



U.S. Environmental Protection Agency

OFFICE OF INSPECTOR GENERAL

Annual Performance Report Fiscal Year 2014



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Abbreviations

CSB	U.S. Chemical Safety and Hazard Investigation Board
EPA	U.S. Environmental Protection Agency
FOIA	Freedom of Information Act
FY	Fiscal Year
OIG	Office of Inspector General
RadNet	Radiation Monitoring System

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Message From the Inspector General

I am pleased to present the Annual Performance Report of the U.S. Environmental Protection Agency (EPA) Office of Inspector General (OIG) for fiscal year 2014. This report summarizes OIG activity, performance, results and challenges, and provides a financial accounting of resources for the year compared to our annual performance targets. This report supplements, with greater quantitative and narrative detail, the OIG summary performance results presented in the agency's *Fiscal Year 2014 Agency Financial Report* and *Fiscal Year 2014 Annual Performance Report*, available at <http://www.epa.gov/ocfopage>.



Arthur A. Elkins Jr.

This document details the public benefit and return on investment provided by the OIG, both in annual increments and over the long term. For example, during the year, the OIG identified:

- \$380 million in EPA potential savings and recoveries.
- 448 recommendations to improve agency programs, operations, public health and safety.
- 324 environmental and business actions taken for improvement of EPA operations or reduced risks.

Additionally, OIG investigations accounted for 213 criminal, civil and administrative actions.

We rely upon our customers and stakeholders to inform us about the quality of our performance and help us identify and reduce areas of risk. Please do not hesitate to contact me in this regard, as one of my personal goals is to build constructive relationships that promote the economic, efficient and effective delivery of the EPA's mission.

A handwritten signature in black ink, appearing to read "Arthur A. Elkins Jr.", written in a cursive style.

Arthur A. Elkins Jr.
Inspector General

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About the U.S. Environmental Protection Agency Office of Inspector General

The Office of Inspector General (OIG) is an independent office of the U.S. Environmental Protection Agency (EPA) that promotes economy, efficiency and effectiveness—as well as detects and prevents fraud, waste and abuse—to help the agency protect human health and the environment more efficiently and cost effectively. Although we are part of the EPA, Congress provides us with a budget line item separate from the agency’s to ensure our independence. The EPA OIG is governed by the Inspector General Act of 1978, as amended (P.L. 95-452). The EPA OIG also serves as the Inspector General for the U.S. Chemical Safety and Hazard Investigation Board (CSB).

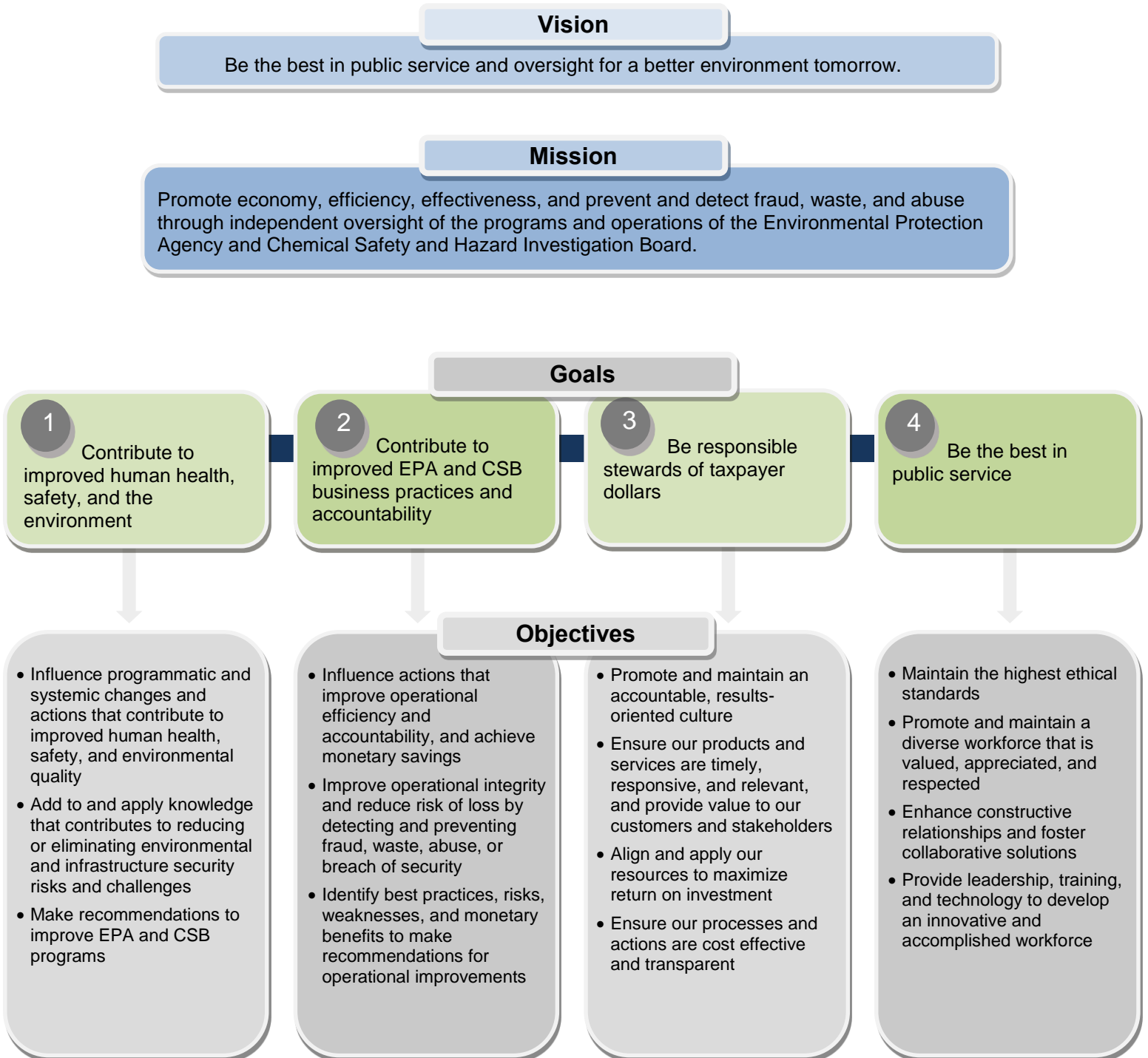
OIG Product and Service Lines

OIG staff are physically located at headquarters in Washington, D.C.; at regional headquarters offices for all 10 EPA regions; and at other EPA locations including Research Triangle Park, North Carolina, and Cincinnati, Ohio. OIG activities can be divided among four main categories, with specialized product and service lines in each, through which the OIG carries out its mission. The categories and product/service lines in fiscal year (FY) 2014 were as follows:

Program evaluations	Audits	Investigations	Management and public affairs
<ul style="list-style-type: none"> • Air • Water • Land Cleanup and Waste Management • Toxics, Chemical Management, and Pollution Prevention • Special Program Reviews • Science, Research, and Management Integrity 	<ul style="list-style-type: none"> • Financial Audits • Contracts and Assistance Agreements Audits • Information Resources Management Audits • Forensic Audits • Efficiency Audits 	<ul style="list-style-type: none"> • Financial Fraud • Program Integrity • Employee Misconduct • Laboratory Fraud • Computer/Cyber Crimes • Hotline 	<ul style="list-style-type: none"> • Legislation/Policy and Regulation Review • Audit Follow-Up • Financial/Performance Management/Planning • Human Capital • Congressional/Public Affairs • Office of Counsel • Publications and Web Management • Information Technology and System Support

OIG Strategic Plan

The OIG developed its strategic plan for FYs 2012–2016 based upon statutory requirements for the EPA OIG; the statutory mission of the EPA; and direct input from the OIG’s stakeholders, managers and staff. Key elements from the OIG’s strategic plan follow.



Scoreboard of Results

Scoreboard of OIG FY 2014 Performance Results Compared to FY 2014 Annual Performance Goal Targets

Our work is designed to help the EPA reduce risk, improve practices and program operations, and save taxpayer dollars so that the agency can better protect the environment. The information below shows the taxpayers’ return on investment for the work performed by the EPA OIG during FY 2014. All results reported in FY 2014, from current and prior years’ work, are based on the annual performance goals and plans established through implementation of the Government Performance and Results Act.

In FY 2014, the OIG exceeded its performance targets in all four of the established goals. In terms of monetary return on investment as a percentage of our budget, we reported \$380 million in savings, a \$7.35 return on investment for every \$1 spent.

Annual Performance Goal 1:	
Environmental and business actions taken or realized by the EPA (based on OIG recommendations)	
Target: 248 Reported: 324 (131% of goal)	Supporting measures 306 Environmental and management actions implemented or improvements made 17 Critical congressional and public concerns addressed 1 Legislative or regulatory change made
Annual Performance Goal 2:	
OIG environmental and business recommendations, awareness briefing or testimony (for agency action)	
Target: 687 Reported: 944 (137% of goal)	Supporting measures 766 Environmental and management recommendations or referrals for action 57 Environmental and management certifications, verifications and validations 31 Environmental and management risks and vulnerabilities identified 90 External awareness briefings, training or testimony given
Annual Performance Goal 3:	
Monetary return on investment – potential monetary return on investment as percentage (125%) of budget	
Target: 125% return Reported: \$380.0 (734% return)	Supporting measures (dollars in millions) \$54.51 Questioned costs \$321.7 Recommended efficiencies, costs saved \$3.8 Fines, penalties, settlements and restitutions
Annual Performance Goal 4:	
Criminal, civil and administrative actions reducing risk or loss/operational integrity	
Target: 125 Reported: 213 (170% of goal)	Supporting measures 19 Criminal convictions 50 Indictments, information and complaints 3 Civil actions 76 Administrative actions (other than debarments or suspensions) 54 Suspension of debarment actions 11 Allegations disproved

Meeting EPA Themes and Goals/Strategies

FY 2014 OIG-Issued Reports Addressing EPA Themes and Cross-Agency Goals/Strategies

When conducting our audit and evaluation work during FY 2014, we initially took into account the EPA's seven themes set by EPA Administrator Gina McCarthy for meeting the challenges ahead, so that we could better assist the EPA to carry out its mission of protecting human health and the environment. During the fiscal year, the EPA adopted its FYs 2014–2018 Strategic Plan that includes five strategic goals and four cross-agency strategies, and we started measuring our results based on those goals/strategies.

The first table below shows how our audit and evaluation reports aligned with each of the agency's themes; the second table shows how reports aligned with the agency's new goals/strategies. Some reports addressed more than one theme or goal/strategy.

OIG-Issued Reports — Linkage to EPA Themes

OIG Report	Report No.	Making a Visible Difference in Communities Across the Country	Addressing Climate Change and Improving Air Quality	Taking Action on Toxics and Chemical Activity	Protecting Water: A Precious, Limited Resource	Launching a New Era of State, Tribal and Local Partnerships	Embracing EPA as a High Performing Organization	Working Toward a Sustainable Future
Environmental Benefits Being Considered in Award of Great Lakes Grants	14-P-0004				X			
EPA Does Not Adequately Follow National Security Information Classification Standards	14-P-0017						X	
The State of Colorado Did Not Fully Assure That Funds Intended to Treat Mining Wastes and Remove Contaminants from Water Were Effectively Spent	14-R-0032	X			X	X		
Fiscal Year 2013 Federal Information Security Management Act Report: Status of EPA's Computer Security Program	14-P-0033						X	
Early Warning Report: Internal Controls and Management Actions Concerning John C. Beale Pay Issues	14-P-0036						X	
Early Warning Report: Internal Controls and Management Actions Concerning John C. Beale's Travel	14-P-0037						X	
Audit of EPA's Fiscal 2013 and 2012 Consolidated Financial Statements	14-1-0039						X	
Dozier Technologies, Inc. Failed to Comply With Financial and Management Requirements of Its Support Services Contract	14-4-0040						X	
Fiscal Years 2012 and 2011 (Restated) Financial Statements for the Pesticides Reregistration and Expedited Processing Fund	14-1-0041						X	
Fiscal Years 2012 and 2011 (Restated) Financial Statements for the Pesticide Registration Fund	14-1-0042						X	

EPA Office of Inspector General Annual Performance Report – Fiscal Year 2014

OIG Report	Report No.	Making a Visible Difference in Communities Across the Country	Addressing Climate Change and Improving Air Quality	Taking Action on Toxics and Chemical Activity	Protecting Water: A Precious, Limited Resource	Launching a New Era of State, Tribal and Local Partnerships	Embracing EPA as a High Performing Organization	Working Toward a Sustainable Future
Response to Congressional Inquiry Regarding the EPA's Emergency Order to the Range Resources Gas Drilling Company	14-P-0044	X		X	X			
Audit of American Recovery and Reinvestment Act Cooperative Agreement 2A-00E85701 Awarded to the Greater Lansing Area Clean Cities	14-R-0088	X	X			X		
Internal Controls Needed to Control Costs of Emergency and Rapid Response Services Contracts, as Exemplified in Region 6	14-P-0109						X	
EPA Needs to Improve Safeguards for Personally Identifiable Information	14-P-0122						X	
Complaints Regarding Debris Management at the West, Texas, Fertilizer Plant Explosion Have Been Addressed	14-P-0123			X				
Ineffective Oversight of Purchase Cards Results in Inappropriate Purchases at EPA	14-P-0128						X	
EPA Did Not Conduct Thorough Biennial User Fee Reviews	14-P-0129						X	
Unless California Air Resources Board Fully Complies With Laws and Regulations, Emission Reductions and Human Health Benefits Are Unknown	14-R-0130	X	X					
National Association of State Departments of Agriculture Research Foundation Needs to Comply With Certain Federal Requirements and EPA Award Conditions to Ensure the Success of Pesticide Safety Education Programs	14-P-0131			X			X	
Early Warning Report: National Service Center for Environmental Publications in Blue Ash, Ohio, Spent \$1.5 Million to Store Excess Publications	14-P-0132						X	
EPA's Information Systems and Data Are at Risk Due to Insufficient Training of Personnel With Significant Information Security Responsibilities	14-P-0142						X	
EPA Needs to Improve Management of the Cross-Media Electronic Reporting Regulation Program in Order to Strengthen Protection of Human Health and the Environment	14-P-0143						X	X
Improvements to EPA Policies and Guidance Could Enhance Protection of Human Study Subjects	14-P-0154		X					
Quick Reaction Report: EPA Oversight Needed to Ensure Beach Safety in U.S. Virgin Islands	14-P-0155	X			X			
EPA Needs to Continue to Improve Controls for Improper Payment Identification	14-P-0171						X	
EPA Needs to Demonstrate Whether It Has Achieved the Goals It Set Under the National Petroleum Refinery Initiative	14-P-0184		X					
EPA Needs to Clarify Its Claim of "No Net Loss" of Wetlands	14-P-0191				X			

EPA Office of Inspector General Annual Performance Report – Fiscal Year 2014

OIG Report	Report No.	Making a Visible Difference in Communities Across the Country	Addressing Climate Change and Improving Air Quality	Taking Action on Toxics and Chemical Activity	Protecting Water: A Precious, Limited Resource	Launching a New Era of State, Tribal and Local Partnerships	Embracing EPA as a High Performing Organization	Working Toward a Sustainable Future
Chemical Import Data May Help EPA Identify Facilities That Need to File or Update Risk Management Plans	14-N-0239			X				
Audit of EPA Passport Controls	14-P-0243						X	
EPA OIG's Compliance With EPA Passport Guidance	14-B-0244						X	
EPA Compliance With Retention Incentive Regulations and Policies	14-P-0245						X	
EPA OIG Compliance With Retention Incentive Regulations and Policies	14-B-0246						X	
EPA Employees Did Not Act Consistently With Agency Policy in Assisting an EPA Grantee	14-P-0247				X			
Briefing Report: Review of EPA's Process to Release Information Under the Freedom of Information Act	14-P-0262						X	

OIG-Issued Reports — Linkage to EPA Goals and Strategies

OIG Report	Climate Change/ Air Quality	Protecting America's Waters	Cleaning Communities/ Sustainable Development	Safe Chemicals/ Preventing Pollution	Enforcing Laws/ Ensuring Compliance	Working Toward Sustainable Future	Making Difference in Communities	State, Tribal, Local and International Partnerships	Embracing EPA as High-Performing Organization
EPA Has Not Implemented Adequate Management Procedures to Address Potential Fraudulent Environmental Data (14-P-0270)	X	X	X						
Weak Management of a Climate Change Services Contract Creates Risk EPA Did Not Receive Services for Which It Paid (14-P-0272)									X
New Jersey Department of Environmental Protection Needs to Meet Cooperative Agreement Objectives and Davis-Bacon Act Requirements to Fully Achieve Leaking Underground Storage Tank Goals (14-R-0278)			X					X	
EPA Has Made Progress in Assessing Historical Lead Smelter Sites But Needs to Strengthen Procedures (14-P-0302)			X						
Wells Band Council Needs to Improve Its Accounting System to Comply With Federal Regulations (14-2-0316)							X		
EPA Should Improve Oversight and Assure the Environmental Results of Puget Sound Cooperative Agreements (14-P-0317)		X							X
Unliquidated Obligations Resulted in Missed Opportunities to Improve Drinking Water Infrastructure (14-P-0318)		X					X		
No Indications of Bias Found in a Sample of Freedom of Information Act Fee Waiver Decisions But the EPA Could Improve Its Process (14-P-0319)									X
Follow-Up Report: EPA Improves Management of Its Radiation Monitoring System (14-P-0321)	X								
Impact of EPA's Conventional Reduced Risk Pesticide Program Is Declining (14-P-0322)				X					

EPA Office of Inspector General Annual Performance Report – Fiscal Year 2014

OIG Report	Climate Change/ Air Quality	Protecting America's Waters	Cleaning Communities/ Sustainable Development	Safe Chemicals/ Preventing Pollution	Enforcing Laws/ Ensuring Compliance	Working Toward Sustainable Future	Making Difference in Communities	State, Tribal, Local and International Partnerships	Embracing EPA as High-Performing Organization
EPA Is Not Fully Aware of the Extent of Its Use of Cloud Computing Technologies (14-P-0323)									X
Improvements Needed in EPA Efforts to Address Methane Emissions From Natural Gas Distribution Pipelines (14-P-0324)	X								
EPA Met or Exceeded Most Internal Climate Change Goals, But Data Quality and Records Management Procedures Need Improvement (14-P-0325)	X					X			
Cloud Oversight Resulted in Unsubstantiated and Missed Opportunities for Savings, Unused and Undelivered Services, and Incomplete Policies (14-P-0332)									X
Increased Emphasis on Strategic Sourcing Can Result in Substantial Cost Savings for EPA (14-P-0338)									X
EPA Needs to Improve Contract Management Assessment Program Implementation to Mitigate Contracting Vulnerabilities (14-P-0347)									X
Nutrient Pollution: EPA Needs to Work With States to Develop Strategies for Monitoring the Impact of State Activities on the Gulf of Mexico Hypoxic Zone (14-P-0348)		X						X	
EPA Can Help Consumers Identify Household and Other Products with Safer Chemicals by Strengthening Its "Design for the Environment" Program (14-P-0349)				X					
EPA's Risk Assessment Division Has Not Fully Adhered to Its Quality Management Plan (14-P-0350)				X					
Audits on EPA Recovery Act-Funded Diesel Emission Reduction Act Assistance Agreements Reported Programmatic and Management Challenges (14-R-0355)	X								
Recipient Subawards to Fellows Did Not Comply With Federal Requirements and EPA's Involvement in Fellow Selection Process Creates the Appearance EPA Could Be Circumventing the Hiring Process (14-P-0357)						X			
Quality Control Review of EPA Office of Inspector General Reports Issued in Fiscal Year 2013 (14-N-0358)									X
EPA's Alternative Asbestos Control Method Experiments Lacked Effective Oversight and Threatened Human Health (14-P-0359)	X								X
More Action Is Needed to Protect Water Resources From Unmonitored Hazardous Chemicals (14-P-0363)		X		X	X				
EPA Needs to Improve Its Process for Accurately Designating Land as Clean and Protective for Reuse (14-P-0364)			X						

Performance Results and Highlights for FY 2014

OIG Office of Program Evaluation

The OIG’s Office of Program Evaluation examines root causes, effects and opportunities leading to findings, conclusions and recommendations that influence systemic changes and contribute to the accomplishment of the agency’s mission. Program evaluations answer questions about how well a program or activity is designed, implemented or operating in achieving EPA goals. Program evaluations may produce conclusions about the value, merits or worth of programs or activities. The results of program evaluations can be used to improve the operations of EPA programs and activities, sustain best practices and effective operations, and facilitate accomplishment of EPA goals.

In FY 2014, the Office of Program Evaluation completed 26 final reports, addressing a wide variety of agency activities, including national security, water resource protection, compliance with the Freedom of Information Act, and programs designed to ensure safer chemicals for public use. The office also conducts follow-up evaluations of prior OIG work to review agency corrective actions, ensuring compliance and measuring outcomes; one such follow-up is highlighted below. In the past year, work from this office has touched the American public directly through helping to protect EPA human study subjects and ensuring a safe beach environment in the U.S. Virgin Islands.

Key Performance Results

Reports issued: 26
Environmental and business actions taken or realized by the EPA (based on OIG recommendations)
<ul style="list-style-type: none"> ➤ 168 EPA policy, directive, practice, corrective action or process changes made or implemented (including best practices) ➤ 15 critical congressional or public management concerns addressed and resolved
OIG environmental and business recommendations, awareness briefing or testimony (for agency action)
<ul style="list-style-type: none"> ➤ 100 recommendations for improvement ➤ 40 certifications, verifications, validations
Monetary return on investment and sustained recommendations
<ul style="list-style-type: none"> ➤ \$1.8 million return on investment ➤ 42 sustained environmental or business recommendations

Performance Highlights

EPA Has Made Progress in Assessing Historical Lead Smelter Sites But Needs to Strengthen Procedures

- **What We Found:** We conducted this review to determine how the EPA has addressed the sites in its August 2012 Lead Smelter Strategy. The strategy focuses on 464 historical lead smelter sites across the country, also known as “Eckel sites.” We also examined the actions the EPA has taken to inform communities near Eckel sites of potential lead contamination. We found that it took the EPA more than 12 years to complete the preliminary site

assessment work at the 464 Eckel sites. The EPA's ability to work on the Eckel sites was also impacted by an existing backlog of over 2,200 potentially contaminated sites. The overall absence of a process for the Eckel sites, as well as a lack of initial direction from the EPA, led to the inefficient use of agency resources.

- **Corrective Actions:** We recommended that the EPA establish criteria to determine up front whether to invest resources in screening efforts, improve tracking and recordkeeping regarding decisionmaking for non-petitioned sites such as the Eckel sites, and conduct periodic reviews to ensure that sites in the backlog have appropriate indicators of their priority. The EPA agreed to these recommendations and provided specific corrective actions highlighting the types of systems and mechanisms it will put into place.
- **Expected Impact of Implemented Actions:** The agency's corrective actions are expected to improve its ability to address site assessments with greater efficiency, and members of the public may decrease their exposure to contaminated sites. As a result of our inquiry, EPA revisited one site and took soil samples to make sure there was no risk to the public.
- **Link to Report:** <http://www.epa.gov/oig/reports/2014/20140617-14-P-0302.pdf>

Follow-Up Report: EPA Improves Management of Its Radiation Monitoring System

- **What We Found:** We performed this follow-up review to assess actions taken by the EPA on recommendations in OIG Report No. 12-P-0417, *Weaknesses in EPA's Management of the Radiation Network System Demand Attention*, issued April 19, 2012. The EPA's nationwide radiation monitoring system (RadNet) is designed to measure ambient levels of radiation in the environment. RadNet also measures large-scale atmospheric releases of radiation due to nuclear facility and other radiological incidents or accidents, including nuclear weapon detonations. In our 2012 report, we had recommended that the EPA address several issues affecting RadNet operational effectiveness, including requiring written expectations, implementing daily metrics and improving contracts.
- **Corrective Actions:** We found that responsible EPA offices completed corrective actions on all seven recommendations we reviewed from the 2012 OIG report. This included establishing and enforcing written expectations for RadNet operational readiness; implementing metrics for RadNet operational readiness; and improving planning and management of parts availability, monitoring of filter replacement and operators, and monitoring of the remaining RadNet monitors.
- **Expected Impact of Implemented Actions:** Since the EPA OIG's April 2012 report, the number of installed monitors in the RadNet network increased—from 124 to 132 monitors. In addition, EPA has eight more air monitors available for installation. Further, EPA has increased the RadNet's operational readiness. Our analysis of weekly status reports covering a 73-week period ending with the week of February 17, 2014, showed that an average of 92.9 percent of the air monitors were operational, up from 80 percent in March 2011. Completing the corrective actions increased both coverage and the EPA's ability to assess radioactive threats to the public and the environment.
- **Link to Report:** <http://www.epa.gov/oig/reports/2014/20140722-14-P-0321.pdf>

EPA Has Not Implemented Adequate Management Procedures to Address Potential Fraudulent Environmental Data

- **What We Found:** The EPA relies on external laboratories to provide environmental testing data and results. Intentionally falsified or fraudulent data can impact the public's trust in the EPA and could have serious implications for protecting human health and the environment from hazardous or toxic substances. We found that the EPA lacks a due diligence process for potential fraudulent environmental data. The agency has three policies and procedures that address how to respond to instances of fraudulent data, but they are all out of date or unimplemented. The EPA is not ensuring that fraudulent laboratory environmental data is being communicated to appropriate program offices and data users, reviewed, and analyzed for its impact on human health and the environment.
- **Corrective Actions:** We recommended that the agency: incorporate a process to respond to instances of fraudulent data into its current policy until revised policy is issued, state the details of a laboratory fraud due diligence process in its new policy, develop guidelines outlining the response when fraudulent laboratory data is discovered in ongoing criminal investigations, and provide training on laboratory fraud due diligence processes and procedures.
- **Expected Impact of Implemented Actions:** The EPA's corrective actions are expected to improve the validity of the EPA's reliance on laboratory data and help ensure that, if flawed data is discovered, the EPA has an appropriate response to ensure that use of the data does not negatively impact human health and the environment.
- **Link to Report:** <http://www.epa.gov/oig/reports/2014/20140529-14-P-0270.pdf>

Improvements Needed in EPA Efforts to Address Methane Emissions From Natural Gas Distribution Pipelines

- **What We Found:** We conducted this evaluation to determine what actions the EPA has taken to reduce methane emissions from leaking pipelines in the natural gas distribution sector. Methane is a potent greenhouse gas with a global warming potential 25 times that of carbon dioxide. We estimate that more than \$192 million in natural gas was lost in 2011 due to such leaks, a cost that is borne by consumers. We found that the EPA has placed little focus and attention on reducing methane emissions from pipelines in the natural gas distribution sector. The EPA has a voluntary program to address methane leaks—Natural Gas STAR—but its efforts through this program have resulted in limited reductions of methane emissions from distribution pipelines. This is due largely to financial and policy barriers, including disincentives for distribution companies to repair nonhazardous leaks.
- **Corrective Actions:** We recommended that the EPA: (1) work with the Pipeline and Hazardous Materials Safety Administration to address methane leaks from a combined environmental and safety standpoint, (2) develop a strategy to address the financial and policy barriers that hinder reductions from the distribution sector, (3) establish performance goals, (4) track distribution sector emissions and use that data to help determine if future regulation would be appropriate, and (5) assess whether data from ongoing studies should be used to update distribution sector emission factors.

- **Expected Impact of Implemented Actions:** Increased actions through EPA’s existing voluntary program—Natural Gas STAR—can reduce methane emissions from distribution pipelines. Further, enhanced tracking to assess the program’s progress in reducing emissions will help the EPA determine whether additional emission reduction strategies, including regulation, may be needed for distribution pipelines in the future.
- **Link to Report:** <http://www.epa.gov/oig/reports/2014/20140725-14-P-0324.pdf>

Briefing Report: Review of EPA’s Process to Release Information Under the Freedom of Information Act

- **What We Found:** We conducted this review to determine how the EPA offices and regions decide what information to release under the Freedom of Information Act (FOIA). Of the 14 offices we reviewed, all offices except one had internal FOIA procedures in writing, but they varied in their level of detail and finality. Seven offices had procedures that were not consistent with the EPA’s current interim procedures.
- **Corrective Actions:** We recommended that the EPA issue the final agency FOIA procedures by September 30, 2014. We also recommended that the EPA require that Senior Information Officials at each region and headquarters program office certify that their local FOIA procedures are consistent with the agency’s final procedures by March 31, 2015.
- **Expected Impact of Implemented Actions:** EPA corrective actions are expected to improve consistency of public access to federal government information, ensuring that citizens requesting information through the FOIA process receive reliable and consistent communications regardless of office or region originating the information.
- **Link to Report:** <http://www.epa.gov/oig/reports/2014/20140516-14-P-0262.pdf>

OIG Office of Audit

The Office of Audit designs and implements long-term, nationwide audit plans to improve the economy, efficiency and effectiveness of EPA programs and prevent fraud, waste and mismanagement. The office performs financial, performance, forensic and external audits related to (1) financial statements, (2) contracts, (3) assistance agreements, (4) program operations and (5) enterprise systems. During FY 2014, the main themes guiding our work were financial management; process and resource efficiency; information systems; program oversight, including grants and contracts management; chemical safety; operational controls; and environmental results.

The Office of Audit issued 38 reports during FY 2014, of which 16 were congressionally mandated or requested and 22 were discretionary. For FY 2014, these reports and our work from prior years resulted in 112 environmental and business outcomes realized; 677 environmental and business output recommendations or risks identified; and 326 sustained environmental or business recommendations, including \$322.3 million sustained questioned costs or efficiencies with an additional \$52.1 million of grants and contracts questioned. Our work included significant testimonies and congressional briefings on such topics as the time and attendance, retention pay, travel, overtime, personally identifiable information, and alias emails.

Reports Issued: 38	
Environmental and business actions taken or realized by EPA (based on OIG recommendations)	
<ul style="list-style-type: none"> ➤ 58 EPA policy, directive, regulatory practice corrective action or process changes made, realized or implemented (including best practices) ➤ 39 actions taken or resolved prior to report issuance ➤ 12 implemented recommendations previously reported as unimplemented ➤ 6 environmental or business operational or internal control risks, challenges or weakness reduced or eliminated 	
OIG environmental and business recommendations, risk identification awareness briefing or testimony (for agency action)	
<ul style="list-style-type: none"> ➤ 362 recommendations for improvement including information technology certifications ➤ 29 environmental or business operational or internal control risks or challenges identified ➤ 99 referrals for agency action ➤ 215 OIG-identified findings in external reports impacting EPA funding 	
Monetary Return on Investment and Sustained recommendations	
<ul style="list-style-type: none"> ➤ 326 sustained environmental or business recommendations ➤ \$53 million questioned costs, \$29.8 million sustained ➤ \$321.4 million recommended efficiencies, \$292.5 million sustained 	

Performance Highlights

EPA Did Not Conduct Thorough Biennial User Fee Reviews

- **What We Found:** The EPA Chief Financial Officer did not fully oversee the biennial reviews of user fees for services provided or provide internal review guidance, and the EPA's program offices were not fully aware of biennial review requirements. Consequently, the EPA may not have recovered \$17.8 million in program costs and collected funds that could have been available to reduce the federal budget deficit.

- **Corrective Actions:** We recommended that the EPA discuss biennial user fee results in the Agency Financial Report, coordinate requests for an exception to charging fees, and request fee exception programs to provide complete information about program fees and costs and help determine whether fees should be assessed. The EPA began improving its biennial review process by issuing a biennial user fee review guide, training user fee program personnel on biennial reviews, and increasing headquarters oversight of reviews.
- **Expected Impact of Implemented Actions:** We identified an EPA program—the Office of Water’s National Pollutant Discharge Elimination System program—with the potential to charge fees up to \$8.9 million per year to recover its costs of providing a service.
- **Link to Report:** <http://www.epa.gov/oig/reports/2014/20140304-14-P-0129.pdf>

Unliquidated Obligations Resulted in Missed Opportunities to Improve Drinking Water Infrastructure

- **What We Found:** The five states reviewed—California, Connecticut, Hawaii, Missouri and New Mexico—did not maximize the use of all drinking water fund resources. State programs reviewed were not adequately projecting the resources that would be available in the future to enable the states to anticipate the amount of projects needed to be ready for implementation in a given year. As a result, \$231 million of grant funds remained idle, loans were not issued, and communities were not able to implement needed drinking water improvements.
- **Corrective Actions:** We recommended that the EPA require states with unused resources for drinking water programs that exceed the Office of Water’s 13-percent-cutoff goal to project future cash flows to ensure funds are expended as efficiently as possible. We also recommended that the EPA develop guidance for states on what projects are to be included on the fundable lists and require regions, when reviewing capitalization grant applications, to ensure states are complying with the guidance. The EPA agreed to take sufficient corrective actions on most of the recommendations, but still needs to take steps to ensure states have adopted the EPA’s guidance on the definition of “ready to proceed.”
- **Expected Impact of Implemented Actions:** When hundreds of millions of Drinking Water State Revolving Fund dollars remain idle, states miss opportunities to improve the health of their communities’ drinking water infrastructure and the opportunity to infuse funds into the economy and create jobs.
- **Link to Report:** <http://www.epa.gov/oig/reports/2014/20140716-14-P-0318.pdf>

Cloud Oversight Resulted in Unsubstantiated and Missed Opportunities for Savings, Unused and Undelivered Services, and Incomplete Policies

- **What We Found:** The EPA developed processes to monitor cloud vendors. However, controls for the EPA’s cloud computing initiatives are incomplete and need improvement, including: improving related policies and procedures; providing additional training and oversight to contracting officers; performing documented cost benefit analyses that are in compliance with federal requirements; and implementing a strategy to perform a

documented analysis of all the assets in the EPA's information technology portfolio to determine which assets should be consolidated, retired or moved to the cloud.

- **Corrective Actions:** We recommended that the agency undertake a number of corrective actions to address deficiencies in the EPA's cloud computing initiatives, including: improving related policies and procedures; providing additional training and oversight to contracting officers; performing documented cost benefit analyses that are in compliance with federal requirements; and implementing a strategy to perform a documented analysis of all the assets in the EPA's IT portfolio to determine which assets should be consolidated, retired or moved to the cloud.
- **Expected Impact of Implemented Actions:** The EPA paid \$2.3 million for services that were not fully rendered or did not comply with federal requirements. Also, EPA management did not have reasonable assurance that the agency's cloud initiatives will be effective, efficient, and in compliance with applicable laws and regulations. Improved oversight could help the EPA achieve objectives for the millions spent for cloud services and identify potential cost savings.
- **Link to Report:** <http://www.epa.gov/oig/reports/2014/20140815-14-P-0332.pdf>

Early Warning Report: National Service Center for Environmental Publications in Blue Ash, Ohio, Spent \$1.5 Million to Store Excess Publications

- **What We Found:** The agency was storing more than 6 years' worth of publications at its National Service Center for Environmental Publications warehouse in Blue Ash, Ohio. As of December 6, 2013, the warehouse had an inventory of 18,406,848 publications but averaged only 2,949,643 publications shipped on a yearly basis. Consequently, the EPA was tying up funds by storing and caring for excess stock at an annual cost of up to \$1.2 million. Additional costs included warehouse activities and other direct costs, plus up to \$359,000 in leasing costs.
- **Corrective Actions:** The agency should evaluate its publication-storage requirements to determine appropriate adjustments based on average shipments to customers, as well as appropriate adjustments based on providing shipments in a timely manner, to ensure effective storage utilization.
- **Expected Impact of Implemented Actions:** The EPA could put over \$1.5 million to better use by reducing its inventory of excess publications at the Blue Ash warehouse. Following EPA OIG visits to the warehouse and several follow-up discussions with staff, the EPA reported that it recycled almost 2 million items, consisting of more than 140 tons of material, between June and October 2013. This generated additional savings of \$359,000 in annual leasing costs.
- **Link to Report:** <http://www.epa.gov/oig/reports/2014/20140311-14-P-0132.pdf>

New Jersey Department of Environmental Protection Needs to Meet Cooperative Agreement Objectives and Davis-Bacon Act Requirements to Fully Achieve Leaking Underground Storage Tank Goals

- **What We Found:** We questioned \$571,626 of potentially unallowable costs due to incorrectly calculated and applied indirect cost rates and failure to determine reasonableness of costs for two sub-grants as required by conditions of the award. The OIG also identified an unresolved issue pertaining to potentially unallowable costs of \$118,324 drawn under a prior EPA award. The costs, recorded as a refundable advance, represent funds received as of year-end but not yet earned.
- **Corrective Actions:** We recommended that the EPA require New Jersey to recalculate its indirect cost rates to be consistent with Code of Federal Regulations and establish controls to ensure that its financial management and procurement systems comply with federal requirements and conditions of the award. Further, we recommended that certain special conditions be included for all active and future EPA awards until New Jersey meets all applicable federal financial and procurement requirements.
- **Expected Impact of Implemented Actions:** The EPA disallowed and recovered \$689,950 pertaining to the financial management and procurement issues and the prior grant.
- **Link to Report:** <http://www.epa.gov/oig/reports/2014/20140310-14-P-0131.pdf>

OIG Office of Investigations

The OIG’s Office of Investigations primarily employs criminal investigators, as well as computer specialists and other staff, to conduct investigations. The majority of investigative work is reactive in nature. The OIG receives hundreds of allegations of criminal activity and serious misconduct in EPA programs and operations that may undermine the integrity of, or confidence in, programs, and create imminent environmental risks.

Performance Results

Investigations opened and closed
<ul style="list-style-type: none"> ➤ 100 investigations closed ➤ 108 investigations opened ➤ 275 hotline complaints received
Criminal, Civil and administrative actions reducing risks or loss/operational integrity
<ul style="list-style-type: none"> ➤ \$3.8 million in fines, settlements, restitutions ➤ 19 criminal convictions ➤ 3 civil actions ➤ 50 indictments/information/complaints ➤ 76 administrative actions (other than debarments and suspensions)

Performance Highlights

Man Gets 14 Years in Prison for Part in New Jersey Kickback Scheme

On March 3, 2014, Gordon D. McDonald, of Berlin, New Jersey, was sentenced in the U.S. District Court of New Jersey to 14 years in prison, followed by 1 year of supervised release, for his involvement in a kickback and bid rigging scheme related to two Superfund sites. In addition, McDonald was ordered to pay a \$50,000 fine. The amount of restitution is pending.

On September 30, 2013, following a 2-week trial, a jury found McDonald—a project manager with Severson Environmental Services Inc.—guilty of engaging in bid rigging, kickback and fraud conspiracies with three subcontractors at two New Jersey Superfund sites—Federal Creosote in Manville and Diamond Alkali in Newark. He also was convicted of engaging in an international money laundering scheme, major fraud against the United States, accepting illegal kickbacks, committing two tax violations and obstruction of justice.

The various conspiracies took place from about December 2000 to April 2007. As part of the conspiracies, McDonald and co-conspirators accepted kickbacks from subcontractors in exchange for the award of subcontracts for the two sites. McDonald provided co-conspirators with bid prices of their competitors, which allowed them to submit higher prices and still be awarded the subcontracts. In exchange for his assistance, McDonald was paid more than \$1.5 million in kickback payments. McDonald also accepted kickbacks in exchange for the award of subcontracts at the Federal Creosote site where he conspired to rig bids and allocate subcontracts at inflated prices for supplies and services.

In a related matter, another person involved in the case was given additional jail time. On October 16, 2013, James E. Haas Jr., a former representative of a New Jersey subcontractor, was sentenced to

6 months in prison to be followed by 24 months of supervised release. He also was ordered to pay his outstanding restitution of \$48,732. Haas already had served 33 months in jail following a February 2010 sentencing, and was given the additional prison time due to parole violations.

To date, nine individuals and three companies have been convicted or pleaded guilty in the ongoing investigation related to the two Superfund sites, and more than \$6 million in criminal fines and restitution have been imposed. The clean-up for the two sites was partly funded by the EPA. Under an interagency agreement between the EPA and the U.S. Army Corps of Engineers, prime contractors oversaw the removal, treatment and disposal of contaminated soil, as well as other operations, at the sites.

This case is being conducted with the Internal Revenue Service Criminal Investigation Division.

Nigerian Man Admits Role in Computer Hacking Scheme

On June 10, 2014, Abiodun Adejohn of Nigeria pleaded guilty before the U.S. District of Court of New Jersey to one count of conspiracy to commit wire fraud related to a computer hacking scheme. Using “phishing” computer intrusion attacks directed to more than 7,500 federal employees, Adejohn and others compromised the EPA and nine other U.S. government agency email systems, resulting in the theft of employees’ user names and Webmail access credentials. “Hacked” employee credentials and email accounts were subsequently used by Adejohn and others to create customer accounts with General Services Administration vendors and make or attempt to make fraudulent purchases totaling over \$1 million using fraudulently obtained credit card information. The total value of losses and/or theft attempts in the on-going investigation is currently estimated at or about \$2 million. Adejohn admitted his role in the scheme and already entered into a plea agreement to provide restitution in the amount of \$937,000. Sentencing is to follow.

This case is being conducted with the Federal Bureau of Investigation and the OIGs of the General Services Administration, Department of Commerce, Department of the Interior and Department of Defense.

Jail Term Given for Fraud at Montana Reservation

Hunter Burns an official at the Rocky Boy Indian Reservation was sentenced on July 10, 2014, to 2 months in prison followed by 4 years of home detention for his role in a conspiracy to give kickbacks in exchange for federally funded contracts. Burns and Hunter Burns Construction were also ordered to pay \$125,000 in fines and sentenced to 42 months’ probation. On April 28, 2014, Burns’ former partner, James Howard Eastlick Jr., pleaded guilty to bribery of an official of an Indian Tribal Government Receiving Government Funding. Several others from on and off the reservation have pleaded guilty to, been convicted of or are facing charges alleging fraud, bribery, embezzlement and corruption.

This case is being conducted by the Montana Guardian Task Force, which is made up of the Federal Bureau of Investigation; the Internal Revenue Service; and the OIGs of the Department of the Interior, Department of Health and Human Services, Department of Agriculture, and EPA.

New York Laboratory Fined \$150,000 for Mailing False Results

Upstate Laboratories Inc. of East Syracuse, New York, was fined \$150,000 for falsifying more than 3,300 laboratory results from 2008 through 2010. After pleading guilty, Upstate Laboratories was sentenced on January 8, 2014, in the U.S. District Court for the Northern District of New York, for committing mail fraud related to the falsification of laboratory results from 2008 through 2010. In addition to the \$150,000 fine, the lab was placed on 5 years' probation. Although Upstate Laboratories has gone out of business, the court ordered it to prepare an environmental compliance plan and permit government inspections, should it ever resume business operations.

Upstate Laboratories performed chemical analysis of water and soil samples supplied by public and private clients. Certain analyses were required to be performed within specified timeframes ("holding times") after the samples were obtained due to the potential for chemical degradation. Upstate Laboratories further promised to use required procedures to ensure that the samples did not degrade. However, from 2008 through 2010, Upstate Laboratories engaged in the routine "backdating" of sample results where employees changed the dates when the samples were analyzed to make it appear that analysis had occurred within the required time periods when in fact they had not. Upstate Laboratories thereafter prepared false and fraudulent analysis reports representing that the samples were properly analyzed within required time frames and that the results were valid when they were not.

This case was conducted jointly with the EPA Criminal Investigation Division.

Alaska Tribal Official and Brother Get Jail Terms for Theft

Lori Ann Clum, of Anchorage, Alaska, was sentenced to 18 months in jail, to be followed by 3 years of probation, after pleading guilty to theft from a tribal organization. She also was ordered to pay \$150,000 in restitution. Further, Clum's brother, James Kramer, was sentenced to 8 months in prison, followed by 1 year of probation, and was ordered to pay a \$2,000 fine.

On January 6, 2014, Clum was sentenced in the U.S. District Court of Alaska for theft from the Native Village of Tatitlek. In April 2008, Clum was voted out of office as the President of the village but refused to acknowledge the election. She continued to maintain control over the village bank accounts until April 2009. During this time, she paid herself duplicate paychecks, took significant cash withdrawals, and wrote checks to herself totaling more than \$200,000. This amount included a \$20,000 cash withdrawal that she gave to her brother, James Kramer, which he used for personal expenses. Kramer pleaded guilty on January 17, 2014, to failure to file an income tax return.

The Native Village of Tatitlek receives the majority of its funding from federal sources, including the EPA.

This case was conducted jointly with the FBI and Internal Revenue Service Criminal Investigation Division.

Work Involving U.S. Chemical Safety and Hazard Investigation Board

CSB was created by the Clean Air Act Amendments of 1990. CSB's mission is to investigate accidental chemical releases at facilities, report to the public on the root causes, and recommend measures to prevent future occurrences. In FY 2004, Congress designated the EPA Inspector General to serve as the Inspector General for CSB. Details on our work involving CSB are at <http://www.csb.gov/inspector-general/>.



Performance Highlights

U.S. Chemical Safety and Hazard Investigation Board Did Not Comply With the Do Not Pay Requirements for Improper Payments

- **What We Found:** CSB was not compliant with the Improper Payments Elimination and Recovery Improvement Act of 2012 Section 5(a)(1) reporting requirement to review prepayment and pre-award procedures and ensure that a thorough review of available databases occurs to prevent improper payments before the release of any federal funds. Specifically, CSB does not use the Do Not Pay portal and does not have any provisions for testing its payroll and benefits prepayments. In response to our draft report, CSB informed us it has established access to the Do Not Pay portal. CSB was compliant with the remaining reporting requirements.
- **Corrective Actions:** We recommended that the CSB establish access to the Do Not Pay portal and use that portal, and ensure CSB's payroll benefits go through the portal to comply with the 2012 act. We also recommended that CSB track and document reviews of improper payments to help prevent or eliminate future improper payments, and document its analysis of the Bureau of the Fiscal Service's reports on its testing and ensure increased testing is implemented to reduce the risk that some improper payments go undetected.
- **Potential Impact of Implemented Actions:** CSB receives and reviews the Bureau of the Fiscal Service's limited testing of improper payments but does not track actual improper payments or document its review of the Bureau of the Fiscal Service's testing.
- **Public Access:** <http://www.epa.gov/oig/reports/2014/20140410-14-P-0172.pdf>

OIG-Reported Key Agency Management Challenges

The Reports Consolidation Act of 2000 requires the OIG to report on the agency’s most serious management and performance challenges, known as the key management challenges. Management challenges represent vulnerabilities in program operations and their susceptibility to fraud, waste, abuse or mismanagement. For FY 2014, the OIG identified six challenges. The table below includes issues the OIG identified as key management challenges facing the EPA, the years in which the OIG identified the challenge, and the relationship of the challenge to the agency’s goals in its FYs 2011–2015 strategic plan (found at <http://epa.gov/planandbudget/strategicplan.html>).

OIG-identified key management challenges for the EPA	FY 2012	FY 2013	FY 2014	EPA strategic goal
Oversight of Delegations to States: The EPA needs to more consistently and effectively oversee its delegation of programs to the states, assuring that delegated programs are achieving their intended goals.	•	•	•	Cross-Goal
Safe Reuse of Contaminated Sites: The EPA’s duty is to ensure that reused contaminated sites are safe for humans and the environment. The EPA must strengthen oversight of the long-term safety of sites, particularly within a regulatory structure in which non-EPA parties have key responsibilities, site risks change over time, and all sources of contamination may not be removed.	•	•	•	Goal 3
Enhancing Information Technology Security to Combat Cyber Threats (<i>formerly Limited Capability to Respond to Cyber Security Attacks</i>): The EPA has a limited capacity to effectively respond to external network threats. Although the agency has deployed new tools to improve its architecture, these tools raise new security challenges. The EPA has reported that over 5,000 servers and user workstations may have been compromised from recent cyber security attacks.	•	•	•	Cross-Goal
EPA’s Framework for Assessing and Managing Chemical Risks: The EPA’s effectiveness in assessing and managing chemical risks is limited by its authority to regulate chemicals under the Toxic Substances Control Act. Chemicals manufactured before 1976 were not required to develop and produce data on toxicity and exposure, which are needed to properly and fully assess potential risks.	•	•	•	Goal 4 Goal 5
Workforce Planning / Workload Analysis: The EPA’s human capital is of concern in part due to requirements released under the President’s Management Agenda. The OIG identified significant concerns with the EPA’s management of human capital. The EPA has not developed analytical methods or collected data needed to measure its workload and the corresponding workforce levels necessary to carry out that workload.		•	•	Cross-Goal
Abuse in Time and Attendance, Computer Usage, and Real Property Management: Recent events and activities indicate a possible “culture of complacency” among some supervisors at the EPA regarding time and attendance controls, employee computer usage, and real property management. As stewards of taxpayer dollars, EPA managers must emphasize and reemphasize the importance of compliance and ethical conduct throughout the agency and ensure it is embraced at every level.			•	Cross-Goal

Appendix A: OIG FY 2014 Budget and Resources Analysis Use and Allocation

The Department of the Interior, Environment, and Related Agencies Appropriations Act, 2014, provided the EPA OIG with an FY 2014 budget funding level of \$51,788,000. The chart below shows the OIG budget and staffing history for FY 2000–2014.

Historical budget and manpower summary			
Fiscal year	Enacted budget (after rescissions where applicable)	On-board staff (as of October 1)	Expenditures (including carryover)
2000	\$43,379,700	340	\$39,364,100
2001	45,493,700	351	41,050,807
2002	45,886,000	354	45,238,608
2003	48,425,200	348	46,023,048
2004	50,422,800	363	52,212,862
2005	50,542,400	365	61,733,781
2006	50,241,000	350	49,583,584
2007	50,459,000	326	48,658,217
2008	52,585,000	290	52,231,690
2009	54,696,000*	304	51,182,958
2010	54,766,000*	316	51,725,199*
2011	54,586,000*	356	57,419,980*
2012	51,872,000*	331	56,548,386
2013	49,145,000**	336	54,718,979
2014	51,736,000	330	51,064,300

* Exclusive of Recovery Act funds.

** Sequestration funding level.

Appendix B: OIG Data Verification and Validation

As required by Government Performance and Results Act, the following is a discussion of sources, processes and controls in place to provide the basis for assurance of data quality.

Performance Database: The OIG Performance Measurement and Results System captures and aggregates information on an array of measures in a logic-model format, linking immediate outputs with long-term outcomes and results. OIG performance measures are designed to demonstrate value added by promoting economy, efficiency and effectiveness; and preventing and detecting fraud, waste and abuse as described by the Inspector General Act of 1978 (as amended). Because intermediate and long-term results may not be realized for several years, only verifiable results are reported in the year completed.

Data Source: Designated OIG staff enter data into the systems. Data are from OIG performance evaluations, audits, research, court records, EPA documents, data systems and reports that track environmental and management actions or improvements made and risks reduced or avoided. The OIG also collects independent data from the EPA's partners and stakeholders.

Methods, Assumptions and Suitability: OIG performance results are a chain of linked events, starting with OIG outputs leading to subsequent actions taken by the EPA or its stakeholders/partners to improve operational efficiency and environmental program delivery, reported as intermediate outcomes. The OIG can only control its outputs; it has no authority to implement its recommendations that lead to environmental and management outcomes.

Quality Assurance/Quality Control Procedures: All performance data entered in the database require at least one verifiable source assuring data accuracy and reliability. Data quality assurance and control are performed as an extension of OIG products and services, subject to rigorous compliance with the *Government Auditing Standards* of the Comptroller General of the United States – 2011 Revision (GAO-12-331G), December 2011, and regularly reviewed by an independent OIG quality assessment review team and external independent peers. Each EPA OIG Assistant Inspector General certifies the completeness and accuracy of his or her respective performance data.

Data Limitations: All OIG staff are responsible for data accuracy in their products and services. However, human error or time lags can lead to incomplete, miscoded or missing data in the system. Further, data supporting achievement of results often come from indirect or external sources that have their own methods or standards for data verification/validation.

Error Estimate: The error rate for outputs is estimated at +/-2 percent, while the error rate for outcomes is presumably greater due to the delay in results and difficulty in verifying a nexus between our work and subsequent impacts beyond our control. Errors tend to be those of omission.