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ENVIRONMENTAL
PROTECTION AGENCY

Management Challenges
and Budget Observations

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Natural Resources and Environment

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Highlights of [GAO-12-149T](#), a testimony before the Subcommittee on Oversight and Investigations, Committee on Energy and Commerce, House of Representatives

Why GAO Did This Study

The Environmental Protection Agency (EPA) faces a number of management and budgetary challenges, which are particularly important as Congress seeks to decrease the cost of government while improving its performance. EPA operates in a highly complex and controversial regulatory arena, and its policies and programs affect virtually all segments of the economy, society, and government. From fiscal years 2000 through 2010, the agency's budget rose in nominal terms from \$7.8 billion to \$10.4 billion, but has remained relatively flat over this period in real terms.

This testimony highlights some of the major management challenges and budgetary issues facing a range of EPA programs and activities today.

This testimony focuses on (1) management of EPA's workload, workforce, and real property; (2) coordination with other agencies to more effectively leverage limited resources; and (3) observations on the agency's budget justifications. This testimony is based on prior GAO products and analysis.

What GAO Recommends

The work cited in this testimony made a number of recommendations intended to address management and related budget challenges, including improving the agency's workforce and workload planning, as well as its coordination with other federal agencies. EPA generally agreed with these recommendations.

View [GAO-12-149T](#). For more information, contact David Trimble at (202) 512-3841 or trimbled@gao.gov.

October 12, 2012

ENVIRONMENTAL PROTECTION AGENCY

Management Challenges and Budget Observations

What GAO Found

Recent GAO work has identified challenges with EPA's efforts to manage its workload, workforce, and real property and made recommendations to address these challenges. In 2010, GAO reported that EPA had not comprehensively analyzed its workload and workforce since the late 1980s to determine the optimal numbers and distribution of staff agencywide. GAO recommended, among other things, that EPA link its workforce to its strategic plan and establish mechanisms to monitor and evaluate their workforce planning efforts. A 2011 review of EPA's efforts to control contamination at hazardous waste sites found that the program was making progress toward its goals but that EPA had not performed a rigorous analysis of its remaining workload to help inform budget estimates and requests in line with program needs. Regarding real property management—an area that GAO has identified as part of its high-risk series—GAO reported that EPA operated a laboratory enterprise consisting of 37 laboratories housed in 170 buildings and facilities in 30 cities. GAO found that EPA did not have accurate and reliable information on its laboratories to respond to a presidential memorandum directing agencies to accelerate efforts to identify and eliminate excess properties. The report recommended that EPA address management challenges, real property planning decisions, and workforce planning.

GAO has reported on opportunities for EPA to better coordinate with other federal and state agencies to help implement its programs. Given the federal deficit and the government's long-term fiscal challenges, it is important that EPA improve its coordination with these agencies to make efficient use of federal resources. In a September 2011 report on the Chesapeake Bay, GAO found that federal and state agencies were not working toward the same strategic goals and recommended that EPA establish a working group or formal mechanism to develop common goals and clarify plans for assessing progress. In a 2009 report on rural water infrastructure, GAO reported that EPA and six other federal agencies had funded water and wastewater projects in the U.S.-Mexico border region. GAO suggested that Congress consider establishing an interagency task force to develop a plan for coordinating this funding. These findings were included in GAO's March 2011 report to Congress in response to a statutory requirement for GAO to identify federal programs with duplicative goals or activities.

Periodic GAO reviews of EPA's budget justifications have led to two recurring observations. First, with respect to proposals for new or expanded funding that GAO has examined, EPA has not consistently provided clear justification for the amount of funding requested or information on the management controls that the agency would use to ensure the efficient and effective use of requested funding. Second, GAO's reviews have found that EPA's budget justification documents do not provide information on funds from appropriations in prior years that were not expended and are available for new obligations. Such information could be useful to Congress because these funds could partially offset the need for new funding.

Chairman Stearns, Ranking Member DeGette, and Members of the Subcommittee:

I am pleased to be here today to discuss management challenges and budget considerations at the Environmental Protection Agency (EPA). These challenges are particularly important as Congress and the administration seek to decrease the cost of government while improving its performance and accountability. EPA operates in a highly complex and controversial regulatory arena, and its policies and programs affect virtually all segments of the economy, society, and government.

EPA conducts its work under an array of environmental laws, including the Clean Air and Clean Water Acts.¹ Structurally, EPA comprises headquarters offices largely aligned with its primary authorizing statutes and 10 regional offices that help implement these statutes. From fiscal years 2000 through 2010, the agency's budget rose in nominal terms from \$7.8 billion to \$10.4 billion, but has remained relatively flat over this period in real terms.² The four major categories of EPA spending in fiscal year 2010 were:

- operating budget (\$3.9 billion) for basic regulatory, research, and enforcement activities;
- infrastructure grants (\$3.9 billion) providing financial assistance to states, municipalities, interstate commissions, and tribal governments to fund a variety of drinking water, wastewater, air, and other environmental projects;
- trust funds (\$1.4 billion) from appropriations to pay for, among other things, Superfund and leaking underground storage tank hazardous waste cleanup when responsible parties are not available to pay; and
- categorical grants (\$1.1 billion) to states, tribes, nonprofit organizations, and others for specific environmental programs, including air and radiation, water, drinking water, hazardous waste, and pesticides and toxic chemicals.

¹Clean Air Act, codified as amended at 42 U.S.C. §§ 7401-7671q (2011); Clean Water Act, codified as amended at 33 U.S.C. §§ 1251 -1387 (2011).

²In real terms, using 2011 dollars, EPA's budget equated to \$9.9 billion in fiscal year 2000 and \$10.4 billion in fiscal year 2010.

Thus, a substantial portion of the agency's budget consists of grants to state, local, tribal, and other partners.

My testimony today draws on our recent work, including our March 2011 testimony on EPA's major management challenges,³ and observations from our periodic reviews of EPA's budget justification. Many of our prior reports have included recommendations intended to improve the management of EPA's programs. EPA has generally agreed with our recommendations. I will focus my remarks today on several key management and budget issues at EPA, including (1) management of EPA's workload, workforce, and real property; (2) coordination with other agencies to more effectively leverage limited resources; and (3) observations on the agency's budget justifications.

The first two sections of this statement are based on prior GAO work issued from 2009 to 2011. We conducted the underlying performance audits in accordance with generally accepted government auditing standards. Those standards require that we plan and perform audits to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives. The third section of this statement is based on the results of our reviews of EPA budget justifications conducted in 2010 and 2011. The objective of our budget justification reviews is to provide pertinent and timely information that Congress can use during budget deliberations by raising questions about specific programs in the President's proposed budget. We conducted our work in accordance with all sections of GAO's Quality Assurance Framework that were relevant to our objectives. The framework requires that we plan and perform the engagement to meet our stated objectives and to discuss any limitations in our work. We believe that the information and data obtained, and the analysis conducted, provide a reasonable basis for findings and conclusions in this product.

³GAO, *Environmental Protection Agency: Major Management Challenges*, [GAO-11-422T](#) (Washington, D.C.: Mar. 2, 2011).

Management of EPA's Workload, Workforce, and Real Property

With respect to its workload and workforce, EPA has struggled for years to identify its human resource needs and to deploy its staff throughout the agency in a manner that would do the most good. In 2010, we reported that rather than establishing a process for budgeting and allocating human resources that fully considered the agency's workload, EPA requested funding and staffing through incremental adjustments based largely on historical precedent.⁴ We noted that the agency had not comprehensively analyzed its workload and workforce since the late 1980s to determine the optimal numbers and distribution of staff agencywide. Moreover, EPA's human capital management systems had not kept pace with changing legislative requirements and priorities, changes in environmental conditions in different regions of the country, and the much more active role that states now play in carrying out the day-to-day activities of federal environmental programs. We recommended, among other things, that EPA link its workforce plan to its strategic plan and establish mechanisms to monitor and evaluate its workforce planning efforts. EPA generally agreed with these recommendations.

Our recent work has also identified additional challenges related to workload and workforce management. For example, in July 2011, we reported that EPA had made considerable progress in meeting goals to contain and control contamination at high-risk hazardous waste sites.⁵ We also reported, however, that EPA had not rigorously analyzed its remaining workload or the resources it needed to meet its cleanup goals. We recommended that EPA assess its remaining cleanup workload, determine whether the program has adequate resources, and take steps to reallocate its resources or revise its goals. An assessment could also help EPA develop budget estimates and requests that align with program needs. EPA agreed with the recommendation.

⁴GAO, *Workforce Planning: Interior, EPA, and the Forest Service Should Strengthen Linkages to their Strategic Plans and Improve Evaluation*, [GAO-10-413](#) (Washington, D.C.:Mar. 31, 2010).

⁵GAO, *Hazardous Waste: Early Goals Have Been Met in EPA's Corrective Action Program, but Resource and Technical Challenges Will Constrain Future Progress*, [GAO-11-514](#) (Washington, D.C.: July 22, 2011).

Also in July 2011, we identified challenges EPA faces in managing its laboratories and its related workforce.⁶ EPA operates a laboratory enterprise consisting of 37 laboratories housed in 170 buildings and facilities located in 30 cities across the nation. We reported that EPA had not fully addressed findings and recommendations of independent evaluations of its science activities dating back to 1992 and that its laboratory activities were largely uncoordinated. We also found that, consistent with our 2010 report on workforce planning, EPA did not use a comprehensive planning process for managing its laboratories' workforce. Specifically, we reported that EPA did not have basic information on its laboratory workload and workforce, including demographic data on the number of federal and contract employees working in its laboratories. Without such information, we reported, EPA could not successfully undertake succession planning and management to help the organization adapt to meet emerging and future needs. Because of the challenges identified in this report, we made recommendations to address workforce and workload planning decisions. EPA generally agreed with our findings and recommendations.

In September 2010, we reported on EPA's library network and found that EPA had not completed a plan identifying an overall strategy for its libraries, implementation goals, or a timeline.⁷ EPA had developed a draft strategic plan, but it did not describe how funding decisions were made. We reported that setting out details for such decisions, to ensure that they are informed and transparent, was especially important because of the decentralized nature of the library network. We recommended, among other things, that EPA complete its strategic plan for the library network, including implementation goals and timelines. As part of this effort, we recommended that EPA outline details for how funding decisions were to be made to ensure they are informed and transparent. EPA concurred with our recommendations.

Finally, our July 2011 report on EPA laboratories also identified challenges related to EPA's management of its real property. Federal real

⁶GAO, *Environmental Protection Agency: To Better Fulfill Its Mission, EPA Needs a More Coordinated Approach to Managing Its Laboratories*, [GAO-11-347](#) (Washington, D.C.: July 25, 2011).

⁷GAO, *Environmental Protection Agency: EPA Needs to Complete a Strategy for Its Library Network to Meet Users' Needs*, [GAO-10-947](#) (Washington, D.C.: Sep. 30, 2010).

property management is an area we have identified as part of our high-risk series because of long-standing problems with over reliance on leasing, excess and underused property, and protecting federal facilities.⁸ The need to better manage federal real property was underscored in a June 2010 presidential memorandum that directed agencies to accelerate efforts to identify and eliminate excess properties to help achieve a total of \$3 billion in cost savings by 2012. In July 2010 EPA reported to the Office of Management and Budget (OMB) that it did not anticipate the disposal of any of its owned laboratories and major assets in the near future because these assets were fully used and considered critical for the mission of the customer and agency as a whole. However, we found that EPA did not have accurate and reliable information called for by OMB on (1) the need for facilities, (2) property use, (3) facility condition, and (4) facility operating efficiency, to inform such a determination. We made several recommendations for EPA to improve its physical infrastructure and real property planning, including improving the completeness and reliability of operating-cost and other data needed to manage its real property and report to external parties. EPA concurred with the recommendations.

Coordination with Other Agencies to More Effectively Leverage Limited Resources

EPA relies on other federal and state agencies to help implement its programs. Given the federal deficit and the government's long-term fiscal challenges, it is important that EPA improve coordination with its federal and state partners to reduce administrative burdens, redundant activities, and inefficient uses of federal resources. We have identified key practices for enhancing and sustaining collaboration among federal agencies, such as establishing the roles and responsibilities of collaborating agencies; leveraging their resources; and establishing a process for monitoring, evaluating, and reporting to the public on the results of collaborative efforts.

In a September 2011 report on Chesapeake Bay restoration efforts, for example, we found that federal and state agencies were not working toward the same strategic goals.⁹ We also surveyed federal officials who said that some form of collaboration was necessary to achieve the goals

⁸GAO, *High-Risk Series: An Update*, [GAO-11-278](#) (Washington, D.C.: Feb. 16, 2011).

⁹GAO, *Chesapeake Bay: Restoration Effort Needs Common Federal and State Goals and Assessment Approach*, [GAO-11-802](#) (Washington, D.C.: Sep. 15, 2011).

of a strategy for protecting and restoring the Chesapeake Bay watershed. This collaboration could be between federal agencies, federal and state agencies, or federal agencies and other entities. We recommended, among other things, that EPA work with federal and state stakeholders to develop common goals and clarify plans for assessing progress. EPA generally agreed with the recommendations.

In an August 2011 report on pharmaceuticals in drinking water, we found that an interagency work group of eight federal agencies (including EPA) tasked with developing a better understanding of the risks from pharmaceuticals in drinking water and identifying areas for future federal collaboration had disbanded in 2009 without producing a final report.¹⁰ We also reported that EPA coordinated informally with the Food and Drug Administration and the United States Geological Survey to collect data that could support regulatory decisions, but it did not have a formal mechanism for sustaining this collaboration in the future. We recommended that EPA establish a work group or formal mechanism to coordinate research on pharmaceuticals in drinking water. EPA agreed with the recommendation.

In a 2009 report on rural water infrastructure, we reported that, from fiscal years 2000 through 2008, EPA and six federal agencies obligated \$1.4 billion for drinking water and wastewater projects to assist communities in the U.S.-Mexico border region.¹¹ We found that the agencies' efforts to fund these projects were ineffective because the agencies, except the Indian Health Service, had not comprehensively assessed the region's needs and did not have coordinated policies and processes for selecting and building projects. As a result, we suggested that Congress consider establishing an interagency task force to develop a plan for coordinating funding to address the region's most pressing needs.

Related to our findings on interagency coordination issues, our past and present work seeks to assist Congress and federal agencies in identifying actions needed to reduce duplication, overlap, and fragmentation;

¹⁰GAO, *Environmental Health: Action Needed to Sustain Agencies' Collaboration on Pharmaceuticals in Drinking Water*, [GAO-11-346](#) (Washington, D.C.: Aug. 8, 2011).

¹¹GAO, *Rural Water Infrastructure: Improved Coordination and Funding Processes Could Enhance Federal Efforts to Meet Needs in the U.S.-Mexico Border Region*, [GAO-10-126](#) (Washington, D.C.: Dec. 18, 2009).

achieve cost savings; and enhance revenues. In March 2011, we issued our first annual report to Congress in response to a new statutory requirement that GAO identify federal programs, agencies, offices, and initiatives—either within departments or government-wide—which have duplicative goals or activities.¹² The report identified 34 areas where agencies, offices, or initiatives had similar or overlapping objectives or provided similar services to the same populations or where government missions were fragmented across multiple agencies or programs. The report also identified 47 additional areas—beyond those directly related to duplication, overlap, or fragmentation—offering other opportunities for agencies or Congress to consider taking action that could either reduce the cost of government operations or enhance revenue to the Treasury. With respect to EPA, the report included our findings on rural water infrastructure, as well as the agency’s role in duplicative efforts to support domestic ethanol production.

Related to the statutory requirement that GAO identify and report on federal programs, agencies, offices, and initiatives with duplicative goals or activities, we are monitoring developments in the areas already identified and will address any additional significant instances of duplication as well as opportunities for cost savings in future annual reports. We are developing a methodology to ensure that we conduct a systematic review across the federal government and report on the most significant instances of duplication, overlap, or fragmentation through the issuance of annual reports in 2012 and 2013, as well as the report we issued in March 2011. Our 2012 and 2013 reports will include the results of present and planned work related to EPA.

Observations on EPA’s Budget Justifications

In addition to our published work, we periodically assist appropriations and authorizing committees by reviewing agency budget justification documents. To this end, we review agencies’ budget requests, conduct selected analyses, and evaluate the support for and adequacy of agencies’ justifications for these requests. We often review the justification for programs of congressional interest, new programs and initiatives, and existing programs and practices. We typically provide the

¹²GAO, *Opportunities to Reduce Potential Duplication in Government Programs, Save Tax Dollars, and Enhance Revenue*, [GAO-11-318SP](#), (Washington, D.C.: Mar. 1. 2011).

results of our analysis in data sheets or briefings to appropriating and authorizing committees.

Over the years, our periodic review of EPA's budget justification documents has led to two recurring observations. First, EPA has not consistently provided detailed justification for its activities when requesting new or expanded funding. In some cases, we have noted that such requests have not included (1) clear justification for the amount of funding requested or a detailed description of the type and scope of activities the funding would support, or (2) information on the management controls, such as a schedule for spending the requested funds, EPA would use to ensure the efficient and effective use of requested funding.

Second, our reviews have often focused on the agency's efforts to make use of unliquidated balances, or those funds that have been appropriated and properly obligated but not expended. In particular, this situation results from circumstances where no-year budget authority was obligated to a contract, grant, or interagency agreement that has expired with some level of funding remaining unexpended. Over the years, we have encouraged EPA to recover these unliquidated amounts through a process known as "deobligation." When EPA deobligates funds from expired contracts, grants, or interagency agreements, it can "recertify" and re-use these funds, subject to certain restrictions, assuming the amounts have not expired and remain available for new obligations. Use of recertified funds can offset some need for new funding. Over the years, we have observed that EPA has made progress in its efforts to recover unliquidated funds from expired contracts, grants, and interagency agreements. For example, in 2010, EPA deobligated and recertified about \$163 million, primarily in its Superfund, State and Tribal Assistance Grants, and Leaking Underground Storage Tanks accounts. While we have observed progress in recovering these funds, we have also observed that EPA's budget justification documents do not describe the amount of deobligated and recertified funding available for new obligations. We have also observed that such information could be useful to Congress because the availability of recertified amounts could partially offset the need for new funding.

Chairman Stearns, Ranking Member DeGette, and Members of the Subcommittee, this concludes my prepared statement. I would be pleased to answer any questions that you may have at this time.

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