September 2006

OFFICE OF INSPECTOR GENERAL

Catalyst for Improving the Environment

Office of Inspector General
FY 2007 Annual Plan

The mission of the Office of Inspector General (OIG) is to: *conduct and supervise audits, evaluations, inspections and investigations relating to the programs and operations of the Agency; provide leadership and coordination and recommend policies for activities designed to promote economy, efficiency and effectiveness in the administration of Agency programs and operations, and to prevent and detect fraud and abuse in such programs and operations; and keep the Administrator and the Congress fully and currently informed about problems and deficiencies relating to the administration of such programs and operations and the necessity for and progress of corrective action.*

This OIG Annual Plan identifies mandated and selected assignment topics continuing from FY 2006, assignments added as part of the Agency and the President's Council on Integrity and Efficiency Emergency Response Effort, and those scheduled to be started in FY 2007. This document is designed as a "living" document as it is subject to change as a result of requests from Congress, the Agency, and unexpected events (e.g, Hurricane Katrina) which may require more immediate attention. Therefore, the reader is encouraged to consult our web page for the most current listing of projects.

Implementation of this Plan is carried out though audits, evaluations, inspections, investigations and public liaison reviews in compliance with the Inspector General Act, the applicable Professional Standards of the U.S. Comptroller General, and the Quality Standards for Federal Offices of Inspector General of the President's Council on Integrity and Efficiency.

A primary source of input for the assignments in this plan came though an extensive direct outreach process with EPA's Leadership. ***As a result, approximately One-Half of the new OIG assignments planned for FY 2007 are responsive to the immediate concerns or requests of our clients, while One-Quarter are required by mandate or other provision, and One Quarter are self-initiated by the OIG.*** We want to thank each of the Assistant Administrators and Regional Administrators for their participation in this process, and look forward to continuing an open dialogue for receiving their ideas, suggestions and feedback.

We welcome input into our planning process, and feedback on the quality and value of OIG products and services from all customers, clients, stakeholders and the public through our web site: webcomments.oig@epa.gov.

Bill A. Roderick
Acting Inspector General

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Limitations on OIG Advisory Services

The OIG Annual Plan is produced by the OIG Office Planning, Analysis and Results in conjunction with each of the OIG Assistant Inspector's General; with the direct input of each of EPA's Assistant Administrators and Regional Administrators, the Deputy Administrator, the Administrator, Congressional Stakeholders and OMB.

This Plan is available in hard copy from the
Office of Inspector General (Room 2104 EPA West)
U.S. Environmental Protection Agency
1200 Pennsylvania Ave. NW
Washington, D.C. 20460

By calling (202) 566-0913; or
On the Internet: www.epa.gov/oig

To report fraud, waste or abuse;
contact the OIG Public Liaison Hotline:

OIG_Hotline@epa.gov

EPA Office of Inspector General Annual Plan: Planning for FY 2007

The senior leaders of the Office of Inspector General met with each Program Office Assistant Administrator and the ten Regional Administrators, or their designee(s), to obtain their first-hand input in helping us identify and select OIG products that would be of greatest benefit to them. This section summarizes and applies the key Agency-wide issues, management challenges, regional highlights, Environmental and management drivers as the basis for the types of work assignments requested and selected for this FY 2007 plan.

Cross-Organization Issues

The following were the most frequently expressed concerns and questions requiring OIG assistance and attention:

- Collaboration—How can the regulatory requirements, planning processes, and implementation by the states and others be aligned for the most efficient and effective application of resources and actions?
- Public/Private Partnerships—How can new and innovative financing approaches be used to leverage funds for pollution reduction and help sustain or enhance the aging infrastructure?
- Measurement of Results—How can the efficient delivery, progress and results of programs be measured in a meaningful way?
- Emergency Preparedness—How can EPA prepare for its roles to respond to significant events and to support the Department of Homeland Security?
- Voluntary Programs—How can EPA leverage compliance and reduce pollution through means other than enforcement?

Three of these request areas, collaboration, public private partnerships, and voluntary programs are interrelated and collectively address the Agency's strategy of finding non-regulatory means of improving the environment. Reuse and revitalization of contaminated lands, natural resource conservation, and trans-boundary pollution (including invasive species) were next on the list.

Regional Highlights

Within the cross-organizational issues, the following were of common interest to the Regional Offices, in addition to those above:

- Environmental Risk Assessment and Communication—How can EPA characterize risk and best transfer risk information to the public?
- Enhance Natural Resource Conservation—How can EPA motivate and move more toward sustainable practices?
- Assistance Agreements—How can these agreements be managed to most effectively achieve their intended goals?

Management Challenges

Not surprisingly, a number of the management challenges identified are closely related to the cross organization issues above.

- Financial and Resource Management—How effective are operational controls to protect and account for costs, assets and information?
- Regulatory Review Process—How can the process be streamlined, yet inclusive of stakeholder concerns?
- Performance Measurement—How can management measures be better aligned with results measures across the Agency?
- Human Capital Management—How can the Agency align its skills and is there clear guidance on staffing needs as the Agency activities evolve?
- Contract Management—How well are contracts being monitored?
- Information Management- How can EPA's information systems be better aligned for greater efficiency, consistency, accessibility of common use data, protection of personal and confidential data, and effective records management?
- More Efficient Use of EPA Resources- How can EPA better align program processes and implement controls to reduce operating costs?

Regional Highlights

Within the Management Challenge issues, the following were of common interest to the Regional Offices. in addition to those above:

- Sustaining and Protecting Critical Water Infrastructure – How can EPA ensure quality drinking water in the future?
- Grants Management Accountability by Grantees and Tribes –How can EPA better develop and execute grants for measurable success?

EPA Office of Inspector General Annual Plan: Strategy

Based on the information provided by the senior leadership of the Agency, we have chosen the following priorities for the overarching focus of our FY 2007 work. These focus areas are chosen to maximize internal integration of the work to be accomplished, thereby providing a more complete Agency-wide view of the topics across multiple projects.

These priorities were all selected from Agency Leadership's identification of risks, opportunities for improvement and suggestions for OIG review, with one expansion and one consolidation. Results measurement has been expanded to include all aspects of measurements under the category of data, including availability, quality, and management. This has been considered a major management challenge by the OIG in past years and remains of concern. Collaboration, private/public partnerships, and voluntary programs are all interrelated. As a result we have chosen to combine all of these aspects under the general heading of partnerships. Each is briefly described below.

Environmental Driven Topics

Data *(Availability, Quality, Management, Protection):*

Information drives the decision making process. There is some question, however, if EPA is collecting the right data, of sufficient quality, and making that data available to all who might be best able to use the information. Data is particularly important given the emphasis on results management, the periodic state of the environment report, and adaptive management.

Partnership Programs:

Currently there are fifty-four "partnership" programs operating at the Agency Headquarters level with many others in the Regional Offices. Collaboration and innovation are two highlights of the Agency efforts to improve the environment outside of the regulatory process. New public/private partnerships are also a part of this approach. However, while progress has been made in establishing these programs, there is little information available to determine whether or not they are achieving the intended environmental improvements. This is an area of opportunity where improved alignment and incentives can leverage resources and save costs.

Emergency Preparedness/Homeland Security:

Within the area of homeland security, EPA is responsible for protecting drinking water. In addition, as an organization with a unique human resource pool and contractual resources to handle wastes of all kinds that result from natural or manmade disasters, there is an expectation that the Agency is prepared to provide the expected support. However, such an expectation may require more than the Agency can currently provide.

Land Restoration:

Encourage the appropriate reuse and revitalization of Brownfields, USTfields, Superfund sites, RCRA sites, BRAC and other federal properties through voluntary action and economic incentives, as well as a variety of appropriate compliance and enforcement tools.

Environmental Risk Communication:

Providing prompt and accurate information to the public about public health risks associated with specific conditions and substances.

Resource Conservation:

Developing strategies and approaches for voluntary compliance and action to reconcile consumption today with the need to protect resources for the future by promoting green products, processes and buildings as well as reduction reuse and recycling of wastes.

Management Driven Factors

Financial and Resources Management:

Managing the Agency's resources is of critical importance. Because each Office and Region is responsible for ensuring proper management, this delegation increases the chance of differential applications of internal controls over processes and assets.

Assistance Agreements:

Half of the Agency's budget is dedicated to assistance agreements for States, Tribes, Universities and non-profit organizations nationally. The highest risk in the grants management process occurs at the point where the funds are spent, yet many grantees have limited capacity or incentives to account for funds or performance.

Contract Management:

The Agency is highly dependent on contracts with about a fifth of the Agency's annual budget used to acquire contract goods and services. With dwindling resources it is essential the Agency manage these funds and the performance of contractors to optimize their value added.

Human Capital Management:

The nature of the work being done by the Agency continues to evolve. As the work changes and the roles of the Agency change in relation to its partners, for example the States, the skills of the workforce must evolve as well. EPA needs to complete its workforce planning and fill any skill gaps.

Regulatory Processes:

The Agency's regulatory process is extremely complex, and there may be opportunities to streamline the effort without reducing its required integrity.

Performance Measurement:

Agency programs need to be able to determine relative risk and demonstrate outcome results in terms of environmental conditions and human health for the funds that are spent. This requires a clear linkage between the resources applied, the processes used, and the actions taken within EPA and by its Federal, State and grantee partners. This is a difficult challenge, as there are not any standards or universal agreement amongst the stakeholders upon which to base consistent measures of environmental risk and outcomes.

Making Choices – A Customer Driven Process

Audits, evaluations, inspections, and investigations are chosen by the Inspector General based on several criteria, in order of priority. The objective is to develop a "portfolio" of OIG assignments that represents the best possible return on investment in both monetary value and responsiveness in addressing the needs, risks, challenges, priorities and opportunities of OIG customers, clients and stakeholders. To do this we: 1) conducted considerable research on environmental and management risks, challenges and opportunities previously identified by EPA leaders, staff, independent interest organizations, Congress, OMB, States, Tribes and earlier OIG work to develop a comprehensive, indexed compendium of those items by topical area*; and, 2) conducted direct outreach planning meetings individually with members of EPA's headquarters and regional leadership to obtain their input and validate our research.

Criteria Considered in Identifying and Selecting Assignments

- Was it requested by senior leaders of the Agency or Members of Congress?
- Is it within the mission of the OIG?
- Does it have Agency cost implications?
- Can it be done in a timely and cost effective way?
- Does it have environmental improvement implications?
- Does it improve public confidence and accountability in the administration of Agency operations?
- Does it add to our understanding of the major focus areas?
- Are there adequate business control systems in place?
- Is it a new programs, function, or technology that has not been previously reviewed?
- Are there indications of environmental/business integrity risk?
- Are there prior audit or evaluation results upon which to follow-up?
- Is there an opportunities to leverage results with partners?
- What is the availability of OIG resources?
- What is the federal investment or regulatory authority?
- Is there an opportunity to improve process efficiency?
- Is this a follow-up to an earlier audit or evaluation?

The OIG Plan is a "living" document that is subject to change pending new and emerging priorities, requests, progress of the initially selected assignments and the availability of resources. For example, the intensity of the work required during FY 2006 in support of EPA's and the President's Council on Integrity and Efficiency's emergency response efforts following Hurricanes Katrina and Rita, was unforeseen in the annual assignment planning process, accounting for significant rapid adjustments in assignment priorities.

The OIG will review the status of this Plan quarterly in relation to new priorities and current conditions, to make changes as needed.

** the full Compendium of Environmental and EPA Management priorities, risks, challenges and opportunities is a resource available for Agency planning purposes, from the OIG Office of Planning, Analysis and Result (202) 566-2617.*

EPA Office of Inspector General Annual Plan: Audit Plan

The Office of Audit: Office of Inspector General audits focus on three areas: assistance agreements, contracts, and financial management. Taken together, funds awarded for assistance agreements and contracts account for approximately two-thirds of EPA's budget, and the production of timely financial statements remains a priority across the Federal Government. Equally important is the need to use the financial information that is accumulated to improve EPA's programs and maximize results.

Planned work will emphasize:

- direct testing for fraud,
- cost savings resulting from audits of grantee and contractor claims,
- continued improvements in assistance agreement and contract administration,
- EPA's preparation of timely, informative financial statements. And
- EPA's use of financial information, including efficiency measures, to identify cost savings and maximize results achieved from its environmental programs.

Office of Mission Systems: With increasing visibility of data management, quality, and availability, information resource management has become an increasingly important area of work for the Agency. Over the years, the Office of Inspector General has reported management challenges in a number of key Information Resource Management (IRM) areas.

Annually, nearly <u>One Half</u> of the OIG's available audit resources are devoted to performing audits required by statute, regulations, or Memorandums of Understanding with EPA. Additionally, about <u>One Third</u> of the new audit assignments planned for FY 2007, are responsive to areas of interest expressed by EPA Leadership, OMB and Congress, while less than <u>One Quarter</u> are self-initiated by the OIG.

EPA's Enabling and Support Programs

Contact: Janet Kasper, 312-886-3037

OIG Key Area of Focus

- **Assistance Agreements:** Is EPA using assistance agreements to efficiently and effectively accomplish its mission?

Carryover Assignments from FY 2006

- Audit of the New Hampshire Revolving Fund
- Financial Audit of Grants to the National Rural Water Association
- Financial Audit of Grants to the International City/County Management Association
- Financial Audit of Grants to the America's Clean Water Foundation
- Financial Audit of Grants to the Environmental Careers Organization
- State Revolving Fund Policy Review
- Tribal Program Implementation Issues

New Assignments Planned for FY 2007

- 2007 Single Audit Program
- Financial Audit of Grants to the Cheyenne River Sioux Tribe
- Follow-up on EPA's Implementation of Recommendations from Prior Single Audit Reports
- Improper Payments – Construction Grants
- Oversight of and Benefits Received from Earmark Grants
- Financial Audit of Grants to the Ozone Transportation Commission
- Management of and Results from Tribal Grants
- Grants for the US Mexico Border Program
- Financial Audits of Superfund Cooperative Agreements (2 audits as required)

EPA's Enabling and Support Programs

Contact: Carl Jannetti

215-814-5800

OIG Key Area of Focus

- **Contracts:** Is EPA effectively managing contracts to ensure services and products are received from qualified contractors at a reasonable price in a timely manner?

Carryover Assignments from FY 2006

- EPA's Use of Interagency Contracting
- EPA's Contracting through the Corps of Engineers for Superfund Cleanups
- EPA's Compliance with Small Business Contracting Policies in Hurricane Katrina Contracting
- E&E Voucher Review
- E&E Cost Impact – Subcontract Administration
- E&E CY 2006 Floorcheck
- E&E 2001 Incurred Cost Audit
- E&E Cost Accounting Standard 403 Cost Impact Review
- E&E Adequacy of 2005 Incurred Cost Proposal
- Hurricane Katrina – Region 6 Contract Award for Housing

New Assignments Planned for FY 2007

- E&E 2002 and 2003 Incurred Cost Audits
- Impact on EPA Contracts from E&E Non-compliance with Cost Accounting Standards
- FY 2007 Defense Contract Audit Agency Monitoring
- OIG Planning Effort - Assessment of Acquisition Activities
- Contracting for Working Capital Fund Services
- EPA's Management of Award Fees to Contractors
- Follow up on Review of Office of Acquisition Management Organizational Systems
- Financial Audits of Superfund Claims

EPA's Enabling and Support Programs

Contact: Paul Curtis

OIG Key Area of Focus

- **Financial Management**: Does EPA have the people, processes, and systems needed to efficiently provide timely, accurate, complete, and useful financial information for decision making and accountability?

Carryover Assignments from 2006

Audits of:

- FY 2006 EPA's Financial Statements
- FY 2006 Financial Statements: Pesticides Reregistration and Expedited Processing Fund (FIFRA)
- U.S. Chemical Safety and Hazard Investigations Board (CSB) FY 2005 and 2006 Financial Statements
- Deobligations Under Superfund Cooperative Agreements (New York and New Jersey)
- FY 2006 Financial Statements: Pesticide Registration Fund (PRIA)

New Assignments Planned for FY 2007

Audits of:

- EPA's Fees: Does EPA Recover the Cost of Services it Provides?
- EPA's Working Capital Fund (WCF) Billing and Rate Setting Processes
- Controls Over EPA's Unliquidated Obligations
- FY 2006 Financial Statements: Pesticides Registration Fund (PRIA)
- U.S. Chemical Safety and Hazard Investigations Board (CSB) FY 2007 Financial Statements
- FY 2007 EPA Financial Statements
- FY 2007 Financial Statements: Pesticides Reregistration and Expedited Processing Fund (FIFRA)
- FY 2007 PRIA Financial Statements

EPA's Enabling and Support Programs

Information Resources Management *(Office of Mission Systems)*

Contact: Rudy Brevard
202-566-0893

OIG Key Area of Focus

- **Information Technology Investment Management:** Is EPA's IT Capital Planning and Investment Control process well structured and effectively applied to ensure the Agency can produce and manage an integrated and balanced investment portfolio that supports the Agency's mission and goals?
- **Information Access and Sharing:** Has EPA developed and implemented a plan for improving data quality in its systems and in the data it provides to Congress and the public?
- **Information Security and Privacy:** Are EPA's Computer Security and Privacy programs comprehensive and actively implemented throughout the Agency to balance risk and mission requirements?

Carryover Assignments from FY 2006

- IT Audit Support to the Fiscal 2006 Financial Statement Audit
- US Chemical Safety and Hazard Investigation Board (CSB) - FY 2006 FISMA Audit (Contracted)
- EPA's Implementation of Electronic Data Collection Initiatives
- Controls Over Mainframe System Software (Contracted)
- EPA's Implementation of Database Security
- Controls Over Contractor-Owned Systems and Incident Reporting

New Assignments Planned for FY 2007

- FY 2007 Federal Information Security Management Act (FISMA) Audit
- EPA Management of Information Technology Resources under the Clinger-Cohen Act (Follow-up)
- EPA's Protection of Personally Identifiable Information and Privacy Program
- EPA's Information Technology Acquisition Processes
- Server Operating System Security
- IT Audit Support to the Fiscal 2007 Financial Statement Audit
- US Chemical Safety and Hazard Investigation Board (CSB) - FY 2007 FISMA Audit (Contracted)

Program Evaluations Conducted by the Office of Program Evaluation

Evaluations examine if results produced are the intended outcomes of a program and if the results could be improved. Efficiency and effectiveness in producing desired results may also be the result of a program evaluation. Often the information or conclusions from an evaluation become the impetus for change or improvement within the organization.

Work is organized by product line (Air, Land. Water and Cross Media). The evaluation staff is flexible, producing effective analyses in any media assigned. Evaluation topics and priorities are driven by the Administrator's Action Plan, requests from the senior leadership of the agency or the Congress and discussions with senior leadership on issues or concerns facing the agency. We developed our FY 2007 plan based on these inputs and assigned priorities based on a range of factors including risks and potential benefits.

Evaluations for Fiscal Year 2007

The Administrator's Action Plan begins by saying,

> ***"President Bush has charged EPA with accelerating the pace of environmental protection while maintaining our nation's economic competitiveness, and I am committed to meeting this challenge."— Administrator Stephen L. Johnson***

Incremental increases in environmental protection today may have escalating costs relative to the number of people who benefit. Coupled with projections of a declining budget, the Agency has taken steps to use partnership programs and other innovative approaches to get voluntary actions as a complement to regulation. There are at least 54 partnership programs at HQ alone, with additional localized programs at Regions. The initiative presumes that partnership programs are achieving desired improvements. We intend to assess the results and effectiveness of partnership programs so that the Agency can do more of what does works and discontinue approaches that are ineffective.

A second area of work will assess the effectiveness of the Agency's plans for continuity of operations and emergency actions in the event of manmade events or natural disasters. The Agency has vital roles to play in the national reaction to and recovery from such events. Lessons learned from Hurricane Katrina and 9/11 shows that planning and preparation are essential to successfully responding in an emergency. Within that context, we will evaluate the agencies plans to assure needed functions continue in an emergency, and that other critical agency functions can be reconstituted effectively. In addition, we will evaluate the supporting roles and responsibilities of agency functions to respond to events in their particular product lines.

Programs intending to effect air and water quality are also major areas of interest, as well as the challenges of assessing programs or issues that cross media boundaries. Air evaluations will address aspects of particulate matter, ozone reduction, multi-pollutants, and data quality. Increased land alterations, aging infrastructure, higher demand threaten water quality and quantity. We will assess the progress made improving and sustaining water quality. OPE is also mandated to evaluate the management and administration of the Superfund. OPE will continue to evaluate and report on critical issues regarding Superfund.

OIG Special Reviews and Inspections Conducted by the Office of Congressional and Public Liaison

The Office of Congressional and Public Liaison (OCPL) serves as the bridge between the EPA Office of Inspector General and Congress, the public, and the media. Some staff provide liaison with Congressional and the media, and editorial support to the OIG. OCPL has two components that conduct evaluations. The Public Liaison unit assists stakeholders, normally members of the public, in addressing concerns related to EPA programs and operations. OCPL receives complaints through the OIG hotline and, if appropriate, the Public Liaison unit conducts reviews and publishes reports of findings and recommendations. The Special Review and Inspections unit addresses concerns raised by Congress or other stakeholders and also conducts reviews of areas the OIG identifies.

As a result of the OIG Planning Outreach Process, Seventy Percent of the new planned evaluation, special review and inspection assignments for FY 2007 are responsive to specific interests expressed by EPA Leadership, OMB, Congressional and other stakeholders, while the remaining Thirty Percent are self-initiated by the OIG.

EPA Goal 1: Clean Air and Global Climate Change Contact: Rick Beusse 919-541-5747	***OIG Key Areas of Focus*** • **Particulate Matter:** What progress has the Agency made in developing the guidance, tools, data, and other bases for designing cost-effective emissions control strategies for $PM_{2.5}$ nonattainment areas? • **Ozone:** How well have EPA's ozone precursor emissions reductions strategies been implemented in major metropolitan nonattainment areas? • **Multi-pollutants:** What progress has EPA made in reducing the risks to human health and environment from its multi-pollutants approach to selected clean air issues? • **Clean Air Partnerships:** Are Clean Air partnerships, voluntary programs, and other non-regulatory initiatives achieving clean air goals efficiently and effectively? • **Air Quality Data**: Can air data be more cost-effectively obtained while improving its reliability for program needs?
	Carryover Assignments from FY 2006 • Air Toxics - Progress and Challenges in MACT Implementation • Ozone - Effectiveness of Vehicle Inspection and Maintenance Programs? • Partnerships - Deposition of Airborne Nitrogen to the Chesapeake Bay **New Assignments Planned for FY 2007** • Particulate Matter - Assessment of Funding Options for Achieving $PM_{2.5}$ Ambient Air Monitoring Program Goals. • Ozone/Partnerships - Effectiveness of Clean Air Partnerships in Addressing Selected U.S. Port Emissions. • Multi-pollutants: Accuracy of Emissions Reporting from Selected Point Sources • Multi-pollutants: Review of EPA's Planning, Preparedness, and Response Capability for an Airborne Emergency in a Major U.S. City • Follow-up on Previous IG Air Evaluation

EPA Goal 2: Clean and Safe Water Contact: Dan Engelberg 202-566-0830	***OIG Key Areas of Focus*** • **Protecting Human Health:** How successfully have the Safe Drinking Water Act and other activities protected human health? • **Protecting Water Quality:** How well is EPA protecting water quality through core water programs? • **Health of Aquatic Systems:** How can EPA effectively protect and restore sustainable healthy aquatic communities and ensure waters that are protective of human health?
	Carryover Assignments from FY 2006 • Health of Aquatic Systems – Nonpoint Source BMPs - Chesapeake Bay Restoration – Agriculture • Health of Aquatic Systems – Nonpoint Source Management Practices – Chesapeake Bay Restoration - Urban • Health of Aquatic Systems – Point Source Nutrient Discharges – Chesapeake Bay • Protecting Water Quality – Clean Water Compliance and Enforcement Evaluation • Integration of Superfund and Clean Water Act Protection Activities • Followup on Agency Actions in Response to Selected OIG Water Reports **New Assignments Planned for FY 2007** • Health of Aquatic Systems – Chesapeake Bay Restoration – Capping Report • Protecting Water Quality – Total Maximum Daily Load (TMDL) Implementation • Health of Aquatic Systems - Compliance among Federal Facilities on the Chesapeake Bay with the Clean Water Act • Protecting Water Quality - Review of Drinking Water Program Implementation • Protecting Human Health - Evaluation of the Office of Water's Emergency Preparedness

EPA Goal 3: Land Preservation and Restoration Contact: Carolyn Copper 202-566-0829	***OIG Key Areas of Focus*** **Hazardous Waste Clean up (Superfund)** • Is EPA achieving land revitalization and reuse goals, and ensuring long-term stewardship at Superfund sites? • Is EPA implementing improved management practices for Superfund Special Accounts?
	Carryover Assignments from FY 2006 • Evaluation of Superfund Alternative Sites Program • OIG Congressional Request-Ringwood Mines/Landfill Superfund Site • EPA's Management of Superfund National Priority Sites • Resource Conservation and Recovery Act (RCRA) Referrals to the Superfund Program • Superfund National Priority List (NPL) Site Deletion Process • Review of violations and resolutions to Superfund settlement agreements **New Assignments Planned for FY 2007** • Hazardous Waste Cleanup – Superfund Special Accounts Management • Hazardous Waste Cleanup – Emergency Response and Homeland Security Roles and Plans • Follow-up on Previous IG Land Evaluation

EPA Goal 4: Healthy Communities and Ecosystems **EPA Goal 5: Compliance and Environmental Stewardship** Contact: Jeffrey Harris	***OIG Key Areas of Focus*** • **Partnership/Voluntary Programs:** Are EPA voluntary programs effectively achieving their environmental goals? • **Enforcement and Compliance Assurance:** What impact have the enforcement and compliance assurance actions, activities, and policies of EPA and its partners had on the regulated community's compliance with environmental rules? • **Homeland Security:** How effectively can EPA assist in responding to natural and intentional incidents that impact human health and the environment? • **Cross-Media Management and Performance:** How well does EPA develop and apply cross-media tools, programs, and approaches to protect, sustain, and restore human health and the environment? • **Science:** How useful are the results of the Office of Research and Development products? • **Chemical Safety Board (CSB)**: How the CSB protect its customers and the public from dangerous chemical facility practices and reduce the frequency and severity of incidents?
202-566-0831	**Carryover Assignments from FY 2006** • Partnership/Voluntary Programs – Voluntary Program Cost and Measurement Census • Partnership/Voluntary Programs – Evaluation of EPA's National Environmental Performance Track Program • Partnership/Voluntary Programs – Effectiveness of the Energy Star Partnership Program • Enforcement and Compliance Assurance – Benchmarking Statistically Valid Compliance Rates • Cross-Media Management and Performance – Evaluation of the Strategic Agricultural Initiative • Chemical Safety Board – Implementation and Impact of CSB Recommendations • Management Review of the Office of International Affairs **New Assignments Planned for FY 2007** • Partnership/Voluntary Programs – Evaluation of Partnership Program Collaboration • Homeland Security – Evaluation of EPA's Continuity of Operations Plan • Follow-up on Previous IG Cross Media Evaluation

EPA's Enabling and Support Programs **Special Reviews and Inspections** ***(Office of Congressional and Public Liaison)*** Contact: Eric Lewis 202-566-2664	***OIG Key Areas of Focus*** • **Congressional, public and EPA concerns about all environmental goal areas and manage issues** **Carryover Assignments from FY 2006** • Protecting Water Quality – Panola County, Texas • Protecting Water Quality – NPDES Enforcement in Florida • OIG Congressional Request –Review of Libby, Montana Superfund Site • Ringwood Mines and Landfill- Superfund site • Coggins Farm • Sunflower Army Ammunition Plant • Office of Civil Rights, Office of Environmental Justice Cooperative Agreements and IPAs **New Assignments Planned for FY 2007** • Assessment of Strategic Management of Agency Infrastructure • Assessment of Internal Controls in Program Management • Assessment of Mature Information Technology Investments • Lab Problem with Microbial Contamination • The Effectiveness of EPA's Community Relations • Effectiveness of Agency Freedom of Information Request Practices • EPA Product Registration Review

EPA Office of Inspector General Annual Plan: Investigation Plan

The Office of Investigations (OI). OI primarily employs Special Agents, as well as computer specialists, chemists, and support staff. OI maintains a presence in each of the EPA regions as well as at selected EPA laboratories, other facilities, and Headquarters in Washington, DC.

The majority of investigative work is reactive in nature. We receive 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. In prioritizing our work, we evaluate the allegations to determine which investigations may have the greatest impact on Agency funds, the integrity of EPA programs and operations, and produce the greatest deterrent effect. OI assists EPA in meeting its strategic goals by ensuring that the Agency's scarce resources are not pilfered by unscrupulous individuals or companies. This allows Agency resources to be properly used to protect the environment and human health. OI has identified the following major areas on which to focus: financial fraud (contracts, assistance agreements), computer crimes, laboratory fraud, infrastructure/terrorist threat, and theft of intellectual or sensitive data. Our primary emphases are illustrated in the chart below.

EPA's Enabling and Support Programs

Contact: Stephen J. Nesbitt

202-566-0819

OIG Key Areas of Focus

- **Investigations:** OIG Investigations focus on the prevention, detection, and investigation of fraud, waste, and abuse in programs and operations administered or financed by the EPA. In this role, the OIG conducts criminal, civil, and administrative investigations into allegations of fraud and serious misconduct that could create imminent environmental risks or undermine the integrity of EPA or the public's confidence in its key environmental work.

Investigations begun prior to FY 2007 and new investigations will examine:

- Criminal activities in the awarding, performance, and payment of funds under EPA contracts, grants, and other assistance agreements to individuals, companies, and organizations.
- Criminal activity or serious misconduct affecting EPA programs or involving EPA personnel which could undermine or erode the public trust.
- Laboratory fraud relating to payments made by EPA for erroneous environmental testing data and results that could undermine the bases for EPA decision-making, regulatory compliance, and enforcement actions.
- Intrusions into and attacks against EPA's network, as well as incidents of computer misuse and theft of intellectual property or other sensitive data.
- Release of or unauthorized access to sensitive or proprietary information.

Investigative support to EPA programs will:

- Assist the EPA and the OIG in testing its network infrastructure to provide a threat and vulnerability assessment used to minimize or mitigate hostile infrastructure attacks.
- Provide key EPA officials an increased awareness of cyber threat issues and indicators.
- Continue to provide Contract and Grant Fraud Awareness briefings as an integral part of contracts and grants management training for EPA staff to identify funds at risk.

EPA Office of Inspector General Annual Plan: Performance Measures

The Government Performance and Results Act (GPRA) requires Federal Agencies to develop goal-based budgets supported by Annual Performance Plans that link the organization's Mission and Strategic Goals to its Annual Performance Goals (APGs). The APGs, presented as quantifiable targets, are supported by measures and indicators that represent the expected results in terms of outputs and outcomes. Actual results, compared to targets, are reported through the Agency's annual Performance Accountability Report as a means of informing OMB, Congress and the public about what value they are receiving for funds invested and how well goals are being achieved.

This Annual Plan presents the means by which the OIG will convert its resources into results through required and priority assignments. Since outcome results from OIG work are a reflection of measurable actions and impacts, there is typically a time lag between the completion of OIG work and recognition of such results. Therefore, OIG results are recorded in the year recognized regardless of when the work was performed. OIG targets and measures represent the promotion of economy, efficiency and effectiveness; and prevention and detection of fraud, waste and abuse through both current year outputs and long term outcomes.

The FY 2007 President's Budget for the OIG is $48.4 Million, including Superfund work and work supporting the Chemical Safety Board. The following are the OIG Annual Performance Goals/Targets that this plan is designed to achieve.

Annual Performance Measures	Supporting Indicators	FY 07 Target
Environmental and Business *Actions Taken for Improved Performance* from OIG work	o Policy, process, practice or control changes implemented o Environmental or operational risks reduced or eliminated o Critical congressional or public concerns resolved o Certifications, verification or analysis for decision or assurance	**318**
Environmental and Business *Recommendations or Risks Identified* for Corrective Action by OIG work	o Recommendations or best practice identified for implementation o Risks or new management challenges identified for action o Critical congressional/public actions addressed or referral for action	**925**
Potential *Monetary Return on the Investment* in the OIG, as a Percentage of the OIG Budget	o Recommended questioned costs o Recommended cost efficiencies and savings o Fines, penalties, settlements, restitutions	**150% ($72.6 million)**
***Criminal, Civil, Administrative and Fraud Prevention Actions Taken* from OIG Work**	o Criminal convictions o Indictments/Informations o Civil Judgments o Administrative actions (staff actions and suspension or debarments)	**80**

IG Act and Professional Auditing Standards Define IG Independence and Restrictions on Advisory Services

The OIG provides certain advisory services to the Agency as part of the value it adds in promoting economy, efficiency and effectiveness. However, to protect the IG's independence, the IG Act explicitly restricts the IG from making or deciding on Agency policies. The Generally Accepted Government Auditing Standards provide specific criteria limiting what Advisory Services, defined as nonaudit services, OIG staff can perform, and what constitutes a personal or organizational impairment of independence in fact or appearance. Several of the limitations by the Standards are cited below and serve as an explanation of why the OIG may not be able to assist the Agency in ways that may be requested.

Overarching Independence Principles When Performing Nonaudit Services

The following two overarching principles apply to auditor independence when assessing the impact of performing a nonaudit service for audited entities: (1) audit organizations must not provide nonaudit services that involve performing management functions or making management decisions and (2) audit organizations must not audit their own work or provide nonaudit services in situations where the nonaudit services are significant/material to the subject matter of audits. In considering whether audits performed by the audit organization can be significantly or materially affected by the nonaudit service, audit organizations should evaluate (1) ongoing audits; (2) planned audits; (3) requirements and commitments for providing audits, which includes laws, regulations, rules, contracts, and other agreements; and (4) policies placing responsibilities on the audit organization for providing audit services. If requested to perform nonaudit services that would impair the audit organization's ability to meet either or both of the overarching independence principles for certain types of audit work, the audit organization should inform the requestor and the audited entity that performing the nonaudit service would impair the auditor's independence with regard to subsequent audit or attestation engagements.

Nonaudit Services That Impair Independence

By their nature, certain nonaudit services directly support the entity's operations and impair the audit organization's ability to meet either or both of the overarching independence principles for certain types of audit work. Examples of the types of services under this category include the following:

- Maintaining or preparing the audited entity's basic accounting records or maintaining or taking responsibility for basic financial or other records that the audit organization will audit.
- Designing, developing, installing, or operating the entity's accounting system or other information system that are material or significant to the subject matter of the audit.
- Recommending a single individual for a specific position that are key to the entity or program under audit, or otherwise ranking or influencing management's selection of the candidate; or conducting an executive search or a recruiting program for the audited entity.
- Developing an entity's performance measurement system when that system is material or significant to the subject matter of the audit.
- Performing the entity's internal control self-assessment process or developing the internal control system.
- Developing an entity's policies, procedures, and internal controls.
- Providing services used as management's primary basis for making decisions that are significant to the subject matter under audit.
- Internal audit functions, when performed by external auditors.
- Serving as voting members of an entity's management committee or board of directors, making policy decisions that affect future direction and operation of an entity's programs, supervising entity employees, developing programmatic policy, authorizing an entity's transactions, or maintaining custody of an entity's assets.
- Planning, conducting, or reviewing audit work of the subject matter of the nonaudit by the same person providing the non-audit services under the overarching independence principle that auditors must not audit their own work.