

Testimony of the Honorable Nikki Tinsley
Inspector General
U.S. Environmental Protection Agency
Before the
Subcommittee on Energy Policy, Natural Resources and Regulatory Affairs
Committee on Government Reform
United States House of Representatives

Good morning, Mr. Chairman, and Members of the Committee, I am Nikki Tinsley, the Inspector General for the U.S. Environmental Protection Agency. I am pleased to be here today to share with you information on EPA's top 10 management challenges. The "top 10" is a list that has been developed annually in the last few years by each Inspector General's office in response to a request by Congress. Under the Reports Consolidated Act of 2000, it is now a required component of an agency's Annual Performance Report.

Many of the top ten challenges identified by the Inspectors General at other federal departments and agencies are the same, and not surprisingly, these are the same issue areas that the president's management agenda seeks to address. During my oral testimony, I will highlight the management challenges that are particularly important to EPA's working relationship with the states. For the record, I will submit our entire report, which includes all ten issues with detailed information on audit and evaluation work we have done in each area.

Linking Mission and Management

President's Management Agenda items - linking budget and performance, improved financial management, and competitive outsourcing.

EPA can be viewed as a business which must seek to deliver high-quality products and services; improved environmental and human health protection to its customers, the taxpayers, at a reasonable cost. Over the years, we have recommended to EPA a number of improvements to enhance accountability for the resources it spends.

To tell its story of performance in relationship to its goals, EPA needs to strengthen its efforts to ensure that regional and state priorities and targets are considered when developing outcome based goals and defining measures. Further, Agency managers, Congress, and the public need to know the cost of activities in order to judge overall performance. Without detailed information on what is working, and at what cost, Agency management cannot make informed decisions on how to best deploy resources to achieve results.

EPA has integrated its budget and accounting structure with the Government Performance and Results Act (GPRA) architecture, and accounts for costs by Goal and Objective. However, more needs to be done to improve EPA's cost accounting system and processes so Agency managers have useful,

consistent, timely, and reliable information on the cost of carrying out EPA's programs. The Agency has output data on activities, but few environmental performance goals and measures, and little data that support the Agency's ability to measure environmental outcomes and impacts. This makes it difficult to provide the regions and states the flexibility to direct their resources to what they consider to be the highest payoff activities, as well as to assess the impact of the Agency's work on human health and the environment.

Better performance measurement and financial accountability can be achieved through clearly linked performance measures with defined environmental outcome goals. Over the past two years, the Agency has taken several steps to improve its ability to manage for results and account for its resources. In August 2001, the Deputy Administrator charged the Office of the Chief Financial Officer (OCFO) with convening a group of senior leaders from across the Agency to examine EPA's strategic planning, priority-setting, budgeting, and accountability structures and processes. EPA has started developing the process for linking costs to goals but now must follow through by working with its regional offices and state and federal partners in developing appropriate outcome measures and accounting systems that track environmental and human health results across the Agency's goals. This information must then become an integral part of EPA's senior management's decision-making process.

In recent years, cost accounting has become increasingly important to Congress. Additionally, key elements of the President's Management Agenda emphasize government-wide initiatives to improve financial management, and increase competitive outsourcing. To effectively address these priorities, agencies will need to develop timely, accurate, and detailed cost information for their programs and activities, and outputs. We believe EPA's cost accounting system does not completely satisfy these objectives. We believe the OCFO supports creating systems that can provide the detailed information to managers necessary to support results-based decisions, however, this process needs to be intensified.

Information Resources Management

President's Management Agenda item - e-government.

Information Resources Management (IRM) covers a broad area of inter-related activities. In many respects, sound IRM practices establish the foundation for enabling e-government. Audits of EPA programmatic areas often have a component relating to environmental data information systems, and we frequently find deficiencies within these systems. Today, most states have developed environmental programs with their own supporting information systems, based upon their own needs. Moreover, EPA and the states often apply different data definitions within these information systems, and sometimes collect and input different data. The result has been that states and EPA report inconsistent data, incomplete data, or obsolete data.

The Agency is moving in the right direction, but many pieces that influence the effectiveness of a data management program still need to be fully addressed. During recent years, the Agency has specifically targeted various components, but developing a robust data management program has proven to be a complex and elusive effort. As such, corrective action dates have been extended several times since

this Agency-wide problem was first reported in 1994.

Data reliability is another major aspect of data management that needs further attention. Recent audits indicate systems used by EPA's Enforcement, Superfund, and Water programs have inconsistent, incomplete, and obsolete data. As a result of these shortcomings, it is unlikely EPA will have the foundation it needs to share comparable information, monitor environmental activities or compare progress across the nation in the near future. Moreover, EPA's ability to enforce environmental laws and evaluate the outcomes of its programs in terms of environmental changes will continue to be limited by gaps and inconsistencies in the quality of its data.

EPA continues to work with the Environmental Council of States to identify and develop additional data standards. Past experiences suggest that the overall process needs to move forward in a more timely and structured manner. To its credit, EPA also has already developed several key registry systems and expects to adopt four new data standards in FY 2002, however, EPA management is letting states decide whether they want to adopt these standards. If EPA's exchange network infrastructure is to work effectively, the use of data standards cannot be voluntary. EPA needs to continue its efforts to identify what data is necessary to manage its programs, and work with its partners to ensure that such information is captured and reported in a timely, accurate, and consistent manner.

At this time, EPA is working to produce its first State of the Environment Report to be issued in the Fall of 2002. The purpose of the report card will be to inform the public on EPA's progress in protecting the environment and human health, and verify the Agency's goals and objectives are being met. This initiative will provide the next opportunity to honestly evaluate the Agency's data collection processes, quality and costs.

Employee Competencies

President's Management Agenda item - human capital management.

EPA's leadership recognizes that one of its biggest challenges over the next several years is the creation and implementation of a workforce planning strategy that focuses its attention and resources on employee development. EPA needs to better integrate human capital into its strategic plans by more effectively defining and developing needed competencies in leadership, information management, science and technical skills. The need for training has been highlighted in a number of our audit reports and in reviews by GAO and the National Academy of Public Administration.

Our review of the National Environmental Performance Partnership System (NEPPS), which was created in recognition of the key role the states have in environmental protection, concluded that a lack of training for EPA employees has hindered the effective implementation of this program. Audits have repeatedly noted a need to better train managers in their oversight and administration of EPA's assistance agreements programs. Additionally, we found that EPA has not required, nor regularly provided, specific training for its managers or executives to lead a results and accountability oriented culture.

EPA's FY 2001 Strategic Plan also broadly recognized the importance of human capital as a key priority for the Agency. In addition, GAO reported that EPA needs to implement a workforce planning strategy to determine the skills and competencies needed to meet current and future needs. This need will intensify as about half of EPA's scientific and senior managers become eligible for retirement within five years. In response, EPA has begun implementing a Human Capital Strategic Plan. EPA's workforce planning efforts call for identifying the skills needed in every program unit based on an assessment of future program needs, identifying skill gaps, and tying skill needs to future budget requests. EPA awarded a contract in early calendar year 2002 to develop a model workforce planning process and a system that will meet the Agency's competency-based workforce planning needs.

EPA's Use of Assistance Agreements to Accomplish Its Mission

Assistance agreements constitute approximately one-half of the Agency's budget and are the primary vehicles through which EPA delivers environmental and human health protection. Therefore, it is important that EPA and the public receive what the Agency has paid for.

Over the past several years, our audit work has repeatedly identified problems in the delivery of environmental protection activities through assistance agreements. For example, we reported in September 2000 that EPA Region 8 was not consistently awarding and monitoring tribal grants. Agency officials placed a higher priority on external relationships, generally with the tribes, and some grants included unallowable activities or had inadequate or untimely work plans and progress reports.

Recent audits of EPA's assistance recipients disclosed that some recipients did not have adequate financial and internal controls to ensure federal funds were managed properly. As a result, EPA had limited assurance that grant funds were used in accordance with workplans and met negotiated environmental targets. Further, in May 2001, the OIG reported that the Agency did not have a policy for awarding discretionary assistance funds, totaling \$1.3 billion, competitively and recommended such a policy be developed. Without competition, EPA cannot ensure it is funding the best products based on merit and cost effectiveness, thereby achieving program objectives and accomplishing its environmental mission. The Agency agreed and is drafting a policy which will address competition in the award of discretionary assistance funds.

The Agency has completed a number of actions to improve its oversight controls over assistance agreements, including requiring additional training for all project officers and issuing policy on project officer and grant management oversight roles and responsibilities. We are reviewing those actions and will continue to work with the Agency to identify solutions to assistance problems.

EPA's Working Relationship With the States

During the last two decades, environmental and human health protection programs have grown in size, scope, and complexity. Many environmental problems transcend media boundaries and solutions may require innovative, cross-media approaches. EPA and states recognized that existing arrangements for implementing environmental programs and addressing environmental problems were not as efficient and effective as they could be.

EPA depends heavily on states to fund and implement national programs as well as provide most of the environmental data. EPA and states have not yet agreed on how states will have flexibility, while being

accountable for environmental results. Relations between EPA and states have been impacted by disagreements over: 1) respective roles and the extent of federal oversight, 2) priorities and budgets, and 3) results-oriented performance measures, milestones, and data. EPA can improve its working relationship with states by establishing a structure to set direction, establish goals, provide training, oversee accomplishments, and ensure accountability of EPA program and regional offices for encouraging and facilitating joint planning and priority setting with the states.

In an audit of state enforcement of the Clean Water Act, we reported that the state programs could be much more effective in deterring noncompliance with discharge permits and, ultimately, improving the quality of the nation's water. EPA and the states have been successful in reducing point source pollution. However, despite tremendous progress, nearly 40 percent of the nation's assessed waters are not meeting the standards states have set for them. The state strategies we evaluated needed to be modified to better address environmental risks, including contaminated runoff. Contaminated runoff, including agricultural and urban runoff, was widely accepted as causing the majority of the nation's remaining water quality problems. We recommended that EPA work with the states to develop risk-based enforcement priorities and upgrade the Permit Compliance System to ensure the System meets federal and state needs.

In a series of audits on regional and state the National Environmental Performance Partnership System (NEPPS) program implementation (including PPGs), we found that NEPPS principles were not well-integrated into EPA because of the lack of: (1) leadership providing a clear direction and expectations, (2) training and guidance, (3) trust in NEPPS due to fear of change and losing control, and (4) goals and related performance measures to monitor and measure progress on achieving better environmental results.

The current Administration has taken steps to set Agency direction for NEPPS and to better integrate it into EPA. The Administrator has emphasized a personal interest in seeing NEPPS succeed and expand. She described NEPPS as an excellent model of how EPA should work with states, and asked Regional Administrators to provide her with regular reports on how NEPPS is working. She also asked the Assistant Administrators to work with the Regions and states in identifying areas where flexibility is available and to encourage the testing of new measures of program performance.

While the Agency has taken some notable actions, we believe much remains to be done to improve EPA's working relationship with states while ensuring maximum environmental and human health benefits to the public. For example, EPA and state managers continue to struggle with how to provide states flexibility to address their highest environmental priorities while continuing to implement and report on core program requirements. In addition, EPA has not defined its performance measures and related milestones to monitor EPA and state progress toward accomplishing NEPPS and PPGs goals. We will continue to monitor the Agency's progress in addressing this important issue.

EPA's Elevation to Cabinet Level Department

Despite the responsibility implied by its name, the Environmental Protection Agency cannot address all environmental issues on its own. Under a number of federal environmental laws, EPA must delegate to the states the primary responsibility for implementing those laws. In addition to EPA's state partners, EPA also relies upon a host of other federal departments and agencies to accomplish its mission. To give some perspective, EPA's budget makes up less than 20 percent of the nation's environmental and natural resource programs.

The OIG is working in conjunction with other federal OIG's to develop an inventory of federal environmental programs. To date, we have identified more than 300 environmentally related programs managed by other federal agencies. Strong relationships and good coordination with these agencies are essential for meeting current and future environmental challenges. However, we believe that in order for EPA to have the best opportunity for success, it is important to have seat at the table as a Cabinet level federal department.

I thank the Committee for their attention. This concludes my remarks. I am happy to answer any questions you may have at this time.

(Attachment)

1. Linking Mission and Management

EPA can be viewed as a business which must endeavor to deliver high-quality products and services -- improved environmental and human health protection -- to its customers the American people, at a reasonable cost. Over the years, we have recommended to EPA a number of improvements to enhance accountability for the resources it spends.

The Agency has established a framework for “results-based management” by setting long-term goals and objectives, with strategies for achieving them; setting annual goals and measures linked to EPA’s budget request; tracking progress annually and longer-term; and using the results to adjust the Agency’s goal setting and strategy development. However, EPA needs to improve its planning, measuring and accountability by involving its partners in goal and priority setting, linking output and outcome measures to its goals, and accounting for the cost of achieving those results.

EPA’s strategic planning and budget architecture is organized around ten separate strategic goals which do not generally address overlapping environmental issues or the needs and priorities of EPA’s regions and its state partners, which implement the majority of the Agency’s programs. The Agency needs to strengthen its efforts to ensure that regional and state priorities and goals are considered when setting its national goals, defining meaningful measures, and accounting for costs and performance.

To tell its story of performance in relationship to its goals, the Agency must develop more outcome-based strategic and annual targets with its partners. When the Agency merged the budget and the Government Performance and Results Act (GPRA) process, it adopted a set of goals and measures that reflected each aspect of EPA’s budget. The Agency has output data on activities, but few environmental performance goals and measures and little data that support the Agency’s ability to measure environmental outcomes and impacts. EPA’s reliance on output measures has made it difficult to provide the regions and states the flexibility to direct their resources to what they consider to be the highest pay-off activities, as well as assess the impact of the Agency’s work on human health and the environment. Better performance measurement and financial accountability can be achieved through clearly linked, meaningful performance measures with defined environmental outcome goals. To be accountable to the American people, EPA and its partners need to capture and report meaningfully environmental and human health results information in a timely manner.

As a result of EPA’s integration of its budget and accounting structure with the GPRA strategic architecture, the Agency accounts for all costs by Goal and Objective. However, more needs to be done to improve EPA’s cost accounting system and processes so Agency managers have useful, consistent, timely, and reliable information on the cost of carrying out EPA’s programs. It is also critical that EPA timely reports the full costs of its outcome results, outputs and

activities. In addition, EPA managers may need and want other types of cost information beyond cost per output.

The Office of the Chief Financial Officer (OCFO) should lead an effort to determine what other types of cost information may be useful to Agency managers. Once these needs have been determined, the OCFO should then develop other meaningful cost measures. Congress and federal executives may find this cost information useful in making decisions about allocating resources, authorizing and modifying programs and evaluating performance.

Over the past two years, the Agency has taken several steps to improve its ability to manage for results and account for its resources. In August 2001, the Deputy Administrator charged OCFO with convening a Managing for Improved Results Steering Group, comprised of senior leaders from across the Agency. The Steering Group is examining EPA's strategic planning, priority-setting, budgeting, and accountability structures and processes to identify potential improvements and to develop a change strategy that will operate on two fronts: (1) by identifying options for significant, far-reaching reforms to national processes and systems and (2) by pursuing incremental changes and smaller-scale improvements that can be effected immediately.

While the Agency has taken a number of actions, we believe much remains to be done. Overall, EPA needs a comprehensive system to accumulate, report, link and use environmental information on activities and outcomes, as a basis for determining environmental return on investment, sound resource decisions, and accountability to the American people. EPA has started developing the process for linking costs to goals but now must follow through by working with its regional offices and state and Federal partners in developing appropriate outcome measures and accounting systems that track environmental and human health results across the Agency's goals. This information must then become an integral part of EPA's senior management's decision-making process.

OIG Products

2001-B-000001	EPA's Progress in Using the Government Performance and Results Act to Manage for Results, June 13, 2001
2001-1-00107	Audit of EPA's Fiscal 2000 Financial Statements, February 28, 2001
2000-P-0028	RCRA Corrective Action Focuses on Interim Priorities-Better Integration with Final Goals Needed, September 29, 2000
2000-P-10	Biosolids Management and Enforcement, March 20, 2000
2000-M-000828	EPA Needs Better Integration of the National Environmental Performance Partnership System, March 31, 2000
1999-000209	Region 8 Needs to Improve Its Performance Partnership Grant Program to Ensure Accountability and Improved Environmental Results, September 29, 1999
1999-000208	Region 6 Oversight of Performance Partnership Grants, September 21, 1999

1999-P-00216

Region 4's Implementation and Oversight of Performance
Partnership Grants, September 27, 1999

91000115

EPA Controls Over RCRA Permit Renewals, March 30, 1999

2. Information Resources Management

Information Resources Management (IRM) covers a broad area of inter-related activities, including fundamental concepts such as using enterprise and data architecture strategies to guide the integration and management of data; implementing data standards to facilitate data sharing; and establishing quality assurance practices to improve the reliability, accuracy, and scientific basis of environmental data. Industry is identifying strategically important data as an enterprise or corporate asset, and spending significant amounts of money collecting and managing such data. Audits of EPA programmatic areas often have a component relating to environmental data information systems, and we frequently find deficiencies within these systems. We have often identified deficiencies within the Agency's data information systems. Today, most states have developed environmental programs with their own supporting information systems, based upon their own needs. Moreover, EPA and the states often apply different data definitions within these information systems, and sometimes collect and input different data. The result has been that states and EPA report inconsistent data, incomplete data, or obsolete data.

The Agency is moving in the right direction, but many pieces that influence the effectiveness of a data management program still need to be fully addressed. During recent years, the Agency has specifically targeted various components, but developing a robust data management program has proven to be a complex and elusive effort. As such, corrective action dates have been extended several times since this Agency-wide problem was first reported in 1994.

To date, several areas remain to be completed. For example, the Agency has yet to implement a 1998, agreed-upon, OIG recommendation to formally revise its policies and procedures to support an Agency standards program. Also, over a 2 ½ year period, EPA developed and formally approved six data standards; however, management estimates that these standards will not be implemented in the Agency's major environmental systems until the end of fiscal 2003. EPA also continues to work with the Environmental Council of States to identify and develop additional data standards. Past experiences suggest that the overall process needs to move forward in a more timely and structured manner. To its credit, EPA also has developed a Facility Registry System and several metadata registries -- the Environmental Data Registry, Chemical Registry System, Biology Registry System, Substance Registry System, and Terminology Reference System. Additionally, EPA expects to adopt four new data standards in FY 2002 in the areas of Permitting, Enforcement and Compliance, Water Quality Monitoring, and Tribal Identifiers.

The Assistant Administrator for Environmental Information is responsible for developing and maintaining a strategic information resources management plan. However, EPA has not revised its outdated information technology strategy or fully developed an Enterprise Architecture Plan to address the

integration and management of its environmental data to support EPA strategic goals. The informal target date for completing EPA's target Enterprise Architecture is September 2002.

Data reliability is another major aspect of data management that needs further attention. Recent audits indicate systems used by EPA's Enforcement, Superfund, and Water programs have inconsistent, incomplete, and obsolete data. On-going audit work indicates that data in two major Agency systems contain significant error rates in crucial data fields. For example, over 85 percent of the cases reviewed within EPA's National Enforcement Docket System contained errors in at least one key field. Many of these data fields were Congressionally-reported and used to track environmental progress on Government Performance and Results Act goals and measures. The Agency has taken significant steps to be responsive to data quality concerns by instituting an Integrated Error Correction Process, which provides an effective feedback mechanism for reporting and resolving errors identified by the public on EPA web sites. From May 2000 to September 2001, EPA received 987 alleged errors and resolved 650 of them. The rest are under review by EPA and State analysts.

Moreover, while the Agency recognizes and is trying to address such data accuracy problems, it has not developed a strategic plan to address the fact that managers may not have the right environmental data to make sound decisions. This year, EPA began developing a Data and Information Quality Strategic Plan to prioritize recommendations for improving the quality of currently collected data. However, the draft plan does not include a methodology to address the long-recognized problem of data gaps.

As a result of these short-comings, it is unlikely EPA will have the foundation it needs to share comparable information, monitor environmental activities or compare progress across the nation. Moreover, EPA's ability to enforce environmental laws and evaluate the outcomes of its programs in terms of environmental changes will continue to be limited by gaps and inconsistencies in the quality of its data. EPA needs to continue its efforts to identify what data is necessary to manage its programs, and work with its partners to ensure that such information is captured and reported in a timely, accurate, and consistent manner.

3. Results-Based Information Technology Project Management

Six years after the Clinger-Cohen Act (Act) introduced new requirements for managing Information Technology (IT) investments, it is apparent that EPA still has much to accomplish in planning for and developing an IT infrastructure to manage an integrated investment portfolio approach for environmental information. Specifically, EPA's strategic IT plan is seven years old and does not reflect the current needs of the Agency, much less the Act's requirements.

The Clinger Cohen Act intended a central process with a Chief Information Officer (CIO) to manage IT investments across the Agency. Since enactment of the Act, the Agency has taken two significant actions. In 1998, EPA established the CIO position and assigned responsibility for establishing an IT Architecture and an IT Capital Portfolio Investment Control (CPIC) process. Then, in 1999, EPA reorganized its IT management structure and established a Quality Information Council to coordinate IT investments across the programs. Although these two actions were meant to bring about changes in the way EPA manages its IT investments, IT project management continues as it did before the CIO

position was established and significant gaps exist in the way IT investments are proposed, reviewed, funded, and managed.

For example, we have significant concerns regarding the effectiveness of EPA's current management structure, the consistency of its IT investment process, and the Agency's inability to track IT development and implementation effectively. Our concerns regarding the lack of IT project management at EPA were echoed in a special report, *Federal Agency Compliance with the Clinger-Cohen Act*, issued by the Senate Governmental Affairs Committee in October 2000. EPA has attempted to address these problems, but after five years has yet to propose a final project management process for IT capital investments for OMB reporting purposes.

Further, the IT CPIC process needed for managing and monitoring IT projects, continues to evolve slowly, year after year, with no established completion date. In addition, the Agency's IT policies are outdated and do not implement the Act's requirements. Therefore, managers are not urged to follow new procedures. Moreover, after six years, the Chief Financial Officer has just enacted an OIG recommendation to establish an IT project cost accounting methodology. We have concluded that EPA has an evolving, decentralized, and unmonitored approach to integrating information using existing IT projects, which in themselves have not developed or implemented minimal project management controls.

These weaknesses have significant ramifications because EPA reported approximately \$398 million in fiscal 2000 investments and planned investments of \$428 million for fiscal 2001. In March 2001, the Agency also reported that it expects to spend at least \$449 million in fiscal 2002. In addition, a recent OMB report card concluded that 61 percent of EPA's fiscal 2002 IT Investment Portfolio was at high risk of failure. OMB reached this opinion primarily because it could not tell whether or how the Agency was using an enterprise architecture approach to assess and manage its development, modernization and enhancement projects.

To facilitate improvements in environmental protection, EPA must provide environmental information to its diverse stakeholders. To achieve that goal, EPA needs to update its IT strategic plan to address the Agency's programmatic and operational goals, complete developing a common Agency IT architecture for IT projects, and establish a CPIC process that supports program needs such as environmental data standards, geographical information, and electronic reporting.

OIG Products

2001-P-00013	State Enforcement of Clean Water Act Dischargers Can Be More Effective, August 14, 2001
2000-P-00019	EPA's Oversight of State Stack Testing Programs, September 11, 2000
2000-P-00010	Biosolids Management and Enforcement, March 20, 2000
2000-P-00018	EPA's Multimedia Enforcement Program, June 30, 2000

4. Employee Competencies

The Agency recognizes that one of its biggest challenges over the next several years is the creation and implementation of a workforce planning strategy that focuses its attention and resources on employee development. EPA needs to better integrate human capital into its strategic plans by more effectively defining and developing needed competencies in leadership, management, science and technical skills. Appropriate training for staff, including supervisors and managers, is critical to the credibility of EPA's actions in accomplishing its environmental mission. The need for training is highlighted in a number of our audit reports and in reviews by GAO and the National Academy of Public Administration.

Specifically, an audit of the Superfund program disclosed that the Headquarters program office and several EPA regions did not clearly identify the quality assurance training needs of program staff. Even in regions where training needs were identified, the training was not always provided. We also found that EPA employees in the hazardous waste program needed more rigorous training to calculate proposed penalties against violating facilities. As a third example, our review of the National Environmental Performance Partnership System (NEPPS) concluded that a lack of training for EPA employees has hindered the effective implementation of this program. Audits have repeatedly noted a need to better train managers in their oversight and administration of EPA's assistance agreements programs. Additionally, we found that EPA has not required, nor regularly provided, specific training for its managers or executives to lead a results and accountability oriented culture.

In an audit on Region 6's Supplemental Environmental Projects (SEP), we found that the region did not effectively implement the SEP policy to ensure that EPA and the environment/public health were the primary beneficiaries of such projects. Better training in SEP procedures and methods, improved controls and guidance in evaluating project quality and monitoring SEP implementation, and more effective coordination with the Justice Department would have improved the Region's implementation of SEP policy.

EPA recognized the need for broader management, leadership and technical skills in its "*Workforce Assessment Project*" report which discussed the implications of future changes in EPA's mission and role in environmental protection. The study identified competency gaps that EPA must close to ensure its workforce can meet existing and new challenges.

EPA's FY 2001 Strategic Plan also broadly recognized the importance of human capital as a key priority for the Agency. In addition, GAO reported that EPA needs to implement a workforce planning strategy to determine the skills and competencies needed to meet current and future needs. This need will intensify as about half of EPA's scientific and senior managers become eligible for retirement within five years. In response, EPA has begun implementing a Human Capital Strategic Plan. EPA's workforce planning efforts call for identifying the skills needed in every program unit based on an assessment of future program needs, identifying skill gaps, and tying skill needs to future budget requests. EPA plans to award a contract in early calendar year 2002 to develop a model workforce planning process and a system that will meet the Agency's competency-based workforce planning needs.

EPA's Human Capital Strategy specifically addresses the need for management and leadership competencies by implementing a series of management development programs. The Agency needs to further its commitment to deploy the strategy by dedicating resources, developing performance measures, implementing necessary systems for recruiting and developing needed competencies, and then holding managers accountable.

OIG Products

2000-P-00014	Region 6 Supplemental Environmental Projects, August 22, 2001
2000-M-000828	EPA Needs Better Integration of the National Performance Partnership System, March 31, 2000
1999-000209	Region 8 Needs to Improve Its Performance Partnership Grant Program to Ensure Accountability and Improved Environmental Results, September 29, 1999
8100240	EPA Had Not Effectively Implemented Its Superfund Quality Assurance Program, September 30, 1998
8100256	Pre-award Management of EPA Assistance Agreements, September 30, 1998

4. Quality of Laboratory Data

The quality of laboratory data supplied to the EPA for regulatory compliance and remediation purposes continues to be a pressing issue. Environmental data of questionable authenticity can lead to concerns about the soundness of EPA decisions pertaining to the protection of the environment and public health. Furthermore, data integrity issues lead to additional costs and unnecessary delays when the EPA has to identify and assess the impact of the fraudulent data and undertake additional sampling.

In a June 1999 memorandum to the Acting Deputy Administrator, we suggested actions the Agency could take to better identify data of questionable quality. However, current, on-going lab fraud investigations indicate that despite Agency efforts to ensure data quality, manipulated data continues to be generated and supplied to the Agency.

Our reviews and investigations have disclosed a particularly disturbing trend in the number of environmental laboratories that are providing misleading and fraudulent data to the states for monitoring the nation's public water supplies. Several current lab fraud investigations involve severe manipulation of lab data used to evaluate the compliance of public water supplies with Federal drinking water standards. Some of these manipulations have masked potential violations of the drinking water regulations. Many of the Agency's other programs (e.g., Superfund, Resource Conservation and Recovery Act, National Pollution Elimination and Discharge System, air toxins; underground storage tanks, and pesticides) have also been impacted by laboratory fraud.

The number of on-going lab fraud investigations has doubled over the last year. One of the investigations resulted in the indictment of 13 individuals, with five convictions. The laboratory made a criminal plea of conspiracy to commit mail fraud, and received a \$9,000,000 fine. Environmental

decisions based on this manipulated data at numerous military and civilian waste sites had to be reviewed and, in many cases, verified through additional testing. One EPA region estimated that the consequential damages resulting from this activity were approximately \$1 million.

The Agency has conducted extensive technical systems assessment audits at all EPA regional and research laboratories. In addition, EPA has provided fraud detection and awareness training and ethics training; studied electronic methods for screening data; and issued guidance discussing the level of quality assurance given the intended use of data. These efforts should help to improve the quality assurance systems and documentation throughout the Agency's environmental laboratories. However, until the impact of these and any other recommended actions is realized, EPA must continue to assess and improve its controls over laboratory data quality.

OIG Products

IG's open letter to the environmental analytical laboratory community,
September 5, 2001.

2000-P-3 Review of Region 5 Laboratory Operations, November 22, 1999

Memo to the Acting Deputy Administrator: Laboratory Fraud: Deterrence and
Detection, June 25, 1999

5. EPA's Information Security Program

EPA relies on its information systems to collect, process, store, and disseminate vast amounts of information used to assist in making sound regulatory and program decisions. Therefore, it is essential that Agency prevent intrusion and abuse of its information systems and protect the integrity of its data.

We have issued a number of reports that cited critical inadequacies in the Agency's information security program and recommended specific corrective actions. In addition, a July 2000 General Accounting Office (GAO) review of EPA's information security program found serious and pervasive problems within the Agency's information security program that "essentially rendered it ineffective." GAO's report identified the existing practices as weak and largely a paper exercise that had done little to mitigate risks to the Agency data and systems.

EPA has made substantial improvements to its Information Security Program. The Agency has improved its risk assessment and planning processes, implemented major new technical and procedural controls, begun the issuance of new policies, and finally, begun a regular process of testing and evaluation. Under the leadership of the Office of Environmental Information (OEI), the Agency has been working to achieve the Agency's goals of making information on EPA's computer systems available, while protecting the confidentiality and integrity of its information. While no security program is perfect, the Agency's Information Security Program is substantially stronger than it was.

The dynamic nature of security, however, requires continued emphasis and vigilance. More needs to be done to protect the Agency's information and systems. In our view, EPA needs to establish a strong centralized security program with oversight processes that would adequately address risks and ensure valuable information resources and environmental data are secure. Given the Agency's decentralized organizational structure, it is essential that OEI establish a strong leadership and monitoring role to ensure the success of its computer security program.

OIG Products

- 2001-P-00016 GISRA: Status of EPA's Computer Security Program, September 7, 2001
- 2001-P-00004 Environmental Protection Agency Payroll and Personnel Systems (EPAYS) Access Controls, March 22, 2001
- 2000-1-00330 RACF Security controls, June 30, 2000
- 2000-P-16 Security of Region VIII's Dial-Up Access, March 31, 2000

7. EPA's Use of Assistance Agreements to Accomplish Its Mission

Assistance agreements constitute approximately one-half of the Agency's budget and are the primary vehicles through which EPA delivers environmental and human health protection. Therefore, it is important that EPA and the public receive what the Agency has paid for.

Over the past several years, our audit work has repeatedly identified problems in the delivery of environmental protection activities through assistance agreements. For example, we reported in September 2000 that EPA Region 8 was not consistently awarding and monitoring tribal grants. Agency officials placed a higher priority on external relationships, generally with the tribes, and did not pay sufficient attention to grant management and internal organizational relationships. Some grants included unallowable activities or had inadequate or untimely work plans and progress reports.

Recent audits of EPA's assistance recipients disclosed that some recipients did not have adequate financial and internal controls to ensure federal funds were managed properly. As a result, EPA had limited assurance that grant funds were used in accordance with workplans and met negotiated environmental targets. For example, an EPA Region 5 grantee could not adequately account for almost \$169,000 of the \$300,000 in EPA funds. Also, a Region 2 grantee had submitted multiple financial status reports with different ending balances, had excess federal funds on hand, and could not support that it had met the minimum cost-sharing requirement. Misuse of grant funds also resulted in an agreement with the City of Cleveland to settle a civil lawsuit charging that the city's Air Pollution Control Program improperly spent a total of \$429,158 in grant funds awarded by EPA.

Further, in May 2001, the OIG reported that the Agency did not have a policy for awarding discretionary assistance funds, totaling \$1.3 billion, competitively and recommended such a policy be developed. Without competition, EPA cannot ensure it is funding the best products based on merit and cost effectiveness, thereby achieving program objectives and accomplishing its environmental mission.

The Agency agreed and is drafting a policy which will address competition in the award of discretionary assistance funds.

The Agency has completed a number of actions to improve its oversight controls over assistance agreements, including requiring additional training for all project officers and issuing policy on project officer and grant management oversight roles and responsibilities. We are reviewing those actions and will continue to work with the Agency to identify solutions to assistance problems.

OIG Products

- 2001-P-00008 EPA's Competitive Practices for Assistance Agreements, May 21, 2001
- 2000-P-00021 Increased Focus on Grant Management and Internal Relationships Would Improve Region 8's Tribal Assistance Program, September 29, 2000
- 2000-1-0416 Grant Management Practices of Rhode Island Department of Environmental Management, September 21, 2000
- 2000-P-000020 Ohio Environmental Protection Agency Superfund Cooperative Agreement, September 15, 2000
- 2000-4-0059 Michigan Association of Conservation Districts, September 7, 2000
- 1999-1-00310 Costs Claimed by Western States Air Resources Council, September 30, 1999
- 1999-S-00189 Region 10's Award and Administration of Grants to the Western States Air Resources Council, September 30, 1999
- 1999-P-00215 Identification and Enforcement of RCRA Significant Non-Compliers by EPA Region III and the Virginia Department of Environmental Quality, September 20, 1999
- 1999-00213 National Association of Minority Contractors (NAMC), August 23, 1999
- 1999-1-00224 Region 2's Enforcement of the Resource Conservation and Recovery Act (RCRA), July 21, 1999
- 9100115 EPA Controls Over RCRA Permit Renewals, March 30, 1999
- 9100117 Center for Chesapeake Communities, March 31, 1999
- 9300006 Center for Environment, Commerce and Energy, February 17, 1999
- 9100078 RCRA Significant Non-Complier Identification and Enforcement by the Rhode Island Department of Environmental Management, January 21, 1999

8. Backlog of National Pollutant Discharge Elimination System (NPDES) Permits

The Clean Water Act specifies that NPDES permits may not be issued for more than five years. Permittees wishing to continue discharging beyond that term must submit an application for permit renewal at least six months prior to the expiration date of their permit. If the permitting authority receives that application but does not reissue the permit prior to expiration, the permit may be "administratively continued." These administratively continued permits are considered "backlogged."

Backlogged permits are an important issue because the conditions upon which the existing permit is based may have changed since the original permit was issued. These changed conditions might require that the permittee discharge less toxic waste or less volume of waste. The “backlogged” permit would not contain these new terms and conditions, thereby delaying potential environmental improvements to waters.

EPA is the permitting authority for six states and has delegated permitting authority to the remaining 44 states. The Agency recognizes that the backlog of NPDES permits is a nationwide problem and has developed a corrective action plan that includes a variety of strategies to reduce the backlog. These strategies include creating a streamlined process for developing permits by taking advantage of new technology; providing assistance to the states through both environmental assessments and permit assistance; and finally, communicating the importance of this issue to the states and EPA regional offices and receiving firm commitments to reduce the backlog from them.

EPA’s goal is to reduce the backlog of NPDES permits for major facilities to 10 percent by the end of calendar year 2001 and to 10 percent for major and minor permits by the end of calendar year 2004. As of August 2001, the percentage of backlogged major permits was 23.5 percent, and 27 percent for minors.

EPA estimates that only Region 4 will meet the 2001 goal for major permits. According to EPA officials, the 2001 goal will not be met because of the dramatic increase in the complexity of writing NPDES permits over the past several years due to the number of parameters included in permits.

EPA realizes that its current permitting system needs to be reevaluated and that the Agency needs to find new ways of implementing the NPDES program or the problem will become worse. According to EPA officials, the number of point sources needing permits has increased five times in the past 10 years. EPA is considering a number of innovative methods to address the expanding scope of the NPDES program. For example, the use of general permits that are written for a class of similar facilities, and the use of information technology to expedite the entire permit development process, including electronic submission of permit applications, electronic files to develop permits, and electronic reports are all viable options.

We will continue to monitor the progress EPA makes in addressing this important issue. Eliminating the backlog and making the permit issuance process more efficient will free up resources for other important activities.

9. EPA’s Working Relationship With the States

During the last two decades, environmental and human health protection programs have grown in size, scope, and complexity. Many environmental problems transcend media boundaries and solutions may require innovative, cross-media approaches. EPA and states recognized that existing arrangements for implementing environmental programs and addressing environmental problems were not as efficient and effective as they could be.

EPA depends heavily on states to fund and implement national programs as well as provide most of the environmental data. EPA and states have not yet agreed on how states will have flexibility, while being accountable for environmental results. Relations between EPA and states have been strained due to disagreements over: 1) respective roles and the extent of federal oversight, 2) priorities and budgets, and 3) results-oriented performance measures, milestones, and data. EPA can improve its working relationship with states by establishing a structure to set direction, establish goals, provide training, oversee accomplishments, and ensure accountability of EPA program and regional offices for encouraging and facilitating joint planning and priority setting with the states.

In an audit of state enforcement of the Clean Water Act, we reported that the state programs could be much more effective in deterring noncompliance with discharge permits and, ultimately, improving the quality of the nation's water. EPA and the states have been successful in reducing point source pollution. However, despite tremendous progress, nearly 40 percent of the nation's assessed waters are not meeting the standards states have set for them. The state strategies we evaluated needed to be modified to better address environmental risks, including contaminated runoff. Contaminated runoff, including agricultural and urban runoff, was widely accepted as causing the majority of the nation's remaining water quality problems. We recommended that EPA work with the states to develop risk-based enforcement priorities and upgrade the Permit Compliance System to ensure the System meets federal and state needs.

The National Environmental Performance Partnership System (NEPPS) established a new framework to reinvent the EPA-state working relationship to better focus on working as partners to accomplish complex environmental issues with scarce resources. As one of the primary tools for implementing NEPPS, performance partnership grants (PPG) allow states and tribes to combine multiple EPA grants into one. EPA began implementing PPGs in 1996.

In a series of audits on regional and state NEPPS program implementation (including PPGs), we found that NEPPS principles were not well-integrated into EPA because of the lack of: (1) leadership providing a clear direction and expectations, (2) training and guidance, (3) trust in NEPPS due to fear of change and losing control, and (4) goals and related performance measures to monitor and measure progress on achieving better environmental results.

Since we began issuing our reports in September 1999, the Agency has taken several steps to ensure that NEPPS fulfills its potential. To address the lack of leadership and clear direction for NEPPS, the Agency formally designated the Assistant Administrator for the Office of Congressional and Intergovernmental Relations as the National Program Manager for NEPPS. The Agency also began drafting a handbook to promote understanding of NEPPS and included PPG project officer training as part of its national grants conference.

The current Administration has also taken steps to set Agency direction for NEPPS and to better integrate it into EPA. The Administrator has emphasized a personal interest in seeing NEPPS succeed and expand. She described NEPPS as an excellent model of how EPA should work with states, and asked Regional Administrators to provide her with regular reports on how NEPPS is working. She also

asked the Assistant Administrators to work with the Regions and states in identifying areas where flexibility is available and to encourage the testing of new measures of program performance.

While the Agency has taken some notable actions, we believe much remains to be done to improve EPA's working relationship with states. For example, EPA and state managers continue to struggle with how to provide states flexibility to address their highest environmental priorities while continuing to implement and report on core program requirements. In addition, EPA has not defined its performance measures and related milestones to monitor EPA and state progress toward accomplishing NEPPS and PPGs goals. We will continue to monitor the Agency's progress in addressing this important issue.

OIG Products:

2001-P-00013	Water Enforcement: State Enforcement of Clean Water Act Dischargers Can Be More Effective, August 2001
2001-B-000001	EPA's Progress Using the Government Performance and Results Act to Manage for Results, June 13, 2001
2000-P-00008	Improving Region 5's EnPPA/PPG Program, February 29, 2000
2000-M-000828-000011	EPA Needs Better Integration of the National Environmental Performance Partnership System, March 31, 2000
1999-000209-R8-100302	Region 8 Needs to Improve Its Performance Partnership Grant Program to Ensure Accountability and Improved Environmental Results, September 29, 1999
1999-P-00216	Region 4's Implementation and Oversight of Performance Partnership Grants, September 27, 1999
1999-000208-R6-100282	Region 6 Oversight of Performance Partnership Grants, September 21, 1999

10. Protecting Infrastructure From Non-Traditional Attacks

Under Presidential Decision Directive (PDD) 63, initiated in May 1998, Federal Agencies are required to review by May 2003 their respective critical physical and cyber-based infrastructures to ensure the performance of their mission in the event of non-traditional attacks within the United States. The Directive also places additional responsibility with Federal agencies considered to have a major sector vulnerable to infrastructure attacks. EPA has been assigned the designated Lead Agency and Sector Liaison for the nation's water systems. The Agency, in cooperation with its private sector counterparts, is to address potential areas of vulnerability and critical infrastructure protection of the nation's water systems.

In June 2001, we reported that funding problems caused delays in attempts by EPA and the private sector to develop a national framework for protecting this critical infrastructure. Consequently, some key PDD 63 requirements, such as conducting vulnerability assessments and risk mitigation, as well as implementing a Vulnerability Awareness and Education Program for the water sector, had yet to be achieved. As a result, the OIG could not state whether EPA and its private sector counterparts would be successful in their attempt to develop a national framework for protecting the critical infrastructure of the nation's water supply.

In our report, we recommended that the Agency complete PDD 63 activities in process, fill gaps in critical infrastructure planning, and address resource needs. In response, the Agency generally agreed with our conclusions and recommendations. The Agency cited various actions to address security issues, including developing a vulnerability assessment methodology for the industry, training utilities to undertake vulnerability assessments, revising emergency operations plans to incorporate specific counter-terrorism measures, supporting the development of a secure Information System and Analysis Center, and awarding grants to study the use of advanced technology to produce devices for detecting dangerous microorganisms in water supplies.

In light of the events of September 11, 2001, the OIG and the Senate Committee on Environmental and Public Works asked the Agency in October to report its current and more immediate action plans to protect the nation's water systems from terrorist attack. In a November 19, 2001, memo to the OIG, the Agency reported that the Administrator has established a Water Protection Task Force with a staff working full-time on implementing

PDD 63 and other related activities (this increased the staff working on water security issues from one full-time engineer to about 10 full-time staff and many part-time EPA specialists). Significant progress has been made on many of the tasks outlined in a 1998 draft plan to develop the National Infrastructure Assurance Plan: Water Supply Sector. Most of the tasks have been examined closely, revised if appropriate, and placed on an accelerated schedule so that the majority of activities will be completed by the end of 2002, with the remainder completed in 2003. Besides accelerating the work, the Agency has expanded the work to include support for all water systems, both drinking water and wastewater (original plan was to focus on the largest drinking water systems serving more than 100,000 people).

This is a major Agency initiative with national impact that merits continued attention to ensure that planned activities are implemented, milestones are met, and issues are reported, addressed, and corrected as soon as possible. We will monitor the Agency's progress on this important water issue.

OIG Products

2001-P-00010

Review of EPA's Adherence to PDD 63, June 25, 2001