

Table of Contents

Transmittal Letter from the Administrator	iv
Message from the Chief Financial Officer	vii

SECTION I—MANAGEMENT'S DISCUSSION AND ANALYSIS

Introduction	2
Mission and Organization	3
Highlights of FY 2006 Program Performance	5
—Significant Environmental Accomplishments and Challenges	5
—Homeland Security and Emergency Response	10
—Summary of Performance Data	11
Financial Analysis	15
—Highlights of Financial Performance	16
—Government-Wide Financial Performance Measures	18
—Analysis of Financial Statements and Stewardship Information	18
EPA's FY 2006 Management Integrity and Audit Management Reports	21
—Federal Managers' Financial Integrity Act	21
—Management Assurances	22
—Inspector General Act Amendments of 1988	23
—Federal Financial Management Improvement Act	25
—Federal Information Security Management Act	25
—Improper Payments Information Act	25
—Government Management Reform Act—Audited Financial Statements	25
The President's Management Agenda	26
Improving Performance, Results, and Management	29
—Strengthening Planning and Accountability	29
—Using the PART and Program Evaluation	30
—Improving Environmental Indicators, Performance Measurement, and Data Quality	32
—Improving and Integrating Financial Information	35
—Considering Future Trends and Looking Ahead	36

SECTION II.1—PERFORMANCE RESULTS

Introduction to Performance Section	40
Goal 1—Clean Air and Global Climate Change	42
—Objective 1.1: Healthier Outdoor Air	45
—Objective 1.2: Healthier Indoor Air	50
—Objective 1.3: Protect the Ozone Layer	53
—Objective 1.4: Radiation	55
—Objective 1.5: Greenhouse Gas Intensity	57
—Objective 1.6: Enhance Science and Research	60
Goal 2—Clean and Safe Water	63
—Objective 2.1: Protect Human Health	65
—Objective 2.2: Protect Water Quality	69
—Objective 2.3: Enhance Science and Research	72
Goal 3—Land Preservation and Restoration	75
—Objective 3.1: Preserve Land	77
—Objective 3.2: Restore Land	81
—Objective 3.3: Enhance Science and Research	87

Goal 4—Healthy Communities and Ecosystems	89
—Objective 4.1: Chemical, Organism, and Pesticide Risks	91
—Objective 4.2: Communities	99
—Objective 4.3: Ecosystems	103
—Objective 4.4: Enhance Science and Research	110
Goal 5—Compliance and Environmental Stewardship	115
—Objective 5.1: Improve Compliance	118
—Objective 5.2: Improve Environmental Performance Through Pollution Prevention and Innovation	122
—Objective 5.3: Build Tribal Capacity	127
—Objective 5.4: Enhance Science and Research	130

SECTION II.2—ANNUAL PERFORMANCE GOAL RESULTS: DETAILED RESULTS FY 2003–FY 2006

Introduction to Performance Results	133
Goal 1—Clean Air and Global Climate Change	134
Goal 2—Clean and Safe Water	149
Goal 3—Land Preservation and Restoration	160
Goal 4—Healthy Communities and Ecosystems	165
Goal 5—Compliance and Environmental Stewardship	178
Annual Performance Goals and Measures: Detailed Results FY 2003–FY 2006 Enabling and Support Programs	186
PART Measures with Data Availability Beyond FY 2006	190

SECTION III—MANAGEMENT ACCOMPLISHMENTS AND CHALLENGES

Introduction to Management Section	194
EPA's Progress in Addressing FY 2006 Agency-level Weaknesses	195
OIG's 2006 Key Management Challenges and EPA's Response	197

SECTION IV—FINANCIAL STATEMENTS

Introduction to Financial Section	214
Principal Financial Statements	216
—Consolidated Balance Sheet	217
—Consolidated Statement of Net Cost	218
—Consolidated Statement of Net Cost by Goal	219
—Consolidated Statement of Changes in Net Position	221
—Combined Statement of Budgetary Resources	222
—Consolidated Statement of Financing	224
—Statement of Custodial Activity	226
Notes to Financial Statements	227
Required Supplementary Information (Unaudited)	257
—Supplemental Statement of Budgetary Resources (Unaudited)	257
—Stewardship Property, Plant, and Equipment (Land)	259
Required Supplementary Stewardship Information (Unaudited)	260
Supplemental Information and Other Reporting Requirements (Unaudited)	262
—Superfund Financial Statements and Related Notes	262
—Improper Payments Information Act of 2002 (IPIA) Report	270
Inspector General's Audit Report	273

APPENDICES

Appendix A—Program Evaluations Completed in FY 2006	A-1
Appendix B—Data Quality	B-1
Appendix C—Public Access	C-1
Appendix D—Acronyms	D-1