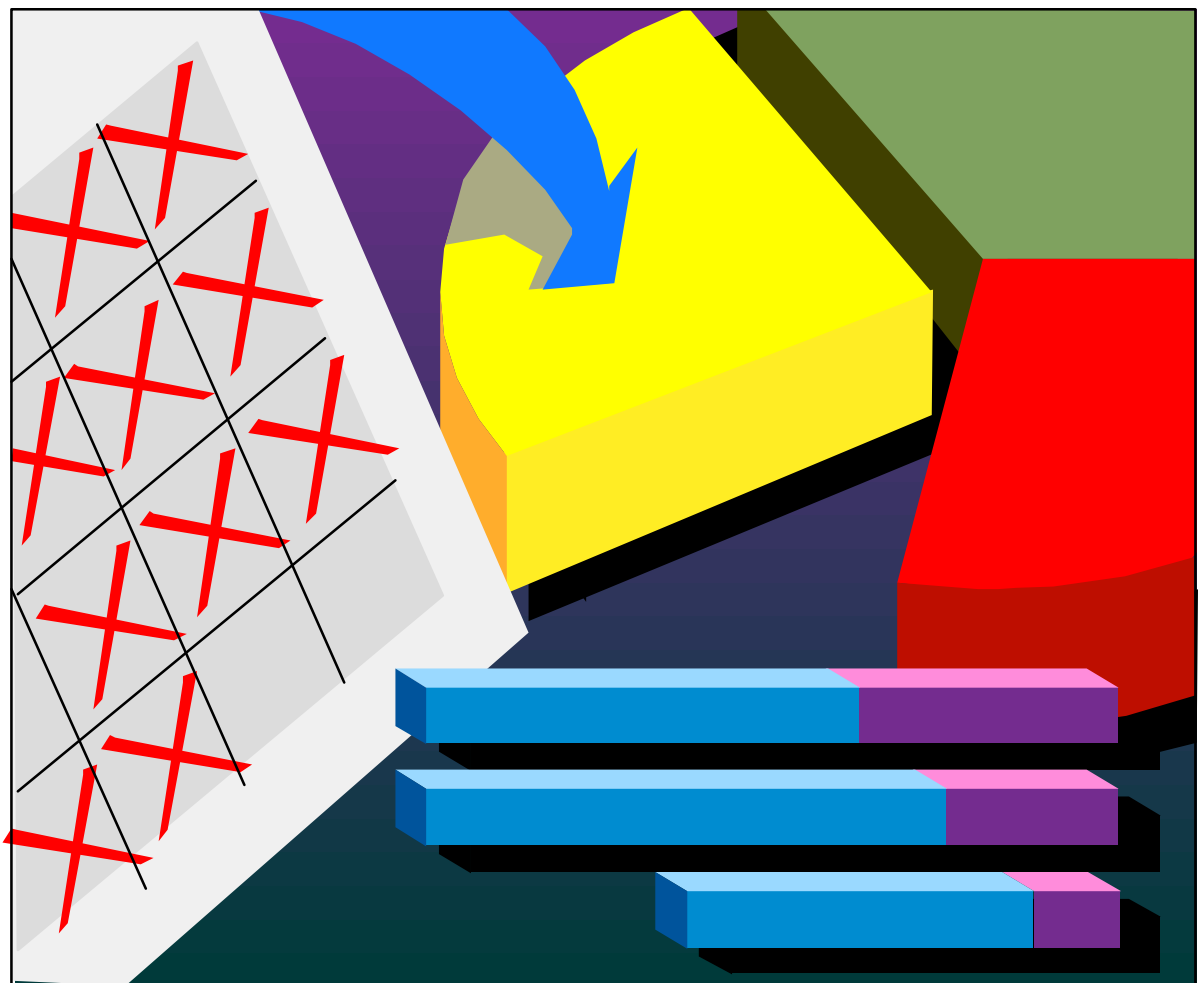




OFFICE OF INSPECTOR GENERAL

Catalyst for Improving the Environment

Annual Performance Report Fiscal Year 2002



OIG STRATEGIC MAP (FY 2001 - 2005)

OIG Vision

We are catalysts for improving the environment. We contribute to environmental quality, human health, and good government through problem prevention and cooperative solutions, and by striving for continuous improvement in EPA's management and our own office.

Mission

- ✕Promote economy, effectiveness and efficiency within the agency
- ✕Prevent and detect fraud, waste, and abuse in agency programs and

Business Line Goals

1. Contribute to improved environmental quality and human health

2. Improve EPA's management and program operations

Corporate Goals

3. Produce timely, quality and cost effective products and services that meet customer needs

4. Enhance diversity, innovation, teamwork and competencies

Objectives

- ' Influence significant programmatic changes to legislation, regulations, policy, processes and practices that have a positive impact on the environment and human health
- ' Identify and recommend solutions reducing the highest environmental risks
- ' Identify best practices in EPA, states and other Federal agencies that have directly contributed to improved environmental quality and human health impacts

- ' Identify opportunities for improving economy, efficiency and accountability in EPA programs and operations
- ' Improve the integrity of EPA programs and operations by identifying actual and potential vulnerabilities for fraud and risk reduction
- ' Help EPA resolve its major management challenges

- ' Provide the right products, at the right time, to the right customers, at the right cost
- ' Build infrastructure, relationships and partnerships to leverage change
- ' Increase professional image and demand for products and services

- ' Improve organizational systems and business processes
- ' Increase recognition for creativity, innovation and teamwork
- ' Promote continuous learning and demonstrated competencies in EPA programs, professional skills, technical skills and leadership skills

OIG Products and Services - *The Work We Do As Catalysts*

<i>Program Audits and Evaluations</i>	<i>Financial/Systems Audits</i>	<i>Advisory/Analysis</i>	<i>Investigations</i>
Air Water Land Cross Media Good Government	Systems Financial Statement Contract Assistance Agreements Computer Security Fact Finding	Legislation & Regulation Review GPRA Implementation Control Assessment Fraud Prevention President's Council on Integrity and Efficiency	Program Integrity Contract/Procurement Employee Integrity Assistance Agreements Hotline Computer Forensics



UNITED STATES ENVIRONMENTAL PROTECTION AGENCY
WASHINGTON, DC 20460

THE INSPECTOR GENERAL

March 31, 2003

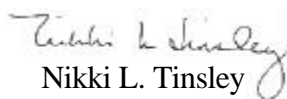
FOREWORD

I am pleased to present the EPA OIG's second Annual Performance Report. This Report, in summary and statistical format, presents progress toward the attainment of our FY 2002 Performance Targets and Strategic Goals through FY 2005 as described in our Strategic Plan. Where applicable it compares FY 2002 results with those of FY 2001 and presents cumulative totals in relation to our FY 2005 Strategic Performance Targets.

The net result of this report is to present a "Balanced Scorecard" of performance, progress, results, activities, investments and challenges that tell a complete story of OIG performance, accountability and opportunities for improvement. The Balanced Scorecard approach demonstrates a combination of outputs, activities, outcomes, financial, resource use and customer quality/value ratings arrayed as leading, current and lagging measures. This presents a systematic linkage of inputs and outputs for comparative return on investment.

Based on the performance measurement and results from the first OIG Annual Performance Report for FY 2001, we made significant improvements in the definitions and application of OIG-wide performance measurement. We are also continuing to learn how to apply both a systems approach and a culture of "starting with the end in mind" to interpret the implications of our influence and results in attaining Goal 1: Contributing to improved environmental quality and human health. Since there is usually a significant time lag in recognizing our subsequent influence on most environmental and human health impacts and behaviors, accounting for these results will require a dedicated followup effort.

Beginning the OIG's third year of measuring performance based on our Strategic Plan, we are continuing to research new and better ways to measure, collect, and report data on the results of our operations. The information in this report will be used to help direct and plan future application of resources for greater results.


Nikki L. Tinsley

EPA Office of Inspector General Annual Performance Report, Fiscal 2002

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Introduction

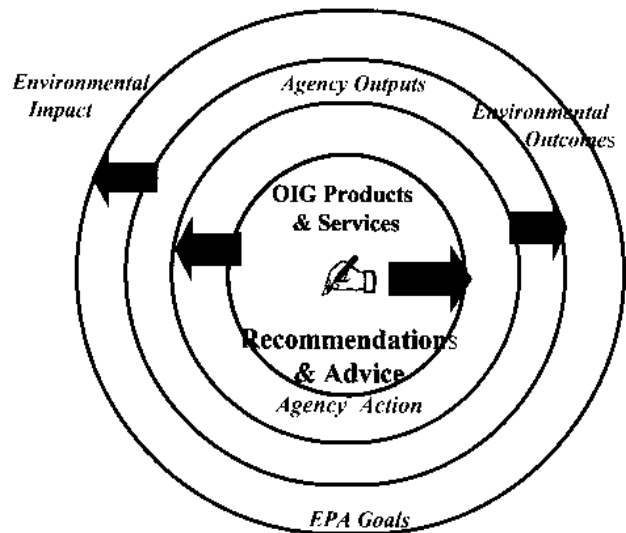
This is the EPA OIG's second comprehensive Annual Performance Report. It provides a statistical summary of key performance results for fiscal 2002, a Balanced Scorecard of performance results, and progress assessment of OIG performance results and measures against fiscal 2002 Annual Performance Targets. In compliance with the Government Performance and Results Act (GPRA), this report describes examples of specific outputs and outcomes for each the OIG Strategic Goals, fiscal 2002 OIG financial statements, Management Challenges from the OIG Federal Managers' Financial Integrity Act (FMFIA) review, and revised annual performance targets for FY 2002 - FY 2005. This report also provides additional operational performance measures and indicators about OIG customer quality and value survey results, and advisory assistance to the Agency and other external governmental organizations. We believe that this information accounts for our use of resources and our performance in a way that will be used to inform and inspire improved operations.

The information presented in this report is for OIG management use, and to provide public accountability for the application of OIG resources. The results presented are accumulated from the data entered into an OIG Performance Results and Measurement System and the IGOR (Inspector General Operations Reporting System), which we are continuing to refine.

It is from the application of these measures and technology that we will identify needed data quality assurances, accountability controls for reliable management information and opportunities for better data integration. This report is not intended to duplicate descriptions of significant audits, evaluations, investigations and other organizational activity presented in EPA OIG Semiannual Reports to Congress. We suggest that the reader also refer to the Semiannual Reports for FY 2002 available electronically from [HTTP://WWW.EPA.GOV/OIG](http://www.epa.gov/oig).

Linking Our Work to Outcomes and Impacts

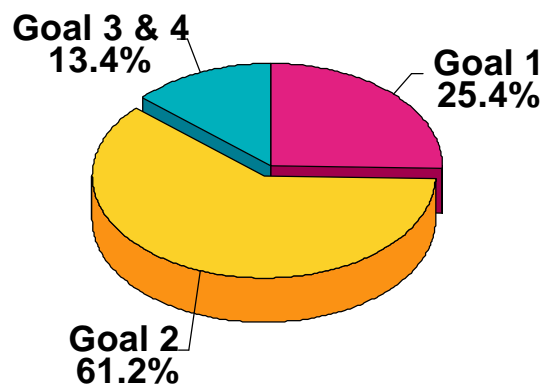
All of our work is planned based on the anticipated value toward influencing resolution of the Agency's major management challenges, reducing risk, improving practices, program operations and saving tax payer dollars, leading to positive environmental impacts and the attainment of EPA's Strategic Goals.



Creating a Nexus or Link Between OIG Products/Services and Environmental Impacts/Goals

Our work is also planned and aligned with our Strategic Goals, and our work projects represent a balanced approach contributing to environmental impact.

This chart demonstrates the distribution of OIG project results by Strategic Goal



Performance Presented In A Hierarchy of Related Measures

The Performance Results in this report are presented in **hierarchy**, starting with several summaries and a **Balanced Scorecard**, followed by detailed descriptions and measures and examples of results by Goal for this fiscal year, and as cumulative totals toward the accomplishment of the OIG Strategic Plan 2002-2005.

The **Balanced Scorecard** displays results by Goal as leading, current and lagging indicators or measures. It also presents related performance information on customer survey results, financial accountability, human capital, product timeliness, innovation and other OIG operational activity, together providing a Balanced picture of OIG investments and returns.

Summary of OIG Results for FY 2002 - Highlights

Performance Results <i>(highlights)</i>	<u>Goal 1. Contribute to Improved Environmental Quality and Human Health</u> < 15 Agency/delegated entity actions/decisions/changes/improvements/best practices implemented or certified/validated influencing environmental impacts < 16 Environmental risks reduced or eliminated, or certification of integrity < 115 Environmental Recommendations, Risks, Best Practices Identified <u>Goal 2. Improve EPA’s Management and Program Operations</u> < \$ 55.2 million in potential costs, savings, fines and recoveries < 80 Criminal, civil, or administrative actions < 56 Management practice/policy changes/Best Practices implemented or Certification for action <u>Goal 3. Produce Timely, Cost Effective Products & Services Meeting Customer Needs</u> < 96 Collaborative efforts with other agencies < 46% OIG work is required or requested < 29 Requests to testify/formal external presentations <u>Goal 4. Enhance Diversity, Innovation, Teamwork and Competencies in OIG</u> < 70% of products developed electronically, 48% Available electronically < 98% Staff diversity in parity with civilian workforce < 42 Innovative techniques/processes implemented by OIG		
Operational Activity	< 50 Reports issued and managed by the OIG < 186 Reports performed by another Federal Agency (e.g. Defense Contract Audit Agency) < 134 Single Audit Act Reviews < 149 Reports resolved < 133 Audits with no final action by EPA, over 365 days past due < 38 Reports for which no management decision was made within 6 months (as of 9/30) < 85 Investigations opened < 64 Investigations closed		
Customer Service	< 79% Combined OIG customer service/quality rating < 76% OIG products/services rating < 83% OIG staff service rating < <u>Highest and lowest rated areas</u> 90% Professional & courteous 85% Builds constructive relationships 72% Timeliness 73% Contributes to EPA Goals		
Use of Resources	< \$34,543,568 Total Mgt expenditures (FY02 appropriation + FY 01carryover) < \$10,695, 040 Superfund (SF) expenditures (FY02 appropriation + FY 01 carryover) < \$11,767,797 Carryover from FY 01, \$12,163,850 Carryover to FY02 < 264.1 Mgt staff years used (97.5% FY02 budget) < 73.3 Super Fund staff years used (79.6% FY02 budget)		
Cost and Timeliness of Products	< Cost per staff year:	MGT (000s)	SF(000s)
	< Salaries	\$ 97.5	\$120.3
	< Travel	\$ 7.2	\$ 7.8
	< Admin. Exp	\$ 4.4	\$ 3.9
	< Admin. Cont	\$ 7.3	\$ 6.5
	< Working Cap Fund	\$ 6.2	\$ 0
			<u>Avg. Time: % Direct, Elapsed, Staff on Products</u>
			Direct time charged of total available 41.2%
			Average direct staff days/Investigation 59.7
			Average elapsed months/Investigation 26.4
			Average direct staff days/Audit 335.7
			Average elapsed months /Audit 14.7
EPA Management Challenges Reported by OIG	<ul style="list-style-type: none">• Linking mission and management (including cost accounting & outcome based goals/measures)• Information resource management & data quality• Employee competencies• Oversight/use of assistance agreements• Protecting critical infrastructure from attacks		<ul style="list-style-type: none">• Air toxics program phase I & II• Working relations with states/partners• Information systems security• Backlog of NPDES permits• Management of boisolids
FMFIA Weakness in OIG	<ul style="list-style-type: none">• Human resources strategy <i>(updated)</i>• Information technology (IT) strategy <i>(updated)</i>• Inspector General Operations Reporting System <i>(updated - IT strategy last year)</i>		<ul style="list-style-type: none">• Product timeliness and quality <i>(updated - included under Business Systems last year)</i>• Follow-up on corrective actions <i>(new)</i>• Organizational structure <i>(new)</i>

Summary of Fiscal 2002 Results Against Goal Targets with Supporting Measures

GOAL #1. Contribute to improved environmental quality and human health

Target: 50; Actual: 12; Percent of Target: 24%

Improvements/changes/decisions/actions implemented, contributing to or influencing positive impacts on environmental quality or human health

0 Legislative changes/decisions
0 Regulatory changes/decisions
11 EPA policy, directive or process change/decision
0 Examples of environmental improvements/impacts
1 Best environmental practices implemented

Target: 15; Actual: 19; Percent of Target: 127%

Environmental or health risks reduced or eliminated from solutions, enforcement actions, certifications of integrity or for reliance or action

16 Environmental risks reduced/eliminate
3 Certifications/validations/verifications

Target: 75; Actual: 115; Percent of Target: 153%

Recommendations, risks or best practices identified that can influence environmental/health actions & change

48 Recommendations for environmental improvement
15 Environmental best practices identified
52 Environmental risks identified

GOAL #2. Improve EPA's management, accountability and program operations

Target: 100% (\$45.2M); Actual: \$55.2 M 122%

Potential dollar return from improved business practices, savings, questioned costs, recoveries & fines compared to investment in OIG

\$15.9M Questioned costs
\$19.5M Recommended efficiencies, costs saved/avoided
\$19.8M Fines, recoveries, restitutions, collections

Target: 75; Actual: 177; Percent of Target: 236%

Actions reducing or eliminating risk of loss, or improving efficiency and integrity in management of resources, operations & programs, resolving Management/FMFIA Challenges from OIG influence

80 Criminal, civil, administrative actions
32 Certifications/validations/verifications
38 Examples of process/practice changes/decisions to reduce risk & improve integrity or efficiency
12 Corrective Actions, Management/FMFIA Challenges
15 Best practices implemented

Target: 150; Actual: 269; Percent of Target: 269%

recommendations, best practices, FMFIA or management challenges identified to promote action for improvement

252 Recommendations for management improvement
10 FMFIA/ Management Challenge identified
7 Best Practices identified

GOAL #3. Produce timely, quality & cost effective products and services that meet customer needs

Targets: 79% Overall OIG Customer Satisfaction

3 New Federal, **5** New State partnerships

35% OIG work requested/required externally

66% Milestones/plans met

Actual: 79% Customer survey value/quality rating

96 Collaborative partnerships

46% Requested assignments

66% Milestones met

teamwork and competencies in the OIG

Targets: 82% Application of technology

96% Diversity (civilian WF), innovation

20 New innovations implemented in OIG

21 Assignment using muliti-discipline teams

489 Awards of recognition (1.45 awards/employee)

GOAL #4. Enhance diversity, innovation

Actual: 59% Products done electronically (avg)

98% Staff in parity with civilian workforce

42 Innovative techniques/practices in OIG

65 Products by multi-discipline teams

475 Awards of staff recognition

OIG BALANCED SCORECARD OF FY 2002 PERFORMANCE AND OPERATIONS

GOAL 1: Contributes To Improved Environmental Quality and Human Health

Environmental Recommendations (<i>Outputs</i>)	Agency Actions (<i>Intermediate Outcomes</i>)	Environmental Results (<i>Outcomes</i>)
48 Recommendations/Advice for Environmental Improvement 15 Environmental Best Practices Identified 52 Environmental Risks Identified	0 Legislative/Regulatory Environmental Changes 12 EPA Environmental Policy, Directive, Practice/ Process Change or Action Implemented • % of OIG Recommendations/Advice Accepted	0 Examples of Environmental or Health Improvements or Behavior Changes 16 Environmental Risks Reduced or Eliminated 3 Certifications, Verifications, Validations

GOAL 2: Improve EPA's Management, Accountability and Program Operations

Management Recommendations (<i>Outputs</i>)	Agency Actions (<i>Intermediate Outcomes</i>)	Agency Management Results (<i>Outcomes</i>)
252 Recommendations/Advice for Management Improvement 7 Best Management Practices Identified 10 Management Challenges/FMFIA Weaknesses Identified • # Referrals for Investigation/New Assignments	\$ 15.9 M Questioned Costs \$ 19.5 M Cost Efficiencies/Savings \$ 19.8 M Fines, Penalties, Recoveries, Settlements 80 Criminal, Civil, Admin Actions 6.5 % Costs Acted on by EPA(\$10.4 of \$160.2 M) 15 Best Management Practices Implemented • % & \$s of OIG Recommendations or Advice Accepted/Sustained	122 % \$ Return on FY02 Investment in OIG 12 Actions Taken (by EPA) Correcting Management Challenges/ FMFIA Weakness 38 Examples of Practice, Process, Policy Actions Implemented Improving Economy, Efficiency or Reducing Risks of Loss or Vulnerability 32 Certifications, Verifications, Validations 11 % EPA GPRA Rating Improvement in FY02 From OIG Involvement (6 th to 4 th of 24)

GOAL 3: Produce Timely, Quality & Cost Effective Products and Services that Meet Customer Needs

GOAL 4: Enhance Diversity, Innovation, Teamwork, and Competencies—OPERATIONS

Customer, Partner, Stakeholder	Timeliness	Financial/Resources
76 % Customer Value/Quality Rating of Products 83 % Customer Value/Quality Rating of Service 96 Products/Assignments done with partners 29 Requests to Testify/External Presentations 46 % of Work Requested/Required 65 Assignments done by Multi-Discipline Teams	336 Average Staff Days per Completed Audit 14.7 Average Months per Complete Audit 60 Average Staff days/Completed Investigation 26.4 Average Months per Completed Investigation 66 % Project Milestones Met 41.1 % Total Time on Direct Time Product Lines	\$45.2 M Total Funds Used 01/02 99 % 01 Funds Used 74 % 02 Funds Used \$12 M Funds Carried Over to 03 337.4/ 25.6 staff years Used/Not Used \$124.4 K Avg "Loaded" Cost /Staff year
Staffing, Development & Planning	Innovation	Operational Activity
98 % IG Staff in Parity with Civilian Labor Force 100 % Staff Meeting Professional CPE Standard • % Staff Meeting IDP/Strategic Training Targets 140 % Staff Recognition/Number of Awards (475) 93 % Available staff time Used • % of Planned Assignments Started • % of Panned Assignments Completed	42 Innovations Implemented by/within OIG 70 % of Work Completed Electronically 48 % of Work Electronically Accessible 14 PCIE Projects Led/Developed 5 Agency /Regional Work Groups Participation • = <i>Prospective Measures</i>	50 Reports Performed by EPA OIG 186 Reports Performed by DCAA/134 Single Audits 149 Reports Resolved 85 Investigation Cases Opened 64 Investigation Cases Closed 1,018 Hotline Complaints Opened/821 Closed 48 Legislative/Regulatory Items Reviewed

Results By OIG Strategic Goal, Objective and Specific Measure

GOAL 1. Contribute to improved environmental quality and human health

This section displays the results for Goal 1 against the OIG fiscal 2002 and cumulative Objective performance targets, and by specific performance measure. Also presented are selected examples of OIG performance results and a table displaying the distribution of results by Strategic Area.

Objectives, Annual Results and Cumulative Strategic Totals

- Influence significant programmatic changes to legislation, regulations, policy, processes and practices that have a positive impact on the environment and human health.**

Measures: # Environmental program policy, process, practices, changes/actions impacts

2002 Target 50	2002 Results 12	FY 2002 Target Met 24%
Cumulative Target 75	Cumulative Results 74	Cumulative Target Met 99%

- Identify and recommend solutions for reducing the highest environmental risks.**

Measures: # Environmental risks reduced, eliminated, certification/validation of or for action

2002 Target 15	2002 Results 19	FY 2002 Target Met 127%
Cumulative Target 30	Cumulative Results 43	Cumulative Target Met 143%

- Identify recommendations, best practices and risks (including outside EPA) that can directly contribute to improved environmental quality and human health.**

Measures: # Recommendations, best practices, risks identified

2002 Target 75	2002 Results 115	FY 2002 Target Met 153%
Cumulative Target 140	Cumulative Results 211	Cumulative Target Met 150%

Goal 1 Results By Measure

FY 2002	Measures of Results and Progress	FY 2001	Cumulative Total
48	# Recommendations for Environmental Improvement	34	82
0	# Legislative Changes/Decisions	2	2
0	# Regulatory Changes/Decisions	3	3
11	# EPA Policy/Directive/Process Changes/Decision	48	59
52	# Environmental Risks Identified	53	105
16	# Environmental Risks Reduced/Eliminated	24	40
15	# Best Practices Identified	9	24
1	# Best Practices Transferred/Implemented	3	4
0	# Examples of Environmental Improvements/Impacts	6	6
3	# Certifications, Verifications, Validation of/for Action	included with risks reduced	3

Examples of Selected Results Demonstrating Progress On Goal 1

Objective: Influence significant programmatic changes to legislation, regulations, policy, processes and practices that have a positive impact on the environment and human health.

- < In a 4/15/02 Region 3 weekly salient, Agency managers stated they reached an "innovative solution" to correct a permit problem that is highlighted in our report. The solution is useful to PADEP and also protective of water quality. The Region 3 Office of Watershed's salient noted that this particular permit issue "gained notoriety" through the OIG report and went on to discuss their solution. [\(Water\)](#)
- < Based on OIG recommendations, EPA revised its Federal Facility Agreement to improve Regional oversight of DOE five-year reviews of remedial actions and site evaluations. [\(Waste Management\)](#)
- < Based on OIG recommendations EPA facilitated data sharing with states by issuing: (1) the Integrated Water Quality Monitoring and Assessment Report Guidance, (2) the Consolidated Assessment and Listing Methodology, and (3) making 305(b) and water quality monitoring information available on the WATERS database. EPA will also improve collaboration with other Federal agencies. The Office of Water has instituted regular meetings with the Associate Director of USGS. The Office of Water is also working with the National Park Service to regularly transfer and analyze data in STORET. [\(Water\)](#)

Objective: Identify and recommend solutions for reducing the highest environmental risks

- < The risk of contaminated drinking water will be reduced by Region 3 ensuring that all Region 3 States are appropriately interpreting compliance reporting requirements for secondary sources. [\(Water\)](#)
- < Region 3 formally notified States not to use a particular permit format; Region 3 stopped using the Part A/C permit format; and the enforcement staff reported better relations with the program staff. [\(Water\)](#)
- < Commercial Lab employee received 3 year debarment which prohibits her from employment by a Federal contractor in a position as an agent, representative, or principal on any Federal procurement or non-procurement transaction. [\(Enforcement and Compliance Assistance\)](#)
- < A second Open Market Trading (OMT) violation (large number of invalid OMT credits in New Jersey), resulted in 372,380 OMT credits (representing about 18,600 tons of air pollutants) were retired and not used. [Note Environmental risk reduced:](#) OIG findings contributed to the proposed termination of the OMT Program in the State of New Jersey. The State of New Jersey stated that their OMT Program had failed due to, among other reasons, "...the program's ostensible clean air benefits being limited by the failure to include safeguards to ensure that the program would in fact reduce emissions." [\(Air\)](#)

Objective: Identify recommendations, best practices and risks (including outside EPA) that can directly contribute to improved environmental quality and human health.

- < In the six states the Title V audit reviewed, three practices that contributed to the progress that agencies made in issuing Title V operating permits were: [\(Air\)](#)
 - 1) State agency management support for the Title V program.
 - 2) State agency and industry partnering.
 - 3) Permit writer site visits to facilities.

- < A Controlling and Abating Combined Sewer Overflows (CSO) report identified a total of 12 best practices. States were found to be at different stages of implementation depending on the level of priority given and the stage of long-term control plan review/approval. Also, there were two significant barriers that hampered efforts: funding and siting. In addition, the audit found states and communities had demonstrated a wide variety of promising best practices to address these barriers, including: 1) establishing a CSO grant program to help communities pay for construction of CSO projects in a timely manner; 2) engaging and educating the public regarding CSO issues; 3) promoting understanding that the CSO Project can result in improved community facilities; 4) ensuring that better technical practices and approaches can be shared with other CSO communities; and, 5) ensuring that communities work cooperatively with state offices and municipal departments. [\(Water\)](#)

GOAL 2. Improving EPA's Management and Program Operations

This section displays the results for Goal 2 against the OIG fiscal 2002 and cumulative Objective performance targets, and by specific performance measure. Also presented are selected examples of OIG performance results and a table displaying the distribution of results by Strategic Area.

Objectives

- ' **Identify opportunities for improved economy, efficiency, and accountability in EPA programs and operations.**

Measures: Questioned Costs, Efficiencies, Savings, Fines, Penalties, Restitution, Settlements

<i>2002 Target \$45.2 M</i>	<i>2002 Results \$55.2M</i>	<i>FY 2002 Target Met 122%</i>
<i>Cumulative Target \$86.2M</i>	<i>Cumulative Results \$127.6M</i>	<i>Cumulative Target Met 148%</i>

- ' **Improve efficiency and integrity of EPA business and program operations by reducing vulnerabilities for fraud and risk and by influencing better business actions or changes.**

Measures: Criminal, civil, admin actions; policy, practice, process actions taken, certifications

<i>2002 Target 120</i>	<i>2002 Results 177</i>	<i>FY 2002 Target Met 147%</i>
<i>Cumulative Target 235</i>	<i>Cumulative Results 351</i>	<i>Cumulative Target Met 149%</i>

- ' **Identify recommendations, best practices, and management challenges that can directly influence and promote actions for improved business operations**

Measures: Recommendations, best practices, management and FMFIA challenges

<i>2002 Target 150</i>	<i>2002 Results 269</i>	<i>FY 2002 Target Met 179%</i>
<i>Cumulative Target 150</i>	<i>Cumulative Results 436</i>	<i>Cumulative Target Met 291%</i>

Goal 2 Results By Measure

<i>FY2002</i>	Measures of Results and Progress	<i>FY2001</i>	<i>Cumulative Totals</i>
\$15.9	\$Questioned Costs	\$35 M	\$50.9M
\$19.5	\$Recommended Efficiencies, Costs Saved or Avoided	\$32.1M	\$51.6M
\$19.8	\$Fines/Recoveries/Restitutions/Collections	\$ 5.2M	\$25 M
80	#Criminal/Civil/Administrative Actions	98	178
7	#Best Practices Identified	17	24
15	#Best Practices Implemented	*	15 *Included in Practice Change
38	#Examples of Process/Practice Changes/Decisions	63	101
252	#Recommendations for Management Improvement	148	400
10	#New/Existing FMFIA/Management Challenges reported	10	20
11%	#EPA Improvement In GPRA Rating	21%	32% (4 th from 11 th of 24)
12	#Corrective Actions on Management/FMFIA Challenges	4	16
32	#Certifications/Verifications/Validations	9	41

Examples of Selected Results Demonstrating Progress on Goals 2

Objective: Return on investment from prospective improved business processes, practices, savings

- < A review of grants management in a Tribal Assistance Program identified \$1.3 million in questioned costs. ([Assistance Agreements](#))
- < Region 7 Grants Proactive – A grant recipient received over \$2 million to develop and maintain an environmental website. All costs were questioned because recipient did not have financial management system according to Federal requirements. EPA should recoup all ineligible and unsupported costs. ([Assistance Agreements](#))
- < A contractor issued a credit for \$2,590.56 for hours billed to EPA for direct labor charged to a contract. ([Contractor](#))
- < An environmental lab agreed to pay the US Government \$8,741,000 plus interest in return for releasing them from any civil or administrative monetary claims. The terms of the civil settlement are contained in a settlement agreement between the lab and the US Government. An additional criminal settlement totaled \$9 million. ([Contractor/Scientific Research](#))
- < An EPA assistance recipient was awarded a total of 23 contracts totaling over \$1.3 million under its assistance agreement. Twenty of these contracts were awarded sole source. The grantee did not have adequate justification to support the award of the sole source contracts. Also, the grantee's procurement practices did not meet federal requirements. As a result, \$1,301,365 is not eligible for Federal reimbursement. ([Assistance Agreements](#))
- < On May 9, 2002 an individual was sentenced to 2 years probation, 50 hours community service, and ordered to pay \$1,243.00 in fines and restitution in connection to his plea of guilty to violating 4 counts of Title 18 of the PA Consolidated Statutes Annotated, 1 count of Title 35 of the PA Statutes, and 3 counts of Title 30 of the PA Clean Streams Act. ([Contracts/Water](#))
- < Quality of DOCKET Data assignment identified a \$1.3 mil recommended efficiency/cost savings. ([Enforcement and Compliance](#))
- < A contractor issued a credit for \$2,590.56 for hours billed to EPA for direct labor charged to a contract. ([Contracts](#))
- < The Lake Wallenpaupack Watershed Management District did not follow Federal procurement procedures when using EPA funds to hire an engineering firm. The District, based in Paupack, Pennsylvania, received \$2.2 million in assistance agreement funds from EPA Region 3 to perform various watershed management tasks. The \$2.2 million included funds to hire an engineering firm. However, the OIG found that the District did not follow federal procurement procedures regarding conflicts of interest and competition when it awarded a \$547,000 contract to an engineering firm. The District awarded a second contract to the same firm for \$360,000 (for a total of \$907,000) also without following federal procurement procedures. Further, the District billed EPA for \$71,000 in additional work done by the engineering firm that was not part of the scope of work of either of the two contracts. ([Contacts/Water](#))

Objective: Improve efficiency and integrity of EPA business and program operations by reducing vulnerabilities for fraud and risk and by influencing better business actions or changes.

- < Twenty-One count indictment filed against four defendants for violation of 18 USC 371 (conspiracy); 18 USC 666 (theft concerning program receiving federal funds); 18 USC 1341 (mail fraud); 18 USC 1343 (wire fraud); 18 USC 1341,1346 (mail fraud, depriving the public of the right of honest services of a public official).
- < A contractor employee was terminated as the result of the OIG investigation that determined the employee misused an EPA computer to access the Internet. ([Computer Security](#))
- < Two criminal complaints were filed against two individuals regarding tampering with or fabricating physical evidence. These charges were brought in the State of Pennsylvania.
- < Computer Forensics identified a threat against the Administrator, then based on results referred the matter to EPA Office of Criminal Enforcement, Forensics and Training (OFEFT) which successfully located the source in Turkey (where OIG had identified his location) and were working with local law enforcement to deal with the issue. ([Computer Security](#))

Objective: Identify recommendations, best practices, and management challenges that can directly influence and promote actions for improved business operations

- < The OIG identified seven recommendations for management improvement. Recommendations caused Agency managers to make practice/changes when approving NPDES permits in Pennsylvania. Also referred a situation to the OIG Office of Investigation. ([Water](#))
- < The OIG recommended that the EPA Region 6 Administrator work with Louisiana Department of Environmental Quality (LDEQ) to make the public participation process for air permits more effective, with emphasis on such areas as records completeness and accessibility, clarification of roles, and improving outreach. Report also recommended that the Region 6 Administrator require staff to review public participation issues, define responsibilities within the Region, perform a thorough on-site review of LDEQ's air permits program, establish a tracking mechanism for permits reviewed, and review the required number of LDEQ's proposed Title V permits prior to LDEQ issuance of final permits. ([Air](#))
- < The OIG identified 10 recommendations for management improvement. California needs to improve the overall management of its \$1.5 billion loan program. The control environment and internal control systems are not adequate, and the state needs to establish an accounting system that will accurately record all State Revolving Fund (SRF) activity. Also needs improved management involvement in reporting and accounting, needs to establish procedures that ensure monthly reconciliations and financial statements are prepared, and an SRF program manager is also needed. ([Financial Management and Cost Accounting](#))
- < The OIG recommended that the EPA Annual Performance Report be improved by making better linkages between a performance results and strategic goals, that outcome performance measures be better translated into public benefit, that costs be associated with performance, that the Agency provide cross references to the applicable management challenges, and that the Agency describe the role of partners such as states and tribes. ([Financial Management](#))

GOAL 3: Producing Timely, Quality and Cost Effective Products and Services that Meet Customers Needs

This section displays the results for Goal 3 against the OIG fiscal 2002 and cumulative Objective performance targets, and by specific performance measure. Also presented are selected examples of OIG performance results and a table displaying the distribution of results by Strategic Area.

Objectives

- ' **Provide the right products, at the right time, to the right customers, at the right cost.**

Measures: Customer value/quality survey ratings for OIG products

<i>2002 Target 76% rating</i>	<i>2002 Results 76% rating</i>	<i>FY 2002 Target Met 100%</i>
<i>Cumulative Target 75%</i>	<i>Cumulative Results 77%</i>	<i>Cumulative Target Met 103%</i>

- ' **Build infrastructure, relationships, and partnerships to leverage change.**

Measures: Collaborative efforts with federal/state partners

<i>2002 Target 40 (32 in FY01+8)</i>	<i>2002 Results 96</i>	<i>FY 2002 Target Met 240%</i>
<i>Cumulative Target 72</i>	<i>Cumulative Results 128</i>	<i>Cumulative Target Met 178%</i>

- ' **Increase professional image and demand for products and services.**

Measures: Work/assignments requested (externally); Milestones/expectations met

<i>2002 Target 35% work requested</i>	<i>2002 Results 46% work requested</i>	<i>FY 2002 Target Met 131%</i>
<i>Cumulative Target 33%</i>	<i>Cumulative Results 51%</i>	<i>Cumulative Target Met 154%</i>
<i>2002 Target 66% milestones met*</i>	<i>2002 Results 66% milestones met</i>	<i>FY 2002 Target Met 100%</i>

* Annual Target are a **cumulative 10%** increase from FY 2001 baseline

Goal 3 Results By Measure

<i>FY2002</i>	Measures of Results and Progress	<i>FY2001</i>	<i>Cumulative Total</i>
79%	% Customer Value/Quality Satisfaction Ratings Overall	80%	79.5% Avg
76%	% Customer Value/Quality Products	77.5%	77% Avg
83%	% Customer Value/Quality Staff Service	85.3%	84% Avg
66%	% Engagement Letter/Project/Budget Milestones Met	60%	63% Avg
29	# Requests to Testify (Congress/judicial)/Presentations	4	33
96	# Collaborative Efforts, States/Feds	32	128
46%	% OIG Work Requested/Required	56%	51%

Examples of Selected Results Demonstrating Progress On Goal 3

Objectives: Customer satisfaction with OIG products, services and attitudes. Build collaborative relationships to leverage change with federal and state partners. Develop professional image, quality and demand for OIG products and services

- < This case resulted in the conviction of a subject. It resulted in the illegal discharge of wastewater being discontinued. OIG had seven collaborative partnerships on this effort. This was a Joint Case with EPA Criminal Investigation Division, FBI, and Sarasota County. The US Attorney, Middle District of Florida requested OIG investigative assistance on this matter. ([Contracts/Water/Partnering](#))
- < The OIG conducted four cases in the area of computer security with FBI and Defense Criminal Investigation Service.
- < The OIG was required to perform General Control work in accordance with the Chief Financial Officers Act (CFO).
- < Management Assistance Review (MAR) of Missouri's Fiscal 2000/2001 Performance Partnership Grant Work Plan and Grant Process was a collaborative effort between the OIG Central Audit and Evaluation Resource Center and the State of Missouri. MAR report recommended Region 7 and Missouri work jointly engaging in environmental priority setting and planning. Recommended piloting a partnership approach by selecting an environmental priority. ([Assistance Agreements](#))
- < In April 2002, at the request of OMB and the House Transportation Subcommittee on Water Resources and the Environment, OIG a presented a briefing on the results of audit, Catalog of Federal Domestic Assistance (CFDA) number 66.606, "Surveys, Studies, Investigations, and Special Purpose Grants." ([Customer Focus](#))
- < The EPA Region 3 Administrator requested that we work with Office of Water to correct reduced oversight within the NPDES program. The purpose of the audit was to determine whether NPDES permits in Region 3 were written to ensure water quality protection.
- < OIG Quarterly Reports of Significant Activity Reports are a combined effort of auditors, investigators, analysts and editors. It is done completely electronically, but it is printed for distribution. ([Customer Focus](#))

GOAL 4: Enhancing diversity, innovation, teamwork, and competencies

This section displays the results for Goal 4 against the OIG fiscal 2002 and cumulative Objective performance targets, and by specific performance measure. Also presented are selected examples of OIG performance results and a table displaying the distribution of results by Strategic Area.

Objectives

' Improved organization systems and production processes.

Measures: Work done/accessible electronically; Work done by Multi-disciplined teams

<i>*2002 Target 82% work is electronic</i>	<i>2002 Results 59% electronic</i>	<i>FY 2002 Target Met 72%</i>
<i>*2002 Target 21 Multi-teams</i>	<i>2002 Results 65 Multi-teams</i>	<i>FY 2002 Met 310%</i>

' Increased recognition for diversity, innovation, and teamwork.

Measures: Innovation implemented; Staff in parity with civilian workforce; Staff recognition

<i>*2002 Target 20 innovations</i>	<i>2002 Results 42 innovations</i>	<i>FY 2002 Target Met 210%</i>
<i>*2002 Target 96% parity</i>	<i>2002 Results 98% parity</i>	<i>FY 2002 Target Met 102%</i>
<i>*2002 Target 489 Awards</i>	<i>2002 Results 475 Awards</i>	<i>FY 2002 Target Met 97%</i>

' Improved continuous learning and demonstrated competencies in EPA programs, professional skills, technical skills and leadership skills.

Measures: Staff in compliance with professional or strategic standards

<i>*2002 Target 100%</i>	<i>2002 Results 100</i>	<i>FY 2002 Target Met 100%</i>
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* Annual FY 2002 targets are a **cumulative 10%** increase from FY 2001 baseline

GOAL 4 Results By Measure

<i>FY2002</i>	Measures of Results and Progress	<i>FY2001</i>	<i>Cumulative Total</i>
98%	% Staff In Parity with Civilian workforce	94.2%	98%
65	# Assignments By Multi-disciplinary Teams	19	65
475	# Awards for Creativity, Innovation & Teamwork	515	990 (495 Avg)
70%	% Work Performed Electronically	72%	70% (71% Avg)
48%	% Products Available Electronically	77%	47% (62%)
42	# Innovative Techniques/Processes, Implemented (by OIG)	18	60
100%	% Compliance with Professional Training Standards	N/A	100%

Examples of Selected Results Demonstrating Progress On Goal 4

Objectives: Improve organizational systems and processes through technology and multi-discipline approach. Increase and recognize organizational and staff achievement, innovation, teamwork and diversity. Improve professional competencies in EPA programs, technical, & leadership areas

- < The OIG Central Audit /Evaluation Resource Center (CAERC) Newsletter is innovative in its use of photojournalism to communicate CAERC highlights with staff throughout EPA OIG. Articles and photographs within the CAERC Newsletter capture such items as the personal and professional accomplishments of CAERC staff; volunteer efforts; new employee backgrounds/biographies; achievements; training summaries; and staff creativity. CAERC staff create and produce the Newsletter electronically. Staff are encouraged to submit articles and photographs electronically via E-mail. The Newsletter is maintained on a shared drive accessible by all CAERC staff. ([Communications](#))
- < Training Information System (TIS) is now in beta testing. Once completed the TIS will be an integrated training and career management system. TIS will produce the Human Capital Budget, provide Assignment Managers with critical information regarding staff availability, monitor the execution of IDP's and evaluate the effectiveness of training while maintaining electronically CPE and training records. ([Human Capital/Integrated Knowledge Management Systems](#))
- < IT Security Awareness Training was provided electronically to OIG staff nation-wide. AutoAudit was implemented in the OIG in April, 2002. AutoAudit is a Lotus Notes database which contains, organizes, and displays all electronic working papers for audits and program evaluations. ([Integration of High Performing Culture/Knowledge Management Systems](#))
- < EPA OIG, in conjunction with President's Council on Integrity and Efficiency (PCIE), developed a Compendium of Environmental Programs, an interactive database which catalogues and cross references Federal environmental programs in 29 Federal departments and agencies for collaborative planning, implementation, evaluations and resources sharing. This is the first product of its kind to promote partnering and cross agency coordination. ([Integration of Knowledge Management Systems, Air, Water, Waste Mgt, Partnering](#))
- < EPA OIG began leadership of the President's Council on Integrity and Efficiency (PCIE), Government Performance and Results Act (GPRA) Interest Group Round Table and quickly expanded the scope to include the President's Management Agenda. Through monthly meetings, this group has become one of the most active entities within the PCIE community and is recognized by well known external organizations as a forum for sharing current information on government performance and accountability. ([Partnering/Integration of High Performing Organizations](#))

FY 2002 OIG Operational Activity and Audit Resolution

Audit/Evaluation		Investigative
<u>Reports Issued</u>		<ul style="list-style-type: none"> Investigations Opened 85 Investigations Closed 64 Pending Investigations as of 9/30 181 Indictments of Persons/Firms 35 Conviction of Persons/Firms 20 Administrative Action EPA Employees/Firms 19 Civil Judgments 6
< Reviews Performed by OIG	50	
< Reviews by Another Federal Agency	186	
< Single Act Audit Reviews	<u>134</u>	
TOTAL Reports	370	
Audit Resolution (Dollars in Millions)		Other
< Cost Disallowed to be Recovered	\$ 7.9 M	<ul style="list-style-type: none"> Hotline Complaints Received 1,018 Hotline Complaints Closed 821 Legislative/Regulatory Items Reviewed 48 EPA's GPRA Rating Improvement In FY 02 from OIG Involvement (From 6th to 4th out of 24 CFO agencies) As rated by the Mercatus Center 11% President's Council on Integrity and Efficiency (PCIE) projects led/developed 14 Advisory participation on Agency management improvement task force implementing changes and recommendations on GPRA and President's Management Agenda issues 5
< Costs Disallowed as Efficiencies	\$ 0	
< Agency Recoveries	\$12.8 M	
< Reports Resolved	149	
< Audits with no Federal action as of 9/30 which are over 365 days past issuance date	133	
< Reports for which no management decision was made within six months of issuance	38	
<u>Audit Resolution Reported by EPA</u>		
Audits with management decisions but without final action beginning FY 02	\$153.2 M	
Audits for which management decision were reached in FY02	\$ 7.0 M	
Total audits pending final action during FY 02	\$160.2 M	
Final Action taken during FY02	<u>\$ 10.4 M</u>	
Audits without final action end of FY 02	\$ 149.8 M	
Percent Audit \$ Value Resolved in FY 02	6.5%	

OIG Customer Quality and Value

As Measured From FY 2002 OIG Customer Survey Results

Actual OIG External Customer Survey Results Compared to Strategic Targets

(Based on 100% scale)

Year Questions About:	1998/1999 Actual	2000 Actual	2001 Actual	2001 Target	2002 Actual	2002 Target	2005 GOAL
OIG Products/Services	73.5%	74%	77.5%	74%*	76%	76%	80%
OIG Staff	77%	79.6%	85.3%	82%*	83.4%	84%	90%
TOTAL	74.6%	76%	80%	77%	79%	79%	85%

Customer/Client Attribute Survey Rating Results FY 1999-2002

Survey Question	Attributes	1998/99	2000	2001	2002
N Factor (# of responses)	Response rate : 98/99 63%; 2001 58%; 2002 55%	57	26	90	95*
Question 3	Respondent knowledge of IG Act/Mission	54%	X	50%	68%
Question 4	OIG Products/Services are: Factually accurate	75%	75%	78%	78%
Question 5	Objective and balanced	73%	72%	77%	77%
Question 6	Relevant & significant	75%	70%	82%	80%
Question 7	Useful for decisions & actions	70%	75%	78%	75%
Question 8	Recommendations or advice are practical	70%	70%	72%	75%
Question 9	Logical and understandable	75%	78%	78%	78%
Question 10	Timely	75%	78%	73%	72%
Question 11	Responsive to needs/requests	75%	77%	77%	75%
Question 12	Contributes to EPA goals	73%	73%	77%	73%
Question 13	OIG Staff : Are professional& courteous	87%	88%	92%	90%
Question 14	Are knowledgeable of programs	68%	75%	78%	77%
Question 15	Communicate clearly	75%	80%	85%	82%
Question 16	Seek comments & clarification	77%	78%	82%	83%
Question 17	Build constructive relationships	77%	77%	85%	85%
TOTAL		74.6%	76%	80%	79%

* several responses represent groups, so total responses are over 120

FY 2002 Narrative Customer Survey Questions and Responses

18. <u>How can we improve OIG products/services, processes or results?</u>	Number of Comments
Program knowledge - technical and program knowledge; more needed by OIG; auditors should use all program information provided	5
Recommendations - too broad and far reaching; too vague and unclear, and should be more specific	3
Timeliness - OIG should try to produce more timely reviews; auditors need time to work with issues until completed; Agency needs more time to provide comments	6
Communication - OIG audits should be clear on scope and criteria used; OIG should follow up on leads which present themselves during review; auditors should provide Agency with monthly email status reports; audit teams should better coordinate their assignments with other audit teams; SRF strategy should be overhauled; audits should focus on important Agency issues; audits should communicate specific grant numbers in audits; auditors should communicate entire single audits (no excerpts); audits should focus more on OIG mission; auditors should review documents sent to OMB; should notify regional liaison when audits are terminated; and should communicate with GAO to avoid duplication	15
Collaboration - OIG needs constructive relationships with Agency and should reach agreement on final products; audits should focus on important Agency issues; audits should follow appropriate procedures; audits should explore issues completely	10

19. <u>With what products or services, and in what program areas, can the OIG best serve EPA?</u>	Number of Comments
Progress, follow up and knowledge about whether implementation of recommendations actually took place	3
Financial issues - Continue SRF and internal control audit work	2
Proactive assistance - partner with Agency training efforts; partner in the area of grants management; link single audits to OIG mission; balance national and regional concerns; more attention to criminal cases	9
Program reviews - do more work in this area	2
Assistance Agreement, Contract and Single Audits - These are extremely useful and help monitor grantees/contractors - do more and faster	4

20. <u>How do OIG products or services add value? If you do not believe they add value, why not?</u>	Number of Comments
Financial, SRF audits/investigations invaluable to EPA financial programs, need more of this type of work	3
Provide independent/balanced reviews - reports do adequately recognize accomplishments and progress	6
Focus on Issues - OIG helps programs focus on major issues, next steps, solutions, need for internal controls, review tribes as sovereigns not subdivision of states	7
New collaborative approach is better	3

Other Comments By Customers and Clients

Complaints
<ul style="list-style-type: none"> < Report findings had minimal relative value < Staff should be more professional, courteous, knowledgeable < Baseless allegation and review was biased and had no value < Audit contained factual errors and illogical conclusions < Investigative work not thorough and conclusions were vague < Staff should listen better to understand issues, not jump to conclusions

Compliments
<ul style="list-style-type: none"> < OIG staff were professional and able to communicate needs and goals effectively < Final product will be useful to the program < OIG staff were extremely hardworking and dedicated to the OIG mission < OIG did excellent job. Brought things to our attention that we overlooked < Good systems review, including review of policies, procedures, and internal controls < Excellent criminal/civil investigative agent work < Questions were always answered promptly < OIG did good job on difficult project where information was missing < OIG did excellent job of identifying problems and working with contractor to correct them < OIG staff provided new information and ideas to the discussion < OIG staff were enthusiastic and committed to helping solve problems

FY 2002 FINANCIAL STATEMENTS FOR OIG, (Figures From IFMS - Unaudited)

(Source: EPA Integrated Financial Management System)

Budget Object Class	Total FY 2002 Expenditures	Average Cost per Staff Year in 000s
MANAGEMENT		264.1 Staff Years
Salaries	\$25,754,741	\$97.5
Travel	1,891,905	\$ 7.2
Program. Expenses	58,606	
Administrative Expenses	1,166,897	\$ 4.4
Program Contracts	1,408,595	
Administrative Contracts	1,934,920	\$ 7.3
Working Capital Fund	1,648,197	\$ 6.2
Grants	135,816	
Awards	86,984	\$.3
Reserves/EPA take back	456,907	
TOTAL	\$34,543,568	\$122.9
SUPERFUND		73.3 Staff Years
Salaries	\$8,818,898	\$120.3
Travel	570,897	\$7.8
Site Travel	1,519	
Program Expenses	14,085	
Administrative Expenses	287,078	\$3.9
Program Contracts	460,876	
Administrative Contracts	474,864	\$6.5
Working Capital Fund		
Grants	33,954	
Awards	32,869	\$.5
Reserves/EPA take back		
TOTAL	\$10,695,040	\$139.0
FY 2002 GRAND TOTAL	\$45,238,608	337.4 Staff Years \$126.5

FY 2003 OIG PERFORMANCE TARGETS FY (with targets FY 2002 - 2005)
Crosswalk between OIG Strategic Plan Objectives/Measures & EPA Annual Performance Plan Goals

OIG STRATEGIC GOALS / EPA OIG APG	2002	2003	2004	2005
FY 03 OIG GOAL 1: EPA APG 1: Improve environmental quality and human health by identifying 80 recommendations, risks or best practices; contributing to reduction or elimination of 20 environmental risks; and 60 changes or actions influencing positive environmental or health impacts.				
Objective Measures and Targets:				
< 1. Environmental Improvements/Changes/ Actions (Legislative, regulatory, policy, directives, best practices, Environmental or health improvements) <i>Intermediate Outcome & Outcome Measures</i>	50	60	70	80
< 2. Environmental Risks Reduced /Eliminated Certifications, Verifications, Validations; <i>Outcome Measures</i>	15	20	25	30
< 3. Recommendations, Risks or Best Practices Identified; <i>Output Measures</i>	75	80	90	100
FY 03 OIG GOAL 2: EPA APG 2: Improve EPA's business and program operations by identifying 155 recommendations, potential savings & recoveries for 150% annual investment in OIG, 75 actions for better business operations, & 50 criminal, civil or admin actions reducing risk of loss/integrity.				
Objective Measures and Targets:				
< 4. Potential Dollar Return on Savings, Questioned Costs, Improved Business Practices, Recoveries, Fines, Settlements <i>Outcome Measures</i>	100% ROI	150%ROI	150%ROI	200%ROI
< 5. Criminal, Civil Administrative Actions Reducing or Eliminating Risk of Loss & Operational/Data Integrity <i>Intermediate Outcome Measures</i>	50	50	50	50
< 6. Improvements in Business/Systems/Efficiency (Actions Taken on Mgt Challenges, Certifications, Best Practices, Policies, Regs) <i>Outcome Measures</i>	70	75	80	85
< 7. Recommendations Made or Weakness, Best Practices Identified <i>Output Measures</i>	150	155	160	165

OCTOBER 7, 2002

MEMORANDUM**SUBJECT:** Fiscal Year 2002 Report on Management Controls**TO:** Christine Todd Whitman
Administrator

I am submitting this annual report from the Office of Inspector General (OIG), in accordance with the requirements of Office of Management and Budget (OMB) Circular A-123, Management Accountability and Control, and the Federal Managers' Financial Integrity Act (FMFIA). This report also complies with the internal control requirements of OMB Circular A-130, Management of Federal Information Resources.

ASSURANCE STATEMENT

I have taken the necessary actions to assure we have evaluated our internal controls in accordance with the guidance provided by the Office of the Comptroller. Based on our evaluation process and my personal knowledge, I believe the internal controls in effect in the Office of Inspector General on September 30, 2002, taken as a whole, provide reasonable assurance of compliance with FMFIA. The OIG has, however, identified six issues this year as OIG-level weaknesses, four of which contain issues previously identified as office-level weaknesses in Fiscal Year 2001. These areas pertain to:

1. Human Resources Strategy (*updated*)
2. Information Technology (IT) Strategy (*updated*)
3. Inspector General Operations Reporting System (*updated-IT strategy last year*)
4. Product Timeliness and Quality (*updated-included under Business Systems last year*)
5. Follow-up on Corrective Actions (*new*)
6. Organizational Structure (*new*)

We have provided a brief description of these issues and the actions we have taken or plan to take under the Office-Level Weakness section of this report. We also plan to develop a more detailed Management Action Plan, with milestone dates and action officials.

MANAGEMENT CONTROL ACCOMPLISHMENTS

During Fiscal Year (FY) 2002, we conducted vulnerability assessments in each of the OIG's assessable units. This year, we also conducted a comprehensive, internal Quality Assurance Review of the OIG Resource Centers. We designed the review to evaluate: (1) the extent to which each center was complying with Government Auditing Standards and OIG policies and procedures; and (2) whether the office consistently maintained documentation to support continuing professional education (CPE) completion, consistently followed OIG and General Accounting Office guidance for independent referencing of all reports, and assured that projects were free from indications of personal or external impairments to independence. These reviews did not identify any issues which were significant enough to be considered material control weaknesses.

The OIG also took the following steps to improve management controls:

- ' Implemented a Management Action Plan to improve the OIG's systems, processes, and office environment. The plan categorized the three office-level weaknesses identified in FY 2001; identified goals, action items, accountability, and milestone dates; and established a process to track our accomplishments and progress.
- ' Continued organizational-wide training in concepts of personal and organizational leadership and performance excellence.
- ' Reviewed administrative and operational issues to clarify and reinforce policies, procedures, and

- management control requirements and revised policies and procedures, as needed.
- ' Improved OIG budgeting, analysis and reporting requirements under the Government Performance and Results Act, FMFIA, and the Inspector General Act.
- ' Developed a new procedure for conducting internal Quality Assurance Reviews (QARs), completed a comprehensive QAR review of all OIG Audit/Program Evaluation Resource Centers, and produced a new policy document on the OIG Quality Assurance Program.
- ' Implemented a Performance Results and Measurement Data Base.
- ' Developed an OIG Annual Performance Report to measure progress in reaching our Strategic Goals including a balanced scorecard of financial, customer service, timeliness, and effectiveness measures.
- ' Designed and implemented an Annual Assignment Suggestion and Planning System Data Base.
- ' Implemented an OIG-wide 360° performance feedback system.
- ' Developed a draft OIG Needs Assessment Tool and Career Management System.
- ' Established a Cost Accounting Workgroup to work with the Office of the Chief Financial Officer to develop and implement a cost accounting system within the OIG.
- ' Deployed a knowledge and skills inventory system (KSIS).

OFFICE-LEVEL WEAKNESSES

The OIG identified six issues as office-level weaknesses for FY 2002. In each area, we are actively working to develop clear plans, policies, and procedures to improve upon these weaknesses.

1. Human Resources Strategy

The OIG previously identified areas for improvement in our Human Resources Strategy and this year's assessment identified additional areas for improvement. In FY 2002, we completed a career path framework to serve as criteria for staff development and began designing a training information system to improve the organizational curriculum. We also deployed a knowledge and skills inventory database to provide a basis for staffing projects, identifying skill gaps, and assessing the OIG's overall workforce capacity.

The OIG is currently performing a workforce analysis and is developing a workforce plan which analyzes the type of work we plan to conduct and the appropriate skills necessary to conduct that work. Based upon this analysis, the OIG will be better able to define its overall recruitment strategy including specialized skills and competencies, diversity goals, and national and local recruitment practices. To continue our human resource efforts we will:

- ' Complete and implement the OIG workforce plan.
- ' Task the Assistant Inspectors General (AIG) and Directors to continually identify skills and competencies needed.
- ' Develop updated diversity goals based on Census 2000 information.
- ' Complete development of a training information system.
- ' Emphasize career development of staff in the Directors' performance standards.
- ' Disseminate the Career Path Framework to serve as criteria for staff development.
- ' Develop and implement a rotational assignment policy.
- ' Implement performance expectations agreements OIG-wide.
- ' Work closely with Team Vegas (the OIG personnel service provider) to expedite the development and classification of organizational position descriptions and to produce vacancy announcements that clearly describe the skills and competencies needed to fill positions.
- ' Determine that position descriptions exist for all positions, and reassign or recruit to fill vacant positions.
- ' Develop a formal assessment process for determining whether individual development plan objectives have been met and ensuring that new skills are recorded in the KSIS.

2. Information Technology (IT) Strategy

In FY 2002, we completed a draft IT Strategic Plan which addressed immediate IT needs and new, innovative technologies. We published a new records management policy and procedural guidance handbook for hard copy documents; customized and deployed AutoAudit, a commercial, paperless audit software program to assist auditors in creation of electronic work papers; provided training on AutoAudit to all OIG employees; interfaced the Inspector General's Operating Reporting System (IGOR) and AutoAudit; developed an action plan to establish an OIG-wide correspondence control system; implemented a file/records inventory in 30 percent of OIG offices, with 100 percent implementation expected in FY 2003; implemented a new WEB policy that includes a reporting requirement on WEB accomplishments; and began recruiting additional staff with the expertise to address the needs of the OIG Intranet WEB system.

Advances in IT hardware, however, have not expanded at the rate of our changing organizational needs. While there is a plan to replace aging equipment, we have not developed a long-range plan to purchase new, innovative software and hardware technologies. We also do not have a centralized system to inventory current hardware and software. Although we now have broader remote access capabilities, we sometimes experience system difficulties which limit our connectivity capability. Further, we sometimes experienced long waits for contractor assistance in response to help desk issues. Moreover, we continue to experience operational constraints due to outdated, or improperly "linked" information on our intranet WEB site.

To address remaining IT strategy weaknesses, we will:

- ' Hire a Chief Information Officer as the AIG for Mission Systems.
- ' Complete and implement a 5-year IT strategic plan that includes immediate needs and new, innovative technologies.
- ' Complete a multi-year procurement plan in conjunction with the next OIG Strategic Plan.
- ' Continue conducting customer surveys and implement corrective actions.
- ' Develop a feedback system to evaluate contractor "troubleshooting" performance.
- ' Consider other contractors as necessary.
- ' Develop a centralized hardware and software inventory system.
- ' Work closely with the Agency as it develops an electronic records archival system and volunteer to pilot this system.
- ' Implement a files/record inventory OIG-wide.
- ' Expedite the posting of OIG products to the Internet and Intranet.
- ' Develop and disseminate an electronic records management policy and procedures when an Agency-wide policy is established.
- ' Establish and implement an OIG-wide correspondence control system.

3. Inspector General Operations Reporting System

The OIG previously identified issues with our internal information system, IGOR, and this assessment identified additional needs. In FY 2002, we implemented controls within IGOR to facilitate the thorough, accurate and timely input of assignment data and timely timecard data review, and linked this to individual performance agreements. We also issued an IGOR user handbook and a training/guidance document, trained users, created a system to facilitate the use of sub-accounts across office jurisdictions to allow individuals working on teams outside their individual organizations to charge time to the project, and provided an on-line user handbook on master and sub-accounts.

Even with enhancements, the IGOR system remains unable to meet current management information needs; and the system's capability and capacity still have not been fully adopted by staff. Our project data in IGOR is inaccurate due, in part, to staff not completing or inconsistently completing IGOR project data fields. Further, time sheet data is not always entered and approved in a timely manner. The data entry process for projects is onerous and inconsistent because of system limitations and project categories are somewhat arbitrarily determined. Finally, all staff have not received training in the use of IGOR, nor do all OIG employees have access to relevant IGOR information needed to manage projects. To address these issues, we will:

- ' Determine those projects that have data problems and hold the respective Director accountable to get the information updated.
- ' Emphasize the importance of ensuring IGOR information is current and accurate by including oversight language in AIGs' and Directors' performance agreements
- ' Provide access and training to all OIG employees who need and use IGOR data.
- ' Streamline IGOR options for data fields.
- ' Develop a data dictionary and a detailed users' manual.
- ' Improve IGOR's capacity to better track project progress and resources used.
- ' Develop and distribute a monthly report to project managers so they are able to identify missing or inaccurate data.
- ' Improve the link between IGOR and AutoAudit to avoid gaps and inconsistencies in the information used to manage projects.
- ' Incorporate into OIG Performance Expectation Agreements responsibility for maintaining and verifying data contained in IGOR and AutoAudit.
- ' Implement an integrated system to replace IGOR.

4. Product Timeliness and Quality/Accountability

Over the past year we have worked to develop an integrated Multi-Year Plan which incorporates the work of the Offices of Audit, Investigations, and Program Evaluation. We have developed an Assignment Process Handbook, a Business Systems Guide, and worked to consolidate our report editing and distribution functions. While these efforts will help improve management, timeliness, and cost-effectiveness of OIG projects, we need to develop an OIG-wide accountability system including, project management, cost accounting, and project follow-up. Currently, we do not have adequate systems in place to ensure timely completion of projects. We need to develop an OIG-wide system to ensure milestones, due dates, and objectives are consistently established and that changes to the initial projections are justified and documented.

Further, while the OIG completed several significant projects over the past year, we did not produce our work plan in timely fashion. Individual projects in the plan did not always contain clear objectives which required additional time to develop during the course of our audit and evaluation work. The work plan should clearly identify the body of work that would help us effectively achieve our strategic goals. Delays in producing this work plan have resulted in delays in work products, products that did not always meet the intent of our "matrix" organization, and staff concerns about their work and their contributions to the organization.

We continue to implement our strategy to improve performance with emphasis on organizational values and assessment criteria. However, we have not yet fully implemented project-specific performance expectations agreements to define individual and/or team project expectations. Clearly defined expectations establish accountability and criteria to measure performance and help ensure quality projects. To improve product timeliness and quality, we will:

- ' Link accountability to individual SES performance agreements.
- ' Hold regular meetings with the product line AIGs and Directors to monitor progress in developing and implementing the OIG work plan.
- ' Task the product line AIGs and Directors with ensuring that projects are well developed, include clearly defined objectives, and are efficiently & effectively assigned and managed.
- ' Task the Product Line and Resource Center Directors as well as Project Managers with effectively communicating to staff how their projects fit into the overall work plan.
- ' Conduct specific training on the Assignment Process Handbook to ensure all staff members understand and comply with professional standards and OIG policies.
- ' Require the Resource Center Directors to certify that the Project Managers received project management training.
- ' Implement project-specific performance expectations agreements to define individual and/or team expectations.
- ' Participate in the Agency's *Business Objects* pilot, a business intelligence reporting tool, which, if effective, will provide an OIG-wide cost accounting system.

5. Follow-up on Corrective Actions

The OIG conducts many types of audits, program evaluations, and investigations to help identify and recommend corrective actions for Agency improvement. Organizationally, we should evaluate whether the Agency implements the corrective actions, and determine whether our recommendations effectively contribute to resolution of the problem and attainment of EPA's goals. Currently the OIG does not have a follow-up policy which would hold the Agency accountable for taking timely appropriate actions and hold the OIG accountable for the outcome of its work. Nor have we clearly defined a process for identifying, prioritizing, tracking, and correcting OIG Integrity Act weaknesses and other internal management assessment review findings.

While the OIG has met its responsibility to identify the key Agency management challenges, we have not developed a systematic method for gathering this information or following up on previously reported Management Challenges. Without follow-up reviews, the OIG has difficulty determining what actions the Agency has taken to improve upon these challenges. To improve follow-up, we will:

- ' Task product line AIGs with identifying follow-up projects from previous OIG work, and projects that will address reported management challenges.
- ' Create a job bank for short-term projects and work with Directors to instruct and assist them in loading it with follow-up projects.
- ' Hold regular meetings with the product line AIGs and Directors to monitor progress made on these follow-up projects.
- ' Develop a methodology for identifying and prioritizing key Agency management challenges.
- ' Implement an OIG-wide process for identifying, prioritizing, tracking, and correcting OIG Integrity Act weaknesses and other internal management assessment review findings.
- ' Include language in AIGs' and Directors' performance agreements for implementing the new OIG-wide process to recognize, prioritize, and report on Agency management challenges and OIG internal weaknesses, and address timely follow-up on them.

6. Organizational Structure

The OIG continues to undergo significant organizational change as we plan and implement our work and Human Capital Management strategies. These operational changes have outpaced our personnel system and have sometimes outpaced our timely completion of re-organizational documents and related personnel transactions. To address these issues we will:

- ' Submit a reorganization package to the Agency and Team Vegas that accurately represents our current organizational structure.
- ' Place a high priority on filling senior level vacancies and communicate this priority to the Agency's Office of Human Resources and Organizational Services and Team Vegas.
- ' Revise and monitor internal and external organizational information to ensure our organization and contact information is always current and accurate.

Should your staff have any questions concerning this report, please have them contact Elissa R. Karpf, Assistant Inspector General for Planning, Analysis, and Results, on (202) 566-2604.

Nikki L. Tinsley

cc: Assistant Administrators
General Counsel
Associate Administrators
Regional Administrators

EPA's Top Management Challenges as Reported by OIG (*Historical Perspective*)

Below is the list of Top Management Challenges that the OIG has reported to EPA each year since 2000. While EPA is making progress in resolving its Major Management Challenges, several have been longstanding problems. The following table shows which challenges have been listed from 2000 through 2002 and their relationship the President's Management Agenda (as numbered).

Management Challenge	2000	2001	2002
Environmental Data Quality (2)	**	**	**
Emission Factor Development			
Year 2000 Modification on Information Systems			
Closeout of Construction Grant Program			
Inconsistent/Oversight Enforcement Activities			
Quality Assurance/Plans			
Use of Inefficient Contract Types			
Managerial Cost Accounting (1 & 4)		*	*
Automated Information System Security Plans/Security (2)			
Oversight/Use of Assistance Agreements (4)			
Agency Relationship with Contractors			
Environmental Data Information Systems	**	**	**
Accountability (1)		*	*
Backlog; Nation'l Pollutant Discharge Elimin. System Permits			
Enhance Employee Competencies/Human Capital (3)			
Process for Preparing Financial Statements			
Superfund Five-Year Reviews			
Great Lakes Program			
Quality of Laboratory Data			**
Information Resources Management (2)	**	**	**
Working Relationships with States & Other Partners (1)			
Results-Based Information Technology Project Management			
Protecting Critical Infrastructure from NonTraditional Attacks			
Biosolids			
Air Toxics Program			

President's Management Agenda

1. Budget and Performance Integration
2. Expanded Electronic Government
3. Strategic Management of Human Capital
4. Improving Financial Performance

* Combined for 2001 and 2002 as "Linking Mission with Management"

** Combined for 2001 and 2002 as

"Information Resources Management & Data Quality"

DEFINITIONS OF FY 2002 PERFORMANCE MEASURES

EPA OIG Performance Measurement Results System Database

GOAL 1 - CONTRIBUTE TO IMPROVED ENVIRONMENTAL QUALITY AND HUMAN HEALTH

Number of Recommendations for Environmental Improvement

Number of environmentally-related (not management process) recommendations, suggestions or advisory items from any OIG work including briefings, memos, reports, discussions, etc. Record these recommendations on a COMPLETED form as COMPLETED RESULTS (outputs). Rollup similar recommendations that together address each opportunity or need for environmental improvement or process change. *Environmental implications of recommendations should be described.*

Legislative Change/Decision (means to impacts)

Any OIG work which through recommendations, discussions, observations, conclusions, or risk identification results in, or significantly contributes to drafts or actual legislative changes to improve an environmental program. Measured in number of changes and *described in terms of actions or impacts on environmental programs and results; such as, impact time, measures of environmental improvement, numbers of people affected, health & behavioral changes and compliance with standards.* Would also be identified in other measures listed below, within each goal.

Regulatory Change/Decision

Any OIG work which results in, or significantly contributes to, draft or actual regulatory changes to improve environmental program implementation. Measured in number of changes and *described in terms of potential impact on environmental programs and results; such as, time, measures of environmental improvement, numbers of people affected, health & behavioral changes and compliance with standards.* Would also be identified in other measures listed below within each goal.

EPA Policy, Directive, Process, Practice, Action, Change/Decision

Any OIG work which results in, or significantly contributes to, specific changes in definitions, purposes, objectives, processes, requirements, controls, competencies, reporting in the formulation of environmental policies, plans or results. Measured in number of changes or actions and *described in terms of impact on environmental programs and results, such as, time and measures of environmental improvement, numbers of people affected, health and behavioral changes.* Would also be identified in other measures listed below, within each goal.

Examples of Environmental Improvements/Impacts

Any OIG work that results in, or significantly contributes to, an identifiable environmental or health condition or improvement, measured in the number of improvements, and *described by the prospective or actual impacts on physical characteristics or behavioral changes.*

Environmental Risks Identified (including noncompliance)

Any OIG work which identifies actual or potential environmental risks, or health risks, for future plans, action, reduction or elimination. *Described by potential/actual environmental or health vulnerabilities, behaviors or conditions.*

Environmental Risks Reduced or Eliminated

Any OIG work that results in, or significantly contributes to, the reduction or elimination of environmental risks. Measured in terms of the number of individual risks (by type) of exposure, incidence, or immanent threats, *described by number of exposures or people exposed.*

Environmental Best Practices Identified

Any OIG work describing a best practice for environmental program implementation, or resolution of an environmental problem (from any source, State, region, other agency, etc.), measured by the number of best practices identified and *described by potential environmental impact.*

Environmental Best Practices Transferred/Implemented

Number of environmental program best practices disseminated (output) through OIG work, and the number which were implemented (outcome) by Agency program offices, regions, States, other government agencies, other IGs, or other environmental organizations. *Describe each output or outcome action and its environmental implication.*

% Change in Environmental/Health Performance Measure or Indicator (from baseline)

Any OIG work which contributes to a positive change in an EPA or other environmental/health performance measure, indicator or condition. *Described by change in behavior, environmental or health condition.*

Certifications/Verifications/Validations/Information Integrity

Any OIG work which results in the certification, verification, or validation , or contribution of knowledge or understanding of Agency environmental work/programs upon which decisions and actions depend.

GOAL 2 - IMPROVE EPA's MANAGEMENT, ACCOUNTABILITY AND PROGRAM OPERATIONS

Questioned Costs (actual numbers, round up, or use decimals)

Report all questioned costs and monetary value of findings and recommendations as COMPLETED RESULTS on a COMPLETED FORM. *Describe nature of costs questioned.*

Recommended Efficiencies, Cost Saved or Avoided (monetized results including from advice, research, training and application of techniques)

As a result of OIG work:

- 1) the cost of Agency work products or office functions which have been eliminated because they were no longer of use, or too costly; and,
- 2) the cost of new or streamlined Agency processes or work products which have been instituted to save the Agency time and/or money. The monetary benefit, both immediate and for the immanent future (absence of our involvement), of OIG work to EPA, other Federal/State partners, and stakeholders.

Describe the nature of the savings including time.

Fines, Recoveries, Restitutions, Collections

Dollar value of investigative recoveries, meaning,

- 1) Recoveries during the course of an investigation (before any criminal or civil prosecution);
- 2) court-(criminal or civil) ordered fines, penalties, and restitutions; and,
- 3) out-of-court settlements (including administrative actions resulting in non-court settlements. *Describe nature of amounts and reason.*

Criminal/Civil/Administrative Actions

Number of successful prosecutions, indictments, and resulting settlements and convictions affecting EPA operations and environmental programs. Includes the number of persons or entities that were:

1) indicted, or for which an “information” was filed, 2) were found guilty or pled guilty in a court of law, or 3) were accepted for pre-trial diversion agreements by the Department of Justice. *Describe the nature of the action and the business of environmental implication.*

Best Practices Identified

Any OIG work describing a best management or program operation practice, (from any source; State, region, other agency, etc.) *Describe each best practices and its implication for effectiveness & economy.*

Best Practices Implemented

Implementation of and best management or program operation practice, identified or described through OIG work (from any source; State, region, other agency, etc.) *Describe each best practices implemented and its implication for effectiveness & economy (time/money/accuracy/risk reduction/satisfaction).*

Examples of Process/Practice/Policy Changes/Decisions/Actions

Any OIG work that influences process, practice, policy regulatory legislative changes, actions or decisions made by EPA, states, or other agencies. Includes audits, including data integrity or systems audits, evaluations, investigations, assistance, hotline, research, correspondence, meetings, conferences, contract audits, advisory briefings, analysis, work groups, etc. *Describe action and its implications for effectiveness & economy (time/money/accuracy/risk reduction/satisfaction).*

Recommendations for Management Improvement

Number of management and program operation, regulatory, policy or legislative recommendations, suggestions or advisory items, from any OIG work including briefings, memos, reports, discussions, analysis, workgroups etc. Record recommendations on a COMPLETED form as COMPLETED RESULTS (outputs). Rollup similar recommendations that together address one management improvement or process change. *Describe each recommendation and its implication.*

New FMFIA/Management Challenges Identified

Number of new FMFIA program assurance issues and EPA management challenges presented as a result of any OIG work. Includes issues presented in EPA financial statement audits, and internal OIG reviews.

Corrected Action on Management Challenges/FMFIA Weakness

Number of action taken to resolve management challenges, high risks or material weaknesses within three years following OIG recommendations, assistance or advice. *Describe action and implications.*

% EPA External Rating on Implementing GPRA

Outside-influenced scorecard of GPRA ratings for the Agency, which the OIG has influenced for improvement. This includes ratings on strategic plan, annual plan, and annual performance report, and specific examples of strengths or improvements influenced by OIG involvement.

Certifications/Verifications/Validations/Information Integrity

Any OIG work which results in the certification, verification, validation, or contributes to the knowledge/understanding of Agency management work or programs, measures, accounting, and data integrity upon which decisions and actions depend. *Describe the nature of each.*

GOAL 3 - PRODUCE TIMELY, QUALITY, & COST EFFECTIVE PRODUCTS & SERVICES THAT MEET CUSTOMERS NEEDS

% Customer Service Value/Quality Rating

Percent based on the results of customer surveys, about the work we do for OIG customers; for/with the Agency, stakeholders, and other partners in the IG community. This will be coordinated and tabulated by the Office of Planning, Analysis and Results (PAR) in collaboration with each OIG office.

of Collaborative Partnerships with Fed/State Agencies

Number of collaborative partners in any OIG product or service that are conducted jointly with other Federal agencies, States, or entities inside or outside EPA, such as the President's Council on Integrity and Efficiency (PCIE). *List the Partners.*

of Requests to Testify/Info for Hearings/ Presentation Requests

Number of times OIG staff are requested to testify in courts, to Congress, other public venues, or provide information for presentation in hearings or other judicial or legislative action, regarding audit, investigative or evaluation findings and recommendations, or other subjects relating to OIG work. *Describe the type, topic and audience for presentation.*

Was Assignment/Product/Service Requested or Required

By responding with a Yes or No, we will be able to determine the percent of OIG work requested or required by number of assignments, and by percent of time expended. A "YES" represents work products requested from customers, such as various EPA programs, Congress, hotline, allegations, legislation by whom the work was requested, or the authority requiring the work. A "NO" means work required only by internal OIG plans or processes. *Describe requirement or requestor.*

% of Engagement Letter/Project Plan/Budget Expectations/ Milestones Met

Number of OIG audit, evaluation, project budget and planning commitments met with this assignment, as a percent of total commitments.

GOAL 4 - ENHANCE DIVERSITY, INNOVATION, TEAMWORK & COMPETENCIES IN OIG

Products Completed By Multi-discipline Teams

All OIG work products accomplished by multi-discipline teams. Record number of products from this assignment if the products were accomplished by a mix of auditors, investigators, engineers, evaluators, etc. Most OIG products will be multi-discipline.

Awards for Achievement and Innovation/Teamwork

Number and type of awards for OIG staff (HQ and Regions) per year, or other specified time periods.

Innovative Approaches, Techniques, Processes and Solutions to Management Issues Implemented

Number and types of innovative approaches, techniques, processes and re-engineering successes implemented within the OIG, to enhance OIG competencies and effectiveness in doing our work, and enhance staff development activities.

% of Work Produced Electronically

Estimate how much of this assignment was "paperless" , produced using special electronic features, such as database programs, functions, equations, charts and graphs, formulas, workpapers, files, presentations.

Work Accessible Electronically to customers (Yes/No)

Are OIG products and services easily available and accessible to customers/clients, the general public, electronically, compared to those only available in hard copy, or e-mail?

For questions, comments or to obtain copies of this report, please contact any of the following:

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