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United States General Accounting Office  
Washington, D.C. 20548

Resources, Community, and  
Economic Development Division

B-283032

July 20, 1999

The Honorable Dick Armey  
Majority Leader  
House of Representatives

The Honorable Dan Burton  
Chairman, Committee on Government Reform  
House of Representatives

The Honorable Fred Thompson  
Chairman, Committee on Governmental Affairs  
United States Senate

Subject: Observations on the Environmental Protection Agency's Fiscal Year 2000  
Performance Plan

As you requested, we have reviewed and evaluated the fiscal year 2000 performance plans for the 24 Chief Financial Officers (CFO) Act agencies that were submitted to Congress as required by the Government Performance and Results Act of 1993 (Results Act). Enclosure I to this letter provides our observations on the fiscal year 2000 performance plan for the Environmental Protection Agency (EPA). Enclosure II lists the identified GAO management challenges and the EPA Inspector General's areas of concern that the agency faces and the applicable goals and measures in the fiscal year 2000 annual performance plan.

Our objectives were to (1) assess the usefulness of the agency's plan for decisionmaking and (2) identify the degree of improvement the agency's fiscal year 2000 performance plan represents over the fiscal year 1999 plan. Our observations were generally based on the requirements of the Results Act, guidance to agencies from the Office of Management and Budget (OMB) for developing the plan (OMB Circular A-11, Part 2), our previous reports and knowledge of EPA's operations and programs, and our observations on EPA's fiscal year 1999 performance plan. Our summary report on the CFO Act agencies' fiscal year 2000 plans contains a complete discussion of our objectives, scope, and methodology.<sup>1</sup>

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<sup>1</sup> Managing for Results: Opportunities for Continued Improvements in Agencies' Performance Plans (GAO/GGD/AIMD-99-215, July 20, 1999).

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As agreed, unless you announce the contents of this letter earlier, we plan no further distribution until 30 days from the date of the letter. The major contributors to this report are listed in enclosure III. Please call me on (202) 512-6111 if you or your staff have any questions.

A handwritten signature in black ink, appearing to read 'P. F. Guerrero', with a long horizontal flourish extending to the right.

Peter F. Guerrero  
Director, Environmental  
Protection Issues

Enclosures - 3

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# Observations on the Environmental Protection Agency's Performance Plan for Fiscal Year 2000

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EPA's fiscal year 2000 annual performance plan provides a general picture of intended performance across the agency and provides a general discussion of strategies and resources the agency will use to achieve its goals. However, the plan provides only limited confidence that the agency's performance information will be credible. For example, the plan has some performance measures, such as reducing toxic air pollution by 5 percent in fiscal year 2000, that address program results. The plan also lays out the regulatory, standards setting, research, and assistance strategies, along with requested resources, to meet EPA's goals for attaining air quality standards for ozone and particulate matter. However, it does not address data limitations in tracking compliance with the Safe Drinking Water Act. The following figure highlights the plan's strengths and weaknesses as EPA seeks to make additional improvements to its plan.

Figure 1: Major Strengths and Key Weaknesses of Fiscal Year 2000 Annual Performance Plan

## **Major Strengths**

- Presents goals that are generally objective, measurable, and quantifiable
- Discusses strategies and resources for achieving intended performance

## **Key Weaknesses**

- Does not provide sufficient details on crosscutting goals and activities
- Provides limited confidence that the agency's performance information will be credible

EPA's fiscal year 2000 performance plan represents a moderate improvement over the fiscal year 1999 plan in that the agency has made progress in addressing the weaknesses that we identified in our assessment of the fiscal year 1999 plan. In reviewing the fiscal year 1999 plan, we observed that the quality of the goals and measures varied across the plan in that they were not always well-defined or comprehensive enough to cover all important program aspects; the plan did not completely describe how EPA coordinated with other federal agencies that had related strategic or performance goals; and the plan did not consistently identify data limitations and their implications for assessing the achievement of performance goals.

Among the improvements in the fiscal year 2000 plan are goals and measures of generally better quality. EPA has also made some progress in providing more general information on coordination with other agencies. However, the plan shows little improvement in providing details on goals and strategies that cut across agency lines. Similarly, it shows no substantial progress in better identifying data limitations.

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## The Agency's Performance Plan Provides a General Picture of Intended Performance Across the Agency

The goals and measures in EPA's plan are generally objective, measurable, and quantifiable. In some cases, the plan uses outcome measures—the results of EPA's activities. For example, one performance measure is to reduce emissions of toxic air pollution by 5 percent in fiscal year 2000. However, most measures are outputs that provide less value in gauging the important dimensions of programs' performance. The performance measures for Superfund, for instance, focus on the number of activities to clean up sites rather than the reduction of human exposure to harmful waste. Additional outcome goals would provide a better basis for EPA to measure its effectiveness.

Furthermore, in some cases, the connection between goals and output measures is not clear. For example, in the "Special Analysis" section of the plan, EPA identifies improving public access to environmental data by means of the Internet as a major management issue. However, its performance measures for improving public access under its "Right to Know" strategic goal are strictly output measures, such as how many times its Web site is hit and how many pages of information are on the site. It is not clear how these measures show improvements in the quality of the public's access to information. To measure quality, the agency needs to develop outcome measures for public access, such as customer satisfaction with the usefulness of the agency's data and the presentation and explanation of the data.

We also note that at least one mission-critical management problem—the need to improve data management—has no performance goals. In commenting on EPA's fiscal year 1999 performance plan, we observed that EPA could have improved the plan by adding goals for implementing the information technology management requirements of the Clinger-Cohen Act of 1996 or by referring to a more detailed plan that does. Under "Effective Management" in its fiscal year 2000 performance plan, EPA states that it intends to establish a systems modernization fund to provide resources to develop new and to upgrade existing information systems throughout the agency. According to EPA, these projects must be completed within 3 years under a planned and managed process that includes a Clinger-Cohen Act investment review. However, the fiscal year 2000 plan does not set goals or time frames for the processes needed to make sound information technology investment decisions. Nor does it refer to a more detailed plan.

In general, the plan provides sufficient baseline data for measuring its performance. However, sometimes baselines are lacking or under development. For example, one "Pollution Prevention" performance goal is to reduce exposure to toxic fibers by identifying fibers of concern and addressing risks through outreach, voluntary initiatives, and regulatory actions. The performance baseline for the goal, according to the plan, is the exposure level of the public and workers to asbestos and other fibers of concern. However, this level is not

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identified specifically. Therefore, the baseline is of little value because the actual level of exposure is not shown.

The fiscal year 2000 plan discusses the agency's coordination with other related programs in federal agencies, but it does not generally provide sufficient details on complementary goals and common or complementary performance measures to show how differing program strategies are mutually reinforcing. For example, under its "Pollution Prevention" objective to reduce lead poisoning, EPA says that coordination with several other agencies is important to the success of its lead poisoning reduction program. According to the plan, EPA has set up a federal infrastructure, including the lead assessment and abatement training and accreditation rule for targeted housing, and the lead real estate notification and disclosure rule with the Department of Housing and Urban Development and Department of Health and Human Services. EPA also says that it will continue to develop a number of rules that will require close coordination with these Departments, and the Occupational Safety and Health Administration. However, EPA does not discuss the specifics of crosscutting programs and identify complementary goals or performance measures.

Another example is the "Safe Food" objective to reduce health risks from pesticides. In the plan, the agency discusses coordination with the U.S. Department of Agriculture, Food and Drug Administration, and Department of Health and Human Services to reduce pesticide risks. The plan provides general information on the roles of other federal agencies and some of the ways EPA coordinates with them, such as through working committees. However, it does not outline specific fiscal year 2000 planned projects and strategies, responsibilities, and products that must be coordinated for EPA to accomplish specific goals. Nor does the plan give details on how other agencies' performance goals or measures related to food safety complement and reinforce EPA's goals. For instance, the plan cites Agriculture's role under the Food Quality Protection Act but gives no details on the Department's goals, strategies, or work to develop alternative tools to help reduce pesticide exposure.

In providing a picture of intended performance across the agency, the fiscal year 2000 performance plan is a moderate improvement over the fiscal year 1999 plan in that it indicates some degree of progress in addressing the weaknesses that we identified in our assessment of the fiscal year 1999 performance plan. In reviewing the fiscal year 1999 plan, we observed that goals were of inconsistent quality, and descriptions of how EPA coordinated with other agencies were insufficient. In addition, we observed that it was often difficult to clearly link individual measures to individual goals. Among the improvements in the fiscal year 2000 plan are generally better quality goals and more information on coordination. However, the discussion of crosscutting goals and strategies and the linkage of goals to measures needs further improvement.

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## The Agency's Performance Plan Provides a General Discussion of the Strategies and Resources the Agency Will Use to Achieve Its Goals

The plan provides a general discussion of strategies and resources the agency will use to achieve its goals. Starting with fiscal year 1999, EPA has combined its budget justification with its performance plan. EPA now uses a uniform program activity structure across all of its agency's strategic goals. Using this structure in its performance plan, EPA shows by account and key program the funding it is now requesting to achieve each strategic objective and the objective's supporting performance goals. By integrating the performance plan and budget justification, EPA has provided greater visibility on what the agency expects to achieve with its appropriations. Also, for the most part, the plan links strategies and programs to specific performance goals and descriptions of how the strategies and programs will contribute to the achievement of those goals.

For example, under the "Clean Air" strategic goal the plan shows the resources by program that EPA believes it needs for attaining its goals for air quality standards for ozone and particulate matter. The plan also describes a variety of regulatory, standards setting, research activities, and assistance to states and localities that are linked to achieving these goals.

The performance plan describes the factors outside of EPA's direct control that could impede the attainment of performance goals. In some cases, the plan describes what steps EPA has taken or intends to take to help reduce the effect of these external factors. For example, under its "Clean Water" strategic goal, EPA discusses its reliance on states to enforce drinking water regulations and the need for states to have sufficient staff and resources to carry out this task. The plan describes the financial, technical, and training assistance it plans to provide the states to help them in enforcing the regulations.

However, for the majority of goals, the plan does not describe any steps to compensate for external factors. For example, the plan discusses a variety of external factors that could substantially impact on EPA's ability to achieve its objectives for the "Waste Management" goal. These include a heavy reliance on state partnerships, the development of new environmental technology, and the commitment by other federal agencies, and statutory barriers. The plan, however, is silent on what steps EPA proposes to mitigate the potential impact of the external factors.

Under "Effective Management," EPA recognizes the need to invest in its human resources to ensure that it has the science and technology and interdisciplinary skills needed for the future. To support this effort, EPA says that it will implement a workforce development strategy to "attract, recruit, develop, and deploy EPA's employees to address the critical

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environmental issues of the 21<sup>st</sup> century.” As part of the strategy, the agency intends to implement activities to improve the professionalism and performance of its clerical workforce; help employees fully develop in their chosen occupation; develop leadership skills in people throughout the organization; and improve managerial competencies of its line managers. A significant component of this initiative, according to the plan, is the EPA intern program which is designed to hire diverse, high performing individuals who will become part the agency’s future leadership. The agency’s plan includes specific performance goals and measures for improving the capability of the workforce.

The fiscal year 2000 performance plan represents a moderate improvement in addressing the weaknesses that we identified in our assessment of the fiscal year 1999 performance plan as it relates to providing a specific discussion of strategies and resources the agency will use to achieve performance goals. In reviewing the earlier plan, we observed that the agency could improve some of the linkages between its strategies and performance goals in the plan. We also observed that the connection of strategies to intended results would have been clearer if the performance plan had explicitly addressed external factors that could have had a substantial impact on the achievement of the performance goals. Among the improvements in the fiscal year 2000 plan are narratives that provide better descriptions of how strategies are linked to performance goals, as well as the potential impacts of external factors. As noted above, however, the plan falls short in describing the agency’s actions to minimize the impact of external factors on the achievement of its goals.

## The Agency’s Performance Plan Provides Limited Confidence That Agency Performance Information Will Be Credible

The agency’s existing data management system is outmoded in many ways. For example, it has been difficult, if not impossible, for EPA to aggregate data from many different databases to present comprehensive information on chemicals, industrial sectors, localities, and environmental conditions because basic data elements are not standardized. As a result of data limitations, the plan provides limited confidence that the agency’s performance information will be credible. Furthermore, information in the plan on the verification and validation of data often lacks specificity. Consequently, it remains questionable whether the agency has the capacity to obtain credible results-oriented program performance information.

For example, the plan describes the databases used for tracking compliance with requirements under the Safe Drinking Water Act and the Clean Water Act, and the quality assurance and quality control programs to ensure the accuracy and reliability of these databases. Nevertheless, a number of states have challenged the compliance information in the database for Safe Drinking Water. The agency has acknowledged the problem and undertaken a major effort to address it. This data limitation, we believe, should have been discussed in the plan.

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To the agency's credit, narratives in the plan under the "Right to Know" strategic goal and "Special Analysis" section acknowledge the importance of improving the quality of its performance data. In its "Special Analysis" section, EPA states:

"This information challenge facing us is so critical that if the Agency investments to reinvent environmental information are not effective, the Agency's basic capability to implement performance management as required by the Government Performance and Results Act (GPRA) will be seriously hindered."

Also, in the "Special Analysis" section of the plan, EPA talks about proposed actions to improve data quality, such as the development of data quality performance standards for each of its major data systems, an error correction process, and the establishment of customer service performance standards. However, the agency has not set performance goals or measures for these actions.

In discussing performance information, the fiscal year 2000 performance plan recognizes the weaknesses that we identified in our assessment of the fiscal year 1999 performance plan and makes specific commitments or shows actual attempts to address those weaknesses. However, real progress is not yet evident. For example, in reviewing the fiscal year 1999 plan, we observed that the plan did not sufficiently recognize known significant data limitations. The same situation holds true in the fiscal year 2000 plan.

## Other Observations on the EPA's Implementation of Performance-Based Management

EPA is taking steps to improve its information systems. In February 1998, the EPA Administrator and Deputy Administrator approved the Reinventing Environmental Information Action Plan. According to the plan, EPA is to implement core data standards and make electronic reporting available in the agency's 13 major data systems within 5 years.

As a further step towards improving the agency's information systems, in October 1998, the EPA Administrator announced plans to create a new office responsible for information policy, technology, and stewardship. This office would develop and implement goals, standards, and accountability systems to manage and improve the quality of information used within the agency and provided to the public. Although EPA stresses the importance of developing and implementing the new information office, the plan has no goals or measures for setting up the office.



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## Agency Comments

On April 13, 1999, we obtained comments from EPA on a draft of our analysis of the agency's fiscal year 2000 annual performance plan. EPA expressed appreciation for GAO's constructive review of its plan, noting that it would continue to strive for improvements in it. EPA provided comments on our observations that did not necessitate changes to our report.

In particular, EPA agreed with our observation that its "Right to Know" strategic goal needed improved outcome measures for public access. The agency, however, believes that its current measures are valid surrogates. Consistent with our observation, EPA said that its Center for Environmental Information and Statistics is meeting with and surveying public audiences to find out their information needs and access preferences.

The agency confirmed our observation that EPA's performance measures for Superfund focus on the number of activities to clean up sites rather than on reductions in human exposures. The agency believes that its measures are appropriate because the primary focus of the program is to clean up sites in hundreds of communities across the country. While the number of sites cleaned up is a quantitative measure of performance, we believe that EPA should attempt to include in its plan outcome goals and measures for meeting its objective to reduce or control risks to human health.

EPA also commented on our observation that the plan was silent on how the agency plans to mitigate the potential impact of external factors on the "Waste Management" goal. EPA said that it is continually working with the states to implement the state-run hazardous waste management program established by the Resources Conservation and Recovery Act. EPA noted that it had requested \$ 98 million for fiscal year 2000 to provide grants to the states to implement the program. We believe that this is an example of the type of information that EPA should include in the "External Factors" section of its performance plan.

With respect to data limitations for the "Safe Drinking Water" performance goals and measures, EPA agreed that the performance plan did not specifically mention that states have challenged the compliance information in the database for "Safe Drinking Water". On the other hand, the agency said that it does discuss data limitations and the steps being taken to address the problem in the "Verification and Validation" section of the plan. In this section EPA notes that "differing processes and methods among states can result in varying depictions of the nation's water quality." While we gave EPA credit for acknowledging the data limitations and undertaking a major effort to address them, we also noted that the plan does not describe these data limitations or the concerns of the states about EPA's database. We believe that EPA's plan should have discussed data limitations and their potential impact on measuring performance in achieving goals.

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To help solve the data integration problems noted in our report, EPA said that it has established the Reinventing Environmental Information program to implement core data standards in six areas, such as locations, chemical codes and biological classifications. Further, in response to our observation that the plan lacked performance goals for implementing the Clinger-Cohen Act, EPA said that it chose to use a broader set of indicators for its management of information. According to EPA, it adopted as its measurement standard the implementation of the best information management practices of leading private and government organizations. However, this measurement standard is not identified in the plan; we believe that EPA could improve its performance plan by adding goals and measures for improving data management -- whether they are based on the specific requirements of the Clinger-Cohen Act or best practices that are broader in scope.

With regard to the EPA Inspector General's concern about the lack of a centralized validation process for individual security plans that we noted in our report (see app. II), EPA said that it was within 3 to 4 months of fixing the problem and had coordinated a corrective action plan with the Inspector General. Therefore, the agency did not see the need to provide additional performance measurements for this area in the fiscal year 2000 performance plan.

# Management Challenges

Table II.1 shows the management challenges that we noted in Major Management Challenges and Program Risks: Environmental Protection Agency (GAO/OCG-99-17) in our January 1999 Performance and Accountability Series and that EPA's Office of Inspector General noted in a December 1998 letter to the House Majority Leader and Chairman, Committee on Government Reform and Oversight.

**Table II.1: Management Challenges in EPA's Fiscal Year 2000 Performance Plan**

| <b>GAO identified management challenge</b>                                                                                                                                                                                                                                                                                                                                                                                                                                                       | <b>Applicable references in the fiscal year 2000 annual performance plan</b>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                          |
|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <p>Environmental information: EPA needs more comprehensive information on the condition of the environment to effectively set priorities, assess progress in achieving its goals and objectives, and report on its accomplishments in a credible way. EPA's data systems are often outmoded and difficult to integrate, and important gaps in the data also exist.</p> <p>(The EPA Inspector General has also identified this area as a management challenge.)</p>                               | <p>None. However, performance goals throughout the plan are linked to improvements to EPA's information systems. The performance plan recognizes that "The effective management of EPA's data is central to the measurement of its progress in delivering environmental protection."</p>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                              |
| <p>Regulatory reinvention: Noting that complex future environmental challenges will require fundamentally different regulatory approaches, EPA has initiated a variety of actions aimed at reinventing environmental regulation. However, the agency faces several challenges, including helping its rank-and-file employees understand and support changes to the current regulatory system and obtaining consensus among the agency's varied stakeholders on what these changes should be.</p> | <p>None. However, the plan has performance goals for implementing specific reinvention projects. The "Sound Science" strategic goal has a performance goal to evaluate the agency's reinvention activities. Another "Sound Science" performance goal is to implement 50 projects under the Project XL (eXcellence and Leadership) by the end of fiscal year 2000. Project XL allows companies to test innovative ways of achieving environmental protection.</p>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                      |
| <p>EPA/State relations: The states have become important EPA partners as they have assumed the responsibility for implementing most national environmental programs on a daily basis. Despite the importance of this partnership, the relationship has often been characterized by fundamental disagreements over roles, priorities, and the extent of federal oversight.</p>                                                                                                                    | <p>None. However, the National Environmental Performance Partnership System (NEPPS) is aimed at improving EPA's relationship with the states. Under the program, states and EPA set environmental priorities on the basis of each state's environmental conditions and priorities. The results of these negotiations are documented in performance partnership agreements that explain the states' objectives and also establish performance measurements to gauge progress towards these objectives. The fiscal year 1999 plan had a goal under the "Right to Know" strategic goal to negotiate annual partnership core performance measures with states. Also, EPA uses performance partnership grants to enable states to better direct their funding toward their most critical environmental problems. Another goal under the "Right to Know" strategic goal in the fiscal year 1999 plan was to identify measures of success for the performance partnership grant program.</p> |

**Enclosure II**  
**Management Challenges**

| <b>GAO identified management challenge</b>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                          | <b>Applicable references in the fiscal year 2000 annual performance plan</b>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                    |
|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <p>Superfund program management: EPA needs to take additional actions to (1) ensure that limited resources are used to clean up sites that pose the greatest health and environmental risks, (2) recover billions of dollars in cleanup costs from those responsible for the contamination, and (3) control site cleanup costs through the efficient and effective administration of cleanup contracts.</p> <p>Related to our concerns, the Inspector General has identified quality assurance plans at Superfund sites as a management challenge. According to the Inspector General, EPA is not consistently using a scientifically based, systematic planning process to take actions at Superfund sites.</p>                                    | <p>The plan has no goals to address sites with the greatest health and environmental risks. However, EPA has a goal to address cost recovery at sites with statute of limitations on total past costs equal to or greater than \$200,000. On the other hand, it has no goal addressing our concern that EPA has used an understated, conservative rate for charging its indirect costs. Also, EPA has not established a measure for tracking actual cost recoveries compared to potential cost recoveries for any given period of time. With regard to contracting, in the "Special Analysis" section of the plan, EPA states that it is "placing particular emphasis on improving Superfund contracts, providing oversight of the Independent Government Cost Estimates to ensure cost effective use of contract dollars."</p> |
| <p><b>Inspector General's areas of concern</b></p> <p>Accountability: The Inspector General identified four accountability issues. Resources budgeted for environmental programs by EPA headquarters should be controlled and accounted for to ensure that they are used for the designated purpose. The advent of performance grants giving states increased flexibility in how they use resources raises new questions regarding the extent to which EPA can be held accountable for work performed by states and their agents. EPA does not consistently enforce its environmental regulations across the country. Without reliable management information systems to measure this progress, personal accountability is difficult to assess.</p> | <p><b>Applicable references in the fiscal year 2000 annual performance plan</b></p> <p>None. However, while the accountability issues are not addressed directly, they are inherent in the various management improvements proposed by EPA in the plan.</p>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                     |
| <p>EPA's oversight of enforcement activities: The Inspector General has identified fundamental weaknesses with state identification and reporting of significant violators of the Clean Air Act and the Resources Conservation and Recovery Act.</p>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                | <p>Under it "Credible Deterrence" strategic goal, EPA has a performance goal to improve the capacity of states, localities, and tribes to conduct enforcement and compliance assurance programs. Also, the "Special Analysis" section describes actions to correct the weaknesses. They include evaluating and revising current policies, implementing quality assurance of enforcement data, and reviewing applications for compliance certification under title V of the Clean Air Act.</p>                                                                                                                                                                                                                                                                                                                                   |
| <p>Backlog of National Pollutant Discharge Elimination System permits: The backlog of permits is a nationwide problem.</p>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                          | <p>In the "Special Analysis" section of the plan, EPA says that it has developed and is implementing a multiyear plan to reduce the backlog. Also, a performance goal under the "Clean Water" strategic goal is that major</p>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                  |

**Enclosure II**  
**Management Challenges**

| <b>Inspector General's areas of concern</b>                                                                                                                                                                                                                                                                                                                                                                                                               | <b>Applicable references in the fiscal year 2000 annual performance plan</b>                                                                                                                                                                                                                                                                                                                                                                                                                                                       |
|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Use of inefficient contract types: EPA continues to rely extensively on level-of-effort cost reimbursable contracts that essentially buy labor hours, not results, and place the burden of cost control on the Government.                                                                                                                                                                                                                                | point sources, storm water sources, combined sewer overflows, new hardrock mines, and concentrated animal feeding operations requiring National Pollutant Discharge System permits are covered by a current permit.                                                                                                                                                                                                                                                                                                                |
| Oversight of assistance agreements: Over the years, many of the Inspector General's audits have shown that some recipients of assistance agreements have wasted taxpayers' dollars, and at times EPA did not get what it paid for.                                                                                                                                                                                                                        | A performance goal under the "Effective Management" strategic goal is to implement performance-based contracting for 11 percent of EPA's contracts.<br><br>None. However, EPA says in the "Special Analysis" section of its plan that it is taking actions to improve the oversight of assistance agreements. Among other things, the agency is developing a policy for the postaward management of grants and cooperative agreements by headquarters program offices and regional program divisions.                              |
| The agency relationship with contractors: A personal services contract makes contractor staff appear to be government employees. Federal Acquisition Regulation 37.104(b) states that agencies are not permitted to award personal services contracts unless specifically authorized by statute. The Inspector General's audit work has shown that instances or appearances of personal services contracts are a vulnerability that EPA needs to address. | None. However, in the "Special Analysis" section of the plan, EPA says that the Office of Administration and Resource Management has prepared a corrective action plan that includes additional training for project officers and a requirement for Assistant and Regional Administrators to perform a management review for personal services. In addition, according to the Inspector General, EPA's Office of Acquisition Management has developed and issued additional guidance on the prohibition against personal services. |
| Need for resources to enhance employee competencies: According to the Inspector General, the Agency has recognized that one of its biggest challenges over the next several years is to develop and implement a strategy that focuses its attention and resources on employee development.                                                                                                                                                                | Under its "Effective Management" strategic goal, EPA has a goal to "improve the capability of its workforce by: formalizing a leadership development approach; rolling out a training curriculum to enhance necessary cross-functional skills; clearly identifying and defining support staff career paths; and continuing to hire talented and diverse individuals."                                                                                                                                                              |
| EPA's security plans for automated information systems: The agency attempts to assess risk to its information systems and minimize potential vulnerabilities through a series of individual security plans. However, there is no centralized validation process for these plans.                                                                                                                                                                          | None. However, in the plan's "Special Analysis" section, EPA says that it will complete corrective actions needed to address the Inspector General's recommendations concerning its security weaknesses in its information systems by the end of fiscal year 1999.                                                                                                                                                                                                                                                                 |

# GAO Contacts and Staff Acknowledgments

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## GAO Contacts

Peter F. Guerrero, (202) 512-6111

## Acknowledgments

In addition to the contact named above, David G. Wood, Edward A. Kratzer, Ralph G. Running, and Alice L. London made key contributions to this product.

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