



U.S. ENVIRONMENTAL PROTECTION AGENCY  
OFFICE OF INSPECTOR GENERAL

*Catalyst for Improving the Environment*

# Fiscal Year 2011 Annual Plan

## With Strategic Plan Update



The Office of Inspector General Annual Plan is produced by the Office of Inspector General's Office of Congressional, Public Affairs and Management in conjunction with the 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.

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**Office of Inspector General  
U.S. Environmental Protection Agency  
MC 2491T  
1200 Pennsylvania Avenue, NW  
Washington, DC 20460**

**by calling (202) 566-2391**

**or**

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## Foreword

This Office of Inspector General (OIG) Annual Plan for the U.S. Environmental Protection Agency (EPA) identifies mandated and selected assignment topics continuing from Fiscal Year (FY) 2010 and scheduled to be started during FY 2011, providing for unforeseen work that may be requested by Agency leadership and Congress, and through ongoing OIG Hotline activities. Because this is a living, flexible document subject to change, the reader is encouraged to consult our website, [www.epa.gov/oig](http://www.epa.gov/oig), for the most current listing of recently issued reports.

This plan is implemented through audits, evaluations, investigations, and followup 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 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 high-risk assessments, congressional interest, Office of Management and Budget priorities, Agency vulnerability/internal control assessments under Office of Management and Budget Circular A-123 and the Federal Managers' Financial Integrity Act, 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 during FYs 2009 and 2010, and oversight requirements specified by the American Recovery and Reinvestment Act of 2009. As a result, a significant number of assignments listed in this plan are responsive to the immediate concerns or requests of our clients and the focused needs of the Recovery Act 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 benefit to public health.

We want to thank each of the assistant administrators, regional administrators, and the deputy administrator for their participation in this process, and 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](mailto:webcomments.oig@epa.gov).



Arthur A. Elkins Jr.  
Inspector General

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## EPA Office of Inspector General FY 2011 Annual Plan: Strategic Plan FY 2011 Update

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This strategic plan is an extension of the prior U.S. Environmental Protection Agency (EPA) Office of Inspector General (OIG) strategic plan; it has been updated for Fiscal Year (FY) 2011 while preparation of a revised strategic plan is in process.

- Goals:**
1. Contribute to improved human health and environmental quality
  2. Contribute to improved business practices and accountability
  3. Continuously improve OIG products and services

**Objectives:** *(linked to OIG's Government Performance and Results Act/Budget Measures and Targets)*

- Influence programmatic and business actions, savings, and risk reduction to improve operational efficiency, accountability, environmental quality, and public health.
- Identify risks and weaknesses, and promote recommendations, best practices, and opportunities for operational and environmental improvements and resource savings.
- Leverage funds invested in the OIG to achieve a positive dollar return in savings and recoveries.
- Improve operational and program integrity, reduce loss of resources, and promote public confidence in EPA through detection and prevention of fraud, waste, and abuse.

**Strategy:** *(linked to the assignments listed in this plan)*

- Create a customer focused organizational structure and culture that maximizes the application of resources, information, measurement tools, technology, empowerment, teamwork, creativity, communication, and collaboration for mutual accountability and enhanced productivity.
- Plan outcome-oriented assignments that fulfill all statutory and regulatory requirements, meet the needs of EPA and its stakeholders, address EPA's most significant risks, and influence actionable changes, savings, and long-term improvements.
- Implement independent oversight through the Offices of Audit, Program Evaluation, Mission Systems, Investigations, and Cyber Investigations and Homeland Security, based on the Enterprise Risk Management Integrated Framework Model and focusing on the following themes:
  - Agency Research
  - Followup
  - Grants and Contracts
  - Internal Controls/Risk Assessment
  - Manpower Assessment
  - Enforcement/Regulation Review
  - Public Health and Safety
  - Program Management
  - Risk Assessment Performance Measurement/Data Quality
  - Efficient Resource Management/Accountability
  - Superfund
  - Recovery Act Oversight
  - Information/Cyber Security
  - Oil Spill Response Oversight

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## **EPA Office of Inspector General FY 2011 Annual Plan: Identifying the Risks (The Criteria for Developing and Selecting Assignments)**

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### **Philosophy of EPA's Inspector General for the OIG**

- Exceed customer service expectations for all OIG stakeholders
- Conduct the OIG's day-to-day activities in accordance with a firm adherence to high ethical values and standards
- Operate the OIG in a legally responsible manner, compliant with all applicable statutes, regulations, and/or policies

### **Objectives for the OIG Plan and Keys for Its Successful Implementation**

- Establish "exceeding customer expectations" as a top OIG operational business priority
- Encourage communications across the OIG organization, avoiding stovepipes and promoting collaboration and synergy
- Establish reasonable metrics to hold OIG senior leadership, managers, and staff accountable
- Emphasize projects that provide significant and verifiable monetary return on investments and high-public-value benefits

To prepare its plan, 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 them and the American public they serve. Specifically, we:

- (1) Conducted considerable research on environmental and management risks, challenges, and opportunities previously identified by EPA leaders, staff, independent interest organizations, Congress, Office of Management and Budget (OMB), states, tribes, and earlier OIG work to develop a comprehensive, indexed compendium of those items by topical area.
- (2) Conducted individual direct outreach planning meetings with members of EPA's headquarters and regional leadership to obtain their input and validate our research.

This section summarizes and applies the key Agency-wide goals and risks – including some identified by the U.S. Government Accountability Office (GAO) – issues, and management challenges as the bases for the types of work assignments requested, developed, and selected for our FY 2011 plan.

## OIG Workload Links to EPA Goals

OIG's workload is designed to correspond to EPA's FY 2011-2015 goals, which also correspond to the OIG's goal "contribute to improved human health and the environment." EPA's five primary goals are as follows:

- 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.
- 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.

Further, the OIG's goal to "contribute to improved business practices and accountability" corresponds to EPA's cross-goal strategies, and our workload takes these cross-goal strategies into account. These EPA cross-goal strategies are as follows:

### **Expanding Environmentalism:**

- 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 and Children's Health:**

- Prevent harmful exposures and health risks.
- Support community efforts to build green neighborhoods.

### **Advancing Science, Research and Technological Innovation:**

- Catalyze sustainable innovation
- Meet the challenge
- Achieve results

**Strengthening Partnerships:** Improve relationships with states, tribes, and other countries.

**Strengthening EPA's Workforce and Capabilities:** Continue to improve EPA's internal management and encourage innovation.

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

- The need for a national environmental policy
- Water and wastewater infrastructure
- Oversight of delegations to states
- Safe reuse of contaminated sites
- Limited capability to respond to cyber security attacks
- Reducing domestic greenhouse gas
- EPA's framework for assessing and managing chemical risks

Details on the management challenges identified are at [http://www.epa.gov/oig/reports/2010/EPA\\_FY2010\\_ManagementChallenges.pdf](http://www.epa.gov/oig/reports/2010/EPA_FY2010_ManagementChallenges.pdf).

## **EPA Internal Control Risks and Weaknesses Identified by the OIG for 2010**

- Agency audit followup process
- Agency program evaluation
- Efficient use of available funds
- Tribal environmental capacity building
- Workforce planning
- Data quality and standards
- Processing hiring actions
- Reporting on compliance with the Federal Managers' Financial Integrity Act (FMFIA)
- Superfund site deletions
- Information technology systems development and implementation

## **EPA High-Risk Areas Identified by GAO**

- EPA's process for assessing and controlling toxic chemicals
- Improving implementation of the Clean Air Act
- Addressing workforce and infrastructure issues
- Improving development and use of environmental information
- Speeding the pace of cleanup at Superfund and other hazardous waste sites
- Addressing clean water and safe drinking water
- Addressing emerging climate change issues
- Ensuring consistent environment enforcement

## Risks, Priorities, and Issues Identified by EPA Through OIG Outreach

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) 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. Stovepiped Organizational Planning

- 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. Data Quality and Systems/Security/Availability/Consistency of Reporting

- There are gaps and inconsistencies in the information that drives the decisionmaking process.
- Questions exist as to whether EPA is collecting the right data, of sufficient quality, and is making the 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. Performance Measurement/Funding

- Agency programs need a consistent approach for determining relative risk and demonstrating outcome results.
- 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.
- 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.

## **5. Compliance/Enforcement**

- Differences exist in the ways environmental laws are monitored and enforced between EPA and states/tribes.
- Monitoring requirements for grants are underfunded.

## **6. Grant Management/Monitoring/Grantee Capacity**

- 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.
- Some EPA 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.

## **7. 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.

## **8. Financial Management/Contracting (Accounting for Cost of Performance)**

- 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.
- OIG recommendations should be specific, and OIG should only accept specific, responsive, and measurable proposed Agency actions.

## **9. Policy and Regulation Setting, Review, and Implementation**

- 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.

## **10. Risk Measurement, Characterization, Innovation, and Communication**

- 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.

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## EPA Office of Inspector General FY 2011 Annual Plan: The Strategy

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Based on prior work, cross-Agency risk assessment, Agency challenges, future priorities, and customer input, we chose the following themes to develop and prioritize our FY 2011 work. We chose these themes to address cross-Agency weaknesses and vulnerabilities, and seize opportunities for significant Agency improvement through greater savings, efficiency, and risk reduction.

### Risk and Customer-Driven Themes for Greater Performance and Efficiency

**Research and Science Integrity:** EPA spends a significant amount of resources on research to provide the scientific and research foundation for much of EPA's policy, regulations, and enforcement actions.

**Followup:** The OIG issues hundreds of recommendations for Agency improvement each year, and the Agency self-certifies that agreed-to actions are completed, but verification of recommendations that remain outstanding is needed.

**Grants and Contracts:** Over half of the Agency's budget is dedicated to assistance agreements for states, tribes, universities, and nonprofit organizations. This risk is even greater in FY 2011, as EPA's budget was increased by \$2.8 billion in FY 2010 and most of the increase was targeted for grants. Also, the Agency is highly dependent on contracts, which encompasses about a fifth of its annual budget.

**Internal Controls/Risk Assessment:** The risk of resource waste or loss, environmental danger to the public, or failure to accomplish mission objectives is diminished with good internal controls. Elements of internal control include:

- **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, conflict, inconsistencies, and gaps across units.
- **Policies and procedures:** Without effective policies or procedures, no basis exists for consistency, criteria, or control.
- **Performance measurement:** Without clear measurement, EPA cannot recognize priorities or assess progress and accountability.
- **Monitoring:** Without oversight, there is no way to identify and correct deviations from the plan.
- **Accountability:** Without accountability, no commitment, obligation, recourse, or enforceability exists.

**Manpower Assessment:** As work changes and EPA's role changes in relation to its partners, laws, and goals, EPA should accurately assess workforce allocation within its organizational structure to determine the correct number, location, and skills inventory of staff.

**Enforcement/Regulation:** EPA's regulatory process is complex, and opportunities may exist to streamline the process. Enforcement is often fragmented and inconsistent as it is carried out differently by various federal, state, tribal, and local government entities.

**Program Management/Data Verification:** 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.

**Efficient Resource Management:** As operational budgets are reduced, environmental issues become more complex and costly, and EPA has greater oversight responsibilities over more grant funds, EPA must determine whether it has the correct skills in the correct places, along with the appropriate systems of accountability, to manage efficiently and effectively.

**Superfund/Land:** 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.

**Cyber Security and Homeland Security:** EPA needs to further enhance its cyber security capabilities by acquiring the funds, forensic tools, and experienced technical specialists to determine how attackers have gained entry to EPA network systems, what they did while within EPA's domain space, what information was compromised, and what data may have been maliciously removed. As part of national homeland security, EPA is responsible for, among other things, protecting drinking water.

**Recovery Act:** EPA received over \$7 billion under the American Recovery and Reinvestment Act of 2009 (ARRA, or Recovery Act) as part of the federal government's stimulus spending effort to help rebuild America's infrastructure. EPA will need to ensure that such a sizeable investment not only accomplishes the goals of the Act but results in environmental improvements.

**Oil Spill Response Oversight:** Several recent spills associated with the drilling, refining, and transporting of oil have created unmeasurable public hazard environmental disasters. EPA has to determine the extent of its authority and provide coordinated responses to mitigate the environmental degradation and impact on public health.

## Making Choices—A Customer-Driven Process

Audits, evaluations, inspections, and investigations are undertaken by the OIG based on several criteria, in order of priority. The objective is to develop a portfolio of OIG assignments that represents the best possible return on investment in addressing the needs, risks, challenges, priorities, and opportunities of OIG customers, clients, and stakeholders. Criteria considered in selecting assignments included:

- Was the assignment requested by senior leaders of the Agency or members of Congress?
- Is the assignment within the mission of the OIG?
- Does the assignment have Agency cost implications?
- Can the assignment be done in a timely and cost-effective way?
- Does the assignment have environmental or business risk or improvement implications?
- Does the assignment improve public confidence and accountability in administering Agency operations?
- Are adequate business control systems in place?
- Is the assignment to review a program, operation, expense, or technology that has not been previously reviewed?
- Are there prior audit or evaluation results on which to follow up?
- Are there opportunities to leverage results with partners?
- Are OIG resources available when needed?
- What is the federal investment or regulatory authority?
- Is there an opportunity to improve the process or cost efficiency?

# The Plan: Continuing and New Assignments

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## EPA Office of Inspector General FY 2011 Annual Plan: Audit Plan

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**Office of Audit.** OIG Office of Audit work focuses on five areas: assistance agreements and contracts, financial audits, risk assessment and program performance, efficiency audits, and forensic audits, with special emphasis on providing oversight for EPA's implementation of ARRA. Taken together, 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.

Planned work will emphasize:

- Testing for fraud in grants, contracts, and operational activities
- Cost savings in EPA's operations
- Cost savings resulting from audits of grantee and contractor claims
- Continued improvements in assistance agreement 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, reduce risks, and maximize results achieved from its environmental programs
- Review of EPA's risk assessment processes and allocation/application of human resources

Audits by the **Office of Audit** are conducted through five product lines that follow. Specific assignment titles are listed on the following pages under each product line.

- **Assistance Agreement and Contract Audits**
- **Forensic Audits**
- **Efficiency Audits**
- **Financial Audits**
- **Risk Assessment and Program Performance Audits**

**Office of Mission Systems.** This 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 Agreement and Contract Audits (Including Recovery Act Oversight)

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 Recovery Act-funded contracts and grants in accordance with Recovery Act requirements and OMB guidance?

### **OIG Themes Covered**

- Grants and Contracts
- Effective Resource Management
- Internal Controls/Risk Assessment
- Followup
- Superfund
- Recovery Act Oversight\*

### **Carryover Assignments from FY 2010**

- Implementation of Stewardship Plan for ARRA Funded Superfund Remedial Program Contracts\*
- Review of EPA and State Oversight of Recovery Act Funded Clean Water State Revolving Fund Projects\*
- Progress on Recovery Act Funded Diesel Emissions Reduction Act Projects\*
- EPA's Use of Interagency Agreements for ARRA\*

### **New Assignments Planned for FY 2011**

- Use of State Revolving Funds to Protect Public Health
- EPA's Cleanup Efforts in the Great Lakes
- Followup to Tribal Grant Audits
- Improper Payments and Recovery Auditing for Contracts

## Forensic Audits

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

Do costs claimed by EPA's contractors, grantees, and subrecipients meet federal requirements and were they used for their intended purposes?

### **OIG Themes Covered**

- Grants and Contracts
- Superfund
- Recovery Act Oversight\*
- Oil Spills Response Oversight
- Internal Controls
- Followup

### **Carryover Assignments from FY 2010**

- Controls Over Purchase Card Transactions
- Recovery Act Implementation in Puerto Rico\*
- Site Visits to ARRA Contractors\*
- Site Visits to ARRA Subrecipients\*
- Review of Hotline Complaints

### **New Assignments Planned for FY 2011**

- Followup Review of Tetra Tech Activities in Region 3
- Reviews of ARRA Hotline Complaints\*
- Review of Hotline Complaints (other than ARRA)
- Site Visits to ARRA Contractors, Grantees, and Subrecipients\*
- Reviews of Contractors
- Reviews of Nonprofit Grantees
- Reviews of EPA's Response to the BP Oil Spill Response Contractors

### **Required Assignments Planned for FY 2011**

- Single Audit Processing
- Superfund Claims

## Efficiency Audits

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

### **OIG Themes Covered**

- Efficient Resource Management
- Accountability

### **Carryover Assignments from FY 2010**

- Business Process Improvements for the National Pollutant Discharge Elimination System
- Followup on Audits Under Appeal
- Hotline—Energy Metering Software
- Emergency Tracking Equipment

### **New Assignments Planned for FY 2011**

- Efficiency of EPA Facilities
- Efficiency Projects for the President's Reform Agenda

## Financial Audits

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

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

### **OIG Themes Covered**

- Efficient Resource Management
- Followup
- Superfund
- Grants and Contracts
- Internal Controls/  
Risk Assessment
- Information Security
- Program Management/  
Data Quality

### **Carryover Assignments from FY 2010**

Audits of:

- Controls Over EPA's Personal Computers
- FY 2009 OMB A-123 Unliquidated Obligation Reviews
- FY 2010 EPA Financial Statements
- Unliquidated Obligations for the Water Program Assistance Agreements
- FY 2010 Chemical Safety and Hazard Investigation Board Financial Statements

### **New Assignments Planned for FY 2011**

Audits of:

- Agreed-Upon Procedures—EPA's First through Third Quarters FY 2011 Financial Statements
- Accuracy and Timeliness of Superfund Oversight Billings
- Vehicle Emission Testing Fees at Ann Arbor Laboratory
- Accountability for Contractor-Held Property

### **Required Assignments Planned for FY 2011**

Audits of:

- FY 2011 EPA Financial Statements
- FY 2010 Financial Statements: Pesticides Reregistration and Expedited Processing Fund
- FY 2010 Financial Statements: Pesticides Registration Fund
- FY 2011 U.S. Chemical Safety and Hazard Investigation Board Financial Statements

## 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?

### OIG Themes Covered

- Followup
- Enforcement
- Oil Spill Response Oversight
- Internal Controls
- Manpower Assessment
- Efficient Resource Management

### **Carryover Assignments from FY 2010**

- EPA Manpower Activities
- EPA Workforce Planning Activities
- FMFIA Coordination Between EPA National Program Managers and Regions
- Scientific Integrity/Research Misconduct
- Hotline Complaint—Oil Dispersants Used for BP Oil Spill
- Chemical Safety and Hazard Investigation Board Audit Recommendations—Followup

### **New Assignments Planned for FY 2011**

- Implementation of Recommendations Made by the Chemical Safety and Hazard Investigation Board
- Congressional Request—Review of Mountain Top Mining Permit Process
- Hotline Complaint—Office of Research and Development's Administrative Efficiency Project

### **Required Assignment for FY 2011**

- FY 2011 Management Challenges and Internal Control Weaknesses

## Information Technology Audits

**Office of Mission Systems:** With the increasing visibility of data management, quality, and availability, information resource management has become an increasingly important area of work for the Agency. Over the years, the OIG has reported management challenges in a number of key information resource management areas. Additionally, Recovery Act accountability, reporting, and data management are essential to the integrity of the program.

**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?

### OIG Themes Covered

- Resource Management
- Internal Controls
- Followup
- Grants and Contracts
- Project Management
- Manpower Assessment
- Homeland Security
- Enforcement
- Information Security
- Program Management/  
Data Quality
- Recovery Act Oversight\*

### **Carryover Assignments from FY 2010**

- Information Technology Audit Support to the FY 2010 Financial Statement Audit
- Quality of Data in EPA's Resource Conservation and Recovery Act Information System (Contracted)
- FY 2010 Federal Information Security Management Act (FISMA) Audit (Contracted)
- U.S. Chemical Safety and Hazard Investigation Board—FY 2010 FISMA Audit (Contracted)
- Assessment of EPA's Internal and External Network Traffic Management Practices
- EPA's System Development Activities—EPA's New Financial Management System
- EPA's Progress with Completing the Data Standards Corrective Action Plan
- Review of EPA's Quality Management Program
- Review of EPA's System and Procedures for Tracking, Reporting, and Accounting for ARRA Funds/Results

### **New Assignments Planned for FY 2011**

- EPA's Implementation of Cross-Media Electronic Reporting Regulation
- Review of EPA Systems for Tracking and Reporting ARRA Expenditures and Accomplishments\*
- Skills Assessment of Personnel with Critical Information Security Responsibilities (Contracted)

### **Required Assignments for FY 2011**

- FY 2011 FISMA Audit
- Information Technology Audit Support to the Fiscal 2011 Financial Statement Audit
- U.S. Chemical Safety and Hazard Investigation Board—FY 2011 FISMA Audit (Contracted)
- Audit of Active Directory
- Cyber Security Assessment of Information Security Practices at Key EPA Locations

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## EPA Office of Inspector General FY 2011 Annual Plan: Evaluations and Special Reviews Plan

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**Office of Program Evaluation.** The objective of OIG program evaluations is to 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 at EPA OIG 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.

### Evaluations for FY 2011

Due to competing demands and the economic environment, and issues being increasingly complex and costly, EPA's goal of delivering a vital program of 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. Additionally, the Recovery Act mandates the OIG to evaluate program performance and reporting quality.

Assignments concentrate on themes of research and development, enforcement, homeland security, Superfund, data verification and internal controls, Recovery Act oversight, public health and safety, resource management, risk assessment, oil spill response oversight, manpower assessment, and followup, 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 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 the five product lines that follow. Specific assignments are listed on the following pages under each product line.

- **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 and its byproducts to address the Agency's current and future needs? Is EPA safeguarding the public from hazardous risks?

**Air Toxics:** Is EPA obtaining sufficient data that are both valid and reliable to measure performance and guide decisionmaking? Is EPA assessing and managing risks to provide reasonable assurance of progress towards goals and adequate protection to the public?

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

### **OIG Themes Covered**

- Program Management
- Data Verification
- Internal Controls
- Resource Management
- Agency Research
- Recovery Act Oversight\*
- Risk Assessment
- Public Health and Safety

### **Carryover Assignments from FY 2010**

- Office of Research and Development's Budgeting, Use, and Management of Research Funds
- EPA's Oversight of ARRA Diesel Emissions Reductions\*
- EPA's Endocrine Disruptor Screening Program for Assessing Endocrine-Related Health Risks
- Process Used by EPA to Develop Its Greenhouse Gases Endangerment Finding
- Use of Remote Sensing Data to Assess Environmental Contamination at Selected De-Listed Superfund Sites

### **New Assignments Planned or Ongoing in FY 2011**

- Barriers to Addressing Public Health Risks from Oil and Gas Production
- EPA's SmartWay Transport Partnership Program
- EPA Inspector Capability to Conduct Risk Management Program Inspections

## Water and Enforcement

**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?

### OIG Themes Covered

- Resource Management
- Data Verification
- Project Management
- Internal Controls
- Enforcement/Regulation Review
- Recovery Act Oversight\*

### **Carryover Assignment from FY 2010**

- Assessing State Performance of Enforcement
- EPA's Implementation of the Clean Water Act Section 311 Program
- Internal Controls to Protect Against Fraud in the Drinking Water Program
- State Prioritization and Unranked Sites\*

### **New Assignments Planned or Ongoing in FY 2011**

- Protection of Ground Water Resources Through EPA Oversight of State Underground Storage Tank Programs

## 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?

*All assignments cover Superfund program activity*

### **Carryover Assignments from FY 2010**

- Quality Assurance in the Brownfields Program\*
- BP Oil Spill Response Cost Recovery Controls
- Superfund Sampling Capping
- Independent Site Sampling—Wheeling Disposal
- Beneficial Uses of Coal Ash

### **New Assignments Planned for in FY 2011**

- EPA Guidelines on Remediation of Methamphetamine Labs
- Effectiveness of Strategies and Plans for Implementing Institutional Controls at Superfund Sites
- Gulf Coast Oil Spill: Effectiveness of Waste Management Plans and Activities

## 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 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.

### Carryover Assignments from FY 2010

- Summary Report on the OIG's Evaluations of the ENERGY STAR Program
- EPA Open Dumping Enforcement on Tribal Lands
- EPA Recovery Act Targeting Criteria\*
- Antimicrobial Testing Program Effectiveness
- Executive Order 13514: Federal Leadership in Environmental Energy, and Economic Performance
- EPA's Approach to Nanomaterials

### New Assignments Planned for FY 2011

- Voluntary Children's Chemical Evaluation Program
- Risk Communication and Environmental Justice Communities: the BP Spill
- Electronic Waste
- Penalties for Federal Insecticide, Fungicide, and Rodenticide Act and Toxic Substances Control Act Violations

## Special Reviews

### Evaluation of Hotline Complaints

#### **Carryover Assignments from FY 2010**

- GovTrip Controls
- Hotline Complaint at the Bannister Complex
- Effectiveness of Agency Staffing Resources—Position Management
- Travel System Controls

#### **New Assignments Planned or Ongoing in FY 2011**

- Readiness Review of the Radiation and Indoor Environments Laboratory
- Oversight of Hydraulic Fracturing Impact on Water Resources
- Security Controls Over Third-Party Information Systems on the EPA Network
- Libby Congressional Request
- Young Terrace, Norfolk, Virginia
- EPA's Office of Homeland Security and Classified Infrastructure

## **EPA Office of Inspector General FY 2011 Annual Plan: Congressional, Public Affairs and Management Plan**

**The Office of Congressional, Public Affairs and Management (OCPM).** OCPM is the bridge between the EPA OIG and Congress, the public, and the media. OCPM manages human resources, budgeting, financial management, and contracting functions; and provides editorial support for the OIG. OCPM fulfills the requirements of the Inspector General Act by coordinating the review of existing and proposed legislation, regulations, and policy and production of Semiannual Reports to Congress. OCPM also implements requirements of the Inspector General Act and OMB Circular A-50 by coordinating and reviewing Agency performance in taking agreed-to corrective actions on OIG recommendations, and coordinates OIG's internal FMFIA program along with special reviews of internal operations and controls. Additionally, OCPM coordinates compliance with the Government Performance and Results Act through OIG annual and strategic planning, performance measurement, and reporting.

### **Followup Reviews, Coordination, and Reporting**

To what degree is the Agency taking the agreed-to actions on OIG recommendations?

### **Regulatory and Policy Analysis and Review**

How can the OIG promote economy, efficiency, and effectiveness through the review of existing and proposed legislation, regulations, and policies?

#### **OIG Themes Covered**

- Internal Controls
- Followup
- Spending Effectively
- Enforcement/Regulation Review
- Program Assessment Rating Tool/Data Validation
- Efficient Use of Resources
- Recovery Act Oversight\*

#### **New, Required, and Discretionary Assignments Planned for FY 2011**

- Policy Coordination, External Policy, Exposure Draft, Legislation, and Regulation Review
- OIG Followup Coordination and Semiannual Compendium of Unimplemented Recommendations
- Analysis of Recommended Changes to and Revision of Agency Order 2750
- Analysis/Internal Control Review of OIG Contracting Function
- OIG Annual Performance Planning and Reporting, Including Recovery Act Reporting\*
- OIG Annual Internal FMFIA Assessment and Reporting
- OIG Budgeting, Controllorship, and Financial Management
- OIG Contracting and Acquisitions
- OIG Human Resources Management
- OIG Report Editing and Semiannual Reporting
- OIG Congressional and Media Liaison
- OIG Strategic Planning
- OIG Integrated System Business Application Feature Design and Reporting

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## EPA Office of Inspector General FY 2011 Annual Plan: Investigation Plan

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**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 our work, we evaluate 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, employee integrity, and theft of intellectual or sensitive data. OI supports the Agency and OIG Recovery Act oversight and assistance, as directed by statute and OMB, by providing fraud awareness, detection, and prevention training to federal, state, and local officials; receiving complaints, referrals, and allegations of abuse and misconduct concerning Recovery Act funds; and investigating as needed to protect the integrity of federal resources devoted to Recovery Act objectives.

**Office of Cyber Investigations and Homeland Security.** This office is responsible for identifying and investigating attacks against EPA's computer and network systems to investigate crimes associated with EPA resources, infrastructure, and intellectual property. The office also operates the EPA OIG Hotline program and continuity of operations program. By utilizing open source and law enforcement databases, the office provides OIG employees with information to enhance their ability to meet their mission requirements. Through coordination and liaison contacts with emergency response agencies from federal, state, and local governments, the office enhances EPA OIG's operational readiness capabilities.

## Investigations

OIG focuses on the prevention, detection, and investigation of fraud, waste, and abuse in programs and operations administered or financed by the EPA. In this role, the OIG 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.

### **OIG Themes Covered**

- Data Verification
- Enforcement/Regulation
- Review
- Internal Controls
- Grants and Contracts
- Superfund
- Homeland Security
- Followup
- Information Security
- Recovery Act Oversight\*

### **Investigations begun prior to FY 2011 and new investigations will:**

- Examine criminal activities in the awarding, performance, and payment of funds under EPA contracts, grants, and other assistance agreements to individuals, companies, and organizations
- Examine criminal activity or serious misconduct affecting EPA programs that could undermine or erode the public trust
- Examine contract laboratory fraud relating to water quality and Superfund data, and payments made by EPA for erroneous environmental testing data and results that could undermine the bases for EPA decisionmaking, regulatory compliance, and enforcement actions
- Examine 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 Office of Mission Systems on information technology 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 awareness of contract and grant fraud, to identify funds at risk, and to recognize cyber threat issues and indicators of conditions at risk and vulnerabilities
- Forming 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.
- Enhancing our knowledge, skills, and abilities to ferret out financial crimes targeting EPA financial resources
- Engaging in ARRA outreach support\*
- Providing forensic audit support for investigations of contracts, grants, and program integrity
- Providing 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
- Enhance OIG continuity of operations readiness—serve as a benchmark best practice for EPA and others in the Inspector General community.

## EPA Office of Inspector General FY 2011 Annual Plan: Performance Measures and Targets

The Government Performance and Results Act 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. The annual performance goals 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 2010 President's Budget for the OIG is \$55.8 million, which includes Superfund and the U.S. Chemical Safety and Hazard Investigation Board. Additionally, the Recovery Act provided the OIG with \$20 million to be used between FY 2009 and 2012. The following are the OIG annual performance goals/targets that this plan is designed to achieve, pending final budget agreements:

Annual Performance Measures	Supporting Indicators	FY 2011 Targets
<b>Environmental and business actions taken for improved performance and reduction of risk from or influenced by OIG work</b>	<ul style="list-style-type: none"> <li>○ Policy, process, practice, or control changes implemented</li> <li>○ Environmental or operational risks reduced or eliminated</li> <li>○ Critical congressional or public concerns resolved</li> <li>○ Certifications, verification, or analysis for decision or assurance</li> </ul>	<b>334 Total</b>
<b>Environmental and business recommendations or risks identified for corrective action by OIG work</b>	<ul style="list-style-type: none"> <li>○ Recommendations or best practices identified for implementation</li> <li>○ Risks or new management challenges identified for action</li> <li>○ Critical congressional/public actions addressed or referred for action</li> <li>○ Outreach/technical advisory briefings (ARRA)</li> </ul>	<b>903 Total</b>
<b>Potential monetary return on investment in the OIG, as a percentage of the OIG budget</b>	<ul style="list-style-type: none"> <li>○ Recommended questioned costs</li> <li>○ Recommended cost efficiencies and savings</li> <li>○ Fines, penalties, settlements, restitutions</li> </ul>	<b>120% Return on Investment Total (\$67 million)</b>
<b>Criminal, civil, administrative, and fraud prevention actions taken from OIG work</b>	<ul style="list-style-type: none"> <li>○ Criminal convictions</li> <li>○ Indictments/informations</li> <li>○ Civil judgments</li> <li>○ Administrative actions (staff actions and suspension or debarments)</li> </ul>	<b>80 Total</b>

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## Appendix A - Limitations on Advisory Services

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The OIG provides certain advisory services to the Agency as part of the value it adds in promoting economy, efficiency, and effectiveness. However, to protect inspector general independence, the Inspector General Act explicitly restricts the inspector general from making or deciding on Agency policies. The generally accepted government auditing standards provide specific criteria delineating what advisory services, defined as non-audit services, OIG staff can perform, and what constitutes a personal or organizational impairment of independence in fact or appearance. Several of the standards limitations are cited below and explain why the OIG may not be able to assist the Agency in ways that may be requested.

### **Overarching Independence Principles When Performing Non-Audit Services**

The following two overarching principles apply to auditor independence when assessing the impact of performing a non-audit service for audited entities:

- Audit organizations must not provide non-audit services that involve performing management functions or making management decisions.
- Audit organizations must not audit their own work or provide non-audit services in situations where the non-audit services are significant/material to the subject matter of audits.

In considering whether audits performed by the audit organization can be significantly or materially affected by the non-audit service, audit organizations should evaluate (1) ongoing audits; (2) planned audits; (3) requirements and commitments for providing audits, which include laws, regulations, rules, contracts, and other agreements; and (4) policies placing responsibilities on the audit organization for providing audit services. If requested to perform non-audit services that would impair the audit organization's ability to meet either or both of the overarching independence principles for certain types of audit work, the audit organization should inform the requestor and the audited entity that performing the non-audit service would impair the auditor's independence with regard to subsequent audit or attestation engagements.

## **Non-Audit Services That Impair Independence**

By their nature, certain non-audit services directly support the entity's operations and impair the audit organization's ability to meet either or both of the overarching independence principles for certain types of audit work. Examples of the types of services under this category include the following:

- Maintaining or preparing the audited entity's basic accounting records or maintaining or taking responsibility for basic financial or other records that the audit organization will audit
- Designing, developing, installing, or operating the entity's accounting system or other information system that is material or significant to the subject matter of the audit
- Recommending a single individual for a specific position that is key to the entity or program under audit, or otherwise ranking or influencing management's selection of the candidate; or conducting an executive search or a recruiting program for the audited entity
- Developing an entity's performance measurement system when that system is material or significant to the subject matter of the audit
- Performing the entity's internal control self-assessment process or developing the internal control system
- Developing an entity's policies, procedures, and internal controls
- Providing services used as management's primary basis for making decisions that are significant to the subject matter under audit
- Internal audit functions, when performed by external auditors
- Serving as voting members of an entity's management committee or board of directors, making policy decisions that affect future direction and operation of an entity's programs, supervising entity employees, developing programmatic policy, authorizing an entity's transactions, or maintaining custody of an entity's assets
- Planning, conducting, or reviewing audit work of the subject matter of the non-audit by the same person providing the non-audit services under the overarching independence principle that auditors must not audit their own work

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## Appendix B - Oversight of Recovery Act Funds

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### OIG Recovery Act Oversight Objectives, FY 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 is using its \$7.2 billion of Recovery Act funds in accordance with its 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 alerted Agency managers of risks and recommended cost-effective controls to help prevent fraud, waste, and abuse; and ensure program goals are achieved and stimulus funds are accurately tracked and reported. As our auditors and evaluators identify risks, they will provide Agency managers flash reports with recommendations for ways to mitigate these risks. Our investigators are developing 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 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

After EPA awards Recovery Act funds, 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. The OIG will proactively prevent fraud, waste, abuse, and mismanagement of funds. Listed below are some of the areas we plan 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 skills and knowledge needed 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
  - 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 raised by the public and others 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 FY 2010/2011**

### ***Audits and Evaluations***

- Implementation of Stewardship Plan for ARRA Funded Superfund Remedial Program Contracts
- Review of EPA and State Oversight of Recovery Act Clean Water State Revolving Fund Projects
- Review of Progress on Recovery Act Diesel Emissions Reduction Act Projects
- Site Visits to ARRA Contractors, Grantees, and Subrecipients
- Recovery Act Implementation in Puerto Rico
- Forensic Reviews of ARRA Hotline Complaints
- Forensic Reviews of ARRA Assignments
- Review of EPA Systems for Tracking and Reporting ARRA Expenditures and Accomplishments
- State Prioritization and Unranked Sites—Oversight of EPA's Leaking Underground Storage Tank Program
- Evaluation of EPA's Oversight of ARRA Diesel Emissions Reductions

- ARRA Financial Reporting Audits
- Quality Assurance in the Brownfields Program
- EPA Recovery Act Targeting Criteria

***Investigations and Advisory Services***

- Form fraud investigative teams with the Office of Program Evaluation to train EPA regional State Revolving Fund staff, starting with the top 10 states receiving Recovery Act State Revolving Funds
- Develop educational and outreach materials that identify known fraud indicators associated with contract and grant fraud
- Develop and implement an outreach program to EPA and state and local recipients of ARRA funds
- Develop data collection methodologies for identifying high-risk targets
- Provide advisory services on Agency and government-wide risk assessment and performance measurement methodology

***Other***

- Internal Control Review of OIG Recovery Act Fund Management and Accountability
- Recovery Act Planning Activity and Performance Reporting

**OIG Recovery Act Oversight Performance Measures and Reporting**

OIG will continue using its standard Government Performance and Results Act 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 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

***New Monthly Measures Reported via Council of 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)