



U.S. ENVIRONMENTAL PROTECTION AGENCY
OFFICE OF INSPECTOR GENERAL

Catalyst for Improving the Environment

Compendium of Unimplemented Recommendations as of March 31, 2011

Report No. 11-N-0212

April 29, 2011

Abbreviations

ARRA	American Recovery and Reinvestment Act of 2009
CSO	Combined Sewer Overflow
CWA	Clean Water Act
CWSRF	Clean Water State Revolving Fund
DWSRF	Drinking Water State Revolving Fund
EAS	EPA Acquisition System
EPA	U.S. Environmental Protection Agency
FMFIA	Federal Managers' Financial Integrity Act
GAO	U.S. Government Accountability Office
ICMS	Integrated Contracts Management System
MATS	Management Audit Tracking System
NPDES	National Pollutant Discharge Elimination System
OARM	Office of Administration and Resources Management
OCFO	Office of the Chief Financial Officer
OECA	Office of Enforcement and Compliance Assurance
OEI	Office of Environmental Information
OIG	Office of Inspector General
OMB	Office of Management and Budget
ORD	Office of Research and Development
OW	Office of Water
POTW	Publicly Owned Treatment Works
SAAP	Special Appropriation Act Project

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UNITED STATES ENVIRONMENTAL PROTECTION AGENCY
WASHINGTON, D.C. 20460

THE INSPECTOR GENERAL

April 29, 2011

MEMORANDUM

SUBJECT: Compendium of Unimplemented Recommendations as of March 31, 2011
Report No. 11-N-0212

FROM: Arthur A. Elkins, Jr.
Inspector General

A handwritten signature in black ink, appearing to read "Arthur A. Elkins, Jr.", is written over the printed name.

TO: Deputy Administrator
Assistant Administrators
Regional Administrators
General Counsel
Chief Financial Officer
Associate Administrators

Attached is the semiannual *Compendium of Unimplemented Recommendations as of March 31, 2011*, prepared by the Office of Inspector General (OIG) of the U.S. Environmental Protection Agency (EPA). This compendium fulfills the requirement of the Inspector General Act of 1978, as amended, to identify reports containing significant recommendations described in previous semiannual reports to Congress on which corrective actions have not been completed.

This compendium, issued in conjunction with the *Semiannual Report to Congress, October 1, 2010 through March 31, 2011*, and as a separate document to EPA leadership, is part of the OIG's followup strategy to promote robust internal controls. Followup is done in collaboration with the EPA Office of the Chief Financial Officer and EPA audit followup coordinators. The goal is to improve overall audit management by increasing EPA managers' awareness of outstanding agreed-to commitments for action on OIG report recommendations. Implementing these recommendations will correct weaknesses, reduce vulnerabilities to risk, and leverage opportunities for improved performance.

The significance of audit followup, as described by the Office of Management and Budget (OMB) Circular A-50, is enhanced by the public's expectation for greater transparency and a heightened interest by Congress in realizing potential opportunities for improvement in the federal government. The OIG's previous compendium reports appear to be increasing Agency awareness of and action on unimplemented OIG recommendations.

We selected the unimplemented recommendations listed in this compendium based on their significance and their status in EPA's Management Audit Tracking System. In addition, some unimplemented recommendations were identified through review by the OIG.

According to OMB Circular A-50, audit followup is a shared responsibility between the Agency and the OIG. We will continue to identify unimplemented recommendations for attention and action, as well as remove the listing of recommendations as unimplemented when appropriate information of completion is provided. We hope that you find this tool useful in identifying ways to further improve Agency operations.

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Introduction

Purpose

The purpose of this *Compendium of Unimplemented Recommendations* is to highlight for U.S. Environmental Protection Agency (EPA) management significant recommendations that remained unimplemented past the due date agreed upon by EPA and the Office of Inspector General (OIG). In addition, the compendium satisfies part of Section 5(a) of the Inspector General Act of 1978, as amended, which requires each inspector general to issue semiannual reports to Congress and include “an identification of each significant recommendation described in previous semiannual reports on which corrective action has not been completed.” We are issuing the compendium in conjunction with the OIG’s *Semiannual Report to Congress, October 1, 2010 through March 31, 2011*. We intend to issue a compendium each semiannual reporting period. The compendium will keep Agency management informed about EPA’s outstanding commitments and its progress in taking agreed-upon corrective actions on OIG recommendations to improve programs and operations.

Background

The OIG issues recommendations to improve the economy, efficiency, effectiveness, and integrity of EPA programs and operations. Office of Management and Budget (OMB) Circular A-50, *Audit Followup*, provides that corrective action taken by management on resolved findings and recommendations is essential to improving the effectiveness and efficiency of government operations, and that audit followup is a shared responsibility of agency management officials and auditors.

OMB Circular A-50 requires each agency to establish systems to ensure the prompt and proper resolution and implementation of audit recommendations. EPA Order 2750, based on OMB Circular A-50, details EPA’s policy and procedures on audit followup. The Chief Financial Officer is EPA’s audit followup official and is responsible for resolving audits Agency-wide and ensuring that action officials implement corrective actions and meet the milestone dates contained in the OIG-accepted management decision. If the action officials need to make a significant change to the corrective actions by modifying an action or deferring critical milestone dates for 6 months or more, they are required to obtain the OIG’s approval of the change. The OIG is required to respond to an action official’s request within 15 calendar days of receipt of the request; if the OIG does not respond, the action official may consider that the OIG has approved the requested change. EPA uses the Management Audit Tracking System (MATS) to track information on Agency implementation of OIG recommendations. The Office of the Chief Financial Officer (OCFO) maintains and operates MATS. MATS receives report data, such as the report title, issue date, and recommendations, from the Inspector General Enterprise Management System.

The audit management official in the Office of the Administrator, the Office of General Counsel, and each Assistant Administrator or Regional Administrator office designates an audit followup

coordinator for that office. Audit followup coordinators are responsible for: managing their office's data contained in MATS, tracking implementation of corrective actions, facilitating timely progress on all corrective actions and maintaining documentation from the action official confirming that corrective actions are complete. When corrective actions in response to recommendations in an audit report are completed and certified, the Agency may inactivate that report in MATS and the audit followup coordinator would no longer have to track it. The Agency self-certifies that it has completed the corrective actions. The Agency is also responsible under the Inspector General Act for reporting on audit reports for which the Agency has not taken final corrective action within one year or more of the Agency's management decision.

This is the sixth edition of the *Compendium of Unimplemented Recommendations*. It identifies 18 unimplemented recommendations from 12 reports, compared with 18 unimplemented recommendations from 15 reports identified in the fifth edition for the period ending September 30, 2010. Of the 18 unimplemented recommendations reported herein, 6 from 6 reports were included in the previous Compendium, and 12 from 8 reports are newly identified. We removed 12 unimplemented recommendations from 9 reports that were included in the previous compendium. Removal of an unimplemented recommendation does not mean that it was verified as implemented, but rather that it was reported as being completed or that the target completion date has been revised with OIG approval.

Scope and Methodology

We used MATS as our primary source for identifying unimplemented recommendations. We also performed additional steps to search for unimplemented recommendations that may not have been identified in MATS. These steps included consulting with OIG staff and Agency audit followup coordinators for clarification of information contained in MATS.

To identify significant unimplemented recommendations for inclusion in the compendium, we reviewed:

- Selected OIG audit and evaluation reports issued to EPA during the period October 1, 1997, through September 30, 2010
- Recommendations that have corrective actions with agreed-to dates of March 31, 2011, or earlier

We based our analysis on the status of recommendations entered into MATS by April 7, 2011, for corrective actions that were completed by March 31, 2011. We excluded those recommendations for which the OIG approved, by March 31, 2011, Agency-submitted requests to extend the completion dates. We did not identify any significant unimplemented recommendations for fiscal years 1998 through 2001, 2003, 2005, and 2006. We did not review recommendations from reports without an OIG agreement on the Agency's corrective action plan (management decision). A list of these reports can be found in appendix 2 of the OIG *Semiannual Report to Congress, October 1, 2010 through March 31, 2011*.

Some unimplemented recommendations that were excluded from this compendium may, upon further review, be included in the next compendium. A recommendation's exclusion from the

Compendium of Unimplemented Recommendations as of March 31, 2011
(Report No. 11-N-0212)

compendium does not indicate our determination that the recommendation has been implemented. We limited the inclusion of unimplemented recommendations to those we believe are significant because they could have a material impact on the economy, efficiency, effectiveness, or integrity of EPA programs and operations. For this purpose, we define significant recommendations in the following terms:

- **Economy:** Opportunity to save, prevent loss, or recover at least \$500,000 in monetary costs or value
- **Efficiency:** Improvement in the process, capacity, accessibility, or delivery of program objectives and the elimination of unnecessary or unproductive actions or expenses
- **Effectiveness:** Improvement in the quality of, or reduction in the risk to, public health and the environment
- **Integrity:** Improvement in operational accountability, enforcement of and compliance with laws and regulations, and security of resources for public confidence

The following EPA offices have unimplemented recommendations listed in this compendium discussion draft:

- Office of Administration and Resources Management (OARM)
- Office of Enforcement and Compliance Assurance (OECA)
- Office of Environmental Information (OEI)
- Office of Research and Development (ORD)
- Office of Water (OW)
- Region 3
- Region 8

We anticipate that the Agency will update MATS on the status of each unimplemented recommendation, including a description of progress, an explanation of the delay in completing an agreed-to action, and any approved extensions of the planned completion dates.

Unimplemented Recommendations

Action Office: OW
Report Title: EPA Needs Procedures to Address Delayed Earmark Projects
Report No.: 10-P-0081
Date Issued: 03/22/2010

Report Summary

The OIG performed this audit to quantify unused Special Appropriation Act Project (SAAP) funds and to determine whether EPA awarded funds, and grantees used the funds, in a timely manner. The OIG found that EPA still had not obligated some SAAP funds 5 years after Congress appropriated them. Frequently, either earmark recipients could not obtain the matching funds required to obtain the grants, or the projects were complex and required extensive planning. As of April 2009, there were 84 earmarks that Congress appropriated before fiscal year 2004 with unobligated funds totaling over \$28 million.

Additionally, as of April 2009, there were 119 SAAP grants that EPA awarded prior to fiscal year 2004 that had total funds remaining of over \$122 million. In many cases, funds were not completely spent because the recipient had to make changes to the work plan, or the recipient was required to comply with various state and local regulations, thereby delaying the project.

EPA established the goal of completing SAAP projects within 5 years of grant award. However, EPA does not believe it has the authority to take action or require corrective action for delayed SAAP earmarks or grants. EPA has no defined process for its regions to contact sponsoring Members of Congress about reallocating unused SAAP funds. EPA needs a policy that specifies time limits and procedures for addressing earmarks that remain unobligated. It should also address steps to be taken when projects are delayed. Currently, unless Congress initiates a rescission, millions of dollars are available for projects that may never get started, while other projects that could improve the environment are not funded.

Unimplemented Recommendations

Recommendation 2-1: We recommend that the Assistant Administrator for Water, in consultation with OCFO, establish a national policy containing a response framework for handling unobligated earmarks. The framework should include criteria for when to escalate the handling of unobligated earmarks.

Recommendation 3-1: We recommend that the Assistant Administrator for Water, in consultation with OCFO, establish a national policy that clearly identifies corrective actions for delayed projects.

Recommendation 3-2: We recommend that the Assistant Administrator for Water, in consultation with OCFO, create an exception reporting procedure for delayed projects to focus management attention on such cases.

Status: OW agreed to create a response framework to address the issue of unobligated and unliquidated earmark grants. OW also agreed to have the draft issued 6 months after the issuance of the OIG final report and the final 1 year after the OIG report. OW planned to issue a final management plan and begin implementation as of March 30, 2011. These corrective actions, which are past due, are associated with the three recommendations above. As of November 30, 2010, OW had completed the following steps toward the development of the final management plan:

- July 30, 2010—Sent the regions a draft management plan for review and comment.
- September 30, 2010—Issued a revised draft after incorporating regional comments.
- October 6–7, 2010—Discussed the draft document with the regional SAAP coordinators at the Annual SAAP Coordinators’ Conference.
- November 30, 2010—Submitted a final draft to OW for review and comment.¹

¹ Subsequent to the close of our reporting period, March 31, 2011, OW informed us that it was revising the final management plan based on comments received. OW expects to finalize the plan by May 31, 2011.

Action Office: OARM
Report Title: Plans to Migrate Data to the New EPA Acquisition System Need Improvement
Report No.: 10-P-0071
Date Issued: 02/24/2010

Report Summary

The OIG engaged Williams, Adley & Company, LLP, to conduct an audit of EPA's plans for migrating data from the Integrated Contracts Management System (ICMS) to the EPA Acquisition System (EAS). Williams, Adley & Company, LLP, identified that EPA's plans lack sufficient incorporation of data integrity and quality checks to ensure the complete and accurate transfer of procurement data. In particular, the Agency relies heavily on contracting officers to review their own contract data in EAS for overall data accuracy after it has been migrated from ICMS. However, EPA does not require that contracting officers attend data migration training. In addition, EPA does not require verification of the accuracy and completeness of those data in its plans to migrate closed contracts, which will be utilized for historic reporting purposes in EAS. While EAS data validation and edit checks will enforce integrity constraints over user-entered data, proper data migration controls are paramount to ensuring that the acquisition data transfer accurately and completely from ICMS to EAS.

Proper data migration controls ensure that data intended for migration arrive in the new system ready for their intended purpose and that erroneous data are identified and corrected prior to release in the new system. By taking steps to improve its data migration strategy, EPA would increase its chances of achieving effective data cleanup prior to migrating ICMS data to EAS. Likewise, incorporation of data integrity checks and manual quality control review of data would provide management with assurance that (1) it could rely on the accuracy and completeness of the data in the new system, and (2) it could report that EPA has effective internal controls over financial reporting as required by OMB Circular A-123, *Management's Responsibility for Internal Control*.

Unimplemented Recommendation

Recommendation 3: We recommend that the Director of the Office of Acquisition Management within OARM develop a plan to ensure closed contract data are reviewed for accuracy.

Status: OARM concurred with this recommendation. OARM planned the use of the Federal Procurement Data System–Next Generation Verification and Validation Annual Exercise to ensure that closed contract data are reviewed for accuracy. The original agreed-to completion date was November 15, 2010. OARM later indicated it would complete the corrective action by February 28, 2011. This corrective action is past due for completion.

Action Office: OW
Report Title: EPA Needs Definitive Guidance for Recovery Act and Future Green Reserve Projects
Report No.: 10-R-0057
Date Issued: 02/01/2010

Report Summary

EPA has not provided clear and comprehensive guidance to states on how to determine the eligibility of green reserve projects. EPA was promoting a green approach to wastewater and drinking water programs for at least a year prior to enactment of the American Recovery and Reinvestment Act of 2009 (ARRA). Despite that experience, EPA did not develop and issue clear and comprehensive guidance in time to meet many of the states' needs. For example, EPA did not provide guidance on how to solicit and select green projects until after many states had finished doing so. Some states felt the need to resolicit for green projects while others did not.

EPA's guidance and subsequent updates have not addressed important aspects of project selection. At the time of this review, EPA had not established water and energy efficiency threshold ranges for many types of green projects. In addition, the Agency still had not provided sufficient information to states on how to develop business case justifications for noncategorical projects. Moreover, changes over time in EPA's guidance for how to determine project eligibility resulted in EPA regions applying different standards for approving states' green project proposals.

EPA cannot provide reasonable assurance that its green reserve projects will meet the objectives of Congress without issuing guidance that sets definitive expectations. Additionally, future green funding may face similar issues.

Unimplemented Recommendations

Recommendation 1: We recommend that the Assistant Administrator for Water develop and revise guidance, information, and, as appropriate, specific criteria that states can employ to assist them in identifying projects qualifying for funding from the state's green project reserve.

Status: OW indicated that it completed multiple actions within the 12-month deadline of ARRA enactment that were successful in achieving approximately 30 percent green project reserve funding for both the Clean Water State Revolving Fund (CWSRF) and the Drinking Water State Revolving Fund (DWSRF). This accomplishment is well above the 20 percent requirement contained in the statute. OW also developed guidance for regions and states on the green project reserve requirements of EPA's fiscal year 2010 appropriation and issued additional guidance on business cases provided in the appropriation. OW planned to develop eight example business cases for the DWSRF and two fact sheets by July 2010. These corrective actions are past due for completion.²

Recommendation 2: We recommend that the Assistant Administrator for Water conduct a timely review of the states' submitted green projects and, where necessary, accompanying

² OW submitted a request to the OIG on March 31, 2011, to extend the completion date to October 31, 2011.

business cases, in accordance with the pertinent statutory provisions and EPA guidance, information, and criteria.

Status: OW indicated that it completed a series of checklists for the regions to use in conducting oversight visits to ensure that the reviews were complete, well documented, and consistent. OW agreed that regions would conduct regular state oversight reviews. The first two state reviews were to be completed by December 2010. At a minimum, regions were to conduct one project site visit per program during this same period. Additionally, oversight visits to the regional offices by national program teams from both the CWSRF and DWSRF were to be completed. The DWSRF visit was to be completed by October 2010, and the CWSRF visit was to be completed by December 2010. These corrective actions are past due for completion.³

³ Subsequent to the close of our reporting period, March 31, 2011, OW informed us that it had completed many of the agreed-to oversight reviews. However, OW had not updated MATS with this information.

Action Office: ORD
Report Title: EPA's Office of Research and Development Could Better Use the Federal Managers' Financial Integrity Act to Improve Operations
Report No.: 09-P-0232
Date Issued: 09/15/2009

Report Summary

ORD's management integrity program is inconsistent with Agency Federal Managers' Financial Integrity Act (FMFIA) guidance. ORD approaches FMFIA as an administrative reporting activity rather than an opportunity to evaluate and report on research program performance. As a result, ORD has not:

- Conducted a comprehensive risk assessment
- Included national program directors in the FMFIA process
- Developed and implemented a strategy to establish and evaluate the effectiveness of internal controls over research programs
- Provided FMFIA training to managers and staff
- Included relevant risk and program performance information in assurance letters

EPA Order 1000.24 requires all organizations to systematically review and assess the effectiveness of internal controls consistent with U.S. Government Accountability Office (GAO) internal control standards. The order gives program managers flexibility in designing review strategies. While ORD's largest laboratory, the National Health and Environmental Effects Research Laboratory, informally identifies program risks, neither ORD nor the laboratory conducts internal control risk assessments on which to base a program review strategy. Applying FMFIA as intended would help EPA achieve its mission and program results through improved accountability.

ORD's Administrative Efficiencies Project management integrity workgroup has initiated actions that we believe will address our findings, such as developing a draft multiyear review strategy. In developing its new strategy, ORD should include programmatic elements, a training plan, pertinent results from peer reviews, and best practices to ensure more effective FMFIA implementation.

Unimplemented Recommendation

Recommendation 2-1: We recommend that the Assistant Administrator for Research and Development conduct a risk assessment using the GAO internal control standard for risk assessment and EPA Order 1000.24 and, based upon the results, develop a comprehensive risk-based program review strategy.

Status: ORD finalized and posted a strategy to examine and report on internal controls covering programmatic and administrative operation and financial activities to ORD's website in May 2010. ORD's multiyear program review strategy will help ORD officials identify high-risk areas, detect weaknesses and deficiencies, and identify best practices associated with internal controls. ORD is also piloting a risk assessment protocol

intended to aid its management and management integrity coordinators with conducting a risk assessment. All of ORD's assessable units will use this tool to identify and prioritize existing program and administrative/research support risks. The risk assessment protocol summarizes the roles and responsibilities as described in ORD's *Management Integrity Program* manual. Like the manual, ORD centered the protocol on programmatic operations. The protocol, which is still ongoing, was launched in one of ORD's laboratories to see how well the protocol and manual support the risk assessment process. ORD agreed to review its processes, test key internal controls related to ORD activities, and assess programmatic and administrative risks by August 2010. After completing the risk assessment, ORD agreed to revise its multiyear program review strategy as necessary by September 2010. These agreed-to corrective actions are past due for completion. ORD indicated that it plans to complete an organization-wide risk assessment by August 31, 2011.

Action Office: OW
Report Title: EPA Needs to Accelerate Adoption of Numeric Nutrient Water Quality Standards
Report No.: 09-P-0223
Date Issued: 08/26/2009

Report Summary

EPA's 1998 national strategy and plan to promote state adoption of nutrient water quality standards to better protect aquatic life and human health have been ineffective. In 1998, EPA stated that a critical need existed for improved water quality standards, given the number of waters that were impaired from nutrients. In the 11 years since EPA issued its strategy, half the states still had no numeric nutrient standards. States have not been motivated to create these standards because implementing them is costly and often unpopular with various constituencies. EPA has not held the states accountable to committed milestones. The current approach does not assure that states will develop standards that provide adequate protection for downstream waters. Until recently, EPA has not used its Clean Water Act (CWA) authority to promulgate water quality standards for states.

EPA cannot rely on the states alone to ensure that numeric nutrient standards are established. EPA should prioritize states/waters significantly impacted by excess nutrients and determine whether it should set the standards. EPA should also establish effective monitoring and measures so that accurate program progress is reported. Accurate reporting will assist EPA management in program decision-making.

Unimplemented Recommendations

Recommendation 2-1: We recommend that the Assistant Administrator for Water select significant waters of national value which need numeric nutrient water quality standards to meet the requirements of the CWA.

Status: OW developed a list of selection factors to consider when identifying and prioritizing states and waters that need numeric nutrient water quality standards to meet the requirements of the CWA. OW is developing a Nutrient Screening Tool that includes state-specific data for each factor so that EPA can apply these factors to compare states on a national basis with regard to the risk and impact of nutrient impairment, and to assess a state's progress toward mitigating nitrogen and phosphorus pollution. The tool will help EPA to evaluate whether numeric nutrient criteria are necessary for a given state and to prioritize states for possible CWA Section 303(c) determinations. The agreed-to completion date was May 31, 2010. Additional time was needed to refine the selection factors and to collect and verify the state data. This corrective action is past due for completion. OW also agreed to assess availability of resources and determine the number of evaluations and possible determinations that can be funded. Given the funding and full-time equivalent that OW has already dedicated and continues to put toward the determination and promulgation of nutrient criteria, OW determined it would not have the capacity to initiate another determination in 2010, as planned.

Recommendation 2-3: We recommend that the Assistant Administrator for Water establish EPA and state accountability for meeting milestones for adopting numeric nutrient water quality standards for those waters in the rest of the nation that require them. EPA should do this by:

- a. Requiring states to develop milestones based on resources available
- b. Reviewing those milestones and approving them as appropriate

Recommendation 2-4: We recommend that the Assistant Administrator for Water establish metrics to gauge the actual progress made by states in adopting numeric nutrient water quality standards.

Recommendation 2-5: We recommend that the Assistant Administrator for Water ensure that the regions annually validate Water Quality Standards Action Tracking Application data.

Status: OW indicated that it revised the program activity measures for nutrient criteria in the National Water Program Guidance, which will guide state actions for 2011. The guidance describes the more aggressive approach EPA will use regarding overseeing state performance in developing nutrient criteria. OW also indicated that it developed a template to assist EPA regions in their performance discussions with states to provide consistent information regarding the development and documentation of milestones and measurable expectations for numeric nutrient criteria development. Next, OW will launch a revised nutrient criteria website with more comprehensive information on the progress of states to better track progress and routinely update/maintain the information contained therein. These corrective actions are associated with the three recommendations above.

The website has been revised to provide more information on state progress and to provide the public more information regarding the nature and scope of the nutrient pollution problem. The expansion of this effort has delayed its launch because EPA senior managers determined that these changes should be made before the revised website is launched. Additionally, the official launching of this effort has been delayed due to a significant change in EPA's website format, which was institutionalized in mid-2010. OW had not foreseen this major change in website formatting when making the original commitment. EPA must now migrate the revised site into the new format. This migration will take a considerable amount of effort, but EPA expects that the revised website will be launched in June 2011. The agreed-to completion date was December 31, 2010. This corrective action is past due for completion.

Action Office: Region 8
Report Title: Oglala Sioux Single Audits—Corrective Actions Taken but Improvements Needed in Resolving Costs
Report No.: 08-P-0213
Date Issued: 07/28/2008

Report Summary

EPA Region 8 continues to take actions to resolve the internal control findings in single audit reports. Region 8 identified the Oglala Sioux Tribe as high risk, requested a corrective action plan, and reviewed the tribe's accounting documentation. However, Region 8 did not monitor implementation of the corrective actions in MATS until all actions were completed. As a result, the Agency was not accurately reporting on its status of implementing corrective actions resulting from audit reports.

Region 8 did not obtain sufficient documentation to support resolving \$2.5 million in questioned costs. The documentation for resolving the questioned costs was not from the Oglala Sioux Tribe's official accounting system and did not reconcile to the costs claimed. Region 8 did not resolve these issues before concluding that the tribe did incur the costs. Without sufficient documentation to support resolving questioned costs, the region cannot ensure those costs were allowable under the EPA grants.

Unimplemented Recommendation

Recommendation 1: We recommend that the Region 8 Regional Administrator track the remaining corrective action that the Oglala Sioux Tribe has not implemented in MATS, or submit a revised corrective action plan to the OIG for evaluation.

Status: Region 8 agreed to arrange for ongoing training and technical assistance for the accounting staff. Region 8 plans to work with the Oglala Sioux Finance Department to provide training to the tribal program directors on the expectations for compliance with specific provisions of the grants management common rule and OMB Circulars A-87, A-102, and A-133. The training is to take place in May 2011. Region 8 agreed to complete this corrective action by December 31, 2006. This corrective action is past due for completion.

Action Office: Region 3
Report Title: Despite Progress, EPA Needs to Improve Oversight of Wastewater Upgrades in the Chesapeake Bay Watershed
Report No.: 08-P-0049
Date Issued: 01/08/2008

Report Summary

Chesapeake Bay wastewater treatment facilities were at risk of not meeting the 2010 deadline for nutrient reductions if key facilities were not upgraded in time. In the 7 years since signing the Chesapeake 2000 Agreement, EPA and its state partners have taken a number of steps to lay the foundation for achieving the 2010 wastewater nutrient reduction goals. Water quality standards have been set, nutrient loadings have been allocated, and nutrient limits are beginning to be incorporated into permits. However, states need to finish adding nutrient limits to the National Pollutant Discharge Elimination System (NPDES) permits, and the facilities will need to make significant reductions in the 3 years remaining before the deadline. It is critical that these reductions be maintained once the reduction goals are achieved. Significant challenges include generating sufficient funding and addressing continuing population growth. EPA needs to better monitor progress to ensure that needed upgrades occur on time and loading reductions are achieved and maintained. Otherwise, Chesapeake Bay waters will continue to be impaired, adversely affecting the ecosystem that supports commercial and recreational uses.

Unimplemented Recommendation

Recommendation 2-1: We recommend that the Region 3 Regional Administrator instruct staff to review and comment on state-drafted NPDES permits for significant facilities to ensure that interim construction milestones are included in compliance schedules longer than 1 year to meet the Chesapeake Bay allocations. The milestones should include design completion, construction start, construction completion, and compliance with permit limits.

Status: Region 3 will continue to review and comment on state-drafted NPDES permits for significant facilities. Region 3 will assure that interim construction milestones are in place if the compliance schedule to achieve the permit limit exceeds 1 year. Region 3 will seek to include the following milestones as appropriate in the permits: design completion, construction start, construction completion, and compliance with permit limits. The agreed-to completion date for the corrective action was December 31, 2010. The corrective action is past due for completion.⁴

⁴ Subsequent to the close of our reporting period, March 31, 2011, Region 3 informed us that it has completed all of the corrective actions and is closing this audit in MATS.

Action Office: OECA
Report Title: Overcoming Obstacles to Measuring Compliance: Practices in Selected Federal Agencies
Report No: 2007-P-00027
Date Issued: 06/20/2007

Report Summary

Federal regulatory agencies with missions and obstacles similar to EPA's use statistical methods to generate compliance information. They use this information to monitor their enforcement and compliance programs and demonstrate program results. These federal programs extensively use statistical methods to identify and analyze risk, set goals, develop strategies to manage the most significant risks, and report their accomplishments. The federal programs we reviewed face obstacles similar to those OECA faces, and they use practical approaches to overcome those obstacles that OECA could potentially apply to its programs.

Other programs apply statistical methods, such as selective random inspections, to develop and publish compliance and other rates for their regulated populations. Some programs collect data through national surveys, while others require states to submit data as a condition of grant agreements. Programs do not use statistical methods solely for reporting compliance rates. Programs reported that other benefits include identifying previously unknown risks, quantifying results, verifying the effectiveness of targeting schemes, and maximizing limited resources.

Unimplemented Recommendation

Recommendation 2-1: We recommend that the Assistant Administrator for Enforcement and Compliance Assurance establish a plan of action with milestones to incorporate using statistical methods to demonstrate the results of EPA's enforcement and compliance strategies.

Status: OECA has been working continuously to develop the measures and the implementation strategies for the initiatives. Because these measures are new and will direct Agency-wide enforcement resources for some time, this complex project has been given the highest priority. These measures are new and different than what have been historically used by the Agency; the goal is to provide a set of strategic measures that better describe the progress and benefits derived from enforcement and compliance actions. These new experimental measures for the National Enforcement and Compliance Initiatives are almost complete, but need final review by OECA's senior management. The agreed-to completion date was December 31, 2010. The corrective action is past due for completion.⁵

⁵ OECA submitted a request to the OIG on March 25, 2011, to extend the completion date to July 5, 2011. Subsequent to the close of our reporting period, March 31, 2011, the OIG approved the request.

Action Office: OEI
Report Title: EPA Could Improve Controls Over Mainframe System Software
Report No.: 2007-P-00008
Date Issued: 01/29/2007

Report Summary

The OIG engaged KPMG, LLP, to conduct an audit of access to and modification of EPA's mainframe system software housed at the Agency's National Computer Center. The National Computer Center is located at the Research Triangle Park Campus in Raleigh, North Carolina. KPMG identified several weaknesses in EPA's internal controls over its mainframe systems software, including:

- Roles and responsibilities were not clearly assigned.
- Change controls were not performed in accordance with Agency policies.
- Policies, procedures, and guides could be strengthened.
- Security settings for sensitive datasets and programs were not effectively configured or implemented.

As a result of these weaknesses, EPA is exposed to greater risk since its mainframe system software could potentially be compromised.

Unimplemented Recommendation

Recommendation 9: We recommend that the Director of the Office of Technology Operations and Planning within OEI complete efforts to update the *OEI Information Security Manual* and the *EPA Information Security Manual*. Subsequent to finalizing the changes, ensure the manuals are: (1) reviewed timely by EPA management for adequacy, accuracy, and completeness; and (2) approved by EPA management in a timely manner.

Status: OEI determined that updating the *Agency Network Security Manual* would be more appropriate than updating the *OEI Information Security Manual* and the *EPA Information Security Manual*. OEI has developed a schedule for approval/signature of the *Agency Network Security Manual*. The Quality and Information Council must review and approve it. The agreed-to completion date was March 30, 2011. The corrective action is past due for completion.⁶

⁶ OEI submitted a request to the OIG on March 29, 2011, to extend the completion date to September 15, 2011. The request was submitted too late to be approved before the end of the reporting period, March 31, 2011.

Action Office: OEI
Report Title: EPA Could Improve Processes for Managing Contractor Systems and Reporting Incidents
Report No.: 2007-P-00007
Date Issued: 01/11/2007

Report Summary

EPA uses contractors to collect and process information on its behalf. EPA's Computer Security Incident Response Capability defines the formal process by which EPA responds to computer-security-related incidents. We found that EPA had not established procedures to ensure identification of all contractor systems. Further, EPA had not ensured that information security requirements were accessible for the contractors and appropriately maintained. Although EPA offices were aware of the Agency's computer security incident response policy, many offices lacked local reporting procedures, had not fully implemented automated monitoring tools, and did not have access to network attack trend information necessary to implement proactive defensive measures. The report was issued to OEI and OARM. OARM reported in MATS that its one corrective action has been completed.

Unimplemented Recommendation

Recommendation 2-1: We recommend that the Assistant Administrator for Environmental Information develop and implement guidance that EPA offices can use to identify contractor systems that contain EPA data.

Status: OEI planned to update its *Information Security Manual* to include procedures EPA offices can use to identify contractor systems that contain EPA data. The original agreed-to date for completion of this corrective action was September 18, 2008. OEI indicated it is following OMB Memorandum M-09-29, *FY 2009 Reporting Instructions for the Federal Information Security Management Act and Agency Privacy Management* (August 20, 2009), as required. This guidance pertains to contractor systems and the types of information systems that have contractor involvement. In a followup audit (Report No. 09-P-0240, *Project Delays Prevent EPA from Implementing an Agency-wide Information Security Vulnerability Management Program*, September 21, 2009), the OIG determined that this recommendation had not been completed. The OIG recommended that OEI update the status of this recommendation in MATS and establish plans of action and milestones for this recommendation. OEI reopened this recommendation in MATS with a planned completion date of March 30, 2011. The corrective action is past due for completion.⁷

⁷ OEI submitted a request to the OIG on March 29, 2011, to extend the completion date to September 15, 2011. The request was submitted too late to be approved before the end of the reporting period, March 31, 2011.

Action Office: OW
Report Title: EPA Needs to Reinforce Its National Pretreatment Program
Report No: 2004-P-00030
Date Issued: 09/28/2004

Report Summary

The reductions in industrial waste discharges to the nation's sewer systems that characterized the early years of the pretreatment program have not endured. Since the mid-1990s, there has been little change in the volume of a broad list of toxic pollutants transferred to publicly owned treatment works (POTW) or in the index of risk associated with these pollutants. As a result, the performance of EPA's pretreatment program, which is responsible for controlling these discharges, is threatened, and progress toward achieving the CWA goal of eliminating toxic discharges that can harm water quality has stalled. The curtailing of the early gains may be explained in part by two factors: (1) dischargers that developed systems in response to EPA's initial program requirements have not enhanced their pretreatment systems in recent years, and (2) the rate at which EPA has been issuing effluent guidelines dramatically declined since 1990. Without more visible leadership from headquarters, improved programmatic information, and the adoption of results-based performance measures, EPA's pretreatment program is at risk of losing the gains it made in its early years.

Unimplemented Recommendation

Recommendation 4-1: We recommend that the Assistant Administrator for Water direct staff to develop a long-term strategy to identify the data it needs for developing pretreatment results-based measurements; determine the resources necessary to carry out the strategy; and gain the support of other Agency, state, and POTW staff to carry out the strategy. Provide milestones for the development of this strategy to the OIG, and if this strategy cannot be completed within 90 days of report issuance, provide quarterly progress reports to the OIG until results-based measures are developed.

Status: OW agreed to request information on databases used by the EPA regions and states to store information regarding POTW pretreatment program performance. Through the Permitting for Results process, OW will compile information regarding current data systems used to store pretreatment data at the EPA regional and state level. OW intends to use this information to identify inaccurate data and target data correction in the Permit Compliance System. Both of these activities are crucial to facilitate migration and retention of data as OW transitions to the Integrated Compliance Information System. Once these efforts are complete, OW will be able to determine a long-term strategy based on data availability and resources, which should ultimately assist it in developing pretreatment result-based measurements.

OW indicated it has not met its commitment with respect to pretreatment because developing a long-term strategy for results-based measurements and gaining support of stakeholders has proven to be more complex than initially expected. As part of its plan of action to address the OIG recommendations, OW agreed to assess data collection, methods of data collection, and data availability and accessibility on pretreatment

program performance. OW examined information on EPA regions' and states' databases used to store program information. Although data considered crucial to program management were historically required through policy, OW determined that data input into a central, national database was inconsistent for the past 20 years. Instead, programmatic data were maintained in decentralized databases within each state and/or EPA regional office. To resolve the centralized data entry challenges identified by states and EPA regions, EPA is developing an educational handbook for non-program managers that identifies the environmental and economic merits of implementing the pretreatment program, developing new guidance to minimize data quality errors and facilitate data upload to a centralized database (necessary for national reporting requirements), and exploring ways to reduce the burden of data entry into a centralized database through the CWA Action Plan. Currently, EPA is pursuing the proposal of the NPDES Electronic Reporting Rule to define NPDES reporting necessary to manage the national NPDES Program and achieve the tools needed to populate EPA's data systems. The agreed-to completion date for these corrective actions was September 30, 2007. These corrective actions are past due for completion.

Action Office: OW
Report Title: Wastewater Management: Controlling and Abating Combined Sewer Overflows
Report Number: 2002-P-00012
Date Issued: 08/26/2002

Report Summary

Combined sewer overflows (CSOs) are the total discharges into water bodies of untreated domestic, commercial, and industrial waste; wastewater; and storm water runoff. CSOs can adversely affect the health of humans, animals, and aquatic organisms, as well as cause beach closings and fishing and recreational restrictions. Many communities do not have the data to determine the effect of CSO controls on water quality. Most communities were only monitoring the number, volume, and duration of CSO discharges, and did not have data on the effect that CSO controls were having on the quality of receiving waters. EPA does not require monitoring until completion of CSO projects. Consequently, whether each CSO project was a wise investment of taxpayer dollars could not be determined until it was too late.

Unimplemented Recommendation

Recommendation 5-1: We recommend that the Assistant Administrator for Water work with CSO permitting authorities and communities to assure they negotiate and establish the proper level of interim monitoring of CSO efforts to determine the impact of the project on water quality.

Status: OW agreed to initiate an effort at EPA headquarters to develop a compilation of the monitoring approaches that are or may be used in different situations. This compilation will help permit writers develop appropriate monitoring expectations for those permittees that have completed construction of their planned CSO controls. OW has developed CSO monitoring guidance for developing and conducting postconstruction water quality monitoring programs that can be used to verify compliance with water quality standards, as well as to ascertain the effectiveness of CSO controls. This guidance was reviewed by OW's regional offices and revised to reflect their comments. The guidance, while still in draft, is available for use. However, due to budget uncertainties, further development of this guidance has been delayed. The agreed-to completion date was September 30, 2009. This corrective action is past due for completion⁸.

EPA's current CSO policy requires permittees to conduct post-construction water quality monitoring to verify compliance with water quality standards and protection of designated uses, as well as to ascertain the effectiveness of CSO controls. Under the NPDES program, permitting authorities are responsible for determining the level of monitoring necessary to assess the effectiveness of the CSO controls. The guidance will help permit writers develop appropriate monitoring expectations for permittees who have completed construction of their planned CSO controls.

⁸ OW submitted a request to the OIG on March 31, 2011, to extend the completion date to September 30, 2012. The request was submitted too late to be approved before the end of the reporting period, March 31, 2011.

***OIG Reports With
Unimplemented Recommendations
by Program Office as of March 31, 2011***

OARM

10-P-0071 Plans to Migrate Data to the New EPA Acquisition System Need Improvement

OECA

2007-P-00027 Overcoming Obstacles to Measuring Compliance: Practices in Selected Federal Agencies

OEI

2007-P-00008 EPA Could Improve Controls Over Mainframe System Software

2007-P-00007 EPA Could Improve Processes for Managing Contractor Systems and Reporting Incidents

ORD

09-P-0232 EPA's Office of Research and Development Could Better Use the Federal Managers' Financial Integrity Act to Improve Operations

OW

10-P-0081 EPA Needs Procedures to Address Delayed Earmark Projects

10-R-0057 EPA Needs Definitive Guidance for Recovery Act and Future Green Reserve Projects

09-P-0223 EPA Needs to Accelerate Adoption of Numeric Nutrient Water Quality Standards

2004-P-00030 EPA Needs to Reinforce Its National Pretreatment Program

2002-P-00012 Wastewater Management: Controlling and Abating Combined Sewer Overflows

Region 3

08-P-0049 Despite Progress, EPA Needs to Improve Oversight of Wastewater Upgrades in the Chesapeake Bay Watershed

Region 8

08-P-0213 Oglala Sioux Single Audits—Corrective Actions Taken but Improvements Needed in Resolving Costs

Unimplemented Recommendations: Current Compendium Compared to 10/26/10 Compendium

Continuing Unimplemented Recommendations

- 10-R-0057** EPA Needs Definitive Guidance for Recovery Act and Future Green Reserve Projects (**Recommendation 1**)
- 09-P-0223** EPA Needs to Accelerate Adoption of Numeric Nutrient Water Quality (**Recommendation 2-1**)
- 08-P-0213** Oglala Sioux Single Audits—Corrective Actions Taken but Improvements Needed in Resolving Costs (**Recommendation 1**)
- 2007-P-00008** EPA Could Improve Controls Over Mainframe System Software (**Recommendation 9**)
- 2004-P-00030** EPA Needs to Reinforce Its National Pretreatment Program (**Recommendation 4-1**)
- 2002-P-00012** Wastewater Management: Controlling and Abating Combined Sewer Overflows (**Recommendation 5-1**)

New Unimplemented Recommendations

- 10-P-0081** EPA Needs Procedures to Address Delayed Earmark Projects (**Recommendations 2-1, 3-1, and 3-2**)
- 10-P-0071** Plans to Migrate Data to the New EPA Acquisition System Need Improvement (**Recommendation 3**)
- 10-R-0057** EPA Needs Definitive Guidance for Recovery Act and Future Green Reserve Projects (**Recommendation 2**)
- 09-P-0232** EPA's Office of Research and Development Could Better Use the Federal Managers' Financial Integrity Act to Improve Operations (**Recommendation 2-1**)
- 09-P-0223** EPA Needs to Accelerate Adoption of Numeric Nutrient Water Quality (**Recommendations 2-3, 2-4, and 2-5**)
- 08-P-0049** Despite Progress, EPA Needs to Improve Oversight of Wastewater Upgrades in the Chesapeake Bay Watershed (**Recommendation 2-1**)
- 2007-P-00027** Overcoming Obstacles to Measuring Compliance: Practices in Selected Federal Agencies (**Recommendation 2-1**)
- 2007-P-00007** EPA Could Improve Processes for Managing Contractor Systems and Reporting Incidents (**Recommendation 2-1**)

Removed Unimplemented Recommendations

Note: Removal of an unimplemented recommendation does not imply that it was verified as implemented, but rather that it was reported as being completed or that the target completion date has been revised with OIG approval.

- 10-P-0065** EPA Can Improve Its Preparation and Use of Independent Government Cost Estimates for Superfund Contracts (**Recommendation 2-5**)
- 10-P-0002** Review of Hotline Complaint on Employee Granted Full-Time Work-at-Home Privileges (**Recommendations 2a and 2b**)
- 09-P-0197** EPA Should Delay Deploying Its New Acquisition System until Testing is Completed (**Recommendation 1**)
- 08-P-0141** EPA Needs to Track Compliance with Superfund Cleanup Requirements (**Recommendation 4**)
- 08-P-0049** Despite Progress, EPA Needs to Improve Oversight of Wastewater Upgrades in the Chesapeake Bay Watershed (**Recommendation 2-4**)
- 2007-P-00036** Total Maximum Daily Load Program Needs Better Data and Measures to Demonstrate Environmental Results (**Recommendation 1-2**)
- 2007-P-00017** EPA Needs to Strengthen Financial Database Security Oversight and Monitor Compliance (**Recommendation 4**)
- 2006-P-00007** More Information is Needed on Toxaphene Degradation Products (**Recommendation 2**)
- 2005-P-00010** Substantial Changes Needed in Implementation and Oversight of Title V Permits If Program Goals Are to be Fully Realized (**Recommendations 2-1, 2-2, and 2-3**)