



At a Glance

Why We Did This Project

We conducted this audit to evaluate the U.S. Environmental Protection Agency's (EPA's) management controls for implementing Executive Order (EO) 13771, *Reducing Regulation and Controlling Regulatory Costs*. We focused on the EO's regulatory savings goals for fiscal years (FYs) 2017 and 2018, the EPA's deregulatory and regulatory actions, and the EPA's compliance with the Office of Management and Budget's (OMB's) goal-setting requirements.

EO 13771 was issued to manage the costs associated with existing and new regulations established by federal agencies. The EO stipulates that for every new regulation issued, at least two existing regulations must be identified for repeal. Also, for FY 2017, the total incremental cost of all new regulations, including repealed regulations, was to be no greater than zero. The OMB issued subsequent guidance establishing an FY 2018 regulatory savings goal of \$40 million for the EPA.

This report addresses the following:

- *Compliance with the law.*

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EPA Exceeded the Deregulatory Goals of Executive Order 13771

What We Found

In FYs 2017 and 2018, the EPA exceeded its deregulatory expectations under EO 13771. In addition, the EPA exceeded the savings goals associated with the EO. Specifically, in FY 2017, the EPA achieved an annualized cost savings of \$21.5 million via 16 deregulatory actions and one regulatory action. In FY 2018, the EPA achieved an annualized cost savings of \$75.1 million via 10 deregulatory and three regulatory actions.

In FYs 2017 and 2018, the number of EPA deregulatory actions was more than double the number of EPA regulatory actions.

EO 13771 is commonly referred to by media outlets as the “two-for-one” EO. Specifically, the EO requires that “for every one new regulation issued, at least two prior regulations be identified for elimination.” In addition, the EO states that “any new incremental costs associated with new regulations shall ... be offset by the elimination of existing costs associated with at least two prior regulations.” An agency is in compliance with EO 13771 if, by the end of each fiscal year, its total deregulatory actions number at least two times its total regulatory actions and its cost savings goals are met.

The EPA did not develop internal guidance or management controls to implement EO 13771. Other than an Administrator's memorandum establishing a Regulatory Reform Task Force, charged with implementing EO 13771, the EPA relied solely on OMB guidance to implement the EO. We found that both the transparency of EO decision-making and the outreach for deregulatory recommendations could be enhanced and clarified in the Administrator's direction to the Regulatory Reform Task Force.

Recommendations and Planned Agency Corrective Actions

We recommend that the EPA enhance transparency regarding EO 13771 decision-making and outreach to interested stakeholders. Although the EPA concurred—in whole or in part—with Recommendations 1a and 1b, the agency did not provide sufficient corrective actions to meet the intent of the recommendations. The agency disagreed with Recommendations 1c and 2. All recommendations are unresolved.

Noteworthy Achievement

The EPA's National Center for Environmental Economics created a cost-accounting tool that standardized analyses after encountering uncertainty among program offices about how to satisfy OMB requirements for implementing EO 13771.