

- *Web (Internet and Intranet) Process Controls* - the Web Content Types and Review Procedure replaced the now superseded policy, "Access to Current and Outdated Information." The intent of the new procedure is the same; EPA must continually review its web content (based on the procedure schedule) to ensure that the public can access the current and latest EPA content on the web, but the new procedure is more streamlined and reflects newer Agency processes.

CLOSING

OEI will continue to strengthen its implementation of internal controls in FY 2011, and will continue to implement the Program Review Strategies and the Multiyear Program Review Plan. For questions regarding this report, please contact Michael Richardson, Acting Director of OEI's Policy and Program Development Staff, on 202-566-1543, or Jeffrey Worthington, OEI's Director of Quality and Management Integrity Advisor, on 202-566-0995.

ATTACHMENTS

Links to the OEI Program Review documents follow:

- OEI Management Integrity Program Review Strategies
http://intranet.epa.gov/oei/pdf/oei_program.pdf
- OEI Management Integrity Multiyear Program Review Plan
http://intranet.epa.gov/oei/pdf/oei_multiyear.pdf

The following summarizes the attachments provided:

- Attachment A, OEI Control Environment Description
- Attachment B, Internal Controls Over Financial Activities (OMB Circular A-123)
- Attachment C, Unliquidated Obligations Staffing Plan
- Attachment D, Unliquidated Obligations Review and Certification
- Attachment E, Current Agency Weakness, Electronic Content Management for EPA
- Attachment F, Current Office Weakness, Privacy
- Attachment G, OEI Response to OIG's Recommended Management Challenge: Limited Capability to Respond to Cyber Security Attacks
- Attachment H, OEI Response to OIG Recommended Office-Level Weakness: Information Technology Systems Development and Implementation

cc: Annette Morant, OCFO
Aileen Atcherson, OCFO
Patrick Gilbride, OIG



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History



UNITED STATES ENVIRONMENTAL PROTECTION AGENCY
WASHINGTON, D.C. 20460

DAILY READING FILE

AUG 09 2011

OFFICE OF
CHIEF FINANCIAL OFFICER

MEMORANDUM

SUBJECT: FY 2011 Federal Managers' Financial Integrity Act Assurance Letter

FROM: Barbara J. Bennett
Chief Financial Officer

A handwritten signature in blue ink, appearing to read "Barbara J. Bennett".

TO: Lisa P. Jackson
Administrator

PURPOSE

In accordance with the Federal Managers' Financial Integrity Act (FMFIA) and Agency guidance, I am submitting the FY 2011 annual assurance letter attesting to the soundness of internal controls for the Office of the Chief Financial Officer (OCFO).

STATEMENT OF ASSURANCE

Under my leadership, OCFO has assessed the effectiveness of its internal controls based on the five standards for internal control established by the Government Accountability Office (GAO). In my judgment, OCFO complies with FMFIA requirements, and the internal controls within OCFO are adequate to reasonably ensure the protection of the programs, operations, functions, and resources for which I am responsible against fraud, waste, abuse, and mismanagement.

Additionally, in accordance with the American Recovery and Reinvestment Act of 2009 (Recovery Act) and Agency guidance, I can provide reasonable assurance that:

- All Recovery Act programs were managed effectively and efficiently, utilized reliable and accurate data to report achievement of program goals, and were in compliance with laws and regulations;
- All Recovery Act funds designated for the OCFO have been used solely for the purpose of that program and, if applicable, were awarded and distributed in a prompt, fair, and reasonable manner; and
- OCFO is monitoring the risks and internal controls identified in EPA's Recovery Act Stewardship Plan and is in compliance with the Stewardship Plan.

CERTIFICATION OF MANAGEMENT INTEGRITY TRAINING

I certify that all appropriate Senior Executive Service employees, GS-15 Staff Directors and Associates, and Management Integrity Advisors have completed the Agency's on-line Management Integrity Training on Internal Controls.

FRAMEWORK FOR ASSESSING INTERNAL CONTROLS

OCFO, under the supervision of the Chief Financial Officer (CFO), is responsible for developing, managing, and supporting a goals-based management system for the Agency that involves strategic planning and accountability for environmental, fiscal, and managerial results; Agency-wide budget, resources management and financial management functions including program analysis and annual planning, budget formulation, preparation and execution; and controls and systems for payroll and disbursements.

As summarized in Attachment A, OCFO Multi-Year Review Plan, the effectiveness of OCFO's programs is assessed with a series of internal reviews that cover our programmatic, financial and administrative operations. OCFO's Program Review Strategies incorporate the five GAO standards for internal controls and is documented on the attached templates (Attachment B). These reviews provide OCFO management and the Agency with the assurance that the Agency's financial, budget, and planning programs are effective.

In FY 2011, OCFO reviewed and refined its Multi-Year Review Plan and Program Review Strategies. Following the process begun in FY 2010, each office identified its key programs, functions, and activities by examining its organizational structure and functional chart, as well as its mission, vision and goals. Risk areas were identified by using knowledge and experience gained from daily operations; examining OCFO's priorities and previous GAO and OIG audit review findings; considering feedback from customers/oversight organizations (i.e., OMB, GAO, OIG); and considering quantitative (material) and qualitative risks. Management then assessed the risks which could prevent the office from meeting its operational, financial and compliance objectives and developed a multi-year plan for reviewing key programs. High risk key controls are reviewed every year; lower risk controls are reviewed every two or three years. Corrective actions stemming from these reviews are tracked both formally and informally by the responsible office. OCFO offices use a variety of tools such as exception logs, Management Audit Tracking System (MATS), and an internal OCFO corrective action tracking database (CATD) to monitor progress on corrective actions. Senior managers review and discuss progress on corrective actions during their monthly Management Council meetings.

The revised Multi-Year Review Plan and Program Review Strategies reflect changes in priorities and results from last year's reviews. OCFO expanded its plan to include three key areas related to information technology: System Life Cycle Management (SLCM) policy/procedure, Information Technology (IT) Security, and the Capital Planning and Investment Control (CPIC) process. We also revised our schedule for completing reviews to reflect risk, priorities and staff workload. A complete set of Program Review Strategies can be found in Attachment B and will be posted on the intranet.

RESULTS OF INTERNAL CONTROL REVIEWS

Over Programmatic Operations

In FY 2011, OCFO conducted eight programmatic reviews and tested internal controls in two administrative areas. OCFO does not believe that any of the findings from our reviews rise to the level of a significant deficiency or material weakness. Below is a brief description of the results of those reviews.

Information Technology Systems - OCFO contracted with KPMG, LLC, to review three key IT areas: System Life Cycle Management (SLCM) policy/procedure, Information Technology (IT) Security and Capital Planning and Investment Control (CPIC) process. The approach included a broad overview of ten OCFO-managed IT systems. The review found that overall:

- OCFO SLCM policies and procedures adhere to leading practices;
- IT security policy and documents exist; and
- Its CPIC policy appears compliant with the Federal lifecycle model and budget principles.

KPMG recommended that OCFO further strengthen its SLCM control environment by clarifying system-related roles and responsibilities and establishing life cycle phase-related separation of duties. Developing additional OCFO specific guidance and formalizing change and configuration management processes/procedures will help OCFO achieve these objectives.

Also during FY 2011, the Office of Inspector General (OIG) issued a report, "*Improvements Needed in EPA's Efforts to Replace Its Core Financial System.*" The purpose of this review was to evaluate whether EPA effectively managed the development of its replacement core financial system and whether the project is achieving the desired results. OIG found that OCFO's management control processes do not ensure compliance with EPA's SLCM policies and procedures. OIG concluded that a lack of executive approval of revised requirements and required test plan approval could result in a system that does not meet management expectations or Agency needs. OCFO agrees that the management control processes could have been more structured as the project progressed and has taken steps to formalize its current requirements and management approval procedures. However, at no time did OCFO's management approval process compromise the development of systems requirements or management's decision to accept or not accept the Momentum product.

In response to the OIG's concerns, OCFO supplemented the Agency SLCM policies and procedures with a tailoring document that added specificity for OCFO systems being developed using Commercial-Off-The-Shelf (COTS) software. OCFO also committed to revising its procedures to ensure executive authorization for:

- 1) requirements and test plans, along with any subsequent changes and
- 2) sufficient, clear pass/fail criteria for all system test plans by January 31, 2012.

Management Integrity - During FY 2011 OCFO, with contractor support, conducted Management Integrity Program Compliance Reviews in the Office of the Administrator (AO),

the Office of Chemical Safety and Pollution Prevention (OCSPP), and Regions 5 and 7. OCFO designed these reviews — which are one component of OCFO’s corrective action plan to respond to OIG’s Early Warning Report, *EPA Should Use FMFIA to Improve Programmatic Operations*— to assess the effectiveness of EPA’s Management Integrity Program and ensure that:

- 1) EPA is in compliance with the statutory requirements of FMFIA;
- 2) Program and regional staff contacts have the information and tools they need to coordinate their organizations’ management integrity program; and
- 3) Internal control weaknesses are reported to the Administrator.

We have focused these reviews specifically on the Agency’s implementation and assessment of internal controls for programmatic operations, an area which OIG and senior leadership identified as an Agency weakness in EPA’s implementation of FMFIA.

FY 2011 reviews found the Agency’s management integrity program to be operating effectively and efficiently. Offices were adhering to OCFO guidance and had in place documented processes and procedures which supported their FY 2010 assurance letters. The reviews indicated some uncertainty among regional staff about Regional vs. National Program Manager (NPM) office roles and responsibilities for Program Review Strategies and completing internal control reviews.

OCFO is working with NPM and Regional staff to address these concerns and clarify regional and national program office roles and responsibilities. We discussed roles and responsibilities with Regional and NPM Management Integrity Advisors (MIAs) at the Agency’s March 2011 Management Integrity Training Workshop, and we continue to address questions and concerns during routine meetings/conference calls with MIAs, Assistant Regional Administrators, and Lead Region Coordinators. OCFO plans to further clarify Regional, national program, and lead Region roles and responsibilities in FY 2012 Management Integrity Guidance and in compliance reviews to be conducted throughout FY 2012.

Audit Management - In FY 2011, OCFO, with contractor support, completed quality assurance reviews in OCFO, Office of the Administrator (AO), Office of Environmental Information (OEI), Office of Water (OW), Office of Administration and Resources Management (OARM), and Regions 1, 2, and 4. The contractor reviewed information contained in MATS and hard copy files to assess the accuracy, completeness, and quality of follow-up data in MATS as compared to hard copy files. OCFO designed these reviews as part of OCFO’s quality assurance plan for MATS to ensure that Headquarters and Regional Offices are complying with the Agency’s audit management policy and reporting timely, accurate, and complete data in MATS

FY 2011 reviews found that offices were complying with EPA Order 2750, *Audit Management*, with the exception of maintaining one component required for official files: the name of the Action Official. Hard copy files typically did not include the name of the Action Official, except when it was part of correspondence or a printout of MATS data included in the file. In some

cases, files lacked a required document such as a draft report, approved management decision, or certification memo, but these issues were isolated and did not occur frequently or consistently across offices.

Similarly, some MATS records lacked pieces of information, such as contact names, or the date, name, and title of the signer of the certification memorandum. Again, these were isolated issues that did not occur consistently across offices. In some cases MATS data, such as past due comments or corrective action completion dates, were not current. Guidance states that Audit Follow-up Coordinators (AFCs) should “review this information routinely and update as appropriate,” but it was unclear how frequently AFCs review MATS data outside of the semiannual review processes.

In response to these findings, affected offices have now supplied the data and information which had been missing from MATS records and official files, updated information where necessary, and corrected discrepancies. OCFO’s Agency AFC has conducted conference calls with program and regional office AFCs to emphasize the need for entering complete information into MATS, review MATS procedures, and answer questions. In addition, in FY 2011 OCFO issued new quarterly audit management reports for EPA’s senior managers and instituted more frequent and regular updates to MATS to ensure that quarterly reports reflect the most current information.

Performance Measures in Annual Planning and Budget - In FY 2011, national and Regional programs monitored and reported mid- and end-of-year performance data in the Agency’s performance management system for Annual Commitments, Key Performance Indicators, and Annual Performance Measures. The Agency also developed Key Performance Indicators, a subset of the Agency’s performance metrics, to increase the focus of senior leaders on performance data to inform Agency-level and programmatic decision-making. In addition, OCFO staff conducted performance analyses, reported findings and provided recommendations to senior OCFO management throughout the FY 2012 and FY 2013 annual planning and budgeting processes and developed mid- and end-of-year reports.

OCFO and the NPMs conducted a final QA/QC of the information in the FY 2012 Congressional Justification (CJ) and FY 2010 Annual Performance Report (APR). This review, conducted in accordance with EPA’s Information Quality Guidelines, resulted in each Assistant Administrator signing electronically a Pre-Dissemination Review Certification form that attests to the program’s strict adherence to quality procedures, and to the review of the information before publication. This certification provided the basis for the Administrator’s letter to the President attesting to the accuracy and completeness of the Agency’s performance data in the CJ and APR, pursuant to the Reports Consolidation Act of 2000.

In addition, OCFO and OEI explored the use of certified Data Quality Records (DQRs) to replace the current Verification and Validation (V+V) documentation for all performance measures in the Agency’s FY 2013 Budget. The DQRs for each FY 2012 annual performance measure were pre-populated with V+V information from EPA’s FY 2012 CJ/APR. This effort highlighted potential gaps in program documentation of QA/QC procedures, roles, and responsibilities and other information necessary to assess the quality of reported performance data. Consequently, OCFO will work with OEI to conduct more systematic and comprehensive

analyses of gaps in performance data QA/QC, which will describe the magnitude of any deficiencies and inform efforts to improve performance data quality, transparency, and management utility. OCFO will also work with OEI and OMB to clarify policy requirements for performance data and provide any necessary updates to OCFO's V+V guidance.

NPM Guidance Process - One of OCFO's key programs is oversight of the Agency's process for developing annual operating guidance and commitment setting for each of EPA's five major national programs (OAR, OCSPP, OECA, OSWER, and OW). At the beginning of FY 2011, OCFO issued guidance to the NPMs, including a schedule of milestones to ensure consistency across the national programs in addressing Agency priorities and determining annual operating performance commitments. OCFO also streamlined the NPM guidance development process and enhanced the reporting systems to provide easier access to information and resources.

In FY 2011, OCFO's Desk Officers conducted a review of the draft FY 2012 NPM Guidance documents to ensure clear connections across annual measures, the budget, strategic plan, cross-cutting fundamental strategies and effective communication of Agency priorities and budget decisions. The FY 2011 reviews found that NPMs effectively described how their work connects to the Agency's strategic plan, incorporated budget decisions into FY 2012 guidance, and described cross-program work occurring within the Agency. In some cases, Desk Officers found that operational targets were inconsistent with budget targets, cross-cutting fundamental strategies were inappropriately addressed, and narrative sections failed to sufficiently describe the roles and responsibilities of Headquarters, Regional, and State staff. In those instances, Desk Officers worked with the program to incorporate corrections for these issues into final guidance documents.

FY 2012 OMB Budget Submission - OCFO's Office of Budget (OB) and Office of Planning, Analysis, and Accountability (OPAA) are responsible for Agency development of the annual EPA Budget request to OMB (OMB Submission). Both offices maintain a positive and supportive attitude to develop the annual OMB Submission within uncontrollable time limits and constraints. This is accomplished by orienting and training staff, providing clear and timely guidance, establishing expectations, and monitoring and adjusting the process to meet OMB's requirements. This includes establishing clear organizational structures, relationships, and responsibilities between these two offices to sustain organizational support for internal controls.

MAX Data Entry - OCFO is responsible for data input into OMB's MAX Budget Formulation System. The budget data for the Appendix is inputted into OMB's MAX system and contains detailed information on the various Agency appropriations that constitute the Agency's budget request submitted to Congress via the Congressional Justification. The Appendix contains financial information on individual programs and appropriation accounts. Input of the data is accomplished by following the guidance in Section 82 of OMB Circular A-11, titled, "Program and Financing Schedule/Schedule P," and requires careful coordination with staff from both OMB and other internal offices within OCFO. Key areas of authority and responsibility are defined and communicated throughout the organization. In addition, appropriate and clear internal reporting relationships are established and maintained. OCFO reviewed the process for MAX A-11 data entry. Our review determined that roles, responsibilities, and methodology for data generation need to be documented. OB staff will work with OCFO's Office of Financial

Management to complete an internal SOP that describes the roles, responsibilities, and methodology for MAX data.

GAO Liaison Process - OCFO maintains a philosophy and operating style to comply with the law (31 USC 720) in developing responses to Government Accountability Office (GAO) reports within statutory time limits. OCFO maintains a dedicated staff responsible for ensuring Agency compliance with these statutory responsibilities and maintaining good relationships with GAO. Agency policies and procedures are established and monitored to avoid non-compliance to these statutory requirements.

Administrative Reviews

Property - OARM conducted the annual physical inventory of OCFO's personal property in March 2011. This included OCFO's three Finance Centers located outside of the Headquarters area. OARM provided OCFO the inventory results in August 2011, and while we did not have the results in time to resolve discrepancies before this letter, we did have opportunity to conduct an A-123 review to assure that OCFO properly accounts for its personal property to prevent loss, waste, fraud, unauthorized use, and unwarranted accumulation of property. The review found that each Custodial Officer had a complete property inventory and had current training certification, but that there is a "minor deficiency in reconciling old computer equipment and mobile devices." As a result of this minor deficiency, during the physical inventory, 21 pieces of equipment were identified as missing:

- mobile devices,
- Tandberg units, and
- old Dell computers purchased before the Agency's Customer Technology Solutions (CTS) services were implemented across EPA Headquarters.

The two Tandberg units reported as missing actually do not belong to OCFO. We established a corrective action plan to locate and/or reconcile the missing items and provide documentation to correct the inventory. We have planned to address this issue before the end of the Fiscal Year. No significant deficiencies or material weaknesses were identified.

IT Compliance Reviews - From November 1, 2010 to June 30, 2011, ORIM reviewed 19 of OCFO's 24 systems for compliance with Agency and National Institute of Standards and Technology (NIST) requirements. The review covered documentation for risk assessments, security plans, contingency plans, business impact assessments and system interconnections. Specifically, ORIM reviewed the following systems: BRAINS, mLINQs, MATS, ADAM, PM Tools, ARTS, DCS, LV LAN, PASS, CPS, BAS, AIMS, ARMS, FDW, FPS, GPAS, IDOTS, IFMS, and SPITS.

Based on this review, ORIM found 18 of the 19 OCFO systems to be in compliance with the control objectives listed above. The one exception, ARTS, lacked current security and contingency plans and the risk assessment documentation was not located. ARTS is scheduled for retirement in FY2012. Consequently, OCFO has implemented compensating controls around

ARTS and is accepting the residual operational risk. In addition, OCFO is requesting a waiver from OEI to exempt ARTS from compliance prior to being retired.

Over Recovery Act Operations

OCFO's American Recovery and Reinvestment Act (ARRA/Recovery) activities include overseeing the development and monitoring of the Agency's Stewardship Plan, ensuring adequate budgetary and accounting controls are in place, developing and preparing special reports to track and monitor ARRA funds, and monitoring ARRA performance measures. None of the activities were identified as high risk in the Agency's Stewardship Plan.

ARRA Stewardship Plan - OCFO oversees the Agency's Internal Controls Workgroup that developed the Recovery Act Stewardship Plan (RASP). The Workgroup includes personnel from EPA's administrative, regional and programmatic offices. The RASP covers seven functional areas: grants, interagency agreements, contracts, human capital/payroll, budget execution, performance reporting and financial reporting. This comprehensive risk assessment/mitigation plan is designed to ensure integrity in the use of Recovery Act funds.

On a quarterly basis, the workgroup compiles a report on the status of Recovery Act oversight for EPA senior management review. These reports demonstrate that as issues are raised, they are addressed by designated administrative, Regional and/or programmatic personnel who have responsibility for the monitored processes. Any issues that remain unresolved at the end of a quarter are reviewed by the workgroup and progress toward resolution is reported in the next quarterly update.

In FY 2011, OCFO launched a new policy verification review process to validate that the RASP is effectively, efficiently and consistently being applied across the regions and relevant program areas. The field work will be completed in FY 2011. The review results will be available in the first quarter of FY 2012. The findings from these reviews will enhance the Agency's FY 2012 A-123 requirements and guide a revision of the RASP, as appropriate.

Performance Measurement - OCFO is also responsible for carrying out and monitoring internal controls for performance reporting under the ARRA Stewardship Plan. In both FY 2010 and FY 2011, OCFO prepared guidance to NPMs and regions for quarterly reporting on ARRA measures and conducted quarterly reviews of 2010 ARRA performance data from Quarter 4, 2009 to the present (Q3, 2011). No weaknesses in performance reporting were identified. All national ARRA performance data are published on the Executive Management Dashboard and externally to the public.

Funding and Expenditures - It continues to be a high priority and goal for OCFO to be diligent in its fiduciary responsibility to monitor and control all funding and expenditures for activities associated with the Recovery Act. The following are OCFO's strategies include:

- **Payroll Charging** - OCFO continues to be instrumental in ensuring payroll charging is done via direct charging hours worked on Recovery Act activities. This has involved serving as technical experts to senior managers making Agency policy decisions and performing

customer service/outreach to involve stakeholders. No weaknesses or significant deficiencies have been identified for the control activities related to payroll charging.

- Monitoring ARRA Funds – OCFO continues to monitor the use of funds for Management and Oversight internally to ensure the proper use of funds. This includes conforming to established internal controls and management reviews of administrative funds, with an additional level of review for expenses charged to Recovery Act funds. Additional reviews were performed periodically throughout the year to ensure proper disposition of Recovery Act funds. For example, OCFO ensured that the Recovery Act Apportionment received from OMB matched the IFMS entry and that there was no co-mingling of ARRA with other Agency appropriations. It also worked to ensure that Recovery Act funds were obligated and expended in a timely manner.
- Tracking and Reporting – Office of Financial Services’ RTP-Finance Center continues to rely on specialty reports that were created specifically to analyze and measure document volume for both contract awards/modification and invoices. Through the month of May 2011, the document volume for both contract obligations and invoices has continued to be less than 5% of the Center’s total contract volume. The dollar volume continues to be under 10%; hence the impact to date has been lower than anticipated. In addition, the Center also modified its two improper payment reports (for contracts and commodities) to track invoices with Recovery Act funding. Through May, we did not detect any invoices that were paid improperly. The Las Vegas Finance Center (LVFC) continues to remain steadfast in the monitoring and safeguarding of Recovery Act Funds. With the assistance of Headquarters’ Accountability and Control Staff, key controls have been scrutinized and evaluated to ensure effectiveness and efficiency across all duties and responsibilities for which LVFC has cognizance. The Cincinnati Finance Center continues to work with both Departments of Energy and Health and Human Services to ensure they have recorded comparable advance assets and liabilities for intergovernmental reporting.

Over Financial Activities (OMB Circular A-123, Appendix A)

Attachment C outlines OCFO’s approach to maintaining a positive control environment over financial reporting. In FY 2011, OCFO tested 189 key controls covering ten significant processes under OMB Circular A-123. The review of specific key controls is conducted on a rotational cycle based on results from previous years. A multi-year plan for the rotational cycle allows us to focus limited resources on the areas with the greatest risk. High risk key controls are reviewed annually; lower risk key controls are reviewed every 2 or 3 years. Each office responsible for A-123 reviews prepared a FY 2011 A-123 Planning and Scoping document that summarizes decisions regarding the annual approach for internal control reviews. Risks for each in-scope financial process and the related key controls to mitigate the risk are documented in a control matrix. Process documentation and test plans were designed to test key controls. Documentation is maintained in accordance with EPA records management schedules. Attachment D provides a summary of the controls tested and reviewed. The A-123 reviews were conducted with both in-house and contractor staff. No significant deficiencies or material weaknesses were identified.

In addition to the internal reviews performed under A-123, the OIG conducts an annual audit of the Agency's financial statements. For the FY 2010-2009 Financial Statement Audit, the OIG provided 13 recommendations. OCFO closely monitors the status of the corrective actions associated with this audit. Corrective actions for these recommendations are scheduled for completion no later than December 31, 2011. Details of the corrective actions taken on the three significant deficiencies related to the financial statement audit may be found in Attachments E-2 to E-4. Also during our FY 2010 A-123 reviews, OCFO identified a significant deficiency related to contractor-held property. Attachment E-5 describes the steps taken to correct this deficiency.

EPA's Property Management Cycle - OCFO oversees the Agency's A-123 program which reviewed the property management cycle including all processes and financial systems related to personal property and contractor held property (CHP) for FY 2011. This was the first comprehensive property review completed from an Agency standpoint to identify areas for improvement at the Agency level. The review involved OARM, OEI, OCFO, Region 2 and Region 4. Each office and region will discuss review results in their respective assurance letters. OCFO will monitor and track results of reviews as appropriate.

A recommendation from the property pilot is that management should consider automating the reconciliation of the Registry of EPA Applications and Database (READ) system and the Agency's Integrated Financial Management System (IFMS). As the Agency implements the new Compass financial system in FY 2012, OCFO will collaborate with OEI and OARM to analyze Compass capabilities to determine what efficiencies/improvements can be achieved using this system.

Unliquidated Obligations (ULOs) – OCFO reviewed its unliquidated obligations and performed the A-123 review according to Agency guidance. Attachment F describes the results of the review. No deficiencies were identified.

Superfund Site Identifier ZZ Accounts (SSID ZZ) – OCFO is not responsible for any SSID ZZ accounts.

Superfund State Contract (SSC) Process – In December 2010, OCFO sponsored a Lean Value Stream Mapping (VSM) event to examine ways to improve the Superfund State Contracts (SSC) accrual process. Quarterly, OCFO prepares an accrual of the amount of SSC revenue earned during the reporting period in the Agency's financial statements. The current SSC accrual process is very complex and inefficient. The VSM event's objective was to create a consistent Agency-wide approach for the SSC accrual that would result in a simplified and standardized process.

During the 5-day VSM event, an Agency-wide team examined the current SSC process and created a simplified and improved process for the SSC accrual. The team also identified a long-term strategy for an "ideal future state," which will involve integrating the SSC accrual process within the Compass financial management system. Implementation of the efficiencies and improvement identified during the VSM event will be completed in stages in fiscal years 2012 to 2014.

CURRENT WEAKNESSES

OCFO is responsible for addressing one Agency-level weakness: *Strengthening the Agency's Implementation of the Federal Manager's Financial Integrity Act*; and three significant deficiencies related to financial statement audit:

- *Improvement Needed in Billing Costs and Reconciling Unearned Revenue for Superfund State Contract Costs;*
- *EPA Should Assess Collectability of Federal Receivables and Record Any Needed Allowances for Doubtful Accounts; and*
- *EPA Improperly Closed Accounts When Canceling Treasury Symbols.* See Attachments E-1 to E-4 for a discussion of current status.

In addition, OCFO is responsible for addressing two Office-level weaknesses: *Superfund (SF) Cost Recovery* and *Improving Agency-wide Management—Human Capital*. See Attachments G-1 and G-2 for a complete discussion of the status of corrective actions associated with these weaknesses.

MANAGEMENT CHALLENGES AND POTENTIAL WEAKNESSES IDENTIFIED BY OIG, GAO, AND OMB

In April 2011, OIG identified *Reporting on Compliance with FMFIA; Agency Audit Follow-up Process Revising EPA Manual 2750; Efficient Use of Available Funds; and Workforce Planning* as potential internal control weaknesses. See Attachments H-1 through H-4 for full discussion of OCFO's response. A brief excerpt is provided below.

Reporting on Compliance with FMFIA

In 2009, EPA designated Reporting on Compliance with FMFIA as an Agency-level weakness and reported progress in carrying out corrective actions in EPA's FY 2009 and FY 2010 Integrity Act Reports (included in EPA's FY 2009 PAR and FY 2010 Agency Financial Report). OIG retained Reporting on Compliance with FMFIA on its list of FY 2011 weaknesses, however, because the Agency had not yet completed all corrective actions. With the release of on-line training for Management Integrity Advisors and senior managers on March 31, 2011, OCFO has completed all corrective actions. We will now be analyzing the results of these actions, e.g., through a review of FY 2011 Assurance Letters, and validating their effectiveness in correcting this Agency-level weakness. We are on track to close the weakness in FY 2012.

Agency Audit Follow-Up

OCFO does not agree with the OIG's recommendation that EPA's Audit Follow-up Process be designated an Agency-level weakness. The Agency's existing Order 2750 comports with OMB Circular A-50, which implements the Inspector General Act Amendments of 1988 and has not changed since Order 2750 was last revised. Furthermore, to improve audit management and promote timely management decisions and completion of corrective actions, this year OCFO

developed new Quarterly Audit Management Reports, which the CFO shares with AAs, RAs, and the Deputy Administrator. The second quarter report already indicates improvement over the first quarter in the timeliness of reaching management decisions and completing agreed-to corrective actions.

OCFO is currently leading an Agency-wide effort to update and revise EPA Manual 2750, which establishes the Agency's audit management and follow-up processes. The work group—comprising representatives from every Regional and National program office, including OIG—has also expanded the scope of the effort. When final, the revised policy will not only establish “cradle-to-grave” procedures for OIG audits, but also include GAO audits and 3rd party audits, such as Agency contract audits conducted by the Defense Contract Audit Agency. While OCFO supports revising and updating Manual 2750, we do not believe that EPA's fundamental audit management policies and procedures, as established in the manual, are so out-of-date or inaccurate as to present an Agency-level management control weakness.

Efficient Use of Resources

The OIG proposed “*Efficient Use of Resources*” as an Agency weakness. The OIG notes that EPA issued two policies to provide guidance in managing unliquidated obligations, developed a desktop tool for conducting reviews, and that the Agency issued a review guide on conducting A-123 administrative financial reviews. However, the OIG has stated, “Until the new policies and review guide are fully implemented and can be accessed, OIG recommends this remain open as an Agency weakness.” OCFO disagrees with the OIG that Agency ULOs are an agency-level weakness, and instead believes this a Management Challenge. OCFO continues to be committed to improving the Agency's ability effectively monitor and use its resources.

Workforce Planning

GAO and OIG find that despite EPA's progress in improving the management of its human capital, the Agency needs to ensure its workforce is distributed in the most effective manner. GAO noted that if EPA is to improve its resource planning process, the Agency needs to obtain reliable data on key workload indicators and design budget and cost accounting systems that can isolate resources needed and allocated to key activities. The OIG noted that EPA should develop internal methodologies for justifying budget and staffing decisions based on workload to be implemented centrally from EPA headquarters to allow allocations of resources across EPA's program and regional offices based on workload needs.

The OIG recommends that this weakness should be elevated to an Agency-level weakness. However, OCFO continues to believe that this should remain an office-level weakness. OCFO is currently developing analyses of EPA's functional workload that will inform decisions on how best to address planning concerns in a cost effective manner.

NEW OR EMERGING ISSUES

As noted earlier in our discussion of programmatic reviews, OCFO identified deficiencies in our System Life Cycle Management (SLCM) that merit continued attention. Unclear system-related

roles and responsibilities can reduce accountability and enforcement, allow an inconsistent approach to SLCM, create a potential vulnerability in security controls for systems and undermine separation of duties. While Agency-wide guidance was written to allow flexibility, OCFO can strengthen its SLCM control environment by developing guidance that builds on and enhances EPA standards. OCFO can establish and institute guidance that provides a clear and consistent procedure for lifecycle management, security and the inherent artifacts that support these activities. In addition, OCFO needs to formalize its change and configuration management practices to reduce the risk of unauthorized or incomplete revisions.

An Anti-Deficiency Act (ADA) violation occurred in the Oil appropriation account on November 18, 2011 as a result of an inadvertent report error. However, limited appropriated funding under FY 2011 Continuing Resolutions, delays in reimbursements from the USCG, the cessation of USCG cash advances, and the extraordinary amount of oil disbursements ensuing from the DWH and Enbridge responses, created a unique set of circumstances to cause the Agency's oil cash balance to drop to a critically low level. To prevent any reoccurrence, a number of corrective actions and new controls have been put in place. (See Attachment I for additional details.) The Office of the Chief Financial Officer does not believe the issue described rises to the level of a material or Agency weakness.

ACCOMPLISHMENTS AND BEST MANAGEMENT PRACTICES

Indian Health Services Reconciliation of Interagency Agreements

During Fiscal 2011, the OCFO's Cincinnati Finance Center (CFC) has made great progress in working with the Indian Health Services (IHS) in reconciling interagency agreement data for advance agreements. This addresses a long standing issue EPA has had with being able to accurately report advance asset balances for advances paid to IHS. Issues with IHS's internal systems had previously prevented IHS from being able to provide reports of fund usage required for EPA to be able to liquidate advance balances. Through both CFC's and IHS's commitment to address this issue, we have been able to liquidate \$23,660,201 in non-ARRA advances in FY11 as of June. Prior to FY11, CFC had only been able to receive reports for the ARRA funded agreements with IHS. We anticipate making additional progress as the reconciliations are completed for the remaining IHS area offices.

Implementation of Improper Payment Elimination and Recovery Act

The passage of the Improper Payments Elimination and Recapture Act (IPERA) in FY 2010 requires Agencies to exert stronger discipline and management controls over improper payments. In order to maintain EPA's excellent track record of low improper payment rates, RTP-FC managers and staff participated in an OCFO workgroup to submit to OMB its *Agency Action Plan* for implementation of the Act. A focal point in this plan was the excellence internal controls in place over the Agency's commercial payment process. There was also close coordination with the Office of Acquisition Management (OAM) to further strengthen reporting requirements as defined in the Agency Financial Report (AFR). Due to these achievements, and

the Center's extremely low rates of improper payments, several RTP-FC staff (10 employees) were recognized as recipients of the Agency's FY 2011 *Financial Stewardship Award* for "Eliminating Improper Payments."

Deepwater Horizon/Gulf Oil Spill Support

The Cincinnati Finance Center (CFC) has provided financial support for the Deepwater Horizon response to the Program offices and the U. S. Coast Guard. The CFC prepares the monthly billings to the Coast Guard which includes the cost documentation to support each of the bills. When the Agency needed cash to make payments from the Oil fund, the CFC negotiated a \$32 million advance from the Coast Guard. Due to the cash issues CFC developed tracking reports to ensure that cash was available to meet the needs of the Agency. The CFC has been very involved in the negotiations with the Coast Guard on the release of Confidential Business Information and other issues related to the reimbursement from the Coast Guard. CFC has worked with OMB and DOJ to provide cost reports to enable the Federal Government to request additional reimbursements from the responsible parties for Agency costs not covered by the Pollution Removal Funding Authorizations.

The RTP-Finance Center (RTP-FC) provided expedient financial support to the Gulf Oil spill from July 2010 through February 2011. Upon being notified there was a low balance in the Oil Appropriation account, the Cincinnati Finance Center requested the RTP-FC to monitor oil spill invoice payments and they immediately worked with OTS's RTP Operations Staff to create and distribute an oil appropriation report to provide information on upcoming oil payment requirements. These reports assisted in the planning and coordination of oil payment discussions with Cincinnati , EPA's contact point for the Coast Guard.

The OFS Payroll Management and Outreach Staff (PMOS)/Payroll Support Section (PSS) was instrumental in serving as the finance office's contact in support of the 280 EPA employees assigned to the Gulf Oil Spill. This support resulted in moving almost 800 transactions valued at over 1.3 million dollars to the appropriate Oil Spill Accounts via the Emergency Operation Center (EOC) as well as the Essential Help Desk (EHD).

Treasury's Collections and Cash Management Modernization Initiative

In line with Treasury's Collection and Cash Management Modernization Initiative, all offices within OFS migrated to the Transaction Reporting System (TRS) and OTCnet. The Transaction Reporting System is a single touch point for Agency reporting needs and replaced CASHLINK II. OTCnet provides electronic communication between the Treasury General Account (TGA) banks and agencies. OTCnet financial services include point of sale revenue collection services, check conversion, creation and processing of substitute checks, automated deposit activity, and financial transaction reporting services. EPA received an award for their commitment to 100% EFT collections and was the first government Agency to receive such recognition.

Improved Management of Unliquidated Obligations

In FY 2011, OCFO created the new ULOCert Desktop Tool which replaced conducting ULO reviews via excel spreadsheets for program offices performing their annual Unliquidated Obligations Certification. The tool streamlined the certification process by providing the ULO list earlier in the fiscal year and gave the Office of Acquisition Management the ability to receive deobligation requests through the tool. In addition, the tool provided additional accountability by allowing users to see all Agency obligations. Many inactive obligations were subsequently deobligated. OCFO also issued a ULO Cert Tool User Guide and Risk Assessment Guide to assist Offices in conducting their ULO reviews. OCFO also conducted training for over 1,500 employees on the use of the tool. To further assist Agency program offices with their ULO reviews, OCFO developed a Standard Operating Procedure guide for deobligating unliquidated obligations. This guidance document describes the proper procedures offices should use when deobligating funds from different types of funding vehicles (i.e., contract, grant, small purchase, interagency agreement, travel, etc.) and is posted on the OCFO's intranet site.

Indirect and Annual Allocation Rates

In FY 2011, OCFO's continued development and preparation of cost recovery packages resulted in significant gains for the Agency. Approximately \$112 million in SF indirect costs was recovered. EPA collected approximately \$6.2 million in interagency indirect costs. The SF annual allocation rate calculation anticipates recovering \$72.3 million.

Audit Management Tracking and Reviews

OCFO designed and produced a new audit information tool for EPA senior managers, the Quarterly Audit Management Report. This quarterly report makes current audit follow-up information, including the status of management decisions and corrective actions, readily available and illustrates trends in the Agency's management of OIG audits. The CFO distributed the First Quarter Report to the Agency's senior managers on February 10, 2011. OCFO expanded and improved the report for the Second Quarter, releasing it on April 28, 2011. The new Quarterly Audit Management Report will assist senior managers in ensuring that EPA responds to audit recommendations and completes corrective actions to strengthen and improve Agency programs in a timely manner.

Performance Measures and Reporting

OCFO continues to serve as the Agency lead in a number of government-wide and Agency efforts to report progress on achieving Priority Goals, providing semi-annual reporting on measures and measures reviews and identifying Key Performance Indicators.

- **Priority Goals:** OCFO, as the Agency lead for implementing the Administration's Priority Goal initiative, reported progress on achieving the six Priority Goals. We convened quarterly progress reviews with the Priority Goal Leads, Performance Improvement Officer (the Chief Financial Officer), and the Chief Operating Officer (the Deputy Administrator) and closely coordinated with the programs to revise goal information areas on OMB's Performance.gov

website, which will be launched to the public soon. Many of EPA's Priority Goals will conclude in FY 2011 and OPAA has implemented a process to identify FY 2012-2013 Goals for the Agency's FY 2013 budget.

- ***Midyear and End-of-Year Performance Reports:*** OCFO conducts semi-annual reporting on operational measures and produces semi-annual Midyear and End-of-Year reports to support the Agency's management of resources and to emphasize long-term performance trends that help inform decision making. As part of the FY 2010 End-of-Year and FY 2011 Midyear performance reports, OCFO reviewed Annual Commitment System data on the Executive Management Dashboard (EMD) and coordinated with the NPMs and regions to ensure accurate results reporting, the absence of data lags and encourage consistent reporting practices. Due to these efforts, OCFO achieved an EOY 98 percent reporting rate for FY 2010 measures. This performance information is posted on the EMD and can be used to obtain up-to-date information on performance results.

Recovery Act Results, Reporting, and Stewardship

OCFO continues to showcase Recovery Act performance results by producing the Recovery Act Quarterly Performance Reports, which highlight major successes from Recovery-Act-funded programs, including site-specific stories. The Recovery Act Steering Committee receives, reviews, and approves the reports, which then are posted online at www.epa.gov/recovery. To meet the Administration's rigorous demands for transparency and accuracy, OPAA has improved the data quality, by continuing to use an electronic DQR for performance results under ARRA. Every ARRA performance measure has a complete DQR, which documents the QA/QC processes, roles, and responsibilities associated with the data used to calculate the ARRA quarterly performance result.

In addition, OCFO helped develop the Agency's Stewardship Plan and applies its QA/QC processes to reduce the risk of reporting inaccurate or incomplete ARRA performance data. OCFO continues to prepare guidance, issued by the Deputy CFO to NPMs and regions, which set forth the process and schedule for reviewing the quality of performance data. Throughout each quarter, OEI and OCFO staffs notify the OCFO Stewardship Plan lead that data have been reviewed and data quality certifications received from NPMs with ARRA-funded activities.

Effective Systems Management – SLCM Procedures: OCFO's Office of Technology Solutions (OTS) tailored the Agency's SLCM procedures for the Financial Systems Modernization Project to formalize its management oversight procedures and provide a consistent methodology for developing/maintaining IT systems from Commercial Off-The-Shelf (COTS) software products.

- ***Improvements in Financial System Access Controls:*** In FY 11, OCFO issued a formal policy on separation of duties and implemented monthly monitoring of financial systems access. Users' system access is compared to job functions to identify potential separation of duty conflicts.

- ***Superfund Site Specific Identifier (SSID):*** OCFO's Office of Financial Management and Office of Technology Solutions collaborated to strengthen internal controls for the new Compass financial management system by establishing pilot relationship edits and flags to prevent future use of unallowable SSID/action code relationships. The Superfund community was engaged to ensure the adequacy of Compass reporting tools for limiting unallowable SSID/action code combinations.

Improved Resource Management

- ***Improved Outlay Projections:*** OB's Control Team developed an effective and efficient outlay projection model that has been used for inputting Agency outlay projections for the OMB MAX budget system. This model has proven to be more accurate in projecting outlays than what was done in the past, and it has produced estimates that are more detailed in a shorter period of time. In addition, OB's new outlay projection model has saved office staff time and money, whereby the staff's time can be devoted toward other office projects.
- ***Program Project Database:*** OB's Policy Team also developed the Program Project Description Book Database. Historically, the Program Project Description Book was maintained in a Microsoft Word file where each Program Project contained valuable information describing the architecture, major activities, and authorized codes of EPA's various Programs Projects. The document was placed on OCFO's intranet website, but did not provide flexibility, as users had to search through the entire document to find a particular description of an Agency Program Project within a Program Results Code. The database now provides easier access and functionality in storing and searching the data, as users now can search a single Program Project and/or the Program Results Code within a given fiscal year.
- ***Data Call and Response Database:*** OB's RPROS staff also developed a Data Call and Response database. This database has fundamentally changed interactions with Agency National Program Managers and Regions for data calls, and helped greatly in ensuring version control and accuracy of the data OB gathers. The database has become a core instrument for the many internal and external requests for budget data. From budget formulation to operating plan development, everyone in the Agency's budget community (Senior Budget Officers, Regional Comptrollers, Office of Budget Media Analysts, and OPAA Desk Officers) has used the Data Call and Response database extensively for organizing and collecting numerous types of budget data.
- ***ULO Certification Process:*** In FY 2011, OCFO created the new ULOCert Desktop Tool which replaced conducting ULO reviews via excel spreadsheets for program offices performing their annual Unliquidated Obligations Certification. The tool streamlined the certification process by providing the ULO list earlier in the fiscal year and gave the Office of Acquisition Management the ability to receive deobligation requests through the tool. In addition, the tool provided additional accountability by allowing users to see all Agency obligations. Many inactive obligations were subsequently deobligated. OCFO also issued a ULO Cert Tool User Guide and Risk Assessment Guide to assist Offices in conducting their ULO reviews. OCFO also conducted training for over 1,500 employees on the use of the Tool. To further assist Agency program offices with their ULO reviews, OCFO developed a

Standard Operating Procedure guide for deobligating unliquidated obligations. This guidance document describes the proper procedures offices should use when deobligating funds from different types of funding vehicles (i.e., contract, grant, small purchase, interagency agreement, travel, etc.) and is posted on the OCFO's intranet site.

CLOSING

OCFO is committed to continuing to ensure that our programs meet all applicable standards. Please contact me or have your staff contact Barbara Freggens, (202) 564-4906, if you have questions or need additional information.

ATTACHMENTS

Attachment A, FY OCFO Program Review Strategy Multi-year Plan

Attachment B, Program Review Strategies

Attachment C, FY 2010 Control Environment

Attachment D, FY 2010 Internal Controls Over Financial Activities

Attachment E-1 to E-5, Current Agency Weakness and Current Significant Deficiencies

- Strengthening the Agency's Implementation of the Federal Manager's Financial
- Improvement Needed in Billing Costs and Reconciling Unearned Revenue for Superfund State Contract Costs;
- EPA Should Assess Collectability of Federal Receivables and Record Any Needed Allowances for Doubtful Accounts; and
- EPA Improperly Closed Accounts When Canceling Treasury Symbols
- Personal Property-Contractor Held

Attachment F, Unliquidated Obligations

Attachment G- Office Level Weaknesses: SF Cost Recovery and Improving Agency-Wide Management-Human Capital

Attachment H-1 to H-4 Proposed Agency Weaknesses or Management Challenges by GAO/OMB/OIG: Reporting Compliance with FMFIA, Agency Audit Follow-up Process, Efficient Use of Resources, Improving Agency-Wide Management-Human Capital.

Attachment I, Statement of Assurance—Deepwater Horizon Oil Spill

cc: OCFO Senior Managers
Annette Morant, OCFO
Aileen Atcherson, OCFO
Barbara Freggens, OCFO
Patrick Gilbride, OIG



Correspondence Management System

Control Number: OECA-11-001-3683

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Citizen Information

Citizen/Originator: Giles, Cynthia

Organization: OECA
Address: 1200 Pennsylvania Ave, Washington, DC 20706

Constituent: N/A

Committee: N/A

Sub-Committee: N/A

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Addressee: Lisa P Jackson **Addressee Org:** EPA-AD
Contact Type: LTR (Letter) **Priority Code:** Normal
Signature: AA-OECA-Assistant **Signature Date:** N/A
Administrator - OECA

File Code: 404-141-02-01_141_a(2) Copy of Controlled and Major Correspondence Record of the EPA Administrator and other senior officials - Electronic.

Subject: Daily Reading File - Office of Enforcement and Compliance Assurance FY 2011 Federal Managers Financial Integrity Act Annual Assurance Letter

Instructions: AA-OECA-Prepare draft response for signature by the Assistant Administrator for OECA

Instruction Note: N/A

General Notes: OECA-OAP

CC: N/A

Lead Information

Lead Author: (b) (6) Personal Privacy

Office: OEX
Due Date: Aug 19, 2011
Assigned Date: Aug 15, 2011
Complete Date: Aug 15, 2011
Instruction: N/A

Lead Assignments:

Assigner	Office	Assignee	Assigned Date	Due Date	Complete Date
Lorraine Clinton	OECA	OEX	Aug 12, 2011	Aug 19, 2011	Aug 15, 2011
	Instruction: N/A				

Supporting Information

Supporting Author: N/A

Supporting Assignments:

Assigner	Office	Assignee	Assigned Date
No Record Found.			



UNITED STATES ENVIRONMENTAL PROTECTION AGENCY
WASHINGTON, D.C. 20460

AUG 12 2011

OFFICE OF
ENFORCEMENT AND
COMPLIANCE ASSURANCE

MEMORANDUM

SUBJECT: Office of Enforcement and Compliance Assurance
FY 2011 Federal Managers' Financial Integrity Act
Annual Assurance Letter

FROM: Cynthia Giles
Assistant Administrator

A handwritten signature in blue ink that reads "Cynthia Giles".

TO: Lisa P. Jackson
Administrator

PURPOSE

In accordance with the Federal Managers' Financial Integrity Act (FMFIA) and Agency guidance, I am submitting the FY 2011 annual assurance letter attesting to the soundness of internal controls for the Office of Enforcement and Compliance Assurance (OECA).

STATEMENT OF ASSURANCE

Under my leadership, OECA has assessed the effectiveness of its internal controls based on the five standards for internal controls established by the Government Accountability Office (GAO). In my judgment, OECA complies with the FMFIA requirements, and the internal controls within OECA are adequate to reasonably ensure the protection of the programs, operations, functions, and resources for which I am responsible against fraud, waste, abuse, and mismanagement.

CERTIFICATION OF MANAGEMENT INTEGRITY TRAINING

I certify that OECA senior management has completed the Agency's on-line management integrity training for senior managers, "*Strengthening Management Integrity at EPA: Managers' Responsibilities*." I further certify that OECA's management integrity advisor and other designated integrity contacts have completed the Agency's on-line training course, "*EPA Training for Management Integrity Advisors*."

FRAMEWORK FOR ASSESSING INTERNAL CONTROLS

Process

OECA's FY 2011 FMFIA process was led by our Office of Administration and Policy (OAP), which worked throughout the year with OECA's Business Council (comprised of OECA's eight deputy office directors) to ensure that FMFIA requirements were satisfied. All OECA offices reviewed the FY 2010 Program Review Strategy and Multi-Year Plan, and the results of their internal control assessments, to determine whether any additional areas of control or focus are needed this year. OAP followed the Agency's technical guidance issued by the Office of the Chief Financial Officer (OCFO) on January 28, 2011 to prepare the annual assurance letter and related documents, which were then reviewed by the Principal Deputy Assistant Administrator and me.

Adjustments to OECA's FY 2010 Program Review Strategy and Multiyear Plan

In FY 2010, OECA's Program Review Strategy identified 16 key mission-related programs that support OECA's enforcement and compliance program, grouped into five major areas: 1) *Timely and Effective Enforcement*; 2) *Promote Environmental Justice*; 3) *Evaluate Compliance*; 4) *Promote Compliance through Effective Information Dissemination and Assistance*; and 5) *Effective Internal Management*. We continued using that same basic structure for our Program Review Strategy in FY 2011. Following review by the regions, and at the request of the lead region, this year we have clarified the relationship between the Program Review Strategy key mission programs and the audits listed on the Multi-Year Plan. In particular, we added detailed information to clarify the scope and type of information to be reviewed in the multiple audits listed in the Multi-Year Plan for the *Timely and Effective Enforcement* key program, "*Verification of Inspections*."

The *Effective Internal Management* review strategy now has a new control objective directly linked to a new audit on the Multi-Year Plan which requires OAP to review OECA offices' staff preparation of materials for Congressional Hearings, to ensure the quality and consistency of those materials. Under the *Evaluate Compliance* key program mission, the Office of Federal Activities introduced a new control objective: "Ensure complete and accurate data in the Waste Import and Export Tracking System (WIETS) for imports of hazardous waste into the U.S. based on electronically transmitted notification information sent by the governmental authorities in Canada and Mexico." This control activity will include conducting data quality reviews of information contained in electronically transmitted Notifications of Intent to Import Hazardous Waste into the U.S. from Canada and Mexico before accepting data for automatic entry into the WIETS system.

Four new audits have been added to the Multi-Year Plan, including: 1) Verification of Inspection Commitments made under the Integrated Strategies Process; 2) Early Identification of Potentially Responsible Parties at Superfund Sites; 3) Preparing Staff for Congressional Hearings; and 4) Environmental Justice Program Activities and Grants Oversight.

All changes to OECA's Program Review Strategy and the Multi-Year Plan are included in OECA's official FY 2011 Program Review Strategy which can be viewed at: http://intranet.epa.gov/ocfo/perform/fy2010_program_review_strategies.htm. OECA remains committed to ensuring each key program is effectively implemented. Working through the Business Council, we will continue to review our Program Review Strategy and Multi-Year Plan continuously, monitor our progress, assess whether changes are warranted, and implement changes as needed.

OECA works with internal and external partners to identify risks

OECA works with the regions, through the lead region, in developing and reviewing its Program Review Strategy and the Multi-Year Plan. The FY 2010 Strategy and Plan were reviewed by the regions and their comments, as conveyed through the lead region, led to some of the above-described adjustments in the Strategy and Multi-Year Plan.

OECA provided opportunity for input to its program management from states and tribes, as well as the EPA regions, through the process of developing the FY 2011 National Program Managers Guidance. The annual Program Managers Guidance defines program priorities, strategies, and performance measures in accordance with EPA's Strategic Plan and the annual performance measures in EPA's budget. This guidance provides a national framework for the regions to use as they establish their own work plans, performance goals, and work-sharing strategies with the states. After the Guidance is published and implemented, it provides the framework for measuring the progress towards the program goals.

OECA also consults with the regions, states and tribes in selecting its National Enforcement Initiatives every three years. The current National Enforcement Initiatives, established in FY 2010, include: 1) keeping raw sewage and contaminated stormwater runoff out of our waters; 2) cutting animal waste to protect surface and ground waters; 3) reducing widespread air pollution from the largest sources, especially the coal-fired utility, cement, glass, and acid sectors; 4) cutting toxics air pollution that affects communities' health; 5) assuring energy extraction sector compliance with environmental laws; 6) reducing pollution from mineral processing operations. These National Enforcement Initiatives address some of the more complex pollution problems, especially those confined to a particular sector or source type, and those that can be most effectively addressed through a concentrated enforcement initiative led by national enforcement teams. For each National Enforcement Initiative, OECA develops a strategy to achieve specific goals. These strategies describe the environmental or noncompliance problem; discuss the reasons why we decided to address the problem; explain how the problem will be addressed; and highlight the progress made in addressing the pollution problem.

RESULTS OF INTERNAL CONTROL REVIEWS

Over Programmatic Operations

OECA currently has only one material or Agency-level weakness (IT modernization of the Pollution Control System), as described below, and our internal control reviews in FY 2011 have not identified any additional material or Agency-level weaknesses. We have continued to review

our programmatic operations through a number of reviews, as planned in our Program Review Strategy and Multi-Year Plan. Highlights of those reviews are described below for each of the five major mission areas set forth in our Strategy.

- **Timely and Effective Enforcement**

OECA's Office of Criminal Enforcement, Forensics and Training (OCEFT) continued its practice of conducting periodic *Verification Inspections* of its offices, which focus on several functional areas to assure that resources and programs are being effectively and efficiently managed, including management and executive functions, case work and investigations, training, administrative functions, and quality assurance. This year OCEFT conducted three verification inspections. The inspection of the Region 6 Criminal Investigation Division (CID) office identified 17 deficiencies, for which corrective actions were identified and implemented. An inspection of the CID office in Region 10 resulted in 29 recommendations for improvement, and all corrective actions have been implemented. The inspection of Region 5 CID was recently completed and that report is pending. Inspections of Region 1 CID and OCEFT's Legal Counsel Division are scheduled for FY 2012 and FY 2013, respectively.

Additionally, OCEFT reviewed its practices for assuring compliance with the "*Henthorn/Giglio*" requirements of the U.S. Department of Justice (DOJ) to address and satisfy Federal judicial requirements regarding the disclosure of impeachment and exculpatory information in criminal cases. This review resulted in the drafting of two new guidelines regarding information with security implications and communications with the DOJ on *Henthorn/Giglio* matters.

In 2009, the Office of Site Remediation and Enforcement (OSRE) and the Federal Facilities Enforcement Office (FFEO) jointly issued a *Guidance document on, "Determining and Tracking Substantial Noncompliance with CERCLA Enforcement Instruments in CERCLIS."* The guidance defined substantial noncompliance (SNC) with Comprehensive Environmental Response, Compensation, and Liability Act (CERCLA) enforcement instruments and describes a process for tracking SNC in the Comprehensive Environmental Response, Compensation, and Liability Information System (CERCLIS). The guidance was created in part to respond to an OIG report titled *EPA Needs to Track Compliance with Superfund Cleanup Requirements* (No. 08-P-0141). That report found that EPA was not tracking SNC with CERCLA instruments nationally and recommended that EPA begin such tracking and use the resulting data to monitor its progress in managing SNC. In November 2010, OSRE began CERCLIS compliance data analysis to establish a baseline from which future compliance trends will be evaluated. The information is currently being collected and compiled on a quarterly basis to assess these trends. In March 2011, OSRE convened a National Superfund Compliance Monitoring Workgroup to develop a measure concerning how the Regions address instances of SNC with CERCLA enforcement instruments. The measure will track how quickly instances of SNC are addressed, either by returning the enforcement instrument to "Not in SNC" status or by addressing the SNC through formal enforcement. The workgroup recommends the implementation of the measure, and will

forward the draft measure to the regions for review and comment. It is anticipated the measure will be finalized and implemented in FY2012.

- **Promote Environmental Justice**

In FY 2011, the Office of Environmental Justice (OEJ) conducted an internal review of all program activities and identified improvements needed with grants oversight. OEJ also conducted a general review of grant funding trends in 2009 - 2010. The results indicated an uneven distribution of funding, which appears to be caused by low applicant capacity, insufficient applicant outreach, and limited applicant access to regional technical assistance. OEJ corrective actions will focus on evaluating low scoring proposals, training materials and information provided to prospective applicants, and conducting comparative analysis of low scoring applicant pools and outreach strategies.

On an Agency-wide basis, OECA continues to play a leadership role in promoting environmental justice (EJ) in all of EPA's programs. The OECA Associate Assistant Administrator for EJ and her Deputy provide leadership and oversight by supporting and monitoring the plans and progress of all program offices in implementing *Plan EJ 2014*, the Agency-wide plan for improving EPA's environmental justice program. Implementation plans with deliverables and milestones have been developed for each of *Plan EJ 2014*'s nine cross-Agency elements. These plans are monitored through three mechanisms: 1) The EPA Strategic Plan Cross-Cutting Fundamental Strategy on Environmental Justice and Children's Health tracks key activities of *Plan EJ 2014*; 2) EPA programs and regions provide annual progress reports on their respective *Plan EJ 2014* implementation plans; and 3) OECA includes *Plan EJ 2014* implementation as a regular part of its management meetings with other National Program Managers.

- **Evaluate Compliance**

OECA's Office of Compliance (OC) is responsible for ensuring that EPA regional offices conduct consistent oversight of states, and that states consistently implement environmental enforcement programs. OC leads the evaluation and improvement of the State Review Framework (SRF), which is supported by OECA's key mission, "Evaluate Compliance." The SRF provides critical information on a state's core enforcement performance based on data available in EPA's national databases, file reviews, and discussions with state management.

OECA has developed other tools that allow us to conduct regular reviews of compliance. In particular, the Watch List assists EPA and state agencies in tracking and evaluating facilities with serious or chronic violations of environmental laws where there has not been apparent timely or appropriate enforcement. The Watch List is updated monthly. Another tool, the Clean Water Act (CWA) Discharge Monitoring Report (DMR) Pollutant Loadings Tool, is designed to help determine who is discharging, what pollutants they are discharging and how much, and where they are discharging, to assist in decisions on where to target inspection and enforcement resources. A third tool, the CWA State Dashboards, provide an interactive map and several charts that display statewide CWA permit, compliance monitoring, violation,

enforcement action, and penalty information. The state dashboards provide a clear picture to the public of the performance of specific states, as well as allowing the public to compare performance across states. Finally, the public release of the Safe Drinking Water Act Data Search in the Enforcement and Compliance History Online (ECHO) website makes public for the first time compliance information and violations that have occurred at public water systems, allowing the public to evaluate system and state performance. The Safe Drinking Water program is primarily implemented by the states.

- **Promote Compliance through Effective Information Dissemination and Assistance**

OC continues to introduce new web tools to help the public learn about the EPA's enforcement of environmental laws, particularly the Clean Water Act. This is part of the Administration's effort to provide transparency in government and part of EPA's Clean Water Act Action Plan. In FY 2011, OC launched improvements to the availability and usability of drinking water data in the Enforcement and Compliance History Online (ECHO) tool, allowing the public to search to determine whether drinking water in their community met the standards required under the Safe Drinking Water Act, which is designed to safeguard the nation's drinking water and protect people's health. ECHO also includes a new feature identifying drinking water systems that have had serious noncompliance. OC provides opportunities for states and regions to review data to ensure accuracy and quality, prior to public release through ECHO. OC also provides status reports to EPA senior management and states on the progress of the data verification process to ensure proper engagement by states.

- **Effective Internal Management**

OAP focused this year on improving its process for reviewing proposed environmental legislation and Congressional hearings, to ensure timely and complete reviews and preparation. As noted above, we have added a key program mission to our Program Review Strategy and an audit to ensure that this process is functioning well. We are closely monitoring proposed legislation of relevance to our programs, and expanded our communications with other EPA program offices, including the Office of Congressional and Intergovernmental Relations, to ensure complete, coordinated evaluations and reviews of EPA-developed materials. OAP also coordinates the review of testimony from other federal agencies and departments to ensure enforcement and compliance issues are fully addressed.

In FY 2011 the Office of Federal Activities completed its corrective actions identified in an FY 2009 internal control review of its Environmental Impact Statements (EIS) filing program. That review resulted in 15 recommendations and corrective actions.

Over Recovery Act Operations

OECA did not manage any funds as a part of the American Recovery and Reinvestment Act (ARRA). However, pursuant to Section 1609(c) of the ARRA, OECA's OFA reports on the status of National Environmental Policy Act (NEPA) compliance for ARA projects and activities. As of June 30, 2011, 99.7% of EPA ARRA funds had been disbursed and NEPA

obligations were met. EPA will continue to report quarterly to the Council on Environmental Quality (CEQ) on the NEPA compliance status of ARA actions through 9/30/11.

Over Financial Activities (A-123)

The Business Council reviewed OECA's existing Control Environment statement and reaffirmed that it continues to represent OECA's day to day operations and philosophy. This control environment statement, as approved by the Principal Deputy Assistant Administrator (PDAA), is provided in *Attachment AL Form 2011-005 (Control Environment)*.

Unliquidated Obligations (ULOs)

OECA's financial personnel routinely monitor expiring funds, open commitments, unliquidated obligations, and working capital fund resources during the year to maximize usage. OECA's OAP works closely with resource management officials in each of OECA's offices to ensure this monitoring is conducted. OAP conducts monthly meetings with Allowance Holders (AH) to review obligations involving expiring funds, and to determine whether funds can be deobligated and reused for other priorities. In FY 2011, OECA updated its Standard Operating Procedures to incorporate the new ULO database and associated procedures.

OECA certifies that its unliquidated balances in miscellaneous and travel obligations were reviewed, and appropriate action was taken to deobligate funds. OECA's response to the OCFO requirements for Unliquidated Obligations is provided in *Attachment AL Form 2011-008 (c) (Unliquidated Obligations)*.

CURRENT WEAKNESSES

OECA is responsible for addressing the Agency level weakness, Permit Compliance System (PCS). This weakness recognized EPA's need to revitalize or replace PCS to provide an information system in a format that both EPA and states can use to ensure complete and accurate National Pollutant Discharge Elimination System (NPDES) permit and discharge data. A detailed statement of OECA's progress for PCS is described in *Attachment AL Form 2011 – 003 (FY 2011 Current Weaknesses and Significant Deficiencies)*.

In addition to the PCS weakness described above, OECA is supporting the Office of Environmental Information (OEI) in addressing the Agency level weakness, "*Electronic Content Management*." OECA's PDAA is co-chairing a subcommittee of the Quality Information Council charged with overseeing this weakness. OECA is also co-chairing the Agency-level workgroup charged with addressing e-discovery needs, an element of the content management weakness. This workgroup is addressing such tasks as developing interim separated employees procedures; compiling a list of litigation holds, contact information for attorneys who manage a given hold, relevant search terms, and instructions for discovery.

MANAGEMENT CHALLENGES AND POTENTIAL WEAKNESSES INDENTIFIED BY OIG, GAO AND OMB

The GAO report, “Environmental Protection Agency, Major Management Challenges, Report Number (11-422T)” dated March 2, 2011, states that while EPA has improved its oversight of state enforcement programs by implementing the State Review Framework (SRF), the Agency still needs to address significant weaknesses in how states enforce their environmental laws in accordance with federal requirements. Specifically, GAO states that EPA needs to identify the cause of poorly performing state enforcement programs, inform the public about how well states are implementing their enforcement responsibilities, and assess the performance of regional offices in carrying out their state oversight responsibilities. The Agency must also address problems in enforcement data and reporting.

The Agency initiated the State Review Framework (SRF) in 2004 to address concerns about consistency in the minimum level of enforcement activity across states and the oversight of state programs by EPA regions. The SRF uses 12 core elements to assess enforcement activities across three key programs: the Clean Air Act Stationary Sources, the Clean Water Act National Pollutant Discharge Elimination System, and the Resource Conservation and Recovery Act Subtitle C. The elements include data completeness, accuracy and timeliness, completion of work plan commitments, inspection coverage, completeness of inspection reports, identification of alleged violations and significant noncompliance, ensuring return to compliance, timely and appropriate enforcement, and the calculation and collection of gravity and economic benefit penalty components. OECA is currently drafting a strategy for dealing with recalcitrant problems encountered in the state reviews.

The current SRF outlines the process for uniformly addressing significant problems identified in state programs. First, the region and state define the state's attributes and deficiencies and develop a schedule for implementing needed changes. Second, the region and state jointly develop a plan to address performance, using established mechanisms such as Performance Partnership Agreements, Performance Partnership Grants, or categorical grant agreements to codify the plans. Third, the region and state manage and monitor implementation of the plan to ensure progress as planned and to identify and address issues as they arise. Forty-three Round 2 SRF reviews will be completed by the end of FY 2011

OECA is also providing a response to the GAO management challenge, “*Speeding the Pace of Cleanup at Superfund and other Hazardous Waste Sites*,” identified in the same GAO Report (11-422T). While OECA was not identified as the lead office for this response, OECA has taken responsibility of a subsection of the management challenge titled, “*Resolving Data Limitations Hindering Estimates of Program Costs*.” The subsection follows up on recommendations made in the GAO report, “*Superfund: Litigation Has Decreased and EPA Needs Better Information on Site Cleanup and Cost Issues to Estimate Future Program Funding Requirements*,” (GAO-09-656), dated July 2009. OECA’s response to this element of the management challenge, as well as the SRF matter is provided in **Attachment AL Form 2011 – 004, (Response to OIG, GAO and OMB Management Challenge or Weaknesses)**.

OECA's MYP includes corrective actions in response to three audits conducted by the Office of the Inspector General (*EPA Oversight and Policy for High Priority Violations of the Clean Air Act (10-P-0007)*); *Identifying Violations of Section 404 of the Clean Water Act (10-P-0009)*; and *EPA Needs to Track Compliance with Superfund Cleanup Requirements (08-P-00141)*. We agreed to implement 16 corrective actions. Eleven of those actions have been completed. We are making progress on the remaining five, and expect all these corrective actions to be completed by October 2012.

NEW OR EMERGING ISSUES

OECA does not have any new or emerging issues to report at this time.

ACCOMPLISHMENTS AND BEST MANAGEMENT PRACTICES

OECA continues to make progress with its programs and strengthening its overall internal controls and program operations. We are pleased to report the following accomplishments for this fiscal year:

Data Quality

OC manages an annual process through which the Deputy Regional Administrators and OECA Office Directors certify at mid-year and end-of-year that the federal enforcement and compliance data is complete and accurate as entered into the national databases. In the first quarter of each fiscal year, a Reporting Plan Memorandum is distributed outlining the data to be collected for that fiscal year, and used to report the national enforcement and compliance program's results and accomplishments. The certification process has brought high-level management attention to the importance of the accuracy and completeness of the data that is reported to Congress and the public.

OC has focused its attention on ensuring the collection of quality data in order to measure and better inform the public of the results of its activities. OECA uses the Case Conclusion Data Sheet (CCDS) to collect information on the results and environmental benefits achieved from federal enforcement cases. In order to ensure national consistency for estimating environmental benefits, OECA published the "Guide for Calculating Environmental Benefits of Enforcement Cases: FY2005 Case Conclusion Data Sheet (CCDS) Update," which provides instructions for estimating pollutant reductions, completing the CCDS information, and entering the information in the Integrated Compliance. An updated version of the CCDS Guidance will be implemented in FY2012 which will include new standardized methodologies to allow regions to provide a more complete accounting of the benefits accrued from their enforcement actions.

Management Systems

In FY 2011, OCEFT supported the design, development, and implementation of a quality management system. Specifically, this accreditation will cover a variety of crime scene investigative techniques for processing crime scenes containing chemical, biological or radioactive hazards. It will also address related activities such as: field measurements, evidence

identification and sampling, crime scene documentation, and evidence collection methods from traditional forensic science disciplines (e.g., latent prints and tire tracks). OCEFT has also implemented a Laboratory Information Management System (LIMS). To date, information from over 40 projects involving hundreds of samples have been added to the database. Personnel can query project and analysis status for better project management. Samples are tracked from receipt to disposal with the LIMS internal chain-of-custody feature, and data entry has been automated for several types of instrument data files.

Integrated Cleanup Initiative

CERCLA compliance monitoring has been included as an element of EPA's Integrated Cleanup Initiative (ICI) which seeks to identify and implement improvements to the Agency's land cleanup programs that will accelerate cleanups, address a greater number of contaminated sites, and put those sites back into productive use while protecting human health and the environment. ICI, in part, addresses the issues identified by the OIG in its report *EPA Needs to Track Compliance with Superfund Cleanup Requirements* (No. 08-P-0141). The ICI spans multiple programs within OSWER and OECA. OSRE has taken the lead in six ICI actions and is playing a supporting role in several others. Each ICI action includes a program evaluation element in which current or historical program data are gathered and analyzed, possible program improvements are considered (in several cases by national workgroups), and, if appropriate, new or revised guidance or procedures are developed and implemented. Two of the actions, early identification of PRPs and monitoring compliance, are included in the MYP. ICI constitutes a substantial part of OSRE's management integrity efforts until FY 2012.

Promotions

In partnership with the Office of General Counsel, OAP established a workgroup comprised of Regional Counsels and Headquarter managers to examine the current practices and procedures for non-supervisory GS-15 attorney promotions in EPA's Offices of Regional Counsel. OECA initiated this review in an effort to: 1) look for ways to improve our current practices and procedures; 2) implement a consistent process among and within the Regions for non-supervisory GS-15 promotions (i.e., enforcement and counseling attorneys); and 3) ensure the promotion process is conducted in accordance the Office of Personnel Management's classification standard for GS-905 attorneys. As a result of the review, OECA identified ways to achieve all three goals, and will implement changes to current practices and procedures after some level of negotiation with the union representing Regional attorneys. OECA is currently reviewing the non-supervisory GS-15 promotion process for Headquarters attorneys to determine ways to improve the Headquarters process and to ensure that our practices comport with OPM's Classification Standard for GS-905 attorneys. We are also examining the differences and similarities between Headquarters and Regional legal work, in an effort to consider options for better harmonizing the Regional and Headquarters processes for non-supervisory GS-15 attorney promotions.

CLOSING

Thank you for the opportunity to submit OECA's annual assurance letter. I look forward to our continued participation in the Management Integrity process. If you or your staff has questions

regarding our submission, please contact Mark Badalamente, Acting Director, Office of Administration of Policy. Mark can be reach on 202-564-2530.

ATTACHMENTS

AL 2011 - 005 - Control Environment
AL 2011 - 008 - Unliquidated Obligations
AL 2011 - 003 - Current Weakness
AL 2011 - 004 - Agency Response to OIG, GAO and OMB Management Challenges

cc: OECA Deputy Assistant Administrator
OECA Office Directors
OECA Deputy Office Directors
Gwendolyn Spriggs, OECA's Management Integrity Advisor
Annette Morant, OCFO
Aileen Atcherson, OCFO
Patrick Gilbride, OIG



Correspondence Management System

Control Number: AX-11-001-3699

Printing Date: August 16, 2011 12:21:14



Citizen Information

Citizen/Originator: Higgins, Barbara

Organization: Plumbing Manufacturers International
Address: 1921 Rohlwing Road, Rolling Meadows, IL 60008

Salmon, Stephanie

Organization: Plumbing Manufactures International
Address: Address Unknown

Constituent: N/A

Committee: N/A

Sub-Committee: N/A

Control Information

Control Number: AX-11-001-3699

Alternate Number: N/A

Status: Pending

Closed Date: N/A

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Received Date: Aug 12, 2011

Addressee: AD-Administrator

Addressee Org: EPA

Contact Type: LTR (Letter)

Priority Code: Normal

Signature: DX-Direct Reply

Signature Date: N/A

File Code: 404-141-02-01_141_b Controlled and Major Corr. Record copy of the offices of Division Directors and other personnel.

Subject: Daily Reading File - Please find attached a letter from Plumbing Manufacturers International regarding the importance of utilizing sound science for the risk assessment for hexavalent chromium and to include forthcoming health effects research.

Instructions: DX-Respond directly to this citizen's questions, statements, or concerns

Instruction Note: N/A

General Notes: N/A

CC: OEAE - Office of External Affairs and Environmental Education
OP - Office of Policy
OW - Office of Water -- Immediate Office
R5 - Region 5 -- Immediate Office

Lead Information

Lead Author: N/A

Lead Assignments:

Assigner	Office	Assignee	Assigned Date	Due Date	Complete Date
(b) (6) Personal Privacy	OEX	ORD	Aug 16, 2011	Aug 16, 2011	N/A
Instruction: N/A					

Supporting Information

Supporting Author: N/A



August 11, 2011

The Honorable Lisa P. Jackson
Administrator
U.S. Environmental Protection Agency
Ariel Rios Federal Building
1200 Pennsylvania Avenue, N.W.
Washington, D.C. 20460

Dear Administrator Jackson:

Plumbing Manufacturers International (PMI), the major trade association of plumbing products manufacturers in the U.S., is writing regarding the Environmental Protection Agency's (EPA) ongoing risk assessment of hexavalent chromium in drinking water. It is our understanding that the Toxicologic Review on hexavalent chromium will be completed before the end of the year. It seems that EPA has set an arbitrary timeline to consider this matter. This issue, given the potential impact to consumers, business and institutions deserves a full examination of the entire scientific record which is still being developed and that will help guide any decision to ensure that it is based on a valued-added, peer review scientific study.

By way of background, many of the plumbing fixture fittings made by PMI members have a standard polished chrome-plated decorative surface. Polished chrome has been used for a decorative surface finish treatment for over one hundred years. Originally, it was used as a means of preventing tarnishing and the eventual development of the blue-green oxidation patina that one often sees on brass or copper alloy surfaces. Chrome-plated surfaces are metallic chrome, not hexavalent chrome, and have provided durable chemical and abrasion resistant surfaces that are easy to keep clean.

U.S. plumbing codes require that all plumbing products intended to dispense water for human consumption must be certified as meeting the requirements of NSF, International Standard 61 (Health Effects – Indirect Water Additives). Under NSF 61, the maximum potential exposure to total chrome from a single fixture fitting (faucet) is 10 parts per billion, or 1/10th of the EPA total chrome level. NSF 61 also sets a maximum level for hexavalent chromium at 2 parts per billion. This hexavalent chrome health effects standard was established by the independent Health Advisory Board (HAB) consisting of well recognized toxicologists and public health professionals. In fact, the HAB is chaired by EPA toxicologist Ed Ohanian, who is also part of the working group to establish the health effects based Primary Drinking Water Standard at EPA.

In September 2010, EPA released for public comment and peer review a draft Toxicological Review of hexavalent chromium under the Integrated Risk Information System ("IRIS") program.

As we explained in our recent meeting with EPA senior staff in the Office of Water on June 22nd, PMI is closely monitoring EPA's scientific activities on this issue. We remain concerned that industry members will be negatively impacted by any proposed or final action EPA's may take based on these various risk assessments and evaluations of the use of hexavalent chromium in the industrial process.

Recently, it has come to our attention that there is a major ongoing hexavalent research study, "The Chromium Cr6 Mode of Action Research Studies", which is expected to be concluded later this year by ToxStrategies. The study addresses acknowledged data gaps in the scientific database used in the 2008 National Toxicology Program study to support the EPA's draft assessment of human health risks posed by hexavalent chromium. The preliminary results from this research program involving state of the art mode of action and pharmacokinetic information show mounting evidence of a biological threshold for hexavalent chromium toxicity.

During a peer review workshop conducted by EPA in May, a panel of nine scientific experts recommended significant revisions to the current draft IRIS assessment for hexavalent chromium. In addition, these scientists urged EPA to incorporate the findings from the ToxStrategies research in the agency's Toxicologic Review for hexavalent chromium.

PMI believes this research should be taken in to full consideration and thoroughly reviewed in the agency's final risk assessment for hexavalent chromium before the agency makes any draft or final determination on whether or not a perceived risk exists in the use of hexavalent chromium in the industrial process.

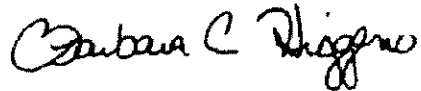
In addition, we remained concerned about the risk assessment process overall, as we understand that EPA accelerated its own schedule by two years for completing the risk assessment for hexavalent chromium – without public comment. Had the agency maintained its original schedule, its process would have benefited from the finalizing of this ongoing research; thereby allowing the results to be included well in advance of any EPA decision.

Furthermore, the National Academy of Sciences (NAS) has been highly critical of the IRIS system that EPA uses to determine health risks. NAS specifically called into question the lack of transparency, inconsistency, and problems with evaluating studies and the weight of evidence. In April 2011, NAS provided a host of recommendations to correct these issues. Without having a good foundation and sound science practices, EPA's regulatory system suffers, including drinking water.

It is critical that EPA's process, to ensure the integrity of the scientific evaluation process of hexavalent chromium, use and consider all of the best available science to achieve an appropriate risk-based standard. Indeed, the law requires that any determination to regulate a contaminant "be based on the best available health information" using "the best available, peer-reviewed science and supporting studies conducted in accordance with sound and objective scientific practices." [See 42 U.S.C. §§ 300g-1(b)(1)(B)(ii)(II), 300g-1(b)(3)(A).] In this instance, the acknowledged data gaps in EPA's draft IRIS assessment must be filled and corrected prior to any decisions being finalized.

We urge the EPA to delay finalization of the hexavalent chromium risk assessment until the Agency has had the opportunity to fully consider all scientific research to arrive at a sound scientific basis for any decision. A robust, science-based, peer reviewed process is required before the establishment of any hexavalent chromium drinking water standard.

Sincerely,



Barbara C. Higgins
Executive Director
Plumbing Manufacturers International

cc: Nancy Stoner, Acting Assistant Administrator for Water, EPA
Dr. Paul Anastas, AA for Research and Development, EPA



Correspondence Management System

Control Number: AX-11-001-3712

Printing Date: August 16, 2011 07:10:41



Citizen Information

Citizen/Originator: Drevna, Charles T.

Organization: National Petrochemical and Refiners Association (NPRA)
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Hogan, Tim

Organization: National Petrochemical & Refiners Association
Address: 1667 K Street N.W., Washington, DC 20006

Constituent: N/A

Committee: N/A

Sub-Committee: N/A

Control Information

Control Number: AX-11-001-3712

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Status: Pending

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Addressee: AD-Administrator

Addressee Org: EPA

Contact Type: LTR (Letter)

Priority Code: Normal

Signature: DX-Direct Reply

Signature Date: N/A

File Code: 404-141-02-01_141_b Controlled and Major Corr. Record copy of the offices of Division Directors and other personnel.

Subject: Daily Reading File -Attached are NPRA's comments on EPA's proposal for 2012 RFS RVOs and biomass-based diesel for 2013

Instructions: DX-Respond directly to this citizen's questions, statements, or concerns

Instruction Note: N/A

General Notes: N/A

CC: OEAE - Office of External Affairs and Environmental Education

OP - Office of Policy

R3 - Region 3 - Immediate Office

Lead Information

Lead Author: N/A

Lead Assignments:

Assigner	Office	Assignee	Assigned Date	Due Date	Complete Date
(b) (6) Personal Privacy	OEX	OAR	Aug 16, 2011	Aug 30, 2011	N/A
Instruction: DX-Respond directly to this citizen's questions, statements, or concerns					

Supporting Information

Supporting Author: N/A

Supporting Assignments:

Assigner	Office	Assignee	Assigned Date
No Record Found.			

Charles T. Drevna
President



National Petrochemical & Refiners Association

1567 K Street, NW
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202 457-1480 voice
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cdrevna@npa.org

Filed Electronically

August 11, 2011

Administrator Lisa Jackson
U.S. Environmental Protection Agency
Ariel Rios Building
1200 Pennsylvania Avenue, N.W.
Mail Code: 1101A
Washington, DC 20460

Subject: Docket EPA-HQ-OAR-2010-0133 - Comments on EPA's proposal for 2012 RFS
RVOs and biomass-based diesel volume for 2013

Dear Administrator Jackson:

NPRA, the National Petrochemical & Refiners Association, is pleased to provide comments on the Agency's proposal for 2012 RFS RVOs and biomass-based diesel volume for 2013 (76 FR 38844; 7/1/11). NPRA represents high-tech American manufacturers—fueling and building America's future. NPRA members produce virtually all refined petroleum products and petrochemicals manufactured in the United States, serving the American people responsibly and effectively. These manufacturers provide jobs, directly and indirectly, to 2 million Americans, economic and national security, and thousands of vital products to families and businesses throughout the United States.

NPRA appreciates the opportunity to submit suggestions on this proposal. Our members have been RFS obligated parties since implementation of RFS1 in September 2007.

We support the prudent development and use of biofuels to diversify our nation's transportation and nonroad fuels portfolio.

NPRA members are forced to confront the real world, rather than the fictional world of unrealistic and unattainable predictions on biofuels production, whether by EPA or biofuel promoters. In January 2011, President Obama signed Executive Order 13563, which states: federal regulation "must promote predictability and reduce uncertainty." NPRA members as obligated parties are concerned that the volumes in EPA's proposal for 2012 RVOs are based on very optimistic projections rather than actual production volumes or U.S. Energy Information Administration (EIA) forecast. As a result, the proposed rule provides little certainty to obligated parties and appears to conflict with this Executive Order.

NPRA sincerely hopes that EPA will substantially revise this proposal and publish realistic and economically achievable biofuel volume standards in the final rule that are based on sound market analysis.

Cellulosic biofuels

EPA proposes a range for the cellulosic biofuel volume in 2012 of between 3 and 15 million ethanol-equivalent gallons. This proposal comes on top of a mandate of 6 million ethanol-equivalent gallons for 2011. Based on the latest information available, to date – six months into 2011 – there have been no cellulosic biofuels produced or used in the United States, ethanol-equivalent or not.

The Clean Air Act directs EPA to project the amount expected to be sold or introduced into commerce based on credible facts, not based on press releases, hopes or wishes. No cellulosic biofuel RINs have been generated for the 12-month period of July 2010 – June 2011. This fact should suggest caution when selecting the regulatory volume for 2012.

EPA should not be cheerleader for cellulosic biofuels, because an unrealistically high mandate imposes unreasonable burdens on RFS obligated parties. In 2011, EPA's unrealistic cellulosic biofuels mandate will in effect be no more than a tax on American manufacturers and, ultimately, consumers. RFS obligated parties will have to buy up to 6 million cellulosic biofuel waiver credits from EPA at \$1.13/gallon-RIN in 2011 – this is a \$6.78 million tax that NPRA's members must pay due to EPA's misguided optimism regarding cellulosic biofuels production this year.

Biomass-based diesel

The Agency proposes 1.28 billion gallons as the biomass-based diesel volume for 2013. It would be prudent to consider an increase above the statutory minimum of 1.0 billion gallons only after it has been demonstrated that 1.0 billion gallons can be produced and blended.

It is unlikely that the regulatory 800 million gallons will be available in 2011. EIA publishes monthly biodiesel data in its "Monthly Energy Report (DOE/EIA-0035(2011/07))."¹ The July 2011 issue (released on July 27, 2011) shows that U.S. biodiesel production for 2009 was 506 million gallons; in 2010 it dropped to 311 million gallons; and that biodiesel consumption, which generates the D4 RIN credits, was much lower than production. It is unrealistic to expect domestic biodiesel blending volume to increase significantly this year to meet the regulatory volume of 800 million gallons, increase again in 2012 to meet the proposed regulatory volume of 1.0 billion gallons, and increase again to meet the proposed

¹ Available at http://www.eia.doe.gov/totalenergy/data/monthly/pdf/sec10_8.pdf

regulatory volume of 1.28 billion gallons in 2013. These annual steps are much too large for an industry that produced 311 million gallons in 2010.

The federal tax credit for biodiesel is set to expire at the end of 2011. Congress previously allowed the biodiesel tax credit to lapse – a lapse that shut down most of the nation’s biodiesel manufacturing capacity. This unsettled tax policy creates considerable uncertainty for the future of the nation’s biodiesel industry and the availability of biomass-based diesel for NPRA members to blend in 2012 and 2013. NPRA urges caution in setting the 2012 and 2013 biomass-based diesel volumes.

NPRA/API petition for 2011

In February 2011, NPRA and the American Petroleum Institute petitioned EPA to reconsider the RFS volumes for 2011. This petition addressed three topics:

- Cellulosic biofuels
- Advance biofuels
- Delayed RINs

NPRA appreciates the opportunity to clarify the reasons for submitting this petition and urges EPA to grant the petition. There is new information that was not available in 2010 when the Agency selected the RFS regulatory volumes for 2011. This new information is more than adequate to justify the requested reconsideration.

So far, there is only a single cellulosic biofuel production facility that is registered and currently eligible to generate cellulosic biofuel RINs – Range Fuels. This facility is not in operation. EPA is aware that no cellulosic biofuel RINs have been generated for the 12-month period of July 2010 – June 2011.

EIA reports that imports of ethanol from Brazil were 5 million gallons in 2009, zero in 2010, and zero so far in 2011. It is very doubtful that many millions of gallons of this product will be imported during the remainder of 2011. Therefore, it will not be available in sufficient quantities to help meet the advanced biofuel requirement.

Excess biomass-based diesel is unlikely because it is questionable that the regulatory 800 million gallons will be available in 2011. EIA’s biodiesel monthly production data make it unrealistic to expect domestic biodiesel supply to increase significantly this year to meet the regulatory volume of 800 million gallons, much less also provide excess supplies for compliance with the advanced biofuel requirement.

NPRA urges the Agency to avoid allowing the use of “delayed RINs” in the future.

Conclusions

We appreciate the opportunity to comment and propose that EPA address the following issues in the final rule:

- reduce the regulatory volumes for cellulosic and advanced biofuels and the total RFS in 2011;
- reduce the proposed regulatory volumes of biomass-based diesel in 2012 and 2013;
- lower the proposed levels for advanced biofuels in 2012 (2 billion gallons) and the total RFS (15.2 billion gallons) consistent with the reduced volumes of cellulosic biofuels and biomass-based diesel; and
- select a regulatory value for cellulosic biofuel for 2012 that reflects actual supply in 2011.

Specific comments are available in the attachment.

Sincerely,



Charles T. Drevna
President

Attachment

cc: Docket EPA-HQ-OAR-2010-0133
Margo Oge
Paul Machiele



Correspondence Management System

Control Number: AX-11-001-3768

Printing Date: August 15, 2011 04:25:03



Citizen Information

Citizen/Originator: Enck, Judith

Organization: EPA Region 2
Address: 290 Broadway, New York, NY 10007-1866

Constituent: N/A

Committee: N/A Sub-Committee: N/A

Control Information

Control Number:	AX-11-001-3768	Alternate Number:	N/A
Status:	For Your Information	Closed Date:	N/A
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Letter Date:	Aug 8, 2011	Received Date:	Aug 15, 2011
Addressee:	AD-Administrator	Addressee Org:	EPA
Contact Type:	LTR (Letter)	Priority Code:	Normal
Signature:	SNR-Signature Not Required	Signature Date:	N/A
File Code:	401_127_a General Correspondence Files Record copy		
Subject:	Daily Reading File- FY 2011 Federeral Managers' Financial Integrity Act Assurance Letter		
Instructions:	For Your Information -- No action required		
Instruction Note:	N/A		
General Notes:	N/A		
CC:	N/A		

Lead Information

Lead Author: N/A

Lead Assignments:

Assigner	Office	Assignee	Assigned Date	Due Date	Complete Date
No Record Found.					

Supporting Information

Supporting Author: N/A

Supporting Assignments:

Assigner	Office	Assignee	Assigned Date
(b) (6) Personal Privacy	OEX	OCFO	Aug 15, 2011

History

Action By	Office	Action	Date
(b) (6) Personal Privacy	OEX	Forward control to OCFO	Aug 15, 2011

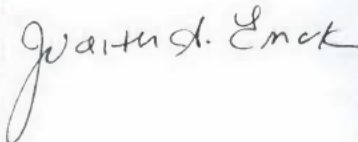
Comments

UNITED STATES ENVIRONMENTAL PROTECTION AGENCY
REGION 2

DATE: AUG 8 2011

SUBJECT: FY 2011 Federal Managers' Financial Integrity Act Assurance Letter

FROM: Judith A. Enck
Regional Administrator



TO: Lisa P. Jackson
Administrator

OFFICE OF THE
EXECUTIVE SECRETARIAT

2011 AUG 15 PM 1:52

RECEIVED

PURPOSE

In accordance with the *Federal Managers' Financial Integrity Act* (FMFIA) and Agency guidance, I am submitting the FY 2011 annual assurance letter attesting to the soundness of internal controls for Region 2.

STATEMENTS OF ASSURANCE

Under my leadership, Region 2 has assessed the effectiveness of its internal controls based on the five standards for internal control established by the Government Accountability Office. In my judgment, Region 2 complies with Federal Managers' Financial Integrity Act requirements, and the internal controls within Region 2 are adequate to reasonably ensure the protection of the programs, operations, functions and resources for which I am responsible against fraud, waste, abuse, and mismanagement.

Additionally, in accordance with the American Recovery and Reinvestment Act of 2009 (Recovery Act) and Agency guidance, I can provide reasonable assurance that:

- All Recovery Act programs were managed effectively and efficiently, utilized reliable and accurate data to report achievement of program goals, and were in compliance with laws and regulations;
- All Recovery Act funds designated for the Clean and Drinking Water State Revolving Funds, Clean Diesel, Leaking Underground Storage Tank, Superfund, and Brownfields Recovery Act programs have been used solely for the purpose of each program and, if applicable, were awarded and distributed in a prompt, fair, and reasonable manner;
- Region 2 is monitoring the risks and internal controls identified in EPA's Recovery Act Stewardship Plan, and is in compliance with the Stewardship Plan.

CERTIFICATION OF MANAGEMENT INTEGRITY TRAINING

I certify that all Region 2 managers and supervisors completed the Agency Senior Manager Training Module, and that the Regional Management Integrity Advisor (MIA), located in the Office of Policy and Management, completed the MIA Training Module.

FRAMEWORK FOR ASSESSING INTERNAL CONTROLS

I base my above assurance on the assurances provided to me by the Region's Division Directors, who have assessed the management control systems under their authority, in accordance with EPA's Integrity Act compliance program. Each Region 2 Division Director has developed and documented a systematic internal control review strategy that is tailored to the individual Division's functions. In most cases, where a Program Review Strategy was available from the National Program Manager (NPM), we used this document as a basis to form our priorities, identifying risk from the regional perspective.

In FY 2011, Region 2 continued to work with NPMs by setting annual program commitment targets that align with EPA's Strategic Plan, through the Agency's Annual Commitment System (ACS) and other aspects of Agency-wide annual planning and reporting. As part of the performance review process, divisions tracked their commitments during the year, participated in feedback sessions with NPMs, and conducted two formal status presentations for the Deputy Regional Administrator (DRA). These efforts support regional implementation of the Government Performance and Results Act.

Region 2's internal controls program consists of both internal and external control measures to identify strengths and weaknesses in program and financial/administrative activities. Internal controls include the Region 2 Financial Quality Assurance program, in which we conduct formal recurring reviews of financial cycles, and our Information Security Program, which includes many measures aimed at preventing cyber-security attacks.

Region 2 operates a very strong Quality Management Plan (QMP), which consists of an internal auditing process for environmental data collection: Standard Operating Procedures (SOPs) for all activities, and Performance Testing (PT) of samples. Additionally, controls include program plans, project plans, data review, contractor performance evaluations, and quarterly program reviews. External control measures include OIG, GAO, and NPM program reviews, Drinking Water Laboratory Re-certification Audits, and continued accreditation under the National Environmental Laboratory Accreditation Program. Control measures differ from routine (i.e. performance testing samples) to annual occurrences (i.e. formal program reviews).

With regard to Timely and Effective Enforcement, which is central to our mission and the key program for establishing deterrence and ensuring a level playing field, Region 2 has identified various control and monitoring activities to manage risk. These include the development of the quarterly Watchlist, maintenance of the DATES compliance milestone tracking system, the State Review Framework, and periodic enforcement meetings internally, with other regions, the Office of Enforcement and Compliance Assistance (OECA), the Department of Justice, and the states.

Region 2 also implements the federal compliance and enforcement program in Indian Country. Due to the unique status of Indian Tribes within Region 2, we take a multi-faceted and consultative approach to dealing with environmental matters. We engage in semi-annual meetings with all seven previously federally recognized Indian nations to assess environmental concerns, and recently met formally with the Shinnecock Nation, after its October 1, 2010 federal recognition. We consult and take action on a host of issues including investigations, enforcement and outreach involving Underground Storage Tank (UST) regulation, illegal solid waste dumping, and inappropriate hazardous waste handling. A Regional tracking database gauges progress on dealing with jointly identified matters.

RESULTS OF INTERNAL CONTROL REVIEWS

Programmatic Operations

For a complete list of completed and planned reviews, please see Region 2's Multi-Year Review Plan (attached).

RCRA Corrective Action - In FY 2010, Region 2 conducted an internal control review of the Resource Conservation and Recovery Act (RCRA) Corrective Action Program. This review included: (1) conducting attribute testing on a random subset of facilities; (2) determining whether measures were in place to address deficiencies; (3) examining the national program database (RCRAInfo) to determine if applicable GPRA measures were attained, and (4) ascertaining whether documentation was maintained in compliance with guidelines. This report was featured in the Agency Integrity Senior Manager training module, as a model program review. During FY 2011, Region 2 expects to complete correction of the minor deficiencies identified in this review.

Non-Point Source Program - Region 2 reviewed potential risk associated with implementation of the Non-point Source Program in the State of New York. While no material weaknesses were identified, actions are being incorporated in the State's Performance Partnership Grant and work plan, to ensure achievement of program objectives consistent with Clean Water Act Section 319 guidance and regulations. These actions will also ensure sufficient reporting on strategic objectives, and that base and incremental funds are appropriately targeted. New York is currently revising its grant application to reflect these changes.

Long Island Sound Study (LISS) – Region 2 has begun an internal control review of the LISS program, which we expect to complete in June 2012. As indicated in the attached Program Review Strategy, we will review potential risk associated with increased appropriations to the LISS Management Conference, in implementing the Comprehensive Conservation and Management Plan (CCMP) through award of grants and cooperative agreements. The steady increase in awards each year has created additional Project Officer (PO) responsibilities for the LIS Office's Director and Senior Specialist, such that broader programmatic duties have been harmed. This past July, Region 1 assigned a full-time employee to the LIS Office, to help balance grant PO responsibilities. In addition, the Director has reassigned his grant PO responsibilities to the Specialist, freeing up his time for programmatic activities. The Director will continue to manage three Interagency Agreements (IAs), and continue to review and adjust

PO workload, to release additional FTE time for program management activities. The results of this review will be reported in Region 2's FY 2012 assurance letter.

State Review Framework - In FY 2011, OECA reviewed direct implementation of the Clean Water Act (CWA) and RCRA compliance and enforcement programs in the non-delegated Commonwealth of Puerto Rico, including compliance monitoring, timely and appropriate enforcement, and data maintenance. We expect the final OECA report by September 30, 2011; the following are significant findings:

CWA

- Single Event Violations and Compliance/Permit Schedule Violations are not being entered in ICIS-NPDES. There are also some DMR NR violations that should be manually corrected. (metric 2b = 66.7%)
- R2 conducts a large number of annual inspections. In many instances three inspections reports took place during the review period. The reports are well organized, accurate and thorough, and include documentation leading to accurate compliance determinations. They are completed and transmitted in a timely manner. (metric 6b = 100%)
- Inspection reports include accurate and thorough information sufficient to correctly identify SEVs in a timely manner. (metric 8b = 100%)
- There is documentation to confirm that all penalties considered gravity, economic benefit, and the rationale between initial and final assessed penalties. (metric 11a = 100%).

RCRA

- The reports are well organized, accurate and thorough, and include documentation leading to accurate compliance determinations.
- Inspection reports include accurate and thorough information sufficient to correctly identify violations.
- There is documentation to confirm that all penalties considered gravity, economic benefit, and the rationale between initial and final assessed penalties.

Scientific Quality Assurance – Region 2's QA Coordinator (QAC) schedules and conducts regular internal audits relating to both EPA and Environmental Services Assistance Team (ESAT) contractor laboratory operations and processes. Examples include audits of a specific process (e.g., data verification, sample disposal), an analytical method, a data package, and record maintenance. Seven internal audits have been performed in FY'11 to date; thirteen findings were identified, and corrective actions for ten have been completed.

Data Management – Currently, Region 2 is conducting an assessment of the regional Contract Laboratory Program (CLP) Data Management System. Early corrective actions include development of a database to track data packages from receipt through completion; a system for tracking CLP regional allocation drawdown by project, using analytical request forms (ARFs) and projected vs. actual cost; and use of Superfund Special Account funding for analytical services on eligible sites.

Superfund Cost Recovery Oversight Billings – Region 2's review was completed in October 2010, and produced the following findings:

- Excessive data entry to, and limited reporting capability from, CERCLIS, internal spreadsheets, and the Region 2 internal Superfund Billing Oversight Tracking System (SBOTS) Access Database;
- Lack of internal communication between Remedial Project Managers (RPM) and Superfund support staff; and
- Preponderance of billings in the fiscal fourth Quarter, creating additional burden on staff during heavy workload time.

Corrective actions completed include:

- Identification of improvements for SBOTS, including new views and anniversary dates;
- Copying of divisional management and support staff on schedules for and delivery of SCORPIOS Reports to RPMs;
- Limited scheduling of billings in fourth Quarter.

Regional Laboratory - Last year, GAO initiated a review of EPA's Laboratories in response to a Congressional request. GAO's focus was to review EPA's organizational structure, strategic planning process, and workforce planning process for its laboratories, and review EPA's process for managing its physical laboratory infrastructure. GAO conducted visits of Agency laboratory facilities representing ORD, Programs and the regions, including the Region 2 Laboratory. GAO issued a Draft Report in June 2011, recommending, among other things, that EPA develop a coordinated planning process for its scientific activities, appoint a top-level official with authority over all laboratories, and develop a workforce planning process reflecting current and future needs of all laboratories. Region 2 contributed to the Agency response, issued by the Deputy Administrator.

Public Inquiries – After performing our FY 2010 internal review, Region 2 launched a toll-free customer service telephone number, and developed scripts for responding and a database to track incoming calls, and have improved the telephone tree directing callers to the right office. Additionally, we established a list of subject matter experts for areas in which we most frequently receive inquiries, and transmitted that list to key stakeholders.

Administrative Operations

Ethics- Region 2's review of Office of Government Ethics OGE-450 reports this year uncovered a violation of the financial conflict of interest statute at 18 U.S.C. 208(a). An employee assigned to oversee an emergency response contract had a disqualifying equity interest in the contractor, which was his immediate past employer. With assistance and oversight by the Office of Regional Counsel, this problem was remedied by divestment of the prohibited financial interest.

Human Resources Management – Region 2's Human Resources Branch (HRB) participates in national reviews of HR activities that are conducted by EPA Headquarters, OIG, GAO, and outside entities such as the Office of Personnel Management. In FY 2011, HRB participated in a GAO review of EPA's Strategic Workforce Planning and in an OCFO-contracted (KPMG LLC) review of EPA's acquisition workforce planning; there are not as yet findings specific to

Region 2. Additionally, in FY 2011 our Human Capital (HC) planning and development programs were reviewed on-site by the Office of Human Resources (OHR), as part of its multi-year review cycle, and highlighted in OHR's January 2011 HC Management Report. OHR in its report found that: "the Region has established local HR councils and cross-organizational workgroups composed of senior leaders and managers, to ensure attention to HC priorities, and the overall success of their HC endeavors. Their activities included developing strategies and actions that promote a region-wide approach to identifying recruitment or hiring priorities, in accordance with workforce plans and related organization goals." OHR's next review of Region 2 will be in three to five years. In the interim, the Region will carry out its agenda of career development/human capital initiatives and will monitor and report on its progress.

Facilities Management - The Environmental Management Systems teams have conducted reviews of both the New York and New Jersey facilities at the conclusion of Fiscal Year 2010 and found that the programs in place are consistent with ISO 14001 standards. This year internal audits of the New York and Edison programs will be conducted later in August 2011.

This year OARM's Safety, Health and Environmental Management Division (SHEMD) conducted audits of Region 2's Health and Safety programs in both New York and Edison, and uncovered no major findings or safety discrepancies. There were, however, four category B recommendations as follows: 1) develop Regional SOPs, 2) establish a workplace personal protection program, 3) establish a respiratory protection program, and 4) establish a Bloodborne pathogen program. The Region must also develop and implement controls to eliminate safety hazards resulting from unregulated use of personal appliances. Region 2 is developing these SOPs, and upon approval, will codify them in the Regional Health and Safety Manual.

Executive Correspondence - In FY 2011, OPM continued to oversee both the Executive Correspondence tracked in CMS, the Agency's correspondence management system, as well as overseeing responses to web inquiries via a Region 2 lotus notes (local) system. We are providing weekly overdue reports of executive correspondence to senior management, resulting in a very high rate of on-time responses. Similarly, responsiveness to web inquiries is very high due to the system-generated overdue notices that are automatically sent to the assignee, his/her supervisor and the deputy division director. These tracking procedures ensure that Region 2 is responsive to the public.

Information Systems - The following Information Technology reviews were completed in FY 2011, resulting in minor deficiencies for which corrective actions have been completed:

- We completed the annual self-assessment using the Agency's Automated Security Self-Evaluation and Remediation Tool (ASSERT), as required by the Federal Information Security Management Act (FISMA);
- We reviewed the documentation of each moderate security control; updated ASSERT; and, developed or refreshed artifacts for each control;
- We addressed concerns identified by the FAA during the 2010 independent Risk Assessment;

- We initiated an independent Continuous Monitoring Assessment (CMA) by the FAA in which all core controls and one third of the remaining controls will be assessed at the end of FY'11;
- In support of the Agency's efforts to meet the requirements of the National Institute of Standards and Technology (NIST) for analysis and retention of audit information, we implemented the Region 2 Geosight for ArcSight, a log aggregation tool. The ArcSight tool includes two appliances installed on the Region's network that facilitate the detection of anomalous activity on the network;
- We evaluated additional tools that perform network monitoring, network traffic recording and analysis, discovery and dependency mapping and troubleshooting capabilities by collecting traffic data on the network and alerting network managers to problems before business is impacted.

Grants Management – Region 2 completed its annual review of grant performance data. The Region continues to make progress on improving timeliness of grant actions and eliminating backlogs of closeouts and pending actions. In our year-end wrap-up announcement, we noted the following:

- All Unliquidated Obligations targets have been exceeded.
- Grant Closeouts:
90% Universe (grants that expired in FY'09) - we exceeded the 90% target, finishing at 95.14% ;
99% Universe (grants that expired prior to FY'09) - we exceeded this target as well, finishing at 99.17%.
- Baseline Monitoring: The Region exceeded the 90% metric for both grant specialists and project officers. All divisions individually exceeded 90% as well.
- We continued to decrease the amount of time it takes to create funding packages and award grants.

We continued efforts to reduce the number of actions remaining for award in the fourth quarter; for example, this year we moved up the grant application deadlines for non-competitive awards and awards with expiring funds, with the goal of completing these awards by July 2011. This schedule ensured that the Region met the Agency goal to fully fund those Continuing Environmental Program grants awarded on the federal fiscal year cycle, that have been partially funded in FY 2011, no later than July 31, 2011. Competitive awards, amendments and closeouts will be completed during the remainder of the fourth quarter.

In early July 2011 the Region received an OIG Draft Report on Audit Appeals, noting delays in resolving audits under appeal in a timely manner. This review included substantial fieldwork in Region 2; our response to OGD and OCFO was, in essence, that the limited OIG sample of longstanding and complex appeals skewed the bigger picture of generally successful and timely appeal adjudication. We note that during this fiscal year we have successfully resolved and closed several old grants under audit appeal, and we are working towards resolution of the remainder.

Contracts Management – Region 2’s Contracts Management Section (CMS) has continued to perform reviews of justifications for Interagency Assisted Acquisitions (IAAs), when using another agency’s contracting services. CMS verifies that the statement of work is clear and complete, and that proper acquisition planning, market research, and Independent Government Cost Estimates (IGCE’s) and other supporting analyses demonstrate sound business decisions. IAA’s for Superfund actions are also reviewed to determine if they are within the purview of the Class Best Procurement Approach Determination for EPA IAAs with the U.S. Army Corps of Engineers, for Superfund Response Activities. CMS reviews all justifications for IAA’s exceeding \$500K, and reviews selected IAAs between \$250K and \$500K.

We participated in the review of contracting efficiencies mandated by OMB, in order to identify areas for savings in baseline contract spending during FY 2011. CMS identified acquisition efficiencies achieved in Region 2 contracts for operation and maintenance of the Edison facility and the oil spill/chemical prevention program technical support; savings for IT support, Superfund software support and telecommunications support services resulting from negotiated discounts off the GSA contract pricing and strategic sourcing initiatives for toner cartridges. Region 2’s current “savings efficiency” for FY 2011 is \$759,268.

We submitted the Region 2 summary purchase card review report to OAM in December 2010. The reviewers, looking at over 3,700 purchases totaling over \$1.8 million, found that cardholders are generally using the cards appropriately. However, the reviewers found several procedural discrepancies, which they addressed with cardholders and approving officials. In two instances of repeat procedure violation, the reviewers recommended card cancellation. Another cardholder previously had a card cancelled for failure to maintain proper training.

Audit Management – Region 2 continued to effectively carry out its Audit Coordination responsibilities, which included responding to reviews and audits of Region 2 programs and functions primarily carried out by EPA’s Office of Inspector General (OIG). During FY 2011 to date, Region 2 has resolved eight grant audit appeals, including seven Nassau County construction grant appeals. We have resolved three Single Audits, plus one in late FY 2010. In addition, we coordinated response to several OIG Recovery Act audits, and a major GAO review of EPA laboratories. Region 2 staff also participated in many entrance/exit conferences and interviews, and issued comments on several nationwide audits and evaluations.

In February 2011, OCFO conducted an audit and file review of our audit management. During the audit, OCFO reviewed our audit file arrangement and maintenance, and reconciled manual file data to that in the Agency’s Management Audit Tracking System (MATS). In its draft report, OCFO stated that “Overall the official files and MATS documentation was excellent and included all required information from (EPA Order) 2750 (Audit Management) for most of the audits reviewed.”

Recovery Act Operations

In May 2011, OCFO conducted a Recovery Act Stewardship Plan (RASP) verification review of Region 2; the reviewers assessed our implementation of the RASP and accountability to the stated goals of ARRA. OCFO in its June draft report identified five recommendations at the

high risk level, two at the medium risk level, and one at the low risk level. Four of the five high risk items, one of the medium risk items and the sole low risk item were related to administrative baseline monitoring reviews performed by the Grant Specialists (GS). Region 2 is currently preparing its response to these findings.

In addition to participating in the Agency A-123 financial review, Region 2 continued its process for ensuring that high risk grant recipients and recipients with open audit findings had program-specific procedures in place for managing Recovery Act funds. We established internal procedures for reviewing payment requests and supporting cost documentation, prior to releasing payments to these recipients. These procedures were established to ensure that the Region is complying with the requirements of the Agency's *Initial Recovery Act Grant Award Guidance*, and the Stewardship Plan. Also, recipients' activities are closely monitored through baseline monitoring, in accordance with the Post-Award Monitoring Strategy for Recovery Act Assistance Agreements; appropriate actions are taken when issues are identified.

Region 2 continues to be a fieldwork site for several OIG Recovery Act audits and program evaluations; in FY 2011 OIG completed site reviews of four projects, for which two reports to date contained recommendations for Region 2 oversight; we are currently addressing those recommendations.

Financial Activities (A-123)

The Region 2 Financial QA Reviews of Funds Control and Superfund Cost Recovery revealed minor findings, for which corrective actions were performed. No major changes to Regional or financial policies or procedures were required. Additionally, as part of EPA's FY 2011 Integrity requirements, Region 2 completed internal control reviews for the Recovery Act Stewardship Plan, Unliquidated Obligations, Superfund State Contracts, and Superfund Site Identifier (SSID) ZZ Accounts; exhibits documenting these reviews are attached.

Region 2 is a regional leader in deobligating and recertifying Superfund funds. We have deobligated \$13.8 million in FY 2011 to date, well exceeding our annual deobligation plan target of \$6.6 million; we have returned \$2.86 million to Headquarters and have several large deobligations in progress.

For a detailed description of Region 2's actions, please see attached Form 8(c).

For a detailed description of Region 2's Control Environment, please see Attached Form 5.

Regarding Region 2's Quality Assurance review of our Superfund State Contract (SSC) accrual process, please note that we submitted the required summary and certification to OCFO's Office of Financial Services on May 31, 2011.

CURRENT WEAKNESSES

Region 2 does not have the lead for addressing any of EPA's current weaknesses. However, where appropriate, we provided feedback to the Lead Regions on weaknesses for which other

offices/regions have the lead. In addition, we can report contributions to correction of the following Agency weaknesses of *Program Evaluation, Strengthening the Agency's Implementation of FMFIA (Integrity)*, and significant deficiencies of *Improvements in Billing Costs and Reconciling Unearned Revenue for Superfund State Contract (SSCs)*, and *Improvements Needed in Controls for Headquarters Personal Property*.

Regarding Program Evaluation, Region 2's Environmental Justice and Children's Health Coordinators routinely work with their counterparts on a national level and with regional and local personnel to develop improved measurement methodologies. Their efforts are described in their work plans.

Regarding the Integrity weakness, Region 2's Management Integrity Advisor (MIA) served this year, upon OCFO's request, as the Regional advisor for development of the Senior Manager and MIA Training Modules; this was a specific action in OCFO's corrective action plan. In addition, as mentioned above, OCFO featured Region 2's 2010 *RCRA Corrective Action* Internal Review in the Senior Manager training.

Concerning SSCs, Region 2's FY 2011 review produced several recommendations including new event timeline tracking, providing regular CERCLIS reports to RPMs, new Standard Operating Procedures, and exploring new software with the Cincinnati Financial Center. These recommendations will be implemented during late FY 2011 and FY 2012.

Regarding the Property weakness, which included regional property systems, KPMG LLC audited Region 2's personal property program under OMB Circular A-123; KPMG determined that a comprehensive Regional Property Guide must be developed to ensure that QA reviews are conducted on all aspects of the Region's Property Management Program. The Region must ensure that all property management procedures are followed, and that Boards of Survey are conducted in a timely manner to dispose of excess property. Semi-annual property inventories are being conducted on a regular basis, and reports have been furnished to OARM in accordance with all applicable federal and Agency guidelines.

As a result of the property audit, we will ensure that a Board of Survey will be conducted following each semi-annual inventory of all equipment (capitalized and non-capitalized), and that random QA checks are conducted on several custodial areas. I am confident that all property weaknesses identified by KPMG will be corrected for this year's inventory.

MANAGEMENT CHALLENGES AND POTENTIAL WEAKNESSES IDENTIFIED BY OIG, GAO, AND OMB

Region 2 does not have the lead for addressing any of EPA's current management challenges or potential weaknesses identified by EPA's OIG, GAO, or OMB. We have, however, contributed to improvement of the following proposals, as follows:

Speeding the Pace of Cleanup at Superfund Sites - GAO has recommended that EPA ensure that financial assurances are in place and that institutional controls be improved. In Region 2, financial assurance data for key enforcement actions is now coordinated between our Emergency

and Remedial Response Division and Office of Regional Counsel prior to input in CERCLIS. Additionally, the Institutional Control Tracking System (ICTS) is a national database used to ensure expedited implementation of institutional controls. OSWER and OECA have initiated a new multi-year cleanup strategy called the *Integrated Cleanup Initiative*. One of this initiative's first steps includes tracking the new measure, *Superfund National Priorities List Remedial Action Projects Completions*; this measure complements the Construction Completions measure and provides better accountability for key actions bringing site cleanups to completion and ultimate reuse. Region 2's target for Remedial Action Project Completions is ten for FY 2011, and sixteen for FY 2012.

Reducing Domestic Greenhouse Gas Emissions (GHG) and Addressing Emerging Climate Change Issues – Region 2 advises lead federal agencies to consider the need for climate change adaptation in their proposed projects, encourages lead agencies to reduce GHG emissions during construction and operation of their projects, and encourages GHG emission or loss of carbon sink offset measures. In addition, we include the calculation of GHG emissions in NEPA analyses of Special Appropriation Act Projects and encourage grant recipients to utilize emission reduction measures.

In addition, Region 2 has contributed to the improvement of a number of additional proposals, including *Limited Capability to Respond to Cyber-Security Attacks, Agency Audit Follow-Up, Efficient Use of Available Funds, Workforce Planning, Processing Hiring Actions, Reporting on Integrity Compliance, and IT Systems Development and Implementation*. Our contributions in these areas are described throughout this memorandum.

NEW OR EMERGING ISSUES

Region 2 has not identified any new or emerging issues during the past year which would warrant your attention. We considered these possible issues during FY 2010 and FY 2011 internal or external reviews, and daily operations.

ACCOMPLISHMENTS AND BEST MANAGEMENT PRACTICES

Region 2 Scientific Quality Systems Assessment (QSA) – Office of Environmental Information (OEI) staff conducted an assessment of Region 2's Quality Management Plan (QMP). The QSA was conducted to determine compliance with our QMP and to document effectiveness of the quality practices supporting the Region's environmental products and services. The OEI team stated that Region 2 clearly infuses QA into its culture. For the second consecutive QSA, no findings required corrective action.

Region 2 QA Annual Report and Work Plan (QAARWP) - All organizations who describe their quality system through a QMP are required to submit to OEI a QA Annual Report and Work Plan (QAARWP). Using the draft Region 2 QAARWP, the Region 2 QA Manager collaborated with OEI Quality Staff to streamline the report, reducing the time and resources necessary to produce the annual document in the future.

Assuring Consistency and Quality in Planning, Environmental Data Collection, and Data Quality for DuPont residential Vapor Intrusion Sampling Program – Region 2 developed a generic Quality Assurance Project Plan (QAPP) to control the quality of external third party contractors' indoor air sampling, laboratory analyses and report documentation to assess vapor intrusion at residences at a controversial RCRA site in Pompton Lakes, New Jersey. Technical systems field audits were performed and documented for all phases of contractor sampling activities at each residence sampled, and all data was reviewed and documented in final reports.

Region 2 Laboratory Accreditation - The Region 2 Laboratory maintained accreditation by the State of Florida under the NELAC program in FY2011. This ongoing activity ensures that we are in compliance with the Agency's Laboratory Competency Policy. As part of the ongoing accreditation, the Laboratory provides ethics training to all employees annually. Annual refresher laboratory ethics training provides an explanation of the importance of preventing laboratory fraud, discussions about how and why it occurs, and reporting it to a supervisor or other relevant authority if it is suspected.

Performance Testing (PT) Studies - The Region 2 Laboratory participated in the annual Water Supply, Water Pollution and Soil PT Studies. We also performed two Drinking Water PT studies for Cryptosporidium and Giardia. The Laboratory PT program meets the NELAC chapter 2-PT requirements and maintains compliance for NELAC accreditation. No critical non-conformities were observed.

Environmental Education – Region 2 worked closely with Region 7, lead region for External Affairs and Environmental Education to help ensure that the Agency's new approach to awarding environmental education grants, which beginning in FY 2011 are fully awarded by EPA regions, will continue to ensure that organizations with good projects can compete for funding.

Budget and FTE Management - Region 2 developed STAFFINGr2, an EcoStat application that provides real time position, scheduling and other HR information to managers, to support staffing decisions. The Schedules and Awards modules have been rolled out, and we expect to complete implementation in FY 2011.

Information Management – Region 2 created and implemented a new IT Security dashboard that collects and presents data from Active Directory pertaining to computers and user accounts, and data from each target server pertaining to local users, groups, shares, scheduled jobs, ports in use, services running, patches applied, and the security event log. This data is presented in graphic and tabular formats. Region 2 also established a server on the Local Area Network (LAN) dedicated to computer and information security. The server will be used as a scanning host for regionally deployed scanning tools.

Emergency Response and Continuity of Operations (COOP) – Region 2 conducted its first full scale COOP Exercise. The exercise required relocation of the Senior Leadership Team to the regional COOP site, and included a telework element and activation of the Regional Incident Command Team. The exercise tested the following elements of the Region's COOP Plan: Activation, Everbridge System Notification, Satellite Telecommunications, Divisional Telephone

Trees, Vital Records, Geographic Information Systems (GIS) applications, and the Region's ability to support our Mission Essential Functions during a COOP activation. One hundred and five essential personnel participated in the exercise, ninety from their telework locations. The after-action report indicated that the Region mobilized efficiently, that primary and secondary telecommunications were sufficient to sustain operations, and that GIS Support was effective both from remote telework players as well as from the COOP Site. The primary issue raised during the exercise was the fact that Contract IT support on site would be essential for effective COOP operations and RICT Operations.

Grants Management – During the OCFO Recovery Act Policy Verification Review, OCFO identified the following as best practices:

EPA Region 2 EcoStat Intranet Grant Information Portal - This web-based tool provides a single portal for a comprehensive snapshot across all data sources (e.g., IGMS and IFMS). EcoStat (or GRANTSr2) also includes several reporting features to identify grants with slow drawdown rates as well as grants with overdue baseline monitoring reports. OCFO's contractor stated that "In our view, EcoStat is an impressive information management tool that increases transparency, fosters accountability, and supports effective grant monitoring and oversight."

Documentation of Davis-Bacon Act and Buy American Act - As part of administrative baseline monitoring, Grant Specialists (GS) are required to send a standard email to recipients to confirm applicability of and compliance with the Davis Bacon and Buy American Act provisions of ARRA. GSs are required to keep a copy of the grantees' responses in the grant file and may also attach a copy to the IGMS administrative baseline report. OCFO's contractor stated that "Documentation of these emails through IGMS increases transparency by providing a clear trail of supporting documentation for this administrative monitoring activity."

Grant Specialist File Organization - As a standard practice, Region 2 GSs and Project Officers are required to follow a standard guide for organizing documentation in their official files, including a table of contents. OCFO's contractor stated that "File organization by EPA Region 2 Grants Specialists reflects a clear, consistent and easy-to-follow structure. Specifically, each Grant Specialist file is divided into six sections and includes a table of contents that lists the contents behind each section. As a result of this table of contents, file content and organization was generally consistent across files reviewed."

SMART Ride - Executive Order 13514 (EO) – Federal Leadership in Environmental, Energy, and Economic Performance – frames the need for federal agencies to curb their environmental impacts. The EO reiterates the annual two-percent reduction in petroleum use by federal fleets required under the Energy Independence and Security Act of 2007. EPA submitted to OMB and CEQ the Agency's Strategic Sustainability Performance Plan (SSPP) in June 2010. In the fleet management chapter of the SSPP, the Agency outlined potential mechanisms to meet the petroleum use reduction goals. These tactics include, but are not limited to: 1) reduction of the total number of vehicle miles driven (VMT) by better coordination of fleet resources (i.e. promoting ride sharing); 2) procurement of more fuel efficient, lower greenhouse-gas (GHG) emitting vehicles (i.e. hybrids, AFVs); allocation of the most fuel-efficient vehicles first, and for the longest trips; and 3) promotion of alternatives to travel (i.e. video conferencing).

Reporting under the EO may be agency-wide, but fleets (and ground travel) are managed at the regional and/or facility level. Region 2's New York and Edison offices have large fleets, primarily cars and light trucks, providing transportation primarily for contract oversight, inspections, sampling, public meetings and conferences, and are funded from the regional travel budget. The SMART Ride project will assist in meeting EO environmental mandates, while optimizing limited travel budget dollars by correcting fleet size. Region 2 is successfully migrating to more fuel efficient vehicles, and a predominantly lower GHG footprint. The SMART Ride automated program collects information to determine how to optimize both the regional fleet (size and vehicle types) and fleet performance (allocating the best vehicle for the trip to maximize fuel efficiency and reducing VMT through trip consolidation). The Region plans to collect and analyze vehicle usage data, in order to continue meeting annual and long-term petroleum utilization reduction targets. Analysis will take place after calendar year 2011, in order to better incorporate and differentiate seasonal changes in transportation needs.

Human Resources Management - In FY 2011, the Human Resources Branch worked closely with the EEO Officer to promote diversity in hiring. Among our accomplishments, we enhanced outreach to Minority Academic Institutions (MAIs) through recruitment visits and participation at recruitment events, and more widely shared vacancy announcements with diversity groups and MAIs. We are working with the EEO Officer on developing and implementing Memoranda of Understanding (MOU) with the University of the Virgin Islands and with PR Medical School, Ponce. We also continued to oversee implementation of the MOU with City College of New York, a Hispanic Serving Institution.

Ethics - Our Ethics training this year resulted in a reduction of approximately 30% in unnecessary annual filing of confidential financial disclosure reports. We have succeeded in effectuating a change in the Contracts Management Manual (CMM) insofar as the latter document required all Contracting Officer Representatives to file the OGE-450; we have persuaded the Office of Acquisition Management (with help from the Office of General Counsel) to make that requirement subordinate to, and consistent with, OGC and OGE guidance for designation of filers.

CLOSING

I hope you will find this material useful as you compile the Agency's assurance letter to the President and Congress. If you require any additional information about Integrity Act compliance in Region 2, please let me know, or have your staff contact Management Integrity Advisor John Svec at (212) 637-3699.

ATTACHMENTS

Form 5 - FY 2011 Control Environment
Form 6 - Recovery Act Stewardship Plan
Form 8 (c) - Unliquidated Obligations (includes Flow Chart)
Forms 9 (a) and (b) - Superfund State Contract s(SSC) (includes Flow Chart)
Long Island Sound Program Review Strategy

Multi-Year Review Plan

cc: Annette Morant, OCFO
Aileen Atcherson, OCFO
Patrick Gilbride, OIG



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Constituent: N/A

Committee: N/A

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Subject: Daily Reading File- FY 2011 Federal Managers' Financial Integrity Act Assurance Letter

Instructions: For Your Information -- No action required

Instruction Note: N/A

General Notes: N/A

CC: N/A

Lead Information

Lead Author: N/A

Lead Assignments:

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Supporting Information

Supporting Author: N/A

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History

Action By	Office	Action	Date
(b) (6) Personal Privacy	OEX	Forward control to OCFO	Aug 15, 2011

Comments



UNITED STATES ENVIRONMENTAL PROTECTION AGENCY

REGION 5

77 WEST JACKSON BOULEVARD


CHICAGO, IL 60604-3590

AUG 12 2011

REPLY TO THE ATTENTION OF:

MEMORANDUM

SUBJECT: FY 2011 Federal Managers' Financial Integrity Act Assurance Letter

FROM: Susan Hedman 
Great Lakes National Program Manager

TO: Lisa P. Jackson
Administrator

OFFICE OF THE
EXECUTIVE SECRETARY

2011 AUG 15 PM 1:52

RECEIVED

PURPOSE

In accordance with the *Federal Managers' Financial Integrity Act* (FMFIA) and Agency guidance, I am submitting the FY 2011 annual Assurance Letter attesting to the soundness of internal controls for the Great Lakes National Program Office (GLNPO).

STATEMENT OF ASSURANCE

Under my leadership, GLNPO has assessed the effectiveness of its internal controls based on the five standards for internal control established by the Government Accountability Office (GAO). In my judgment, GLNPO complies with Federal Managers' Financial Integrity Act requirements, and the internal controls within GLNPO are adequate to reasonably ensure the protection of the programs, operations, functions, and resources for which I am responsible against fraud, waste, abuse, and mismanagement.

The GLNPO budget and staff resources changed from \$60 million and 63.1 full-time equivalents (FTE) in FY 2009 to \$475 million and 81.3 FTE in FY 2010 and \$299.4 million and 81.3 FTE in FY 2011. To respond to these significant increases in resources during the past two years, GLNPO continues to develop and implement internal control systems and procedures to protect the fiscal integrity of Great Lakes Legacy Act and Great Lakes Restoration Initiative (GLRI) programs. Examples of increased controls include an improved system to track program effectiveness by linking funded projects to specific program goals, implementation of a Stewardship Plan as a tool to ensure sound management practices for the GLRI, and implementation of a more centralized budget process.

GLNPO received no funding pursuant to the American Recovery and Reinvestment Act of 2009 (ARRA); consequently, no assurances are required regarding GLNPO's participation in that program.

CERTIFICATION OF MANAGEMENT INTEGRITY TRAINING

As of July 30, 2011, all GLNPO managers and supervisors had completed the Agency's on-line Management Integrity Training on Internal Controls.

FRAMEWORK FOR ASSESSING INTERNAL CONTROLS

GLNPO looked to several sources to assist in establishing priorities, identifying risk, and setting commitments. Sources included statutes; laws and regulations; Office of Water Program Guidance; Office of Inspector General (OIG) and Government Accountability Office (GAO) reports; internal management and staff discussions; and quality assurance review to identify risks to processes, functions, and resources.

The FY 2011 Management Integrity Guidance identified the National Program Managers (NPM) as having primary responsibility for identifying and analyzing risks associated with achieving national mission results, establishing internal controls to manage and mitigate those risks, and reporting on the effectiveness of those controls. Under my leadership, GLNPO has developed and is implementing a Program Review Strategy and Multiyear Review Plan. Using these tools, GLNPO identified 12 key programs that support GLRI and GLLA implementation. These key programs, which are listed in Attachment 1, are guided by:

- Statutory requirements, regulations, directives, and delegations;
- the GLRI Action Plan,
- Administrator and Regional Administrator priorities;
- Goals and objectives established under EPA's Strategic Plan and in program implementation guidance

A member of GLNPO management is assigned to oversee each of these 12 key programs. Senior staff report progress on assigned activities for each program to a supervisor or the GLNPO Deputy Director, as directed. GLNPO management meets weekly to discuss progress and to prioritize and plan GLNPO activities. On an annual basis, progress is reviewed and priorities are set for the next year, including when and where to seek peer review and to consult with oversight groups. Also, on an annual basis, management and senior staff provide input to the FMFIA process and are afforded an opportunity to identify and discuss potential weaknesses. In May 2011, the GLRI Interagency Regional Working Group sought and received input from non-federal parties on priorities for the GLRI. GLNPO is working with the Regional Working Group to factor this input into planning and budget decisions.

FY2011 program review strategies for the 12 key GLNPO programs are summarized in Attachment 1. Attachment 2 documents GLNPO's multi-year internal control strategy.

RESULTS OF INTERNAL CONTROL REVIEWS

GLNPO conducted a number of programmatic, administrative, and financial internal control reviews in FY 2011. No material or agency-level weaknesses were identified as a result of those reviews. Below are review highlights.

Over Programmatic Operations

- During FY2011, GLNPO worked with the Region 5 Resources Management Division (RMD) and the Office of Regional Counsel (ORC) to document and improve procedures for tracking and distributing Great Lakes Legacy Act funds and to improve the tracking and management of payments.
- In FY 2011, GLNPO instituted regular meetings, bringing together key management and staff to advance implementation of key AOC activities, including acceleration of the removal of Beneficial Use Impairments and delisting of AOCs. These meetings have resulted in additional resources for a targeted group of AOCs and the increased involvement of EPA and other partners in activities leading to delisting. This targeted approach is expected to substantially advance delistings and to establish a model for future efforts.
- GLNPO's annual Quality Assurance Report inventories the status of quality assurance documentation for GLNPO investments; documents GLNPO quality management training and internal quality management assessments; and assesses workload issues and the adequacy of quality management resources. The March 2011 report identified no deficiencies; however, GLNPO plans to conduct quality management reviews in two areas identified in the report (*Lake Guardian* ship contracts and Michigan Department of Environmental Quality grants).

Over Financial Activities (OMB Circular A-123, Appendix A)

- **Control Environment** - The control environment sets the tone of an organization and is the foundation for all other components of internal control. The control environment provides discipline and structure, as well as the climate which influences the overall quality of internal controls. Attachment 3 describes GLNPO's application of GAO's internal control standards to effectively and efficiently manage resources, functions, and processes, and to safeguard them against fraud, waste, and abuse.
- **Unliquidated Obligations (ULO)** - GLNPO participates in EPA Region 5's ULO review.

CURRENT WEAKNESSES

GLNPO does not have the lead for addressing any of EPA's current weaknesses. However, where appropriate, we provided feedback to Lead Regions on weaknesses for which other offices/regions have the lead.

MANAGEMENT CHALLENGES AND POTENTIAL WEAKNESSES IDENTIFIED BY OFFICE OF INSPECTOR GENERAL, GAO, AND OMB

GLNPO does not have the lead for any of EPA's new management challenges or proposed weaknesses.

NEW OR EMERGING ISSUES

As described above in the Statement of Assurance, the GLRI budget reflects a significant increase over GLNPO's historical budget. GLNPO is the lead federal organization for the GLRI. More than half of the funding supports work done through other federal agencies under new authority in Public Law 112-10 (the Department of Defense and Full-Year Continuing Appropriations Act, 2011) and Public Law 111-88 (the Department of the Interior, Environment, and Related Agencies Appropriations Act, 2010). Much of the remaining funding supports grants for implementation under new authority in Public Laws 112-10 and 111-88. GLNPO is taking appropriate organizational and management steps to oversee and manage the GLRI; however, with the rapid expansion of this program over a short time period, development and implementation issues are inevitable. GLNPO has been and will be diligent to address any such issues.

ACCOMPLISHMENTS AND BEST MANAGEMENT PRACTICES

Below are highlights of GLNPO's accomplishments and best practices that demonstrate that programs, functions, and resources were protected from fraud, waste, abuse, and mismanagement.

- In FY 2011, GLNPO issued a competitive grant solicitation to assure that quality projects to protect and restore the Great Lakes were selected in a fair and open process. GLNPO streamlined the grant process so that all GLRI grants were processed in Region 5 (although Region 2 project officers continue to manage grants in their Region.)
- The GLRI grant tracking system (GLITR - Great Lakes Initiative Tracking and Reporting) that was developed in FY 2010 has been refined to assist with management, oversight and improve linkages to the GLRI budget.
- GLNPO increased standardization of language and processes for GLRI interagency agreements to facilitate oversight of GLRI resources transferred to other federal agencies.
- GLNPO continues to refine and implement a Stewardship Plan (modeled after a similar plan for ARRA) as a tool to ensure sound management practices for the GLRI.

CLOSING

Thank you for this opportunity to report on the soundness of GLNPO's internal controls. For additional information, please feel free to contact me or your staff may contact Christopher Korleski, GLNPO Director (312-886-4040 / korleski.christopher@epa.gov), or Michael Russ (312-886-4013 / russ.michael@epa.gov).



Correspondence Management System

Control Number: AX-11-001-3773

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Citizen Information

Citizen/Originator: **Elkins, Arthur A**

Organization: U.S. Environmental Protection Agency
 Address: 1200 Pennsylvania Avenue, NW, Washington, DC 20460

Constituent: N/A

Committee: N/A Sub-Committee: N/A

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 CC: N/A

Lead Information

Lead Author: N/A

Lead Assignments:

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Supporting Information

Supporting Author: N/A

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(b) (6) Personal Privacy	OEX	OCFO	Aug 15, 2011

History

Action By	Office	Action	Date
(b) (6) Personal Privacy	OEX	Forward control to OCFO	Aug 15, 2011

Comments



UNITED STATES ENVIRONMENTAL PROTECTION AGENCY
WASHINGTON, D.C. 20460

AUG 12 2011

THE INSPECTOR GENERAL

MEMORANDUM

SUBJECT: FY 2011 Federal Managers' Financial Integrity Act Assurance Letter

FROM: Arthur A. Elkins, Jr.

TO: Lisa P. Jackson
Administrator

OFFICE OF THE
ROUTINE SECRETARIAL

2011 AUG 15 PM 1:52

RECEIVED

PURPOSE

In accordance with the *Federal Managers' Financial Integrity Act* (FMFIA) and Agency guidance, I am submitting the fiscal year (FY) 2011 annual assurance letter attesting to the soundness of internal controls for the Office of Inspector General (OIG).

STATEMENT OF ASSURANCE

Under my leadership, the OIG has assessed the effectiveness of its internal controls based on the five standards for internal control established by the Government Accountability Office. In my judgment, the OIG complies with the FMFIA requirements, and the internal controls within the OIG are adequate to reasonably ensure the protection of the programs, operations, functions, and resources for which I am responsible against fraud, waste, abuse, and mismanagement.

Additionally, in accordance with the American Recovery and Reinvestment Act of 2009 (Recovery Act, or ARRA) and Agency guidance, I can provide reasonable assurance that:

- All Recovery Act programs designated for the OIG were managed effectively and efficiently, utilized reliable and accurate data to report achievement of program goals, and were in compliance with laws and regulations.
- All Recovery Act funds designated for the OIG have been used solely for the purpose of that program and, if applicable, were awarded and distributed in a prompt, fair, and reasonable manner.
- The OIG is monitoring the risks and internal controls identified in EPA's Recovery Act Stewardship Plan and is in compliance with the Stewardship Plan.

CERTIFICATION OF MANAGEMENT INTEGRITY TRAINING

I certify that all appropriate OIG staff (Senior Executive Service employees, GS-15 managers and supervisors, and Management Integrity Advisors) successfully completed the Agency's on-line Management Integrity Training on Internal Controls by July 1, 2011.

FRAMEWORK FOR ASSESSING INTERNAL CONTROLS

The OIG is an independent office within EPA that provides oversight helping the Agency fulfill its mission of protecting the environment in a more efficient and cost effective manner. The OIG staff primarily consists of auditors, program analysts, investigators, and other specialists. Based upon the authority of the Inspector General Act of 1978, as amended, the EPA OIG performs independent audits, evaluations, and investigations of EPA and its contractors to promote economy and efficiency and to prevent and detect fraud, waste, and abuse. The OIG also maintains a hotline which serves as a medium for employees and the general public to report potential instances of fraud, waste, and abuse within the Agency for further review or investigation. The OIG component offices are: Immediate Office (IO); Office of Audit (OA); Office of Chief of Staff (OCOS); Office of Congressional, Public Affairs and Management (OCPM); Office of Counsel (OC); Office of Cyber Investigations and Homeland Security (OCI); Office of Investigations (OI); Office of Mission Systems (OMS); and Office of Program Evaluation (OPE).

The OIG believes that strong systems of effective controls are essential for management accountability and, when properly executed, assist management in discharging its responsibilities to reasonably assure that:

1. The use of resources is consistent with the OIG and Agency mission.
2. Programs and resources are protected from waste, fraud, and mismanagement.
3. Laws and regulations are followed.
4. Reliable/timely information is obtained, maintained, reported, and used for decision-making.

OIG management continuously promotes a positive control environment for all of its functions and has established customer service, integrity and accountability as its core values. The OIG established clear lines of authority, responsibility, and reporting relationships through its many policies and procedures that are posted on its Intranet website. It uses a rigorous process for planning assignments, measuring performance results and accounting for funds. As part of the OIG's commitment to the FMFIA process, it requires each OIG office to annually assess the vulnerability (risk) of its operations by completing the OIG vulnerability assessment tool. This tool is designed to provide an objective assessment of the extent to which OIG offices and employees have implemented effective internal controls. OIG offices assess their various activities and rate them as low, medium or high risk. The offices provide an explanation and planned corrective actions for mitigating the risk for any activity they rate as a medium or high risk. In addition, the OIG surveyed its staff members by conducting a comprehensive strengths, weaknesses, opportunities, and threats (SWOT) assessment as part of the OIG strategic planning process. The SWOT was conducted to further ensure the integrity of the FMFIA process and quality of information reported and to identify any areas of weakness that may not have been

identified by individual OIG offices. We also conducted interviews of OIG external stakeholders to identify possible areas of weakness, vulnerabilities, and opportunities for improvement as a part of our strategic planning process.

During FY 2010, the OIG identified its key programs and developed program review strategies for many of them. During FY 2011, the OIG reviewed these strategies and made necessary updates. The chart below shows all of the OIG's strategies. The updated strategies are also included as an attachment to this letter.

Program/Function/Activity	Responsible OIG Office	Status of Program Review Strategy
Funds Control	OCPM	Completed – 2010
American Recovery and Reinvestment Act	OCPM	Completed – 2010
Purchase Card Program	OCPM	Completed – 2010
Unliquidated Obligations	OCPM	Completed – 2010
Mobile Devices and Working Capital Fund	OCPM	Completed – 2010
Acquisition Management	OCOS	Updated – 2011
Audit Follow-up	OCPM	Completed – 2010
Timekeeping	OCPM	Completed – 2010
Human Resources	OCOS	Target Date – 09/2011
Web Information and Conformity	OMS	Completed – 2010
Records Management	OMS	Updated – 2011
IT Property Management	OMS	Updated – 2011
Information Technology & Security	OMS	No strategy, federally mandated reviews
Freedom of Information Act	OC	Completed – 2010
Ethics	OC	Completed – 2010
Internal Investigations Quality Assurance Review	OC	Completed – 2010
Audits/Evaluations Quality Assurance Review	IO	Completed – 2010
Investigations Quality Assurance Review	OI	Completed – 2010
Investigative Property Management	OI	Completed – 2010
Law Enforcement Availability Pay	OI	Completed – 2010
Cyber Investigations Quality Assurance Review	OCI	Completed – 2010
OIG Hotline	OCI	Completed – 2010
Continuity of Operations	OCI	Completed – 2010

RESULTS OF INTERNAL CONTROL REVIEWS

Over Programmatic Operations – Observations, Issues, Improvements

Assignment Timekeeping

The OIG uses the Inspector General Enterprise Management System (IGEMS) to track time charges to assignments as part of the OIG activity-based cost accounting system. This allows for the OIG to aggregate the billable full cost of OIG products and services. OCOS conducted a review of OIG assignment timekeeping to determine whether:

- the OIG has the proper activity and assignment controls in place to accurately account for its time charges, and
- the controls are working and being applied as intended to fully account for the total cost of OIG assignments and activities.

OCOS determined that there is not consistency within the OIG as to how time is charged as direct or indirect, and overhead. Some of the time-charging categories that are clearly indirect time are being captured as direct time. Also, there is little guidance to ensure consistency in the classification of time charges. Different staff members are charging essentially the same activity as direct or indirect time in some instances. As a result, the OIG does not have reliable time information for assessing the application of its staff resources and could lead to the OIG not:

- properly or fully accounting for the time and associated costs,
- accurately reporting the cost of OIG products,
- having a sound basis on which managers can make informed decisions, and,
- providing transparency by which OIG stakeholders can assess OIG relative value.

In recognition of this issue, the OIG has initiated development of a policy further defining its full costing methodology and guidance for charging assignment time as direct, indirect, or overhead.

Accounting Code Timekeeping

OCOS conducted a review of the time charged to the OIG accounting code in PeoplePlus. Approximately 80 percent of the OIG budget is expended in staff time charges. Staff time charges to an organization code and appropriation must correspond to the work being performed and the appropriate OIG organizational unit. OCOS is responsible for maintaining the accuracy of the appropriations being charged across the OIG, but the supervisor and timekeeper are responsible for ensuring consistency in the work charged to the codes. The objectives of this review were to determine whether:

- OCOS staff were charging the appropriate accounting codes, and
- the OIG has any instances of staff charging the incorrect appropriation accounting codes and, if so, why.

We determined that there were no instances within OCOS where the improper accounting codes were being charged. However, we did determine that incorrect appropriation accounting codes were being charged within OI and occasionally within OA. The risk of the improper accounting is that the OIG is not adhering to appropriation statutes for the use of funds consistent with the stated purpose of the funds. The OIG also runs the risk of having inaccurate accounting for use of staff and funds in relation to its specific appropriation and budget. This could provide misinformation for managing resources and remaining balances of funds. It could also impact the accuracy of the accountability of funds in making claims for recovery in court settlements. The OCOS Budget Team maintains contemporaneous controls to identify such occurrences. As a result, OCOS informed the affected OIG offices about the issue and they agreed to more closely monitor this area.

Management of Portable Communications Devices

OCOS is responsible for the management and control of OIG portable communications devices obtained and paid for through the Working Capital Fund (WCF). In prior years, we have acknowledged a management weakness in following up on the billing status of communication devices and phone numbers that are no longer in use. Although we informed the responsible WCF office when an OIG staff member left the Agency and requested that their phone number and account be cancelled, we found that the OIG was frequently still being billed for the devices. In some cases, the OIG was billed for years after submitting the request for cancellation. As a result, we initiated a control to follow up on notices of cancellation to ensure that the OIG was not being billed incorrectly.

As part of our internal control review, we tested the control procedure to ensure that it was working as intended. We examined 100 percent of all cancellations and determined that our follow-up was timely and successful. There were no instances of inappropriate charges for communications devices.

Monitoring Working Capital Fund

The OIG pays approximately \$4 million annually to the WCF for a variety of mandatory and requested services. The WCF provides the OIG with nearly real-time accounting for the charges against the fund. OCOS projects the annual service agreement requirements based upon the projected staffing for those services, requirements for specific IT-related services, and OMS contractor activities.

OCOS conducted a review of the OIG WCF balances and determined that the usage rate for the TZ and TC contractor service accounts was far below the expected rate. Consequently, at the time of the review, the OIG had a \$750,000 balance (of the \$1,490,000 requested by OMS), at least some of which, could have been deobligated earlier for other uses. OCOS did not use the reported financial data as an indicator that an adjustment may be needed in OMS's budget or that more information was needed to make that determination. OCOS should include the progress of WCF expenditures against the budget in its monthly Status of Resources Report to provide greater transparency on OIG fund usage. While OCOS has controls in place, it should have exercised greater diligence in ascertaining the status of current needs when there are obvious

imbalances. This would allow for updates to the budget operating plan and the deobligating of funds as soon as practical. Similarly, OMS needs to be more diligent in monitoring the status of service and fund usage that it has requested and inform OCOS when deobligations or increases in WCF funding are needed.

Audit Assignment Review

During FY 2011, OA conducted a review of selected assignments to determine whether the review team focused on key areas, including the conduct of status meetings with Agency officials, the preparation of finding outlines, adherence to assignment milestones, and the resolution of Quality Assurance Staff comments. The review identified the need for continued focus in the following areas:

- Holding monthly meetings with the Agency to discuss assignment progress, findings, and to obtain feedback.
- Preparing finding outlines throughout the assignment as information is obtained rather than waiting well into the project.
- Establishing milestones and monitoring the accomplishment of plans to meet them.
- Conducting “lessons learned” meetings at the end of assignments to determine what worked well and what could have been done better.

This review served as the primary source of information for OA’s assessment of its internal controls. The first three areas identified above will be emphasized on future assignments. In addition, assignment teams will be required to document the lessons learned meetings and share their observations with all OA employees.

Employee Viewpoint Survey

OCOS received the data from the 2010 Office of Personnel Management Employees Viewpoint Survey that was administered to OIG employees in February–March 2010. The OIG had a response rate of 70 percent (233 of 297) that was quite favorable as compared to EPA’s response rate of 53 percent (8,445 of 15,826) and the government-wide response rate of 52 percent (263,475 of 504,609). OPM conducts the survey to learn federal employees’ perspectives on government-wide and agency-specific views, guide human resource management strategies and practices, and provide human capital metrics within the Human Capital Assessment and Accountability Framework. The survey provides a snapshot of employees’ perceptions about their jobs, work units, employee satisfaction, work life, commitment, and ultimately retention in the workforce. OIG values its survey results as a tool for identifying its human capital strengths and weaknesses. The OIG also exceeded EPA and government-wide averages for positive responses in all four of the framework categories as follows:

Category	OIG	EPA	Government-wide
Leadership & Knowledge Management	67%	61%	61%
Results Oriented Performance Culture	65%	56%	54%
Talent Management	75%	60%	60%
Job Satisfaction	73%	70%	69%

Federal Information Security Management Act (FISMA) Requirements

As required by FISMA, OMS maintains effective security controls over OIG networks and application systems. The OIG consistently received top security scores among EPA program offices with respect to the maturity of its security program, and compliance with Windows and Patch Management security requirements. We continually strive to be a role model for other EPA program offices with respect to our Information Security Program by maintaining adequate controls over IT resources. For example, we proactively scan OIG servers and our network environment to identify and address vulnerabilities that can arise from operating system updates. Likewise, we promptly process system patches to address emerging security vulnerabilities and keep OIG staff apprised of emerging security threats and scams.

In accordance with FISMA, OMS performed Certification and Accreditation activities to ensure OIG application and general support systems meet the minimum federal security requirements. This fiscal year, we completed Certification and Accreditations for five OIG systems: TSEC (OIG Security Infrastructure), IGEMS, Lotus Notes Mail, AutoAudit, and a Region 9 server maintained by OMS. Based on assessment results, we promptly (1) developed and implemented corrective action plans to mitigate medium and high risks, and (2) updated system security plans.

To further address FISMA requirements, OMS:

- Ensures all OIG employees complete annual Security Awareness Training,
- Ensures employees with significant security responsibilities complete appropriate role-based security training, and
- Complies with Office of Management and Budget requirements for performing contract or project management duties for IT investments and system development projects.

Protecting Personally Identifiable Information (PII)

We consistently enforce Agency and OIG policies for protecting sensitive PII by: (1) ensuring OIG employees use approved encryption software to protect PII when it is transported off-site or accessed remotely, and (2) restricting work practices that would introduce unacceptable risk to the PII collected and/or used in OIG projects. Further, we periodically perform/update Privacy Impact Assessments of our systems to assess privacy issues and ensure OIG compliance with the Agency's PII guidelines. This year, as requested by EPA, we performed "On Site Reviews" of systems with System of Record Notices.

In addition, OMS continues to implement Data Dissemination Procedures whenever data is requested from our systems. Also, each year, OMS (1) reviews current holdings of PII and ensure they are accurate, relevant, timely, and complete; (2) reduces PII holdings to the minimum necessary for proper performance of agency functions; and (3) schedules periodic reviews of PII holdings to eliminate the unnecessary collection and use of Social Security numbers and other sensitive PII data. OMS continues to improve management of PII data by:

- Categorizing PII data in OIG systems according to the PII confidentiality impact level.
- Applying the appropriate safeguards for PII based on the assigned PII confidentiality impact level, which includes:
 - Periodically reviewing policies and procedures for protecting the confidentiality of PII.
 - Displaying a PII link in the “What’s New” section of the OIG Intranet home page that takes OIG staff directly to our Information Security Intranet page.
 - Publishing PII announcement memos, policies, procedures, forms, and “Frequently Asked Questions” on the OIG’s Information Security Intranet page.
 - Controlling access to sensitive PII through OIG system authentication and authorization processes.
 - Training OIG employees before they are granted access to systems containing PII, thereby reducing the possibility that PII will be accessed, used, or disclosed inappropriately.
 - Identifying records that contain PII and removing enough data such that the remaining information cannot be used to identify an individual.
 - Encrypting data transmissions in applications (Secure Socket Layer) and e-mails.
 - Monitoring events that affect the confidentiality of OIG PII, such as inappropriate access to PII.

Portable Computer Equipment

The OIG has effective controls in place to ensure accountability of sensitive IT property items. Nevertheless, annual IT Property Management Reviews typically identify several instances of unaccountable portable equipment by OIG offices. Detailed follow-up activities usually reconcile outstanding items, but the process can be lengthy and resource intensive. To improve the OIG’s ability to record and track the distribution of IT property, OMS:

- Revised the OIG policy and procedures for *Accountability Over IT Property*, including more detailed procedures and lines of accountability for designated OIG Custodial Officers.
- Launched a new Property Tracking Module to facilitate the OIG’s ability to track essential data for IT hardware and software equipment. This module will be enhanced to expand its ability to track equipment distributed to OIG investigators.
- Recommended that Assistant Inspectors General hold designated OIG Custodial Officers accountable for performing their duties by including applicable performance goals and measures.

Editorial Reviews

To ensure audit and evaluation reports were edited in a timely manner, OCPM tracked performance measures for all draft and final reports submitted for editing. Our measures were 10 business days to edit draft reports and 5 business days to edit final reports. For the first three quarters of FY 2011, OCPM edited all 65 of the draft reports submitted within 10 business days and all 52 of the final reports submitted within 5 business days.

Congressional and Media Inquiries

OCPM's reviews of selected samples of congressional correspondence and media inquiries provided a reasonable assurance that performance metrics were met. The measures were 10 business days to respond to congressional correspondences and 1 business day to respond to media inquiries.

OCI

Investigative Files – OCI conducted a review of all of its investigative case files to determine whether they were in compliance with the timeliness standards in accordance with OIG Policies 206, 207, and 223. The reviews disclosed great improvement in the timeliness of documented investigative activity and associated supervisory reviews and approvals. However, OCI did not consistently capture administrative documentation of a timeline or the receipt or subsequent transfer of an item to another agent or office. Due to staffing shortages, we made difficult management decisions on which investigations to conduct, suspend, and not open.

Suspense Management Tracking System – OCI completed a review of the suspense management tracking system. This system captures internal and external mission-essential tasks organized by task, due date, required action, assigned staff member, customer information, and completion date. The review disclosed that our overall on-time completion rate was 96 percent. With the focus we placed on customer responsiveness this year, we increased our timeliness by 21 percent.

Firearms – OCI conducted the required semiannual review of issued firearms, badges, credentials, and law enforcement equipment. The review determined that all equipment was accounted for and properly safeguarded.

Law Enforcement and Emergency Response Vehicle Usage – Required annual law enforcement and emergency response vehicle usage reviews were conducted. Reviews disclosed the vehicles were utilized for law enforcement purposes per the requirements of Executive Order 13423.

Law Enforcement Availability Pay – OCI reviewed its special agents' compliance with the requirements of Law Enforcement Availability Pay. The review included an analysis of unscheduled duty hours worked, excludable hours, and annual Law Enforcement Availability Pay averages. The review showed that special agents were in compliance with the established regulations and that they will maintain the required annual average by the end of this fiscal year.

OI

Investigations – OI regularly conducts reviews of all open and closed investigations. The reviews include quarterly case file reviews and Special Agent-in-Charge (SAC) reviews of closed investigations. Case reviews of open investigations are conducted and documented in the electronic case management system. Any specific deficiencies are noted for correction, and follow-up is completed during the next quarterly review. Case reviews of closed investigations are

completed by SACs prior to forwarding the case file to headquarters for archiving. Currently, the Council of Inspectors General on Integrity and Efficiency (CIGIE) closed case checklist review process is integrated into the electronic case management system. Moreover, investigative statistics are periodically reviewed by the SACs and validated by OI headquarters prior to publication in the *Annual Performance Report*, *Semiannual Report to Congress*, or any other external report.

Law Enforcement Availability Pay and Inventory – OI has not completed its annual review of Law Enforcement Availability Pay and property inventory as mandated by the Attorney General Guidelines and CIGIE standards. However, it does verify the serial numbers for issued firearms each quarter during firearms training, and qualification and physical controls are maintained over all technical investigative property. Biweekly, SACs are required to review and approve time charges and Law Enforcement Availability Pay averages in IGEMS. Any discrepancies are noted and corrected.

Over Financial Activities (OMB Circular A-123, Appendix A)

Unliquidated Obligations

The OIG Budget Team conducted an annual comprehensive review of OIG unliquidated obligations (ULOs) in accordance with Title 7, Chapter 3, of the Government Accountability Manual and EPA guidance. The review covered all inactive unliquidated travel and miscellaneous obligations that were posted in the Agency ULOCert Desktop Database Tool (Tool) as of March 31, 2011. It is important to note that this was the first year that this Tool was used in conducting the ULO review. While the Tool was designed to provide real-time accounting, we observed that some ULOs were omitted for FY 2011. OCOS reviewed the OIG Budget Team's unliquidated obligations/deobligation process and also reviewed a sample of the ULO transactions. OCOS found that all of the deobligations of travel and miscellaneous obligations appeared to be done timely, properly and accurately. In addition, the Budget Team transmitted the proper documentation to the finance center. The Budget Team maintains documentation to support its decisions on deobligating unneeded funds and keeping needed funds. Since most of the OIG's inactive ULOs are for travel not taken and other miscellaneous obligations, they represent an insignificant portion of the OIG budget.

Recovery Act Operations

Under the American Recovery and Reinvestment Act of 2009 (Recovery Act), the OIG was appropriated \$20 million to provide oversight of EPA's use of the \$7.2 billion of Recovery Act funds it received. The OIG is using the \$20 million to conduct audits, investigations, and other reviews to ensure economy and efficiency, and to prevent and detect fraud, waste, and abuse in how EPA uses its Recovery Act funds. The OIG established an annual work plan and budget which details how it will provide oversight and allocate Recovery Act funds. The work plan is updated every 6 months, and the use of resources against the budget is reported monthly.

To ensure proper accountability of the OIG's Recovery Act funds, OCOS allocates and monitors the OIG's use of the funds. In compliance with the Recovery Act, OCOS sends out monthly data calls to the Assistant Inspectors General to obtain current activity data. OCOS reviews the data

and supporting documentation and prepares monthly activity reports. The OIG has established the required Recovery Act Internet website where it posts these monthly activity reports, as well as documents for other OIG Recovery Act efforts. OCOS also prepares quarterly measurement reports that are entered into the Agency's system. OCOS has noted that some Assistant Inspectors General have improved in identifying and reporting their Recovery Act activities and uniformly entering their data. However, all staff doing Recovery Act work may not be consistently charging ARRA time to the proper accounting codes. As a result, the OIG may be under-reporting the staff time and funds used to support Recovery Act work.

In response to items included in the Agency's Recovery Act Stewardship Plan, OCOS is taking the actions shown in the chart below. These items have been designated as medium risk. OCOS does not have any high risk items in the Stewardship Plan.

Area	Control Objective	Monitoring Activity	OCOS Action
Budget Execution	Timely use of funds.	Run and maintain office status of funds reports as needed.	Prepares monthly status of funds reports in which it gives a separate breakout for Recovery Act funds.
Payroll/Human Capital	Improper charging minimized.	Monitor charging of accounting strings used by employees during the T&A certification process.	Reviews time charging to the Recovery Act on a quarterly basis. Point out discrepancies between travel charges and staff time charges
Performance Reporting	Have valid & appropriate performance measures and collect data needed to measure results achieved under the Recovery Act.	Disseminate policies and guidance developed by the Performance Measurement Subcommittee to communicate information to programs on an ongoing basis.	OCOS has a representative on the Subcommittee who was instrumental in developing criteria for measuring performance under the Recovery Act and disseminating the information to other OIG staff.

Independent Contracting Function Re-Tooled

In March 2011, the OIG and Agency amended the Memorandum of Understanding (MOU) that was executed in April 2010. The previous MOU gave the OIG the authority to have its own contracting function, independent of the Agency. The new MOU limits the scope of acquisition services the OIG will perform. The MOU provides for the Agency to perform all of the OIG's interagency agreements and acquisitions over \$25,000. Designated staff in each OIG office will be required to request orders over the \$25,000 threshold through the Agency's new Electronic Acquisition System. Appropriate OIG staff have been trained on the use of the new Acquisition System. The OIG will process acquisitions at \$25,000 and under using EPA's Web Form system.

CURRENT WEAKNESSES

The OIG does not have the lead for addressing any of EPA's current weaknesses. The following areas have been identified as weaknesses within the OIG.

Policies and Procedures

In FY 2010, the OIG identified policies and procedures as a weakness because many of its policies and procedures had not been reviewed and updated as required. In addition, the results of internal reviews and the formation of new offices within the OIG created a need for the OIG to develop new policies and procedures. OIG Policy 001 and 001-1, *OIG Directives System and the Addendum*, requires that all OIG policies and procedures be reviewed every 3 years from the date of issuance to determine whether they should be reissued, revised, or cancelled. While the OIG has made significant progress in addressing the policies and procedures, more work is needed to ensure all OIG policies and procedures are up to date. OIG offices have developed individual plans in which they assigned specific responsibility and established target dates for the development, review, and approval/issuance of the policies and procedures. The OIG tracks its progress on the policy and procedure reviews through the OIG management action plan.

MANAGEMENT CHALLENGES AND POTENTIAL WEAKNESSES IDENTIFIED BY OIG, GOVERNMENT ACCOUNTABILITY OFFICE, AND OFFICE OF MANAGEMENT AND BUDGET

The OIG does not have the lead for any of EPA's new management challenges or proposed weaknesses.

NEW OR EMERGING ISSUES

The following areas have been identified as new or emerging issues within the OIG.

Staffing

The OIG is experiencing staffing issues in many of its offices due to reorganizations, establishment of new offices or product lines, new communication initiatives, higher than anticipated attrition, and the loss of ARRA-funded staff. The difficult process and many uncontrollable delays in hiring, despite our ambitious recruitment plan, has had the unintended consequence of continuance of a larger than anticipated carryover funds balance, and continuing vacancies in many critical performance positions. By not staffing up to our authorized level, the OIG has not been able to deliver severely needed oversight services, which also would have reduced our carryover balance by nearly half. As we fill these vacant positions, we anticipate depleting the balance of our carryover funds. However, without a carryover balance or additional funding, the OIG will not be able to sustain a significant number of positions vital to the OIG's oversight mission. Specific details on the OIG staffing concerns are provided below.

OCI, the OIG's relatively new investigations office, is not sufficiently staffed to adequately support its total mission and operational responsibilities. To address the shortfall, OCI submitted

a 2012 Investment Proposal to increase staffing. OCI has also submitted a Digital Forensic Solution plan to optimize technology and provide sustainability in a COOP event as an innovative solution to improving the efficiency of its processes.

OI is in the process of reorganizing its structure to maximize efficiency in managing the current geographically dispersed organization. OI is also reviving its Scientific Integrity Program and will need to recruit resources, such as several investigators and support personnel, to staff this very important program. OI will be hiring qualified candidates with the necessary skill sets to conduct these highly specialized investigations.

OCPM's staffing resources have been significantly reduced due to a recent reorganization within the OIG. OCPM has several public affairs and communications initiatives for both internal and external OIG stakeholders that are in development or have already begun, in order to fulfill the Inspector General's goals of exemplary customer service and maximum transparency. OCPM helps promote the OIG goals of exemplary customer service and maximum transparency through public affairs and new communication initiatives. OCPM needs more resources to ensure the OIG's presence in constantly evolving new media (e.g., Facebook, Twitter, and podcasts).

OPE has not been able to bring its staffing up to its full authorized strength due to delays in recruitment. The delays were due to differences in the interpretation of internal classification requirements for auditors and evaluators. This issue has been resolved and hiring has resumed, but the delay has had an adverse impact on OPE productivity and morale this year.

OA's relatively new Efficiency Audits product line now has 13 staff members. Presently, OA is monitoring training to ensure that the staff possesses the skills necessary to do this new line of work. OA had one formal training class and supplied on-the-job training. OA will continue to monitor this area to ensure that OIG possesses the skills necessary to do this important work. OA will also be losing a number of term employees by the end of FY 2012 who were hired to work on ARRA-related audits.

Product Timeliness

Although the OIG has made some progress in the timeliness of its audit and evaluation work products, it continues to struggle in that area. Metrics reports clearly demonstrate that we need to do a better job of meeting assignment milestones and completing assignments within budgeted staff days. OIG established a Project Management Process Working Group during FY 2011 to address this issue. OA and OPE managers and supervisors will continue to monitor performance on an assignment-by-assignment basis as new processes and procedures are introduced to accelerate the report production cycle-time.

At this time, the OIG does not believe the issues described rise to the level of a material or Agency weakness, but an opportunity to apply new efficiency practices. We will continue to monitor the issues and report as appropriate.

ACCOMPLISHMENTS AND BEST MANAGEMENT PRACTICES

The following is a list of OIG accomplishments and best practices that have reduced or are reducing specific risks and improving the overall control environment.

OIG Data Systems Applications

OCOS is constantly testing the application of IGEMS and its ability to provide useful and reliable management reports. Through this rigorous testing, we have distinguished between data entry errors and system reporting errors leading to creation of system entry controls and reliable management reports. There is a distinct difference between technical system design and user application interface. OCOS tests the user interface to identify needed technical best changes and best practices. Some of the improvements include revisions to the Performance Measurement and Results System (PMRS) user screens and reports, and the ability to attach follow-up documents associated with recommendations.

Systems Applications Training

As the OIG is transitioning to expanded use of IGEMS as a consolidation of many former Lotus Notes systems, there has been a lack of training and guidance to provide the essential understanding about system applications and business rules for data input. During this past year, OCPM has led an effort through training sessions and development of user manuals for IGEMS and PMRS to improve both the user understanding and technical input controls. As a result of this effort, the quality of data and usability of the systems are coming to their envisioned fruition.

Follow-up Review

OCPM conducted a review of OIG resolution and follow-up processes. A report was issued in January 2011, and a number of recommendations have been or are currently being implemented that will ensure greater accountability for and action on OIG recommendations, including OIG staff access to the Management Audit Tracking System and linking of all recommendations with their action officials. Additionally, the OIG is working with OCFO as a member of an Agency-wide workgroup to revise and update EPA Manual Chapter 2750.

Purchase Card Review

OCPM conducted its biennial review of the OIG Purchase Card Program during FY 2010. While this program has been highly vulnerable to abuse across the federal government, the OCPM review of 100 percent of the transactions found that the OIG program is used effectively to expedite small purchases and is well implemented without any cases of loss, abuse or material noncompliance. The report of the Purchase Card Review was issued in December 2010.

Unliquidated Obligations Review

OCOS conducted its annual review of unliquidated obligations to identify any funds that could be put to better use. The OCOS Budget Team reviewed 100 percent of the inactive unliquidated funds and deobligated funds where appropriate.

Transaction Accountability

The OCOS Budget Team accounted for 100 percent of its transactions in compliance with appropriations law and generally accepted accounting standards. Additionally, the OCOS Budget Team managed the carryover balances and Working Capital Fund Service Agreement through its monthly Status of Resources Report. As a result of this close control of funds, the OIG used greater than 99.9 percent of its expiring funds.

Performance Measurement Reporting

The Planning and Budget Team in OCOS conducts quarterly reviews of the data and controls associated with recording OIG performance results. The OIG uses PMRS to record its progress toward each of the annual performance goals in terms of results attributable to OIG products and services. Additionally, OCOS examines for accuracy each performance record in the PMRS Scoreboard Source Report and control edit access privileges. As a result of these controls, OCOS finds that PMRS is used adequately to highlight our performance accomplishments.

OCOS continues to test the application of IGEMS and its ability to provide useful and reliable management information. In addition, during FY 2011, we held various training presentations with OIG staff and identified technical issues of concern to OMS. As a result of those actions, data quality in PMRS has improved.

Recovery Act Reporting

OCOS leads the OIG effort for reporting on spending and activity performance under the Recovery Act. OCOS has created specific reporting elements in PMRS and a process for requesting, verifying, and reporting monthly data for the Recovery Accountability and Transparency Board through the OIG public Web page and the EPA Quarterly Management Reports. This is both a control accomplishment and a best practice.

Legal Reviews

During the past year, OC attorneys have provided legal sufficiency reviews to all draft and final reports and legal advice to OIG managers on a variety of substantive and critical issues, and successfully defended the OIG in personnel matters. Through the legal sufficiency reviews and advice, OC adds substantial value to OIG reports.

Project Management Process Working Group

OA led the Project Management Process Working Group that assessed current controls for audit and evaluation assignments and is drafting changes to improve OIG's efficiency and effectiveness in conducting these assignments.

Inspector General Enterprise Management System

The OIG launched new modules, enhanced several existing modules, and improved the integrated functionality of IGEMS, including:

- An OIG Continuity of Operations (COOP) Module to provide supervisors and heads of offices information on how to reach employees during an emergency.
- An OIG Hotline Module to record and track the disposition of hotline complaints.
- A Property Tracking Module to track key data regarding the distribution of essential IT hardware and software.
- A Training Module to automate the workflow for reviewing and approving individual development plans and training forms.
- New management reports for the Inspector General to highlight particular facets of assignment efficiency and to identify basic information about audits/evaluations that will facilitate outreach discussions with EPA Assistant Administrators, Regional Administrators, and other senior executives.

OIG-wide SWOT Analysis and Stakeholder Outreach

In support of the OIG Strategic Planning Project, the development of its Annual Workplan, and performance of its FMFIA Assessment, the OIG conducted an organization-wide assessment and analysis of its internal SWOT. As a result of this anonymous survey offered to all OIG staff members, the OIG collected nearly 2,500 responses to help identify internal areas for improvement, potential risks, areas upon which to build, and opportunities for change and growth. Additionally, the OIG conducted stakeholder outreach meetings to obtain input about current and emerging areas within or concerning EPA where the OIG can focus its attention strategically and in the next fiscal year for the greatest impact. The outreach meeting also provided customer/client input on how well the OIG is performing in meeting stakeholder needs and in conducting its work. This customer feedback is invaluable to validating areas of strength and identifying opportunities for improvement.

Failover/COOP Site

The OIG made significant progress in implementing a Failover/COOP site at EPA's National Computer Center by configuring and installing hardware and software components to build a mirror IGEMS at that location, and reaching technical agreements with National Computer Center directors regarding secure placement, configuration, and maintenance of OIG equipment.

Certification and Accreditation Reviews

OIG completed mandatory Certification and Accreditation reviews for five OIG systems in which it assess risks for authorizing system operations. It also mitigated any high and medium vulnerability to ensure residual risk was at acceptable level for authorizing system operations.

CLOSING

If you should have any questions or need any additional information, please contact me at (202) 566-0847 or elkins.arthur@epa.gov; or my Chief of Staff, Aracely Nunez-Mattocks, at (202) 566-0840, nunez-mattocks.aracely@epa.gov.

Attachments:

AL Form 2011-003
AL Form 2011-006
AL Form 2011-008(c)
Program Review Strategies
Multiyear Plan

cc: Annette Morant, OCFO
Aileen Atcherson, OCFO
Patrick Gilbride, OIG

**ENVIRONMENTAL PROTECTION AGENCY
FY 2011 INTEGRITY ACT REPORT**

1. Lead Office:

Office of Inspector General

This is an existing

 Material Weakness

Agency Weakness



Significant Deficiency

For FY 2011, it

 Has been corrected

Will carry over



Has been downgraded (explain below)

2. Title of Issue:

Office of Inspector General (OIG) Policies and Procedures

Planned Closure Date:

3. Executive Summary:

In FY 2010, the OIG identified policies and procedures as a weakness because many of its policies and procedures had not been reviewed and updated as required. In addition, the results of internal reviews and the formation of new offices within the OIG created a need for the OIG to develop new policies and procedures. OIG Policy 001 and 001-1, OIG Directives System and the Addendum, requires that all OIG policies and procedures be reviewed every three years from the date of issuance to determine if they should be reissued, revised, or cancelled.

4. Corrective Actions Taken to Date:

During FY 2011, the OIG has made significant progress in reviewing, updating and reissuing many of its policies and procedures or rescinding those that had become obsolete. OIG offices have developed individual plans in which they assigned specific responsibility and established target dates for the development, review, and approval/issuance of the policies and procedures.

5. Remaining Corrective Actions:

The OIG will continue to make the review and update of its policies and procedures a high priority. OIG offices have set a target date and are striving to bring nearly all of the overdue policies up-to-date by the end of FY 2011.

6. Validation Strategy:

The progress being made toward completion of the policies and procedures reviews will be tracked on a quarterly basis through the OIG management action plan. All reissued policies and procedures will be entered into the OIG Directives System and notification for rescinded policies and procedures.

7. Related Performance Goals and Measures:

Cross-goal

8. Status of Related Audits:

Not Applicable

Responsible Manager

Name: Aracely Nunez-Mattocks

Title: Chief of Staff to the Inspector General

Telephone No.: 202-566-0840 

Organization: Office of Chief of Staff

Date Prepared: August 12, 2011



Correspondence Management System

Control Number: AX-11-001-3814

Printing Date: August 16, 2011 08:49:29



Citizen Information

Citizen/Originator: McLerran, Dennis

Organization: EPA Region 10

Address: 1200 Sixth Avenue, Suite 900, Seattle, WA 98101

Constituent: N/A

Committee: N/A

Sub-Committee: N/A

Control Information

Control Number: AX-11-001-3814

Alternate Number: N/A

Status: For Your Information

Closed Date: N/A

Due Date: Aug 30, 2011

of Extensions: 0

Letter Date: Aug 12, 2011

Received Date: Aug 16, 2011

Addressee: AD-Administrator

Addressee Org: EPA

Contact Type: LTR (Letter)

Priority Code: Normal

Signature: N/A

Signature Date: N/A

File Code: 401_127_a General Correspondence Files Record copy

Subject: Daily Reading File - FY 2011 Federal Managers' Financial Integrity Act Assurance Letter

Instructions: DX-Respond directly to this citizen's questions, statements, or concerns

Instruction Note: N/A

General Notes: N/A

CC: N/A

Lead Information

Lead Author: N/A

Lead Assignments:

Assigner	Office	Assignee	Assigned Date	Due Date	Complete Date
(b) (6) Personal Privacy	OEX	OCFO	Aug 16, 2011	Aug 30, 2011	N/A
Instruction: DX-Respond directly to this citizen's questions, statements, or concerns					

Supporting Information

Supporting Author: N/A

Supporting Assignments:

Assigner	Office	Assignee	Assigned Date
No Record Found.			

History

Action By	Office	Action	Date
(b) (6) Personal Privacy	OEX	Control Created	Aug 16, 2011
(b) (6) Personal Privacy	OEX	Assign OCFO as lead office	Aug 16, 2011



UNITED STATES ENVIRONMENTAL PROTECTION AGENCY
REGION 10
1200 Sixth Avenue, Suite 900
Seattle, WA 98101-3140

OFFICE OF THE
REGIONAL
ADMINISTRATOR

AUG 12 2011

MEMORANDUM

SUBJECT: FY 2011 Federal Managers' Financial Integrity Act Assurance Letter

FROM: Dennis J. McLerran
Regional Administrator

THRU: Julie M. Hagensen
Senior Resource Official

TO: Lisa P. Jackson
Administrator

EXECUTIVE SECRETARIAT

OFFICE OF THE

2011 AUG 16 AM 7:34

RECEIVED

PURPOSE

In accordance with the *Federal Managers' Financial Integrity Act* (FMFIA) and Agency guidance, I am submitting the FY 2011 annual assurance letter attesting to the soundness of internal controls for Region 10.

STATEMENT OF ASSURANCE

Under my leadership, Region 10 has assessed the effectiveness of its internal controls based on the five standards for internal control established by the Government Accountability Office (GAO). In my judgment, Region 10 complies with Federal Managers' Financial Integrity Act requirements, and the internal controls within Region 10 are adequate to reasonably ensure the protection of the programs, operations, functions and resources for which I am responsible against fraud, waste, abuse and mismanagement.

Additionally, in accordance with the American Recovery and Reinvestment Act of 2009 (Recovery Act) and Agency guidance, I can provide reasonable assurance that:

- All Recovery Act programs were managed effectively and efficiently, utilized reliable and accurate data to report achievement of program goals, and were in compliance with laws and regulations;
- All Recovery Act funds designated for Region 10 have been used solely for the purpose of that program and, if applicable, were awarded and distributed in a prompt, fair, and reasonable manner;
- Region 10 is monitoring the risks and internal controls identified in EPA's Recovery Act Stewardship Plan (RASP) and is in compliance with the Stewardship Plan.

CERTIFICATION OF MANAGEMENT INTEGRITY TRAINING

I certify my staff (Senior Executive Service employees, GS-14, GS-15 managers and supervisors and Management Integrity Advisors) have completed the Agency's on-line Management Integrity Training on Internal Controls.

FRAMEWORK FOR ASSESSING INTERNAL CONTROLS

The central element of Region 10's framework for assessing internal controls is the process used to develop National Program Management (NPM) guidance documents (specifically, the Program Review Strategies and Multi-year Plans each NPM develops) as well as the resulting guidance documents themselves. The development of those documents provides Regional program managers the opportunity to help identify risks. Likewise, our focus is on participating in program reviews and implementing the control activities outlined in the NPM guidance.

Region 10 uses a multi-layered approach while working with external partners to address priorities, issues and to assess risks. These efforts start at the top. I conduct monthly meetings with state environmental directors. In addition my senior management and I participate in semi annual meetings of the Regional Tribal Operations Committee (RTOC). Region 10 hosts periodic tribal leader's summits to discuss priorities, issues and risks.

Similarly our Operations Office Directors (located in each of Region 10's four states) and Tribal Policy Advisor meet regularly with senior state agency officials, federal agency officials, tribal officials and other external partners for similar purposes. Finally, our media program directors (Air, Water, Contaminated Site Cleanup, etc.) and Office of Compliance and Enforcement (OCE) also engage routinely with their state and tribal counterparts. For example, the Puget Sound Team uses a number of forums to work with internal and external partners to identify risks to the program. Team members attend and participate in meetings of the federal, state, environmental and tribal caucuses, Leadership Council, Science Panel and Ecosystem Protection Board. Internally, biweekly meetings of the Puget Sound Team are held, as well as weekly meetings of the Project Officers managing Lead Organization agreements. Meetings are held between Region 10 and the Puget Sound Partnership (Washington State's designated National Estuary Program management agency) management teams on a monthly basis. The Team also participates in meetings with the Canadian federal, provincial and first nation governments on Puget Sound/Georgia Basin.

Internally, I have designated the Office of Management Programs (OMP) to take the lead role in implementing FMFIA in Region 10. OMP provides direction to the Region's 12 office directors. Each office has been directed to engage in the guidance development process and has been asked to assess Region-specific management integrity risks, including weaknesses, challenges and deficiencies as well as new or emerging issues, best practices and accomplishments. Each office provides an assurance memo. Those memos are reviewed and maintained by OMP, and OMP undertakes an independent evaluation of Regional operations to identify where supplemental internal controls are appropriate. OMP prepares a summary of the significant issues identified in the office memos and from its independent evaluation, which is reviewed by the Deputy Regional Administrator, provides direction regarding any further actions. These external and internal mechanisms provide us with data and information we use to engage in the NPM Guidance process.

RESULTS OF INTERNAL CONTROL REVIEWS - Over Programmatic Operations

Region 10 conducted internal control reviews consistent with Regional Program Review Strategies and with NPM guidance. No material or Agency-level weaknesses were identified. Special emphasis is given to internal control review activities related to the Puget Sound Strategy. In 2010 the Region developed a robust Program Review Strategy which reflects the significant congressional oversight and amount of dedicated funding involved. Region 10, in its Lead Region capacity, also actively participated in the internal control review conducted by the Office of International and Tribal Affairs (OITA) and in the ongoing development and implementation of that NPM's internal control activities. Finally, the Region actively participated in several internal control reviews as described below.

Puget Sound Strategy

The Region has developed a Program Review Strategy and Multi-Year Plan specifically for Puget Sound and periodically meets to make adjustments. This year, several risks were expanded and the risk levels revised. In addition, three new high-level risks were added: Stress from population growth; garnering public buy-in to actions needed to restore and protect Puget Sound; and impacts from climate change on restoration efforts. Control activities, communication measures and monitoring approaches were developed for these risks. The Team amended the Multi-Year Plan for FY 2012 and 2013 to include the assessment of the Puget Sound Team realignment effort to clarify EPA's roles and contribution toward Puget Sound targets, and an assessment of the effectiveness of the Financial and Ecosystem Accounting Tracking System as an adaptive management and integration tool, respectively. This update to the Puget Sound Program Review Strategy and Multi-Year Plan (attached) will help us protect and restore the estuary and comply with FMFIA's objective to protect Agency resources against fraud, waste, abuse and mismanagement.

The focus of the Puget Sound Multi-Year Plan for FY 2011 is resolution of the EPA Advanced Post-Award Monitoring review findings with Puget Sound Partnership (PSP). Our preliminary review included several significant draft findings that PSP was not properly managing federal grant funds. The draft findings are subject to change. Staff and management from the Puget Sound Team and Grants and Interagency Agreements Unit (GIAU) have been working with PSP to further investigate the issues listed above. PSP has responded to the majority of these findings both by providing Region 10 with additional information and by developing new policies and procedures and is working cooperatively to address the remaining findings. EPA's final review document will include both findings and a determination regarding further action.

Lead Region Review (OITA)

Region 10 serves as Lead Region for OITA and in that capacity worked with other regional offices to address the Indian General Assistance Program (IGAP), which, in April 2011, was proposed by the Office of the Inspector General (OIG) as an "Internal Control Weakness." The Lead Region Coordinator works with OITA and other regional tribal and international activities coordinators to ensure Regional concerns. The Coordinator currently is working with OITA and the other regions on drafting an IGAP Guidance that could lead to new ways of working with Tribes under the program. This guidance is expected to more clearly define those activities are considered to serve the "capacity building" objective of the IGAP. Consultation with the Tribes on the guidance will conclude by the end of FY 2011, in line with a deadline established through an agreement between OITA and OIG in response to a 2008 OIG report that cites deficiencies in how EPA is accounting for funds under the IGAP program.

Other NPM reviews

Region 10 programs provided relevant input to lead regions through the review of the Program Review Strategies and Multi-Year Plans. For example:

- The Office of Environmental Cleanup (ECL) provided relevant input to the lead region through the review of the Office of Solid Waste and Emergency Response (OSWER) Multi-Year Plan and Program Review Strategies. The review of these strategies resulted in few issues and some minor suggested changes in risk levels. ECL has provided feedback to the lead region on management challenges and potential internal control weaknesses and vulnerabilities for which OSWER is responsible.
- A cross-agency Field Operations Group (FOG) is composed of Regional, National Enforcement Investigations Center (NEIC) and Headquarters (HQ) managers responsible for implementing compliance and field monitoring programs. In November 2010 a multi-program/office operational standard assessment of Region 10's field activities was conducted. The FOG evaluated how a range of medium and small sized enforcement programs engage in multimedia inspections, and conduct training, quality assurance and field operations. The FOG's purpose is to develop uniformity across these operations. This assessment identified several areas where additional internal controls were needed. In response, Region 10 is taking the following actions:
 - Developing over 25 new guidance documents (standard operating procedures) addressing a range of issues including the organization of content of field log books, the taking and shipment of samples, required training, and post-inspection correspondence
 - Improving inspector training and supervision
 - Reviewing and revising relevant Region 10 intranet pages
 - Improving records management
 - Developing a Field Equipment inventory database and checkout systems.
- In April, the Lead Region for Water Programs requested that all Regional Water Offices review 26 separate Program Review Strategies that were developed in 2010, specifically including those related to Nonpoint Source Pollution. We were asked to consider if we had any issues related to the strategies, if the risk levels identified were correct in our opinion and if there are any new and emerging weaknesses in water programs. These strategies were distributed to appropriate subject matter points of contact in the Regional Office of Water and Watersheds (OWW) as well as contacts in other offices.
- In the Office of Ecosystems, Tribal and Public Affairs (ETPA), Aquatic Resource Unit (ARU) staff members have conducted audits in Oregon, Alaska, Idaho and Washington as part of the National Wetland Condition Assessment. ARU is also participating in the OWW national Wetland Competencies Survey. The findings will be used to develop a strategic plan given reduced budget scenarios.
- The Office of Regional Counsel (ORC) in close coordination with other ORCs and the Office of Enforcement and Compliance Assurance (OECA) jointly address issues such as risks and new and emerging weaknesses via monthly conference calls, semi-annual meetings and workgroups. We also have monthly conference calls with the Department of Justice (DOJ) to discuss ongoing

case progress, which include collection efforts for unpaid penalties and overarching issues such as litigation control strategies and processes. Region 5 is currently the Lead Region for OECA and elicited input on OECA's Program Review Strategy for Enforcement and Legal Programs earlier this year.

A primary focus for OECA this year was resolution of the current agency weakness of "Permit Compliance System" and "Electronic Content Management for EPA." Our office has been more actively involved in the latter issue, including participating in several conference calls demonstrating software for handling e-discovery. In addition, a member of my staff is on one of three national workgroups convened by the NPM to address identified material weaknesses in electronic content management.

RESULTS OF INTERNAL CONTROL REVIEWS - Over Recovery Act Operations

More detail regarding the review of Recovery Act Operations in Region 10 is attached in AL Form 2011-006.

In 2011, OMP performed internal control testing as prescribed in the A-123 guidance for both Interagency Agreements (IAs) - which focused on Recovery Act monitoring activities for control objectives identified as high risk in the Stewardship Plan - and Grants administered in Region 10. GIAU houses the National Interagency Agreement Center West, a partnership with the Office of Grants and Debarment (OGD) in EPA Headquarters. The review was conducted by the GIAU management and a team that included an Accountant and Specialists.

GIAU ran OCFO Reporting and Business Intelligence Tool (ORBIT) reports that generated a list of all Recovery Act IAs managed by Interagency Agreements Shared Service Center (IASSC) West and all Region 10 grants and cooperative agreements. A random sample of each category was selected for review; 14 Recovery Act IAs and 90 grant actions. The review consisted of examining source documentation and interviewing Project Officers and Grants Specialists.

The controls reviewed were: Timely administrative baseline monitoring, timely resolution and closeout of A-123 findings, indirect cost requirements, timely programmatic baseline and advanced monitoring, and Section 1512 reporting verifications. All A-123 documentation (e.g., flow charts, narratives, test plans, findings) are on file and maintained by GIAU.

The IA and grants A-123 reviews did not identify any material weaknesses or significant deficiencies. Project Officers are familiar with the details of the grant and IA projects and, with rare exception, are conducting programmatic baseline and advanced post award monitoring as prescribed by guidance.

As part of the Office of the Chief Financial Officer (OCFO) national implementation of the Recovery Act Stewardship Plan (RASP), Industrial Economics, a contractor, conducted a nationwide policy verification review of Grants. The review framework reflected the risks identified in the RASP and the policies and procedures developed to mitigate those risks. Of the 79 grants randomly selected for review, five were awarded and managed in Region 10. An on-site review of these grants was conducted in April. Auditors reviewed source documentation, electronic records and conducted interviews with Grants Specialists and Project Officers. From the review, Auditors identified three best management practices within the Region and made ten recommendations for corrective action. The Region 10 Grants Management Officer (GMO) has worked with the appropriate Grants Specialists and Program Project

Officers to implement the corrective actions related to specific grants and has also reinforced RASP procedures and policies identified in the review with the relevant Region 10 program offices. Industrial Economics also performed an IA policy verification review, but has not yet provided Region 10 with the findings of that review.

There were no high risk financial activities identified in the RASP that were applicable to Region 10. The Region 10 Quality Assurance Coordinator conducted a review of post-award medium-risk activities related to Contracts, Payroll/Human Capital, Performance Reporting and Budget Execution. Her findings, which have been reviewed by the Assistant Regional Administrator (ARA), follow:

Contracts

Region 10 is responsible for and reviewed post-award monitoring of two contracts containing Recovery Act funds. During the review, the following internal controls were tested: Monitoring of billings and invoices, review of data posted by recipients, monitoring of Contracting Officers Representative (COR) qualifications, evaluation of contract staff qualifications and monitoring of work schedule progress. Interviews were conducted with the COR for each contract, and their records were examined. All internal controls were found to be effective.

Payroll/Human Capital

A review of monitoring of payroll charging was conducted. Internal controls were tested by interviewing Fiscal Management and Planning Unit (FMPU) staff, examining documentation and review of certifications and through confirmation with OCFO. Region 10 was found to be in compliance with RASP and all internal controls were effective.

Performance Reporting

Internal controls related to the dissemination of Recovery Act policies and guidance were reviewed by interviewing FMPU staff and examining e-mail records. All internal controls were found to be effective.

Budget Execution

A review of the monitoring of Recovery Act funds by Funds Control Officers was conducted through interviews and document examination. It was determined that Recovery Act funding is closely monitored, including unliquidated obligations. All internal controls were found to be effective.

RESULTS OF INTERNAL CONTROL REVIEWS - Over Financial Activities (OMB Circular A-123, Appendix A)

The Region 10 Quality Assurance Coordinator likewise conducted reviews of Unliquidated Obligations, the Superfund State Contract Process and Superfund Side Identifier ZZ Accounts. As above, these findings have been reviewed by the ARA.

Unliquidated Obligations

Internal controls associated with the review, monitoring and deobligation of unliquidated obligations were reviewed in accordance with A-123 guidance. Eight internal controls were tested. Four controls had minor findings to be corrected at the Regional level and do not rise to the definition of significant deficiency. Additional details can be found in the attachment AL Form 2011-008(c).

Superfund State Contract Process (SSC)

In May 2011, Region 10 submitted AL Form 2011-009(a) certifying that a 25% random review of SSC sites was conducted. No anomalies or corrections were identified. A review of internal controls by the SSC process was conducted. Two internal controls were tested; no deficiencies or weaknesses were identified. Details of this review can be found in the attachment AL Form 2011-009(b).

Superfund Site Identifier ZZ Accounts (SSID)

Two internal controls associated with review and monitoring of ZZ charging were tested. One evaluated the effectiveness of action code reviews. The other evaluated the process through which new SSIDs are created and ZZ charging is reassigned. There were no internal control deficiencies or weaknesses identified. A total of \$218,056 in ZZ charges were reviewed to determine if any required reassignment. There were no inappropriate charges identified, and no dollars were reassigned as a result of the review. More detail regarding the review of ZZ accounts can be found in the attachment AL Form 2011-010.

CURRENT WEAKNESSES

Region 10 does not have the lead for addressing any of EPA's current weaknesses.

Where appropriate, we provided feedback to Lead Regions on weaknesses for which other offices/regions have the lead. For example, ECL does have some level of involvement or responsibility with several of the weaknesses identified at the national level. This involvement is described below:

- **Efficient Use of Available Funds (OCFO Lead):** ECL continues to have a rigorous process for evaluating unliquidated obligations. In addition to the Regional process led by OMP Financial Management and Planning Unit each November, ECL evaluates all unliquidated contract, grant, interagency agreement obligations and develops a plan for deobligation of un-needed funds. Based on this review, ECL commits to a certain amount of deobligations and this commitment becomes part of the performance measures for the ECL Office Director and the ECL Program Management Unit Manager. This deobligation plan is monitored throughout the year to ensure commitments are being met.
- For special accounts, we follow the *Superfund Special Accounts Management Strategy for 2011-2012 (OSWER Directive #9200.0-75)*. We "manage special accounts to: ensure available special account funds rather than annually appropriated resources are used for response work as appropriate; reclassify and transfer funds to the general portion of the Superfund Trust Fund when appropriate; and close out special accounts where funds are no longer required for work at the site." We also plan special account usage in Comprehensive Environmental Response, Compensation and Liability Information System (CERCLIS) and update that planned data at least three times a year.

MANAGEMENT CHALLENGES AND POTENTIAL WEAKNESSES IDENTIFIED BY OIG, GAO AND OMB

Region 10 does not have the lead for any of EPA's new management challenges or proposed weaknesses.

NEW OR EMERGING ISSUES

At this time, Region 10 does not believe the issues described below rise to the level of a material or a weakness. We will continue to monitor the issues and report as appropriate.

Integrating Children’s Health into Agency Operations: GAO recently has articulated concerns about the Agency’s ability to incorporate Children’s Health into “everyday business.” In Region 10, we have made significant progress:

- Children's environmental health language is incorporated into scoping documents for National Environmental Policy Act (NEPA) reviewers
- Region 10 as an active Children’s Environmental Health and Schools Team with representatives from each program office to coordinate on issues impacting children. Children's environmental health guidance documents (e.g., Child-Specific Exposure Factors Handbook, Age Group Guidance, etc.) are applied in risk assessments
- Region 10 is participating in a national workgroup to develop Children's Environmental Health 101 training for all EPA staff.

Responding to Apparent Persistent Threats (APT): The IG has identified the Agency’s limited capability to respond to cyber security attacks as Agency-level management challenge. EPA purchased ArcSight, a system information and event monitoring tool. Region 10 has deployed the tool and is using it in our increased vigilance efforts. While we are still learning how to fully utilize ArcSight’s capabilities, we have implemented continuous live monitoring and historical reporting of user activities in Region 10. We convened a Regional user group that meets weekly. Region 10 also utilizes Scrutinizer, a network protocol analyzer, to monitor network traffic coming from or going to internet and intranet locations. Scrutinizer allows us to see and track high volume bandwidth usage, encrypted traffic and activities that warrant further review (such as a server or desktop computer that is communicating with a known bad site). We are utilizing Symantec Endpoint Protection virus scanning to detect viruses and malware. Network scans using Foundstone, Nessus and Bindview have also increased at both national and Regional levels. Protecting EPA data, computers and users from cybersecurity attacks remains a complex challenge.

Overseeing Delegated Programs: The IG also considers the Oversight of Delegated Programs as a management challenge for the Agency. OCE conducts oversight of delegated state programs consistent with OECA’s NPM guidance. OCE conducts comprehensive enforcement reviews using the national State Review Framework (SRF). The SRF allows EPA to assess the state's performance in inspection coverage, data accuracy and completeness, timely and appropriate enforcement response and adherence to enforcement commitments. In addition to using the SRF for Clean Water Act, Clean Air Act, and Resource Conservation and Recovery Act (RCRA), OCE has regular oversight of state use of grant funding for permit, compliance, enforcement and cleanup work for our pesticides, underground storage tank and underground injection control programs.

Improving Content Management: Managing electronic content has been identified as an Agency weakness. Related to this finding, ORC has identified and is developing internal controls to improve (1) retention of Confidential Business Information (CBI) and other sensitive information and (2) implementing litigation holds. To address CBI retention, ORC is drafting recommendations for structural and procedural changes that ensure CBI and other sensitive information is handled appropriately and efficiently in close coordination with Regional records management staff and other

stakeholders. When implementing litigation holds, attorneys have a duty to make reasonable and good faith efforts to preserve relevant and discoverable information and tangible evidence whenever litigation involving the Agency is reasonably anticipated, threatened or pending. This duty, also known as litigation hold, is independent of any specific litigation hold directives issued by the Department of Justice. This past year, ORC conducted a review of the litigation hold practices in our Region and identified ways our procedures could be strengthened, and, as a result, we have ensured that there is an effective litigation hold for every pending or referred action.

ACCOMPLISHMENTS AND BEST MANAGEMENT PRACTICES

Effectively Managing Puget Sound Program Funding: The Puget Sound Partnership (PSP) is one of the largest Puget Sound grantees. In 2010, the Washington State Auditor's Office highlighted a number of issues during a PSP audit of the period from July 1, 2007 through June 30, 2009. As a result of a Washington State Auditor's review, new EPA cooperative agreements contain special conditions requiring PSP to submit their procedures on sub-awards and competitive grants before expending funds. Payments are only made on a reimbursement basis. All payment requests must be accompanied by supporting documentation showing how much was disbursed, to whom, and for what reasons in order to demonstrate that indirect costs are not included. In addition, PSP is scheduled to submit the final deliverable (the monitoring system) in December of 2011 in response to the 2010 National Estuary Program (NEP) Review conducted by the Office of Water. Additional control activities were described above in the programmatic operations section.

Development of Internal Controls for Regional Mercury Strategy: Attached is the Program Review Strategy and Multi-Year Plan for the Region 10 Mercury Strategy. Like the Puget Sound Strategy, the Region 10 Mercury Strategy is a cross-program Regional endeavor that is not closely linked to any specific NPM guidance. The Region 10 Mercury Strategy was developed in 2008 following the establishment of the EPA National Mercury Roadmap in 2006. Concurrently, Region 10 became aware of the increasing number of mercury fish advisories in southern Idaho and the increasing number of mercury spills and clean-ups across the Region. Subsequent investigations indicated that some of the largest atmospheric mercury sources in the U.S. (cement kilns, gold mines) were located in or adjacent to Region 10. The Region 10 Strategy's specific goal is to reduce human exposure to mercury and includes five objectives and specific activities related to those objectives. In FY11, the Region expects to (1) develop its capability to conduct laboratory analysis of methyl mercury, (2) assist in local fish tissue sample design and with field data collection and laboratory analysis, and (3) investigate the most effective programs for collecting elemental mercury from the small-scale miners.

CLOSING

We have thoroughly reviewed our programs in accordance with the five internal control standards outlined by GAO guidance, and I am assured that Region 10 is implementing reasonable measures to protect our programs from fraud, waste, abuse and mismanagement. If you have any questions regarding anything in this assurance memorandum, please contact me at 206-553-1234 or Tim Hamlin, Acting Associate Director, OMP, at 206-553-1563.

ATTACHMENTS

The attachments listed below are identified by the titles assigned by the Headquarters Management Integrity Team. They are the required attachments applicable to support the assurances set forth in this memoranda.

AL Form 2011-005, Control Environment
AL Form 2011-006, Recovery Act Stewardship Plan
AL Form 2011-008(a), Plan for Conduction Review of Unliquidated Obligations (ULO)
AL Form 2011-008(c), Unliquidated Obligations (ULO)
AL Form 2011-009(b), Superfund State Contract (SSC) Spreadsheets
AL Form 2011-010, Superfund Site Identifier (SSID) ZZ Accounts
Puget Sound: Program Review Strategy, Multi-Year Plan
Mercury: Program Review Strategy, Multi-Year Plan

cc: Annette Morant, OCFO
Aileen Atcherson, OCFO
Patrick Gilbride, OIG
Russell Harmon, Comptroller
Tim Hamlin, Acting Associate Director

ENVIRONMENTAL PROTECTION AGENCY
FY 2011 Internal Controls over Financial Activities (OMB Circular A-123)

Region 10

CONTROL ENVIRONMENT

Integrity and Ethical values

Management and staff are expected to abide by the Region's codes of conduct and other policies regarding acceptable business practices. There is frequent communication of these expectations by my staff and discussions occur at meetings.

Our revised and reinvigorated values are featured in the new Regional Strategic Alignment Plan and include our commitment to "demonstrate honesty and integrity" as well as our "commitment to excellence" which emphasizes our public trust responsibilities.

In addition, Region 10 maintains an Employee Handbook on the Regional intranet site. This handbook includes a section on employee conduct that sets forth in specific terms the ethical and moral standards and specific practices regarding the exercise of Agency authority and resources.

The Region 10 Office of Management Programs' (OMP) Human Resources Unit (HRU) plays a critical Regional role in helping the Regional Ethics Official ensure that Regional personnel adhere to the Standards of Ethical Conduct and the EPA's Supplemental Ethics Regulations. Employees are required to adhere to and implement general principles of public service for the following: gifts from outside sources; conflicts of interest; impartiality in performing official duties; outside activities; official travel and political activities. HRU staff adhere to these standards and engage with managers and staff in understanding and conforming to these standards. Each year, HRU staff review Standards of Ethical Conduct and the EPA's Supplemental Ethics Regulations and acknowledge their understanding of these obligations.

Further, Region 10 promotes ethical conduct by requiring all staff complete annual ethics training, utilizing an open decision-making processes, and dealing promptly and effectively with any potential ethics concerns. Our Assistant Deputy Ethics Official is rigorous in ensuring complete follow through on these items and brings a similar attention to detail in assuring financial disclosure forms are completed on time.

Commitment to Competence

We are also committed to competence and professionalism in all areas of our work. Standardized position descriptions (PD) emphasizing the required technical skills, the importance of communication and collaboration with all partners and stakeholders, and the critical requirements for sound grant and contract management, have been developed for the majority of positions. Critical job elements in individual employee and manager performance agreements reflect the importance of our environmental mission, accomplishment of key performance measures (linked to the Agency's Strategic Plan), and sound grant and contract management.

Formal Performance Appraisal and Recognition System (PARS) discussions are conducted twice yearly with each employee during which training and performance counseling is strongly encouraged. Training of supervisors is conducted just prior to the annual review ratings period. This training, conducted by HRU, is intended to highlight Agency appraisal guidance and the rater's responsibilities in the appraisal process. Emphasized in this training is the importance of including critical job elements that include clear standards linked to agency priorities, timely and accurate communications and effective program delivery.

Annually, staff members are encouraged to submit their Individual Development Plans (IDPs), describing what critical competencies are required so that training funds can be appropriately apportioned, and to discuss progress toward implementing those plans during formal performance reviews. Guidance and comprehensive checklists have been created for new employees and their supervisors, covering information and actions needed at various points in their orientation and development. Additionally, approximately 12 hours of orientation for new employees is provided annually.

Staff members are also encouraged to propose other means of training or development as opportunities arise during the year. The Region distributes training funds to all supervisors to provide for training and counseling in order to help assure that each employee maintains and improves job-related competencies. In addition to the per Full Time Equivalency (FTE) funding for training mentioned above, the Region provides training courses on health and safety, Environmental Justice, Civil Rights, career management, workplace skills, computer skills, contracts management and leadership. Region 10's training registration website allows users to review, register and evaluate available courses. Region 10 is engaged in an effort to raise staff awareness and utilization of the Agency's Skillport on-line training resource. Additional funds are available for subject matter specific training, which is provided as needed and can be used to emphasize efficient use of resources.

In addition, Region 10 seeks to assure effective support and development of our supervisors. Supervisors participate in a monthly manager's forum, which focuses on and includes presentations and discussions on various aspects of supervision and includes occasional formal training related to effective supervision. HRU maintains an electronic Supervisor's Tool Kit that provides information on a wide range of supervisory topics. As discussed in greater detail below, Region 10 currently is carefully assessing the span of control of all first-line supervisors.

Management's Philosophy and Operating Style

Management has a positive and supportive attitude toward the functions of accounting, information management systems, personnel operations, monitoring and internal and external audits and evaluations. In May, I emphasized the importance of the control environment in an email message sent to the Region 10 Executive Team. In that message, I articulated the importance of "a positive and supportive attitude toward internal controls and conscientious management" and directed each member to demonstrate in their assurance letters to me examples of how they create a positive climate, which they did.

Concerns and issues regarding effective and efficient use of resources, emerging risks, and the evaluation of internal controls are routinely addressed by the Region 10 Executive Team (ET), which consists of me and the Deputy Regional Administrator (DRA), the office directors of the eight program offices and four operations office directors. The ET meets weekly and agendas frequently include items related to management integrity. For example, in the past year, the ET has considered a range of issues pertaining to efficient and effective use of resources addressing topics such as time-off awards, overtime authorization, non-work related internet usage and travel. With input from the ET, I approved several minor changes in management structure to address program workload and management. These are described in further detail below.

In addition, the OMP Associate Director (AD) also attends weekly ET meetings. This reflects the central role of OMP in assuring management integrity in the Regional operations. OMPs' responsibilities include human capital management, management of physical infrastructure and transportation resources, information technology resources and fiscal resources. Program office directors are expected to and do routinely raise management integrity issues in the roundtable portion of the ET meetings. ET members are also briefed on their responsibilities related to management integrity.

ET members also lead subject-specific committees. For example, Region 10 recently has begun implementing change in how the Region manages email servers to reduce costs for maintenance of backup servers and avoid expenditures for new equipment. The Executive Technology Information Committee (ETIC) reviewed and approved a policy of email and archive email file sizes, and clarified expectations regarding retaining appropriate records and managing litigation information. Since the start of the implementation of this policy mail file size on the servers has gone from 2 terabytes to approx 600 gigabytes.

As described in detail below in the human resource policies and procedures section, the Region's eight associate directors play a critical role in management of the Region's vacancies.

In close coordination with the DRA and having consultative discussions with the ET, OMP has developed an on-line set of management metrics to further enhance conscientious management of agency resources. Region 10's Management Metrics project provides a tool to improve our financial and administrative management performance. Fourteen metrics were selected that reflect some of the key components of our organizational infrastructure, such as timecards, financial activity, grants monitoring, unliquidated obligations (ULOs), email file quotas and air miles. We aim to improve performance and management of resources through results-based decision-making by providing quarterly and annual reports of data to Region 10's Executive Team. These reports display each metric, goal, quarterly/annual targets, results, trends, and analyses of the data. By directing our attention to these metrics and analyzing quantitative data, we can learn how to improve our performance in each office and as a region.

Organizational Structure

In the past year, I have led and supported an ambitious set of activities to improve Region 10's effectiveness and efficiency which affected our organizational structure and the assignment of authority and responsibility.

Most prominent is our Region 10 Strategic Alignment Plan: National Priorities with a Local Focus - Region 10's Approach for Implementing Administrator Jackson's Seven Priorities, FY 2011 - 2015. The Plan sets out specific objectives and actions that support each of Administrator Jackson's Seven Priorities and our Three Foundational Principles: *Integrating Sustainability, Maintaining Core Programs (Especially Enforcement), and Strengthening EPA's Workforce and Capabilities* to shape *how* we achieve our objectives. To implement the Plan, we have begun tracking and reporting on key actions throughout each fiscal year. The DRA and I will periodically engage with the Executive Team to measure progress on meeting the specific actions, objectives and higher-level priorities outlined in the Plan, with a focus on key priority actions, and reports of quantitative and qualitative data.

An integral piece of the Strategic Alignment effort was to identify high priority areas of work in which to invest our scarce resources while making corresponding disinvestments in other areas. We have accomplished much of this objective through intentional shifts within offices, reassignments, redirecting vacant positions from one office to another and seeking process efficiencies in select programs.

The first process efficiency effort is underway. Region 10 participated in a Lean analysis in order to improve the process for User management requests for New Users, which provides staff with the tools and software to do their work. The analysis resulted in a reduced time for providing the new user a computer, phone, software, and access to the network from 19 days to 5 days. The outcome was also to place the computer and phone on the desk at least one day prior to their start date. Before this new process was implemented, the set up was often not complete prior to the employee's first day of work and sometimes continued a week beyond the new user's start date, obviously hindering productivity.

A review was led by the DRA which carefully evaluated the Region's staffing plan and made adjustments to better align staffing and activities with the Agency's plan.

Each program develops roles and responsibilities; chain of command authority within and across programs is clear. Organizational structure is reviewed biannually in conjunction with the Position Management Plan updates, to determine if changes are needed to address new challenges or program objectives.

In the past year the Office of Environmental Cleanup (ECL) submitted a formal reorganization request to change the management structure of that office so as to improve program delivery. Using special account funding, ECL determined it could support four additional FTE within their base. These FTE will be used to bring more rigor to resource management and project planning and tracking on the remedial side, more focus on regional and national policy issues, and more time for remedial Unit Managers to work with their individual staff. One important part of this will be to create a Program Manager position, similar to a Branch Chief, for the Remedial Cleanup Program. The existing Site Cleanup Units #2, #3, and #4 and the Senior Policy Advisor will report to the new Remedial Cleanup Program Manager. The existing Program Management Unit (PMU) which provides support services across the Superfund and Brownfields programs will become a direct report to the AD. PMU works closely with the AD on budget, contracts, and hiring issues across the office. Over the last several years, a similar management structure was

put in place for our Emergency Management Program with the use of Team Leaders. This program was formalized with a position similar to a Branch Chief as well.

More broadly, Region 10 is expanding its effort to reduce first-line supervision challenges, by assessing unit size and complexity in a comprehensive fashion. This is expected to lead to recommendations, including possible new changes to organizational structure to promote more effective supervision and program delivery. In addition, we are seeking to enhance communication and improve regional risk identification and problem solving by transitioning from monthly training sessions for managers into a more participatory forum for managers to themselves identify issues and develop solutions.

Information flow generally occurs through several means. First ET members have regular meetings with their direct reports and first-line supervisors, sharing, as appropriate, decisions and information from the weekly ET meetings. These meetings are an opportunity to discuss issues of consistency across units, including personnel matters, workload distribution, resource needs, and special projects. Our first-line supervisors have one-on-one meetings regularly with their director and associate director to brief them on key issues. These meetings also serve as an additional opportunity to discuss strategic direction and priorities from our National Program Office and the ET. This year we sought to highlight the importance of these meetings and to improve the quality of information exchanged by creating a framework utilizing concepts from Stephen Covey's Seven Habits of Highly Effective People.

Second, our first-line supervisors typically have meetings with their staff at least monthly and Office Directors convene quarterly all-staff meetings, or more frequently if needed.

Third, I issue a monthly newsletter that provides information to all Region 10 staff regarding accomplishments both nationally and regionally as well as updates on topics of interest to staff. In a similar vein, the Region hosts quarterly all-staff meetings that serve a similar purpose and which also include a question and answer session to further promote effective communication and understanding of the region priorities and objectives.

Finally, as part of a broad agency effort, Region 10 Information Resources Unit initiated a project to update the regional webpage "InfoPage." Approximately 67% of content on the web pages was considered redundant, outdated and/or trivial (ROT). Restructuring the webpages consistent with national guidelines, templates, and increased search capabilities improves the availability of information and resources available for staff.

Assignment of Authority and Responsibility

In Region 10, we appropriately assign authority and delegate responsibility to the proper personnel to deal with organizational goals and objectives. As described above, the Region's implementation of PARS assures that each employee's performance and the assignment of tasks are reviewed at least twice yearly. Each employee knows (1) how his or her actions interrelate to others considering the way in which authority and responsibilities are assigned, and (2) is aware of the related duties concerning internal control.

Office directors follow an established process in setting unit manager and individual staff performance measures. These measures reach beyond the standard measures used to gauge

program success (i.e., Senior Management Measures and Government Performance and Results Act (GPRA) Measures) and enhance individual accountability and responsibility. This process starts with the sharing of the office director's performance goals, which include all GPRA measures. Unit managers then meet one-on-one with staff to establish individual performance goals based on project milestones or other programmatic targets. A subset of these is then rolled up to the unit manager level and each unit manager meets one-on-one with the office director to establish individual goals. These goals are all then reflected in individual employee PARS agreements.

In addition to establishing clear lines of responsibility for achieving program goals, official delegations of authority are adhered to. Throughout Region 10, managers have established a formal delegation of authority for approval processes, "acting" responsibilities when managers are out of the office, and communicated expectations and responsibilities to one another and staff regarding organizational goals and objectives.

Our Strategic Alignment effort also included a revision and restatement of our mission, vision and values. We are in the process of developing a means of articulating the link between these articulated values and the performance and conduct expectations of all regional employees.

Human Resource Policies and Practices

Region 10 has developed the Region 10 Human Resources Development strategy. One area of the strategy is the annual training plan, where training courses links to agency priorities.

This year HRU conducted monthly all-supervisor training sessions addressing such topics as hiring, orienting, training, evaluating, counseling, promoting, compensating, disciplining and terminating employees. Guidance and comprehensive checklists have been created for new employees and their supervisors, covering information to be shared and actions taken at various points (immediately upon beginning employment, within 2 weeks, within a month, within 3 to 6 months, and within 6 to 12 months, respectively). In the last year, Region 10 also provided 12 hours of orientation to all new employees.

Each office director with a vacancy or proposed new position submits a Strategic Hiring Request (SHR) to the associate office director group (associates). These SHRs address the proposed position classification and grade, the need for the position, critical qualifications and skills, how external hires will meet strategic goals as well as workforce planning goals of grade balancing by hiring at the entry level, increasing diversity, especially from under-represented groups, obtaining/retaining critical skills, and effective stewardship of projected budgets. After discussion and approval by the associates, the Deputy Regional Administrator must approve the SHR before being sent to the HRU along with the PD for processing.

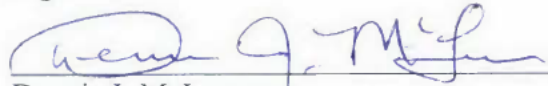
Oversight Groups

Region 10 collaborates with national oversight groups such as Government Accountability Office (GAO), Office of Management and Budget (OMB), and Office of Inspector General (OIG) to explore and resolve issues. For example, our HRU works with EPA Headquarters and Office of Personnel Management (OPM) to provide both inside and outside review of its practices and

transactional activity. Our Fiscal Management and Planning Unit collaborates with national and Regional oversight groups such as GAO, OMB, OIG and Headquarters.

For grants, Region 10 project officers, grants specialists, and grant coordinators monitor the Integrated Grants Management System (IGMS) Post Award database to assure compliance with administrative and programmatic requirements. In 2011, Region 10 will perform nineteen advanced post-award administrative reviews conducted by our own team of Specialists and contractor support, including four for recipients of Recovery Act funds from the Drinking Water State Revolving Funds (SRF) and the Clean Water SRF, Diesel Emissions Reduction Act and Brownfields programs. Besides satisfying its grants oversight responsibilities, the Region believes that these reviews improve the chances for successful completion of the grant activities, and assists grant recipients in developing their administrative capacities. We also welcome, and rely on, the findings of OIG and Office of Grants and Debarments (OGD) reviews to identify both internal and external risks, through EPA program and system reviews, as well as financial reviews of recipients of EPA funds. During FY11, one OIG audits was completed on a Recovery Act Drinking Water SRF grant. Region 10 continues to work with the OIG on a collaborative basis to resolve any outstanding findings from past audits.

Signature:



Dennis J. McLerran
Regional Administrator


Date



Correspondence Management System

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Citizen Information

Citizen/Originator: Martin, James B

Organization: U.S. Environmental Protection Agency - Region 8

Address: 1595 Wynkoop Street, Denver, CO 80202

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Constituent: N/A

Committee: N/A

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CC: N/A

Lead Information

Lead Author: N/A

Lead Assignments:

Assigner	Office	Assignee	Assigned Date	Due Date	Complete Date
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Supporting Information

Supporting Author: N/A

Supporting Assignments:

Assigner	Office	Assignee	Assigned Date
(b) (6) Personal Privacy	OEX	OCFO	Aug 16, 2011

History

Action By	Office	Action	Date
(b) (6) Personal Privacy	OEX	Forward control to OCFO	Aug 16, 2011