

September 1, 2017

TO: Members, Subcommittee on Oversight and Investigations

FROM: Committee Majority Staff

RE: Hearing entitled “EPA Oversight: Unimplemented Inspector General and GAO Recommendations”

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On September 6, 2017, at 10:15 a.m. in 2322 Rayburn House Office Building, the Subcommittee on Oversight and Investigations will hold a hearing entitled “EPA Oversight: Unimplemented Inspector General and GAO Recommendations.”

This hearing will provide the Environmental Protection Agency (EPA) Office of Inspector General (OIG) and the Government Accountability Office (GAO) the opportunity to highlight open and unimplemented recommendations at the EPA. Acting on these recommendations ensures that taxpayer money is spent more efficiently and improves the effectiveness of EPA’s core mission--protecting human health and the environment. According to EPA OIG, the agency could potentially save \$103.33 million if the EPA implemented the OIG’s current open and unimplemented recommendations.<sup>1</sup> While EPA has made improvements implementing recommendations, adopting about 77 percent of GAO recommendations from 2007 to 2012,<sup>2</sup> deficiencies exist in key areas, including workforce management, information security, and grant management.

## **I. WITNESSES**

- Alan Larsen, Counsel to the Inspector General, Office of Inspector General, Environmental Protection Agency; and
- Alfredo Gómez, Director, Natural Resources and Environment, Government Accountability Office.

## **II. BACKGROUND**

Over the past several years, EPA has adopted recommendations from EPA OIG and GAO at a rate comparable to other agencies across the federal government. While this is a positive step, EPA could improve in specific areas. For example, workforce management appears to be a longstanding problem, including mismanagement of the agency’s contractor workforce resulting

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<sup>1</sup> U.S. Environmental Protection Agency, Office of Inspector General, *Semiannual Report to Congress*, May 2017, available at [https://www.epa.gov/sites/production/files/2017-05/documents/semiannual\\_report\\_to\\_congress-march\\_2017.pdf](https://www.epa.gov/sites/production/files/2017-05/documents/semiannual_report_to_congress-march_2017.pdf).

<sup>2</sup> Email from Staff, Government Accountability Office to Staff, H. Comm. on Energy & Commerce (Aug. 29, 2017).

in a lack of accountability.<sup>3</sup> EPA also needs to improve its information security posture. According to a report by the EPA OIG, “EPA is unaware of the number of contractors who have significant information security responsibilities” at the agency.<sup>4</sup> There are also numerous outstanding recommendations related to grants—a program that makes up about half of EPA’s budget, approximately \$4 billion annually.<sup>5</sup>

## **1. Tracking Unimplemented Recommendations**

### EPA OIG

The IG Act of 1978 provides for independent reviews of agency programs and operations.<sup>6</sup> After an OIG report is released, OIG staff continuously track recommendations until it is fully implemented.<sup>7</sup> Congress is updated twice a year through the OIG’s semiannual report. OIG does not close open recommendations because the agency fails to act or significant time has passed.<sup>8</sup> However, the OIG may reexamine a recommendation if conditions change.<sup>9</sup>

### GAO

After a report is issued, GAO continuously follows up on its recommendations and reports the updated status to Congress.<sup>10</sup> At least once a year, GAO reaches out to the audited agency to determine what progress has been made on recommendation implementation and what benefits have been realized.<sup>11</sup> A recommendation is registered as implemented when actions have been taken that address the issue or deficiency raised by GAO.<sup>12</sup> Because it may take agencies years to implement recommendations, GAO actively tracks open recommendations for

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<sup>3</sup> See U.S. Environmental Protection Agency, Office of Inspector General, *FY 2017 EPA Management Challenges*, Report No. 17-N-0219, May 2017, available at [https://www.epa.gov/sites/production/files/2017-05/documents/\\_epaoig\\_20170518-17-n-0219.pdf](https://www.epa.gov/sites/production/files/2017-05/documents/_epaoig_20170518-17-n-0219.pdf).

<sup>4</sup> See U.S. Environmental Protection Agency, Office of Inspector General, *EPA Lacks Processes to Validate Whether Contractors Receive Specialized Role-Based Training for Network and Data Protection*, Report No. 17-P-0344, July 31, 2017, available at [https://www.epa.gov/sites/production/files/2017-07/documents/\\_epaoig\\_20170731-17-p-0344.pdf](https://www.epa.gov/sites/production/files/2017-07/documents/_epaoig_20170731-17-p-0344.pdf).

<sup>5</sup> U.S. Gov’t Accountability Office, *EPA Could Improve Certain Monitoring Practices*, GAO-16-530, July 2016, available at <http://www.gao.gov/assets/680/678426.pdf>.

<sup>6</sup> *Oversight of the Environmental Protection Agency’s Progress in Implementing Inspector General and Government Accountability Office Recommendations*: Hearing Before the S. Comm. on Environment & Public Works, June 14, 2016, (statement of Alan S. Larson, Counsel to the EPA Inspector General).

<sup>7</sup> *Id.*

<sup>8</sup> *Id.*

<sup>9</sup> *Id.*

<sup>10</sup> *Oversight of the Environmental Protection Agency’s Progress in Implementing Inspector General and Government Accountability Office Recommendations*: Hearing Before the S. Comm. on Environment & Public Works, June 14, 2016, (statement of Alfredo Gomez, Director, General Accountability Office, Natural Resources and Environment).

<sup>11</sup> *Id.*

<sup>12</sup> *Id.*

four years.<sup>13</sup> GAO closes its recommendations if the agency indicates it will not take action or if GAO determines it is unlikely the agency will take action to address the recommendation.<sup>14</sup>

## 2. Challenges Identified by EPA OIG and GAO

OIG and GAO have both highlighted deficiencies in EPA's management and operations, including concerns about EPA's workforce management, information security posture, and grant management. Since 2007, GAO has made 122 recommendations relating to EPA management and operations.<sup>15</sup> While some recommendations are recent and may require implementation over multiple years, the agency has only implemented 58 of the recommendations--about 48 percent.<sup>16</sup>

### Workforce Management

Aligning agency workforce capabilities with its strategic plans and annual budget justifications would optimize EPA's ability to carry out its mission to protect human health and the environment. Additionally, conducting agency-wide workforce planning and workload analyses would also assist the agency in allocating its resources more strategically when awarding external grants and contracts. However, comprehensive workforce planning has been, and continues to be, a long-standing challenge for EPA.<sup>17</sup>

According to the OIG, since 2005, the EPA has spent approximately \$3 million on studies to examine its workload and related issues, but despite this investment, the agency has largely failed to adopt any of the studies' recommendations.<sup>18</sup> The EPA has attempted to implement workforce and workload analysis systems at the regional and program levels, but still lacks an overall plan to analyze its workforce on an agency-wide basis.<sup>19</sup>

In addition to the efforts of its federal civil servant workforce, the EPA also furthers its mission through the utilization of private-sector contractors. Between FY 2013 and FY 2017,

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<sup>13</sup> *Id.*

<sup>14</sup> *Id.*

<sup>15</sup> GAO, *supra* note 2.

<sup>16</sup> *Id.*

<sup>17</sup> See, U.S. Gov't Accountability Office, *Status of Achieving Key Outcomes and Addressing Major Management Challenges*, GAO-01-774, available at <http://www.gao.gov/assets/240/231760.pdf>; see also, U.S. Gov't Accountability Office, *Implementing an Effective Workforce Strategy Would Help EPA to Achieve Its Strategic Goals*, GAO-01-812, available at <http://www.gao.gov/assets/240/232037.pdf>; U.S. Gov't Accountability Office, *Major Management Challenges*, GAO-09-434, available at <http://www.gao.gov/assets/290/286796.pdf>; U.S. Gov't Accountability Office, *Interior, EPA, and the Forest Service Should Strengthen Linkages to Their Strategic Plans and Improve Evaluation*, GAO-10-413, available at <http://www.gao.gov/assets/310/302616.pdf>.

<sup>18</sup> U.S. Environmental Protection Agency, Office of Inspector General, *FY 2017 EPA Management Challenges*, Report No. 17-N-0219, May 2017, available at [https://www.epa.gov/sites/production/files/2017-05/documents/\\_epaoig\\_20170518-17-n-0219.pdf](https://www.epa.gov/sites/production/files/2017-05/documents/_epaoig_20170518-17-n-0219.pdf).

<sup>19</sup> *Id.*

EPA spent over \$6 billion on contracts to carry out various agency functions.<sup>20</sup> Despite this significant investment, which generally accounts for approximately a quarter of the agency's annual budget, OIG found that "EPA lacks a holistic approach to managing accountability over its contractors and ensuring personnel responsible for overseeing contractors are aware of their responsibilities."<sup>21</sup> Recent investigative work done by the OIG has also revealed a number of instances where EPA's failure to conduct adequate oversight over agency contractors resulted in the potential squandering of agency resources.<sup>22</sup>

### Information Security

The extent to which EPA is aware of its contractor workforce's competencies and workload also remains an open question. Previously, GAO found that EPA did not include contractor information in the agency's strategic workplan that is used to guide workforce and budgetary decisions.<sup>23</sup>

In a recent audit to determine whether EPA was fulfilling its reporting requirements under the Federal Information Security Modernization Act, OIG noted that in addition to not providing the Office of Management and Budget with information on the training status for its contractors with significant information security responsibilities, EPA "is unaware of the number of contractors who have significant information security responsibilities"<sup>24</sup>

In a 2015 report, OIG observed that EPA generally lacked awareness of what agency systems utilize cloud services and the Office of Acquisition Management (OAM) did not maintain a database of cloud applications.<sup>25</sup> Further, OIG found that OAM was unaware that EPA's Office of Water utilized a cloud-based service provider to host its Permit Management Oversight System (PMOS) which was registered to a domain that was owned by a prior PMOS contractor.<sup>26</sup> OIG recommended that EPA implement the necessary security safeguards and risk

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<sup>20</sup>Office of Mgmt. & Budget, Agency Profile: Environmental Protection Agency, <https://www.usaspending.gov/transparency/Pages/AgencySummary.aspx?AgencyCode=6800> (last visited Aug. 28, 2017).

<sup>21</sup> OIG, *supra* note 18.

<sup>22</sup> See, U.S. Environmental Protection Agency, Office of Inspector General, *EPA's Background Investigation Support Contracts and OPM Billings Need Better Oversight and Internal Controls*, Report No. 16-P-0078, Dec. 2015, available at <https://www.epa.gov/sites/production/files/2015-12/documents/20161214-16-p-0078.pdf>; see also, U.S. Environmental Protection Agency, Office of Inspector General, *Call Center: Contract Management Needs Improvement to Reduce the Risk of Overbilling*, Report No. 15-P-0042, available at <https://www.epa.gov/sites/production/files/2015-09/documents/20141223-15-p-0042.pdf>.

<sup>23</sup> U.S. Gov't Accountability Office, *Interior, EPA, and the Forest Service Should Strengthen Linkages to Their Strategic Plans and Improve Evaluation*, GAO-10-413, available at <http://www.gao.gov/assets/310/302616.pdf>.

<sup>24</sup> U.S. Environmental Protection Agency, Office of Inspector General, *EPA Lacks Processes to Validate Whether Contractors Receive Specialized Role-Based Training for Network and Data Protection*, Report No. 17-P-0344, July 2017, available at [https://www.epa.gov/sites/production/files/2017-07/documents/\\_epaog\\_20170731-17-p-0344.pdf](https://www.epa.gov/sites/production/files/2017-07/documents/_epaog_20170731-17-p-0344.pdf).

<sup>25</sup> U.S. Environmental Protection Agency, Office of Inspector General, *EPA Needs to Improve the Recognition and Administration of Cloud Services for the Office of Water's Permit Management Oversight System*, Report No. 15-P-0295, Sept. 2015, available at <https://www.epa.gov/sites/production/files/2015-09/documents/20150924-15-p-0295.pdf>.

<sup>26</sup> *Id.*

assessments to protect its cloud-based enterprises from outside threats.<sup>27</sup> However, this recommendation has remained unimplemented for nearly two years. Failing to adequately monitor access to the agency's critical information systems and conduct necessary threat assessments represents a significant security concern and has the potential to impede the agency's ability fulfill its mission.

### Grant Management

For the past decade, investigations and reports by GAO and OIG have uncovered waste and mismanagement in EPA's grant programs.<sup>28</sup> This is particularly troubling because grants comprise almost half of EPA's budget, approximately \$4 billion annually.<sup>29</sup> In 2016, GAO found that EPA's grant monitoring practices may impact the agency's ability to efficiently monitor results and increase administrative costs.<sup>30</sup> GAO also found that because grant recipients "submit performance reports in a written format, there are no built-in quality controls to ensure these reports' consistency with EPA's environmental results directive."<sup>31</sup> EPA has not implemented any of the six recommendations from the report, including GAO's recommendation to standardize the format of grant recipient progress reports.<sup>32</sup>

More recently, a January 2017 GAO report noted that while EPA's ability to manage its grants portfolio depended primarily on grant specialists and project officers, the agency did not have the information it needed to allocate grants management resources in an effective and efficient manner.<sup>33</sup> Among the recommendations EPA has not implemented is the development of an agency-wide process to collect and analyze data on grant management workloads and reviewing project officer critical skills.<sup>34</sup> To date, all six recommendations are still open.<sup>35</sup>

## III. ISSUES

The following issues may be examined at the hearing:

- Could any of the unimplemented recommendations impact EPA's response to a natural disaster?

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<sup>27</sup> *Id.*

<sup>28</sup> See U.S. Environmental Protection Agency, Office of Inspector General, *When Good Money Goes Bad: True Stories of Grant Fraud at EPA* (2009), available at [https://www.epa.gov/sites/production/files/2015-09/documents/epa\\_oig\\_grant\\_fraud\\_brochure.pdf](https://www.epa.gov/sites/production/files/2015-09/documents/epa_oig_grant_fraud_brochure.pdf); see also U.S. Gov't Accountability Office, *EPA has Opportunities to Improve Planning & Compliance Monitoring*, GAO-15-618, Sept. 2015, available at <http://www.gao.gov/assets/680/672008.pdf>.

<sup>29</sup> GAO, *supra* note 5.

<sup>30</sup> U.S. Gov't Accountability Office, *EPA Could Improve Certain Monitoring Practices*, GAO-16-530, July 2016, available at <http://www.gao.gov/assets/680/678426.pdf>

<sup>31</sup> *Id.*

<sup>32</sup> *Id.*

<sup>33</sup> U.S. Gov't Accountability Office, *EPA Partially Follows Leading Practices of Strategic Workforce Planning & Could Take Additional Steps*, GAO-17-144, Jan. 2017, available at <http://www.gao.gov/assets/690/681988.pdf>.

<sup>34</sup> *Id.*

<sup>35</sup> *Id.*

- What common themes did GAO and OIG find when reviewing EPA programs?
- How could EPA more quickly implement recommendations that appear easily fixable?
- Why does it take about four years for most recommendations to be implemented?
- Why has EPA failed to make improvements managing its workforce?

#### **IV. STAFF CONTACTS**

If you have any questions regarding this hearing, please contact Lamar Echols or Christopher Santini of the Committee staff at (202) 225-2927.