4.1.1: Reduce Chemical Risks

By 2011, prevent and reduce chemical risks to humans, communities, and ecosystems.

##### Strategic Target (1)

By 2011, eliminate or effectively manage risks associated with 100 percent of High Production Volume (HPV) chemicals for which unreasonable risks have been identified through EPA risk assessments.

Annual Performance Measures and Baselines	FY 2005		FY 2006		FY 2007		FY 2008		Unit
	Target	Actual	Target	Actual	Target	Actual	Target	Actual	
(248) Percentage of HPV chemicals identified as priority concerns through assessment of Screening Information Data Sets and other information with risks eliminated or effectively managed.	N/A	N/A	100	100	100	100	100	100	Percent of HPV Chems.
Baseline - The baseline for the HPV measure is zero chemicals in 1998. EPA screening of data obtained through the HPV Challenge Program is commencing in 2006; actions to obtain additional information needed to assess risks will commence subsequently as chemicals are identified as priority concerns through the screening process.									

Annual Performance Measures and Baselines	FY 2005		FY 2006		FY 2007		FY 2008		Unit
	Target	Actual	Target	Actual	Target	Actual	Target	Actual	
Explanation – 2 chemicals were identified as high priority chemicals of special concern last year. Both chemicals have been the subject of targeted initiation of risk management actions.									

**Strategic Target (2)**

Through 2011, ensure that new chemicals introduced into commerce do not pose unreasonable risks to workers, consumers, or the environment.

Annual Performance Measures and Baselines	FY 2005		FY 2006		FY 2007		FY 2008		Unit
	Target	Actual	Target	Actual	Target	Actual	Target	Actual	
(247) Percent of new chemicals or organisms introduced into commerce that do not pose unreasonable risks to workers, consumers, or the environment.	Baseline	100	100	100	100	96	100	Data Available FY 2009	Percent
Baseline - The baseline for percent of new chemicals or organisms introduced into commerce that do not pose unreasonable risks to workers, consumers, or the environment was developed from a 2 year analysis from 2004-2005 comparing 8(e) reports to New Chemical submissions and is 100 percent.									
Explanation – In FY 2007, OPPT analyzed 21 TSCA 8(e) notices of substantial risk that related back to 24 previously reviewed New Chemical submissions. This self evaluation compared newly available information from the 8(e) notices with original OPPT decisions on new chemicals, essentially challenging the program 24 times. One of the 24 chemicals suggested an unreasonable risk upon reassessment and 23 of 24 chemicals did not pose an unreasonable risk upon reassessment, leading to performance of 96 percent.									

**Strategic Target (3)**

By 2011, achieve a 31 percent cumulative reduction of chronic human health risk from environmental releases of industrial chemicals in commerce since 2001.

**Strategic Target (4)**

By 2010, eliminate childhood lead poisoning cases as a public health concern by reducing to zero the number of cases of children (aged 1-5 years) with elevated blood lead levels (>10µg/dl).

Annual Performance Measures and Baselines	FY 2005		FY 2006		FY 2007		FY 2008		Unit
	Target	Actual	Target	Actual	Target	Actual	Target	Actual	
(10A) Annual percentage of lead-based paint certification and refund applications that require less than 20 days of EPA effort to process.	N/A	89	N/A	90	90	92	91	91	Percent Certif/ and Refund
Baseline- Baseline for percentage of lead-based paint certification and refund applications that require less than 20 days of EPA effort to process is 77 percent in 2004, which is taken from the Federal Lead Based Paint Program database records.									
Explanation- Measure was met due to sustained attention to Regional components of processing time, the primary contributor to this measure. Sustained high-level of customer service was achieved in processing applications in a timely fashion.									
(196) Number of cases of children (aged 1-5 years) with elevated blood lead levels (>10 µg/dl).	Bi-annual	Bi-annual	216,000	121,000	Bi-annual	Bi-annual	90,000	Data Unavailable	Children
Baseline - Data released by CDC from the National Health and Nutritional Evaluation Survey in May of 2005 estimated a population of 310,000 children aged 1 - 5 with lead poisoning (blood lead levels of 10 µg/dl or greater).									
Explanation - CDC has not officially released 2003-2004, 2005-2006 and 2007-2008 information.									

### Strategic Target (5)

By 2010, reduce to 28 percent the percent difference in the geometric mean blood lead level in low-income children 1-5 years old as compared to the geometric mean for non-low income children 1-5 years old.

Annual Performance Measures and Baselines	FY 2005		FY 2006		FY 2007		FY 2008		Unit
	Target	Actual	Target	Actual	Target	Actual	Target	Actual	
(10D) 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.	Bi-annual	Bi-annual Data	29	Data Lag	Bi-annual	Bi-annual Data	29	Data Unavailable	Percent
Baseline - 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.									



Annual Performance Measures and Baselines	FY 2005		FY 2006		FY 2007		FY 2008		Unit
	Target	Actual	Target	Actual	Target	Actual	Target	Actual	
Explanation - CDC has not officially released 2003-2004, 2005-2006 and 2007-2008 information.									

**Strategic Target (6)**

By 2011, through work with international partners, eliminate the use of lead in gasoline in the remaining 35 countries that still use lead as an additive, affecting over 700 million people. (Baseline: As of January 2006, 35 countries still need to phase lead out of gasoline. Information source: United Nations Environment Program and the Partnership for Clean Fuels and Vehicles maintain a global database on fuel quality, which is updated periodically).

**Strategic Target (7)**

By 2011, through work with international partners, over 3 billion people will have access to low-sulfur fuel in 10 countries, including China, India, Mexico and Brazil. (Baseline: As of January 2006, none of the developing countries has access to low-sulfur fuel, according to the United Nations Environment Program and the Partnership for Clean Fuels and Vehicles.)

**No Strategic Target**

Annual Performance Measures and Baselines	FY 2005		FY 2006		FY 2007		FY 2008		Unit
	Target	Actual	Target	Actual	Target	Actual	Target	Actual	
(097) Safe Disposal of Transformers	8000	7,015	5000	6,480	N/A	N/A	N/A	N/A	Transformers
Explanation – Disposal is voluntary and is compiled from Regional reporting. The disposal of this electrical equipment is not driven by any regulatory requirement. Therefore reporting is unpredictable and varies from year to year. This measure was discontinued after FY 2006.									
(098) Safe Disposal of Capacitors	6,000	1,457	9000	343	N/A	N/A	N/A	N/A	Capacitors
Explanation - Disposal is voluntary and is compiled from Regional reporting. The disposal of this electrical equipment is not driven by any regulatory requirement. Therefore reporting is unpredictable and varies from year to year. This measure was discontinued after FY 2006.									
(241) Annual number of chemicals with proposed values for Acute Exposure Guidelines Levels (AEGl)	20	29	24	23	24	33	24	28	Chemicals
Baseline EPA developed Proposed AEGl values for 78 chemicals through 2002. In 2007, a total of 218 chemicals with proposed AEGl Values were reported for the AEGl Program (cumulative count).									
Explanation – The FY 08 target was exceeded through increased program efficiency in reviewing and presenting chemicals at international									

Annual Performance Measures and Baselines	FY 2005		FY 2006		FY 2007		FY 2008		Unit
	Target	Actual	Target	Actual	Target	Actual	Target	Actual	
meetings.									
(239) Annual number of chemicals with final values for Acute Exposure Guideline levels.	N/A	N/A	N/A	N/A	N/A	N/A	Baseline	37	Chemicals
Baseline- Baseline from program initiation in 1996 through 2008 is 37 chemicals.									
(72A) Percent reduction from baseline year in total EPA cost per chemical for which proposed AEGL value sets are developed.	N/A	N/A	Baseline	\$38,178	2	19.1	4	17.4	Percent Cost Savings
Baseline - Total EPA cost per chemical for which proposed AEGL values sets are developed is \$38,178 using a 3 year average of AEGL program costs from FY 2005 through FY 2007.									
Explanation - Given that proposed AEGLs completed for FY 2008 is 28, exceeding target of 24, the efficiency measure target of 4% will be exceeded. OPPT will pursue target increases in the Fall PART update.									
(249) Cumulative number of chemicals for which the Voluntary Children's Chemical Evaluation Program data needs documents are issued by EPA in response to Industry sponsored Tier 1 risk assessments.	N/A	N/A	8	6	9	14	10	15	Cum. Chems.
Baseline - Baseline for the Voluntary Children's Chemical Evaluation Program is 0 for FY 2003.									
Explanation - In FY 2008, OPPT completed one additional data needs document for Voluntary Children's Chemical Evaluation Program chemicals bringing the cumulative total to 15. In FY 2007, OPPT was able to continue and complete work on data needs documents for Voluntary Children's Chemical Evaluation Program chemicals which were not ready to report at the end of FY 2006. Also, the program was able to group similar chemicals into one group, issuing one data needs documents for this group.									
(270) Annual number of High Production Volume (HPV) chemicals with Risk Based Prioritizations Completed.	N/A	N/A	N/A	N/A	Baseline	0	150	150	HPV Chemicals

Annual Performance Measures and Baselines	FY 2005		FY 2006		FY 2007		FY 2008		Unit
	Target	Actual	Target	Actual	Target	Actual	Target	Actual	
Baseline - The baseline for the number of HPV chemicals with risk based prioritizations completed in 2007 is zero.									
(296) Annual number of Moderate Production Volume (MPV) chemicals with Hazard Based Prioritizations Completed.	N/A	N/A	N/A	N/A	Baseline	0	55	14	MPV Chemicals
Baseline - The baseline for the number of MPV chemicals with hazard based prioritizations completed in 2007 is zero.									
Explanation - Finalization and publication of hazard based prioritizations was complicated by Confidential Business Information concerns regarding hazard data for MPV and supporting analogue chemicals. The program is on track to finalize and post 55 Hazard Based Prioritizations by early FY09.									
(278) Cumulative number of High Production Volume (HPV) chemicals with Screening Level Hazard Characterization Reports completed.	N/A	N/A	Baseline	522	781	733	1,152	1,013	HPV Chemicals
Baseline – The baseline for the number of chemicals with Screening Level Hazard Characterization Reports was developed using data from internationally sponsored HPV chemicals through 2006. EPA assisted with the development and finalization of reports for these 359 chemicals.									
Explanation - Original baseline assumption were incorrect because OPPT can only count Hazard Characterizations completed through the international process that are manufactured in the U.S. and part of the Chemical Assessment and Management Program chemical universe. Relative targets remain at the same interval but are decreased over time. In FY 2007, Hazard Characterizations began to be developed solely by EPA. These added to ongoing international work and provide the beginning step for risk based prioritizations.									
(282) Annual reduction in the production-adjusted risk-based score of releases and transfers of High Production Volume (HPV) chemicals from manufacturing facilities.	1.4	5.3	3.0	1.8	2.6	Data Unavailable	2.5	Data Unavailable	Percent RSEI Risk
Baseline - The baseline for the percent reduction in the risk based score for HPV chemicals is zero percent in 1998, which was the year the HPV program began. A cumulative 30.3 percent reduction has been observed between 1998 and 2005.									
Explanation - RSEI scores are dependent on TRI data which are subject to a 2 year data lag. FY05 actuals were recalculated based on									

Annual Performance Measures and Baselines	FY 2005		FY 2006		FY 2007		FY 2008		Unit
	Target	Actual	Target	Actual	Target	Actual	Target	Actual	
new assumptions resulting in slightly different results for FY 06. Overall progress toward long term target is accelerating due to a reduced release of the chemical diaminotoluene in a high exposure area.									
(D5C) Percent increase from baseline year in cost savings due to new chemical prescreening.	N/A	N/A	6.67	15.1	13.4	-42	20	-40	Percent Cost Savings
Baseline - The baseline was developed from 2004 and 2005 data showing an average cost savings of \$51,000 from chemical pre-screening.									
Explanation – FY 08 is the last year that OPPTS will be reporting on this measure. Fewer Sustainable Futures trainings were offered during FY 2008 due to slow implementation of MOU which passed SF training off to third party. This resulted in fewer pre-screened new chemicals submitted. While some cost savings were realized from pre-screening, they did not equal the baseline cost savings of \$51,000. Only approximately \$20,000 or 40 percent of baseline savings were realized.									
(226) Reduction in time required to issue Reregistration Eligibility Decisions.	7	75	10	62	40	40	60	60	Percent Reduction
Baseline – Baseline for reduction in time required to issue Registration Eligibility Decisions (REDs) decisions is 30 months in FY 2002									
(281) Reduction in cost of managing Pre-Manufacture Notice (PMN) submissions through the Focus meeting as a percentage of baseline year cost	N/A	N/A	N/A	N/A	Baseline	\$459,800	N/A	N/A	Percent Reduction
Baseline - Percent reduction from baseline year in managing PMN submissions through the Focus meeting is \$459,800 in 2007.									
(280) Percent reduction from baseline year in average cost of Toxic Substance Control Act 8(e) processing and searches.	N/A	N/A	N/A	N/A	Baseline	\$14.88	N/A	N/A	Percent Reduction
Baseline - Baseline for the percent reduction from baseline year in the average cost of processing and searching TSCA 8(e) reports was \$14.88 in 2007.									
Explanation - No target for FY 08. Measure was pushed back to 09, IT improvements haven't happened.									
(250) Reduction in the current year production-adjusted risk-based	2.5	-0.3	4.5	-0.3	4.0	Data Unavaila	3.5	Data Unavail	Percent RSEI

Annual Performance Measures and Baselines	FY 2005		FY 2006		FY 2007		FY 2008		Unit
	Target	Actual	Target	Actual	Target	Actual	Target	Actual	
score of releases and transfers of toxic chemicals from manufacturing facilities.						ble		able	Risk
<p>Baseline -Baseline for the Risk Screening Environmental Indicators Model Program in 2001 was zero percent. 2001 was selected as the baseline year because of changing TRI reporting thresholds for persistent, bioaccumulative, toxic chemicals that took effect in 2001. These changes significantly affect the RSEI model, making comparisons with years prior to 2001 inappropriate. A consistent set of chemicals can be used from 2001 forward. Cumulative reduction reported through 2005 is 29.3 percent.</p>									
<p>Explanation - RSEI scores are dependent on TRI data which are subject to a 2 year data lag. Updates to the RSEI model have improved underlying assumptions regarding air dispersion models. While FY 2005 and 2006 performance has not been met, overall progress toward long term target is accelerating largely due to a reduced released of chemical diaminitoluene in a high exposure area. Since 2001, cumulative reductions through 2006 are 39.5 percent.</p>									

**SUB-OBJECTIVE: 4.1.2: Reduce Chemical Risks at Facilities and in Communities**

By 2011, protect human health, communities, and the environment from chemical releases through facility risk-reduction efforts and building community preparedness and response capabilities.

**Strategic Target (1)**

By 2011, continue to maintain the Risk Management Plan prevention program and further reduce by 5 percent the number of accidents at Risk Management Plan facilities. (The baseline is an annual average of 340 accidents, based on Risk Management Plan program data through 2003.)

**Strategic Target (2)**

By 2011, reduce by 5 percent the consequences of accidents at Risk Management Plan facilities, as measured by injuries, fatalities, and property damage. (The baseline is an annual average of 358 injuries, 13 fatalities, \$143,487,189 property damage at Risk Management Plan facilities from 1995-2003.)

**Strategic Target (3)**

By 2011, vulnerability zones surrounding Risk Management Plan facilities will be reduced by 5 percent from the 2004 baseline, which will result in the reduction of risk for over 4 million people in the community. (The 2004 baseline is 33,504 miles of total cumulative radius of all vulnerability zones).

**Strategic Target (4)**

By 2011, improve by 10 percent from the 2007 baseline the capabilities of Local Emergency Planning Committees to prevent, prepare for, and respond to chemical emergencies (as measured by a survey of those planning committees), thereby reducing the risk to communities from the potentially devastating effects of chemical accidents.

**No Strategic Target**

Annual Performance Measures and Baselines	FY 2005		FY 2006		FY 2007		FY 2008		Unit
	Target	Actual	Target	Actual	Target	Actual	Target	Actual	
(CH2) Number of risk management plan audits and inspections completed.	400	730	400	885	400	550	400	628	Audits
Baseline - 2820 Risk Management Plan audits were completed between FY 2002 and FY 2006.									

**SUB-OBJECTIVE: 4.1.3: Protect Human Health from Pesticide Risk**

Through 2011, protect human health by implementing our statutes and taking regulatory actions to ensure pesticides continue to be safe and available when used in accordance with the label.

**Strategic Target (1)**

By 2011, reduce the concentration of pesticides detected in the general population by 50 percent. Baselines are determined from 1990-1992 Centers for Disease Control-National Health and Nutrition Examination Survey data.

Annual Performance Measures and Baselines	FY 2005		FY 2006		FY 2007		FY 2008		Unit
	Target	Actual	Target	Actual	Target	Actual	Target	Actual	
(266) Percent reduction in concentrations of pesticides detected in general population.	N/A	N/A	N/A	N/A	10	5	Biannual	Biannual	Percent cum. reduction
Baseline - According to National Health and Nutrition Examination Survey data for 1999-2002 the concentration of pesticides residues detected in blood samples from the general population are: Dimethylphosphaste = 0.41 µg/L; Dimethylthiophosphate = 1.06 µg/L; Dimethyldithiophosphate = 0.07 µg/L; Diethylphosphate = 0.78 µg/L; Diethylthiophosphate = 0.5 µg/L; Diethyldithiophosphate = 0.07 µg/L; and 3,5,6-Trichloro-2-pyridinol = 1.9 µg/L.									
Explanation - Data Limitations have been identified and OPPTS is working to resolve these limitations.									

### Strategic Target (2)

Through 2011, protect those occupationally exposed to pesticides by improving upon or maintaining a rate of 3.5 incidents per 100,000 potential risk events. Baseline: There were 1385 occupational pesticide incidents in 2003 out of 39,850,000 potential pesticide risk events/year.

### Strategic Target (3)

By 2011, improve the health of those who work in or around pesticides by reaching a 50 percent targeted reduction in moderate to severe incidents for six acutely toxic agricultural pesticides with the highest incident rate: chlorpyrifos, diazinon, malathion, pyrethrins, 2,4-dichlorophenoxy acetic acid (2,4-D), and carbofuran. Baselines will be determined from the Poison Control Center Toxics Exposure Surveillance System database for 1999-2003.

Annual Performance Measures and Baselines	FY 2005		FY 2006		FY 2007		FY 2008		Unit
	Target	Actual	Target	Actual	Target	Actual	Target	Actual	
(143) Percentage of agricultural acres treated with reduced-risk pesticides.	13.5	16	17	18	18	20	18.5	Data Available 2009	Percent acre-treatments
Baseline - The baseline for acres-treated is 3.6 percent of total acreage in 1998, when the reduced-risk pesticide acre 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 pesticides treatments which acre receives each year.									
Explanation - Data is collected on CY basis. FY 08 data will be available by EOY FY 09. FY07 actual exceeded target due to market conditions and an increased use of corn.									

### No Strategic Target

Annual Performance Measures and Baselines	FY 2005		FY 2006		FY 2007		FY 2008		Unit
	Target	Actual	Target	Actual	Target	Actual	Target	Actual	
(001) Register reduced risk pesticides, including biopesticides.	14	14	14	15	14	14	10	12	Registrations
Baseline - Zero in 1996. Cumulative total in FY 2007 is 200 registrations.									
(002) New Chemicals	8	3	8	19	8	16	12	8	Registrations

Annual Performance Measures and Baselines	FY 2005		FY 2006		FY 2007		FY 2008		Unit
	Target	Actual	Target	Actual	Target	Actual	Target	Actual	
(Active Ingredients)									
Baseline - Zero in 1996. Cumulative total in FY 2007 is 117 new chemicals (active ingredient).									
Explanation - Active ingredients withdrawn and renegotiated due dates to FY 09.									
(265) Incidents per 100,000 potential risk events in population occupationally exposed to pesticides.	N/A	N/A	N/A	N/A	N/A	N/A	<=3.5/100,000	<=3.5/100,000	Incidents
Baseline - There were 1,388 incidents out of 39,850,000 potential risk events for those occupationally exposed to pesticides in FY 2003.									
(267) Percent reduction in moderate to severe incidents for six acutely toxic agricultural pesticides with the highest incident rate.	N/A	N/A	N/A	N/A	N/A	N/A	20	43	Cum. Percent Reduction
Baseline - The rates for moderate to severe incidents for exposure to agricultural pesticides with the highest incident rates base on FY 1999 -2003 data were: Chlorpyrifos, 67 incidents; diazinon, 51 incidents; malathion, 36 incidents; pyrethrins, 29 incidents; 2, 4-D, 27 incidents; carbofuran, 24 incidents, based on data from Poison Control Centers' Toxic Exposure Surveillance System, and the National Institute of Occupational Safety and Health's Sentinel Event Notification System for Occupational Risk.									
Explanation – Exceeded due to cancellation of residential uses process.									
(244) Percent reduction in review time for registration of conventional pesticides.	7	7	8	34	9	5	10	-37	Percent Reduction
Baseline – The baseline for review time for registration of convention pesticides is FY 2002 turnaround time of 44 months (pre-PRIA); Percent reduction from the prior year.									
Explanation -Two active ingredients, pyridalyl and iodomethane, were received in FY04 when the allowable review timeframes under PRIA were the greatest (38 months) - whereas other AIs received that fiscal year were registered in a timeframe significantly shorter than the 38 months allowed, these two chemicals had serious risk issues to address and were									



Annual Performance Measures and Baselines	FY 2005		FY 2006		FY 2007		FY 2008		Unit
	Target	Actual	Target	Actual	Target	Actual	Target	Actual	
problematic for EPA to register. The PRIA dates for both of these chemicals were renegotiated thus the legally allowable timeframe for review was actually greater than the 38 months that was assumed when the target for the efficiency measure was developed. To a lesser degree, this is also the case for flubendiamide, which was renegotiated beyond the original timeframe of 24 months.									
(273) Reduced cost per pesticide occupational incident avoided.	N/A	N/A	N/A	N/A	N/A	N/A	2	2	Cum. Percent Reduction
Baseline - Based on FY 2001- 2003 data, the cost avoided for occupational pesticide incidents is \$11,550 per incident avoided.									
(005) New Uses	200	164	200	235	200	235	250	327	Actions
Baseline - Zero in 1996. Cumulative total in FY 2007 is 3,774 new use actions.									

**SUB-OBJECTIVE: 4.1.4: Protect the Environment from Pesticide Risk**

Through 2011, protect the environment by implementing our statutes and taking regulatory actions to ensure pesticides continue to be safe and available when used in accordance with the label.

**Strategic Target (1)**

By 2011, reduce the percentage of urban watersheds sampled by the US Geological Survey's National Water Quality Assessment (USGS NAWQA) program that exceed the National Pesticide Program aquatic life benchmarks for three key pesticides of concern (diazinon, chlorpyrifos, malathion). The 1992 - 2001 baselines as a percentage of urban watersheds sampled that exceeded benchmarks are Diazinon: 40 percent; Chlorpyrifos: 37 percent; and Malathion: 30 percent.

**Strategic Target (2)**

By 2011, reduce the number of agricultural watersheds sampled by the USGS NAWQA program that exceed EPA aquatic life benchmarks for 2 key pesticides (azinphos-methyl and chlorpyrifos). Based on 1992-2001 data, 18 percent of agricultural watersheds sampled exceeded benchmarks for Azinphos-methyl and Chlorpyrifos.

**No Strategic Target**

Annual Performance Measures and Baselines	FY 2005		FY 2006		FY 2007		FY 2008		Unit
	Target	Actual	Target	Actual	Target	Actual	Target	Actual	
(268) Percent of urban watersheds that exceed EPA aquatic life benchmarks for three key pesticides of concern.	N/A	N/A	N/A	N/A	N/A	N/A	25 Diazinon; 25 chlorpyrifos; 20 malathion	40 diazinon; 0 chlorpyrifos; 30 malathion	Percent Reduction
Baseline – The 1992–2001 baselines as a percentage of urban watersheds sampled that exceeded benchmarks are: diazinon, 40 percent; chlorpyrifos, 37 percent; and malathion, 30 percent.									
Explanation – Variance from target associated with phase out process of chemicals and with variability in monitoring data.									
(010) Cumulative percent of Reregistration Eligibility Decisions Completed.	81.4	82	93.5	91	97	95.4	100	100	Percent Decisions
Baseline - Baseline for cumulative percent of Registration Eligibility Decisions (REDs) completed is 613 REDs completed by FY 2008. Twenty-seven (27) of these decisions were completed during FY 2008.									
(275) Average cost and average time to produce or update an Endangered Species Bulletin	N/A	N/A	N/A	N/A	10 (\$3,600 & 90 hrs)	N/A	19 (\$3,240 & 81 hrs)	N/A	Cum. Percent Reduction
Baseline – Average cost and average time to produce or update an Endangered Species Bulletin in FY 2004 is \$4,000 and 100 hours.									
Explanation – No bulletins issued.									
(226) Reduction in time required to issue Reregistration Eligibility Decisions.	7	75	10	62	40	40	60	60	Percent reduction
Baseline – Baseline for reduction in time required to issue Registration Eligibility Decisions (REDs) decisions is 30 months in FY 2002									
(011) Product Reregistration	400	501	545	545	545	962	1075	1194	Actions
Baseline - FY 05 actual is 501 product reregistrations.									
Explanation – Target exceeded due to external review of product reregistration process done to streamline the process and expedite timely implementation of risk mitigation measures.									

**SUB-OBJECTIVE: 4.1.5: Realize the Value from Pesticide Availability**

Through 2011, ensure the public health and economic benefits of pesticide availability and use are achieved.

**Strategic Target (1)**

By 2011, annually avoid \$900M in termite structural damage by ensuring that safe and effective pesticides are registered/re-registered and available for termite treatment.

**Strategic Target (2)**

By 2011, avoid \$1.5 billion of crop loss by ensuring that effective pesticides are available to address emergency pest infestations.

**No Strategic Target**

Annual Performance Measures and Baselines	FY 2005		FY 2006		FY 2007		FY 2008		Unit
	Target	Actual	Target	Actual	Target	Actual	Target	Actual	
(271) Millions of dollars in termite structural damage avoided annually by ensuring safe and effective pesticides are registered/re-registered and available for termite treatment.	N/A	N/A	N/A	N/A	N/A	N/A	900M	900M	Dollars Saved
Baseline - Based on U.S Census housing data, industry data, and academic studies on damage valuation, EPA calculates that in FY 2003 there were \$900 million in annual savings from structural damage avoided due to availability of registered termiticides.									
(272) Billions of dollar in crop loss avoided by ensuring that effective pesticides are available to address pest infestations.	Baseline	1.5B	N/A	N/A	N/A	N/A	1.5B	1.5B	Dollars Loss Avoided
Baseline - According to EPA and USDA data for the years FY 2000-2005, emergency exemptions issued by EPA resulted in \$1.5 billion in avoided crop loss.									
(274) Reduce cost per acres using reduced risk pest management practices compared to the grant and/or contract funds expended on environmental stewardship.	Baseline	2.63	N/A	N/A	N/A	N/A	2	2	Cum Reduction (\$/acre)

Annual Performance Measures and Baselines	FY 2005		FY 2006		FY 2007		FY 2008		Unit
	Target	Actual	Target	Actual	Target	Actual	Target	Actual	
Baseline - For FY 2005, funding of Strategic Agriculture Initiative grants resulted in \$2.63 per acre impacted.									
(240) Maintain timeliness of S18 decisions	45	42	45	48	45	36.6	45	34	Days
Baseline - The Section 18's 2005 baseline is 45 days.									
Explanation - Target exceeded as a result of the emergency exemption streamlining rule that was completed in 2006.									

### OBJECTIVE-LEVEL MEASURES

Annual Performance Measures and Baselines	FY 2005		FY 2006		FY 2007		FY 2008		Unit
	Target	Actual	Target	Actual	Target	Actual	Target	Actual	
(108) Contract cost reduction per study for assay validation efforts in the Endocrine Disruptor Screening Program.	N/A		N/A		1	63	1	3	Percent
Baseline - The average cost per study was calculated based on contract costs over a five year period (2002-2006). A laboratory study was defined as conduct of an assay with a single chemical in a single lab, and represents standardized study costs based on a mix of in vitro and in vivo studies, as well as detail review papers. The baseline average cost per study is \$62,175 in FY 2006.									
(257) Cumulative number of assays that have been validated.	N/A		11/20	2/21	8/20	3/20	13/20	12/20	Assays
Baseline - Zero assays validated in FY 2005.									
Explanation - Target not met due to one of the planned assay validations being delayed because of contract and technical issues that arose during the conduct of the interlaboratory validation study.									

### OBJECTIVE: 4.2: COMMUNITIES

Sustain, clean up, and restore communities and the ecological systems that support them.

Performance Measures Met	Performance Measures Not Met	Data Available After November 17, 2008	Total Performance Measures
3	0	7	10

**SUB-OBJECTIVE: 4.2.1: Sustain Community Health**

By 2011, reduce the air, water, and land impacts of new growth and development through use of smart growth strategies in 30 communities that will achieve significant measurable environmental and/or public health improvements. The baseline will be established in 2006.

**SUB-OBJECTIVE: 4.2.2: Restore Community Health Through Collaborative Problem-Solving**

Make significant environmental improvements in communities with potential disproportionately high and adverse environmental and/or public health effects ("areas with potential environmental justice concerns") and foster the ability of communities to address local environmental concerns with other stakeholders through collaborative problem solving.

**SUB-OBJECTIVE: 4.2.3: Assess and Clean Up Brownfields**

Working with state, tribal, and local partners, promote the assessment, cleanup, and sustainable reuse of brownfields properties.

**Strategic Target (1)**

By 2011, conduct environmental assessments at 13,900 properties. (FY 2005 baseline is 7,900.)

Annual Performance Measures and Baselines	FY 2005		FY 2006		FY 2007		FY 2008		Unit
	Target	Actual	Target	Actual	Target	Actual	Target	Actual	
(B29) Brownfield properties assessed.	1,000	1,381	1,000	2,139	1,000	1,371	1,000	Data Available FY 2009	Assessments
Baseline—In FY 2005, the Brownfields program assessed 1,381 properties.									
Explanation—Due to grantee reporting cycle, complete FY 2008 data will not be available until May 2009. EPA exceeded its target in FY 2007 for this measure									

**Strategic Target (2)**

By 2011, make 1,125 acres (cumulative) of brownfields ready for reuse.

Annual Performance Measures and Baselines	FY 2005		FY 2006		FY 2007		FY 2008		Unit
	Target	Actual	Target	Actual	Target	Actual	Target	Actual	
(B33) Acres of Brownfield properties made ready for reuse.	NA	NA	NA	1,598	NA	2,399	225	Data Available FY 2009	Acres
Baseline - In FY 2006, the Brownfields program made 1,598 acres ready for reuse.									

Annual Performance Measures and Baselines	FY 2005		FY 2006		FY 2007		FY 2008		Unit
	Target	Actual	Target	Actual	Target	Actual	Target	Actual	
Explanation - Due to grantee reporting cycle, complete FY08 data will not be available until May 2009. EPA exceeded its target in FY 2007 for this measure									

**Strategic Target (3)**

By 2011, leverage \$12.9 billion (cumulative) in assessment, cleanup, and redevelopment funding at brownfields properties. (FY 2005 baseline is \$7.5 billion.)

Annual Performance Measures and Baselines	FY 2005		FY 2006		FY 2007		FY 2008		Unit
	Target	Actual	Target	Actual	Target	Actual	Target	Actual	
(B37) Billions of dollars of cleanup and redevelopment funds leveraged at brownfields sites.	0.9B	1.0	0.9B	1.4	1B	1.7	0.9	Data Available FY 2009	\$ Funds
Baseline—In FY 2005, the Brownfields program leveraged \$1.0 billion in cleanup and redevelopment funding.									
Explanation—Due to grantee reporting cycle, complete FY 2008 data will not be available until May 2009. EPA exceeded its target in FY 2007 for this measure									

**No Strategic Target**

Annual Performance Measures and Baselines	FY 2005		FY 2006		FY 2007		FY 2008		Unit
	Target	Actual	Target	Actual	Target	Actual	Target	Actual	
(B34) Jobs leveraged from brownfields activities.	2,000	6,128	5,000	5,504	5,000	5,209	5,000	Data Available FY 2009	Jobs
Baseline—In FY 2005, the Brownfields program leveraged 6,128 jobs.									
Explanation—Due to grantee reporting cycle, complete FY 2008 data will not be available until May 2009. EPA exceeded its target in FY 2007 for this measure									

Annual Performance Measures and Baselines	FY 2005		FY 2006		FY 2007		FY 2008		Unit
	Target	Actual	Target	Actual	Target	Actual	Target	Actual	
(B32) Number of properties	60	68	60	88	60	77	60	Data	Properties

Annual Performance Measures and Baselines	FY 2005		FY 2006		FY 2007		FY 2008		Unit
	Target	Actual	Target	Actual	Target	Actual	Target	Actual	
cleaned up using Brownfields funding.								Available FY 2009	
Baseline - In FY 2005, the Brownfields program cleaned up 68 properties.									
Explanation - Due to grantee reporting cycle, complete FY08 data will not be available until May 2009. EPA exceeded its target in FY 2007 for this measure									

**SUB-OBJECTIVE: 4.2.4: Sustain and Restore the U.S.-Mexico Border Environmental Health**

By 2012, sustain and restore the environmental health along the U.S.-Mexico border through implementation of the "Border 2012" plan.

**Strategic Target (1)**

By 2012, achieve a majority of currently exceeded water quality standards in impaired transboundary surface waters. (2002 Baseline: 17 currently exceeded water quality standards were identified for 10 transboundary segments of U.S. surface waters.)

**Strategic Target (2)**

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. (2003 Baseline: 98,515 homes lacked access to safe drinking water.)

Annual Performance Measures and Baselines	FY 2005		FY 2006		FY 2007		FY 2008		Unit
	Target	Actual	Target	Actual	Target	Actual	Target	Actual	
(SP-24) Number of additional homes provided safe drinking water in the Mexican border area that lacked access to drinking water in 2003.							2,500	5,162	Homes
Baseline - In 2003, 98,515 homes lacked access to safe drinking water.									
Explanation - – In 2003, 98,515 homes lacked access to safe drinking water.									

**Strategic Target (3)**

By 2012, provide adequate wastewater sanitation to 25 percent of homes in the Mexican border area that lacked access to wastewater sanitation in 2003. (2003 Baseline: 690,723 homes lacked access to wastewater sanitation.)

Annual Performance Measures and Baselines	FY 2005		FY 2006		FY 2007		FY 2008		Unit
	Target	Actual	Target	Actual	Target	Actual	Target	Actual	
(SP-25) Number of additional homes provided adequate wastewater sanitation in the Mexican border area that lacked access to wastewater sanitation in 2003.							15,000	31,686	Homes
Baseline - In 2003, 690,723 homes lacked access to wastewater sanitation.									
Explanation - In 2003-2008, 690,723 homes lacked access to wastewater sanitation									

#### Strategic Target (4)

By 2012, cleanup five waste sites (two abandoned waste tires sites and three abandoned hazardous waste sites) in the U.S.-Mexico border region.

#### SUB-OBJECTIVE: 4.2.5: Sustain and Restore Pacific Island Territories

By 2011, sustain and restore the environmental health of the U.S. Pacific Island Territories of American Samoa, Guam, and the Commonwealth of the Northern Mariana Islands (CNMI).

#### Strategic Target (1)

By 2011, 95 percent of the population in each of the U.S. Pacific Island Territories served by community drinking water systems will receive drinking water that meets all applicable health-based drinking water standards throughout the year. (2005 Baseline: 95 percent of the population in American Samoa, 10 percent in the Commonwealth of the Northern Mariana Islands, and 80 percent of Guam served by community water systems received drinking water that meets all applicable health-based drinking water standards throughout the year.)

Annual Performance Measures and Baselines	FY 2005		FY 2006		FY 2007		FY 2008		Unit
	Target	Actual	Target	Actual	Target	Actual	Target	Actual	
(SP-26) Percent of population in each of the U.S. Pacific Island Territories served by community water systems will receive drinking water that meets all applicable health-based drinking water							72	Data Available 12/2008	Percent Population



Annual Performance Measures and Baselines	FY 2005		FY 2006		FY 2007		FY 2008		Unit
	Target	Actual	Target	Actual	Target	Actual	Target	Actual	
standards throughout the year.									
Baseline - In 2005, 95 percent of American Samoa; 10 percent of the Commonwealth of the Northern Mariana Islands; and 80 percent of Guam were served by community water systems receiving drinking water that meets all applicable health-based drinking water standards.									
Explanation – Data available December 2008.									

**Strategic Target (2)**

By 2011, the sewage treatment plants in the U.S. Pacific Island Territories will comply 90 percent of the time with permit limits for biochemical oxygen demand (BOD) and total suspended solids (TSS). (2005 Baseline: The sewage treatment plants in the U.S. Pacific Island Territories complied 59 percent of the time with the biochemical oxygen demand and total suspended solids permit limits.)

Annual Performance Measures and Baselines	FY 2005		FY 2006		FY 2007		FY 2008		Unit
	Target	Actual	Target	Actual	Target	Actual	Target	Actual	
(SP-27) Percent of the time that the sewage treatment plants in the U.S. Pacific Island Territories will comply with permit limits for biochemical oxygen demand (BOD) and total suspended solids (TSS.)							67	Data Available FY 2009	Percent Time
Baseline - In 2005, sewage treatment plants complied with permit limits 59 percent of the time.									
Explanation – Data available in 2009.									

**Strategic Target (3)**

By 2011, beaches in each of the U.S. Pacific Island Territories monitored under the Beach Safety Program will be open and safe for swimming 96 percent of days of the beach season. (2005 Baseline: Beaches were open and safe 64 percent of the 365-day beach season in American Samoa, 97 percent in the Commonwealth of the Northern Mariana Islands, and 76 percent in Guam.)

Annual Performance Measures and Baselines	FY 2005		FY 2006		FY 2007		FY 2008		Unit
	Target	Actual	Target	Actual	Target	Actual	Target	Actual	
(SP-28) Percent of days of the beach season that beaches in each of the U.S. Pacific Island Territories monitored under the Beach Safety Program will be open and safe for swimming.							70	80	Percent Days
Baseline – In 2005, 84 percent of beach days were open and safe for swimming.									
Explanation - Beach data appears to be more influenced by seasonal rains and nonpoint sources than wastewater compliance and spills.									

**SUB-OBJECTIVE: 4.2.6: Reduce Persistent Organic Pollutants (POPs) Exposure**

By 2011, reduce the mean maternal serum blood levels of persistent organic pollutant contaminants in indigenous populations in the Arctic.

**Strategic Target (1)**

By 2011, reduce mean maternal blood levels of polychlorinated biphenyls (PCBs) (measured as Aroclor 1260) in indigenous populations in the Arctic to 5.6 µg/l.

**Strategic Target (2)**

By 2011, reduce mean maternal blood levels of chlordane (measured as the metabolites oxychlordane and trans-nonachlor) in indigenous populations in the Arctic to 1.1 µg/l.

**OBJECTIVE: 4.3: RESTORE AND PROTECT CRITICAL ECOSYSTEMS**

Protect, sustain, and restore the health of critical natural habitats and ecosystems.

Performance Measures Met	Performance Measures Not Met	Data Available After November 17, 2008	Total Performance Measures
12	8	5	25

**SUB-OBJECTIVE: 4.3.1: Increase Wetlands**

By 2011, working with partners, achieve a net increase in wetlands acres with additional focus on assessment of wetland condition.

**Strategic Target (1)**

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. (2004 Baseline: 32,000 acres annual net wetland gain based on new U.S. Fish and Wildlife Service National Wetlands Inventory Status and Trends Report, 1998-2004.)

Annual Performance Measures and Baselines	FY 2005		FY 2006		FY 2007		FY 2008		Unit
	Target	Actual	Target	Actual	Target	Actual	Target	Actual	
(4F) Working with partners, achieve a net increase of acres of wetlands per year with additional focus on biological and functional measures and assessment of wetland conditions. (cumulative)	100,000	Data unavailable	100,000	Data unavailable	200,000	Data unavailable	100,000	Data Available 2011	Acres/Year
Baseline - 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.)									
Explanation - Data available in 2011.									

**Strategic Target (2)**

By 2011, in partnership with the U.S. Army Corps of Engineers (the Corps), states, and tribes, achieve "no net loss" of wetlands each year under the Clean Water Act Section 404 regulatory program, beginning in 2007. (Baseline: new baseline to be determined in 2008)

Annual Performance Measures and Baselines	FY 2005		FY 2006		FY 2007		FY 2008		Unit
	Target	Actual	Target	Actual	Target	Actual	Target	Actual	
(4E) In partnership with the U.S. Army Corps of Engineers, states, and tribes, achieve no net loss of wetlands each year under the Clean Water Act Section 404 regulatory program	No Net Loss	Data lag	No Net Loss	Data lag	No Net Loss	Data lag	No Net Loss	Data Available 2009	Acres
Baseline - No Net Loss: FY 2003: 1:1.12 (ELI 2005 Status Report on Compensatory Mitigation in the U.S., pg. 24;									

Annual Performance Measures and Baselines	FY 2005		FY 2006		FY 2007		FY 2008		Unit
	Target	Actual	Target	Actual	Target	Actual	Target	Actual	
<a href="http://www.epa.gov/owow/wetlands/pdf/ELIMitigation2005.pdf">www.epa.gov/owow/wetlands/pdf/ELIMitigation2005.pdf</a>									
Explanation - EPA will have data to report under this measure once the EPA interface for the ORM 2.0 Database is complete (estimated 01/01/2009)									

**SUB-OBJECTIVE: 4.3.2: Facilitate the Ecosystem-Scale Restoration of Estuaries of National Significance**

By 2011, working with partners, protect or restore an additional (i.e., measuring from 2007 forward) 250,000 acres of habitat within the study areas for the 28 estuaries that are part of the National Estuary Program. (2005 Baseline: 449,242 acres of habitat protected or restored; cumulative from 2002.)

**No Strategic Target**

Annual Performance Measures and Baselines	FY 2005		FY 2006		FY 2007		FY 2008		Unit
	Target	Actual	Target	Actual	Target	Actual	Target	Actual	
(202) Acres protected or restored in NEP study areas.	25,000	103,959	25,000	140,033	50,000	102,462.9	50,000	83,490	Acres
Baseline - In 2002, 0 acres were protected or restored in NEP study areas.									
Explanation - It is difficult to determine an accurate number of habitat acres that will be protected and restored because of many unforeseen and uncontrollable factors such as delays in funding, multiple partners involved, weather, timing of permits, availability of materials, contract bid process, and negotiations with willing landowners. EPA works with the NEPs to set the most realistic acreage target possible, but many issues can arise which may change the actual number of acres NEPs report.									

**SUB-OBJECTIVE: 4.3.3: Improve the Health of the Great Lakes**

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. (2005 Baseline: Great Lakes rating of 21.5 on the 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.)

**Strategic Target (1)**

Through 2011, maintain or improve an average annual 5 percent decline for the long-term trend in average concentrations of PCBs in whole lake trout and walleye samples. (Baseline: decline from 1990 levels.)

Annual Performance Measures and Baselines	FY 2005		FY 2006		FY 2007		FY 2008		Unit
	Target	Actual	Target	Actual	Target	Actual	Target	Actual	
(620) Average annual percentage decline for the long-term trend in concentrations of PCBs in whole lake trout and walleye samples.	5	6	5	6	5	6	5	6	Annual Percent Decrease
Baseline - 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)									

**Strategic Target (2)**

Through 2011, maintain or improve an average 7 percent annual decline for the long-term trend in average concentrations of toxic chemicals (PCBs) in the air in the Great Lakes basin. (Baseline: Decline from 1992 levels measured through Integrated Atmospheric Deposition Network data.47)

Annual Performance Measures and Baselines	FY 2005		FY 2006		FY 2007		FY 2008		Unit
	Target	Actual	Target	Actual	Target	Actual	Target	Actual	
(621) Average annual percentage decline for the long-term trend in concentrations of PCBs in the air in the Great Lakes Basin.	7	7	7	7	7	8	7	7	Annual Percent Decrease
Baseline - 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.									
Explanation – All Lakes declined except for Lake Michigan. Cleanup of contaminated sediment is contributing to progress.									

**Strategic Target (3)**

By 2010, restore and delist a cumulative total of at least 8 Areas of Concern within the Great Lakes basin (2005 Baseline: 0 areas of concern de-listed as of 2005 of the 31 total areas of concern.)

Annual Performance Measures and Baselines	FY 2005		FY 2006		FY 2007		FY 2008		Unit
	Target	Actual	Target	Actual	Target	Actual	Target	Actual	
(622) Number of Areas of Concern in the Great Lakes Basin which are restored and de-listed	3	0	2	1	1	1	3	1	Number of AOCs

Annual Performance Measures and Baselines	FY 2005		FY 2006		FY 2007		FY 2008		Unit
	Target	Actual	Target	Actual	Target	Actual	Target	Actual	
are restored and de-listed.									
Baseline - In 2002, no Areas of Concern had been delisted.									
Explanation - Measure delayed because of lag time between cleanup (such as the 5 completed Legacy Act sediment remediations) and monitored environmental response. EPA is working with states to address Beneficial Use Impairments through target setting and delistings.									

**Strategic Target (4)**

By 2011, remediate a cumulative total of 7 million cubic yards of contaminated sediment in the Great Lakes. (2005 Baseline: 3.7 million cubic yards of contaminated sediments from the Great Lakes have been remediated from 1997 through 2004 of the 75 million yards estimated to need remediation.)

Annual Performance Measures and Baselines	FY 2005		FY 2006		FY 2007		FY 2008		Unit
	Target	Actual	Target	Actual	Target	Actual	Target	Actual	
(606) Cubic yards of contaminated sediment remediated (cumulative) in the Great Lakes.	2.9	3.7	4.5	4.1	4.5	4.5	5.5	5.5	M Cubic Yards
Baseline - 2.1 million cubic yards of contaminated sediments were remediated from 1997 through 2001 of the 40 million requiring remediation.									

**No Strategic Target**

Annual Performance Measures and Baselines	FY 2005		FY 2006		FY 2007		FY 2008		Unit
	Target	Actual	Target	Actual	Target	Actual	Target	Actual	
(433) Improve the overall ecosystem health of the Great Lakes by preventing water pollution and protecting aquatic systems.	21	21.9	21	21.1	21	22.7	22	23.7	Scale
Baseline - Great Lakes rating of 20.9 reported 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.									

Annual Performance Measures and Baselines	FY 2005		FY 2006		FY 2007		FY 2008		Unit
	Target	Actual	Target	Actual	Target	Actual	Target	Actual	
Explanation - Sediments component improved (>10 percent remediated) due to Legacy and other remediation; other components maintained progress.									

Annual Performance Measures and Baselines	FY 2005		FY 2006		FY 2007		FY 2008		Unit
	Target	Actual	Target	Actual	Target	Actual	Target	Actual	
(623) Number of Beneficial Use Impairments removed within Areas of Concern.							16	11	Number of BUIs Removed
Baseline – In 2006, six BUIs were removed within Areas of Concern.									
Explanation – Following development of delisting targets by December 2008, states will be able to apply those targets toward BUI listings.									

**SUB-OBJECTIVE: 4.3.4: Improve the Aquatic Health of the Chesapeake Bay Ecosystem**

By 2011, prevent water pollution and protect aquatic systems so that the overall aquatic system health of the Chesapeake Bay is improved.

**Strategic Target (1)**

By 2011, achieve 45 percent (83,250 acres) of the long-term restoration goal of 185,000 acres of submerged aquatic vegetation. (2005 Baseline: 39 percent (72,935 acres) of submerged aquatic vegetation goal achieved.)

**Strategic Target (2)**

By 2011, achieve 40 percent (29.92 cubic km) of the long-term restoration goal of 100 percent attainment of the dissolved oxygen water quality standards in all tidal waters of the Bay. (2005 Baseline: 34 percent (25.40 cubic km) of dissolved oxygen goal achieved.)

**Strategic Target (3)**

By 2011, achieve 59 percent (95.88 million pounds) of the long-term goal to reduce annual nitrogen loads 162 million pounds from 1985 levels.

Annual Performance Measures and Baselines	FY 2005		FY 2006		FY 2007		FY 2008		Unit
	Target	Actual	Target	Actual	Target	Actual	Target	Actual	
(230) Percent of point source nitrogen reduction goal of 49.9 million pounds achieved.			65	68	70	69	74	69	Percent Goal Achieved
Baseline – 61percent of point source nitrogen goal achieved in 2005.									
Explanation - Maintained reductions demonstrated in the FY 07 result. The process of incorporating nutrient limits into permit cycles is ongoing as well as upgrades of wastewater treatment plants.									
(cb3) Percent of goal achieved for implementation of nitrogen reduction practices (expressed as progress meeting the nitrogen reduction goal of 162.5 million pounds).			44	44	47	46	50	47	Percent Goal Achieved
Baseline – 41percent of nitrogen goal achieved in 2005.									
Explanation - Improvements to this measure as compared to 2007. Efforts to reduce pollution from agricultural practices are occurring but not at a sufficient enough pace due to increasing loads from urban/suburban growth. The process of Incorporating nutrient limits into permit cycles is ongoing as well as upgrades of wastewater treatment plants.									

#### Strategic Target (4)

By 2011, achieve 74 percent (10.63 million pounds) of the long-term goal to reduce annual phosphorus loads 14.3 million pounds from 1985 levels.

Annual Performance Measures and Baselines	FY 2005		FY 2006		FY 2007		FY 2008		Unit
	Target	Actual	Target	Actual	Target	Actual	Target	Actual	
(231) Percent of point source phosphorus reduction goal of 6.16 million pounds achieved.			82	84	84	87	85	87	Percent Goal Achieved
Baseline – 80 percent of point source phosphorus goal achieved in 2005.									
Explanation - Load reductions maintained.									
(cb4) Percent of goal achieved for implementation of phosphorus			61	61	64	62	66	62	Percent Goal



Annual Performance Measures and Baselines	FY 2005		FY 2006		FY 2007		FY 2008		Unit
	Target	Actual	Target	Actual	Target	Actual	Target	Actual	
reduction practices (expressed as progress meeting the phosphorus reduction goal of 14.36 million pounds).									Achieved
Baseline – 58 percent of phosphorus goal achieved in 2005.									
Explanation - Improvements to this measure as compared to 2007. Efforts to reduce pollution from agricultural practices is occurring but not at a sufficient enough pace due to increasing loads from urban/suburban growth. The process of Incorporating nutrient limits into permit cycles is ongoing as well as upgrades of wastewater treatment plants.									

**Strategic Target (5)**

By 2011, achieve 74 percent (1.25 million tons) of the long-term goal to reduce annual land-based sediment loads 1.68 million tons from 1985 levels.

Annual Performance Measures and Baselines	FY 2005		FY 2006		FY 2007		FY 2008		Unit
	Target	Actual	Target	Actual	Target	Actual	Target	Actual	
(cb5) Percent of goal achieved for implementation of sediment reduction practices (expressed as progress meeting the sediment reduction goal of 1.69 million pounds).			57	57	61	62	64	64	Percent Goal Achieved
Baseline – 54 percent of sediment goal achieved in 2005.									

**No Strategic Target**

Annual Performance Measures and Baselines	FY 2005		FY 2006		FY 2007		FY 2008		Unit
	Target	Actual	Target	Actual	Target	Actual	Target	Actual	
(232) Percent of forest buffer planting goal of 10,000 miles achieved.			46	46	53	53	60	57	Percent Goal Achieved

Annual Performance Measures and Baselines	FY 2005		FY 2006		FY 2007		FY 2008		Unit
	Target	Actual	Target	Actual	Target	Actual	Target	Actual	
Baseline – 38 percent of goal achieved in 2005.									
Explanation - FY 08 target was not met due to funding and resources available at levels less than previously estimated.									

**SUB-OBJECTIVE: 4.3.5: Improve the Aquatic Health of the Gulf of Mexico**

By 2011, the overall health of coastal waters of the Gulf of Mexico will be improved from 2.4 to 2.6 on the good/fair/poor" scale of the National Coastal Condition Report. (2004 Baseline: Gulf Coast rating of fair or 2.4 where the rating is based on a 4-point system where 1 is poor and 5 is good.)

**Strategic Target (1)**

By 2011, restore water and habitat quality to meet water quality standards in 71 impaired segments (cumulative) in 13 priority coastal areas (i.e., 20 percent of the 354 impaired segments identified in 13 priority coastal areas). (2005 Baseline: 28 segments restored)

Annual Performance Measures and Baselines	FY 2005		FY 2006		FY 2007		FY 2008		Unit
	Target	Actual	Target	Actual	Target	Actual	Target	Actual	
Restore water and habitat quality to meet water quality standards in impaired segments in 13 priority coastal areas (cumulative starting FY 07).							64	Data Available FY 2009	Impaired Segments
Baseline – In 2005, 28 segments restored									
Explanation - Data from the 303(d) Reports of all five Gulf states is not available. Data will be available in January 2009									

**Strategic Target (2)**

By 2011, restore, enhance, or protect 20,000 acres of important coastal and marine habitats. (2005 baseline: 16,000 acres restored, enhanced, or protected; Gulf of Mexico coastal wetland habitats include 3,769,370 acres.)

Annual Performance Measures and Baselines	FY 2005		FY 2006		FY 2007		FY 2008		Unit
	Target	Actual	Target	Actual	Target	Actual	Target	Actual	
Restore, enhance, or protect a cumulative number of acres of important coastal and marine							18,200	25,215	Acres

Annual Performance Measures and Baselines	FY 2005		FY 2006		FY 2007		FY 2008		Unit
	Target	Actual	Target	Actual	Target	Actual	Target	Actual	
habitats.									
Baseline – In 2005, 16,000 acres restored, enhanced, or protected; Gulf of Mexico coastal wetland habitats include 3,769,370 acres.									

**Strategic Target (3)**

By 2015, reduce releases of nutrients throughout the Mississippi River Basin to reduce the size of the hypoxic zone in the Gulf of Mexico to less than 5,000 km<sup>2</sup>, as measured by the 5-year running average of the size of the zone. (Baseline: 1996-2000 running average size = 14,128 km<sup>2</sup>.)

**No Strategic Target**

Annual Performance Measures and Baselines	FY 2005		FY 2006		FY 2007		FY 2008		Unit
	Target	Actual	Target	Actual	Target	Actual	Target	Actual	
(22b) Improve the overall health of coastal waters of the Gulf of Mexico on the "good/fair/poor" scale of the National Coastal Condition Report.	0.1	2.4	2.4	2.4	2.4	2.4	2.5	Data Available December 2008	Scale
Baseline - 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 aeriially 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.									
Explanation - The National Coastal Condition Report III is still in draft format and is scheduled to be released in December 2008.									

**SUB-OBJECTIVE: 4.3.6: Restore and Protect Long Island Sound**

By 2011, working through the Long Island Sound Study Management Conference partnership, prevent water pollution, improve water quality, protect aquatic systems, and restore the habitat of Long Island Sound.

**Strategic Target (1)**

By 2014, reduce point source nitrogen discharges to Long Island Sound by 58.5 percent as measured by the Long Island Sound Nitrogen Total Maximum Daily Load. (Annual reduction target: 8,303 lbs/day. TMDL baseline: 212,899 lbs/day; 2014 target: 88,353 lbs/day.)

Annual Performance Measures and Baselines	FY 2005		FY 2006		FY 2007		FY 2008		Unit
	Target	Actual	Target	Actual	Target	Actual	Target	Actual	
(li1) Reduce point source nitrogen discharges to Long Island Sound as measured by the Long Island Sound Nitrogen Total Maximum Daily Load (TMDL).							37,323	Data Available FY 2009	Pounds Per Day
Baseline – In 1999, point source nitrogen discharges reduced to 211,724 lbs/day. Baseline updated from 2006-2011 Strategic Plan.									
Explanation – Point source discharge data will not be available until March 2009.									

**Strategic Target (2)**

By 2011, reduce the size of hypoxic area in Long Island Sound (i.e., the average maximum July-September <3mg/l DO) by 25 percent; reduce average duration of maximum hypoxic event by 25 percent. (2005 baseline derived from 19-year averages as of December 2005. Size: 203 sq/mi. Duration: 58 days.)

**Strategic Target (3)**

By 2011, restore or protect an additional 300 acres of coastal habitat, including tidal wetlands, dunes, riparian buffers, and freshwater wetlands from the 2005 baseline. (2005 baseline: 562 acres restored and 150 acres protected.)

Annual Performance Measures and Baselines	FY 2005		FY 2006		FY 2007		FY 2008		Unit
	Target	Actual	Target	Actual	Target	Actual	Target	Actual	
(li3) Restore or protect areas of coastal habitat, including tidal wetlands, dunes, riparian buffers, and freshwater wetlands.							862	1,199	Acres
Baseline – In 2005, 562 acres restored and 150 acres protected.									
Explanation – FY 2008 acreage achieved was an additional 176 acres restored/protected.									

**Strategic Target (4)**

By 2011, reopen an additional 50 miles of river and stream corridor to anadromous fish passage from the 2005 baseline through removal of dams and barriers or installation of by-pass structures such as fishways. (2005 baseline: 81 miles.)

Annual Performance Measures and Baselines	FY 2005		FY 2006		FY 2007		FY 2008		Unit
	Target	Actual	Target	Actual	Target	Actual	Target	Actual	
(li4) Reopen miles of river and stream corridor to anadromous fish passage through removal of dams and barriers or installation of by-pass structures such as fishways.							105.9	124.3	Miles
Baseline – In 2005, 81 miles of river and stream corridor to anadromous fish passage were open.									
Explanation – 1.3 additional river miles reopened in 2008.									

**SUB-OBJECTIVE: 4.3.7: Restore and Protect the South Florida Ecosystem**

Protect and maintain the South Florida Ecosystem, including the Everglades and coral reef ecosystems.

**Strategic Target (1)**

By 2011, achieve "no net loss" of stony coral cover (mean percent stony coral cover) in the Florida Keys National Marine Sanctuary and in the coastal waters of Dade, Broward, and Palm Beach Counties, Florida, working with all stakeholders (federal, state, regional, and local). (2005 baseline: Mean percent stony coral cover 6.7 percent in the Florida Keys National Marine Sanctuary and 5.9 percent in Southeast Florida.)

Annual Performance Measures and Baselines	FY 2005		FY 2006		FY 2007		FY 2008		Unit
	Target	Actual	Target	Actual	Target	Actual	Target	Actual	
(sf1) Achieve "no net loss" of stony coral cover in FL Keys Nat'l Marine Sanctuary and in the coastal waters of Dade, Broward, and Palm Beach Counties, FL working with all stakeholders.							6.7/5.9	6.4/5.1	Mean Percent of Area
Baseline – 6.8% in the Florida Keys National Marine Sanctuary (Strategic Plan baseline of 6.7% was revised to 6.8%. The Coral Reef Evaluation and Monitoring Project for the Florida Keys National Marine Sanctuary was modified in 2006 by dropping one hardbottom monitoring site because of the very small percentage of stony coral cover present (less than 0.2%) resulting in an increase of .1% in the mean percent stony coral cover for the entire Sanctuary. Statistical analyses of the Coral Reef Evaluation and Monitoring Project indicated that sampling a reduced number of stations at sites with low stony coral cover would still produce statistically valid results); 5.9% in SE Florida in 2005.									

Annual Performance Measures and Baselines	FY 2005		FY 2006		FY 2007		FY 2008		Unit
	Target	Actual	Target	Actual	Target	Actual	Target	Actual	
Explanation - The corals of the Florida Keys National Marine Sanctuary and southeast Florida have been impacted by multiple stressors. The target was not met because of the following causes: mechanical damage from tropical storms and hurricanes in 2005; bleaching as a result of increased water temperatures in 2006; and coral diseases remain relatively high.									

**Strategic Target (2)**

By 2011, maintain the overall health and functionality of sea grass beds in the Florida Keys National Marine Sanctuary each year beginning in 2008, as measured by the long-term sea grass monitoring project that addresses composition and abundance, productivity, and nutrient availability. (Baseline index of sea grass health to be determined using information collected and analyzed in FY 2005.)

**Strategic Target (3)**

By 2011, maintain the overall water quality of the near shore and coastal waters of the Florida Keys National Marine Sanctuary each year, beginning in 2008. (Baseline concentrations for inorganic nitrogen [nitrate, nitrite, and ammonium], soluble reactive phosphorus, water clarity [turbidity and light attenuation], and chlorophyll a to be determined using information collected and analyzed in FY 2005 as measured by the long-term water quality monitoring project.)

Annual Performance Measures and Baselines	FY 2005		FY 2006		FY 2007		FY 2008		Unit
	Target	Actual	Target	Actual	Target	Actual	Target	Actual	
(sf3) Maintain the overall water quality of near shore and coastal waters of the Florida Keys Nat'l Marine Sanctuary.							Maintain	Maintain	Water Quality
Baseline – Elemental Indicator = 8.3; Species Composition Index = 0.48 in 2005.									
Explanation – Light attenuation – 25 sites/Chlor – 49/DIN – 348/TP – 362. For DIN and TP, increase was regional in scope and persistent.									

**Strategic Target (4)**

By 2011, maintain the water quality of the Everglades ecosystem each year, beginning in 2008, as measured through water quality monitoring of total phosphorus. (Baseline is 1995 water quality.)

Annual Performance Measures and Baselines	FY 2005		FY 2006		FY 2007		FY 2008		Unit
	Target	Actual	Target	Actual	Target	Actual	Target	Actual	
(sf4) Improve the water quality of the Everglades ecosystem as measured by total phosphorus, including meeting the 10 ppb total phosphorus criterion throughout the Everglades Protection Area marsh.							Maintain	Not Maintained	Parts Per Billion
Baseline – The average annual geometric mean phosphorus concentrations were 5 ppb in Everglades National Park, 10 ppb in Water Conservation Area 3A, 13 ppb in Loxahatchee National Wildlife Refuge, and 18 ppb in Water Conservation Area 2A; annual average flow – weighted total phosphorus discharges from Stormwater Treatment Areas (STAs) ranged from 13 ppb for area ¾ and 98 ppb for area 1W in 2005.									
Explanation – TP for four areas are as follows: 10.6, 12.0, 8.5, and 5.2. Effluent limits were met in five STAs and exceeded in one STA. 10 ppb criterion not met throughout Everglades Protection Area (two areas met the limit and two did not). Only one STA of six did not meet effluent limits.									

**SUB-OBJECTIVE: 4.3.8: Restore and Protect the Puget Sound Basin**

By 2011, improve water quality, air quality, and minimize the adverse impacts of rapid development in the Puget Sound Basin.

**Strategic Target (1)**

By 2011, improve water quality and lift harvest restrictions in 1,000 acres of shellfish bed growing areas impacted by degraded or declining water quality. (Baseline: As of January 2006, approximately 30,000 shellfish bed growing areas had harvest restrictions due to water quality impairments in Puget Sound.)

**Strategic Target (2)**

By 2011, 200 acres of prioritized contaminated sediments are remediated. (Baseline: as of January 2006, approximately 5,000 acres of remaining contaminated sediments required some level of remediation.)

**Strategic Target (3)**

By 2011, 3,500 acres of tidally- and seasonally-influenced estuarine wetlands are restored. (Baseline: total intertidal and near shore habitat acres identified in the 2006 Puget Sound Near Shore Restoration Site Inventory Database.)

**Strategic Target (4)**

By 2011, through coordinated diesel emission mitigation efforts, reduce total diesel emissions in the Puget Sound airshed by 8 percent. (Baseline will be determined in 2006.)

**SUB-OBJECTIVE: 4.3.9: Restore and Protect the Columbia River Basin**

By 2011, prevent water pollution, and improve and protect water quality and ecosystems in the Columbia River Basin to reduce risks to human health and the environment.

**Strategic Target (1)**

By 2011, protect, enhance or restore 13,000 acres of wetland habitat and 3,000 acres of upland habitat. (2005 Baseline: 96,770 acres of wetland and upland habitat available for protection, enhancement, or restoration.)

Annual Performance Measures and Baselines	FY 2005		FY 2006		FY 2007		FY 2008		Unit
	Target	Actual	Target	Actual	Target	Actual	Target	Actual	
(cr1) Protect, enhance, or restore acres of wetland habitat and acres of upland habitat in the Lower Columbia River watershed (cumulative starting in FY 05.)							3,000	12,986	Acres
Baseline – In 2005, 96,770 acres of wetland and upland habitat available for protection, enhancement, or restoration.)									
Explanation – Target exceeded due to significant collaborative efforts by the Lower Columbia River Estuary Program.									

**Strategic Target (2)**

By 2011, clean up 150 acres of known highly contaminated sediments. (Baseline: 400 acres of known highly contaminated sediments in the main-stem of the Columbia River and Lower Willamette River as of 2006.)

**Strategic Target (3)**

By 2011, demonstrate a 10 percent reduction in mean concentration of contaminants of concern found in water and fish tissue. (Chemical-specific baseline will be available in 2006 from the following sources: Pesticide Stewardship Partnership Studies for Oregon as of 200649; Total Maximum Daily Load (TMDL) studies for Washington50; 2002 EPA Columbia River Basin Fish Contaminant Survey51; Lower Columbia River Estuary Partnership 2006 Monitoring Study52; and Washington Ecology's March 2005 Report: Concentrations of 303(d) Listed Pesticides, PCBs, PAHs, Measured with Passive Samplers Deployed in the Lower Columbia River.)



## OBJECTIVE: 4.4: ENHANCE SCIENCE AND RESEARCH

Through 2011, identify and synthesize the best available scientific information, models, methods, and analyses to support Agency guidance and policy decisions related to the health of people, communities, and ecosystems. Focus research on pesticides and chemical toxicology; global change; and comprehensive, cross-cutting studies of human, community, and ecosystem health.

Performance Measures Met	Performance Measures Not Met	Data Available After November 17, 2007	Total Performance Measures
14	6	4	24

### OBJECTIVE-LEVEL MEASURES

Annual Performance Measures and Baselines	FY 2005		FY 2006		FY 2007		FY 2008		Unit
	Target	Actual	Target	Actual	Target	Actual	Target	Actual	
(H13) Number of states using a common monitoring design and appropriate indicators to determine the status and trends of ecological resources and the effectiveness of programs and policies.	20	22	25	25	30	30	35	35	States
Baseline - The Ecological Research Program developed a common monitoring design and appropriate indicators to determine the status and trends of ecological resources and the effectiveness of national programs and policies. In 2005 when usage data were first available, 22 states were using this Environmental Monitoring and Assessment Program. This measure contributes to EPA's goal of providing scientifically sound guidance and policy decisions related to the ecosystems.									
(H40) Improved protocols for screening and testing	2	2	1	1	6	3	2	2	Reports
Baseline - In 2001, the program began tracking improved protocols for screening and testing and produced 9 of 9 reports on time. This measure contributes to EPA's goal of providing scientifically sound guidance and policy decisions related to the health of people, communities, and ecosystems, with regard to chemical toxicology.									
Explanation - The computational toxicology grants that originally supported this measure were relocated to EPA's Safe Pesticides/ Safe Products Research Program during Multi-Year Plan revisions.									
(H41) Effects and exposure	5	5	9	9	4	5	5	4	Reports

Annual Performance Measures and Baselines	FY 2005		FY 2006		FY 2007		FY 2008		Unit
	Target	Actual	Target	Actual	Target	Actual	Target	Actual	
milestones met									
<p>Baseline - In 2001, the program began tracking reports related to effects and exposure and produced 22 of 22 reports on time. This measure contributes to EPA's goal of providing scientifically sound guidance and policy decisions related to the health of people, communities, and ecosystems, with regard to chemical toxicology.</p>									
<p>Explanation - One research project was delayed and is expected to be complete by April 2009. This research will support OPPTS, OW and the Regional decision makers in predicting vulnerability of the neuroendocrine system to contaminant-induced effects.</p>									
(H43) Risk management milestones met	5	5	3	3	3	2	1	1	Reports
<p>Baseline - In 2001, the program began tracking reports related to risk management and produced 2 of 2 reports on time. This measure contributes to EPA's goal of providing scientifically sound guidance and policy decisions related to the health of people, communities, and ecosystems, with regard to chemical toxicology.</p>									
<p>Explanation - The scope of the work in this area was revised during the Endocrine Disruptors Research Program's Multi-Year Plan Revision process. The work in this area was relocated to the EPA's Safe Pesticides/ Safe Products Research Program.</p>									
(H72) Percentage of planned outputs delivered in support of efficient and effective clean-ups and safe disposal of contamination wastes.	100	100	100	100	100	100	100	92	Percent
<p>Baseline - 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>									
<p>Explanation – The program completed 10 out of 11 planned outputs intended to support the Office of Solid Waste and Emergency Response, regions, and other stakeholders in their ability to respond to terrorist attacks affecting buildings and the outdoor environment. The final output is scheduled to be complete in late 2008 and will include updates to the Support for Rapid Risk Assessment (SERRA) internet knowledgebase of biological agents. The SERRA database version 2.0 has undergone peer review and includes four biothreat agents. The comments are being addressed and will be reflected in SERRA version 4.0, with an expected delivery of January 2009.</p>									

Annual Performance Measures and Baselines	FY 2005		FY 2006		FY 2007		FY 2008		Unit
	Target	Actual	Target	Actual	Target	Actual	Target	Actual	
(H73) Percentage of planned outputs delivered in support of water security initiatives.	100	100	100	100	100	100	100	83	Percent
<p>Baseline - 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>									
<p>Explanation – The program completed 5 out of 6 planned outputs intended to support the Office of Water, regions, and water utilities in making decisions regarding the transport and health effects of contaminants in water systems. The final study is currently underway and is expected to be completed by December 2008.</p>									
(H78) Percent progress toward completion of a framework linking global change to air quality.	45	47.5	60	65	75	75	85	Data Available July 2009	Percent
<p>Baseline - In 2001, the program began work on a framework linking global change to air quality and completed 0% of the hierarchy. This measure contributes to EPA's goal of providing scientifically sound guidance and policy decisions related to the health of people, communities, and ecosystems, with regard to global change.</p>									
(H79) Percentage of planned outputs delivered.					Baseline	100	100	100	Percent
<p>Baseline - In FY 2007, the Global Change research program began measuring the percentage of outputs delivered. This measure will contribute to EPA's goal of providing scientifically sound guidance and policy decisions related to the health of people, communities, and ecosystems, with regard to global change.</p>									
(H81) Percentage of planned outputs delivered in support of Air Quality Criteria/Science Assessment documents.	N/A	100	N/A	100	90	100	90	75	Percent
<p>Baseline - In 2004, the program began work on delivering outputs in support of the Air Quality/Science Assessment document and had</p>									

Annual Performance Measures and Baselines	FY 2005		FY 2006		FY 2007		FY 2008		Unit
	Target	Actual	Target	Actual	Target	Actual	Target	Actual	
an output delivery of 0 percent. This measure contributes to EPA's goal of providing scientifically sound guidance and policy decisions related to the health of people, communities, and ecosystems.									
Explanation—In 2008, the program had 4 major milestones associated with releasing draft and final Integrated Science Assessments (ISA). Due to court ordered deadlines that were more stringent than initially planned by EPA, release of the first draft ISA for particulate matter was delayed to ensure that the other assessments would be released on time as planned. EPA expects to release the first draft ISA for particulate matter in the first quarter of FY 2009.									
(H82) Percentage of planned outputs delivered in support of human health risk assessments (HHRAs) health assessments.	N/A	108	N/A	63	90	100	90	100	Percent
Baseline - In 2004, the program began work on delivering outputs in support of HHRA health assessments and delivered 73 percent or 8 of 11 planned assessments on time. This measure tracks the program's ability to release a targeted 16 draft health hazard assessments of high priority chemicals for interagency review or external peer review each year and contributes to EPA's goal of providing scientifically sound guidance and policy decisions related to the health of people, communities, and ecosystems.									
(H83) Percentage of planned outputs delivered in support of HHRA Technical Support Documents.	N/A	44	N/A	81	90	100	90	89	Percent
Baseline - In 2004, the program began work on delivering outputs in support of HHRA Technical Support Documents and delivered 83 percent of outputs on time. This measure contributes to EPA's goal of providing scientifically sound guidance and policy decisions related to the health of people, communities, and ecosystems.									
Explanation – The program completed 8 of 9 planned annual outputs in support of its long term goal to deliver HHRA Technical Support Documents to program partners. The delayed project is awaiting peer review and acceptance for publication. Seven manuscripts were developed under this research project: One manuscript has been published, five have been accepted but not published, and one is awaiting acceptance. All manuscripts should be accepted and published by spring 2009.									
(H29) Percentage of planned outputs delivered in support of the public health outcomes long term goal	100	100	100	100	100	100	100	100	Percent
Baseline – In FY 2002, the program began tracking its planned outputs supporting its public health outcomes long-term goal and completed 100 percent of its outputs on time. This measure contributes to EPA's goal of providing scientifically sound guidance and									

Annual Performance Measures and Baselines	FY 2005		FY 2006		FY 2007		FY 2008		Unit
	Target	Actual	Target	Actual	Target	Actual	Target	Actual	
policy decisions related to human health.									
(H31) Percentage of planned outputs delivered in support of the aggregate and cumulative risk long term goal	100	86	100	100	100	100	100	100	Percent
Baseline - In FY 2000, the program began tracking its planned outputs supporting its aggregate and cumulative risk long term goal and completed 80 percent of its outputs on time. This measure contributes to EPA's goal of providing scientifically sound guidance and policy decisions related to human health.									
(H32) Percentage of planned outputs delivered in support of mechanistic data long term goal	100	93	100	92	100	100	100	100	Percent
Baseline - Baseline - In FY 2000, the program began tracking its planned outputs supporting its mechanistic data long term goal and completed 100 percent of its outputs on time. This measure contributes to EPA's goal of providing scientifically sound guidance and policy decisions related to human health.									
(I06) Percentage of planned outputs delivered in support of the Office of Prevention, Pesticides and Toxic Substances' and other organizations' needs for methods, models, and data to prioritize testing requirements; enhance interpretation of data to improve human health and ecological risk assessments; and inform decision-making regarding high priority pesticides and toxic substances.	100	86	100	80	100	86	100	100	Percent
(I08) Percentage of planned outputs delivered in support of the Office of Prevention, Pesticides and Toxic Substances' and other	100	100	100	100	100	100	100	100	Percent

Annual Performance Measures and Baselines	FY 2005		FY 2006		FY 2007		FY 2008		Unit
	Target	Actual	Target	Actual	Target	Actual	Target	Actual	
organizations' needs for methods, models, and data for probabilistic risk assessments to protect natural populations of birds, fish, other wildlife, and non-target plants.									
(I21) Percentage of planned outputs delivered in support of state, tribe, and relevant EPA office needs for causal diagnosis tools and methods to determine causes of ecological degradation and achieve positive environmental outcomes.	100	100	100	86	100	100	100	91	Percent
<p>Explanation - The program missed 2 of its 22 planned outputs under the program's long term goal to assist States, tribes, and relevant EPA offices in diagnosing and determining the causes of ecological degradation, thus helping partners achieve positive environmental outcomes. The two delayed outputs are joint projects with non-EPA organizations. The first is a joint project with USDA Forest Service and the final draft of this report is expected by December 2008. The second output is a joint project with The National Council on Economic Education (NCEE). Unfortunately, NCEE is not able to provide the resources necessary to fully co-develop the valuation strategy. EPA's clients would like to see a valuation strategy; therefore, the research program will continue work on this project at a slower pace than originally intended.</p>									
(I22) Percentage of planned outputs delivered in support of state, tribe, and relevant EPA office needs for environmental forecasting tools and methods to forecast the ecological impacts of various actions and achieve positive environmental outcomes.	100	83	100	100	100	100	100	100	Percent
(I23) Percentage of planned outputs delivered in support of state, tribe, and relevant EPA	100	50	100	100	100	100	100	100	Percent

office needs for environmental restoration and services tools and methods to protect and restore ecological condition and services to achieve positive environmental outcomes.									
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(I10) 'Percentage of planned outputs delivered in support of the Office of Prevention, Pesticides and Toxic Substances' and other organizations' needs for methods, models, and data to make decisions related to products of biotechnology.	100	86	100	100	100	80	100	100	Percent
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(H30) 'Percentage of planned outputs delivered in support of the susceptible subpopulations long term goal	100	100	100	92	100	100	100	100	Percent
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Baseline - In FY 2000, the program began tracking its planned outputs supporting its susceptible subpopulations long term goal and completed 100 percent of its outputs on time. This measure contributes to EPA's goal of providing scientifically sound guidance and policy decisions related to human health.

(I11) Percentage of SP2 publications rated as highly cited publications.			Baseline	22.2	Biennial Measure	Biennial Measure	23.2	Data Available July 2009	Percent
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Baseline - In 2006, EPA's Office of Research and Development obtained baseline data for the percentage of program publications rated as highly cited papers, finding that 22.2 percent of papers fit this criteria.

Explanation - This metric provides a systematic way of quantifying research performance and impact by counting the number of times an article is cited within other publications. The "highly cited" data are based on the percentage of all program publications that are cited in the top 10 percent of their field, as determined by "Thomson's Essential Science Indicator." Each analysis evaluates the publications from

the last ten year period, and is timed to match the cycle for independent expert program reviews by the Board of Scientific Counselors (BOSC). This “highly cited” metric provides information on the quality of the program’s research, as well as the degree to which that research is impacting the science community. As such, it is an instructive tool both for the program and for independent panels—such as the BOSC— in their program evaluations.

(I11) Percentage of SP2 publications rated as highly cited publications.			Baseline	22.2	Biennial Measure	Biennial Measure	23.2	Data Available July 2009	Percent
(I12) Percentage of SP2 publications in "high impact" journals.			Baseline	35.2	Biennial Measure	Biennial Measure	36.2	Data Available July 2009	Percent

Baseline - In 2006, EPA's Office of Research and Development obtained baseline data for the percentage of program publications rated as high impact papers, finding that 35.2 percent of papers fit this criteria.

Explanation - This measure provides a systematic way of quantifying research quality and impact by counting those articles that are published in prestigious journals. The "high impact" data are based on the percentage of all program articles that are published in prestigious journals, as determined by "Thomson's Journal Citation Reports" (JCR). Each analysis evaluates the publications from the last ten year period, and is timed to match the cycle for independent expert program reviews by the Board of Scientific Counselors (BOSC). This “high impact” metric provides information on the quality of the program’s research, as well as the degree to which that research is impacting the science community. As such, it is an instructive tool both for the program and for independent panels—such as the BOSC— in their program evaluations.

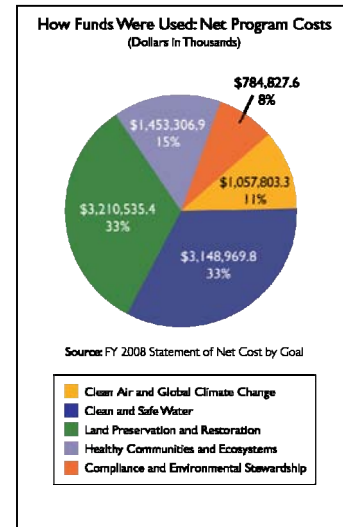
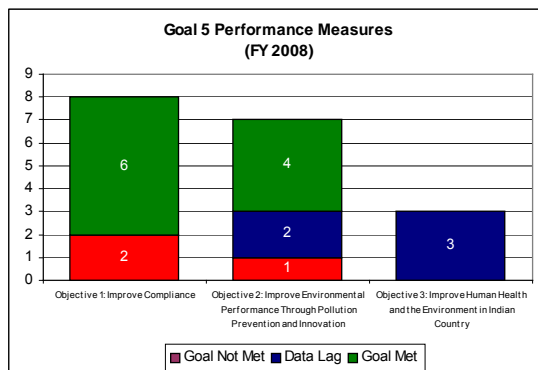


# GOAL 5: COMPLIANCE AND ENVIRONMENTAL STEWARDSHIP

## Goal at a Glance

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

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



Goal 5 FY 2008 Performance and Resources		
Strategic Objective	FY 2008 Obligations (in thousands)	% of Goal 5 Funds
<b>Objective 1 – Improve Compliance</b> By 2011, maximize compliance to protect human health and the environment through enforcement and other compliance assurance activities by achieving a 5% increase in the pounds of pollution reduced, treated, or eliminated by regulated entities, including those in Indian country.	\$526,596.0	67%
<b>Objective 2 – Improve Environmental Performance through Pollution Prevention and Innovation</b> 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.	\$119,226.7	15%
<b>Objective 3 – Build Tribal Capacity</b> 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.	\$79,244.1	10%
<b>Objective 4 – Enhance Science and Research</b> Strengthen the scientific evidence and research supporting environmental policies and decisions on compliance, pollution prevention, and environmental stewardship.	\$59,760.8	8%
<b>Goal 5 Total</b>	<b>\$784,827.6</b>	<b>100%</b>

*“In FY08, EPA concluded enforcement actions requiring polluters to spend at least \$11 billion on pollution controls, clean-up and environmental projects. These actions will keep at least an estimated 3 billion pounds of pollutants out of the environment each year. This year continues EPA’s trend of record-setting results to protect the nation’s air, water and land.”*

- Granta Nakayama, Assistant Administrator for the Office of Enforcement and Compliance Assurance

## Goal Purpose: Compliance and Environmental Stewardship

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, encourage other forms of environmental stewardship, and promote the tools of innovation and collaboration.

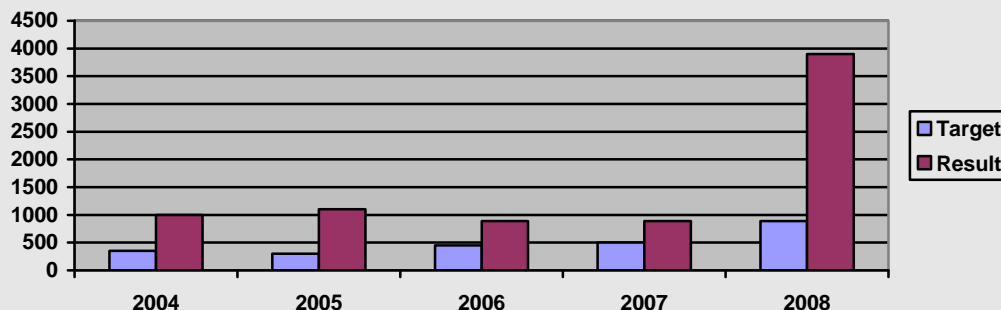
Effective compliance assistance and strong, consistent enforcement are critical to achieving the human health and environmental benefits expected from environmental laws. EPA monitors compliance patterns and trends and focuses on priority problem areas identified in consultation with states, tribes, and other partners. The Agency supports the regulated community by assisting regulated entities in understanding environmental requirements, helping 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 as the first choice for environmental protection, striving for sustainable practices and helping businesses and communities move beyond compliance and become partners in protecting natural resources and improving the environment and public health. EPA promotes source reduction while working 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.

Ensuring compliance and promoting environmental stewardship are important components of the Agency's efforts to protect human health and the environment in Indian Country. EPA continues to provide resources to support federally recognized tribes and inter-tribal consortia in assessing environmental conditions on their lands and building environmental programs tailored to their needs. Tribes, the first stewards of America's environment, provide an invaluable perspective on environmental protection that benefits and strengthens the Agency's stewardship programs.

## Data Trends

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



EPA secures commitments for future pollution controls to reduce, treat, or eliminate millions of pounds of pollution through enforcement actions. Pollution reduction totals show large variations from year to year because of the fact that reductions tend to be driven by the results from a few very large cases. For additional information, please visit EPA's Web site at: [www.epa.gov/compliance/resources/cases/index.html](http://www.epa.gov/compliance/resources/cases/index.html).

**Data Quality:** EPA uses data from its performance measurement to manage, and to ensure that the data are complete and reliable; data are subject to the Agency's Quality System policies and procedures. Every performance measure in this report has corresponding in-depth information to explain the data's source, limitations, and other factors. This report includes examples in each goal to better inform EPA's stakeholders. For a complete list of this information, visit: [www.epa.gov/ocfo/budget/2008/verify\\_validation.pdf](http://www.epa.gov/ocfo/budget/2008/verify_validation.pdf).

**What This Shows:** The estimated number of pounds of pollution reduced through enforcement has been approximately 1 billion pounds for each of the past four years, and a large increase in FY 2008, consistently exceeding target values for this measure. EPA believes our progress in this area is a result of the focus on nine National Priority areas, selected for their environmental significance and high noncompliance. These priorities include: air toxics, combined and sanitary sewer overflows, concentrated animal feeding operations, financial responsibility, Indian Country, mineral processing, new source review/prevention of significant deterioration, and stormwater. Each year a small number of big cases provide the majority of pollutant reductions, which makes setting targets highly uncertain. In FY 2008, the estimated pounds of pollution reduced saw a record increase, to an estimated 3.9 billion pounds, as a result of large settlements on six national cases, two addressing New Source Reviews under the Clean Air Act, and the other four addressing stormwater runoff and combined sewer overflows under the Clean Water Act. Future levels and types of pollutants reduced may fluctuate as EPA files different cases addressing other National Priorities. For example, air toxics cases tend to produce smaller amounts of pollution reduced, but those pollutants pose significant health and environmental risk, thus justifying air toxics as a national enforcement priority.

**Implications for human health and the environment:** Compliance with environmental laws is necessary to improve the environment in which we live and protect public health. Enforcement is a critical part of encouraging businesses, and other regulated entities to meet their environmental obligations. Some examples of the human health and environmental benefits resulting from fulfillment of environmental obligations include:

1) A settlement with American Electric Power addresses air pollution problems at 16 of American Electric Power's coal-fired plants. This settlement is EPA's single largest enforcement settlement in history, and will result in the largest amount of emission reductions from a Clean Air Act stationary source. Emissions from these plants include sulfur dioxide (SO<sub>2</sub>), particulate matter (PM), and nitrogen oxides (NO<sub>x</sub>) that can cause a range of human health and ecological effects ranging from increased asthma cases or premature deaths for people with existing respiratory problems, to acidification of lakes and streams. EPA estimates that there will be at least 1 billion pounds of air pollution reductions in the first year after facilities install the required pollution controls and the resulting health benefits are estimated to be \$34 billion in avoided health-related costs.

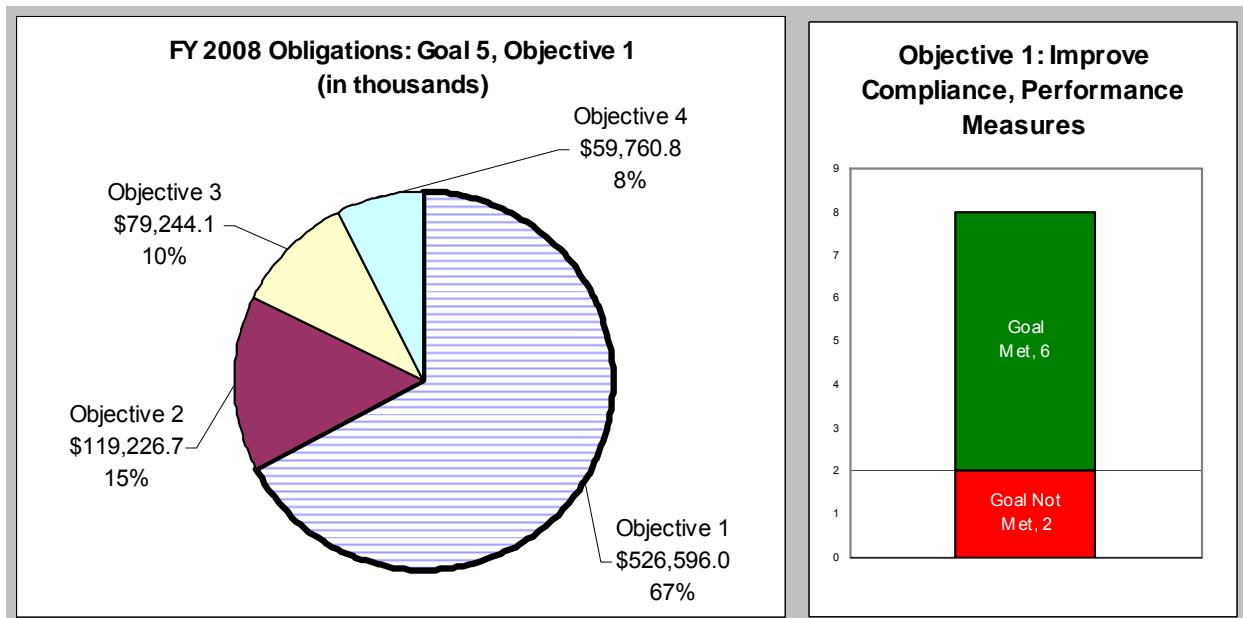
**Source:** Most of the essential data on environmental results in ICIS Federal Enforcement and Compliance is collected through the Case Conclusion Data Sheet, which Agency staff prepare after the conclusion of each civil, judicial and administrative enforcement action. In FY 2008, The Criminal Enforcement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

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

### **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, and Sustainability Research.

## Objective 5.1: Improve Compliance



EPA assists members of the regulated community in understanding and complying with environmental regulations and improving their environmental management practices with the goal of reducing 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 and environments. To increase compliance and improve environmental management practices, EPA encourages facilities to identify, disclose, and correct violations through incentives such as reduced or eliminated penalties. EPA's progress toward the objective of improving compliance can be demonstrated through a few key performance accomplishments.

### EPA's Largest Injunctive Relief Settlement to Fund Cleaner Air From Power Plants

EPA, eight states, and 13 citizen groups reached a settlement agreement with American Electric Power under the Clean Air Act's New Source Review provisions. The funds from the settlement will be used to address pollution problems at 16 of American Electric Power's coal-fired plants located in Indiana, Kentucky, Ohio, Virginia, and West Virginia. This settlement is the largest environmental settlement in terms of injunctive relief for Clean Air Act stationary sources. It is estimated that American Electric Power will spend more than \$4 billion to comply with the agreement. This settlement is also the largest in terms of pollution reductions at a Clean Air Act stationary source(s). Upon full implementation, there will be at least 1 billion pounds of air pollution reductions from American Electric Power's 16 power plants in the first year after pollution controls are installed. EPA estimates that the annual benefits to public health will include approximately \$34 billion per year saved in avoided health-related costs associated with respiratory and cardiopulmonary illnesses, such as asthma and heart attacks.

***Pollution Avoided Because of Strong Enforcement:*** In FY 2008, EPA secured commitments in enforcement actions for future pollution controls to reduce, treat, or eliminate an estimated 3.9 billion pounds of pollutants in the first year after pollution controls are installed. That is 3.01 billion pounds more than the amount of pollutants reduced last year and represents a significant contribution to environmental protection. For additional information on recent enforcement cases, please visit EPA's web site: <http://www.epa.gov/compliance/resources/cases/index.html>.

EPA significantly exceeded the 890 million pound performance target for pollutant reductions from enforcement settlements due to particularly significant Clean Air Act (CAA) New Source Review/Prevention of Significant Deterioration and Clean Water Act storm water enforcement settlements. The six most significant FY 2008 enforcement settlements, when fully implemented, will cumulatively reduce more than an estimated 2 billion pounds of pollutants, including: sulfur dioxide, nitrogen oxides, volatile organic compounds, pathogens, and storm water pollutants, such as suspended solids, over a one-year time period. The record American Electric Power Company settlement will reduce over 1 billion pounds of pollutants - meaning fewer cases of asthma and other respiratory illnesses. The KB Homes, Centex Homes, Pulte Homes, and Allegheny County Sewer Authority Clean Water Act settlements will reduce over 1 billion pounds of suspended solids, pathogens, and other storm water pollutants to promote healthy aquatic life and improve the quality of fish and shellfish. Pollution reduction totals normally show large variations from year to year due to the fact that reductions tend to be driven by the results from a few very large cases.

EPA's compliance incentives policies that encourage facilities to self-audit, disclose and correct violations achieved 5.4 million pounds in pollutant reductions. The Agency surpassed the FY 2008 performance target of 0.4 million pounds through a particularly significant Clean Air Act mobile source disclosure of violations whose correction and other settlement conditions resulted in more than an estimated 3.5 million pounds of NO<sub>x</sub> and hydrocarbon pollutants over a one year time period. Pollution reduction results achieved by EPA compliance incentive programs represent reductions that will occur over a one-year time period once facilities implement the steps required under audit agreements. Pollutant reductions from audit disclosures vary widely from case to case, resulting in total reduction levels that are also highly variable year to year.

The purpose of EPA's Audit Policy is to encourage regulated entities to voluntarily discover, disclose, correct, and prevent the recurrence of environmental violations, by offering incentives such as penalty mitigation. EPA is taking the Audit Policy in some new directions, with the goals of encouraging audits and disclosures that yield significant environmental and human health outcomes, and clarifying and streamlining implementation of the Policy. To further these goals, in August 2008, EPA launched (1) the "*Interim Approach to Applying the Audit Policy to New Owners*," which tailors incentives to motivate new owners to self-disclose and fix violations at recently acquired facilities, and (2) the "eDisclosure" pilot, a web-based system that allows companies to quickly, easily, and electronically self-disclose violations. For additional details please visit: <http://www.epa.gov/compliance/incentives/auditing/index.html>.

***EPA Drives Improvements to Environmental Management Practices:*** As a result of concluded enforcement actions, violators have committed to spending \$11.8 billion to improve environmental performance or improve environmental management practices. Also, 82 percent of facilities receiving direct compliance assistance from EPA self reported improved environmental management practices. This includes actions that properly manage a waste stream or prevent a release or exposure, such as: plugging abandoned wells, installation of secondary containment around existing waste containers, improved waste labeling and disposal practices, and development of spill prevention plans.

***Dollars Invested in Improved Environmental Performance or Environmental Management***

***Practices:*** EPA and the Department of Justice achieved landmark enforcement settlements in FY 2008 that require defendants to invest a record \$11.8 billion to achieve and maintain compliance with the nation's environmental laws. The Clean Air Act (CAA) settlement with American Electric Power addressed alleged violations at 16 coal-fired power plants and requires an estimated investment of over \$4 billion to achieve compliance and install pollution control technologies. This settlement is EPA's single largest enforcement settlement in history, and will result in the largest amount of emission reductions from a Clean Air Act stationary source. Significant Clean Water Act enforcement settlements with the Allegheny County Sewer Authority and City of San Diego require more than an estimated \$2 billion to be invested in pollution controls and environmentally beneficial projects. These three cases account for approximately 60 percent of the total investments and will result in removing pathogens and fecal coliform from waterways, and reduce sulfur dioxide and nitrogen oxides air emissions.

***Compliance Assistance:*** The Agency exceeded its current compliance assistance performance targets in FY 2008. EPA continues to explore ways to improve data collection methods from compliance assistance activities through a statistically-valid outcome measurement pilot project.

EPA poses a set of questions to compliance assistance recipients regarding their improvements in environmental practices and pollution reductions. These measures are not calculated from a representative sample of the regulated entity universe. The percentages are based, in part, on the number of regulated entities that answered affirmatively to these questions on voluntary surveys. The percentages do not account for the number of regulated entities who chose not to answer these questions or the majority of entities who chose not to answer the survey. Even for those respondents who respond positively, there is no objective way to verify the accuracy of their response.

**Protecting Water Quality Near Construction Sites**

Improving compliance with the Clean Water Act at construction sites is one of EPA's national enforcement priorities. Construction projects have a high potential for environmental harm because construction disturbs large areas of land and significantly increases the potential for high volumes of sediment-laden runoff. Without onsite pollution controls, this polluted run-off may flow into nearby waterways and degrade water quality. In August 2008, DOJ and EPA concluded settlements with four of the nation's largest home builders to resolve alleged violations of the Clean Water Act storm water requirements. The builders, Centex, Pulte, MDC Holdings/Richmond American Homes, and KB Homes agreed to implement company-wide compliance programs that will prevent more than 1 billion pounds of sediment from polluting our nation's waterways each year. The companies also paid more than an estimated \$3 million in civil penalties.

## Explanation of the Missed Measures

EPA missed the performance target for the percentage of concluded cases that require pollutant reductions by one percent in FY 2008. It is not possible to predict the number of enforcement actions that will be concluded in a given year or the percentage that will require pollutants to be reduced. The number of concluded enforcement cases increased over the last three years. However, during that same period, EPA exceeded targets for pounds of pollutants reduced. EPA achieved such high pollutant reductions despite missing the performance target for the percentage of cases requiring pollutant reductions due to the remarkable pollutant reductions from six large settlement agreements that combined will reduce, treat, or eliminate more than 2.5 billion pounds of air and water pollutants over a one year time period once facilities implement the legally required terms of the settlement.

EPA did not meet the 30 percent complying actions performance target in FY 2008. In FY 2009, EPA will improve documentation regarding deficiencies and complying actions by developing guidance that addresses counting complying actions that occur after the inspection which are not observed by the inspector and which describe the documentation required to assure verification of the actions and accurate results calculation.

## FY 2008 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 foundations for the Agency's budget. Frequently, Program Projects support multiple performance measurements and objectives. This table lists the Program Projects and associated resources that support this objective.*

*\*\*Resources associated with Program Projects might not match the goal and objective obligations exactly because of rounding.*

<b>Goal 5: Objective 1 - Achieve Environmental Protection through Improved Compliance</b>			
<b>Program Project</b>	<b>FY 2006 Obligations</b>	<b>FY 2007 Obligations</b>	<b>FY 2008 Obligations</b>
Categorical Grant: Pesticides Enforcement	\$21,110.5	\$18,404.5	\$20,550.0
Categorical Grant: Toxics Substances Compliance	\$5,715.5	\$5,272.4	\$5,339.3
Categorical Grant: Sector Program	\$1,905.2	\$1,161.1	\$1,690.9
Civil Enforcement	\$119,478.2	\$124,038.2	\$133,066.8
Compliance Assistance and Centers	\$27,861.0	\$28,404.6	\$28,206.1
Compliance Incentives	\$8,557.8	\$9,699.4	\$10,412.7
Compliance Monitoring	\$88,138.5	\$92,683.6	\$94,140.5
Congressionally Mandated Projects	\$423.6	(\$7.2)	(\$28.1)
Criminal Enforcement	\$51,194.3	\$49,136.1	\$50,325.7
Enforcement Training	\$3,246.7	\$3,479.5	\$3,943.8
Homeland Security: Communication and Information	\$928.2	\$1,463.3	\$1,163.6
Homeland Security: Critical Infrastructure Protection	\$4,426.5	\$5,812.6	\$4,685.3
Homeland Security: Protection of EPA Personnel and Infrastructure	\$2,216.9	\$1,794.9	\$1,568.4
International Capacity Building	\$754.3	\$6.3	\$0.0
Administrative Law	\$676.8	\$795.6	\$913.5



Alternative Dispute Resolution	\$200.1	\$212.7	\$233.2
Central Planning, Budgeting, and Finance	\$9,294.2	\$10,216.9	\$11,969.0
Civil Rights / Title VI Compliance	\$1,825.2	\$1,877.6	\$1,850.7
Congressional, Intergovernmental, External Relations	\$9,426.1	\$9,771.7	\$9,873.2
Exchange Network	\$4,940.9	\$5,464.7	\$3,795.8
Facilities Infrastructure and Operations	\$82,940.0	\$82,270.8	\$74,560.6
Acquisition Management	\$4,809.0	\$5,265.1	\$5,919.4
Human Resources Management	\$6,412.6	\$5,827.0	\$5,839.5
Information Security	\$424.9	\$452.8	\$746.4
IT / Data Management	\$38,386.6	\$40,262.6	\$36,669.4
Legal Advice: Environmental Program	\$6,634.2	\$7,201.3	\$7,360.1
Legal Advice: Support Program	\$2,211.8	\$2,172.7	\$2,300.8
Audits, Evaluations, and Investigations	\$2,596.8	\$2,545.8	\$3,181.8
Regional Science and Technology	\$733.9	\$640.7	\$694.0
Science Advisory Board	\$704.2	\$770.9	\$893.5
Small Minority Business Assistance	\$296.6	\$379.5	\$461.7
Financial Assistance Grants / IAG Management	\$2,661.3	\$1,590.9	\$1,558.3
Regulatory/Economic-Management and Analysis	\$2,573.0	\$2,790.4	\$2,710.1
<b>Total</b>	<b>\$513,705.4</b>	<b>\$521,859.0</b>	<b>\$526,596.0</b>

### Additional Information Related to Objective 1

#### **Grants:**

Categorical Grants—Pesticides Enforcement; Toxic Substance Compliance.

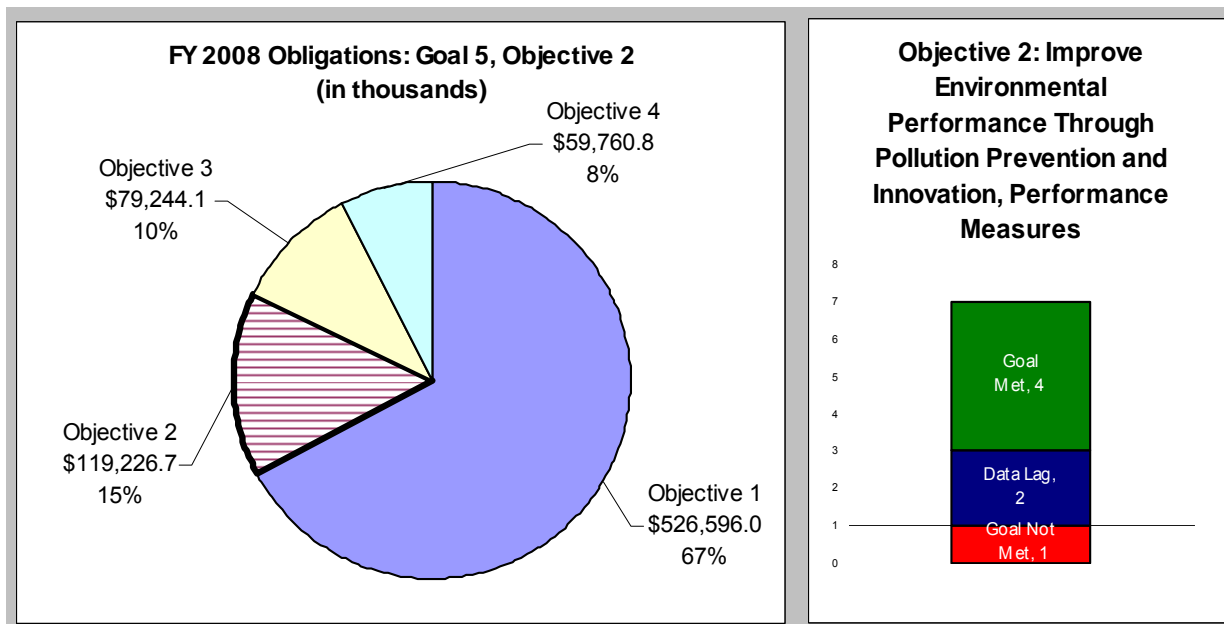
#### **Web Links:**

[www.epa.gov/compliance](http://www.epa.gov/compliance), [www.epa.gov/compliance/data/results/index.html](http://www.epa.gov/compliance/data/results/index.html)  
[www.epa.gov/ebtpages/complianceenforcement.html](http://www.epa.gov/ebtpages/complianceenforcement.html)  
[www.epa.gov/compliance/civil/index.html](http://www.epa.gov/compliance/civil/index.html)

#### **Program Assessment Rating Tool (PART):**

In FY 2008, EPA developed and implemented an action plan for all Agency Program Assessment Rating Tool measures in response to a government-wide Program Assessment Rating Tool measure review. The plan leveraged ongoing strategic and annual planning and reflected measure improvements. The tables of measures and results provided in Section II of this report, "Performance Results," identify all Program Assessment Rating Tool measures, which make up more than two-thirds of EPA's performance measures. Please refer to [www.expectmore.gov](http://www.expectmore.gov) for more detailed information.

## Objective 5.2: Improve Environmental Performance Through Pollution Prevention and Innovation



During FY 2008, EPA made significant progress in preventing pollution at the source as businesses; institutions; and federal, state, and local governments participating in pollution prevention programs significantly reduced their use of hazardous materials, their generation and emission of greenhouse gases, and their use of water—and saved millions of dollars. As of early November 2008, 839 million pounds of hazardous materials were reduced, 1.5 million metric tons of carbon dioxide equivalent (MMTCO<sub>2</sub>E) were conserved, and 21.4 billion gallons of water were conserved. These reductions, when added to others since FY 2000, boosted cumulative results toward the program’s FY 2011 strategic targets to 3.2 billion pounds of hazardous materials reduced, 3.4 million metric tons of carbon dioxide equivalent conserved, and 32.9 billion gallons of water conserved<sup>5</sup>. Those who prevent pollution also derive economic benefits—in FY 2008, Pollution Prevention Program participants saved \$187 million, bringing cumulative cost savings from pollution prevention to \$664 million since 2002.

**Agency Pollution Prevention Program Achieves Success:** The Agency’s successes were achieved collectively through the Pollution Prevention Program’s seven “Centers of Results,” which interact with program participants using a variety of proven strategies to reduce pollution at the source, including: establishing voluntary consensus standards to identify green products for consumers; developing greener/safer chemical substitutes; developing greener technologies and processes; leveraging federal and state purchasing; marketing greener chemicals and products to consumers (e.g., through labeling); developing/marketing cleaner and more efficient energy sources; and promoting water conservation.

The Pollution Prevention Program has worked within the larger community with partners listed above to prevent pollution through technical assistance, develop pollution prevention capacity in

<sup>5</sup> Pollution Prevention Programs: [www.epa.gov/oppt/p2home/index.htm](http://www.epa.gov/oppt/p2home/index.htm)

states and tribes, recognize strong pollution prevention activities through awards, promote pollution prevention through federal procurement, promote green technology innovation and transfer, and develop "definitions of green" through voluntary consensus standards and safer substitutes. Noteworthy achievements from the seven Centers of Results are identified in the descriptions that follow.

***Regional Grant Programs Prevent Pollution and Save Millions of Taxpayer Dollars:***

Pollution prevention programs in EPA's 10 regional offices generate source reduction results through two grant programs and through direct action. In FY 2008, regional pollution prevention programs managed 46 state and tribal Assistance Grants and 15 Source Reduction Assistance Grants. In FY 2008, the program finalized FY 2007 grants results, demonstrating 66 million pounds of hazardous materials reductions, 1.5 billion gallons of water, 2,100 billion British thermal units (Btu) of energy conservation, and \$38.5 million of cost savings.

***Regions and States Benefit From Resource Exchange Centers:*** The Pollution Prevention Resource Exchange program provides national-level pollution prevention information directly to businesses and indirectly through a network of state and tribal technical assistance providers. In FY 2008 the exchange program centers interacted with 3,000 clients directly, while states and businesses accessed the program's online resources approximately 3 million times. These centers help state technical assistance providers avoid duplication of effort and enhance efficiency of services. These centers also manage a data collection system for states to enter their program results. To account for the value-added of the centers, and Pollution Prevention program research and products shared with states, the program takes credit for 10 percent of state results not attributable to Pollution Prevention program grants. The National Pollution Prevention Roundtable aggregates and presents these results. FY 2004 through FY 2006 results have recently become available and show that the Pollution Prevention community has reduced 7.6 billion pounds of waste, 4,800 billion British thermal units, and 4.1 billion gallons of water, and saved 6.5 billion dollars from the implementation of Pollution Prevention practices.<sup>6</sup>

***The Federal Government Buys Green:*** Environmentally Preferable Purchasing is a federal government-wide program that implements Presidential executive orders requiring federal agencies to purchase environmentally preferable products and services and assists them in doing so. Specifically, the program has been active in the electronics sector, partnering with 16 federal agencies through the Federal Electronics Challenge. These agencies cover 209 facilities and over 650,000 federal employees. In addition, the program is working with the Green Electronics Council to promote the Electronic Product Environmental Assessment Tool. In FY 2008, EPA finalized FY 2007 data for the Federal Electronics Challenge Program and Electronic Product Environmental Assessment Tool programs and realized substantial energy savings. Through EPA's Federal Electronics Challenge, the federal government conserved 670 billion British thermal units of energy, and saved \$17 million. FY 2007 results, which became available in 2008, showed that the purchase of Electronic Product Environmental Assessment Tool computer products conserved 3,292 billion British thermal units and saved \$83.6 million. In FY 2008, EPA commenced work to develop similar voluntary consensus standards for televisions and other electronics products. EPA also made significant progress in completing its strategy for green buildings to better integrate efforts across the Agency, including facilitating the development of and response to voluntary consensus standards for green buildings products.

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<sup>6</sup> National Pollution Prevention Roundtable Pollution Prevention results: [www.p2.org/wp-content/04-06-p2-results-system-report-final-draft.pdf](http://www.p2.org/wp-content/04-06-p2-results-system-report-final-draft.pdf)

**Green Suppliers Network Helps Industry on Environment and Economics:** The Green Suppliers Network is a collaboration among EPA, the U.S. Department of Commerce, and industry to help all levels of the manufacturing supply chain achieve environmental and economic benefits. The Green Suppliers Network leverages the Department of Commerce partnership centers and state pollution prevention experts to offer manufacturers clean technical assistance to improve their productivity, efficiency, and environmental performance. In FY 2008, the Green Suppliers Network completed 23 partner reviews, with 17 reviews currently in process and 76 partner leads identified. Each Green Suppliers Network Lean and Clean review identifies, on average, \$543,090 in cost savings.

Another supply chain effort focuses on EPA's partnership with the automobile industry. The Suppliers Partnership for the Environment has established a successful model of promoting information exchange, training and assessments of human health and environmental issues using an energy and materials management framework. For example, the group is conducting a detailed assessment of potential risks associated with chemicals used in auto interior components and will expand the use of this methodology to the rest of the vehicle. With the assistance of both EPA and the Commission for Environmental Cooperation, the benefits of such cooperative efforts throughout the automobile supply chain have led to the creation of sister organizations in both Mexico and Canada.

**Presidential Green Chemistry Challenge Program Awards Innovation:** The Presidential Green Chemistry Challenge Awards Program recognizes innovations in greener chemical product and process design, development, and implementation. Each year EPA celebrates innovative, award-winning technologies developed by high-quality nominees. In FY 2008, the 13<sup>th</sup> year of the program, EPA received more than 100 nominations from businesses and academia in three focus areas: 1) greener synthetic pathways, 2) greener reaction conditions, and 3) the design of greener chemicals. The five winning entries were nationally recognized on June 24, 2008, at an awards ceremony. One 2008 award winner, the Nalco Company, introduced a three-dimensional Trasar technology that continuously monitors the condition of cooling water, adding chemicals only when needed rather than on a fixed schedule. This technology resulted in the conservation of 21 billion gallons of water. Through FY 2008, award winners collectively account for close to 1 billion pounds of hazardous materials reduction, 2 million dollars saved, and 22 billion gallons of water conserved.

**Healthcare Practices Are Going Green:** The Partnership for Sustainable Healthcare is a program working with the healthcare industry to reduce the industry's environmental impact, including preventing pollution and reducing hazardous wastes, such as mercury. Initially called Hospitals for a Healthy Environment, the program was EPA's first voluntary program to become an independent nonprofit organization, in 2006. The partnership represents EPA's continued work with the newly independent organization, Practice Green Health, providing technical assistance and policy integration support. Newly available FY 2007 results released in FY 2008 show 45 million gallons of water conserved and 468 billion British thermal units conserved by hospitals and other healthcare operations throughout the United States.

**Design for the Environment Program Makes Financial and Environmental Gains:** The Design for the Environment Program is a partnership that collaborates with businesses and trade organizations to design or redesign products, processes, and environmental management systems that are cleaner, more cost-effective, and safer for workers and the public. In FY 2008, all active partnership projects within Design for the Environment reduced more than 200 million

pounds of chemicals of concern, more than any previous year.<sup>7</sup> In FY 2008, Design for the Environment recognized more than 300 products from 60 partners under the formulators program, finalized an information collection request (ICR) for the Safer Detergents Stewardship Initiative, and held 31 workshops to reach 1,000 auto-refinishing professionals. Design for the Environment's Formulator Program labels products that Design for the Environment has reviewed and found to be safer for human health and the environment. Design for the Environment currently allows use of its label on more than 600 products and tens of millions of Design for the Environment products have been sold to consumers and institutional purchasers. Also in FY 2008, the program completed a calculator that estimates emission reductions as well as material use reductions and cost savings based on implementation of specific best practices. Based on this calculator, EPA estimates that 80 percent of those in attendance implemented best practices and reduced 100,000 pounds of emissions and saved \$2 million in operational costs. The majority of emissions reduced prevent the release of extremely toxic chemicals such as diisocyanates (the leading cause of occupational asthma) and chromium.

**One Million Mercury Switches Are Recovered From Used Automobiles:** The National Vehicle Mercury Switch Recovery Program has the potential to recover 80 to 90 percent of all available mercury switches from end-of-life automobiles. This recovery occurs before the scrap autos are shredded and melted to make new steel in electric arc furnaces, the nation's fourth largest source of mercury air emissions. The program is made up of representatives from auto and steel manufacturing, scrap and auto recyclers, states, environmental groups, and EPA. The program celebrated the collection of the 1-millionth auto switch in February 2008. On June 30, 2008, an EPA rule regulating electronic arc furnaces became effective for the control of mercury emissions. The rule considers participation in the mercury switch program as one of three potential ways to comply with the mercury requirements. In July 2008, the program held its second annual assessment meeting. The program partners committed to perform additional outreach to increase switch recovery, to explore ways to more easily share data, and to pay an incentive fee of \$4.00 per light switch and \$6.00 for anti-lock brake systems that contain mercury switches. Program partners believe that these actions, along with the new rule, will work together to continually improve the mercury switch recovery program. Data show that through FY 2008, nearly 7,222 participants have collected 1.8 million switches, which represents about 3,866 pounds of mercury prevented from entering the atmosphere.

The Naval Institute for Dental and Biomedical Research Institute located in Great Lakes, Illinois, joined the National Partnership for Environmental Priorities in December, 2003, with the goal to install amalgam separation equipment in all Navy dental treatment facilities to remove mercury-containing amalgam debris from the wastewater leaving treatment facilities. Studies have estimated that up to 40 percent of the mercury entering wastewater treatment plants comes from dental sources.

**EPA Exceeds Target for Reducing Hazardous Chemical Release:** The National Partnership for Environmental Priorities, a key component of the Resource Conservation Challenge, is a partnership to reduce potentially hazardous chemicals throughout the life cycle of products that otherwise might be released into the environment. Under EPA's Strategic Plan, this program has committed to reducing 4 million pounds of priority chemicals from FY 2007 to FY 2011.

<sup>7</sup> Design for the Environment (Design for the Environment): [www.epa.gov/opptintr/Design for the Environment/](http://www.epa.gov/opptintr/Design%20for%20the%20Environment/)

In FY 2008, actual reductions reported by National Partnership for Environmental Priorities partners and verified by EPA total 5.6 million pounds, against the 2008 target of 1 million pounds. This target was exceeded as the result of one partner's successful project to remove and recycle a large quantity of lead-sheathed electrical cable. Lead's resistance to corrosion makes it useful in this application; however, alternatives are becoming more popular. A manufacturer of lead-sheathed cable also joined the National Partnership for Environmental Priorities to increase its process efficiency and reduce the use of lead in making this product for users that still require it. Since program inception, National Partnership for Environmental Priorities partners have reduced more than 9.2 million pounds of priority chemicals through both source reduction and recycling activities. The National Partnership for Environmental Priorities currently has more than 215 partners from various industry sectors, including many federal and state facilities.

**Lead Wheel Weights Phased Out in Favor of Steel:** Tire companies, big box stores, wheel weight manufacturers, tire manufacturers, automobile trade associations, federal agencies, state agencies, and environmentalists are helping to put the brakes on the use of lead wheel weights. Through EPA's National Lead-Free Wheel Weight Initiative, launched in 2008, partners have agreed to phase-in the use of lead-free (steel) wheel weights to reduce the amount of lead released into the environment by 2011. Eliminating lead wheel weights is a significant step toward reducing the overall amount of lead released into the environment. EPA estimates that 50 million pounds of lead per year are used for wheel weights in cars and light trucks.

#### **FY 2008 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 foundations for the Agency's budget. Frequently, Program Projects support multiple performance measurements and objectives. This table lists the Program Projects and associated resources that support this objective.*

*\*\*Resources associated with Program Projects might not match the goal and objective obligations exactly because of rounding*

<b>Goal 5: Objective 2 - Improve Environmental Performance through Pollution Prevention and Other Stewardship Practices</b>			
<b>Program Project</b>	<b>FY 2006 Obligations</b>	<b>FY 2007 Obligations</b>	<b>FY 2008 Obligations</b>
Categorical Grant: Pollution Prevention	\$4,079.1	\$6,010.3	\$5,138.6
Categorical Grant: Environmental Information	\$19,574.5	\$15,194.4	\$14,525.9
Congressionally Mandated Projects	\$5,679.4	\$2.2	(\$13.0)
Homeland Security: Communication and Information	\$154.6	\$241.4	\$180.8
Homeland Security: Protection of EPA Personnel and Infrastructure	\$639.4	\$521.5	\$398.2
NEPA Implementation	\$13,680.7	\$14,790.2	\$15,800.7
Pollution Prevention Program	\$17,506.5	\$17,606.3	\$15,549.9
RCRA: Waste Minimization & Recycling	\$2,446.6	\$2,971.3	\$3,540.6
Regulatory/Economic-Management and Analysis	(\$278.1)	(\$86.3)	(\$145.0)
Regulatory Innovation	\$20,040.0	\$19,510.1	\$19,686.8
Administrative Law	\$110.5	\$128.9	\$139.2
Alternative Dispute Resolution	\$31.2	\$31.4	\$33.8
Central Planning, Budgeting, and Finance	\$2,052.9	\$2,001.4	\$2,368.1

Civil Rights / Title VI Compliance	\$257.7	\$263.6	\$248.6
Congressional, Intergovernmental, External Relations	\$1,171.8	\$1,188.6	\$1,172.9
Environmental Education	\$8,434.5	\$7,678.4	\$9,098.5
Exchange Network	\$817.2	\$896.4	\$585.6
Facilities Infrastructure and Operations	\$15,777.0	\$15,662.0	\$12,857.6
Acquisition Management	\$681.8	\$736.4	\$786.1
Human Resources Management	\$1,344.8	\$1,220.7	\$1,125.1
Information Security	\$134.5	\$142.0	\$197.4
IT / Data Management	\$9,377.5	\$9,831.7	\$7,881.7
Legal Advice: Environmental Program	\$1,110.7	\$1,213.9	\$1,183.4
Legal Advice: Support Program	\$411.8	\$393.0	\$397.2
Audits, Evaluations, and Investigations	\$733.6	\$674.4	\$803.1
Regional Science and Technology	\$92.8	\$83.9	\$79.9
Science Advisory Board	\$115.0	\$124.9	\$136.1
Small Minority Business Assistance	\$48.4	\$61.5	\$70.4
Financial Assistance Grants / IAG Management	\$1,346.4	\$1,076.6	\$1,213.2
Small Business Ombudsman	\$2,499.2	\$3,768.0	\$3,772.5
Regulatory/Economic-Management and Analysis	\$420.2	\$452.0	\$413.0
<b>Total</b>	<b>\$130,492.2</b>	<b>\$124,391.1</b>	<b>\$119,226.9</b>

## Additional Information Related to Objective 2

### Grants:

There are three components of Pollution Prevention grants: State and Tribal Assistance Grants Source Reduction Grants, and a portion of Pollution Prevention State and Tribal Assistance grants which fund Pollution Prevention Resource Exchange Centers through the Pollution Prevention Information Grant Program These grants collectively contribute directly and significantly to Pollution Prevention Environmental Results. In FY 2008, performance results from FY 2007 Regional Pollution Prevention State and Tribal Assistance Grants and SRA grants were finalized and collectively show that grantees reduced 65 million pounds, conserved 1.5 billion gallons of water, conserved 6450 billion British thermal units, and saved \$38.5 million. These grants have continued to contribute significantly to the overall environmental results for the Pollution Prevention program.

### Web Links:

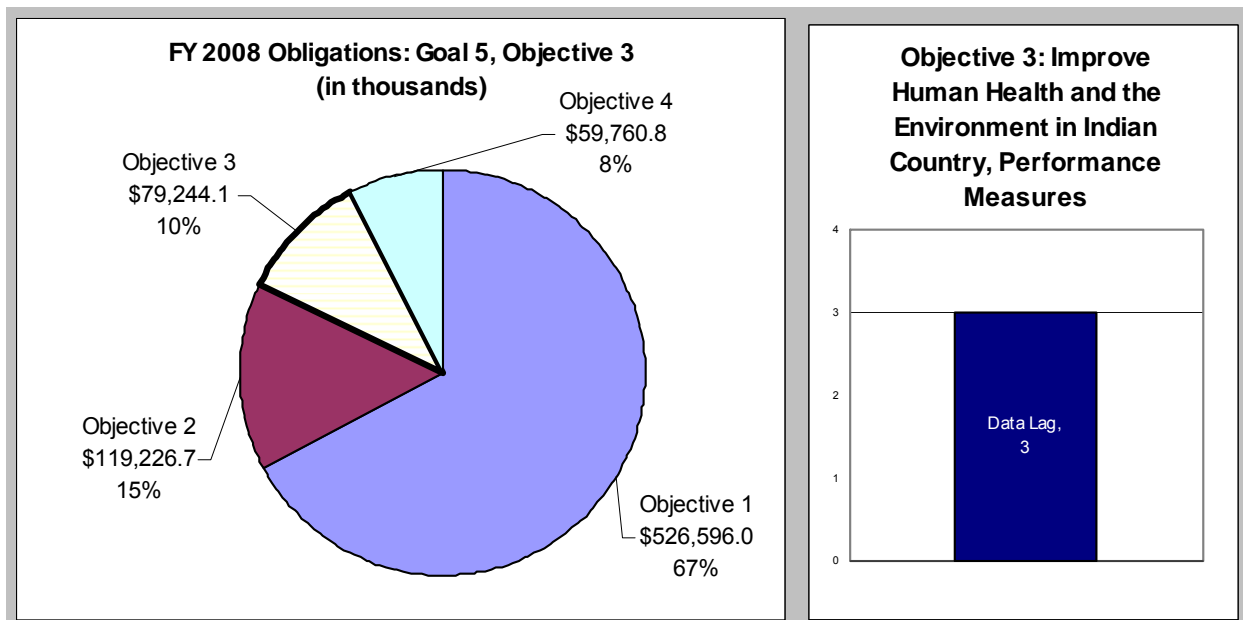
[www.epa.gov/p2/](http://www.epa.gov/p2/), [www.epa.gov/p2/pubs/grants/index.htm](http://www.epa.gov/p2/pubs/grants/index.htm), [www.p2rx.org/](http://www.p2rx.org/),  
[www.epa.gov/oppt/dfel/](http://www.epa.gov/oppt/dfel/), [www.federalelectronicschallenge.net/](http://www.federalelectronicschallenge.net/),  
[www.epa.gov/oppt/greenchemistry/](http://www.epa.gov/oppt/greenchemistry/), [www.epa.gov/p2/pubs/psh.htm](http://www.epa.gov/p2/pubs/psh.htm),  
[www.epa.gov/greensuppliers/](http://www.epa.gov/greensuppliers/), [www.p2.org/](http://www.p2.org/)

***Program Assessment Rating Tool:***

In FY 2008, EPA developed and implemented an action plan for all Agency Program Assessment Rating Tool measures in response to a government-wide Program Assessment Rating Tool measure review. The plan leveraged ongoing strategic and annual planning and reflected measure improvements. The tables of measures and results provided in Section II of this report, "Performance Results," identify all Program Assessment Rating Tool measures, which make up more than two-thirds of EPA's performance measures. Please refer to [www.expectmore.gov](http://www.expectmore.gov) for more detailed information.



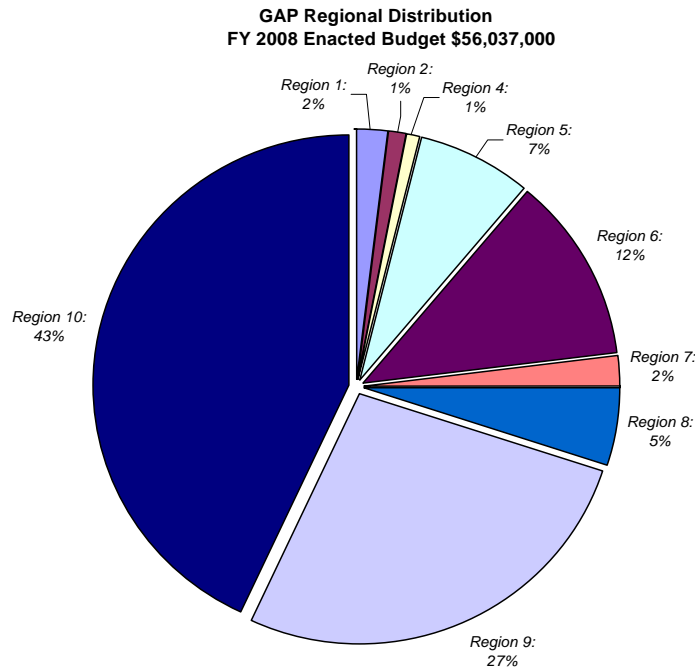
## Objective 5.3: Improve Human Health and the Environment in Indian Country



In 2008, EPA demonstrated improvements in core tribal environmental program capacity, which is critical to protecting human health and the environment in Indian Country. EPA met its overall annual performance goal under this objective. EPA considers the Indian General Assistance Program its core component for achieving the objective of building tribal capacity. The Agency provides funds to federally recognized tribes to plan, develop, and establish environmental protection programs. EPA demonstrated efforts to improve human health and the environment in Indian Country through the following achievements.

**Targets for Environmental Programs in Indian Country:** In 2008, EPA has a target establishing environmental programs in 6 percent of tribes in Indian country. This target is a result of the Agency implementing a strategy called “treatment in the Same Manner as a State,” which streamlined the approval process. EPA also has a 2008 target of 21 percent of tribes conducting EPA approved environmental monitoring and assessment activities in Indian country. This measure counts the number of tribes with EPA- approved Quality Assurance Plans.

EPA has set a cumulative target of 57 percent of tribes to have an environmental program. This measure counts tribes that have acquired an environmental office or coordinator in the most current year and that have met at least one of the following indicators: completed Tier III Tribal Environmental Agreements; established laws, codes, regulations, or ordinances as evidenced by a document signed by the tribal government; completed solid and/or hazardous waste implementation activities; or completed an inter-governmental environmental agreement with EPA and the tribal government. The measure also counts tribes that have developed environmental programs and those that are building environmental capacity to administer environmental programs to address environmental concerns specific to their needs. A reporting system, the Tribal Program Management System that captures this information is expected to be available for reporting in FY 2009.



Regarding the number of environmental programs implemented in Indian Country per million dollars, EPA has set a target of 14.1 programs and is on track to meet this efficiency measure. The efficiency measure is calculated annually by summing up the number of tribes receiving the following: General Assistance Program grants, “Treatment in the Same Manner as a State” approvals or primacies, Direct Implementation Tribal Cooperative Agreements, and General Assistance Program grants that have provisions for the implementation of solid and hazardous waste programs. That sum is then divided by the annual General Assistance Program appropriation (less rescissions and annual set-asides). Multiple environmental programs within one tribe are counted individually.

**FY 2008 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 foundations for the Agency’s budget. Frequently, Program Projects support multiple performance measurements and objectives. This table lists the Program Projects and associated resources that support this objective.*

*\*\*Resources associated with Program Projects might not match the goal and objective obligations exactly because of rounding.*

<b>Goal 5: Objective 3 - Improve Human Health and the Environment in Indian Country</b>			
<b>Program Project</b>	<b>FY 2006 Obligations</b>	<b>FY 2007 Obligations</b>	<b>FY 2008 Obligations</b>
Categorical Grant: Tribal General Assistance Program	\$61,096.5	\$57,758.3	\$59,726.2
Congressionally Mandated Projects	\$396.8	(\$282.6)	\$282.6
Homeland Security: Communication and Information	\$34.6	\$56.2	\$43.0
Homeland Security: Protection of EPA Personnel and Infrastructure	\$58.0	\$46.8	\$37.8
Tribal - Capacity Building	\$11,834.6	\$11,048.5	\$12,276.6

Administrative Law	\$24.7	\$30.0	\$33.1
Alternative Dispute Resolution	\$7.0	\$7.3	\$8.0
Central Planning, Budgeting, and Finance	\$412.4	\$408.8	\$497.4
Civil Rights / Title VI Compliance	\$68.1	\$76.4	\$67.9
Congressional, Intergovernmental, External Relations	\$304.0	\$325.7	\$316.8
Exchange Network	\$182.8	\$208.5	\$139.2
Facilities Infrastructure and Operations	\$2,955.2	\$2,980.0	\$2,627.4
Acquisition Management	\$80.7	\$82.2	\$97.6
Human Resources Management	\$214.1	\$169.7	\$187.8
Information Security	\$12.2	\$12.8	\$46.9
IT / Data Management	\$1,204.8	\$1,285.4	\$1,114.7
Legal Advice: Environmental Program	\$244.5	\$270.9	\$280.8
Legal Advice: Support Program	\$72.2	\$81.3	\$83.1
Audits, Evaluations, and Investigations	\$564.2	\$555.5	\$654.8
Regional Science and Technology	\$33.1	\$29.5	\$29.7
Science Advisory Board	\$25.7	\$29.0	\$32.4
Small Minority Business Assistance	\$10.8	\$14.3	\$16.7
Financial Assistance Grants / IAG Management	\$266.9	\$352.8	\$545.6
Regulatory/Economic-Management and Analysis	\$94.0	\$105.1	\$98.2
<b>Total</b>	<b>\$80,197.9</b>	<b>\$75,652.4</b>	<b>\$79,244.3</b>

### Additional Information Related to Objective 3

#### Grants:

Categorical Grant—Tribal General Assistance Program, authorized by the Indian Environmental General Assistance Program Act, 42 U.S.C. § 4368b (1992), as amended.

#### Web Links:

Evaluation of the Tribal General Assistance Program (GAP):

[www.epa.gov/evaluate/GAPFinalReport.pdf](http://www.epa.gov/evaluate/GAPFinalReport.pdf)

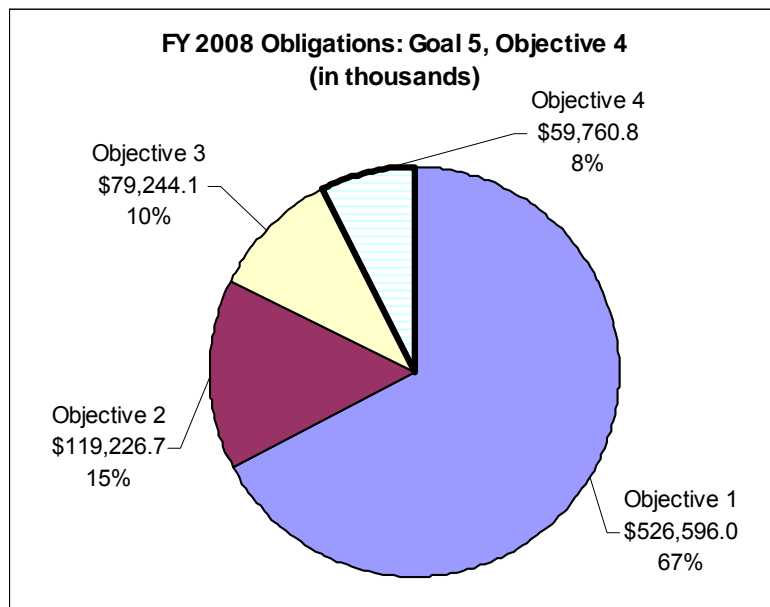
The American Indian Environmental Office: [www.epa.gov/indian/](http://www.epa.gov/indian/)

American Indian Tribal Portal: [www.epa.gov/tribalportal](http://www.epa.gov/tribalportal)

#### Program Assessment Rating Tool:

In FY 2008, EPA developed and implemented an action plan for all Agency Program Assessment Rating Tool measures in response to a government-wide Program Assessment Rating Tool measure review. The plan leveraged ongoing strategic and annual planning and reflected measure improvements. The tables of measures and results provided in Section II of this report, "Performance Results," identify all Program Assessment Rating Tool measures, which make up more than two-thirds of EPA's performance measures. Please refer to [www.expectmore.gov](http://www.expectmore.gov) for more detailed information.

## Objective 5.4: Enhance Society's Capacity for Sustainability through Science and Research



EPA's research programs support a sound scientific foundation for decisions to promote environmental stewardship and long-term sustainable outcomes.

***EPA Publishes Draft Biofuels Strategy:*** In 2008, the Agency developed the *Draft EPA Biofuels Strategy* to promote policies and practices that can lead to the sustainable production of biofuels. The energy efficiency and environmental soundness of the country's biofuels system determines the degree to which biofuels reduce reliance on fossil fuels. In 2008, EPA supported 14 new biofuel-related research projects and is working with other federal agencies to define a set of criteria and indicators for sustainable biofuel production. This interagency effort requires clearly identifying critical elements of the biofuel system and identifying relevant indicators to measure progress toward sustainability.

***New Projects Pave the Way for New Approaches to Environmental Protection:*** In FY 2008, EPA's Collaborative Science and Technology Network for Sustainability, a testing ground for scientifically based tools and approaches that promote sustainable outcomes at the regional level, provided funding for projects related to "Communities and the Built Environment" and "Industrial Ecology and Organizational Behavior." These projects will generate new approaches to environmental protection that are systems-oriented, forward-looking, preventive, and collaborative.

EPA's Sustainability Research Program brought a holistic, system-based analysis based on sustainability principles to demonstrate how a local government, including the regional metropolitan sewer district, could reduce storm water runoff in their watershed by using a "reverse auction," with one buyer and multiple sellers, to make planting rain gardens and installing rain barrels more attractive to local property owners.



Project staff is now providing technical support to EPA's regional office as it begins to review the sewer district request to implement this approach. Collaborators include Hamilton County Engineer, Hamilton County Soil & Water Conservation District, Cincinnati Metropolitan Sewer District, Cincinnati Parks Board, Ohio EPA, and EPA Region 5.

**Student Competition Brings New Designs to Market:** In FY 2008, EPA also continued to support its "People, Prosperity, and the Planet" student design competition and Design Expo. This year's competition demonstrated a wide array of innovative new technologies. Winning designs included the development of technology to produce plastic from wastewater, construction of a laboratory to produce biodiesel from a cafeteria's vegetable oil waste, and development of a hand-held water sanitizer useful for disinfecting drinking water in households of poor communities around the world.

EPA provided financial assistance to help award winners move their conceptual designs to market. Since 2005, several award winners have successfully made this transition. For example, Appalachian State University's "Collaborative Biodiesel Project," a 2007 award winner, created a closed-loop biodiesel processing facility that recycled its wastes and generated its own energy. This project ultimately contributed to the town of Boone, North Carolina's decision to transition to biodiesel fuel for its buses.

#### **FY 2008 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 foundations for the Agency's budget. Frequently, Program Projects support multiple performance measurements and objectives. This table lists the Program Projects and associated resources that support this objective.*

*\*\*Resources associated with Program Projects might not match the goal and objective obligations exactly because of rounding.*

<b>Goal 5: Objective 4 - Enhance Societies Capacity for Sustainability through Science and Research</b>			
<b>Program Project</b>	<b>FY 2006 Obligations</b>	<b>FY 2007 Obligations</b>	<b>FY 2008 Obligations</b>
Congressionally Mandated Projects	\$10,101.1	\$3,577.6	(\$209.5)
Forensics Support	\$16,850.4	\$17,542.9	\$17,670.0
Homeland Security: Communication and Information	\$82.6	\$121.3	\$91.6

Homeland Security: Protection of EPA Personnel and Infrastructure	\$520.2	\$358.1	\$260.0
Research: Environmental Technology Verification (ETV)	\$2,775.5	\$1,405.3	(\$10.9)
Research: Pollution Prevention	\$7,477.3	(\$403.5)	(\$141.0)
Administrative Law	\$63.8	\$68.6	\$75.2
Alternative Dispute Resolution	\$21.2	\$21.7	\$21.3
Central Planning, Budgeting, and Finance	\$1,305.9	\$1,136.1	\$1,124.2
Civil Rights / Title VI Compliance	\$106.3	\$94.8	\$89.1
Congressional, Intergovernmental, External Relations	\$361.0	\$348.9	\$332.9
Exchange Network	\$449.0	\$457.3	\$303.8
Facilities Infrastructure and Operations	\$2,478.8	\$3,566.5	\$5,789.6
Acquisition Management	\$1,254.5	\$1,221.6	\$1,363.1
Human Resources Management	\$1,084.0	\$1,009.5	\$1,047.0
Information Security	\$120.3	\$125.3	\$168.5
IT / Data Management	\$6,069.3	\$5,722.5	\$4,986.6
Legal Advice: Environmental Program	\$590.4	\$623.8	\$609.6
Legal Advice: Support Program	\$245.3	\$204.8	\$225.8
Audits, Evaluations, and Investigations	\$470.3	\$370.7	\$375.4
Regional Science and Technology	\$16.7	\$18.9	\$2.1
Science Advisory Board	\$66.3	\$66.4	\$73.5
Small Minority Business Assistance	\$27.9	\$32.7	\$38.0
Financial Assistance Grants / IAG Management	\$330.0	\$562.3	\$396.2
Research: Economics and Decision Science(EDS)	\$491.3	\$2,290.3	\$1,879.8
Research: Sustainability	\$22,009.5	\$25,468.1	\$22,976.0
Regulatory/Economic-Management and Analysis	\$242.4	\$240.5	\$223.0
<b>Total</b>	<b>\$75,611.3</b>	<b>\$66,253.0</b>	<b>\$59,760.9</b>

#### **Additional Information Related to Objective 4**

##### **Grants:**

Recipients of EPA project-specific grants found for which there are no significant sustained improvements in environmental performance, even though companies are willing to participate in voluntary programs that target changes in production processes. Of the industry-led programs, only the adoption of a formal Environmental Management System seems to be associated with some environmental improvements. (These results were supported by the following grants: 1) “Environmental Management Strategies and Corporate Performance: Identification and Analysis of the Motivators of Regulated Entities’ Environmental Behavior and Performance”; 2) “Do Formalized Management Systems Produce Superior Performance?”; 3) “Environmental Management Systems: Informing Organizational Decisions”; 4) “Oregon Business Decisions for Environmental Performance”; 5) “Pollution Prevention: The Role of Environmental Management and Information”; and 6) “Comparative Plant-Level Analysis of Three Voluntary Environmental Programs.”

**Web Links:**

Sustainability Research Program: [www.epa.gov/sustainability/](http://www.epa.gov/sustainability/)

**Program Assessment Rating Tool:**

In FY 2008, EPA developed and implemented an action plan for all Agency Program Assessment Rating Tool measures in response to a government-wide Program Assessment Rating Tool measure review. The plan leveraged ongoing strategic and annual planning and reflected measure improvements. The tables of measures and results provided in Section II of this report, "Performance Results," identify all Program Assessment Rating Tool measures, which make up more than two-thirds of EPA's performance measures. Please refer to [www.expectmore.gov](http://www.expectmore.gov) for more detailed information.

## Goal 5: Compliance and Environmental Stewardship

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

### OBJECTIVE: 5.1: ACHIEVE ENVIRONMENTAL PROTECTION THROUGH IMPROVED COMPLIANCE

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 pollution reduced, treated, or eliminated by regulated entities, including those in Indian country. (Baseline: 3-year rolling average FYs 2005-2007: 960,000,000 pounds.)

Performance Measures Met	Performance Measures Not Met	Data Available After November 17, 2008	Total Performance Measures
6	2	0	8

#### SUB-OBJECTIVE: 5.1.1: Compliance Assistance

By 2011, prevent noncompliance or reduce environmental risks, with an emphasis on achieving results in all areas including those with potential environmental justice concerns, through EPA compliance assistance by maintaining or improving on the following percentages for direct assistance provided to regulated entities, including those in Indian country.

#### No Strategic Target

Annual Performance Measures and Baselines	FY 2005		FY 2006		FY 2007		FY 2008		Unit
	Target	Actual	Target	Actual	Target	Actual	Target	Actual	
(988) Percentage of regulated entities receiving direct compliance assistance from EPA reporting that they improved environmental management practices as a result of EPA	50	51	50	74	50	91	50	82	Percentage



Annual Performance Measures and Baselines	FY 2005		FY 2006		FY 2007		FY 2008		Unit
	Target	Actual	Target	Actual	Target	Actual	Target	Actual	
assistance.									
<p>Baseline - The FY2007 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 91%. These measures are not calculated from a representative sample of the regulated entity universe. The percentages are based, in part, on the number of regulated entities that answered affirmatively to these questions on voluntary surveys. The percentages do not account for the number of regulated entities who chose not to answer these questions or the majority of entities who chose not to answer the surveys</p>									
<p>Explanation - The Agency exceeded this performance target in FY 2008, in part due to changes made in FY2007 in how it calculates results. Based on two years of data with an improved calculation method, EPA will re-evaluate the targets for these measures. In addition, EPA continues to explore ways to improve data collection methods from compliance assistance activities through a statistically-valid outcome measurement pilot project.</p>									
(992) 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	15	50	15	49	Percentage
<p>Baseline - The FY2007 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 50%. These measures are not calculated from a representative sample of the regulated entity universe. The percentages are based, in part, on the number of regulated entities that answered affirmatively to these questions on voluntary surveys. The percentages do not account for the number of regulated entities who chose not to answer these questions or the majority of entities who chose not to answer the surveys.</p>									
<p>Explanation - The Agency exceeded this performance target in FY 2008, in part due to changes made in FY2007 in how it calculates results. Based on two years of data with an improved calculation method, EPA will re-evaluate the targets for these measures. In addition, EPA continues to explore ways to improve data collection methods from compliance assistance activities through a statistically-valid outcome measurement pilot project.</p>									

**SUB-OBJECTIVE: 5.1.2: Compliance Incentives**

By 2011, identify and correct noncompliance and reduce environmental risks, with an emphasis on achieving results in all areas including those with potential environmental justice concerns. Use of compliance incentives will result in a 5 percentage point increase in the number of facilities that use EPA incentive policies to conduct environmental audits or other actions that reduce, treat or eliminate pollution or improve environmental practices at their facilities, including those in Indian country.

**No Strategic Target**

Annual Performance Measures and Baselines	FY 2005		FY 2006		FY 2007		FY 2008		Unit
	Target	Actual	Target	Actual	Target	Actual	Target	Actual	
(176) Pounds of pollutants estimated to be reduced, treated, or eliminated, as a result of audit agreements.	0.25 million	1.9 million	0.4	0.05	0.4	1.20	0.5	5.4	Million Pounds
Baseline - The FY2007 baseline for pounds of pollutants estimated to be reduced, treated, or eliminated as a result of audit agreements is 1.2 million pounds of pollutants.									
Explanation - The Agency surpassed the FY 2008 performance target of 0.5 million pounds through a particularly significant Clean Air Act mobile source disclosure of violations whose correction and other settlement conditions resulted in more than an estimated 3.5 million pounds of NO <sub>x</sub> and hydrocarbon pollutants over a one year time period. Pollution reduction results achieved by EPA compliance incentive programs represent reductions that will occur over a one-year time period once facilities implement the steps required under audit agreements. Pollutant reductions from audit disclosures vary widely from case to case, resulting in total reduction levels that are also highly variable year to year.									

**SUB-OBJECTIVE: 5.1.3: Monitoring and Enforcement**

By 2011, identify, correct, and deter noncompliance and reduce environmental risks, with an emphasis on achieving results in all areas including those with potential environmental justice concerns, through monitoring and enforcement of regulated entities' compliance, including those in Indian country, by achieving: a 5 percent increase in the number of facilities taking complying actions during EPA inspections and evaluations after deficiencies have been identified; a 5 percentage point increase in the percent of enforcement actions requiring that pollutants be reduced, treated, or eliminated; and a 5 percentage point increase in the percent of enforcement actions requiring improvement of environmental management practices.

### No Strategic Target

Annual Performance Measures and Baselines	FY 2005		FY 2006		FY 2007		FY 2008		Unit
	Target	Actual	Target	Actual	Target	Actual	Target	Actual	
(178) Pounds of pollution estimated to be reduced, treated, or eliminated as a result of concluded enforcement actions. (civil enforcement)	300	1,100.00	450	890.00	500	890.00	890	3,900	Million Pounds
Baseline - The FY 2005-2007 rolling average baseline for pounds of pollution estimated to be reduced, treated, or eliminated is 960,000,000 pounds of pollutants.									
Explanation - EPA significantly exceeded the 890 million pound performance target for pollutant reductions from enforcement settlements due to particularly significant Clean Air Act New Source Review/Prevention of Significant Deterioration and Clean Water Act storm water enforcement settlements. The six most significant FY 2008 enforcement settlements, when fully implemented, will cumulatively reduce more than an estimated 2 billion pounds of pollutants.									
(179) Percentage of concluded enforcement cases requiring that pollution be reduced, treated, or eliminated.	30	28.8	30	Data Available Late 2008	30	27	30	26	Percentage
Baseline - The FY 2007 baseline for the percentage of concluded enforcement cases requiring that pollutants estimated to be reduced, treated, or eliminated is the FY2007 result which is 27 percent.									
Explanation - EPA missed the performance target for the percentage of concluded cases that require pollutant reductions by four percent in FY 2008. Although EPA exceeded targets for pounds of pollutants reduced, the number of concluded enforcement cases increased over the last three years. EPA achieved such high pollutant reductions despite missing the performance target for the percentage of cases requiring pollutant reductions in FY 2008 due to the remarkable pollutant reductions from six large settlement agreements that combined will reduce, treat, or eliminate more than an estimated 2 billion pounds of air and water pollutants over a one year time period once facilities implement the legally required terms of the settlement.									

(180) Percentage of concluded enforcement cases requiring implementation of improved environmental management practices.	60	72.5	65	82	70	70	70	70	Percentage
Baseline - The FY 2007 baseline for the percentage of concluded enforcement cases requiring implementation of improved environmental management practices is 70 percent.									
(182) Percentage of regulated entities taking complying actions as a result of on-site compliance inspections and evaluations.	10	19	25	16	30	18	30	23	Percentage
Baseline - The FY 2007 baseline for the percentage of regulated entities taking complying actions as a result of on-site compliance inspections and evaluations is 18 percent.									
Explanation - EPA did not meet the 30% complying actions performance target in FY 2008. In FY 2009, EPA will improve documentation regarding deficiencies and complying actions by developing guidance that addresses counting complying actions that occur after the inspection which are not observed by the inspector and which describe the documentation required to assure verification of the actions and accurate results calculations.									
(183) 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	10	4.1	5	4.2	10.6	4.3	11.8	Billion Dollars
Baseline - The FY 2005-2007 rolling average baseline for dollars invested in improved environmental performance or improved environmental management practices is \$8,500,000,000.									
Explanation - EPA and the Department of Justice achieved landmark enforcement settlements in FY 2008 that require defendants to invest a record \$11.8 billion to achieve and maintain compliance with the nation's environmental laws due three cases that account for approximately 60 percent of the total investments. These investments reported are estimates of expenditures that will occur over a one year time period once facilities implement the legally required terms of the settlement.									

**OBJECTIVE: 5.2: IMPROVE ENVIRONMENTAL PERFORMANCE THROUGH POLLUTION PREVENTION AND OTHER STEWARDSHIP PRACTICES**

By 2011, enhance public health and environmental protection and increase conservation of natural resources by promoting pollution prevention and the adoption of other stewardship practices by companies, communities, governmental organizations, and individuals.

Performance Measures Met	Performance Measures Not Met	Data Available After November 17, 2008	Total Performance Measures
4	1	2	7

SUB-OBJECTIVE: 5.2.1: Prevent Pollution and Promote Environmental Stewardship by Government and the Public  
Prevent Pollution and Promote Environmental Stewardship. By 2011, reduce pollution, conserve natural resources, and improve other environmental stewardship practices while reducing costs through implementation of EPA's pollution prevention programs.

**Strategic Target (1)**

By 2011, reduce 4.5 billion pounds of hazardous materials cumulatively compared to the 2000 baseline of 44 million pounds reduced.

Annual Performance Measures and Baselines	FY 2005		FY 2006		FY 2007		FY 2008		Unit
	Target	Actual	Target	Actual	Target	Actual	Target	Actual	
(264) Pounds of hazardous materials reduced by pollution prevention (P2) program participants.	290M	501.7M	401M	528.5M	414M	456.9M	429M	839.6M	Pounds
Baseline - The baseline for the Pollution Prevention Program hazardous material reduced was 44 million pounds in FY 2000.									
Explanation - In FY 2008, the P2 program exceeded its targets due to significant contributions from regional grant results, Green Chemistry, and Design for the Environment projects. Increasing collaboration across the P2 program is encouraging the development of new projects funded through P2 grants which have begun to may in the future realize large reductions in pounds of hazardous materials.									

### Strategic Target (2)

By 2011, reduce, conserve, or offset 31.5 trillion British Thermal Units (Btus) cumulatively compared to the 2002 baseline amount of 0 Btus reduced, conserved, or offset.

Annual Performance Measures and Baselines	FY 2005		FY 2006		FY 2007		FY 2008		Unit
	Target	Actual	Target	Actual	Target	Actual	Target	Actual	
(261) Btus of energy reduced, conserved or offset by P2 program participants.			906.7B	4,749B	1,106.8B	2,100B	1,217.4B	Data Not Available	Btus
Baseline - The baseline reference point for reductions of pollution and conservation of Btus and water is zero for 2002.									
Explanation - In FY 2007, the Environmentally Preferable Purchasing Center of results and the regional center of results both produced significant energy savings. FY 2008 results are incomplete. Full results from both regions and the EPP center of results will enable the program to exceed its FY 2008 target. Full results will be available for Spring 2009 PART update.									

### Strategic Target (3)

By 2011, reduce water use by 19 billion gallons cumulatively compared to the 2000 baseline amount of 220 million gallons reduced.

Annual Performance Measures and Baselines	FY 2005		FY 2006		FY 2007		FY 2008		Unit
	Target	Actual	Target	Actual	Target	Actual	Target	Actual	
(262) Gallons of water reduced by P2 program participants.			329M	2,329M	1,790M	1,619M	1,640M	21,602M	Gallons
Baseline - The baseline for the Pollution Prevention Program gallons of water was 220 millions gallons in FY 2000.									
Explanation - In FY 2007, the P2 program may still meet its target after receiving additional data from states that have not yet reported. These state data are an important part of overall P2 results, but water conservation results have been less than expected in recent years which are the primary reason that 07 results are lower than the 07 target. However, substantial water savings were realized by regional grantees including those grants that fund state leadership programs that encourage water conservation. Less than expected state, non-grant, data is the primary reason that 07 results are lower than 07 target. In FY 2008, a Green Chemistry award winning technology (Nalco's 3D-TRASAR technology) has had a huge impact on water savings from industrial and commercial cooling systems (e.g. heating, ventilating, and air conditioning). The technology reduces the need to flushing and refilling the cooling water as well as reducing the amount of treatment chemicals needed to keep systems running efficiently.									

**Strategic Target (4)**

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.

Annual Performance Measures and Baselines	FY 2005		FY 2006		FY 2007		FY 2008		Unit
	Target	Actual	Target	Actual	Target	Actual	Target	Actual	
(263) Business, institutional and government costs reduced by P2 program participants.	30.4M	172.9M	38.2M	209.7M	44.3M	186.7M	45.9M	Data Not Available	Dollars Saved
Baseline - The baseline for the Pollution Prevention Program cost savings was 0 dollar in FY 2002.									
Explanation - Only partial data are available for FY08.									

**No Strategic Target**

Annual Performance Measures and Baselines	FY 2005		FY 2006		FY 2007		FY 2008		Unit
	Target	Actual	Target	Actual	Target	Actual	Target	Actual	
(279) Annual reductions of Design for the Environment (DfE) chemicals of concern per federal dollar invested in the DfE program.	N/A		Baseline	72	N/A		90	116	Pounds/\$
Baseline - The baseline for percent change for pounds of chemicals reduced from the Design for the Environment Program is 72 lbs/\$ for FY 2006.									
Explanation – Target was exceeded due to sustained and increased performance from formulators program within the Design for the Environment Program. Products recognized with DfE label as including safer formulations were produced in record numbers for FY 2008.									

**Strategic Target (5)**

By 2011, reduce 4 million pounds of priority chemicals from waste streams as measured by National Partnership for Environmental Priorities (NPEP) contributions, Supplemental Environmental Projects (SEPs), and other tools used by EPA to achieve priority chemical reductions.

Annual Performance Measures and Baselines	FY 2005		FY 2006		FY 2007		FY 2008		Unit
	Target	Actual	Target	Actual	Target	Actual	Target	Actual	
(PB5) Number of pounds (in millions) of priority chemicals reduced, as measured by National Partnership for Environmental Priorities members.					0.5	1.3	1	5.7	Pounds
Baseline - In FY 2006, 1.28 million pounds of priority list chemicals were reduced.									

**SUB-OBJECTIVE: 5.2.2: Promote Improved Environmental Performance through Business and Community Innovation**

Promote Improved Environmental Performance Through Business and Community Innovation. Through 2011, improve environmental performance with sustainable outcomes through sector-based approaches, performance-based programs, and assistance to small business.

**Strategic Target (1)**

By FY 2011, the reported results of Performance Track member facilities collectively will show the following normalized annual reductions: 5.1 billion gallons in water use; 13,000 tons of hazardous materials use; 230,000 megatons of carbon dioxide equivalent (MTCOE) of greenhouse gases; 300 tons of toxic discharges to water; and 5,500 tons of combined NOx, SOx, VOC, and PM emissions. (Performance Track member facilities make commitments to, and report yearly progress on, performance improvements in up to four environmental areas. In FY 2005, Performance Track members achieved normalized annual reductions of 3.4 billion gallons in water use; 8,794 tons of hazardous materials use; 151,129 MTCO<sub>2</sub>E of greenhouse gases; 186 tons of toxic discharges to water; and 3,533 tons of combined NOx, SOx, VOC, and PM emissions.)

**Strategic Target (2)**

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 by December 2006.)



## No Strategic Target

Annual Performance Measures and Baselines	FY 2005		FY 2006		FY 2007		FY 2008		Unit
	Target	Actual	Target	Actual	Target	Actual	Target	Actual	
(195) Reduce 3.7 billion gallons of water use; 16.3 million MMBtus of energy use; 1,050 tons of materials use; 460,000 tons of solid waste; 66,000 tons of air releases; & 12,400 tons of water discharges.							4	0	Media Reduction
<p>Baseline - For Performance Track, the baseline year is 2001 for FY 2005, 2006, and 2007. Performance will be measured against the 2001 baseline annual reduction of 475 million gallons of water conserved, 0.24 million Btus (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. For FY 2008, the baseline year is 2005. The 2005 baseline annual normalized reductions are: 3,387,333,545 gallons of water reduced, 8,794 tons of hazardous materials reduced, 151,129 MTCO<sub>2</sub>Es of greenhouse gas emissions reduced, 186 tons of toxic discharges to water reduced, and 3,533 tons of NO<sub>x</sub>, SO<sub>x</sub>, VOCs and PM emissions reduced.</p>									
<p>The goal for FY08 was to meet 3 of the strategic targets for reducing environmental impacts in 5 priority areas. The targets, normalized for changes in production or activity level at a facility, were not met this year. Performance Track is currently in the process of changing the methodology for calculating results to a method consistent with the 3-year membership cycle of member facilities. The current method of calculating all members' results during the calendar year yields program-wide results that fluctuate heavily from year to year and thus are not a meaningful indicator of program progress. The new method calculates members' environmental improvements once the three-year membership term has been completed. This methodology puts annual fluctuations in a facility's results in the context of the facility's performance over the entire three-year membership term. Performance Track plans to modify the strategic targets for future years to make them consistent with the new methodology.</p>									
<p>The current targets were set based on 2004 results. An assumption was made at the time that results would increase linearly from year to year. Additional years of data have revealed that annual results fluctuate heavily and are not a good indicator of member performance. For example, this year's toxic discharges to water result is negative due to one facility's discharge of salt. Over the facility's three-year membership term, the discharge of salt greatly decreased and the facility surpassed its goal. However, from 2006 to 2007, the discharge of salt increased although still remaining well below the baseline level in 2004. This annual increase caused the overall program-wide result for the toxics discharges to water indicator to be negative.</p>									

**SUB-OBJECTIVE: 5.2.3: Promote Environmental Policy Innovation**

Through 2011, achieve measurably improved environmental results, promote stewardship behavior, and advance sustainable outcomes by testing, evaluating, and applying alternative approaches to environmental protection in states, companies, and communities. This work also will seek to improve the organizational cost effectiveness and efficiency for regulatory agencies as well as regulated entities.

**Strategic Target (1)**

By 2011, innovation projects under the State Innovation Grant Program and other piloting mechanisms will achieve, on average, an 8 percent or greater improvement in environmental results (such as reductions in air or water discharges, improvements in ambient water or air quality, or improvements in compliance rates), or a 5 percent or greater improvement in cost effectiveness and efficiency. (Each project's achievement will be measured by the goals established in the grantee's proposal. Baselines for ambient conditions or pollutant discharges or costs of compliance will be developed at the beginning of each project, and improvements for each project will be measured after full implementation of the innovative

**OBJECTIVE: 5.3: IMPROVE HUMAN HEALTH AND THE ENVIRONMENT IN INDIAN COUNTRY**

Protect human health and the environment on tribal lands by assisting federally-recognized tribes to build environmental management capacity, assess environmental conditions and measure results, and implement environmental programs in Indian country.

Performance Measures Met	Performance Measures Not Met	Data Available After November 17, 2008	Total Performance Measures
0	0	3	3

**Strategic Target (1)**

By 2011, increase the percent of tribes implementing federal environmental programs in Indian country to 9 percent.

Annual Performance Measures and Baselines	FY 2005		FY 2006		FY 2007		FY 2008		Unit
	Target	Actual	Target	Actual	Target	Actual	Target	Actual	
(5pg) Percent of tribes implementing federal regulatory programs in Indian country.							6	Data Available in FY 2009	Percent of Tribes
Baseline - 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.

Explanation - In 2008, we will be reporting new measures approved by OMB during our re-PART that are more specific and accurately capture criteria to be measured. The Agency developed a reporting system that captures information for the strategic plan measures and data is expected for these measures in FY 2009.

**Strategic Target (2)**

By 2011, increase the percent of tribes conducting EPA-approved environmental monitoring and assessment activities in Indian country to 26 percent.

Annual Performance Measures and Baselines	FY 2005		FY 2006		FY 2007		FY 2008		Unit
	Target	Actual	Target	Actual	Target	Actual	Target	Actual	
(5ph) Percent of tribes conducting EPA-approved environmental monitoring and assessment activities in Indian country.							21	Data Available in FY 2009	Percent of Tribes
Baseline - 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.									
Explanation - In 2008, we will be reporting new measures approved by OMB during our re-PART that are more specific and accurately capture criteria to be measured. The Agency developed a reporting system that captures information for the strategic plan measures and data is expected for these measures in FY 2009.									

**Strategic Target (3)**

By 2011, increase the percent of tribes with an environmental program to 67 percent.

Annual Performance Measures and Baselines	FY 2005		FY 2006		FY 2007		FY 2008		Unit
	Target	Actual	Target	Actual	Target	Actual	Target	Actual	
(5pl) Percent of tribes with an environmental program.							57	Data Available in FY 2009	Percent of Tribes
Baseline - 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.									
Explanation - In 2008, we will be reporting new measures approved by OMB during our re-PART that are more specific and accurately capture criteria to be measured. The Agency developed a reporting system that captures information for the strategic plan measures and data is expected for these measures in FY 2009.									

Annual Performance Measures and Baselines	FY 2005		FY 2006		FY 2007		FY 2008		Unit
	Target	Actual	Target	Actual	Target	Actual	Target	Actual	
capture criteria to be measured. The Agency developed a reporting system that captures information for the strategic plan measures and data is expected for these measures in FY 2009.									

**OBJECTIVE: 5.4: ENHANCE SOCIETIES CAPACITY FOR SUSTAINABILITY THROUGH SCIENCE AND RESEARCH**

Conduct leading-edge, sound scientific research on pollution prevention, new technology development, socioeconomic, sustainable systems, and decision-making tools. By 2011, the products of this research will be independently recognized as providing critical and key evidence in informing Agency policies and decisions and solving problems for the Agency and its partners and stakeholders

## ENABLING SUPPORT PROGRAMS

### Energy Consumption Reduction

PMs Met	PMs Not Met	Data Available After November 17, 2008	Total PMs
1	0	1	1

Performance Measures	FY 2005		FY 2006		FY 2007		FY 2008		Unit
	Target	Actual	Target	Actual	Target	Actual	Target	Actual	
Cumulative percentage reduction in energy consumption.			2	3	6	12	9	13	Percent

Baseline - On January 24, 2007, the President signed Executive Order: Strengthening Federal Environment, Energy, and Transportation Management, requiring all Federal Agencies to reduce its greenhouse gas emissions and energy intensity by 3% annually through FY 2015 compared to a FY 2003 baseline (for a 30% cumulative reduction). This annual energy reduction requirement was reinforced by the Energy Independence and Security Act of 2007. For the Agency's 29 reporting facilities, the FY 2003 energy intensity is 359,087 BTUs per square foot (Btu/GSF).

Explanation - The actual FY 2008 reduction in energy intensity represents a projection based on compiled data through 3<sup>rd</sup> quarter FY 2008 data. 4<sup>th</sup> quarter FY 2007 energy data are used as proxy data for outstanding 4<sup>th</sup> quarter FY 2008 energy data. Final FY 2008 energy data will be available in early 2009 and reported in the FY 2009 PAR.

### Fraud Detection and Deterrence

PMs Met	PMs Not Met	Data Available After November 17, 2008	Total PMs
1	0	0	1

Performance Measures	FY 2005		FY 2006		FY 2007		FY 2008		Unit
	Target	Actual	Target	Actual	Target	Actual	Target	Actual	
Criminal, civil, administrative, and fraud prevention actions.	80	125	80	121	80	103	80	84	Actions

Performance Measures	FY 2005		FY 2006		FY 2007		FY 2008		Unit
	Target	Actual	Target	Actual	Target	Actual	Target	Actual	

Baseline - In FY 2005, the OIG established a baseline of 98 criminal, civil, administrative, and fraud prevention actions. This number is based on the difference between the 3 year average of targets versus actuals.

Explanation – The OIG met its goal by continuing to conduct investigations that both prevent and detect fraud, waste and abuse. The results of this work contribute to the public confidence in the integrity of EPA’s programs and operations.

### Audit and Advisory Services

PMs Met	PMs Not Met	Data Available After November 17, 2008	Total PMs
2	1	0	3

Performance Measures	FY 2005		FY 2006		FY 2007		FY 2008		Unit
	Target	Actual	Target	Actual	Target	Actual	Target	Actual	
Environmental and business actions taken for improved performance or risk reduction.			303	407	318	464	334	463	Actions

Baseline - In FY 2005, the OIG established a revised baseline of 426 environmental and business actions taken for improved performance or risk reduction. This number is based on the difference between the 3 year average of targets versus actuals.

Explanation - The OIG is both improving the quality of its recommendations and implementing a comprehensive follow-up program to promote greater recognition of, accountability for, and action on OIG recommendations. The actual number is a reflection of both these efforts and normal lag time for actions on a high number of recommendations from previous years.

Environmental and business recommendations or risks identified for corrective action.	925	1,024	925	949	971	624	Recommendations
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Baseline - FY 2005, the OIG established 991 environmental and business recommendations or risks identified for corrective action. This number is based on the difference between the 3 year average of targets versus actuals.

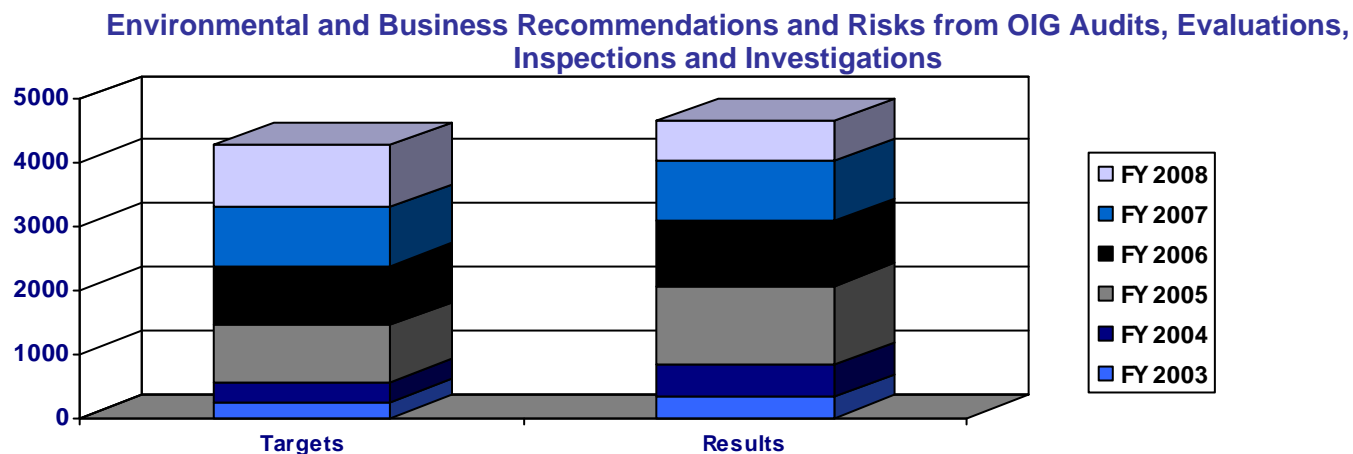
Explanation - OIG staffing averaged only 83 percent of authorized staffing level due to the delay in the enacted budget level and the subsequent delay in the recruitment process for staff to perform audits, evaluations and investigations consistent with the targets. With nearly 20 new hires recently on board, and 23 new recruits to come on board during the first part of FY 2009, we anticipate regaining our

Performance Measures	FY 2005		FY 2006		FY 2007		FY 2008		Unit
	Target	Actual	Target	Actual	Target	Actual	Target	Actual	
Return on the annual dollar investment, as a percentage of the OIG budget, from audits and investigations.			150	1100	150	189	150	183	Percent

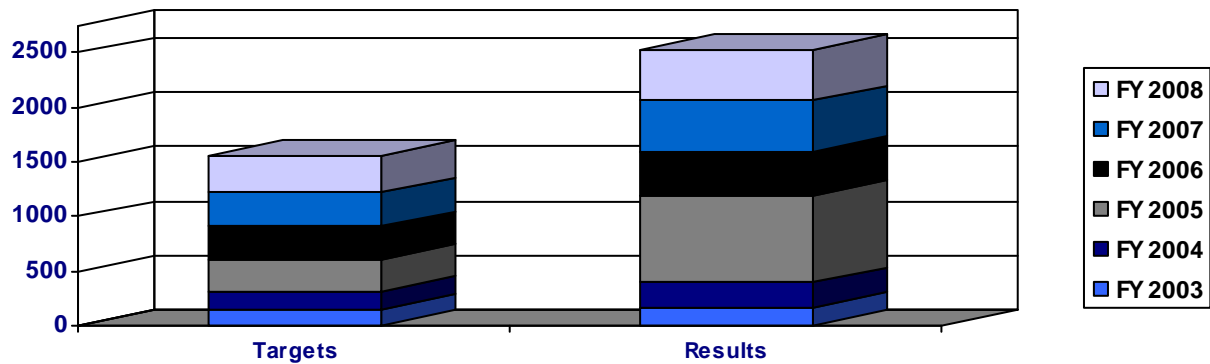
Baseline - In FY 2005, the OIG established 211% in potential dollar return on investment as a percentage of OIG budget, from savings, questioned costs, fines, recoveries, and settlements.

Explanation - OIG increased its emphasis on audit and evaluation work that could demonstrate potential monetary benefit, and identified \$96 million in questioned costs, cost efficiencies and settlements fines and recoveries. For example, we identified significant savings opportunities in the funds management of the Superfund program, and recommended that about \$55 million be deobligated for additional program use.

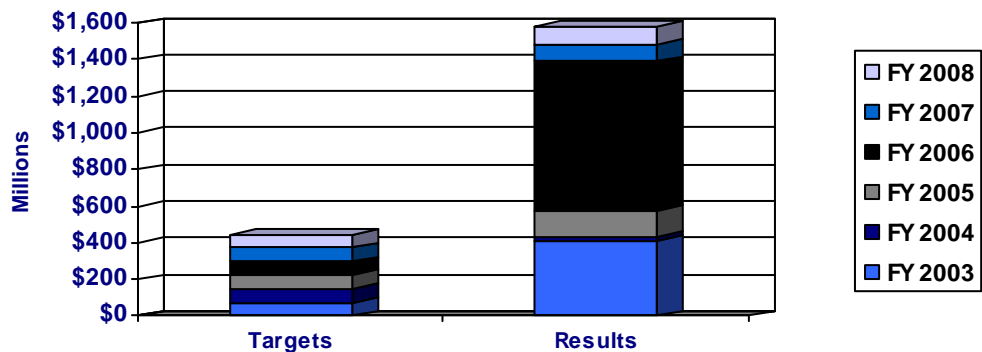
## Office of Inspector General Cumulative Results Vs GPRa Targets FY 2003 - 2008



**Environmental and Business Actions Taken and Risks Reduced from OIG Audit, Evaluation, Inspection and Investigation Recommendations**

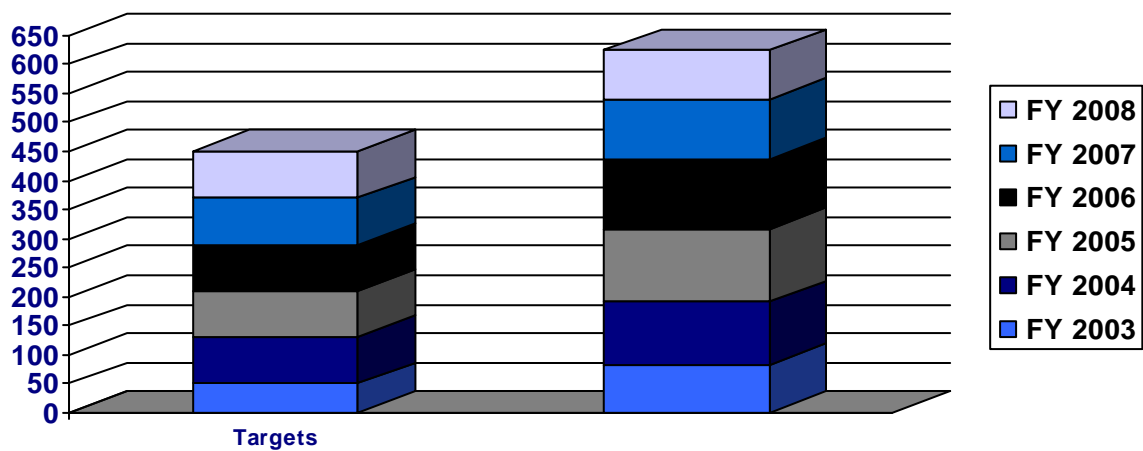


**OIG Questioned Costs, Efficiencies, Savings, Fines, Recoveries from OIG Audits, Evaluations, and Investigations**





### Criminal, Civil, Administrative Actions from OIG Investigations



### Information Exchange Network

PMs Met	PMs Not Met	Data Available After November 17, 2008	Total PMs
2	0	0	2

Performance Measures	FY 2005		FY 2006		FY 2007		FY 2008		Unit
	Target	Actual	Target	Actual	Target	Actual	Target	Actual	
Number of major EPA environmental systems that use the CDX electronic requirements enabling faster receipt, processing, and quality checking of data.	12	22	29	32	36	37	45	48	Systems

Baseline - The Central Data Exchange program began in FY 2001.

Performance Measures	FY 2005		FY 2006		FY 2007		FY 2008		Unit
	Target	Actual	Target	Actual	Target	Actual	Target	Actual	
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	55,000	88,516	100,000	127,575	Users

Baseline - The Central Data Exchange program began in FY 2001.

### Information Security

PMs Met	PMs Not Met	Data Available After November 17, 2008	Total PMs
1	0	0	1

Performance Measures	FY 2005		FY 2006		FY 2007		FY 2008		Unit
	Target	Actual	Target	Actual	Target	Actual	Target	Actual	
Percent of Federal Information Security Management Act reportable systems that are certified and accredited.	75	90	100	100	100	100	100	100	Percent

Performance Measures	FY 2005		FY 2006		FY 2007		FY 2008		Unit
	Target	Actual	Target	Actual	Target	Actual	Target	Actual	
Baseline - In FY 2002, the Agency started planning an effort to expand and strengthen its information security infrastructure.									

### Human Capital

PMs Met	PMs Not Met	Data Available After November 17, 2008	Total PMs
4	0	0	4

Performance Measures	FY 2005		FY 2006		FY 2007		FY 2008		Unit
	Target	Actual	Target	Actual	Target	Actual	Target	Actual	
Percent above the initial target of non-SES managers and supervisors at the proficiency level (above intermediate) for "Interpersonal Skills and Oral Communication."							10	14.5	Percent
Baseline - Survey data is used to assess the competencies of EPA's mission critical occupations (MCOs). Reassessments of the assessed MCOs are repeated and compared to previous assessments.									
Percent increase in the number of SES managers and supervisors at the targeted proficiency level (advanced) for "Interpersonal Skills and Oral Communication."							15	32	Percent
Baseline - Survey data is used to assess the competencies of EPA's mission critical occupations (MCOs). Reassessments of the assessed MCOs are repeated and compared to previous assessments.									
Average time to hire non-SES positions from date vacancy closes to date offer is extended, expressed in working days					45	28	45	26.3	Days
Baseline - Based on 796 cases, the average is 31 days.									
For SES positions, the average time from date vacancy closes to date offer is extended, expressed in working days					90	66	73	66	Days

Performance Measures	FY 2005		FY 2006		FY 2007		FY 2008		Unit
	Target	Actual	Target	Actual	Target	Actual	Target	Actual	
Baseline - Based on 14 cases, the average is 116 days.									

To submit comments or questions on the FY 2008 PAR, please e-mail: [ocfoinfo@epa.gov](mailto:ocfoinfo@epa.gov).

### Additional FY 2008 External Efficiency Measures

<b>Goal 2:</b>										
<b>Program</b>	<b>Measure</b>	<b>FY05 Target</b>	<b>FY05 Actual</b>	<b>FY06 Target</b>	<b>FY06 Actual</b>	<b>FY07 Target</b>	<b>FY07 Actual</b>	<b>FY08 Target</b>	<b>FY08 Actual</b>	<b>Units</b>
Surface Water Protection	Loading (pounds) of pollutants removed per program dollar expended.	180	180	233	233	285	310	332	332	Number of pounds
Baseline—The baseline for this measure is 122 loading of pollutants removed per dollar expended in 2004.										
Water Pollution Control (Sec. 106)	Cost per water segment restored.	Baseline	828,654	1,358,351	576,618	636,744	512,735	643,119	547,676	Dollars
Baseline—The baseline for this measure is \$701,495 in 2005.										
Clean Water State Revolving Fund	Number of waterbodies protected per million dollars of CWSRF assistance provided.			Baseline	0.1	0.1	0.22	0.1	0.2	Waterbodies
Baseline—The baseline for this measure is 0.1.										
Clean Water State Revolving Fund	Number of waterbodies restored or improved per million dollars of CWSRF assistance provided.			Baseline	0.07	0.07	0.165	0.07	0.15	Waterbodies
Baseline--- The baseline for this measure is 0.07										
Water Quality Research	Peer-reviewed publications over FTE.	N/A	.78	.79	.78	0.8	0.73	.81	Data avail. in 2009	Publications
Baseline—In 2004, the program began measuring its number of peer reviewed publications per full-time employee and achieved a ratio of 0.76. This measure contributes to EPA's goal of supporting the protection of human health through the reduction of human exposure to contaminants in fish, shellfish, and recreational waters, and to support the protection of aquatic ecosystems.										

<b>Goal 3:</b>										
<b>Program</b>	<b>Measure</b>	<b>FY05 Target</b>	<b>FY05 Actual</b>	<b>FY06 Target</b>	<b>FY06 Actual</b>	<b>FY07 Target</b>	<b>FY07 Actual</b>	<b>FY08 Target</b>	<b>FY08 Actual</b>	<b>Units</b>

Land Protection and Restoration Research	Average time (in days) for technical support centers to process and respond to requests for technical document review, statistical analysis and evaluation of characterization and treatability study plans.	Baseline	35.3	32.5	31	30.5	23.4	29.0	Data available in 2009	Days
<p>Baseline—In 2005, the program began tracking the average number of days its technical support centers take to process and respond to requests for technical document review, statistical analysis, and the evaluation of characterization and treatability study plans for tech plans. The average amount of time to process and respond was 35.3 days in 2005. This measure contributes to EPA's goal of providing scientifically sound guidance and policy decisions related to the use of land protection and restoration.</p>										
<p>Explanation—Data for this measure will be available in July 2009. The technical support centers compile and calculate their processing time at the end of the calendar year.</p>										
RCRA Corrective Action	Percent increase of final remedy components constructed at RCRA corrective action facilities per federal, state, and private sector.					3	6.2	3	7.0	Percent
<p>Baseline—In FY 2006, there were .665 final remedy components constructed per million dollars.</p>										
RCRA Base, Permits, and Grants	Facilities under control (permitted) per total permitting cost.					2	3.36	3.64	Data available in 2009	Percent
<p>Baseline—In FY 2006, there were 3.1 facilities under control (permitted) per million dollars of permitting cost.</p>										
Superfund Removal	Superfund-lead removal actions completed annually per million dollars.	2.1	1.54	0.91	1.02	0.92	1.04	0.93	1.049	Removals
<p>Baseline—In FY 2004, there were .87 removal actions annually per million dollars.</p>										
Superfund Remedial Action	Human exposures under control per million dollars.					6.1	6.9	6.4	Data available in 2009	Thousand
<p>Baseline—In FY 2006, there were 6.1 human exposures under control per million dollars, and in FY 2005, there were 5.7.</p>										

Goal 4:										
Program	Measure	FY05 Target	FY05 Actual	FY06 Target	FY06 Actual	FY07 Target	FY07 Actual	FY08 Target	FY08 Actual	Units

Human Health Risk Assessment	Average cost to produce Air Quality Criteria/Science assessment documents.	14191	--	7,252	5,386	5,533	3796	Data avail in 2009	Average Cost (\$)	14191
<p>Baseline—When the program began producing Air Quality Criteria/Science Assessment documents in FY 2004, the average cost to produce these assessment documents was \$13,989. This measure contributes to EPA's goal of providing scientifically sound guidance and policy decisions related to the health of people, communities, and ecosystems.</p> <p>Explanation—The average annual cost was significantly lower than 2006, but marginally (2.7%) above the ambitious target for 2007.</p>										
Human Health Research	Average time (in days) to process research grant proposals from Request For Applications closure to submittal to EPA's Grants Administration Division, while maintaining a credible and efficient competitive merit review system.	N/A	340	323	277	307	254	292	250	Average Days
<p>Baseline—In 2003, the program began tracking its average grants processing time and developed a baseline of 405 days. This measure contributes to EPA's goal of providing scientifically sound guidance and policy decisions related to human health.</p>										
Chesapeake Bay	Total nitrogen reduction practices implementation achieved as a result of agricultural best management practices implementation per million dollars to implement agricultural Best Management Practices.			49,113	45,928	47,031	43,529	48,134	Data Avail Late 2008	Pounds per million \$
<p>Baseline—The baseline for this measure is 43,289 pounds per million dollars.</p> <p>Explanation—End-of-year data will not be available until November 30, 2007. Based on the mid-year data which is 45,928 the measure is not on track to meet the end-of-year target.</p>										
Great Lakes Program	Cost per cubic yard of contaminated sediments remediated.			Baseline	115	200	121	200	121	Cost per cubic yard



Mexico Border Program	Additional people served per million dollars (U.S. and Mexico federal expenditures.)	Baseline	3,278	3,200	4,433	3,200	10,292	8,000	12,686	People served
Baseline—Baseline for percentage of lead-based paint certification and refund applications that require less than 40 days of EPA effort to process is 54% in 2004.										
Ocean, Coastal, and Estuary Protection	Program dollars per acre of habitat protected or restored.	515	533	510	401	505	482	500	909	Dollars/acre
Baseline—2005 Baseline: 449,242 acres of habitat protected or restored; cumulative from 2002.										
Explanation – Target not met due to unexpected funds appropriated in the 2008 Appropriation Bill.										

<b>PART Measures</b>	<b>Year Data Available</b>
<b>Supplemental PART Information</b>	
<b>Goal 1: Clean Air and Global Climate Change</b>	
<b>Long-Term Performance Measure</b>	
Elimination of U.S. consumption of Class II Ozone Depleting substances measured in tons/yr. of Ozone Depleting Potential (ODP).	FY 2010
Estimated future premature lung cancer deaths prevented annually through lowered radon exposure.	FY 2012
MMTCE of greenhouse gas in the building sector.	FY 2012
MMTCE of greenhouse gas in the industry sector.	FY 2012
MMTCE of greenhouse gas reductions in the transportation sector.	FY 2012
Millions of tons of NO <sub>x</sub> reduced since 2000 from mobile sources.	FY 2010
Millions of tons of VOCs reduced since 2000 from mobile sources.	FY 2010
Percent improvement in visibility on 20% worst days, on average for all eastern Class I areas.	FY 2018
Percent of change in number of chronically acidic water bodies in acid-sensitive regions.	FY 2030
Percent reduction in population-weighted ambient concentration of fine PM <sub>2.5</sub> in all monitored counties from 2003 baseline.	FY 2015
Percent reduction in population-weighted ambient concentration of ozone in all monitored counties from 2003 baseline.	FY 2015
Percentage of Office of Research and Development (ORD)-developed outputs appearing in the Office of Air and Radiation National Ambient Air Quality Standard Staff Paper (SP).	TBD
Percentage reduction in tons of toxicity-weighted cancer risk emissions from 1993 baseline.	FY 2010
Percentage reduction in tons of toxicity-weighted of noncancer risk emissions from 1993 baseline.	FY 2010
Progress in assessing the linkage between health impacts and air pollutant sources and reducing the uncertainties that impede the understanding and usefulness of these linkages.	TBD
Progress toward reducing uncertainty in the science that supports standard setting and air quality management decisions.	TBD
Reductions in melanoma and nonmelanoma skin cancers, measured by millions of skin cancer cases avoided (melanoma and nonmelanoma).	FY 2010
Tons of fine PM <sub>2.5</sub> since 2000 from mobile sources.	FY 2010
Tons of SO <sub>2</sub> emissions reduced from electric power generating sources.	FY 2010

<b>PART Measures</b>	<b>Year Data Available</b>
<b>Annual Performance Measure</b>	
Percent progress toward completion of a hierarchy of air pollutant sources based on the risk they pose to human health.	FY 2009
<b>Efficiency Performance Measure</b>	
Percent reduction in time (days) per certificate approval for large engines (nonroad compression ignition, heavy duty gas and diesel engines).	FY 2012
Tons of pollutants (VOC, NO <sub>x</sub> , PM, CO) reduced per total emission reduction dollars spent.	TBD
Tons of toxicity-weighted (for cancer and noncancer risk) emissions reduced per total cost (\$).	TBD
<b>Goal 2: Clean and Safe Water</b>	
<b>Long-Term Performance Measure</b>	
100% of serviceable rural Alaska homes will have access to drinking water supply and wastewater disposal.	FY 2011
Clean Water State Revolving Fund (SRF) Long-Term Revolving Level (\$billions/year).	FY 2011
Drinking Water SRF Long-Term Revolving Level (\$billions/year).	FY 2018
Indep. Exp. Rev. Panel summary score on tool designed to measure the use of ORD data, tools, and technologies for key decisions leading to scientifically sound Six-Year Review Decisions made by the Office of Water (OW).	TBD
Indep. Exp. Rev. Panel summary score on tool designed to measure the use of ORD data, tools, and technologies for key decisions leading to scientifically sound CCL decisions made by OW.	TBD
National Coastal Condition Report (NCCR) score for overall aquatic ecosystem health of coastal waters nationally (1–5 scale).	FY 2011
Number of baseline monitoring stations showing improved water quality in tribal waters.	FY 2012
Number of water bodies identified by states (in 2000 or subsequent years) as being primarily NPS-impaired that are partially or fully restored.	FY 2012
Number of waterbody segments identified in 2002 as not attaining standards, where water quality standards are now fully attained.	FY 2012
Percentage of Alaska population served by public water systems in compliance with Safe Drinking Water Act regulatory requirements.	FY 2011
Percentage of community water systems for which minimized risk to public health through source water protection is achieved.	FY 2011

<b>PART Measures</b>	<b>Year Data Available</b>
Percentage of homes on tribal lands lacking access to basic sanitation.	FY 2011
Percentage of homes on tribal lands lacking access to safe drinking water.	FY 2011
Percentage of WQRP publications in high impact journals.	TBD
Percentage of WQRP publications rated as highly cited publications.	TBD
Section 319 funds (millions of dollars) expended per partially or fully restored water body.	FY 2012
<b>Annual Performance Measure</b>	
Percent of data for violations of health-based standards at public water systems that is accurate and complete in Safe Drinking Water Information System (SDWIS)/FED for all MCL and TT rules.	FY 2011
Percentage of research products used by OW as the basis of or in support of Contaminant Candidate List Decisions.	TBD
Percentage of research products used by OW as the basis of or in support of Six-Year Review Decisions.	TBD
<b>Efficiency Performance Measure</b>	
Average funding (millions of dollars) per project initiating operations.	FY 2012
Dollars per well to move Class V wells back into compliance.	FY 2011
Number of water bodies protected per million dollars of Clean Water SRF assistance provided (under development).	FY 2011
Number of water bodies restored or improved per million dollars of Clean Water SRF assistance provided (under development).	FY 2011
People receiving drinking water that meets all applicable health-based standards per million dollars spent to manage the national drinking water program.	FY 2011
<b>Goal 3: Land Preservation and Restoration</b>	
<b>Long-Term Performance Measure</b>	
Acres of land ready for reuse at Superfund sites.	FY 2010
Federal Facility Superfund sites with contaminated ground water under control (exposure pathways eliminated or potential exposures under health-based levels for current use of land/water resources).	FY 2011
Federal Facility Superfund sites with human exposures under control (exposure pathways are eliminated or potential exposures are under health-based levels for current use of land or water resources).	FY 2011
Gallons of oil spilled to navigable waters by facilities subject to the Facility Response Plan (FRP) regulations.	FY 2011
Increase the number of cleanups that meet state risk-based standards	FY 2011

<b>PART Measures</b>	<b>Year Data Available</b>
for human exposure and ground water migration on Indian County.	
Percent of all FRP facilities inspected (and presumed then to be in compliance).	FY 2011
Percentage of land publications in high impact journals.	TBD
Percentage of land publications rated as highly cited publications.	TBD
Total Superfund-led removal actions completed.	FY 2011
Total voluntary removal actions, overseen by EPA, completed.	FY 2011
<b>Efficiency Performance Measure</b>	
Cleanups complete (three-year rolling average) per total cleanup dollars.	TBD
Number of annual confirmed underground storage tank (UST) releases per federal, state, and territorial costs.	TBD
<b>Goal 4: Healthy Communities and Ecosystems</b>	
<b>Long-Term Performance Measure</b>	
Acres protected or restored in National Estuary Program (NEP) study areas. (incremental)	FY 2011
Assessed or cleaned Brownfields properties redeveloped.	TBD
Average cost and average time to produce or update an Endangered Species Bulletin.	FY 2011
By 2012, provide safe drinking water to 25% of homes in the U.S.–Mexico border area that lacked access to safe drinking water in 2003.	FY 2011
By 2012, provide wastewater sanitation to 25% of homes in the U.S.–Mexico border area that lacked access to wastewater sanitation in 2003.	FY 2011
Cumulative number of chemicals for which proposed values for AEGL have been developed.	FY 2011
Cumulative reduction in the number of systemic poisoning incidents associated with exposure from organophosphate pesticides as reported to the Poison Control Centers.	FY 2009
Cumulative reduction in the production adjusted risk based score of releases and transfers of toxic chemicals from manufacturing facilities.	FY 2011
Cumulative reduction in the production-adjusted risk-based score of releases and transfers of High Production Volume (HPV) chemicals from manufacturing facilities.	FY 2011
Determination of the extent of the impact of endocrine disruptors on humans, wildlife, and the environment to better inform the federal and scientific communities.	TBD
Improve the overall ecosystem health of the Great Lakes by preventing	FY 2011

<b>PART Measures</b>	<b>Year Data Available</b>
water pollution and protecting aquatic systems.	
Number of Areas of Concern in the Great Lakes Basin which are restored and de-listed.	FY 2011
Number of Beneficial Use Impairments removed within Areas of Concern.	FY 2011
Number of cases of children (aged 1–5 years) with elevated blood lead levels (>10ug/dl).	FY 2010
Percentage 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.	FY 2012
Percentage of agricultural watersheds that exceeds EPA aquatic life benchmarks for two key pesticides of concern.	FY 2011
Percentage of Dissolved Oxygen goal of 100% standards attainment achieved based on annual monitoring from the previous calendar year and the preceding two years.	FY 2011
Percentage of new chemicals or organisms introduced into commerce that do not pose unreasonable risks to workers, consumers, or the environment.	FY 2011
Percentage of peer-reviewed EPA RAs where ORD methods, models, or data for assessing risk to susceptible subpopulations are cited as supporting a decision to move away from or apply default risk assessment assumptions.	TBD
Percentage of peer-reviewed EPA risk assessments in which ORD's characterization of aggregate/cumulative risk is cited as supporting a decision to move away from or to apply default risk assessment assumptions.	TBD
Percentage of submerged Aquatic Vegetation goal of 185,000 acres achieved based on annual monitoring from previous goal.	FY 2011
Percentage of global publications in high impact journals.	TBD
Percentage of global publications rated as highly cited publications.	TBD
Percentage of peer-reviewed EPA risk assessments in which ORD's mechanistic information is cited as supporting a decision to move away from or to apply default risk assessment assumptions.	TBD
Percentage of regulatory decisions in which decision-makers used HHRA peer-reviewed health assessments.	TBD
Reduce the number of currently exceeded water quality standards met in shared and transboundary surface waters.	FY 2012
Reduced cost per pesticide occupational incident avoided.	FY 2011
Reduction in cost per RED.	FY 2009

<b>PART Measures</b>	<b>Year Data Available</b>
Reduction in perfluorooctanoic acid (PFOA), PFOA precursors, and related higher homologue chemicals in facility emissions by PFOA Stewardship program participants.	FY 2010
Reduction in uncertainty regarding the effects, exposure, assessment, and management of endocrine disruptors so that EPA has a sound scientific foundation for environmental decision-making.	TBD
States use a common monitoring design and appropriate indicators to determine the status and trends of ecological resources and the effectiveness of programs and policies.	TBD
Usefulness of HHRA's Air Quality Criteria Documents (AQCDs), represented by the number of days between the completion of AQCD peer review and publication of the EPA staff document that relies on AQCD.	TBD
Utility of ORD's causal diagnosis tools and methods for states, tribes, and relevant EPA offices to determine causes of ecological degradation and achieve positive environmental outcomes.	TBD
Utility of ORD's environmental forecasting tools and methods for states, tribes, and relevant EPA offices to forecast the ecological impacts of various actions and achieve environmental outcomes.	TBD
Utility of ORD's environmental restoration and services tools and methods for states, tribes, and relevant EPA offices to protect and restore ecological condition and services.	TBD
Utility of ORD's methods and models for risk assessors and risk managers to evaluate the effectiveness of public health outcomes.	TBD
Utility of ORD's methods, model, and data for risk assessors/risk managers to characterize aggregate and cumulative risk in order to manage risk of humans exposed to multiple environmental stressors.	TBD
Utility of ORD's methods, models, and data for OPPTS and other organizations to make decisions related to products of biotechnology.	TBD
Utility of ORD's methods, models, and data for OPPTS and other organizations to make probabilistic risk assessments to protect natural populations of birds, fish, other wildlife, and nontarget plants.	TBD
Utility of ORD's methods, models, and data for risk assessors and risk managers to characterize and provide adequate protection for susceptible subpopulations.	TBD
Utility of ORD's methods, models, and data for risk assessors and risk managers to use mechanistic (mode of action) information to reduce uncertainty in risk assessment .	TBD
Utility of ORD's methods, models, and data under SP2's long-term goal one for OPPTS and other organizations.	TBD
<b>Efficiency Performance Measure</b>	

<b>PART Measures</b>	<b>Year Data Available</b>
Acres of brownfields made ready for reuse per million dollars.	TBD
<b>Goal 5: Compliance and Environmental Stewardship</b>	
<b>Long-Term Performance Measure</b>	
Change in behavior to use improved management practices. (criminal enforcement)	FY 2009
Cumulative business, institutional and government costs reduced by P2 program participants.	FY 2011
Cumulative pounds of hazardous materials reduced by P2 program participants.	FY 2011
Number of states adopting or aligning guidelines for learning curricula and standards to state academic standards or number of states developing new environmental education standards based on Guidelines for Learning.	FY 2009
Percent of all students and teachers targeted that demonstrate increased environmental knowledge, as measured by Guidelines for Learning K–12, developed by North American Assoc for Environmental Education.	FY 2009
Pounds of pollution reduced, treated, or eliminated. (civil enforcement)	FY 2009
Pounds of pollution reduced, treated, or eliminated. (criminal enforcement)	FY 200
Reduction in recidivism. (criminal enforcement)	FY 2009
<b>Annual Performance Measure</b>	
Number of NNEMS fellows who pursue environmental careers.	FY 2009
Change in behavior to use improved management practices. (criminal enforcement)	FY 2009
Percent of compliance actions taken as a result of inspection/enforcement. (pest. enforcement)	FY 2009
Percent of violators committing subsequent violations. (pest. enforcement)	FY 2009
Pollutant impact.	FY 2009
Pounds of pollution reduced, treated, or eliminated. (criminal enforcement)	FY 2009
Reduction in recidivism. (criminal enforcement)	FY 2009
<b>Efficiency Performance Measure</b>	
Increase the efficiency of reducing, treating, or eliminating pollutants and generating enforcement outcomes through the effective allocation and utilization of resources.	FY 2009
Number of enforcement actions taken (federal and state) per million	FY 2009



<b>PART Measures</b>	<b>Year Data Available</b>
dollars of cost (federal and state). (pest enforcement)	
Pounds of pollutant reduction per FTE. (criminal enforcement)	FY 2009
Pounds of pollutants reduced, treated, or eliminated per FTE. (civil enforcement)	FY 2009
Ratio of number of students/teachers that have improved environmental knowledge per total dollars expended.	FY 2009



# *EPA's FY 2008 Performance and Accountability Report*

## **Section III Financial Statements**

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

## **Principal Financial Statements**

### **Financial Statements**

1. Consolidated Balance Sheet
2. Consolidated Statement of Net Cost
3. Consolidated Statement of Net Cost by Goal
4. Consolidating Statement of Changes in Net Position
5. Combined Statement of Budgetary Resources
6. Statement of Custodial Activity

### **Notes to Financial Statements**

- |          |   |
|----------|---|
| Note 1.  | Summary of Significant Accounting Policies                                  |
| Note 2.  | Fund Balance with Treasury (FBWT)   |
| 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 Property, Plant and Equipment (PP& E)                               |
| Note 10. | Debt Due to Treasury  |
| Note 11. | Stewardship Land  |
| 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 Land  |
| 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<br>Resources |
| Note 30. | Unobligated Balances Available  |
| Note 31. | Undelivered Orders at the End of the Period                                 |
| Note 32. | Offsetting Receipts   |

**Notes to Financial Statements (continued)**

- Note 33. Transfers-In and Out, Statement of Changes in Net Position
- Note 34. Imputed Financing Sources
- Note 35. Payroll and Benefits Payable
- Note 36. Other Adjustments, Statement of Changes in Net Position
- Note 37. Nonexchange Revenue, Statement of Changes in Net Position
- Note 38. Adjustment for Allocation Transfers
- Note 39. Reconciliation of Net Cost of Operations to Budget (formerly the Statement of Financing)
- Note 40. Other – Statement of Net Position

**Required Supplementary Information (Unaudited)**

1. Deferred Maintenance and Stewardship Land
2. Supplemental Statement of Budgetary Resources

**Required Supplementary Stewardship Information (Unaudited)**

**Supplemental Information and Other Reporting Requirements (Unaudited)**

Superfund Financial Statements and Related Notes

## FINANCIAL STATEMENTS

### Environmental Protection Agency Consolidated Balance Sheet As of September 30, 2008 and 2007 (Dollars in Thousands)

	FY 2008	FY 2007
<b>ASSETS</b>		
Intragovernmental:		
Fund Balance With Treasury (Note 2)	\$ 9,605,356	\$ 10,466,600
Investments (Notes 4 and 18)	6,174,828	5,753,061
Accounts Receivable, Net (Note 5)	34,636	57,039
Other (Note 6)	107,433	81,069
Total Intragovernmental	\$ 15,922,253	\$ 16,357,769
Cash and Other Monetary Assets (Note 3)	10	10
Accounts Receivable, Net (Note 5)	349,739	359,302
Loans Receivable, Net - Non-Federal (Note 7)	17,088	23,161
Property, Plant & Equipment, Net (Note 9)	814,253	809,873
Other (Note 6)	3,655	4,574
<b>Total Assets</b>	\$ 17,106,998	\$ 17,554,689
Stewardship PP& E (Note 11 )		
<b>LIABILITIES</b>		
Intragovernmental:		
Accounts Payable and Accrued Liabilities (Note 8)	80,655	122,207
Debt Due to Treasury (Note 10)	13,158	16,156
Custodial Liability (Note 12)	47,951	39,369
Other (Note 13)	109,377	98,360
Total Intragovernmental	\$ 251,141	\$ 276,092
Accounts Payable & Accrued Liabilities (Note 8)	\$ 713,595	\$ 912,000
Pensions & Other Actuarial Liabilities (Note 15)	44,615	39,786
Environmental Cleanup Costs (Note 24)	19,411	18,214
Cashout Advances, Superfund (Note 16)	286,630	190,269
Commitments & Contingencies (Notes 19 and 24)	44	-
Payroll & Benefits Payable (Note 35)	232,958	205,198
Other (Note 13)	115,648	113,739
<b>Total Liabilities</b>	\$ 1,664,042	\$ 1,755,298
<b>NET POSITION</b>		
Unexpended Appropriations - Other Funds (Note 17)	8,674,711	9,350,591
Cumulative Results of Operations - Earmarked Funds (Note 20)	6,212,479	5,886,227
Cumulative Results of Operation - Other Funds	555,766	562,573
Total Net Position	15,442,956	15,799,391
<b>Total Liabilities and Net Position</b>	\$ 17,106,998	\$ 17,554,689

**The accompanying notes are an integral part of these financial statements.**

**Environmental Protection Agency  
Consolidated Statement of Net Cost  
For the Periods Ending September 30, 2008 and 2007  
(Dollars in Thousands)**

	FY 2008	FY 2007
<b>COSTS</b>		
Gross Costs (Note 22)	\$ 8,675,411	\$ 9,263,304
Less:		
Earned Revenue (Notes 21, 22)	634,201	550,098
<b>NET COST OF OPERATIONS (Note 22)</b>	<b>\$ 8,041,210</b>	<b>\$ 8,713,206</b>

**The accompanying notes are an integral part of these financial statements.**

**Environmental Protection Agency**  
**Consolidated Statement of Net Cost by Goal**  
**For the Period Ending September 30, 2008**  
**(Dollars in Thousands)**

	<u>Clean Air</u>	<u>Clean &amp; Safe Water</u>	<u>Land Preservation &amp; Restoration</u>	<u>Healthy Communities &amp; Ecosystems</u>	<u>Compliance &amp; Environmental Stewardship</u>
<b>Costs:</b>					
Intragovernmental	\$ 181,467	\$ 162,679	\$ 347,011	\$ 281,767	\$ 176,376
With the Public	<u>\$ 816,336</u>	<u>\$ 3,334,953</u>	<u>\$ 1,654,205</u>	<u>\$ 1,126,764</u>	<u>\$ 593,853</u>
Total Costs (Note 22)	<u>997,803</u>	<u>3,497,632</u>	<u>2,001,216</u>	<u>1,408,531</u>	<u>770,229</u>
 <b>Less:</b>					
Earned Revenue, Federal	\$ 18,360	\$ 7,615	\$ 73,829	\$ 22,710	\$ 5,540
Earned Revenue, non-Federal	<u>\$ 2,043</u>	<u>\$ 2,841</u>	<u>\$ 460,055</u>	<u>\$ 39,407</u>	<u>\$ 1,801</u>
Total Earned Revenue (Notes 21 and 22)	<u>20,403</u>	<u>10,456</u>	<u>533,884</u>	<u>62,117</u>	<u>7,341</u>
<b>NET COST OF OPERATIONS (Note 22)</b>	<b><u><u>\$ 977,400</u></u></b>	<b><u><u>\$ 3,487,176</u></u></b>	<b><u><u>\$ 1,467,332</u></u></b>	<b><u><u>\$ 1,346,414</u></u></b>	<b><u><u>\$ 762,888</u></u></b>
 <b>Consolidated Totals</b>					
<b>Costs:</b>					
Intragovernmental	\$ 1,149,300				
With the Public	<u>\$ 7,526,111</u>				
Total Costs (Note 22)	<u>8,675,411</u>				
 <b>Less:</b>					
Earned Revenue, Federal	\$ 128,054				
Earned Revenue, non-Federal	<u>\$ 506,147</u>				
Total Earned Revenue (Notes 21 and 22)	<u>634,201</u>				
<b>NET COST OF OPERATIONS (Note 22)</b>	<b><u><u>\$ 8,041,210</u></u></b>				

**The accompanying notes are an integral part of these financial statements.**

**Environmental Protection Agency  
Consolidated Statement of Net Cost by Goal  
For the Period Ending September 30, 2007  
(Dollars in Thousands)**

	<u>Clean Air</u>	<u>Clean &amp; Safe Water</u>	<u>Land Preservation &amp; Restoration</u>	<u>Healthy Communities &amp; Ecosystems</u>	<u>Compliance &amp; Environmental Stewardship</u>
<b>Costs:</b>					
Intragovernmental	\$ 185,389	\$ 180,571	\$ 396,786	\$ 275,068	\$ 182,101
With the Public	<u>818,753</u>	<u>3,868,428</u>	<u>1,607,952</u>	<u>1,144,793</u>	<u>603,463</u>
Total Costs (Note 22)	<u>1,004,142</u>	<u>4,048,999</u>	<u>2,004,738</u>	<u>1,419,861</u>	<u>785,564</u>
<b>Less:</b>					
Earned Revenue, Federal	15,594	11,016	101,036	18,450	5,613
Earned Revenue, non-Federal	<u>2,997</u>	<u>2,262</u>	<u>352,963</u>	<u>38,902</u>	<u>1,265</u>
Total Earned Revenue (Notes 21 and 22)	<u>18,591</u>	<u>13,278</u>	<u>453,999</u>	<u>57,352</u>	<u>6,878</u>
<b>NET COST OF OPERATIONS (Note 22)</b>	<b><u>\$ 985,551</u></b>	<b><u>\$ 4,035,721</u></b>	<b><u>\$ 1,550,739</u></b>	<b><u>\$ 1,362,509</u></b>	<b><u>\$ 778,686</u></b>

	<u>Consolidated Totals</u>
<b>Costs:</b>	
Intragovernmental	\$ 1,219,915
With the Public	<u>\$ 8,043,389</u>
Total Costs (Note 22)	<u>\$ 9,263,304</u>
<b>Less:</b>	
Earned Revenue, Federal	\$ 151,709
Earned Revenue, non-Federal	<u>\$ 398,389</u>
Total Earned Revenue (Notes 21 and 22)	<u>\$ 550,098</u>
<b>NET COST OF OPERATIONS (Note 22)</b>	<b><u>\$ 8,713,206</u></b>

**The accompanying notes are an integral part of these financial statements.**



**Environmental Protection Agency**  
**Consolidating Statement of Changes in Net Position**  
**For the Periods Ending September 30, 2008 and 2007**  
**(Dollars in Thousands)**

	<b>FY 2008 Earmarked Funds</b>	<b>FY 2008 All Other Funds</b>	<b>FY 2008 Consolidated Total</b>
<b>Cumulative Results of Operations:</b>			
<b>Net Position - Beginning of Period</b>	5,886,227	562,573	6,448,800
Beginning Balances, as Adjusted	\$ 5,886,227	\$ 562,573	\$ 6,448,800
<b>Budgetary Financing Sources:</b>			
Appropriations Used	-	7,743,276	7,743,276
Nonexchange Revenue - Securities Investment (Note 37)	241,873	-	241,873
Nonexchange Revenue - Other (Note 37)	204,115	-	204,115
Transfers In/Out (Note 33)	(18,190)	37,151	18,961
Trust Fund Appropriations	984,974	(984,974)	-
Other (Note 40)	19,878	-	19,878
Total Budgetary Financing Sources	\$ 1,432,650	\$ 6,795,453	\$ 8,228,103
<b>Other Financing Sources (Non-Exchange)</b>			
Transfers In/Out (Note 33)	-	28	28
Imputed Financing Sources (Note 34)	20,933	111,591	132,524
Total Other Financing Sources	\$ 20,933	\$ 111,619	\$ 132,552
Net Cost of Operations	(1,127,331)	(6,913,879)	(8,041,210)
Net Change	326,252	(6,807)	319,445
<b>Cumulative Results of Operations</b>	\$ 6,212,479	\$ 555,766	\$ 6,768,245
<b>Unexpended Appropriations:</b>			
<b>Net Position - Beginning of Period</b>	-	9,350,591	9,350,591
Beginning Balances, as Adjusted	-	9,350,591	9,350,591
<b>Budgetary Financing Sources:</b>			
Appropriations Received	-	7,197,712	7,197,712
Appropriations Transferred In/Out (Note 33)	-	(7,875)	(7,875)
Other Adjustments (Note 36)	-	(122,441)	(122,441)
Appropriations Used	-	(7,743,276)	(7,743,276)
Total Budgetary Financing Sources	-	(675,880)	(675,880)
Total Unexpended Appropriations	-	8,674,711	8,674,711
<b>TOTAL NET POSITION</b>	\$ 6,212,479	\$ 9,230,477	\$ 15,442,956

**The accompanying notes are an integral part of these financial statements**

**Environmental Protection Agency**  
**Consolidating Statement of Changes in Net Position**  
**For the Periods Ending September 30, 2008 and 2007**  
**(Dollars in Thousands)**

	<u>FY 2007 Earmarked Funds</u>	<u>FY 2007 All Other Funds</u>	<u>FY 2007 Consolidated Total</u>
<b>Cumulative Results of Operations:</b>			
<b>Net Position - Beginning of Period</b>	5,533,025	575,846	6,108,871
Adjustment:			
Change in Accounting Principle (Note 38)	20,900	-	20,900
Beginning Balances, as Adjusted	\$ 5,553,925	\$ 575,846	\$ 6,129,771
<b>Budgetary Financing Sources:</b>			
Appropriations Used	-	8,367,123	8,367,123
Nonexchange Revenue - Securities Investment (Note 37)	258,986	-	258,986
Nonexchange Revenue - Other (Note 37)	252,148	-	252,148
Transfers In/Out (Note 33)	(25,686)	43,491	17,805
Trust Fund Appropriations	1,040,371	(1,040,371)	-
Total Budgetary Financing Sources	\$ 1,525,819	\$ 7,370,243	\$ 8,896,062
<b>Other Financing Sources (Non-Exchange)</b>			
Transfers In/Out (Note 33)	39	525	564
Imputed Financing Sources (Note 34)	21,868	113,741	135,609
Total Other Financing Sources	\$ 21,907	\$ 114,266	\$ 136,173
Net Cost of Operations	(1,215,424)	(7,497,782)	(8,713,206)
Net Change	332,302	(13,273)	319,029
<b>Cumulative Results of Operations</b>	<b>\$ 5,886,227</b>	<b>\$ 562,573</b>	<b>\$ 6,448,800</b>
<b>Unexpended Appropriations:</b>			
<b>Net Position - Beginning of Period</b>	-	10,299,640	10,299,640
Beginning Balances, as Adjusted	-	10,299,640	10,299,640
<b>Budgetary Financing Sources:</b>			
Appropriations Received	-	7,422,635	7,422,635
Other Adjustments (Note 36)	-	(4,561)	(4,561)
Appropriations Used	-	(8,367,123)	(8,367,123)
Total Budgetary Financing Sources	-	(949,049)	(949,049)
<b>Total Unexpended Appropriations</b>	-	9,350,591	9,350,591
<b>TOTAL NET POSITION</b>	<b>\$ 5,886,227</b>	<b>\$ 9,913,164</b>	<b>\$ 15,799,391</b>

**The accompanying notes are an integral part of these financial statements**

**Environmental Protection Agency**  
**Combined Statement of Budgetary Resources**  
**For the Periods Ending September 30, 2008 and 2007**  
**(Dollars in Thousands)**

	<u>FY 2008</u>	<u>FY 2007</u>
<b>BUDGETARY RESOURCES</b>		
Unobligated Balance, Brought Forward, October 1:	\$ 3,541,387	\$ 3,247,087
Adjustment to Unobligated Balance (Alloc Transfer Agencies) (Note 38)	-	15,527
Adjusted Subtotal	<u>3,541,387</u>	<u>3,262,614</u>
Recoveries of Prior Year Unpaid Obligations (Note 29)	281,117	387,621
Budgetary Authority:		
Appropriation	7,268,236	7,495,028
Borrowing Authority	34	29
Spending Authority from Offsetting Collections		
Earned:		
Collected	708,430	640,354
Change in Receivables from Federal Sources	(22,170)	(72,546)
Change in Unfilled Customer Orders:		
Advance Received	77,880	(34,934)
Without Advance from Federal Sources	59,780	(625)
Expenditure Transfers from Trusts Funds	<u>37,151</u>	<u>43,491</u>
Total Spending Authority from Offsetting Collections	861,071	575,740
Nonexpenditure Transfers, Net, Anticipated and Actual (Note 33)	1,387,967	1,344,610
Temporarily Not Available Pursuant to Public Law (Note 29)	(6,366)	-
Permanently Not Available (Note 29)	<u>(125,526)</u>	<u>(7,333)</u>
<b>Total Budgetary Resources (Note 28)</b>	<u>\$ 13,207,920</u>	<u>\$ 13,058,309</u>
 <b>STATUS OF BUDGETARY RESOURCES</b>		
Obligations Incurred:		
Direct	\$ 9,035,912	\$ 9,027,170
Reimbursable	<u>620,128</u>	<u>489,752</u>
Total Obligations Incurred (Note 28)	9,656,040	9,516,922
Unobligated Balances:		
Apportioned (Note 30)	<u>3,204,800</u>	<u>3,274,344</u>
Total Unobligated Balances	3,204,800	3,274,344
Unobligated Balances Not Available (Note 30)	<u>347,080</u>	<u>267,043</u>
<b>Total Status of Budgetary Resources</b>	<u>\$ 13,207,920</u>	<u>\$ 13,058,309</u>

**The accompanying notes are an integral part of these financial statements**

**Environmental Protection Agency  
 Combined Statement of Budgetary Resources  
 For the Periods Ending September 30, 2008 and 2007  
 (Dollars in Thousands)**

	<b>FY 2008</b>	<b>FY 2007</b>
<b>CHANGE IN OBLIGATED BALANCE</b>		
Obligated Balance, Net:		
Unpaid Obligations, Brought Forward, October 1	\$ 9,873,207	\$ 10,956,328
Adjustment to Unpaid Obligations (Alloc Transfer Agencies) (Note 38)	-	7,215
Adjusted Total	9,873,207	10,963,543
Less: Uncollected Customer Payments from Federal Sources, Brought Forward, October 1	(632,790)	(712,239)
Total Unpaid Obligated Balance, Net	9,240,417	10,251,304
Obligations Incurred, Net (Note 28)	9,656,040	9,516,922
Less: Gross Outlays (Note 28)	(9,880,035)	(10,219,637)
Less: Recoveries of Prior Year Unpaid Obligations, Actual (Note 29)	(281,117)	(387,621)
Change in Uncollected Customer Payments from Federal Sources	(33,457)	79,449
Total, Change in Obligated Balance	8,701,848	9,240,417
Obligated Balance, Net, End of Period:		
Unpaid Obligations	9,368,094	9,873,207
Less: Uncollected Customer Payments from Federal Sources	(666,246)	(632,790)
Total, Unpaid Obligated Balance, Net, End of Period	\$ 8,701,848	\$ 9,240,417
 <b>NET OUTLAYS</b>		
Net Outlays:		
Gross Outlays (Note 28)	\$ 9,880,035	\$ 10,219,637
Less: Offsetting Collections (Note 28)	(827,616)	(655,188)
Less: Distributed Offsetting Receipts (Notes 28 and 32)	(1,118,429)	(1,307,458)
<b>Total, Net Outlays</b>	<b>\$ 7,933,990</b>	<b>\$ 8,256,991</b>

**The accompanying notes are an integral part of these financial statements.**

**Environmental Protection Agency**  
**Statement of Custodial Activity**  
**For the Periods Ending September 30, 2008 and 2007**  
**(Dollars in Thousands)**

	<b>FY 2008</b>	<b>FY 2007</b>
<b>Revenue Activity:</b>		
Sources of Cash Collections:		
Fines and Penalties	\$ 126,283	\$ 86,409
Other	(13,733)	(4,171)
Total Cash Collections	\$ 112,550	\$ 82,238
Accrual Adjustment	8,107	7,092
Total Custodial Revenue (Note 27)	\$ 120,657	\$ 89,330
<b>Disposition of Collections:</b>		
Transferred to Others (General Fund)	\$ 112,695	\$ 90,774
Increases/Decreases in Amounts to be Transferred	7,962	(1,444)
Total Disposition of Collections	\$ 120,657	\$ 89,330
<b>Net Custodial Revenue Activity (Note 27)</b>	<b>\$ -</b>	<b>\$ -</b>

**The accompanying notes are an integral part of these financial statements.**

## NOTES TO FINANCIAL STATEMENTS

### Environmental Protection Agency Notes to Financial Statements (Dollars in Thousands)

#### *Note 1. Summary of Significant Accounting Policies*

##### **A. Basis of Presentation**

These accompanying 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 OMB Circular No. A-136, *Financial Reporting Requirements*, and the EPA's accounting policies which are summarized in this note. In addition to the reports required by OMB Circular No. A-136, the Statement of Net Cost has been prepared with cost segregated 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 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 2008, the accompanying financial statements are grouped and presented in a consolidated basis for the Balance Sheet, and Statements of Net Cost, Changes in Net Position and Custodial Activity and a combined basis for the Statement of Budgetary Resources. These 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 supplies, certain operating expenses, grants, contracts, intergovernmental agreements, and purchases of scientific equipment. These activities provide the scientific basis for the Agency's regulatory actions. In FY 2008, 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, Program Account, for interest subsidy and administrative support; under Treasury fund group 4322, Financing Account, 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 Account 0118 disburses the subsidy to the Financing Fund for increases in the subsidy. The Financing Account 4322 receives the subsidy payment, borrows from Treasury and collects the asbestos loans.

**i. Allocations and Appropriations Transferred to the Agency:** The EPA receives allocations or appropriations transferred from other federal agencies.

**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 Re-estimates 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.

**l. Allocation of Budget Authority:** EPA is an allocation budget transfer parent to five federal agencies: Department of Interior, Department of Labor, Center for Disease Control, Department of Commerce, and Federal Emergency Management Agency. EPA has an Interagency Agreement or a Memorandum of Understanding (MOU) with each child agency to provide an annual work plan and quarterly progress report containing an accounting of funds obligated in each budget category within 15 days after the end of each quarter. This allows EPA to properly report the financial activity. The allocation transfers are reported in the net cost of operations, changes in net position, balance sheet and budgetary resources where activity is being performed by the receiving Federal entity. In addition, EPA receives allocation transfers, as a child, from the Bureau of Land Management.



## **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 re-registration 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, Financing Account 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 four activities: computer support services, financial system services, employee relocation services, and postage. The WCF derives revenue from these activities based upon a fee for services. The 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 of the financial statements.

## **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 (P.L. 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 can only be appropriated to the S&T and EPM appropriations to meet the expenses of the programs that generate the receipts as authorized by Congress in the agency's appropriations bill.

*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)**

Deposits 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, City Income Taxes Withheld, and Other Federal Payroll Withholding Allotments. These funds are accounted for under Treasury fund groups 6264, 6265, 6266, 6500, 6050, 6275, and 6276, respectively.

#### **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 by (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 in subsequent years after the loans were disbursed.

Funds transferred from other federal agencies are funded by a non-expenditure 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, employee relocation 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. These are not EPA's funds.

### **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 Principal Fund of the Oil Spill Liability Trust Fund when Congress adopts the appropriation amount.

## **D. Basis of Accounting**

GAAP for Federal entities are the standards prescribed by the Federal Accounting Standards Advisory Board (FASAB), which is the official standard-setting body for the Federal government.

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.

## **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. Special accounts were previously limited to settlement amounts for future costs. However, beginning in FY 2001, cost recovery amounts received under CERCLA Section 122 (b)(3) settlements could be placed in special accounts. Cost recovery settlements that are not placed in special accounts continue to be deposited in the Trust Fund.

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 within statutory limits. The Asbestos Direct Loan Financing fund 4322, an off-budget fund, receives additional funding to support the outstanding loans through collections from the Program fund 0118 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, depending on who has the lead for the site (i.e., publicly or privately owned). States may pay the full amount of their share in advance or incrementally throughout the remedial action process.

#### **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 contract 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 contract 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.

Personal property also consists of capital leases. To be defined as a capital lease, it must, at its inception, have a lease term of two or more years and the lower of the fair value or present value of the minimum lease payments must be \$75 thousand or more. Capital leases may also contain real property (therefore considered in the real property category as well), but these need to meet an \$85 thousand capitalization threshold. In addition, the lease must meet one of the following criteria: transfers ownership to EPA, contains a bargain purchase option, the lease term is equal to 75 percent or more of the estimated service life, or the present value of the lease and other minimum lease payments equal or exceed 90 percent of the fair value.

Superfund contract 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 retains control of the property (i.e., pump and treat facility) for 10 years or less, and transfers 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 is based on a 10 year life. However, if any property is transferred to a state in a year or less, this property is charged to expense. If any property is sold prior to EPA relinquishing interest, the proceeds from the sale of that property shall be applied against contract payments or refunded as required by the Federal Acquisition Regulations.

An exception to the accounting of contract property includes equipment purchased by the Working Capital Fund (WCF). This property is retained in FAS and depreciated utilizing the straight-line method based upon the asset's acquisition date and useful life.

Real property consists of land, buildings, capital and leasehold improvements, as well as capital leases. 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 the WCF, 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 if those investments are considered Capital Planning and Investment Control (CPIC) or CPIC Lite systems with the provisions of SFFAS No. 10,



“Accounting for Internal Use Software.” Once software enters the production life cycle phase, it 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. At the end of FY 2007 and FY 2008, 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 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 Note 35 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 CSRS and FERS, 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, 2008 and 2007, consist of the following:

	FY 2008			FY 2007		
	Entity Assets	Non-Entity Assets	Total	Entity Assets	Non-Entity Assets	Total
<b>Trust Funds:</b>						
Superfund	\$ 45,596	\$ -	\$ 45,596	\$ 51,081	\$ -	\$ 51,081
LUST	12,712	-	12,712	32,406	-	32,406
Oil Spill & Misc.	3,637	-	3,637	4,576	-	4,576
<b>Revolving Funds:</b>						
FIFRA/Tolerance	2,371	-	2,371	9,313	-	9,313
Working Capital	65,080	-	65,080	70,460	-	70,460
Cr. Reform Finan.	399	-	399	429	-	429
<b>Appropriated</b>	<b>9,237,455</b>	<b>-</b>	<b>9,237,455</b>	<b>10,084,002</b>	<b>-</b>	<b>10,084,002</b>
<b>Other Fund Types</b>	<b>229,038</b>	<b>9,068</b>	<b>238,106</b>	<b>205,693</b>	<b>8,640</b>	<b>214,333</b>
<b>Total</b>	<b>\$ 9,596,288</b>	<b>\$ 9,068</b>	<b>\$ 9,605,356</b>	<b>\$ 10,457,960</b>	<b>\$ 8,640</b>	<b>\$ 10,466,600</b>

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.

	<u>FY 2008</u>	<u>FY 2007</u>
Status of Fund Balances:		
Unobligated Amounts in Fund Balances		
Available for Obligation	\$3,204,800	\$3,274,338
Unavailable for Obligation	339,319	267,042
Net Receivables from Invested Balances	(2,861,933)	(2,527,186)
Balances in Treasury Trust Fund (Note 18)	397	14,394
Obligated Balance not yet Disbursed	8,701,838	9,240,417
Non-Budgetary FBWT	220,935	197,595
<b>Totals</b>	<b><u><u>\$9,605,356</u></u></b>	<b><u><u>\$10,466,600</u></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. For FY 2008 and FY 2007 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, 2008 and September 30, 2007, cash consists of an imprest fund of \$10 thousand.

***Note 4. Investments***

For September 30, 2008 and September 30, 2007 investments related to Superfund and LUST consist of the following:

	<u>Cost</u>	<u>Amortized (Premium) Discount</u>	<u>Interest Receivable</u>	<u>Investments, Net</u>	<u>Market Value</u>
<b>Intragovernmental</b>					
Non-Marketable FY 2008	\$ 6,057,258	\$ (77,301)	\$ 40,269	\$ 6,174,828	\$ 6,174,828
Non-Marketable FY 2007	\$ 5,680,321	\$ (29,481)	\$ 43,259	\$ 5,753,061	\$ 5,753,061

CERCLA, as amended by SARA, authorizes EPA to recover monies to clean up Superfund sites from responsible parties (RPs). 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 (see Note 20).

The Federal Government does not set aside assets to pay future benefits or other expenditures associated with earmarked funds. The cash receipts collected from the public for an earmarked fund are deposited in the U.S. Treasury, which uses the cash for general Government purposes. Treasury securities are issued to EPA as evidence of its receipts. Treasury securities are an asset to EPA and a liability to the U.S. Treasury. Because EPA and the U.S. Treasury are both parts of the Government, these assets and liabilities offset each other from the standpoint of the Government as a whole. For this reason, they do not represent an asset or liability in the U.S. Government-wide financial statements.

Treasury securities provide EPA with authority to draw upon the U.S. Treasury to make future benefit payments or other expenditures. When EPA requires redemption of these securities to make expenditures, the Government finances those expenditures out of accumulated cash balances, by raising taxes or other receipts, by borrowing from the public or repaying less debt, or by curtailing other expenditures. This is the same way that the Government finances all other expenditures.

**Note 5. Accounts Receivable**

The Accounts Receivable for September 30, 2008 and September 30, 2007 consist of the following:

	<u>FY 2008</u>	<u>FY 2007</u>
<b>Intragovernmental Assets:</b>		
Accounts & Interest Receivable	\$ 34,636	\$ 57,039
<b>Total</b>	<b>\$ 34,636</b>	<b>\$ 57,039</b>
<b>Non-Federal Assets:</b>		
Unbilled Accounts Receivable	\$ 113,359	\$ 136,779
Accounts & Interest Receivable	1,188,670	992,575
Less: Allowance for Uncollectibles	(952,290)	(770,052)
<b>Total</b>	<b>\$ 349,739</b>	<b>\$ 359,302</b>

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.

**Note 6. Other Assets**

Other Assets for September 30, 2008 and 2007 consist of the following:

	<u>FY 2008</u>	<u>FY 2007</u>
<b>Intragovernmental Assets:</b>		
Advances to Federal Agencies \$	107,327	\$ 80,940
Advances for Postage	106	129
<b>Total Intragovernmental Assets \$</b>	<b><u>107,433</u></b>	<b><u>\$ 81,069</u></b>
<b>Non-Federal Assets:</b>		
Travel Advances \$	135	\$ 106
Letter of Credit Advances	88	9
Grant Advances	-	116
Other Advances	2,934	3,699
Operating Materials and Supplies	159	160
Inventory for Sale	339	246
Securities Received in Settlement of Debt	-	238
<b>Total Non-Federal Assets \$</b>	<b><u>3,655</u></b>	<b><u>\$ 4,574</u></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, 2008 and 2007 are as follows:

	<u>FY 2008</u>			<u>FY 2007</u>		
	<u>Loans Receivable, Gross</u>	<u>Allowance*</u>	<u>Value of Assets Related to Direct Loans</u>	<u>Loans Receivable, Gross</u>	<u>Allowance*</u>	<u>Value of Assets Related to Direct Loans</u>
Direct Loans Obligated Prior to FY 1992	\$ 4,327	\$ -	\$ 4,327	\$ 7,435	\$ -	\$ 7,435
Direct Loans Obligated After FY 1991	14,513	(1,752)	12,761	18,440	(2,714)	15,726
<b>Total</b>	<b><u>\$ 18,840</u></b>	<b><u>\$ (1,752)</u></b>	<b><u>\$ 17,088</u></b>	<b><u>\$ 25,875</u></b>	<b><u>\$ (2,714)</u></b>	<b><u>\$ 23,161</u></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).

The Agency has permanent indefinite borrowing authority to replenish the Asbestos Loan account. During FY 2008, EPA calculated an Upward Subsidy Reestimate of \$33 thousand to utilize this replenishment. Budget authority was recorded and funds were expended for this. However, as of September 30, 2008 EPA had not received from OMB the apportionment authorizing this expenditure. The Agency is working with OMB and Legal Counsel to determine if this is an Anti-Deficiency situation since it has indefinite borrowing authority. During this review process, the EPA does not expect to receive the authorizing Apportionment Letter, and the Upward Subsidy Reestimate is unfunded as of September 30, 2008.

Subsidy Expenses for Credit Reform Loans (reported on a cash basis):

	<u>Interest Rate Re- estimate</u>	<u>Technical Re-estimate estimate</u>	<u>Total</u>
Upward Subsidy Reestimate - FY 2008	\$ 21	\$ 12	\$ 33
Downward Subsidy Reestimate - FY 2008	\$ (22)	\$ (12)	\$ (34)
<b>FY 2008 Totals</b>	<b>\$ (1)</b>	<b>\$ -</b>	<b>\$ (1)</b>
Downward Subsidy Reestimate – FY 2007	\$ (17)	\$ (12)	\$ (29)
<b>FY 2007 Totals</b>	<b>\$ (17)</b>	<b>\$ (12)</b>	<b>\$ (29)</b>

**Schedule for Reconciling Subsidy Cost Allowance Balances  
(Post-1991 Direct Loans)**

	<b>FY 2008</b>	<b>FY 2007</b>
Beginning balance of the subsidy cost allowance	(\$2,714)	(\$3,882)
Add: subsidy expense for direct loans disbursed during the reporting years by component:		
(a) Interest rate differential costs	0.00	0.00
(b) Default costs (net of recoveries)	0.00	0.00
(c) Fees and other collections	0.00	0.00
(d) Other subsidy costs	0.00	0.00
Total of the above subsidy expense components	0.00	0.00
Adjustments:		
(a) Loan Modification:	0.00	0.00
(b) Fees received	0.00	0.00
(c) Foreclosed property acquired	0.00	0.00
(d) Loans written off	0.00	1.00
(e) Subsidy allowance amortization	981.00	1,167.00
(f) Other	0.00	0.00
Ending balance of the subsidy cost allowance before reestimates	981.00	1,168.00
Add or subtract subsidy reestimates by component:		
(a) interest rate reestimate	(21.00)	0.00 1/
(b) Technical/default reestimate	2.00	0.00 1/
Total of the above reestimate components	(19.00)	0.00
<b>Ending Balance of the subsidy cost allowance</b>	<b>(\$1,752)</b>	<b>(\$2,714)</b>

1/ There is an immaterial difference that will be researched in FY 2009.  
EPA has not disbursed Direct Loans since 1993.

**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, 2008 and 2007.

	<u>FY 2008</u>	<u>FY 2007</u>
<b>Intragovernmental:</b>		
Accounts Payable to other Federal Agencies	\$ 2,811	\$ 2,611
Liability for Allocation Transfers	-	19,878
Accrued Liabilities, Federal	<u>77,844</u>	<u>99,718</u>
<b>Total Intragovernmental</b>	<b><u>\$ 80,655</u></b>	<b><u>\$ 122,207</u></b>
<b>Non-Federal:</b>		
	<u>FY 2008</u>	<u>FY 2007</u>
Accounts Payable, Non-Federal	\$ 114,712	\$ 114,082
Advances Payable, Non-Federal	24	16
Interest Payable	7	7
Grant Liabilities	413,981	601,034
Other Accrued Liabilities, Non-Federal	<u>184,871</u>	<u>196,861</u>
<b>Total Non-Federal</b>	<b><u>\$ 713,595</u></b>	<b><u>\$ 912,000</u></b>

**Note 9. General Property, Plant, and Equipment (PP&E)**

General property, plant, and equipment consist of software, real property, EPA and Contractor-Held personal property, and capital leases.

As of September 30, 2008 and 2007, General Property, Plant, and Equipment consist of the following:

	<b>FY 2008</b>			<b>FY 2007</b>		
	<u>Acquisition Value</u>	<u>Accumulated Depreciation</u>	<u>Net Book Value</u>	<u>Acquisition Value</u>	<u>Accumulated Depreciation</u>	<u>Net Book Value</u>
EPA-Held Equipment	\$ 238,051	\$ (130,045)	\$ 108,006	\$ 222,848	\$ (119,605)	\$ 103,243
Software	307,883	(93,925)	213,958	258,637	(49,407)	209,230
Contractor Held Equip.	63,132	(28,417)	34,715	64,641	(23,486)	41,155
Land and Buildings	595,597	(154,986)	440,611	579,880	(143,594)	436,286
Capital Leases	47,505	(30,542)	16,963	47,505	(27,546)	19,959
<b>Total</b>	<b><u>\$ 1,252,168</u></b>	<b><u>\$ (437,915)</u></b>	<b><u>\$ 814,253</u></b>	<b><u>\$ 1,173,511</u></b>	<b><u>\$ (363,638)</u></b>	<b><u>\$ 809,873</u></b>



**Note 10. Debt Due to Treasury**

The debt due to Treasury consists of borrowings to finance the asbestos loan program. The debt to Treasury as of September 30, 2008 and 2007 is as follows:

All Other Funds	FY 2008			FY 2007		
	Beginning Balance	Net Borrowing	Ending Balance	Beginning Balance	Net Borrowing	Ending Balance
Intragovernmental:						
Debt to Treasury	\$ 16,156	\$ (2,998)	\$ 13,158	\$ 18,896	\$ (2,740)	\$ 16,156

**Note 11. Stewardship 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, 2008 and 2007, the Agency possesses the following land and land rights:

	FY 2008	FY 2007
<b>Superfund Sites with Easements</b>		
Beginning Balance	33	32
Additions	1	2
Withdrawals	2	1
Ending Balance	<u>32</u>	<u>33</u>
<b>Superfund Sites with Land Acquired</b>		
Beginning Balance	32	31
Additions	2	1
Withdrawals	3	-
Ending Balance	<u>31</u>	<u>32</u>

**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. As of September 30, 2008 and 2007, custodial liability is \$48 million and \$39 million, respectively.

**Note 13. Other Liabilities**

Other Liabilities consist of the following as of September 30, 2008:

	<b>Covered by Budgetary Resources</b>	<b>Not Covered by Budgetary Resources</b>	<b>Total</b>
<b>Other Liabilities – Intragovernmental</b>			
<b>Current</b>			
Employer Contributions & Payroll Taxes \$	17,125	\$ -	\$ 17,125
WCF Advances	3,166	-	3,166
Other Advances	14,489	-	14,489
Advances, HRSTF Cashout	41,586	-	41,586
Deferred HRSTF Cashout	1,089	-	1,089
Resources Payable to Treasury	3	-	3
Subsidy Payable to Treasury	5	-	5
<b>Non-Current</b>			
Unfunded FECA Liability	-	9,914	9,914
Payable to Treasury Judgment Fund	-	22,000	22,000
<b>Total Intragovernmental</b>	<b>\$ 77,463</b>	<b>\$ 31,914</b>	<b>\$ 109,377</b>
<b>Other Liabilities - Non-Federal</b>			
<b>Current</b>			
Unearned Advances, Non-Federal \$	77,088	\$ -	\$ 77,088
Liability for Deposit Funds, Non-Federal	8,810	-	8,810
<b>Non-Current</b>			
Other Liabilities	-	230	230
Capital Lease Liability	-	29,520	29,520
<b>Total Non-Federal</b>	<b>\$ 85,898</b>	<b>\$ 29,750</b>	<b>\$ 115,648</b>

Other Liabilities consist of the following as of September 30, 2007:

<b>Other Liabilities – Intragovernmental</b>	<b>Covered by Budgetary Resources</b>	<b>Not Covered by Budgetary Resources</b>	<b>Total</b>
<b>Current</b>			
Employer Contributions & Payroll Taxes \$	13,632	\$ -	\$ 13,632
WCF Advances	1,779	-	1,779
Other Advances	11,040	-	11,040
Advances, HRSTF Cashout	40,063	-	40,063
Deferred HRSTF Cashout	609	-	609
Liability for Deposit Funds	(37)	-	(37)
Resources Payable to Treasury	138	-	138
Subsidy Payable to Treasury	34	-	34
<b>Non-Current</b>			
Unfunded FECA Liability	-	9,102	9,102
Payable to Treasury Judgment Fund	-	22,000	22,000
<b>Total Intragovernmental</b>	<b>\$ 67,258</b>	<b>\$ 31,102</b>	<b>\$ 98,360</b>
<b>Other Liabilities - Non-Federal</b>			
<b>Current</b>			
Unearned Advances, Non-Federal \$	72,671	\$ -	\$ 72,671
Liability for Deposit Funds, Non-Federal	8,453	-	8,453
<b>Non-Current</b>			
Other Liabilities	-	230	230
Capital Lease Liability	-	32,385	32,385
<b>Total Non-Federal</b>	<b>\$ 81,124</b>	<b>\$ 32,615</b>	<b>\$ 113,739</b>

*Note 14. Leases*

**Capital Leases:**

The Capital Leases:

	<b>FY 2008</b>	<b>FY 2007</b>
<b>Summary of Assets Under Capital Lease:</b>		
Real Property	\$ 40,913	\$ 40,913
Personal Property	155	155
Software License	6,437	6,437
<b>Total</b>	<b>\$ 47,505</b>	<b>\$ 47,505</b>
Accumulated Amortization	\$ 30,542	\$ 27,546

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 has a capital lease expended out of the Working Capital Fund for a Microsoft Office Software Suite. This lease will terminate in FY 2009.

During FY 2005, EPA entered into a capital lease for a Storage Area Network. The lease terminates in FY 2009, and payments are expended from the EPM appropriation. The total future minimum capital lease payments are listed below.

<b><u>Future Payments Due:</u></b>	
<b>Fiscal Year</b>	<b>Capital Leases</b>
2009	\$ 6,295
2010	6,102
2011	5,714
2012	5,714
After 5 Years	53,487
<b>Total Future Minimum Lease Payments</b>	<b>\$ 77,312</b>
Less: Imputed Interest	(47,792)
<b>Net Capital Lease Liability</b>	<b>\$ 29,520</b>
<b>Liabilities not Covered by Budgetary Resources (See Note 13)</b>	<b>\$ 29,520</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 four current direct operating leases for land and buildings housing scientific laboratories and/or computer facilities. The 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. The leases expire in FY 2009, FY2010, 2017, and 2020. These charges are expended from the EPM appropriation.

The total minimum future operating lease costs are listed below.

<u>Fiscal Year</u>	<u>Operating Leases, Land and Buildings</u>	
2009	\$	112
2010		97
2011		89
2012		89
Beyond 2012		600
<b>Payments</b>	<b>\$</b>	<b>987</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, 2008 and 2007, consists of the following:

	<u>FY 2008</u>	<u>FY 2007</u>
<b>FECA Actuarial Liability</b>	\$ 44,615	\$ 39,786

The FY 2008 present value of these estimated outflows is calculated using a discount rate of 4.368 percent in the first year, and 4.770 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 PRPs, 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. As of September 30, 2008 and 2007, cashouts are \$287 million and \$190 million, respectively.

**Note 17. Unexpended Appropriations – Other Funds**

As of September 30, 2008 and 2007, the Unexpended Appropriations consist of the following:

<b>Unexpended Appropriations:</b>	<b>FY 2008</b>	<b>FY 2007</b>
Unobligated		
Available	\$ 1,520,587	\$ 1,791,873
Unavailable	94,130	81,753
Undelivered Orders	7,059,994	7,476,965
<b>Total</b>	<b>\$ 8,674,711</b>	<b>\$ 9,350,591</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, 2008 and 2007. 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.

<b>SUPERFUND FY 2008</b>	<b>EPA</b>	<b>Treasury</b>	<b>Combined</b>
<b>Undistributed Balances</b>			
Uninvested Fund Balance	\$ -	\$ 2,894	\$ 2,894
Total Undisbursed Balance	-	2,894	2,894
Interest Receivable	-	11,533	11,533
Investments, Net	2,749,821	164,878	2,914,699
<b>Total Assets</b>	<b>\$ 2,749,821</b>	<b>\$ 179,305</b>	<b>\$ 2,929,126</b>
<b>Liabilities &amp; Equity</b>			
Receipts and Outlays	\$ -	\$ -	\$ -
Equity	\$ 2,749,821	\$ 179,305	\$ 2,929,126
<b>Total Liabilities and Equity</b>	<b>\$ 2,749,821</b>	<b>\$ 179,305</b>	<b>\$ 2,929,126</b>
<b>Receipts</b>			
Cost Recoveries	\$ -	\$ 89,975	\$ 89,975
Fines & Penalties	-	2,850	2,850
Total Revenue	-	92,825	92,825
Appropriations Received	-	984,974	984,974
Interest Income	-	114,340	114,340
<b>Total Receipts</b>	<b>\$ -</b>	<b>\$ 1,192,139</b>	<b>\$ 1,192,139</b>
<b>Outlays</b>			
Transfers to/from EPA, Net	\$ 1,301,315	\$ (1,301,315)	\$ -
Transfer from CDC (recovery)	-	1,905	1,905
<b>Total Outlays</b>	<b>1,301,315</b>	<b>(1,299,410)</b>	<b>1,905</b>
<b>Net Income</b>	<b>\$ 1,301,315</b>	<b>\$ (107,271)</b>	<b>\$ 1,194,044</b>

In FY 2008, the EPA received an appropriation of \$985 million for Superfund. 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, 2008 and 2007, the Treasury Trust Fund has a liability to EPA for previously appropriated funds of \$2,749.9 million and \$2,466.8 million, respectively.

<b>SUPERFUND FY 2007</b>	<b>EPA</b>	<b>Treasury</b>	<b>Combined</b>
<b>Undistributed Balances</b>			
Uninvested Fund Balance	\$ -	\$ 1,538	\$ 1,538
Total Undisbursed Balance	-	1,538	1,538
Interest Receivable	-	12,795	12,795
Investments, Net	2,466,812	272,244	2,739,056
<b>Total Assets</b>	<b>\$ 2,466,812</b>	<b>\$ 286,577</b>	<b>\$ 2,753,389</b>
<b>Liabilities &amp; Equity</b>			
Receipts and Outlays	-	-	-
Equity	\$ 2,466,812	\$ 286,577	\$ 2,753,389
<b>Total Liabilities and Equity</b>	<b>\$ 2,466,812</b>	<b>\$ 286,577</b>	<b>\$ 2,753,389</b>
<b>Receipts</b>			
Corporate Environmental	\$ -	\$ 2,602	\$ 2,602
Cost Recoveries	-	234,050	234,050
Fines & Penalties	-	1,063	1,063
Total Revenue	-	237,715	237,715
Appropriations Received	-	1,040,371	1,040,371
Interest Income	-	141,407	141,407
<b>Total Receipts</b>	<b>\$ -</b>	<b>\$ 1,419,493</b>	<b>\$ 1,419,493</b>
<b>Outlays</b>			
Transfers to/from EPA, Net	\$ 1,316,114	\$ (1,316,114)	\$ -
Transfers from CDC (recovery)	\$ -	\$ 1,370	\$ 1,370
<b>Total Outlays</b>	<b>1,316,114</b>	<b>(1,314,744)</b>	<b>1,370</b>
<b>Net Income</b>	<b>\$ 1,316,114</b>	<b>\$ 104,749</b>	<b>\$ 1,420,863</b>

### **LUST (Unaudited)**

LUST is supported primarily by a sales tax on motor fuels to clean up LUST waste sites. In FYs 2008 and 2007 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.



LUST FY 2008	<u>EPA</u>	<u>Treasury</u>	<u>Combined</u>
<b>Undistributed Balances</b>			
Uninvested Fund Balance	\$ -	\$ (2,497)	\$ (2,497)
Total Undisbursed Balance	-	(2,497)	(2,497)
Interest Receivable	-	28,735	28,735
Investments, Net	112,068	3,099,871	3,211,939
<b>Total Assets</b>	<b>\$ 112,068</b>	<b>\$ 3,126,109</b>	<b>\$ 3,238,177</b>
<b>Liabilities &amp; Equity</b>			
Equity	\$ 112,068	\$ 3,126,109	\$ 3,238,177
<b>Equity</b>	<b>\$ 112,068</b>	<b>\$ 3,126,109</b>	<b>\$ 3,238,177</b>
<b>Receipts</b>			
Highway TF Tax	\$ -	\$ 154,309	\$ 154,309
Airport TF Tax	-	16,240	16,240
Inland TF Tax	-	213	213
Total Revenue	-	170,762	170,762
Interest Income	-	127,346	127,346
<b>Total Receipts</b>	<b>\$ -</b>	<b>\$ 298,108</b>	<b>\$ 298,108</b>
<b>Outlays</b>			
Transfers to/from EPA, Net	\$ 105,816	\$ (105,816)	-
<b>Total Outlays</b>	<b>105,816</b>	<b>(105,816)</b>	<b>-</b>
<b>Net Income</b>	<b>\$ 105,816</b>	<b>\$ 192,292</b>	<b>\$ 298,108</b>

LUST FY 2007	<u>EPA</u>	<u>Treasury</u>	<u>Combined</u>
<b>Undistributed Balances</b>			
Uninvested Fund Balance	\$ -	\$ 12,856	\$ 12,856
Total Undisbursed Balance	-	12,856	12,856
Interest Receivable	-	30,465	30,465
Investments, Net	80,252	2,890,497	2,970,749
<b>Total Assets</b>	<b>\$ 80,252</b>	<b>\$ 2,933,818</b>	<b>\$ 3,014,070</b>
<b>Liabilities &amp; Equity</b>			
Equity	\$ 80,252	\$ 2,933,818	\$ 3,014,070
<b>Equity</b>	<b>\$ 80,252</b>	<b>\$ 2,933,818</b>	<b>\$ 3,014,070</b>
<b>Receipts</b>			
Highway TF Tax	\$ -	\$ 204,272	\$ 204,272
Airport TF Tax	-	23,528	23,528
Inland TF Tax	-	457	457
Refund Gasoline Tax	-	(914)	(914)
Refund Diesel Tax	-	(934)	(934)
Refund Aviation Fuel	-	(197)	(197)
Refund Aviation Tax	-	(18)	(18)
Total Revenue	-	226,194	226,194
Interest Income	-	117,579	117,579
<b>Total Receipts</b>	<b>\$ -</b>	<b>\$ 343,773</b>	<b>\$ 343,773</b>
<b>Outlays</b>			
Transfers to/from EPA, Net	\$ 72,035	\$ (72,035)	\$ -
<b>Total Outlays</b>	<b>72,035</b>	<b>(72,035)</b>	<b>-</b>
<b>Net Income</b>	<b>\$ 72,035</b>	<b>\$ 271,738</b>	<b>\$ 343,773</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, 2008, there are currently two CERCLA Section 106(b) administrative claims. If the claimants are successful, the total losses on the claims could amount to approximately \$3.3 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. One claimant's chance of success is characterized as reasonably possible and one (\$2.5 million) is characterized as remote chance of success.

**Judgment Fund:**

In cases that are paid by the U.S. Treasury Judgment Fund, EPA must recognize the full cost of a claim regardless of which entity 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, 2008, there are no material claims pending in the Treasury's 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.

**Other Commitments:**

EPA has a legal commitment under a non-cancellable agreement with the United Nations Environment Program (UNEP). This agreement enables EPA to provide funding to the Multilateral Fund for the Implementation of the Montreal Protocol. Future payments totaling \$9.5 million are scheduled to be processed in FY 2009 and FY 2010.

**Note 20. Earmarked Funds**

	Environmental Services	LUST	Superfund	Other Earmarked Funds	Total Earmarked Funds
<b>Balance Sheet as of September 30, 2008</b>					
<b>ASSETS</b>					
Fund Balance with Treasury	\$ 211,282	\$ 12,711	\$ 45,596	\$ 23,765	\$ 293,354
Investments	-	3,240,674	2,926,233	7,921	6,174,828
Accounts Receivable, Net	-	27	317,773	4,404	322,204
Other Assets	-	72	89,409	2,487	91,968
Total Assets	<u>\$ 211,282</u>	<u>\$ 3,253,484</u>	<u>\$ 3,379,011</u>	<u>\$ 38,577</u>	<u>\$ 6,882,354</u>
Other Liabilities	\$ -	\$ 8,988	\$ 624,299	\$ 36,588	\$ 669,875
Total Liabilities	<u>\$ -</u>	<u>\$ 8,988</u>	<u>\$ 624,299</u>	<u>\$ 36,588</u>	<u>\$ 669,875</u>
Cumulative Results of Operations	\$ 211,282	\$ 3,244,496	\$ 2,754,712	\$ 1,989	\$ 6,212,479
Total Liabilities and Net Position	<u>\$ 211,282</u>	<u>\$ 3,253,484</u>	<u>\$ 3,379,011</u>	<u>\$ 38,577</u>	<u>\$ 6,882,354</u>

**Statement of Changes in Net Cost For the Period Ended September 30, 2008**

Gross Program Costs	\$ -	\$ 77,702	\$ 1,530,979	\$ 73,284	\$ 1,681,965
Less: Earned Revenues	<u>-</u>	<u>32</u>	<u>502,177</u>	<u>52,425</u>	<u>554,634</u>
Net Cost of Operations	<u>\$ -</u>	<u>\$ 77,670</u>	<u>\$ 1,028,802</u>	<u>\$ 20,859</u>	<u>\$ 1,127,331</u>

**Statement of Changes in Net Position for the Period Ended September 30, 2008**

Net Position, Beginning of Period	\$ 188,371	\$ 3,023,769	\$ 2,670,425	\$ 3,662	\$ 5,886,227
Nonexchange Revenue - Securities Investment	-	127,346	114,340	187	241,873
Nonexchange Revenue	22,911	170,762	10,442	-	204,115
Other Budgetary Financing Sources	-	-	969,606	17,056	986,662
Other Financing Sources	-	289	18,701	1,943	20,933
Net Cost of Operations	-	(77,670)	(1,028,802)	(20,859)	(1,127,331)
Change in Net Position	<u>\$ 22,911</u>	<u>\$ 220,727</u>	<u>\$ 84,287</u>	<u>\$ (1,673)</u>	<u>\$ 326,252</u>
Net Position End of Period	<u>\$ 211,282</u>	<u>\$ 3,244,496</u>	<u>\$ 2,754,712</u>	<u>\$ 1,989</u>	<u>\$ 6,212,479</u>

	Environmental Services	LUST	Superfund	Other Earmarked Funds	Total Earmarked Funds
<b>Balance Sheet as of September 30, 2007</b>					
<b>ASSETS</b>					
Fund Balance with Treasury	\$ 188,370	\$ 32,405	\$ 51,081	\$ 31,213	\$ 303,069
Investments	-	3,001,214	2,751,850	(3)	5,753,061
Accounts Receivable, Net	-	-	329,829	3,724	333,553
Other Assets	-	180	86,558	757	87,495
Total Assets	<u>\$ 188,370</u>	<u>\$ 3,033,799</u>	<u>\$ 3,219,318</u>	<u>\$ 35,691</u>	<u>\$ 6,477,178</u>
<b>LIABILITIES</b>					
Other Liabilities	\$ -	\$ 10,030	\$ 548,893	\$ 32,028	\$ 590,951
Total Liabilities	<u>\$ -</u>	<u>\$ 10,030</u>	<u>\$ 548,893</u>	<u>\$ 32,028</u>	<u>\$ 590,951</u>
Cumulative Results of Operations	\$ 188,370	\$ 3,023,769	\$ 2,670,425	\$ 3,663	\$ 5,886,227
Total Liabilities and Net Position	<u>\$ 188,370</u>	<u>\$ 3,033,799</u>	<u>\$ 3,219,318</u>	<u>\$ 35,691</u>	<u>\$ 6,477,178</u>

**Statement of Changes in Net Cost For the Period Ended September 30, 2007**

Gross Programs Costs	\$ -	\$ 76,242	\$ 1,497,010	\$ 72,308	\$ 1,645,560
Less: Earned Revenues	<u>-</u>	<u>(1,414)</u>	<u>377,904</u>	<u>53,646</u>	<u>430,136</u>
Net Cost of Operations	<u>\$ -</u>	<u>\$ 77,656</u>	<u>\$ 1,119,106</u>	<u>\$ 18,662</u>	<u>\$ 1,215,424</u>

**Statement of Changes in Net Position for the Period Ended September 30, 2007**

Net Position, Beginning of Period	\$ 165,723	\$ 2,757,325	\$ 2,606,400	\$ 3,577	\$ 5,533,025
Changes in Accounting Principle (Alloc Trans Agency) (Note 38)			20,900	-	20,900
Beginning Balance as Adjusted	165,723	2,757,325	2,627,300	3,577	5,553,925
Nonexchange Revenue - Securities Investment	-	117,579	141,407	-	258,986
Nonexchange Revenue - Other	22,648	226,194	2,721	585	252,148
Other Budgetary Financing Sources	-	-	998,952	15,733	1,014,685
Other Financing Sources	-	327	19,151	2,429	21,907
Net Cost of Operations	-	(77,656)	(1,119,106)	(18,662)	(1,215,424)
Change in Net Position	<u>\$ 22,648</u>	<u>\$ 266,444</u>	<u>\$ 43,125</u>	<u>\$ 85</u>	<u>\$ 332,302</u>
Net Position End of Period	<u>\$ 188,371</u>	<u>\$ 3,023,769</u>	<u>\$ 2,670,425</u>	<u>\$ 3,662</u>	<u>\$ 5,886,227</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 (P.L. 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 can only be appropriated to the S&T and EPM appropriations to meet the expenses of the programs that generate the receipts as authorized by Congress in the Agency's appropriations bill.

***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 per 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 CERCLA to provide resources 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.

***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.

***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. As of September 30, 2008 and 2007, exchange revenues are \$634 million and \$550 million, respectively.

**Note 22. Intragovernmental Costs and Exchange Revenue**

	FY 2008			FY 2007		
	Intragovernmental	With the Public	TOTAL	Intragovernmental	With the Public	TOTAL
<b>Clean Air</b>						
Program Costs	\$ 181,467	\$ 816,336	\$ 997,803	\$ 185,389	\$ 818,753	\$ 1,004,142
Earned Revenue	18,360	2,043	20,403	15,594	2,997	18,591
NET COST	\$ 163,107	\$ 814,293	\$ 977,400	\$ 169,795	\$ 815,756	\$ 985,551
<b>Clean &amp; Safe Water</b>						
Program Costs	\$ 162,679	3,334,953	\$ 3,497,632	\$ 180,571	\$ 3,868,428	\$ 4,048,999
Earned Revenue	7,615	2,841	10,456	11,016	2,262	13,278
NET COST	\$ 155,064	\$ 3,332,112	\$ 3,487,176	\$ 169,555	\$ 3,866,166	\$ 4,035,721
<b>Land Preservation &amp; Restoration</b>						
Program Costs	\$ 347,011	\$ 1,654,205	\$ 2,001,216	\$ 396,786	\$ 1,607,952	\$ 2,004,738
Earned Revenue	73,829	460,055	533,884	101,036	352,963	453,999
NET COST	\$ 273,182	\$ 1,194,150	\$ 1,467,332	\$ 295,750	\$ 1,254,989	\$ 1,550,739
<b>Healthy Communities &amp; Ecosystems</b>						
Program Costs	\$ 281,767	\$ 1,126,764	\$ 1,408,531	\$ 275,068	\$ 1,144,793	\$ 1,419,861
Earned Revenue	22,710	39,407	62,117	18,450	38,902	57,352
NET COST	\$ 259,057	\$ 1,087,357	\$ 1,346,414	\$ 256,618	\$ 1,105,891	\$ 1,362,509
<b>Compliance &amp; Environmental Stewardship</b>						
Program Costs	\$ 176,376	\$ 593,853	\$ 770,229	\$ 182,101	\$ 603,463	\$ 785,564
Earned Revenue	5,540	1,801	7,341	5,613	1,265	6,878
NET COST	\$ 170,836	\$ 592,052	\$ 762,888	\$ 176,488	\$ 602,198	\$ 778,686
<b>Total</b>						
Program Costs	\$ 1,149,300	\$ 7,526,111	\$ 8,675,411	\$ 1,219,915	\$ 8,043,389	\$ 9,263,304
Earned Revenue	128,054	506,147	634,201	151,709	398,389	550,098
NET COST	\$ 1,021,246	\$ 7,019,964	\$ 8,041,210	\$ 1,068,206	\$ 7,645,000	\$ 8,713,206

Intragovernmental costs relate to the source of the goods or services not the classification of the related revenue.

**Note 23. Cost of Stewardship Land**

The costs related to the acquisition of stewardship land was approximately \$2 million in FY 2008 and less than \$150 thousand in FY 2007. These costs are included in the Statement of Net Cost.

**Note 24. Environmental Cleanup Costs**

As of September 30, 2008, EPA has six sites that require clean up stemming from its activities. Costs amounting to \$269 thousand may be paid out of the Treasury Judgment Fund. Two claimants' chance of success are characterized as probable and three as reasonably possible. Additionally, EPA has one site (\$80 thousand) characterized as having a 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 two sites that have an unfunded environmental liability of \$230 thousand.

### **Accrued Cleanup Cost:**

The EPA has 16 sites that will require future clean up associated with permanent closure. The estimated costs will be approximately \$19 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 2008 estimate for unfunded cleanup costs increased by \$1.2 million from the FY 2007 estimate.

### ***Note 25. State Credits***

Authorizing statutory language for Superfund and related Federal regulations requires 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 it 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, 2008, the total remaining state credits have been estimated at \$15.3 million. The estimated ending credit balance on September 30, 2007 was \$14.5 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 them 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, 2008, EPA had 14 outstanding preauthorized mixed funding agreements with obligations totaling

\$25 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**

	<u>FY 2008</u>	<u>FY 2007</u>
<b>Fines, Penalties and Other Miscellaneous Receipts</b>	<b>\$ 120,657</b>	<b>\$ 89,330</b>
<b>Accounts Receivable for Fines, Penalties and Other Miscellaneous Receipts:</b>		
Accounts Receivable	\$ 220,123	\$ 196,590
Less: Allowance for Uncollectible Accounts	(171,966)	(156,401)
<b>Total</b>	<b>\$ 48,157</b>	<b>\$ 40,189</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 2008 Statement of Budgetary Resources, will be reconciled to the amounts included in the FY 2009 Budget of the United States Government when they become available. The Budget of the United States Government with actual numbers for FY 2008 has not yet been published. We expect it will be published by March 2009, and it will be available on the OMB website at <http://www.whitehouse.gov/>. The actual amounts published for the year ended September 30, 2007 are included in EPA's FY 2008 financial statement disclosures.

<u>FY 2007</u>	<u>Budgetary Resources</u>	<u>Obligations</u>	<u>Offsetting Receipts</u>	<u>Net Outlays</u>
<b>Statement of Budgetary Resources</b>	<b>\$ 13,058,309</b>	<b>9,516,922</b>	<b>1,307,458</b>	<b>9,564,449</b>
Adjustments to Undelivered Orders and Other	3,780	1,679	-	-
Expired and Immaterial Funds*	(264,384)	(1,520)	-	-
Rounding Differences**	(1,705)	(1,081)	(458)	(1,449)
<b>Reported in Budget of the U. S. Government</b>	<b>\$ 12,796,000</b>	<b>\$ 9,516,000</b>	<b>\$ 1,307,000</b>	<b>\$ 9,563,000</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:

	<u>FY 2008</u>	<u>FY 2007</u>
Recoveries of Prior Year Obligations- downward adjustments of prior years' obligations	\$ <u>281,117</u>	\$ <u>387,621</u>
Temporarily Not Available-rescinded authority	<u>(6,366)</u>	<u>-</u>
Permanently Not Available:		
Payments to Treasury	(3,032)	(2,769)
Rescinded authority	(117,284)	-
Canceled authority	<u>(5,210)</u>	<u>(4,564)</u>
<b>Total Permanently Not Available</b>	<b>\$ <u>(125,526)</u></b>	<b>\$ <u>(7,333)</u></b>

**Note 30. Unobligated Balances Available**

The unobligated balances available consist of the following as of September 30, 2008 and 2007. Unobligated balances are a combination of two lines on the Statement of Budgetary Resources: Apportioned, Unobligated Balances and Unobligated Balances Not Available. 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.

	<u>FY 2008</u>	<u>FY 2007</u>
Unexpired Unobligated Balance	\$ 3,205,306	\$ 3,279,240
Expired Unobligated Balance	346,574	262,147
<b>Total</b>	<b>\$ <u>3,551,880</u></b>	<b>\$ <u>3,541,387</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, 2008 and 2007 are as follows:

	<u>FY 2008</u>	<u>FY 2007</u>
Undelivered Orders	\$ 8,427,344	\$ 8,714,675

**Note 32. Offsetting Receipts**

Distributed offsetting receipts credited to the general fund, special fund, or trust fund receipt accounts offset gross outlays. For FYs 2008 and 2007, the following receipts were generated from these activities:

	<u>FY 2008</u>	<u>FY 2007</u>
Trust Fund Recoveries	\$ 89,995	\$ 234,171
Special Fund Environmental Service	22,911	22,648
Downward Re-estimates of Subsidies	-	29
Trust Fund Appropriation	984,974	1,040,372
Special Fund Receipt Account and Treasury Miscellaneous Receipts and Clearing Accounts	20,549	10,238
<b>Total</b>	<b>\$ 1,118,429</b>	<b>\$ 1,307,458</b>

**Note 33. Transfers-In and Out, Statement of Changes in Net Position**

**Appropriation Transfers, In/Out:**

For FYs 2008 and 2007, 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 reconciliation with the Statement of Budgetary Resources follow:

**Transfers In/Out Without Reimbursement, Budgetary:**

<b>Fund/Type of Account</b>	<u>FY 2008</u>	<u>FY 2007</u>
U.S. Navy	\$ (7,875)	\$ -
Total Appropriation Transfers (Other Funds)	\$ (7,875)	-
Net Transfers from Invested Funds	1,389,902	1,344,610
Transfer to Another Agency	(7,875)	-
Allocations Rescinded	5,940	-
Total of Net Transfers on Statement of Budgetary Resources	<b>\$ 1,387,967</b>	<b>\$ 1,344,610</b>

For FYs 2008 and 2007, 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 2008		FY 2007	
	Earmark	Other Funds	Earmark	Other Funds
Transfers-in (out) nonexpenditure, Earmark to S&T and OIG funds	\$ (37,204)	\$ 37,204	\$ (43,491)	\$ 43,491
Transfer-in nonexpenditure recovery from CDC	1,905	-	1,370	-
Transfers-in, nonexpenditure, Oil Spill	17,056	-	15,734	-
Transfer-in (out) cancelled funds	53	(53)		
Adjustment from Prior Year	-	-	701	-
Total Transfers in (out) without Reimbursement, Budgetary	<u>\$ (18,190)</u>	<u>\$ 37,151</u>	<u>\$ (25,686)</u>	<u>\$ 43,491</u>

#### Transfers In/Out without Reimbursement, Other Financing Sources:

For FYs 2008 and 2007, 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 2008		FY 2007	
	Earmark	Other Funds	Earmark	Other Funds
Transfers-in by allocation transfer agency	\$ -	\$ -	\$ 39	\$ -
Transfers-in property	-	-	-	530
Transfers (out) of prior year negative subsidy to be paid following year	-	28	-	(5)
Total Transfers in (out) without Reimbursement, Budgetary	<u>\$ -</u>	<u>\$ 28</u>	<u>\$ 39</u>	<u>\$ 525</u>

#### Note 34. Imputed Financing Sources

In accordance with SFFAS No. 5, "Accounting for 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 2008 were \$130.1 million (\$20.9 million from Earmark funds, and \$109.2 million from Other Funds). For FY 2007, the estimates were \$133.3 million (\$21.9 million from Earmark Funds, and \$111.4 million from Other Funds).

In addition to the pension and retirement benefits described above, EPA also records imputed costs and financing for Treasury Judgment Fund payments made 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 2008 entries for Judgment Fund payments totaled \$2.4 million (Other Funds). For FY 2007, entries for Judgment Fund payments totaled \$2.3 million (Other Funds).

The combined total of imputed financing costs for FY 2008 is \$132.5 million and in FY 2007 was \$135.6 million.

**Note 35. Payroll and Benefits Payable**

Payroll and benefits payable to EPA employees for the years ending September 30, 2008 and 2007, consist of the following:

<b>FY 2008 Payroll &amp; Benefits Payable</b>	<b>Covered by Budgetary Resources</b>	<b>Not Covered by Budgetary Resources</b>	<b>Total</b>
Accrued Funded Payroll & Benefits	\$ 46,966	\$ -	\$ 46,966
Withholdings Payable	30,659	-	30,659
Employer Contributions Payable-TSP	2,670	-	2,670
Accrued Unfunded Annual Leave	-	152,663	152,663
<b>Total - Current</b>	<b>\$ 80,295</b>	<b>\$ 152,663</b>	<b>\$ 232,958</b>
<b>FY 2007 Payroll &amp; Benefits Payable</b>	<b>Covered by Budgetary Resources</b>	<b>Not Covered by Budgetary Resources</b>	<b>Total</b>
Accrued Funded Payroll & Benefits	\$ 30,957	\$ -	\$ 30,957
Withholdings Payable	29,297	-	29,297
Employer Contributions Payable-TSP	2,101	-	2,101
Accrued Unfunded Annual Leave	-	142,843	142,843
<b>Total - Current</b>	<b>\$ 62,355</b>	<b>\$ 142,843</b>	<b>\$ 205,198</b>

**Note 36. 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 5 years earlier. These amounts affect Unexpended Appropriations.

	<u>Other Funds FY 2008</u>	<u>Other Funds FY 2007</u>
Rescissions to General Appropriations	\$ 117,284	\$ -
Canceled General Authority	5,157	4,561
<b>Total Other Adjustments</b>	<b>\$ 122,441</b>	<b>\$ 4,561</b>

**Note 37. Nonexchange Revenue, Statement of Changes in Net Position**

The Nonexchange Revenue, Budgetary Financing Sources, on the Statement of Changes in Net Position for FYs 2008 and 2007 consists of the following items:

	<u>Earmark Funds FY 2008</u>	<u>Earmark Funds FY 2007</u>
Investments	\$ 241,873	\$ 258,986
Tax Revenue, Net of Refunds	170,762	228,796
Fines and Penalties Revenue	10,442	704
Special Receipt Fund Revenue	22,911	22,648
<b>Revenue</b>	<b>\$ 445,988</b>	<b>\$ 511,134</b>

**Note 38. Adjustment for Allocation Transfers**

Beginning in FY 2007, the agency that transfers budget authority to another Federal entity must report all budgetary and proprietary activity related to these transfers in its financial statements. The cumulative effect of this activity is reported as a "Change in Accounting Principle" on the Statement of Net Position (\$20.9 million - Earmark Funds) and as an "Adjustment to Unobligated Balance, Brought Forward" and an "Adjustment to Unpaid Obligations, Brought Forward" on the Statement of Budgetary Resources. There was no adjustment necessary for FY 2008.

**Statement of Budgetary Resources**

	<u>FY 2007</u>
Beginning Balance:	
Unobligated Balance, Brought Forward October 1	\$ 3,247,087
Adjustment of Unobligated Balance (Allocation Transfer Agencies)	15,527
Adjusted Total Beginning Balance	<u>\$ 3,262,614</u>

**Note 39. Reconciliation of Net Cost of Operations to Budget (formerly the Statement of Financing)**

	<u>FY 2008</u>	<u>FY 2007</u>
<b>RESOURCES USED TO FINANCE ACTIVITIES:</b>		
Budgetary Resources Obligated		
Obligations Incurred	\$ 9,656,040	\$ 9,516,922
Less: Spending Authority from Offsetting Collections and Recoveries	(1,142,189)	(963,361)
Obligations, Net of Offsetting Collections	\$ 8,513,851	\$ 8,553,561
Less: Offsetting Receipts	(1,118,429)	(1,307,458)
Net Obligations	\$ 7,395,422	\$ 7,246,103
Other Resources		
Transfers In/Out Without Reimbursement, Property	\$ -	\$ 530
Imputed Financing Sources	132,524	135,609
Net Other Resources Used to Finance Activities	\$ 132,524	\$ 136,139
Total Resources Used To Finance Activities	\$ 7,527,946	\$ 7,382,242
<b>RESOURCES USED TO FINANCE ITEMS</b>		
<b>NOT PART OF THE NET COST OF OPERATIONS:</b>		
Change in Budgetary Resources Obligated	\$ 415,809	\$ 1,229,438
Resources that Fund Prior Periods Expenses	(22)	-
Budgetary Offsetting Collections and Receipts that Do Not Affect Net Cost of Operations:		
Credit Program Collections Increasing Loan Liabilities for Guarantees or Subsidy Allowances	3,985	3,979
Offsetting Receipts Not Affecting Net Cost	133,455	267,087
Resources that Finance Asset Acquisition	(98,715)	(113,393)
Total Resources Used to Finance Items Not Part of the Net Cost of Operations	\$ 454,512	\$ 1,387,111
Total Resources Used to Finance the Net Cost of Operations	\$ 7,982,458	\$ 8,769,353



	<u>FY 2008</u>	<u>FY 2007</u>
<b>COMPONENTS OF THE NET COST OF OPERATIONS THAT WILL NOT REQUIRE OR GENERATE RESOURCES IN THE CURRENT PERIOD:</b>		
Components Requiring or Generating Resources in Future Periods:		
Increase in Annual Leave Liability	\$ 9,807	\$ 7,771
Increase in Environmental and Disposal Liability	1,197	8,073
Increase in Unfunded Contingencies	44	-
Upward/Downward Reestimates of Credit Subsidy Expense	-	33
Increase in Public Exchange Revenue Receivables	(132,904)	(168,330)
Increase in Workers Compensation Costs	5,641	986
Other	<u>59</u>	<u>420</u>
Total Components of Net Cost of Operations that Require or Generate Resources in Future Periods	\$ (116,156)	\$ (151,047)
Components Not Requiring/Generating Resources:		
Depreciation and Amortization	\$ 88,586	\$ 52,248
Expenses Not Requiring Budgetary Resources	<u>86,322</u>	<u>42,652</u>
Total Components of Net Cost that Will Not Require or Generate Resources	\$ 174,908	\$ 94,900
Total Components of Net Cost of Operations That Will Not Require or Generate Resources in the Current Period	<u>\$ 58,752</u>	<u>\$ (56,147)</u>
<b>Net Cost of Operations</b>	<b><u>\$ 8,041,210</u></b>	<b><u>\$ 8,713,206</u></b>

***Note 40. Other – Statement of Net Position***

In FY 2008, EPA identified an error of \$20 million in the *Payable for Transfers of Currently Invested Balances* account. This balance was related to activity prior to FY 2001 involving the allocation of budgetary authority to other federal agencies (parent/child relationship). This error resulted in an overstatement of payables on the Balance Sheet and an understatement of Cumulative Results of Operations. In addition, the budgetary resources were increased by this amount. Since this amount is immaterial to the financial statements a prior period adjustment was not recorded. To adjust the Cumulative Results of Operations, the \$20 million was recorded on the “Other” line on the Statement of Net Position.

## **REQUIRED SUPPLEMENTARY INFORMATION**

### **1.**

**Environmental Protection Agency  
Required Supplementary Information  
As of September 30, 2008  
(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.

#### **Stewardship Land**

Stewardship land is acquired as contaminated sites in need of remediation and clean-up; thus the quality of the land is far-below the standard for usable and manageable land. Easements on stewardship lands are in good and usable condition but acquired in order to gain access to contaminated sites.

**2.**  
**Environmental Protection Agency**  
**Required Supplementary Information**  
**Supplemental Statement of Budgetary Resources (Unaudited)**  
**As of September 30, 2008**  
**(Dollars in Thousands)**

	<u>EPM</u>	<u>FIFRA</u>	<u>LUST</u>	<u>S&amp;T</u>	<u>STAG</u>	<u>OTHER</u>	<u>TOTAL</u>
<b>BUDGETARY RESOURCE</b>							
Unobligated Balance Brought Forward, October 1	\$ 672,087	\$ 7,015	\$ 6,272	\$ 221,937	\$ 1,330,730	\$ 1,303,346	\$ 3,541,387
Recoveries of prior year unpaid obligations	28,536	985	3,424	6,047	66,165	175,960	281,117
Budgetary Authority:							
Appropriation	2,364,854	-	-	772,129	2,983,595	1,147,658	7,268,236
Borrowing Authority	-	-	-	-	-	34	34
Spending Authority from Offsetting Collections:							
Collected	80,512	20,730	39	4,844	5,840	596,465	708,430
Change in receivables from Federal sources	(24,331)	-	-	(129)	-	2,290	(22,170)
Advance received	(3,311)	1,429	12	3,890	-	75,860	77,880
Without advance from Federal source	23,661	-	-	7,838	-	28,281	59,780
Expenditure Transfers from trust funds	-	-	-	25,718	-	11,433	37,151
Nonexpenditure transfers, net anticipated and actual	-	-	107,492	-	(7,875)	1,288,350	1,387,967
Temporarily not available pursuant to Public Law	-	-	(1,677)	-	-	(4,689)	(6,366)
Permanently not available	(41,098)	-	-	(12,935)	(51,544)	(19,949)	(125,526)
<b>Total Budgetary Resources</b>	<b>\$ 3,100,910</b>	<b>\$ 30,159</b>	<b>\$ 115,562</b>	<b>\$ 1,029,339</b>	<b>\$ 4,326,911</b>	<b>\$ 4,605,039</b>	<b>\$ 13,207,920</b>
<b>STATUS OF BUDGETARY RESOURCES</b>							
Obligations Incurred:							
Direct	\$ 2,361,866	\$ -	\$ 108,231	\$ 793,930	\$ 3,236,228	\$ 2,535,657	\$ 9,035,912
Reimbursable	112,631	23,529	32	8,908	-	475,028	620,128
Total Obligations Incurred	2,474,497	23,529	108,263	802,838	3,236,228	3,010,685	9,656,040
Unobligated Balances:							
Unobligated funds apportioned	320,214	6,630	7,299	191,973	1,090,683	1,588,001	3,204,800
Unobligated balance not available	306,199	-	-	34,528	-	6,353	347,080
<b>Total Status of Budgetary Resources</b>	<b>\$ 3,100,910</b>	<b>\$ 30,159</b>	<b>\$ 115,562</b>	<b>\$ 1,029,339</b>	<b>\$ 4,326,911</b>	<b>\$ 4,605,039</b>	<b>\$ 13,207,920</b>
<b>CHANGE IN OBLIGATED BALANCE</b>							
Obligated Balance, Net							
Unpaid obligations brought forward, October 1	\$ 830,336	\$ 2,295	\$ 93,531	\$ 506,362	\$ 6,930,438	\$ 1,510,245	\$ 9,873,207
Less: Uncollected customer payments from Federal sources brought forward, October 1	(447,386)	-	-	(33,960)	-	(151,444)	(632,790)
Total unpaid obligation balance, net	382,950	2,295	93,531	472,402	6,930,438	1,358,801	9,240,417
Obligations incurred, net	2,474,498	23,529	108,263	802,838	3,236,228	3,010,684	9,656,040
Less: Gross outlays	(2,382,395)	(21,181)	(78,392)	(829,852)	(3,767,034)	(2,801,181)	(9,880,035)
Less: Recoveries of prior year unpaid obligations, actual	(28,536)	(985)	(3,424)	(6,047)	(66,165)	(175,960)	(281,117)
Change in uncollected customer payments from Federal sources	669	-	-	(2,539)	-	(31,587)	(33,457)
Total	447,186	3,658	119,978	436,802	6,333,467	1,360,757	8,701,848
Obligated balance, net, end of period:							
Unpaid obligations	893,903	3,658	119,978	473,301	6,333,467	1,543,787	9,368,094
Less: Uncollected customer payments from Federal sources	(446,717)	-	-	(36,499)	-	(183,030)	(666,246)
Total, unpaid obligated balance, net, end of period	\$ 447,186	\$ 3,658	\$ 119,978	\$ 436,802	\$ 6,333,467	\$ 1,360,757	\$ 8,701,848
<b>NET OUTLAYS</b>							
Gross outlays	\$ 2,382,395	\$ 21,181	\$ 78,392	\$ 829,852	\$ 3,767,034	\$ 2,801,181	\$ 9,880,035
Less: Offsetting collections	(77,200)	(22,159)	(53)	(39,621)	(5,840)	(682,743)	(827,616)
Less: Distributed Offsetting Receipts	-	-	-	-	-	(1,118,429)	(1,118,429)
<b>Total, Net Outlays</b>	<b>\$ 2,305,195</b>	<b>\$ (978)</b>	<b>\$ 78,339</b>	<b>\$ 790,231</b>	<b>\$ 3,761,194</b>	<b>\$ 1,000,009</b>	<b>\$ 7,933,990</b>

## REQUIRED SUPPLEMENTARY STEWARDSHIP INFORMATION (UNAUDITED)

**Environmental Protection Agency  
Required Supplementary Stewardship Information (Unaudited)  
For the Year Ended September 30, 2008  
(Dollars in Thousands)**

***INVESTMENT IN THE NATION'S RESEARCH AND DEVELOPMENT:***

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, the framework, and technologies we need to detect, abate, and avoid environmental problems. Research also provides the crucial underpinning(s) for EPA decision-making 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 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 and effects of manufactured nanomaterials on human health and the environment; the impacts of global change and providing information to policy makers to help them adapt to a changing climate; the environmental effects on children's health; the potential risks of unregulated contaminants in drinking water; the development of recreational water quality criteria; the health effects of air pollutants such as particulate matter; and the protection of the nation's ecosystems. EPA also supports regulatory decision-making with chemical risk assessments.

For FY 2008, the full cost of the Agency's Research and Development activities totaled approximately \$701 million. Below is a breakout of the expenses (dollars in thousands):

	<u>FY 2004</u>	<u>FY 2005</u>	<u>FY 2006</u>	<u>FY2007</u>	<u>FY2008</u>
Programmatic Expenses	581,323	628,467	630,438	624,088	597,080
Allocated Expenses	91,675	112,558	104,167	100,553	103,773

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 (Non-Federal Physical Property):***

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):

	<u>FY 2004</u>	<u>FY 2005</u>	<u>FY 2006</u>	<u>FY 2007</u>	<u>FY 2008</u>
Construction Grants	48,948	21,148	39,193	9,975	11,517
Clean Water SRF	1,407,345	1,127,883	1,339,702	1,399,616	1,063,825
Safe Drinking Water SRF	802,629	715,060	910,032	962,903	816,038
Other Infrastructure Grants	341,767	385,226	411,023	381,481	388,555
Allocated Expenses	410,129	402,853	446,113	443,716	396,253

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):

	<u>FY 2004</u>	<u>FY 2005</u>	<u>FY 2006</u>	<u>FY 2007</u>	<u>FY 2008</u>
Training and Awareness Grants	48,416	46,750	43,765	32,845	30,768
Fellowships	7,553	10,195	12,639	12,185	9,650
Allocated Expenses	8,826	10,199	9,320	7,255	7,025

## SUPPLEMENTAL INFORMATION AND OTHER REPORTING REQUIREMENTS (UNAUDITED)

### Environmental Protection Agency Supplemental Information and Other Reporting Requirements (Unaudited) Balance Sheet for Superfund Trust Fund For the Periods Ending September 30, 2008 and 2007 (Dollars in Thousands)

	FY 2008	FY 2007
<b>ASSETS</b>		
Intragovernmental:		
Fund Balance With Treasury (Note S1)	\$ 45,596	\$ 51,081
Investments	2,926,233	2,751,850
Accounts Receivable, Net	17,832	16,955
Other	21,116	14,927
Total Intragovernmental	\$ 3,010,777	\$ 2,834,813
Accounts Receivable, Net	299,941	312,874
Property, Plant & Equipment, Net	67,542	70,601
Other	751	1,030
<b>Total Assets</b>	<b>\$ 3,379,011</b>	<b>\$ 3,219,318</b>
<b>LIABILITIES</b>		
Intragovernmental:		
Accounts Payable and Accrued Liabilities	52,639	89,239
Other	50,448	46,182
Total Intragovernmental	\$ 103,087	\$ 135,421
Accounts Payable & Accrued Liabilities	\$ 141,049	\$ 139,607
Pensions & Other Actuarial Liabilities	7,921	6,889
Cashout Advances, Superfund (Note S2)	286,630	190,269
Payroll & Benefits Payable	40,902	35,914
Other	44,710	40,793
Total Liabilities	\$ 624,299	\$ 548,893
<b>NET POSITION</b>		
Cumulative Results of Operations	2,754,712	2,670,425
Total Net Position	2,754,712	2,670,425
<b>Total Liabilities and Net Position</b>	<b>\$ 3,379,011</b>	<b>\$ 3,219,318</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, 2008 and 2007**  
**(Dollars in Thousands)**

	<b>FY 2008</b>	<b>FY 2007</b>
<b>COSTS</b>		
Gross Costs	\$ 1,530,979	\$ 1,497,010
Expenses from Other Appropriations (Note S5)	69,769	76,452
Total Costs	1,600,748	1,573,462
Less:		
Earned Revenue	502,177	377,904
<b>NET COST OF OPERATIONS</b>	<b>\$ 1,098,571</b>	<b>\$ 1,195,558</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, 2008 and 2007**  
**(Dollars in Thousands)**

	<u>FY2008</u> <u>Cumulative</u> <u>Results of</u> <u>Operations</u>	<u>FY 2007</u> <u>Cumulative</u> <u>Results of</u> <u>Operations</u>
<b>Net Position - Beginning of Period</b>	\$ 2,670,425	\$ 2,606,400
Adjustment:		
Adjustment to Unobligated Balance (Alloc Transfer Agencies) (Note 38)	-	20,900
Beginning Balances, as Adjusted	\$ 2,670,425	\$ 2,627,300
<b>Budgetary Financing Sources:</b>		
Nonexchange Revenue -Securities Investment	114,340	141,407
Nonexchange Revenue -Other	10,442	2,721
Transfers In/Out	(35,246)	(41,419)
Trust Fund Appropriations	984,974	1,040,371
Other (Note 40)	19,878	-
Income from Other Appropriations (Note S5)	69,769	76,452
Total Budgetary Financing Sources	\$ 1,164,157	\$ 1,219,532
<b>Other Financing Sources (Non-Exchange)</b>		
Transfers in/Out	-	39
Imputed Financing Sources	18,701	19,112
Total Other Financing Sources	\$ 18,701	\$ 19,151
Net Cost of Operations	(1,098,571)	(1,195,558)
Net Change	84,287	43,125
<b>Cumulative Results of Operations</b>	<u>\$ 2,754,712</u>	<u>\$ 2,670,425</u>

**Environmental Protection Agency**  
**Supplemental Information and Other Reporting Requirements (Unaudited)**  
**Statement of Budgetary Resources for Superfund Trust Fund**  
**For the Periods Ending September 30, 2008 and 2007**  
**(Dollars in Thousands)**

	<u>FY 2008</u>	<u>FY 2007</u>
<b>BUDGETARY RESOURCES</b>		
Unobligated Balance, Brought Forward, October 1	\$ 1,245,311	\$ 1,088,388
Adjustment to Unobligated Balance (Alloc Transfer Agcy) (Note 38)	-	15,527
Adjusted Subtotal	<u>1,245,311</u>	<u>1,103,915</u>
Recoveries of Prior Year Unpaid Obligations	168,480	127,261
Budgetary Authority:		
Appropriation	37,205	43,493
Spending Authority from Offsetting Collections		
Earned:		
Collected	390,753	227,367
Change in Receivables from Federal Sources	(1,725)	(1,811)
Change in Unfilled Customer Orders:		
Advance Received	74,038	(33,969)
Without Advance from Federal Sources	4,476	29,999
Total Spending Authority from Offsetting Collections	<u>467,542</u>	<u>221,586</u>
Nonexpenditure Transfers, Net, Anticipated and Actual	1,288,349	1,272,575
Temporarily Not Available Pursuant to Public Law	(4,263)	-
Permanently Not Available	(54)	(2)
<b>Total Budgetary Resources</b>	<b><u><u>\$ 3,202,570</u></u></b>	<b><u><u>\$ 2,768,828</u></u></b>
 <b>STATUS OF BUDGETARY RESOURCES</b>		
Obligations Incurred:		
Direct	\$ 1,425,282	\$ 1,367,588
Reimbursable	<u>264,112</u>	<u>155,929</u>
Total Obligations Incurred	1,689,394	1,523,517
Unobligated Balances:		
Apportioned	<u>1,512,670</u>	<u>1,240,416</u>
Total Unobligated Balances	1,512,670	1,240,416
Unobligated Balances Not Available	506	4,895
<b>Total Status of Budgetary Resources (\$6)</b>	<b><u><u>\$ 3,202,570</u></u></b>	<b><u><u>\$ 2,768,828</u></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, 2008 and 2007**  
**(Dollars in Thousands)**

	<u>FY 2008</u>	<u>FY 2007</u>
<b>CHANGE IN OBLIGATED BALANCE</b>		
Obligated Balance, Net:		
Unpaid Obligations, Brought Forward, October 1	\$ 1,361,335	\$ 1,454,495
Adjustment to Unpaid Obligations (Alloc Transfer Agencies) (Note 38)	-	7,215
Adjusted Total	<u>1,361,335</u>	<u>1,461,710</u>
Less: Uncollected Customer Payments from Federal Sources, Brought Forward, October 1	<u>(110,170)</u>	<u>(81,983)</u>
Total Unpaid Obligated Balance, Net	1,251,165	1,379,727
Obligations Incurred	1,689,394	1,523,517
Less: Gross Outlays	(1,489,936)	(1,496,631)
Less: Recoveries of Prior Year Unpaid Obligations, Actual	(168,480)	(127,261)
Change in Uncollected Customer Payments from Federal Sources	<u>(2,752)</u>	<u>(28,187)</u>
Total, Change in Obligated Balance	1,279,391	1,251,165
Obligated Balance, Net, End of Period:		
Unpaid Obligations	1,392,312	1,361,335
Less: Uncollected Customer Payments from Federal Sources	<u>(112,921)</u>	<u>(110,170)</u>
Total, Unpaid Obligated Balance, Net, End of Period	\$ 1,279,391	\$ 1,251,165
<b>NET OUTLAYS</b>		
Net Outlays:		
Gross Outlays (Note S6)	\$ 1,489,936	\$ 1,496,631
Less: Offsetting Collections (Note S6)	(464,790)	(193,398)
Distributed Offsetting Receipts *(Note S6)	<u>(1,074,969)</u>	<u>(1,274,542)</u>
<b>Total, Net Outlays</b>	(49,823)	28,691

\*Offsetting receipts line includes the amount in 68X0250 (payment to trust fund) from Treasury. The payment cannot be made directly through the trust fund but must go through a "pass-through" fund.

**Environmental Protection Agency  
Supplemental Information and Other Reporting Requirements (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, 2008 and 2007 consist of the following:

	<b>FY 2008</b>	<b>FY 2007</b>
<b>Fund Balance</b>	\$ 45,596	\$ 51,081

Fund balances are available to pay current liabilities and to finance authorized purchase commitments (see Status of Fund Balances below).

<b>Status of Fund Balances:</b>	<b>FY 2008</b>	<b>FY 2007</b>
Unobligated Amounts in Fund Balances:		
Available for Obligation	\$ 1,512,670	\$ 1,240,417
Unavailable for Obligations	506	4,895
Net Receivables from Invested Balances	(2,749,864)	(2,446,934)
Balances in Treasury Trust Fund	2,894	1,539
Obligated Balance not yet Disbursed	1,279,390	1,251,164
 Totals	 <b>\$ 45,596</b>	 <b>\$ 51,081</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 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 PRPs, 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. As of September 30, 2008 and 2007, cashouts are \$287 million and \$190 million, respectively.

### ***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, 2008, the total remaining state credits have been estimated at \$15.3 million. The estimated ending credit balance on September 30, 2007 was \$14.5 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 them 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, 2008, EPA had 14 outstanding preauthorized mixed funding agreements with obligations totaling \$25 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 2008 and 2007, 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 2008			FY 2007		
	Income from Other Appropriations	Expenses from Other Appropriations	Net Effect	Income from Other Appropriations	Expenses from Other Appropriations	Net Effect
Superfund	\$ 69,769	(69,769)	\$ -	\$ 76,452	(76,452)	\$ -
All Others	(69,769)	69,769	-	(76,452)	76,452	-
<b>Total</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>

In addition, the related general support services costs allocated to the Superfund Trust Fund from the S&T and EPM funds are \$0.5 million for FY 2008 and \$2.3 million for FY 2007.

**Note S6. Statement of Budgetary Resources, Superfund**

Budgetary resources, obligations incurred, and outlays, as presented in the audited FY 2007 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 2008 has not yet been published. We expect it will be published by March 2009, and it will be available on the OMB website at <http://www.whitehouse.gov/omb/budget/fy2010>. The actual amounts published for the year ended September 30, 2007 are included in EPA's FY 2008 financial statement disclosures.

FY 2007	Budgetary Resources	Obligations	Offsetting Receipts	Outlays
Statement of Budgetary Resources	\$ 2,768,828	1,523,517	1,274,542	\$ 1,303,233
Rounding Differences*	(828)	483	(542)	(1,233)
<b>Reported in Budget of the U. S. Government</b>	<b>\$ 2,768,000</b>	<b>\$ 1,524,000</b>	<b>\$ 1,274,000</b>	<b>\$ 1,302,000</b>

\* 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:

	<b><u>FY 2008</u></b>	<b><u>FY 2007</u></b>
Advances	\$9,716	\$5,817
Expenditure Transfers Payable	\$26,794	\$30,948
Accrued Liabilities	\$3,704	\$6,001
Expenses	\$28,718	\$21,418
Transfers	\$37,151	\$43,491



U.S. ENVIRONMENTAL PROTECTION AGENCY  
OFFICE OF INSPECTOR GENERAL

*Catalyst for Improving the Environment*

## **Audit Report**

# **Audit of EPA's Fiscal 2008 and 2007 Consolidated Financial Statements**

**Report No. 09-1-0026**

**November 14, 2008**



## Abbreviations

CFC	Cincinnati Finance Center
DFAS	Defense Finance and Accounting Service
EPA	U.S. Environmental Protection Agency
FFMIA	Federal Financial Management Improvement Act
FFMSR	Federal Financial Management System Requirements
FMFIA	Federal Managers' Financial Integrity Act
GAO	Government Accountability Office
IFMS	Integrated Financial Management System
LVFC	Las Vegas Finance Center
OCFO	Office of the Chief Financial Officer
OFM	Office of Financial Management
OGD	Office of Grants and Debarment
OIG	Office of Inspector General
OMB	Office of Management and Budget
OTOP	Office of Technology Operations and Planning
READ	Registry of EPA Applications and Databases
RSSI	Required Supplementary Stewardship Information
RTP	Research Triangle Park



# 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 stated 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/2009/20081114-09-1-0026.pdf](http://www.epa.gov/oig/reports/2009/20081114-09-1-0026.pdf)

## **Audit of EPA's Fiscal 2008 and 2007 Consolidated Financial Statements**

### **EPA Receives Unqualified Opinion**

We rendered an unqualified, or clean, opinion on EPA's Consolidated Financial Statements for fiscal 2008 and 2007, meaning that they were fairly presented and free of material misstatement.

### **Significant Deficiencies Noted**

We noted the following eight significant deficiencies:

- EPA's oversight of payroll reconciliation needs improvement.
- Accrual was not properly calculated for federal unbilled receivables.
- EPA needs to reconcile Superfund State Contract funds and credits in the general ledger to subsidiary accounts.
- EPA's review of unliquidated obligations for interagency agreements and Headquarters-funded grants was incomplete.
- The Integrated Financial Management System Vendor Table was susceptible to unauthorized changes and changes were not adequately documented.
- Improvement was needed in monitoring Superfund Special Account balances.
- The lack of a system implementation process contributed to financial applications not complying with requirements.
- EPA did not properly account for capitalized software and related accumulated depreciation.

### **Noncompliances With Laws and Regulations Noted**

EPA was in noncompliance with regulations relating to:

- The Asbestos Loan Program (related to the Anti-Deficiency Act).
- Prompt payment of invoices (related to the Prompt Payment Act).
- Reconciling intragovernmental transactions (related to Treasury policy).

### **Agency Comments and Office of Inspector General Evaluation**

In a memorandum received on November 12, 2008, from the Chief Financial Officer, the Agency generally agreed with our findings and has implemented some of our recommendations. The Agency also stated it does not agree with our findings regarding the Asbestos Loan Anti-Deficiency Act violation, Prompt Payment Act violation, or systems implementation process. The Agency also believes it does adequate payroll reconciliations but agreed to work with the Office of Inspector General to develop reconciliations.



UNITED STATES ENVIRONMENTAL PROTECTION AGENCY  
WASHINGTON, D.C. 20460

OFFICE OF  
INSPECTOR GENERAL

November 14, 2008

**MEMORANDUM**

**SUBJECT:** Audit of EPA's Fiscal 2008 and 2007 Consolidated Financial Statements  
Report No. 09-1-0026

**FROM:** Paul C. Curtis   
Director, Financial Statement Audits

**TO:** Lyons Gray  
Chief Financial Officer

Attached is our audit report on the U.S. Environmental Protection Agency's (EPA's) fiscal 2008 and 2007 consolidated financial statements. We are reporting eight significant deficiencies. We also identified an instance of noncompliance with the Anti-Deficiency Act, and a violation of the Prompt Payment Act. Further, we identified a noncompliance with laws and regulations related to reporting intragovernmental transactions. Attachment 3 contains the status of recommendations related to significant deficiencies and noncompliances with laws and regulations reported in prior years' reports. The significant deficiencies and noncompliances included in Attachment 3 also apply for fiscal 2008.

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 \$2,174,361.

This audit report represents the opinion of the Office of Inspector General, and the findings 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 the findings 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://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 for Audit, at (202) 566-0899.

#### Attachments

cc: See Appendix III, Distribution

# Table of Contents

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<b>Inspector General's Report on EPA's Fiscal 2008 and 2007 Consolidated Financial Statements .....</b>	<b>381</b>
Review of EPA's Required Supplementary Stewardship Information, Required Supplementary Information, Supplemental Information, and Management's Discussion and Analysis .....	382
Evaluation of Internal Controls .....	382
Tests of Compliance with Laws and Regulations.....	387
Prior Audit Coverage.....	389
Noteworthy Achievements .....	389
Agency Comments and OIG Evaluation .....	390
<b>Attachments .....</b>	<b>391</b>
1. Significant Deficiencies .....	391
EPA's Oversight of DFAS Payroll Reconciliation Needs Improvement.....	392
Accrual Not Properly Calculated for Federal Unbilled Receivables .....	395
EPA Needs to Reconcile Superfund State Contract Funds and Credits in the General Ledger to Subsidiary Accounts.....	396
EPA's Review of Unliquidated Obligations for Interagency Agreements and Headquarters-Funded Grants Was Incomplete.....	398
IFMS Vendor Table Susceptible to Unauthorized Changes and Changes Were Not Adequately Documented .....	401
Improvement Needed in Monitoring Superfund Special Account Balances .....	403
Lack of System Implementation Process Contributed to Financial Applications Not Complying with Requirements .....	404
EPA Did Not Properly Account for Capitalized Software and Related Accumulated Depreciation .....	407
2. Compliance with Laws and Regulations .....	409
EPA's Asbestos Loan Program Violated the Anti-Deficiency Act.....	410
EPA Violated the Prompt Payment Act by Not Paying Telecommunications Invoices Promptly .....	412
EPA Should Continue Efforts to Reconcile Intragovernmental Transactions....	414

3. Status of Prior Audit Report Recommendations .....	416
4. Status of Current Recommendations and Potential Monetary Benefits .....	418
<b>Appendices</b> .....	422
I. EPA's Fiscal 2008 and 2007 Consolidated Financial Statements.....	422
II. Agency's Response to Draft Report.....	491
III. Distribution .....	500

## Inspector General's Report on EPA's Fiscal 2008 and 2007 Consolidated Financial Statements

The Administrator  
U.S. Environmental Protection Agency

We have audited the consolidated balance sheet of the U.S. Environmental Protection Agency (EPA, or the Agency) as of September 30, 2008 and 2007, and the related consolidated statements of net cost, net cost by goal, changes in net position, and custodial activity; 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 U.S. 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 07-04, *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.

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, custodial activity, and combined budgetary resources of EPA as of and for the years ended September 30, 2008 and 2007, 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 2008 and 2007, which are being presented for additional analysis and are not a required part of the basic financial statements. 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.

**Compliance with applicable laws, regulations, and government-wide policies** - Transactions are executed in accordance with laws governing the use of budget authority, government-wide policies, laws identified by OMB, and other laws and regulations that could have a direct and material effect on the financial statements.

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. We did this as a basis for designing our auditing procedures for the purpose of expressing an opinion on the financial statements and to comply with OMB audit guidance, not to express an opinion on internal control. Accordingly, we do not express an opinion on internal control over financial reporting nor on management's assertion on internal controls included in Management's Discussion and Analysis. We limited our internal control testing to those controls necessary to achieve the objectives described in OMB Bulletin No. 07-04, *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 significant deficiencies. Under standards issued by the American Institute of Certified Public Accountants, a significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Agency's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected. A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected. 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 significant deficiencies. None of the issues presented are considered by us 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. 07-04. Our procedures were not designed to provide assurance on these internal controls and, accordingly, we do not express an opinion on such controls.

### ***Significant Deficiencies***

Significant deficiencies noted are summarized below and detailed in Attachment 1.

#### **EPA's Oversight of Payroll Reconciliation Needs Improvement**

EPA's Washington Finance Center performs bi-weekly and monthly reconciliations of EPA's payroll and SF-224 transactions between PeoplePlus and the Defense Finance and Accounting Service (DFAS), EPA's payroll service provider. However, the Agency does not reconcile EPA's payroll to the amounts reported to Treasury on Form 941, *Employer's Quarterly Federal Tax Return*. As a result, EPA did not detect errors in wages and tax amounts DFAS reported to the Department of Treasury (Treasury). The Treasury Financial Manual requires agencies to perform timely reconciliations, and implement effective and efficient reconciliation processes. In addition to the misreporting of wages and taxes, which could adversely impact EPA employees, inadequate oversight, including not reconciling EPA's payroll with the amounts reported to Treasury, could increase the risks of fraud, waste, and mismanagement of funds, and impact the financial statements.

### **Accrual Not Properly Calculated for Federal Unbilled Receivables**

EPA did not properly calculate the third quarter fiscal 2008 accrual for federal unbilled receivables (unbilled accrual). Using EPA's third quarter unbilled accrual spreadsheet, we calculated the accrual to be \$28,542,223, which is \$4,021,487 less than the \$32,563,710 amount entered in the Integrated Financial Management System (IFMS). OMB Circular A-127, *Policies and Standards for Financial Management Systems*, requires financial management systems to provide complete, reliable, consistent, timely and useful financial management information on federal government operations. EPA did not properly review the accrual to identify problems within the accrual calculation. As a result, the \$4 million error led to a misstatement of the related assets and revenue in the financial statements. The Agency determined not to make an adjustment for the error.

### **EPA Needs to Reconcile Superfund State Contract Funds and Credits in the General Ledger to Subsidiary Accounts**

EPA's Superfund State Contract Credits and unearned revenue did not agree with supporting spreadsheets by significant amounts. The credits differed from supporting spreadsheets by \$5,383,760, and we found multiple errors in the unearned revenue spreadsheets. Guidance from EPA's Office of Financial Management requires a quarterly calculation and reconciliation of the Superfund State Contract spreadsheets to the general ledger. However, Cincinnati Finance Center (CFC) finance personnel did not reconcile the spreadsheets to the general ledger because they were not familiar with the process, and they were not aware they needed to do the reconciliation. As a result, CFC could not ensure the accuracy of the Superfund State Contract credit and unearned revenue general ledger accounts or the amount reported in the financial statements, which totaled approximately \$14 million and \$44 million, respectively, as of September 30, 2008.

### **EPA's Review of Unliquidated Obligations for Interagency Agreements and Headquarters-Funded Grants Was Incomplete**

EPA Office of Grants and Debarment's (OGD's) review of unliquidated obligations for inactive Interagency Agreements and Headquarters-funded regional grants was incomplete. OGD did not review all Interagency Agreements and Headquarters-funded regional grants in the inactive obligations reports provided by the Office of the Chief Financial Officer's (OCFO's) Office of Financial Management. Federal and Agency guidance require unliquidated obligations to be reviewed annually. However, OGD did not follow Agency guidance and use the inactive Interagency Agreements unliquidated obligations report provided by the Office of Financial Management; instead, OGD generated its own report based on the project period end date. In addition, OGD did not review Headquarters-funded regional grants assigned to them because it believed these grants were the responsibility of EPA's Regional Grant Management Offices. As a result, the Agency had no assurance that the unliquidated obligations for Interagency Agreements and grants were accurate and represented valid and viable obligations.

## **IFMS Vendor Table Susceptible to Unauthorized Changes and Changes Were Not Adequately Documented**

The IFMS Vendor Table was susceptible to employees making changes to vendor payment information without detection. Further, CFC did not retain supporting documentation for numerous Vendor Table changes made for 13 different vendors in fiscal 2008. FMFIA specifies that agency heads must establish internal controls that reasonably ensure that funds, property, and other assets are safeguarded against waste, loss, unauthorized use, or misappropriation. Also, Government Accountability Office (GAO) *Standards for Internal Controls* state that all transactions are to be clearly documented, and that documentation should be properly managed, maintained, and readily available for examination. The Vendor Table contains critical information (e.g., bank routing and account numbers) used to distribute payments to vendors, including grantees. An individual exploiting this system weakness could divert vendor payments to an unauthorized banking account without a supervisor or management official being notified that the vendor payment information changed. As such, having internal control processes to prevent or detect unauthorized changes, as well as documentation to support changes, is essential to protecting EPA funds from possible misappropriation.

## **Improvement Needed in Monitoring Superfund Special Account Balances**

CFC did not adequately monitor Superfund Special Account balances. EPA's Office of Financial Management policy requires CFC to track all Special Account transactions and balances. Because CFC did not adequately monitor the financial condition of special accounts, we found \$1,370,087 in special account drawdowns recorded in excess of the balance of interest earned plus principal for some sites.

## **Lack of System Implementation Process Contributed to Financial Applications Not Complying with Requirements**

Ongoing instances of financial applications noncompliance with federal and EPA system requirements persist at EPA finance centers. Reviews at EPA's three main finance centers disclosed that financial applications were placed into operation without required security controls implemented, key security documents developed, or the systems assessed for compliance with Federal Financial Management System Requirements. OMB stresses the importance of these required security tasks and documents because they provide management with needed information to plan, budget, and put into service risk mitigation strategies. The deficiencies occurred because OCFO system owners and project managers had not completed an internal compliance review over this area and the senior information official had not put into place an ongoing oversight process to ensure implemented applications comply with prescribed systems requirements. Without such a process, EPA cannot reasonably assure that these same types of problems will not persist.

## **EPA Did Not Properly Account for Capitalized Software and Related Accumulated Depreciation**

EPA did not properly account for Capitalized Software and the related depreciation, resulting in misstatements of Capitalized Software (net of accumulated depreciation) and depreciation expense. EPA accumulates software development costs until the software is placed into service. For financial statement reporting purposes, accumulated software development costs are reported on the same line as Capitalized Software costs. EPA policy states that capitalized software is depreciated beginning when the software is placed into service. During fiscal 2008, EPA had accumulated software development costs of \$212 million, of which \$78 million was for software put into service in fiscal 2008. Of the \$78 million, \$61 million should have been placed in service in fiscal 2007 or earlier. We found that the Office of Environmental Information does not have effective controls to determine when capitalized software is moved from the development phase into service. As a result, depreciation expense for fiscal years 2007 and prior were understated by amounts ranging from less than \$1 million to over \$5 million a year. The impact for correcting the previous year's depreciation results in an overstatement of fiscal 2008 depreciation expense by \$26 million.

Attachment 3 contains the status of recommendations related to significant deficiencies reported in prior years' reports. The significant deficiencies included in Attachment 3 also apply for fiscal 2008. We reported less significant matters regarding internal controls in the form of point sheets 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. 07-04, *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.

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 Bulletin 07-04 defines material weaknesses in internal control as a significant deficiency, or combination of significant deficiencies, that result in a more than remote likelihood that a material misstatement of the financial statements will not be prevented or detected.

The Agency did not report, and our audit did not detect, any material weaknesses for fiscal 2008.

## 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. 07-04, *Audit Requirements for Federal Financial Statements*. The OMB guidance requires that we evaluate compliance with federal financial management system requirements, including the requirements referred to in the Federal Financial Management Improvement Act of 1996 (FFMIA). 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.

Our tests of laws and regulations disclosed the following noncompliance issues, which are discussed in further detail in Attachment 2.

### **EPA Asbestos Loan Program Violated the Anti-Deficiency Act**

EPA violated the Anti-Deficiency Act when it recorded the upward subsidy re-estimate for the Asbestos Loan Program without an approved apportionment letter from OMB. According to the Anti-Deficiency Act, "an officer or employee of the United States Government may not make or authorize an expenditure or obligation exceeding an amount available in an appropriation or fund for the expenditure or obligation." OCFO's Office of Budget authorized \$32,530 to be entered into IFMS by the Las Vegas Finance Center without the required apportionment letter. OCFO's Reporting and Analysis Staff notified the Las Vegas Finance Center prior to the fiscal year end that an apportionment letter would be needed. OCFO's Office of Budget did not get the apportionment letter or an exemption from OMB prior to recording the upward subsidy estimate in IFMS. As a result, the Agency incurred \$32,530 before the amount was authorized and available. By obligating funds in excess of appropriated amounts, the Agency created an anti-deficiency situation in violation of the Anti-Deficiency Act.

### **EPA Violated the Prompt Payment Act by Not Paying Telecommunications Invoices Promptly**

EPA violated the Prompt Payment Act by not paying 20 fiscal 2008 telecommunications invoices timely. EPA's Contracts Management Manual requires that obligating documents be provided to the finance center timely. The Prompt Payment Act requires payment of a properly received invoice within the payment terms of the invoice and/or contract. If invoices are not paid by the due date, interest payments are to be paid starting on the day after the due date and calculated through the payment date. According to the

Research Triangle Park (RTP) Finance Center and the Office of Technology Operations and Planning (OTOP), several factors caused the late payments: (1) RTP Finance Center returned 3 invoices in April 2008 because OTOP did not process funding allocations; (2) OTOP did not allocate funds and timely forward obligating documents for the 20 invoices to the RTP Finance Center; (3) the Project Officer did not promptly approve and forward the 20 invoices for payment; and (4) RTP Finance Center did not follow up with OTOP after it returned the invoices to determine when they should be paid. The late payment of these 20 invoices, totaling \$2,469,147, resulted in an estimated interest charge of \$42,509 due to the vendor.

### **EPA Should Continue Effort to Reconcile Intragovernmental Transactions**

As of September 30, 2008, EPA reported \$192 million in unreconciled differences with 46 trading partners for intragovernmental transactions. Of that amount, \$55 million was reported by Treasury to be material differences. The remaining \$137 million represented amounts reported for non-verifying agencies, accruals, timing differences, and other agencies whose differences were not reported as material. According to the Treasury Financial Manual, verifying agencies are those that are required to report in the Governmentwide Financial Report System. These include the 24 major Chief Financial Officers Act agencies and 11 other agencies material to the *Financial Report of the United States Government*. Treasury policy requires verifying agencies to confirm and reconcile intragovernmental transactions with their trading partners. Based on our review of correspondence with other agencies, EPA had difficulty reconciling these differences primarily because of differing accounting treatments and accrual methodologies between federal agencies. EPA's inability to reconcile its intragovernmental transactions contributes to a long-standing governmentwide problem that hinders the ability of GAO to render an opinion on the Consolidated Financial Statements of the Federal Government.

### **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. An 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 point sheets during the course of our audit. We will not be issuing a separate management letter.

Our audit work was also performed to meet the requirements in Title 42, U.S. Code, Section 9611(k), with respect to the Hazardous Substance Superfund to conduct an annual audit of payments, obligations, reimbursements, or other uses of the Fund. The significant deficiencies reported above also relate to Superfund.

## Prior Audit Coverage

During previous financial or financial-related audits, we reported weaknesses that impacted our audit objectives in the following areas:

- Implementation of accounting processes for reclassification of receivables.
- Allowance for doubtful accounts calculation.
- Recording and accounting for accounts receivable.
- Federal and EPA information security applications for key applications.
- Access and security practices over critical information technology assets.
- Controls over the IFMS suspense table.
- Maintaining adequate documentation for obligation accounting adjustments.
- Payroll internal controls.
- Reconciling and reporting intragovernmental transactions, assets, and liabilities by federal trading partner.
- Recording marketable securities.
- Assessing automated application processing controls for IFMS.

Attachment 3 summarizes the current status of corrective actions taken on prior audit report recommendations.

## Noteworthy Achievements

We identified the following noteworthy achievements during our audit of EPA's fiscal 2008 financial statements:

- EPA has made significant progress in reconciling intragovernmental reconciliations. As of September 30, 2006, EPA's non treasury general fund differences had totaled \$826,697,883. This had been reduced by \$634,067,380 as of September 30, 2008, resulting in a difference of \$192,630,503 as of September 30, 2008.
- EPA rescinded the Currently Not Collectable policy that was identified as a material weakness in the fiscal 2007 financial statement audit report. EPA is now properly reporting accounts receivable at their net realizable value.
- EPA consolidated its fiscal 2008 FMFIA guidance documents into a single, comprehensive package with information and tools for reviewing internal controls over

programmatic and financial operations and reporting the results. The guidance enabled EPA to consolidate its OMB Circular A-123 review of internal controls over financial reporting and the Quality Assurance Reviews of financial operations in the regions and finance centers into one coordinated effort.

- EPA has made progress on liquidating obligations on grants where the period of performance has expired. The Agency stated that it freed up \$32 million in funds in expired grants and contracts for other high priority work in the Agency. In addition, the Agency stated that more than \$83 million has been redeployed within the Agency to date, including \$13 million liquidated during fiscal 2008. We also commend EPA for the immediate action taken to complete the review of all Headquarters-funded regional grants and Interagency Agreements based on our review of fiscal 2008 obligations.
- EPA has significantly improved maintaining adequate documentation for accounting adjustments. During the fiscal 2007 audit, we found that EPA made adjustments to transactions in IFMS without adequate and proper documentation. We did not identify any unsupported accounting adjustment entries during the fiscal 2008 audit.

## Agency Comments and OIG Evaluation

In a memorandum dated November 12, 2008, 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.



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Office of Inspector General  
U.S. Environmental Protection Agency  
November 14, 2008



# Significant Deficiencies

## Table of Contents

1 - EPA's Oversight of DFAS Payroll Reconciliation Needs Improvement .....	392
2 - Accrual Not Properly Calculated for Federal Unbilled Receivables .....	395
3 - EPA Needs to Reconcile Superfund State Contract Funds and Credits in the General Ledger to Subsidiary Accounts .....	396
4 - EPA's Review of Unliquidated Obligations for Interagency Agreements and Headquarters-Funded Grants Was Incomplete .....	398
5 - IFMS Vendor Table Susceptible to Unauthorized Changes and Changes Were Not Adequately Documented .....	401
6 - Improvement Needed in Monitoring Superfund Special Account Balances .....	403
7 - Lack of System Implementation Process Contributed to Financial Applications Not Complying with Requirements .....	404
8 - EPA Did Not Properly Account for Capitalized Software and Related Accumulated Depreciation .....	408

## 1 - EPA's Oversight of DFAS Payroll Reconciliation Needs Improvement

EPA does not perform reconciliations of its records to the Form 941s, *Employer's Quarterly Federal Tax Return*, or annual Form W-3, *Transmittal of Wage and Tax Statements*, filed on EPA's behalf by DFAS. EPA's Washington Finance Center performs bi-weekly and monthly reconciliations of EPA's payroll and SF-224 transactions between PeoplePlus and DFAS, EPA's payroll service provider. However, the Agency does not reconcile EPA's payroll to the amounts reported to the Department of Treasury on Form 941. As a result, EPA did not detect errors in wages and tax amounts DFAS reported to the Treasury. The Treasury Financial Manual requires agencies to perform timely reconciliations, and implement effective and efficient reconciliation processes. Internal Revenue Service Publication 15 (Circular E), *Employer's Tax Guide*, requires employers to reconcile Form W-3 with the quarterly Form 941s to reduce discrepancies. In addition to the misreporting of wages and taxes, which could adversely impact EPA employees, inadequate reconciling could increase the risks of fraud, waste, and mismanagement of funds, and impact the financial statements.

According to Internal Revenue Service Publication 15 (Circular E), all employers who pay wages subject to income tax withholding or Social Security and Medicare taxes are required to file quarterly a Form 941. To help reduce discrepancies, employers are responsible for reconciling Form W-3 with the quarterly Form 941s. DFAS prepares its Form 941 to include EPA and other federal agencies' payroll activities reported to Treasury.

We found that EPA wages and tax liabilities reported to the Internal Revenue Service during calendar 2007 were inaccurate. EPA's tax liabilities were underpaid by \$337,982. The Agency did not perform a reconciliation of its records to the DFAS-prepared Form 941 for the first two quarters of calendar 2008. We attempted reconciliations for the first two quarters of calendar 2008, and found differences that EPA could not readily explain.

Treasury Financial Manual, Volume 1, Part 2, Chapter 5100, Reconciling Fund Balance with Treasury Accounts, discusses Treasury's reliance on monthly financial report data from all federal agencies in order to meet its congressionally mandated central accounting and reporting responsibilities. Reconciling accounts is a key internal control process; it assures the reliability of EPA's receipt and disbursement data reported by agencies. Therefore, agencies must perform timely reconciliations and implement effective and efficient reconciliation processes.

In addition, the Federal Acquisition Regulations (Subpart 37.5-Management Oversight of Service Contracts) state that contracting officials should seek "best practices" techniques in contract management and administration within their own contracting activities. Best practices could include oversight or monthly progress reports to inform EPA management of potential problems (differences).

EPA does perform bi-weekly and monthly reconciliations of EPA's payroll and SF-224 transactions between PeoplePlus and DFAS, but the Agency does not reconcile its payroll to the amounts DFAS reports to the Department of Treasury on Form 941. DFAS personnel acknowledged that they did not send the Internal Revenue Service enough funds for EPA and the

information reported to Treasury for 2007 was inaccurate. DFAS may act as EPA's agent or contractor serving as EPA's payroll provider, but fiduciary responsibility to ensure that payroll is accurately reported rests with EPA. EPA is ultimately responsible for its payroll, the payment of income tax withheld, and both the employer and employee portions of Social Security and Medicare taxes. Good management practices and contract administration techniques should be used regardless of the contracting method.

Inadequate oversight, including not reconciling EPA's payroll with the amounts reported to Treasury, could:

- increase the risks of fraud, waste, and mismanagement of funds;
- impact the financial statements (i.e., payroll expenses not being properly stated); and
- affect EPA's ability to effectively monitor budget execution.

We believe oversight of DFAS' payroll reconciliation activities could lead to earlier detection of differences between amounts reported to Treasury and EPA's general ledger. Because EPA does not reconcile payroll records to DFAS' quarterly 941 submissions and the annual W-3, EPA has no assurance that EPA's payroll and tax liabilities reported to the Treasury were accurate and properly reflected in EPA's general ledger. EPA has expressed a willingness to perform the reconciliations with OIG and DFAS assistance.

## Recommendations

We recommend that the Office of the Chief Financial Officer:

1. Establish better oversight for payroll support services by:
  - a. Performing quarterly Form 941 reconciliations of payroll amounts recorded in EPA's general ledger to wage and tax amounts reported by DFAS to ensure the payroll amounts are properly reported to Treasury and properly recorded in EPA's general ledger.
  - b. Reconciling the annual Form W-3 and related Form 941s to ensure consistency of amounts with EPA's general ledger.
2. Reconcile EPA's 2007 and 2008 wage and tax liabilities to amounts reported by DFAS on the quarterly Form 941s and the 2007 Form W-3, and ensure that any differences have been resolved by corrected Forms 941s and W-3, including the posting of amounts in EPA's general ledger.

## Agency Comments and OIG Evaluation

The Agency did not agree with our findings or recommendations. The Agency disagreed that the 2007 data was incorrect by \$337,000 and instead stated the difference was \$2,800 for one employee. The Agency did agree to work with DFAS and OIG to jointly develop a quarterly taxable wage reconciliation report.

As previously stated, we compared the 2007 W-2 data provided by DFAS to the quarterly Form 941s and found a difference of \$337,000 in taxes. This amount included not only federal withholdings, but also Social Security and Medicare withholding amounts. The Agency's amount of \$2,800 reflects only a portion of the difference we found. The Agency did not include in its analysis Social Security, Medicare, or a reconciliation to DFAS's list of W-2s amounts. The OIG is willing to assist the Agency in arriving at a workable solution to ensure that payroll records are properly reconciled and reported in the Agency's general ledger.

## 2 - Accrual Not Properly Calculated for Federal Unbilled Receivables

EPA did not properly calculate the third quarter fiscal 2008 accrual for federal unbilled receivables (unbilled accrual). Using EPA's third quarter unbilled accrual spreadsheet, we calculated the accrual to be \$28,542,223, which is \$4,021,487 less than the \$32,563,710 amount entered in IFMS. OMB Circular A-127, *Policies and Standards for Financial Management Systems*, requires financial management systems to provide complete, reliable, consistent, timely, and useful financial management information on federal government operations. EPA did not properly review the accrual to identify problems within the accrual calculation. As a result, the \$4 million error led to a misstatement of the related assets and revenue in the third quarter financial statements. The Agency made the appropriate adjustments in the fourth quarter.

The following problems led to the inaccuracy of the third quarter unbilled accrual calculation:

- Site identification numbers were positioned in the wrong column (expenditure column) on some lines of accounting.
- The formula used to summarize the accrual total was not mathematically correct because it did not include all lines of accounting.
- The accrual amounts for each line were not summed correctly using the accrual methodology (cumulative expenses, less billed amount, less stand alone collections, plus accrued liabilities, equals unbilled accrual).
- Data on some accounting lines was misaligned. Difficulties in converting from Financial Data Warehouse, to text, and then to Excel, and problems with sorting the spreadsheet data may have contributed to the misalignment.
- Accrual calculations for some individual organization codes included credit balances where the billed amount was greater than the expenses resulting in credit accrual balances.

Had EPA properly reviewed the accrual, it could have identified the problems within the accrual calculation before entry of the third quarter unbilled accrual into IFMS.

### Recommendation

3. We recommend that the Office of the Chief Financial Officer implement a review process to verify the accuracy and reasonableness of each quarterly unbilled accrual before it is entered into IFMS. Steps should include:
  - (a) Verifying that column amounts are properly calculated.
  - (b) Ensuring that the unbilled accrual column totals properly.
  - (c) Verifying that all data elements and fields are properly captured and aligned when converting data from one application (e.g., text) to another (e.g., Excel).
  - (d) Researching those lines of accounting with unbilled accrual credit balances to determine if the credit amounts should be excluded from the overall unbilled accrual calculation.
  - (e) Documenting evidence of the items reviewed.

### Agency Comments and OIG Evaluation

The Agency agreed with our findings and recommendation.

### 3 - EPA Needs to Reconcile Superfund State Contract Funds and Credits in the General Ledger to Subsidiary Accounts

EPA's Superfund State Contract (SSC) credits and unearned revenue did not agree with supporting spreadsheets by significant amounts. The credits differed from supporting spreadsheets by \$5,383,760, and we found multiple errors in the unearned revenue spreadsheets. Guidance from EPA's Office of Financial Management requires a quarterly calculation and reconciliation of the SSC spreadsheets to the general ledger. However, CFC finance personnel did not reconcile the spreadsheets to the general ledger because they were not familiar with the process, and they were not aware they needed to do the reconciliation. As a result, CFC could not ensure the accuracy of the SSC credit and unearned revenue general ledger accounts or the amount reported in the financial statements, which totaled approximately \$14 million and \$44 million, respectively, as of September 30, 2008.

Each region inputs its State credits in the SSC spreadsheet. The credits on the spreadsheet totaled \$19,717,360. The combination of the SSC general ledger accounts totaled \$14,333,600. CFC has not yet found the reason for the \$5,383,760 variance.

When EPA assumes the lead for a Superfund site remedial action in a State, the SSC clarifies EPA's and the State's responsibilities to complete the remedial action. EPA records a liability (unearned revenue) when billing a State for its share of the estimated site costs. EPA recognizes earned revenue as costs are incurred on the site.

CFC did not properly reconcile the calculated unearned revenue from SSCs to the general ledger. Several factors contributed to the difficulty in completing the reconciliation:

- CFC prepared the fourth quarter SSC calculation spreadsheet with data recorded as of August 31, 2008, instead of September 30, 2008 as required.
- The OIG identified an \$879,484 variance between the amount of reimbursable expenses in EPA Fund 5R1/TR1 included in the SSC calculation spreadsheet and those recorded in the general ledger. However, CFC has not made corrections for the variances.
- CFC did not reconcile the billings from the SSC spreadsheet to the billings for SSCs recorded in the general ledger.

The general ledger activity for SSC activity may include invalid transactions. We identified at least \$5.8 million in the general ledger in older EPA funds that could relate to billings that were not collected or payments that were not billed, or may not be related to SSCs and thus distort the general ledger balance.

According to Comptroller Policy Announcement No. 99-01, *Recording and Tracking Work Performed – Superfund State Credits*, all State credits must be approved by the responsible Financial Management Office and all State credits are subject to verification by audit by the OIG. By accurately tracking and recording all approved credits site-specifically, the Agency is

able to track the status of credit balances and accurately record the credit balances available in the financial statements.

The *Monthly/Quarterly Adjustment Guidance*, issued on February 23, 2004, by OCFO's Office of Financial Management (OFM), requires a quarterly review and reconciliation to verify the SSC calculation spreadsheet detail totals to IFMS. The guidance also requires the fourth quarter SSC revenue accrual to capture SSC agreements, billings, expenditures, and credits as of September 30.

The Chief Financial Officers Act requires the Agency's Chief Financial Officer to develop and maintain an integrated agency accounting and financial management system, including financial reporting and internal controls, that provides for complete, reliable, consistent, and timely information. EPA should have adequate internal controls to ensure that it performs annual reconciliations of the SSC unearned revenue accounts. Without performing a proper reconciliation, CFC could not ensure the accuracy of the SSC unearned revenue accounts. The Agency also identified Superfund State Cost Shares as a significant deficiency during its review of internal controls over financial reporting.

## **Recommendations**

We recommend that the Office of the Chief Financial Officer:

4. Complete quarterly reconciliations of the SSC credits and unearned revenue to the general ledger according to OFM guidance.
5. Research transactions in older funds, and eliminate invalid transactions.
6. Confer with regions to verify the regions' manual entries to the SSC spreadsheet agree with the supporting documentation by site.

## **Agency Comments and OIG Evaluation**

The Agency agreed with our findings and recommendations.

## 4 - EPA's Review of Unliquidated Obligations for Interagency Agreements and Headquarters-Funded Grants Was Incomplete

EPA's OGD review of unliquidated obligations for inactive Interagency Agreements and Headquarters-funded regional grants was incomplete. OGD did not review all Interagency Agreements and Headquarters-funded regional grants in the inactive obligations reports provided by OCFO's OFM. Federal and Agency guidance require unliquidated obligations to be reviewed annually. However, OGD did not follow Agency guidance and use the inactive Interagency Agreements unliquidated obligations report provided by OFM; instead, OGD generated its own report based on the project period end date. In addition, OGD did not review Headquarters-funded regional grants assigned to them because it believed these grants were the responsibility of EPA's Regional Grant Management Offices. As a result, the Agency had no assurance that the unliquidated obligations for Interagency Agreements and grants were accurate and represented valid and viable obligations.

GAO's *Policy and Procedures Manual for Guidance of Federal Agencies*, Title 7, Chapter 3, requires each agency to review its unliquidated obligations at least once a year to reasonably assure itself that all transactions meeting the criteria of legally valid obligations have been included. In addition, EPA Comptroller Policy Announcement No. 96-04, *Review of Unliquidated Obligations*, requires all responsible parties to conduct complete annual reviews of all current and prior year unliquidated obligations to ensure that all recorded obligations are still valid and viable. EPA's OFM is responsible for providing the reports of inactive unliquidated obligations, which form the basis on which the unliquidated obligation reviews are conducted. According to Policy Announcement No. 96-04:

- An inactive obligation is one in which there has been no activity for 6 months or more (180 days).
- A valid obligation is one for which appropriated funds are still available for the purpose and time period specified, and for which an actual need still exists within the life of the appropriation.
- A viable obligation is one for which there still exists the means to meet the need.

We found that the Agency's fiscal 2008 annual review of unliquidated obligations for inactive Interagency Agreements and grants was incomplete. Specifically:

- OGD did not complete its review of all 121 unliquidated obligation balances of inactive Interagency Agreements from the inactive Interagency Agreements unliquidated obligations report provided by OFM, which was based on inactive obligations (i.e., obligations with no activity for 180 days or more). Instead, OGD generated its own report consisting of 79 Interagency Agreements based on the Interagency Agreements' project period end dates.
- Of the 79 Interagency Agreements reviewed by OGD, only 33 were also on the report provided by OFM, meaning 88 Interagency Agreements (totaling \$5.6 million) assigned to OGD by OFM were not reviewed.



- Of the 79 Interagency Agreements reviewed, OGD did not follow up timely with Project Officers on the status of 17 inactive Interagency Agreements, totaling \$1.2 million, to determine their validity before certifying completion of its annual unliquidated obligation review.
- OGD did not review 86 Headquarters-funded regional grants, totaling \$5.2 million, from the report provided by OFM. OGD did not review the Headquarters-funded regional grants because it believed these grants were the responsibility of EPA's Regional Grant Management Offices. However, OGD did not inform either the Regional Grant Management Offices or OFM that it was not reviewing these grants, and it did not reassign these grants to the Regional Grant Management Offices to review during the annual unliquidated obligation review.

EPA's *Procedures and Technical Guidance for FY 2008 Unliquidated Obligations Review* names the responsible officials for reviewing inactive obligations. The annual guidance provides specific procedures for OGD to follow during its review of grants and Interagency Agreements. The reviewing official and Project Officers must analyze and discuss unliquidated obligations that have been inactive for 6 months or more (180 days) and identify those which are not valid or viable. Inactive Headquarters unliquidated grant and Interagency Agreement obligations must be reviewed and certified by a responsible official. Two certifications are required – the FMFIA Assurance Letter, due July 31, 2008; and the Review of Unliquidated Obligations Year-end Certification, due October 9, 2008. The FMFIA Assurance Letter must include certification that a review of unliquidated balances in grants and Interagency Agreements has been completed, and appropriate actions taken to deobligate unneeded funds.

By not completing reviews of all inactive Interagency Agreements and grants, EPA has no assurance that the unliquidated obligation balances for Interagency Agreements and grants, which include Headquarters-funded regional grants, are accurate and represent valid and viable obligations. Further, inadequate unliquidated obligation reviews could impact the financial statements by not identifying unneeded funds that should be deobligated.

## Recommendations

We recommend that the Director, Office of Grants and Debarment:

7. Complete the review of inactive Interagency Agreements and Headquarters-funded regional grants that were not reviewed during the annual unliquidated obligations review, to determine whether they are valid and viable obligations that should remain open.
8. Follow up with Project Officers on the status of the inactive Interagency Agreements that were not resolved during the annual unliquidated obligation review process to determine their validity.

We recommend that the Office of the Chief Financial Officer:

9. Have OFM work with OGD to determine how to identify Headquarters-funded regional grants for assignment to the Regional Grant Management Offices as part of the annual unliquidated obligation review process.

### **Agency Comments and OIG Evaluation**

We acknowledge EPA's noteworthy accomplishments in liquidating dollars on those grants where the period of performance expired. However, we also stress the importance of reviewing timely all inactive unliquidated obligations, not just those whose period of performance has expired. This could increase the likelihood to identify obligations, which are not valid and viable, and whose funds can be deobligated and put to better use. We commend the Agency for the immediate action taken to complete the review of all Headquarters-funded regional grants and Interagency Agreements, including following up with Project Officers on the status of Interagency Agreements that were not resolved during the fiscal 2008 annual review of unliquidated obligations. Because OGD has addressed Recommendations 7 and 8, no further response or action is required.

## 5 - IFMS Vendor Table Susceptible to Unauthorized Changes and Changes Were Not Adequately Documented

The IFMS Vendor Table was susceptible to employees making changes to vendor payment information without detection. Further, CFC did not retain supporting documentation for numerous Vendor Table changes made for 13 different vendors in fiscal 2008. FMFIA specifies that agency heads must establish internal controls that reasonably ensure that funds, property, and other assets are safeguarded against waste, loss, unauthorized use, or misappropriation. Further, *GAO Standards for Internal Controls* state that all transactions are to be clearly documented, and that documentation should be properly managed, maintained, and readily available for examination. The Vendor Table contains critical information (e.g., bank routing and account numbers) used to distribute payments to vendors, including grantees. An individual exploiting this system weakness could divert vendor payments to an unauthorized banking account without a supervisor or management official being notified that the vendor payment information changed. As such, having internal control processes to prevent or detect unauthorized changes, as well as documentation to support changes, is essential to protecting EPA funds from possible misappropriation.

Our review disclosed that personnel with change authorization privileges to the Vendor Table could make changes to this critical vendor payment information. When personnel made these changes, the system did not notify the funds-certifying officer (the person approving the payment to a vendor) or the worker's supervisor that this information was updated. This can result in wrong or illegitimate changes being made. Upon bringing this matter to OCFO attention during our review, OCFO took immediate action to address this system control weakness. OCFO put into practice an automated system control and related standard operating procedures that automatically notify a worker's supervisor of the worker's changes to the IFMS Vendor Table. The standard operating procedures assign responsibility to supervisors to verify that changes made to the Vendor Table are valid and necessary. Because OCFO took appropriate actions during the course of our review, no recommendations are being made regarding this issue.

Regarding documentation, in our examination of 45 sample Vendor Table changes, we found that CFC had made changes for 13 vendors but did not have or maintain supporting documentation for the changes. The remaining 32 sample items, made by other finance centers, had proper supporting documentation. The 13 unsupported changes included changes in vendor names, addresses, and banking information. In some cases, the changes were made based on a phone call. We believe that CFC should have created or maintained documentation as an internal control to support the changes to the system. CFC stated that several sample items did not have hard copy documentation because the accountant typically made changes while in contact with a traveler/vendor to notify them that the bank rejected their payment. In addition, the accountant made changes at the time of a call with the traveler/vendor and no paperwork was involved. Some changes may have had supporting documentation, but since the documentation contained personal identifiable information the accountant destroyed it after input into IFMS.

We believe that even though OCFO's OFM implemented an automated system control and related Standard Operating Procedures to ensure all changes to the Vendor Table are legitimate, Finance Centers should maintain documentation for changes to the vendor table information.

Failure to document changes to the IFMS Vendor Table may raise questions about the validity and integrity of the related information contained in IFMS.

### **Recommendation**

10. We recommend that the Director, Cincinnati Finance Center, implement and maintain a process to ensure that changes to IFMS Vendor Table information have supporting documentation as an internal control and audit trail to ensure that vendor information is verifiable.

### **Agency Comments and OIG Evaluation**

The Agency agreed with our findings and has already implemented the recommendation. The Agency indicated the finance centers no longer accept changes to a vendor's information over the telephone, and now requires and maintains written documentation for all revisions. Regarding the Vendor Table being susceptible to unauthorized changes, OCFO indicated that it took further actions to review a sample of changes made to the vendor table between October 2007 and when OCFO put the new procedures in place, to ensure all Vendor Table changes are valid and necessary. We believe the automated system control and related standard operating procedures address the identified system control weakness. Because the Agency has already implemented our recommendation, no further action or response is required.

## 6 - Improvement Needed in Monitoring Superfund Special Account Balances

CFC did not adequately monitor Superfund Special Account balances. EPA's OFM policy requires CFC to track all Special Account transactions and balances. Because CFC did not adequately monitor the financial condition of special accounts, we found \$1,370,087 in special account drawdowns recorded in excess of the balance of interest earned plus principal for some sites.

Superfund authorizes EPA to retain and use funds received from Potentially Responsible Parties in an agreement to carry out the response actions contemplated by those agreements. Interest earned on Special Account balances accrues directly to the Special Account and may be used for the response action at the site for which the Special Account was established. Interest earned by a Special Account is used after the principal has been fully expended.

Resources Management Directives System, Chapter 15, Financial Management of Special Accounts, requires CFC to monitor the cumulative status of special accounts receipts, accrued interest, disbursements, unliquidated obligations, and available balances. However, CFC did not adequately monitor the account balances in the Special Accounts Database. We identified \$1,370,087 in interest drawdowns recorded in IFMS that exceeded a site's balance of interest earned, receipts, and disbursements in the Special Accounts Database.

The Chief Financial Officers Act requires the Agency's Chief Financial Officer to develop and maintain an integrated agency accounting and financial management system, including financial reporting and internal controls, that provides for complete, reliable, consistent, and timely information. EPA should have adequate internal controls to ensure the accuracy of the Special Account transactions and balances. Without verifying the accuracy of the Special Account balances and interest drawdowns, CFC could not ensure the accuracy of the Special Account Interest amount and could unintentionally use funds that were intended for use on other sites.

### Recommendation

11. We recommend that Office of the Chief Financial Officer implement controls to monitor and ensure the accuracy of Special Account balances and interest amounts recorded in IFMS.

### Agency Comments and OIG Evaluation

The Agency agreed with our findings and recommendation. The Agency corrected the \$1.3 million in overstated interest for the fiscal 2008 financial statements.

## 7 - Lack of System Implementation Process Contributed to Financial Applications Not Complying with Requirements

Ongoing instances of financial applications noncompliance with federal and EPA system requirements persist at EPA finance centers. Reviews at EPA's three main finance centers disclosed that financial applications were placed into operation without required security controls implemented, key security documents developed, or the systems assessed for compliance with Federal Financial Management System Requirements (FFMSR). OMB stresses the importance of these required security tasks and documents because they provide management with needed information to plan, budget, and put into service risk mitigation strategies. The deficiencies occurred because OCFO system owners and project managers had not completed an internal compliance review over this area and the senior information official had not put into place an ongoing oversight process to ensure implemented applications comply with prescribed systems requirements. Without such a process, EPA cannot reasonably assure that these same types of problems will not persist.

OCFO indicated that it relies on EPA System Development Life Cycle Management policies and procedures for ensuring an OCFO system complies with federal standards prior to putting the system into service. As noted in Table 1, noncompliance with prescribed system requirements continued to exist at each EPA finance center, even though a material weakness in this area was disclosed during the fiscal 2007 audit cycle and other significant deficiencies were disclosed previously.

**Table 1: Summary of Financial Application Weaknesses at EPA Finance Centers**

Finance Center	Reporting Period	Weakness Identified
Las Vegas	2008	Finance center internal review disclosed system lacked a current security plan. System was not assessed for compliance with FFMSR. The finance center created Plans of Action and Milestones to correct the weaknesses. <b>(Significant Deficiency)</b>
Cincinnati	2007	Systems lacked contingency and security plans, authorization to operate, continuous monitoring, and assessment for compliance with FFMSR. Server room lacked physical security and environmental controls. <b>(Material Weakness)</b>
Research Triangle Park	2004	Systems lacked contingency and security plans, authorization to operate, continuous monitoring, patch management processes, and assessment for compliance with FFMSR. <b>(Significant Deficiency)</b>

Source: OIG data analysis

Our research disclosed that within the past 5 years, OCFO only had one internal compliance review of this area, which OCFO started in March 2008 and plans to complete in December 2008. However, OCFO could not provide us with a formal approved plan that outlines how the review will be conducted, what tasks will be reviewed, or how the tasks will be reviewed. Further, discussions with OCFO representatives disclosed that OCFO does not have an ongoing oversight process to ensure that OCFO financial systems comply with all federal and EPA

system requirements prior to putting a system into production or that they maintain compliance throughout the system's product life cycle.

Subsequent to audit field work, OCFO indicated a planned reorganization would create the Office of Technology Solutions, a central accountable unit over most of OCFO's financial management systems. Management indicated that until the reorganization is finalized, the functions for the unit would be included within the Office of Enterprise, Technology, and Innovation. As such, we believe that OCFO should take additional steps to formally appoint system development responsibilities to the Office of Enterprise, Technology, and Innovation and limit which other OCFO organizational elements can perform system development duties. This would help OCFO start to place more structure and consistency of compliance over its system development activities.

## Recommendations

We recommend that the Office of the Chief Financial Officer:

12. Complete a review of OCFO financial systems compliance with prescribed federal and EPA system requirements and document the results.
13. Create and put into practice formal standard operating procedures to ensure that all current and future financial management systems meet all federal and EPA system requirements prior to being put into service and continue to meet these requirements throughout their lifecycle.
14. Develop and implement a formal oversight process to ensure that all current and future financial management systems meet all federal and EPA system requirements prior to being put into service and continue to meet these requirements throughout their lifecycle. The oversight process should be documented as a formal OCFO policy, assign responsibility to Office of Program Management staff for conducting oversight reviews at least annually, outline standards to be followed, and specify when the oversight process will be reviewed to ensure that it is effective and achieving the desired results.
15. Formally assign the Office of Enterprise, Technology, and Innovation the specific responsibilities for developing, implementing, and maintaining financial systems until the Office of Technology Solutions is formed.
16. Formally prohibit any other organizational element within the OCFO from developing, implementing, or maintaining OCFO financial or mixed financial systems.

## Agency Comments and OIG Evaluation

OCFO generally agreed with our findings and recommendations and indicated that management has approved a comprehensive list of areas to evaluate for compliance with systems requirements. OCFO did not agree that the underlying cause of this weakness is due to the lack of management reviews. We believe that compliance reviews are an integral part of a

management control system that (1) informs management of areas that require more emphasis and (2) creates a mechanism for holding personnel accountable for meeting prescribed requirements. Although OCFO was aware of system compliance issues during previous audit cycles, current audit work disclosed that OFCO did not complete a review to provide management the necessary information to hold OCFO personnel accountable for meeting requirements. Therefore, until management implements its review processes, OCFO will continue to experience difficulties in ensuring that developed financial systems comply with federal requirements.



## 8 - EPA Did Not Properly Account for Capitalized Software and Related Accumulated Depreciation

EPA did not properly account for Capitalized Software and the related depreciation, resulting in misstatements of Capitalized Software (net of accumulated depreciation) and depreciation expense. EPA accumulates software development costs until the software is placed into service. For financial statement reporting purposes, accumulated software development costs are reported on the same line as Capitalized Software costs. EPA policy states that capitalized software is depreciated beginning when the software is placed into service. During fiscal 2008, EPA had accumulated software development costs of \$212 million, of which \$78 million was for software put into service in fiscal 2008. Of the \$78 million, \$61 million should have been placed in service in fiscal 2007 or earlier. We found that the Office of Environmental Information does not have effective controls to determine when capitalized software is moved from the development phase into service. As a result, depreciation expense for fiscal years 2007 and prior were understated by amounts ranging from less than \$1 million to over \$5 million a year. The impact for correcting the previous year's depreciation results in an overstatement of fiscal 2008 depreciation expense by \$26 million.

EPA amortizes capitalized software using the straight-line method over the asset's useful life. Depreciation of capitalized software begins the day the software is moved from the development stage to production. The Office of Environmental Information maintains information on Agency software in its Registry of EPA Applications and Databases (READ). Information technology system owners are responsible for updating READ. System owners updated READ in April 2008 and moved \$48 million of software development costs into service. OCFO inadvertently used the software acquisition date as the starting point for accumulating depreciation instead of the date the software was placed into services. We found that \$31 million of the \$48 million should have been placed in service prior to fiscal 2008. After bringing the misstatement to the OCFO's attention, OCFO examined the remaining software development costs and identified an additional \$30 million that should have been placed in service. Of the \$30 million identified by OCFO, \$26 million should have been placed in service prior to fiscal 2008. OCFO worked with individual system owners to determine the proper capitalized software in service dates. The OCFO properly adjusted the 2008 financial statements to reflect the net book value of Capitalized Software.

### Recommendations

We recommend that:

17. The Assistant Administrator, Office of Environmental Information, direct staff to develop and implement a control process that will accurately and timely update the program and regional records in READ.
18. The Office of the Chief Financial Officer use the READ production date as the date software was placed in service, correct the date placed in service in the fixed assets system, and implement internal controls to ensure the accuracy of its data entry.

## **Agency Comments and OIG Evaluation**

The Agency agreed with our findings and recommendations.

# Compliance with Laws and Regulations

## Table of Contents

<b>9 - EPA's Asbestos Loan Program Violated the Anti-Deficiency Act .....</b>	<b>410</b>
<b>10 - EPA Violated the Prompt Payment Act by Not Paying Telecommunications Invoices Promptly .....</b>	<b>412</b>
<b>11 - EPA Should Continue Efforts to Reconcile Intragovernmental Transactions.....</b>	<b>414</b>

## 9 - EPA's Asbestos Loan Program Violated the Anti-Deficiency Act

EPA violated the Anti-Deficiency Act when it recorded the upward subsidy re-estimate for the Asbestos Loan Program without an approved apportionment letter from OMB. According to the Anti-Deficiency Act, "an officer or employee of the United States Government may not make or authorize an expenditure or obligation exceeding an amount available in an appropriation or fund for the expenditure or obligation." OMB Circular A-11, Section 185.17, states that an upward reestimate needs to be apportioned immediately after the end of each fiscal year as long as any loans are outstanding, unless a different plan is approved by OMB. OCFO's Office of Budget authorized \$32,530 to be entered into IFMS by the Las Vegas Finance Center (LVFC) without the required apportionment letter. OCFO's Reporting and Analysis Staff notified LVFC prior to the fiscal year end that an apportionment letter would be needed. OCFO's Office of Budget did not get the apportionment letter or an exemption from OMB prior to recording the upward subsidy estimate in IFMS. As a result, the Agency incurred \$32,530 before the amount was authorized and available. By obligating funds in excess of appropriated amounts, the Agency created an anti-deficiency situation in violation of the Anti-Deficiency Act.

The Credit Reform Act of 1990 and federal accounting standards require that the subsidy cost allowance for direct loans be re-estimated each year as of the date of the financial statements. The subsidy cost allowance is the estimated long-term cost to the government of a loan calculated on a net present value basis, excluding administrative costs. Any increase or decrease in the subsidy cost allowance is recognized as a subsidy expense (or a reduction in subsidy expense). The amount of a re-estimate for a particular fiscal year is to be recognized in its succeeding fiscal year (e.g., the fiscal 2007 re-estimate is to be recognized in fiscal 2008). The LVFC starts the re-estimate process by computing the re-estimate and then notifying the Office of Budget of the amount needed for the apportionment. The Office of Budget prepares and sends the apportionment letter to OMB and, upon receipt of OMB's approval, enters program codes into IFMS that allow LVFC to enter the re-estimate. The Office of Budget stated that OMB needs at least 1 month to prepare the apportionment letter.

LVFC did not initiate the fiscal 2007 re-estimate recognition until September 29, 2008, one day before the end of the fiscal year. This did not leave enough time for OMB to prepare the required apportionment letter. LVFC asked the Office of Budget to enter the authorization codes even though OMB had not yet issued the apportionment letter. The Office of Budget then entered the authorization codes and LVFC entered the re-estimate recognition. According to OMB, "reestimates of the Asbestos Loan balance are not exempt from submitting an apportionment as per OMB Circular A-11, Section 120.38. OMB made a conscious decision that the Asbestos Loan Program would not be included under the automatic apportionment waiver. OMB believes EPA needs to submit a reapportionment request to authorize this reestimate and not back date it..."

According to OMB Circular A-11, *Preparation, Submission and Execution of the Budget*, the incurring of obligations in excess of apportioned budgetary resources in a revolving fund is a violation of the Anti-Deficiency Act, whether or not a fund has unapportioned budgetary resources or non-budgetary assets greater than the amount apportioned. Further, once it is

determined that there has been a violation of Title 31, U.S. Code, Section 1341(a), 1342, or 1517(a), the agency head “shall report immediately to the President and Congress all relevant facts and a statement of actions taken.”

## Recommendations

We recommend that the EPA Administrator:

19. Report the Anti-Deficiency Act violation to the President through the OMB Director, and to Congress and the Comptroller General as required.

We recommend that the Office of the Chief Financial Officer:

20. Obtain an apportionment letter for the \$32,530 upward subsidy re-estimate from OMB.
21. Instruct the Program Offices and Office of Budget to develop operating procedures defining roles and responsibilities for completing the estimating process to ensure EPA has the proper authorization before entering information into IFMS.
22. Instruct the Office of Budget, LVFC, and Reporting and Analysis Staff to establish milestones to ensure the subsidy re-estimate is completed and apportionment requested from OMB at least 30 days prior to the end of the fiscal year.

## Agency Comments and OIG Evaluation

The Agency does not agree that an Anti-Deficiency Act violation took place. The Agency believes that the Federal Credit Reform Act of 1990 and OMB Circular A-11 allow for permanent indefinite authority and automatic apportionment of re-estimates in credit financing accounts.

The Agency is conducting an internal investigation and working with OMB to determine whether a violation has occurred. Feedback from these sources will influence the Agency’s future course of action. The Agency did agree that proper procedures were not followed and additional controls and training will be initiated.

We maintain that EPA violated the Anti-Deficiency Act when it recorded the upward subsidy re-estimate for the Asbestos Loan Program without an approved apportionment letter from OMB. In our opinion, re-estimates of the Asbestos Loan Program balance are not exempt from submitting an apportionment as per OMB Circular A-11, Section 120.38, and that the Asbestos Loan Program is not included in the automatic apportionment waiver.

## **10 - EPA Violated the Prompt Payment Act by Not Paying Telecommunications Invoices Promptly**

EPA violated the Prompt Payment Act by not paying 20 fiscal 2008 invoices timely. EPA's Contracts Management Manual requires that obligating documents be provided to the finance center timely. The Prompt Payment Act requires payment of a properly received invoice within the payment terms of the invoice and/or contract. If invoices are not paid by the due date, interest payments are to be paid starting on the day after the due date and calculated through the payment date. According to the RTP Finance Center and OTOP, several factors caused the late payments: (1) RTP Finance Center returned 3 invoices in April 2008 because OTOP did not process funding allocations; (2) OTOP did not allocate funds and timely forward obligating documents for the 20 invoices to the RTP Finance Center; (3) the Project Officer did not promptly approve and forward the 20 invoices for payment; and (4) RTP Finance Center did not follow up with OTOP after it returned the invoices to determine when they should be paid. The late payment of these 20 invoices, totaling \$2,469,147, resulted in an estimated interest charge of \$42,509 due to the vendor.

OTOP acknowledged that the invoices should have been paid timely. OTOP did not submit the obligating documents timely due to OTOP's allocation processes and priorities. OTOP allocates funds to Working Capital Fund contracts as revenues are earned. The EPA Contracts Management Manual requires obligating documents be provided to the finance center by the end of the month in which expenses are incurred. OTOP did not process the obligating documents for all 20 fiscal 2008 invoices according to policy. Our testing found that the RTP Finance Center did not pay 11 out of the 20 payments until fiscal 2009.

The Prompt Payment Act states, "For the purpose of determining a payment due date and the date on which interest will begin to accrue if a payment is late, an invoice shall be deemed to be received ... for invoices electronically transmitted, the date a readable transmission is received." RTP Finance Center did not pay these invoices for up to 8 months even though OTOP had them electronically available on the bill date. That was a violation of the Prompt Payment Act, and these invoices accrued interest penalties.

The RTP Finance Center does not consider invoices as being subject to the Prompt Payment Act until they have reviewed and processed the invoices. Because the invoices were sent to the Project Officer first and not the Finance Center, RTP Finance Center did not accrue or pay interest because it did not believe the invoices met this criteria and therefore were not late. A verbal agreement existed between the Working Capital Fund and the RTP Finance Center that the invoices would first be sent to the Project Officer. RTP Finance Center management acknowledged they made this agreement because the invoices could be up to 3,000 pages of detailed billing information.

While the RTP Finance Center did not originally receive the invoices, the Prompt Payment Act requires the Agency to calculate and pay interest on invoices paid late unless the invoices are returned for not being proper. The Prompt Payment Act states, "When an invoice is determined to be improper, the agency shall return the invoice as soon as practicable after receipt, but no later than 7 days after receipt." None of the invoices were returned to the vendor or in any way

marked as improper. In addition, there was no correspondence or documentation to the vendor that the invoices were not sent to the correct address. By entering into a verbal agreement that the invoice would be provided to the project officer, the Agency is causing harm to the contractor when payments are not made timely. There is added harm because the verbal agreement would also deprive the contractor of interest even though the contractor complied with the Agency's directions on to who to direct the invoice.

After the Agency paid the aforementioned invoices, we noted an \$18,000 overpayment on one invoice due to a transposition error. After bringing this to the Agency's attention, EPA set up a receivable for the difference.

## **Recommendations**

We recommend that the Director, Office of Technology Operations and Planning:

23. Develop a control process that will timely allocate funding for all OTOP contracts.
24. Direct all OTOP Project Officers to promptly approve each invoice when received or return the invoice to the vendor within 7 days of receipt through the finance center, documenting why the invoice was deemed improper.

We recommend that the Director, RTP Finance Center:

25. Calculate and pay the interest due resulting from the late payments.
26. Direct all finance center personnel to review and obtain an understanding of the Prompt Payment Act. RTP should establish a process to follow up on any invoices returned to program offices for whatever reason so that issues on nonpaid invoices can be resolved promptly.

## **Agency Comments and OIG Evaluation**

The Agency believes that only 3 invoices were late and agreed to pay interest on those invoices. The Agency does not agree that the other 17 invoices were late because the vendor did not submit the invoices to the address in the contract. The Agency agreed to forward the matter to the Office of General Counsel for its determination.

Our position is that the Agency violated the terms of the contract by instructing the contractors to provide the invoices directly to the Project Officer. By following those directions, payments to the contractors were significantly delayed. The Agency is further compounding the issue by denying interest when the delay was caused by the Agency's actions.

## 11 - EPA Should Continue Effort to Reconcile Intragovernmental Transactions

As of September 30, 2008, EPA reported \$192 million in unreconciled differences with 46 trading partners for intragovernmental transactions. Of that amount, \$55 million was reported by Treasury to be material differences. The remaining \$137 million represented amounts reported for non-verifying agencies, accruals, timing differences, and other agencies whose differences were not reported as material. According to the Treasury Financial Manual, verifying agencies are those that are required to report in the Governmentwide Financial Report System. These include the 24 major Chief Financial Officers Act agencies and 11 other agencies material to the *Financial Report of the United States Government*. Treasury policy requires verifying agencies to confirm and reconcile intragovernmental transactions with their trading partners. Based on our review of correspondence with other agencies, EPA had difficulty reconciling these differences primarily because of differing accounting treatments and accrual methodologies between federal agencies. EPA's inability to reconcile its intragovernmental transactions contributes to a long-standing government-wide problem that hinders the ability of GAO to render an opinion on the Consolidated Financial Statements of the Federal Government.

Treasury's fiscal 2008 fourth quarter Intragovernmental Activity Detail Report and Material Differences Report showed the following material differences for EPA:

**Table 2: Material Differences for Intragovernmental Transactions**

Federal Agency	Difference	Category of Difference
General Services Administration	\$9,237,753	Advances to/From Other Agencies
General Services Administration	\$26,340,506	Buy/Sell Costs/Revenue
Department of Homeland Security	\$12,216,493	Buy/Sell Costs/Revenue
Department of Energy	\$7,662,072	Advances to/From Other Agencies
<b>Total</b>	<b>\$55,456,824</b>	

Source: OIG analysis

While the Agency has actively worked with its trading partners to reduce differences, \$55,456,824 in material differences continued to exist. Many of the differences resulted from different accounting treatments and accrual methodologies used by EPA's trading partners. According to EPA, other situations that contributed to the differences included (1) timing differences in accruals with the General Services Administration, (2) difference in advances with the Department of Homeland Security, and (3) differences in advances accounting with the Department of Energy.

During fiscal 2008, EPA made significant efforts to reconcile its intragovernmental activity on a quarterly basis with its partners and has been able to identify the causes of several differences. However, unreconciled differences persist. According to GAO's *Report on the Fiscal Year 2007 U.S. Government Financial Statements*, the federal government's inability to adequately account for and reconcile intragovernmental activity and balances between federal agencies is a major impediment preventing GAO from rendering an opinion on the federal government's accrual basis consolidated financial statements.



**Recommendation**

We recommend that the Office of the Chief Financial Officer, through its Office of Financial Services, continue to:

27. Work with other federal trading partners to help reconcile the Agency's intragovernmental transactions and make appropriate adjustments to comply with federal financial reporting requirements.

**Agency Comments and OIG Evaluation**

The Agency agreed with our findings and recommendation.

## 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. Beginning in the fourth quarter 2006 and continuing in subsequent second and fourth quarters, OCFO includes a metric on audit follow-up actions in the Agency *EPAStat* report. OCFO management regularly reviews these measures during OCFO's monthly Budget and Performance Review meetings. In fiscal 2008, the Agency continued to strengthen its audit follow-up process by developing a quality assurance plan to improve data quality in EPA's Management Audit Tracking System.

The Agency has continued to make progress in completing corrective actions from prior years. The status of issues from prior financial statement audits and other audits whose findings and recommendations could have a material effect on financial statements and have corrective actions in process are listed in the following tables.

<b>Table 3: Significant Deficiencies - Corrective Actions in Process</b>
<ul style="list-style-type: none"> <li> <p>• <b>Automated Application Processing Controls for IFMS</b> EPA has taken steps toward correcting this long-standing open issue. EPA awarded a new contract to replace IFMS. The proposal calls for two releases over the next two-and-a-half years, with the first release occurring in the last quarter of calendar 2009. However, until the new system is in place, a significant deficiency will exist concerning the lack of system documentation that inhibits our ability to audit IFMS application controls.</p> </li> </ul>
<ul style="list-style-type: none"> <li> <p>• <b>EPA Needs to Strengthen Financial Database Security Oversight and Monitor Compliance</b> EPA did not complete all of the corrective actions related to reviewing the effectiveness of its follow-up procedures. EPA plans to complete this recommendation by the second quarter of fiscal 2009. We will plan to conduct follow-up during next year's audit.</p> </li> </ul>
<ul style="list-style-type: none"> <li> <p>• <b>Key Applications Do Not Meet Federal and EPA Information Security Requirements</b> The Agency has made significant progress in completing the agreed-to corrective actions but it still needs to finalize the independent reviews and updated security plans. In addition, the Agency needs to test the approved contingency plans.</p> </li> </ul>
<ul style="list-style-type: none"> <li> <p>• <b>Access and Security Practices Over Critical Information Technology Assets Need Improvement</b> EPA established controls over visitor and general access to the server room and enhanced security and environmental monitoring with improved technology. Additionally, the Agency developed procedures to enhance its security practices. However, EPA needs to ensure these procedures are fully implemented. In addition, EPA needs to complete an annual review of these procedures to ensure they are effective and consistent with federal guidance.</p> </li> </ul>
<ul style="list-style-type: none"> <li> <p>• <b>EPA Needs to Improve Controls Over the IFMS Suspense Table</b> EPA completed all the recommendations made in the fiscal 2007 financial statement audit report. However, we will follow up during the next fiscal year's Financial Statement Audit to test that the new procedures enforce compliance with the established policy.</p> </li> </ul>

Source: OIG analysis

**Table 4: Compliance with Laws and Regulations - Corrective Actions in Process**

- **EPA Needs to Improve Reconciliation of Differences with Trading Partners:**  
During fiscal 2008, EPA made significant efforts to reconcile its intragovernmental activity on a quarterly basis with its partners and has been able to identify the causes of several differences. However, as described in Attachment 2, *Compliance with Laws and Regulations*, there remain significant amounts not reconciled with trading partners.

Source: OIG analysis

## Attachment 4

## Status of Current Recommendations and Potential Monetary Benefits

RECOMMENDATIONS						POTENTIAL MONETARY BENEFITS (in \$000s)	
Rec. No.	Page No.	Subject	Status <sup>1</sup>	Action Official	Planned Completion Date	Claimed Amount	Agreed To Amount
1	13	Establish better oversight for payroll support services by: <ul style="list-style-type: none"> <li>a. Performing quarterly Form 941 reconciliations of payroll amounts recorded in EPA's general ledger to wage and tax amounts reported by DFAS to ensure the payroll amounts are properly reported to Treasury and properly recorded in EPA's general ledger.</li> <li>b. Reconciling the annual Form W-3 and related Form 941s to ensure consistency of amounts with EPA's general ledger.</li> </ul>	U	Office of the Chief Financial Officer			
2	13	Reconcile EPA's 2007 and 2008 wage and tax liabilities to amounts reported by DFAS on the quarterly Form 941s and the 2007 Form W-3, and ensure that any differences have been resolved by corrected Forms 941s and W-3, including the posting of amounts in EPA's general ledger.	U	Office of the Chief Financial Officer			
3	15	Implement a review process to verify the accuracy and reasonableness of each quarterly unbilled accrual before it is entered into IFMS. Steps should include: <ul style="list-style-type: none"> <li>(a) Verifying that column amounts are properly calculated.</li> <li>(b) Ensuring that the unbilled accrual column totals properly.</li> <li>(c) Verifying that all data elements and fields are properly captured and aligned when converting data from one application (e.g., text) to another (e.g., Excel).</li> <li>(d) Researching those lines of accounting with unbilled accrual credit balances to determine if the credit amounts should be excluded from the overall unbilled accrual calculation.</li> <li>(e) Documenting evidence of the items reviewed.</li> </ul>	O	Office of the Chief Financial Officer			
4	17	Complete quarterly reconciliations of the SSC credits and unearned revenue to the general ledger according to OFM guidance.	O	Office of the Chief Financial Officer			
5	17	Research transactions in older funds, and eliminate invalid transactions.	O	Office of the Chief Financial Officer			
6	17	Confer with regions to verify the regions' manual entries to the SSC spreadsheet agree with the supporting documentation by site.	O	Office of the Chief Financial Officer			

RECOMMENDATIONS						POTENTIAL MONETARY BENEFITS (in \$000s)	
Rec. No.	Page No.	Subject	Status <sup>1</sup>	Action Official	Planned Completion Date	Claimed Amount	Agreed To Amount
7	19	Complete the review of inactive Interagency Agreements and Headquarters-funded regional grants that were not reviewed during the annual unliquidated obligations review, to determine whether they are valid and viable obligations that should remain open.	C	Director, Office of Grants and Debarment	11/12/08	\$1,110.5	\$1,110.5
8	19	Follow up with Project Officers on the status of the inactive Interagency Agreements that were not resolved during the annual unliquidated obligation review process to determine their validity.	C	Director, Office of Grants and Debarment	11/12/08		
9	20	Have OFM work with OGD to determine how to identify Headquarters-funded regional grants for assignment to the Regional Grant Management Offices as part of the annual unliquidated obligation review process.	C	Office of the Chief Financial Officer	11/12/08		
10	22	Implement and maintain a process to ensure that changes to IFMS Vendor Table information have supporting documentation as an internal control and audit trail to ensure that vendor information is verifiable.	C	Director, Cincinnati Finance Center	11/12/08		
11	23	Implement controls to monitor and ensure the accuracy of Special Account balances and interest amounts recorded in IFMS.	O	Office of the Chief Financial Officer			
12	25	Complete a review of OCFO financial systems compliance with prescribed federal and EPA system requirements and document the results.	O	Office of the Chief Financial Officer			
13	25	Create and put into practice formal standard operating procedures to ensure that all current and future financial management systems meet all federal and EPA system requirements prior to being put into service and continue to meet these requirements throughout their lifecycle.	O	Office of the Chief Financial Officer			
14	25	Develop and implement a formal oversight process to ensure that all current and future financial management systems meet all federal and EPA system requirements prior to being put into service and continue to meet these requirements throughout their lifecycle. The oversight process should be documented as a formal OCFO policy, assign responsibility to Office of Program Management staff for conducting oversight reviews at least annually, outline standards to be followed, and specify when the oversight process will be reviewed to ensure that it is effective and achieving the desired results.	O	Office of the Chief Financial Officer			
15	25	Formally assign the Office of Enterprise, Technology, and Innovation the specific responsibilities for developing, implementing, and maintaining financial systems until the Office of Technology Solutions is formed.	U	Office of the Chief Financial Officer			

RECOMMENDATIONS						POTENTIAL MONETARY BENEFITS (in \$000s)	
Rec. No.	Page No.	Subject	Status <sup>1</sup>	Action Official	Planned Completion Date	Claimed Amount	Agreed To Amount
16	25	Formally prohibit any other organizational element within the OCFO from developing, implementing, or maintaining OCFO financial or mixed financial systems.	U	Office of the Chief Financial Officer			
17	27	Direct staff to develop and implement a control process that will accurately and timely update the program and regional records in READ.	O	Assistant Administrator, Office of Environmental Information			
18	27	Use the READ production date as the date software was placed in service, correct the date placed in service in the fixed assets system, and implement internal controls to ensure the accuracy of their data entry.	O	Office of the Chief Financial Officer			
19	31	Report the Anti-Deficiency Act violation to the President through the OMB Director, and to Congress and the Comptroller General as required.	U	EPA Administrator			
20	31	Obtain an apportionment letter for the \$32,530 upward subsidy re-estimate from OMB.	U	Office of the Chief Financial Officer			
21	31	Instruct the Program Offices and Office of Budget to develop operating procedures defining roles and responsibilities for completing the estimating process to ensure EPA has the proper authorization before entering information into IFMS.	U	Office of the Chief Financial Officer			
22	31	Instruct the Office of Budget, LVFC, and Reporting and Analysis Staff to establish milestones to ensure the subsidy re-estimate is completed and apportionment requested from OMB at least 30 days prior to the end of the fiscal year.	U	Office of the Chief Financial Officer			
23	33	Develop a control process that will timely allocate funding for all OTOP contracts.	U	Director, Office of Technology Operations and Planning			
24	33	Direct all OTOP Project Officers to promptly approve each invoice when received or return the invoice to the vendor within 7 days of receipt through the finance center, documenting why the invoice was deemed improper.	U	Director, Office of Technology Operations and Planning			
25	33	Calculate and pay the interest due resulting from the late payments.	U	Director, RTP Finance Center			
26	33	Direct all finance center personnel to review and obtain an understanding of the Prompt Payment Act. RTP should establish a process to follow up on any invoices returned to program offices for whatever reason so that issues on nonpaid invoices can be resolved promptly.	U	Director, RTP Finance Center			
27	35	Through its Office of Financial Services, continue to work with other federal trading partners to help reconcile the Agency's intragovernmental transactions and make appropriate adjustments to comply with federal financial reporting requirements.	O	Office of the Chief Financial Officer			

RECOMMENDATIONS						POTENTIAL MONETARY BENEFITS (in \$000s)	
Rec. No.	Page No.	Subject	Status <sup>1</sup>	Action Official	Planned Completion Date	Claimed Amount	Agreed To Amount
		Other potential monetary benefits achieved based on adjustments made as a result of our audit:					
		• Unrecorded Accounts Receivable				\$2,870.6	\$2,870.6
		• Reduction in Allocation Transfer Payable				\$19,877.7	\$19,877.7
		• Receivable Issued for Overpayment				\$18.0	\$18.0
		<b>Total Potential Monetary Benefits</b>					<b>\$23,876.8</b>

- 1 O = recommendation is open with agreed-to corrective actions pending  
C = recommendation is closed with all agreed-to actions completed  
U = recommendation is undecided with resolution efforts in progress

**EPA's Fiscal 2008 and 2007  
Consolidated Financial Statements**

**SECTION III  
ANNUAL FINANCIAL  
STATEMENTS**



## Principal Financial Statements

### Financial Statements

1. Consolidated Balance Sheet
2. Consolidated Statement of Net Cost
3. Consolidated Statement of Net Cost by Goal
4. Consolidating Statement of Changes in Net Position
5. Combined Statement of Budgetary Resources
6. Statement of Custodial Activity

### Notes to Financial Statements

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|----------|--|
| Note 1.  | Summary of Significant Accounting Policies                               |
| Note 2.  | Fund Balance with Treasury (FBWT)  |
| 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 Property, Plant and Equipment (PP& E)                            |
| Note 10. | Debt Due to Treasury   |
| Note 11. | Stewardship Land   |
| 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 Land   |
| 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 the Period                              |
| Note 32. | Offsetting Receipts  |

**Notes to Financial Statements (continued)**

Note 33.	Transfers-In and Out, Statement of Changes in Net Position
Note 34.	Imputed Financing Sources
Note 35.	Payroll and Benefits Payable
Note 36.	Other Adjustments, Statement of Changes in Net Position
Note 37.	Nonexchange Revenue, Statement of Changes in Net Position
Note 38.	Adjustment for Allocation Transfers
Note 39.	Reconciliation of Net Cost of Operations to Budget (formerly the Statement of Financing)
Note 40.	Other – Statement of Net Position

**Required Supplementary Information (Unaudited)**

1. Deferred Maintenance and Stewardship Land
2. Supplemental Statement of Budgetary Resources

**Required Supplementary Stewardship Information (Unaudited)****Supplemental Information and Other Reporting Requirements (Unaudited)**

Superfund Financial Statements and Related Notes

**Environmental Protection Agency**  
**Consolidated Balance Sheet**  
**As of September 30, 2008 and 2007**  
**(Dollars in Thousands)**

	<u>FY 2008</u>	<u>FY 2007</u>
<b>ASSETS</b>		
Intragovernmental:		
Fund Balance With Treasury (Note 2)	\$ 9,605,356	\$ 10,466,600
Investments (Notes 4 and 18)	6,174,828	5,753,061
Accounts Receivable, Net (Note 5)	34,636	57,039
Other (Note 6)	107,433	81,069
Total Intragovernmental	<u>\$ 15,922,253</u>	<u>\$ 16,357,769</u>
Cash and Other Monetary Assets (Note 3)	10	10
Accounts Receivable, Net (Note 5)	349,739	359,302
Loans Receivable, Net - Non-Federal (Note 7)	17,088	23,161
Property, Plant & Equipment, Net (Note 9)	814,253	809,873
Other (Note 6)	3,655	4,574
<b>Total Assets</b>	<b><u>\$ 17,106,998</u></b>	<b><u>\$ 17,554,689</u></b>
Stewardship PP& E (Note 11 )		
<b>LIABILITIES</b>		
Intragovernmental:		
Accounts Payable and Accrued Liabilities (Note 8)	80,655	122,207
Debt Due to Treasury (Note 10)	13,158	16,156
Custodial Liability (Note 12)	47,951	39,369
Other (Note 13)	109,377	98,360
Total Intragovernmental	<u>\$ 251,141</u>	<u>\$ 276,092</u>
Accounts Payable & Accrued Liabilities (Note 8)	\$ 713,595	\$ 912,000
Pensions & Other Actuarial Liabilities (Note 15)	44,615	39,786
Environmental Cleanup Costs (Note 24)	19,411	18,214
Cashout Advances, Superfund (Note 16)	286,630	190,269
Commitments & Contingencies (Notes 19 and 24)	44	-
Payroll & Benefits Payable (Note 35)	232,958	205,198
Other (Note 13)	115,648	113,739
<b>Total Liabilities</b>	<b><u>\$ 1,664,042</u></b>	<b><u>\$ 1,755,298</u></b>
<b>NET POSITION</b>		
Unexpended Appropriations - Other Funds (Note 17)	8,674,711	9,350,591
Cumulative Results of Operations - Earmarked Funds (Note 20)	6,212,479	5,886,227
Cumulative Results of Operation - Other Funds	<u>555,766</u>	<u>562,573</u>
Total Net Position	15,442,956	15,799,391
<b>Total Liabilities and Net Position</b>	<b><u>\$ 17,106,998</u></b>	<b><u>\$ 17,554,689</u></b>

**The accompanying notes are an integral part of these financial statements.**

**Environmental Protection Agency  
Consolidated Statement of Net Cost  
For the Periods Ending September 30, 2008 and 2007  
(Dollars in Thousands)**

	<u>FY 2008</u>	<u>FY 2007</u>
<b>COSTS</b>		
Gross Costs (Note 22)	\$ 8,675,411	\$ 9,263,304
Less:		
Earned Revenue (Notes 21, 22)	<u>634,201</u>	<u>550,098</u>
<b>NET COST OF OPERATIONS (Note 22)</b>	<b><u><u>\$ 8,041,210</u></u></b>	<b><u><u>\$ 8,713,206</u></u></b>

**The accompanying notes are an integral part of these financial statements.**

**Environmental Protection Agency**  
**Consolidated Statement of Net Cost by Goal**  
**For the Period Ending September 30, 2008**  
**(Dollars in Thousands)**

	<u>Clean Air</u>	<u>Clean &amp; Safe Water</u>	<u>Land Preservation &amp; Restoration</u>	<u>Healthy Communities &amp; Ecosystems</u>	<u>Compliance &amp; Environmental Stewardship</u>
<b>Costs:</b>					
Intragovernmental	\$ 181,467	\$ 162,679	\$ 347,011	\$ 281,767	\$ 176,376
With the Public	<u>\$ 816,336</u>	<u>\$ 3,334,953</u>	<u>\$ 1,654,205</u>	<u>\$ 1,126,764</u>	<u>\$ 593,853</u>
Total Costs (Note 22)	<u>997,803</u>	<u>3,497,632</u>	<u>2,001,216</u>	<u>1,408,531</u>	<u>770,229</u>
<b>Less:</b>					
Earned Revenue, Federal	\$ 18,360	\$ 7,615	\$ 73,829	\$ 22,710	\$ 5,540
Earned Revenue, non-Federal	<u>\$ 2,043</u>	<u>\$ 2,841</u>	<u>\$ 460,055</u>	<u>\$ 39,407</u>	<u>\$ 1,801</u>
Total Earned Revenue (Notes 21 and 22)	<u>20,403</u>	<u>10,456</u>	<u>533,884</u>	<u>62,117</u>	<u>7,341</u>
<b>NET COST OF OPERATIONS (Note 22)</b>	<b><u>\$ 977,400</u></b>	<b><u>\$ 3,487,176</u></b>	<b><u>\$ 1,467,332</u></b>	<b><u>\$ 1,346,414</u></b>	<b><u>\$ 762,888</u></b>
<b>Consolidated Totals</b>					
<b>Costs:</b>					
Intragovernmental	\$ 1,149,300				
With the Public	<u>\$ 7,526,111</u>				
Total Costs (Note 22)	<u>8,675,411</u>				
<b>Less:</b>					
Earned Revenue, Federal	\$ 128,054				
Earned Revenue, non-Federal	<u>\$ 506,147</u>				
Total Earned Revenue (Notes 21 and 22)	<u>634,201</u>				
<b>NET COST OF OPERATIONS (Note 22)</b>	<b><u>\$ 8,041,210</u></b>				

**The accompanying notes are an integral part of these financial statements.**

**Environmental Protection Agency  
Consolidated Statement of Net Cost by Goal  
For the Period Ending September 30, 2007  
(Dollars in Thousands)**

	<u>Clean Air</u>	<u>Clean &amp; Safe Water</u>	<u>Land Preservation &amp; Restoration</u>	<u>Healthy Communities &amp; Ecosystems</u>	<u>Compliance &amp; Environmental Stewardship</u>
<b>Costs:</b>					
Intragovernmental	\$ 185,389	\$ 180,571	\$ 396,786	\$ 275,068	\$ 182,101
With the Public	818,753	3,868,428	1,607,952	1,144,793	603,463
Total Costs (Note 22)	<u>1,004,142</u>	<u>4,048,999</u>	<u>2,004,738</u>	<u>1,419,861</u>	<u>785,564</u>
<b>Less:</b>					
Earned Revenue, Federal	15,594	11,016	101,036	18,450	5,613
Earned Revenue, non-Federal	2,997	2,262	352,963	38,902	1,265
Total Earned Revenue (Notes 21 and 22)	<u>18,591</u>	<u>13,278</u>	<u>453,999</u>	<u>57,352</u>	<u>6,878</u>
<b>NET COST OF OPERATIONS (Note 22)</b>	<b><u>\$ 985,551</u></b>	<b><u>\$ 4,035,721</u></b>	<b><u>\$ 1,550,739</u></b>	<b><u>\$ 1,362,509</u></b>	<b><u>\$ 778,686</u></b>

	<u>Consolidated Totals</u>
<b>Costs:</b>	
Intragovernmental	\$ 1,219,915
With the Public	\$ 8,043,389
Total Costs (Note 22)	<u>\$ 9,263,304</u>
<b>Less:</b>	
Earned Revenue, Federal	\$ 151,709
Earned Revenue, non-Federal	\$ 398,389
Total Earned Revenue (Notes 21 and 22)	<u>\$ 550,098</u>
<b>NET COST OF OPERATIONS (Note 22)</b>	<b><u>\$ 8,713,206</u></b>

**The accompanying notes are an integral part of these financial statements.**

**Environmental Protection Agency**  
**Consolidating Statement of Changes in Net Position**  
**For the Periods Ending September 30, 2008 and 2007**  
**(Dollars in Thousands)**

	<u>FY 2008 Earmarked Funds</u>	<u>FY 2008 All Other Funds</u>	<u>FY 2008 Consolidated Total</u>
<b>Cumulative Results of Operations:</b>			
<b>Net Position - Beginning of Period</b>	5,886,227	562,573	6,448,800
Beginning Balances, as Adjusted	\$ 5,886,227	\$ 562,573	\$ 6,448,800
<b>Budgetary Financing Sources:</b>			
Appropriations Used	-	7,743,276	7,743,276
Nonexchange Revenue - Securities Investment (Note 37)	241,873	-	241,873
Nonexchange Revenue - Other (Note 37)	204,115	-	204,115
Transfers In/Out (Note 33)	(18,190)	37,151	18,961
Trust Fund Appropriations	984,974	(984,974)	-
Other (Note 40)	19,878	-	19,878
Total Budgetary Financing Sources	\$ 1,432,650	\$ 6,795,453	\$ 8,228,103
<b>Other Financing Sources (Non-Exchange)</b>			
Transfers In/Out (Note 33)	-	28	28
Imputed Financing Sources (Note 34)	20,933	111,591	132,524
Total Other Financing Sources	\$ 20,933	\$ 111,619	\$ 132,552
Net Cost of Operations	(1,127,331)	(6,913,879)	(8,041,210)
Net Change	326,252	(6,807)	319,445
<b>Cumulative Results of Operations</b>	<u>\$ 6,212,479</u>	<u>\$ 555,766</u>	<u>\$ 6,768,245</u>
<b>Unexpended Appropriations:</b>			
<b>Net Position - Beginning of Period</b>	-	9,350,591	9,350,591
Beginning Balances, as Adjusted	-	9,350,591	9,350,591
<b>Budgetary Financing Sources:</b>			
Appropriations Received	-	7,197,712	7,197,712
Appropriations Transferred In/Out (Note 33)	-	(7,875)	(7,875)
Other Adjustments (Note 36)	-	(122,441)	(122,441)
Appropriations Used	-	(7,743,276)	(7,743,276)
Total Budgetary Financing Sources	-	(675,880)	(675,880)
<b>Total Unexpended Appropriations</b>	-	8,674,711	8,674,711
<b>TOTAL NET POSITION</b>	<u>\$ 6,212,479</u>	<u>\$ 9,230,477</u>	<u>\$ 15,442,956</u>

**The accompanying notes are an integral part of these financial statements**

**Environmental Protection Agency**  
**Consolidating Statement of Changes in Net Position**  
**For the Periods Ending September 30, 2008 and 2007**  
**(Dollars in Thousands)**

	<u>FY 2007 Earmarked Funds</u>	<u>FY 2007 All Other Funds</u>	<u>FY 2007 Consolidated Total</u>
<b>Cumulative Results of Operations:</b>			
<b>Net Position - Beginning of Period</b>	5,533,025	575,846	6,108,871
Adjustment:			
Change in Accounting Principle (Note 38)	20,900	-	20,900
Beginning Balances, as Adjusted	\$ 5,553,925	\$ 575,846	\$ 6,129,771
<b>Budgetary Financing Sources:</b>			
Appropriations Used	-	8,367,123	8,367,123
Nonexchange Revenue - Securities Investment (Note 37)	258,986	-	258,986
Nonexchange Revenue - Other (Note 37)	252,148	-	252,148
Transfers In/Out (Note 33)	(25,686)	43,491	17,805
Trust Fund Appropriations	1,040,371	(1,040,371)	-
Total Budgetary Financing Sources	\$ 1,525,819	\$ 7,370,243	\$ 8,896,062
<b>Other Financing Sources (Non-Exchange)</b>			
Transfers In/Out (Note 33)	39	525	564
Imputed Financing Sources (Note 34)	21,868	113,741	135,609
Total Other Financing Sources	\$ 21,907	\$ 114,266	\$ 136,173
Net Cost of Operations	(1,215,424)	(7,497,782)	(8,713,206)
Net Change	332,302	(13,273)	319,029
<b>Cumulative Results of Operations</b>	<b>\$ 5,886,227</b>	<b>\$ 562,573</b>	<b>\$ 6,448,800</b>
<b>Unexpended Appropriations:</b>			
<b>Net Position - Beginning of Period</b>	-	10,299,640	10,299,640
Beginning Balances, as Adjusted	-	10,299,640	10,299,640
<b>Budgetary Financing Sources:</b>			
Appropriations Received	-	7,422,635	7,422,635
Other Adjustments (Note 36)	-	(4,561)	(4,561)
Appropriations Used	-	(8,367,123)	(8,367,123)
Total Budgetary Financing Sources	-	(949,049)	(949,049)
<b>Total Unexpended Appropriations</b>	-	9,350,591	9,350,591
<b>TOTAL NET POSITION</b>	<b>\$ 5,886,227</b>	<b>\$ 9,913,164</b>	<b>\$ 15,799,391</b>

**The accompanying notes are an integral part of these financial statements**



**Environmental Protection Agency**  
**Combined Statement of Budgetary Resources**  
**For the Periods Ending September 30, 2008 and 2007**  
**(Dollars in Thousands)**

	<u>FY 2008</u>	<u>FY 2007</u>
<b>BUDGETARY RESOURCES</b>		
Unobligated Balance, Brought Forward, October 1:	\$ 3,541,387	\$ 3,247,087
Adjustment to Unobligated Balance (Alloc Transfer Agencies) (Note 38)	-	15,527
Adjusted Subtotal	<u>3,541,387</u>	<u>3,262,614</u>
Recoveries of Prior Year Unpaid Obligations (Note 29)	281,117	387,621
Budgetary Authority:		
Appropriation	7,268,236	7,495,028
Borrowing Authority	34	29
Spending Authority from Offsetting Collections		
Earned:		
Collected	708,430	640,354
Change in Receivables from Federal Sources	(22,170)	(72,546)
Change in Unfilled Customer Orders:		
Advance Received	77,880	(34,934)
Without Advance from Federal Sources	59,780	(625)
Expenditure Transfers from Trusts Funds	<u>37,151</u>	<u>43,491</u>
Total Spending Authority from Offsetting Collections	861,071	575,740
Nonexpenditure Transfers, Net, Anticipated and Actual (Note 33)	1,387,967	1,344,610
Temporarily Not Available Pursuant to Public Law (Note 29)	(6,366)	-
Permanently Not Available (Note 29)	<u>(125,526)</u>	<u>(7,333)</u>
<b>Total Budgetary Resources (Note 28)</b>	<u><u>\$ 13,207,920</u></u>	<u><u>\$ 13,058,309</u></u>
 <b>STATUS OF BUDGETARY RESOURCES</b>		
Obligations Incurred:		
Direct	\$ 9,035,912	\$ 9,027,170
Reimbursable	<u>620,128</u>	<u>489,752</u>
Total Obligations Incurred (Note 28)	9,656,040	9,516,922
Unobligated Balances:		
Apportioned (Note 30)	<u>3,204,800</u>	<u>3,274,344</u>
Total Unobligated Balances	3,204,800	3,274,344
Unobligated Balances Not Available (Note 30)	<u>347,080</u>	<u>267,043</u>
<b>Total Status of Budgetary Resources</b>	<u><u>\$ 13,207,920</u></u>	<u><u>\$ 13,058,309</u></u>

**The accompanying notes are an integral part of these financial statements**

**Environmental Protection Agency**  
**Combined Statement of Budgetary Resources**  
**For the Periods Ending September 30, 2008 and 2007**  
**(Dollars in Thousands)**

	<u>FY 2008</u>	<u>FY 2007</u>
<b>CHANGE IN OBLIGATED BALANCE</b>		
Obligated Balance, Net:		
Unpaid Obligations, Brought Forward, October 1	\$ 9,873,207	\$ 10,956,328
Adjustment to Unpaid Obligations (Alloc Transfer Agencies) (Note 38)	-	7,215
Adjusted Total	<u>9,873,207</u>	<u>10,963,543</u>
Less: Uncollected Customer Payments from Federal Sources, Brought Forward, October 1	<u>(632,790)</u>	<u>(712,239)</u>
Total Unpaid Obligated Balance, Net	9,240,417	10,251,304
Obligations Incurred, Net (Note 28)	9,656,040	9,516,922
Less: Gross Outlays (Note 28)	(9,880,035)	(10,219,637)
Less: Recoveries of Prior Year Unpaid Obligations, Actual (Note 29)	(281,117)	(387,621)
Change in Uncollected Customer Payments from Federal Sources	<u>(33,457)</u>	<u>79,449</u>
Total, Change in Obligated Balance	8,701,848	9,240,417
 Obligated Balance, Net, End of Period:		
Unpaid Obligations	9,368,094	9,873,207
Less: Uncollected Customer Payments from Federal Sources	<u>(666,246)</u>	<u>(632,790)</u>
Total, Unpaid Obligated Balance, Net, End of Period	\$ 8,701,848	\$ 9,240,417
 <b>NET OUTLAYS</b>		
Net Outlays:		
Gross Outlays (Note 28)	\$ 9,880,035	\$ 10,219,637
Less: Offsetting Collections (Note 28)	(827,616)	(655,188)
Less: Distributed Offsetting Receipts (Notes 28 and 32)	<u>(1,118,429)</u>	<u>(1,307,458)</u>
<b>Total, Net Outlays</b>	\$ 7,933,990	\$ 8,256,991

**The accompanying notes are an integral part of these financial statements.**

**Environmental Protection Agency**  
**Statement of Custodial Activity**  
**For the Periods Ending September 30, 2008 and 2007**  
**(Dollars in Thousands)**

	<u>FY 2008</u>	<u>FY 2007</u>
<b>Revenue Activity:</b>		
Sources of Cash Collections:		
Fines and Penalties	\$ 126,283	\$ 86,409
Other	<u>(13,733)</u>	<u>(4,171)</u>
Total Cash Collections	\$ 112,550	\$ 82,238
Accrual Adjustment	<u>8,107</u>	<u>7,092</u>
Total Custodial Revenue (Note 27)	<u>\$ 120,657</u>	<u>\$ 89,330</u>
<b>Disposition of Collections:</b>		
Transferred to Others (General Fund)	\$ 112,695	\$ 90,774
Increases/Decreases in Amounts to be Transferred	<u>7,962</u>	<u>(1,444)</u>
Total Disposition of Collections	<u>\$ 120,657</u>	<u>\$ 89,330</u>
<b>Net Custodial Revenue Activity (Note 27)</b>	<u>\$ -</u>	<u>\$ -</u>

**The accompanying notes are an integral part of these financial statements.**

**Environmental Protection Agency  
Notes to Financial Statements  
(Dollars in Thousands)**

***Note 1. Summary of Significant Accounting Policies***

**A. Basis of Presentation**

These accompanying 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 OMB Circular No. A-136, *Financial Reporting Requirements*, and the EPA's accounting policies which are summarized in this note. In addition to the reports required by OMB Circular No. A-136, the Statement of Net Cost has been prepared with cost segregated 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 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 2008, the accompanying financial statements are grouped and presented in a consolidated basis for the Balance Sheet, and Statements of Net Cost, Changes in Net Position and Custodial Activity and a combined basis for the Statement of Budgetary Resources. These 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 supplies, certain operating expenses, grants, contracts, intergovernmental agreements, and purchases of scientific equipment. These activities provide the scientific basis for the Agency's regulatory actions. In FY 2008, 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, Program Account, for interest subsidy and administrative support; under Treasury fund group 4322, Financing Account, 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 Account 0118 disburses the subsidy to the Financing Fund for increases in the subsidy. The Financing Account 4322 receives the subsidy payment, borrows from Treasury and collects the asbestos loans.

*i. Allocations and Appropriations Transferred to the Agency:* The EPA receives allocations or appropriations transferred from other federal agencies.

*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 Re-estimates 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.

*l. Allocation of Budget Authority:* EPA is an allocation budget transfer parent to five federal agencies: Department of Interior, Department of Labor, Center for Disease Control, Department of Commerce, and Federal Emergency Management Agency. EPA has an Interagency Agreement or a Memorandum of Understanding (MOU) with each child agency to provide an annual work plan and quarterly progress report containing an accounting of funds obligated in each budget category within 15 days after the end of each quarter. This allows EPA to properly report the financial activity. The allocation transfers are reported in the net cost of operations, changes in net position, balance sheet and budgetary resources where activity is being performed by the receiving Federal entity. In addition, EPA receives allocation transfers, as a child, from the Bureau of Land Management.

#### **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 re-registration 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, Financing Account 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 four activities: computer support services, financial system services, employee relocation services, and postage. The WCF derives revenue from these activities based upon a fee for services. The 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 of the financial statements.

#### **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 (P.L. 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 can only be appropriated to the S&T and EPM appropriations to meet the expenses of the programs that generate the receipts as authorized by Congress in the agency's appropriations bill.

**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)**

Deposits 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, City Income Taxes Withheld, and Other Federal Payroll Withholding Allotments. These funds are accounted for under Treasury fund groups 6264, 6265, 6266, 6500, 6050, 6275, and 6276, respectively.

### **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 by



(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 in subsequent years after the loans were disbursed.

Funds transferred from other federal agencies are funded by a non-expenditure 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, employee relocation 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. These are not EPA's funds.

### **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 Principal Fund of the Oil Spill Liability Trust Fund when Congress adopts the appropriation amount.

### **D. Basis of Accounting**

GAAP for Federal entities are the standards prescribed by the Federal Accounting Standards Advisory Board (FASAB), which is the official standard-setting body for the Federal government.

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.

## **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. Special accounts were previously limited to settlement amounts for future costs. However, beginning in FY 2001, cost recovery amounts received under CERCLA Section 122 (b)(3) settlements could be placed in special accounts. Cost recovery settlements that are not placed in special accounts continue to be deposited in the Trust Fund.

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 within statutory limits. The Asbestos Direct Loan Financing fund 4322, an off-budget fund, receives additional funding to support the outstanding loans through collections from the Program fund 0118 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, depending on who has the lead for the site (i.e., publicly or privately owned). States may pay the full amount of their share in advance or incrementally throughout the remedial action process.

## **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 contract 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 contract 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.

Personal property also consists of capital leases. To be defined as a capital lease, it must, at its inception, have a lease term of two or more years and the lower of the fair value or present value of the minimum lease payments must be \$75 thousand or more. Capital leases may also contain real property (therefore considered in the real property category as well), but these need to meet an \$85 thousand capitalization threshold. In addition, the lease must meet one of the following

criteria: transfers ownership to EPA, contains a bargain purchase option, the lease term is equal to 75 percent or more of the estimated service life, or the present value of the lease and other minimum lease payments equal or exceed 90 percent of the fair value.

Superfund contract 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 retains control of the property (i.e., pump and treat facility) for 10 years or less, and transfers 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 is based on a 10 year life. However, if any property is transferred to a state in a year or less, this property is charged to expense. If any property is sold prior to EPA relinquishing interest, the proceeds from the sale of that property shall be applied against contract payments or refunded as required by the Federal Acquisition Regulations.

An exception to the accounting of contract property includes equipment purchased by the Working Capital Fund (WCF). This property is retained in FAS and depreciated utilizing the straight-line method based upon the asset's acquisition date and useful life.

Real property consists of land, buildings, capital and leasehold improvements, as well as capital leases. 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 the WCF, 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 if those investments are considered Capital Planning and Investment Control (CPIC) or CPIC Lite systems with the provisions of SFFAS No. 10, "Accounting for Internal Use Software." Once software enters the production life cycle phase, it 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. At the end of FY 2007 and FY 2008, 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 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 Note 35 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 CSRS and FERS, 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, 2008 and 2007, consist of the following:

	FY 2008			FY 2007		
	Entity Assets	Non-Entity Assets	Total	Entity Assets	Non-Entity Assets	Total
<b>Trust Funds:</b>						
Superfund	\$ 45,596	\$ -	\$ 45,596	\$ 51,081	\$ -	\$ 51,081
LUST	12,712	-	12,712	32,406	-	32,406
Oil Spill & Misc.	3,637	-	3,637	4,576	-	4,576
<b>Revolving Funds:</b>						
FIFRA/Tolerance	2,371	-	2,371	9,313	-	9,313
Working Capital	65,080	-	65,080	70,460	-	70,460
Cr. Reform Finan.	399	-	399	429	-	429
<b>Appropriated</b>	9,237,455	-	9,237,455	10,084,002	-	10,084,002
<b>Other Fund Types</b>	229,038	9,068	238,106	205,693	8,640	214,333
<b>Total</b>	<b>\$ 9,596,288</b>	<b>\$ 9,068</b>	<b>\$ 9,605,356</b>	<b>\$ 10,457,960</b>	<b>\$ 8,640</b>	<b>\$ 10,466,600</b>

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.



	<u>FY 2008</u>	<u>FY 2007</u>
Status of Fund Balances:		
Unobligated Amounts in Fund Balances		
Available for Obligation	\$3,204,800	\$3,274,338
Unavailable for Obligation	339,319	267,042
Net Receivables from Invested Balances	(2,861,933)	(2,527,186)
Balances in Treasury Trust Fund (Note 18)	397	14,394
Obligated Balance not yet Disbursed	8,701,838	9,240,417
Non-Budgetary FBWT	220,935	197,595
<b>Totals</b>	<b><u>\$9,605,356</u></b>	<b><u>\$10,466,600</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. For FY 2008 and FY 2007 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, 2008 and September 30, 2007, cash consists of an imprest fund of \$10 thousand.

### *Note 4. Investments*

For September 30, 2008 and September 30, 2007 investments related to Superfund and LUST consist of the following:

	<u>Cost</u>	<u>Amortized (Premium) Discount</u>	<u>Interest Receivable</u>	<u>Investments, Net</u>	<u>Market Value</u>
<b>Intragovernmental</b>					
Non-Marketable FY 2008	\$ 6,057,258	\$ (77,301)	\$ 40,269	\$ 6,174,828	\$ 6,174,828
Non-Marketable FY 2007	\$ 5,680,321	\$ (29,481)	\$ 43,259	\$ 5,753,061	\$ 5,753,061

CERCLA, as amended by SARA, authorizes EPA to recover monies to clean up Superfund sites from responsible parties (RPs). 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 (see Note 20).

The Federal Government does not set aside assets to pay future benefits or other expenditures associated with earmarked funds. The cash receipts collected from the public for an earmarked fund are deposited in the U.S. Treasury, which uses the cash for general Government purposes. Treasury securities are issued to EPA as evidence of its receipts. Treasury securities are an asset to EPA and a liability to the U.S. Treasury. Because EPA and the U.S. Treasury are both parts of the Government, these assets and liabilities offset each other from the standpoint of the Government as a whole. For this reason, they do not represent an asset or liability in the U.S. Government-wide financial statements.

Treasury securities provide EPA with authority to draw upon the U.S. Treasury to make future benefit payments or other expenditures. When EPA requires redemption of these securities to make expenditures, the Government finances those expenditures out of accumulated cash balances, by raising taxes or other receipts, by borrowing from the public or repaying less debt, or by curtailing other expenditures. This is the same way that the Government finances all other expenditures.

***Note 5. Accounts Receivable***

The Accounts Receivable for September 30, 2008 and September 30, 2007 consist of the following:

	<u>FY 2008</u>	<u>FY 2007</u>
<b>Intragovernmental Assets:</b>		
Accounts & Interest Receivable	\$ 34,636	\$ 57,039
<b>Total</b>	<b>\$ 34,636</b>	<b>\$ 57,039</b>
<b>Non-Federal Assets:</b>		
Unbilled Accounts Receivable	\$ 113,359	\$ 136,779
Accounts & Interest Receivable	1,188,670	992,575
Less: Allowance for Uncollectibles	(952,290)	(770,052)
<b>Total</b>	<b>\$ 349,739</b>	<b>\$ 359,302</b>

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.

***Note 6. Other Assets***

Other Assets for September 30, 2008 and 2007 consist of the following:

	<u>FY 2008</u>	<u>FY 2007</u>
<b>Intragovernmental Assets:</b>		
Advances to Federal Agencies \$	107,327	\$ 80,940
Advances for Postage	106	129
<b>Total Intragovernmental Assets \$</b>	<b><u>107,433</u></b>	<b><u>\$ 81,069</u></b>
<b>Non-Federal Assets:</b>		
Travel Advances \$	135	\$ 106
Letter of Credit Advances	88	9
Grant Advances	-	116
Other Advances	2,934	3,699
Operating Materials and Supplies	159	160
Inventory for Sale	339	246
Securities Received in Settlement of Debt	-	238
<b>Total Non-Federal Assets \$</b>	<b><u>3,655</u></b>	<b><u>\$ 4,574</u></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, 2008 and 2007 are as follows:

	<u>FY 2008</u>			<u>FY 2007</u>		
	<u>Loans Receivable, Gross</u>	<u>Allowance*</u>	<u>Value of Assets Related to Direct Loans</u>	<u>Loans Receivable, Gross</u>	<u>Allowance*</u>	<u>Value of Assets Related to Direct Loans</u>
Direct Loans Obligated Prior to FY 1992	\$ 4,327	\$ -	\$ 4,327	\$ 7,435	\$ -	\$ 7,435
Direct Loans Obligated After FY 1991	14,513	(1,752)	12,761	18,440	(2,714)	15,726
<b>Total</b>	<b><u>\$ 18,840</u></b>	<b><u>\$ (1,752)</u></b>	<b><u>\$ 17,088</u></b>	<b><u>\$ 25,875</u></b>	<b><u>\$ (2,714)</u></b>	<b><u>\$ 23,161</u></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).

The Agency has permanent indefinite borrowing authority to replenish the Asbestos Loan account. During FY 2008, EPA calculated an Upward Subsidy Reestimate of \$33 thousand to utilize this replenishment. Budget authority was recorded and funds were expended for this. However, as of September 30, 2008 EPA had not received from OMB the apportionment authorizing this expenditure. The Agency is working with OMB and Legal Counsel to determine if this is an Anti-Deficiency situation since it has indefinite borrowing authority. During this review process, the EPA does not expect to receive the authorizing Apportionment Letter, and the Upward Subsidy Reestimate is unfunded as of September 30, 2008.

Subsidy Expenses for Credit Reform Loans (reported on a cash basis):

	<b>Interest Rate Re- estimate</b>	<b>Technical Re-estimate estimate</b>	<b>Total</b>
	<u>          </u>	<u>          </u>	<u>          </u>
Upward Subsidy Reestimate - FY 2008	\$ 21	\$ 12	\$ 33
Downward Subsidy Reestimate - FY 2008	\$ <u>(22)</u>	\$ <u>(12)</u>	\$ <u>(34)</u>
<b>FY 2008 Totals</b>	<b>\$ <u>(1)</u></b>	<b>\$ <u>-</u></b>	<b>\$ <u>(1)</u></b>
Downward Subsidy Reestimate – FY 2007	\$ <u>(17)</u>	\$ <u>(12)</u>	\$ <u>(29)</u>
<b>FY 2007 Totals</b>	<b>\$ <u>(17)</u></b>	<b>\$ <u>(12)</u></b>	<b>\$ <u>(29)</u></b>

**Schedule for Reconciling Subsidy Cost Allowance Balances  
(Post-1991 Direct Loans)**

	<u>FY 2008</u>	<u>FY 2007</u>
Beginning balance of the subsidy cost allowance	(\$2,714)	(\$3,882)
Add: subsidy expense for direct loans disbursed during the reporting years by component:		
(a) Interest rate differential costs	0.00	0.00
(b) Default costs (net of recoveries)	0.00	0.00
(c) Fees and other collections	0.00	0.00
(d) Other subsidy costs	0.00	0.00
Total of the above subsidy expense components	<u>0.00</u>	<u>0.00</u>
Adjustments:		
(a) Loan Modification:	0.00	0.00
(b) Fees received	0.00	0.00
(c) Foreclosed property acquired	0.00	0.00
(d) Loans written off	0.00	1.00
(e) Subsidy allowance amortization	981.00	1,167.00
(f) Other	0.00	0.00
Ending balance of the subsidy cost allowance before reestimates	<u>981.00</u>	<u>1,168.00</u>
Add or subtract subsidy reestimates by component:		
(a) interest rate reestimate	(21.00)	0.00 1/
(b) Technical/default reestimate	2.00	0.00 1/
Total of the above reestimate components	<u>(19.00)</u>	<u>0.00</u>
<b>Ending Balance of the subsidy cost allowance</b>	<b><u>(\$1,752)</u></b>	<b><u>(\$2,714)</u></b>

1/ There is an immaterial difference that will be researched in FY 2009.  
EPA has not disbursed Direct Loans since 1993.

**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, 2008 and 2007.

	<u>FY 2008</u>	<u>FY 2007</u>
<b>Intragovernmental:</b>		
Accounts Payable to other Federal Agencies	\$ 2,811	\$ 2,611
Liability for Allocation Transfers	-	19,878
Accrued Liabilities, Federal	77,844	99,718
<b>Total Intragovernmental</b>	<b>\$ 80,655</b>	<b>\$ 122,207</b>
<b>Non-Federal:</b>		
	<u>FY 2008</u>	<u>FY 2007</u>
Accounts Payable, Non-Federal	\$ 114,712	\$ 114,082
Advances Payable, Non-Federal	24	16
Interest Payable	7	7
Grant Liabilities	413,981	601,034
Other Accrued Liabilities, Non-Federal	184,871	196,861
<b>Total Non-Federal</b>	<b>\$ 713,595</b>	<b>\$ 912,000</b>

**Note 9. General Property, Plant, and Equipment (PP&E)**

General property, plant, and equipment consist of software, real property, EPA and Contractor-Held personal property, and capital leases.

As of September 30, 2008 and 2007, General Property, Plant, and Equipment consist of the following:

	<b>FY 2008</b>			<b>FY 2007</b>		
	<u>Acquisition Value</u>	<u>Accumulated Depreciation</u>	<u>Net Book Value</u>	<u>Acquisition Value</u>	<u>Accumulated Depreciation</u>	<u>Net Book Value</u>
EPA-Held Equipment	\$ 238,051	\$ (130,045)	\$ 108,006	\$ 222,848	\$ (119,605)	\$ 103,243
Software	307,883	(93,925)	213,958	258,637	(49,407)	209,230
Contractor Held Equip.	63,132	(28,417)	34,715	64,641	(23,486)	41,155
Land and Buildings	595,597	(154,986)	440,611	579,880	(143,594)	436,286
Capital Leases	47,505	(30,542)	16,963	47,505	(27,546)	19,959
<b>Total</b>	<b>\$ 1,252,168</b>	<b>\$ (437,915)</b>	<b>\$ 814,253</b>	<b>\$ 1,173,511</b>	<b>\$ (363,638)</b>	<b>\$ 809,873</b>

**Note 10. Debt Due to Treasury**

The debt due to Treasury consists of borrowings to finance the asbestos loan program. The debt to Treasury as of September 30, 2008 and 2007 is as follows:

<b>All Other Funds</b>	<b>FY 2008</b>			<b>FY 2007</b>		
	<b>Beginning Balance</b>	<b>Net Borrowing</b>	<b>Ending Balance</b>	<b>Beginning Balance</b>	<b>Net Borrowing</b>	<b>Ending Balance</b>
<b>Intragovernmental:</b>						
Debt to Treasury	\$ 16,156	\$ (2,998)	\$ 13,158	\$ 18,896	\$ (2,740)	\$ 16,156

**Note 11. Stewardship 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, 2008 and 2007, the Agency possesses the following land and land rights:

	<b>FY 2008</b>	<b>FY 2007</b>
<b>Superfund Sites with Easements</b>		
Beginning Balance	33	32
Additions	1	2
Withdrawals	2	1
Ending Balance	<b>32</b>	<b>33</b>
<b>Superfund Sites with Land Acquired</b>		
Beginning Balance	32	31
Additions	2	1
Withdrawals	3	-
Ending Balance	<b>31</b>	<b>32</b>

**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. As of September 30, 2008 and 2007, custodial liability is \$48 million and \$39 million, respectively.

**Note 13. Other Liabilities**

Other Liabilities consist of the following as of September 30, 2008:

	<b>Covered by Budgetary Resources</b>	<b>Not Covered by Budgetary Resources</b>	<b>Total</b>
<b>Other Liabilities – Intragovernmental</b>			
<b>Current</b>			
Employer Contributions & Payroll Taxes \$	17,125	\$ -	\$ 17,125
WCF Advances	3,166	-	3,166
Other Advances	14,489	-	14,489
Advances, HRSTF Cashout	41,586	-	41,586
Deferred HRSTF Cashout	1,089	-	1,089
Resources Payable to Treasury	3	-	3
Subsidy Payable to Treasury	5	-	5
<b>Non-Current</b>			
Unfunded FECA Liability	-	9,914	9,914
Payable to Treasury Judgment Fund	-	22,000	22,000
<b>Total Intragovernmental</b>	<b>\$ 77,463</b>	<b>\$ 31,914</b>	<b>\$ 109,377</b>
<b>Other Liabilities - Non-Federal</b>			
<b>Current</b>			
Unearned Advances, Non-Federal \$	77,088	\$ -	\$ 77,088
Liability for Deposit Funds, Non-Federal	8,810	-	8,810
<b>Non-Current</b>			
Other Liabilities	-	230	230
Capital Lease Liability	-	29,520	29,520
<b>Total Non-Federal</b>	<b>\$ 85,898</b>	<b>\$ 29,750</b>	<b>\$ 115,648</b>



Other Liabilities consist of the following as of September 30, 2007:

<b>Other Liabilities – Intragovernmental</b>	<b>Covered by Budgetary Resources</b>	<b>Not Covered by Budgetary Resources</b>	<b>Total</b>
<b>Current</b>			
Employer Contributions & Payroll Taxes	\$ 13,632	\$ -	\$ 13,632
WCF Advances	1,779	-	1,779
Other Advances	11,040	-	11,040
Advances, HRSTF Cashout	40,063	-	40,063
Deferred HRSTF Cashout	609	-	609
Liability for Deposit Funds	(37)	-	(37)
Resources Payable to Treasury	138	-	138
Subsidy Payable to Treasury	34	-	34
<b>Non-Current</b>			
Unfunded FECA Liability	-	9,102	9,102
Payable to Treasury Judgment Fund	-	22,000	22,000
<b>Total Intragovernmental</b>	<b>\$ 67,258</b>	<b>\$ 31,102</b>	<b>\$ 98,360</b>
<b>Other Liabilities - Non-Federal</b>			
<b>Current</b>			
Unearned Advances, Non-Federal	\$ 72,671	\$ -	\$ 72,671
Liability for Deposit Funds, Non-Federal	8,453	-	8,453
<b>Non-Current</b>			
Other Liabilities	-	230	230
Capital Lease Liability	-	32,385	32,385
<b>Total Non-Federal</b>	<b>\$ 81,124</b>	<b>\$ 32,615</b>	<b>\$ 113,739</b>

*Note 14. Leases*

**Capital Leases:**

The Capital Leases:

	<b>FY 2008</b>	<b>FY 2007</b>
<b>Summary of Assets Under Capital Lease:</b>		
Real Property	\$ 40,913	\$ 40,913
Personal Property	155	155
Software License	6,437	6,437
<b>Total</b>	<b>\$ 47,505</b>	<b>\$ 47,505</b>
Accumulated Amortization	\$ 30,542	\$ 27,546

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 has a capital lease expended out of the Working Capital Fund for a Microsoft Office Software Suite. This lease will terminate in FY 2009.

During FY 2005, EPA entered into a capital lease for a Storage Area Network. The lease terminates in FY 2009, and payments are expended from the EPM appropriation. The total future minimum capital lease payments are listed below.

<b><u>Future Payments Due:</u></b>	
<b>Fiscal Year</b>	<b>Capital Leases</b>
2009	\$ 6,295
2010	6,102
2011	5,714
2012	5,714
After 5 Years	53,487
<b>Total Future Minimum Lease Payments</b>	<b>\$ 77,312</b>
Less: Imputed Interest	(47,792)
<b>Net Capital Lease Liability</b>	<b>\$ 29,520</b>
<b>Liabilities not Covered by Budgetary Resources (See Note 13)</b>	<b>\$ 29,520</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 four current direct operating leases for land and buildings housing scientific laboratories and/or computer facilities. The 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. The leases expire in FY 2009, FY2010, 2017, and 2020. These charges are expended from the EPM appropriation.

The total minimum future operating lease costs are listed below.

<u>Fiscal Year</u>	<u>Operating Leases, Land and Buildings</u>	
2009	\$	112
2010		97
2011		89
2012		89
Beyond 2012		600
<b>Payments</b>	<b>\$</b>	<b>987</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, 2008 and 2007, consists of the following:

	<u>FY 2008</u>	<u>FY 2007</u>
<b>FECA Actuarial Liability</b>	\$ 44,615	\$ 39,786

The FY 2008 present value of these estimated outflows is calculated using a discount rate of 4.368 percent in the first year, and 4.770 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 PRPs, 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. As of September 30, 2008 and 2007, cashouts are \$287 million and \$190 million, respectively.

**Note 17. Unexpended Appropriations – Other Funds**

As of September 30, 2008 and 2007, the Unexpended Appropriations consist of the following:

<b>Unexpended Appropriations:</b>	<b>FY 2008</b>	<b>FY 2007</b>
Unobligated		
Available	\$ 1,520,587	\$ 1,791,873
Unavailable	94,130	81,753
Undelivered Orders	7,059,994	7,476,965
<b>Total</b>	<b>\$ 8,674,711</b>	<b>\$ 9,350,591</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, 2008 and 2007. 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.

<b>SUPERFUND FY 2008</b>	<b>EPA</b>	<b>Treasury</b>	<b>Combined</b>
<b>Undistributed Balances</b>			
Uninvested Fund Balance	\$ -	\$ 2,894	\$ 2,894
Total Undisbursed Balance	-	2,894	2,894
Interest Receivable	-	11,533	11,533
Investments, Net	2,749,821	164,878	2,914,699
<b>Total Assets</b>	<b>\$ 2,749,821</b>	<b>\$ 179,305</b>	<b>\$ 2,929,126</b>
<b>Liabilities &amp; Equity</b>			
Receipts and Outlays	\$ -	\$ -	\$ -
Equity	\$ 2,749,821	\$ 179,305	\$ 2,929,126
<b>Total Liabilities and Equity</b>	<b>\$ 2,749,821</b>	<b>\$ 179,305</b>	<b>\$ 2,929,126</b>
<b>Receipts</b>			
Cost Recoveries	\$ -	\$ 89,975	\$ 89,975
Fines & Penalties	-	2,850	2,850
Total Revenue	-	92,825	92,825
Appropriations Received	-	984,974	984,974
Interest Income	-	114,340	114,340
<b>Total Receipts</b>	<b>\$ -</b>	<b>\$ 1,192,139</b>	<b>\$ 1,192,139</b>
<b>Outlays</b>			
Transfers to/from EPA, Net	\$ 1,301,315	\$ (1,301,315)	\$ -
Transfer from CDC (recovery)	-	1,905	1,905
<b>Total Outlays</b>	<b>1,301,315</b>	<b>(1,299,410)</b>	<b>1,905</b>
<b>Net Income</b>	<b>\$ 1,301,315</b>	<b>\$ (107,271)</b>	<b>\$ 1,194,044</b>

In FY 2008, the EPA received an appropriation of \$985 million for Superfund. 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, 2008 and 2007, the Treasury Trust Fund has a liability to EPA for previously appropriated funds of \$2,749.9 million and \$2,466.8 million, respectively.

<b>SUPERFUND FY 2007</b>	<b>EPA</b>	<b>Treasury</b>	<b>Combined</b>
<b>Undistributed Balances</b>			
Uninvested Fund Balance	\$ -	\$ 1,538	\$ 1,538
Total Undisbursed Balance	-	1,538	1,538
Interest Receivable	-	12,795	12,795
Investments, Net	2,466,812	272,244	2,739,056
<b>Total Assets</b>	<b>\$ 2,466,812</b>	<b>\$ 286,577</b>	<b>\$ 2,753,389</b>
<b>Liabilities &amp; Equity</b>			
Receipts and Outlays	-	-	-
Equity	\$ 2,466,812	\$ 286,577	\$ 2,753,389
<b>Total Liabilities and Equity</b>	<b>\$ 2,466,812</b>	<b>\$ 286,577</b>	<b>\$ 2,753,389</b>
<b>Receipts</b>			
Corporate Environmental	\$ -	\$ 2,602	\$ 2,602
Cost Recoveries	-	234,050	234,050
Fines & Penalties	-	1,063	1,063
Total Revenue	-	237,715	237,715
Appropriations Received	-	1,040,371	1,040,371
Interest Income	-	141,407	141,407
<b>Total Receipts</b>	<b>\$ -</b>	<b>\$ 1,419,493</b>	<b>\$ 1,419,493</b>
<b>Outlays</b>			
Transfers to/from EPA, Net	\$ 1,316,114	\$ (1,316,114)	\$ -
Transfers from CDC (recovery)	\$ -	\$ 1,370	\$ 1,370
<b>Total Outlays</b>	<b>1,316,114</b>	<b>(1,314,744)</b>	<b>1,370</b>
<b>Net Income</b>	<b>\$ 1,316,114</b>	<b>\$ 104,749</b>	<b>\$ 1,420,863</b>

**LUST (Unaudited)**

LUST is supported primarily by a sales tax on motor fuels to clean up LUST waste sites. In FYs 2008 and 2007 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.

LUST FY 2008	<u>EPA</u>	<u>Treasury</u>	<u>Combined</u>
<b>Undistributed Balances</b>			
Uninvested Fund Balance	\$ -	\$ (2,497)	\$ (2,497)
Total Undisbursed Balance	-	(2,497)	(2,497)
Interest Receivable	-	28,735	28,735
Investments, Net	112,068	3,099,871	3,211,939
<b>Total Assets</b>	<b>\$ 112,068</b>	<b>\$ 3,126,109</b>	<b>\$ 3,238,177</b>
<b>Liabilities &amp; Equity</b>			
Equity	\$ 112,068	\$ 3,126,109	\$ 3,238,177
<b>Equity</b>	<b>\$ 112,068</b>	<b>\$ 3,126,109</b>	<b>\$ 3,238,177</b>
<b>Receipts</b>			
Highway TF Tax	\$ -	\$ 154,309	\$ 154,309
Airport TF Tax	-	16,240	16,240
Inland TF Tax	-	213	213
Total Revenue	-	170,762	170,762
Interest Income	-	127,346	127,346
<b>Total Receipts</b>	<b>\$ -</b>	<b>\$ 298,108</b>	<b>\$ 298,108</b>
<b>Outlays</b>			
Transfers to/from EPA, Net	\$ 105,816	\$ (105,816)	-
<b>Total Outlays</b>	<b>105,816</b>	<b>(105,816)</b>	<b>-</b>
<b>Net Income</b>	<b>\$ 105,816</b>	<b>\$ 192,292</b>	<b>\$ 298,108</b>

LUST FY 2007	<u>EPA</u>	<u>Treasury</u>	<u>Combined</u>
<b>Undistributed Balances</b>			
Uninvested Fund Balance	\$ -	\$ 12,856	\$ 12,856
Total Undisbursed Balance	-	12,856	12,856
Interest Receivable	-	30,465	30,465
Investments, Net	80,252	2,890,497	2,970,749
<b>Total Assets</b>	<b>\$ 80,252</b>	<b>\$ 2,933,818</b>	<b>\$ 3,014,070</b>
<b>Liabilities &amp; Equity</b>			
Equity	\$ 80,252	\$ 2,933,818	\$ 3,014,070
<b>Equity</b>	<b>\$ 80,252</b>	<b>\$ 2,933,818</b>	<b>\$ 3,014,070</b>
<b>Receipts</b>			
Highway TF Tax	\$ -	\$ 204,272	\$ 204,272
Airport TF Tax	-	23,528	23,528
Inland TF Tax	-	457	457
Refund Gasoline Tax	-	(914)	(914)
Refund Diesel Tax	-	(934)	(934)
Refund Aviation Fuel	-	(197)	(197)
Refund Aviation Tax	-	(18)	(18)
Total Revenue	-	226,194	226,194
Interest Income	-	117,579	117,579
<b>Total Receipts</b>	<b>\$ -</b>	<b>\$ 343,773</b>	<b>\$ 343,773</b>
<b>Outlays</b>			
Transfers to/from EPA, Net	\$ 72,035	\$ (72,035)	\$ -
<b>Total Outlays</b>	<b>72,035</b>	<b>(72,035)</b>	<b>-</b>
<b>Net Income</b>	<b>\$ 72,035</b>	<b>\$ 271,738</b>	<b>\$ 343,773</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, 2008, there are currently two CERCLA Section 106(b) administrative claims. If the claimants are successful, the total losses on the claims could amount to approximately \$3.3 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. One claimant's chance of success is characterized as reasonably possible and one (\$2.5 million) is characterized as remote chance of success.

**Judgment Fund:**

In cases that are paid by the U.S. Treasury Judgment Fund, EPA must recognize the full cost of a claim regardless of which entity 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, 2008, there are no material claims pending in the Treasury's 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.

**Other Commitments:**

EPA has a legal commitment under a non-cancellable agreement with the United Nations Environment Program (UNEP). This agreement enables EPA to provide funding to the Multilateral Fund for the Implementation of the Montreal Protocol. Future payments totaling \$9.5 million are scheduled to be processed in FY 2009 and FY 2010.

**Note 20. Earmarked Funds**

	Environmental Services	LUST	Superfund	Other Earmarked Funds	Total Earmarked Funds
<b>Balance Sheet as of September 30, 2008</b>					
<b>ASSETS</b>					
Fund Balance with Treasury	\$ 211,282	\$ 12,711	\$ 45,596	\$ 23,765	\$ 293,354
Investments	-	3,240,674	2,926,233	7,921	6,174,828
Accounts Receivable, Net	-	27	317,773	4,404	322,204
Other Assets	-	72	89,409	2,487	91,968
Total Assets	<u>\$ 211,282</u>	<u>\$ 3,253,484</u>	<u>\$ 3,379,011</u>	<u>\$ 38,577</u>	<u>\$ 6,882,354</u>
Other Liabilities	\$ -	\$ 8,988	\$ 624,299	\$ 36,588	\$ 669,875
Total Liabilities	<u>\$ -</u>	<u>\$ 8,988</u>	<u>\$ 624,299</u>	<u>\$ 36,588</u>	<u>\$ 669,875</u>
Cumulative Results of Operations	\$ 211,282	\$ 3,244,496	\$ 2,754,712	\$ 1,989	\$ 6,212,479
Total Liabilities and Net Position	<u>\$ 211,282</u>	<u>\$ 3,253,484</u>	<u>\$ 3,379,011</u>	<u>\$ 38,577</u>	<u>\$ 6,882,354</u>
<b>Statement of Changes in Net Cost For the Period Ended September 30, 2008</b>					
Gross Program Costs	\$ -	\$ 77,702	\$ 1,530,979	\$ 73,284	\$ 1,681,965
Less: Earned Revenues	<u>-</u>	<u>32</u>	<u>502,177</u>	<u>52,425</u>	<u>554,634</u>
Net Cost of Operations	<u>\$ -</u>	<u>\$ 77,670</u>	<u>\$ 1,028,802</u>	<u>\$ 20,859</u>	<u>\$ 1,127,331</u>
<b>Statement of Changes in Net Position for the Period Ended September 30, 2008</b>					
Net Position, Beginning of Period	\$ 188,371	\$ 3,023,769	\$ 2,670,425	\$ 3,662	\$ 5,886,227
Nonexchange Revenue - Securities Investment	-	127,346	114,340	187	241,873
Nonexchange Revenue	22,911	170,762	10,442	-	204,115
Other Budgetary Financing Sources	-	-	969,606	17,056	986,662
Other Financing Sources	-	289	18,701	1,943	20,933
Net Cost of Operations	-	(77,670)	(1,028,802)	(20,859)	(1,127,331)
Change in Net Position	<u>\$ 22,911</u>	<u>\$ 220,727</u>	<u>\$ 84,287</u>	<u>\$ (1,673)</u>	<u>\$ 326,252</u>
Net Position End of Period	<u>\$ 211,282</u>	<u>\$ 3,244,496</u>	<u>\$ 2,754,712</u>	<u>\$ 1,989</u>	<u>\$ 6,212,479</u>

	Environmental Services	LUST	Superfund	Other Earmarked Funds	Total Earmarked Funds
<b>Balance Sheet as of September 30, 2007</b>					
ASSETS					
Fund Balance with Treasury	\$ 188,370	\$ 32,405	\$ 51,081	\$ 31,213	\$ 303,069
Investments	-	3,001,214	2,751,850	(3)	5,753,061
Accounts Receivable, Net	-	-	329,829	3,724	333,553
Other Assets	-	180	86,558	757	87,495
Total Assets	<u>\$ 188,370</u>	<u>\$ 3,033,799</u>	<u>\$ 3,219,318</u>	<u>\$ 35,691</u>	<u>\$ 6,477,178</u>
Other Liabilities	\$ -	\$ 10,030	\$ 548,893	\$ 32,028	\$ 590,951
Total Liabilities	<u>\$ -</u>	<u>\$ 10,030</u>	<u>\$ 548,893</u>	<u>\$ 32,028</u>	<u>\$ 590,951</u>
Cumulative Results of Operations	\$ 188,370	\$ 3,023,769	\$ 2,670,425	\$ 3,663	\$ 5,886,227
Total Liabilities and Net Position	<u>\$ 188,370</u>	<u>\$ 3,033,799</u>	<u>\$ 3,219,318</u>	<u>\$ 35,691</u>	<u>\$ 6,477,178</u>

**Statement of Changes in Net Cost For the Period Ended  
September 30, 2007**

Gross Programs Costs	\$ -	\$ 76,242	\$ 1,497,010	\$ 72,308	\$ 1,645,560
Less: Earned Revenues	<u>-</u>	<u>(1,414)</u>	<u>377,904</u>	<u>53,646</u>	<u>430,136</u>
Net Cost of Operations	<u>\$ -</u>	<u>\$ 77,656</u>	<u>\$ 1,119,106</u>	<u>\$ 18,662</u>	<u>\$ 1,215,424</u>

**Statement of Changes in Net Position for the Period Ended  
September 30, 2007**

Net Position, Beginning of Period	\$ 165,723	\$ 2,757,325	\$ 2,606,400	\$ 3,577	\$ 5,533,025
Changes in Accounting Principle (Alloc Trans Agency) (Note 38)	-	-	20,900	-	20,900
Beginning Balance as Adjusted	165,723	2,757,325	2,627,300	3,577	5,553,925
Nonexchange Revenue - Securities Investment	-	117,579	141,407	-	258,986
Nonexchange Revenue - Other	22,648	226,194	2,721	585	252,148
Other Budgetary Financing Sources	-	-	998,952	15,733	1,014,685
Other Financing Sources	-	327	19,151	2,429	21,907
Net Cost of Operations	-	(77,656)	(1,119,106)	(18,662)	(1,215,424)
Change in Net Position	<u>\$ 22,648</u>	<u>\$ 266,444</u>	<u>\$ 43,125</u>	<u>\$ 85</u>	<u>\$ 332,302</u>
Net Position End of Period	<u>\$ 188,371</u>	<u>\$ 3,023,769</u>	<u>\$ 2,670,425</u>	<u>\$ 3,662</u>	<u>\$ 5,886,227</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 (P.L. 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 can only be appropriated to the S&T and EPM appropriations to meet the expenses of the programs that generate the receipts as authorized by Congress in the Agency's appropriations bill.

***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 per 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 CERCLA to provide resources 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.

***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.

***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. As of September 30, 2008 and 2007, exchange revenues are \$634 million and \$550 million, respectively.

**Note 22. Intragovernmental Costs and Exchange Revenue**

	FY 2008			FY 2007		
	Intragovernmental	With the Public	TOTAL	Intragovernmental	With the Public	TOTAL
<b>Clean Air</b>						
Program Costs	\$ 181,467	\$ 816,336	\$ 997,803	\$ 185,389	\$ 818,753	\$ 1,004,142
Earned Revenue	18,360	2,043	20,403	15,594	2,997	18,591
NET COST	\$ 163,107	\$ 814,293	\$ 977,400	\$ 169,795	\$ 815,756	\$ 985,551
<b>Clean &amp; Safe Water</b>						
Program Costs	\$ 162,679	3,334,953	\$ 3,497,632	\$ 180,571	\$ 3,868,428	\$ 4,048,999
Earned Revenue	7,615	2,841	10,456	11,016	2,262	13,278
NET COST	\$ 155,064	\$ 3,332,112	\$ 3,487,176	\$ 169,555	\$ 3,866,166	\$ 4,035,721
<b>Land Preservation &amp; Restoration</b>						
Program Costs	\$ 347,011	\$ 1,654,205	\$ 2,001,216	\$ 396,786	\$ 1,607,952	\$ 2,004,738
Earned Revenue	73,829	460,055	533,884	101,036	352,963	453,999
NET COST	\$ 273,182	\$ 1,194,150	\$ 1,467,332	\$ 295,750	\$ 1,254,989	\$ 1,550,739
<b>Healthy Communities &amp; Ecosystems</b>						
Program Costs	\$ 281,767	\$ 1,126,764	\$ 1,408,531	\$ 275,068	\$ 1,144,793	\$ 1,419,861
Earned Revenue	22,710	39,407	62,117	18,450	38,902	57,352
NET COST	\$ 259,057	\$ 1,087,357	\$ 1,346,414	\$ 256,618	\$ 1,105,891	\$ 1,362,509
<b>Compliance &amp; Environmental Stewardship</b>						
Program Costs	\$ 176,376	\$ 593,853	\$ 770,229	\$ 182,101	\$ 603,463	\$ 785,564
Earned Revenue	5,540	1,801	7,341	5,613	1,265	6,878
NET COST	\$ 170,836	\$ 592,052	\$ 762,888	\$ 176,488	\$ 602,198	\$ 778,686
<b>Total</b>						
Program Costs	\$ 1,149,300	\$ 7,526,111	\$ 8,675,411	\$ 1,219,915	\$ 8,043,389	\$ 9,263,304
Earned Revenue	128,054	506,147	634,201	151,709	398,389	550,098
NET COST	\$ 1,021,246	\$ 7,019,964	\$ 8,041,210	\$ 1,068,206	\$ 7,645,000	\$ 8,713,206

Intragovernmental costs relate to the source of the goods or services not the classification of the related revenue.

**Note 23. Cost of Stewardship Land**

The costs related to the acquisition of stewardship land was approximately \$2 million in FY 2008 and less than \$150 thousand in FY 2007. These costs are included in the Statement of Net Cost.

**Note 24. Environmental Cleanup Costs**

As of September 30, 2008, EPA has six sites that require clean up stemming from its activities. Costs amounting to \$269 thousand may be paid out of the Treasury Judgment Fund. Two claimants' chance of success are characterized as probable and three as reasonably possible. Additionally, EPA has one site (\$80 thousand) characterized as having a 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 two sites that have an unfunded environmental liability of \$230 thousand.

### **Accrued Cleanup Cost:**

The EPA has 16 sites that will require future clean up associated with permanent closure. The estimated costs will be approximately \$19 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 2008 estimate for unfunded cleanup costs increased by \$1.2 million from the FY 2007 estimate.

### ***Note 25. State Credits***

Authorizing statutory language for Superfund and related Federal regulations requires 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 it 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, 2008, the total remaining state credits have been estimated at \$15.3 million. The estimated ending credit balance on September 30, 2007 was \$14.5 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 them 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, 2008, EPA had 14 outstanding preauthorized mixed funding agreements with obligations totaling \$25 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**

	<u>FY 2008</u>	<u>FY 2007</u>
<b>Fines, Penalties and Other Miscellaneous Receipts</b>	<b>\$ 120,657</b>	<b>\$ 89,330</b>
<b>Accounts Receivable for Fines, Penalties and Other Miscellaneous Receipts:</b>		
Accounts Receivable	\$ 220,123	\$ 196,590
Less: Allowance for Uncollectible Accounts	(171,966)	(156,401)
<b>Total</b>	<b>\$ 48,157</b>	<b>\$ 40,189</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 2008 Statement of Budgetary Resources, will be reconciled to the amounts included in the FY 2009 Budget of the United States Government when they become available. The Budget of the United States Government with actual numbers for FY 2008 has not yet been published. We expect it will be published by March 2009, and it will be available on the OMB website at <http://www.whitehouse.gov/>. The actual amounts published for the year ended September 30, 2007 are included in EPA's FY 2008 financial statement disclosures.

<u>FY 2007</u>	<u>Budgetary Resources</u>	<u>Obligations</u>	<u>Offsetting Receipts</u>	<u>Net Outlays</u>
<b>Statement of Budgetary Resources</b>	<b>\$ 13,058,309</b>	<b>9,516,922</b>	<b>1,307,458</b>	<b>9,564,449</b>
Adjustments to Undelivered Orders and Other	3,780	1,679	-	-
Expired and Immaterial Funds*	(264,384)	(1,520)	-	-
Rounding Differences**	(1,705)	(1,081)	(458)	(1,449)
<b>Reported in Budget of the U. S. Government</b>	<b>\$ 12,796,000</b>	<b>\$ 9,516,000</b>	<b>\$ 1,307,000</b>	<b>\$ 9,563,000</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:

	<u>FY 2008</u>	<u>FY 2007</u>
Recoveries of Prior Year Obligations- downward adjustments of prior years' obligations	\$ <u>281,117</u>	\$ <u>387,621</u>
Temporarily Not Available-rescinded authority	<u>(6,366)</u>	<u>-</u>
Permanently Not Available:		
Payments to Treasury	(3,032)	(2,769)
Rescinded authority	(117,284)	-
Canceled authority	<u>(5,210)</u>	<u>(4,564)</u>
<b>Total Permanently Not Available</b>	<b>\$ <u>(125,526)</u></b>	<b>\$ <u>(7,333)</u></b>

**Note 30. Unobligated Balances Available**

The unobligated balances available consist of the following as of September 30, 2008 and 2007. Unobligated balances are a combination of two lines on the Statement of Budgetary Resources: Apportioned, Unobligated Balances and Unobligated Balances Not Available. 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.

	<u>FY 2008</u>	<u>FY 2007</u>
Unexpired Unobligated Balance	\$ 3,205,306	\$ 3,279,240
Expired Unobligated Balance	346,574	262,147
<b>Total</b>	<b>\$ <u>3,551,880</u></b>	<b>\$ <u>3,541,387</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, 2008 and 2007 are as follows:

	<u>FY 2008</u>	<u>FY 2007</u>
Undelivered Orders	\$ 8,427,344	\$ 8,714,675

**Note 32. Offsetting Receipts**

Distributed offsetting receipts credited to the general fund, special fund, or trust fund receipt accounts offset gross outlays. For FYs 2008 and 2007, the following receipts were generated from these activities:

	<b>FY 2008</b>	<b>FY 2007</b>
Trust Fund Recoveries	\$ 89,995	\$ 234,171
Special Fund Environmental Service	22,911	22,648
Downward Re-estimates of Subsidies	-	29
Trust Fund Appropriation	984,974	1,040,372
Special Fund Receipt Account and Treasury Miscellaneous Receipts and Clearing Accounts	20,549	10,238
<b>Total</b>	<b>\$ 1,118,429</b>	<b>\$ 1,307,458</b>

**Note 33. Transfers-In and Out, Statement of Changes in Net Position****Appropriation Transfers, In/Out:**

For FYs 2008 and 2007, 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 reconciliation with the Statement of Budgetary Resources follow:

**Transfers In/Out Without Reimbursement, Budgetary:**

<b>Fund/Type of Account</b>	<b>FY 2008</b>	<b>FY 2007</b>
U.S. Navy	\$ (7,875)	\$ -
Total Appropriation Transfers (Other Funds)	\$ (7,875)	-
Net Transfers from Invested Funds	1,389,902	1,344,610
Transfer to Another Agency	(7,875)	-
Allocations Rescinded	5,940	-
Total of Net Transfers on Statement of Budgetary Resources	<b>\$ 1,387,967</b>	<b>\$ 1,344,610</b>

For FYs 2008 and 2007, 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 2008		FY 2007	
	Earmark	Other Funds	Earmark	Other Funds
Transfers-in (out) nonexpenditure, Earmark to S&T and OIG funds	\$ (37,204)	\$ 37,204	\$ (43,491)	\$ 43,491
Transfer-in nonexpenditure recovery from CDC	1,905	-	1,370	-
Transfers-in, nonexpenditure, Oil Spill	17,056	-	15,734	-
Transfer-in (out) cancelled funds	53	(53)		
Adjustment from Prior Year	-	-	701	-
Total Transfers in (out) without Reimbursement, Budgetary	<u>\$ (18,190)</u>	<u>\$ 37,151</u>	<u>\$ (25,686)</u>	<u>\$ 43,491</u>

#### Transfers In/Out without Reimbursement, Other Financing Sources:

For FYs 2008 and 2007, 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 2008		FY 2007	
	Earmark	Other Funds	Earmark	Other Funds
Transfers-in by allocation transfer agency	\$ -	\$ -	\$ 39	\$ -
Transfers-in property	-	-	-	530
Transfers (out) of prior year negative subsidy to be paid following year	-	28	-	(5)
Total Transfers in (out) without Reimbursement, Budgetary	<u>\$ -</u>	<u>\$ 28</u>	<u>\$ 39</u>	<u>\$ 525</u>

#### Note 34. Imputed Financing Sources

In accordance with SFFAS No. 5, "Accounting for 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 2008 were \$130.1 million (\$20.9 million from Earmark funds, and \$109.2 million from Other Funds). For FY 2007, the estimates were \$133.3 million (\$21.9 million from Earmark Funds, and \$111.4 million from Other Funds).

In addition to the pension and retirement benefits described above, EPA also records imputed costs and financing for Treasury Judgment Fund payments made 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 2008 entries for Judgment Fund payments totaled \$2.4 million (Other Funds). For FY 2007, entries for Judgment Fund payments totaled \$2.3 million (Other Funds).

The combined total of imputed financing costs for FY 2008 is \$132.5 million and in FY 2007 was \$135.6 million.

**Note 35. Payroll and Benefits Payable**

Payroll and benefits payable to EPA employees for the years ending September 30, 2008 and 2007, consist of the following:

<b>FY 2008 Payroll &amp; Benefits Payable</b>	<b>Covered by Budgetary Resources</b>	<b>Not Covered by Budgetary Resources</b>	<b>Total</b>
Accrued Funded Payroll & Benefits	\$ 46,966	\$ -	\$ 46,966
Withholdings Payable	30,659	-	30,659
Employer Contributions Payable-TSP	2,670	-	2,670
Accrued Unfunded Annual Leave	-	152,663	152,663
<b>Total - Current</b>	<b>\$ 80,295</b>	<b>\$ 152,663</b>	<b>\$ 232,958</b>
<b>FY 2007 Payroll &amp; Benefits Payable</b>			
Accrued Funded Payroll & Benefits	\$ 30,957	\$ -	\$ 30,957
Withholdings Payable	29,297	-	29,297
Employer Contributions Payable-TSP	2,101	-	2,101
Accrued Unfunded Annual Leave	-	142,843	142,843
<b>Total - Current</b>	<b>\$ 62,355</b>	<b>\$ 142,843</b>	<b>\$ 205,198</b>

**Note 36. 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 5 years earlier. These amounts affect Unexpended Appropriations.

	<u>Other Funds FY 2008</u>	<u>Other Funds FY 2007</u>
Rescissions to General Appropriations	\$ 117,284	\$ -
Canceled General Authority	5,157	4,561
<b>Total Other Adjustments</b>	<b>\$ 122,441</b>	<b>\$ 4,561</b>

**Note 37. Nonexchange Revenue, Statement of Changes in Net Position**

The Nonexchange Revenue, Budgetary Financing Sources, on the Statement of Changes in Net Position for FYs 2008 and 2007 consists of the following items:

	<u>Earmark Funds FY 2008</u>	<u>Earmark Funds FY 2007</u>
Investments	\$ 241,873	\$ 258,986
Tax Revenue, Net of Refunds	170,762	228,796
Fines and Penalties Revenue	10,442	704
Special Receipt Fund Revenue	22,911	22,648
<b>Revenue</b>	<b>\$ 445,988</b>	<b>\$ 511,134</b>

**Note 38. Adjustment for Allocation Transfers**

Beginning in FY 2007, the agency that transfers budget authority to another Federal entity must report all budgetary and proprietary activity related to these transfers in its financial statements. The cumulative effect of this activity is reported as a "Change in Accounting Principle" on the Statement of Net Position (\$20.9 million - Earmark Funds) and as an "Adjustment to Unobligated Balance, Brought Forward" and an "Adjustment to Unpaid Obligations, Brought Forward" on the Statement of Budgetary Resources. There was no adjustment necessary for FY 2008.

**Statement of Budgetary Resources**

	<u>FY 2007</u>
Beginning Balance:	
Unobligated Balance, Brought Forward October 1	\$ 3,247,087
Adjustment of Unobligated Balance (Allocation Transfer Agencies)	15,527
Adjusted Total Beginning Balance	<u>\$ 3,262,614</u>

**Note 39. Reconciliation of Net Cost of Operations to Budget (formerly the Statement of Financing)**

	<u>FY 2008</u>	<u>FY 2007</u>
<b>RESOURCES USED TO FINANCE ACTIVITIES:</b>		
Budgetary Resources Obligated		
Obligations Incurred	\$ 9,656,040	\$ 9,516,922
Less: Spending Authority from Offsetting Collections and Recoveries	(1,142,189)	(963,361)
Obligations, Net of Offsetting Collections	\$ 8,513,851	\$ 8,553,561
Less: Offsetting Receipts	(1,118,429)	(1,307,458)
Net Obligations	\$ 7,395,422	\$ 7,246,103
Other Resources		
Transfers In/Out Without Reimbursement, Property	\$ -	\$ 530
Imputed Financing Sources	132,524	135,609
Net Other Resources Used to Finance Activities	\$ 132,524	\$ 136,139
Total Resources Used To Finance Activities	\$ 7,527,946	\$ 7,382,242
<b>RESOURCES USED TO FINANCE ITEMS</b>		
<b>NOT PART OF THE NET COST OF OPERATIONS:</b>		
Change in Budgetary Resources Obligated	\$ 415,809	\$ 1,229,438
Resources that Fund Prior Periods Expenses	(22)	-
Budgetary Offsetting Collections and Receipts that Do Not Affect Net Cost of Operations:		
Credit Program Collections Increasing Loan Liabilities for Guarantees or Subsidy Allowances	3,985	3,979
Offsetting Receipts Not Affecting Net Cost	133,455	267,087
Resources that Finance Asset Acquisition	(98,715)	(113,393)
Total Resources Used to Finance Items Not Part of the Net Cost of Operations	\$ 454,512	\$ 1,387,111
Total Resources Used to Finance the Net Cost of Operations	\$ 7,982,458	\$ 8,769,353

	<u>FY 2008</u>	<u>FY 2007</u>
<b>COMPONENTS OF THE NET COST OF OPERATIONS THAT WILL NOT REQUIRE OR GENERATE RESOURCES IN THE CURRENT PERIOD:</b>		
Components Requiring or Generating Resources in Future Periods:		
Increase in Annual Leave Liability	\$ 9,807	\$ 7,771
Increase in Environmental and Disposal Liability	1,197	8,073
Increase in Unfunded Contingencies	44	-
Upward/Downward Reestimates of Credit Subsidy Expense	-	33
Increase in Public Exchange Revenue Receivables	(132,904)	(168,330)
Increase in Workers Compensation Costs	5,641	986
Other	<u>59</u>	<u>420</u>
Total Components of Net Cost of Operations that Require or Generate Resources in Future Periods	\$ (116,156)	\$ (151,047)
Components Not Requiring/Generating Resources:		
Depreciation and Amortization	\$ 88,586	\$ 52,248
Expenses Not Requiring Budgetary Resources	<u>86,322</u>	<u>42,652</u>
Total Components of Net Cost that Will Not Require or Generate Resources	\$ 174,908	\$ 94,900
Total Components of Net Cost of Operations That Will Not Require or Generate Resources in the Current Period	<u>\$ 58,752</u>	<u>\$ (56,147)</u>
<b>Net Cost of Operations</b>	<b><u>\$ 8,041,210</u></b>	<b><u>\$ 8,713,206</u></b>

***Note 40. Other – Statement of Net Position***

In FY 2008, EPA identified an error of \$20 million in the *Payable for Transfers of Currently Invested Balances* account. This balance was related to activity prior to FY 2001 involving the allocation of budgetary authority to other federal agencies (parent/child relationship). This error resulted in an overstatement of payables on the Balance Sheet and an understatement of Cumulative Results of Operations. In addition, the budgetary resources were increased by this amount. Since this amount is immaterial to the financial statements a prior period adjustment was not recorded. To adjust the Cumulative Results of Operations, the \$20 million was recorded on the “Other” line on the Statement of Net Position.

**1.**  
**Environmental Protection Agency**  
**Required Supplementary Information**  
**As of September 30, 2008**  
**(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.

**Stewardship Land**

Stewardship land is acquired as contaminated sites in need of remediation and clean-up; thus the quality of the land is far-below the standard for usable and manageable land. Easements on stewardship lands are in good and usable condition but acquired in order to gain access to contaminated sites.



**2.**  
**Environmental Protection Agency**  
**Required Supplementary Information**  
**Supplemental Statement of Budgetary Resources (Unaudited)**  
**As of September 30, 2008**  
**(Dollars in Thousands)**

	<u>EPM</u>	<u>FIFRA</u>	<u>LUST</u>	<u>S&amp;T</u>	<u>STAG</u>	<u>OTHER</u>	<u>TOTAL</u>
<b>BUDGETARY RESOURCE</b>							
Unobligated Balance Brought Forward, October 1	\$ 672,087	\$ 7,015	\$ 6,272	\$ 221,937	\$ 1,330,730	\$ 1,303,346	\$ 3,541,387
Recoveries of prior year unpaid obligations	28,536	985	3,424	6,047	66,165	175,960	281,117
Budgetary Authority:							
Appropriation	2,364,854	-	-	772,129	2,983,595	1,147,658	7,268,236
Borrowing Authority	-	-	-	-	-	34	34
Spending Authority from Offsetting Collections:							
Collected	80,512	20,730	39	4,844	5,840	596,465	708,430
Change in receivables from Federal sources	(24,331)	-	-	(129)	-	2,290	(22,170)
Advance received	(3,311)	1,429	12	3,890	-	75,860	77,880
Without advance from Federal source	23,661	-	-	7,838	-	28,281	59,780
Expenditure Transfers from trust funds	-	-	-	25,718	-	11,433	37,151
Nonexpenditure transfers, net anticipated and actual	-	-	107,492	-	(7,875)	1,288,350	1,387,967
Temporarily not available pursuant to Public Law	-	-	(1,677)	-	-	(4,689)	(6,366)
Permanently not available	(41,098)	-	-	(12,935)	(51,544)	(19,949)	(125,526)
<b>Total Budgetary Resources</b>	<b>\$ 3,100,910</b>	<b>\$ 30,159</b>	<b>\$ 115,562</b>	<b>\$ 1,029,339</b>	<b>\$ 4,326,911</b>	<b>\$ 4,605,039</b>	<b>\$ 13,207,920</b>
<b>STATUS OF BUDGETARY RESOURCES</b>							
Obligations Incurred:							
Direct	\$ 2,361,866	\$ -	\$ 108,231	\$ 793,930	\$ 3,236,228	\$ 2,535,657	\$ 9,035,912
Reimbursable	112,631	23,529	32	8,908	-	475,028	620,128
Total Obligations Incurred	2,474,497	23,529	108,263	802,838	3,236,228	3,010,685	9,656,040
Unobligated Balances:							
Unobligated funds apportioned	320,214	6,630	7,299	191,973	1,090,683	1,588,001	3,204,800
Unobligated balance not available	306,199	-	-	34,528	-	6,353	347,080
<b>Total Status of Budgetary Resources</b>	<b>\$ 3,100,910</b>	<b>\$ 30,159</b>	<b>\$ 115,562</b>	<b>\$ 1,029,339</b>	<b>\$ 4,326,911</b>	<b>\$ 4,605,039</b>	<b>\$ 13,207,920</b>
<b>CHANGE IN OBLIGATED BALANCE</b>							
Obligated Balance, Net							
Unpaid obligations brought forward, October 1	\$ 830,336	\$ 2,295	\$ 93,531	\$ 506,362	\$ 6,930,438	\$ 1,510,245	\$ 9,873,207
Less: Uncollected customer payments from Federal sources brought forward, October 1	(447,386)	-	-	(33,960)	-	(151,444)	(632,790)
Total unpaid obligation balance, net	382,950	2,295	93,531	472,402	6,930,438	1,358,801	9,240,417
Obligations incurred, net	2,474,498	23,529	108,263	802,838	3,236,228	3,010,684	9,656,040
Less: Gross outlays	(2,382,395)	(21,181)	(78,392)	(829,852)	(3,767,034)	(2,801,181)	(9,880,035)
Less: Recoveries of prior year unpaid obligations, actual	(28,536)	(985)	(3,424)	(6,047)	(66,165)	(175,960)	(281,117)
Change in uncollected customer payments from Federal sources	669	-	-	(2,539)	-	(31,587)	(33,457)
Total	447,186	3,658	119,978	436,802	6,333,467	1,360,757	8,701,848
Obligated balance, net, end of period:							
Unpaid obligations	893,903	3,658	119,978	473,301	6,333,467	1,543,787	9,368,094
Less: Uncollected customer payments from Federal sources	(446,717)	-	-	(36,499)	-	(183,030)	(666,246)
Total, unpaid obligated balance, net, end of period	\$ 447,186	\$ 3,658	\$ 119,978	\$ 436,802	\$ 6,333,467	\$ 1,360,757	\$ 8,701,848
<b>NET OUTLAYS</b>							
Gross outlays	\$ 2,382,395	\$ 21,181	\$ 78,392	\$ 829,852	\$ 3,767,034	\$ 2,801,181	\$ 9,880,035
Less: Offsetting collections	(77,200)	(22,159)	(53)	(39,621)	(5,840)	(682,743)	(827,616)
Less: Distributed Offsetting Receipts	-	-	-	-	-	(1,118,429)	(1,118,429)
<b>Total, Net Outlays</b>	<b>\$ 2,305,195</b>	<b>\$ (978)</b>	<b>\$ 78,339</b>	<b>\$ 790,231</b>	<b>\$ 3,761,194</b>	<b>\$ 1,000,009</b>	<b>\$ 7,933,990</b>

**Environmental Protection Agency  
Required Supplementary Stewardship Information (Unaudited)  
For the Year Ended September 30, 2008  
(Dollars in Thousands)**

***INVESTMENT IN THE NATION'S RESEARCH AND DEVELOPMENT:***

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, the framework, and technologies we need to detect, abate, and avoid environmental problems. Research also provides the crucial underpinning(s) for EPA decision-making 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 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 and effects of manufactured nanomaterials on human health and the environment; the impacts of global change and providing information to policy makers to help them adapt to a changing climate; the environmental effects on children's health; the potential risks of unregulated contaminants in drinking water; the development of recreational water quality criteria; the health effects of air pollutants such as particulate matter; and the protection of the nation's ecosystems. EPA also supports regulatory decision-making with chemical risk assessments.

For FY 2008, the full cost of the Agency's Research and Development activities totaled approximately \$701 million. Below is a breakout of the expenses (dollars in thousands):

	<u>FY 2004</u>	<u>FY 2005</u>	<u>FY 2006</u>	<u>FY2007</u>	<u>FY2008</u>
Programmatic Expenses	581,323	628,467	630,438	624,088	597,080
Allocated Expenses	91,675	112,558	104,167	100,553	103,773

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 (Non-Federal Physical Property):***

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):

	<u>FY 2004</u>	<u>FY 2005</u>	<u>FY 2006</u>	<u>FY 2007</u>	<u>FY 2008</u>
Construction Grants	48,948	21,148	39,193	9,975	11,517
Clean Water SRF	1,407,345	1,127,883	1,339,702	1,399,616	1,063,825
Safe Drinking Water SRF	802,629	715,060	910,032	962,903	816,038
Other Infrastructure Grants	341,767	385,226	411,023	381,481	388,555
Allocated Expenses	410,129	402,853	446,113	443,716	396,253

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):

	<u>FY 2004</u>	<u>FY 2005</u>	<u>FY 2006</u>	<u>FY 2007</u>	<u>FY 2008</u>
Training and Awareness Grants	48,416	46,750	43,765	32,845	30,768
Fellowships	7,553	10,195	12,639	12,185	9,650
Allocated Expenses	8,826	10,199	9,320	7,255	7,025

**Environmental Protection Agency**  
**Supplemental Information and Other Reporting Requirements (Unaudited)**  
**Balance Sheet for Superfund Trust Fund**  
**For the Periods Ending September 30, 2008 and 2007**  
**(Dollars in Thousands)**

	<u>FY 2008</u>	<u>FY 2007</u>
<b>ASSETS</b>		
Intragovernmental:		
Fund Balance With Treasury (Note S1)	\$ 45,596	\$ 51,081
Investments	2,926,233	2,751,850
Accounts Receivable, Net	17,832	16,955
Other	21,116	14,927
Total Intragovernmental	<u>\$ 3,010,777</u>	<u>\$ 2,834,813</u>
Accounts Receivable, Net	299,941	312,874
Property, Plant & Equipment, Net	67,542	70,601
Other	751	1,030
<b>Total Assets</b>	<u><u>\$ 3,379,011</u></u>	<u><u>\$ 3,219,318</u></u>
<b>LIABILITIES</b>		
Intragovernmental:		
Accounts Payable and Accrued Liabilities	52,639	89,239
Other	50,448	46,182
Total Intragovernmental	<u>\$ 103,087</u>	<u>\$ 135,421</u>
Accounts Payable & Accrued Liabilities	\$ 141,049	\$ 139,607
Pensions & Other Actuarial Liabilities	7,921	6,889
Cashout Advances, Superfund (Note S2)	286,630	190,269
Payroll & Benefits Payable	40,902	35,914
Other	44,710	40,793
Total Liabilities	<u>\$ 624,299</u>	<u>\$ 548,893</u>
<b>NET POSITION</b>		
Cumulative Results of Operations	<u>2,754,712</u>	<u>2,670,425</u>
Total Net Position	<u>2,754,712</u>	<u>2,670,425</u>
<b>Total Liabilities and Net Position</b>	<u><u>\$ 3,379,011</u></u>	<u><u>\$ 3,219,318</u></u>

**Environmental Protection Agency**  
**Supplemental Information and Other Reporting Requirements (Unaudited)**  
**Statement of Net Cost for Superfund Trust Fund**  
**For the Periods Ending September 30, 2008 and 2007**  
**(Dollars in Thousands)**

	<u>FY 2008</u>	<u>FY 2007</u>
<b>COSTS</b>		
Gross Costs	\$ 1,530,979	\$ 1,497,010
Expenses from Other Appropriations (Note S5)	69,769	76,452
Total Costs	<u>1,600,748</u>	<u>1,573,462</u>
Less:		
Earned Revenue	<u>502,177</u>	<u>377,904</u>
<b>NET COST OF OPERATIONS</b>	<b><u><u>\$ 1,098,571</u></u></b>	<b><u><u>\$ 1,195,558</u></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, 2008 and 2007**  
**(Dollars in Thousands)**

	<u>FY2008</u> <u>Cumulative</u> <u>Results of</u> <u>Operations</u>	<u>FY 2007</u> <u>Cumulative</u> <u>Results of</u> <u>Operations</u>
<b>Net Position - Beginning of Period</b>	\$ 2,670,425	\$ 2,606,400
Adjustment:		
Adjustment to Unobligated Balance (Alloc Transfer Agencies) (Note 38)	-	20,900
Beginning Balances, as Adjusted	\$ 2,670,425	\$ 2,627,300
<b>Budgetary Financing Sources:</b>		
Nonexchange Revenue -Securities Investment	114,340	141,407
Nonexchange Revenue -Other	10,442	2,721
Transfers In/Out	(35,246)	(41,419)
Trust Fund Appropriations	984,974	1,040,371
Other (Note 40)	19,878	-
Income from Other Appropriations (Note S5)	69,769	76,452
Total Budgetary Financing Sources	\$ 1,164,157	\$ 1,219,532
<b>Other Financing Sources (Non-Exchange)</b>		
Transfers in/Out	-	39
Imputed Financing Sources	18,701	19,112
Total Other Financing Sources	\$ 18,701	\$ 19,151
Net Cost of Operations	(1,098,571)	(1,195,558)
Net Change	84,287	43,125
<b>Cumulative Results of Operations</b>	<u>\$ 2,754,712</u>	<u>\$ 2,670,425</u>

**Environmental Protection Agency**  
**Supplemental Information and Other Reporting Requirements (Unaudited)**  
**Statement of Budgetary Resources for Superfund Trust Fund**  
**For the Periods Ending September 30, 2008 and 2007**  
**(Dollars in Thousands)**

	<u>FY 2008</u>	<u>FY 2007</u>
<b>BUDGETARY RESOURCES</b>		
Unobligated Balance, Brought Forward, October 1	\$ 1,245,311	\$ 1,088,388
Adjustment to Unobligated Balance (Alloc Transfer Agcy) (Note 38)	-	15,527
Adjusted Subtotal	<u>1,245,311</u>	<u>1,103,915</u>
Recoveries of Prior Year Unpaid Obligations	168,480	127,261
Budgetary Authority:		
Appropriation	37,205	43,493
Spending Authority from Offsetting Collections		
Earned:		
Collected	390,753	227,367
Change in Receivables from Federal Sources	(1,725)	(1,811)
Change in Unfilled Customer Orders:		
Advance Received	74,038	(33,969)
Without Advance from Federal Sources	4,476	29,999
Total Spending Authority from Offsetting Collections	<u>467,542</u>	<u>221,586</u>
Nonexpenditure Transfers, Net, Anticipated and Actual	1,288,349	1,272,575
Temporarily Not Available Pursuant to Public Law	(4,263)	-
Permanently Not Available	(54)	(2)
<b>Total Budgetary Resources</b>	<b><u><u>\$ 3,202,570</u></u></b>	<b><u><u>\$ 2,768,828</u></u></b>
 <b>STATUS OF BUDGETARY RESOURCES</b>		
Obligations Incurred:		
Direct	\$ 1,425,282	\$ 1,367,588
Reimbursable	<u>264,112</u>	<u>155,929</u>
Total Obligations Incurred	1,689,394	1,523,517
Unobligated Balances:		
Apportioned	<u>1,512,670</u>	<u>1,240,416</u>
Total Unobligated Balances	1,512,670	1,240,416
Unobligated Balances Not Available	506	4,895
<b>Total Status of Budgetary Resources (\$6)</b>	<b><u><u>\$ 3,202,570</u></u></b>	<b><u><u>\$ 2,768,828</u></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, 2008 and 2007**  
**(Dollars in Thousands)**

	<u>FY 2008</u>	<u>FY 2007</u>
<b>CHANGE IN OBLIGATED BALANCE</b>		
Obligated Balance, Net:		
Unpaid Obligations, Brought Forward, October 1	\$ 1,361,335	\$ 1,454,495
Adjustment to Unpaid Obligations (Alloc Transfer Agencies) (Note 38)	-	7,215
Adjusted Total	<u>1,361,335</u>	<u>1,461,710</u>
Less: Uncollected Customer Payments from Federal Sources, Brought Forward, October 1	<u>(110,170)</u>	<u>(81,983)</u>
Total Unpaid Obligated Balance, Net	1,251,165	1,379,727
Obligations Incurred	1,689,394	1,523,517
Less: Gross Outlays	(1,489,936)	(1,496,631)
Less: Recoveries of Prior Year Unpaid Obligations, Actual	(168,480)	(127,261)
Change in Uncollected Customer Payments from Federal Sources	<u>(2,752)</u>	<u>(28,187)</u>
Total, Change in Obligated Balance	1,279,391	1,251,165
 Obligated Balance, Net, End of Period:		
Unpaid Obligations	1,392,312	1,361,335
Less: Uncollected Customer Payments from Federal Sources	<u>(112,921)</u>	<u>(110,170)</u>
Total, Unpaid Obligated Balance, Net, End of Period	\$ 1,279,391	\$ 1,251,165
 <b>NET OUTLAYS</b>		
Net Outlays:		
Gross Outlays (Note S6)	\$ 1,489,936	\$ 1,496,631
Less: Offsetting Collections (Note S6)	(464,790)	(193,398)
Distributed Offsetting Receipts *(Note S6)	<u>(1,074,969)</u>	<u>(1,274,542)</u>
<b>Total, Net Outlays</b>	(49,823)	28,691

\*Offsetting receipts line includes the amount in 68X0250 (payment to trust fund) from Treasury.  
The payment cannot be made directly through the trust fund but must go through a "pass-through" fund.

**Environmental Protection Agency  
Supplemental Information and Other Reporting Requirements (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, 2008 and 2007 consist of the following:

	<b>FY 2008</b>	<b>FY 2007</b>
<b>Fund Balance</b>	\$ 45,596	\$ 51,081

Fund balances are available to pay current liabilities and to finance authorized purchase commitments (see Status of Fund Balances below).

<b>Status of Fund Balances:</b>	<b>FY 2008</b>	<b>FY 2007</b>
Unobligated Amounts in Fund Balances:		
Available for Obligation	\$ 1,512,670	\$ 1,240,417
Unavailable for Obligations	506	4,895
Net Receivables from Invested Balances	(2,749,864)	(2,446,934)
Balances in Treasury Trust Fund	2,894	1,539
Obligated Balance not yet Disbursed	1,279,390	1,251,164
<b>Totals</b>	<b>\$ 45,596</b>	<b>\$ 51,081</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 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 PRPs, 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. As of September 30, 2008 and 2007, cashouts are \$287 million and \$190 million, respectively.

***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, 2008, the total remaining state credits have been estimated at \$15.3 million. The estimated ending credit balance on September 30, 2007 was \$14.5 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 them 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, 2008, EPA had 14 outstanding preauthorized mixed funding agreements with obligations totaling \$25 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 2008 and 2007, 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 2008			FY 2007		
	Income from Other Appropriations	Expenses from Other Appropriations	Net Effect	Income from Other Appropriations	Expenses from Other Appropriations	Net Effect
Superfund	\$ 69,769	(69,769)	\$ -	\$ 76,452	(76,452)	\$ -
All Others	(69,769)	69,769	-	(76,452)	76,452	-
<b>Total</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>

In addition, the related general support services costs allocated to the Superfund Trust Fund from the S&T and EPM funds are \$0.5 million for FY 2008 and \$2.3 million for FY 2007.

**Note S6. Statement of Budgetary Resources, Superfund**

Budgetary resources, obligations incurred, and outlays, as presented in the audited FY 2007 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 2008 has not yet been published. We expect it will be published by March 2009, and it will be available on the OMB website at <http://www.whitehouse.gov/omb/budget/fy2010>. The actual amounts published for the year ended September 30, 2007 are included in EPA's FY 2008 financial statement disclosures.

FY 2007	Budgetary Resources	Obligations	Offsetting Receipts	Outlays
Statement of Budgetary Resources	\$ 2,768,828	1,523,517	1,274,542	\$ 1,303,233
Rounding Differences*	(828)	483	(542)	(1,233)
<b>Reported in Budget of the U. S. Government</b>	<b>\$ 2,768,000</b>	<b>\$ 1,524,000</b>	<b>\$ 1,274,000</b>	<b>\$ 1,302,000</b>

\*

Balances are rounded to millions in the Budget Appendix.

## Agency's Response to Draft Report

11/12/2008

### MEMORANDUM

**SUBJECT:** EPA's Response to the Office of Inspector General's Draft Audit Report, Audit of EPA's Fiscal 2007 and 2008 Financial Statements

**FROM:** Lyons Gray (2710A) /s/  
Chief Financial Officer

**TO:** Bill A. Roderick (2410T)  
Deputy Inspector General

Fiscal Year 2008 marks another successful financial statements audit cycle for the U.S. Environmental Protection Agency. This year, we broadened Agency partnerships with a focus on strengthening fiscal integrity, enhancing core business operations, and contributing to Agency-wide performance management systems. We are proud of the many accomplishments and thank you for identifying additional areas for improvement in the Inspector General's Report. The audit work performed will help guide EPA's work in these areas as well as shape future financial management initiatives.

Our offices worked together to expand stakeholder engagement in fiscal stewardship yielding significant results. Some of the achievements are presented in Attachment 1 along with commitments and responses from responsible management officials. In addition, suggested changes to the report are included in Attachment 2. Detailed corrective action plans will be provided to you and your staff within 90-days of the final audit report. Please let me know if you have any questions, or your staff can contact Lorna McAllister, Director of the Office of Financial Management regarding the audit.

#### Attachments

cc: Luis Luna, Assistant Administrator, Office of Administration and Resource Management  
Molly O'Neil, Assistant Administrator, Office of Environmental Information  
Susan Hazen, Deputy Assistant Administrator, Office of Administration and Resource Management  
Linda Travers, Deputy Assistant Administrator, Office of Environmental Information  
Maryann Froehlich, Deputy Chief Financial Officer  
James Newsom, Assistant Regional Administrator, Region 3  
Melissa Heist, Assistant Inspector General  
Paul Curtis, Director, Financial Statements Audits

**EPA's Response to the Office of Inspector General's  
Draft Fiscal 2007 and 2008 Financial Statements Audit Report**

As demonstrated by the accomplishments listed below, the Agency maintains a strong and robust financial management program.

- By streamlining its business processes, EPA successfully converted to the Department of the Treasury's (Treasury's) new accounting system. One-third of business processes were eliminated and a legacy server terminated. In addition to these operational efficiencies, EPA helped the Federal government move one step closer to unified financial reporting.
- The Agency strengthened its financial data security by developing an event-driven control that flags changes made to personal vendor information (170,000 changes made in FY 2008) in the finance system. EPA also reduced user access to personally identifiable information by 75 percent, re-certified users, and realigned security rights in the Agency's core financial management system.
- EPA invested Superfund, Leaking Underground Storage Tank, and Federal Insecticide, Fungicide, and Rodenticide Act Funds monies, and earned nearly \$242 million in interest.
- Through its data integration effort, EPA linked the FEMA/EPA national response framework with resource utilization, so that real-time costs are now available on-line to Agency managers and decision makers on the front lines during an emergency event.
- The Agency freed up \$32 million in funds unnecessarily tied up in expired grants and contracts for other high priority work in the Agency.
- EPA paid 99.95 percent of its invoices on time - over 32,000 payments totaling \$1.1 billion.
- EPA contributed to a government-wide initiative by doing its part in managing and reporting business transactions with other agencies. In FY 2008, EPA reduced its balances on Treasury's material differences report from \$84.9 million to \$55.4 million.

These actions demonstrate that EPA adheres to the highest standards for financial management.

We are confident that focused attention on some of the areas noted during the audit, in conjunction with the launch of EPA's new accounting system, will advance the Agency's goals of improving fiscal integrity and operational efficiency and result in better information for decision making. Specific recommendations and corrective actions, unless indicated otherwise in Attachment 2, will be provided within 90-days of the final audit report.

EPA concurs with the Inspector General's assessment in the following areas:

- Improve the timeliness in paying for telecommunications services; calculate and disburse any interest resulting from previous late payments (Office of Technology Operations, Office of Environmental Information; Office of Financial Services, Office of the Chief Financial Officer)
- Improve the quarterly matching of revenues and expenses for State contributions provided toward the clean-up of Superfund sites with the costs incurred (Office of Financial Services, Office of the Chief Financial Officer)
- Establish a more effective accrual process for unbilled receivables (Office of Financial Services, Office of the Chief Financial Officer)
- Maintain evidence that validates the need to change a vendor's information in the accounting system (Office of Financial Services, Office of the Chief Financial Officer)
- Improve the calculation and review process of Superfund Special Accounts interest (Office of Financial Services, Office of the Chief Financial Officer)
- Continue the progress made completing the open actions related to the new e-Relocation program and associated physical and security requirements carried forward from a previous audit (Office of Financial Services, Office of the Chief Financial Officer)
- Realize the tangible benefits of consolidating most current financial management systems within one organizational unit, which includes standardizing documentation and compliance with relevant requirements and controls (Office of Enterprise, Technology, and Innovation, and the Office of Program Management in the Office of the Chief Financial Officer)
- Enhance the process for identifying and liquidating excess monies on grants and interagency agreements (Office of Grants and Debarment, Office of Administration and Resources Management)
- Review the software capitalization cycle and make improvements as necessary to ensure the integrity of the capitalized balance and related depreciation (Office of Information Collection, Office of Environmental Information; Office of Financial Services, Office of the Chief Financial Officer)
- Evaluate other payroll reconciliation opportunities associated with the Agency's partnership with the Defense Finance and Accounting Service, Internal Revenue Service, and Treasury (Office of Financial Services, Office of the Chief Financial Officer)
- Continue successful measures in reconciling transactions with other Federal agencies (Office of Financial Services, Office of the Chief Financial Officer)

The following areas may require more discussions between Agency leaders and the Inspector General's staff to resolve differing opinions:

***Asbestos Loan Program Violated the Anti-Deficiency Act:*** The Agency is conducting an internal review and working with the Office of Management and Budget to determine if a technical violation has occurred, since permanent budget authority and the option for automatic apportionment exist under statute and Federal guidelines. Feedback from these sources will influence the Agency's future course of action. In the meantime, the Agency is working to strengthen training and controls to ensure proper procedures and timelines are followed. (Office of Budget and Office of Financial Services in the Office of the Chief Financial Officer)

***Reimbursable Expenditures Exceeded Funds Collected from Non-Federal Entities:*** The Agency followed the FY 2008 Reimbursable Authority Guidance to ensure that collections were received before proper authority was issued to spend these funds. In addition, spending under these accounts is controlled by both the account and the overarching appropriation. Both had more than adequate apportioned resources. Subsequent obligations were within the apportioned levels, and charging corrections have been made. (Office of Budget, Office of the Chief Financial Officer; and the Region 3 Assistant Regional Administrator's Office)



**EPA's Response to the Office of Inspector General's  
Draft Fiscal 2007 and 2008 Financial Statements Audit Report  
Clarifying Details for Consideration in the Final Report**

**1. EPA's Oversight of Payroll Reconciliation Needs Improvements**

The Agency performs reasonable and adequate oversight for payroll support services and meets the Internal Revenue Service requirements under Circular E. The reconciliation is comprehensive and also includes amounts paid by the Defense Finance and Accounting Service. However, the Office of Financial Services will work with DFAS and the Inspector General's staff to jointly develop a quarterly taxable wage reconciliation report instead of the prescribed recommendations.

In addition, information obtained from Defense Finance and Accounting Service staff by the Inspector General's staff regarding FY 2007 W-2 data was incorrect, and, as a result the \$337,000 difference in the audit report was in error. The correct difference was \$2,800 for one employee, which has since been resolved.

**2. Accruals Were not Properly Calculated for Federal Unbilled Receivables**

General Observation: There is a slight wording difference between the "At a Glance" introduction and the report text.

As of the FY 2008 4<sup>th</sup> quarter, additional reviews were incorporated in the process.

**3. EPA Needs to Improve Reconciliation of General Ledger Accounts to Detail**

General Observation: Consider modifying the title of this issue to "EPA needs to better reconcile Superfund State Contract dollars to the subsidiary account." The current presentation suggests that there are reconciliation issues with all of EPA's general ledger accounts, instead of this particular subset.

Incidentally, the Office of Financial Services evaluated the accrual amounts for the past four years and compared the results to FY 2008. This assessment yielded no significant fluctuations as comparable estimates averaging \$36.1 million for the four previous years and \$35.9 million in FY 2008 provided a level of accounting confidence. In the future, those transactions between 13 and 23 years old will also be evaluated to determine validity.

#### **4. EPA's Review of Unliquidated Obligations Was Incomplete**

The language states that the Office of Grants and Debarment's review of unliquidated obligations for inactive Interagency Agreements (IA) and grants was incomplete. While it should have been done sooner, the Agency did review all of the Headquarters-funded grants and IAs; there is no further review to be conducted/completed. The reviews confirmed that the unliquidated obligation balances for all IAs and grants are accurate and represent valid and viable obligations. The reviews further ensured that appropriate actions were taken to deobligate unneeded funds.

In addition, the report does not take into account EPA's noteworthy accomplishments liquidating dollars on those grants where the period of performance had expired. EPA established stretch goals and a performance metric in FY 2006 designed to track progress each year through FY 2009. To date, more than \$83 million has been redeployed within the Agency, including \$13 million liquidated during FY 2008. Success in this area enabled EPA to reduce the unliquidated obligation baseline from \$85 million to \$26 million. By the end of FY 2008, EPA reduced the baseline to \$13M, or 7.2% of total obligations. In addition, EPA recovered \$17 million of the \$24 million lingering at agencies tasked many years ago through IAs to do work on the Agency's behalf. This initiative was launched to limit audit exposure associated with the new "parent/child" reporting requirements.

#### **5. IFMS Vendor Table Susceptible to Unauthorized Changes and Changes Were Not Adequately Documented**

The Inspector General's staff identified a systems capability which allowed changes to a vendor's information without formal detection or notification. Within weeks of the discovery, the Office of Financial Management implemented a real-time auto-generated email notification process to the users, their supervisor, and other appropriate officials. Since then, there have been 2,832 notifications describing 162,070 changes to records for those vendors supporting EPA. As an assurance covering any activity before launching the new process in July 2008, a statistical random sample of 10,500 transactions, a 90 percent confidence level (10.5 percent of the population) was reviewed, and the vendor table changes were determined to be necessary and appropriate. This assurance was based on local attestations by program offices, regions, and finance centers. Only one finance center provided an attestation inconsistent with the guidance provided. As a result, the Inspector General's verification yielded 13 of 45 unsupported transactions. The finance centers under the direction of the Office of Financial Services no longer accept changes to a vendor's information over the telephone and now require and maintain written documentation for all revisions.

#### **6. Improvement Needed in Monitoring Superfund Special Account Balances**

EPA concurs with the finding and has corrected the \$1.3 million in overstated interest. The interest is presented accurately in the FY 2008 financial statements. Future interest year-end draw downs will be monitored closely.

## **7. Lack of Systems Implementation Process Contributed to Financial Applications not Complying with Requirements**

The CFO's Office acknowledges the need for improvements in this area. However, the deficiencies identified were driven by issues unrelated to compliance reviews. For this reason, please consider deleting any language that implies that compliance reviews impeded following prescribed systems requirements. In addition, the Deputy CFO has approved a comprehensive list of areas to evaluate for compliance with systems requirements.

A planned reorganization is intended to provide a central accountable unit over most CFO financial management systems, applications, reporting capabilities, and overall lifecycle. Until the reorganization is finalized, the organizational title for the CFO's systems group remains as the Office of Enterprise, Technology, and Innovation.

## **8. EPA did not Properly Account for Capitalized Software and Related Accumulated Depreciation**

EPA suggests modifying the existing recommendation to "The Assistant Administrator, Office of Environmental Information, will direct staff to develop and implement a control process for Information Management Officers that will require them to ensure accurate and timely updates to their program and regional records in the Registry of EPA Applications and Databases."

In addition, please incorporate the following clarifications: 1) the Office of Financial Services populates the Agency's accounting system for the software lifecycles changes, not the Office of Financial Management; and 2) the cumulative adjusted depreciation is properly reflected in the FY 2008 financial statements along with the accompanying footnote.

## **9. EPA's Asbestos Loan Program Violated the Anti-Deficiency Act**

EPA does not agree that an Anti-Deficiency Act violation took place. The Federal Credit Reform Act of 1990, section 504(f), authorizes increased re-estimated subsidy cost of direct loans as permanent indefinite authority. The Office of Management and Budget, by Circular A-11, Section 120.83, permits automatic apportionment of such re-estimates in credit financing accounts. Since there is a difference of opinion about the character of this transaction, we have notified the Office of Management and Budget of this issue and are currently conducting an internal review with EPA's Office of General Counsel. We await the responses. Depending upon the findings of the review, we will take an appropriate course of action.

Whatever the determination on the status of the Anti-deficiency Act issue, proper procedures were not followed and additional controls and training are being initiated. To strengthen our internal controls, routine briefings with staff within the Office of Budget will be conducted to acquaint them with not just Anti-deficiency Act guidelines but also the more complex requirements that they may encounter in day-to-day operations. The Asbestos Loan Program

will be added to the Agency's annual close-out guidance, normally issued in February, to ensure processing timelines are met before the end of each fiscal year.

The language in the report suggests that the Office of Management and Budget provided comments on this issue. However, the Office of Budget staff has not received any comments from them and request that the reference be edited accordingly.

#### **10. Reimbursable Expenditures Exceeded Funds Collected from Non-Federal Entities**

EPA does not agree that an Anti-Deficiency violation took place. Control of spending under the Anti-Deficiency Act is at the (a) appropriation or (b) fund level [OMB Circular A-11, Section 145.2]. Some of the Agency's spending involves reimbursable work, where apportionment authority for both appropriated and reimbursable funds can apply and under OMB Circular A-11, Section 20.13(b). This means EPA can use relevant appropriated resources or the reimbursable collections. Both had more than adequate apportioned resources, and subsequent obligations were within the apportioned levels, as allowable under the Intergovernmental Cooperation Act (31 U.S.C. 6505). In addition, the Government Accountability Office guidance (71 Comp. Gen. 224 (1992)) states that collections (e.g., such as from states for services requested) are considered as part of the direct appropriation, which means any spending in excess of advanced collections are funded by the original appropriation.

Region 3 followed the agency guidance for requesting reimbursable authority. Funds were collected on October 10, 2006, and recorded in the accounting system prior to requesting reimbursable authority for FY 2007. However payroll charging exceeded the original estimates. Region 3 has corrected the payroll charges to not exceed the amount collected. Note that payroll charging would not be stopped under EPA policy - rather corrections are made after the fact - to ensure that salary is paid timely to employees.

#### **11. EPA Violated the Prompt Payment Act by Not Paying Invoices Promptly**

General Observation: Consider modifying the title of this issue to "EPA Violated the Prompt Payment Act by Not Paying Telecommunication Invoices Promptly." The current presentation suggests that the issue exists with all of EPA's payments, instead of this particular subset.

All 20 invoices have been paid. EPA's records indicate that only 3 of these invoices are subject to interest payments. EPA paid the remaining 17 invoices within the 30 day Prompt Pay requirements based on the date received by the servicing finance center. Since the IG questioned whether interest payments are due for the remaining 17 invoices, the Office of Financial Services will consult with the Office of General Counsel to determine if future actions are required.

#### **12. EPA should Continue Effort to Reconcile Intra-governmental Transactions**

EPA concurs and appreciates the OIG's acknowledgement of the Agency's progress to date.

**Responsible Managers:**

*Lorna M. McAllister* /s/ 11/12/2008 \_\_\_\_\_ Signature/Date  
 Lorna M. McAllister, Director, Office of Financial Management, OCFO

*Raffael Stein* /s/ 11/12/2008 \_\_\_\_\_ Signature/Date  
 Raffael Stein, Deputy Director, Office of Financial Services, OCFO

*David Bloom* /s/ 11/12/2008 \_\_\_\_\_ Signature/Date  
 David Bloom, Acting Director, Office of Enterprise, Technology, and Innovation, OCFO

*Carol Terris* /s/ 11/12/2008 \_\_\_\_\_ Signature/Date  
 Carol Terris, Acting Director, Office of Budget, OCFO

*Krista Mainess* /s/ 11/12/2008 \_\_\_\_\_ Signature/Date  
 Krista Mainess, Director, Office of Program Management, OCFO

*Myra Galbreath* /s/ 11/12/2008 \_\_\_\_\_ Signature/Date  
 Myra Galbreath, Director, Office of Technology Operations and Planning, OEI

*Andrew Battin* /s/ 11/12/2008 \_\_\_\_\_ Signature/Date  
 Andrew Battin, Acting Director, Office of Information Collection, OEI

*Howard Corcoran* /s/ 11/12/2008 \_\_\_\_\_ Signature/Date  
 Howard Corcoran, Director, Office of Grants and Debarment, OARM

*James Newsom* /s/ 11/12/2008 \_\_\_\_\_ Signature/Date  
 James Newsom, Assistant Regional Administrator, Region 3

## Distribution

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 Audit Follow-up Coordinator, Office of Enforcement and Compliance Assurance  
 Audit Follow-up Coordinator, Office of Grants and Debarment  
 Deputy Inspector General



## *EPA's FY 2008 Performance and Accountability Report*

### **Section IV Other Accompanying Information**

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

## MANAGEMENT CHALLENGES AND INTEGRITY WEAKNESSES

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 examiners, including the Office of Management and Budget (OMB), the Government Accountability Office (GAO), and EPA's Office of Inspector General (OIG). EPA's senior managers are committed to correcting vulnerabilities in programmatic and financial operations and 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 discuss issues raised by the Office of Inspector General and other evaluators, to review the Agency's progress in addressing current weaknesses, and to identify emerging issues or concerns.

This section has two components: 1) a summary of EPA's progress in addressing current integrity weaknesses and 2) the top management challenges identified by the Office of Inspector General and reported to EPA's Administrator in the Office of Inspector General's July 2, 2008, memorandum, *EPA's Key Management Challenges for Fiscal Year 2008*, and the Agency's response.



## EPA's Progress in Addressing FY 2008 Weaknesses

### Material Weaknesses

#### **Physical Security of Critical Assets**

During its audit of the Agency's FY 2007 financial statements, the Office of Inspector General found that physical security and environmental controls at the Agency's Cincinnati Finance Center needed to be improved, and previously identified weaknesses needed management's attention. To remedy this deficiency, controls over visitor and general access to the server room were established and physical security enhanced with improved technology. A new camera was installed in the existing server room, which includes a 24-hour video recording system, and a card reader system was installed to monitor and log entry events. The current server room was enhanced to include sensors to monitor environmental conditions, a water shield was installed to protect the server from water damage, and the uninterruptible power supply was upgraded. Additionally, the Agency updated its Memorandum of Understanding to incorporate information on critical server backup and handling of storage media, scanning and monitoring practices, system log practices, and server room access practices.

An evaluation of the installed equipment and review of support documentation were used to validate the effectiveness of corrective actions. The reviews were performed by the Agency and verified by the Office of Inspector General. **EPA has completed corrective actions associated with this material weakness.**

#### **Key Applications Need Security Controls**

In FY 2007, the Office of Inspector General found that two critical applications at EPA's Cincinnati Finance Center, the Billing and Reimbursable Accounting Information Network System and the Relocation Expense Management System, lacked key security planning documents. To remedy these deficiencies, the Agency developed security documents for both applications (security and contingency plans) that comply with federal security requirements specified by the National Institute for Standards and Technology. Additionally, an independent risk assessment was conducted to review and test security controls. The Agency is currently updating the security plans based on the results of the independent risk assessment. A plan of action and milestones were created in the Agency's Automated System Security Evaluation and Remediation Tracking for any deficiencies identified. **The Agency believes that corrective actions taken as of September 30, 2008, were sufficient to close this as a material**

#### **EPA's FY 2008 Weaknesses and Significant Deficiencies**

##### **Material Weaknesses**

1. Physical Security of Critical Assets \*
2. Key Applications Need Security Controls \*

##### **Agency-Level Weaknesses**

1. Human Capital \*
2. Homeland Security \*
3. Implementation of Data Standards
4. Permit Compliance System
5. Key Applications Need Security Controls (downgraded)
6. Redistribution of Superfund Payments (new)
7. Program Evaluation (new)

##### **Significant Deficiencies**

1. Superfund State Cost Share
2. Integrated File Management System Suspense Table \*

\* These were reported as closed for FY 2008.

**weakness and has downgraded it to an Agency-level weakness for FY 2009. The remaining corrective action will be completed in the first quarter of FY 2009.**

## **Agency-Level Weaknesses**

### ***Human Capital***

In FY 2001, EPA acknowledged human capital as an Agency weakness to address concerns raised by OIG and GAO. Since then, the Agency has made significant progress in strengthening its human capital program, resulting in a “Green” status designation for Human Capital under the President’s Management Agenda for every quarter of FY 2008. EPA implemented numerous corrective actions in five major areas:

- **Workforce Planning** - Tracked workforce planning activities to assess and ensure alignment between the Agency’s strategic plan and its human capital plans; developed and implemented EPA plans for workforce planning, succession planning, and recruitment; and implemented extensive competency assessment, workforce development, and organizational assessment activities.
- **Human Capital Accountability** - Developed an extensive human capital Accountability System to monitor performance measures, report progress against human capital initiatives, and gauge the Agency’s overall effectiveness in achieving its desired human capital results.
- **HR Assessments** - Conducted regular audits and assessments of the effectiveness and efficiency of HR operations and compliance with personnel management authorities, as well as the overall effectiveness of HC strategic management initiatives.
- **OIG Audit Recommendations** - Implemented all of the corrective actions recommended by the OIG 2004 human capital audit.
- **Workforce Development Strategy** - Implemented extensive leadership and workforce development training and improvement programs, including the Agency-wide Successful Leaders Program.

EPA will continue to aggressively implement its workforce planning system, supported by reliable and valid workforce data, to ensure that it hires the right number and type of people and allocates its resources to best meet mission needs. In the context of the Agency’s budget process, the Agency has also taken steps to address workload assessment and benchmarking analysis. In 2006, an assessment was conducted which compared EPA workload methodology with other federal agencies. EPA has also issued a contract to explore ways to better assess and benchmark current staff levels against workload shifts, focusing on certain key functional areas that EPA shares with other federal agencies (such as regulatory development and scientific research). This work is expected to take two years to complete.

EPA acknowledges that continued attention and improvement will be necessary to ensure that the Agency’s human capital practices adequately prepare EPA for future challenges. This understanding is reflected in current EPA activities such as the Shared Service Center consolidation and the Administrator’s “Stronger EPA” initiative. However, after the extensive improvements implemented over the last 7 years, the ongoing work that remains in human capital management no longer meets the threshold of an Agency weakness. The Agency will continue to work closely with OMB and the Office of Personnel Management to meet its human

capital objectives under the President's Management Agenda. **EPA has completed all corrective actions associated with this weakness. EPA will continue to address workforce distribution/resource planning and human resources transactional services at the office-level in FY 2009.**

### ***Homeland Security***

In FY 2006, EPA acknowledged homeland security as an Agency weakness in response to concerns raised by the Office of Inspector General. Over the years, EPA has taken action to strengthen its responsibility for homeland security by expanding its homeland security planning and coordination efforts with other federal, state, and local agencies; recognizing a more complete range of issues and information that must be considered in the development of response plans for incidents of national significance; developing a crisis communication plan and identifying responsible parties and roles for crisis communications; and fulfilling basic homeland security requirements.

To respond to growing demands from new Homeland Security Presidential Directives and the increasing complexity of its contribution to homeland security, EPA established the Homeland Security Collaborative Network to coordinate and directly address high-priority, cross-Agency technical and policy issues related to day-to-day homeland security policies and activities.

To improve its processes for identifying, obtaining, maintaining, and tracking response equipment necessary for nationally significant incidents, EPA created and convened the Homeland Security Policy Coordinating Committee. This executive committee, activated after a homeland-security-related attack, brings together the Agency's senior political leadership to provide policy direction to responders.

In FY 2008, EPA revised the Homeland Security Priority Work Plan (2008–2010), the Agency's overarching planning framework for identifying and aligning cross-Agency homeland security programs with EPA's highest homeland security priorities. The Plan identifies Presidential and other externally driven homeland security mandates and outlines EPA's continuing efforts to advance the Agency to the next level of preparedness.

EPA has been called on to respond to five major disasters and nationally significant incidents in the past seven years: the 9/11 terrorist attacks, the anthrax terrorist incidents, the Columbia Shuttle disaster and recovery efforts, the ricin incident on Capitol Hill, and the Gulf Coast hurricanes. These responses have reinforced the importance of a continued focus on improving the Agency's environmental homeland security focal areas: detection, prevention, and mitigation and field preparedness and response. Within these areas, EPA identified and continues to focus on four homeland security priorities: water security, decontamination, emergency response, and internal preparedness. These priority areas have been identified as the result of external entities assigning EPA specific responsibilities or through homeland security requirements and assignments.

Additionally, EPA developed three tiers of information to be responsive to its homeland security mandates. This information forms the basis for understanding EPA's highest homeland security priorities and serves as a way to assess short-, medium-, and long-term goals and results. The three tiers are:

- **Desired end states.** These describe the final outcomes of homeland security projects or efforts once EPA believes it has met the President's or other externally imposed directives (e.g., Homeland Security Presidential Directives).
- **Desired results.** These reflect specific programmatic areas through which EPA seeks to make progress toward the desired end state.
- **Action items.** EPA's FY 2008–2010 action items reflect specific program and regional office plans (e.g., projects or efforts) to progress toward desired results and ultimately reach EPA's desired end state.

EPA will continue to use its Homeland Security Priority Work Plan as a systematic method to assess homeland security priorities and projects annually. Additionally, the Agency will rely on audits and evaluations conducted by the Office of Inspector General to help ensure that it achieves its homeland security objectives and that its appropriations supporting homeland security are spent efficiently and effectively. **EPA has completed all corrective actions associated with this weakness.**

### ***Implementation of Data Standards***

In FY 2005, EPA acknowledged implementation of data standards as an Agency weakness. 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. EPA has completed all of the corrective actions associated with this weakness. However, it will continue to monitor ongoing activities, such as tracking program implementation of data standards, to validate the effectiveness of its actions. The validation strategy will include continuous monitoring of implementation of data standards within the Registry of EPA Applications and Databases, as well as publication of the semi-annual Data Standards Report Card. **EPA expects to complete all corrective actions by the end of FY 2010.**

### ***Permit Compliance System***

In FY 1999, EPA acknowledged its Permit Compliance System (PCS) as an Agency weakness. EPA needs to revitalize or replace the system to provide information in a format that both the states and EPA can use to ensure complete and accurate National Pollutant Discharge Elimination System (NPDES) permit and discharge data.

EPA has developed and successfully implemented a modernized, national information system designed to meet the needs of today's NPDES permitting and enforcement program—the Integrated Compliance Information System (ICIS). However, not all of the states have yet been migrated from the PCS to the new system. The closure date for this weakness has been extended until the new system can accommodate the electronic transfer of data from state systems and all states have been moved from the PCS to the new system.

The final closure date for this Agency weakness is now projected to be the end of third quarter FY 2013 (with the PCS to be shut down in FY 2014). This completion date is based on various assumptions and estimates that extend more than 6 years into the future. Because long-range

predictions of the key variables and assumptions that may affect this effort are difficult and risky, however, this completion date should be recognized as speculative.<sup>1</sup>

Currently, 22 states, two tribes, and nine territories are using the new system. Twenty-one of these states are generally referred to as “direct users,” since they directly use ICIS to manage the NPDES program. Two other groups of states are still using PCS and need to be moved to ICIS:

- “Hybrid states” use PCS and their own state systems to manage the NPDES program. Thus the hybrid states will need to be able to electronically transfer (batch) the Discharge Monitoring Report data from their systems to the new system.
- Full batch states have their own NPDES information systems and do not use the PCS to directly manage the NPDES program. Thus, these states need to electronically transfer (batch) all of the necessary data from their systems into the new system.

In May 2008, EPA migrated the first “hybrid state” by implementing the Discharge Monitoring Report batch component of ICIS, which allows for the submission of NPDES Discharge Monitoring Report data from state systems to ICIS in the Extensible Mark-up Language format via the National Environmental Information Exchange Network and EPA’s Central Data Exchange. Approximately seven additional states (four “hybrid” and three “direct users”) will be migrated to ICIS with the completion of the Discharge Monitoring Report batch component of ICIS in FY 2008.

In FY 2008 EPA also conducted, with input from states, an Alternative Analysis of the ICIS business case which includes an analysis of technical approaches for developing the full batch component of the PCS modernization. The Office of Management and Budget requires all federal agencies to periodically conduct Alternative Analyses of their large information systems to evaluate the benefits and costs of the current systems in achieving the business need, and to compare this status quo to three alternative approaches for meeting the same business need. If, based on the results of the Alternative Analysis, the Agency decides to change the currently planned technical approach for completing the full batch component of PCS modernization, a new plan for completing the full batch component of PCS Modernization will need to be developed, which will result in revised costs and new completion dates.<sup>2</sup> **EPA expects to complete all corrective actions by the end of FY 2013.**

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<sup>1</sup> Because this completion date is based on various assumptions about the future, changes to the assumptions will affect the projected schedule. For example, if, based on the results of the Alternative Analysis of ICIS to be completed by September 30, 2008, the Agency decides to change its current technical approach for completing the full batch component of PCS modernization, a new project plan for completing PCS modernization will be required. The FY 2013 completion date assumes no changes to current plans for the technical approach and also assumes FY 2008 and FY 2009 extramural funding for ICIS at the President’s budget amount of \$6.7 million. For FY 2010 and beyond, we assumed that annual funding will rise to \$ 7.5 million. (The Office of Enforcement and Compliance Assurance assumes, however, that if the President’s \$6.7 million budget level continues in FY 2010 and beyond, the schedule would likely move five or more quarters into the future, with a shutdown date for PCS delayed until FY 2015). As with any project, extended timelines pose uncertainties, and predictions about when the project will be completed become more speculative.

<sup>2</sup> The new plan is for the full batch component only. PCS modernization for the direct user states was implemented in FY 2006. PCS modernization for the hybrid states was implemented in FY 2008. These

### ***Key Applications Need Security Controls***

In FY 2007, the Office of Inspector General found two critical applications at EPA's Cincinnati Finance Center, the Billing and Reimbursable Accounting Information Network System and the Relocation Expense Management System, lacked key security planning documents. To remedy these deficiencies, the Agency developed security documents for both applications (security and contingency plans) that comply with federal security requirements specified by the National Institute for Standards and Technology. Additionally, an independent risk assessment was conducted to review and test security controls. The Agency is currently updating the security plans based on the results of the independent risk assessment. A plan of action and milestones were created in the Agency's Automated System Security Evaluation and Remediation Tracking for any deficiencies identified.

**Corrective actions taken during FY 2008 were sufficient to close "Key Applications Need Security Controls" as a material weakness, and it has been downgraded from a material weakness to an Agency-level weakness. EPA expects to complete all corrective actions in the first quarter of FY 2009.**

### ***Redistribution of Superfund Payments***

In its July 2006 report, *EPA Could Improve Its Redistribution of Superfund Payments to Specific Sites*, the Office of Inspector General states that EPA did not make timely redistribution of Superfund cooperative agreements, interagency agreements, and small purchase payments from the general site identifier "WQ" to the specific Superfund site or other general site identifiers. The Office of Inspector General recommends that EPA 1) develop written "WQ" procedures for implementing Superfund site-specific accounting policies, 2) provide an appropriate level of training for responsible personnel, 3) change cooperative agreement conditions to require recipients to provide cost details within 24 hours of drawing down funds, and 4) redistribute the remaining historical "WQ" costs.

The Agency acknowledges this as an Agency-level weakness and is taking action to address the Office of Inspector General's concerns. For instance, between May 2006 and December 2007, the Agency implemented procedures that significantly decreased the undistributed "WQ" costs for cooperative agreements and small purchases. The Agency has formed a workgroup, composed of staff from the Office of the Chief Financial Officer, Office of Administration and Resource Management, and Office of Solid Waste and Emergency Response, charged with developing guidance on Superfund site charging. Additionally, the Agency plans to issue new policies and procedures under its Resource Management Directives System that will incorporate Office of Inspector General audit recommendations. EPA will use reports generated by the financial management system to develop baseline data against which the Agency can measure progress toward correcting this weakness. **EPA expects to complete all corrective actions by the end of FY 2009.**

### ***Program Evaluation***

In its September 2007 report, *Using the Program Assessment Rating Tool as a Management Control Process*, the Office of Inspector General identified several limitations to systematically

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components of ICIS for direct and hybrid states, along with the core federal enforcement and compliance and NetDMR components of ICIS, are not expected to be changed by the Alternative Analysis.

conducting program evaluations at EPA. These include: 1) lack of internal expertise; 2) lack of external expertise; 3) funding limitations; 4) the need for strategic investment in program evaluation; 5) complexity of measuring long-term outcomes; 6) insufficient data/performance measurement information; and 7) limited program evaluation partnerships with states.

EPA managers recognize the need to strengthen program evaluation as part of the Agency's overall effort to improve performance management and acknowledge program evaluation as an Agency-level weakness. EPA is already taking steps to strengthen its program evaluation capability. The Agency will develop a detailed corrective action strategy and validation plan to fully address this weakness. **EPA expects to complete all corrective actions by the end of FY 2011.**

## **Significant Deficiencies**

### ***Superfund State Cost Share (Improved Quarterly Cost Reporting)***

The Agency identified Superfund state cost share as a significant deficiency under its FY 2006 review of internal controls over financial reporting. The deficiency relates to how efficiently EPA tracks Superfund state cost share contributions and matches them to expenses each quarter. To remedy this significant deficiency, EPA has taken steps to centrally automate the Superfund state cost share accrual process. **EPA expects to complete all corrections by the end of FY 2009.**

### ***Integrated File Management System Suspense Table***

In FY 2007, the Agency acknowledged the need to increase its controls over the Integrated Financial Management System Suspense Table and improve its practices for removing financial transactions that do not process completely in the Integrated Financial Management System.

To remedy this significant deficiency, the Agency no longer systematically purges aged data from the Integrated Financial Management System. In FY 2008, EPA revised its policy to ensure that documents in the Integrated Financial Management System Suspense Table are reviewed, processed, or deleted in a timely manner. Users are now required to proactively manage their own pending transactions so they do not sit on the Integrated Financial Management System Suspense Table for a long time. This ensures that Agency activity is posted in the correct accounting period. The Agency has also established controls to automatically notify Integrated Financial Management System users, their supervisors, and ultimately their senior manager (Assistant Administrator or Regional Administrator) of pending transactions that remain in the Integrated Financial Management System Suspense Table for too long. The new process has been validated and the number of Suspense Table transactions has been reduced by 99.2%. **EPA completed all corrective actions associated with this significant deficiency.**

## SUMMARY OF FINANCIAL STATEMENT AUDIT

Audit Opinion	<b>Unqualified</b>				
Restatement	<b>No</b>				
Material Weaknesses	Beginning Balance	New	Resolved	Consolidated	Ending Balance
Key Applications Need Security Controls	1	0	1	0	0
Physical Security of Critical IT Assets	1	0	1	0	0
<i>Total Material Weaknesses</i>	2	0	2	0	0

## SUMMARY OF MANAGEMENT ASSURANCES

<b>Effectiveness of Internal Control Over Financial Reporting (FMFIA § 2) (A-123 Appendix A)</b>						
Statement of Assurance	<b>Unqualified</b>					
Material Weaknesses	Beginning Balance	New	Resolved	Consolidated	Reassessed	Ending Balance
<i>Total Material Weaknesses</i>	0	0	0	0	0	0
<b>Effectiveness of Internal Control Over Operations (FMFIA § 2)</b>						
Statement of Assurance	<b>Unqualified</b>					
Material Weaknesses	Beginning Balance	New	Resolved	Consolidated	Reassessed	Ending Balance
Not Applicable (N/A)	0	0	0	0	0	0
<i>Total Material Weaknesses</i>	0	0	0	0	0	0
<b>Conformance With Financial Management System Requirements (FMFIA § 4)</b>						
Statement of Assurance	Systems Conform to Financial Management System Requirements					
Non-Conformances	Beginning Balance	New	Resolved	Consolidated	Reassessed	Ending Balance
Key Applications Lack Security Requirements	1	0	1	0	0	0
Physical Security of Critical IT Assets	1	0	1	0	0	0
<i>Total Non-Conformances</i>	2	0	2	0	0	0
<b>Compliance With Federal Financial Management Improvement Act (FFMIA)</b>						
	Agency			Auditor		
Overall Substantial Compliance	Yes			Yes		
1. System Requirement				Yes		
2. Accounting Standards				Yes		
3. USSGL at Transaction Level				Yes		



## **FY 2008 Key Management Challenges Identified by the Office of Inspector General and EPA's Response**

The Reports Consolidation Act of 2000 requires that each year, the Office of Inspector General identify, briefly assess, and report the most serious management challenges facing EPA. In FY 2008, the Office of Inspector General revised its definition of management challenges to distinguish them from internal control weaknesses. A weakness is a deficiency in the design or operation of a program, function, or activity, which the Agency can correct. In contrast, a management challenge is a lack of capability derived from internal self-imposed or externally imposed constraints that prevent an organization from reacting effectively to a changing environment. Addressing a management challenge may require assistance from outside of EPA and take years to fully resolve.

For FY 2008, the Office of Inspector General identified eight management challenges, detailed in the Office of Inspector General's memorandum to the Administrator which is included below. EPA's response to each of these challenges follows the memorandum.

## The Office of Inspector General's List of Key Management Challenges for FY 2008

EPA's Top Major Management Challenges Reported by the Office of Inspector General	FY 2006	FY 2007	FY 2008	Link to EPA Strategic Goal	Link to President's Management Agenda
<b>Performance Measurement:</b> * EPA must focus on the logic and design of its measures for success and efficiency, along with data standards and consistent definitions, to ensure that usable, accurate, timely, and meaningful information is used to evaluate and manage EPA programs, operations, processes, and results.	•	•	•	Cross-Goal	Performance Improvement,  E-Gov
<b>Meeting Homeland Security Requirements:</b> ** EPA needs to implement a strategy to effectively coordinate and address threats, including developing a scenario to identify resource needs, internal and external coordination points, and responsible and accountable entities.	•	•	•	Cross-Goal	Performance Improvement
<b>Threat and Risk Assessments:</b> The Agency does not comprehensively assess threats to human health and the environment across media to ensure EPA's actions are planned, coordinated, designed and budgeted to most efficiently and effectively address environment risks. The fragmentary nature of EPA's approach continues as environmental laws often focus on single media or threats.			•	Cross-Goal	Performance Improvement
<b>EPA's Organization and Infrastructure:</b> *** EPA maintains 204 offices and laboratories in 144 locations with over 18,000 staff members. With diminishing resources, the autonomous nature of regional and local offices, and the growing pressure to expand its role globally, EPA will be challenged to assess the efficiency and effectiveness of its current structure to identify opportunities for consolidating and reducing costs.	•	•	•	Cross-Goal	Performance Improvement,  Financial Performance, Human Capital
<b>Water and Wastewater Infrastructure:</b> Drinking water and wastewater treatment systems are wearing out and it will take huge investments to replace, repair, and construct facilities.	•	•	•	Goal 2	Performance Improvement
<b>Oversight of Delegations to States:</b> * Implementing EPA's programs, enforcement of laws and regulations, and reporting on program performance has to a large extent been delegated to States and tribes, with EPA retaining oversight responsibility. However, inconsistent capacity and interpretation of responsibility among State, local, and tribal entities limits accountability for and compliance with environmental programs and laws.	•	•	•	Goal 4 Goal 5	Performance Improvement
<b>Chesapeake Bay Program:</b> After 20 years of effort by federal, State, and local governments, Bay waters remain degraded and required nutrient and sediment reductions will not be met by the 2010 target. EPA needs to institute management controls ensuring that actions to manage land development, agricultural runoff, nutrient reduction technology, and air emissions are implemented, and that consistent sources of funding are identified by EPA partners.			•	Goal 2 Goal 4	Performance Improvement
<b>Voluntary Programs – Update:</b> **** EPA must ensure that applying voluntary approaches and innovative or alternative practices to provide flexible, collaborative, and market-driven solutions for measurable results are managed using standards, consistent processes, and verifiable data, to ensure that programs are efficiently and effectively providing intended and claimed environmental benefits.	•	•	•	Cross-Goal	Performance Improvement

\* FY 2004 and 2005 Working Relationships with the States and Linking Mission to Management were consolidated into Managing for Results. FY 2006 and FY 2007 Managing for Results and Data Gaps were merged into Performance Management

\*\* FY 2006 and 2007 titled Agency Efforts in Support of Homeland Security

\*\*\* FY 2007 this topic was include in Workforce Planning and in FY 2005 and 2006 in Human Capital Management

\*\*\*\* FY 2006 and 2007 Voluntary Programs included Alternative and Innovative Practices and Programs

Data Quality, Emission Factors for Sources of Air Pollution, Privacy Program, and Workforce Planning Reported as Key Management Challenge in FY 2006 and 2007 were reported as Internal Control Weakness in FY 2008



**UNITED STATES ENVIRONMENTAL PROTECTION  
AGENCY**  
WASHINGTON, D.C. 20460

July 2, 2008

OFFICE OF  
INSPECTOR GENERAL

**MEMORANDUM**

**SUBJECT:** EPA's Key Management Challenges for Fiscal Year 2008

**TO:** Stephen L. Johnson  
Administrator

We are pleased to provide you with the list of items the Office of Inspector General (OIG) considers to be the key management challenges for Fiscal Year 2008 confronting the U.S. Environmental Protection Agency. This year the OIG revised the definition used for management challenges to clarify and distinguish between internal control weaknesses and management challenges. In general, internal control weaknesses are deficiencies in internal control determined in relation to a standard derived from the concept of internal control as an activity. In contrast, management challenges are defined as a lack of capability derived from internal self-imposed constraints or, more likely, externally imposed constraints that prevent an organization from reacting effectively to a changing environment. For example, lack of controls over approval of bankcard purchases would be considered a control weakness because it can be corrected by adding the necessary controls. Conversely, the Agency's ability to address an issue such as funding shortfalls for water infrastructure repairs would constitute a management challenge because the Agency does not have the ability to solve this challenge without outside assistance, such as from Congress and States.

Our decision to include the areas listed is based primarily on audit, evaluation, or investigative work we performed and additional analysis of Agency operations. Thus, it is possible that additional challenges exist in areas that we have not yet reviewed or that other significant findings could result from additional work. Our key management challenges are listed below with detailed summaries provided in Attachment 1. We would welcome the opportunity to discuss your reaction to the list and any comments you might have.

<b>Management Challenge</b>	<b>Page</b>
Threat and Risk Assessments	1
EPA's Organization and Infrastructure	3
Performance Measurement	5
Water and Wastewater Infrastructure	7
Meeting Homeland Security Requirements	9
Oversight of Delegations to States	11
Chesapeake Bay Program	13
Voluntary Programs - Update	15

We removed Data Standards and Data Quality, Privacy Program, Information Technology System Development and Implementation, Workforce Planning, and Emission Factors from this year's management challenges list, and they are currently included as proposed internal control weaknesses under the category Data Quality and Standards. The previous challenges Managing for Results and Data Gaps have been combined and the title changed to Performance Measurement. Voluntary Programs has been removed from the current list, but we are including an update on the actions and concerns remaining for Voluntary Programs.

Bill A. Roderick /signed/  
Deputy Inspector General

## Threat and Risk Assessments

EPA needs to periodically assess threats to human health and the environment across media to ensure that resources and priorities focus on the highest risks, regardless of the source. Presently, EPA's strategic goals stress reducing risks to human health and the environment from distinct sources – such as air pollution, water pollution, and hazardous releases on land.<sup>1</sup> This is feasible because EPA invests in science to enhance its understanding of health and ecological implications, enabling it to identify and develop risk assessment methodologies. Risk assessors can use these methodologies to evaluate the adequacy of current exposure assessment approaches.<sup>2</sup> Risks are assessed within each of the Agency's strategic goals – for example, for air pollution effects, radiation, waste treatment, Superfund cleanups, etc. However, the Agency does not assess threats to human health and the environment across media to ensure EPA's actions are designed to reduce total risk in the most efficient manner.

Nearly 20 years ago the Science Advisory Board (SAB) recommended that EPA target its environmental protection efforts on the basis of opportunities for the greatest risk reduction.<sup>3</sup> This 1990 report described the fragmentary nature of U.S. environmental policy and the frequently inconsistent and uncoordinated efforts to address environmental problems. Based on the OIG's body of work, we believe the same problem exists today. The fragmentary nature of EPA's approach continues because the underlying conditions remain: environmental laws are often focused on a single media or threat, Agency goals and units are designed to implement separate legislative mandates, and available technological solutions address specific pollutant sources.<sup>4</sup> Some EPA programs, like the Chesapeake Bay Program and the Border 2012 Program, are designed to address ecosystem or geographically defined environmental issues rather than single media concerns. However, even these are organized and implemented to solve the threats and risks faced by individual media. For example, the Border 2012 goals are to reduce water contamination, reduce air pollution, reduce land contamination, etc. The relative threats and risks to human health and the environment are not determined or used to prioritize EPA's efforts.

A need to measure the human health impacts of EPA programs and measure the total reductions in pollution hazard and exposure has been recognized by the Office of Management and Budget. For example, the Office of Management and Budget asked the Office of Enforcement and Compliance Assurance (OECA) to develop and apply measures that assessed the human health impacts of pollution reduction achieved by enforcement and compliance assurance activities, rather than output measures (pounds of pollution reduced).<sup>5</sup>

EPA could benefit from a periodic risk assessment to validate its priorities. For example, the Department of Defense conducts a Quadrennial Review designed to identify threats and risks faced by the military and then define appropriate strategies, priorities, and resources. An independent comprehensive risk assessment would help ensure that EPA can establish appropriate risk-based priorities in its strategic planning and budgeting processes. The diminishing resources available for environmental protection increase the need to ensure that EPA does not expend resources on lower-priority problems at the expense

<sup>1</sup> FY 2008 EPA Budget in Brief.

<sup>2</sup> Testimony of Stephen L. Johnson before the Senate Committee on Environment and Public Works, February 27, 2008.

<sup>3</sup> [Reducing Risk: Setting Priorities and Strategies for Environmental Protection](#), EPA-SAB-EC-90-021, September 1990.

<sup>4</sup> [Reducing Risk: Setting Priorities and Strategies for Environmental Protection](#), EPA-SAB-EC-90-021, September 1990.

<sup>5</sup> OECA Memorandum, re: Request for the Inspector General's Assistance to Improve and Expand OECA's Use of Outcome-Based Performance Measures, September 29, 2004.

of higher-priority risks. As the SAB concluded previously, “If priorities are established based on the greatest opportunities to reduce risk, total risk will be reduced in a more efficient way, lessening threats to both public health and local and global ecosystems.”<sup>6</sup>

To create and implement a risk-based strategy, EPA should revisit recommendations originally proposed by the SAB to establish the necessary institutional framework and scientific capabilities.<sup>7</sup> For example, EPA should assign a specific management focal point for assessing risk and to assure accountability, establish a risk reduction framework, establish a formal mechanism for risk anticipation, and expand long-range research on assessing human exposure and the toxicological science base. Moreover, to institutionalize a relative risk assessment process, EPA will need to ensure that it has the trained personnel and scientific databases that lead to credible analyses and policy.

### **EPA’s Organization and Infrastructure**

In July 1970, the first Administrator formally organized EPA. The original organizational structure was based upon existing environmental legislation and encompassed discrete media programs for water, air, pesticides, radiation, and solid waste, as well as 10 regional offices and a handful of laboratories inherited from other federal agencies.<sup>8</sup> Since that time additional responsibilities have been delegated to EPA. For example, in recent years, EPA was assigned additional Homeland Security responsibilities.<sup>9</sup> In addition, how EPA carries out its programs has changed. Implementation of many environmental programs has been delegated to the States with EPA’s role evolving to planning and oversight. In recent years, EPA has increased the extent to which it partners with other federal agencies; State, local, and tribal governments; and the private sector to accomplish its mission.<sup>10</sup>

Since its inception, the number of EPA personnel has grown from about 5,000 to over 18,000.<sup>11</sup> As the number of personnel has increased, so has EPA’s infrastructure. EPA’s portfolio now includes 204 offices and laboratories in 141 locations throughout the country.<sup>12</sup> Some EPA regions maintain the majority of the staff in a main regional headquarters office, while others also maintain a number of separate operations offices located in States.<sup>13</sup> For example, California and Florida each have seven separate EPA offices. EPA’s Office of Research and Development maintains 13 independent laboratories, while EPA’s regional offices maintain separate regional laboratories. EPA maintains two offices each in Guam, Puerto Rico, and the Virgin Islands.

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<sup>6</sup> [Reducing Risk: Setting Priorities and Strategies for Environmental Protection](#), EPA-SAB-EC-90-021, September 1990, p.2.

<sup>7</sup> [Reducing Risk: Setting Priorities and Strategies for Environmental Protection](#), EPA-SAB-EC-90-021, September 1990, p.6; [Reducing Risk Appendix A: The Report of the Ecological and Welfare Subcommittee](#), EPA-SAB-EC-90-021A, September 1990, pp.66-70; [Relative Risk Reduction Project Reducing Risk Appendix B: The Report of the Human Health Subcommittee](#), EPA-SAB-EC-90-021B, September 1990, pp.6-10; [Relative Risk Reduction Project Reducing Risk Appendix C: The Report of the Strategic Options Subcommittee; Relative Risk Reduction Project](#), EPA-SAB-EC-90-021C, September 1990, p.26;

<sup>8</sup> *Studies Addressing EPA’s Organizational Structure*, EPA OIG Report No. 2006-P-00029, August 16, 2006

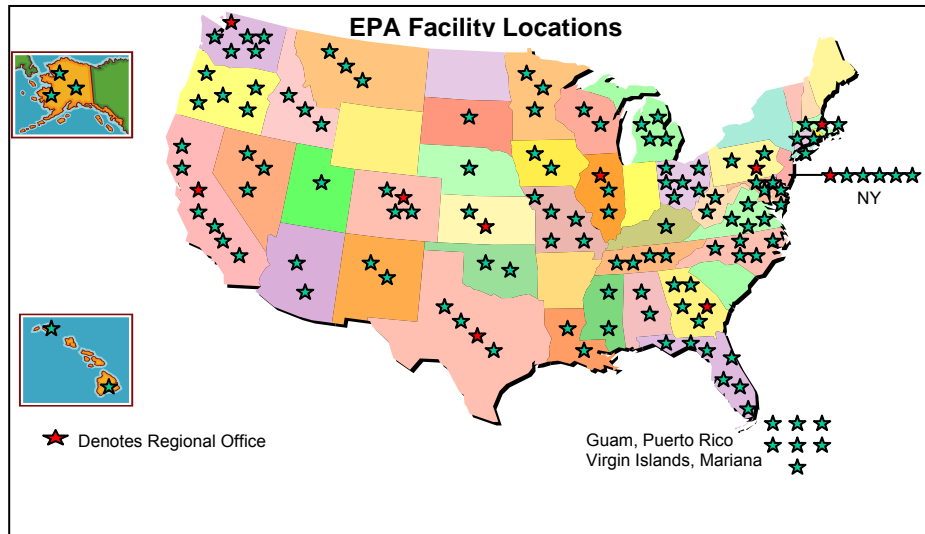
<sup>9</sup> EPA Strategic Plan for Homeland Security September 2002

<sup>10</sup> <http://www.epa.gov/ocir/nepps/jps.htm>

<sup>11</sup> Personnel figures – EPA’s Office of Human Resources

<sup>12</sup> EPA Office of Human Resources

<sup>13</sup> Ref – EPA Region 10 Organization



Of EPA’s 204 facilities, there are 49 with just 1 person and 88 which house 5 or fewer employees.<sup>14</sup> According to EPA’s Office of Administration and Resources Management, many of the small offices are temporary in nature and are established to handle a specific situation.

Part of the President’s Management Agenda calls for federal agencies to strategically address human capital. One of the action items in the Agenda calls for an analysis of existing organizational structures from service and cost perspectives, and implementing a plan for optimization using various tools, including redeployment, restructuring, and competitive sourcing. The Agency’s current strategic plan calls for having the “right people, in the right place, at the right time.” However, since EPA’s formation in 1970, a comprehensive study has not been completed to analyze EPA’s mission and the related number and location of employees needed to most effectively carry out EPA’s mission at the least cost. For example, with the increase in programs delegated to the States, EPA’s role and ability to conduct effective oversight of States becomes increasingly important. EPA might conduct an evaluation of the costs and benefits realized by those regions maintaining separate operations offices in States versus maintaining large regional offices. EPA might also consider conducting a review of the rationale and benefits associated with maintaining its cadre of regional and Research and Development laboratories around the country to determine whether they are sited in the appropriate locations for the type of work performed.

Maintaining over 200 facilities is resource-intensive. For Fiscal Year (FY) 2008, the budget for maintaining EPA’s facilities is nearly half a billion dollars.<sup>15</sup> Demonstrating the effectiveness of these operations as well as the cost effectiveness of maintaining over 200 locations presents EPA with challenges and opportunities for potential consolidation and cost savings. Because of the autonomous nature of EPA and its regional and local offices, undertaking such a study may require the assistance of an independent commission and agreement from EPA’s many oversight committees. With diminishing resources along with growing pressure to expand EPA’s role in the global arena, EPA will be challenged to reduce operating costs while expanding its mission. A comprehensive study to assess EPA’s mission, workforce, and infrastructure requirements would provide a rational basis for addressing these challenges.

<sup>14</sup> OIG analysis of EPA Office of Human Resource data

<sup>15</sup> OIG analysis of EPA budget



## Performance Measurement

Congress' desire to hold agencies accountable for performance was the motivating force behind the Chief Financial Officers Act of 1990 and the Government Performance and Results Act of 1993. While the Chief Financial Officers Act established the foundation for improving management and financial accountability, the Government Performance and Results Act created requirements for agencies to generate performance information that congressional and executive branch decision makers need in considering measures to improve government and reduce costs.<sup>16</sup>

EPA has been recognized for its efforts to align its budgeting, planning, and accounting systems to track and report on resource use. However, EPA continues to be challenged in measuring the human health and environmental results of its environmental programs. Despite the vast array of data reported and contained in EPA's information systems, the Government Accountability Office (GAO), the States, regulated entities, and EPA have pointed out that the Agency does not have much of the information it needs pertaining to environmental conditions and trends and the potential human health risks of various pollutants. This makes it difficult to evaluate and report on the benefits derived from environmental activities and make optimal decisions about how to invest EPA's resources to maximize environmental results.<sup>17</sup>

During a recent audit, we found that while many of EPA's programs received high scores for the program purpose and program management categories on the Office of Management and Budget's Program Assessment Rating Tool, EPA did not receive high marks for using information to manage programs and demonstrate results. Of the 51 programs reviewed, 41 percent (21 programs) did not regularly collect timely and credible performance information, including information from key program partners, and use it to manage the program and improve performance.<sup>18</sup>

EPA is challenged in measuring its performance because measuring environmental results is inherently difficult. Results are not always immediately recognized and programs may take several years to demonstrate results. In addition, linking environmental activities to outcomes is complicated by a myriad of external factors, including weather, international environmental issues, economic activity, and others which are outside of EPA's control.<sup>19</sup> As a result, many of EPA's performance measures focus on program activities<sup>20</sup> (number of enforcement actions, pounds of hazardous waste reduced, number of permits issued, number of training sessions held, etc.). While these may be good indications of amount of work performed, they do not measure the corresponding improvements to human health or the environment. Compounding these factors, a majority of EPA's performance information is collected and reported by program partners who do not always agree on how and what information should be collected or tracked, and who do not report the information to EPA in a consistent manner.<sup>21</sup>

To address these factors, EPA management needs to make a concerted effort to focus on the logic of program design and ensure that the design includes controls so that managers can measure, evaluate, and demonstrate results for the resources used. Designing programs with clear and measurable results allows

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<sup>16</sup> Chief Financial Officer Act of 1990, Government Performance and Results Act of 1993

<sup>17</sup> *Using the Program Assessment Rating Tool as a Management Control Process*, EPA OIG Report No. 2007-P-00033, September 12, 2007

<sup>18</sup> *Using the Program Assessment Rating Tool as a Management Control Process*, EPA OIG Report No. 2007-P-00033, September 12, 2007

<sup>19</sup> *EPA's Progress in Using the Government Performance and Results Act to Manage for Results*, EPA OIG Report 2001-B-000001, June 13, 2001

<sup>20</sup> *EPA Strategic Plan 2006-2011*, September 30, 2006

<sup>21</sup> *EPA's Progress in Using the Government Performance and Results Act to Manage for Results*, EPA OIG Report No. 2001-B-000001, June 13, 2001

for transparency of, and accountability for, program performance. Program design and the strategic planning process should include defining measures as well as ensuring the appropriate agreements, funding, processes, and systems are considered to obtain the necessary information. EPA also needs to ensure program managers are held accountable for ensuring that programs are designed with the means to measure and demonstrate program results and that the information gathered is used to manage and improve program results.<sup>22</sup>

## **Water and Wastewater Infrastructure**

Approximately 160,000 public drinking water systems provide the Nation with drinking water, while 16,000 sewage treatment plants treat and dispose of wastewater.<sup>23</sup> Under the Clean Water Act and Safe Drinking Water Act, water and wastewater facilities are responsible for treating water to specified levels. EPA is responsible for administering these laws and has a role in assisting facilities to meet their treatment requirements.

According to EPA, approximately 240,000 water main breaks and 75,000 sewer overflows occur each year, resulting in threats to public health across the country.<sup>24</sup> Some of the Nation's water infrastructure systems have components over 100 years old. As an example of the magnitude of the costs, a single city, the District of Columbia, has estimated that it will need to expend \$3.6 billion to meet various requirements of the Clean Water Act.<sup>25</sup> Nationally, the cost will be extremely large. EPA has estimated that approximately \$1 trillion dollars will be needed to pay for water and wastewater infrastructure over the next 20 years.<sup>26</sup> EPA also estimates that utilities are planning to spend only about half that amount over that same time. The remaining \$500 billion has been termed the "water and wastewater infrastructure gap." The gap represents infrastructure failures that could increase risks to public health and the environment, as well as damage the national economy.

America's water and wastewater assets are critical to the country's public health, economy, and environment. Meeting standards requires regular investment for treatment plants and distribution systems. Water and wastewater facilities have made considerable capital expenditures. Local governments spend more on water infrastructure than they do on everything else except education.<sup>27</sup> However many drinking water and wastewater systems across the country are failing to keep up with repairs and new construction required to maintain compliance with federal water standards. Many systems still need to build new facilities and distribution systems, and repair and replace aging infrastructure. Further, increasingly stringent standards could compel systems to make even more extensive capital improvements. For example, many wastewater treatment plants are beginning to install costly nutrient removal technologies. Drinking water facilities will also need to meet new standards. In 2006, EPA issued three new rules<sup>28</sup> and made substantial revisions to the existing Lead and Copper Rule. These rules promise safer drinking water and cleaner recreational waters. Implementation will increase the cost through upgrades to meet new requirements, and so the infrastructure gap could continue to grow in size.

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<sup>22</sup> *Using the Program Assessment Rating Tool as a Management Control Process*, EPA OIG Report No. 2007-P-00033, September 12, 2007

<sup>23</sup> <http://www.epa.gov/ogwdw/sdwa/basicinformation.html> and [http://www1.eere.energy.gov/femp/pdfs/bamf\\_wastewater.pdf](http://www1.eere.energy.gov/femp/pdfs/bamf_wastewater.pdf)

<sup>24</sup> <http://www.epa.gov/nrmrl/pubs/600f07015/600f07015.pdf>

<sup>25</sup> <http://archive.nacwa.org/getfile.cfm?fn=2007cso-a.russell.ppt>.

<sup>26</sup> <http://www.epa.gov/OGWDW/gapreport.pdf>, <http://www.epa.gov/owm/mtb/cwns/index.htm> and <http://www.epa.gov/safewater/needssurvey/index.html>

<sup>27</sup> <http://usmayors.org/urbanwater/07expenditures.pdf>

<sup>28</sup> The three new rules were: Long Term 2 Enhanced Surface Water Treatment Rule (January 2006), Stage 2 Disinfection Byproducts Rule (January 2006), and Final Ground Water Rule (November 2006)

Presently, the Federal Government does not have a national approach to bridging the water and wastewater infrastructure gap. EPA's Clean Water and Drinking Water State Revolving Funds received about \$1.7 billion in federal capitalization grants in FY 2006.<sup>29</sup> The U.S. Department of Housing and Urban Development and U.S. Department of Agriculture also provided systems with grant and loan assistance of about \$2 billion in FY 2006.<sup>30</sup> The programs are not part of a comprehensive investment strategy to address water infrastructure needs; they reflect each individual agency's mission and congressional direction. Additionally, the federal aid, as well as aid from State funding programs, is already considered in computing the size of the funding gap.

EPA also addresses the gap by advocating for its "Four Pillars of Sustainable Infrastructure."<sup>31</sup> One pillar is "full cost pricing." Reviews have shown that many local users resist full cost pricing. For example, Pennsylvania is being sued by a group of localities over more stringent permit limits required to meet Chesapeake Bay water quality standards.<sup>32</sup> The localities consider the required investment to meet Chesapeake Bay water quality standards an "unfunded mandate" pushed onto local rate payers. EPA supplements its "full-cost pricing" advocacy with programs organized around the remaining three pillars: "Effective Management," "Water Efficiency," and "Watershed Approaches." In short, infrastructure funds need to be used effectively. The Office of Water's Better Management Website, for instance, contains several links to information geared at improving management practices within the water sector. EPA has also established a "National Alliance for Water Efficiency."<sup>33</sup> Other programs, such as EPA's advocacy for "green infrastructure" to reduce storm runoff, contribute to reducing future infrastructure needs.<sup>34</sup>

EPA's current approach, based on providing a relatively small amount of funding to State revolving funds and operating programs such as those under the "Four Pillars of Sustainable Infrastructure," is helpful. Other federal agencies contribute as well. However, this approach does not represent a coherent national strategy for resolving the problem of aging and deteriorating infrastructure. A comprehensive approach would realistically assess the investment requirements, and work with States and local governments to organize resources to meet needs. It would also alert the public and Congress of the unfunded liabilities and risks. While EPA has responsibility for administering the Clean Water Act and the Safe Drinking Water Act, EPA does not have resources or authority to address this gap by itself. EPA needs to ensure there is a comprehensive federal understanding of the risks to public health, the environment, and the economy if this critical resource gap remains unresolved. EPA should also take the lead in organizing a coherent federal strategy within the limits of its statutory authorities and responsibilities.

## Meeting Homeland Security Requirements

EPA has faced unprecedented challenges in responding to incidents of national significance including the World Trade Center and Pentagon terrorist attacks, and Hurricanes Katrina and Rita. These events elevated the Nation's expectations of EPA's emergency response role. Over the last several years these expectations have formally expanded EPA's traditional emergency response function. The 2004 National Response Plan, the 2008 National Response Framework, and multiple Homeland Security Presidential

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<sup>29</sup> [http://www.epa.gov/safewater/dwsrf/allotments/funding\\_dwsrf\\_allotments-2006.html](http://www.epa.gov/safewater/dwsrf/allotments/funding_dwsrf_allotments-2006.html) and

<sup>30</sup> Water and Environmental Programs, Annual Activity Report, Fiscal Year 2006, USDA Rural Development, p. 6.

[http://www.hud.gov/offices/cpd/communitydevelopment/budget/disbursementreports/profiles/National\\_Expenditure\\_FY07.xls](http://www.hud.gov/offices/cpd/communitydevelopment/budget/disbursementreports/profiles/National_Expenditure_FY07.xls)

<sup>31</sup> <http://www.epa.gov/waterinfrastructure>.

<sup>32</sup> "Bill for upgrades at PA water plants creates sticker shock,"

<http://www.bayjournal.com/article.cfm?article=3281>

<sup>33</sup> [www.epa.gov/oig/reports/2008/20080331-08-P-0120.pdf](http://www.epa.gov/oig/reports/2008/20080331-08-P-0120.pdf), p. 11.

<sup>34</sup> [http://www.epa.gov/water/speeches/9-19-07\\_Water\\_Infrastructure.pdf](http://www.epa.gov/water/speeches/9-19-07_Water_Infrastructure.pdf), p. 10.

Directives<sup>35</sup> have established new federal requirements for EPA. The National Response Framework and several Homeland Security Presidential Directives direct EPA to support, coordinate, or lead responses to incidents of national significance, to include certain types of terrorist attacks or natural disaster events. EPA established its first Homeland Security office in 2003.

EPA needs to ensure it is ready to meet its Homeland Security requirements. The Agency must develop incident scenario plans that identify resources needed, planning assumptions, and accountable EPA entities. In addition, Agency plans need to be coordinated and communicated among all participating EPA entities as well as with outside federal, State, or local agencies that may be responding alongside EPA to nationally significant incidents. Reports issued by the Office of Inspector General since 2003 have identified a number of concerns with EPA's Homeland Security-related planning efforts and actions.<sup>36</sup> Recent reports<sup>37</sup> indicate that EPA's plan for responding to incidents of national significance (1) has undocumented assumptions and unsupported resource requirements; (2) was developed with little internal or external coordination; (3) is missing key accountability designations or process descriptions for handling crisis communications; (4) has not met milestones for completing certain critical Homeland Security responsibilities; and (5) has not established accountable entities in EPA, with proper authority, to complete certain critical Homeland Security requirements.

Based on our concerns in this area, since 2004, we have identified Homeland Security as an EPA management challenge.<sup>38</sup> Prior to 2004, we identified our concerns in this area under the "protection of critical infrastructure" management challenge.<sup>39</sup> Since FY 2005, EPA has identified its efforts in support

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<sup>35</sup> See, [http://www.dhs.gov/xprepresp/committees/editorial\\_0566.shtm](http://www.dhs.gov/xprepresp/committees/editorial_0566.shtm)

<sup>36</sup> *EPA Needs a Better Strategy to Measure Changes in the Security of the Nation's Water Infrastructure*, EPA OIG Report No. 2003-M-00016, September 11, 2003; *EPA Needs to Assess the Quality of Vulnerability Assessments Related to the Security of the Nation's Water Supply*, EPA OIG Report No. 2003-M-00013, September 24, 2003; *Decline In EPA Particulate Matter Methods Development Activities May Hamper Timely Achievement of Program Goals*, EPA OIG Report No. 2003-P-00016, September 30, 2003; *Survey Results on Information Used by Water Utilities to Conduct Vulnerability Assessments*, EPA OIG Report No. 2004-M-0001, January 20, 2004; *EPA's Homeland Security Role to Protect Air from Terrorist Threats Needs to be Better Defined*, EPA OIG Report No. 2004-M-000005, February 20, 2004; *EPA Needs to Better Manage Counter Terrorism/Emergency Response Equipment*, EPA OIG Report No. 2004-P-00011, March 29, 2004; *EPA's Final Water Security Research and Technical Support Action Plan May Be Strengthened Through Access to Vulnerability Assessments*, EPA OIG Report No. 2004-P-00023, July 1, 2004; *EPA Needs to Determine What Barriers Prevent Water Systems from Securing Known Supervisory Control and Data Acquisition (SCADA) Vulnerabilities*, EPA OIG Report No. 2005-P-00002, January 6, 2005; *EPA Needs to Fulfill Its Designated Responsibilities to Ensure Effective BioWatch Program*, EPA OIG Report No. 2005-P-00012, March 23, 2005; *EPA Needs to Better Implement Plan for Protecting Critical Infrastructure and Key Resources Used to Respond to Terrorist Attacks and Disasters*, EPA OIG Report No. 2006-P-00022, April 26, 2006; and *EPA Should Continue to Improve Its National Emergency Response Planning*, EPA OIG Report No. 08-P-0055, January 9, 2008.

<sup>37</sup> *Exit Memorandum for Preliminary Research of the Effectiveness of EPA's Emergency Response Activities*, EPA OIG Report No. 2006-M-000004, February 24, 2006; *EPA Needs to Better Implement Plan for Protecting Critical Infrastructure and Key Resources Used to Respond to Terrorist Attacks and Disasters*, EPA OIG Report No. 2006-P-00022, April 26, 2006; *EPA Should Continue to Improve Its National Emergency Response Planning*, EPA OIG Report No. 08-P-0055, January 9, 2008; and OIG Assignment No.2008-115 (ongoing).

<sup>38</sup> <http://www.epa.gov/oig/reports/challenges.htm>, 2004-2007 EPA Management Challenges.

<sup>39</sup> <http://www.epa.gov/oig/reports/challenges.htm>, 2001-2003 EPA Management Challenges.

of Homeland Security as an Agency-level weakness<sup>40</sup> and is currently taking action to strengthen this area, such as by: (1) expanding Homeland Security planning coordination efforts with other federal, State, or local agencies; (2) recognizing a more complete range of issues and information that must be considered when developing response plans for incidents of national significance; (3) developing crisis communication plans and identifying responsible parties and roles for crisis communications; and (4) completing basic Homeland Security requirements.

In its *FY 2006 Performance and Accountability Report*, EPA said that it planned to close its Homeland Security management challenge by FY 2008.<sup>41</sup> In addition, in its *FY 2007 Performance and Accountability Report*, EPA said it planned to correct certain other concerns we raised by FY 2008.<sup>42</sup> Because many ongoing actions are not yet completed or to a point where their effectiveness can be measured, additional time is needed to determine whether the actions will be effective in addressing EPA's Homeland Security challenges.

The OIG plans to continue to monitor and report on EPA's progress in managing its Homeland Security challenges. Completion of the ongoing actions will help the Agency continue on a path toward better management of the significant challenges posed by its Homeland Security responsibilities. However, the challenge of planning and preparing for incidents of national significance, including the potential for multiple terrorist attacks, will not end with completing ongoing actions. While EPA has extensive experience in managing emergency responses, it is usually the lead or only responder. The lessons learned from past emergencies are ingrained in EPA's approach to planning for nationally significant events. The expansion of the Agency's current Homeland Security responsibilities will generally require different thinking about how to respond, coordinate with others, and communicate in nationally significant emergencies. In addition to the physical and resource challenges, EPA will also have to change how its managers think about emergency response. EPA will have to expand its emergency planning process to include more internal organizations, as well as external organizations. Previously uninvolved EPA components will have to accept responsibility for planning and coordinating support to emergency response. These internal and external lines of communication and coordination will have to be confirmed and tested to maintain a credible capability outside normal practice.

### **Oversight of Delegations to States**

EPA's oversight of State programs requires improvement. GAO<sup>43</sup> and OIG<sup>44</sup> have reported that EPA has made some progress in this area. However, there are a number of factors and practices that reduce the effectiveness of Agency oversight. Key among these are limitations in the availability, quality, and robustness of program implementation and effectiveness data, and limited Agency resources to independently obtain such data. Differences between State and federal policies, interpretations, and priorities make effective oversight a challenge.

EPA's mission is to protect human health and the environment. To accomplish its mission, EPA develops regulations and establishes programs that implement environmental laws. These programs may be

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<sup>40</sup> [http://www.epa.gov/ocfo/par/2005par/par05key\\_mgmt\\_challenges.pdf](http://www.epa.gov/ocfo/par/2005par/par05key_mgmt_challenges.pdf), electronic p. 5; [http://www.epa.gov/ocfo/par/2006par/par06mgmt\\_accomplishments\\_and\\_challenges.pdf](http://www.epa.gov/ocfo/par/2006par/par06mgmt_accomplishments_and_challenges.pdf), electronic p. 8; and [http://www.epa.gov/ocfo/par/2007par/par07management\\_weaknesses.pdf](http://www.epa.gov/ocfo/par/2007par/par07management_weaknesses.pdf), electronic p. 5.

<sup>41</sup> [http://www.epa.gov/ocfo/par/2006par/par06mgmt\\_accomplishments\\_and\\_challenges.pdf](http://www.epa.gov/ocfo/par/2006par/par06mgmt_accomplishments_and_challenges.pdf), electronic p. 8.

<sup>42</sup> [http://www.epa.gov/ocfo/par/2007par/par07management\\_weaknesses.pdf](http://www.epa.gov/ocfo/par/2007par/par07management_weaknesses.pdf), electronic p. 5.

<sup>43</sup> *EPA-State Enforcement Partnership Has Improved, But EPA's Oversight Needs Further Improvement*, GAO -07-883, July 31, 2007

<sup>44</sup> *Despite Progress, EPA Needs to Improve Oversight of Wastewater Upgrades in the Chesapeake Bay Watershed*, EPA OIG Report No. 08-P-0049, January 8, 2008

delegated to State, local, and tribal agencies that request to take primacy of the program. Delegation, however, does not relieve EPA of its statutory and trust responsibilities for protecting human health and the environment. EPA performs oversight of State, local, and tribal programs in an effort to provide reasonable assurance that delegated programs are achieving their goals. In addition to regulatory programs, EPA sponsors voluntary partnerships and programs with more than 10,000 industries, businesses, nonprofit organizations, and State and local governments on more than 40 pollution prevention programs and energy conservation efforts. Dealing with partners requires different types of management approaches and controls than when dealing with parties that require oversight. EPA does not have the resources to effectively administer all its responsibilities directly. EPA relies heavily on local, State, and tribal agencies for compliance and enforcement and to obtain performance data. In the *2007 Performance and Accountability Report*, EPA states it delegated the responsibility for issuing permits and for monitoring and enforcing compliance to the States and tribes.<sup>45</sup>

A critical management challenge to EPA is oversight of its delegations to the States. Federal environmental statutes grant EPA a significant role in implementing the intent of the law, and also authorize a substantial role for States. Federal intent is to give all citizens an equal level of environmental protection. However, quality data are often lacking to ensure that the intent of the law is met. For example, EPA lacks the data necessary to assess the benefits of its air toxics standards, such as decreased incidence of cancer. Data on the program's effectiveness, such as changes in emissions, concentrations of air toxics in the (ambient) outdoor air, and data on compliance with air toxics standards, are limited and inconclusive.<sup>46</sup> Also, federal requirements establish consistency for businesses and within industries nationwide. State discretion adds flexibility to address specific circumstances and local issues. Joint implementation and enforcement leads to special challenges in interpretations, strategies, and priorities.

EPA has improved its oversight by implementing the State Review Framework. This framework is a consistent approach for overseeing programs. The framework can also identify other weaknesses and improvements that can be made. GAO reported that EPA had made substantial progress in improving priority setting and enforcement planning with the States. However, GAO concluded that EPA's oversight needed further enhancement. For example, State Review Framework reviews show that EPA has limited ability to determine whether States are performing timely, appropriate enforcement, and whether penalties are applied to environmental violators in a fair and consistent manner within and among the States.<sup>47</sup> OIG found that EPA did not exercise effective enforcement oversight of facilities with National Pollutant Discharge Elimination System (NPDES) permits in significant long-term noncompliance.<sup>48</sup> The situation was also exacerbated by a lack of complete and accurate records of NPDES compliance and enforcement actions.

In other reports, the OIG has consistently noted that EPA's oversight of State activities or data needs to be improved to make accurate assessments of performance and results. For example, EPA's oversight of State vehicle inspection and maintenance programs needed improvement.<sup>49</sup> These programs represent a key pollution control strategy in urban areas. They are also a prime example of why EPA involvement is critical to address pollution issues that are not bound by State lines. The OIG reported that EPA had not

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<sup>45</sup> *US Environmental Protection Agency, Performance and Accountability Report Fiscal Year 2007 – Environmental Progress*, November 13, 2007

<sup>46</sup> *EPA Should Improve the Management of Its Air Toxics Program*, GAO-06-669, June 23, 2006

<sup>47</sup> *EPA-State Enforcement Partnership Has Improved, But EPA's Oversight Needs Further Improvement*, GAO-07-883, July 31, 2007

<sup>48</sup> *Better Enforcement Oversight Needed for Major Facilities With Water Discharge Permits in Long-Term Significant Noncompliance*, EPA OIG Report No. 2007-P-00023, May 14, 2007

<sup>49</sup> *EPA's Oversight of the Vehicle Inspection and Maintenance Program Needs Improvement*, EPA OIG Report No. 2007-P-00001, October 5, 2006

ensured that States were meeting program commitments. Overall, EPA did not have a reasonable assurance that emissions claimed by some inspection and maintenance programs had been achieved.

In our view, while EPA has improved its oversight of delegated programs, the issues are complex and changeable. To provide effective oversight, the Agency must address the limitations in the availability, quality, and robustness of program implementation and effectiveness data. Effective oversight of delegations to States is a continuous management challenge that requires an agile organization, accurate data, and consistent interpretations of policy.

## Chesapeake Bay Program

The Chesapeake Bay is North America's largest and most biologically diverse estuary. Improving water quality is the most critical element in the overall protection and restoration of the Chesapeake Bay and its tributaries, according to the Chesapeake Bay 2000 Agreement.<sup>50</sup> Yet after about 20 years of effort by federal, State, and local governments, the Bay waters remain degraded and the latest targeted cleanup goal will not be met. After a series of reports, the OIG has determined that while EPA could increase its use of some authorities and improve oversight, this is not nearly sufficient for achieving and sustaining water quality goals.<sup>51</sup> EPA quite simply does not have the resources, tools, or authorities to ensure that the Chesapeake Bay Program is successful. Changes in national farm policy, local land development decisions, and individual life styles could have huge impacts on the amount of pollution being discharged to the Bay.

Congress designated EPA's Chesapeake Bay Program Office (CBPO) with the responsibility to coordinate cleanup efforts with other federal agencies and State and local governments.<sup>52</sup> The CBPO was also given the responsibility to report to Congress on the progress in cleaning up the Bay. Congress provides a much higher level of funding to CBPO than it does for any other geographically-based program. The 2009 budget requests \$29 million for CBPO.<sup>53</sup> With this money, the CBPO awards grants and offers various technical information and assistance. Congress' interest in the Bay is also exhibited in its proposed funding of projects in the Farm Bill.<sup>54</sup>

As the most mature watershed restoration program, successful approaches and solutions for organizing and managing cleanup will therefore be highly relevant to stakeholders in other watersheds throughout the nation. Success or failure will resonate in communities across the country. The Bay's problems are national problems. The CBPO can be the prototype for developing ways to address the water quality impairments of other watersheds. Learning from the Bay's successes and failures will be critical to watersheds across the country. The most important water quality issues (nutrient overloading, habitat loss,

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<sup>50</sup> *Chesapeake 2000*, p. 1, <http://www.chesapeakebay.net/pubs/chesapeake2000agreement.pdf>

<sup>51</sup> *Saving the Chesapeake Bay Watershed Requires Better Coordination of Environmental and Agricultural Resources*, EPA OIG Report No. 2007-P-00004, November 20, 2006; *EPA Relying on Existing Clean Air Act Regulations to Reduce Atmospheric Deposition to the Chesapeake Bay and its Watershed*, EPA OIG Report No. 2007-P-00009, February 28, 2007; *Development Growth Outpacing Progress in Watershed Efforts to Restore the Chesapeake Bay*, EPA OIG Report No. 2007-P-00031, September 10, 2007; and *Despite Progress, EPA Needs to Improve Oversight of Wastewater Upgrades in the Chesapeake Bay Watershed*, EPA OIG Report No. 08-P-0049, January 8, 2008.

<sup>52</sup> Section 117 of the Clean Water Act.

<sup>53</sup> *FY 2009 EPA Budget in Brief*, page D-4, <http://www.epa.gov/ocfo/budget/2009/Final%2009%20BIB%20.pdf>

<sup>54</sup> *USDA 2007 Farm Bill Proposals*, <http://www.usda.gov/documents/07finalfbp.pdf>

and decline in fish populations) faced by the Bay are the same issues the other 28 estuaries in EPA's National Estuary Program face.<sup>55</sup>

EPA's CBPO has provided scientific information used by the partnership in setting allocations, revising water quality standards, and establishing stricter wastewater treatment discharge limits. Despite these important accomplishments, the Bay partners face significant obstacles in achieving the Bay's water quality goals. It is now widely acknowledged that the nutrient and sediment reductions that are required will not be met by 2010 as planned. EPA did not meet its strategic plan goals for the Chesapeake Bay in 2005 and 2006.<sup>56</sup> At the current rate of progress, it will take decades for the Bay partners to reach their reduction goals, and that is without factoring in future challenges.

The Bay partners face the following key challenges: (1) managing land development, (2) increasing implementation of agricultural conservation practices, (3) monitoring and expediting the installation of nutrient removal technology at wastewater treatment plants, (4) seeking greater reductions in air emissions, and (5) identifying consistent and sustained funding sources to support tributary strategy implementation. Few of these steps can be taken by EPA; its "partners" will need to implement practices to reduce loads. However, EPA will need to institute management controls to ensure that the promised reductions are realistic, and those that are claimed are actually being achieved.

Actions necessary to address the above challenges will not be easily implemented even if such practices are described as cost-effective. For example, it will be difficult to convince enough agricultural producers that conservation practices will not adversely affect productivity. In many cases, EPA has no clear authority to control the major sources of pollution, such as from land development. Other practices are controversial because they place restrictions on the lives of the residents of the Bay watershed. Controls may result in property owners near the coast not being able to construct additions to their homes or develop vacant land. However, to address these challenges, EPA and its partners will need to make major program improvements. In the absence of significant steps from government, financial incentives, or other mechanisms of influence, the enormous reductions required will not be forthcoming.

The CBPO has begun responding to the recommendations contained in reports by the EPA OIG and GAO by improving program management and strategic planning. While these efforts are likely to improve overall management, they are unlikely to result in the accelerated progress needed to achieve the reduction goals. It will still be up to local governments to determine how they will develop lands and to other federal agencies on how they will direct agricultural production or transportation. It is the Bay community's responsibility to take action to ensure that Bay-wide commitments are met, and that water quality goals are achieved and maintained. It is EPA's responsibility to monitor and assess progress. The Bay partners need to commit to implementation plans with realistic timeframes and generate adequate financial support. EPA should then use its reporting responsibilities to advise Congress and the Chesapeake Bay community on the partners' progress in meeting these commitments, and identifying any funding shortfalls and other impediments that will affect progress

### **Voluntary Programs - Update**

EPA supports and advocates for a range of voluntary programs 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

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<sup>55</sup> *Challenges Facing Our Estuaries, Key Management Issues*, <http://www.epa.gov/owow/estuaries/about3.htm>.

<sup>56</sup> *Fiscal Year 2006 Performance and Accountability Report, U.S. Environmental Protection Agency*, p. 176 <http://www.epa.gov/ocfo/par/2006par/index.htm>



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).<sup>57</sup> In 2002, EPA released an innovation strategy that described EPA activities and priority issues.<sup>58</sup>

Voluntary programs have proliferated in recent years and now address a wide variety of environmental challenges.<sup>59</sup> However, their growth has not been matched by appropriate organization and oversight. Recent OIG work illustrates that EPA does not have Agency-wide policies that require the inclusion of key evaluative elements such as standardized management processes, consistent and reliable data, and uniform operational guidelines that allow for comparative assessment. EPA has not developed specific definitions that help EPA staff to categorize or identify these diverse voluntary programs. Finally, EPA has not implemented a systematic process to develop, test, and market voluntary programs, or to regularly evaluate the effectiveness of these programs. As a result, EPA cannot identify a consistent population of voluntary programs, there are no policies requiring voluntary programs to have comparative programmatic elements, and there is no systematic process in place to regularly assess the effectiveness of these programs.<sup>60</sup> In response, the Agency committed to a series of steps intended to establish minimum design standards, improve management, and develop multi-year internal program evaluation plans for voluntary programs as part of the Agency's strategic and annual planning, budgeting, and accountability systems.

Evaluations of individual voluntary programs continue to uncover design, data, and implementation concerns. For example, we found shortcomings in EPA's "gold standard" Performance Track voluntary program with quality controls, performance measurement, and strategic planning.<sup>61</sup> In response, EPA committed to develop better goals and measures, improve monitoring, explore alternative performance data collection methods, and develop a comprehensive strategic plan. Our evaluation of EPA's largest voluntary program, ENERGY STAR, found that EPA does not have reasonable assurance that its self-certification process is effective. EPA relies on some alternative verification mechanisms, but lacks any quality assurance or review of reported results. The Agency's verification testing lacks a clear documented methodology governing products selected for verification tests and does not test for statistically valid results. Consequently, product efficiency and energy savings reported by manufacturers are, for the most part, unverified by EPA review.<sup>62</sup> In response, EPA committed to establish a Quality Assurance Program integrating the various elements of its compliance monitoring system for ENERGY STAR-qualified products.

Clearly, EPA must be innovative and flexible, and adapt to changes in environmental protection, to 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. However, as the EPA OIG continues to evaluate the

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<sup>57</sup> EPA *Everyday Choices: Opportunities for Environmental Stewardship*, December 2005.

<sup>58</sup> EPA *Innovating for Better Environmental Results: A Strategy to Guide the Next Generation of Innovation at EPA*, April 2002.

<sup>59</sup> *Partnership Programs May Expand EPA's Influence*, EPA OIG Report No. 2007-P-00003, November 14, 2006

<sup>60</sup> *Voluntary Programs Could Benefit from Internal Policy Controls and a Systematic Management Approach*, EPA OIG Report No. 2007-P-00041, September 25, 2007

<sup>61</sup> *Performance Track Could Improve Program Design and Management to Ensure Value*, EPA OIG Report No. 2007-P-00013, March 29, 2007

<sup>62</sup> *ENERGY STAR Program Can Strengthen Controls Protecting the Integrity of the Label*, EPA OIG Report No. 2007-P-00028, August 1, 2007.

efficiency and effectiveness of voluntary programs, such as ENERGY STAR, Indoor Radon, and those designed to reduce greenhouse gas emissions, it is increasingly a concern that the potential benefits of voluntary programs are not commensurate with the size of the environmental and human health problems they are intended to solve.

## **EPA's Response to Office of Inspector General Identified Management Challenges**

### ***Threat and Risk Assessment***

*Agency Response:* EPA appreciates the Office of Inspector General's concerns and recommendation that the Agency enhance its efforts to periodically assess and prioritize threats to human health and the environment across media and use this information to inform its strategic planning and budgeting processes. As the Office of Inspector General points out, nearly 20 years ago EPA's Science Advisory Board (SAB) recommended that EPA target its efforts based on opportunities for the greatest risk reduction. The Board's 1990 report, *Reducing Risk: Setting Priorities and Strategies for Environmental Protection*, described the "fragmentary nature of EPA's approach" to addressing environmental problems due to a number of underlying conditions, including environmental laws that are focused on a single medium or threat, the Agency's responsibilities for addressing separate legislative mandates, and technologies that are targeted to address specific pollutant sources.

Given these conditions and EPA programs' disparate and individual interests and responsibilities, forging a cross-media, cross-Agency approach to assessing risk and using the information to establish risk-based priorities for planning and resource allocation represents a significant challenge. In principle, however EPA concurs with the Office of Inspector General's view that, given the diminishing resources available for environmental protection, there is a critical need for EPA to focus on high-priority environmental threats to human health and the environment across media to ensure that the Agency's actions are designed to reduce total risk in the most efficient manner. Over the coming months, EPA will conduct further discussions with senior leadership and policy-makers from across the Agency to initiate the development of an integrated risk-based strategy and appropriate metrics to measure the aggregate impacts of risk reduction to human health and ecosystems. EPA will consult with the Science Advisory Board as necessary in developing this integrated risk-based approach. The Agency will also continue to consult with the Office of Inspector General and to provide information on its progress.

### ***EPA's Organization and Infrastructure***

*Agency Response:* EPA acknowledges the Office of Inspector General's concerns and agrees that the Agency could benefit from a comprehensive review of its organizational structure as it relates to the number and location of employees needed to effectively accomplish its mission. While EPA does not have the resources or the authority to conduct such a broad review, it has conducted periodic nationwide assessments to identify cost-saving opportunities as a result of mission and personnel changes.

EPA maintains an inventory of buildings—owned and leased—that support its current mission. While some employees are located in "special use spaces," the vast majority of employees are located in Headquarters buildings, regional offices, and laboratories. The "special use spaces" are rent-free in many instances and generally used by enforcement personnel who must work in concert with and proximate to state and local enforcement offices. The Agency requires all program and regional senior management officials to provide, in writing, space requirements and any requests for additional space, facility construction, repair, and alterations.

Under the Space Consolidation and Rent Avoidance Project, the Agency has released approximately 195,000 square feet of space, resulting in an annual rent avoidance of more than \$6.5 million. The Agency plans to release approximately 86,000 square feet of additional space in regional facilities for an estimated annual rent avoidance of nearly \$2 million. Through its

master space planning process, the Agency will continue to identify and fulfill its long-term facility requirements.

### ***Performance Measurement***

*Agency Response:* While measuring environmental performance is inherently challenging, EPA has made performance measurement improvement and performance management a priority and is pursuing many actions to meet this challenge. The Agency has undertaken significant work to strengthen its performance management framework and has made significant progress. EPA's work to strengthen performance management contributed to the Agency's winning the President's Quality Award for Management Excellence. EPA is the second federal agency to receive this award.

EPA's Office of the Chief Financial Officer has conducted an annual performance measures review for each of the last two years. This effort has included better aligning EPA's operational measures with its annual budget measures and strategic plan measures. EPA established an Agency-wide Deputy Regional Administrator and Deputy Assistant Administrator Performance Management Council to discuss and improve EPA's performance management practices. Additionally, EPA developed and submitted the Agency's Implementation Plan for Executive Order 13450 on Improving Government Program Performance. The Office of Management and Budget lauded EPA's plan as a model for other agencies. The Agency also established a senior staff Performance Management Workgroup to improve performance measures and address key issues at the staff level on an ongoing basis. EPA continued implementing and improving its quarterly management report and developed "measures central"—a centralized database of the Agency's key performance measures. Regional priorities have been added to the system, and the Agency piloted an effort among national program offices to "map" the relationships among key sets of measures. Staff has identified lessons learned to assist in future streamlining and aligning measures.

Other EPA offices have also led significant efforts to improve performance management practices. The Office of Policy, Economics, and Innovation (OPEI) led regular progress meetings between regional offices, Headquarters offices, and the Deputy Administrator on key measures. The Office of Policy, Economics, and Innovation's National Center for Environmental Innovation runs regular trainings for EPA staff and managers on the logic of program design, including specific training in logic modeling and program evaluation. The National Center for Environmental Innovation offers detailed courses for staff and a primer for managers.

In 2007, the Office of Research and Development initiated a study with the National Academy of Sciences (NAS) to assist EPA and other agencies in addressing the common challenge of evaluating efficiency in research. The NAS study provided precedent-setting information that will allow research programs throughout the government to reassess how they measure efficiency.

EPA's plans to continue addressing the performance measurement challenge include:

- Conducting an annual review of FY 2010 measures, focused on improving the links between EPA's operational measures, senior management priorities, and long-term environmental and health goals.
- Strengthening efforts to govern/oversee the overall quality of the measures and data in the measures central system.

- Developing a comprehensive strategy to address barriers to program evaluation (National Center for Environmental Innovation).
- Revising the Office of Enforcement and Compliance Assurance's approach to strategic planning for EPA's FY 2009–2014 plan. The Office is moving from a tool-based approach to an environmental-problem-based approach.
- Continuing to improve the performance measures used for state grants to increase transparency and accountability of state contributions to achieving EPA's mission.

### ***Water and Wastewater Infrastructure***

*Agency Response:* EPA is doing everything possible within its authority, responsibility, and resource constraints to change the way the country views, values, manages, and uses its drinking water and wastewater infrastructure. The Sustainable Infrastructure initiative continues to be a top priority and has been extremely active in the past year. While ultimately long-term sustainability will occur at the local level, EPA has provided and continues to provide national leadership. For example, the Agency has partnered with six of the major water and wastewater professional associations to reach national consensus on the 10 "Attributes of an Effectively Managed Utility." This first-of-a-kind national collaboration will enable utilities to operate under a common management framework that will help the sector move toward sustainability in a unified manner. Recently, this collaboration has resulted in a primer to help utilities assess their operations based on the "Attributes," focus on their most critical challenges, and set measurable performance goals. The primer is accompanied by an online tool kit that identifies other sources that can help utilities manage in a sustainable manner.

Recognizing that water efficiency has significant implications for infrastructure and how the Agency values water, EPA has been actively expanding the WaterSense Program, launched in 2006. The WaterSense label will help consumers find products and services that save water while ensuring performance, thereby reducing the burden on infrastructure and mitigating water availability challenges. It also helps to build a national consciousness of the value of water and water services, which will be essential to the national awareness and commitment that will be required to pay for infrastructure needs.

Additionally, EPA has reached out to other federal agencies and departments to work together on infrastructure sustainability. EPA is working with the Department of Transportation on a set of case studies on asset management, an area of common interest for water and highway infrastructure. The Department of Transportation and EPA have agreed to establish a full-time liaison position to facilitate further collaboration. Last year, EPA partnered with the Department of Agriculture on the National Paying for Sustainable Water Infrastructure conference and continues to collaborate with the Department and its funding programs. EPA has discussed water infrastructure with the Army Corps of Engineers and recently shared with them its Special Appropriations Act Project guidance, which includes a section on how to incorporate sustainable practices in earmark projects.

EPA believes it has taken and will continue to take effective steps to define and pursue its role in ensuring that the nation's drinking water and wastewater infrastructure is sustainable in the future and in increasing public awareness and appreciation of the need for sustainable water infrastructure. Expanding EPA's role will require increased authority and resources.

## ***Meeting Homeland Security Requirements***

*Agency Response:* In FY 2006, EPA acknowledged homeland security as an Agency weakness in response to concerns raised by the Office of Inspector General. Over the years, EPA has taken action to strengthen its responsibility for homeland security by expanding its homeland security planning and coordination efforts with other federal, state, and local agencies; recognizing a more complete range of issues and information that must be considered in the development of response plans for incidents of national significance; developing a crisis communication plan and identifying responsible parties and roles for crisis communications; and fulfilling basic homeland security requirements.

To respond to growing demands from new Homeland Security Presidential Directives and the increasing complexity of its contribution to homeland security, EPA established the Homeland Security Collaborative Network to coordinate and directly address high-priority, cross-Agency technical and policy issues related to day-to-day homeland security policies and activities.

To improve its processes for identifying, obtaining, maintaining, and tracking response equipment necessary for nationally significant incidents, EPA created and convened the Homeland Security Policy Coordinating Committee (PCC). This executive committee, activated after a homeland-security-related attack, brings together the Agency's senior political leadership to provide policy direction to responders.

In FY 2008, EPA revised the Homeland Security Priority Work Plan (2008–2010), the Agency's overarching planning framework for identifying and aligning cross-Agency homeland security programs with EPA's highest homeland security priorities. The Plan identifies Presidential and other externally driven homeland security mandates and outlines EPA's continuing efforts to advance the Agency to the next level of preparedness.

EPA has been called on to respond to five major disasters and nationally significant incidents in the past seven years: the 9/11 terrorist attacks, the anthrax terrorist incidents, the Columbia Shuttle disaster and recovery efforts, the ricin incident on Capitol Hill, and the Gulf Coast hurricanes. These responses have reinforced the importance of a continued focus on improving the Agency's environmental homeland security focal areas: detection, prevention, and mitigation and field preparedness and response. Within these areas, EPA identified and continues to focus on four homeland security priorities: water security, decontamination, emergency response, and internal preparedness. These priority areas have been identified as the result of external entities assigning EPA specific responsibilities or through homeland security requirements and assignments.

Additionally, EPA developed three tiers of information to be responsive to its homeland security mandates. This information forms the basis for understanding EPA's highest homeland security priorities and serves as a way to assess short-, medium-, and long-term goals and results. The three tiers are:

- **Desired end states.** These describe the final outcomes of homeland security projects or efforts once EPA believes it has met the President's or other externally imposed directives (e.g., Homeland Security Presidential Directives).
- **Desired results.** These reflect specific programmatic areas through which EPA seeks to make progress toward the desired end state.

- **Action items.** EPA's FY 2008–2010 action items reflect specific program and regional office plans (e.g., projects or efforts) to progress toward desired results and ultimately reach EPA's desired end state.

EPA will continue to use its Homeland Security Priority Work Plan as a systematic method to assess homeland security priorities and projects annually. Additionally, the Agency will rely on audits and evaluations conducted by the Office of Inspector General to help ensure that it achieves its homeland security objectives and that its appropriations supporting homeland security are spent efficiently and effectively. **EPA has completed all corrective actions associated with this weakness.**

### ***Oversight of Delegations of States***

*Agency Response:* EPA agrees with the Office of Inspector General that the Agency has made progress in its oversight of delegated programs, and it intends to continue this progress through a variety of ongoing initiatives. As the Office of Inspector General notes, state oversight is a very complex and changeable arena. Through federal statute, implementing regulations, and program design, states are allowed flexibility in how they manage and implement environmental programs. This flexibility is critical for individual states to meet the broad range of environmental challenges and set priorities to deal with them.

Led by the Deputy Administrator, EPA is devoting significant attention to improving its performance management and accountability systems for Agency programs, including those delegated to the states. Several of these efforts are aimed at improving data and performance measures to better assess program progress nationally. Through the Environmental Council of the States (ECOS), state environmental commissioners, who are responsible for implementing delegated programs, annually participate in developing EPA's strategic plan and national program guidance. For the last three budget cycles, council officers have participated in the Agency's budget hearings with the Deputy Administrator and Chief Financial Officer. For the budget hearings, states provide information about state priorities, respond to Agency questions about program priorities and funding needs, and submit state budget proposals for the state and tribal categorical grant programs.

National program consistency and accountability depend on the work that EPA regions do with states to ensure that national program goals are met through negotiated EPA/state agreements and grants. National program managers and EPA's Office of the Chief Financial Officer work closely with the states in planning, budgeting, and accountability processes to ensure better alignment of program goals, objectives, and measures of effectiveness at the state level. Each year, states, regions, and national program managers review existing program progress measures and make recommendations for improving individual measures, aligning their measures, and where appropriate, reducing/eliminating unnecessary measures. The focus is on ensuring that the measures are meaningful ways to measure program progress.

The most recent example is the State Review Framework, developed jointly by EPA and the states, which governs program evaluations conducted by EPA's Office of Enforcement and Compliance Assurance. The principal goal of the Framework is to ensure national consistency in how the states carry out and enforce air, water, and waste programs.

EPA program offices are responsible for state oversight of individual programs; however, the Office of Congressional and Intergovernmental Relations participates in joint workgroups, such as the State Review Framework Workgroup, to remove barriers to collaborative problem

solving. The Office supports outreach and consultation with the states through national associations, particularly the Environmental Council of the States. EPA works with the Council to ensure that consultation with the states occurs early in the development of regulations, policy, and guidance, and that the consultation that takes place is timely, meaningful, appropriate, and facilitates the goal of protection of human health and the environment.

Currently, the Office of Congressional and Intergovernmental Relations is participating in a number of areas to improve the EPA-state relationships. Many of these areas involve improving data, performance measurement, and accountability.

- EPA is working on a uniform state grant workplan in response to Office of Management and Budget concerns and has developed a common set of environmental measures that it requires be included in all state grant workplans.
- EPA will continue to utilize performance measurement and accountability analyses, using information from completed Agency Government Performance and Results Act (GPRA) and Program Assessment Rating Tool (PART) reviews.
- The Office of Environmental Information is working with states to have them adopt data standards for national program databases and to develop new applications for the National Environmental Information Exchange Network.
- EPA is making expanded use of business process improvement techniques and burden reduction projects to eliminate waste and duplication in EPA and state work to enable "doing the right things, the right way," reducing reporting burden for state programs, and allowing the redirection and redeployment of scarce resources to maximize program accountability.
- The Agency is enhancing its consultation with the states in developing regulations to ensure that final rules can be implemented effectively. The Office of Congressional and Intergovernmental Relations is also participating in a special project to revise EPA's guidance governing economic analyses for the cost of rules to include better estimates of the costs to the states for implementation.

The Agency is committed to pursuing these improvements.

### ***Chesapeake Bay Program***

*Agency Response:* The Office of Inspector General continues to raise concerns about EPA's Chesapeake Bay Program. Between 2005 and 2008, the Office of Inspector General issued several evaluation reports on the Program, the majority focusing on EPA's efforts to reduce nutrients and sediment loads from the principal source sectors in the Chesapeake Bay. EPA believes that actions taken to date and those planned in the future adequately address the concerns the Office of Inspector General expressed in their reports.

In a May 2008 report to Congress, *Strengthening the Management, Coordination and Accountability of the Chesapeake Bay Program*, EPA described Chesapeake Bay Program partners' collective efforts to implement Government Accountability Office recommendations. This report provides documentation and evidence demonstrating how these recommendations have been implemented and will support enhanced coordination, collaboration, and accountability among the Program partners. In addition, it describes Program partners' progress in developing and implementing the Chesapeake Action Plan, a critical enhancement of the



Program's management system that supports implementation of the Government Accountability Office recommendations.

The Chesapeake Action Plan has four primary components:

- A strategic framework that unifies the Chesapeake Bay Program's existing planning documents and clarifies how Program partners will pursue the restoration and protection goals for the Bay and its watershed.
- An operating plan that identifies and catalogues Program partners' resources and actions being undertaken and planned.
- Dashboards, which are high-level summaries of key information, including clear status of progress, realistic annual targets toward certain Chesapeake 2000 goals, summaries of actions and funding, and critical analyses of the current strategy, challenges, and future emphasis.
- An adaptive management process that begins to identify how this information and analysis will provide critical input to determine Program partners' actions, assign emphasis, and establish future priorities.

These components enhance coordination among Chesapeake Bay Program partners, encourage them to continually review and improve their progress in protecting and restoring the Bay, increase the transparency of the Program's operations for partners and the public, and heighten the accountability of the Program and its partners for meeting their Bay health and restoration goals.

The Chesapeake Action Plan supports a management system that more closely aligns implementation responsibilities with the unique capabilities and missions of the Chesapeake Bay Program partners, thereby using the limited resources available to the Program partners more efficiently. The Action Plan will significantly transform the way the Program will operate.

It is important to note that Program partners have long been engaged in significant actions to advance the protection and restoration of the Chesapeake Bay. Program partners are strongly committed to achieving program goals for the Bay. The Chesapeake Action Plan has placed the Program on a course to accelerate the pace at which the partners implement actions to improve the Bay.

## IMPROPER PAYMENTS INFORMATION ACT OF 2002 REPORTING DETAILS

### Risk Assessments

To implement the Improper Payments Information Act of 2002 (IPIA) requirements, the Agency reviewed and sampled disbursements made in the highest risk susceptible inventories. EPA determined that its programs did 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 was 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. Since the end of FY 2005, EPA has continued to surpass 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	0.49 percent
2005	\$2.0 billion	\$ 3.0 million	0.15 percent
2006	\$2.3 billion	\$ 3.5 million	0.15 percent
2007	\$2.3 billion	\$1.64 million	0.07 percent
2008	\$2.1 billion	\$8.3 million	0.39 percent

### Statistical Sampling Process

Based on having low error rates and less than \$10 million in erroneous payments, OMB approved relief from annual statistical sampling and reporting requirements for the Clean Water and Drinking Water State Revolving Fund (SRF) Programs for FY 2007 – FY 2009. EPA will need to conduct a risk assessment on these programs in three years (FY 2010), or may be required to re-initiate measurement activities if there are any substantial changes to the program (legislation, funding, etc.) that may impact payment accuracy.

### Corrective Action Plans

In order to meet OMB’s objective, 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:

## Grants

As described in Section II above, EPA was granted relief from annual statistical sampling of direct and subrecipient SRF payments. Since FY 2006, the Agency tracks erroneous payments by grant recipient in the Grantee Compliance Database.

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-profits grantees. Nineteen of the non-profit grantee reviews identified potential erroneous payments. In FY 2006, the Agency completed its risk-based judgmental CY 2005 sample of 99 non-profit recipient reports – 24 identified potential erroneous payments. In FY 2006, EPA introduced a new, random statistical sampling approach that categorizes grant recipients for review. In FY 2007, of the 60 CY 2006 statistically sampled non-profit grantee recipients reviewed, 27 were identified as having potential erroneous payments. In FY 2008, of the 60 CY 2007 statistically sampled non-profit grantee recipients reviewed, 15 were identified as having potential erroneous payments. Final results for these 4 years provided in the table below.

The table below also reports updated information on the appeal process results (costs still in the recipient appeal) for these years. The Agency also reports on these results for the Improved Financial Management initiative of the President's Management Agenda.

<b>Non-Profit Grantees Review/Audit Results</b>	<b>CY 2004 Review</b>	<b>CY 2005 Review</b>	<b>CY 2006 Review</b>	<b>CY 2007 Review</b>
Total dollars drawn	\$9,065,389	\$20,222,038	\$29,373,772	\$22,544,462
All potential erroneous payments cited	\$650,799	\$1,016,967	\$562,394	\$384,352
Questioned costs determined allowable	\$646,237	\$329,378	\$523,227	\$307,919
Actual erroneous payments (unallowable costs)	\$18,755	\$687,589*	\$39,167	\$13,433
Costs that have been recovered	\$18,755	\$57,791	\$6,280	\$13,433
Costs still in recipient appeal process	\$0	\$0	\$0	\$0
Percent of erroneous payments	0.207 %	3.400 %	0.133 %	0.059 %

\* Of the \$687,589 in final erroneous payments identified for CY 2005, \$629,798 (or 91.6%) was associated with a single earmark award. But for this one earmark, erroneous payments for sampled grants during CY 2005 were \$57,791, equal to 0.2857% of total disbursements for sampled grants, and well below EPA's target metric of 1% of total disbursements. In response to the Agency's findings, the earmark grant has been terminated and the recipient suspended, as shown on GSA's Excluded Parties List System.

## 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 payment discovered. In January 2003, EPA implemented a monthly Improper Contract 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 – and audit reviewed 376,000 small purchase and contract payment transactions worth \$6.5 billion. The Audit Recovery contract 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.

<b>Results of EPA's Improper Contract Payments Report</b>			
<b>Fiscal Year</b>	<b>Number of Erroneous Payments</b>	<b>Erroneous Payments (Dollars in Thousands)</b>	<b>Error Rate for Dollars</b>
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
2007	14 (of 29,828)	\$65.3	0.01 percent
2008	12 (of 32,043)	\$324.0	0.03 percent

\* FY 2003 only included data from January through September.

Based on EPA's excellent performance and effective controls, the Agency does not plan future externally conducted recovery audits. Formal Recovery Audit have demonstrated a low rate of erroneous payments whereby making it not cost effective to conduct these external audits. The Agency continues to use a monthly Improper Contracts Payment Report as the tool for monitoring payments.

### **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 FY 2006 completed 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 addressed the Recovery Audit Report recommendations. In preparation for replacing the core financial system, EPA reviewed 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.

<b>Results of EPA's Improper Commodity Payments Report</b>			
<b>Fiscal Year</b>	<b>Number of Erroneous Payments</b>	<b>Erroneous Payments (Dollars in Thousands)</b>	<b>Error Rate for Dollars</b>
2005	40 (of 42,698)	\$416.0	0.17 percent
2006	102 (of 50,665)	\$695.5	0.23 percent
2007	63 (of 45,859)	\$176.5	0.06 percent

2008	48 (of 43,629)	\$215.4	0.08 percent
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## 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 workgroups 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 in May 2006. EPA now benefits from the combination of both agencies internal controls.

## 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 Official to perform biennial reviews of the purchases made within their program offices. These reviews ensure that integrity of the purchase card program. EPA continues to use several additional controls.

- Notify card holder's approving official via email for each purchase – daily;
- Conduct routine reviews on various transactions; and
- Review Agency Atypical Report which identifies airline ticket purchase without authorizations.

## Improper Payment (IP) Reduction Outlook FY 2005 – FY 2009

(Dollars in millions)

Program	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 \$	FY 2009 Outlays	FY 2009 IP%	FY 2009 IP \$
Clean Water and Drinking Water SRFs	\$1,963 (actual)	0.45 target 0.15 actual	\$3.0	\$2,303 (actual)	0.40 target 0.15 actual	\$3.5	\$2,344	0.35 target 0.7 actual	\$1.60	\$2,143 (est.)	0.30 target 0.39 actual	\$8.3	\$2,100 (est.)	0.30 target 0.30 est.	\$6.3 (est.)

## 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 semi-annually 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 contract and commodities payment areas.

## **Information Systems and Infrastructure**

The Agency's information systems are sufficient to reduce improper payments to targeted levels.

## **Statutory and Regulatory Barriers**

None.

## **Conclusions**

EPA met all of the requirements and received a Green Status on Eliminating Improper Payments as of June 30, 2008. The Agency continues to demonstrate a low level of risk for the SRF programs through random statistical sampling of direct payments and targeted state reviews. In FY 2007, based on the guidelines contained in Appendix C to OMB Circular A-123, Part I, Section K (program has documented a minimum of two consecutive years of improper payments that are less than \$10 million annually), EPA requested and received relief from the annual statistical sampling and reporting requirements of the IPIA for the Clean Water and Drinking Water SRFs. This waiver for statistical testing of SRF transactions covers fiscal years 2007-2009. EPA will be required to resume statistical assessment and report on the SRF programs in the FY 2010 PAR. OMB's approval of the three-year waiver 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 reinitiate risk assessments and comply with IPIA reporting requirements if there is significant risk of improper payments occurring.

For FY 2008, EPA committed to the following activities:

- Continue to monitor commercial payments to ensure accurate characterization of 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.



## *EPA's FY 2008 Performance and Accountability Report*

### **Appendix A Program Evaluations Completed in FY 2008**

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

Goal	Evaluation Title/Evaluator/Scope	Findings	Recommendations
1	<p data-bbox="237 352 605 411"><i>More Action Needed to Protect Public Indoor Air Risks</i></p> <p data-bbox="237 457 623 516">EPA, Office of Inspector General (OIG)</p> <p data-bbox="237 562 623 982">The evaluation was conducted to determine how EPA measures Indoor Radon Program results, what results were achieved at the regional and state levels with the State Indoor Radon Grant funds, what changes might be made to the Indoor Radon Program to improve its effectiveness and efficiency in meeting its short- and long-term goals, and the challenges to adopting the recommended changes.</p>	<p data-bbox="656 352 1138 1020">The Indoor Radon Abatement Act (IRAA) established the goal that indoor air should be as free of radon as the outdoor air. The radon program is not achieving greater results for several reasons: 1) EPA's ability to achieve results with a voluntary program is limited, 2) potential loss of a sale represents a disincentive for real estate agents and sellers to conduct radon tests during real estate transactions, and 3) added expense represents a disincentive for builders to use radon-resistant new construction. Opportunities exist within the federal community to substantially increase the number of homes tested and mitigated for radon. EPA has not decided how to use all its authorities to achieve the Act's goals. Also, EPA has not been publishing in its performance reporting program results in relation to homes at risk.</p>	<p data-bbox="1167 352 1481 835">The OIG recommended that EPA develop a strategy for achieving the IRAA's long-term goal and consider using its authorities granted by Congress or explain its alternative strategy. The OIG also recommended that EPA identify to Congress limitations to meeting the goal, as well as recommending improvements to how EPA measures and reports program results.</p>
1	<p data-bbox="237 1066 561 1150"><i>Voluntary Greenhouse Gas Reduction Programs Have Limited Potential</i></p> <p data-bbox="237 1197 623 1224">EPA, Office of Inspector General</p> <p data-bbox="237 1270 623 1486">The OIG conducted this review to evaluate the extent to which EPA's greenhouse gas (GHG) programs can significantly reduce future GHG emissions and whether their data are complete and reliable.</p>	<p data-bbox="656 1066 1138 1644">The set of voluntary GHG programs the OIG reviewed includes outreach efforts to recruit program partners and reduce GHG emissions. The OIG found that the greatest barriers to participation in the voluntary GHG programs were the perceived emission reduction costs and reporting requirements. The OIG also found that these voluntary programs are not likely to reduce more than 19 percent of the projected 2010 GHG emissions for their industry sectors. From this, the OIG determined that if EPA wishes to reduce GHG emissions beyond this point, it needs to consider additional policy options. The OIG also found that eight of the 11 programs in the review showed weaknesses in their current data collection and reporting systems.</p>	<p data-bbox="1167 1066 1481 1759">The OIG recommended that EPA review emission reduction cost analyses annually and update them as needed. For programs that recruit and enroll participants, EPA should adopt written partnership agreements that require stronger data quality provisions on how confidential business information will be handled. For programs that do not recruit and enroll participants, EPA should develop a policy or procedure that specifically identifies how these voluntary GHG programs link their reported outcomes to program efforts.</p>



Goal	Evaluation Title/Evaluator/Scope	Findings	Recommendations
1	<p data-bbox="237 317 558 432"><i>Improvements in Air Toxics Emissions Data Needed to Conduct Residual Risk Assessments</i></p> <p data-bbox="237 478 623 504">EPA, Office of Inspector General</p> <p data-bbox="237 554 623 915">The 1990 Clean Air Act Amendments required EPA to develop maximum achievable control technology (MACT) standards to reduce air toxics emissions from stationary sources. In 2004, EPA completed the last of its MACT standards. The OIG conducted this evaluation to assess the effectiveness of those standards in reducing air toxics emissions.</p>	<p data-bbox="656 317 1133 1163">EPA's National Emissions Inventory (NEI) data indicate an overall decline in air toxic emissions concurrent with implementation of the MACT standards. Although NEI data reliability is uncertain, it is reasonable to conclude that air toxics emissions have decreased. This review suggests that the MACT program has played a role in these reductions. EPA plans to use NEI data to assess the public health risk remaining from MACT sources' air toxics emissions but the reliability of NEI data for site-specific emissions varies considerably. In December 2006, EPA presented its plan for conducting residual risk assessments to EPA's Science Advisory Board. The Board's June 2007 report recommended several actions to improve this process. These recommendations included developing a framework for improving the NEI data and conducting an analysis to determine the impact of data uncertainty on the risk assessments. In March 2007, EPA solicited public comment on the NEI and other data it plans to use for conducting residual risk assessments.</p>	<p data-bbox="1167 317 1482 646">The OIG recommended that EPA develop data quality objectives (DQOs) for using the NEI data in conducting residual risk assessments and establish requirements for state reporting of air toxics emission data and compliance monitoring information.</p>
1	<p data-bbox="237 1213 623 1360"><i>Mid-Cycle Review of the Office of Research and Development's Air Research Program at the U.S. Environmental Protection Agency</i></p> <p data-bbox="237 1407 521 1465">EPA, Board of Scientific Counselors (BOSC)</p> <p data-bbox="237 1512 623 1871">BOSC "mid-cycle" reviews are designed to gauge the program's progress with respect to 1) its future direction and 2) performance and accountability. While narrower in focus than the in-depth technical evaluation that constitutes a full BOSC program review, the mid-cycle review provides the program with critical information on its progress to date.</p>	<p data-bbox="656 1213 1133 1696">The transition of the Program from the PM and Ozone Programs to the Air Research Program has clearly been successful. The revised Long-Term Goals (LTGs) are intended to address regulatory needs and to build the knowledge base for a multi-pollutant approach to controlling air pollution. The response to the 2005 program review was highly positive. Overall, the BOSC found that the Air Research Program is meeting its goals and is conducting the appropriate high-quality science to meet those goals. The BOSC rated the progress of the program as "exceeds expectations."</p>	<p data-bbox="1167 1213 1482 1392">The BOSC recommended that future research include a focus on the role of composition and of atmospheric chemistry on the toxicity of particles.</p>

Goal	Evaluation Title/Evaluator/Scope	Findings	Recommendations
2	<p data-bbox="237 321 607 407"><i>EPA Assisting Tribal Water Systems But Needs to Improve Oversight</i></p> <p data-bbox="237 453 623 474">EPA, Office of Inspector General</p> <p data-bbox="237 527 623 737">The OIG undertook the evaluation to assess EPA's oversight and assistance of tribal community water systems (CWSs), and to independently evaluate water quality at selected systems.</p>	<p data-bbox="656 321 1130 1014">Tribal drinking water sample results in EPA files indicate that drinking water supplies consistently met regulatory requirements. Regional EPA staff also made correct compliance decisions with sample results that tribal CWSs provided. However, internal control deficiencies existed in administering EPA's oversight of tribal CWSs in two of the five regions the OIG reviewed. To varying degrees, tribal drinking water records in four of the five regions were incomplete due to a failure to maintain oversight of system operations and/or poor records management. In determining if tribal CWSs exceeded drinking water regulatory limits, the OIG found that of the approximately 2,300 independent samples analyzed, only seven were above the limits. In those cases, the OIG informed regional staff and water system operators, who then took follow-up actions.</p>	<p data-bbox="1167 321 1451 407">The OIG recommended that the Assistant Administrator for Water:</p> <ul data-bbox="1167 436 1492 1255" style="list-style-type: none"> <li data-bbox="1167 436 1492 611">• Establish national and regional tribal drinking water program standard operating procedures in coordination with Regional offices.</li> <li data-bbox="1167 621 1492 856">• Require Region 2 to submit a plan that corrects deficiencies in how it currently implements its tribal drinking water program, including those identified in this report.</li> <li data-bbox="1167 867 1492 1255">• Direct regions to issue monitoring and reporting violations, take appropriate enforcement actions against tribal CWSs with health-based violations or that fail to monitor or submit monitoring reports, and enter violations into the Safe Drinking Water Information System.</li> </ul>
2	<p data-bbox="237 1304 623 1419"><i>Summary of Recent Developments in EPA's Drinking Water Program and Areas for Additional Focus</i></p> <p data-bbox="237 1465 623 1486">EPA, Office of Inspector General</p> <p data-bbox="237 1539 623 1839">This review included a summary of the findings and recommendations from recent evaluation reports by the OIG, the Government Accountability Office (GAO), and others; tracking of significant program developments; and identifying challenges to help focus future evaluation efforts.</p>	<p data-bbox="656 1304 1130 1904">The drinking water program faces challenges, notably limited resources, emerging contaminants and new regulations, and system security issues. We suggest future evaluations for several areas of the drinking water program. These reviews should allow EPA to determine how well its programs are working and help it direct resources toward its most pressing needs. Priority should be given to water security-response capability, chemical security at drinking water facilities, variances/exemptions and waivers, effectiveness of Agency funding, and the contaminant selection process. Other areas meriting review include inter-program linkages, Underground Injection Control-Class V wells, transient and non-transient non-community water</p>	None.

Goal	Evaluation Title/Evaluator/Scope	Findings	Recommendations
		systems, and the recent modernization of the Safe Drinking Water Information System.	
2	<p data-bbox="237 432 618 516"><i>Evaluating the Effectiveness of the Targeted Watersheds Grant Program</i></p> <p data-bbox="237 564 537 585">Industrial Economics, Inc.</p> <p data-bbox="237 636 618 1423">EPA's Office of Wetlands, Oceans, and Watersheds (OWOW) initiated this evaluation to assess whether the Targeted Watersheds Grant (TWG) program has been effective in building on the successes of public/private watershed partnerships; promoting the achievement of incremental, yet tangible, on-the-ground results; and encouraging innovative approaches to advance the protection and restoration of water resources. EPA selected Industrial Economics, Inc., to conduct the evaluation; specifically, to determine the impact of the TWG program on efforts to protect and restore watersheds and how aspects of the program and characteristics of grantee organizations contribute to the successful implementation of watershed approaches.</p>	<p data-bbox="656 432 1138 1276">Adequate funding is key to supporting the implementation of watershed projects. It is a primary factor in the success of TWG grantees. Many interview respondents, Regions and later implementation grantees in particular, identified a need for EPA to expand the level of outreach and technical assistance it provides to grantees. The National Program Office needs to clearly define the output and outcome measures it wants grantees to incorporate into their work plans, and issue guidance to grantees and Regions that conveys its expectations for measurement and tracking of results. A few Regions and implementation grantees recommend that EPA develop a standard set of measures, including information requirements for establishing baseline measures against which progress can be compared. Several interview respondents recommended increased EPA funding to support capacity building efforts conducted by national service provider organizations and local planning and capacity-building projects by implementation grantees.</p>	<p data-bbox="1167 432 1422 453">EPA should consider:</p> <ul data-bbox="1167 485 1479 1339" style="list-style-type: none"> <li data-bbox="1167 485 1479 751">• Providing additional guidance and assistance to help TWG grantees effectively measure their progress and achievement of social, organizational, and environmental outcomes.</li> <li data-bbox="1167 762 1479 999">• Increasing grantees' access to technical assistance and promoting inter-grantee communication and the exchange of TWG success stories and lessons learned.</li> <li data-bbox="1167 1010 1479 1213">• Establishing linkages between the TWG program and other EPA program offices to expand the pool of resources available to grantees.</li> <li data-bbox="1167 1224 1479 1339">• Streamlining the TWG program application process and grantee reporting requirements.</li> </ul>
2	<p data-bbox="237 1472 618 1650"><i>The Relationship Between In-Home Water and Sewer Service and the Risk of Respiratory Tract, Skin, and Gastrointestinal Tract Infections Among Rural Alaska Natives</i></p> <p data-bbox="237 1696 618 1755">Centers for Disease Control and Prevention (CDC)</p> <p data-bbox="237 1801 618 1885">CDC investigated the relationship between the presence of in-home piped water</p>	<p data-bbox="656 1472 1130 1892">Regions with a lower proportion of home water service had significantly higher hospitalization rates for pneumonia and influenza (rate ratio [RR]=2.5), skin or soft tissue infection (RR=1.9), and respiratory syncytial virus (RR=3.4 among those younger than 5 years) than did higher-service regions. Within one region, infants from villages with less than 10% of homes served had higher hospitalization rates for pneumonia (RR=1.3) and respiratory syncytial virus (RR=1.2) than did infants from villages with more than 80% served. Outpatient</p>	<p data-bbox="1167 1472 1455 1713">Higher respiratory and skin infection rates were associated with a lack of in-home water service. This disparity should be addressed through sanitation infrastructure improvements.</p>

Goal	Evaluation Title/Evaluator/Scope	Findings	Recommendations
	and wastewater services and hospitalization rates for respiratory tract, skin, and gastrointestinal tract infections in rural Alaska. They determined in-home water service and hospitalization rates for selected infectious diseases among Alaska Natives by regions during 2000 to 2004. Within one region, infant respiratory hospitalizations and skin infections for all ages were compared by village-level and water services.	<i>Staphylococcus aureus</i> infections (RR=5.1, all ages) and skin infection hospitalizations (RR=2.7, all ages) were higher in low-service than in high-service villages.	
3	<p data-bbox="237 768 621 827"><i>Evaluating Future Directions of the Plug-In To eCycling Program</i></p> <p data-bbox="237 869 370 898">Indtai, Inc.</p> <p data-bbox="237 947 607 1121">The evaluation focused on the partnership program Plug-In To eCycling as it relates to increasing the reuse and recycling of end-of-life electronics.</p>	<p data-bbox="656 768 1053 789">The findings of the evaluation are:</p> <ul data-bbox="656 821 1135 1094" style="list-style-type: none"> <li data-bbox="656 821 1135 905">• The infrastructure and market for recycling are in the growth stages, yet significant progress has been made.</li> <li data-bbox="656 915 1135 999">• The recycling opportunities available to consumers are difficult to track and characterize.</li> <li data-bbox="656 1010 1135 1094">• There are significant opportunities to increase consumer awareness of recycling opportunities and benefits.</li> </ul>	<p data-bbox="1167 768 1474 827">The recommendations of the evaluation are:</p> <ul data-bbox="1167 852 1474 1894" style="list-style-type: none"> <li data-bbox="1167 852 1474 936">• Play a more active role in working with industry partners.</li> <li data-bbox="1167 947 1474 1031">• Consider leveraging trade associations on industry wide topics.</li> <li data-bbox="1167 1041 1474 1157">• Assume a stronger “quarterbacking” role in coordinating multi-stakeholder efforts.</li> <li data-bbox="1167 1167 1474 1272">• Focus attention on removing barriers and obstacles to cost-effective recycling.</li> <li data-bbox="1167 1283 1474 1367">• Bolster partners’ understanding of Plug-In’s strategy.</li> <li data-bbox="1167 1377 1474 1461">• Improve consumer recognition of the Plug-In brand.</li> <li data-bbox="1167 1472 1474 1608">• Establish a baseline of partner performance against which future progress can be measured.</li> <li data-bbox="1167 1619 1474 1766">• Assume leadership on building a capacity to track electronics collections and recycling.</li> <li data-bbox="1167 1776 1474 1894">• Clarify how Plug-In will interface with state recycling programs, in light of state mandated</li> </ul>

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3	<p><i>Aboveground Oil Storage Tanks: More Complete Facility Data Could Improve Implementation of EPA's Spill Prevention Program</i></p> <p>Government Accountability Office (GAO)</p> <p>GAO conducted their analysis by meeting with officials in the EPA Headquarters' oil spill and enforcement programs, surveying all 10 EPA Regional offices about facility identification and inspection practices, visiting Regions 5 and 6 to discuss their Spill Prevention, Control and Countermeasure (SPCC) programs and attend site inspection visits, and discussing oil spill programs with six states. GAO compiled information on the differences in Regional programs during their visits to Regions 5 and 6. They also focused on different enforcement processes and mechanisms used by each region.</p>	<p>GAO findings on Regional variability:</p> <ul style="list-style-type: none"> <li>Regional offices can implement the oil program according to their individual circumstances, leading to regional variations in the number of oil facility inspections.</li> <li>GAO recognized that EPA has begun to implement policies to promote consistency in how the oil regulations are interpreted and enforced.</li> </ul> <p>GAO findings on the number of regulated facilities:</p> <ul style="list-style-type: none"> <li>EPA has information on only a portion of the facilities subject to the oil rules, hindering its ability to identify and effectively target facilities for inspection and enforcement, and to evaluate whether the program is achieving its goals.</li> <li>While inspections are generally risk-based, the risk assessments do not include many unknown facilities that may pose more serious threats than those targeted for inspection.</li> <li>Incomplete information on which facilities are subject to the rules, and where and how often leaks may occur, prevents EPA from effectively targeting inspections to facilities that potentially pose the highest risks.</li> </ul> <p>GAO findings on State oil spill programs:</p> <ul style="list-style-type: none"> <li>Five of six state programs reviewed use tank registration and reporting systems to collect data on oil storage facilities, giving them information on the universe of facilities subject to state regulations and the ability to inspect and/or target those that they believe present the highest risks of spills.</li> <li>By taking a similar approach, EPA would have more complete data for setting inspection priorities based on risk.</li> </ul>	<p>recycling programs.</p> <p>GAO recommends that EPA:</p> <ul style="list-style-type: none"> <li>Analyze options for obtaining data on SPCC-regulated facilities, including a tank registration program.</li> <li>Develop guidance for EPA regions on how to better coordinate with states on SPCC issues</li> <li>Finish developing performance measures and obtain data to evaluate SPCC program effectiveness.</li> </ul> <p>In commenting on a draft of this report, EPA generally agreed with GAO's recommendations and provided a number of technical comments that were incorporated into the report, as appropriate.</p>
3	<p><i>Hazardous Materials: EPA May Need to Reassess Sites</i></p>	<p>Per GAO, EPA may need to reassess sites receiving asbestos-contaminated</p>	<p>The EPA Office of Solid Waste and Emergency</p>

Goal	Evaluation Title/Evaluator/Scope	Findings	Recommendations
	<p data-bbox="237 296 626 411"><i>Receiving Asbestos-Contaminated Ore From Libby, Montana, and Should Improve Its Public Notification Process</i></p> <p data-bbox="237 459 553 518">Government Accountability Office</p> <p data-bbox="237 564 626 1014">GAO was asked to (1) describe the status of EPA's and other federal agencies' efforts to assess and address potential risks at the facilities that received contaminated Libby ore and (2) determine the extent and effectiveness of EPA's public notification efforts about cleanups at sites that received Libby ore. GAO, among other steps, convened focus groups in three of the affected communities to address these issues.</p>	<p data-bbox="656 296 1130 354">ore from Libby, Montana, and should improve its public notification processes.</p>	<p data-bbox="1167 296 1482 1604">Response (OSWER) has developed a vermiculite site strategy whereby vermiculite ore sites potentially contaminated with Libby ore will be further assessed by applying the recently developed "Framework for Investigating Asbestos-Contaminated Superfund sites." The focus of the further assessments will be on the known 105 exfoliation sites. Additional programmatic guidance and training is being developed to support the overall strategy. The guidance and training will also address, as necessary, public notification and outreach. The evaluation does not alter the goals and objectives identified in the Strategic Plan, nor does it impact the strategic architecture, scope of measurement or target levels. The results of the evaluation do not change our performance measures. The vermiculite sites strategy issued as a result of the evaluation will result in an increase in site assessments which may lead to additional removal actions, which is one measure of performance in our program.</p>
3	<p data-bbox="237 1650 626 1738"><i>EPA Decisions to Delete Superfund Sites Should Undergo Quality Assurance Review</i></p> <p data-bbox="237 1782 626 1808">EPA, Office of Inspector General</p> <p data-bbox="237 1854 626 1879">The OIG sought to determine</p>	<p data-bbox="656 1650 1130 1887">As of September 2007, EPA had deleted 322 sites from the NPL. Among the eight sites reviewed, documentation for the Agency's decision to delete three sites was not consistent with EPA guidance. The Agency's decisions for two of these sites were also not consistent with criteria specified by EPA guidance and</p>	<p data-bbox="1167 1650 1482 1887">The OIG recommended that EPA implement a national quality assurance process that ensures deletion decisions meet criteria specified by EPA guidance and the NCP. They recommended there</p>

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	<p>whether deletions from the Superfund National Priorities List (NPL) have (1) consistently followed EPA guidance and met the National Contingency Plan (NCP) criteria and (2) been supported by complete and high quality data and analysis which provide reasonable assurance that public health and the environment are protected. Eight deleted NPL sites were reviewed from EPA Regions 3 and 5. The OIG selected these sites based on where information presented in public notices, 5-review review reports, and/or other relevant documents appeared inconsistent with deletion criteria specified by EPA guidance and the NCP. Documents and data were reviewed and officials from the Regions were interviewed.</p>	<p>not supported by data and analysis. EPA did not ensure cleanup activities and goals were complete and remedies were fully protecting human health and the environment before deleting these two sites.</p>	<p>be actions to ensure better support for deletion decisions and oversight of ongoing cleanup activities.</p>
3	<p><i>Performance Indicators for EPA Emergency Response and Removal Actions</i></p> <p>Abt Associates</p> <p>The purpose was to assess the outcome of individual fund-led emergency response and time-critical removal actions. This subset of actions was selected because they require more investment of EPA time and resources than actions led by Potentially Responsible Parties (PRPs), and also data are more likely to be readily available. The evaluation tool and the results of the evaluation will be of interest primarily to EPA staff with responsibility for conducting and managing removal actions.</p>	<p>Findings include:</p> <ul style="list-style-type: none"> <li>• Indicators for emergency responses and time-critical removals vary.</li> <li>• Definitions of “success” and opinions on appropriate indicators vary.</li> <li>• Indicators are largely subjective in nature.</li> <li>• Information readily available to apply indicators is limited.</li> </ul>	<p>Recommendations include:</p> <ul style="list-style-type: none"> <li>• Apply the evaluation tool in the context of performance indicators.</li> <li>• Implement a basic scoring approach initially.</li> <li>• Solicit feedback from a broad audience on proposed performance indicators.</li> <li>• Use the evaluation tool to frame lessons learned documents.</li> <li>• Select a subset of removal actions and establish a data collection approach. Consider a case-study approach to evaluating specific actions.</li> </ul>
3	<p><i>Improved Controls Would Reduce Superfund Cleanup Backlogs</i></p>	<p>Neither EPA nor the New Jersey Department of Environmental Protection (NJDEP) took actions needed to ensure progress at seven New Jersey–led</p>	<p>The OIG recommends that the Region 2 Administrator direct staff to coordinate, with NJDEP</p>

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	<p>EPA, Office of Inspector General</p> <p>The OIG sought to determine why some hazardous waste sites in the Superfund program that existed prior to October 1986 have not yet had remedial construction completed. The OIG also reviewed the impacts resulting from sites not yet achieving construction completion.</p>	<p>Superfund site cleanups.</p>	<p>officials, the cleanup of specified sites more than 20 years old. Region 2 should assume lead status from New Jersey for those sites where both agencies agree it would be beneficial and develop Letters of Agreement for those sites. It was also recommend that the Assistant Administrator for Solid Waste and Emergency Response, where appropriate, improve site profiles in EPA's public Superfund Web site to accurately depict EPA and state actions taken to protect human health and the environment.</p>
3	<p><i>EPA Should Continue Efforts to Reduce Unliquidated Obligations in Brownfields Pilot Grants</i></p> <p>EPA, Office of Inspector General</p> <p>The OIG sought to determine whether EPA has been using funds in a timely manner for Brownfields pilot projects, and whether funds were available for deobligation.</p>	<p>EPA has not consistently implemented a national policy or process that provides reasonable assurance that Brownfields grant funds will be spent in a timely manner. EPA Headquarters has not provided specific guidelines on when grants should be terminated, nor has it defined inadequate progress for grant performance. Regions have generally allowed time extensions when grantees requested them.</p>	<p>The OIG recommends that the Assistant Administrator for OSWER establish a process for reviewing non-performing grants, and develop procedures for terminating and deobligating funds from those grants. The OIG recommended using the term "insufficient progress" in grant assessments and that the Regions deobligate remaining funds for 21 grants that are scheduled to end by September 30, 2008.</p>
3	<p><i>EPA Needs to Track Compliance with Superfund Cleanup</i></p> <p>EPA, Office of Inspector General</p> <p>The OIG evaluated whether EPA has resolved violations to Superfund enforcement instruments consistent with its</p>	<p>According to EPA's Superfund information system, there were 3,397 active Superfund enforcement instruments to ensure cleanups at NPL sites as of September 30, 2007. Yet EPA does not nationally compile or track data on substantial non-compliance with the terms or requirements of these instruments.</p>	<p>The OIG recommends that EPA track and monitor substantial non-compliance by using and modifying, as appropriate, the existing Superfund information system. It was also recommended that EPA establish enforceable response actions to</p>



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	guidance, practice, and authorities.		address contamination from the Muskego Landfill Site.
4	<p data-bbox="237 432 623 516"><i>Millions of Federal Dollars Remain for Colonias Projects (Report No. 08-P-0184)</i></p> <p data-bbox="237 564 623 596">EPA, Office of Inspector General</p> <p data-bbox="237 638 623 1671">The OIG conducted an audit of the Colonias Wastewater Treatment Assistance Program (CWTAP) because of a large unliquidated obligation balance in the program. The audit objective was to answer the following question: “Has EPA provided the oversight necessary to ensure that the Texas Water Development Board manages CWTAP grants so that funds are drawn properly and projects are completed on time?” The OIG reviewed EPA’s CWTAP grants to the Board, reviewed the amounts paid to the Board for grant expenses, and interviewed EPA and Board managers and staff members. The OIG visited Board offices in Austin, Texas, in September 2007, and reviewed a sample of project files. The OIG performed the work in accordance with generally accepted government auditing standards, issued by the Comptroller General of the United States. The OIG conducted field work from September to December 2007. For additional details on scope and methodology, see Appendix A of the report.</p>	The Colonias program needs to improve the timeliness of CWTAP fund disbursements.	<p data-bbox="1167 432 1474 485">EPA’s Regional Office 6 should:</p> <ul data-bbox="1167 516 1474 1094" style="list-style-type: none"> <li data-bbox="1167 516 1474 726">• Amend the workplans and/or operating agreements for the open CWTAP grants to include specific projects, schedules, and dollar amounts.</li> <li data-bbox="1167 726 1474 1094">• Develop and implement a policy, similar to what is contained in the Office of the Chief Financial Officer’s (OCFO’s) 2007 EPA Policy for the U.S.-Mexico Border Program, that specifies a process for taking corrective actions when projects are delayed.</li> </ul>
4	<p data-bbox="237 1717 623 1864"><i>Improvements Needed to Ensure Grant Funds for U.S.-Mexico Border Water Infrastructure Program Are Spent More Timely (Report No. 08-P-0121)</i></p>	From 2005 to 2007, EPA took actions to implement timeframes for Border Program projects, reduce the scope of projects, and reduce unliquidated obligations of projects. However, EPA needs to make additional changes to the	<p data-bbox="1167 1717 1474 1770">The OIG recommends that:</p> <ul data-bbox="1167 1801 1474 1885" style="list-style-type: none"> <li data-bbox="1167 1801 1474 1885">• The OCFO clarify its August 2007 policy for the U.S.-Mexico Border</li> </ul>

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	<p>EPA, Office of Inspector General</p> <p>The OIG evaluated the U.S.-Mexico Border Program to assess the controls for obligating and using water infrastructure grant funds. The OIG reviewed program internal controls and interviewed EPA personnel at Headquarters and in EPA Regional offices 6 and 9. OIG examined grant prioritization lists, project data and work plans, program appropriations, NADBank financial reports, and other information.</p>	<p>process it uses to manage the funds Congress appropriates for water infrastructure improvements along the U.S.-Mexico Border. EPA managers provide grant funds in advance to ensure that funds are available to build projects once planning is completed. EPA staff feel pressure to obligate money to avoid a reduction in program funding. If this continues, between \$34 and \$57 million of the funds Congress appropriated for the program in FY 2007 and 2008 will not be needed until FY 2010 or beyond.</p>	<p>Program to specify the actions EPA will take when the fund balance reaches the \$140-million threshold of concern.</p> <ul style="list-style-type: none"> <li>• Regions 6 and 9 require the U.S.-Mexico Border program to complete planning and design of projects before EPA awards any grant funds to NADBank for construction of the projects.</li> <li>• The Office of Water (OW), in conjunction with Regions 6 and 9, prepare a plan to expeditiously use U.S.-Mexico Border Program funds for other projects with unobligated money.</li> <li>• The OCFO and OW adjust future budget requests for the U.S.-Mexico Border Program to reflect funds that have not been obligated in future years.</li> <li>• Regions 6 and 9 prepare grant work plans that include specific projects, measures, milestones, and detailed budgets to be achieved with grant funds.</li> </ul>
4	<p><i>Border 2012 Program Needs to Improve Program Management to Ensure Results</i></p> <p>EPA, Office of Inspector General</p> <p>The OIG examined the impact of Border 2012's program management and organization</p>	<p>The OIG found that the current organizational structure of the Border 2012 Program allows it to achieve a collaborative relationship at the U.S.-Mexico border and address environmental and public health issues unique to the border region. The structure also creates opportunities for stakeholder involvement from local, state, and national groups while</p>	<p>The OIG recommended that EPA strengthen management controls to effectively demonstrate program performance and that the Agency develop a strategic plan, issue guidance to better support program results, improve performance measures,</p>

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	on its ability to protect the environment and public health in the U.S.-Mexico border region.	providing the program with the ability to create an effective mechanism to discuss border issues.	and develop criteria for determining what constitutes successful completion of program goals.
4	<p data-bbox="237 495 626 579"><i>Framework for Developing Tribal Capacity Needed in the Indian General Assistance Program</i></p> <p data-bbox="237 625 626 657">EPA, Office of Inspector General</p> <p data-bbox="237 699 626 909">The OIG sought to determine whether the EPA's Indian General Assistance Program (IGAP) has been effective in developing tribal capacity to implement environmental programs.</p>	<p data-bbox="656 495 1130 852">EPA often uses the target funding level of \$110,000 as the basis for IGAP funding instead of considering environmental capacity needs and prior progress. EPA and tribes consider IGAP funding to be essential continuing support for tribal environmental programs. When the funding is not based on tribal capacity needs or priorities, EPA cannot demonstrate that the highest human health and environmental needs are addressed.</p>	<p data-bbox="1167 495 1433 548">The OIG recommends that:</p> <ul data-bbox="1167 579 1479 1524" style="list-style-type: none"> <li data-bbox="1167 579 1479 936">• The American Indian Environmental Office develop and implement an overall framework for achieving capacity, including valid performance measures for each type of tribal entity, and help the Regions incorporate the framework into the IGAP work plans.</li> <li data-bbox="1167 947 1479 1272">• EPA Regional offices negotiate with tribes to develop environmental plans that reflect intermediate and long-term goals, link those plans to annual IGAP work plans, and measure tribal progress in meeting plans and goals.</li> <li data-bbox="1167 1283 1479 1524">• Revise how IGAP funding is distributed to tribes to place more emphasis on tribes' prior progress, environmental capacity needs, and long-term goals.</li> </ul>
4	<p data-bbox="237 1566 626 1650"><i>EPA Should Continue to Improve Its National Emergency Response Planning</i></p> <p data-bbox="237 1696 626 1728">EPA, Office of Inspector General</p> <p data-bbox="237 1770 626 1894">The OIG evaluated EPA's Emergency Response Business Plan and sought to determine how the Agency estimated</p>	<p data-bbox="656 1566 1125 1864">The OIG found that EPA's Emergency Response Business Plan did not disclose the basis for EPA's resource estimates. Additionally, EPA management stated that they did not consider state and local resources in their estimates because they believed they would be working with the affected state and local governments in a unified command structure.</p>	<p data-bbox="1167 1566 1479 1894">The OIG recommends that EPA revise the Plan to incorporate the methodology and assumptions used to develop all personnel and resource estimates, the rationale for the selection of the incidents of national significance, lessons learned from past</p>

Goal	Evaluation Title/Evaluator/Scope	Findings	Recommendations
	resource needs for national emergencies, how the resource estimates considered the use of state and local government agency resources in national emergencies, and how EPA used existing data on chlorine volumes to guide plans for responding to a chemical attack.		incidents, logistics of resource deployment, and risk communications.
4	<p data-bbox="237 615 613 699"><i>Wetland Program Development Grants: Assessing Their Role in State Tribal Wetland Programs</i></p> <p data-bbox="237 747 358 772">Indtai, Inc.</p> <p data-bbox="237 821 623 968">Indtai evaluated the effectiveness of the Wetland Program Development Grants (WPDGs) in helping states/tribes to build their wetland programs.</p>	<p data-bbox="656 615 1138 968">Small programs are more dependent on WPDGs, but get fewer grants with less funding per grant than larger programs. Small program are very dependent on WPDGS overall. Unpredictability of grant awards inhibit long-term planning for small programs, which often must greatly ratchet down activity in years they do not receive grants. Some grants do not actually help build programs. Having a strategic plan leads to more effective program building.</p>	<p data-bbox="1167 615 1463 909">Consider base (i.e., non-competitive) funding, longer grant duration, better feedback on grant reports, set-asides for smaller programs, better definition of criteria EPA wants state/tribes to achieve within core elements.</p>
4	<p data-bbox="237 1020 623 1167"><i>Despite Progress, EPA Needs to Improve Oversight of Wastewater Upgrades in the Chesapeake Bay Watershed (Report No. 08-P-049)</i></p> <p data-bbox="237 1215 623 1241">EPA, Office of Inspector General</p> <p data-bbox="237 1289 613 1493">The OIG sought to determine how well EPA is assisting its Chesapeake Bay partners in cleaning up the Bay. The report evaluates the progress in controlling discharges from wastewater treatment facilities.</p>	<p data-bbox="656 1020 1138 1900">Chesapeake Bay wastewater treatment facilities risk not meeting the 2010 deadline for nutrient reductions if key facilities are not upgraded in time. In the seven years since signing the <i>Chesapeake 2000</i> agreement, EPA and its state partners have taken a number of steps to lay the foundation for achieving wastewater nutrient reduction goals. Water quality standards have been set, nutrient loadings have been allocated, and nutrient limits are beginning to be incorporated into permits. However, states need to finish adding nutrient limits to the permits, and the facilities will need to make significant reductions in the three years remaining before the deadline. Crucially, these reductions will need to be maintained once achieved. Significant challenges include generating sufficient funding and addressing continuing population growth. EPA needs to better monitor progress to ensure that needed upgrades occur on time and loading reductions are achieved and maintained. Otherwise, Bay waters will continue to be impaired, adversely affecting living resources throughout the ecosystem that supports commercial and</p>	<p data-bbox="1167 1020 1482 1745">The EPA Region 3 Regional Administrator should work with the states to establish interim construction milestones for priority facilities, monitor milestone and financial funding progress for these facilities, and continue efforts to develop effective and credible water quality trading programs. The Regional Administrator also should have EPA and states continue to evaluate industrial discharges and refine industrial nutrient cap loads where appropriate. For additional information, refer to <a href="http://www.epa.gov/oig/reports/2008/20080108-08-P-0049.pdf">www.epa.gov/oig/reports/2008/20080108-08-P-0049.pdf</a>.</p>

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		recreational uses. It would not be practical or cost-effective to obtain additional reductions from wastewater treatment facilities to compensate for goals not being met in other areas.	
4	<p data-bbox="237 495 623 611"><i>EPA Needs to Better Report Chesapeake Bay Challenges: A Summary Report (Report No. 08-P-0199)</i></p> <p data-bbox="237 657 623 678">EPA, Office of Inspector General</p> <p data-bbox="237 730 623 968">This review summarizes and adds to several evaluations conducted by the OIG in response to a congressional request. It evaluates how well EPA is working with its Chesapeake Bay partners in cleaning up the Bay.</p>	<p data-bbox="656 495 1138 1430">Despite many noteworthy accomplishments by the Chesapeake Bay partners, the Bay remains degraded. This has resulted in continuing threats to aquatic life and human health and citizens being deprived of the Bay's full economic and recreational benefits. Through its reporting responsibilities, EPA could better advise Congress and the Chesapeake Bay community that 1) the Bay program is significantly short of its goals and 2) partners need to make major changes if goals are to be met. Current efforts will not enable partners to meet their goal of restoring the Bay by 2010. Further, new challenges are emerging. Bay partners need to address: uncontrolled land development, limited implementation of agricultural conservation practices, and limited control over air emissions affecting Bay water. EPA does not have the resources, tools, or authorities to fully address all of these challenges. Farm policies, local land development decisions, and individual lifestyles have huge impacts on the amount of pollution being discharged to the Bay. EPA needs to further engage local governments and watershed organizations in efforts to clean up the Bay.</p>	<p data-bbox="1167 495 1474 1367">The OIG recommends that the EPA Administrator improve reporting to Congress and the public on the actual state of the Chesapeake Bay and actions necessary to improve its health. The OIG also recommends that the Administrator develop a strategy to further engage local governments and watershed organizations to capitalize on their resources, tools, authorities, and information to advance the mission of the Chesapeake Bay Program, and provide the Program Office with the opportunity to comment on proposed rulemaking related to pertinent air issues. EPA concurred with all of the recommendations in this report.</p>
4	<p data-bbox="237 1482 623 1535"><i>Assessment of the Performance Measures Improvement Project</i></p> <p data-bbox="237 1581 623 1671">U.S. Department of the Treasury, Federal Consulting Group (FCG)</p> <p data-bbox="237 1717 623 1894">FGC conducted the assessment and provided findings in the context of the Malcolm Baldrige Criteria for Performance Excellence. Areas addressed include strategic planning,</p>	<p data-bbox="656 1482 1122 1839">The inclusion of the Office of Pesticide Programs (OPP) outcome measures in the Agency Strategic Plan has resulted in greater internal alignment within OPP and a focus on key mission areas. All senior executives have the outcome measures in their annual performance plans and many have included them in their staffs' plans. The outcome measures provide a mechanism and a framework to better communicate with the public and stakeholders.</p>	<p data-bbox="1167 1482 1474 1839">In order to give more balance to the overall measurement system, it is suggested that OPP expand the list of OPP performance measures to include employee-related measures (retention, satisfaction, and training), stakeholder and customer satisfaction measures, and financial measures.</p>

Goal	Evaluation Title/Evaluator/Scope	Findings	Recommendations
	performance measurement, workforce focus, process management, leadership, and customer focus.		
4	<i>Review of the Office of Research and Development's Human Health Risk Assessment Program (HHRA) at the U.S. Environmental Protection Agency</i>	The Program's goals are fully consistent with the Agency's strategic mission and with the Program's multi-year plan. Products from two LTGs are critical to EPA's regulatory mission and form the foundation for regulatory decisions and policies in a variety of program offices and regions. The Program has a comprehensive and logical framework for producing high-quality risk assessments and for managing internal and external review processes, is internationally recognized as a leader in risk assessment methods development and implementation, has done an excellent job of engaging scientists and managers in its planning, and has very high quality risk assessments and research. Outcome measures are extremely well-defined for each LTG. The BOSC rated two LTGs as "Meets expectations" and one LTG as "exceeds expectations."	Follow-up recommendations resulting from this review included: <ul style="list-style-type: none"> <li>• Capture the responsiveness of the staff members to national emergencies and the HHRA Program's contributions to particularly difficult cleanup sites in annual performance goals.</li> <li>• Improve the IRIS (Integrated Risk Information System) program and PPRTV (Provisional Peer-Reviewed Toxicity Values) process, including increasing the number of IRIS assessments completed each year, and making the prioritization process for IRISs and PPRTVs transparent.</li> <li>• Ensure transparency of decisions made in the process of performing ISAs (Integrated Science Assessments).</li> </ul>
	EPA, Board of Scientific Counselors		
	This evaluation reviewed the Human Health Risk Assessment Program's relevance, structure, performance, quality, leadership, coordination and communication, and outcomes.		
4	<i>Mid-Cycle Review of the Office of Research and Development's Endocrine Disrupting Chemicals Research Program (EDRP) at the U.S. Environmental Protection Agency</i>	The EDRP has been very responsive to the recommendations of the 2004 BOSC program review. Most of the recommendations were implemented; budget constraints prevented some recommendations from being implemented. The updated draft MYP is very logical and provides a coherent framework for addressing priority research needs. The metrics being used to assess progress are appropriate, but the BOSC recommended additional	Recommendations include: <ul style="list-style-type: none"> <li>• EDRP is encouraged to develop and improve ongoing programs.</li> <li>• Epidemiological studies should continue to be partnered with other Agencies.</li> <li>• Carefully consider new metrics in the context of</li> </ul>
	EPA, Board of Scientific Counselors		
	BOSC "mid-cycle" reviews are		

Goal	Evaluation Title/Evaluator/Scope	Findings	Recommendations
	<p>designed to gauge the program's progress with respect to 1) its future direction, and 2) performance and accountability. While narrower in focus than the in-depth technical evaluation that constitutes a full BOSC program review, the mid-cycle review provides the program with critical information on its progress to date.</p>	<p>metrics be developed. The BOSC did not identify any research gaps or additional needs for the program, and encourages the program to further enhance the Agency's leadership role in risk management. The BOSC rated the overall progress of the EDRP program as Exceeds Expectations.</p>	<p>budget, FTEs, and the amount of time a particular activity has been underway.</p> <ul style="list-style-type: none"> <li>• Develop additional metrics that a) assess how the research outcomes are being used in decision making; and b) assess the level of collaboration and/or interaction between members of the EDRP with other agencies, academia, industry, and in the international community.</li> <li>• The program is encouraged to a) continue its ongoing evaluation and planning activities; and b) take on an even more visible leadership role in risk management.</li> <li>• EPA should consider more harmonization with other regulatory agencies regarding the results of EDC scientific studies and their application for risk assessment.</li> <li>• If any extramural funds become available, the program should use them for cooperative agreements.</li> </ul>
4	<p><i>Mid-Cycle Review of the Office of Research and Development's Global Change Research Program (GCRP) at the U.S. Environmental Protection Agency</i></p> <p>EPA, Board of Scientific Counselors</p> <p>BOSC "mid-cycle" reviews are</p>	<p>The BOSC reaffirms that, in general, the GCRP is doing the "right work" and doing it "well." Among its accomplishments, the GCRP's shift in focus toward a more national perspective and its reorganization of its programmatic areas—fundamental recommendations of the 2006 report—have been accomplished fully and effectively. The BOSC judged that GCRP managers made the correct decisions from a national perspective in their use of</p>	<p>Follow-up recommendations to the review included 1) the need to constrain GCRP activities to its mission and 2) the adequacy of resources to accomplish even that limited mission. The annual performance measures listed under annual performance goal (APG) 1 should be</p>

Goal	Evaluation Title/Evaluator/Scope	Findings	Recommendations
	<p>designed to gauge the program's progress with respect to 1) its future direction and 2) performance and accountability. While narrower in focus than the in-depth technical evaluation that constitutes a full BOSC program review, the mid-cycle review provides the program with critical information on its progress to date.</p>	<p>resources and therefore decided on an "exceeds expectations" rating for the Program's progress since its last BOSC program review.</p>	<p>broader in geographic scope to be considered truly national (e.g., assessments of representative watersheds in different regions of the United States). Of greater concern to the BOSC is the absence of the all-important coherent "story" of what the GCRP intends to produce for the environment. The BOSC recommends that the GCRP include both intramural and extramural elements in this task, and devote substantially more resources to both. The final recommendation that requires additional effort from the GCRP is to facilitate the "harvest" from prior and current activities.</p>
5	<p><i>EPA Has Initiated Strategic Planning for Priority Enforcement Area, But Key Elements Still Needed</i></p> <p>EPA, Office of Inspector General</p> <p>The purpose of the evaluation was to determine how well EPA planned for success in its national enforcement priority areas. The evaluation focused on the air toxics, mineral processing, and combined sewer overflow national priorities.</p>	<p>The Office of Enforcement and Compliance Assurance has instituted a process for strategic planning in its national enforcement priority areas. It has developed strategic planning guidance and a strategy template to facilitate continual review and improvement of the strategies. However, each of the plans is missing key elements to monitor progress and accomplishments and efficiently utilize Agency resources. All three strategies lack a full range of measures to monitor progress and achievements. Two strategies lack detailed exit plans. Additionally, the combined sewer overflow strategy does not address the states' key roles in attaining the strategy's overall goal. The absence of these elements hinders the Office from monitoring progress and achieving desired results in a timely and efficient manner.</p>	<p>EPA should issue a policy requiring national priority strategy documents to include a full range of output and outcome performance measures with targets and timeframes, an exit plan, and clear roles for states. EPA should also develop a cost-effective methodology for measuring resource inputs under the national priorities.</p>
5	<p><i>EPA's Execution of Its Fiscal Year 2007 New Budget</i></p>	<p>GAO found that EPA obligated 72% of resources reviewed for civil enforcement,</p>	<p>The report recommends identifying reliable key</p>



Goal	Evaluation Title/Evaluator/Scope	Findings	Recommendations
	<p data-bbox="237 300 586 384"><i>Authority for the Enforcement and Compliance Assurance Program in Regional Offices</i></p> <p data-bbox="237 432 553 485">Government Accountability Office</p> <p data-bbox="237 533 626 1108">The GAO report examines EPA's FY 2007 budget execution process at the request of a Congressional appropriations committee. GAO examined fund allocation in enforcement and compliance assurance program operating plans under the Environmental Programs and Management (EPM) appropriation within EPA's Regional offices. It also examined individual projects for regional enforcement and compliance assurance, civil enforcement, compliance assistance, compliance incentives and compliance monitoring programs.</p>	<p data-bbox="656 300 1130 600">compliance assistance, compliance incentives, and compliance monitoring programs under the EPM appropriation in FY 2007 to Regional offices with only small differences in obligations reported by EPA Headquarters and regional offices. The report states that EPA lacks the information to guide a systematic approach to resource allocation in Regional offices.</p>	<p data-bbox="1167 300 1476 415">workload indicators that drive resource needs to inform resource allocation decisions.</p>
5	<p data-bbox="237 1157 626 1335"><i>Review of the Office of Research and Development's Science and Technology for Sustainability Research Program (STS) at the U.S. Environmental Protection Agency</i></p> <p data-bbox="237 1383 521 1436">EPA, Board of Scientific Counselors</p> <p data-bbox="237 1484 626 1665">This evaluation reviewed the STS Research Program's relevance, structure, performance, quality, leadership, coordination and communication, and outcomes.</p>	<p data-bbox="656 1157 1143 1881">The People, Prosperity, and the Planet (P3); Small Business Innovation Research (SBIR); and Environmental Technology Verification (ETV) Programs all have been highly relevant to EPA's mission and the elements in these programs should be preserved whenever possible. The life cycle assessment (LCA) programs, metrics, and procedures developed under the Pollution Prevention and New Technologies (P2NT) Research Program are relevant and important to the goals of EPA, stakeholders, and the international community. The STS Research Program is positioned to move these initiatives forward and is encouraged to build on this strength. The Program meets or exceeds expectations in achieving its LTGs relative to tools and technology development and their adoption. The creation and adoption of metrics for quantitative assessment of sustainability is in too early a stage for qualitative</p>	<p data-bbox="1167 1157 1484 1272">Follow-up recommendations resulting from this review included suggestions to:</p> <ul data-bbox="1167 1304 1484 1881" style="list-style-type: none"> <li data-bbox="1167 1304 1484 1503">• Develop a clear definition of sustainability and a framework for its application to a broad range of human activities.</li> <li data-bbox="1167 1514 1484 1629">• Develop, use, and apply metrics for sustainability across LTGs.</li> <li data-bbox="1167 1640 1484 1839">• Develop an outline for how metrics for sustainability will be developed. This should include criteria for assessing the utility and predictability of metrics.</li> <li data-bbox="1167 1850 1484 1881">• Improve decision tools</li> </ul>

Goal	Evaluation Title/Evaluator/Scope	Findings	Recommendations
5	<p data-bbox="237 890 607 949"><i>Evaluating the Effectiveness of EPA's PPIN Grant Program</i></p> <p data-bbox="237 993 412 1016">Abt Associates</p> <p data-bbox="237 1066 607 1304">Abt evaluated the effectiveness of the Pollution Prevention Resource Exchange Network centers in providing technical assistance to states, local governments, technical assistance providers, and businesses.</p>	<p data-bbox="656 300 1114 447">ranking at the time of review, but every indication is that the excellent research being conducted in the STS Research Program will contribute strongly to that goal.</p> <p data-bbox="656 890 1138 1465">The Pollution Prevention Resource Exchange network provides direct and indirect technical assistance through eight centers, dedicated to increasing the adoption of pollution prevention by improving the dissemination of relevant information. The centers provide pollution prevention information, networking opportunities, and other services to states, local governments, technical assistance providers, and businesses. The study found that the centers interact, strengthening the ability of individual centers to provide technical assistance. The centers have strong and constructive relationships within their regions and the national network allows each center to deliver more and better information to their customers.</p>	<p data-bbox="1167 300 1492 447">through targeted extramural collaboration, and reach a wider set of stakeholders.</p> <ul data-bbox="1167 453 1492 846" style="list-style-type: none"> <li data-bbox="1167 453 1492 846">• Consider redirecting the Green Technology Program or replacing it with an extramural grants program, because the relevance and impact of this program is less apparent (assess if it is serving a function not being met by the private sector and academia).</li> </ul> <p data-bbox="1167 890 1492 1497">Many of the recommendations describe how to strengthen the measurement of short-term, intermediate, and long-term outcomes for the PPIN grant program. For example, the centers should develop standard protocols to be used for follow-up with their target audience to determine if approaches are effective at making change happen. Follow-up with customers should be an intrinsic part of the activity for maximum resource efficiency.</p>
ESP	<p data-bbox="237 1541 623 1600"><i>EPA Should Further Limit Use of Cost-Plus-Award-Fee Contracts</i></p> <p data-bbox="237 1644 623 1667">EPA, Office of Inspector General</p> <p data-bbox="237 1717 623 1898">To determine whether EPA used award fee plans for Cost-Plus-Award-Fee (CPAF) contracts that clearly identified the specific award fee criteria and properly established performance</p>	<p data-bbox="656 1541 1138 1875">Developing and administering CPAF contracts is a labor-intensive process, and many EPA employees involved with contract management believe that competition is a more effective way to motivate contractors. The OIG found that the calculation used to compute base fees on these contracts is overly complex, and eliminating the requirement for contractors to submit self-evaluations could save up to</p>	<p data-bbox="1167 1541 1492 1898">The OIG recommends that EPA further limit the use of CPAF contracts by revising the Contracts Management Manual to require that a cost-benefit analysis be conducted before a CPAF contract is awarded. When CPAF contracts are used, the OIG recommends that EPA better document the</p>

Goal	Evaluation Title/Evaluator/Scope	Findings	Recommendations
	indicators; achieved a higher level of performance by using this contract type; and sufficiently reviewed, approved, and awarded fees.	\$50,000 over the course of a contract.	basis for performance ratings given. EPA should also modify its contracts to bring them into compliance with the EPA Acquisition Regulation to avoid the future overpayment of base fees.



# *EPA's FY 2008 Performance and Accountability Report*

## **Appendix B Public Access**

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

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- Central data exchange: [www.epa.gov/cdx/](http://www.epa.gov/cdx/)
- Business Guide to Climate Change Partnerships:  
[www.epa.gov/partners/Biz\\_guide\\_to\\_epa\\_climate\\_partnerships.pdf](http://www.epa.gov/partners/Biz_guide_to_epa_climate_partnerships.pdf)

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# *EPA's FY 2008 Performance and Accountability Report*

## **Appendix C Acronyms and Abbreviations**

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

ACS	Annual Commitment System	GS	General Service
AEGL	Acute Exposure Guideline Levels	GSN	Green Suppliers Network
AFO	Animal Feeding Operation	GWP	Global Warming Potential
ANPR	Advanced Notice of Proposed Rulemaking		
AOC	Area of Concern	H2E	Hospitals for Healthy Environment
APG	Annual Performance Goal	HABs	Harmful Algal Blooms
AQCD	Air Quality Criteria Document	HCFCs	Hydrochlorofluorocarbons
AQI	Air Quality Index	HFCs	Hydrofluorocarbons
AQS	Air Quality System	HHRA	Human Health Risk Assessment
		HPV	High Production Volume
BMPs	Best Management Practices	HPVIS	High Production Volume Information System
BOSC	Board of Scientific Counselors	HUC	Hydrologic Unit Code
Btu	British Thermal Unit		
BUI	Beneficial Use Impairment	IAQ	Indoor Air Quality
		IAQTFS	Indoor Air Quality Tools for Schools
CAA	Clean Air Act	ICIS	Integrated Compliance Information System
CAMR	Clean Air Mercury Rule	ICR	Information Collection Request
CAIR	Clean Air Interstate Rule	IP	Improper Payment
CARE	Community Action for a Renewed Environment	IPIA	Improper Payments Information Act
CASTNet	Clean Air Status and Trends Network	IRIS	Integrated Risk Information System
CBPO	Chesapeake Bay Program Office	ISA	Integrated Science Assessment
CERCLA	Comprehensive Environmental Response, and Liability Act	ISSC	Interstate Shellfish Sanitation Conference
Compensation,		IT	Information Technology
CCMPs	Comprehensive Conservation and Management Plans		
CCSP	Climate Change Science Program	LoB	Line of Business
CDC	Centers for Disease Control and Prevention	LUST	Leaking Underground Storage Tank
CDX	Central Data Exchange		
CEMS	Continuous Emission Monitoring System	MACT	Maximum Achievable Control Technology
CFCs	Chlorofluorocarbons	MCO	Mission Critical Occupation
CFO	Chief Financial Officer	MD&A	Management's Discussion and Analysis
ChAMP	Chemical Assessment and Management Program	MMbtus	Million Metric British Thermal Units
CO	Carbon Monoxide	MMTCE	Million Metric Tons of Carbon Equivalent
CO <sub>2</sub>	Carbon Dioxide	MMTCo <sub>2</sub> E	Million Metric Tons of Carbon Dioxide Equivalent
CRTs	Cathode Ray Tubes	MNA	Monitored Natural Attenuation
CWA	Clean Water Act	MPV	Moderate Production Volume
CWS	Community Water System	MSW	Municipal Solid Waste
CY	Calendar Year	MTBE	Methyl Tertiary Butyl Ether
		MTCOE	Megatons of Carbon Dioxide Equivalent
DDT	Dichloro-Diphenyl-Trichloroethane	NAAQS	National Ambient Air Quality Standards
DfE	Design for the Environment	NAPL	Non-aqueous Phase Liquids
DHS	Department of Homeland Security	NAS	National Academy of Sciences
DOE	Department of Energy	NATA	National-Scale Air Toxics Assessment
DST	Decision Support Tool	NAWQA	National Water Quality Assessment
DWSRF	Drinking Water State Revolving Fund	NEI	National Emissions Inventory
		NEP	National Estuary Program
ECOS	Environmental Council of the States	NESHAP	National Emission Standard for Hazardous Air Pollutants
EDSP	Endocrine Disruptor Screening Program	NO <sub>2</sub>	Nitrogen Dioxide
EHPV	Extended High Production Volume	NOAA	National Oceanic and Atmospheric Administration
EIA	Energy Information Agency	Non Road CI	Non Road Compression Ignition
EMPs	Environmental Management Practices	NOx	Nitrogen Oxides
EMS-HAP	Emissions Modeling System for Hazardous Air Pollutants	NPAP	National Performance Audit Program
EPA	Environmental Protection Agency	NPDES	National Pollutant Discharge Elimination System
EPEAT	Electronics Products Environmental Assessment Tool	NPEP	National Partnership for Environmental Priorities
ET	Evapotranspiration	NPL	National Priorities List
ETS	Emissions Tracking System	NRC	Nuclear Regulatory Commission
ETV	Environmental Technology Verification Program	NSR	New Source Review
		NTI	National Toxics Inventory
FEMA	Federal Emergency Management Agency	NWI	National Wetlands Inventory
FFMIA	Federal Financial Management Improvement Act of 1996	ODP	Ozone Depleting Potential
FFRRO	Federal Facilities Restoration and Reuse Office	ODS	Ozone Depleting Substances
FISMA	Federal Information Security Management Act	OECD	Organization for Economic Cooperation and Development
FMFIA	Federal Managers' Financial Integrity Act of 1982	OECA	Office of Enforcement and Compliance Assurance
FQPA	Food Quality Protection Act	OEI	Office of Environmental Information
FRP	Facility Response Plan	OFM	Office of Financial Management
FTE	Full Time Equivalent	OIG	Office of the Inspector General
FY	Fiscal Year	OMB	Office of Management and Budget
		OPAA	Office of Planning, Analysis and Accountability
GAAP	Generally Accepted Accounting Principles	OPPT	Office of Pollution Prevention and Toxics
GAO	Government Accountability Office	ORD	Office of Research and Development
GAP	General Assistance Program		
GIS	Geographical Information System	P2	Pollution Prevention
GHG	Greenhouse Gas	P2RX	Pollution Prevention Resource Exchange
GM	Genetically Modified	P3	People, Prosperity and the Planet
GMRA	Government Management Reform Act	PAH	Polycyclic Aromatic Hydrocarbons
GPRA	Government Performance and Accountability Act of 1993	PAR	Performance and Accountability Report
		PARS	Performance Appraisal and Recognition System

PART	Program Assessment Rating Tool	WPDG	Wetland Program Development Grants
Pb	Lead		
PBDEs	Polybrominated Diphenyl Ethers		
PCBs	Polychlorinated Biphenyls		
PCFV	Partnership for Clean Fuels		
PCS	Permit Compliance System		
PFCs	Perfluorocarbons		
PFOA	Perfluorooctanoic Acid		
PM	Particulate Matter		
PM	Performance Measure		
PMA	President's Management Agenda		
PMN	Pre-Manufacture Notice		
PMO	Program Management Office		
POPs	Persistent Organic Pollutants		
POTW	Publicly Owned Treatment Works		
PPM	Parts Per Million		
PPRTVs	Provisional Peer Reviewed Toxicity Values		
PRIA	Pesticide Registration Improvement Act		
PRP	Potential Responsible Parties		
PWSS	Public Water System Supervision		
QA/QC	Quality Assurance/Quality Control		
R&D	Research and Development		
RA	Remedial Action		
RCA	Reports Consolidation Act of 2000		
RCRA	Resource Conservation and Recovery Act		
RCRA CA	Resource Conservation and Recovery Act		
Corrective Action			
RED	Registration Eligibility Decision		
RERT	Radiological Emergency Response Team		
RfC	Reference Concentrations		
RFS	Renewable Fuels Standard		
RSEI	Risk Screening Environmental Indicators		
RTP	Research Triangle Park		
SAB	Science Advisory Board		
SAV	Submerged Aquatic Vegetation		
SDWA	Safe Drinking Water Act		
SDWIS	Safe Drinking Water Information System		
SEMARNAT	Secretariat of Environment & Natural Resources		
SEPs	Supplemental Environmental Projects		
SES	Senior Executive Service		
SIDS	Screening Information Data Sets		
SIMS	Shellfish Information Management System		
SIP	State Implementation Plans		
SITE	Superfund Innovative Technology Evaluation		
SLAMS	State and Local Air Monitoring Stations		
SO <sub>2</sub>	Sulfur Dioxide		
SOx	Sulfur Oxides		
SOC	Significant Operational Compliance		
SOL	Statute of Limitations		
SPCC	Spill Prevention, Control and Countermeasures		
SRF	State Revolving Fund		
STA	Stormwater Treatment Area		
TAGs	Technical Assistance Grants		
TASWER	Tribal Association of Solid Waste and Emergency		
Response			
TMDL	Total Maximum Daily Load		
TOSC	Technical Outreach Services for Communities		
TPEA	Tribal Program Enterprise Architecture		
TRI	Toxic Release Inventory		
TRI-ME	Toxic Release Inventory Made Easy		
TSCA	Toxic Substances Control Act		
TSE	Technology for a Sustainable Environment		
TWG	Targeted Watershed Grants		
UIC	Underground Injection Control		
UNEP	United Nations Environment Programme		
URE	Unit Risk Estimate		
UST	Underground Storage Tank		
UV	Ultraviolet		
VCCEP	Voluntary Children's Chemical Evaluation Program		
VOC	Volatile Organic Compound		
WHAT If	Watershed Health Assessment Tools Investigating		
Fisheries			
WIPP	Waste Isolation Pilot Plant		



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Thank you for your interest in the Environmental Protection Agency's FY 2008 Performance and Accountability Report. We welcome your comments on how we can make this report a more informative 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:

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EPA-190-R-08-004

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Fiscal Year 2008 Performance and Accountability Report  
November 17, 2008