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Major Management Challenges and Program Risks

Environmental Protection Agency

GAO

Accountability * Integrity * Reliability

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Comptroller General
of the United States

United States General Accounting Office
Washington, D.C. 20548

January 2001

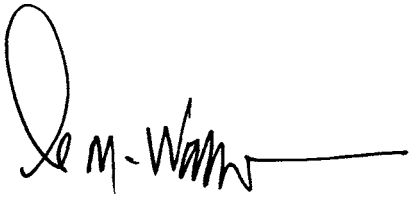
The President of the Senate
The Speaker of the House of Representatives

This report addresses the major performance and accountability challenges facing the Environmental Protection Agency (EPA) as it seeks to meet its mission of protecting human health and the environment. It includes a summary of actions that EPA has taken and that are under way to address these challenges. It also outlines further actions that GAO believes are needed. This analysis should help the new Congress and administration carry out their responsibilities and improve government for the benefit of the American people.

This report is part of a special series, first issued in January 1999, entitled the *Performance and Accountability Series: Major Management Challenges and Program Risks*. In that series, GAO advised the Congress that it planned to reassess the methodologies and criteria used to determine which federal government operations and functions should be highlighted and which should be designated as "high risk." GAO completed the assessment, considered comments provided on a publicly available exposure draft, and published its guidance document, *Determining Performance and Accountability Challenges and High Risks* (GAO-01-159SP), in November 2000.

This 2001 *Performance and Accountability Series* contains separate reports on 21 agencies—covering each cabinet department, most major independent agencies, and the U.S. Postal Service. The series also includes a governmentwide perspective on performance

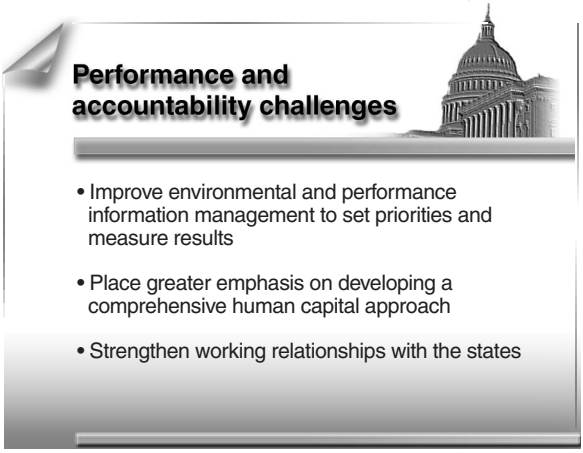
and management challenges across the federal government. As a companion volume to this series, GAO is issuing an update on those government operations and programs that its work identified as "high risk" because of either their greater vulnerabilities to waste, fraud, abuse, and mismanagement or major challenges associated with their economy, efficiency, or effectiveness.



David M. Walker
Comptroller General
of the United States

Overview

The Environmental Protection Agency (EPA), with over 18,000 employees and an annual budget of approximately $7 billion, funds diverse regulatory, research, enforcement, and technical assistance programs and activities that are directed toward controlling pollution of the air, land, and water. The nation's annual costs to comply with environmental regulations are substantial and have been growing, with costs estimated at about $148 billion in 2000. We have identified the following performance and accountability challenges that have hindered EPA in its efforts to establish an integrated, cost-effective framework for meeting its critical mission of protecting human health and the environment.



Over the years, we have made recommendations to EPA to help the agency address these challenges. EPA has concurred with most of our recommendations and generally has made modest progress, but key challenges remain. A notable exception is the Superfund program, in which EPA has made significant progress addressing long-standing management challenges. We designated

the program as a high-risk area in 1990 because recurring management problems heightened the federal government's financial risk, given the potential for waste, fraud, abuse, and mismanagement. The agency has made significant progress in addressing our recommendations and thus we are no longer designating the program as high risk. Nonetheless, our work shows that in the Superfund program and in other areas, EPA is still confronted with challenges that will require sustained attention by the agency's leaders.

Environmental and Performance Information Management

Responding to our recommendations and those of other entities, EPA has given greater attention in recent years to improving its management of information. For example, in 1999, EPA reorganized the agency's information management activities by establishing an Office of Environmental Information, which is to serve as the focal point for agencywide information management. EPA concurred with the recommendation we made in 1999 that it develop a comprehensive information management strategy to ensure the completeness, compatibility, and accuracy of data. However, the agency has made slow progress in developing and implementing such a strategy to address its long-standing and continuing information management challenges.

Important gaps in information still exist concerning environmental conditions and the effects of such conditions on human health. For example, gaps in EPA's data on the quality of the nation's waters make it difficult for the agency to effectively assess the condition of these waters and to report on the results of its efforts to achieve water quality goals. Water quality assessment data, which are collected by the states and provided to EPA, are available for only 6 percent of the nation's shorelines, 19 percent of its rivers and streams, and 40 percent of its lakes. In response to our recommendations, EPA has taken steps toward making

greater use of other national and regional water quality assessments. These efforts should close some gaps in the agency's data.

Furthermore, despite public concern about the health risks posed by exposures to toxic chemicals, human exposure data are being collected for only about 6 percent of the more than 1,450 potentially harmful chemicals we recently reviewed. We recommended in fiscal year 2000 that EPA and the Department of Health and Human Services develop a coordinated strategy for the monitoring and reporting of human exposures to potentially toxic chemicals. Both agencies agreed with our recommendation and stated that they will work together to develop such a coordinated strategy.

Obtaining and managing environmental information has been a long-standing challenge for EPA. Without a comprehensive picture of environmental conditions, it is difficult for EPA to set risk-based priorities for its programs, evaluate performance progress and environmental results, and report on its accomplishments in a credible way as required by the Government Performance and Results Act (GPRA). In preparing its strategic and annual performance plans, EPA has not had the information it needs on environmental conditions and changes over time to identify problem areas that are emerging or that need additional regulatory actions or other attention. According to EPA managers, the annual performance measures established under GPRA are often selected on the basis of available data that focus primarily on outputs rather than on environmental results, for which credible data are often lacking. Although output measures can provide important information for EPA managers to use in managing their programs, the agency recognizes that it needs to link more of its activities to results and to develop additional outcome measures to assess progress in protecting human health and the environment.

Moreover, as part of EPA's efforts to improve its information management, it is very important that the agency continue strengthening its security over its computerized information systems. We have recommended that it take a number of steps to strengthen access controls associated with its major computer operating systems and agencywide network, enhance computer incident management efforts, and improve security program management and planning. EPA concurred with our recommendations and informed us of related corrective actions that, if properly implemented, can begin to address these serious problems. However, without ongoing vigilance and top management support and attention, these efforts may not have a lasting effect.

EPA's Human Capital

With a large and diverse staff spread across the nation, it is important for EPA to focus greater attention on strategic human capital management to improve its performance and accountability in accomplishing its critical and complex mission of protecting human health and the environment. EPA's human capital problems can be seen as part of a broader pattern of human capital shortcomings that have eroded mission capabilities across the federal government. See our *High-Risk Series: An Update* (GAO-01-263, January 2001) for a discussion of human capital as a newly designated governmentwide high-risk area. To its credit, the agency has recently initiated some improvements to its human capital activities. For example, EPA prepared an overall strategy in November 2000 to guide its human capital activities, which are being taken to align its personnel policies with the mission and strategic goals and objectives established for the agency under GPRA. EPA has not, however, linked these actions to specific human capital issues related to each of the agency's 10 strategic goals, although it plans to do so in future updates to the strategic plan.

As part of its human capital strategy, EPA includes a specific strategy for assessing its human capital needs but the agency has not yet implemented it. The absence of a strategy has made it difficult for EPA to (1) link its human capital investments with its strategic goals and objectives and (2) determine the number of employees and types of competencies needed and the appropriate deployment of its workforce across the organization. When the agency does implement the strategy it will, among other things, need to determine the number of employees and the specific competencies they need and where they should be deployed among various strategic goals and objectives, across program areas, and in various parts of the country. Once the agency has made such specific determinations, EPA's senior management will need to remain committed to and provide the resources for ensuring that needed employees are recruited, developed, and retained to meet the agency's goals and objectives. The agency will also need to ensure that it collects and analyzes accurate data on the amount of time being spent on various programs and activities. Without such data, EPA cannot accurately determine the costs of carrying out its strategic goals and objectives and ensure that its workforce is being used in the most effective manner consistent with the intent of GPRA and congressional appropriators.

EPA-State Working Relationships

EPA, as authorized by various environmental statutes, has increasingly delegated responsibilities for environmental programs to the states. EPA's relationships with the states at times has been strained owing, in large part, to fundamental disagreements over respective roles, the priorities among state environmental programs, and the appropriate extent of federal oversight. EPA, the states, industry, and other key environmental stakeholders now recognize that the nation's complex future environmental challenges will require adopting fundamentally different regulatory approaches that are more flexible and less

administratively burdensome. EPA has initiated strategies with its state partners and other stakeholders that it hopes will foster a climate conducive to addressing past concerns. These strategies are designed to create an atmosphere in which an improved environmental regulatory system can be developed—one that is more focused on results and relies on a common set of performance measures to help determine the agency's progress toward meeting its strategic goals and objectives under GPRA. While EPA's recent strategies appear to be positive steps, their effectiveness is not yet known.

EPA's primary vehicle for addressing long-standing problems between the agency and the states is the National Environmental Performance Partnership System (NEPPS). Although the program has yielded some benefits most states we contacted for a recent review believed that their investments in NEPPS outweighed the benefits and that the program had not achieved its full potential. We recommended that EPA work with state officials to initiate a joint evaluation process that (1) seeks agreement on the key issues impeding progress in developing a more effective partnership system and (2) develops mutually agreeable remedies for these issues. EPA has deferred a formal evaluation and is instead focusing on making a number of specific program improvements. While the agency has taken positive steps, time will tell whether they have improved this important program as intended. We also continue to believe that the agency and the states should commit to conducting the type of joint evaluation process we recommended. Consequently, we intend to continue monitoring the program and believe that continued congressional oversight also remains warranted.

Superfund

EPA has significantly improved its management of the Superfund program—the agency's effort to clean up the

nation's abandoned hazardous waste sites—since we designated in 1990 that the program was at high risk of fraud, waste, abuse, and mismanagement. Specifically, consistent with our recommendations, the agency has made significant progress in (1) allocating cleanup funds partly on the basis of the risk that sites pose to human health and the environment, (2) implementing a new process to recover more of its site cleanup costs from those parties responsible for the contamination, and (3) better controlling contractors' costs. We are no longer designating Superfund as a high-risk area, but given that some program administration challenges remain and uncertainty exists about the program's future policy direction, we will continue monitoring policy and program administration issues affecting the program.

Major Performance and Accountability Challenges

EPA has the critical and complex mission of implementing numerous federal laws and regulations aimed at protecting human health and the environment. To carry out its mission, the agency has an annual budget of approximately $7 billion that supports a staff of over 18,000 employees in locations across the country. This report summarizes our more recent findings on the status and effectiveness of the agency's efforts to (1) improve its management of information, (2) develop a comprehensive strategic human capital framework, (3) strengthen its working relationships with its state partners and other key environmental stakeholders to develop improved approaches to environmental regulation, and (4) strengthen the management of its Superfund program. These performance and management issues that are confronting EPA are particularly complex in that they involve EPA, the states, other environmental stakeholders, and a public that continues to expect improvements in environmental conditions.

EPA Needs to Improve Environmental and Performance Information Management to Set Priorities and Measure Program Results

EPA needs comprehensive information on environmental conditions to identify problem areas that are emerging and that require additional regulatory action or some other attention. Such information is also needed to inform agency decisionmakers, the Congress, researchers, and the public of EPA's progress toward carrying out its mission of protecting human health and the environment. Absent sufficient environmental and performance information, it is difficult for EPA to set risk-based priorities for its programs, evaluate the success of its programs and activities, and report on its accomplishments in a credible way as required by the Government Performance and Results Act (GPRA).

In recent years, the agency has made strides in improving its data, better informing the scientific community and general public of environmental and

public health risks, and measuring environmental improvements. However, EPA's management still needs to make a long-term commitment to (1) filling critical data gaps, (2) achieving compatibility among databases, (3) establishing performance measures that are more results-oriented to assess the effectiveness of its programs and activities, and (4) strengthening the security of computerized information systems. EPA needs a comprehensive information management strategy to address these challenges.

Significant Gaps Exist in Environmental Data

Although EPA and the states collect extensive amounts of environmental data, important gaps still exist on environmental conditions and the effects of such conditions on human health. Information obtained from monitoring environmental conditions and human exposures to toxic pollutants is limited, and the human health and ecological effects of many chemical pollutants are not well understood. Such gaps in the data have hindered EPA's efforts to perform critical human exposure and risk assessments, to consider risk in setting program priorities, and to obtain a comprehensive understanding of environmental conditions and changes over time.

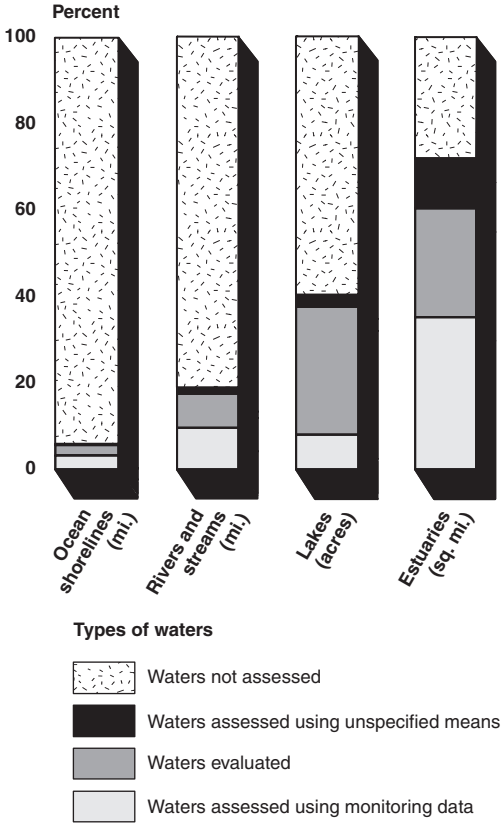
Information on the risks posed by exposures to toxic chemicals is critical to EPA's decisionmaking. The data needed to credibly assess these risks often do not exist. For example, in a May 2000 report on environmental health data needs, we reported that human exposure data were limited because data were being collected nationwide for only 81 (or about 6 percent) of the 1,456 potentially harmful chemicals we reviewed. For the 476 chemicals that EPA identified as most in need of testing under the Toxic Substances Control Act, only 10, or 2 percent, were being measured for human exposure. We recently recommended that EPA and the Department of Health and Human Services develop a coordinated strategy for the monitoring and reporting of human

exposures to potentially toxic chemicals. Both agencies agreed with our recommendation and have stated that they will work together to develop such a coordinated strategy.

Important data gaps also exist in EPA's Integrated Risk Information System, which is a database containing information on human health effects that may result from exposure to chemicals in the environment. For example, the database lacks basic data on the toxicity of about two-thirds of the known hazardous air pollutants and contains limited information on the ecological effects of pollutants.

Similarly, there are significant data gaps in EPA's *National Water Quality Inventory*, the primary report on the condition of the nation's waters, because only a small percentage of U.S. waters are assessed for water quality and, importantly, only a limited number of assessments are based on current, site-specific monitoring information. Gaps in water quality information make it difficult for EPA to effectively assess the condition of the nation's waters and to report on the progress being made toward achieving established water quality goals. As we noted in our March 2000 report, the gaps are problematic because the inventory is used to help agency officials make program management decisions, including determining how certain Clean Water Act funds are to be allocated among the states. According to the 1996 *National Water Quality Inventory* (the latest report available at the time of our review), assessment data were available for only 6 percent of the nation's shorelines, 19 percent of its rivers and streams, and 40 percent of its lakes. (See fig. 1).

Figure 1: Percentage of Waters Monitored, Evaluated, and Not Assessed



Source: 1996 National Water Quality Inventory.

To supplement its current information, we have recommended that EPA take actions to more effectively use other available water quality data. In response to our recommendation, EPA has taken some steps towards making greater use of other national and regional water quality assessments.

EPA acknowledges the existence of numerous and significant data gaps and has recently undertaken initiatives to address this problem. For example, the agency launched the High Production Volume Challenge Program in October 1998, which asked chemical companies to voluntarily generate data on the effects of the chemicals they manufacture or import. As of June 2000, over 400 companies had agreed that before the end of 2005 they will release basic hazard data on over 2,000 of 2,800 high-production-volume chemicals—those that are manufactured or imported into the United States in amounts equal to or greater than 1 million pounds per year.

Nonetheless, EPA's efforts to collect better data have been hampered by various factors, including the likely cost of meeting the agency's information needs. Because important decisions need to be made about how best to fill the agency's critical data gaps, we recommended in a September 1999 report that EPA develop a strategy to set priorities for filling such gaps and identify the related milestones and needed resources. EPA agreed with our recommendation, but its progress has been slow. Currently, the agency is in the initial phase of developing such a strategy.

Incompatible Data Systems Limit the Usefulness of Environmental Data

EPA's data management system is outmoded in many ways, including having separately designed databases that are generally not technically compatible. This lack of compatibility has made it difficult for EPA to aggregate data to present comprehensive information on chemicals, industrial sectors, localities, and environmental conditions and trends. EPA recognizes the importance of making the databases compatible with each other and with those of its state partners. For example, the agency has a major initiative under way to standardize basic data elements so that information contained in EPA and state databases can be combined

to present a more comprehensive picture of environmental conditions and results.

EPA officials also see data standardization as a way to reduce the reporting burden for states and industry by enabling more integrated, and thus more efficient, reporting of information. The agency has agreed with a recommendation we made in a September 1999 report that it coordinate its data standardization efforts with the states, federal agencies, and other organizations that maintain major environmental databases. In fiscal year 2000, EPA and the states created the Environmental Data Standards Council, comprising EPA and state information managers, to work cooperatively to promote more rapid work on developing data standards. EPA officials believe that the current effort to gain compatibility with state agencies is an initial step in meeting EPA's goal of complete data integration. Several initiatives are under way to develop standards for selected elements in agency databases, and EPA anticipates implementing six newly approved standards across 13 major agency databases by fiscal year 2003.

EPA recognizes that its current data improvement efforts are only a first step towards its goal of full integration. For example, EPA has focused primarily on the compatibility of its data with those of state environmental agencies, rather than with the data of other federal agencies and nongovernmental sources. In a May 2000 report, we stated that improved collaboration among federal agencies in meeting the needs for human exposure data is essential because (1) individual agencies have different capacities and skills and (2) separate attempts have fallen short of supporting the large efforts that are needed. Along these lines, EPA's Science Advisory Board, created by the Congress to provide the agency with external scientific advice, recommended that EPA do more to link its databases with external sources, noting that "answering many health-related questions frequently requires

linking environmental data with census, cancer, or birth registry data or other data systems (such as water distribution maps) to determine whether there is a relationship between the environmental measures and health." Although EPA officials agree on the importance of linking the agency's databases with those of other agencies, they stated that efforts have been limited by resource constraints and a lack of statutory authority to require other agencies to collect and report data using formats compatible with those used by EPA.

Data Limitations Hinder Development of Outcome-Oriented Performance Measures

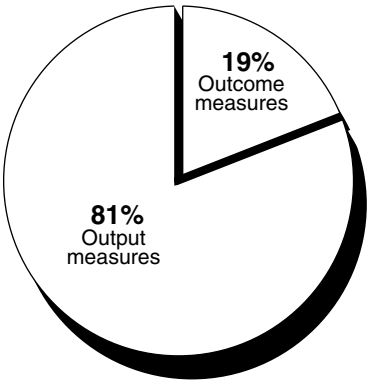
For over a decade, internal and external studies have called for EPA to "manage for environmental results" as a way to improve and better account for its performance. As we have pointed out, developing effective environmental measures is important because they can help in (1) informing decisionmakers, researchers, the Congress, and the public about environmental conditions; (2) assessing the potential risks posed by pollution and contamination; (3) assessing the extent to which EPA's programs contribute to environmental improvements; and (4) setting program priorities, planning, and budgeting.

Our analyses show that most of EPA's performance measures focus on outputs, such as the number of environmental standards the agency establishes. (See fig. 2). These types of activity-based output measures can provide important information for agency managers to use in managing their programs. Nonetheless, EPA recognizes that it needs to link more of its daily program activities to results and to develop additional outcome measures that can be used to assess the agency's long-term progress towards meeting its mission of protecting human health and the environment.

Figure 2: Percentage of EPA's Output and Outcome Performance Measures for Fiscal Year 2000

Output measures

- Establish standards for hazardous levels of lead in paint, dust, and soil
- Issue report summarizing the results of two additional evaluations for arsenic control
- Produce report on the number of civil and criminal enforcement actions initiated and concluded



Outcome measures

- Reduce pesticide poisonings by 20 percent
- Reduce emissions of toxic air by 5 percent
- 91 percent of the population served by community water systems will receive drinking water that has not violated any health-based standards

Source: GAO's analysis of EPA data.

According to agency officials, getting the data to measure results remains EPA's biggest challenge in developing more outcome-oriented performance goals and measures—especially since EPA must rely heavily on its state partners and regulated entities to collect and provide much of the data required to measure environmental outcomes. According to EPA managers, the selection of annual performance measures established under GPRA is often based on available data that focus primarily on outputs rather than on environmental results, for which credible data are often lacking. Although output measures can provide important information for EPA managers to use in managing their programs, the agency recognizes that it needs to link more of its activities to results and to develop additional outcome measures to assess progress in protecting human health and the environment.

Data gaps have made it difficult to link program activities with changes in environmental conditions, and the lack of standardized data collection and analysis methods has made it hard to aggregate data to determine outcomes. For example, the states do not all use the same survey methods and criteria to rate their water quality, and these inconsistencies make it difficult to develop national performance goals and measures. EPA officials recognize the importance of addressing such problems. They said that developing data on environmental results will be a major part of the agency's evolving efforts to overhaul how it collects, manages, and disseminates information.

Recently, the agency has taken actions that, in the long run, should strengthen its ability to develop results-oriented measures. For example, EPA is developing processes and strategies to improve the quality of performance measures and link the activities of program offices with environmental results. Nonetheless, notable challenges remain. Considerable resources and expertise will be needed to (1) identify and test the results-oriented performance measures that are needed and (2) gather and analyze the data. In addition, EPA will need to work effectively with the states and regulated entities to balance the demand for more data with efforts to reduce the reporting burden. Moreover, it will be difficult to assess the progress being made toward annual goals and measures because the long-term nature of environmental programs means that the programs may not yield measurable results for many years into the future.

EPA Needs to Strengthen Its Information Security Program

In addition to the above critical information management challenges, EPA's management of its information security is an area needing considerable improvement. Our recent work identified fundamental computer security weaknesses that have placed EPA's data and operations at significant risk of tampering,

disruption, and inappropriate disclosure. For example, we found that the agency's security program planning and management was largely a paper exercise that had done little to substantively identify, evaluate, and mitigate risks to EPA's data and systems. In addition, our tests of computer-based controls identified widespread weaknesses associated with EPA's operating systems and agencywide computer network that support most of its mission-related and financial operations. Of particular concern, many of the most serious weaknesses we identified—those related to inadequate protection from intrusion via the Internet and poor security planning—had been reported in 1997 by the agency's Inspector General (IG). The IG designated computer security a material weakness in a March 2000 report.

In our July 2000 report on EPA's information security program, we recommended that the agency take a number of steps to strengthen access controls associated with its major computer operating systems and agencywide network, enhance computer incident management efforts, and improve security program management and planning. The agency concurred with our recommendations and informed us of related corrective actions that, if properly implemented, can begin to address these serious problems. For example, agency officials told us that steps had been taken to strengthen its access controls, enhance its intrusion detection capabilities, and improve its information security management structure. Although it is too soon to draw conclusions on the effectiveness of the steps taken or planned by EPA, the actions described represent a comprehensive approach to improving the agency's information security program. Nevertheless, sustaining improvements will require ongoing vigilance and top management support and leadership attention. Thus, we are concerned that, unless EPA institutes fundamental changes in the way it manages security, these efforts may not have a lasting effect.

EPA Needs a Comprehensive Information Management Strategy

In 1999, EPA established an Office of Environmental Information to function as the focal point for agencywide information management. The office's functions include integrating and coordinating the data collected by the agency's diverse information systems and ensuring that EPA has the data it needs to manage for results. However, EPA has made limited progress in developing a comprehensive information management strategy to ensure the completeness, compatibility, and accuracy of data. The development of a long-term strategy would provide the agency's managers and the Congress with what is currently missing—the information they need to make the best decisions on the costs, benefits, and trade-offs involved in using scarce resources to meet critical information requirements.

We recommended in September 1999 that the agency develop a comprehensive strategy that includes (1) establishing milestones and identifying resources needed to fill key data gaps, (2) identifying and developing necessary data standards, and (3) coordinating its data standardization efforts with other federal agencies, the states, and other entities. EPA concurred with our recommendation but has made limited progress toward developing and implementing a comprehensive strategy. Although the agency does not yet have a comprehensive plan, it told us that it recently completed a plan for its new Information Integration Initiative. Through this initiative, EPA intends to develop a national network that helps facilitate the exchange of environmental information with the states and other stakeholders. EPA intends to eventually incorporate this initiative into its overall information plan, the first stage of which will cover broad options for managing information over the next several years. As of December 2000, EPA had not completed this stage of the agencywide information management plan as it had originally anticipated. Because EPA has long-standing and continuing challenges in how it manages

environmental information, this remains a key area requiring the continued monitoring of the status and results of EPA's evolving initiatives.

EPA Needs to Place Greater Emphasis on Developing a Comprehensive Human Capital Approach

Effective alignment and management of an organization's employees—its human capital—are essential for achieving the highest level of performance and accountability. Human capital planning must be treated as an integral aspect of an organization's overall performance management process because human capital policies and practices affect an agency's ability to effectively carry out management functions, including strategic planning and budget formulation and execution, that are critical to meeting the agency's mission. EPA, much like other federal agencies, has historically given insufficient attention to strategically managing its human capital. With an aging workforce that has grown in recent years to over 18,000 employees, it is important for EPA to align its human capital policies and practices to best support its mission and help meet its strategic goals and objectives.

EPA acknowledges the importance of better managing its human capital and has recently developed an agencywide human capital strategy. In the absence of such a strategy, it has been difficult for EPA to (1) link its human capital investments with its strategic goals and objectives and (2) determine the number of employees and types of competencies needed and the appropriate deployment of its workforce across the organization. EPA will face management and performance challenges as it strives to ensure that its people are aligned to accomplish its mission and strategic goals and objectives.

EPA Needs to Better Link Its Human Capital Efforts With Its Strategic Plan

EPA has not given sufficient attention to aligning its human capital policies and practices to best support its strategic goals and objectives. Consequently, the agency cannot be certain that its investments in human capital are appropriate. EPA's human capital planning efforts, like those of other federal agencies, have been a relatively weak link in the overall management of the agency. Moreover, EPA's strategic plan and its annual performance plans have generally provided little information on how EPA plans to strategically manage its human capital.

However, the agency's most recent strategic plan, issued in September 2000, acknowledges that proactively managing the agency's human capital must be a priority and that the agency's approaches will be critical to achieving its 10 strategic goals and improving program outcomes to better protect human health and the environment. In reviewing the agency's latest plan, we found that it includes more detailed information on human capital under its "Effective Management" strategic goal. Under this goal, EPA states that managing its human capital will be a key priority for the agency to develop and retain the diverse, highly skilled workforce it needs to carry out its mission and that it will work hard to attract and retain a skilled workforce through such initiatives as workforce planning and training. The additional information provided under this goal is useful. However, the plan would be more useful if it contained a thorough discussion of human capital initiatives as they relate to meeting the plan's nine other strategic goals and their associated objectives, including how various human capital activities will contribute toward achieving clean air, clean and safe water, safe food, and pollution prevention.

In November 2000, EPA issued a comprehensive strategy for managing human capital to provide the necessary linkage to the agency's overall strategic goals and

objectives. We noted that the strategy contained several useful components indicating that the agency is moving in the right direction. For example, the strategy includes information on the agency's (1) human capital vision, values, and strategic goals and (2) strategies and action steps for achieving the strategic goals. Although these are positive features, the strategy did not contain information on how the action steps would address specific human capital issues related to each of EPA's 10 strategic goals under GPRA. EPA officials told us that future updates to the strategic plan will integrate human capital strategies for achieving agency goals and objectives.

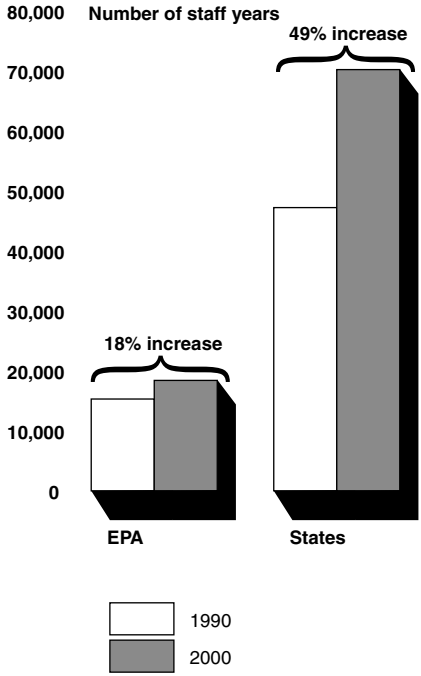
EPA Needs to Implement a Workforce Strategy

Effective implementation of results-oriented management, as envisioned by GPRA, hinges on senior managers' willingness and ability to strategically manage all of an agency's resources—including human capital—to achieve its mission and goals. Specifically, this includes (1) identifying current and future competencies needed to meet current and future needs and any gaps, (2) developing a workforce action plan for addressing any identified gaps or surpluses in the number or competencies of the existing workforce, and (3) monitoring and evaluating the workforce planning actions that are taken. EPA's November 2000 comprehensive strategy for managing human capital includes a specific strategy for assessing its human capital needs, but the agency has not yet implemented it.

The importance of such a strategy is underscored by the fact that during the past decade, when most federal agencies reduced their staffing, EPA's workforce grew from 15,277 in fiscal year 1990 to 18,100 in fiscal year 2000, an increase of about 18 percent. The growth in EPA's personnel levels during this period has been accompanied by substantial changes in the roles and responsibilities of the agency and its state partners. For example, EPA's responsibilities increased with new

legislation, including major amendments to the Clean Air Act, the Safe Drinking Water Act, and the Food Quality Protection Act. At the same time, EPA, as authorized by federal statutes, was delegating significantly more responsibility to the states for carrying out federal environmental programs, and the states were responding by expanding their own workforces to accommodate these increased responsibilities. (See fig. 3).

Figure 3: Staff Growth in EPA and State Environmental Agencies, 1990-2000



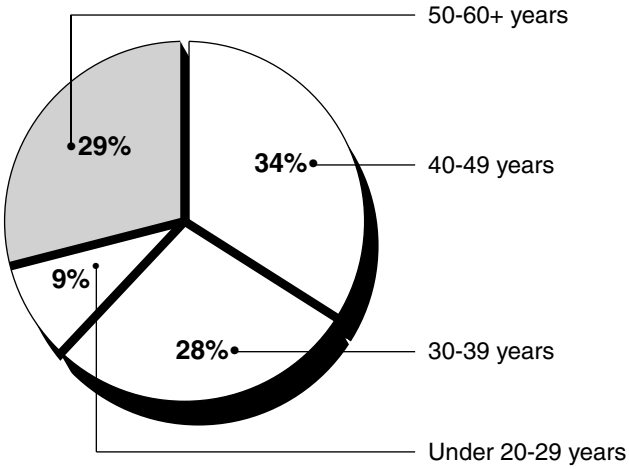
Source: GAO's analysis of EPA and state data.

Because EPA does not have a system in place to assess its human capital requirements and to allocate resources

accordingly, the allocations made to its headquarters and regional offices are based primarily on the number of staff years that were allocated in previous years. However, we believe that an approach based on historical data may not accurately reflect the conditions that EPA faces today and is likely to face in the future. For example, over the past decade, technological changes have made a major impact on the skills and expertise needed to carry out federal programs. In addition, changes have occurred in EPA's regional environmental responsibilities as states have accepted more responsibility for the day-to-day implementation of federal environmental statutes. For example, in 1993, only eight states had accepted responsibility for implementing provisions of the Safe Drinking Water Act. By 1998, 36 states had done so. Such changes in responsibilities may reduce EPA's activities in some areas, such as carrying out inspections, but may in turn create the need for additional people and competencies in other areas, such as providing technical assistance and reviewing and measuring the effectiveness of state programs.

The need for taking a more strategic approach to managing EPA's human capital is further supported by an analysis of the age of the agency's workforce. For example, our analysis of EPA's data shows that approximately 29 percent of the agency's employees are either currently eligible for retirement or will become eligible in the next few years. (See fig. 4).

Figure 4: Age Distribution of EPA Employees, as of May 1999



Source: GAO's analysis of EPA's most recent data.

Despite the shift in responsibility from EPA to the states and changes in the size and age of its workforce, EPA has given limited sustained attention to workforce planning. As a result, EPA lacks assurance that it can carry out its mission and achieve its strategic goals and objectives. For example, EPA has not been able to make fully informed decisions during the preparation of its annual budget requests because it has not had the information needed to determine how many people are necessary to implement its strategic goals and objectives.

Nor can EPA determine whether it has any excesses or gaps in needed competencies within its various headquarters and field components. EPA recently completed a study that enabled the agency to (1) develop a workforce profile identifying the general competencies, such as communication and computer skills, of the people employed by the agency and (2)

estimate what competencies it would need in the future under various scenarios. Using this study, EPA identified the competencies it believes are vital and difficult to obtain and maintain.

However, the study was not designed to determine how many employees need specific competencies or how employees should be deployed among various strategic goals and objectives, across program areas, and in various parts of the country. Once the agency has made such specific determinations, EPA's senior management will need to remain committed to and provide the resources for ensuring that needed employees are recruited, developed, and retained to meet the agency's goals and objectives. Furthermore, as part of its workforce strategy, EPA will need to ensure that it collects and analyzes accurate data on the amount of time employees spend on various programs and activities. Without such data, EPA cannot accurately determine the costs of carrying out its strategic goals and objectives and ensure that its workforce is being used in the most effective manner consistent with the intent of GPRA and congressional appropriators.

Clearly, substantial challenges remain for EPA in terms of designing, implementing, and maintaining a flexible, results-oriented human capital management approach that enables the agency to maximize the value of its people to effectively accomplish its overall mission. Because overcoming these obstacles is of such great importance to the effective management of the agency, we will continue to monitor EPA's efforts.

Good Working Relationships With the States Remains a Challenge for EPA

A key aspect of EPA's performance management involves working cooperatively with its state partners in managing environmental programs. Cultivating strong relationships with its state partners is especially important for EPA because, as authorized by

environmental statutes, the agency has delegated to the states the responsibility for day-to-day implementation of most federal environmental programs. However, EPA's working relationships with states has often been strained by fundamental disagreements over respective roles, priorities among state environmental programs, and the appropriate degree of federal oversight. Some problems in the current jointly managed EPA-state environmental regulatory system have been particularly difficult to resolve. Facing pressures to develop a results-oriented approach, EPA is pursuing initiatives that include the National Environmental Performance Partnership System, which is focused on using environmental data, jointly setting priorities between states and their respective EPA regions, and establishing results-oriented goals and measures while providing states with needed flexibility.

Cooperation Has Improved, but Difficulties Remain

More than a decade ago, we reported that states wanted greater flexibility to tailor programs to meet local needs, opportunities to participate in decisions affecting implementation, and EPA's trust in their ability to make day-to-day decisions. More recently, in 1995, we found that financial constraints were impeding states' efforts to perform key functions such as monitoring environmental quality, setting standards, issuing permits, and enforcing compliance. Other factors affecting EPA's relationships with states included states' concerns that the agency had been inconsistent in its oversight across regions, had sometimes micromanaged state programs, and had not provided sufficient technical support.

Since then, although difficulties continued, we noted instances of cooperation that resulted in more effective and efficient environmental protection. For example, in April 1997, we obtained information on five states with experience leading cleanups of contaminated Superfund hazardous waste sites. Critical factors affecting a state's

ability to successfully lead cleanups included (1) whether EPA and the state had forged a constructive and efficient relationship with a clear division of responsibility and (2) an appropriate level of EPA oversight. EPA and the state of Washington, for instance, signed an agreement that reduced conflicts and duplication of efforts.

Nonetheless, problems continue to affect EPA's working relationships with states and the effectiveness of jointly administered programs. Enforcement has been among the most problematic areas, with EPA and states frequently at odds over the direction of state enforcement programs and the degree of EPA oversight, with many states fundamentally disagreeing with EPA on how to best ensure compliance by regulated parties and the roles of federal and state authorities in ensuring that compliance.

In addition, the current joint EPA-state regulatory system has proven to be costly and, at times, inflexible. Although the environmental community generally recognizes that future challenges are complex and will require fundamentally different approaches, EPA and other stakeholders have disagreed on the direction of their collective efforts to "reinvent" environmental regulation. In acknowledging the need for fundamentally different regulatory approaches, EPA, in March 1995, announced a series of significant, high-priority actions to improve the current regulatory system and to lay the groundwork for a new system of environmental protection. Many reinvention efforts are consistent with GPRA's goal of focusing on results and with the National Partnership for Reinventing Government's past recommendations to achieve a more integrated, cost-effective approach to environmental protection.

EPA officials have noted that the initiatives are designed to, among other things, help achieve better

environmental results through the use of innovative and flexible approaches to environmental protection and make it easier for businesses to comply with environmental laws by offering them compliance assistance and incentives to prevent pollution at its source. Among EPA's initiatives are (1) the Common Sense Initiative, termed the "centerpiece" of its reinvention efforts, which seeks to identify innovative regulatory practices, and (2) Project XL, which allows individual industrial facilities to test innovative ways to achieve protection if they can demonstrate that proposed changes will yield enhanced environmental performance.

Although EPA has been working with its state partners, industry, and other stakeholders to develop and implement a series of initiatives, obstacles have arisen. For example, disagreements and misunderstandings have occurred over the role of EPA and the states in developing and implementing reinvention projects, how much flexibility the states would have in handling projects, and how they were to obtain stakeholder consensus. Environmental stakeholders also have expressed concerns over the large number of complex and demanding initiatives that EPA has undertaken in recent years. In addition, disagreement remains over whether the current environmental statutes must be revised for reinvention to succeed. EPA officials have recognized the importance of overcoming obstacles to the agency's reinvention efforts and the need to work effectively with its stakeholders, but many differences remain unresolved.

Opportunities Exist for Strengthening Relationships and Establishing New Approaches for Environmental Protection

To address many of the long-standing challenges affecting the EPA-state relationship, EPA and its state partners have developed the National Environmental Performance Partnership System (NEPPS). Launched in 1995, key components are the increased use of environmental goals and indicators, state assessments of environmental and program performance, and the negotiation of performance partnership agreements between EPA and the states to help in determining such matters as (1) which problems will receive priority attention, (2) what their respective roles will be, and (3) how the states' progress in achieving clearly defined program objectives will be assessed.

EPA points to NEPPS as its primary vehicle for addressing long-standing problems, including poor communication and concerns over micromanagement. In our June 1999 report on the partnership system, we identified some progress, noting that NEPPS has afforded some state participants a means of getting buy-in for innovative or unique projects and has served as a tool to divide an often burdensome workload more efficiently between federal and state regulators. In keeping with GPRA's intent to focus on results, EPA and the states had structured the system to include a common set of indicators (called "core performance measures") to help measure the effectiveness and success of the states' programs and to provide a better understanding of whether programs are achieving their intended results. Recently, we reported that EPA and the states had agreed to a revised set of core performance measures for fiscal year 2000 that are regarded as significantly improved over measures negotiated in previous years.

Although initiatives sponsored under NEPPS have yielded some benefits, challenges remain. Specifically, in our most recent examination, most state officials held the view that (1) the benefits from their investments in

NEPPS should be greater and (2) the program has yet to achieve its full potential. We recommended that EPA work with state officials to initiate a joint evaluation process that seeks agreement on the key issues impeding progress in developing a more effective partnership system and that develops mutually agreeable remedies for these issues.

At the time our report was issued, EPA agreed that such a joint evaluation process was warranted. Since that time, however, the agency and the states have agreed to defer a formal joint evaluation and instead focus on making a number of specific program improvements. These improvements resulted from a joint informal evaluation of the program that occurred as part of a workshop sponsored by EPA and the Environmental Council of the States in December 1999. Some of these efforts are addressed in EPA's September 2000 Strategic Plan, which stipulates, for example, that EPA intends to enhance the program by (1) developing guidance to make the NEPPS process more consistent nationwide; (2) integrating NEPPS concerns into EPA's internal processes, particularly strategic planning and budgeting; and (3) improving the use of outcome-based core performance measures in performance partnership agreements to provide more comprehensive information on environmental protection efforts nationwide. Agency officials also told us recently that the agency is in the midst of completing a comprehensive workplan that is intended, among other things, to ensure senior management's attention to the program and to address NEPPS-related training needs. While these all appear to be positive steps, time will tell whether they have their intended effect in improving this important program. We also continue to believe that the agency and the states should commit to conducting, at some point in the future, the type of joint evaluation process we recommended in our June 1999 report. Consequently, we intend to continue to monitor the program and believe

that continued congressional oversight also remains warranted.

EPA Has Made Significant Progress in Solving Some Superfund Management Problems

EPA's Superfund program, created by the Congress in 1980, is intended to help clean up the nation's tens of thousands of abandoned hazardous waste sites, including many owned by the federal government. EPA focuses on getting those parties responsible for contamination to clean up sites or conducts cleanups itself using contractors and then seeks to recover its costs from the responsible parties. Cleaning up the sites has proven to be far more complicated and costly than anticipated. Cleanup costs could exceed $300 billion for the federal government (including those costs incurred by EPA and the departments of Defense and Energy), hundreds of billions of dollars for the private sector.

For over a decade, our work has identified recurring problems that have put Superfund at risk. To address these problems, we recommended that EPA (1) set funding priorities taking into account the health and environmental risks posed by sites, (2) recover billions in certain cleanup costs from parties responsible for contaminating sites, and (3) better control contractors' costs. These collective problems led us, starting in 1990, to designate Superfund as a high-risk area, vulnerable to waste, fraud, abuse, and mismanagement.

EPA has taken steps to address many of our recommendations and, as a result, has improved its management of the program. Because of the agency's progress, we are no longer designating Superfund as a high-risk area.

Table 1: EPA's Superfund Program Improvement

✔ Setting funding priorities taking into account the health and environmental risks posed by sites
✔ Implementing a new process to help EPA recover more cleanup costs from responsible parties
✔ Taking steps to better control contractors' costs

Changes in the nature of the program also contributed to our decision to remove Superfund's high-risk designation. Specifically, EPA has selected the cleanup methods for most sites in the Superfund program and the cleanup is under contract or completed. In addition, EPA has partnered more extensively with the states to accomplish additional cleanups nationwide and started working with the Congress to consider the program's future policy direction. Given the uncertainty about its future policy direction, we will continue monitoring policy and program administration issues affecting the program.

EPA Is Using Risk to Set Priorities

In response to our recommendations, EPA is now working with the states to determine which of the remaining sites in EPA's inventory posing relatively high risks should be considered for a Superfund cleanup. In September 2000, EPA officials reported that the agency had taken action in response to our recommendations on this issue, including (1) reaching agreement with the states on who would be responsible for assessing 88 percent of the 1,789 backlogged sites we identified as posing a potentially significant risk and (2) working to resolve the management of the remaining sites. EPA has agreed to track those sites undergoing state cleanups in its Superfund information management system, which should help in determining whether the worst sites are being addressed first.

The agency is also now considering health and environmental risks as factors in setting its funding priorities for sites already in the Superfund program. Because EPA cannot fund cleanups of all the sites that are ready for a cleanup remedy, the agency created the National Risk-Based Prioritization Panel, composed of regional and headquarters cleanup managers, to help it set funding priorities. The panel ranks all sites ready for construction nationwide, taking into account health and environmental risks along with other important project considerations, such as cost-effectiveness. EPA then approves funding for projects on the basis of these rankings. Those sites not selected in one year can compete again for funding the following year.

EPA Is Making Progress in Recovering More Cleanup Costs

The Superfund program has posed a significant financial risk to the government, in part because EPA did not formerly charge responsible parties for certain portions of its costs to operate the program. The agency excluded about $3 billion in indirect costs for such items as personnel and facilities from its final settlements with responsible parties. EPA has agreed with most of our recommendations to use more complete and accurate data for its cost recovery settlements, which should increase recoveries. For example, EPA adopted a new indirect cost rate in October 2000 in response to a governmentwide requirement to adopt new cost-accounting standards. Using this rate should help EPA to recoup a total of over $600 million in indirect costs from responsible parties for cleanups currently awaiting final settlement and, on average, about $100 million annually in future settlements.

EPA is also addressing our past concerns about the reliability of its information and financial management systems, including eliminating the time-consuming and inefficient process of manually entering some cost data into its financial management system and using an electronic imaging system to store and retrieve

documents. Its effort to link its financial accounting and management information systems should also enable the agency to better track unrecoverable costs and more easily generate related reports.

EPA has made progress in addressing our past concerns about cost recovery. However, EPA does not agree with our recommendation that it better track the amount of costs it actually has recovered compared with the amount that it potentially could have recovered, determine the underlying factors for differences in the amounts recovered each year, and identify any actions needed to improve its cost recovery performance. As we noted, we believe that because EPA does not systematically analyze the underlying reasons for its recovery rate, it cannot effectively tell whether its cost recovery performance reflects internal factors that it can control, such as poor cost documentation or inexperienced negotiators, or external factors, such as parties that cannot afford to pay EPA for the cost of cleanups. EPA and the Department of Justice have taken the position that tracking such data across sites is not meaningful or appropriate because each site has specific factors, such as the responsible parties' ability to pay for cleanup costs, that determine the amount of settlements. As we have pointed out, establishing performance measures to better track the outcome of EPA's cost recovery efforts is consistent with GPRA, which calls for agencies to set measures to assess program performance. We believe that a performance measure to track cost recovery outcomes could serve as a useful indicator for EPA to identify any systemic problems it might need to address.

EPA Has Made Significant Progress in Controlling Contractors' Costs

EPA spends about one-half of its annual Superfund budget of approximately $1.5 billion on contractors to help clean up Superfund sites and to monitor cleanups done by private parties for EPA. Consequently, it is important that the agency pay particular attention to this

critical program management activity. In past work, we noted that EPA has had difficulties controlling the costs of its contractors, finding that the agency (1) relied too heavily on contractors' cost proposals to determine the price for cleanup contracts, rather than developing its own estimates of what contracted work should cost; (2) had a significant backlog of contract audits, which increased the risk for fraud, waste, and abuse by contractors; and (3) spent a higher proportion of its cleanup funds on contractor support costs rather than on actual cleanup.

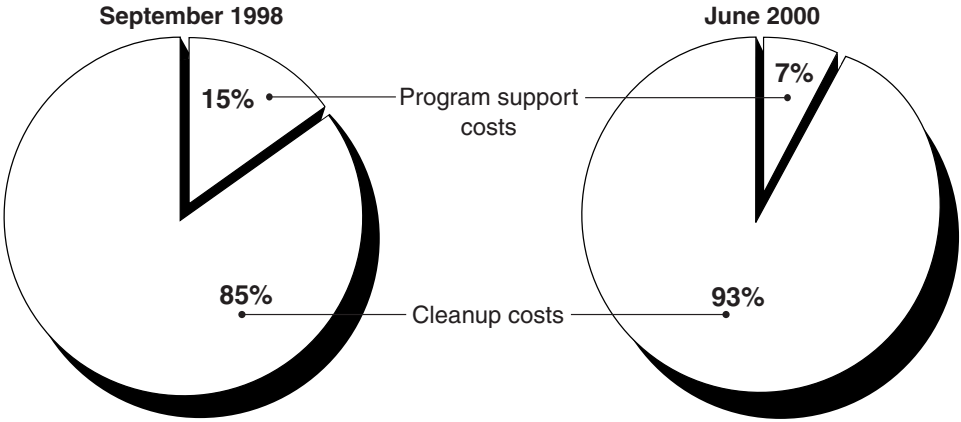
EPA has taken steps to address these long-standing contract management challenges and to respond to our recommendations. First, EPA has increased its use of independent cost estimates to negotiate better contract prices for the government. As we recommended, EPA asked the U.S. Army Corps of Engineers to evaluate EPA's cost estimation process. In December 1999, the Corps made a number of recommendations, most of which EPA is in the process of implementing. These include (1) establishing a clear policy on the importance of controlling contract costs, (2) completing an Internet-based cost-estimating guide by March 2001 that includes more details on the costs of various types of cleanup activities, and (3) providing EPA staff with more training on cost estimation. Although EPA is in the process of implementing many of these recommendations, we will continue to monitor EPA's progress in this area because it has not implemented all of its planned actions. In addition, the effectiveness of some actions already taken remains unknown, including whether EPA can effectively monitor the success of initiatives intended to prove the quality of its cost estimates.

Effective Superfund program management also requires the auditing of contractors that conduct cleanup activities for EPA. Such audits serve as a primary tool for deterring and detecting fraud, waste, and abuse by the contractors. EPA and the Defense Contract Audit

Agency (DCAA) share the workload for auditing Superfund contracts. Under this arrangement, EPA audits contractors that work exclusively for EPA, and DCAA audits cleanup contractors that also work for other federal agencies with cleanup responsibilities. Although EPA and DCAA have had long-standing contract audit backlogs, our recent reviews disclosed that both agencies have nearly eliminated their backlogs and have improved the timeliness of their audits.

Finally, EPA has taken significant steps to address our concern that it was paying contractors a high rate to cover their program support costs. One major reason for the high support costs has been that EPA had more contracts than available work, but nevertheless continued to pay contractors for monthly overhead costs. Thus, the agency was spending a higher portion of its funds on overhead (such as personnel and facilities costs) rather than cleanups. As of June 2000, Superfund program support cost rates had decreased significantly. Only 5 of the 18 existing contracts had program support cost rates that exceeded EPA's goal of 11 percent of total costs, ranging from 12 to 18 percent. The rates for the remaining 13 contracts were well within EPA's goal, ranging from 1 to 11 percent. In contrast, during our 1998 review, 10 of 15 contracts exceeded EPA's goal, with support costs ranging from 16 to 59 percent of total contract cleanup costs. (See fig. 5).

Figure 5: Program Support Costs Compared With Cleanup Costs for Superfund Contracts, September 1999 and June 2000



Source: GAO's analysis of EPA data.

EPA has lowered its program support costs by, among other things, reducing the number of Superfund contracts. It is also implementing its Contracts 2000 strategy for building more contracting competition, increasing small and minority business participation, and adopting new types of contracts, such as performance-based contracts. In September 2000, EPA officials told us that the agency had developed a specific plan and associated milestones for implementing its contract strategy, in response to recommendations contained in our April 1999 report.

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Related GAO Products

Environmental and Performance Information Management

Environmental Information: EPA Needs Better Information to Manage Risks and Measure Results (GAO-01-97T, Oct. 3, 2000).

Observations on the Environmental Protection Agency's Fiscal Year 1999 Performance Report and Fiscal Year 2001 Performance Plan (GAO/RCED-00-203R, June 30, 2000).

Toxic Chemicals: Long-Term Coordinated Strategy Needed to Measure Exposures in Humans (GAO/HEHS-00-80, May 2, 2000).

Managing for Results: EPA Faces Challenges in Developing Results-Oriented Performance Goals and Measures (GAO/RCED-00-77, Apr. 28, 2000).

Water Quality: Key EPA and State Decisions Limited by Inconsistent and Incomplete Data (GAO/RCED-00-54, Mar. 15, 2000).

Information Security: Fundamental Weaknesses Place EPA Data and Operations at Risk (GAO/AIMD-00-215, July 6, 2000).

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Superfund

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