



U.S. ENVIRONMENTAL PROTECTION AGENCY

OFFICE OF INSPECTOR GENERAL

Ensuring the safety of chemicals

EPA's Safer Choice Program Would Benefit from Formal Goals and Additional Oversight

Report No. 20-P-0203

June 30, 2020



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Abbreviations

DfE Design for the Environment
EPA U.S. Environmental Protection Agency
FY Fiscal Year
OIG Office of Inspector General
TPP Third-Party Profiler

Cover Photo: Safer Choice product vat. (EPA OIG photo)

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At a Glance

Why We Did This Project

The U.S. Environmental Protection Agency's Office of Inspector General conducted this audit to determine whether the Safer Choice program effectively meets its goals and whether the program achieves quality standards through its product qualification, renewal, and required audit processes.

The Safer Choice program is a voluntary program designed to prevent pollution by working with manufacturers, retailers, nongovernmental organizations, and other stakeholders to encourage the use of safer chemicals in products. All certified Safer Choice products must provide full ingredient disclosure, meet criteria established by the EPA, and undergo regular audits conducted by third-party profilers. TPPs are responsible for conducting on-site audits, desk audits, and renewal audits to ensure program and label compliance for all Safer Choice partners and products.

This report addresses the following:

- *Ensuring the safety of chemicals.*

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List of [OIG reports](#).

EPA's Safer Choice Program Would Benefit from Formal Goals and Additional Oversight

What We Found

The EPA's Safer Choice program does not have formal goals included in the *FY 2018–2022 U.S. EPA Strategic Plan*, and the program has not reported results for fiscal years 2018–2019. However, the program does have internal, non-outcome-oriented goals, which it is generally achieving. The Safer Choice program's goal is to add 200 Safer Choice products to the program and 25 chemicals to the Safer Chemical Ingredients List each year. In FY 2019, the Agency added 265 products and 24 chemicals. By not including formal goals for the Safer Choice program in Agency reports while continuing to receive congressional funding and support, the EPA limits not only accountability to Congress and the public, but also the extent that the program can use performance management information to make policy, budget, and management decisions.

Enhancements in the Safer Choice audit process will ensure that consumers and businesses are purchasing products that are safer for people and the environment.

The EPA's Safer Choice program has general controls in place for the required Safer Choice audit process. The EPA reviews audit summaries and corrective actions provided by TPPs. However, the Agency does not routinely review all supporting documentation, relying on TPPs to review and retain these documents. Additionally, the Safer Choice program does not have procedures in place to conduct any formal performance reviews of TPPs or oversight reviews of TPP partner audits. Without periodic audit oversight, including full reviews of supporting documents and formal performance reviews of TPPs, the EPA risks approving products that do not comply with the Safer Choice Standard.

Recommendations and Planned Agency Corrective Actions

We recommend that the assistant administrator for Chemical Safety and Pollution Prevention develop and publish adequate Safer Choice program goals and performance measures, establish and implement procedures for formal audit oversight of TPPs, amend its memorandums of understanding with TPPs to require performance reviews conducted by the EPA, and collect and document TPP audit supporting information.

The EPA did not provide acceptable planned corrective actions for two recommendations, and we consider these recommendations unresolved. For three recommendations, the Agency provided acceptable planned corrective actions, and we consider these recommendations resolved with corrective actions pending.



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

THE INSPECTOR GENERAL

June 30, 2020

MEMORANDUM

SUBJECT: EPA's Safer Choice Program Would Benefit from Formal Goals and Additional Oversight
Report No. 20-P-0203

FROM: Sean W. O'Donnell

A handwritten signature in blue ink that reads "Sean W O'Donnell".

TO: Alexandra Dapolito Dunn, Assistant Administrator
Office of Chemical Safety and Pollution Prevention

This is our report on the subject audit conducted by the Office of Inspector General of the U.S. Environmental Protection Agency. The project number for this audit is OA&E-FY19-0324. This report contains findings that describe the problems the OIG has identified and corrective actions the OIG recommends. Final determinations on matters in this report will be made by EPA managers in accordance with established audit resolution procedures.

The Office of Chemical Safety and Pollution Prevention is responsible for the issues discussed in this report.

We made five recommendations in this report. In accordance with EPA Manual 2750, your office provided an acceptable corrective action and estimated milestone date for Recommendations 3, 4, and 5. These recommendations are resolved, and no final response to these recommendations is necessary.

Action Required

For Recommendations 1 and 2, your office did not provide acceptable corrective actions. Therefore, Recommendations 1 and 2 are unresolved. In accordance with EPA Manual 2750, the resolution process begins immediately with the issuance of this report. We are requesting a meeting within 30 days between the assistant administrator for Chemical Safety and Pollution Prevention and the OIG's assistant inspector general for Audit and Evaluation. We also request a written response to the final report within 60 days of this memorandum. Your response will be posted on the OIG's website, along with our memorandum commenting on your response. Your response should be provided as an Adobe PDF file that complies with the accessibility requirements of Section 508 of the Rehabilitation Act of 1973, as amended. The final response should not contain data that you do not want to be released to the public; if your response contains such data, you should identify the data for redaction or removal along with corresponding justification. If resolution is still not reached, the Office of Chemical Safety and Pollution Prevention is required to complete and submit a dispute resolution request to the chief financial officer.

We will post this report to our website at www.epa.gov/oig.

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Purpose

The Office of Inspector General for the U.S. Environmental Protection Agency conducted this audit to determine whether the Safer Choice program effectively meets its goals and whether the program achieves quality standards through its product qualification, renewal, and required audit process.

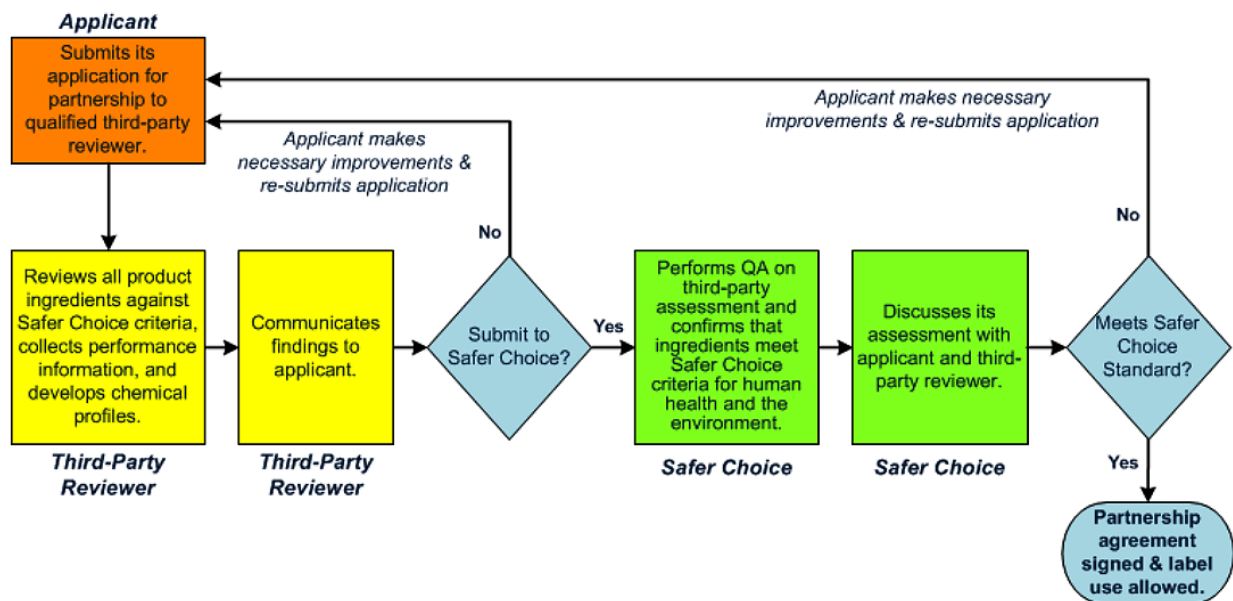
Background

The EPA's pollution prevention programs are designed to reduce or eliminate waste at the source by modifying production processes, promoting the use of nontoxic or less-toxic substances, implementing conservation techniques, and reusing materials. The Safer Choice program is designed to prevent pollution by working with manufacturers, retailers, nongovernmental organizations, and other stakeholders on a voluntary basis to encourage the use of safer chemicals in products and highlight innovations in safer chemistry. In February 2015, Safer Choice replaced the "Design for the Environment," or DfE, program, which was created as a nonregulatory initiative to help companies consider the human health, environmental, and economic effects of chemicals and technologies, as well as product performance, when designing and manufacturing commercial products and processes.

According to the EPA, every chemical in a Safer Choice-labeled product, regardless of percentage, is evaluated through the EPA's scientific process, and only the safest chemicals are allowed. As of October 2019, there were nearly 2,000 products that carry the Safer Choice label.

The Safer Choice label allows companies to differentiate their products in the marketplace and make it easier for consumers and business purchasers to identify products that are safer for people and the environment. The program is voluntary, and companies can choose whether they want to go through the certification process to use the Safer Choice label on their products (Figure 1). Companies can join the program and display the Safer Choice label on their products if the EPA has certified that they attained the Safer Choice Standard, which identifies the requirements that products and their ingredients must meet to earn the Safer Choice label.

Figure 1: Safer Choice product certification process



Source: EPA Safer Choice program.

Note: QA is quality assurance.

The Safer Choice label, as shown in Figure 2, has been approved for products such as all-purpose cleaners, dishwasher detergents, car care products, carpet cleaners, dish and hand soaps, floor care products, laundry detergents and softeners, leather cleaners, bathroom cleaners, window and glass cleaners, and wood cleaners.

Figure 2: Safer Choice Label



Source: EPA Safer Choice program.

Applicants for the Safer Choice label must fully disclose all ingredients to the Safer Choice program and a qualified third-party profiler, known as a TPP. As of June 2020, there are three TPPs approved to work with the Safer Choice program. For each Safer Choice product, a TPP compiles hazard information on each chemical ingredient, including its detailed structure, physical-chemical properties, human health and environmental toxicology, and regulatory status. A product is only allowed to carry the Safer Choice label if each ingredient is the safest in its ingredient class. Additionally, the product as a whole has to meet safety criteria, qualify as high-performing, and be packaged in an environmentally friendly manner, as defined by the Safer Choice Standard. Once products are approved, each manufacturer must sign a partnership agreement with the EPA that outlines the program’s requirements. All services provided to participating companies by TPPs are paid for by the applicants or partners. The EPA does not fund the work of TPPs.

A partnership agreement between the Safer Choice program and a partner company lasts three years. During the partnership period, a TPP conducts partner audits to ensure that the ingredients, and modifications if necessary, in labeled products are identical to those disclosed during partnership development and continue to meet the Safer Choice Standard. As shown in Figure 3, during the three-year partnership period, TPPs conduct an on-site audit, a desk audit, and a renewal audit. TPPs also ensure good manufacturing practices, proper use of the Safer Choice label, and effective communication regarding the Safer Choice label.

Figure 3: Safer Choice audit process for new partners

YEAR 1

ON-SITE AUDIT
Safer Choice partners allow the TPP to visit their manufacturing facilities and conduct audits. The on-site audit will focus on the manufacturing process and the procedures in place to ensure that recognized products comport with the partnership agreement.

YEAR 2

DESK AUDIT
Safer Choice partners submit specified materials to the TPP. The desk audit will focus on the partners' print and electronic materials and verify the authorized formula through a review of production records.

YEAR 3

RENEWAL AUDIT
Safer Choice partners must renew their partnerships prior to the expiration date. During the renewal process, partners are required to submit complete product formulation information, as well as information on packaging, labels, and performance to the TPP for review.

Source: EPA OIG based on EPA information.

The Safer Choice program also maintains a Safer Chemical Ingredients List. This is a list of chemical ingredients, arranged by functional-use class, that the Safer Choice program has evaluated and determined to be safer than traditional chemical ingredients. This list is designed to help manufacturers find safer chemical alternatives that meet the criteria of the Safer Choice program.

Responsible Office

The Office of Chemical Safety and Pollution Prevention's Office of Pollution Prevention and Toxics is responsible for the Safer Choice program.

Scope and Methodology

We conducted our work from October 2019 through April 2020. We conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objective. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objective.

As detailed in Appendix A, we assessed the internal controls necessary to satisfy our audit objectives.¹ In particular, we assessed the internal control components and underlying principles—as outlined in the U.S. Government Accountability Office’s Green Book—significant to our audit objectives. Any internal control deficiencies we found are discussed in this report.

We interviewed key EPA staff from the Office of Chemical Safety and Pollution Prevention and the Office of Pollution Prevention and Toxics in EPA headquarters to understand the Safer Choice program, including its goals, measures, and product qualification and audit processes. We also interviewed several Safer Choice stakeholder groups, including GreenBlue, International Sanitary Supply Association, Household & Commercial Products Association, and Green Seal, to gather general information about the Safer Choice program. We interviewed program managers and toxicologists at the three TPPs who conduct the product assessments and audits for the Safer Choice program. The TPPs provided in-depth presentations of their Safer Choice product qualification and audit processes.

We reviewed relevant materials, including laws, policies, procedures, and prior reports. We observed two on-site Safer Choice audits conducted by two of the three TPPs at manufacturing facilities in Nevada and Ohio. Additionally, we selected 31 TPP audit reports (11 desk audits, ten on-site audits, and ten renewal audits) based on audit type, number of Safer Choice products per partner company, and TPP, and we reviewed these audit reports for adherence to Safer Choice program requirements. Specifically, we reviewed them to see if they adhered to the audit checklists detailed in *The U.S. EPA Safer Choice Program: Handbook for Third-Party Profilers*, or TPP Handbook.

Prior Report

On September 9, 2014, the OIG issued Report No. [14-P-0349](#), *EPA Can Help Consumers Identify Household and Other Products with Safer Chemicals by Strengthening Its “Design for the Environment” Program*. The OIG found that the DfE logo did not adequately communicate to the consumer that the product is a safer product. The OIG also found that use of the logo may imply that the EPA endorses the DfE product. The EPA also lacked sufficient controls over the use of its DfE logo by former program participants, which could be misleading for consumers and is a violation of the DfE partnership agreement. The OIG also found that the EPA asserted that DfE products were cost-effective, but cost-effectiveness was not determined or reviewed by the EPA. Further, there were weaknesses in both former and proposed performance measures used by the DfE program, and the EPA could not accurately determine the program’s impact on

¹ An entity designs, implements, and operates internal controls to achieve its objectives related to operations, reporting, and compliance. The U.S. Government Accountability Office sets internal control standards for federal entities in GAO-14-704G, *Standards for Internal Control in the Federal Government* (also known as the “Green Book”), issued September 10, 2014.

pollution prevention. The EPA agreed with the OIG's recommendations and corrective actions were reported by the Agency as completed.

Results

The EPA's Safer Choice program goals are not included in the *FY 2018–2022 U.S. EPA Strategic Plan*. Currently, the EPA's Safer Choice program only has internal, non-outcome-oriented goals, which it is generally achieving. The Safer Choice program has not reported results achieved for fiscal years 2018 and 2019. During FYs 2018 and 2019, the Agency received approximately \$8.7 million in appropriations to implement this program, even though the EPA proposed eliminating this program's resources. By not including outcome-oriented goals for the Safer Choice program in Agency reports while continuing to receive congressional funding and support, the EPA limits not only accountability to Congress and the public, but also the extent that the program can use performance management information to make policy, budget, and management decisions.

We found that the EPA's Safer Choice program has general controls in place for the required Safer Choice audit processes. While the EPA reviews audit summaries provided by TPPs, it does not conduct any formal performance reviews of TPPs or oversight reviews of TPP audits. The EPA states that it relies on TPP recommendations and summary-level findings, without requiring supporting documents. The EPA does not have procedures to conduct TPP performance and oversight reviews. Without performance reviews and regular oversight audits, the EPA's reliance on TPP audit work, which is funded by participating partners, could potentially lead to products that do not comply with the Safer Choice Standard.

EPA Safer Choice Goals, Measures, and Results Are Not Reported by the Agency and Are Not Impact-Oriented

The EPA did not include any Safer Choice program goals in its Strategic Plan. The previous plan, which covered FYs 2014–2018, did contain goals for the Safer Choice program. Under Objective 4.2, "Promote Pollution Prevention," the EPA's goal was to "Conserve and protect natural resources by promoting pollution prevention and the adoption of other sustainability practices by companies, communities, governmental organizations, and individuals. ... By 2018, increase the number of safer chemicals and safer chemical products cumulatively by 1,900."

The EPA has not reported its results for the Safer Choice program in its Annual Performance Report for FYs 2018 and 2019. The EPA most recently reported results for this program in the FY 2017 Annual Performance Report. Under Goal 4, "Ensuring the Safety of Chemical and Preventing Pollution," Objective 2, "Promote Pollution Prevention," the Agency reported that the "EPA continued to make better than expected progress in its Safer Choice Program, recognizing 226

additional products brought under the Safer Choice label in FY 2017, nearly double the target, and meeting the target for chemicals added to the Safer Chemical Ingredients List.”

The importance of reporting agency results is stressed in the 2010 Government Performance and Results Modernization Act, which provides the foundation by which federal agencies are held accountable for establishing management processes and setting performance goals and objectives that deliver results for the public. In addition, Office of Management and Budget Circular A-11, *Preparation, Submission, and Execution of the Budget*, says that reporting results “communicate[s] publicly to external stakeholders about progress and help[s] inform development of the next Strategic Plan.” Lastly, the Government Accountability Office’s *Standards for Internal Control in the Federal Government* requires federal agency management to establish and review performance measures to monitor performance.

While the Agency has not set official goals for the Safer Choice program, the program has set internal goals. The Safer Choice program’s goal is to add 200 Safer Choice products to the program and 25 chemicals to the Safer Chemical Ingredients List each year. Table 1 shows program results for past four fiscal years. The Agency generally met its internal goals to add new products and approved chemicals. According to the EPA, there was a decrease in the number of labeled products from 2016 to 2017 because of enhanced compliance efforts. These compliance efforts were undertaken in response to the 2014 OIG report recommendation that the Agency periodically review program participants’ compliance with the partnership agreement.

Table 1: Number of Safer Choice products and chemicals added

Fiscal Year	Number of products certified	Number of new products added	Number of new chemicals added to the Safer Chemical Ingredients List
2016	2,060	247	98
2017	1,923	240 ^a	94
2018	1,953	249	35
2019	1,994	265	24

Source: EPA OIG based on EPA information.

^a When asked why the number of new products provided by Safer Choice staff differed from the number (226) reported in the FY 2017 Annual Performance Report, Agency staff stated that the 240 number reflects FY 2018 changes in record keeping that resulted in a retroactive increase to the number of products added in FY 2017.

Agency management said that program goals are discussed internally but are not shared with the public. Further, there are no Annual Commitment System measures, which are annual performance commitments made by EPA programs for the Safer Choice program.

Resources for Safer Choice Program Proposed for Elimination, but Program Continues to Receive Funding

In the *Fiscal Year 2018 Justification of Appropriation Estimates for the Committee on Appropriations*, the EPA recommended that the Pollution Prevention Program, which includes the Safer Choice program, be eliminated or discontinued. The Agency wrote, “Partners can continue the best practices that have been shared through this program and continue efforts aimed at reducing pollution.” Despite the EPA’s proposal to eliminate this program since FY 2018, Congress continues to fund it. The program received approximately \$4.9 million and \$3.8 million for FYs 2018 and 2019, respectively. Members of Congress have expressed support for continuing funding for the Safer Choice program. For example, the Senate Committee on Appropriations report for the EPA’s FY 2020 budget states, “The Committee supports the Safer Choice program and directs that the program be funded and operated consistent with prior years.”

By not including goals for the Safer Choice program in Agency reports while receiving congressional support and funding, the EPA limits not only accountability to Congress and the public, but also the extent that the program can use performance management information to make policy, budget, and management decisions.

Safer Choice Program Goals Are Limited to Outputs, Not Impacts

During this audit, we followed up on corrective actions implemented by the Office of Chemical Safety and Pollution Prevention based on the OIG’s recommendations made in the 2014 DfE report, which we previously described in Chapter 1. The 2014 report detailed the Agency’s then-newly developed measures, which calculate the number of products that have earned the DfE label and the number of chemicals on the Safer Chemical Ingredients List. Our audit concluded that the measures were “limited in accurately projecting the outcomes and impacts of this program.” Based on this conclusion, the OIG recommended that the Office of Chemical Safety and Pollution Prevention “develop robust, transparent and adequately supported performance measures that capture the DfE program’s results.” The EPA developed its current Safer Choice internal goals in FY 2015. While the name of the program was changed from DfE to Safer Choice in the measures, we found that the Office of Chemical Safety and Pollution Prevention did not develop new measures as recommended. The Agency continues to use the “limited” measures that the OIG highlighted in the report.

EPA Does Not Conduct Formal Reviews of TPP Performance and Safer Choice Product Audits

All applicants for Safer Choice recognition must acquire the services of a qualified TPP. In Section 7 of the Safer Choice Standard, the EPA details the

requirements to become a qualified TPP, which include elements of technical competence and credibility. According to the EPA, TPPs are viewed by industry as an extension of the EPA Safer Choice program, and the quality and service that TPPs deliver are just as important as the quality and service delivered by the Safer Choice staff.

The EPA has general controls in place for the required audit processes used to determine that products meet and maintain the Safer Choice criteria, such as:

- *The EPA's Safer Choice Standard*: This document establishes requirements for Safer Choice recognition.
- The November 2017 draft document, *U.S. EPA Safer Choice Program: Handbook for Third-Party Profilers*: This provides checklists and information necessary for TPPs to complete the required Safer Choice audits and other responsibilities.
- The EPA's standard operating procedures for internal compliance and product review: These are used to verify that partnership products comply with the Safer Choice Standard.
- *The Safer Choice Program's Safer Choice Community*: This database platform is used by TPPs and partners to submit all information to be reviewed by Safer Choice staff.

Despite the important work that TPPs accomplish for the Safer Choice program, the EPA does not conduct any type of formal review or evaluation of TPP performance or Safer Choice audits. Therefore, the Agency may miss opportunities for improving TPP efficiency and effectiveness or the program partner experience.

According to an EPA manager, the Agency lacks the resources to currently conduct performance reviews of TPPs. The EPA's Safer Choice staff explained that they review the audit summaries and corrective actions for audits submitted by TPPs. Only one TPP provides full audit reports, but the EPA reviews only the report's summary and focuses on corrective actions. According to the Agency, EPA staff provide real-time feedback to TPPs and conduct in-depth reviews on all documents submitted by TPPs. However, our analysis of TPP audits showed that many TPPs submitted audit reports that lacked supporting documentation showing items that the TPPs reviewed during the audits.

We selected 31 audits (11 desk, ten on-site, and ten renewal audits) and found that they were mostly complete and complied with the required components. The level of detail and documentation in the submitted audit reports varied greatly. The Safer Choice Community database streamlines the ingredient and product approval process by allowing participants and TPPs to directly submit information

about their products, chemical ingredients, and audits, and it provides a standard platform to submit these reports. However, the EPA does not require the submission of any supporting documentation. For example, the TPP Handbook desk audit checklist requires reviewing production records, batch tickets and formula verification, bills of lading, and certificates of analysis to verify that products are manufactured using approved ingredients. We found that in three of the desk audits we reviewed, TPPs provided only three of these four supporting documents to the EPA. In the eight other audits, TPPs simply indicated that some of these documents were reviewed. According to EPA staff, “while the audit supporting documentation is not kept in-house, the TPPs should have this documentation in their records.”

Additionally, EPA staff rely on TPP recommendations and summary-level findings, including incidents of noncompliance, without requiring supporting documents be added to the Safer Choice Community database. During the course of the audit, the Safer Choice program was working with TPPs to submit detailed summary information for audits, rather than full reports. TPPs were asked to make supporting documentation available when needed. Until the EPA establishes an adequate document submission and review process that collects and verifies the items, partnership products may not be in full compliance.



Safer Choice products on a production line.
(EPA photo)

According to the Safer Choice Standard, on-site audits focus on manufacturing processes and procedures to ensure Safer Choice products adhere to partnership agreements. As detailed in the TPP Handbook, on-site audits require some elements to be verified through an on-site facility visit, such as a production walk-through to verify that product containers are in good condition as well as to verify good

manufacturing processes. During our audit, we found that the EPA Safer Choice program does not have procedures for conducting periodic audits or oversight reviews of TPPs’ on-site audits.

In 2018, the EPA Safer Choice program established memorandums of understanding with all three TPPs that outline the relationship between the EPA and TPPs and describe TPP roles and responsibilities. The memorandums state, “In addition to regular feedback and recommendations from Safer Choice staff, [Name of TPP] will engage in annual performance reviews of [Name of TPP] and, once every five years, a full performance evaluation.” According to EPA staff, they do not engage in or perform annual performance reviews with TPPs, and the agreements have not been in place long enough for TPPs to have completed a full performance evaluation.

Conclusions

To improve program performance, effectiveness, and public accountability, federal laws and Office of Management and Budget directives require the EPA to set and publish goals, measure performance, and report program results. By not fulfilling these requirements for the Safer Choice program while receiving congressional funding and support, the EPA limits not only accountability to Congress and the public, but also the extent that the program can use performance management information to make policy, budget, and management decisions. In addition, the current internal goals are limited in projecting the outcomes and impacts of the program.

The Safer Choice program is designed to help consumers identify products that are safer for people and the environment. The EPA relies on TPPs to collect and review information for Safer Choice product review submissions and annual audits. Without formal performance reviews and periodic audits of TPPs, the EPA risks that these products are not in compliance with the Safer Choice Standard.

Recommendations

We recommend that the assistant administrator for Chemical Safety and Pollution Prevention:

1. Develop goals and performance measures that capture the impacts of the Safer Choice program.
2. Publish or otherwise notify Congress and the public of the goals and performance measures for the EPA Safer Choice program, as well as the annual results of the program.
3. Establish and implement procedures to conduct periodic oversight reviews of audits conducted by the third-party profilers to include physical oversight of the third-party profilers' on-site audits.
4. Amend memorandums of understanding with the third-party profilers, requiring that the EPA conduct performance reviews of third-party profilers.
5. Collect and document all information that third-party profilers review in their audits in the Safer Choice Community database.

Agency Response and OIG Assessment

In the EPA's official comments regarding the draft report, the Agency "agreed with the spirit" of the OIG recommendations and provided planned corrective actions and estimated completion dates for all recommendations. However, the

planned corrective actions for Recommendations 1 and 2 were not sufficient, and these recommendations are unresolved.

In response to Recommendation 1, the Agency did not commit to state any goals for the program, nor did any of its current or proposed performance measures capture the impacts of the program. For Recommendation 2, the Agency did not commit to publish Safer Choice program goals.

Recommendations 3, 4, and 5 are resolved with corrective actions pending. In response to Recommendations 3 and 4, the Agency agreed to conduct yearly oversight reviews of TPP desk and on-site audits and agreed to amend the TPP memorandums of understanding as recommended. In response to Recommendation 5, the Agency proposed to incorporate a checklist in the data system that will confirm that TPPs collected and reviewed all audit documentation. Documentation will then be available for the Agency to conduct yearly oversight reviews of TPP desk and on-site audits.

The Agency provided technical comments on the draft report, which we incorporated into our final report as appropriate. The Agency's response to the draft report is in Appendix B.

Status of Recommendations and Potential Monetary Benefits

RECOMMENDATIONS

Rec. No.	Page No.	Subject	Status ¹	Action Official	Planned Completion Date	Potential Monetary Benefits (in \$000s)
1	10	Develop goals and performance measures that capture the impacts of the Safer Choice program.	U	Assistant Administrator for Chemical Safety and Pollution Prevention		
2	10	Publish or otherwise notify Congress and the public of the goals and performance measures for the EPA Safer Choice program, as well as the annual results of the program.	U	Assistant Administrator for Chemical Safety and Pollution Prevention		
3	10	Establish and implement procedures to conduct periodic oversight reviews of audits conducted by the third-party profilers to include physical oversight of the third-party profilers' on-site audits.	R	Assistant Administrator for Chemical Safety and Pollution Prevention	12/31/21	
4	10	Amend memorandums of understanding with the third-party profilers, requiring that the EPA conduct performance reviews of third-party profilers.	R	Assistant Administrator for Chemical Safety and Pollution Prevention	12/31/20	
5	10	Collect and document all information that third-party profilers review in their audits in the Safer Choice Community database.	R	Assistant Administrator for Chemical Safety and Pollution Prevention	7/31/21	

¹ C = Corrective action completed.

R = Recommendation resolved with corrective action pending.

U = Recommendation unresolved with resolution efforts in progress.

Internal Control Assessment

This table identifies which internal control components and underlying principles are significant

Which internal control <u>components</u> are significant to the audit objectives?	Which internal control <u>principles</u> are significant to the audit objectives?
X Control Environment The foundation for an internal control system. It provides the discipline and structure to help an entity achieve its objectives.	X 1. The oversight body and management should demonstrate a commitment to integrity and ethical values.
	X 2. The oversight body should oversee the entity's internal control system.
	X 3. Management should establish an organizational structure, assign responsibilities, and delegate authority to achieve the entity's objectives.
	X 4. Management should demonstrate a commitment to recruit, develop, and retain competent individuals.
	X 5. Management should evaluate performance and hold individuals accountable for their internal control responsibilities.
X Risk Assessment Management assesses the risks facing the entity as it seeks to achieve its objectives. This assessment provides the basis for developing appropriate risk responses.	X 6. Management should define objectives clearly to enable the identification of risks and define risk tolerances.
	X 7. Management should identify, analyze, and respond to risks related to achieving the defined objectives.
	X 8. Management should consider the potential for fraud when identifying, analyzing, and responding to risks.
X Control Activities The actions management establishes through policies and procedures to achieve objectives and respond to risks in the internal control system, which includes the entity's information system.	X 9. Management should identify, analyze, and respond to significant changes that could impact the internal control system.
	X 10. Management should design control activities to achieve objectives and respond to risks.
	X 11. Management should design the entity's information system and related control activities to achieve objectives and respond to risks.
X Information and Communication The quality information management and personnel communicate and use to support the internal control system.	X 12. Management should implement control activities through policies.
	X 13. Management should use quality information to achieve the entity's objectives.
X Monitoring Activities management establishes and operates to assess the quality of performance over time and promptly resolve the findings of audits and other reviews.	X 14. Management should internally communicate the necessary quality information to achieve the entity's objectives.
	X 15. Management should externally communicate the necessary quality information to achieve the entity's objectives.
	X 16. Management should establish and operate monitoring activities to monitor the internal control system and evaluate the results.
	X 17. Management should remediate identified internal control deficiencies on a timely basis.

to our audit objectives.

Source: Based on internal control components and principles outlined in GAO-14-704G, *Standards for Internal Control in the Federal Government* (also known as the "Green Book"), issued September 10, 2014.

Agency Response to Draft Report



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

May 18, 2020

OFFICE OF CHEMICAL SAFETY
AND POLLUTION PREVENTION

MEMORANDUM

SUBJECT: Response to Draft Report entitled "EPA's Safer Choice Program Could Benefit from Formal Goals and Additional Oversight," Report No. 19-P-0324.

FROM: Alexandra Dapolito Dunn, Esq.
Assistant Administrator

TO: Sean W. O'Donnell
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This memorandum responds to the Office of the Inspector General's (OIG's) Draft Report entitled "EPA's Safer Choice Program Could Benefit from Formal Goals and Additional Oversight," Report No. 19-P-0324, dated April 16, 2020.

I. General Comments:

The Office of Chemical Safety and Pollution Prevention (OCSPP) appreciates the efforts of the Office of the Inspector General (OIG) in conducting an evaluation to identify and assess controls the EPA has in place to verify that the Safer Choice program meets its goals and achieves quality standards through its product qualification, renewal and required audit process.

OCSPP agrees with the spirit of the Draft Report's conclusions and recommendations and is proposing meaningful corrective actions to respond to each recommendation. While these corrective actions may not precisely align with the course of action suggested by the Draft Report, OCSPP is confident they will result in the benefits intended by the OIG, allowing OCSPP to remain a careful steward of resources to ensure that other Agency priorities, such as the deadlines of the Lautenberg Amendments to the Toxic Substances Control Act, are fulfilled.

The Draft Report makes five recommendations under two topic areas. These areas are: measures of programmatic success (Recommendations 1 and 2); and performance monitoring for the third

parties who conduct audits of product manufacturing partners in the Safer Choice program (Recommendations 3 through 5).

Program Measures. The performance measures currently tracked for the Safer Choice program – including the number of products certified and the number of chemicals added to the Safer Chemical Ingredients List (SCIL) – are good measures of the impact of the Safer Choice program in voluntarily helping the marketplace adopt safer chemicals in cleaning product formulations. For example, a limited number of branded cleaners are sold into the consumer space through major outlets. A growing presence in this space is a good indication of program health and contribution. OCSPP will monitor Safer Choice program results to ensure continued program effectiveness.

Because the President’s Budget does not include the Safer Choice program, EPA will continue to track the program’s measures internally and will not include Safer Choice program measures in Agency-level reporting.

Performance Monitoring for Third Parties who conduct audits of product manufacturing partners in the Safer Choice program. OCSPP believes that audit oversight for the Safer Choice program as currently exercised ensures a high quality of the service the Third Party Profilers (TPPs) provide – including their work in product review, toxicology, chemistry, and oversight of product manufacturers. While some certification programs audit third parties who conduct product certification to gain insight into how well they conduct their work and award certification, OCSPP believes that the Safer Choice program is in a different situation because of the high level of routine oversight and interaction between EPA Safer Choice personnel and the TPPs. Safer Choice provides thorough quality control by reviewing all TPP work. All certification decisions are made by Safer Choice.

For new product applications, Safer Choice reviews all formulations and documentation and ultimately makes all certification determinations. Safer Choice provides real-time feedback to the TPPs, and all submitted documents get a quality assurance check. For audits submitted by the TPPs, Safer Choice reviews audit summaries and corrective actions. Indeed, Safer Choice ensures that audits are completed in a timely manner by tracking due dates to make sure the audits take place, and by directly tracking follow-up actions to completion for all audits. Safer Choice also responds to partner calls for improvement. In addition to this already high level of oversight, Safer Choice will begin to conduct an audit oversight review each year for each of its third parties.

Attached to this memo are OCSPP’s Technical Comments regarding terminology used in the Draft Report.

II. OCSPP’s Response to the Recommendations:

Recommendation 1: Develop goals and performance measures that capture the impacts of the Safer Choice program.

- **Proposed Corrective Action 1:** OCSPP will continue to track and report as appropriate the following annual figures: the number of products certified, the number of products renewed (after their three-year term), the total number of certified products, the number of audits conducted, the number of chemicals added to the Safer Chemical Ingredients List (SCIL), and the total number of chemicals listed on SCIL. OCSPP will add production volume as a measure when data quality for supporting information merits its inclusion.
- **Target Completion Date:** OCSPP will add production volume as a performance measure by July 2021.

OIG RESPONSE: The proposed corrective action does not meet the intent of the recommendation. First, the Agency will not develop any goals for the program. Second, the performance measures, which include the total number of certified products, the number of audits conducted, the number of chemicals added to the Safer Chemical Ingredients List as well as the total number of chemicals listed, and production volume, are output measures that do not capture the impacts of the program. We consider Recommendation 1 unresolved.

Recommendation 2: Publish or otherwise notify Congress and the public of the goals and performance measures for the EPA Safer Choice program, as well as the annual results of the program.

- **Proposed Corrective Action 2:** As described above, OCSPP will continue to track measures for the Safer Choice program internally. OCSPP will publish these annual results on EPA’s webpages for the Safer Choice program.
- **Target Completion Date:** December 2020.

OIG RESPONSE: The proposed corrective action does not meet the intent of the recommendation. The EPA has not committed to publishing its goals. Without awareness of the program goals, neither Congress nor the public has the context to evaluate annual program results. We consider Recommendation 2 unresolved.

Recommendation 3: Establish and implement procedures to conduct periodic oversight reviews of audits conducted by the third-party profilers to include physical oversight of the third-party profilers’ on-site audits.

- **Proposed Corrective Action 3:** OCSPP agrees to annually conduct oversight reviews of audits conducted by TPPs, including physical oversight of those audits. OCSPP will conduct one on-site oversight audit for each TPP each year and will conduct one oversight desk audit for each TPP each year.

- **Target Completion Date:** December 2020 to develop procedures, December 2021 to complete one audit oversight review for each TPP.

OIG RESPONSE: The Agency agreed with our recommendation and provided an acceptable planned corrective action and estimated completion date. We consider this recommendation resolved with corrective actions pending.

Recommendation 4: Amend Memorandums of Understanding with the third-party profilers, requiring that the EPA conduct performance reviews of third-party profilers.

- **Proposed Corrective Action 4:** To improve clarity, OCSPP will amend TPP Memorandums of Understanding to indicate that EPA will conduct performance reviews for each TPP.
- **Target Completion Date:** December 2020

OIG RESPONSE: The Agency agreed with our recommendation and provided an acceptable planned corrective action and estimated completion date. We consider this recommendation resolved with corrective actions pending.

Recommendation 5: Collect and document all information that third-party profilers review in their audits in the Safer Choice Community database.

- **Proposed Corrective Action 5:** OCSPP will incorporate a checklist in the program's data system, the Safer Choice Community, that TPPs will include with each audit summary, confirming that the TPP has collected and reviewed all the audit documentation required by the Safer Choice standard. This information will continue to be available to OCSPP upon request.
- **Target Completion Date:** By December 2020, OCSPP will add the checklist in the Safer Choice Community, instructing TPPs to incorporate the checklist into their submitted audit summaries by July 2021.

OIG RESPONSE: The Agency proposed the inclusion of a checklist in the program's data system confirming the documentation of TPP audit information and its availability to the Agency upon request. We find that the Agency's proposed corrective action plan, which incorporates a checklist review system in conjunction with periodic oversight reviews, addresses the intent of the recommendation. We consider this recommendation resolved with corrective actions pending.

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