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**United States
Environmental Protection Agency**

FISCAL YEAR 2018

**Justification of Appropriation
Estimates for the Committee
on Appropriations**

Tab 05: Office of Inspector General

EPA-190-K-17-002

May 2017

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**Environmental Protection Agency
2018 Annual Performance Plan and Congressional Justification**

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**Environmental Protection Agency
FY 2018 Annual Performance Plan and Congressional Justification**

APPROPRIATION: Inspector General
Resource Summary Table
(Dollars in Thousands)

	FY 2016 Actuals	FY 2017 Annualized CR	FY 2018 Pres Bud	FY 2018 Pres Bud v. FY 2017 Annualized CR
Inspector General				
Budget Authority	\$39,802.3	\$41,410.0	\$37,475.0	(\$3,935.0)
Total Workyears	225.0	268.0	201.4	-66.6

*For ease of comparison, Superfund transfer resources for the audit and research functions are shown in the Superfund account.

Bill Language: Inspector General

For necessary expenses of the Office of Inspector General in carrying out the provisions of the Inspector General Act of 1978, \$37,475,000, to remain available until September 30, 2019.

Program Projects in IG
(Dollars in Thousands)

Program Project	FY 2016 Actuals	FY 2017 Annualized CR	FY 2018 Pres Bud	FY 2018 Pres Bud v. FY 2017 Annualized CR
Audits, Evaluations, and Investigations				
Audits, Evaluations, and Investigations	\$39,802.3	\$41,410.0	\$37,475.0	(\$3,935.0)
Subtotal, Audits, Evaluations, and Investigations	\$39,802.3	\$41,410.0	\$37,475.0	(\$3,935.0)
TOTAL, EPA	\$39,802.3	\$41,410.0	\$37,475.0	(\$3,935.0)

*For ease of comparison, Superfund transfer resources for the audit and research functions are shown in the Superfund account.

Program Area: Audits, Evaluations and Investigations

Audits, Evaluations, and Investigations

Program Area: Audits, Evaluations, and Investigations

(Dollars in Thousands)

	FY 2016 Actuals	FY 2017 Annualized CR	FY 2018 Pres Bud	FY 2018 Pres Bud v. FY 2017 Annualized CR
<i>Inspector General</i>	\$39,802.3	\$41,410.0	\$37,475.0	(\$3,935.0)
Hazardous Substance Superfund	\$8,975.4	\$9,920.0	\$3,900.0	(\$6,020.0)
Total Budget Authority / Obligations	\$48,777.7	\$51,330.0	\$41,375.0	(\$9,955.0)
Total Workyears	271.1	318.1	213.4	-104.7

Program Project Description:

The EPA’s Office of Inspector General provides independent audit, program evaluation, inspection and investigative services and products that fulfill the requirements of the Inspector General Act, as amended, by identifying fraud, waste, and abuse in agency, grantee and contractor operations, and by promoting economy, efficiency, and effectiveness in the operations of the agency’s programs. Although the OIG is a part of the EPA, to ensure its independence, as specified in the IG Act (as amended), the OIG is funded with a separate appropriation within the agency. The OIG activities add value and enhance public trust and safety by providing the agency, the public, and Congress with independent analyses and recommendations that help the EPA management resolve risks and challenges, achieve opportunities for savings, and implement actions for safeguarding the EPA resources and accomplishing the EPA’s environmental goals. The OIG activities also prevent and detect fraud in the EPA’s programs and operations, including financial fraud, laboratory fraud, and cybercrime. The OIG consistently provides a significant positive return on investment to the public in the form of recommendations for improvements in the delivery of the EPA’s mission, reduction in operational and environmental risks, costs savings and recoveries, and improvements in program efficiencies and integrity.

In addition, the EPA Inspector General was designated by Congress in 2004 to serve as the IG for the U.S. Chemical Safety and Hazard Investigation Board and provides the full range of audit, evaluation and investigative services specified by the Inspector General Act, as amended. Specifically, the OIG conducts required audits of the CSB’s financial statements and of CSB’s compliance with the Federal Information Security Management Act. In addition, the OIG performs audits and evaluations of the CSB’s programmatic and management activities and follow-up on prior audit recommendations. The FY 2018 President’s Budget proposes elimination of the U.S. Chemical Safety and Hazard Investigation Board.

FY 2018 Activities and Performance Plan:

The EPA OIG will assist the agency in its efforts to reduce environmental and human health risks by making recommendations to improve program operations; save taxpayer dollars; reduce potential for fraud, waste and abuse; respond to cybercrimes; and resolve previously identified major management challenges and internal control weaknesses. In FY 2018, the OIG will continue recommending improvements to operating efficiency, transparency, secured and trustworthy systems, and the cost effective attainment of the EPA's strategic goals and positive environmental impacts.

OIG's plans will continue to be implemented through audits, evaluations, investigations, inspections, and follow-up reviews in compliance with the Inspector General Act (as amended), applicable professional standards of the U. S. Comptroller General, and the Quality Standards for Federal Offices of Inspector General of the Council of Inspectors General on Integrity and Efficiency.

OIG will conduct the following types of assignments focused on efficiency and program operations: program performance, including a focus on the award and administration of grants and contracts; statutorily mandated audits; financial reviews of grantees and contractors; and information resources management. In addition, program performance evaluations will be conducted in the areas of the EPA's mission objectives for improving and protecting the environment and public health, including: air; water; land cleanup and waste management; toxics, chemical management and pollution prevention; environmental research; and special program reviews.

The investigative mission of the OIG continues to evolve in conducting criminal, civil, and administrative investigations into fraud and serious misconduct within the EPA programs and operations that undermine the organization's integrity and public trust, or create an imminent risk or danger. The OIG investigations are coordinated with the Department of Justice and other federal, state, and local law enforcement entities. These investigations often lead to successful prosecution and civil judgments wherein there is a recovery and repayment of financial losses. Major areas of investigative focus include: financial fraud, program integrity, threats to the agency's resources, employee integrity, cyber-crimes, and theft of intellectual or sensitive data.

A significant portion of audit resources will be devoted to statutorily mandated work assessing the financial statements of the EPA, as required by the Chief Financial Officers Act and the Accountability of Tax Dollars Act of 2002, respectively. The OIG will review the possibility of contracting out for the financial statements audit. The OIG work also will include assessing the information security practices of the EPA as required by the Federal Information Security Management Act. The OIG will examine the delivery and performance of national programs, as well as specific cross-regional and single region or place based issues that represent a risk to public health and the environment in response to stakeholder concerns.

The OIG continues to balance its workload with the capacity of a smaller workforce, while meeting statutorily-mandated requirements and delivering a strong return on investment.

Based on prior work, cross-agency risk assessment, agency challenges, future priorities, and extensive stakeholder input, the OIG will concentrate its resources on efforts in the following strategic objectives and continuing or prospective assignment areas during FY 2018:

Sound and Economical Financial Management

- Annual mandated improper payments audit
- Internal controls
- Annual mandated financial statements audits
- Audits of costs claimed by grantees and contractors
- Grant and contract administration
- Lean government initiative
- Maximizing cost efficiencies
- Information technology capital investments
- Technological changes create transformation opportunities
- Annual mandated travel card program, including risk assessment
- Annual mandated purchase card and convenience check program, including risk assessment
- Oversight of Chief Information Officer's responsibilities under the Federal Information Technology Acquisition Reform Act
- Annual mandated audit of compliance with the Federal Information Security Modernization Act
- Invoice Payment Process

Efficient Processes and Use of Resources

- Management of Brownfield Revolving Loan Funds after grant closeout
- Review of EPA process on reducing taxpayer environmental liabilities
- Partnering or coordination with other agencies to maximize efficiencies
- Opportunities to reduce duplication, overlap and fragmentation within the EPA
- Grant, Interagency Agreement Grant, and Interagency Agreement Close-Out (per the Grants Oversight and New Efficiency Act)
- Senior Environmental Employment (SEE) Program
- Working Capital Fund efficiencies
- Review of city of Atlanta combined sewer overflow program

Ensuring the Integrity of EPA Information

- Protection from advanced persistent threats to steal/modify data
- Agency efforts to enhance its capability to respond to cyber-attacks
- Cybersecurity/infrastructure development; and assessment of processes to ensure protection and security of information systems from fraud, waste and abuse
- File Server Security
- Processes for Managing Background Investigations and POA&Ms

Addressing At-Risk Populations, Chronic and Emerging Environmental Health Challenges

- Determine the effectiveness of the EPA's audit process for ensuring (1) the performance of air quality laboratories, and (2) the proper siting of air monitors
- Evaluation of process for prioritizing and funding cleanup of abandoned uranium mines on Navajo Nation

- Evaluation of the EPA's protection of public health from landfill fires
- Evaluation of compliance inspections in schools to reduce asbestos exposure
- Process and controls for public notification of drinking water quality

Assessing Risk Management and Performance Measurement

- Implementation of Federal Managers Financial Integrity Act, Federal Information Security Management Act and Government Performance and Results Act
- Disaster response and homeland security and emergency preparedness and response
- Construction grants awarded to the District of Columbia Water and Sewer Authority
- Review of CGI federal performance
- Amendment Process for Assistance Agreements Related to Brownfields

Reviewing Effectiveness of Stewardship, Sustainability and Prevention

- Permitting of emissions for startup, shutdown and malfunctions
- Mandated readiness reviews of agency DATA act implementation efforts
- Evaluation of internal controls of the EPA's vehicle and fuel emissions laboratory testing program to detect vehicle emissions fraud
- Evaluation of the effectiveness of internal controls for EPA's Integrated Risk Information System program

Assessing Program Integrity, Oversight, Enforcement and Efficient Rulemaking

- Evaluation of the Management Audit Tracking System
- Oversight of role in rail car spill incident
- Review of workforce restructuring under VERA/VSIP
- Oversight of Clean Water State Revolving Loan Funds
- The EPA progress on meeting RCRA statutory mandate for minimum frequency of inspections at hazardous waste disposal facilities
- Accessing the EPA's policy, procedures, and internal controls to prevent or reduce improper computer use

Investigations

The Office of Investigations' (OI) mission is to conduct criminal, civil, and administrative investigations of fraud, waste and abuse and serious misconduct within the EPA's programs, projects, and resources. The OI investigations are worked in conjunction with the Department of Justice for criminal and civil litigation or EPA management for administrative action. The OI currently investigates the following: 1) fraudulent practices in awarding, performing, and paying the EPA contracts, grants, or other assistance agreements; 2) program fraud or other acts that undermine the integrity of, or confidence in agency programs, and create imminent environmental risks; 3) laboratory fraud relating to data, and false claims for erroneous laboratory results that undermine the basis for decision-making, regulatory compliance, or enforcement actions; 4) threats directed against EPA employees or facilities; 5) criminal conduct or serious administrative misconduct by EPA employees; and 6) intrusions into and attacks against the EPA's network supporting program data, as well as incidents of computer misuse and theft of intellectual property or sensitive/proprietary data. Special attention will be directed towards identifying the tactics, techniques, and procedures that are being utilized by cyber criminals to obtain EPA information.

Finally, the OI develops recommendations or “lessons learned” for the EPA’s management to reduce the agency’s vulnerability to criminal activity. The OI’s investigations provide measurable results wherein recovery and restitution of financial losses are achieved and administrative actions are taken to prevent those involved from further participation in any of the EPA’s programs or operation.

Follow-up and Policy/Regulatory Analysis

To further promote economy, efficiency and effectiveness, the OIG will conduct follow-up reviews of agency responsiveness to the OIG’s recommendations to determine if appropriate actions have been taken and intended improvements have been achieved. This process will serve as a means for keeping Congress and the EPA leadership apprised of accomplishments and opportunities for needed corrective actions, and facilitate greater accountability for results from the OIG operations.

Additionally, as directed by the IG Act (as amended), the OIG also conducts reviews and analysis of proposed and existing policies, rules, regulations and legislation to identify vulnerability to waste, fraud and abuse. These reviews also consider possible duplication, gaps or conflicts with existing authority, leading to recommendations for improvements in their structure, content and application.

A list of FY 2018 performance measures and targets is located in the FY 2018 Performance Measures tab.

FY 2018 Change from FY 2017 Annualized Continuing Resolution (Dollars in Thousands):

- (-\$4,935.0 / -73.0 FTE) This funding change reflects a number of items reduced or eliminated including audits/investigation from hotline complaints; congressionally requested work products; OIGs self-initiated evaluations of high-risk program areas in EPA statutory programs; discretionary work products; reviews of FY 2018 zeroed-out programs and activities; development and maintenance of the Active Shooter Program; and the planning and implementation of the continuity capability for the OIG. This reduction in OIG workload also reflects the elimination of the CSB.
- (+\$1,000.0 / +6.4 FTE) This realignment is a shift in resources from the Superfund account to the IG Management account in order to ensure adequate resources for the OIG’s high risk audits, evaluations, and investigations.

Statutory Authority:

Inspector General Act, as amended; Inspector General Reform Act.

Inspector General Reform Act:

The following information is provided pursuant to the requirements of the Inspector General Reform Act:

- the aggregate budget request from the Inspector General for the operations of the OIG is \$62 million (\$53 million Inspector General; \$9 million Superfund Transfer);
- the aggregate President's Budget for the operations of the OIG is \$41 million (\$37 million Inspector General; \$4 million Superfund Transfer);
- the portion of the aggregate President's Budget needed for training is \$700 thousand (\$574 thousand Inspector General; \$126 thousand Superfund Transfer);
- the portion of the aggregate President's Budget needed to support the Council of the Inspectors General on Integrity and Efficiency is \$179 thousand (\$143.2 thousand Inspector General; \$35.8 thousand Superfund Transfer).

“I certify as the Inspector General of the Environmental Protection Agency that the amount I have requested for training satisfies all OIG training needs for FY 2018”.