



U.S. ENVIRONMENTAL PROTECTION AGENCY
OFFICE OF INSPECTOR GENERAL

FY 2012 Annual Plan



The Office of Inspector General (OIG) Annual Plan is produced by the OIG Office of the Chief of Staff in conjunction with the OIG Inspector General and Assistant Inspectors General, with input from the EPA Administrator, Deputy Administrator, Assistant Administrators, and Regional Administrators, as well as congressional stakeholders and the Office of Management and Budget.

This plan is available in hard copy from:

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Foreword

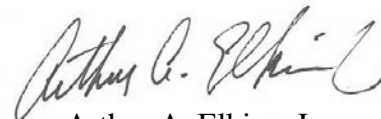
The Office of Inspector General (OIG) statutory mission is to conduct and supervise audits, evaluations, inspections, and investigations relating to the programs and operations of the Agency; to provide leadership and coordination, and recommend policies for activities designed to promote economy, efficiency,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

This OIG Annual Plan identifies mandated and selected assignment topics continuing from fiscal year (FY) 2011 and scheduled to be started during FY 2012, providing for unforeseen work that may be requested by hotline complaints, Agency leadership, and Congress. Because this is a living, flexible document subject to change, the reader is encouraged to consult our website, www.epa.gov/oig, for the most current updated version of the plan.

This plan is implemented through audits, evaluations, investigations, and follow-up reviews in compliance with the Inspector General Act, the applicable professional standards of the U.S. Comptroller General, and the Quality Standards for Federal Offices of Inspector General of the Council of the Inspectors General on Integrity and Efficiency.

Primary sources of input for the assignments listed in this plan included risk assessments across Agency programs and operations based upon prior OIG work, U.S. Government Accountability Office (GAO) high-risk assessments, congressional interest, Office of Management and Budget (OMB) priorities, Agency vulnerability/internal control assessments under OMB Circular A-123 and the Federal Managers' Financial Integrity Act (FMFIA), and identification of key Agency challenges and strategic planning priorities. Our current planning also reflects direct outreach and solicitation of topics and assignment suggestions from EPA's leadership, external stakeholders, our staff, and oversight requirements specified by the American Recovery and Reinvestment Act of 2009 (ARRA, or Recovery Act). As a result, a number of assignments listed in this plan are responsive to the immediate concerns or requests of our clients and the focused needs of ARRA and the Recovery Accountability and Transparency Board. Other assignments are required or are self-initiated based upon our themes, which are focused on providing the greatest value and risk reduction to the Agency, and the greatest benefit to public health. We want to thank each member of the Agency leadership as well as external stakeholders and our staff for their direct participation in this process. We look forward to continuing an open dialogue for receiving their ideas, suggestions, and feedback.

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



Arthur A. Elkins, Jr.
Inspector General

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EPA’s Mission Statement—The Foundation of the OIG’s Planning Objectives
To Protect Human Health and the Environment

EPA Goals: A New Five-Goal Structure Focuses on Environmental Results and Links to OIG Goals

The OIG Strategic and Annual Plans are specifically designed to connect the implementation of the Inspector General Act with EPA’s mission for the most economical, efficient, and effective achievement of EPA’s performance goals.

| EPA’s FY 2012–2016 goals correspond to OIG Goal 1: Contribute to improved human health, safety, and environment. | EPA cross-goal strategies correspond to OIG Goals 1, 2, and 3: <i>(see above)</i> |
|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 1. Taking Action on Climate Change and Improving Air Quality: Protect and improve the air so it is healthy to breathe, and risks to human health and the environment are reduced. Reduce greenhouse gas emissions and develop adaptation strategies to address climate change. | Expanding Environmentalism: <ul style="list-style-type: none"> • Enhance outreach and innovation. • Generate and use scientific information. • Use analytic tools to foster community engagement. • Improve engagement with under-represented sectors of the nation. Environmental Justice & Children’s Health: <ul style="list-style-type: none"> • Prevent harmful exposures and health risks. • Support community efforts to build green neighborhoods. Advancing Science, Research & Technological Innovation: <ul style="list-style-type: none"> • Catalyze sustainable innovation. • Meet the challenge. • Achieve results. Strengthening Partnerships: Improve relationships with states, tribes, and other countries. Strengthening EPA’s Workforce & Capabilities: Continue to improve EPA’s internal management and encourage innovation. |
| 2. Protecting America’s Waters: Ensure drinking water is safe. Restore and maintain our oceans, watersheds, and their aquatic ecosystems to protect human health, sustain fish, plants, and wildlife, and economic, recreational, and subsistence activities. | |
| 3. Cleaning Up Our Communities: Promote sustainable, healthier communities and protect vulnerable populations and tribal communities. Prevent releases of harmful substances and clean up and restore contaminated areas. | |
| 4. Ensuring the Safety of Chemicals and Preventing Pollution: Ensure the safety of chemicals that are used in consumer products, the workplace, and the environment. Strengthen EPA’s chemicals management and risk-assessment programs through novel chemicals-management plans. | |
| 5. Enforcing Environmental Laws: Protect human health and the environment through vigorous and targeted civil and criminal enforcement. Assure compliance with environmental laws. | |

EPA Office of Inspector General—Strategic Plan Outline

Vision

Be the best in public service and oversight for a better environment tomorrow.

Mission

Promote economy, efficiency, effectiveness, and prevent and detect fraud, waste, and abuse through independent oversight of the programs and operations of the EPA and Chemical Safety and Hazard Investigation Board (CSB).

EPA OIG Values

- **Customer Service:** Everyone deserves to be treated with fairness, respect, and dignity.
- **Integrity:** Our people and products are trustworthy.
- **Accountability:** We are individually and collectively responsible for all we do.

Goals

1. Contribute to improved human health, safety, and environment.
2. Contribute to improved EPA and CSB business practices and accountability.
3. Be responsible stewards of taxpayer dollars.
4. Be the best in government service.

Objectives

For Goal 1:

- Influence programmatic and systemic changes and actions that contribute to improved human health, safety and environmental quality.
- Add to and apply knowledge that contributes to reducing or eliminating environmental and infrastructure security risks and challenges.
- Make recommendations to improve EPA and CSB programs.

For Goal 2:

- Influence actions that improve operational efficiency and accountability and achieve monetary savings.
- Improve operational integrity and reduce risk of loss by detecting and preventing fraud, waste, abuse, or breach of security.
- Identify best practices, risks, weaknesses, and monetary benefits to make recommendations for operational improvements.

For Goal 3:

- Promote and maintain an accountable, results-oriented culture.
- Ensure our products and services are timely, responsive, relevant and provide value to our customers and stakeholders.
- Align and apply our resources to maximize return on investment.
- Ensure our processes and actions are cost effective and transparent.

For Goal 4:

- Maintain the highest ethical standards.
- Promote and maintain a diverse workforce that is valued, appreciated, and respected.
- Enhance constructive relationships and foster collaborative solutions.
- Provide leadership, training, and technology to develop an innovative and accomplished workforce.

EPA Office of Inspector General FY 2012 Annual Plan: Identifying the Risks *The Criteria for Developing and Selecting Assignments*

The OIG reviewed the major risks, challenges, and planning priorities across EPA and solicited first-hand input from Agency leadership to identify and select OIG products and topics that would be of greatest benefit to the Agency and the American public it serves. This section summarizes and applies the key Agency-wide risks, issues, and management challenges that serve as the basis for the types of work assignments requested, developed, and selected for this FY 2012 plan.

Top EPA Management Challenges—Reported by the OIG *(as required by the Reports Consolidation Act of 2000)*

1. **Need for Greater Coordination of Environmental Efforts:** Environmental quality depends on policies related to farming, energy, water, air, transportation, and federal land management. A national environmental policy would help EPA and other federal agencies go beyond existing, fragmented coordination efforts to set national environmental goals and regulatory standards, particularly for problems that cross state or national borders or pose risks to future generations.
2. **Oversight of Delegations to States:** Due to differences between state and federal policies, interpretations, strategies, and priorities, EPA needs to more consistently and effectively oversee its delegation of programs to the states, assuring that delegated programs are achieving their intended goals.
3. **Safe Reuse of Contaminated Sites:** The common practice of not removing all sources of contamination from hazardous sites is inhibited by (1) a regulatory structure that places key responsibilities for monitoring and enforcing the long-term safety of contaminated sites on non-EPA parties that may lack necessary resources, information, and skill; (2) changes in site risks as site conditions change over time; and (3) existing weaknesses in EPA's oversight of the long-term safety of sites, as well funding deficiencies.
4. **Limited Capability to Respond to Cyber Security Attacks:** EPA is highly vulnerable to existing external network threats, despite reports from security experts that advanced persistent threats, designed to steal or modify information without detection, are becoming more prevalent throughout the government. Currently, EPA has reported over 5,000 servers and user workstations, as well as national security and confidential business and personal data that may have been compromised by recent cyber security attacks.
5. **EPA's Framework for Assessing and Managing Chemical Risks:** EPA's effectiveness in assessing and managing chemical risks is limited by its authority to regulate chemicals under the Toxic Substances Control Act. Chemicals manufactured before 1976 were not required to develop and produce data on toxicity and exposure, which are needed to properly and fully assess potential risks.

EPA Internal Control Risks and Weaknesses Identified by the OIG for 2011

- Agency Audit Follow-Up Process: Revising EPA Manual 2750
- Program Evaluation
- Efficient Use of Available Funds
- Tribal Environmental Capacity Building
- Workforce Planning
- Processing Hiring Actions
- Reporting on Compliance with FMFIA
- Information Technology Systems Development and Implementation

EPA Major Management Challenges Identified by GAO (March 2011)

- Improving Agency-Wide Management
- Transforming EPA's Processes for Assessing and Controlling Toxic Chemicals
- Reducing Pollution in the Nation's Waters
- Addressing the Cost and Pace of Cleanup at Superfund and Other Hazardous Waste Sites
- Addressing the Agency's Emerging Role in Climate Change Issues

Risks, Priorities, and Issues Identified by EPA Through OIG Outreach Interviews (as of July 2011)

The following information identifies cross-cutting risks identified through outreach solicitations and meetings with EPA leadership.

1. Emergency Preparedness/Homeland Security

- Preparedness for emergencies (natural or manmade disasters) is an unknown risk and needs greater attention.
- Protection of drinking water (Water Sentry program) requires a coordinated effort.
- Waste management under possible disaster conditions presents a secondary risk that needs attention.
- Data security and protection controls may be vulnerable and should be tested to guard against cyber attack.
- Clarification of roles and responsibilities (within EPA, between federal agencies and states) needs to be determined and articulated.

2. Better Collaboration/Coordination with States and Other Federal Agencies

- EPA implements original authorizing legislation on the basis of specific media instead of holistically.
- The 30 federal agencies with an environmental mission need better coordination in planning and implementation.
- There is a lack of direct lines of authority (coordination) among and between assistant administrators and regions.
- Plans, resources, data, authority, and measures are not aligned with risks and priorities across EPA.
- Better collaboration internally and with stakeholders is needed to align processes, leverage resources, implement controls, reduce duplication, and align resources with priorities.

3. Consistent and Reliable Data and Performance Measurement

- There are gaps and inconsistencies in the information that drives the decision-making process.
- Questions exist as to whether EPA is collecting the right data, of sufficient quality, and is making that data available.
- EPA's information systems are not aligned for efficiency, consistency, accessibility, and security.
- Control of laboratory data, personally identifiable information, and confidential business information outside of EPA, especially related to registration and re-registration of pesticides and other formulas regulated by the Toxic Substances Control Act, all present significant risks.

4. Improving EPA Organizational Design and Coordination of Resources to Eliminate Duplication

- EPA and its partners need a clear linkage among goals, resources, processes, actions taken, and outcomes.
- There are no standards or agreements among stakeholders on which to base measures of environmental risks and outcomes (states vs. national).
- Program efficiency, progress, and results are not measured meaningfully.
- EPA does not know what activities cost and what efficiency measures are needed.
- Differences exist in the ways environmental laws are monitored and enforced between EPA and states/tribes. Monitoring requirements for grants are underfunded.

5. Monitoring of States, Grants Management, Compliance and Enforcement (How Much Delegation? Federal vs. State Roles?)

- EPA lacks control of fund management and accountability once the funds for assistance agreements to grantees are distributed; half of the Agency's budget is allocated to these agreements.
- The highest risk in the grants management process is at the point that funds are spent by grantees and are sometimes commingled with other sources of grant funds.
- Grantees have limited capacity or incentive to account for funds or performance.
- EPA lacks resources to adequately monitor grants and lacks uniform reporting and accountability conditions.
- EPA should execute and manage grants for measurable success vis-à-vis their intended goals.

6. Human Capital Management—Skill Gaps/Alignment with Functions

- EPA should analyze its workforce to identify and fill skill gaps and to implement its Human Capital Strategy.
- EPA should recruit to close identified competency gaps.

7. Better Use of Technology, Information, and Research

- The Agency should manage its resources and the performance of contractors to optimize their value added.
- EPA needs operational controls to protect and account for costs, assets, information, and performance.
- EPA should more strongly implement FMFIA and the OMB Circular A-123 process.
- The Working Capital Fund lacks the transparency or accountability necessary to prove its efficiency.
- Agency management should better understand and be accountable for taking agreed-to actions on OIG recommendations.

8. EPA’s Regulatory Process (Better and Faster Analysis of Costs, Science, and Benefits)

- The Agency’s extremely complex regulatory process should be streamlined without compromising its required integrity.
- Competing interests of stakeholders and the regulated community may lead to overlaps, gaps, and conflicts.
- Many policies are out of date or are based on outdated science and technology.

9. Cross-Media Risk Assessment, Planning, and Priority Setting for Better Application of Resources

- EPA should use a consistent approach to evaluate actual and relative environmental and operational risk and program effectiveness, assign resource priorities, make regulatory decisions, take enforcement actions, and inform its stakeholders.
- EPA should ensure the integrity of laboratory data, results, and scientific research; knowledge and innovative technology should be transferred in a timely manner in the regulatory and policy process.
- Agency programs need a consistent approach for determining relative risk and demonstrating outcome results.

10. Water Infrastructure, Financing and Water Availability

- The Agency needs to address failing infrastructure for drinking water and stormwater systems. Approximately \$20 billion will be needed to stabilize infrastructure across states.
- It is unclear who will pay for needed infrastructure investment.
- EPA should determine how to use creative financing and leverage funding through public–private partnerships.

11. Climate Change and Air

- EPA should utilize a better method for understanding air toxics and their monitoring.
- EPA needs a clear and unified strategy, including the participation of other federal agencies and other national governments.

EPA Office of Inspector General FY 2012 Annual Plan: The Strategy

Based on prior work, cross-Agency risk assessment, Agency challenges, future priorities, and customer input, we chose the following themes upon which to develop and prioritize our FY 2012 work. These themes generally represent cross-Agency weaknesses, vulnerabilities, and opportunities for significant Agency improvement through greater savings, efficiency, and risk reduction.

Process and Resources Efficiency has been expanded to include all aspects of availability, quality, accuracy, validity, and management. Results measurement has been a major management challenge in EPA in past years. Overhead and manpower assessment are interrelated as factors of efficiency, and EPA should consider how many people and fixed resources it needs to administer its programs. EPA should better recognize and assess its own program and operational strengths and weaknesses through evaluations and internal control reviews. In addition, the Program Results, Prevention, Stewardship, and Sustainability theme is established to account for the national threat posed by sophisticated existing and future advances in information system infiltration and exfiltration. Each theme is briefly described below.

Risk and Customer-Driven Themes for Greater Performance and Efficiency

Program Results, Prevention, Stewardship, and Sustainability: Managing and ensuring the integrity of the Agency's resources is of critical importance. The delegation of proper management to each office and region increases the likelihood of differential applications of internal controls over processes and assets. The risk of resource waste or loss, environmental danger to the public, or failure to accomplish mission objectives due to a lack of controls or fraud increases as internal monitoring and accountability, as well as contractor and grantee monitoring and accountability, is diminished.

Program Integrity, Oversight, Enforcement, and Efficient Rulemaking

- **Planning:** Without systemwide goal setting based on consistent criteria, operations and efforts are fragmented and competing.
- **Organization:** Without coordination and collaboration, there is risk of duplication, conflicting forces, inconsistencies, and gaps across organizational units.
- **Policies and procedures:** Without effective policies or procedures, no basis exists for consistency, criteria, or control to guide actions within or across EPA.
- **Performance measurement:** Without clear and consistent measurement, the Agency cannot recognize priorities, nor can it assess progress or accountability.
- **Monitoring:** Without oversight, deviations from the plan cannot be identified and corrected.
- **Accountability:** Without accountability, no commitment, obligation, recourse, or enforceability exists.

At-Risk Populations, Chronic and Emerging Environmental Challenges: The nature of the Agency's work continues to evolve as more programs are delegated and have integrated relationships. As the work changes and the role of the Agency changes in relation to its partners, laws, and goals.

Integrity in Science and Information: The Agency's regulatory process is extremely complex, and opportunities may exist to streamline the process without compromising required integrity. Enforcement of environmental laws and regulations is often fragmented and inconsistent, as it is carried out differently among various federal, state, tribal, and local government entities. Questions related to jurisdiction, interpretation, and coordination can undermine program effectiveness.

Process and Resources Efficiency: Through Agency programs, EPA should determine relative risk and demonstrate outcome results in terms of environmental conditions and human health for the funds that are spent. These determinations require valid and reliable data linked to the resources applied, the processes used, and the actions taken within EPA and by its federal, state, and grantee partners. Accessing such data is a difficult challenge, as there are no standards or universal agreements among stakeholders on which to base consistent measures of environmental risk and outcomes. Data are used without independent verification of their accuracy, making them vulnerable to manipulation or misuse to influence decisions. EPA should accurately assess workforce allocation within its organizational structure to determine the correct number, location, and skills inventory of staff.

Financial Management: As operational budgets are reduced, environmental issues become more complex and costly. EPA should determine whether it has the correct skills in the correct places, along with the appropriate systems of accountability, to manage efficiently and effectively. EPA must improve its operational efficiency by reducing the cost of operations, eliminating unnecessary spending and possible duplication, collecting receivables, and leveraging resources to apply a greater percentage of available funds to directly solving the greatest environmental problems.

Superfund: EPA should encourage the appropriate reuse and revitalization of brownfields, underground storage tank fields, Superfund sites, Resource Conservation and Recovery Act sites, Base Realignment and Closure sites, and other federal properties through voluntary action and economic incentives, as well as through appropriate compliance and enforcement tools.

Recovery Act: EPA received over \$7.22 billion under ARRA to be expended during FYs 2009 through 2011 as part of the federal government's stimulus spending effort to help rebuild America's infrastructure. The purpose of ARRA is to create and save jobs, jumpstart the U.S. economy, and build the foundation for long-term economic growth. One of the major features of ARRA is specific statutory responsibility for transparency, accountability, and direct oversight by the OIG. The urgency to achieve the economic goals of ARRA through grantees at the state, tribal, and local levels creates a unique combination of opportunities, challenges, and risks for both the Agency and the OIG. With OIG ARRA funding through FY 2012, the OIG will concentrate its audit and investigative resources to help mitigate the risks, promote accountability, and seek remedies for abusive or fraudulent activity.

Making Choices—A Customer-Driven Process

OIG work that is not otherwise mandated is proposed, considered, and selected through a rigorous process using the criteria listed below to develop a portfolio of assignments that represent the best possible return on investment in terms of monetary or public value and responsiveness in addressing the needs, risks, challenges, priorities, and opportunities of OIG customers, clients, and stakeholders. We conducted considerable outreach to Agency leaders and stakeholders on environmental and management risks, challenges, and opportunities; conducted a risk assessment based upon previously identified risks and challenges; and invited our entire staff to formulate assignment suggestions from their immediate knowledge of EPA operations and the consideration of stakeholder input and risks.

Criteria Considered in Identifying and Selecting Audit and Evaluation Assignments for FY 2012:

Environmental/Human Health/Business Risks Addressed, Including:

- The known extent of the issue (i.e., population impacted, area involved, media involved).
- The potential environmental or human health benefits (return on investment) to be derived and the reduction or prevention of environmental, human health, or business risks.
- Whether the assignment includes special populations such as sensitive (children or the elderly) or environmental justice (minority/low-income) populations.

Potential Risk of Fraud, Waste, or Abuse Involving:

- Resources and data.
- Physical or cyber security equipment.
- Program integrity and violations of laws or regulations.

Opportunity for Improved Business Systems/Accountability, Including:

- How the project aligns with EPA's strategic goals/objectives. Describe the expected return on investment (for example, potential questioned costs, funds put to better use or other potential monetary benefits, improved decision-making, improved data quality/reliability, reduced programmatic or financial vulnerabilities, and strengthened internal controls) or increased effectiveness and efficiency in program delivery.
- How the proposed project addresses an existing major management challenge or internal control weakness.

EPA Dollar/Full-Time Equivalent (FTE) Investment/Financial Impact (in relation to EPA's overall resource level):

- If available, provide information on headquarters and regional resources committed to the program, including FTE.
- What resources are used including contracts, grants, state programs, or other mechanisms, such as state funding, to accomplish the goals? How might this impact the program's implementation? If relevant, estimate what percentage of the program's funding is coming from state, other federal, or private partnership resources. What is the residual economic external impact (for example, health or productivity costs, the magnitude of population impacted, questioned costs, or funds put to better use)?

Prior Audit/Evaluation Results:

- What are the conditions or changes since prior review by EPA OIG, GAO, or other auditing body?
- What are the previously known or recurring problems of the program or operation, and how long has it has been since the audit/evaluation was performed?
- What new information or indications of auditable issues are available?
- What are the significant recommendations warranting follow-up?

Stakeholder/Public Interest:

- Is the topic of the project generating interest from Congress, the public, and news organizations? What is the interest and why?
- Who are the expected users of the project's product? How would it be used?
- What, if any, are the critical deadlines that must be met for this project to have maximum impact?

THE PLAN: CONTINUING AND NEW ASSIGNMENTS

EPA Office of Inspector General FY 2012 Annual Plan: Audit Plan

The Office of Audit. OIG audit work focuses on five areas, with special emphasis on providing oversight for EPA's implementation of ARRA. Funds awarded for assistance agreements and contracts account for approximately two-thirds of EPA's budget. Producing timely financial statements remains a priority across the federal government. Equally important is the need to gather and use financial and program performance information to improve EPA's programs by reducing risks and maximizing results. The Office of Audit's five product lines are listed below. Specific assignment titles are listed on the following pages; ARRA-related assignments are denoted with an asterisk.

- Assistance Agreements and Contracts Audits
- Forensic Audits
- Efficiency Audits
- Financial Audits
- Risk Assessment and Program Performance Audits

Planned work will emphasize:

- Direct testing for fraud in grants, contracts, and operational activities
- Cost savings resulting from audits of grantee and contractor claims
- Continued improvements in assistance agreements and contract administration
- EPA's preparation of timely, informative financial statements
- EPA's use of financial and program performance information, including efficiency measures, to identify cost savings and potential cost recoveries, reduce risks, and maximize results achieved from its environmental programs
- Reviews of EPA's internal controls, including its risk assessment processes and allocation/application of human resources

The Office of Mission Systems: The office conducts audits of Agency information technology and systems to test the integrity of data and system controls, as well as compliance with a variety of federal information security laws and requirements, to ensure system and data integrity. The product line for this office is as follows:

- Information Resources Management Audits

Assistance Agreements and Contracts Audits

Is EPA using assistance agreements and contracts to efficiently and effectively accomplish its mission?

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

Is EPA administering grants authorized by the Recovery Act in compliance with Recovery Act requirements and OMB guidance?

Contact: Janet Kasper (312) 886-3059

OIG Themes Covered

- Program Integrity, Oversight, Enforcement, and Efficient Rulemaking
- At-Risk Populations, Chronic and Emerging Environmental Challenges
- Financial Management
- Integrity in Science and Information
- Process and Resource Efficiency
- Program Results, Prevention, Stewardship, and Sustainability
- Recovery Act Oversight*
- Regional Focus
- Superfund

Carryover Assignments from FY 2011

- Use of State Revolving Funds to Protect Public Health
- Great Lakes Legacy Act Funding
- State Revolving Fund Reserves
- Resolution of Defense Contract Audit Agency Audit Reports
- Superfund Remedial Action Contracting
- Compliance With Improper Payment Elimination and Recovery Act of 2010 Requirements
- Implementation of Duncan Hunter Act Federal Acquisition Regulation Requirements for Cost Reimbursable Contracts

New Assignments Planned for FY 2012

- Audit of EPA's Use of Multiple Award Contracts
- Funding to Universities and Colleges for Science to Achieve Results (STAR) Grants Results from Brownfields ARRA Grants*
- Unliquidated Obligations for Grants and Interagency Agreements

Forensic Audits

Is EPA sufficiently protected against the risk of fraud, waste, and abuse in its grants, contracts, and internal operations?

Is EPA carefully controlling and monitoring the application and accountability of Recovery Act funds to subgrantees and contractors?

Contact: Robert Adachi (415) 947-4537

OIG Themes Covered

- Program Integrity, Oversight, Enforcement, and Efficient Rulemaking
- Financial Management
- Recovery Act Oversight*
- Regional Focus
- Superfund

Carryover Assignments from FY 2011

- Grant to Summit Lake Paiute Tribe
- Grant to North Carolina Rural Economic Development Center
- Kathleen Hill Cooperative Agreement
- ARRA Diesel Elimination Reduction Act Grant to the Chelsea Collaborative*
- ARRA Diesel Elimination Reduction Act Grant to Cascade Sierra Solutions*
- Texas Water Development Board ARRA Project*
- Itasca, Illinois, ARRA Project*
- Nappanee, Indiana, ARRA Project*
- Perkins Public Water Works Authority ARRA Project*
- Metropolitan Water Reclamation District of Greater Chicago ARRA Project*
- ARRA Grant to Botanic Gardens of Western Pennsylvania*

New Assignments Planned for FY 2012

- Bond Counsel Fees, Legal Fees, and Other Contingency Fees Charged to State Revolving Fund Subrecipients
- Audits of ARRA Contractors*
- Audits of ARRA Diesel Elimination Reduction Act Grantees*
- Audits of ARRA State Revolving Fund Projects*
- Audits of ARRA Hotline Complaints*
- Audits of Superfund Contractors
- Audits of Non-Profit Grantees
- Audits of Grants to State and Local Governments
- Audits of Non-ARRA Hotline Complaints
- Audits of Non-ARRA Contractors
- FY 2012 Ability to Pay Analysis
- FY 2012 Preaward Evaluations

Required Assignments Planned for FY 2012

- Single Audit Processing
- Superfund Claims

Efficiency Audits

Are EPA programs and operations performing with the greatest efficiency in regard to allocation and application of resources?

Contact: Richard Eyer mann (202) 566-0565

OIG Themes Covered

- Integrity in Science and Information
- Process and Resource Efficiency
- Program Integrity, Oversight, Enforcement, and Efficient Rulemaking
- Program Results, Prevention, Stewardship, and Sustainability

Carryover Assignments from FY 2011

- EPA Facility Utilization
- EPA Efficiency Effort in Meeting Presidential Savings Initiative
- Audit of EPA Radiation Monitoring Network
- Implementation of Recommendations Made by CSB

New Assignments Planned for FY 2012

- Consolidation of EPA Customer Service Helpdesks, Hotlines, and Clearing Houses
- Efficiency of CSB Investigation Process
- EPA Achievement of Efficiency Savings and Other Efficiency Approaches Identified in FY 2012 Budget Submission
- Evaluation of Working Capital Fund Rate Setting Process

Required Assignments Planned for FY 2012

- Defense Contract Audit Agency Report Monitoring and Resolution
- FY 2012 Management Challenges and Internal Control Weaknesses for CSB

Financial Audits

Does EPA have the people, processes, and systems to efficiently provide timely, accurate, complete, and useful financial information for decision-making, including resource management and accountability?

Does EPA have appropriate controls to accurately account for Recovery Act spending?

Contact: Paul Curtis (202) 566-2523

OIG Themes Covered

- Financial Management
- Process and Resource Efficiency
- Superfund

Carryover Assignments from FY 2011

- Accountability for Contractor-Held Property
- FY 2011 EPA Financial Statements
- FY 2011 CSB Financial Statements (Contracted)

New Assignments Planned for FY 2012

- EPA's Superfund Indirect Cost Methodology on Superfund
- EPA's Indirect Cost Recovery for Interagency Agreements
- Implementation of EPA's Financial System Modernization Project (the Compass System)
- Agreed-Upon Procedures for EPA's Quarterly Financial Statements

Required Assignments Planned for FY 2012

- FY 2011 Financial Statements: Pesticides Reregistration and Expedited Processing Fund (FIFRA)
- FY 2011 Financial Statements: Pesticides Registration Fund (PRIA)
- FY 2012 EPA Financial Statements
- FY 2012 CSB Financial Statements (Contracted)

Risk Assessment and Program Performance Audits

Does EPA have the control systems in place to identify and prevent the misuse of resources, assess its human capital needs, and determine whether its program processes are efficient and goals are being achieved?

Contact: Patrick Gilbride (303) 312-6969

OIG Themes Covered

- Program Integrity, Oversight, Enforcement, and Efficient Rulemaking
- At-Risk Populations, Chronic and Emerging Environmental Challenges
- Financial Management
- Integrity in Science and Information
- Process and Resource Efficiency
- Program Results, Prevention, Stewardship, and Sustainability
- Regional Focus

Carryover Assignments from FY 2011

- Congressional Request—Review of Mountaintop Mining Permit Process
- SMART CARD Implementation
- Hotline on Cell Phone Use in Office of Environmental Information

New Assignments Planned for FY 2012

- Review of Emergency Response Contingency Plans
- Follow-up to Tribal Grant Audit
- Review of Controls and Costs for Mobile Devices
- Review of EPA's Gulf of Mexico Program Office
- Update of Compendium of Environmental Programs

Required Assignments Planned for FY 2012

- FY 2012 Management Challenges and Internal Control Weaknesses

Information Resources Management Audits and Reviews

Information Collection and Quality: Do EPA's data collection methods ensure that the appropriate type, quantity, and quality of data are collected for the intended purpose?

Information Technology Investment Management: Has EPA implemented well-structured and effective processes to ensure that investments in information technology resources achieve the desired result?

Information Security and Privacy: Are EPA's computer security and privacy programs comprehensive and actively implemented throughout the Agency to balance risk and mission requirements?

Contact: Rudolph Brevard (202) 566-0893

OIG Themes Covered

- Program Integrity, Oversight, Enforcement, and Efficient Rulemaking
- Financial Management
- Integrity in Science and Information
- Process and Resource Efficiency
- Program Results, Prevention, Stewardship, and Sustainability
- Regional Focus

Carryover Assignments from FY 2011

- EPA's Implementation of Cross-Media Electronic Reporting Regulation
- EPA's Progress With Completing the Data Standards Corrective Action Plan
- Skills Assessment of Personnel with Critical Information Security Responsibilities (Contracted)
- Audit of EPA's Implementation of New Financial Accounting System
- FY 2011 Federal Information Security Management Act (FISMA) Audit
- Information Technology Audit Support to the FY 2011 Financial Statement
- CSB—FY 2011 FISMA

New Assignments Planned for FY 2012

- Assessment of EPA's Information Technology Program/Project Managers

Required Assignments for FY 2012

- FY 2012 FISMA Audit
- Information Technology Audit Support to the FY 2012 Financial Statement Audit
- CSB—FY 2012 FISMA Audit (Contracted)
- Vulnerability Assessments of EPA's Network
- Audit of EPA's Service Organizations (New Statement on Standards for Attestation Engagements 16 Auditing Standard)

EPA Office of Inspector General FY 2012 Annual Plan: Evaluations and Special Reviews Plan

The Office of Program Evaluation. OIG program evaluations examine root causes, effects, and opportunities leading to conclusions and recommendations that influence systemic changes and contribute to the accomplishment of the Agency's mission. Program evaluations and special reviews assess and answer specific questions about how well a program is working. These evaluations are performed by staff with diverse backgrounds, including accounting, economics, environmental management, and the sciences, and they comply with the rigorous *Government Auditing Standards*. OIG staff can assess (1) strategic planning and process implementation to determine whether a program is designed and operating as intended, (2) the extent to which a program is achieving its outcome objectives, (3) the extent to which program outcomes are having an effect, and (4) the benefits of program results compared to costs.

Because of competing demands, the current economic environment, and increasingly complex and costly issues, EPA's goal of delivering vital programs for environmental protection is more challenging than ever. For this reason, OIG program evaluations will concentrate on reviewing the ways programs are using and controlling their physical, fiscal, human, and informational resources. OIG program evaluations will also review how programs are structured to carry out the regulatory process, and how EPA ensures the integrity of the data it uses to assess environmental performance, develop policies and regulations, and make significant enforcement and management decisions. Program evaluations will specifically attempt to identify ways that the Agency can best leverage its resources, reduce duplication and costly practices and processes, and improve the integrity and value of program results. The Office of Program Evaluation is also mandated to evaluate how well EPA is managing and administering the Superfund, and the Recovery Act mandates the OIG to evaluate program performance and reporting quality.

Assignments concentrate on all of the OIG themes, reflecting our attention to the Agency's mission and operational and systemic risks. The evaluation staff is flexible, producing effective analyses in any assigned area. Evaluation topics and priorities in our FY 2012 plan are driven by our assessment of organizational risk in relation to available resources based on input from EPA's leadership, Congress, and stakeholders. Program evaluations are conducted through five product lines, as follows. Specific assignments are listed on the following pages.

- Air and Research
- Water and Enforcement
- Land and Superfund
- Cross Media
- Special Reviews

Air and Research

Research: Is EPA effectively and efficiently planning, managing, conducting, and overseeing research to address the Agency's current and future needs?

Air Pollution: Is EPA assessing and managing risks to provide reasonable assurance of progress toward goals and adequate protection of the public?

Clean Air Partnerships: Are partnerships, voluntary programs, and other nonregulatory initiatives achieving clean air goals efficiently and effectively?

Contact: Rick Beusse (919) 541-5747

OIG Themes Covered

- Program Integrity, Oversight, Enforcement, and Efficient Rulemaking
- At-Risk Populations, Chronic and Emerging Environmental Challenges
- Process and Resource Efficiency
- Program Results, Prevention, Stewardship, and Sustainability

Carryover Assignments from FY 2011

- Review of Airborne Risks from Oil and Gas Production
- EPA's SmartWay Transport Partnership Program
- EPA Inspector Capability to Conduct Risk Management Program Inspection
- Use of Remote Sensing Data to Assess Contamination—2nd Phase (sampling/analysis under existing interagency agreements with U.S. Geological Survey)
- ORD's Management of STAR Grant Proposals for RFA G2009-STAR-F1

New Assignments Planned or Ongoing in FY 2012

- Accuracy of Mobile Source Models
- Assessment of EPA Efforts to Reduce Methane-Product Emissions from Leaking Pipes
- Efficiency and Effectiveness of EPA's Vehicle Inspection & Maintenance (I&M) Programs in Achieving Emissions Reductions in Enhanced I&M Areas
- EPA Oversight of Clean Air Act Title V Fees
- Flare Emissions and Control

Water and Enforcement

Protecting Human Health: How successfully have the Safe Drinking Water Act and other activities protected human health?

Protecting Water Quality: How well is EPA protecting water quality through core water programs?

Health of Aquatic Systems: How can EPA effectively protect and restore sustainable, healthy aquatic communities and ensure waters that sustain human health?

Enforcement: How accurate and consistent is EPA's enforcement program?

Contact: Dan Engelberg (202) 566-0830

OIG Themes Covered

- Program Integrity, Oversight, Enforcement, and Efficient Rulemaking
- At-Risk Populations, Chronic and Emerging Environmental Challenges
- Financial Management
- Integrity in Science and Information
- Process and Resource Efficiency
- Program Results, Prevention, Stewardship, and Program Sustainability
- Regional Focus

Carryover Assignment from FY 2011

- Protection of Ground Water Resources Through EPA Oversight of State Underground Storage Tank Programs
- Assessing State Performance
- Clean Water Act Section 311 Program

New Assignments Planned or Ongoing in FY 2012

- Assessing Data Quality and the Overall Effectiveness of EPA's MS4 Stormwater Permitting Program
- Adequacy of Enforcement Monitoring and the Discontinuation of Recidivism Rate Measurement
- EPA's Protection of Human Health and the Environment From the Effects of Hydraulic Fracturing
- EPA Oversight of State Approvals of Clean Water Act Section 316(a) Thermal Variances
- Water Security Program: EPA's Ability to Safeguard the Nation's Water Supply in the Event of an Attack or Natural Disaster

Land and Superfund

Hazardous Waste Cleanup (Superfund): Is EPA ensuring that requirements are met and guidance is followed in conducting Superfund cleanups? Is EPA recovering the government's costs to clean up Superfund sites?

Contact: Carolyn Copper (202) 566-0829

OIG Themes Covered

- Program Integrity, Oversight, Enforcement, and Efficient Rulemaking
- At Risk Populations, Chronic and Emerging Environmental Challenges
- Process and Resource Efficiency
- Program Results, Prevention, Stewardship, and Sustainability
- Superfund

Carryover Assignments from FY 2011

- Hotline Complaint: Lead Renovation, Repair, and Painting Program
- Superfund Sampling: Capping Report
- EPA Management of Hazardous Pharmaceutical Waste

New Assignments Planned for in FY 2012

- Brownfields Area-Wide Planning Pilot Program
- Results and Customer Value Added of Brownfields Job Training Program
- Superfund Removal Program Results
- Office of Solid Waste and Emergency Response Cross-Program Revitalization Measures

Cross Media

Energy Efficiency and Climate Change: Evaluations in support of the OIG management challenge to reduce domestic greenhouse gas emissions, the Administrator's priority to take action on climate change, and EPA strategic plan goal 1.

At-Risk and Vulnerable Populations: Evaluations in support of the Administrator's priority on environmental justice and EPA's cross-cutting fundamental strategy of working for environmental justice and children's health.

Chronic and Emerging Environmental Health Threats: Evaluations in support of the OIG management challenge to assess and manage chemical risks; the Administrator's priority to assure the safety of chemicals; and EPA strategic plan goal 4 and cross-cutting fundamental strategy to advance science, research, and innovation.

Contact: Jeffrey Harris (202) 566-0831

OIG Themes Covered

- Program Integrity, Oversight, Enforcement, and Efficient Rulemaking
- At-Risk Populations, Chronic and Emerging Environmental Challenges
- Integrity in Science and Information
- Process and Resource Efficiency
- Program Results, Prevention, Stewardship, and Sustainability

Carryover Assignments from FY 2011

- EPA's Electronic Waste Management Procedures
- Penalties for Federal Insecticide, Fungicide, and Rodenticide Act and Toxic Substances Control Act Violations
- EPA's Approach to Nanomaterials
- Evaluation of EPA's Retrospective Economic Impact Reviews
- Evaluation of the Efficiency of EPA's Rulemaking Process

New Assignments Planned for FY 2012

- EPA's Children's Health Evaluation Agenda
- EPA's Criteria for and Assessment of Executive Order 13563 Regulatory Reviews
- EPA's Oversight of Building Demolition Using Imminent Danger of Collapse Criteria
- Evaluation of EPA's Laboratory Fraud Prevention

Special Reviews

Special Reviews performs evaluations of Agency programs and functions to determine whether sufficient controls are in place to reduce the Agency's risk of fraud, waste, and abuse in its operations. Projects stem from congressional requests, hotline complaints, Agency requests, and self-direction.

Contact: Eric Lewis (202) 566-2664

OIG Themes Covered

- Program Integrity, Oversight, Enforcement, and Efficient Rulemaking
- Process and Resource Efficiency
- Financial Management

Carryover Assignments from FY 2011

- Readiness Review of the Radiation and Indoor Environments Laboratory
- Oversight of Hydraulic Fracturing Impact on Water Resources
- Controls Over the Loss of Enforcement Credentials
- EPA Controls Over Time and Material Contracts

New Assignments Planned for FY 2012

- Cost Ineffectiveness Due to Duplication of Government Functions—General Assessment
- Cost Ineffectiveness Due to Functional Overlap and Mission Ineffectiveness Across Regions

EPA Office of Inspector General FY 2012 Annual Plan: Office of the Chief of Staff Plan

The Office of the Chief of Staff (OCOS). OCOS, in the immediate office of the Inspector General, is the organization-wide corporate focal point that promotes the efficient use of, and accountability for, OIG resources, ensuring that the OIG effectively achieves its mission and strategic goals. Specifically, the OCOS is responsible for the following OIG-wide functions: strategic and annual planning; financial controllership, budget formulation, and execution; performance, results, and financial reporting; policies and procedures; audit follow-up and OIG internal control assessment; workforce analysis, human capital, and facilities management; procurement and acquisition administration; and the continuity of operations program. OCOS serves as the management, administrative, and resource advisor to the Inspector General, and serves as the primary resource management point of contact between the Inspector General and the OIG’s internal customers and external stakeholders. OCOS comprises the following two subcomponents: (1) Human Resources Directorate, and (2) Budget, Planning, and Results Directorate.

Human Resources Directorate

The Human Resources Directorate is responsible for all aspects of OIG human resources operations and capital programs and functions.

Budget, Planning, and Results Directorate

The Budget, Planning, and Results Directorate manages the OIG’s budget process and coordinates OIG strategic planning, policies, and procedures, and organizational performance measurement, as well as all functions related to audit follow-up.

Contact: Michael Binder (202) 566-2617

OIG Themes Covered

New, Required, and Discretionary Assignments Planned for FY 2012

- Program Integrity, Oversight, Enforcement, and Efficient Rulemaking
- At-Risk Populations, Chronic and Emerging Environmental Challenges
- Financial Management
- Process and Resource Efficiency
- Program Results, Prevention, Stewardship, and Sustainability
- Recovery Act Oversight*

- Policy Coordination, External Policy, Exposure Draft, Legislation, and Regulation Review
- OIG Follow-Up Coordination and Semiannual Compendium of Unimplemented Recommendations
- Analysis of Recommended Changes to and Revision of EPA Manual 2750
- OIG Annual Performance Planning and Reporting, Including Recovery Act Reporting*
- OIG Annual Internal FMFIA Report
- OIG Budgeting, Controllership, and Financial Management
- OIG Contracting and Acquisitions
- OIG Human Resources and Human Capital Management/Training
- OIG Continuity of Operations
- OIG Strategic Planning
- OIG Integrated System Business Application Feature Design and Reporting

EPA Office of Inspector General FY 2012 Annual Plan: Investigation Plan

The Office of Investigations (OI). OI primarily employs special agents, as well as computer specialists, chemists, and support staff. OI maintains a presence in each of the EPA regions and at selected EPA laboratories, other facilities, and headquarters. The majority of investigative work is reactive in nature. OI receives hundreds of allegations of criminal activity and serious misconduct in EPA programs and operations that may undermine the integrity of, or confidence in, programs, and create imminent environmental risks. To prioritize its work, OI evaluates allegations to determine which investigations may have the greatest impact on Agency funds and the integrity of EPA programs and operations, and produce the greatest deterrent effect. OI contributes to EPA's strategic goals by ensuring that the Agency's scarce resources are not pilfered by unscrupulous individuals or companies. OI has identified the following major areas on which to focus: financial fraud (contracts and assistance agreements), infrastructure/terrorist threat, program integrity, and theft of intellectual or sensitive data. OI supports the Agency and the OIG Recovery Act through oversight and assistance, as directed by statute and OMB. OI accomplishes this by providing training on fraud awareness, detection, and prevention to federal, state, and local officials involved with Recovery Act funds. Further, OI receives complaints, referrals, and allegations of abuse and misconduct concerning Recovery Act funds, and conducts investigations as needed to protect the integrity of federal resources devoted to Recovery Act objectives. Additionally, OI is responsible for identifying and investigating attacks against EPA's computer and network systems to protect EPA resources, infrastructure, and intellectual property, and also operates the EPA OIG hotline program.

Investigations

Office of Investigations conducts criminal, civil, and administrative investigations into allegations of fraud and serious misconduct that could create imminent environmental risks or undermine the integrity of EPA or the public's confidence in its key environmental work.

Contact: Patrick Sullivan (202) 566-0308

OIG Themes Covered

- Program Integrity, Oversight, Enforcement, and Efficient Rulemaking
- At-Risk Populations, Chronic and Emerging Environmental Challenges
- Financial Management
- Integrity in Science and Information
- Process and Resource Efficiency
- Program Results, Prevention, Stewardship, and Sustainability
- Recovery Act Oversight*

Investigations begun prior to FY 2011 and new investigations will examine:

- Criminal activities in the award, performance, and payment of funds under EPA contracts, grants, and other assistance agreements to individuals, companies, and organizations
- Criminal activity or serious misconduct affecting EPA programs that could erode the public trust
- Contract laboratory fraud relating to water quality and Superfund data, as well as payments made by EPA for erroneous environmental testing data and results, that could undermine the bases for EPA decision-making, regulatory compliance, and enforcement actions
- Intrusions into and attacks against EPA's network, as well as incidents of computer misuse, theft of intellectual property or other sensitive data, and release of or unauthorized access to sensitive or proprietary information
- Support OIG OMS on IT Security Management Challenge and review of Agency skills assignment
- Develop and implement Investigative Program Advisory Reports (management deficiencies or vulnerabilities)

Investigative support to EPA and new initiatives:

- Continue training key EPA officials to increase their awareness of contract and grant fraud to identify funds at risk, and to recognize cyber threat issues and indicators of vulnerabilities
- Form an Emergency Response Team to respond to national or regional disasters. The team will proactively address high-risk financial resources and provide generalized law enforcement support to critical EPA assets and activities. This proactive approach will ensure a quick assessment of the possible threat that might impair EPA's ability to execute its critical safety response mission.
- Enhance our knowledge, skills, and abilities to ferret out financial crimes targeting EPA financial resources
- Engage in ARRA outreach support in the form of awareness briefings and training*
- Provide forensic audit support for investigations of contracts, grants, and program integrity
- Provide cyber forensic analysis in support of investigations of intrusions into Agency computer networks and evaluations of threats targeting EPA's network infrastructure
- Enhance hotline capabilities

EPA Office of Inspector General FY 2012 Annual Plan: Performance Measures and Targets

The Government Performance and Results Act (GPRA) requires federal agencies to develop goal-based budgets supported by annual performance plans that link the organization's mission and strategic goals to its annual performance goals (APGs). The APGs are quantifiable targets supported by measures and indicators representing the expected outputs and outcomes. The Agency's annual Performance Accountability Report includes actual results compared to targets to inform OMB, Congress, and the public about the value they are receiving for funds invested, and how well we are achieving our goals.

This annual plan explains how the OIG will convert its resources into results through required and priority assignments. Outcome results from OIG work reflect measurable actions and impacts, but there is typically a time lag between the completion of OIG work and recognition of such results. Therefore, OIG results are recorded in the year recognized, regardless of when the work was performed. Through current-year outputs and long-term outcomes, OIG targets and measures seek to promote economy, efficiency, and effectiveness, and prevent and detect fraud, waste, and abuse.

The FY 2012 President's Budget for the OIG is \$56 million, which includes Superfund and CSB. Additionally, the Recovery Act provided the OIG with \$20 million to be used from FYs 2009 through 2012. The following are the OIG APGs that this plan is designed to achieve, pending final budget agreements:

| Annual performance measures | Supporting indicators | FY 2012 targets |
|------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------|
| Environmental and business actions taken for improved performance and reduction of risk from or influenced by OIG work | <ul style="list-style-type: none"> ○ Policy, process, practice, or control changes implemented ○ Environmental or operational risks reduced or eliminated ○ Critical congressional or public concerns resolved ○ Certifications, verification, or analysis for decision or assurance | 375 total 20 ARRA |
| Environmental and business recommendations or risks identified for corrective action by OIG work | <ul style="list-style-type: none"> ○ Recommendations or best practices identified for implementation ○ Risks or new management challenges identified for action ○ Critical congressional/public actions addressed or referred for action ○ Outreach/technical advisory briefings (ARRA) | 993 total 90 ARRA |
| Potential monetary return on investment in the OIG, as a percentage of the OIG budget | <ul style="list-style-type: none"> ○ Recommended questioned costs ○ Recommended cost efficiencies and savings ○ Fines, penalties, settlements, restitutions | 110% ROI total (\$61.6 million) 225% ROI ARRA (\$13.5 million) |
| Criminal, civil, administrative, and fraud prevention actions taken from OIG work | <ul style="list-style-type: none"> ○ Criminal convictions ○ Indictments/informations ○ Civil judgments ○ Administrative actions (staff actions and suspension or debarments) | 85 total 3 ARRA |

Appendix—EPA OIG Oversight of Recovery Act Funds

OIG Recovery Act Oversight Objectives, FYs 2009–2012 *(and possibly beyond as needed)*

ARRA provides the EPA OIG \$20 million through September 30, 2012, for oversight and review. The OIG will assess whether EPA has used its \$7.2 billion of Recovery Act funds in accordance with the Act's requirements and is meeting the accountability objectives as defined by OMB. Specifically, the OIG's objectives are to determine whether:

- Funds are awarded and distributed in a prompt, fair, and reasonable manner.
- The recipients and uses of all funds are transparent to the public, and the public benefits of these funds are reported clearly, accurately, and in a timely manner.
- Funds are used for authorized purposes, and instances of fraud, waste, error, and abuse are mitigated.
- Projects funded under the Recovery Act avoid unnecessary delays and cost overruns.
- Program goals are achieved, including specific program outcomes and improved results on broader economic indicators.

OIG Helps the Agency Reduce Risk

As EPA prepared to award Recovery Act funds, the OIG actively alerted Agency managers of risks associated with ARRA funding, recommending cost-effective controls to help prevent fraud, waste, and abuse. The OIG also helped ensure that program goals were achieved and stimulus funds were accurately tracked and reported. As our auditors and evaluators identified risks, they provided Agency managers flash reports with recommendations for ways to mitigate these risks. Our investigators developed and deployed an outreach strategy to educate EPA employees, contractors, grant recipients; the law enforcement community; and the general public about grant and contract fraud schemes and how to report suspected fraud. Our continuing work is being closely coordinated with the Recovery Accountability and Transparency Board, as well as other audit and law enforcement organizations at the federal, state, and local levels.

OIG Review Activities

The OIG will audit and investigate EPA's management of the Recovery Act programs, how the funds are being used, and the accuracy of the information being reported. Listed below are some of the areas we have already audited and investigated and will continue to audit and investigate:

Performance Audit Objectives

- Evaluate the process for awarding funds, particularly competitive awards
- Determine whether funds are being awarded and spent in a timely manner
- Determine whether the Agency has sufficient staff with the necessary skills and knowledge to manage Recovery Act grants and contracts
- Evaluate how the Agency is monitoring the use of the funds
- Assess how performance is being measured and the process for computing jobs saved and created
- Review the quality of data systems and information EPA uses for reporting to meet Recovery Act requirements

Financial Audits

- Conduct interim and final financial audits of Recovery Act fund recipients to determine whether:
 - Costs incurred met federal requirements and funds were used as intended
 - The use of funds was free of fraud, waste, abuse, and mismanagement
- Work with EPA to update the Single Audit Compliance Supplements for the Clean Water and Drinking Water State Revolving Funds
- Review single audit reports on Recovery Act funds and ensure that corrective action is taken
- As part of the annual audit of EPA's overall consolidated financial statements, assess:
 - Internal controls over the financial reporting of Recovery Act funds
 - Transactions to determine whether they are properly authorized, recorded, and reported
 - Compliance with Recovery Act provisions that could have a material or direct effect on the financial statements
 - The ability or effectiveness of capturing data for external reporting

Investigations

- Investigate allegations of fraud, waste, and abuse committed against EPA involving Recovery Act funds
- Contact state recipients to facilitate ongoing communications regarding EPA Recovery Act funds distributed to local authorities
- Through the review of EPA and state audits and evaluations, identify fraud indicators, program weaknesses, and potential problems
- Gather information on potential instances of fraud being perpetrated with EPA Recovery Act funds from law enforcement officials, auditors, contractors, suppliers, and vendors at the federal, state, and local levels

Assignments Planned for FYs 2011–2012

Audits and Evaluations

- Results from Brownfields ARRA Grants
- Bond Counsel Fees, Legal Fees and Other Contingency Fees Charged to State Revolving Fund Subrecipients
- Review of ARRA Hotline Complaints
- Site Visits to ARRA Contractors, Grantees, and Subrecipients
- ARRA Diesel Emissions Reduction Act Grantee—Chelsea Collaborative
- Forensic Reviews of ARRA Assignments

Investigations

- Form fraud investigative teams with Office of Program Evaluation to train EPA regional State Revolving Fund staff, starting with the top 10 states receiving Recovery Act State Revolving Funds
- Continue providing educational and outreach materials that identify known fraud indicators associated with contract and grant fraud
- Continue implementing an outreach program to state and local recipients of ARRA funds
- Continue developing data collection methodologies for identifying high-risk targets

Other

- Internal Control Review of OIG Recovery Act Fund Management and Accountability

OIG Recovery Act Oversight Performance Measures and Reporting

The OIG will continue using its standard GPRA measures to separately report the results of its Recovery Act oversight work, as collected through its internal databases. The OIG will also collect and report results based on specific measures described in the Recovery Act relating to whistleblower reprisal complaints and allegations. Additionally, the OIG will report monthly on actual and planned activities through the Council of the Inspectors General on Integrity and Efficiency, and the Recovery Accountability and Transparency Board.

Existing Annual Measures

- Environmental/management improvement or risk reduction actions taken as a result of OIG work (policies, practices, and controls changed/implemented; risks reduced/eliminated; and decisions made)
- Environmental/management improvement recommendations or risks identified by OIG work (policies, practices, and controls; risks, challenges, and public concerns addressed; and awareness briefings presented)
- Potential monetary return from questioned costs, cost efficiencies, fines, settlements, and recoveries
- Criminal, civil, and administrative actions taken to prevent or detect fraud and promote program integrity

Monthly Measures Reported via Council of the Inspectors General on Integrity and Efficiency and Recovery Accountability and Transparency Board

- Whistleblower reprisal reviews initiated, closed, and declined, and with extensions requested
- Major actions taken by month, to date, and planned, along with expenditures and staff time
- Reports issued, investigations completed, training/assistance provided, and testimony provided
- Outreach/technical assistance briefings
- Complaints (via hotline or referral)