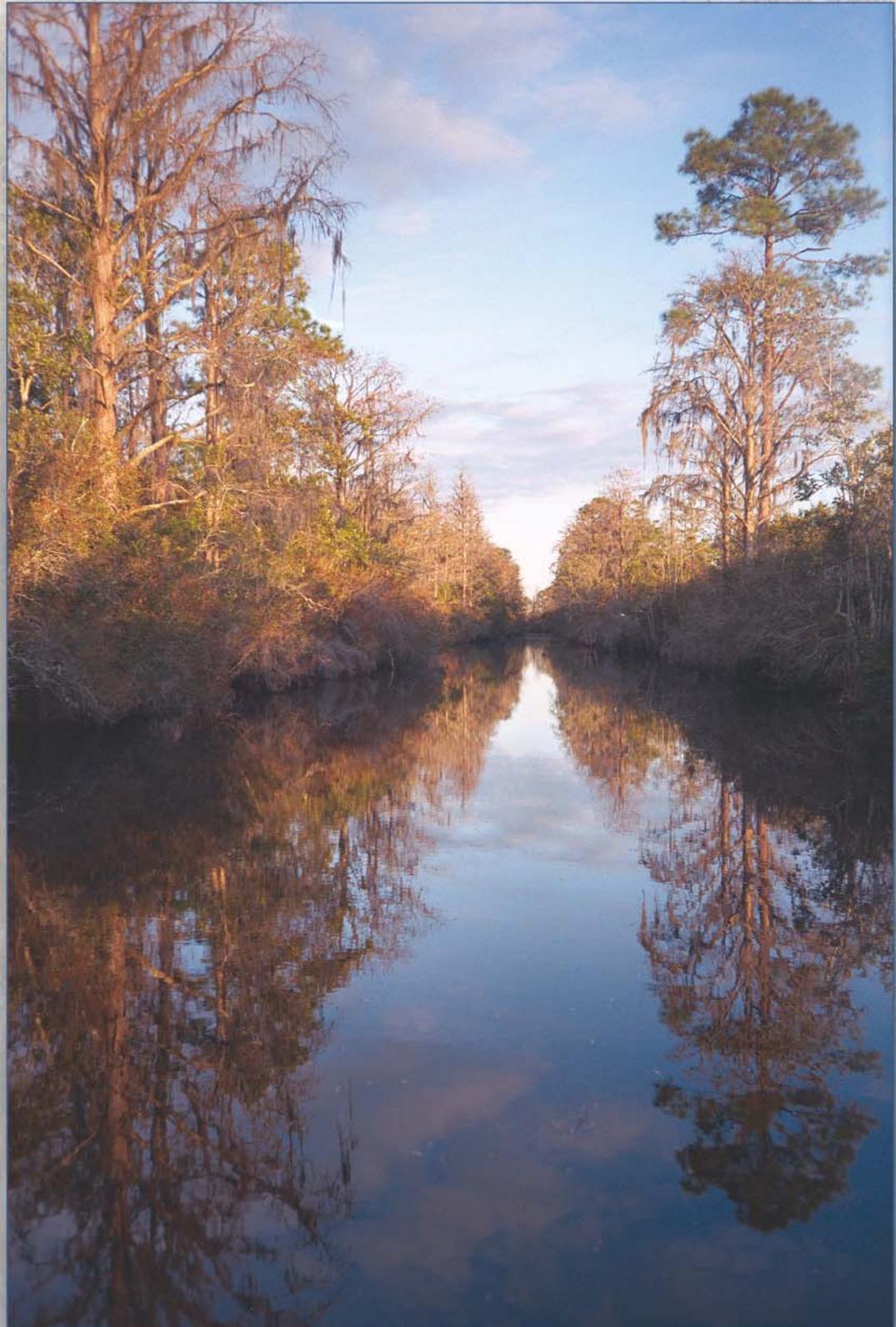




U.S. Environmental Protection Agency Fiscal Year 2001 Annual Report



MISSION

The mission of the U.S. Environmental Protection Agency is to protect human health and to safeguard the natural environment—air, water, and land—upon which life depends.

EPA's purpose is to ensure that:

All Americans are protected from significant risks to human health and the environment where they live, learn and work.

National efforts to reduce environmental risk are based on the best available scientific information.

Federal laws protecting human health and the environment are enforced fairly and effectively.

Environmental protection is an integral consideration in U.S. policies concerning natural resources, human health, economic growth, energy, transportation, agriculture, industry, and international trade; and these factors are similarly considered in establishing environmental policy.

All parts of society—communities, individuals, business, state and local governments, tribal governments—have access to accurate information sufficient to effectively participate in managing human health and environmental risks.

Environmental protection contributes to making our communities and ecosystems diverse, sustainable and economically productive.

The United States plays a leadership role in working with other nations to protect the global environment.

STRATEGIC GOALS*

1. Clean Air
2. Clean and Safe Water
3. Safe Food
4. Preventing Pollution and Reducing Risk in Communities, Homes, Workplaces, and Ecosystems
5. Better Waste Management, Restoration of Contaminated Waste Sites, and Emergency Response
6. Reduction of Global and Cross-Border Environmental Risks
7. Expansion of Americans' Right to Know About Their Environment
8. Sound Science, Improved Understanding of Environmental Risk, and Greater Innovation to Address Environmental Problems
9. A Credible Deterrent to Pollution and Greater Compliance with the Law
10. Effective Management

* Reflects 1997 Strategic Plan goal language, under which FY 2001 performance was conducted. Goal language has since been updated.

MESSAGE FROM THE ADMINISTRATOR

I am pleased to provide the United States Environmental Protection Agency's FY 2001 Annual Report, which gives a comprehensive look at the Agency's program and financial performance for the past fiscal year. I believe the report will help Congress and the public assess the Agency's progress in protecting human health and the environment and using taxpayer dollars wisely.

I take pride in the achievements of the Agency in FY 2001. In particular, the Agency's leadership role in the aftermath of the September 11th terrorist attacks in New York City and at the Pentagon demonstrated the importance and effectiveness of our emergency response capabilities. We continue this work today, providing expertise on cleanup methods for hazardous materials and help with environmental monitoring at the site of the attacks and at locations affected by anthrax bioterrorism. In addition, EPA plays a vital role in the government-wide homeland security effort to prevent and prepare for future attacks by helping to improve our ability to respond to chemical and biological incidents and protect our water infrastructure.

In addition to these high-profile response efforts, the Agency continued its other core work to protect human health and the environment, and we have advanced these goals through effective management of the Agency and its resources. As a result, more citizens than ever before are enjoying the benefits of a cleaner environment.

Within the Agency, we are working to strengthen the use of environmental and performance information in annual and long-term planning and priority setting, focusing resources on areas of greatest concern and managing our work to achieve measurable results. Serving as the baseline for planning, a thorough review of our results helps us and our partners to determine where we are making progress and identify where we may need to adjust our strategies. My overall assessment of our FY 2001 performance is that we are on track to meet our longer-term goals and objectives, and that we are learning from both successes and challenges and making necessary adjustments.

Much of the progress described in the report is a direct result of contributions by our federal, state, local, and tribal partners. Ensuring strong and creative partnerships was a significant focus in FY 2001, and it continues to be a top priority. As a former Governor, I know the importance of providing opportunities for flexibility and innovation to solve local problems in addition to achieving national results. Toward this end, I will continue to support programs such as the brownfields redevelopment initiative, which has demonstrated that effective partnerships can result in both economic benefits and environmental results.

Later this year, the Agency will issue its first "State of the Environment" report, which will bring together a range of indicators to describe the condition of critical environmental and human health concerns nationwide. To some extent, this information will build on and complement the program performance and trend data presented in this report. In addition, the development of a broader set of indicators should help us to set better goals, establish more accurate baselines, communicate our results more effectively to the public, and, ultimately, provide for stronger protection of human health and the environment.

In closing, I would like to thank the American people for their continued support for achieving a cleaner environment. It is to the people that we are ultimately accountable, and I know that by working together, we are certain to accomplish our goal of cleaner air, purer water, and better protected land.



A handwritten signature in black ink, reading "Christine T. Whitman".

Christine Todd Whitman
Administrator

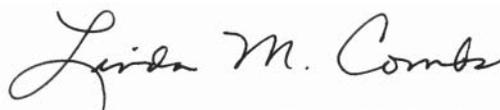
MESSAGE FROM THE CHIEF FINANCIAL OFFICER

EPA's consolidated Annual Report for FY 2001 presents a comprehensive picture of the Agency's environmental and financial performance. This format, which addresses a number of reporting requirements as allowed under the Reports Consolidation Act of 2000, brings together information on the Agency's use of public resources to solve environmental problems, and the results of environmental programs supported by those resources. Americans value a clean and safe environment and have the right to know how EPA uses taxpayer resources to help attain cleaner air, purer water, and safer land. EPA has combined its performance report with its audited financial statements to provide a full public accounting of the Agency's environmental and fiduciary activities for the year.

Readers of EPA's Annual Report for FY 2000 were especially generous with their suggestions for improvements we could make to future reports. Among our partners and stakeholders who took the time to provide feedback, I would like to thank, in particular, numerous representatives of state and tribal governments and our colleagues in the Executive and Legislative Branches. These reviewers and others gave us many specific recommendations to make our Annual Report more useful to the public, more descriptive of the results of our work, and more forceful in presenting environmental results as the fruit of partnerships across the country and across governments. As a result, this Annual Report better expresses the progress being made toward strategic goals and objectives, and contains many more links to internet web sites for readers seeking additional information on a wide variety of topics. We believe this Report describes in straightforward terms some of the principal environmental benefits that EPA-supported programs provide to the American public.

This year, while we are working on today's environmental problems and planning for those of the future, we will also be continuing our efforts to measure and describe results in ways that make sense to the public. We welcome your suggestions for how we can make our Annual Report for 2002 more interesting, informative, and useful to readers. We invite your comments via postal or electronic mail at the addresses provided on the last page of this Report.

Thank you for your interest in EPA's work and your support for the efforts of all government agencies, at federal, state, tribal, and local levels, to protect America's environment. At EPA, we are proud of our record of service to the American people and dedicated to achieving, with our many partners, even more positive results in the year to come.



Linda M. Combs
Chief Financial Officer



EPA'S FY 2001 ANNUAL REPORT

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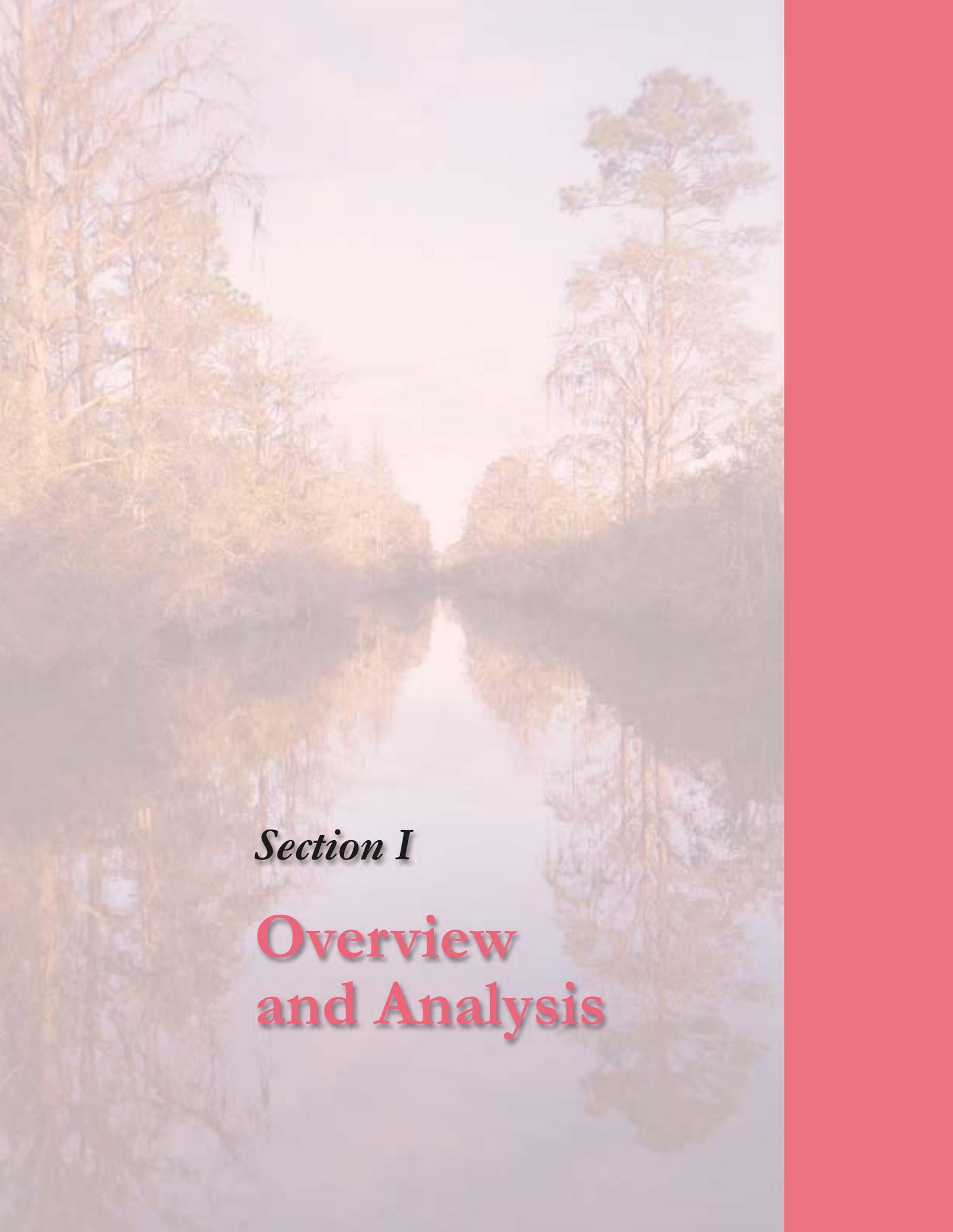
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Section I

**Overview
and Analysis**

OVERVIEW AND ANALYSIS

INTRODUCTION

The mission of the U.S. Environmental Protection Agency (EPA) is to protect human health and to safeguard the natural environment—air, water, and land—upon which life depends. The Agency is committed to making America’s air cleaner, water purer, and land better protected and to working closely with its federal, state, tribal, and local government partners; with citizens; and with the regulated community to accomplish these goals. To carry out its mission, EPA has established 10 long-term strategic goals that identify the environmental results the Agency is working to achieve and reflect the sound financial and management practices it intends to employ. Each year, as required under the Government Performance and Results Act (GPRA), the Agency develops an annual plan that translates these long-term goals and objectives into specific actions to be taken and resources to be used during the fiscal year. EPA is accountable to the American people for making progress toward its long-term goals by achieving these annual performance goals (APGs) and using taxpayer dollars efficiently and effectively to do so.

To manage its work and resources most effectively to achieve measurable environmental results, for the past 3 years EPA has linked its long-term and annual planning, budgeting, financial accounting, and performance reporting. For example, EPA has structured its strategic plan to encompass the full scope of its workforce and resources and has restructured its budget and finance processes to mirror strategic goals and objectives. To this end, the Agency’s strategic goals include both environmentally oriented goals, such as Clean Air and Safe Water, and functional goals, such as Sound Science and Effective Management, which are critical to achieving environmental and human health outcomes. Linking planning, budgeting, and finance helps EPA to focus resource management on the environmental and human health results to be achieved, provides longer term perspective and continuity for budgeting, and reinforces the importance of financial stewardship and fiscal integrity in achieving the Agency’s mission. As a result, EPA can demonstrate to Congress and the public how taxpayer dollars are applied across the Agency’s strategic goals to support the achievement of environmental results.

EPA’s *Fiscal Year 2001 Annual Report* demonstrates the Agency’s accountability to Congress and the American people. First, the *Report* describes the progress that EPA—working with its federal, state, tribal, and local government partners—made toward the annual performance goals established in its Fiscal Year (FY) 2001 Annual Plan and toward its longer range strategic goals. Next, it discusses major management challenges EPA faced during the year and presents the Agency’s approaches, solutions, and accomplishments. Finally, after summarizing EPA’s financial activities and achievements, it presents the annual financial statements, a portrayal of the Agency’s financial position independently audited by EPA’s Inspector General.

This Overview and Analysis, which addresses requirements for a “Management’s Discussion and Analysis” of the annual financial statements component of the *Fiscal Year 2001 Annual Report*,¹ is intended to provide a broad view of EPA’s performance and fiscal accountability over the year. In discussing performance results, it focuses on accomplishments that contributed to environmental achievements, particularly under EPA’s Goals 1 through 6. The goal chapters that follow in Section II provide a more extensive discussion of progress and achievements under all goals. The Overview and Analysis also presents approaches and tools the Agency is using to improve results, reviews EPA’s financial accomplishments, and discusses significant factors that might affect future Agency operations.

PERFORMANCE RESULTS

During FY 2001 EPA, working with its federal, state, tribal, and local government partners, continued to make significant progress toward a healthier environment—cleaner air, purer water, and better protected land. The discussion that follows briefly describes results achieved over the past fiscal year: it

¹ Because the *Fiscal Year 2001 Annual Report* consolidates a number of specific reports, some required components of the “Management’s Discussion and Analysis” are presented in greater detail elsewhere in this report. In particular, EPA’s mission statement and long-range goals appear at the front of the report and an EPA organization chart is included as Appendix C. For a discussion of the Agency’s performance goals, objectives, and results, refer to Section II. Management accomplishments and challenges are discussed in Section III. Financial statements, along with a discussion of systems, controls, and legal compliance, are presented in Section IV.

highlights environmental achievements, notes Agency accomplishments in improved management and other functions, aggregates performance results in terms of annual performance goals met and missed, and discusses performance issues and concerns.

Environmental Accomplishments

Under EPA's Clean Air goal, the Agency and its partners continued to improve air quality and to protect the health of all the public, including sensitive populations such as asthmatics, children, and seniors, from the hazards of air pollution. Since the Clean Air Act Amendments of 1990 EPA and its partners have dramatically reduced air pollution from mobile and stationary sources to meet the National Ambient Air Quality Standards (NAAQS) and have reduced acid rain and toxic air pollution to safeguard public health and the environment. Sulfur dioxide (SO₂) and nitrogen oxide (NO_x) gases, for example, form fine particles that, when inhaled, contribute to premature mortality, chronic bronchitis, and other respiratory problems and, in the environment, form haze resulting in decreased visibility.

During FY 2001 people who lived in all counties in which concentrations of nitrogen dioxide (NO₂) or SO₂ were measured breathed air that met NAAQS for these pollutants. Today all areas of the country are in attainment for NO₂; compared to 1990, fewer than half as many people live in counties where monitored air quality exceeds the NAAQS for carbon monoxide; and only 1.5 million people live in counties where lead levels exceed the NAAQS. In terms of ozone, air quality continues to improve: nearly half the areas out of attainment with the 1-hour NAAQS for ozone in 1991 have been brought into attainment and have approved maintenance plans.

In FY 2001 EPA issued far-reaching rules that will dramatically reduce pollution from heavy-duty trucks and buses and cut sulfur levels in diesel fuel, thereby providing the cleanest running heavy-duty trucks in history. These vehicles will be 90 percent cleaner than today's trucks and buses, resulting in an annual reduction of 2.6 million tons of NO_x emissions by calendar year 2030. In addition, during calendar year 2000 EPA's Acid Rain Program controlled annual SO₂ emissions from utility sources to 11.2 million tons. Compared to the 17.5 million tons released in 1980, this reduction represents a decrease of 6.3 million tons

in annual emissions and puts the Agency well on the way to achieving its 2010 goal of reducing SO₂ emissions to 8.5 million tons per year. Further, the Acid Rain Program reduced annual NO_x emissions from coal-fired utility sources by more than 2 million tons below those that would have occurred in the absence of the Clean Air Act Amendments of 1990. In the area of air toxics, as of FY 2001 emissions from area, mobile, and stationary sources had decreased by 35 percent from the 1993 baseline of 4.3 million tons.

During FY 2001 EPA continued its work to ensure that all people have drinking water that is clean and safe to drink; that the Nation's rivers, lakes, wetlands, aquifers, and coastal and ocean waters are healthy; and that watersheds and aquatic ecosystems will be restored and protected. Although population growth, as well as urban and rural nonpoint source pollution, continues to challenge the capability of community water systems to provide safe drinking water, in FY 2001, 91 percent of people served by community water systems received water that complied with all health-based standards. In addition, during FY 2001 drinking water facilities completed 469 infrastructure improvement projects to help maintain this high level of public health protection.

Ensuring protection of America's land unites a variety of efforts under a number of the Agency's strategic goals. Throughout FY 2001 EPA worked closely with its federal, state, tribal, and local government partners to ensure that the public has food that is safe to eat and are protected from health threats posed by pesticide residues. The Agency expanded the availability of reduced-risk pesticides and alternatives to organophosphates to reduce health and environmental risks from pesticide use while maintaining the vigor of the country's agricultural production. In addition to preventing pollution from pesticides and other chemicals, the Agency continued its work to reduce risk in communities, homes, workplaces, and ecosystems. Culminating more than 5 years of work, in FY 2001 the Agency promulgated the Lead Hazard Rule, which defines specific levels of lead in dust and soil to be considered "lead-based paint hazards." EPA estimates that, as response actions are taken in homes that exceed these standards, approximately 46 million children will benefit from reduced exposure to lead in paint, dust, and soil over the next 50 years.

Critical to protecting the Nation's land are better waste management, restoration of contaminated sites,

and rapid and effective response to waste-related or industrial accidents and emergencies. In FY 2001 EPA's Emergency Response Program responded rapidly and effectively to the terrorist incidents of September 11 and to subsequent acts of bioterrorism. EPA employees were on the ground within hours of the attacks at the World Trade Center and the Pentagon, monitoring for contamination, assisting with waste management, advising on cleanup and decontamination, and providing information to the public. At the World Trade Center, EPA assumed the lead role for coordination of the federal hazardous materials response. When outbreaks of anthrax bioterrorism occurred in early October 2001, EPA response personnel were among the first on the scene. They led the effort to clean up and decontaminate six post offices in Florida and four Congressional office buildings in Washington, DC—the Ford, Longworth, Dirksen, and Hart buildings. Because of their expertise in environmental matters, EPA criminal investigators assisted the Federal Bureau of Investigation in the investigation of the attack.

Apart from these emergency situations, the Agency, working cooperatively with states, tribes, and the regulated community, continued to improve environmental conditions and protect human health by cleaning up hazardous waste sites and seeking to return abandoned or underutilized industrial and commercial properties to productive use. In FY 2001 the Superfund Program achieved 47 construction completions. ("Construction completion" refers to the point at which a site remedy is in place, safeguards prevent the spread of further contamination, and no further cleanup construction is needed.) The Superfund Program also cleaned up 2 million cubic yards of solid hazardous waste and 68,000 gallons of liquid-based waste as a result of removal response actions. The Agency and its partners provided alternative drinking water supplies to 1,000 people at 6 sites. Additionally, EPA cleaned up 302 Superfund removal sites and 19,074 leaking underground storage tanks. From the program's inception through the third quarter of FY 2001, EPA's Brownfields Program, one of the Agency's most successful public partnerships, leveraged more than \$3.73 billion in public and private investments and helped create more than 17,000 jobs in cleanup, construction, and redevelopment.

EPA continued to work with other nations and to lead multilateral efforts to reduce global and cross-

border environmental risks. For example, the Agency and its partners made significant progress in protecting and improving environmental conditions in the Great Lakes region, removing or containing more than 400,000 cubic yards of contaminated sediments in FY 2000²; releasing the *State of the Great Lakes 2001* report, for which more than 50 governmental and nongovernmental entities used 33 indicators to assess the health of the Great Lakes; and demonstrating glass furnace technology on 70 tons of Fox River sediment near Green Bay, Wisconsin. (Glass furnace technology destroys organic contaminants and immobilizes inorganic metals in a glass matrix that can then be used as construction fill or for other beneficial uses.)

Results reported in FY 2001 demonstrate that EPA's voluntary ENERGY STAR program, methane outreach programs, and High Global Warming Potential (HGWP) environmental stewardship program have increased the penetration of energy-efficient products into the marketplace through effective program planning, implementation, and outreach to manufacturers and consumers. The ENERGY STAR label, for example, has become a national symbol for energy efficiency recognized by more than 40 percent of the people. These voluntary programs yield an immediate impact on environmental improvement. In results reported in FY 2000, actions taken through EPA's voluntary climate programs such as ENERGY STAR have saved consumers and businesses more than \$8 billion on their energy bills and saved 74 billion kilowatt-hours and more than 10,000 megawatts of peak power. In addition, emissions of almost 160,000 tons of smog-forming NO_x were prevented in 2000, equivalent to the annual emissions from more than 100 power plants.

Finally, EPA's ongoing efforts to promote and monitor compliance and to enforce environmental statutes and regulations continued to advance results in environmental and human health protection. For example, in FY 2001 EPA reached settlements with four major petroleum refiners to resolve significant areas of noncompliance with the Clean Air Act. The settlements, adding pollution controls and operation changes at 27 separate refineries representing approximately 28.8 percent of the Nation's domestic

² During FY 2001 new FY 2000 performance data became available for several EPA programs for which there were delayed reporting cycles or targets set beyond FY 2000. These FY 2000 data represent the Agency's latest results information; FY 2001 data will become available in spring 2002.

refining capacity, will result in an estimated annual reduction of 87,000 tons of SO_x, 49,500 tons of NO_x, 8,220 tons of volatile organic compounds, and 2,100 tons of particulate matter (PM). In addition, the companies will spend \$12 million in a variety of Supplemental Environmental Projects (SEPs) to improve the environment. The SEPs will provide a variety of environmental benefits, including dissemination of information to the public about local environmental issues, additional ambient monitoring, and increased facility controls. One creative SEP will support an effort to reduce emissions from school buses, while another will provide for enhanced public access to permit and compliance information.

Other Agency Accomplishments

To carry out its mission and achieve environmental and human health results, EPA must function effectively as an organization, serve the public responsively and efficiently, work well with its partners and stakeholders, and make the most of its resources—such as quality environmental information and sound science—to inform decision making and advance its efforts. During FY 2001 EPA expanded its multiyear planning to address all major research programs and to allow better assessment of progress toward its strategic research objectives. The Agency continued to improve the collection, quality, and availability of environmental information and to develop and apply the best available science, an improved understanding of environmental risk, and greater innovation to detect emerging risks and to address environmental problems. For example, for EPA's on-line Integrated Risk Information System, the Agency completed or updated seven consensus human health assessments that describe the potential impacts of various chemicals found in the environment. This information will be used for hazard and dose-response evaluations in risk assessments across EPA, at the state level, and by the public and will provide information critical to developing EPA's regulatory standards and making site cleanup decisions. Similarly, in FY 2001 EPA completed a 5-year pilot of the Environmental Technology Verification program, through which the Agency can provide verified, commercial-ready technologies that eliminate, minimize, or control high-risk pollutants from multiple sectors.

In the area of improved management, EPA's most significant accomplishments reflect strides in strategic management of resources, as the Agency prepared to

address the President's Management Agenda. Specifically EPA developed a human capital strategic plan, "Investing in Our People: EPA's Strategy for Human Capital, 2001 through 2003." In preparing the plan, Agency executives and human resources professionals worked in partnership to fine-tune goals, key strategies, and actions to address human resources. In FY 2001 EPA capitalized on the power of the Internet by implementing electronic processes that allow citizens, grantees, and vendors to transact business with the Agency on-line 24 hours a day, 7 days a week.

Summary of Performance Data

In FY 2001 EPA met 65 percent of the APGs for which data are provided in this report. (EPA committed to a total of 70 APGs in its FY 2001 Annual Plan; however, because data for 9 of these APGs will not be available until FY 2002 or later, they are not included in these tallies.) EPA also made significant progress toward the 20 APGs that were not achieved in FY 2001, and the Agency remains on track to meet the long-term goals and objectives associated with these annual targets.

During FY 2001 new performance data also became available for FY 2000 and FY 1999 APGs for which there were delayed reporting cycles or targets set beyond those fiscal years. EPA now has performance data for five of the nine FY 2000 APGs for which there were delayed reporting cycles or targets set beyond FY 2000. For example, the Agency met its goals for reducing greenhouse gas emissions and restricting consumption of ozone depleting substances. In summary, EPA can now report achievement of 81 percent (56) of the 69 APGs for which it has FY 2000 performance data. In addition, new performance data became available during FY 2001 for three of the seven FY 1999 APGs for which there were delayed reporting cycles or targets set beyond FY 1999. For FY 1999, EPA can now report achievement of 52 of the 65 APGs for which it has performance data. Delays in reporting cycles and targets set beyond the fiscal year continue to affect four FY 2000 APGs and four FY 1999 APGs.

Charts presenting EPA's FY 2001 performance results are provided with each goal chapter in Section II. These charts present performance data for each of the Agency's FY 2001 APGs.

Performance Issues and Concerns

Despite the best efforts of EPA and its partners, the Agency was not able to meet all planned targets for FY 2001. However, the Agency does not expect the shortfall in meeting these APGs to compromise progress toward achieving its long-range goals and objectives. For more than half of the missed APGs, EPA fell only slightly short of the targets and met the cumulative goals.

External factors contributed to over 75 percent of the missed APGs. For example, under its Clean Air goal, EPA sets targets for both the number of areas that will move from nonattainment to attainment for the six principal air pollutants and the number of people who will breathe cleaner air as a result. In FY 2001 EPA anticipated that five areas would request redesignation from nonattainment to attainment for the 1-hour ozone standard; however, only three areas were redesignated. States have been reluctant to request redesignation to the current 1-hour ozone standard as long as legal issues remain to be resolved by the courts concerning the more protective 8-hour standard that will replace the 1-hour standard. Despite this uncertainty, however, EPA and states continue to work together to ensure that areas are striving to meet or are maintaining the current 1-hour ozone standard.

For some missed APGs, shortfalls cannot be attributed to a single reason. For example, under the Agency's Clean Water goal, EPA missed its target for issuing National Pollutant Discharge Elimination System (NPDES) permits for major and minor point sources. NPDES permits reduce or eliminate discharges into the Nation's waters of inadequately treated wastewater from municipal and industrial facilities and of pollutants from urban storm water, combined sewer overflows, and concentrated animal feeding operations. In FY 2001 the Agency and its partners exceeded the target for permitting minor point sources, achieving 75 percent of a planned 66 percent; however, permits issued covered only 75 percent of the targeted 89 percent of major point sources. Many factors contributed to the permit backlog and missed target, including permit appeals and challenges, states' lack of or redirection of resources, newly adopted water quality standards that are increasingly comprehensive and more stringent, and the need to integrate individual permits with watershed and other planning processes.

In many cases, missed APGs represent "near misses." One such example falls under the Agency's leaking underground storage tank (LUST) program, which is responsible for cleaning up releases from underground storage tank systems containing gasoline, other petroleum products, or hazardous substances. In FY 2001 EPA and its state partners completed 19,074 cleanups, for a total of nearly 270,000 cleanups since FY 1987. The FY 2001 target of 21,000 LUST cleanups was not met, however, because of the increasing complexity of sites where contaminated groundwater has migrated off-site or which require groundwater cleanup. In addition, many cleanups were complicated by the presence of the contaminant methyl tertiary butyl ether (MTBE), a gasoline additive. These factors have resulted in longer-than-expected cleanup times and higher-than-expected cleanup costs at LUST sites.

In all, EPA and its partners did not meet 20 of the 61 APGs for which performance data are currently available. These APGs are associated with 7 of EPA's 10 strategic goals. The Agency is considering the varied causes of these shortfalls—legal issues; implementation of new, more stringent regulations or requirements; redirection or shortages of staff and resources; unforeseen technical complexities in cleanup or remediation processes; and other factors—as it adjusts its work and APGs for FY 2002 and proceeds to plan and set priorities for FY 2003 and beyond. The performance data charts included in Section II provide more complete information on these missed targets and discuss the progress the Agency has made toward its goals.

IMPROVING RESULTS

During FY 2001 EPA continued to sharpen its focus on achieving results and improving performance. In August 2001 the Agency launched an effort to examine a number of its current management practices—including priority-setting; planning and budgeting; and performance tracking, measuring, and reporting—with an eye toward strengthening these processes and improving the way the Agency works with its partners to focus resources on areas of greatest concern and achieve better results. In addition, the Agency continues to advance its work by strengthening its partnerships, further developing its capability to

conduct and apply the results of program evaluation activities, improving performance tracking and measurement, addressing data quality issues, and looking ahead to anticipate future trends and issues.

Strengthening Partnerships

The advances in protection of human health and the environment made over the past year and discussed in the goal chapters that follow would not have been possible without the participation and collaboration of the Agency's federal, state, and tribal partners. During FY 2001 EPA worked in particular to strengthen its partnership with states and tribes to focus on environmental results and make more effective use of collective resources. In spring 2001, for example, states and tribes participated in the Agency's FY 2003 planning and priority-setting process and in a May "lessons learned" forum on improving the Agency's annual performance report.

In August 2001 Administrator Christine Todd Whitman initiated an effort to advance EPA-state performance partnerships under the National Environmental Performance Partnership System (NEPPS). Within the limits of its statutory and regulatory authorities, EPA is working to provide the states with as much flexibility as possible to address state priorities and achieve the greatest environmental results. During FY 2001 EPA Regional Administrators began to meet individually with state leaders to maximize the opportunities available through negotiation of performance partnership agreements and grants. Discussions focused on the flexibility available under performance partnerships, creating additional incentives for participation, and the testing of better measures of program performance. In FY 2001 EPA also began to consult closely with states on two new initiatives to promote achievement of environmental results: designing a strategy for developing and applying innovative approaches ("Innovating for Better Environmental Results") and developing an "Information Agenda" that will establish a strategic vision and goals for the role of information in environmental programs in the coming years.

EPA also continues to work closely with tribal governments to identify priorities for Indian Country, to improve management of environmental issues, and to develop tribal capability to implement environmental programs. EPA's Indian Program involves significant

cross-Agency and multimedia activities designed to ensure that the Agency's trust responsibility to federally recognized tribes is carried out.

In July 2001 Administrator Whitman met with the Tribal Operations Committee to reaffirm the Agency's Indian Policy and the Tribal Operations Committee Charter. The Indian Policy outlines the Agency's firm commitment to principles that promote partnerships with tribes as an integral part of EPA's system to carry out its mission of environmental protection. The re-signing of the Tribal Operations Committee Charter further demonstrates the Administration's support for EPA-tribal government partnerships. EPA is committed to ensuring protection of the environment and human health in Indian Country in a manner that is consistent with the government-to-government relationship and conserves cultural use of natural resources.

EPA also continued to collaborate closely with other federal agencies on a variety of efforts, from research and development projects to the design and implementation of cooperative programs to advance protection of the environment and human health. For example, under the Agency's National Coastal Assessment Program, EPA, the U.S. National Oceanic and Atmospheric Administration, and U.S. Geological Survey laboratories in the Southern Atlantic and Gulf of Mexico regions worked with the Delaware River Basin Committee and 24 of 26 coastal-marine states and tribes to assess the condition of the Nation's coastal resources. In another joint effort to develop information and analytical methods that will improve EPA's economic analyses of its policies and regulations, the Agency worked with the National Science Foundation on solicitations designed to support economic research in a number of key areas.

Apart from such research initiatives, EPA continued to develop and implement environmental programs in partnership with its sister agencies. An important area of collaboration, for example, involves the cleanup of federal sites. During FY 2001 EPA worked with the U.S. Department of Defense, the U.S. Department of Energy, and other federal agencies to complete construction at 3 Superfund sites, to complete cleanups at 28 removal sites, and to sign 4 interagency agreements to obtain enforceable cleanup commitments. In the area of protecting human health, EPA and the U.S. Food and Drug Administration (FDA) developed a national advisory for children and women of childbearing age

on mercury in commercial and noncommercial fish. EPA and FDA, in cooperation with the Centers for Disease Control, distributed the advisory throughout the U.S. medical community.

Examples of significant partnership efforts with federal agencies, states, tribes, and local governments are highlighted in the individual goal chapters in Section II.

Using Program Evaluation

During FY 2001 EPA made significant strides in building Agency-wide capability to conduct program evaluation and fostering the use of program evaluation as a management tool for continuous improvement. These efforts will help EPA keep pace with the rapidly expanding evaluation activities conducted at the state level and with the emergence of Environmental Program Evaluation as a nationally recognized subdiscipline of program evaluation. For example, in FY 2001 EPA's Office of the Inspector General (OIG) and Office of Research and Development (ORD) participated in a joint pilot program evaluation focused on the Agency's pollution prevention and new technologies research program. The pilot used a "logic model," which allows evaluators to identify relationships among resources, activities, outputs, customers, and outcomes, to assess environmental research within the context of the Agency's strategic goals and objectives. The pilot demonstrated the potential benefits of a partnership approach to program evaluation and pointed out the need to focus on outcomes to identify the impacts of research on long-term environmental results.

To continue to foster such program evaluation efforts, EPA has developed a Program Evaluation Network of more than 50 members who actively promote program evaluation within the Agency. In addition, EPA has accelerated the application of evaluation practice within the Agency by centrally funding internal evaluations on a competitive basis. From the FY 2001 competition, the Agency selected 6 out of 23 proposals for funding, allowing evaluation of a variety of environmental programs. These evaluations are under way and will be reported in the FY 2002 Annual Report.

Improving Environmental Indicators and Performance Measurement

EPA recognizes the need to make greater use of outcome-oriented performance goals and measures. Therefore, the Agency has continued to invest in the development of environmental indicator, monitoring, and management systems that will improve its capability to measure results, plan accordingly, and manage its work to achieve environmental and health outcomes. During FY 2001 EPA initiated a variety of projects to improve performance measurement: conducting training and workshops; preparing analyses to support development of more outcome-oriented goals and measures; benchmarking performance measures used by other agencies with similar functions; and working with its federal, state, tribal, and local government partners and with other stakeholders to improve environmental indicators and measures.

For example, to increase national and state capabilities for strategic monitoring of ecological health, EPA worked with 24 states to complete the first national survey of coastal waters, completed an integrated assessment of the Mid-Atlantic Highlands, and initiated the Western Pilot Study to demonstrate the use of ecological indicators for streams in the 12 western states. Approximately 30 states are evaluating new monitoring designs and a core set of ecological indicators that provide consistent data on quality of the environment and identify changes taking place. Regional vulnerability analyses that use socioeconomic factors to forecast environmental conditions more reliably are being tested in forests in the eastern United States.

In addition, through its Science to Achieve Results competitive research grants, EPA established five Estuarine and Great Lakes Programs at major academic research institutions with coastal expertise. These institutions will work to develop the next generation of environmental indicators for use by the states in assessing the biological health of estuaries and the Great Lakes.

In FY 2001 a cooperative agreement between EPA and Florida State University (FSU) supported the "Chemical and Pesticides Results Measures" project and its first published report. The purpose of the project is to develop a set of environmental outcome indicators and measures for toxic substances, pesticides, and pollution prevention. By working in cooperation with FSU, stakeholders, and the Pollution Prevention

Roundtable, EPA will identify indicators and measures that federal, state, and local agencies; tribal entities; and others will find useful in describing, measuring, and understanding environmental trends and conditions in response to environmental programs. Data generated from this project, targeted to a broad audience of potential users, will be used in improving FY 2002 and FY 2003 annual performance goals and measures. The second phase of the project will provide a foundation for additional work on environmental indicators.

The Agency completed several other indicators projects during FY 2001, including the report *Development, Selection, and Pilot Demonstration of Preliminary Environmental Indicators for the Clean Water State Revolving Fund*. The product of a joint EPA/state work group, the report demonstrated the feasibility of applying a set of 7 environmental indicators to 62 State Revolving Fund projects in 6 states.

Addressing Data Quality Problems

While data quality continues to present a significant management challenge for EPA, the Agency's FY 2001 performance data generally can be considered acceptably reliable and complete, according to criteria established by the Office of Management and Budget (OMB) and discussed in OMB Circular A-11. (See Appendix B for a more complete discussion of data quality issues.) Most of the Agency's performance data are collected in major EPA data systems that are subject to Agency-wide data quality standards and periodic audits for accuracy and completeness. As indicated in Appendix B, some common limitations in the performance data are inconsistencies in data collection methods among multiple data sources; inaccuracies due to imprecise measurement or unrepresentative statistical sampling; and uncertainties associated with survey, voluntarily reported, or modeled data. The Agency is committed to full disclosure of these limitations and is working to make significant improvements in its quality systems. For many measures, EPA relies on states and other external sources for performance data and the quality assurance/quality control protocols already in place. The Agency is making significant efforts to engage its partners in improving detection and correction of data error, standardizing measures, and improving the exchange of electronic data and data quality information.

EPA's performance data used to determine whether APGs have been attained are complete for

most performance measures. (See performance data charts provided with each goal chapter in Section II.) Where performance data are not yet available, Appendix B indicates when complete data are expected.

During FY 2001 EPA undertook several initiatives to improve the quality of environmental data used to support performance measurement. For example,

- In response to the EPA OIG's declaration of laboratory quality systems as one of the Agency's top 10 "management challenges," independent technical assessments of EPA laboratories were conducted to determine whether laboratory operating systems are producing environmental data of known and documented quality. The assessments identified a number of "best practices" that are being shared across the laboratory community.
- EPA worked with the American Council of Independent Laboratories to develop environmental laboratory ethical standards and train public and private sector laboratory staff and managers on ethical conduct.
- EPA developed the Data and Information Quality Strategic Plan which, when implemented, will improve the measurement and quality of the Agency's data and information over the next 5 to 10 years. The plan provides six overarching recommendations: (1) create an Agency-wide information quality network to clarify the roles, responsibilities, and relationships of Agency staff having data quality functions; (2) develop and require the use of standard data quality indicator metadata; (3) improve implementation of quality assurance requirements for grantees; (4) regularly assess and report on standard quality measures throughout the information life-cycle; (5) expand quality training for EPA and grantees; and (6) provide guidelines to improve information use and product development. The plan represents one Agency response to a major management challenge identified by the General Accounting Office and EPA's OIG. (See Section III, "Management Accomplishments and Challenges," for further discussion.) Further Agency responses to this challenge include implementation of the Central Data Exchange (CDX), which allows the seamless, secure exchange of quality data between EPA and

its industrial and governmental partners. Three EPA programs (Toxics Release Inventory, Air, and Drinking Water) now use the CDX.

- EPA adopted a government-wide standard for quality system requirements for contractors and grantees and issued interim guidelines for its use. The Agency is now revising its official policy.
- EPA reviewed 14 organizational Quality Management Plans (QMPs) and approved 9. QMPs, which describe data quality management responsibilities, are required for every EPA organization that collects or uses environmental data. The Agency scheduled follow-up assessments of QMP implementation. EPA also reviewed eight quality systems.
- EPA undertook a formal assessment of Agency-wide, quality-related training needs. The Agency also made progress in improving data quality under specific programs.

While undertaking long-term improvements in data quality, it is important for EPA to disclose the limitations of its data supporting specific goals and measures, as reflected in Appendix B. EPA's long-term strategies—including the *Data and Information Quality Strategic Plan*—will address recognized Agency vulnerabilities in data quality management within and across programs.

Considering Future Trends

Apart from long-standing environmental protection issues, new areas of focus will challenge EPA's ability to look to the future and plan strategically. The future will likely be characterized by increased rates of change and greater uncertainty about the responses of complex biological, ecological, social, and political systems to this rapid change. EPA is exploring ways to keep pace with these developments by looking ahead to gain a better understanding of potential threats to ecological and human health. Issues such as global warming, biotechnology, or threats to biodiversity will require the forging of new cooperative relationships with EPA's federal, state, tribal, and local government partners and with the Agency's stakeholders.

The collective perspective about what actually constitutes “the environment” also is changing. As we begin to appreciate the extent to which humans depend on the ecological systems of the planet, it is becoming

clear that numerous issues, previously thought of as independent of the environment, are in fact connected to it. Human health, the economy, social justice, and national security—particularly in terms of the potential for ecoterrorism—all have important environmental aspects because each is dependent to some degree on the structure, functioning, and resiliency of ecological systems.

In today's world, population growth and the resources consumed to sustain this growth are altering the earth in unprecedented ways. Over the next 25 years, for example, the world's population will grow by nearly 2 billion people, largely in developing areas. By 2025 an estimated 2.7 billion people will live in areas experiencing severe water scarcity, creating a potential for major regional conflicts over water rights. Domestically, growth in the southern and southwestern regions will pose major water management issues: water and wastewater infrastructure maintenance, aquifer depletion, and prevention of surface water contamination.

Further, as the population continues to grow, the Agency's general environmental concerns, such as air quality, are likely to continue. Urbanization of previously underdeveloped areas will potentially generate a greater demand for transportation infrastructure, leading to increases in vehicle miles traveled and emissions of conventional pollutants and greenhouse gases like carbon dioxide.

As EPA looks to the future, it will need to employ innovative approaches and sound science to investigate complex, interdisciplinary problems in environmental protection. The Agency will need to expand its efforts for interagency and international cooperation to address environmental issues on an increasingly global scale. Considering energy efficiency and the impacts of energy use—from global climate change to acid rain and multi-pollutant air emissions—promoting closed-loop manufacturing technologies to prevent or reduce pollution, and encouraging design for the environment are among the strategies the Agency is now exploring.

LOOKING AHEAD

As noted earlier, in August 2001 EPA launched a new effort to examine and strengthen its current management practices to achieve better results. As part of this “Managing for Improved Results” initiative,

during FY 2002 a Steering Group of senior Agency leaders will consider options for improving EPA's strategic planning, annual planning and budgeting processes, performance measurement, and capability to implement results-based management. As a result of this work, the Agency expects both to make incremental changes to its processes and systems and to effect far-reaching reforms that improve the way it works with its partners to achieve environmental results.

The Agency continues to strive toward making more effective use of performance and results information to inform internal planning and decision-making and to inform the public. In FY 2001 EPA initiated an Agency-wide "Environmental Indicators Initiative" to gather the information it needs to evaluate its progress and make sound, strategic decisions. Environmental indicators are used to track and measure the environment's capacity to support human and ecological health. EPA and others will use indicators such as ozone concentrations, nutrient levels exported from watersheds, and blood lead concentrations to describe and assess conditions, stressors, exposure, and response and to show progress toward meeting management or performance goals. In FY 2002 EPA plans to compile the indicators information it collects to develop the Agency's first State of the Environment Report.

Applying Lessons Learned

EPA is using its FY 2001 results to adjust approaches and develop new strategies for FY 2002 and beyond. In some cases FY 2001 performance information has indicated a need to revise existing annual targets. For example, EPA did not achieve its target for Superfund construction completions in FY 2001. Several factors account for the FY 2001 decline in completions including the large size and considerable complexity of remaining sites. Based on this experience EPA is reducing its FY 2002 construction completion target and reevaluating the constraints and complexity of remaining Superfund sites.

On the other hand, based on FY 2001 performance, the Agency expects that in FY 2002 states will be able to complete more drinking water source assessments than anticipated. In this case national targets were originally established when states were in the early

stages of implementing the assessment program and were focused on the preliminary steps necessary to establish source water protection programs (hiring staff, collecting data, setting up databases, presenting plans to the public). Because states have completed these preliminary steps, they will likely undertake source water assessment and prevention activities at a faster pace in the future.

Similarly, EPA has adjusted several of its criteria pollutant targets for FY 2002 based on FY 2001 results. In particular EPA is working with states to ensure that they continue to make progress toward attaining the ozone standard as the Agency continues to develop a policy to make the transition from the 1-hour standard to the 8-hour standard.

In other cases the lessons EPA has learned from its FY 2001 performance, although not specifically affecting goals or targets, will influence program strategies for the future. For example, to achieve clean water, the Agency is continuing to meet its goals for the issuance of effluent limitations guidelines. However, the Agency recognizes as a continuing challenge its capability to adequately document actual loadings reductions given the limited data available. To help address this problem and implement an overall loadings reductions strategy, EPA will take steps in FY 2002 to determine the number of facilities in each major program. This will greatly improve the Agency's capability to model expected reductions and validate these models using the limited data available.

Lessons learned in FY 2001 were similarly helpful in reevaluating the Agency's Great Lakes Program. Preliminary 2001 data show dissolved oxygen concentrations in Lake Erie's central basin to be near the worst observed during the past 5 years, despite international success in reducing phosphorus loadings. To understand and address this puzzling challenge, EPA's Great Lakes Program is shifting program emphasis to develop missing information such as external phosphorus load calculations, to research further the biological effects, to publicize the problem, and to integrate research and management efforts through the Lake Erie Lake Management Plan.

Finally, the unexpected and tragic events of September 11, 2001, have raised new concerns about the safety of the Agency's workforce. Like other federal agencies, in FY 2002 EPA will implement a national initiative to address security vulnerabilities and

risks at all of its facilities. This work might lead to the identification of new performance goals and measures under a number of EPA's strategic goals.

FINANCIAL ANALYSIS

EPA continues to focus on integrating financial information with program performance information to strengthen its planning, analysis, and accountability process. A key goal is to provide program managers with timely and useful cost information and financial analysis to better inform the decision-making process and ensure taxpayer dollars are used effectively and efficiently in protecting the environment and public health.

The financial statements provided in Section IV are one important example of Agency accountability, in that they provide a snapshot of EPA's financial position at the end of the fiscal year. These financial statements are prepared in accordance with established federal accounting standards and audited by EPA's OIG. The discussion that follows is a supplement to the financial statements and describes EPA's resources and how they are used to accomplish the Agency's mission.

FY 2001 Budgetary Resources: EPA Appropriations

Any discussion of finances begins with the appropriations process. An appropriation is a legal authority to spend funds for purposes designated in an appropriations act. Congress appropriates funding for EPA in annual legislation covering appropriations for

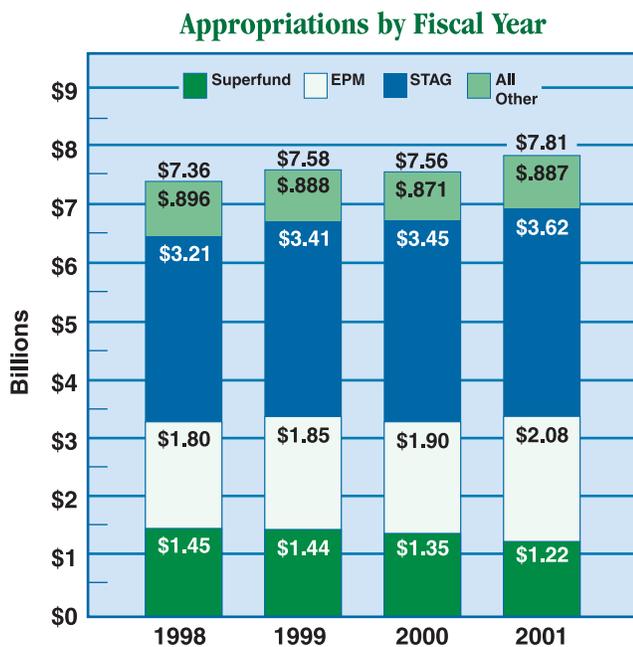
the Department of Veterans Affairs, the Department of Housing and Urban Development, and Independent Agencies. For FY 2001 EPA's appropriated resources totaled \$7.8 billion. As indicated in the chart, three appropriations—Environmental Programs and Management (EPM), State and Tribal Assistance Grants (STAG), and Superfund—continue to make up a substantial portion of the Agency's resources. The EPM appropriation funds most of the Agency's payroll and infrastructure. As its title implies, STAG primarily funds grants to state and tribal partners for carrying out their environmental programs. The Superfund appropriation funds cleanup of abandoned hazardous waste sites. Finally, "All Other" EPA appropriations include funding for Science and Technology, Buildings and Facilities, Office of Inspector General, and a number of smaller appropriation accounts.

Obligations and Costs

For FY 2001 EPA is reporting both obligations and costs incurred in performance of its 10 goals. This presentation should provide a better link between the funds budgeted and the resources actually used to accomplish each goal.

EPA's budget execution can be viewed in two ways: as obligations and as costs. Obligations reflect legal authority and commitments to incur costs on the part of the government. For example, an obligation is recognized when the government awards a contract or a grant. In contrast, costs are recognized when the contractor actually delivers the requested goods or services. By reporting obligations, EPA can show the use of its budgetary resources in terms of contractual commitments made to achieve its environmental goals, and costs measure the obligated resources actually consumed during the reporting period in achieving its goals.

FY 2001 obligations incurred in connection with EPA's 10 goals are presented in the FY 2001 Obligations by Goal chart.³ FY 2001 costs incurred to achieve the Agency's 10 goals total \$8.1 billion and are summarized in the Costs by Goal chart.⁴



³ The total obligations in the chart differ from amounts reported in the Agency's financial statements in Section IV because of different accounting and presentation requirements. The basis for the chart is consistent with Office of Management and Budget (OMB) budgetary guidance, whereas the financial statements are based on generally accepted accounting principles.

⁴ The chart indicates EPA's gross costs. EPA's "net" costs are reported in Section IV, under "Statement of Net Costs." "Net" costs are defined as the gross costs offset by associated exchange revenues, e.g. Superfund cost recoveries and user fees.

FY 2001 OBLIGATIONS BY GOAL

(Dollars in Millions)

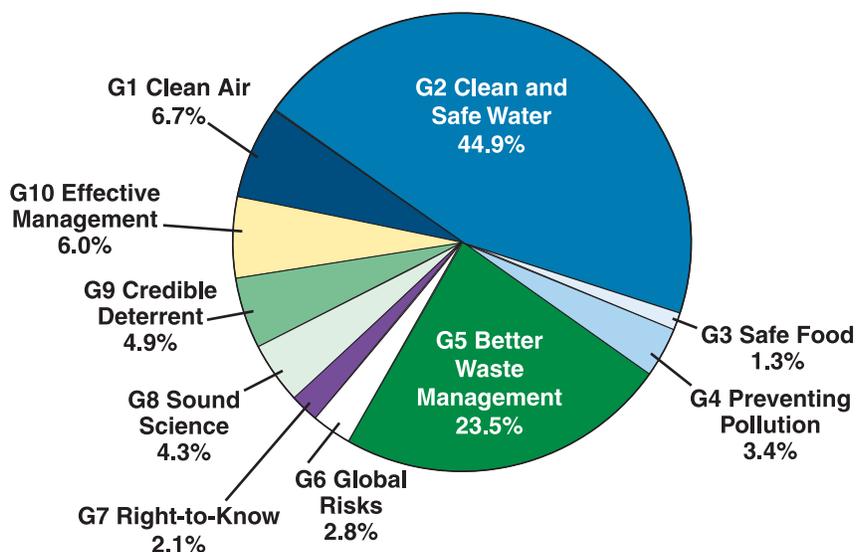
Appropriation	G-1	G-2	G-3	G-4	G-5	G-6	G-7	G-8	G-9	G-10	Reim.	Other	Total
State & Tribal Assistance Grants	218	3,006	0	100	73	127	0	0	72	0	30	0	3,626
All Other	341	574	95	199	274	207	167	337	304	367	268	31*	3,164
Superfund	0	0	0	0	1,354	0	4	3	15	71	136	634**	2,217
TOTAL	559	3,580	95	299	1,701	334	171	340	391	438	434	665	9,007
% of Total	6.21	39.75	1.05	3.32	18.89	3.71	1.90	3.77	4.34	4.86	4.82	7.38	100.00

NOTE: Actual costs are reflected in Section IV - Annual Financial Statements

* The \$31 million for the All Other appropriations row represents transfers from other federal agencies.

** The \$634 million for the Superfund row represents a payment from general revenues to the Hazardous Substance Superfund.

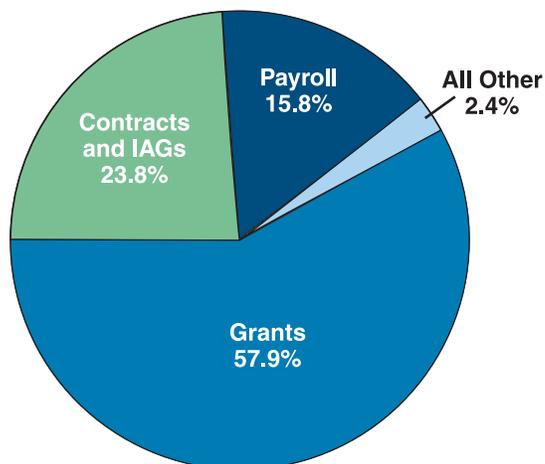
FY 2001 Gross Costs by Goal



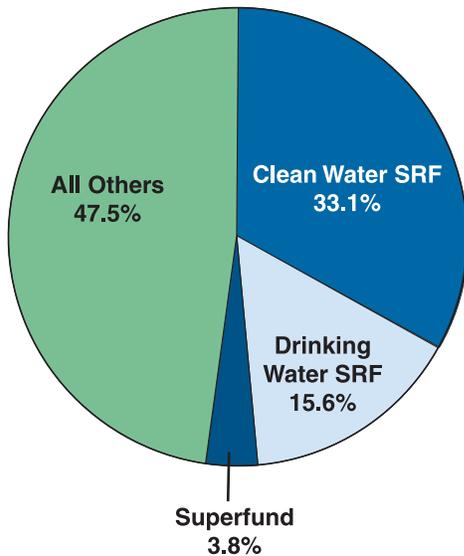
EPA's obligations and costs are largely incurred for services performed outside the Agency. As illustrated in the FY 2001 Cost Categories chart, more than 80 percent of EPA's costs are in the form of contracts or grants.

Most of EPA's costs are associated with grant programs, and nearly half of the Agency's grants are awarded from two state revolving funds (SRFs). The Clean Water SRF (CWSRF) provides assistance for wastewater and other water projects, such as those dealing with nonpoint sources, estuaries, and storm water. The Drinking Water SRF (DWSRF) provides financing for improvements to community water systems to assist compliance with the Safe Drinking Water Act and also allows states to use grant funds for other activities that support their drinking water programs. (See Section II, Goal 2, for more information on the SRFs.)

FY 2001 Cost Categories



FY 2001 Major Grant Categories



Funding for both is awarded as grants to states and tribes, which then make loans to municipalities and other entities for construction of infrastructure projects, purchases of land or conservation easements, and implementation of other water quality activities. Additional funds from state match and leveraged bond proceeds expand the capital available in the SRFs to address priority water quality and public health needs, while loan repayments and earnings ensure funding for these activities far into the future. The flexibility and revolving nature of the SRFs have provided states with a powerful tool to apply needed funding toward their clean water and drinking water infrastructure needs.

Through 2001 CWSRFs have turned \$18 billion in federal capitalization grants into over \$34 billion in assistance to municipalities and other entities for water projects. In recent years CWSRFs have directed \$3 billion to \$4 billion in loan assistance to water projects. Approximately \$200 million of these funds are used each year to prevent polluted runoff, making the CWSRF an effective tool in addressing nonpoint source problems.

Likewise, the newer DWSRFs have turned \$3.6 billion in federal capitalization grants into over \$3.8 billion in loan assistance, of which \$1.3 billion was provided in assistance in FY 2001 alone. States have also used \$576 million of their DWSRF grants to fund other programs and activities that enhance water system management and protect sources of drinking water.

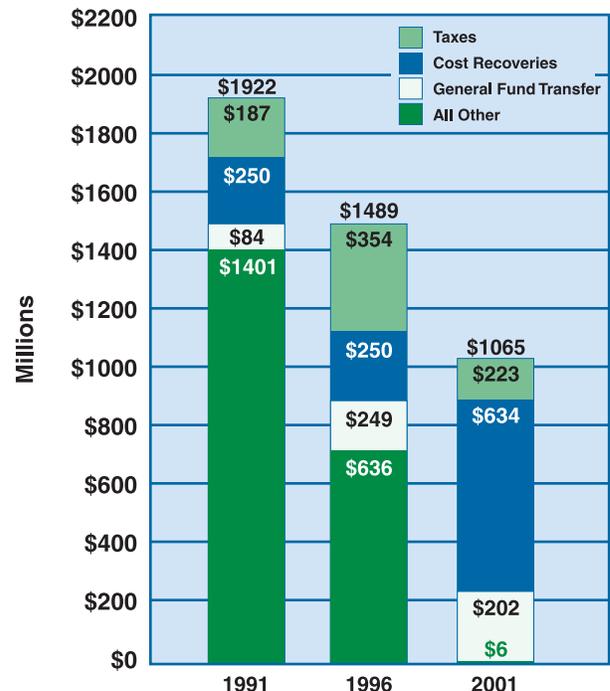
The large dollar volume of these two grant programs is the reason that more than 44 percent of

EPA's costs are incurred in connection with its Clean and Safe Water goal. Other grant programs include categorical assistance to states and tribes, consistent with EPA's authorizing statutes, and research grants to universities and other nonprofit institutions.

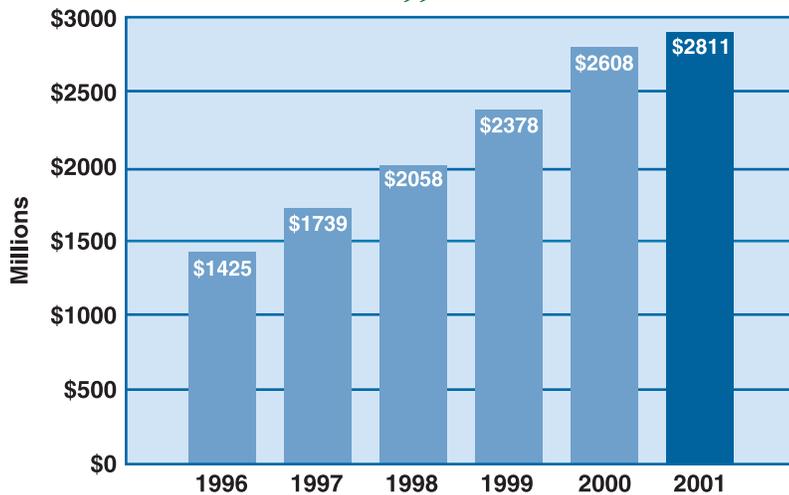
Superfund Financial Trends

The Comprehensive Environmental Response, Compensation, and Liability Act of 1980 (CERCLA) established the Superfund Program and the Hazardous Substance Response Trust Fund, now known as the Superfund. The Superfund Program addresses the remediation of hazardous waste from abandoned sites around the country and emergency response for new spills and other incidents. Prior to FY 1996 the bulk of Superfund financing consisted of special taxes. Although CERCLA has not been reauthorized since it expired in 1995, the Superfund Program continues to operate each year. With CERCLA's expiration, the taxing authority also expired, resulting in a shift of Superfund financing sources as shown in the Cumulative Superfund Trust Fund Cost Recoveries, FY 1996 through FY 2001 chart. Appropriations from general revenues now constitute the largest share of Superfund trust fund revenues. At the same time cost recovery revenues have increased markedly since FY 1991, when the cumulative total stood at \$359 million.

Superfund Trust Fund Revenue Sources



Cumulative Superfund Trust Fund Cost Recoveries FY 1996–FY 2001



Despite declining revenues to the Superfund Trust Fund, special account revenues have continued to grow. Under CERCLA Section 122(b)(3), EPA may retain and use the proceeds it receives under settlement agreements to conduct response actions at Superfund sites. Funds received under these settlements are subsequently placed in interest-bearing, site-specific accounts known as special accounts. Until recently only the future cost (or “cashout”) component could be placed in a special account, and any corresponding past cost (or cost recovery) amounts were deposited in the Superfund Trust Fund. Based on a recent legal opinion by EPA’s Office of General Counsel, however, it was determined that both past and future cost amounts could be placed in special accounts. Combining these amounts will make more resources readily available without an appropriation for EPA-lead site responses and to reimburse responsible parties for response work performed at sites pursuant to settlement agreements with the Agency.

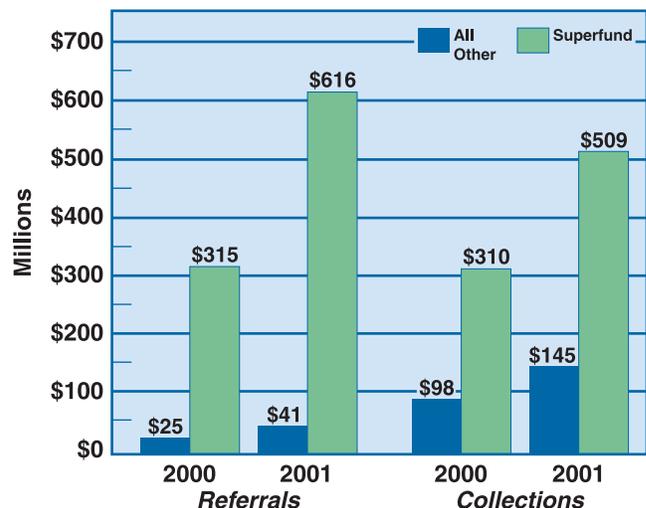
As of September 30, 2001, EPA had established 197 special accounts with \$878 million in receipts. These accounts earned an additional \$135 million in interest. At the end of FY 2001, EPA had disbursed \$326 million from its special accounts and had unliquidated obligations of \$118 million and an unexpended balance of \$569 million.

Accounts Receivable and Debt Management

Improvement in management of the federal government’s debt portfolio has been a concern of Congress in the past decade and is manifested in the 1996 passage of the Debt Collection Improvement Act, which supplemented previous authorities for debt management. EPA’s accounts receivable do not approach the level of other major federal creditor agencies. The Agency, nonetheless, manages a gross debt portfolio that exceeded \$1 billion in each of the past 3 fiscal years.

More than three-fourths of EPA’s accounts receivable are Superfund-related. Effective management of Superfund debts requires close collaboration between two EPA offices (the Office of the Chief Financial Officer and the Office of Enforcement and Compliance Assurance) and the U.S. Department of Justice (DOJ). As illustrated in the Accounts Receivable Management chart, EPA experienced a significant increase in collection of all debts, delinquent and nondelinquent, from 2000 to 2001. In addition EPA has greatly stepped up its referral actions of delinquent debts to the appropriate collection organizations (the U.S. Department of Treasury for non-Superfund debts and DOJ for Superfund-related debts), which are set up to take more aggressive collection action.

Accounts Receivable Management



Innovative Environmental Financing: The Advantage of Public-Private Partnerships

EPA has several innovative environmental financing initiatives that enable the Agency to leverage federal funds through mutually beneficial public-private partnerships. Two examples are the Environmental Finance Program and the Brownfields Program.

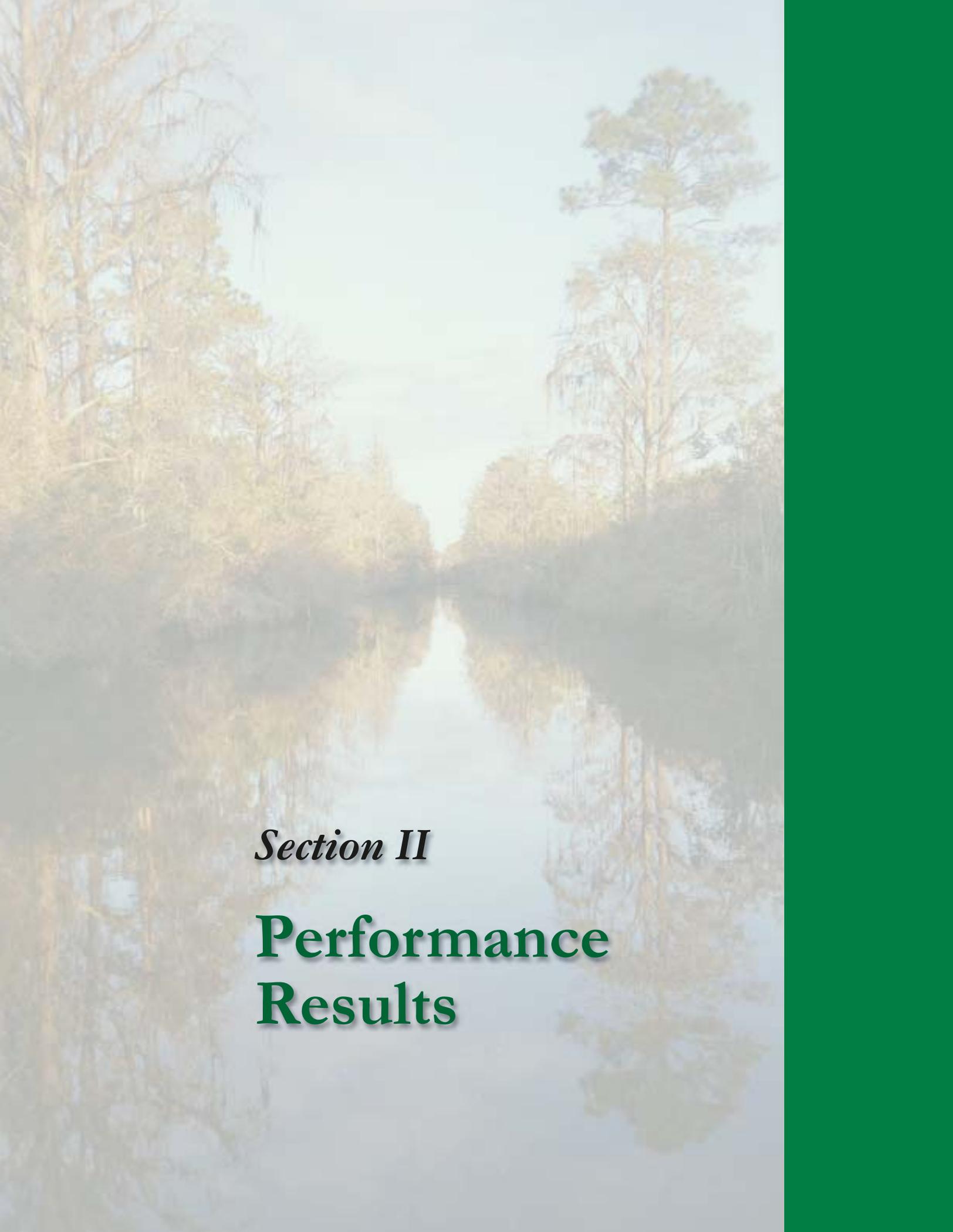
The Environmental Finance Program employs leveraging to extend its reach and magnify its impact. The program has three related components that furnish financial outreach services to Agency customers and the regulated community. First, the Environmental Financial Advisory Board (EFAB), a federally chartered advisory committee, provides innovative ideas and recommendations to EPA's Administrator and program offices on ways to lower the costs of, and increase investments in, environmental and public health protection. Second, the Environmental Finance Center (EFC) Network, consisting of nine university-based programs in eight EPA regions, delivers targeted technical assistance to smaller communities on the "how-to-pay" issues of providing safe and reliable environmental services that meet standards. Third, the Environmental Financing Information Network (EFIN), through its popular web site and other means, catalogs the results of the Advisory Board and the EFC Network and presents valuable summaries of more than 350 environmental finance tools and 1,000 abstracts and case studies of environmental finance publications.

A good example of how the components work together to leverage results is presented by the EFC Directors who serve on the Advisory Board as expert witnesses, thereby bringing their unique perspective on finance issues and opportunities for the Board to

consider and pass along to EPA. Another innovative example is the *charrette*, a panel of experts tailored to address a community's particular finance problem. After listening to the community, the panel exchanges questions and answers and then presents recommendations for actions the community should take. The panel is composed of finance experts and has often included EFAB members. Typically participating communities would not have access to advice of this caliber, and many communities have followed panel recommendations, saving significant resources in implementing their projects. EPA further leverages the *charrettes* by documenting their results and making them available as case studies through the EFC and EFIN web sites.

The Brownfields Program, one of EPA's most successful public-private partnerships, leveraged more than \$3.73 billion in public and private investments and resulted in more than 17,000 jobs in cleanup, construction, and redevelopment through the third quarter of FY 2001. "Brownfields" are abandoned, idle, or underused industrial and commercial properties where redevelopment or expansion is complicated by real or perceived contamination. The primary goal of EPA's Brownfields Program is to provide states, tribes, and local governments with the tools and financial assistance needed to assess, clean up, and redevelop Brownfields properties. Since 1995, 2,594 properties have been assessed using federal funds and 876 properties have been assessed using leveraged funds. The 46 job training and development demonstration pilots have trained at least 700 participants, and more than 75 percent of the graduates have obtained employment to date. (See Section II, Goal 5, for more information.)

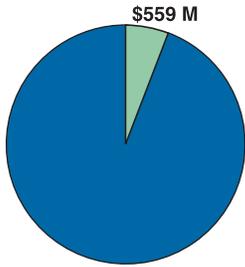
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Section II

**Performance
Results**

Goal 1 FY 2001 Obligations



Note: EPA FY 2001 Total Obligations were \$9,007 million

GOAL 1: CLEAN AIR

The air in every American community will be safe and healthy to breathe. In particular, children, the elderly, and people with respiratory ailments will be protected from health risks of breathing polluted air. Reducing air pollution will also protect the environment, resulting in many benefits, such as restoring life in damaged ecosystems and reducing health risks to those whose subsistence depends directly on those ecosystems.

PROGRESS TOWARD STRATEGIC GOAL AND OBJECTIVES

EPA, working with state, local, tribal, and other partners, continues to make steady progress toward the Clean Air goal and objectives. Since 1970 clean air programs have cut by 29 percent aggregate emissions of the six principal pollutants tracked nationally. These results have been achieved using a combination of regulatory actions, voluntary measures, market mechanisms, state partnerships, and stakeholder negotiations, often incorporating

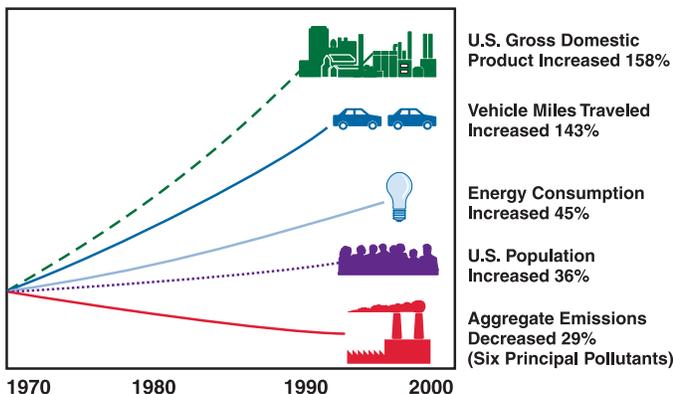
innovative approaches. During the same time period, U.S. Gross Domestic Product increased by 158 percent, energy consumption increased by 45 percent, and vehicle miles traveled increased by 143 percent. The Nation will continue in the future to realize health benefits from the reductions in ground-level ozone, particulate matter, and associated pollutants, especially sulfur dioxide (SO₂) achieved through the Clean Air Act Amendments of 1990.

A county-by-county review of changes in the levels of the six principal pollutants over the past 10 years shows significant decreases in the number of people exposed to unhealthy levels of air pollution. During calendar year 2000 all counties where levels of nitrogen dioxide (NO₂) and SO₂ were measured met National Ambient Air Quality Standards (NAAQS). The number of people who live in counties where monitored levels of pollution exceed the NAAQS for carbon monoxide (CO) and the 1-hour standard for ozone (O₃) has been cut in half since 1991. The number of people who live in counties that do not meet the 8-hour ozone NAAQS is down by a third since 1991.

SIX PRINCIPAL POLLUTANTS

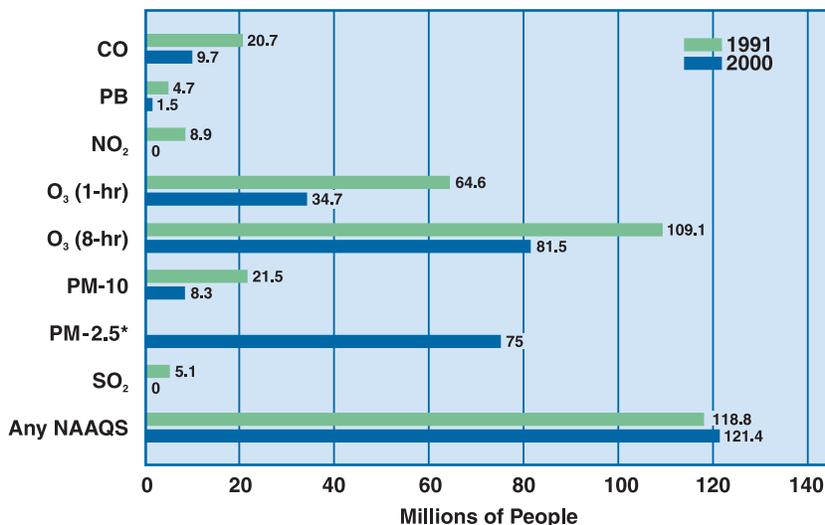
- Ozone (O₃)
- Particulate Matter (PM)
- Carbon Monoxide (CO)
- Nitrogen Dioxide (NO₂)
- Sulfur Dioxide (SO₂)
- Lead (Pb)

Comparison of Growth Areas and Emission Trends (Between 1970 and 2000)



Concentrations of particulate matter (PM) also are down since 1991. In counties where pollution levels are measured, the number of people exposed to PM levels exceeding the NAAQS for particles 10 micrometers or less in diameter (PM-10) declined by 50 percent compared to 1991. Formidable challenges, however, still remain in reducing the risk from fine particulates 2.5 microns or less in diameter (PM-2.5). Based on initial monitoring data collected from 1999 to 2001, many areas across the Southeast, Midwest, and Mid-Atlantic regions and in California have air quality that may not meet the PM-2.5 NAAQS, based on initial monitoring data.

Populations of Counties With Air Quality Concentrations Above the NAAQS Level



* PM-2.5 monitoring network still under development in 2000; data is incomplete and may increase in subsequent years with fully deployed network. No data available for 1991.

EPA and its partners have been successful in efforts to reduce emissions of toxic air pollutants and are on track to meet the objective for reductions in air toxics. Emissions from area, mobile, and stationary sources have decreased by 35 percent from a 1993 baseline of 4.3 million tons. EPA anticipates that the technology-based Maximum Achievable Control Technology (MACT) standards, once fully implemented by states and tribes, will achieve at least a 50 percent reduction in air toxics emissions and some 1.5 million tons of toxics will be removed annually from stationary sources such as factories and industrial plants. Regulation of motor vehicles and fuels will further reduce emissions of air toxics which account for approximately 45 percent of the toxic emission in urban areas.

EPA's Acid Rain Program has met its strategic objective under Title IV of the Clean Air Act Amendments for nitrogen oxide (NO_x) emission reductions and is on track to achieve the 2010 strategic objective for SO₂ emission reductions. The program reduced average sulfate deposition between 1996 and 2000 by 10 percent from 1990–1994 levels nationwide and by 15 percent in the eastern United States. However, average nitrate deposition increased by three percent nationwide over the same time period. As part of the President's National Energy Policy, EPA worked to develop multi-emissions reductions proposals that will further reduce NO_x and other emissions from electric utilities.

FY 2001 PERFORMANCE

In FY 2001 EPA's Clean Air programs continued to: (1) provide direct support to states, tribes, and local agencies to carry out their Clean Air Act responsibilities; (2) develop the technical tools and information needed by states, tribes, and local agencies; and (3) develop and implement EPA standards and regulations, market-based and voluntary programs, and other innovative approaches.

Six Principal Pollutants

In FY 2001, 20 additional areas, with a total population of 4.5 million people, achieved the NAAQS for 1 of the 6 principal pollutants. This achievement is the result of sustained improvements in air quality and the fulfillment of other Clean Air Act requirements. Currently 46 percent of the people who live in counties where air quality is measured breathe air that meets the standards for all 6 principal pollutants.

For each of the six pollutants, EPA tracks trends in two factors: (1) measured pollutant concentrations in the ambient (outside) air at selected monitoring sites throughout the country, and (2) estimates of the total tons of pollutants released into the air each year. As the chart shows there has been significant improvement in air quality as measured through each of the six principal pollutants, as well as their precursors. A notable exception is NO_x emissions,

PERCENT CHANGE IN AIR QUALITY (20-year vs. 10-year comparison)				
	Concentrations		Emissions	
	1981-2000	1991-2000	1981-2000	1991-2000
Ozone-1-hr	-21	-10	—	—
Ozone-8-hr	-12	-7	—	—
Volatile Organic Compound	—	—	-32	-16
Particulate Matter 10	—	-19	-47	-6
Particulate Matter 2.5	—	—	—	-5
Carbon Monoxide	-61	-41	-18	-5
Sulphur Dioxide	-50	-37	-31	-24
Nitrogen Oxide	—	—	+4	+3
Nitrogen Dioxide	-14	-11	—	—
Lead	-93	-50	-94	-4

Data Source: Aerometric Information Retrieval System (AIRS)
■ precursor ■ principal pollutant

which contribute to fine particle pollution, smog, acid deposition, and eutrophication of surface waters.

NO_x emissions, which are an ozone precursor, continue to pose a serious threat to achieving clean air goals. EPA is working with the northeastern states that are members of the Ozone Transport Commission to reduce summertime NO_x emissions through an allowance trading system, the NO_x Budget Program, which was in its third year of operation in FY 2001. The Program harnesses market forces to reduce the cost of pollution control in two phases: the first phase began on May 1, 1999, and the second phase will begin on May 1, 2003. The program capped summertime NO_x emissions at 219,000 tons in 1999 and will cap 2003 emissions at 143,000 tons. (The 1990 baseline is 472,000.) In FY 2001 participating states emitted 174,100 tons of NO_x, which is well below the cap of 219,000 tons.

One of the major highlights of FY 2001 was the Supreme Court's unanimous decision to uphold the constitutionality of the Clean Air Act, as EPA had interpreted it, in setting the more health-protective NAAQS for ground-level ozone and particulate matter. Issues surrounding these standards still need to be resolved (e.g., Title I requirements, additional

direction from the courts on ozone and 3 years of data on PM from new monitors.)

Heavy-duty diesel vehicles are responsible for 22 percent of the Nation's particle emissions and 15 percent of its NO_x emissions. In FY 2001 EPA issued far-reaching rules that will result in model year 2007 heavy-duty trucks and buses that are 90 percent cleaner than today's vehicles. The EPA rules, which consider diesel fuel and engines together as a single system, eliminate the equivalent of air pollution from 13 million of today's trucks. The large amounts of NO_x and PM emitted by diesel engines contribute to or aggravate serious public health problems in the United States, including lung cancer, respiratory and cardiovascular disease, asthma, acute respiratory symptoms, chronic bronchitis, and decreased lung function. By 2030, the new rules are expected to prevent more than 8,300 premature deaths, more than 9,500 hospitalizations, and approximately 1.5 million lost workdays each year.

Also in FY 2001 EPA launched the Voluntary Diesel Retrofit Program. This program builds partnerships among industries, community groups, and state and local officials to retrofit existing older vehicles to reduce their emissions, thereby resulting in cleaner, healthier air for communities. Boston, New York, Houston, Seattle, and Washington, DC, are active city partners in the program. New Jersey, California, and Texas are instituting statewide programs. As of January 2001 state and local governments and industry participants had committed to cleaning up 13,500 diesel trucks and buses, surpassing EPA's original goal of 10,000 vehicles. Retrofitting the diesel engines with emission control devices will eventually eliminate more than 15,000 tons of PM and NO_x from the air each year. By the end of FY 2001, an additional 55,000 commitments were made to retrofit trucks, buses, and construction vehicles with commercially available emission control technologies. More information is available at <http://www.epa.gov/otaq/retrofit/>.

EPA's extensive public outreach efforts included expanding its Air Quality Index (AQI) web site to include an AQI Kids' Page, <http://www.epa.gov/airnow/aqikids/aqi.html>. The AQI is an integral part of EPA's ongoing communication with the public. The AQI reports real-time air quality, provides forecasts of high pollution days, and informs the public about associated health concerns.

EPA has also partnered with the National Heart, Lung, and Blood Institute at the National Institutes of Health to provide information on air pollution to health care providers through projects associated with the National Asthma Education and Prevention Program. In addition, EPA produced an *Air Quality Guide for Particulate Matter*, an education and outreach pamphlet geared to the public that describes adverse health effects from PM exposure.

Air Toxics

Under the Clean Air Act, EPA is required to set emissions standards—known as MACT standards—for categories of major industrial sources emitting 188 listed air toxics. In FY 2001 EPA issued 4 MACT standards and proposed 13 more that will reduce toxic emissions from industrial facilities. EPA expects to propose all but nine of the remaining MACT standards by 2002. The proposed MACT rule for electric utilities is expected in December 2003 and final standards for the others are expected to be issued by 2004.

In FY 2001 EPA presented results from the draft National-Scale Air Toxics Assessment (NATA) to the public through the NATA web site, <http://www.epa.gov/ttn/atw/>. The assessment estimates exposures to air toxics across the United States and characterizes potential cancer and noncancer health effects. When the NATA is complete, the assessment will incorporate the 32 air toxics that present the greatest threat to public health. EPA will use the results to set priorities for the collection of additional air toxics data, including emissions data and ambient

monitoring data, and to help guide the Agency as it transitions from setting technology-based emission standards for major industrial sources to targeting remaining risks.

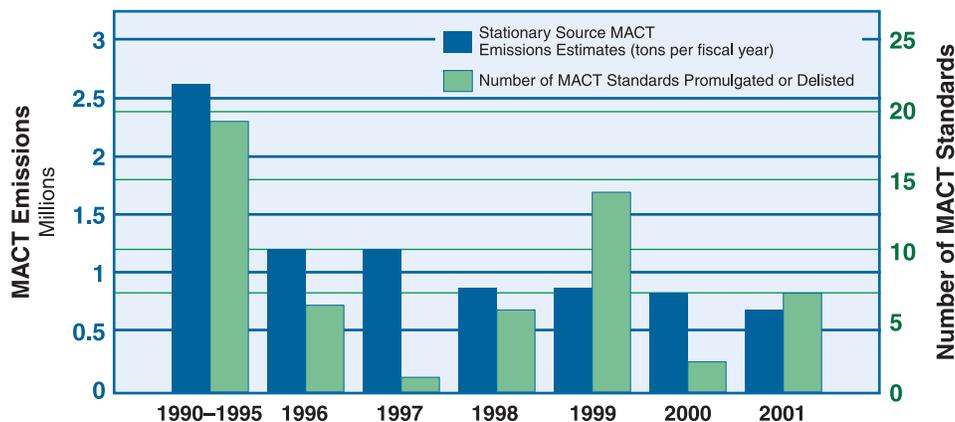
Acid Rain

In FY 2001 EPA successfully completed the first year of Phase II of the Acid Rain Program (<http://www.epa.gov/airmarkets/>), during which the SO₂ was expanded to include all fossil fuel-fired utility units serving an electric generator greater than 25 megawatts. Through these efforts the Agency is making progress toward the goal of reducing SO₂ emissions to 8.5 million tons. In addition, more than 1,000 coal-fired utility boilers also were required to meet an annual NO_x emission limit.

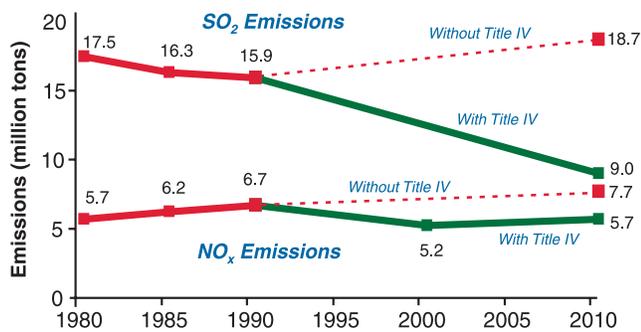
FY 2000 data show that SO₂ emissions from utility sources were 11.2 million tons, representing a decrease of 6.3 million tons in annual emissions compared to the 17.5 million tons emitted in 1980. NO_x emissions from coal-fired utility sources were 4.5 million tons in FY 2000, which is more than 2 million tons below projected emissions in the absence of the Clean Air Act Amendments of 1990.

Although the Acid Rain Program is well on the way to achieving the overall 2010 strategic objective for SO₂ and has already achieved the NO_x statutory program goal, NO_x emissions from non-utilities and regulated electric utilities are growing. Unlike SO₂ emissions, NO_x emissions from electric utilities are not capped. Rather, affected sources must meet limits on their emissions rates. Consequently, as demand for electricity increases

**Maximum Achievable Control Technology (MACT)
Issuance and Emission Reductions**



Reductions in SO₂ and NO_x Emissions



over time, emissions may also rise. Researchers have concluded that the reductions in SO₂ and NO_x resulting from current Clean Air Act requirements will not be sufficient to bring about full ecosystem recovery from the effects of acid rain in sensitive areas of the north-eastern United States. States have begun work on the NO_x State Implementation Plan (SIP) Call which is designed to mitigate significant transport of NO_x, one of the precursors of ozone across state boundaries in the eastern United States. The NO_x SIP Call requires selected states and the District of Columbia to revise their SIPs to include requirements for NO_x emissions reductions for selected source categories. Once fully implemented, these efforts will help offset rising NO_x emissions. As part of the President's National Energy Policy, EPA will work with Congress to develop multi-emissions legislation that will further reduce NO_x and other emissions from electric utilities.

Research Contributions

In FY 2001 EPA completed a year-long PM monitoring project that will help to establish the relationship between ambient concentrations of PM and personal, indoor, and outdoor residential and community levels and personal exposures. By reducing uncertainty in this area, EPA will be able to confirm the appropriateness of the PM NAAQS and support effective implementation of the NAAQS by states and tribes. In addition, by better understanding the ambient concentrations, exposures, and toxicity of PM, EPA will be better able to estimate the public health risks from current and future PM exposures, as well as the benefits of control programs.

To ensure timely consideration and use of the research results, a key step in the NAAQS decision-making process is development of the Air Quality

Criteria Document (AQCD), used in the analysis of the NAAQS. The Second External Review Draft of the AQCD for particulate matter was completed and released for public comment and Clean Air Scientific Advisory Committee (CASAC) review in July 2001. A third External Review Draft was requested as a result of the CASAC review, delaying completion of the final AQCD until December 2002.

In addition, EPA completed health assessments for high-priority hazardous air pollutants to aid the Agency in its assessment of risks posed by toxic air pollutants and developed source emissions and control information for both mobile and stationary sources to guide cost-effective risk management decisions for atmospheric mercury compounds.

Program Evaluation

Appendix A contains descriptions of program evaluations completed in FY 2001 that support the overall Clean Air Goal. No program evaluations focused specifically on FY 2001 performance.

STATE AND TRIBAL PARTNER CONTRIBUTIONS

State and Local Partner Contributions

EPA and its partners continue to put in place flexible, streamlined, and cost-effective tools to reach the goal of clean air. Although the Clean Air Act is a federal law, the states have a pivotal role. Controlling air pollution requires special understanding of local needs and conditions. State and local agencies expend considerable effort in the face of rapid growth in many areas to maintain standards once they are reached, prevent significant deterioration, and protect visibility. Through EPA-approved SIPS, states describe how they will implement clean air standards. The states involve the public, through hearings and opportunities to comment, in the development of each SIP.

EPA's partnerships with states in FY 2001 include the following:

- In March 2001 EPA Administrator Christine Todd Whitman helped kick off a pilot project in Cleveland, Ohio, to cut health risks from toxic air pollutants. EPA, in cooperation with the city of Cleveland and the Ohio Environmental Protection

Agency, formed a group of residents, businesses, industry, environmental organizations, and city representatives to identify which risk reductions matter most to the citizens of Cleveland. The project is a nonregulatory, voluntary effort to look at risks posed by outdoor sources (i.e., cars) and indoor sources (i.e., cleaning agents and pesticides) in homes, schools, and businesses. It is a partnership designed by stakeholders, not by government.

- The city of Houston, the Texas Natural Resource Conservation Commission, and EPA worked closely to develop innovative approaches for reducing pollution in Houston, and incorporate them in the area's air quality plan. EPA's assistance includes quantifying the effects of certain innovative measures. For example, EPA is working with Lawrence Berkeley National Laboratory in estimating the impact of heat island reduction measures on temperature and ozone formation. On hot summer days urban air, or "heat islands," can be 2 to 10 degrees Fahrenheit hotter than the surrounding countryside and can increase ground-level ozone pollution.
- In FY 2001 the Pittsburgh-Beaver Valley Area of Pennsylvania, with a population of 2.4 million, was designated attainment for the 1-hour ozone standard. The area has consistently met the ozone standard from 1998 through 2000. This achievement marks the success of local pollution control programs, including controls on industry and utilities, the enhanced automobile emissions test, and the cleaner, low-volatility summer gasoline program.
- EPA has encouraged states and tribes across the United States to address visibility impairment from a regional perspective because the pollutants that lead to regional haze can originate from sources located across broad geographic areas. In FY 2000 states and tribes responded by forming five Regional Planning Organizations (RPOs), which are addressing regional haze and related issues. In FY 2001 as a first step before developing regional strategies to reduce haze causing emissions, the RPOs are evaluating technical information to better understand how their respective states and tribes affect national park and wilderness areas.

Tribal Contributions

Tribes continue to expand their responsibility for carrying out air pollution programs. While many tribes are beginning basic air quality assessments, attending training, and conducting inventories and preliminary monitoring, others are moving toward more advanced levels of air quality management, including developing regulations and planning permitting, inspection, and enforcement programs. Currently 116 tribes are receiving air grants from EPA. Tribal lands have, in operation, 155 ambient air monitors. In addition, many tribes are participating in national air policy efforts such as the RPOs.

Several examples of air quality accomplishments on tribal lands follow:

- The Gila River Indian Community, Fort McDowell Yavapai Nation, and Salt River Pima-Maricopa Indian Community entered into an innovative partnership with EPA, the state of Arizona, and Maricopa County air pollution control agencies to design and carry out an air toxics assessment of the Phoenix metropolitan area, which includes the three reservations. This is the first comprehensive air toxics assessment in the area.
- Tribes in the Northwest worked closely with EPA, states, and local governments to develop a set of proposed Federal Implementation Plan Model Rules. The proposed Model Rules will bring basic air quality regulations for NAAQS pollutants like PM to reservations in the area. Because state and local rules do not apply on reservations and many federal rules have never been implemented by tribes, a regulatory gap exists in Indian Country. This set of rules—agreed to by the state governments—brings basic protections to Indian Country.
- The Inter-Tribal Council (ITC) of Michigan launched a PM-2.5 air monitoring project in Sault Ste. Marie, Michigan. ITC designed the project to provide assistance to the Bay Mills Indian Community and the Sault Ste. Marie Tribe of Chippewa Indians in evaluating local air quality. The monitoring network is jointly operated by ITC and the partners—Environment Canada, Ministry of Environment Ontario, Michigan Department of Environmental Quality, and

EPA, ITC is cooperating with United States and Canadian partners to characterize air quality in the binational Sault Ste. Marie area.

ASSESSMENT OF IMPACTS OF FY 2001 PERFORMANCE ON FY 2002 ANNUAL PERFORMANCE

FY 2002 Annual Performance Goals (APGs) under Goal 1 reflect FY 2001 performance. For example, as EPA missed the FY 2001 target for ozone, the Agency has adjusted the FY 2002 goal to reflect the uncertainty states have experienced because of litigation over the 1997 NAAQS revisions. As remaining legal issues are resolved, EPA may need to review both APGs for ozone and PM as well as the long-term strategic goals. As EPA missed the combined target for CO, NO₂, SO₂, and lead in FY 2001, it increased the target for FY 2002 to reflect areas that the Agency had hoped to redesignate in FY 2001 that it now expects to redesignate in FY 2002.

PERFORMANCE DATA CHART

The following performance data chart includes performance results for the FY 2001 APGs that support Goal 1. The performance chart reflects the Agency's 1997 Strategic Plan goals and objectives with which FY 2001 APGs are associated. Relevant FY 2000 and FY 1999 APGs are included for ease in comparing performance. Data quality information for Goal 1 can be found on pages B-1 to B-6 of Appendix B, "Data Quality." Where applicable, the chart notes cases in which FY 2001 APGs are supported by National Environmental Performance Partnership System Core Performance Measures (NEPPS CPMs). Additionally, the chart provides results for FY 2000 and FY 1999 APGs for which data were not available when the FY 2000 report was published, as well as for FY 2000 APGs that are not associated with FY 2001 APGs.

Summary of FY 2001 Performance

1

 Goal Met

3

 Goal Not Met

3

 Data Lag

Goal 1: Clean Air

Annual Performance Goals and Measures

FY 1999–FY 2001 Results

By 2010, Improve Air Quality for Americans Living in Areas That Do Not Meet NAAQS for Ozone and Particulate Matter.

Progress Toward Strategic Objective: As remaining legal issues are resolved, EPA may need to review both the annual goals and PM for ozone and the long-term strategic goals. Air quality has continued to improve over the past 10 years. Almost half of the ozone areas that were not in attainment with the 1 hour NAAQS in 1990 have been brought into attainment and have approved plans in place to keep the air clean. The number of people living in monitored counties exceeding the NAAQS has declined by nearly 50% compared to 1991 for the 1-hour ozone standard and is one-third less for the 8-hour NAAQS Concentrations of PM-10 are also down almost 20% since 1991. The number of people exposed to PM-10, in counties where pollution levels are measured, has been more than cut in half compared to 1991.

APG 1	Planned	Actual
FY 2001 Maintain healthy air quality for 35.1 million people living in 44 areas attaining the ozone standard; increase by 1.9 million the number of people living in areas with healthy air quality that have newly attained the standard; and certify that 5 new areas have attained the 1-hour standard for ozone. Goal Not Met. ➡Corresponds with FY 2001 NEPPs Core Performance Measure (CPM).	35.1 M 1.9 M 5	38.2 M 3.5 M 3 areas
FY 2000 <i>Maintain healthy air quality for 33.4 million people living in 43 areas attaining the ozone standard. Goal Met.</i>		33.4 M
FY 1999 <i>Eight additional areas currently classified as non-attainment will have the 1-hour ozone standard revoked because they meet the old standard. Goal Met.</i>		10 areas

FY 2001 Result: EPA maintained healthy air for 38.2 million* people living in 43 areas attaining the ozone standard and increased by 3.5 million the number of people living in areas with healthy air quality that newly attained the standard by certifying that three new areas attained the 1-hour standard. EPA redesignated three of the five areas estimated to come into attainment for the 1-hour ozone standard in FY 2001 and exceeded its target by nearly 50% for increasing the number of people living in areas with healthy air quality. One area was redesignated back to nonattainment pending completion of required volatile organic compound (VOC) control measures that were part the State Implementation Plan requirement.

Goal 1 - Clean Air

EPA works hand-in-hand with states to determine the pipeline for redesignation requests. From there EPA sets annual targets for areas to be redesignated, based upon state input. Population estimates are derived from the redesignation estimates. (States may delay submitting a request for redesignation which in turn impacts the EPA targets. For example, a state may have three years of clean air data but may defer requesting redesignation because of higher priority air work.) Once a state submits a request, EPA reviews the request and makes a designation determination. Should a state not submit an expected redesignation request, EPA goes back and works with the state to get a new estimate of when to expect a redesignation request.

EPA did not meet its redesignation target in 2001 primarily because of the uncertainty among states as they await resolution on outstanding issues on the transition from the 1-hour to 8-hour ozone standard. To date 41.6 million people live in 46 areas that have been redesignated to attainment for the ozone standard.

*NOTE: Beginning with FY 2001 results, EPA will use 2000 Census data to report population. Given this, note that the target for maintaining air quality for 35.1 million was updated to 39.7 million people to reflect 2000 Census data but was offset by one area's being redesignated to nonattainment, thereby reducing the population number to 38.2 million.

APG 2		Planned	Actual
FY 2001	Maintain healthy air quality for 1.276 million people living in 9 areas attaining the particulate matter (PM) standards; increase by 60,000 the number of people living in areas with healthy air quality that have newly attained the standard. Goal Met. ↳Corresponds with FY 2001 NEPPS CPM.	1.276 M 60,000	1.189 M 2.249 M
<i>FY 2000</i>	<i>Maintain healthy air quality for 1.2 million people living in 7 areas attaining the PM standards, and increase by 60,000 the number of people living in areas with healthy air quality that have attained the standard. Goal Met.</i>		<i>1.2 M 75,800</i>
<i>FY 1999</i>	<i>Deploy particulate matter 2.5 ambient monitors including mass, continuous, speciation and visibility resulting in a total of 1,500 monitoring sites. Goal Met.</i>		<i>1,110</i>

FY 2001 Result: EPA maintained healthy air for 1.189 million* people living in 9 areas attaining the PM standards and increased by 2.249 million the number of people living in areas with healthy air quality that have newly attained the standard. EPA had expected to redesignate six areas to attainment when in fact it was able to redesignate two additional areas for a total of eight areas. To date 3.4 million people live in 17 areas redesignated to attainment for the PM standard.

*NOTE: Beginning with FY 2001 results, EPA will use 2000 Census data to report population. Given this, note that the target for maintaining air quality for 1.276 million people is updated to 1.189 million people to reflect 2000 Census data.

APG 3		Planned	Actual
FY 2001	Provide new information on the atmospheric concentrations, human exposure, health effects and mechanisms of toxicity of particulate matter, and facilitate PM National Ambient Air Quality Standards (NAAQS) review through Air Quality Criteria Document (AQCD) development and consultation. Goal Not Met.		
	Performance Measures		
	- Complete PM longitudinal panel study data collection and report exposure data.	1	1
	- Report on health effects of concentrated ambient PM in healthy animals and humans, in asthmatic and elderly humans, and in animal models of asthma and respiratory infection.	1	1
	- Final PM AQCD completed.	1	0
<i>FY 2000</i>	<i>Provide new information on the atmospheric concentrations, human exposure, and health effects of PM, including PM-2.5, and incorporate it and other peer-reviewed research findings in the Second External Review Draft of the PM AQCD for NAAQS Review. Goal Met.</i>		
	Performance Measures		
	- Hold CASAC Review of draft PM AQCD.		9/30/00
	- Longitudinal Panel Study on exposure of susceptible sub-populations to PM.		1
	- PM Monitoring Study Data.		9/30/00
	- Baltimore Study on Response of Elderly to PM.		1
<i>FY 1999</i>	<i>Identify and evaluate at least two plausible biological mechanisms by which PM causes death and disease in humans. Goal Met.</i>		<i>2</i>

FY 2001 Result: EPA provided new information on the atmospheric concentrations, human exposure, health effects, and mechanisms to toxicity of particulate matter. The Second External Review Draft of the PM AQCD was completed and released for public comment and Clean Air Scientific Advisory Committee (CASAC) review according to schedule in July 2001. However, a Third External Review Draft was requested as a result of the CASAC review, delaying the completion of the final AQCD until December 2002. These modified data also

represent current estimated delays related to activities involving EPA staff and expert consultants regarding the terrorist attack on the World Trade Center.

By 2010, Reduce Air Toxic Emissions by 75% from 1993 Levels to Significantly Reduce the Risk to Americans of Cancer and Other Serious Adverse Health Effects Caused by Airborne Toxics.

Progress Toward Strategic Objective: EPA is on track to meet its strategic objective. The Agency is making steady progress in reducing emissions and the associated health risks from air toxics by reducing toxic emissions from industrial sources, reducing emissions from vehicles and engines through new emission standards and cleaner-burning gasoline, and addressing indoor toxics pollution through voluntary programs. Looking at the 33 hazardous air pollutants (HAPs) that present the greatest threat to public health in the largest number of urban areas, a 46% reduction in emissions of those air toxics will occur between the 1990–1993 baseline and the year 2007. (Currently, half of the air toxic emissions are from mobile sources. Projections indicate that an approximate 40% reduction in the remaining mobile source emissions can be expected by 2007. This reduction can be attributed primarily to clean fuel rules issued in recent years that will be implemented in the future.) These reductions do not account for the roughly 150 HAPs beyond the 33 HAPs. In 2007 and beyond, a much greater percentage of air toxic emissions will be from stationary sources and will need to be addressed by residual risk initiatives and/or standards and urban area air toxics programs.

		Planned	Actual
APG 4			
FY 2001	Air toxics emissions nationwide from stationary and mobile sources combined will be reduced by 5% from 2000 (for a cumulative reduction of 35% from the 1993 level of 4.3 million tons per year.) Data Lag. ➔ Corresponds with FY 2001 NEPPS CPM.	5%	data available in 2004
<i>FY 2000</i>	<i>Air toxic emissions nationwide from both stationary and mobile sources combined will be reduced by 3% from 1999 (for a cumulative reduction of 30% from the 1993 levels of 4.3 million tons).</i> Data Lag.	3%	<i>data available in 2004</i>
<i>FY 1999</i>	<i>Reduce air toxic emissions by 12% in FY 1999, resulting in cumulative reduction of 25% from 1993 levels.</i> Data Lag.	12%	<i>data available in 2002</i>

FY 2001 Result: End of year FY 2001 data will be available in late 2004 to verify that air toxics emissions nationwide from stationary and mobile sources combined will be reduced by 5% from 2000 emissions (for a cumulative reduction of 35% from the 1993 level of 4.3 million tons).

By 2005, Improve Air Quality for Americans Living in Areas That Do Not Meet the NAAQS for Carbon Monoxide, Sulfur Dioxide, Lead, and Nitrogen Dioxide.

Progress Toward Strategic Objective: The Agency is on track to meet its strategic objective. During calendar year 2000, all counties where levels of NO₂ and SO₂ were measured through air monitoring met the NAAQS. The number of people who live in counties where monitored levels of pollution exceed the NAAQS for CO has been cut in half since 1991. Through 2000 fewer than 2 million people lived in counties where lead levels exceeded the NAAQS.

		Planned	Actual
APG 5			
FY 2001	Maintain healthy air quality for 31.1 million people living in 56 areas attaining the carbon monoxide (CO), sulfur dioxide (SO₂), nitrogen dioxide (NO₂), and lead standards; increase by 13.2 million the number of people living in areas with healthy air quality that have newly attained the standard. Goal Not Met. ➔ Corresponds with FY 2001 NEPPS CPM.	31.1 M 13.2 M	36.3 M 0.4 M
<i>FY 2000</i>	<i>Maintain healthy air quality for 27.7 million people living in 46 areas attaining the CO, SO₂, NO₂, and lead standards, and increase by 1.1 million the number of people living in areas with healthy air quality that have attained the standard.</i> Goal Met.		27.7 M 3.41 M
<i>FY 1999</i>	<i>Certify that 14 of the 58 estimated remaining nonattainment areas have achieved the NAAQS for carbon monoxide, sulfur dioxide, or lead.</i> Goal Met.		13

FY 2001 Result: EPA maintained healthy air for 36.3 million* people living in 56 areas attaining the CO, SO₂, NO₂, and lead standards and increased by 418,000 the number of people living in areas with healthy air quality that newly attained the standard. In FY 2001 EPA had expected to take final action on 12 CO redesignation requests. At the end of FY 2001, EPA had taken final action on 4 and was reviewing an additional 10. EPA redesignated two areas for SO₂ as planned and redesignated three areas for lead.

EPA works hand-in-hand with states to determine the pipeline for redesignation requests. From there EPA sets annual targets for areas to be redesignated based upon state input. Population estimates are derived from the redesignation estimates. (States may delay submitting a request for redesignation which in turn impacts the EPA targets. For example a state may have three years of clean air data but may defer requesting redesignation because of higher priority air work.) Once a state submits a request, EPA reviews the request and makes a designation determination. Should a state not submit an expected redesignation request, EPA goes back and works with the state to get a new estimate of when to expect a redesignation request. EPA did not meet its population target of 13.2 million because the areas with smaller populations were the ones on which final action could be taken.

*NOTE: Beginning with FY 2001 results, EPA will use 2000 Census data to report population. Given this, note that the target for maintaining air quality, 31.1 million people, is updated to 36.3 million people to reflect 2000 Census data.

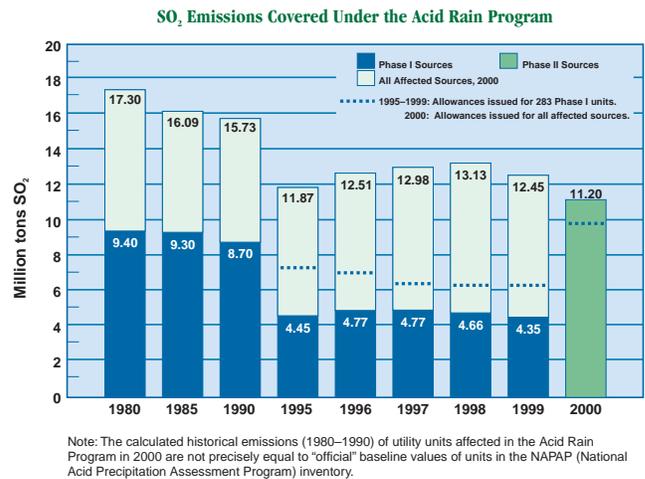
By 2010, Ambient Sulfates and Total Sulfur Deposition Will Be Reduced by 20-40% From 1980 Levels Due to Reduced Sulfur Dioxide Emissions From Utilities and Industrial Sources. By 2000, Ambient Nitrates and Total Nitrogen Deposition Will Be Reduced by 5-10% From 1980 Levels Due to Reduced Emissions of Nitrogen Oxides From Utilities and Mobile Sources.

Progress Toward Strategic Objective: The Agency has met its objective for NO_x under the statutory Acid Rain Program and is on track to meet its statutory goal for SO₂. The program sets a permanent cap on the total amount of SO₂ that may be emitted by power plants nationwide at about half of the amount emitted in 1980. For SO₂ an emissions trading program gives utilities the flexibility and incentive to reduce emissions at the lowest cost, while ensuring that the overall emission limit is met.

APG 6		Planned	Actual
FY 2001	Maintain annual reduction of approximately 5 million tons of SO ₂ emissions from utility sources from 1980 baseline. Keep annual emissions below level authorized by allowance holdings and make progress towards achievement of Year 2010 SO ₂ emissions cap. Data Lag.	5 M	data available in late 2002
FY 2000	5 million tons of SO ₂ emissions from utility sources will be reduced from the 1980 baseline. <i>Goal Met.</i>	5M	6.3 M
FY 1999	Maintain 4 million tons of SO ₂ emissions reduction from utility sources. <i>Goal Met.</i>		5.04 M

FY 2001 Result: End of year FY 2001 data will be available in late 2002 to verify that 5 million tons of SO₂ emissions from utility sources were reduced from the 1980 baseline.

FY 2000 Result Available in FY 2001: 6.3 million tons of SO₂ emissions from utility sources were reduced from the 1980 baseline.



APG 7		Planned	Actual
FY 2001	Two million tons of nitrogen oxides (NO _x) from coal-fired utility sources will be reduced from levels that would have been emitted without implementation of Title IV of the Clean Air Act Amendments. Data Lag.	2 M	data available in late 2002
FY 2000	2 million tons of NO _x emissions from coal-fired utility sources will be reduced from the levels before implementation of Title IV of the Clean Air Act Amendments. <i>Goal Met.</i>	2M	2 M
FY 1999	Maintain 300,000 tons of NO _x reduction from coal-fired utility sources. <i>Goal Met.</i>		420,000

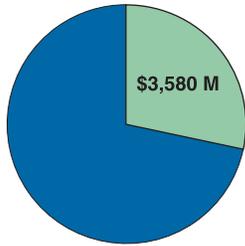
FY 2001 Result: End of year FY 2001 data will be available in late 2002 to verify that 2 million tons of SO₂ emissions from utility sources were reduced from the 1980 baseline.

FY 2000 Result Available in FY 2001: Two million tons of NO_x emissions from coal-fired utility sources were reduced from the levels before implementation of Title IV of the Clean Air Act Amendments.

FY 2000 Annual Performance Goals (No Longer Reported for FY 2001)

Provide new information and methods to estimate human exposure and health effects from high priority urban air toxics, and complete health assessments for the highest priority hazardous air pollutants (including fuel/fuel additives). (This annual goal is maintained for internal reporting.)

Goal 2 FY 2001 Obligations



Note: EPA FY 2001 Total Obligations were \$9,007 million

GOAL 2: CLEAN AND SAFE WATER

All Americans will have drinking water that is clean and safe to drink. Effective protection of America's rivers, lakes, wetlands, aquifers, and coastal and ocean waters will sustain fish, plants, and wildlife, as well as recreational, subsistence, and economic activities. Watersheds and their aquatic ecosystems will be restored and protected to improve human health, enhance water quality, reduce flooding, and provide habitat for wildlife.

PROGRESS TOWARD STRATEGIC GOAL AND OBJECTIVES

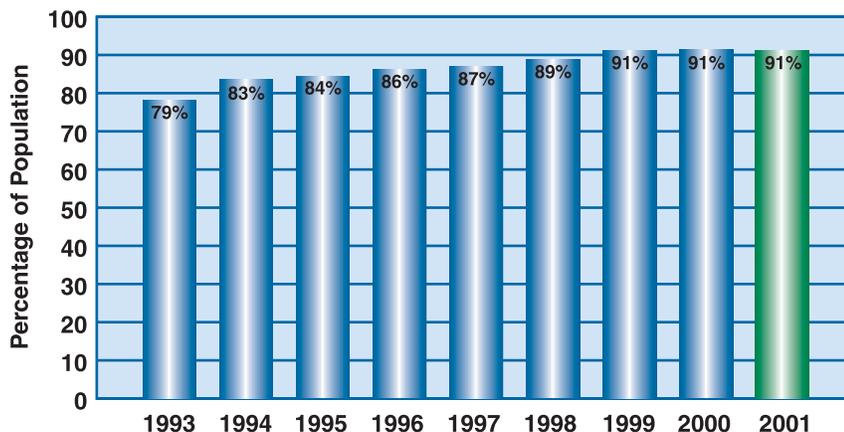
EPA has made important strides in focusing its efforts (as well as those of its state and tribal partners) on achieving measurable environmental results. Toward this end the Agency is taking important steps to translate the activities of EPA, states, tribes, and regulated entities into measurable intermediate outcomes, such as the number of people receiving safe drinking water, the number of healthy watersheds, and reduced pollutant loadings to water. EPA made progress in FY 2001 toward its strategic objectives in the area of clean and safe water. In coming years the Agency expects to continue to improve the quality and availability of data and the management of its programs to achieve its goals and objectives.

States, tribes, local communities, drinking water systems, and EPA work together to improve the quality and safety of drinking water in the United States. In FY 2001 more than 240 million people

(91 percent of people served) received water from community water systems that reported no violations of EPA's health-based standards. Water systems maintained this high level of achievement even in spite of increasing demand for drinking water from a growing population.

Despite significant efforts, nearly 40 percent of the Nation's assessed waters still do not meet water quality goals established by states under the Clean Water Act (CWA). According to states, pollution from nonpoint sources remains the single largest cause of poor water quality, preventing EPA from meeting its water quality goals and depriving people of clean water for economic uses, recreation, and drinking water. However EPA can report some progress in this area. In FY 2001 more than 80 percent of assessed waters in 510 watersheds met all water quality standards. This is an increase from the 501 watersheds reported in 1998. (Ambient water data are reported every 2 years.) EPA also published the first-ever criteria to support state water quality standards

Population Served by Community Water Systems Providing Drinking Water That Meets All Applicable Health-Based Standards



**SUMMARY PROFILE: 2000 NATIONAL WATER QUALITY INVENTORY REPORT TO CONGRESS
DRAFT DECEMBER 2001**

Waterbody Type	Total Size	Amount Assessed (% of Total)	Good* (% of Assessed)	Good but Threatened* (% of Assessed)	Polluted* (% of Assessed)
River (miles)	3,692,830	699,946 (19%)	367,129 (52%)	59,504 (9%)	269,258 (38%)
Lakes (acres)	40,603,722	17,101,689 (42%)	8,049,440 (47%)	1,349,173 (8%)	7,702,370 (45%)
Estuaries (sq. miles)	87,369	31,072 (36%)	14,294 (46%)	1,024 (3%)	15,722 (51%)
Coastal Shoreline (miles)	58,618	3,218 (5.5%)	2,518 (78%)	237 (7%)	434 (13%)
Great Lakes Shoreline (miles)	5,521	5,066 (92%)	0	1,095 (22%)	3,955 (78%)
Wetlands (acres)	274,000,000**	8,227,322 (3%)	4,816,227 (59%)	22,921 (0.3%)	3,388,174 (41%)

* Includes waterbodies assessed as not attainable for one or more uses.

** From Dahl, T.E., 1990. *Wetlands Losses in the United States 1780's to 1980's*. U.S. Department of the Interior, Fish and Wildlife Service.

Note: Percentages may not add up to 100% due to rounding and because not all states report on summary of use support for all waters assessed.

for nutrients, which should help states and tribes develop water quality standards to reduce point and nonpoint source pollution.

In FY 2001 the Agency continued work on innovative ways to reduce pollutant discharges through a focus on key areas such as Concentrated Animal Feeding Operations and the integration of local pretreatment and storm water programs. Innovations such as the use of trading, environmental management systems, watershed-based approaches, and increased efficiencies from electronic data reporting should result in the development of timely, high-quality permits for a variety of sources and, ultimately, continued reductions in pollutant loadings.

FY 2001 PERFORMANCE

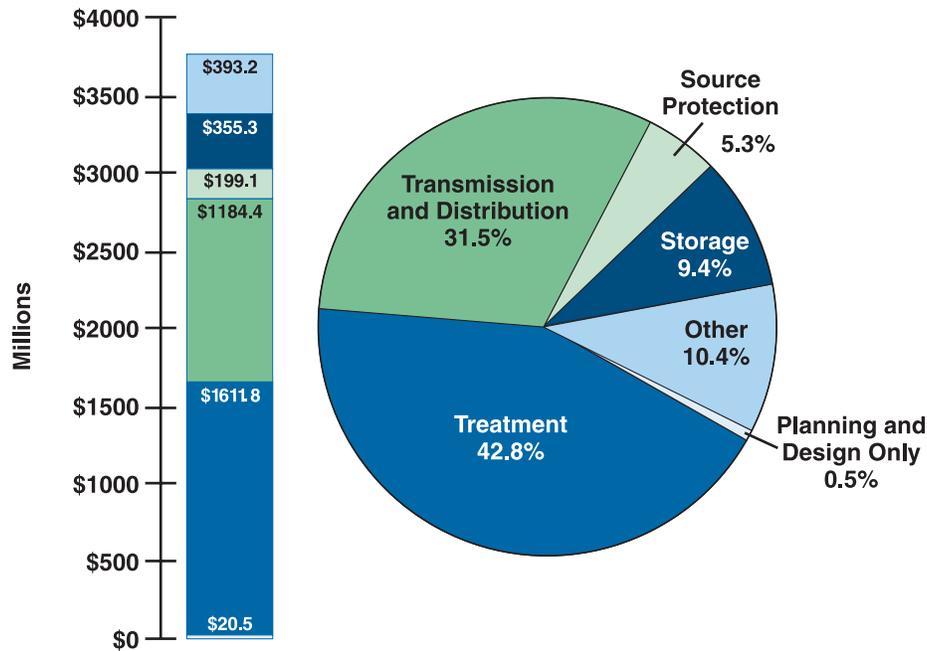
The first line of defense in protecting public health from unsafe drinking water—and the most cost-effective approach—is to prevent pollution at the source. In FY 2001 more than 2,000 community water systems serving in excess of 17 million people began to implement specific source water protection plans based on completed assessments of the condition and vulnerability of drinking water sources. States

must complete assessments for all sources of drinking water by FY 2003. EPA and states also protected underground sources of drinking water by plugging almost 3,000 underground injection wells and closing or issuing permits for more than 11,000 others.

Also during FY 2001 drinking water utilities completed 469 infrastructure improvement projects using funds from the Drinking Water State Revolving Loan Fund (DWSRF). Through the DWSRF states supported 838 completed projects—over 50 percent more than the FY 2001 cumulative target of 550—to help ensure that public water systems maintain their capacity to meet new and existing standards.

Efforts to protect and improve water resources require both nationwide and geographically specific efforts. Total Maximum Daily Loads (TMDLs) are the centerpiece of national efforts to protect and enhance ambient water quality, establishing the analytical basis for decisions on pollution reductions necessary to meet water quality standards. In FY 2001, 2,306 TMDLs were developed. Since 1999 states and EPA have more than tripled the number of TMDLs developed each year. States have identified 20,000 water bodies in the United States,

Types of Drinking Water State Revolving Fund (DWSRF) Projects: Dollars Loaned from 1997 to 2001

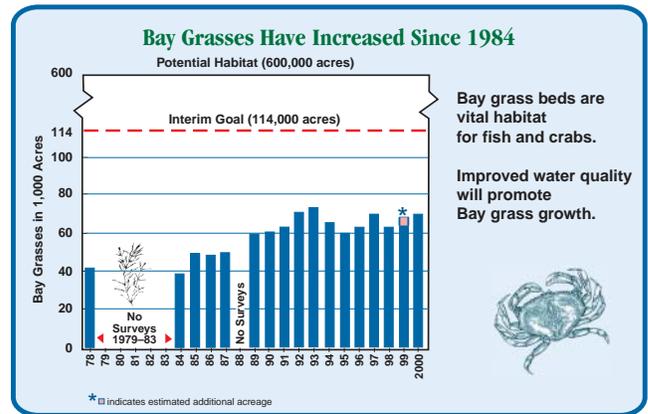


representing more than 300,000 river and shore miles and 5 million lake acres, as not meeting water quality standards for their designated uses.

Coastal counties are growing three times faster than others, and EPA and its partners help ensure that these diverse and unique coastal resources can continue to support healthy populations of wildlife and perform the economic, environmental, and aesthetic functions on which coastal populations depend. Under the National Estuary Program, 70,000 acres of habitat were preserved, restored, or created in FY 2001, exceeding the target. This increase comes in addition to the 400,000 acres protected in past years and represents a significant step toward helping to reverse the decline in coastal habitat quality and quantity across the United States.

EPA and its partners also focused attention on specific water bodies. In FY 2001, more than 400,000 cubic yards of contaminated sediment were remediated in the Great Lakes, which should result in safer fish to eat. (Refer to the Goal 6 chapter for more details.) States along the Gulf of Mexico implemented watershed restoration strategies in 37 priority impaired coastal river and estuary segments, far exceeding the target of 14. In the Chesapeake Bay 711 miles of stream bank and shoreline were restored with riparian

forest buffers, exceeding the target of 616 miles. The Bay Program also increased acres of submerged aquatic vegetation to 69,126, up 81 percent since 1984. These underwater grass beds are a vital habitat for fish, crabs, and other bay creatures.

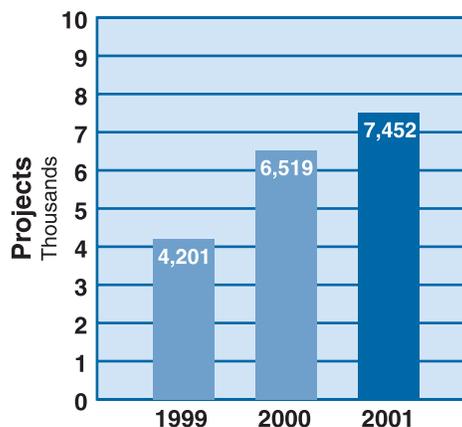


Wetlands are also important national resources. In FY 2001 EPA issued the “Tulloch rule,” which requires a review under the CWA before undertaking certain activities that destroy wetlands. Prior to the issuance of this rule, in past years an estimated 20,000 acres of wetlands were ditched and drained and several hundred miles of streams were channelized without review or mitigation.

EPA takes a preventive approach to managing the sources of pollution, using a combination of effluent guidelines that establish the pollutant discharge limits for industrial and commercial sources and the permits that implement these and discharge limits for other kinds of facilities. Effluent guidelines issued in FY 2001 will significantly reduce pollutant loadings in the future. National Pollutant Discharge Elimination System (NPDES) permits for industrial sources issued from October 2000 through November 2001 protected water quality by preventing the discharge of an estimated 6.6 million pounds of toxic pollutants, 786 million pounds of nonconventional pollutants, and 84 million pounds of conventional pollutants into waters of the United States. EPA also increased the number of permits issued to reduce discharges of pathogens and nutrients from urban wet weather sources of pollution, such as combined sewer overflows and storm water sources. EPA continues to make progress toward eliminating the backlog of NPDES permits that need to be issued or renewed, but this backlog remains a challenge. Unfortunately there is no single reason why the rates are not improving. Factors that affect the Agency's ability to reduce the permit backlog include permit appeals and challenges, lack of or redirection of staff and resources by states, newly adopted water quality standards that are increasingly comprehensive and more stringent, and the need to integrate individual permits with watershed

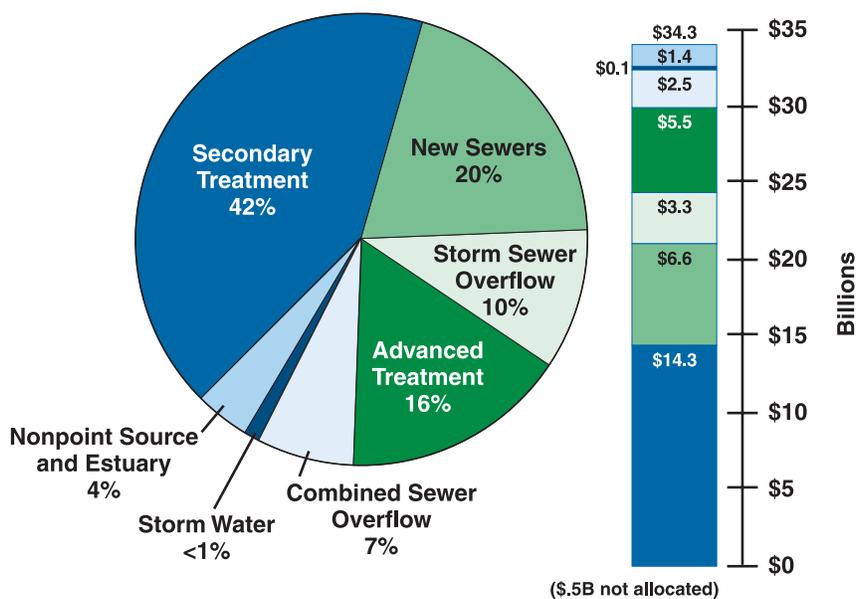
and other planning processes. (Refer to Section III, "Management Accomplishments and Challenges," for further discussion.)

Clean Water State Revolving Fund Projects That Initiated Operations



EPA also works to prevent pollution by funding water quality projects through the Clean Water State Revolving Fund (CWSRF). These funds enable communities to provide services such as secondary wastewater treatment, advanced treatment, combined sewer overflow correction (treatment), and storm water treatment. In FY 2001 EPA provided \$4 billion to fund such projects, including \$215 million focused on nonpoint sources and estuaries. During FY 2001, 933 projects were launched, bringing the cumulative total to 7,452 since the program began in 1988.

Types of Projects Funded by the \$34.3 Billion of the Clean Water State Revolving Funds (through 2001)



Beach advisories provide an important public service. In FY 2001 states and localities continue to increase the amount of information provided voluntarily about beach conditions. EPA awarded the first grants to coastal and Great Lakes states and territories under the new BEACH Act. Through improvements in the amount and consistency of information available about the condition of beaches, these grants will help states and territories develop improved, consistent monitoring and public notification programs to accompany the strengthened water quality standards required by the Act. Information about 2,200 beaches is available to the public on EPA's Beach Watch web site at <http://www.epa.gov/ost/beaches/>.

FY 2001 also saw an increase in the availability of fish consumption advisories—23 percent of lake acres and 9.8 percent of river miles were assessed and placed under advisory for fish contamination. As in FY 2000 assessments focused on lakes, which is where most people fish. EPA, together with the U.S. Food and Drug Administration, also took the significant step of developing a national advisory on mercury in commercial and noncommercial fish for women of childbearing age and children. The advisory was distributed to the U.S. medical community in cooperation with the Centers for Disease Control. EPA also developed, published, and distributed new translations of the brochure *Should I Eat the Fish I Catch?* in Vietnamese, Cambodian, and Korean. (Refer to the Goal 4 chapter for more about fish consumption advisories.)

Research Contributions

In FY 2001 EPA's drinking water research program provided information needed to help assess and control risks posed by exposure to microbial contaminants in drinking water. A report on the occurrence and detection of the unregulated water-borne pathogen *Aeromonas* in drinking water will help EPA evaluate whether it poses a risk to public health. In addition, a report on the inactivation of unregulated pathogens by conventional treatment methods will improve EPA's ability to reduce public health risks through effective drinking water treatment and risk management of the Nation's water supplies. EPA's research on aquatic stressors provided tools and methods for understanding, diagnosing, and predicting the effects of chemical pollutants on

aquatic ecosystems. The publication of case studies illustrating the use of EPA's Stressor Identification Guidelines (*Stressor Identification Guidance Document*, EPA/822/B-00/025) will help state and local environmental resource managers identify causes of biological impairments in aquatic resources using a sound scientific methodology. Resource managers can also use these guidelines to respond to CWA requirements, which will in turn allow the Agency to identify and target for improvement those water bodies most at risk.

Program Evaluations

In the conference report accompanying EPA's FY 2001 appropriation bill, Congress directed EPA to contract with the National Research Council of the National Academy of Sciences to review the quality of science used to develop TMDLs. Congress also directed EPA to undertake a comprehensive analysis of costs associated with the TMDL program. In July 2001 the NAS report *Assessing the TMDL Approach to Water Quality Management* recognized that there is enough science to "move forward with decision-making and implementation of the TMDL program." The report called for changes in the program to account better for uncertainties, improve the water quality standards and monitoring programs, and employ adaptive implementation. One of the most critical recommendations is for states to strengthen their monitoring programs. EPA will consider these recommendations as it revises the existing program.

Also during FY 2001 EPA completed an internal evaluation of eight states' watershed management approaches. The study evaluated the experiences of selected states that use different models for watershed management. It found that statewide watershed management results in improved cross-agency coordination, better quality data, increased public involvement, and more efficient water resource management. States reported that they are hampered in implementing watershed approaches by federal statutory and EPA programmatic constraints, lack of state agency accountability and high coordination transaction costs in developing basin plans, changing state political and senior management support, and the complexity of integrating TMDL policies and process into basin-wide management. EPA is considering state recommendations to develop a more

flexible, integrated, results-driven approach to support state watershed management.

STATE AND TRIBAL PARTNER CONTRIBUTIONS

EPA, states, and tribes all play crucial roles in working toward the goal of clean and safe water. Virtually all of the accomplishments described above (and in particular those reported in the performance data chart that follow) represent the combined efforts of EPA, state and tribal programs. Both the CWA and Safe Drinking Water Act provide nationwide regulatory frameworks for drinking water safety and surface water and groundwater protection, but states and tribes may apply to EPA for authority to be the primary implementors. In particular, under the CWA states play a key part in setting water quality standards and making surface waters healthy, taking into account variations in hydrological and geographic conditions and the social uses of aquatic resources. All states and territories implement their own water quality standards programs, and 23 tribes have been granted federal authority to do so. Nearly all states and one territory have authority to issue general NPDES permits, and somewhat smaller numbers have authority for special source categories. Five states have approved biosolids permitting authority. All but one state (and the District of Columbia) have primary responsibility for the drinking water program, and two-thirds of the states are responsible for underground injection control, the SDWA's key ground water protection authority.

State Contributions

A major activity of EPA and the states continues to be the reduction of NPDES permit backlogs, as discussed above, but states contributed to many other FY 2001 accomplishments. EPA and its state partners updated and implemented nationally consistent guidance for fish consumption advisories. EPA worked closely with 34 coastal and Great Lakes states and territories to identify beaches to be monitored, evaluate and classify beaches on the basis of risk, and design their beach monitoring and public notification programs. Poorly managed wastewater treatment systems are a growing threat to water quality around the country, and the number of these systems is projected to increase significantly over the next

20 years. With significant help from states, EPA issued proposed Guidelines for On-site/Decentralized Wastewater Treatment Systems (septic systems). Achievements of the National Estuary Program, also discussed above, rely on partnerships of federal, state, and local government agencies, citizens, business leaders, educators, and researchers to identify problems in estuaries, develop specific actions to address those problems, and create and implement management plans to restore and protect estuaries.

Tribal Contributions

In FY 2001 CWSRF resources provided nearly 6,400 homes in Indian Country with adequate wastewater sanitation systems through a threefold increase in funds set aside under the program for this purpose. In addition, EPA held a national risk communication conference with representatives from 62 tribes, Asian American and Pacific Islander communities, and economically disadvantaged rural communities to develop approaches that EPA, states, and tribes can use to communicate more effectively with at-risk populations.

ASSESSMENT OF IMPACTS OF FY 2001 PERFORMANCE ON FY 2002 ANNUAL PERFORMANCE PLAN

The major impact of FY 2001 performance on FY 2002 goals and targets is in the Chesapeake Bay Program, which did not achieve the FY 2001 goal of 78,000 acres of submerged aquatic vegetation. Because of this, the attainment of the FY 2002 target as well as EPA's long-term commitment of 114,000 acres will depend on meeting new water quality standards to be established under the Chesapeake 2000 agreement. The effort will require increased attention from all levels of government (federal, state, and local) and from a range of federal agencies.

PERFORMANCE DATA CHART

The following performance data chart includes performance results for the FY 2001 APGs that support Goal 2. The performance chart reflects the Agency's 1997 Strategic Plan goals and objectives with which FY 2001 APGs are associated. Relevant FY 2000 and FY 1999 APGs are displayed for ease in comparing performance. Data quality information for

Goal 2 can be found on pages B-6 to B-13 of Appendix B, "Data Quality." The chart notes cases in which FY 2001 APGs are supported by National Environmental Performance Partnership System Core Performance Measures (NEPPS CPMs). Additionally, the

chart presents results for FY 2000 and FY 1999 APGs for which data were not available when the FY 2000 report was published, as well as for FY 2000 APGs that are not associated with FY 2001 APGs.

<p style="text-align: center; margin: 0;">Summary of FY 2001 Performance</p> <div style="display: flex; justify-content: space-around; align-items: center;"> <div style="border: 1px solid white; padding: 2px; text-align: center;">5 Goal Met</div> <div style="border: 1px solid white; padding: 2px; text-align: center;">3 Goal Not Met</div> <div style="border: 1px solid white; padding: 2px; text-align: center;">0 Data Lag</div> </div>	<h2 style="margin: 0;">Goal 2: Clean and Safe Water</h2> <h3 style="margin: 0;">Annual Performance Goals and Measures</h3> <h4 style="margin: 0;">FY 1999–FY 2001 Results</h4>
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By 2005, protect human health so that 95% of the population served by community water systems will receive water that meets drinking water standards, consumption of contaminated fish and shellfish will be reduced, and exposure to microbial and other forms of contamination in waters used for recreation will be reduced.

Progress Toward Strategic Objective: EPA is on track to achieve this objective by 2005. The Agency has consistently met its drinking water goals, and the population receiving water that meets all standards continues to increase. EPA does not track consumption of fish and shellfish, but it continues to work with states, the Food and Drug Administration, the Centers for Disease Control, and others to improve fish consumption advisories and to increase the amount and quality of information about contaminated fish available to the public. The Beach Environmental Assessment and Coastal Health (BEACH) Act, signed in October 2000, requires states, territories, and tribes that have coastal recreational waters and authority for water quality standards to adopt new water quality standards for microbial contamination. The standards must be in place by April 2004, or EPA will promulgate them. These strengthened standards will reduce exposure to contamination in recreational waters by 2005.

		Planned	Actual
APG 8			
FY 2001	<p>Maintain percent of the population served by water systems that will receive drinking water meeting all health-based standards that were in effect as of 1994. Goal Met.</p> <p>↳ Corresponds with FY 2001 NEPPS Core Performance Measure (CPM).</p> <p><u>Performance Measures</u></p> <ul style="list-style-type: none"> - Population served by community drinking water systems with no violations during the year of any federally enforceable health-based standards that were in place by 1994. 91% 91% - Population served by non-community, non-transient drinking water systems with no violations during the year of any federally enforceable health-based standards that were in place by 1994. 96% 92% 		
<i>FY 2000</i>	<i>91% of the population served by community drinking water systems will receive drinking water meeting all health-based standards that were in effect as of 1994, up from 83% in 1994. Goal Met.</i>		91%
<i>FY 1999</i>	<i>89% (increase of 1% over 1998) of the population served by community water systems will receive drinking water meeting all health-based standards in effect as of 1994, up from 83% in 1994. Goal Met.</i>		91%

FY 2001 Result: Of the universe of Public Water Systems (PWSs), nearly 264 million people were regularly served by Community Water Systems in 2001; this represents the principal focus of drinking water protection efforts and our chief measure of success. Nevertheless, the protectiveness of another subset of PWSs, the "non-community non-transient" systems, representing locations with a regular service population (for example, factories and schools, with independent water supplies), is of national importance as well. The FY 2001 actual result for non-transient systems was below expectations; this is partly the result of more accurate reporting of non-transient systems' performance status, reflecting data improvement efforts. To improve performance among this sector, EPA is implementing a strategy to help small water systems (including the non-community systems) build technical, financial, and managerial capacity they need to meet health-based standards and better protect human health.

		Planned	Actual
APG 9			
FY 2001	<p>Reduce exposure to contaminated recreation waters by increasing the information available to the public and decision-makers. Goal Met.</p> <p><u>Performance Measures</u></p> <ul style="list-style-type: none"> - Beaches for which monitoring and closure data is available at http://www.epa.gov/OST/beaches/ (cumulative). 2,200 2,200 		

Goal 2 - Clean and Safe Water

FY 2000 Reduce exposure to contaminated recreational waters by increasing the information available to the public and decision-makers. *Goal Met.*

Performance Measures

- Cumulative number of beaches for which monitoring and closure data is available at "beaches" web page 1,981
- Number of digitized maps on the web page 150

FY 2001 Result: The BEACH Act, signed into law in October 2000, requires stronger water quality standards for bathing beaches. The law requires states, tribes, and territories that have coastal recreational waters to adopt new or revised water quality standards for pathogens and pathogen indicators in accordance with criteria that EPA published in 1986. EPA is required to promulgate standards for states that do not by April 2004 adopt standards and criteria that are at least as protective as EPA's. States and territories will use funds from BEACH grants to develop strong, consistent monitoring and public notification programs based on these stronger standards.

Conserve and Enhance the Ecological Health of the Nation's (State, Interstate, and Tribal) Waters and Aquatic Ecosystems—Rivers and Streams, Lakes, Wetlands, Estuaries, Coastal Areas, Oceans, and Groundwater—So That 75% of Waters Will Support Healthy Aquatic Communities by 2005.

Progress Toward Strategic Objective: The number of watersheds with 80% of waters meeting all standards is increasing. At the same time, EPA is making progress in assessing and analyzing water quality nationwide with an increasing degree of confidence. In FY 1998 states, tribes, and territories reported on the quality of approximately 40% of the Nation's waters. EPA is working to improve state monitoring programs so states have more timely monitoring information to support their decision-making. The APG below measures progress toward the revised strategic objective established with a target of 675 watersheds for 2005.

		Planned	Actual
APG 10			
FY 2001	Water quality will improve on a watershed basis such that 550 of the nation's 2,262 watersheds will have greater than 80 percent of assessed waters meeting all water quality standards, up from 500 watersheds in 1998. <i>Goal Not Met.</i>	550	510
FY 2000	<i>Environmental improvement projects will be under way in 350 high priority watersheds as a result of implementing activities under the Clean Water Action Plan (CWAP). <i>Goal Not Met.</i></i>		<i>324</i>
FY 1999	<i>As part of CWAP, all states will be conducting or have completed unified watershed assessments, with support from EPA, to identify aquatic resources in greatest need of restoration or prevention activities. <i>Goal Met.</i></i>		<i>56</i>

FY 2001 Result: This APG reflects the actual quality of water and the extent to which waterbodies support specific uses. Achievement of this APG is dependent on successful implementation (by states and EPA) of the full suite of CWA actions. This goal represents (admittedly very broad) a snapshot of water quality at one point in time, so it is an imperfect measure of trends, given inconsistencies in states' monitoring over time. EPA is working with states to improve water monitoring programs, including better integration of their data. EPA is also improving the national tracking of progress in restoring watersheds via WATERS, an information system that uses EPA's standard mapping application to display water quality information about local waters.

		Planned	Actual
APG 11			
FY 2001	Assure that states and tribes have effective, up-to-date water quality standards programs adopted in accordance with the Water Quality Standards (WQSs) regulation and the WQSs program priorities. <i>Goal Not Met.</i>		
	<u>Performance Measures</u>		
	- Number of states with new or revised WQSs that EPA either approved, or disapproved and promulgated replacements	30	21
	- Cumulative number of tribes with approved WQSs in place	27	19
FY 2000	<i>Assure that states and tribes have effective, up-to-date water quality standards programs adopted in accordance with the WQSs regulation and WQSs program priorities. <i>Goal Not Met.</i></i>		
	<u>Performance Measures</u>		
	- Number of states with new or revised WQSs that EPA either approved, or disapproved and promulgated replacements.		35
	- Cumulative number of tribes with approved WQSs in place.		16

FY 2001 Result: Water quality standards established under the Clean Water Act establish specific environmental goals for our nation's waters. Having current, protective water quality standards in place is an essential element of the national water program's water quality protection efforts. Even though EPA did not meet its targets for these actions, states and tribes have done significant work in this area. A number of state standards are complete but waiting for state approval before formal submission to EPA. EPA continues to work with tribes

to clarify national policies for tribes to receive authorization to run the water quality standards program, which will facilitate approval of new tribal water quality standards. Please refer to Section III, Management Accomplishments and Challenges, for a more detailed discussion of the strategies to address issues related to WQSs.

APG 12		Planned	Actual
FY 2001	Restore and protect estuaries through the implementation of Comprehensive Conservation and Management Plans (CCMPs). Goal Met.		
	<u>Performance Measures</u>		
	- Acres of habitat preserved, restored and/or created nationwide as part of the National Estuary Program (cumulative).	50,000	70,000

FY 2001 Result: 70,000 acres of habitat were preserved, restored and/or created nationwide as part of the National Estuary Program.

By 2005, Pollutant Discharges From Key Point Sources and Nonpoint Source Runoff Will Be Reduced by at Least 20% from 1992 Levels. Air Deposition of Key Pollutants Impacting Water Bodies Will Be Reduced.

Progress Toward Strategic Objective: By 2005 pollutant discharges from key point sources and nonpoint source runoff will be reduced by at least 20% from 1992 levels. Air deposition of key pollutants impacting water bodies will be reduced. EPA continues to face a significant challenge in its ability to adequately document actual pollutant loadings reductions. The amount of data available from many EPA programs is and will continue to be very limited. To help document loadings reductions from permits that implement effluent guidelines and implement an overall loadings reductions strategy, EPA will take steps to determine the number of facilities in each major program. This will greatly improve the Agency's ability to successfully model expected reductions and validate these models using the limited data EPA has. EPA also will continue to improve its ability to measure loadings reductions from its key technical assistance programs and thereby demonstrate the direct contribution of these programs to the Agency's strategic goals and objectives, as well as the President's theme of ensuring compliance.

APG 13		Planned	Actual
FY 2001	Industrial discharges of pollutants to the nation's waters will be significantly reduced through implementation of effluent guidelines. Goal Met.		
	<u>Performance Measures</u>		
	- Cumulative reduction in toxic-pollutant loadings by facilities subject to effluent guidelines promulgated between 1992 and 1999, as predicted by model projections.	9.8 M lb	10.3 M lb
	- Reduction in loadings for conventional pollutants for facilities subject to effluent guidelines promulgated between 1992 and 2000, as compared to 1992 levels as predicted by model projections.	552.7M lb	557 M lb
	- Reduction in loadings for non-conventional pollutants for facilities subject to effluent guidelines promulgated between 1992 and 2000, as compared to 1992 levels as predicted by model projections.	935.6 M lb	922 M lb

FY 2000 Industrial discharges of pollutants to the nation's waters will be significantly reduced through implementation of effluent guidelines. Goal Met.

Performance Measures

- Cumulative reduction in toxic-pollutant loadings by facilities subject to effluent guidelines promulgated between 1992-1999, against 1992 levels (predicted by models). 4 M lb
- Cumulative reduction in conventional-pollutant loadings by facilities subject to effluent guidelines promulgated between 1992-1999, against 1992 levels (predicted by models). 473 M lb
- Cumulative reduction in non-conventional-pollutant loadings by facilities subject to effluent guidelines promulgated between 1992-1999, against 1992 levels (predicted by models). 136 M lb

FY 2001 Result: Targets were based on model projections of effluent guidelines, having to estimate both the facility universe and the number of permits developed. Numbers above represent estimated achievements on November 15, 2001, when regions were able to complete issuance of all permits, including a general oil and gas permit covering 400 facilities in Region 6.

APG 14		Planned	Actual
FY 2001	Current national pollutant discharge elimination system (NPDES) permits reduce or eliminate discharges into the nation's waters of (1) inadequately treated discharges from municipal and industrial facilities; and (2) pollutants from urban storm water, combined sewer overflow, and concentrated animal feeding operations. Goal Not Met.		
	<u>Performance Measures</u>		
	- Major point sources are covered by current permits	89%	75%
	- Minor point sources are covered by current permits.	66%	75%

Goal 2 - Clean and Safe Water

FY 2001 Result: Unfortunately, there is no single reason why the rates are not improving. Factors that affect the permit backlog are permit appeals and challenges, lack of or redirection of staff and resources by states, newly adopted water quality standards that are increasingly comprehensive and more stringent, and the need to integrate individual permits with watershed and other planning processes. Please refer to Section III, Management Accomplishments and Challenges, for a more detailed discussion of the strategies to address issues related to NPDES permits.

APG 15		Planned	Actual
FY 2001	700 projects funded by the Clean Water State Revolving Fund (SRF) will initiate operations, 7,200 including 400 projects providing secondary treatment, advanced treatment, CSO correction (treatment), and/or storm water treatment. Cumulatively, SRF funded projects will have initiated operations since program inception. Goal Met.	7,200	7,452
FY 2000	Another two million people will receive the benefits of secondary treatment of wastewater, for a total of 181 million people. Goal Met.		2 M
FY 1999	Another 3.4 million people will receive the benefits of secondary treatment of wastewater, for a total of 179 million. Goal Met.		3.4 M

FY 2001 Result: 933 projects funded by the Clean Water SRF initiated operations, including 400 projects providing secondary treatment, advanced treatment, CSO correction (treatment), and/or storm water treatment were completed in FY 2001. Cumulatively, 7,452 SRF-funded projects have initiated operations since program inception.

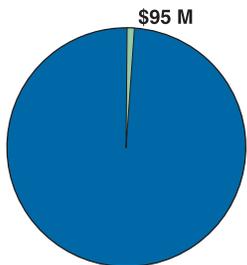
Prior Year Annual Performance Goals Without Corresponding FY 2001 Goals (Actual Performance Data Available in FY 2000 and Beyond or With Performance Targets Beyond FY 2001)

APG		Planned	Actual
FY 1999	By 2003: deliver support tools, such as watershed models, enabling resource planners to select consistent, appropriate watershed management solutions and alternative, less costly wet-weather flow control technologies costly wet-weather costly wet-weather .		target year is FY 2003

FY 2000 Annual Performance Goals (No Longer Reported for FY 2001)

- Reduce uncertainties and improve methods associated with the evaluation and control of risks posed by exposure to disinfection by-products in drinking water.
- Reduce uncertainties and improve methods associated with the evaluation and control of risks posed by exposure to microbial contaminants in drinking water.
- Identify the primary life support functions of surface waters that contribute to the management of sustainability of watersheds.
- Develop modeling, monitoring, and risk management methods that enable planners and regulatory officials to more accurately characterize receiving and recreational water quality and to select appropriate control technologies.

Goal 3 FY 2001 Obligations



Note: EPA FY 2001 Total Obligations were \$9,007 million

GOAL 3: SAFE FOOD

The foods Americans eat will be free from unsafe pesticide residues. Children especially will be protected from the health threats posed by pesticide residues because they are among the most vulnerable groups in our society.

PROGRESS TOWARD STRATEGIC GOAL AND OBJECTIVES

EPA is making steady progress toward ensuring that the foods people eat are safe. Working with state, local, tribal, and other partners, in FY 2001 EPA continued to carry out the Agency's three-part strategy for reducing risks from pesticide residues:

- Reevaluating older, potentially higher risk pesticides using the best current scientific data and methods to determine what additional limits on a pesticide's use are needed to provide reasonable certainty of no harm, especially to children and other sensitive groups of people.
- Accelerating EPA's review and registration of alternative pesticides that are less risky than those currently in use.
- Using partnerships and other means to promote the adoption and use of lower risk pest management methods.

A key element in meeting the Agency's safe food goal is ensuring the availability of reliable baseline data against which EPA can measure its progress. In FY 2001 EPA, Florida State University (FSU), and the National Pollution Prevention Roundtable began work to strengthen the data on which performance indicators and measures supporting EPA's safe food goal are based. This work builds on EPA's and FSU's efforts to inventory and describe environmental outcome indicators and measures, as part of the Chemical and Pesticides Results Measures (CAPRM) project (<http://www.pepps.fsu.edu/CAPRM>), nationwide for federal agencies, states, tribal entities, and local government entities.

CAPRM PROJECT: SAMPLE OF INDICATORS

- Percent of Foods with Detectable Pesticide Residues
- Percentage of Agricultural Acres Treated with Pesticides
- U.S. Volume of Pesticide Usage by Type of Active Ingredient
- Annual Pesticide Use of Select Field Crops by Pesticide Product Signal Word

FY 2001 PERFORMANCE

Reducing Agricultural Pesticide Risk

Older registered pesticides may cause health problems, such as birth defects, nerve damage, and cancer, after long-term exposures to residues in foods, drinking water, and residential uses. Moreover, test data from industry applicants indicate that some pesticides may adversely affect indigenous populations of birds, fish, mammals, beneficial insects, and other sensitive species that are not targets for pesticide applications. Consequently EPA seeks to eliminate or reduce human health and environmental risks by encouraging substitution of less risky pesticides for older chemicals that have potential for these adverse effects. Specifically during FY 2001 EPA took the following actions:

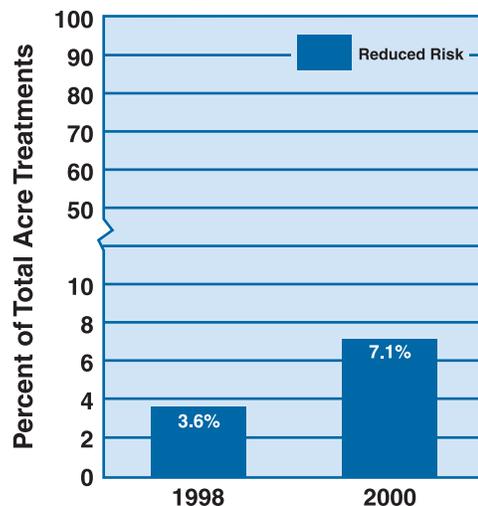
- The Agency registered 11 additional reduced-risk chemical pesticides and biopesticides, approved 103 additional uses of such lower risk pesticides, and approved 65 new uses as organophosphate alternatives. This increased availability of lower risk

pesticides, combined with public demand for safe food, encourages pesticide producers and users to shift to reduced-risk alternatives, thereby eliminating exposures to pesticides that have been associated with adverse neurological effects and cancer. As the use of reduced-risk alternatives increase, they also might become more cost-effective.

- Through the new Strategic Agricultural Initiative, EPA collaborated with state agriculture departments, universities, grower groups, and other partners and stakeholders on 10 to 15 local projects to assist growers in making the transition to reduced-risk pest management strategies. For example, in Michigan collection of commodity-specific data on pesticide use on local crops is helping growers make better informed decisions about pesticide choices. Partners in Oregon have been able to reduce synthetic pesticide use by 74 percent and organophosphate use by 66 percent. The Wisconsin Potato and Vegetable Growers Association, University of Wisconsin, and World Wildlife Fund are teaming with the American Farmland Trust and EPA to continue to demonstrate integrated pest management (IPM) on potatoes. The IPM techniques used achieved a 25 to 37 percent reduction in the toxic-load of pesticides used, as measured through a toxicity-scoring mechanism that reflects the decreased use of toxic pesticides.
- EPA registered three new pesticide alternatives to methyl bromide, a widely used fumigant, and the search for additional alternatives is ongoing. The United States accounts for 40 percent of methyl bromide use worldwide. Under the Clean Air Act, methyl bromide use is to be phased out by 2005 because of its contribution to depletion of stratospheric ozone.

Pesticides that EPA considers “safer” (those registered through the Reduced Risk Initiative and biopesticides) constituted an estimated 3.6 percent of all agricultural pesticide acre-treatments in 1998, increasing to 7.1 percent in 2000—significantly exceeding the Agency’s target of 1 percent. FY 2001 results are expected in the spring of 2002.

Percentage of Agriculture Acres Treated With Reduced-Risk Pesticides



Source: EPA, Office of Pesticides

Reducing Use on Food of Pesticides Not Meeting Health Standards

EPA continued its ongoing comprehensive reviews of pesticides initially registered before November 1, 1984, to ensure their continued safety. After a thorough review of the data, the Agency issues a Reregistration Eligibility Decision (RED). In cases where pesticides do not meet health and environmental requirements, EPA determines what changes are needed in allowable uses, including canceling use or limiting use to certified applicators. By the end of FY 2001 EPA had reviewed more than 71 percent of the 612 cases required to have a RED.

To further protect the food supply, the FQPA set stricter safety standards for pesticide residues in or on food and required EPA to reassess all existing tolerances by 2006 to ensure they meet the new safety standard of “reasonable certainty of no harm.” By the end of FY 2001 the Agency had completed reassessment of 40 percent of these tolerances, including approximately 34 percent of the organophosphates and carcinogens, which are among the pesticides considered of highest risk. Through these efforts, EPA expects to meet its objective to substantially eliminate pesticides that do not meet the FQPA standard.

FQPA'S ADDED PROTECTIONS

EPA builds in a **safety factor** when registering a pesticide for use on food and determining how much pesticide residue can remain on food with a reasonable certainty of no harm. This safety factor allows the Agency to be even more protective of human health than exposure studies suggest is necessary. However, EPA provides a higher safety factor in certain instances when assessing tolerance levels for foods routinely eaten by infants and children.

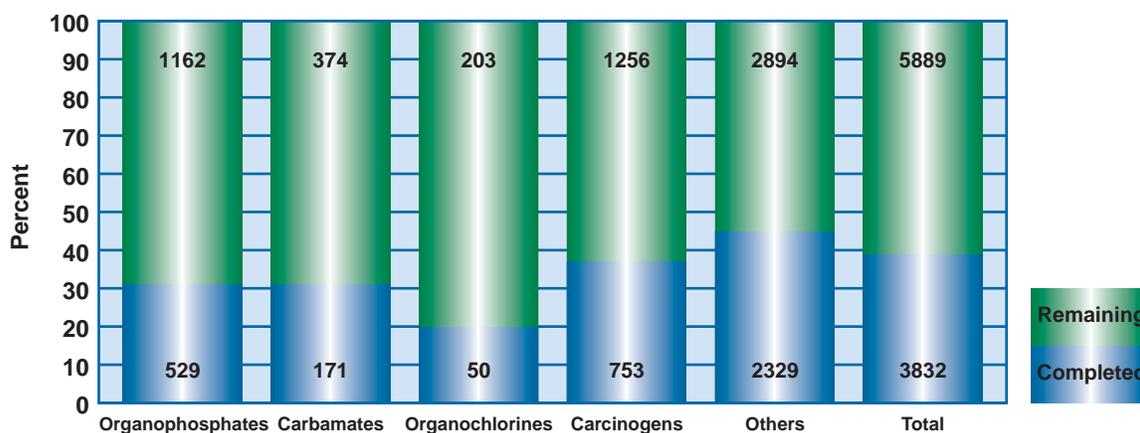
A **cumulative risk assessment**, which looks at more than one pesticide, is the process of combining exposure (the amount of a pesticide to which a person is exposed) and hazard (the health effects a pesticide could cause) from all substances that share a common mechanism of toxicity. Because people can be exposed to several pesticides that act the same way in the body at the same time through various foods, drinking water, and uses in and around the home, school, or recreational areas, assessing the effects of these cumulative exposures allows EPA to understand the risk of an individual pesticide.

An **aggregate risk assessment** looks at one specific pesticide. Such assessments include all potential, relevant routes of exposure—food, drinking water, and residential uses and by ingestion, dermal contact, and inhalation. Routes of exposure refer to how people potentially interact with pesticides in the environment.

EPA took action in FY 2001 to reduce the use of two organophosphate pesticides, diazinon and acephate. Organophosphate pesticides are widely used, older pesticides that are a priority for review because of their potential risks. Diazinon, for example, is both potentially neurotoxic to humans and highly toxic to birds, mammals, water invertebrates, honeybees, and other beneficial insects. When used in the home, it can pose a risk to children. EPA's action will end about 75 percent of the current use of diazinon and restrict remaining uses. Acephate, also a neurotoxicant in humans, has risks similar to that of diazinon for environmental effects. Additionally, EPA's efforts led to the voluntary cancellation of benomyl, a carcinogen used on several crops frequently consumed by children.

Pesticide tolerances are set with an ample margin of safety to avoid human health risks, including risks to vulnerable populations. The Food Quality Protection Act (FQPA) mandates extra protection for infants and children, and EPA uses an extra tenfold protection factor for infants and children in setting a pesticide tolerance (the legal maximum allowable pesticide residue on a food crop) unless scientific data indicate that a different factor is warranted. The special dietary patterns of other vulnerable groups, such as Native Americans, urban poor persons, and farm families, are also considered in the risk assessment and tolerance setting process. In FY 2001 the Agency continued to update and improve its pesticide toxicity testing guidelines and other assessment tools to ensure these populations are adequately protected.

Progress in Reassessing Pesticide Tolerances as of September 30, 2001



This graph shows the status of EPA's tolerance reassessment program by chemical class. In total, 3,832 tolerances (39.4 percent of 9,721) have been reassessed.

EPA made other important decisions to address the risks of pesticides in FY 2001. Because of high levels of worker and ecological risks, EPA, after conducting a special review and tolerance reassessment, entered into a memorandum and letters of agreement with manufacturers to cancel registration of ethyl parathion, which had been registered as a restricted-use pesticide. Ethyl parathion is among the most highly toxic registered pesticides; it is a particularly potent neurologic toxicant and possible carcinogen in humans.

The Agency also denied a request for a food tolerance for Starlink's unique protein in corn because of its potential to cause an allergic reaction and adopted a final rule strengthening federal oversight of plants that are genetically modified to produce pesticidal chemicals.

During FY 2001 EPA revised three science policy papers with broad scientific and stakeholder support detailing how EPA scientists will evaluate aggregate exposure and risk assessment, evaluate cumulative risk assessment, and apply the FQPA safety factor. Broadening stakeholder input led to increased cooperation from industry and growers in developing and implementing reduced-risk agricultural practices and brought wider understanding and acceptance of EPA's regulatory decisions.

The Agency also worked to improve its regulatory decisionmaking in FY 2001. EPA undertook extensive collaboration with scientists from other federal agencies, academia, and the private sector and held multiple meetings with the Federal Insecticide, Fungicide, and Rodenticide Act (FIFRA) Scientific Advisory Panel, to address the challenges posed by the evolving field of biotechnology, as well as the need for new science policies for risk assessments.

The most recent data indicate that in the United States an annual average of 15,475 food-borne illness cases and 14 food-borne illness-related deaths are reported to the Centers for Disease Control (<http://web.health.gov/healthypeople/Document/HTML/Volume1/10Food.htm>). In FY 2001 EPA worked in partnership with the U.S. Department of Agriculture to expedite the review and conditional approval of a product to control the virus responsible for foot-and-mouth disease in livestock. EPA also worked with the Food and Drug Administration to register food contact preservatives and sanitizers,

providing new tools for controlling microorganisms in food production and handling. Additionally, the Agency encouraged greater public awareness about the precautions people should take in properly preparing and handling food.

Research Contributions

Research supporting Goal 3 is enabling EPA to better identify and characterize groups of people at highest risk, those which may require special regulatory consideration and protection. In FY 2001 the Agency developed tests for identifying pesticides that have increased toxicity for the young. These tests will help EPA determine how best to protect children from harmful pesticide exposure. The Agency also conducted studies to better understand age-dependent differences in response to various pesticides and the health effects associated with repeated pesticide exposure. Additionally, EPA produced an evaluative report on aggregate exposure to pesticides based on National Human Exposure Survey (NHEXAS) studies at three areas along the U.S.-Mexican border. By using various forms of data collection in the NHEXAS studies, EPA will learn how human exposure to pesticides varies according to location, as well as how to conduct effective future exposure assessments. Ultimately, the knowledge gained through these studies will help the Agency determine how best to keep the public protected from and informed of the risks associated with toxic pesticides.

STATE AND TRIBAL PARTNERSHIP CONTRIBUTIONS

State Contributions

Through grant agreements and with guidance provided by EPA, states enforce federal and state pesticide laws, maintain pesticide laboratory operations, train and certify commercial and private pesticide applicators, and develop groundwater pesticide management plans to protect groundwater from contamination. States play a pivotal role in ensuring that food-use and other pesticides are applied according to label instructions and that applicators of restricted-use pesticides are adequately trained. States also respond to emergency pest problems by submitting emergency exemption applications (more than 500 requests in FY 2001),

each of which the Agency reviews to ensure that it meets FQPA health-based standards.

In FY 2001 EPA and the states supported training on pesticide safety for farmworkers and farm families by partnering with the Association of Farmworker Opportunity Programs, AmeriCorps, and 37 community-based organizations in 22 states. EPA also consulted with the state Association of American Pesticide Control Officials and shared information with the State FIFRA Issues Research and Evaluation Group, a network of state officials interested in federal/state co-regulation of pesticides. One of EPA's successful partnerships with states has been the work-share program with California's Department of Pesticide Regulation, which conducts data review for Interregional Research Four (IR-4) petitions. The Directors of State Agricultural Experiment Stations organized IR-4 to expedite federal and state minor use registrations and establish tolerances for many crop uses. The program helps minor crop producers (whose crops account for approximately 40 percent of total agricultural sales for the United States) obtain tolerances and registrations for pest control products. The program supports development of test data for registrations and tolerances and prepares specific instructions for application to include on pesticide labels.

Tribal Contributions

EPA continues to incorporate the needs of Native Americans into its risk assessments. For example, in the reregistration process for lindane, EPA performed a dietary assessment of Alaskan indigenous populations, which rely heavily on subsistence foods that might contain lindane residues. A variety of organochlorine contaminants, including lindane, have been found in land, freshwater, and marine environments as a result of intercontinental transport in air and ocean currents. Fortunately the assessment found the levels of exposure to be well below a level of concern. EPA also collaborates with

the Tribal Pesticide Program Council and other tribal partners to develop a common approach to chemical exposures related to tribal subsistence lifestyles. For example, the Agency initiated discussions for a pilot in the northwest United States to collect food consumption and pesticide residue data for use in dietary risk assessments for groups of people that subsist on fishing, hunting and gathering. Results from this pilot are expected in late 2002.

ASSESSMENTS OF IMPACTS OF FY 2001 PERFORMANCE ON FY 2002 ANNUAL PERFORMANCE PLAN

Based on FY 2001 performance results, EPA modified its FY 2002 performance targets to reflect the impact of fewer reduced risk pesticide applications from industry, and the delay, resulting from the lack of the cumulative risk policy, in the development of tolerance reassessments of special concern to children. The Agency, with input from its partners and stakeholders, continues to invest in developing more outcome-oriented measures to support the achievement of its food safety goal.

PERFORMANCE DATA CHART

The following performance data chart includes performance results for the FY 2001 Annual Performance Goals (APGs) that support Goal 3. The performance chart reflects the Agency's 1997 Strategic Plan goals with which FY 2001 APGs are associated. Relevant FY 2000 and FY 1999 APGs are included for ease in comparing performance. Data quality information for Goal 3 can be found on pages B-13 to B-15 of Appendix B, "Data Quality." Additionally, the chart provides results for FY 2000 and FY 1999 APGs for which data were not available when the FY 2000 report was published as well as for FY 2000 APGs that are not associated with FY 2001 APGs.

Summary of FY 2001 Performance

1 Goal Met 2 Goal Not Met 0 Data Lag

Goal 3: Safe Food
Annual Performance Goals and Measures
FY 1999–FY 2001 Results

By 2005, the Risk From Agricultural Use of Pesticides Will Be Reduced by 50% From 1995 Levels.

Progress Toward Strategic Objective: Since 1996, the year the FQPA was enacted, EPA has made substantial progress toward reducing risk from pesticide residues in food. Nearly 100 safer pesticides—those which pose less risk to human health and the environment than conventional chemical pesticides—have been registered, substantially increasing the tools farmers have at their disposal to protect human health and the environment while ensuring productive agricultural yields. At the same time, use of pesticides that have the highest potential to cause cancer and neurotoxic effects has declined by more than 15% based on survey data. Increasing numbers of safer pesticides on the market and increasing numbers of acre-treatments using such pesticides are ensuring that EPA is on track to meet its revised objective to reduce public health risk from pesticides in food from pre-FQPA levels.

APG 16		Planned	Actual
FY 2001	Decrease adverse risk from agricultural uses from 1995 levels and assure that new pesticides that enter the market are safe for humans and the environment. Goal Not Met.		
	<u>Performance Measures</u>		
	- Register safer chemicals and biopesticides.	96	92
<hr/>			
<i>FY 2000</i>	<i>Decrease adverse risk from agricultural uses from 1995 levels and assure that new pesticides are safe by such actions as registering 6 new chemicals, 2,200 amendments, 600 me-toos, 200 new uses, 45 inerts, 375 special registrations, 225 tolerances and 13 reduced risk chemicals/biopesticides. Goal Met.</i>		6 3,069 1,106 427 95 458 452 16
<hr/>			
<i>FY 1999</i>	<i>Decrease adverse risk from agricultural pesticides from 1995 levels and assure new pesticides that enter the market are safe for humans and the environment. No Data.</i>		--

FY 2001 Result: The registration of new agricultural pesticides and reregistration of older agricultural pesticides for use on food were done under the strict health-based standard of FQPA: “reasonable certainty of no harm.” “Safer” pesticides are those that meet an even stricter set of criteria. However, EPA did not meet the numerical registration goal for two reasons. First, EPA did not receive enough submissions from industry that met the criteria of “reduced risk.” In an effort to resolve this, the Agency held a workshop to provide registrants with information on what constitutes a reduced-risk pesticide and the data required to register one. Second, policy and scientific issues concerning biotechnology (such as concerns over resistance management and potential harm to non-target species) delayed the registration of some new biopesticides.

EPA is working internally with Florida State University and outside stakeholders, including industry and environmental organizations, to develop potential measures of risk. Although the Agency will continue to use the registration of safer chemicals as a performance measure under this goal, EPA also improved the measure of occurrence of residues to more accurately measure decreased risk for 2002 and beyond.

APG 17		Planned	Actual
FY 2001	Provide timely decisions to the pesticide industry on the registration of active ingredients for conventional pesticides including tolerance setting, product registrations and inert ingredients. Goal Met.		
	<u>Performance Measures</u>		
	- New chemicals registered (cumulative)	51	53
	- New uses (cumulative)	1,979	1,896
		actions	actions

FY 2001 Result: The Agency registered nine new chemicals, exceeding its target by two. EPA also registered 267 new uses of chemicals, underperforming the target by 83. It has proven difficult to establish good targets for registration. It is difficult to predict within the Registration Program the number of requests that will come in from industry in any given time frame or the level of difficulty that the review

of these applications might entail. The targets represent EPA's best estimates. In FY 2001 the targets for new uses were adjusted upward for new uses by 150, based on prior-year experience, but the targets were overestimated when compared with actual completions.

By 2005, Use On Food of Current Pesticides That Do Not Meet the New Statutory Standard of "Reasonable Certainty of No Harm" Will Be Substantially Eliminated.

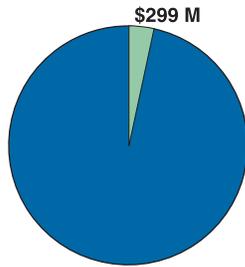
Progress Toward Strategic Objective: EPA is well on the way to meeting the revised objective to, by 2008, substantially eliminate the use on food of pesticides that do not meet the "reasonable certainty of no harm" standard of the FQPA. Since 1996, 40% of the 9,271 tolerances (legal pesticide residue levels on food) have been reassessed using the new standard. More than 70% of 612 reregistration eligibility decisions have been completed. In particular, the risk of pesticides used on foods frequently eaten by children is decreasing in part through work in EPA's tolerance reassessment program.

APG 18		Planned	Actual
FY 2001	By the end of 2001 EPA will reassess a cumulative 40% of the 9,721 tolerances required to be reassessed over ten-years and complete reassessment of a cumulative 46% (or 411) of the 893 tolerances of special concern in protecting the health of children. Goal Not Met.	40% 46%	40% 44%
<i>FY 2000</i>	<i>EPA will reassess 20% of the existing 9,721 tolerances to ensure that they meet the statutory standard of "reasonable certainty of no harm." Goal Not Met.</i>		<i>121</i>
<i>FY 1999</i>	<i>Under pesticide reregistration, EPA will reassess 19% (or 1,850) of the existing 9,700 tolerances (cumulative 33%) for pesticides food uses to meet the new statutory standards of "reasonable certainty of no harm." Goal Not Met.</i>		<i>1,445</i>

FY 2001 Result: The Agency reassessed 40% (3,664) of tolerances requiring reassessment under FQPA. By the end of 2001, EPA had reassessed 388 (44%) of the 893 tolerances of special concern to children (22 tolerances less than the target of 411). Because EPA continued to wrestle with the scientific and policy implications of the cumulative risk policy, the number of tolerances of special concern for children's health fell slightly short of the target. EPA's revised guidance for applying cumulative risk assessments was published on January 16, 2002. Therefore the pace of reassessments for tolerances of special concern for children's health should increase. EPA is still on track to meet the statutory deadline of 66% of tolerances reassessed by August 3, 2002, and 100% by August 2006.

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Goal 4 FY 2001 Obligations



Note: EPA FY 2001 Total Obligations were \$9,007 million

GOAL 4: PREVENTING POLLUTION AND REDUCING RISK IN COMMUNITIES, HOMES, WORKPLACES, AND ECOSYSTEMS

Pollution prevention and risk management strategies aimed at cost-effectively eliminating, reducing, or minimizing emissions and contamination will result in cleaner and safer environments in which all Americans can reside, work, and enjoy life. EPA will safeguard ecosystems and promote the health of natural communities that are integral to the quality of life in this nation.

PROGRESS TOWARD STRATEGIC GOAL AND OBJECTIVES

EPA made progress in FY 2001 toward attaining its goal to ensure cleaner and safer environments by preventing pollution before it occurs and reducing human and ecosystem risks from pollutants that cannot be eliminated at their source. EPA's work under this goal spans seven strategic objectives: reducing pesticide risks to workers, consumers, and ecosystems; reducing the incidence of childhood lead poisoning; screening new and existing chemicals for potential human and ecological risks; improving indoor air quality to reduce or eliminate indoor environmental pollutants in the home and to reduce asthma incidents; reducing toxic wastes through pollution prevention; increasing municipal recycling and decreasing waste toxicity; and assessing environmental conditions on tribal lands.

EPA is on track to meet most of its strategic objectives under Goal 4. Through numerous projects, the Agency has taken steps to reduce pesticide risks to workers, consumers, and ecosystems. The Agency has supported worker protection by developing training materials; sponsoring radio public service announcements, in Spanish, promoting worker safety; and funding trainers of agricultural workers. The risk to consumers and ecosystems from pesticides has been reduced through clearer and more useful pesticide labels and the Agency's emphasis on the importance of reading the product label before use. The Agency is also ensuring that pesticides pose less risk to groundwater by carefully managing pesticides that have high leaching and

persistence potential. EPA is now managing 19 out of 31 such pesticides to protect groundwater.

EPA has had great success in reducing children's exposure to lead. The number of young children with high levels of lead in their blood has been drastically reduced since the early 1990s, prompting the Agency to set an aggressive new goal in its revised Strategic Plan to reduce the incidence of childhood lead poisoning from 900,000 cases in the early 1990s to 200,000 by 2007.

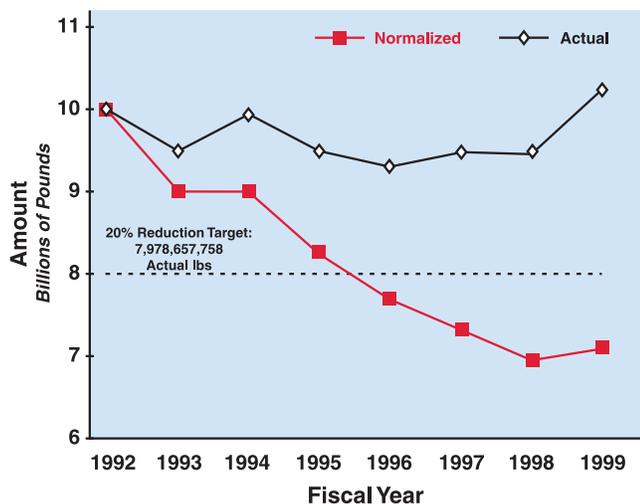
EPA has helped ensure the safety of chemicals, making progress toward its strategic objective, by securing voluntary commitments from more than 450 companies to provide essential risk screening data for more than 2,100 chemicals currently in use and being produced in quantities exceeding 1 million pounds per year. The Agency also initiated a collaborative program with industry and national experts to assess the risks of a key set of chemicals to which children are disproportionately exposed.

EPA has experienced a significant setback in its work toward its strategic objective to cut nonrecycled waste generation by 20 percent from 1992 levels by 2005 through source reduction and other measures. The Agency uses data provided by industry to the Toxics Release Inventory (TRI) to measure progress toward this objective, targeting annual reductions of 2 percent (<http://www.epa.gov/tri/>). According to the most recent TRI data (covering 1999), there has been a 684 million pound (7.2 percent) increase in the generation of nonrecycled wastes (TRI pollutants) from 1998 amounts. EPA will not have

FY 2001 data until spring 2003 because of reporting and data processing schedules.

The Agency attributes much of this increase to the surge in production that occurred throughout the American economy in the late 1990s. When the TRI data are normalized to control for changes in production, the increase from 1998 to 1999 becomes much smaller (191 million pounds or 2.7 percent).

Non-Recycled Waste Trend: FY 1992–1999



Nonetheless nonrecycled wastes increased causing the Agency to fail to achieve one of its most prominent annual performance goals and placing achievement of the strategic objective at risk. The Agency’s revised Strategic Plan contains an additional target calling for a production-adjusted (normalized) reduction of 30 percent from 1998 amounts. Controlling for production change will increase the visibility of the results being achieved through source reduction, providing a greater incentive for companies and governments to expand their efforts toward this goal.

FY 2001 PERFORMANCE

Risk Identification

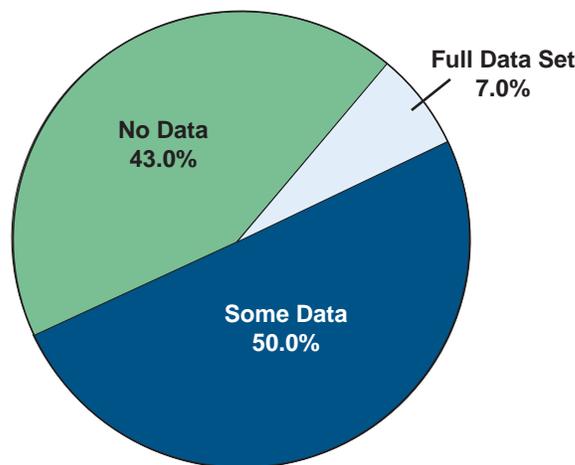
Risk identification is the initial stage along a continuum of risk reduction activities. In FY 2001 EPA exceeded its expectations by securing voluntary commitments from hundreds of companies to provide essential risk screening data for more than 2,100 industrial and commercial chemicals, each produced in quantities exceeding 1 million pounds every year. Companies that manufacture or import High

Production Volume (HPV) chemicals—those produced in amounts exceeding 1 million pounds per year—were invited to sponsor chemicals by voluntarily pledging to make basic hazard information publicly available by 2005 as part of the HPV Challenge Program. Company responses exceeded the Agency’s and stakeholders’ expectations: 469 companies have sponsored 2,155 chemicals. Information on 181 chemicals has already been submitted and is now available on the Chemical Right-to-Know web site, <http://www.epa.gov/oppt/chemrtk/>.

In June 2001 EPA launched the Voluntary Children’s Chemical Evaluation with commitments by 34 companies to assess fully the risks of 20 chemicals to which children might be disproportionately exposed. EPA, other federal agencies, states, communities, industry, nongovernmental organizations, and other nations will use the data developed through both of these programs in assessing and reducing the risks of chemicals and chemical management practices. Almost every risk assessment performed in recent years has relied on the EPA data sources that will be vastly expanded through these efforts.

The Agency has also worked to identify risks posed by endocrine disruptors—chemicals that may cause deformities and other health problems in wildlife and possibly humans. In FY 2001 EPA completed the architecture of the Endocrine Disruptor Priority Setting Data Base, which will help to set priorities for screening from the current

Current Hazard Data Availability for U.S. High Production Volume Chemicals



Key risk data are missing for most chemicals in commerce.

inventory of 87,000 pesticides, commercial chemicals, cosmetic ingredients, food additives, and nutritional supplements. The Agency will be able to use these screens to identify likely endocrine disruptors, thereby allowing the endocrine-disrupting properties of these chemicals to be verified. To ensure that EPA is using the best science in this effort, the Agency established the Endocrine Disruptor Methods Validation Subcommittee to provide a forum for the validation and external scientific peer review of endocrine disruptor screening and testing methods.

To identify risks on tribal lands, in FY 2001 EPA completed the structure of the Agency's Tribal Information Management System, a continuously updated database and geographic information system that will provide profiles and environmental assessments for all Indian tribes in the United States by FY 2005. This system will draw together environmental information on tribes from existing EPA databases. When complete, this tool will enable tribes and users to assess environmental conditions in Indian Country nationally, as well as individually by tribe.

Risk Reduction and Elimination

Once risks are identified, EPA pursues two strategies for reducing or eliminating them. The Agency's first choice is to prevent risks by eliminating pollution at the source. One example of the Agency's pollution prevention efforts in FY 2001 was the use of EPA's Pollution Prevention Assessment Framework tools to train PPG Industries and Eastman Kodak to identify product alternatives that are sustainable both economically and environmentally. Through these tools, industries can identify safer products and processes early in the research and development stage, thus reducing product development costs and increasing pollution prevention benefits. Companies that use these tools are eligible for expedited reviews of their new chemical review applications, providing them critical and valuable competitive advantages in bringing new, greener products to market. As a result of these upfront reviews, fewer harmful chemicals are used in industrial processes, so smaller amounts of such chemicals have the potential to be released into the environment.

When pollution cannot be eliminated at the source, EPA uses several risk reduction strategies: education and outreach, partnership and

collaboration, regulation, and international negotiation. In FY 2001 the Agency continued to make strides in its campaign to reduce asthma in children by providing tools for schools to use to improve air quality. EPA launched an extensive asthma public service campaign to raise the public's awareness of the role that indoor environmental triggers play in the severity and frequency of children's asthma. Also, the Radon Program's long-running public awareness campaign continued with an Emmy Award-winning public service announcement providing facts about radon that are not commonly known by the public. The Agency estimates that the radon program will yield an estimated 2,500 lives saved from exposure reductions achieved from 1986 through 2000; of these, an estimated 350 lives will be saved from exposures averted in 2000 alone, based on information from the National Association of Home Builders' survey and the three largest radon fan manufacturers in the United States. Statistics for FY 2001 are not yet available (<http://www.epa.gov/iaq/radon>).

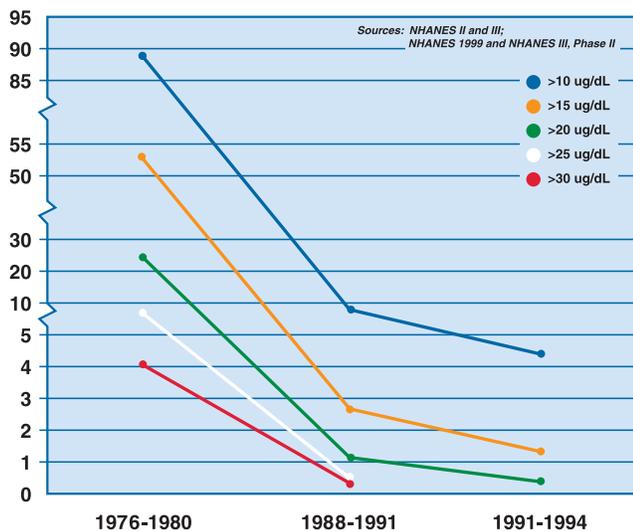
INDOOR AIR QUALITY TOOLS FOR SCHOOLS

EPA was successful in recruiting schools to adopt sound "Indoor Air Quality Tools" practices. This partnership with the American Lung Association implements school-based asthma management education through the program "Open Airways for Schools." In EPA's New York City regional office, years of work by the Regional Indoor Environments staff with the New York City Schools culminated in passage of a resolution by the Chancellor and Board of Education committing all New York City public schools to adopt "Tools for Schools" by the 2005–2006 school year. New York City alone has 1,200 schools and approximately 1.1 million schoolchildren (<http://www.epa.gov/iaq/schools>).

EPA achieved a major milestone in its campaign to reduce the incidence of childhood lead poisoning by finalizing a rule that defines the locations and conditions of lead-based paint and specific levels of lead in dust and soil that should be classified as "lead-based paint hazards." The rule, the result of 5 years of work in the Agency, will help inspectors and

risk assessors assist property owners in deciding how to address lead problems in homes through actions that may include lead-based paint abatement, covering or removing soil, or professional cleaning of lead dust. This rule will significantly reduce the risk that lead poses to human health, particularly that of children. About 27 million homes are projected to exceed 1 or more of the hazard levels, and the Agency estimates that approximately 46 million children will experience reduced exposure to household lead in paint, dust, and soil over the next 50 years, to the extent that response actions are taken in homes that exceed the hazard levels. With the assistance of states and tribes, EPA has trained and certified thousands of professionals in state-of-the-art lead paint abatement practices to address household sources of lead.

Blood Lead Levels of Children Aged 1–5 Years, 1976–1994



EPA also reduced risks from pesticides to workers and the environment through the Strategic Agricultural Initiative program, expanding the use of safer pesticides and farming techniques in FY 2001. The Initiative, along with Agency partners in government and industry, is responsible in part for the significant increase in the use of safer pesticides, well beyond EPA's original targets. Pesticides considered by the Agency to be "safer" (those registered through the Reduced Risk Initiative and biopesticides) constituted an estimated 3.6 percent of all agricultural pesticide acre-treatments in 1998, increasing to 7.1 percent in 2000. (Refer to Goal 3 for additional data on safer pesticide acre-treatments in recent years.)

EPA reduced risks pesticides pose to children through reexamination of insecticide product packaging. In FY 2001 the Agency undertook a systematic review of residentially used pesticide products to determine whether these products meet today's Child-Resistant Packaging requirements. The Agency identified more than 160 residential pesticide products that require further action. This ongoing effort is making pesticide registrants more aware of their responsibility to protect children.

Protection of agricultural workers has been significantly enhanced through the reregistration of pesticides. Older pesticides are required to be reregistered to ensure that they meet today's safety standards. Reregistration decisions in FY 2001 improved worker protection through carefully crafted restrictions on use. For example, to mitigate risks to workers who reenter treated crop areas, the Agency is modifying restricted entry intervals for most crops.

EPA addresses chemicals that persist, accumulate through the food chain, and are toxic to humans or environmental receptors (called persistent bioaccumulative toxics, or PBTs) through reduction and elimination efforts. In FY 2001 the Agency increased to 25 the number of PBT reduction/elimination projects that have been initiated since FY 2000 with EPA's financial support. The Agency also entered into partnerships with the American Hospital Association, the American Nurses Association, and Health Care Without Harm in a nationwide campaign to reduce the use of mercury in more than 300 hospitals. Mercury is a PBT that affects the nervous system, and methyl mercury is a chemical species that bioaccumulates in fish. Fish consumption advisories are in effect for mercury in thousands of lakes and rivers, including much of the Great Lakes ecosystem. Harmful effects from mercury include cancer (possible); temporary or permanent damage to the stomach, large intestine, brain, lung, and kidneys; permanent harm to unborn children; and increased blood pressure and heart rate.

Once wastes are produced, it is often possible to recycle them. Recycled materials are diverted from landfills and come back through the economy as useful products. In FY 2001 EPA made significant progress creating new, voluntary partnerships of industry with government to recycle problem waste streams, in particular electronic products and carpets.

These waste streams are of growing concern to local governments because of increasing quantities, difficulties in handling, and toxicity (especially for electronics). Negotiations are under way to establish voluntary national mechanisms that divert electronics and carpets from disposal. Data reported in FY 2001 reflect that the 1999 National Municipal Solid Waste recycling rate increased to 27.8 percent, 2 million tons more than in 1998.

Research Contributions

FY 2001 research under Goal 4 focused on developing exposure data, risk assessment methodologies, and technologies to improve understanding of health risks and reduce community exposures to environmental stressors. EPA researchers instructed industry and other federal agencies on the use of Structure-Activity Relationship (SAR) computer technologies for toxicity prediction and modeling and carcinogenicity prediction. This technology associates chemical structure with toxicity, and from the structure and toxicity of one chemical it can predict the toxicity of other chemicals that have similar structural attributes. By implementing SAR in industry and other federal agencies, collection of toxicity data will be more complete and consistent and duplication of research efforts will be reduced. In the long run SAR technology will identify chemicals that need additional risk minimization controls when used in industry and will eliminate potentially toxic chemicals from widespread industrial use, thus preventing and reducing risk to the environment and human health.

Program Evaluation

In February 2001 the General Accounting Office released a report entitled *Environmental Protection: EPA Should Strengthen Its Efforts to Measure and Encourage Pollution Prevention*. The audit reviewed not only the extent to which companies are employing pollution prevention (P2) strategies but also the major incentives and disincentives that affect use of those strategies. The evaluation found limitations in the adequacy of available TRI data to determine the extent to which companies are adopting P2 strategies. Public availability of the TRI data and the opportunity for financial return, however, are the major incentives for businesses to employ P2 strategies; technical challenges and high costs are disincentives.

In FY 2001 the Certification and Training Assessment Group (CTAG), a consortium of EPA, U.S. Department of Agriculture, state, and Cooperative Extension Service representatives, continued efforts to implement improvements in and provide future direction for the pesticide applicator training and certification program. Also, the assessment of the related Worker Protection Standard, which protects agricultural workers from the risk of pesticides, continued in FY 2001. Two pilot projects on hazard communication and improved worker training were established. Recommendations on program improvements in the areas of training, communications, enforcement, and integration with the certification and training program are expected early in FY 2003.

STATE AND TRIBAL CONTRIBUTIONS

State Contributions

Unlike EPA's air and water protection work under Goals 1 and 2, very few of the environmental programs under Goal 4 are delegated to states and tribes for implementation and enforcement. A key exception is states' significant contribution to achieving EPA's goal to reduce lead poisoning in children. In FY 2001, 36 states administered their own programs to train and certify lead-based paint abatement professionals, contributing at least half of the workers to the nationwide pool available to homeowners seeking to safely renovate their homes and offices.

In FY 2001 numerous states joined EPA in commissioning a first-time study of the national economic impact of the recycling and reuse industry. Achievement of the Agency's national target of a 35 percent recycling rate by 2005 depends in large part on federal and state government support for markets for recyclables and encouragement of consumers to seek out and buy recycled products. The *U.S. Recycling Economic Information Study* documented that the recycling and reuse industries support more than 56,000 recycling establishments, annually grossing over \$236 billion in revenues and employing more than 1.1 million people with an payroll of \$37 billion. Recycling and reuse industries use market-based incentives to increase recycling rates, reducing material flows to limited-capacity landfills and

preventing dangerous chemicals contained in these materials from entering the environment.

States play a major role in pollution prevention efforts, supported by EPA grant funds. For example, Environmental Management System workshops were conducted for metal finishers in northern California, resulting in a 95 percent reduction in water usage, a 50 percent reduction in hazardous waste generation, and 15 percent reduction in electricity usage.

Tribal Contributions

In FY 2001 tribes made a number of contributions to achieving objectives under EPA's pollution prevention goal. Recycling increased among the St. Croix and Huron Tribes in the Great Lakes Region, resulting in 22.7 tons of diverted waste. Food waste composting increased among the Fond du Lac and Oneida Tribes, resulting in 3.8 tons of food waste composted and related waste disposal cost savings. The Indian Health Service conducted in-home environmental management assessments and provided educational seminars to families with children who have a high incidence of asthma or respiratory illness. The Agency in partnership with the U.S. Department of Health and Human Services and the Inter-Tribal Council of Arizona offered on-site education and training to health practitioners and tribal leaders to develop asthma risk reduction programs, prepare culturally sensitive guidance materials and training courses to address indoor environment health risks to American Indians, and promote the Smoke-Free Home Pledge campaign on designated tribal reservations and territories. Two tribes began to train and certify lead paint abatement professionals.

In FY 2001 EPA completed the framework for the Tribal Baseline Assessment Project and published environmental profiles for 200 tribes. The Baseline Assessment project, in one of its first national-level assessments, discovered that species that are rare or particularly sensitive to pollution from human activities are statistically more abundant in Indian Country than in the Nation as a whole, underscoring the need for environmental protection activities by EPA and other agencies because tribal lands in general bear a disproportionate amount of pollution.

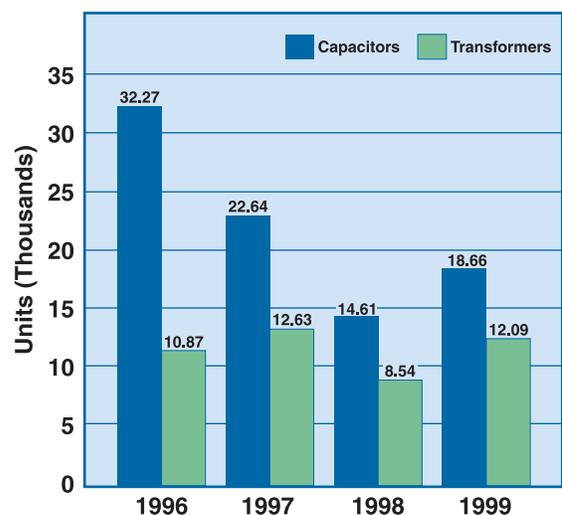
EPA's Indian Environmental General Assistance Program (GAP) represents the largest single source of Agency funding for tribal environmental

programs. GAP has increased from the original \$8.5 million in 1994 to more than \$52 million for FY 2001. GAP funds are helping more than 400 tribes and inter-tribal consortia (of the 572 that are eligible) build environmental programs in Indian Country.

ASSESSMENT OF IMPACTS OF FY 2001 PERFORMANCE ON FY 2002 ANNUAL PERFORMANCE PLAN

Because of the time lag in obtaining results data, EPA is now able to report past year results for some programs. In some cases this lag has required the Agency to revisit planning targets based on faulty assumptions. For example, EPA set aggressive goals for retiring and safely disposing of the national stockpiles of millions of pieces of electronic equipment containing polychlorinated biphenyls (PCBs), establishing annual targets in FY 2001 for 20,000 transformers and 35,000 capacitors. In May 2001, however, EPA obtained the first national data compiled from states, showing that the actual numbers of units retired in past years were only 12,000 and 19,000, respectively. Accordingly the Agency has revised its FY 2002 performance measures to reflect substantially lower expectations and is assessing the need to develop new strategies for achieving its long-term strategic targets (120,000 and 210,000 units by 2007).

PCB Units Disposed Of, Year End



PERFORMANCE DATA CHART

The following performance data chart includes performance results for the FY 2001 APGs that support Goal 4. The performance chart reflects the Agency's 1997 Strategic Plan goals and objectives with which FY 2001 APGs are associated. Relevant FY 2000 and FY 1999 APGs are included for ease in

comparing performance. Data quality information for Goal 4 can be found on pages B-15 to B-17 of Appendix B, "Data Quality." Additionally, the chart provides results for FY 2000 and FY 1999 APGs for which data were not available when the FY 2000 report was published, as well as for FY 2000 APGs that are not associated with FY 2001 APGs.

Summary of FY 2001 Performance

5 Goal Met 0 Goal Not Met 2 Data Lag

Goal 4: Preventing Pollution and Reducing Risks Annual Performance Goals and Measures FY 1999–FY 2001 Results

By 2005, Public and Ecosystem Risk From Pesticides Will Be Reduced Through Migration to Lower Risk Pesticides and Pest Management Practices, Improving Education of The Public and At-risk Workers, and Forming "Pesticide Environmental Stewardship" Partnerships With Pesticide User Groups.

Progress Toward Strategic Objective: Through a wide array of environmental programs, EPA has made significant progress toward fulfilling and meeting the target for this objective. EPA's Strategic Agricultural Initiative, in which states, academia, and grower groups develop and implement model agricultural partnership pilot projects, is providing a highly visible platform for environmentally friendly agricultural projects. (Twelve projects were initiated in FY 2001.) In addition, the Pesticide Environmental Stewardship Program has approved 109 strategies developed by voluntary partners in both agricultural and nonagricultural settings. EPA also is ensuring that pesticides pose less risk to the Nation's groundwater through careful management of pesticides with high leaching and persistence potential. (Nineteen pesticides have been managed to protect groundwater.) EPA can already see the benefit of work it is doing to reduce the risk of pesticides to human health and the environment: pesticides that the Agency considers "safer" (those registered through the Reduced Risk Initiative and biopesticides) constituted an estimated 3.6% of all agricultural pesticide acre-treatments in 1998 and increased to 7.1% in 2000, significantly exceeding the Agency's original target.

By 2005, the Number of Young Children With High Levels of Lead in Their Blood Will Be Significantly Reduced From the Early 1990's.

Progress Toward Strategic Objective: Lead exposure adversely affects the cognitive development and behavior of young children. The number of children with elevated blood lead levels ($> 10 \mu\text{g}/\text{dL}$) decreased 80% from the late 1970s through the early 1990s. The 1994 reporting of the Centers for Disease Control and Prevention's National Health and Nutrition Examination Survey results estimated more than 900,000 affected children. More recent data on the number of children with elevated blood lead levels are not yet available, but EPA believes based on partial results that the number dropped significantly through the 1990s and that this goal will be achieved, prompting the Agency to set an aggressive new goal in its revised Strategic Plan: lowering childhood lead poisoning incidence by 2007 to fewer than 200,000 children between the ages of 1 and 5. In FY 2001 EPA completed a keystone of the national lead poisoning reduction regulatory infrastructure, the Lead Hazard Identification Rule.

By 2005, of the Approximately 2,000 Chemicals and 40 Genetically Engineered Microorganisms Expected to Enter Commerce Each Year, EPA Will Significantly Increase the Introduction by Industry of Safer or "Greener" Chemicals Which Will Decrease the Need for Regulatory Management by EPA.

Progress Toward Strategic Objective: EPA continued to fulfill its statutory responsibility to safeguard the entry of new chemicals into commerce by screening nearly 1,800 Premanufacture Notices, leading to the introduction into commerce of more than 600 safer or "greener" chemicals. To ensure the safety of chemicals already in use, EPA secured commitments from 469 companies to voluntarily provide critical hazard screening information under the Chemical Right-to-Know Act. These companies will provide information on more than 2,100 chemicals produced in quantities of at least 1 million pounds per year. On separate fronts, the Agency initiated a program to assess risks of chemicals to which children might be disproportionately exposed and completed key components of its multiyear effort to identify chemicals that pose threats to human and ecological endocrine systems, leading EPA to believe it is fully on track to meet this goal.

APG 19		Planned	Actual
FY 2001	EPA is required to review all chemicals and microorganisms before they are manufactured commercially to determine whether they can be handled and used safely. If EPA determines that an unreasonable risk might be posed to people or the environment, it can block the chemical's entry into commerce or establish control measures to ensure the chemical's safety in the marketplace. The New Chemicals Program serves as a gatekeeper that can identify those restrictions, up to and including a ban on production, based on review of industry-provided Premanufacture Notices. EPA reviewed all 1,770 Premanufacture Notices received during FY 2001. The target of 1,800 is based on the average of previous year	1,800	1,770

submissions by industry. At the end of 2001, 21% of all chemicals in commerce had been assessed for risks. **Goal Met.**

FY 2000	Ensure that of the up to 1,800 new chemicals and microorganisms submitted by industry each year, those that are introduced in commerce are safe to humans and the environment for their intended uses. <i>Goal Met.</i>	1,838
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FY 1999	Ensure that of the approximately 1,800 new chemicals and microorganisms submitted by industry each year, those that are introduced in commerce are safe to humans and the environment for their intended uses. <i>Goal Met.</i>	1,717
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FY 2001 Result: EPA is required to review all chemicals and microorganisms before they are manufactured commercially to determine whether they can be handled and used safely. If EPA determines that an unreasonable risk might be posed to people or the environment, it can block the chemical's entry into commerce or establish control measures to ensure the chemical's safety in the marketplace. The New Chemicals Program serves as a gatekeeper that can identify those restrictions, up to and including a ban on production, based on review of industry-provided Premanufacture Notices. EPA reviewed all 1,770 Premanufacture Notices received during FY 2001. The target of 1,800 is based on the average of previous year submissions by industry. At the end of 2001, 21% of all chemicals in commerce had been assessed for risks.

	Planned	Actual
APG 20		
FY 2001	EPA will make publicly available data from test plans submitted by industry or chemicals already in commerce. Goal Met.	
	<u>Performance Measures</u>	
-	800	724
Through chemical testing program, obtain test data for high production volume chemicals on master testing list.	chemicals	chemicals

FY 2001 Result: Companies that manufacture or import HPV chemicals were invited to participate in voluntarily sponsoring chemicals, pledging to make basic hazard information publicly available by 2005. More than 460 companies have volunteered to provide EPA with test data for 2,155 chemicals and 187 chemical categories of the 2,800 HPV chemicals. Test plans and robust summaries of existing data were submitted by industry for over 700 chemicals in 2001. For each test plan that was submitted, EPA made the data publicly available on the Internet at <http://www.epa.gov/oppt/chemrtk/>.

By 2005, 15 Million More Americans Will Live or Work in Homes, Schools, or Office Buildings With Healthier Indoor Air Than in 1994.

Progress Toward Strategic Objective: As of FY 2001 a cumulative total of 8.8 million (estimated) Americans were experiencing healthier indoor air, or 55% of the goal had been attained. With so much progress already accomplished, EPA is confident of meeting this goal.

	Planned	Actual
APG 21		
FY 2001	890,000 additional people will be living in healthier residential indoor environments. Goal Met.	

FY 2000	890,000 additional people will be living in healthier residential indoor environments. <i>Goal Met.</i>	1,032,000
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FY 1999	700,000 additional people will live in healthier residential indoor environments. <i>Goal Met.</i>	1,322,000
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FY 2001 Result: Americans spend about 90% of their time indoors, where they are exposed to levels of pollutants that are often higher than those outdoors. As a result, indoor air pollution poses high risks to human health, especially to sensitive populations, and has been ranked among the top four environmental risks in relative risk reports prepared by EPA, the Science Advisory Board, and several states. As a result of EPA's efforts to improve radon-resistant features in homes, decrease the number of children exposed to environmental tobacco smoke, increase the number of people living in radon-mitigated homes, and educate people with asthma about indoor air asthma triggers, an additional 890,000 people are living in healthier residential indoor environments.

	Planned	Actual
APG 22		
FY 2001	1,930,000 students, faculty and staff will experience improved indoor air quality in their schools. Goal Met.	

FY 2000	2,580,000 students, faculty and staff will experience improved indoor air quality in their schools. <i>Goal Met.</i>	2,600,000
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FY 2001 Result: Studies show that half of our Nation's 110,000 schools have problems linked to indoor air. To improve air quality in schools, EPA implements the "Indoor Air Quality Tools for Schools" program to provide low-cost/no-cost guidelines for proper operation

and maintenance of school facilities that will result in a healthier indoor environment for students and staff. As a result of this program in FY 2001, an additional 1.93 million students, faculty, and staff are experiencing improved indoor air quality in their schools. The Nation has approximately 110,000 schools with an average of 525 students, faculty, and staff occupying them, for a total population of 58 million. See <http://www.epa.gov/iaq/schools/> for more information.

By 2005, Reduce by 25% (From 1992 Level) the Quantity of Toxic Pollutants Released, Disposed of, Treated, or Combusted for Energy Recovery. Half of This Reduction Will Be Achieved Through Pollution Prevention Practices.

Progress Toward Strategic Objective: The aggregate change in nonrecycled wastes since 1992 is an increase of 243 million pounds (2.4%), though when the analysis is normalized to account for changes in production and reporting requirements, the result is a reduction of 2.794 billion pounds (-28.0%) as of the most recent TRI report (1999). Because the original goal targets include only the actual reductions (as opposed to the normalized reductions), the Agency is concerned that it might not achieve this goal and is proposing new strategies and initiatives to reverse the recent increases in this measure. In addition, because wastes have increased, EPA cannot assess the extent to which waste reductions are resulting from pollution prevention practices. The Agency will begin analyzing the normalized data, which do show significant waste reductions, in FY 2002 under its revised Strategic Plan, which expands this goal to include a normalized reduction goal.

APG 23		Planned	Actual
FY 2001	The quantity of Toxic Release Inventory (TRI) pollutants released, disposed of, treated or combusted for energy recovery in 2001 (normalized for changes in industrial production) will be reduced by 200 millions pounds, or 2%, from 2000. Data Lag.	- 200 M	data available in FY 2003
FY 2000	The quantity of TRI pollutants released, disposed of, treated or combusted for energy recovery, (normalized for changes in industrial production) will be reduced by 200 millions pounds, or 2%, from 1999 reporting levels. Data Lag.		data available in FY 2002
FY 1999	The quantity of TRI pollutants released, treated, or combusted for energy recovery will be reduced by 200 million pounds, or 2% from 1998 reporting levels. Goal Not Met.	- 200 M	+ 684 M

FY 2001 Result: Data for this APG will be available in spring 2003.

FY 1999 Result Available in FY 2001: The TRI tracks the release of toxic chemicals by facilities that manufacture, process, or otherwise use toxic materials. EPA uses the TRI to measure reduction of nonrecycled waste generated by those manufacturing facilities. Pollution prevention strategies focus on avoiding creation of wastes by redesigning products, changing processes, substituting raw materials for less toxic substances, and other techniques. Total releases of toxic chemicals decreased by 15.1 million pounds from 1997 through 1998, but the 1999 TRI data reflect an increase in production-related wastes concurrent with a surge in production throughout the American economy. This increase also was accompanied by a continued increase in the use of pollution prevention practices by industry. The 1999 data show a 684-million-pound, or 7.2%, increase in the generation of nonrecycled wastes over 1998 levels. When the TRI data are normalized to control for changes in the level of industrial production from 1998 to 1999, the increase in nonrecycled waste is calculated at 191 million pounds, or 2.7%. EPA is responding to this setback in several ways. In its revised Strategic Plan, which took effect in FY 2002, a second target is added to the strategic objective, calling for a production-adjusted (normalized) reduction of 30% from 1998 levels. Controlling for production change will increase the visibility of the very real results that are being achieved through source reduction, providing a greater incentive for companies and governments to expand their efforts toward this goal. The TRI can be accessed at <http://www.epa.gov/tri/>.

By 2005, EPA and Its Partners Will Increase Recycling and Decrease the Quantity and Toxicity of Waste Generated.

Progress Toward Strategic Objective: The Agency made significant progress in creating new, voluntary industry-government alliances to recycle problem waste streams, in particular electronic products and carpets. Efforts will continue in this area as EPA works with stakeholders to establish voluntary national mechanisms to divert electronics and carpets from disposal. The Nation also continued to make progress toward the annual targets to increase the rate of recycling of municipal solid wastes, as identified below. Accordingly, EPA believes it is on track to meet this goal.

APG 24		Planned	Actual
FY 2001	Divert an additional 1% (for a cumulative total of 30% or 67 million tons) of municipal solid waste from land filling and combustion, and maintain per capita generation of Resource Conservation and Recovery Act (RCRA) municipal solid waste at 4.3 pounds per day. Data Lag.	67 (30%) 4.3 lb	data available in 2003
FY 2000	Divert an additional 1% (for a cumulative total of 29% or 64 million tons) of municipal solid waste from land filling and combustion, and maintain per capita generation of RCRA municipal solid waste at 4.3 pounds per day. Data Lag.		data available in 2002

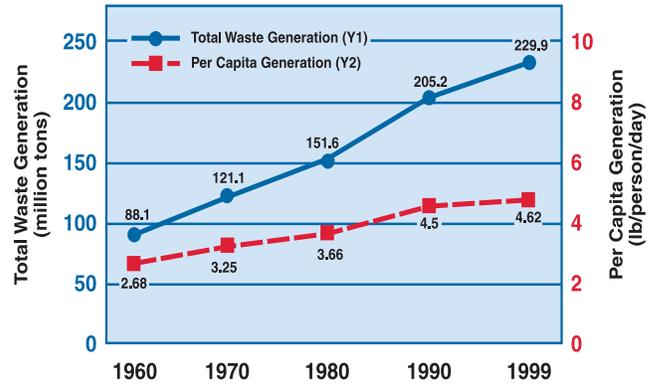
Goal 4 - Preventing Pollution and Reducing Risk

FY 1999 *Maintain levels (for a cumulative total of 28% or 62 million tons) of municipal solid waste diverted from land filling and combustion, and maintain per capita generation of RCRA municipal solid waste at 4.3 pounds per day. Goal Met.* 62 M 64 M
4.3 lb 4.6 lb

FY 2001 Result: Data for this APG will be available in September 2003.

FY 1999 Result Available in FY 2001: Municipal Solid Waste (MSW)—more commonly known as trash or garbage—consists of everyday items such as product packaging, grass clippings, furniture, clothing, bottles, food scraps, newspapers, appliances, paint, and batteries. In 1999, U.S. residents, businesses, and institutions produced more than 230 million tons of MSW, which is approximately 4.6 pounds of waste per person per day, greater than the 1999 target of 4.3 pounds per person per day. When originally established, this target was to be based on the 1990 daily per capita generation rate which EPA then estimated as 4.3 pounds. Subsequent analysis showed the actual 1990 daily per capita MSW generation rate to be 4.5 pounds. At the level of 4.6 in 1999, EPA is closely approaching the goal of maintaining the 1990 level of per capita generation of RCRA MSW. Several MSW management practices, such as source reduction, recycling, and composting, prevent or divert materials from the wastestream. Currently, in the United States, 28% of MSW is recovered and recycled (including composting), 15% is burned at combustion facilities, and the remaining 57% is disposed of in landfills.

Waste Generation Rates From 1960 to 1999



By 2003, 60% of Indian Country Will Be Assessed for Its Environmental Condition, and Tribes and EPA Will Be Implementing Plans to Address Priority Issues.

Progress Toward Strategic Objective: It is anticipated that environmental profiles for approximately 286 tribes will be completed by the end of FY 2002. In constructing its profiles, the Agency's American Indian Environmental Office will make appropriate use of existing EPA databases and will strive to avoid duplication of efforts. By 2005 EPA will assist all federally recognized tribes in assessing the condition of their environment, help in building the tribes' capacity to implement environmental management programs, and ensure that EPA is implementing programs in Indian Country where needed to address environmental issues. Accordingly, the Agency believes it is on track to meet this goal.

APG 25		Planned	Actual
FY 2001	Baseline environmental information will be collected by 34% of Tribes (covering 50% of Indian Country). Goal Met.		
	<u>Performance Measures</u>		
	- Environmental assessments for Tribes (cumulative).	193 tribes	207 tribes
FY 2000	16% of tribal environmental baseline information will be collected and 12 additional tribes (cumulative total of 57) will have tribal/EPA environmental agreements or identified environmental priorities. Goal Not Met.		16% 4
FY 1999	10% of tribal environmental baseline information will be collected and ten additional tribes (cumulative total of 45) will have tribal/EPA environmental agreements or identified environmental priorities. Goal Met.		10% 11

FY 2001 Result: Under federal environmental statutes, EPA is responsible for ensuring human health and environmental protection in Indian Country. A lack of comprehensive environmental data severely affects EPA's ability to properly identify risks to human health and the environment in Indian Country. Progress toward building tribal and EPA infrastructure and completing a documented baseline assessment of environmental conditions continues to be a major focus for EPA and tribes. At the end of FY 2001, a cumulative total of 207 tribes had collected baseline environmental information. Environmental assessments of lands will be conducted for 580 tribal entities.

Prior Year Annual Performance Goals Without Corresponding FY 2001 Goals
(Actual Performance Data Available in FY 2000 and Beyond or With Performance Targets Beyond FY 2001)

APG		Planned	Actual
FY 2000	Administer federal programs and oversee state implementation of programs for lead-based paint abatement certification and training in 50 states, to reduce exposure to lead-based paint and ensure significant decreases in children's blood levels by 2005.		target year is FY 2005

FY 1999 Complete the building of a lead-based paint abatement certification and training in 50 states, to ensure significant decreases in children's blood lead levels by 2005 through reduced exposure to lead-based paint.

target
year is
FY 2005

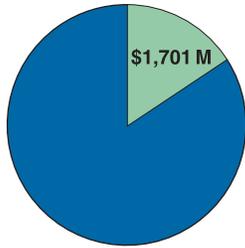
FY 2000 Annual Performance Goals (No Longer Reported for FY 2001)

Protect homes, communities, and workplaces from harmful exposure to pesticides and related pollutants through improved cultural practices and enhanced public education, resulting in a reduction (to be determined) in the incidence of pesticide poisonings reported nationwide.

Provide methods and models to evaluate the impact of environmental stressors on human health and ecological endpoints for use in guidelines, assessments, and strategies.

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Goal 5 FY 2001 Obligations



Note: EPA FY 2001 Total Obligations were \$9,007 million

GOAL 5: BETTER WASTE MANAGEMENT AND RESTORATION OF CONTAMINATED WASTE SITES, AND EMERGENCY RESPONSE

America's wastes will be stored, treated, and disposed of in ways that prevent harm to people and to the natural environment. EPA will work to clean up previously polluted sites, restoring them to uses appropriate for surrounding communities and respond to and prevent waste-related or industrial accidents.

PROGRESS TOWARD STRATEGIC GOAL AND OBJECTIVES

EPA has made significant progress in achieving the goal of better waste management, restoration of contaminated sites, and emergency response preparedness. With the help of federal, state, tribal, and local partners, the Agency has continued to clean

up sites and ensure that facilities are managed according to practices that prevent releases to the environment. The table below illustrates EPA's progress toward meeting strategic objective targets for protecting human health and the environment through performing cleanup operations and ensuring protective and preventive facility management practices.

TARGETS AND RESULTS FOR GOAL 5 OBJECTIVES			
	1997 Initial FY 2005 Objective Targets	2000 Revised FY 2005 Objective Targets ^a	Results through FY 2001
Superfund Construction Completions	1,200	1,105	804
Brownfield Property Assessments	1,500	1,500	2,594 ^b
RCRA Corrective Action Facilities with Human Exposures Controlled	2,350	1,630	823
RCRA Corrective Action Facilities with Migration of Groundwater Releases Controlled	1,735	1,200	710
LUST Cleanups Initiated	370,000	370,000	379,000
Objective 1 Totals	more than 375,000	more than 374,000	more than 382,000
RCRA Hazardous Waste Management Facilities and Municipal Solid Waste Facilities with Approved Controls	14,000	6,500	2,051 ^c
Oil Facilities in SPCC Compliance	4,200	7,100	2,345
UST Facilities in Compliance with Spill, Overfill, and Corrosion Protection Requirements	264,000	264,000	218,000
Objective 2 Totals	more than 282,000	more than 277,000	more than 222,300

Note: RCRA = Resource Conservation and Recovery Act; LUST = leaking underground storage tank; UST = underground storage tank.

^a Objective targets were revised in the FY 2000 revision of the Strategic Plan. Revised targets reflect improvements in records and more accurate data.

^b Data reflects accomplishments through June 2001.

^c Represents only hazardous waste management facilities. Data for municipal solid waste facilities are unavailable.

Goal 5 - Better Waste Management

EPA has already met the FY 2005 target for the first objective by reaching cleanup milestones at more than 382,000 sites. This success is largely due to cleanup activities undertaken through the Leaking Underground Storage Tank (LUST) Program at 379,000 tanks by the end of FY 2001. The Agency has achieved its FY 2005 target for Brownfields property assessments: 2,594 properties were assessed from 1995 through June 2001. The RCRA Corrective Action Program is on target to achieve FY 2005 intermediate cleanup goals, which indicate that adequately protective controls are in place at facilities to prevent any unacceptable human exposures or migration of contaminated groundwater. Of the 1,714 high-priority RCRA facilities, more than 48 percent have met the target for controlling pathways of human exposure (a total of 823 facilities) and more than 41 percent have met the target for controlling migration of contaminated groundwater (a total of 710 facilities). “Controlling pathways of human exposure” indicates that there are no unacceptable human exposures to contamination that can be reasonably expected under current land and groundwater use conditions. “Controlling migration of contaminated groundwater” indicates that the migration of contaminated groundwater has been stabilized, and that monitoring will be conducted to confirm that contaminated groundwater remains within its original area.

By the end of FY 2001 the Superfund Program had achieved a total of 804 construction completions. A construction completion is a measure of progress in Superfund site cleanups and reflects the point at which a site remedy is in place, safeguards prevent the spread of further contamination, and no further cleanup construction is required. Although cleanup construction either is under way or has been completed at more than 92 percent of Superfund sites, the number of new construction completions was fewer than 85 in FY 2001 for the first time since 1995. The trend is expected to continue over the next several years. Several factors account for the decline in completions, including the large size and considerable complexity of remaining sites.

EPA is on target to achieve its FY 2005 goals for the second objective, ensuring that facilities are managed according to practices that prevent releases to the environment. The RCRA program, working effectively in partnership with states, tribes, and other stakeholders, exceeded expectations in issuing permits or implementing approved controls at 2,051 facilities representing 74 percent of the waste management facility universe by the end of FY 2001.

Through the end of FY 2001, 2,345 facilities had come into compliance with the spill prevention, control, and countermeasure (SPCC) requirements of the oil pollution regulations. SPCC compliance targets for FY 2002 reduced because oil program resources are being diverted to address a higher demand for Agency response or oversight of oil spills. Oil spill response targets have been increased to account for the shift in resources.

The Agency’s performance measures for its UST Program were recently revised to determine whether improved UST systems are being properly operated and maintained to prevent and detect releases. Under the new standards for the universe of 266,000 UST facilities, the Agency documented significant operational compliance with spill, overflow, and corrosion protection requirements at 82 percent of the facilities and significant operational compliance with leak detection requirements at 77 percent of the facilities. In addition, 1,499,167 substandard tanks had been permanently closed by the end of FY 2001.

SUPERFUND CLEANUP AND REDEVELOPMENT

In FY 2001 EPA completed construction at the Millcreek Dump Site near Erie, Pennsylvania. This 120-acre site was previously used for industrial and municipal waste disposal and was contaminated with polycyclic aromatic hydrocarbons, polychlorinated biphenyls, and heavy metals. In addition, 2,000 people were at risk because they worked or lived within 2,500 feet of the site. EPA worked in partnership with Millcreek Township and companies responsible for the contamination to excavate, consolidate, and cap contaminated soil and then return the property for reuse as a golf resort. The golf course area was seeded in September 2001 and the course is expected to open in the near future.



Approximately one-half of the American people rely on groundwater for their drinking water, and contamination from leaking USTs is the single greatest threat of groundwater contamination in the United States. As of March 31, 2001, more than 417,000 releases had been reported from UST systems since 1987.



FY 2001 PERFORMANCE

The most significant and visible accomplishment for EPA's emergency response program in FY 2001 was the rapid and effective response to the terrorist incidents of September 11th, and subsequent acts of bioterrorism. EPA employees were on the ground within hours of the attacks at the World Trade Center and the Pentagon, monitoring for contamination, assisting with waste management, advising on cleanup and decontamination, and providing information to the public. At the World Trade Center, EPA assumed the lead role for coordination of the federal hazardous materials response effort. When outbreaks of anthrax bioterrorism occurred in early October 2001, EPA response personnel were among the first at the scene. They led the effort to clean up and decontaminate six post offices in Florida and four congressional office buildings in Washington, DC—the Ford, Longworth, Dirksen, and Hart buildings.

The Agency also made progress in its cleanup programs. In FY 2001 EPA worked in partnership with states, tribes, and the regulated community to address releases at 20,751 sites, including 47 Superfund construction completions, 302 Superfund removal site cleanups, 468 final site assessment decisions, response to or monitoring of 527 oil spills, protection against human exposures at 179 RCRA corrective action sites,

abatement of additional groundwater contamination at 154 RCRA corrective action sites, and clean up of 19,074 leaking USTs. Superfund removal response actions also cleaned up 2 million cubic yards of solid hazardous waste and 68,000 gallons of liquid-based waste. In addition, EPA provided alternative drinking water supplies to 1,000 people at 6 sites.

An important element of the Superfund Program is to leverage the Trust Fund resources by seeking the highest level of participation by private parties. EPA manages the program to ensure that questions of liability are settled quickly and that private parties pay their fair share of cleanup costs. In FY 2001 EPA secured private party commitments for cleanup and cost recovery that exceeded \$1.7 billion. Of this amount private parties agreed to conduct more than \$1.3 billion in future cleanup work and to reimburse EPA for more than \$413.5 million in past costs. To ensure that the Agency's enforcement efforts are both effective and fair, EPA recognizes that some parties have added very small amounts of waste to a site (*de minimis* parties), or that some who added waste to a site are now insolvent or defunct, commonly referred to as orphan parties. In those cases EPA may enter into *de minimis* settlements, or offer to compensate settling parties for the liability associated with orphan shares. In FY 2001 the Agency entered into 15 *de minimis* settlements with over 1,900 parties. Additionally EPA made 8 offers valued at over \$17.6 million to compensate settling parties for orphan shares for future response work at eligible sites, and 8 other offers for a total of over \$5.2 million in orphan share compensation during cost recovery negotiations.

Another important element is the federal agency partnerships that work to carry out cleanups at federal facilities. EPA has made progress in working with the Department of Defense, the Department of Energy, and other federal agencies to achieve 3 Superfund construction completions and 28 removal site cleanups and to sign 4 interagency agreements to obtain enforceable cleanup commitments.

The Brownfields Program, one of EPA's most successful public partnerships, addresses cleanup of abandoned and contaminated properties. Data through the third quarter of FY 2001 indicated that the program leveraged more than \$3.73 billion in public and private investments and helped create more than 17,300 jobs in cleanup, construction, and redevelopment. Since 1995, 2,594 properties have been assessed using federal

funds and 876 properties have been assessed using leveraged funds. The 46 job training and development demonstration pilots have trained at least 700 participants, and more than 75 percent of the graduates have obtained employment to date.

In FY 2001 EPA's waste management programs worked in partnership with states and the regulated community to ensure safe and preventive facility management practices by issuing permits or approving controls at 249 hazardous waste management facilities; attaining compliance with spill prevention requirements at 593 oil facilities; and achieving 77 percent significant operational compliance with leak detection requirements and 82 percent significant operational compliance with spill, overflow, and corrosion protection requirements at UST facilities. As part of the federal effort to ensure safe and preventive management of radiological wastes, EPA worked

with the Department of Energy in providing regulatory oversight of the Waste Isolation Pilot Plant project.

Research Contributions

In FY 2001 the Agency completed several technical resource documents that will assist Superfund project managers in evaluating and selecting cost-effective remediation options for the cleanup of contaminated sites. EPA also revised the emergency response and environmental restoration radiation risk values to include risks to infants, children, and women. Additionally, the Agency completed an evaluative report on several groundwater treatment technologies for insoluble contaminants. This information will assist EPA in effectively protecting people from exposure to and ingestion of contaminated water. EPA's Superfund Innovative Technology Evaluation (SITE) Program continued to encourage the commercialization

THE FORMER JENKINS VALVE SITE, LOCATED DIRECTLY AT BRIDGEPORT, CONNECTICUT'S MAIN GATEWAY

Visitors arriving on the city's ferry, in Amtrak and Metro-North Railroad cars, and in vehicles buzzing overhead on the Interstate 95 overpass were all subjected to a clear view of the abandoned, run-down property. Using a portion of the \$200,000 grant provided to Bridgeport as part of EPA's Brownfields Pilot Initiative, the city had a site evaluation performed on the Jenkins Valve property. Based on this evaluation, a private development corporation stepped in and invested \$11 million to clean up and redevelop the site. The city provided an additional \$1 million, and the state added \$2 million more. This long-idle property is now home to a new 5,500-seat ballpark. Eventually it will also include an indoor ice-skating rink and a museum. The ballpark project alone created 361 jobs, 68 of which are permanent.



of innovative technologies by providing potential users with high-quality performance and cost data for 13 remediation and characterization technologies. (Refer to <http://www.epa.gov/ORD/SITE> for more information).

In FY 2001 EPA published responses to public comments on the Hazardous Waste Identification Rule (HWIR). The HWIR is a risk-based approach that the regulated community could use to exclude many low-risk wastes and waste streams from regulatory control under RCRA Subtitle C while continuing to protect human health and the environment. Changes also were proposed to the Multimedia, Multi-pathway, and Multi-receptor Exposure and Risk Assessment (3MRA) modeling methodology, which will assist the Agency in making the final assessment of the levels below which a waste is not subject to regulation under RCRA Subtitle C.

Program Evaluation

Several evaluations of Goal 5 programs were completed in FY2001, including a General Accounting Office (GAO) review of the UST program. GAO surveyed 50 states and interviewed EPA staff in 9 regions to determine whether USTs have the required equipment and are being properly operated and maintained, reviewed the breadth of EPA and state inspections and types of enforcement, and investigated whether upgraded USTs are leaking (*Improved Inspections and Enforcement Would Better Ensure the Safety of Underground Storage Tanks*, GAO/RCED-01-464, May 4, 2001.) GAO found that 29 percent of UST systems are out of compliance; most states do not have sufficient staff, training, or enforcement tools to adequately monitor UST facilities and ensure compliance; enforcement frequency is not sufficient; noncompliant USTs that are inactive still pose a risk to the environment and need to be addressed; new or upgraded tanks continue to leak, although the extent of the remaining problem is largely unknown; and leak detection systems are often improperly operated and even when properly operated cannot guarantee detection of leaks. (See Appendix A, "Program Evaluations" for more information.)

In FY 2001 EPA implemented two UST program initiatives to address many of the vulnerabilities identified in this audit. The first initiative is designed to increase operational compliance with UST requirements. It has several activities, including setting

compliance goals, increasing enforcement (including multisite enforcement), and increasing technical assistance and training. The second initiative is to evaluate the performance of UST systems to determine the sources and causes of remaining problems. EPA will use the results of this evaluation to improve UST system performance, thus reducing the likelihood of future releases to the environment.

STATE AND TRIBAL PARTNER CONTRIBUTIONS

The RCRA, UST, Emergency Preparedness, and Brownfields programs are governed by federal laws covering the entire country, but almost all of the issues addressed by these programs are unique to each state, tribe, or locality. For this reason, states, tribes, and local communities are the primary implementers of these programs and work in partnership with EPA. Even the Superfund Program, which is implemented nationally by EPA, relies on strong state, tribal, and local partnerships to ensure that its mission is achieved in the most effective and efficient manner.

State and Local Contributions

Counterterrorism planning and preparedness efforts through the National Response Team and the Federal Response Plan have established effective coordination and communication systems and deterred creation of redundant systems. Additionally, EPA's work with states, tribes, and communities has resulted in 15 states implementing the risk management plan program, and establishing partnerships with thousands of Local Emergency Planning Committees (LEPCs). Preliminary surveys in EPA's central region show that 47 percent of LEPCs have incorporated counterterrorism aspects into their contingency planning.

Superfund has a strong and effective partnership with states to support Superfund implementation. In FY 2001 EPA provided more than \$75 million to states for conducting site-specific support functions and \$18 million to support or enhance state program capabilities.

Each year the Brownfields Program provides grants to states' Targeted Brownfields Assessments and Voluntary Cleanup Programs. In FY 2001 the program provided \$32 million to fund Targeted Brownfield Assessments at more than 875 properties. In addition,

more than \$50 million was provided to 47 states for assistance to Voluntary Cleanup Programs.

States implement cleanup and management programs for hazardous and solid waste management facilities and for USTs. In FY 2001 EPA authorized Hawaii to implement a base program for RCRA, raising the total of non-federal RCRA base programs to 50 (48 states, the District of Columbia, and Guam). States were also key players in implementing RCRA Corrective Action Program reforms, with accomplishments in piloting innovative approaches to cleanups, developing venues to showcase program success stories, and actively participating in Brownfields Program activities to further integrate these two programs. The UST Program initiated 10 “USTfields” pilots, requiring partnerships between the federal, state, tribal, and local governments and the private sector in addressing assessments and cleanups at abandoned or underutilized properties where redevelopment is complicated by real or perceived environmental contamination from federally regulated USTs. The program also solicited proposals from states and tribes for up to 40 additional UST fields pilots.

Tribal Contributions

During FY 2001 EPA continued to work with tribal waste program managers to promote program development and address the most pressing needs on tribal lands. EPA provided \$775,000 as part of an interagency grant program totaling \$2.8 million for closing municipal solid waste open dumps in Indian Country. EPA also provided \$500,000 in tribal grants for RCRA hazardous waste activities and surveyed more than 175 tribes regarding their RCRA hazardous waste management needs as an initial step in developing an inventory for tribal lands.

EPA provided more than \$5.3 million in grants to develop or enhance tribal UST and Superfund programs in FY 2001. The Agency also supported involvement at Superfund sites for 78 tribes through 27 cooperative agreements.

Throughout FY 2001 the Brownfields Program awarded 22 assessment pilot grants, 2 Brownfields job training grants, and 2 Showcase Community grants to tribes, in addition to providing technical assistance to tribes applying for Brownfields pilot grants. In FY 2001 EPA provided \$800,000 to tribes through its Brownfields assessment pilot grants.

EFFECTIVE CORRECTIVE ACTION PARTNERSHIPS

- The Texas Natural Resource Conservation Commission partnered with EPA and the Air Force Center for Environmental Excellence to expedite the completion of RCRA corrective action activities at 23 Installation Restoration Program sites under the Texas Voluntary Cleanup Program.
- New Jersey successfully used financial resources available through its Hazardous Discharge Site Remediation Fund to assess and investigate contamination at a high-priority facility. Using this approach, the state was able to leverage resources from the New Jersey Redevelopment Authority to conduct additional cleanup work. Consequently, the facility is being cleaned up and will be made available for redevelopment.
- Other examples of innovative state efforts can be found at <http://www.epa.gov/epaoswer/hazwaste/ca/showcase.htm>.

ASSESSMENT OF IMPACTS OF FY 2001 PERFORMANCE ON THE FY 2002 ANNUAL PERFORMANCE PLAN

While cleanup construction is either under way or has been completed at more than 92 percent of Superfund sites, EPA did not achieve its target for Superfund construction completions in FY 2001. As mentioned previously, one of the factors that accounted for the decline in completions was the large size and complexity of many sites. Therefore, EPA reduced its FY 2002 construction completion target and is reevaluating the potential impacts of constraints and complexity at remaining Superfund sites.

Finally, EPA is shifting resources in the oil pollution program to address the high demand for Agency assistance in responding to or monitoring oil spills, and is consequently reducing its estimates for confirming facility compliance with oil spill prevention, control, and countermeasure requirements.

PERFORMANCE DATA CHART

The following performance data chart includes performance results for the FY 2001 APGs that support Goal 5. The performance chart reflects the Agency's 1997 Strategic Plan goals and objectives with which FY 2001 APGs are associated. Relevant FY 2000 and FY 1999 APGs are displayed for ease in comparing performance. Data quality information for Goal 5 can be found on pages B-17 to B-22 of

Appendix B, "Data Quality." Where applicable, the chart notes cases in which FY 2001 APGs are supported by National Environmental Performance Partnership System Core Performance Measures (NEPPS CPMs). Additionally, the chart provides results for FY 2000 and FY 1999 APGs for which data were not available when the FY 2000 report was published, as well as for FY 2000 APGs that are not associated with FY 2001 APGs.

Summary of FY 2001 Performance

2 Goal Met
 8 Goal Not Met
 0 Data Lag
 1 Other

Goal 5: Better Waste Management

Annual Performance Goals and Measures

FY 1999–FY 2001 Results

By 2005, EPA and Its Partners Will Reduce or Control the Risks to Human Health and the Environment at Over 375,000 Contaminated Superfund, RCRA, UST and Brownfield Sites.

Progress Toward Strategic Objective: Through FY 2001 EPA and its partners reduced or controlled the risks to human health and the environment at more than 382,000 contaminated sites. The FY 2005 objective target includes 370,000 leaking underground storage tank (LUST) cleanups initiated or completed, and through FY 2001 EPA initiated 379,000 LUST cleanups and completed approximately 271,000. In addition, the Agency reduced or controlled the risks to human health and the environment at more than 800 Superfund sites, more than 700 RCRA high-priority sites, and more than 2,500 Brownfields sites.

APG 26	Planned	Actual
FY 2001 EPA and its partners will complete 75 Superfund cleanups (construction completions) to achieve the overall goal of 897 construction completions by the end of 2002. Goal Not Met.	75	47
<i>FY 2000</i> EPA and its partners will complete 85 Superfund cleanups (construction completions) to achieve the overall goal of 900 construction completions by the end of 2002. <i>Goal Met.</i>		87
<i>FY 1999</i> EPA and its partners will maintain the pace of cleanups by completing construction at 85 additional Superfund sites (for a cumulative total of 670 construction completions with a target of 925 construction completions in 2002). <i>Goal Met.</i>		85

FY 2001 Result: In FY 2001 EPA completed construction at 47 Superfund sites for a total of 804 sites where the Agency has reduced or controlled the risks to human health and the environment over the life of the program. The target was not met because of several factors, including a greater number of large and complex sites. In view of the missed goal, EPA is reducing its FY 2002 construction completion target and is reevaluating potential impacts of constraints and complexity that exist at remaining Superfund sites. FY 2001 Superfund accomplishments in Indian Country include 11 site assessments, support to 78 tribes through 27 cooperative agreements, provision of \$3.8 million for capacity building, and tribal leadership or support in responding to 26% of Superfund sites affecting Indian Country.

APG 27	Planned	Actual
FY 2001 Maximize all aspects of potentially responsible party (PRP) participation including having PRPs initiate work at 70% of the new construction starts at non-Federal Facility Superfund sites, and emphasize fairness in the settlement process. Goal Not Met.	70%	67.3%
Performance Measures		
- Ensure fairness by making orphan share offers at 100% of all eligible settlement negotiations for response work.	100%	100%
- Provide finality for small contributors by entering into de minimis settlements and report the number of settlers.	18	15
<i>FY 2000</i> Maximize all aspects of PRP participation, which includes maintaining PRP work at 70% of the new remedial construction starts at non-Federal Facility Superfund sites, and emphasizing fairness in the settlement process. <i>Goal Not Met.</i>		68%

Goal 5 - Better Waste Management

Performance Measures

- Orphan share offers at eligible work settlement negotiations. 100%
- De minimis settlements. 18

FY 1999 *Obtain PRP commitments for 70% of the work conducted at new construction starts at non-federal facility sites on the National Priority List (NPL) and emphasize fairness in the settlement process. Goal Met.* 80%

Performance Measures

- Orphan share offers at eligible work settlement negotiations. 100%
- De minimis settlements. 37

FY 2001 Result: In FY 2001 the percentage of remedial construction starts initiated by responsible parties was slightly less than the target, but the average over the past 3 years is 73%. EPA determines the percentage of remedial construction starts conducted by responsible parties at non-federal facility Superfund sites because it indicates the percentage of sites where cleanup is achieved using private party funding as opposed to the Superfund Trust Fund. For the future, the definition of responsible party-led remedial construction starts has been revised to include those construction starts performed by EPA but having the majority of funding come from special accounts. Majority is defined to mean that the funding contributed by responsible parties toward the total response cost to the special account exceeds the amount contributed by the largest non-private entity. To ensure fairness in the settlement process, EPA successfully made orphan share offers at 100% of work settlement negotiations. Of the 18 sites having small waste contributors that were targeted for *de minimis* settlements in FY 2001, 15 *de minimis* settlements were accomplished. The target was missed because of complex issues related to three settlements.

APG 28	Planned	Actual
FY 2001 Ensure trust fund stewardship by getting PRPs to initiate or fund the work when EPA expends trust fund monies. Address cost recovery at all Superfund sites with a statute of limitations (SOL) on total past costs equal to or greater than \$200,000. Goal Not Met.	100%	97.8%

FY 2000 <i>Ensure trust fund stewardship by recovering costs from PRPs when EPA expends trust fund monies. Address cost recovery at all NPL and non-NPL sites with an SOL on total past costs equal to or greater than \$200,000. Goal Not Met.</i>	98.5%
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FY 1999 <i>Ensure trust fund stewardship by recovering costs from PRPs when EPA expends trust fund monies. Address cost recovery at all NPL and non-NPL sites with an SOL on total past costs equal to or greater than \$200,000. Goal Met.</i>	99%
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FY 2001 Result: Although the goal was not met, there was no loss in dollars recovered. Cost recovery was addressed at 208 National Priorities List (NPL) and non-NPL sites during FY 2001, of which 89 had total past costs greater than or equal to \$200,000 and potential statute of limitations (SOL) concerns. EPA addressed cost recovery for 87 of the 89 sites and planned to write off costs associated with the two other SOL cases, but decision documents were not completed before the expiration of the SOL. The documents were finalized before the end of the fiscal year. EPA's cost recovery activities are important because they preserve the Superfund Trust Fund by recovering EPA's past costs, making resources available for other Superfund site cleanups. With respect to private parties in FY 2001, EPA secured cleanup and cost recovery commitments in excess of \$1.7 billion (more than \$1.45 billion for future cleanup and \$355 million for recovery of past costs).

APG 29	Planned	Actual
FY 2001 172 (for a cumulative total of 814 or 47%) of high priority RCRA facilities will have human exposures controlled and 172 (for a cumulative total of 737 or 43%) of high priority RCRA facilities will have ground water releases controlled. Goal Not Met. ➡Corresponds with two FY 2001 NEPPS Core Performance Measures (CPMs).	172 172	179 154

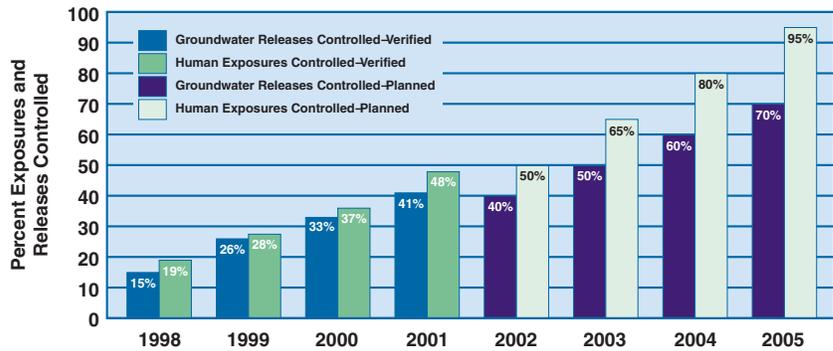
FY 2000 <i>172 (for a cumulative total of 649 or 38%) of high priority RCRA facilities will have human exposure controlled and 172 (for a cumulative total of 612 or 36%) of high priority RCRA facilities will have ground water releases controlled. Goal Met.</i>	191 168
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FY 1999 <i>83 (for a cumulative total of 238 or 14%) of high priority RCRA facilities will have human exposure controlled and 45 (for a cumulative total of 119 or 7%) will have ground water releases controlled. Goal Met.</i>	162 188
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Goal 5 - Better Waste Management

FY 2001 Result: EPA and its state partners exceeded the goal for human exposures controlled at an additional 179 RCRA high-priority facilities (for a cumulative total of 823, or 48%) and nearly achieved the goal for groundwater releases controlled at an additional 154 RCRA high-priority facilities (for a cumulative total of 710, or 41%). These totals relate to 1,700 facilities out of 3,500 industrial facilities subject to RCRA corrective action that are classified as high-priority because people or the environment are likely to be at significant current or future risk. The goal reflects the Agency's strategy for addressing the worst facilities first by focusing on near-term actions that will mitigate actual or imminent human exposure problems and stop further spread of contaminants in groundwater. Although the cumulative total of sites at which groundwater releases have been controlled is slightly less than the FY 2001 target (710 versus 737), cumulative totals for both controls still exceed 1998 projections for achieving long-term RCRA corrective action goals. As work continues toward meeting these long-term goals, the need to resolve difficult issues at some of the more complicated facilities in the high-priority corrective action universe may occur. Thus, EPA may not always achieve the annual targets for each environmental indicator in the APG, although the Agency still remains on target to achieve the long-term goals.

RCRA Corrective Action Environmental Indicator Goals by Fiscal Year



APG 30		Planned	Actual
FY 2001	Complete 21,000 Leaking Underground Storage Tank (LUST) Cleanups for a cumulative total of approximately 271,000 cleanups since 1987. Goal Not Met. ↳Corresponds with FY 2001 NEPPS CPM.	21,000	19,074
<i>FY 2000</i>	<i>Complete 21,000 Leaking Underground Storage Tank (LUST) Cleanups for a cumulative total of 250,000 cleanups since 1987. Goal Met.</i>		20,834
<i>FY 1999</i>	<i>Complete 22,000 LUST cleanups. Goal Met.</i>		25,678

FY 2001 Result: During FY 2001 EPA and its state partners completed 19,074 LUST cleanups for a total of nearly 270,000 since 1987. When an underground storage tank leaks, soil is contaminated and groundwater might be contaminated, which can threaten potential or existing drinking water supplies. Cleanups remove leaking tanks and contaminated soil from the ground and address contaminated groundwater, if necessary, so that potential and existing groundwater supplies are protected. The target of 21,000 LUST cleanups was not met because of the increasing complexity of sites where contaminated groundwater has migrated off-site or that have required groundwater cleanup. The association of many sites with the contaminant methyl tertiary butyl ether (MTBE) also has been a complication. These factors have resulted in longer-than-anticipated cleanup times and higher-than-expected cleanup costs. Also during FY 2001, 30 LUST cleanups were completed in Indian Country for a total of nearly 600 since 1987.

APG 31		Planned	Actual
FY 2001	EPA will provide additional site assessment funding to 50 communities, resulting in a accumulative total of 2,500 sites assessed, the generation of 12,000 jobs, and the leveraging of \$3.1 billion in cleanup and redevelopment funds since 1995. Goal Met.	2,500 12,000 \$3.1 B	2,754 17,307 \$3.7 B
<i>FY 2000</i>	<i>EPA will provide additional site assessment funding to 50 communities, resulting in a cumulative total of 1,900 sites assessed, the generation of 4,900 jobs, and the leveraging of \$1.7 billion in cleanup and redevelopment funds. Goal Met.</i>		2,024 7,446 \$2.8 B
<i>FY 1999</i>	<i>EPA will fund Brownfields site assessments in 100 more communities, thus reaching 300 communities by the end of 1999. Goal Met.</i>		307

FY 2001 Result: Although fourth-quarter data will not be available until April 2002, EPA exceeded the FY 2001 targets for the Brownfields Program, as indicated by third-quarter data. In FY 2001 environmental assessments were completed at more than 500 sites, so that since 1995 nearly 2,600 sites have been assessed, more than 17,350 jobs have been generated, and more than \$3.7 billion in cleanup and redevelopment funds have been leveraged through Brownfields activities. The program facilitates assessment and cleanup of abandoned or underutilized sites where actual or potential contamination and liability might be impeding development. It empowers states, communities, and other stakeholders in economic development to work together in a timely manner to prevent, assess, safely clean up, and sustainably reuse brownfields.

APG 32		Planned	Actual
FY 2001	Within 18 months after final listing on the NPL, EPA will make a final offer for an interagency agreement (IAG) that is consistent with Agency policy and guidance at 100% of Federal facility Superfund sites. Goal Not Met.		
	<u>Performance Measures</u>		
	- Percent of Federal facilities for which final offers are made that meet Agency policy and guidance.	100%	0%
	- Percent of Federal facilities with final offers made within 18 months.	100%	0%

FY 2000	Ensure compliance with Federal facility statutes and Comprehensive Environmental Response, Compensation, and Liability Act (CERCLA) Agreements and ensure completion of current NPL CERCLA IAGs. Goal Not Met.		
	<u>Performance Measures</u>		
	- Complete NPL IAGs.		2
	- Begin CERCLA Negotiations.		1

FY 2001 Result: The Department of Defense (DoD) has questioned the inclusion of certain enforceable provisions within interagency agreements (IAGs), resulting in IAG negotiation and signing delays at several DoD Federal Facility Superfund sites. Without a signed IAG, EPA has limited authority to compel or hasten cleanup activities.

APG 33		Planned	Actual
FY 2001	Provide technical information to support scientifically defensible and cost-effective decisions for cleanup of complex sites, hard-to-treat wastes, mining, oil spills near for cleanup of complex shorelines, and Brownfields to reduce risk to human health and the environment. Goal Not Met.		
	<u>Performance Measures</u>		
	- Deliver the Annual Superfund Innovation Technology Evaluation (SITE) Program Report to Congress.	1	0

FY 2000	Enhance scientifically defensible decisions for site cleanup by providing targeted research and technical support. Goal Not Met.		
	<u>Performance Measures</u>		
	- Report of natural attenuation case studies of methyl-tertiary butyl ether (MTBE).		0
	- Deliver the SITE report to Congress.		1/30/01
	- Report of key research on methods, models and factors relating to risk evaluation of dermal route of exposure.		12/31/00
	- Review 20 soil contaminants and develop screening levels.		9/30/00

FY 2001 Result: EPA provided technical information to help reduce or control risks from hazardous wastes and for more cost-effective characterization, risk assessments, and timely cleanup of complex sites. Examples of recent Agency technical products include a report on monitored natural attenuation in sediments, a report on field demonstrations of chemically enhanced DNAPL extraction technologies, and a resource document on the bioremediation of oil spills on marine shorelines. These products will assist site managers in reducing the risks to human health and the environment from hazardous wastes. EPA's SITE report has been prepared and will be delivered to Congress upon OMB's completion of their review process. In FY 2001, the SITE program evaluated 13 treatment technologies to assist site managers in making decisions regarding site characterization and technology selections. To learn more about SITE, visit <http://www.epa.gov/ORD/SITE/>.

APG 34		Planned	Actual
FY 2001	Continue to make formerly contaminated parcels of land available for residential, commercial, and industrial reuse by addressing liability concerns through the issuance of comfort letters and Prospective Purchaser Agreements (PPAs). Goal Not Met.		
	<u>Performance Measures</u>		
	- Evaluate liability concerns-100% of PPA requests addressed up to a maximum of 40 requests	100%	91.7%

FY 2001 Result: In FY 2001, 22 of 24 requests for Prospective Purchaser Agreements (PPAs) were assessed by EPA. For the two not assessed, draft PPAs were sent to the prospective purchaser for review and comment. However, all issues were not resolved in sufficient time to allow finalization of the PPA. The target was not met. Redevelopment of formerly contaminated properties, such as Brownfields, may be complicated by real or perceived environmental contamination. In some cases, EPA and the Department of Justice may provide

Goal 5 - Better Waste Management

covenants not to sue to purchasers of formerly contaminated properties through PPAs to address the liability concerns of prospective purchasers.

By 2005, Over 282,000 Facilities Will Be Managed According to the Practices That Prevent Releases to the Environment, and EPA and Its Partners Will Have the Capabilities to Respond to All Known Emergencies to Reduce the Risk to Human Health and the Environment.

Progress Toward Strategic Objective: Through FY 2001 EPA and its partners have been assured that more than 222,000 facilities are being managed according to practices that prevent releases to the environment. The total includes 2,051 RCRA management facilities with approved controls; 2,345 oil facilities in compliance with spill prevention, control, and countermeasure requirements of the Oil Pollution Act; and 218,000 underground storage tank facilities in compliance with spill, overfill, and corrosion protection requirements. Additionally, EPA and its partners are working to increase their capabilities to successfully respond to all known emergencies by FY 2005 to reduce the risk to human health and the environment.

APG 35		Planned	Actual
FY 2001	82 additional hazardous waste management facilities will have approved controls in place to prevent dangerous releases to air, soil, and ground water, for an approximate total of 68% of 2,750 facilities. Goal Met.	68%	74%
FY 2000	106 more hazardous waste management facilities will have approved controls in place to prevent dangerous releases to air, soil, and groundwater, for an approximate total of 67% of 2,900 facilities. Goal Met.		67%
FY 1999	122 hazardous waste management facilities (for a cumulative total of 61% of 3,380 RCRA facilities) will have permits or other controls in place. Goal Met.		61%

FY 2001 Result: An additional 249 hazardous waste management facilities have permits or other approved controls in place for a cumulative total of 2,051 or 74% of the facility universe. The approved controls help to prevent dangerous releases to air, soil, and groundwater from these facilities.

APG 36		Planned	Actual
FY 2001	EPA and its state and tribal partners will achieve levels of 70% UST compliance with EPA/State leak detection requirements; and 93% UST compliance with EPA/State December 22, 1998 requirements to upgrade, close or replace substandard tanks. Other. ➡Corresponds with FY 2001 NEPPS CPM.	70% 93%	—
FY 2000	90% of USTs will be in compliance with EPA/state December 22, 1998 requirements to upgrade, close or replace substandard tanks. Goal Not Met.		86%

FY 2001 Result: No data will be available for this APG because EPA and its partners now collect data for facilities as opposed to individual tanks. Current facility-level data show significant operational compliance with spill, overfill, and corrosion protection requirements at 82% of UST facilities and significant operational compliance with leak detection requirements at 77% of UST facilities. The UST facility universe is currently projected at 266,000 facilities.

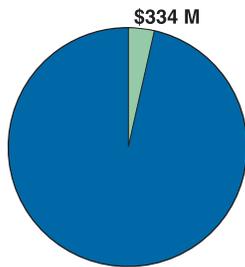
FY 2000 Annual Performance Goals (No Longer Reported for FY 2001)

400 additional facilities will be in compliance with the Spill Prevention, Control and Countermeasure provisions of the oil pollution regulations (for a cumulative total of more than 1,500 facilities since 1997).

Enhance scientifically defensible decisions for active management of wastes, including combustion, by providing targeted research and technical support.

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Goal 6 FY 2001 Obligations



Note: EPA FY 2001 Total Obligations were \$9,007 million

GOAL 6: REDUCTION OF GLOBAL AND CROSS-BORDER ENVIRONMENTAL RISKS

The United States will lead other nations in successful, multilateral efforts to reduce significant risks to human health and ecosystems from climate change, stratospheric ozone depletion, and other hazards of international concern.

PROGRESS TOWARD STRATEGIC GOAL AND OBJECTIVES

EPA is responsible for many important international functions that protect and preserve the global environment. Through its domestic, bilateral, and multilateral efforts in FY 2001 and in past years, EPA has made significant progress toward its goal of reducing global and cross-border risks to human health and the environment.

U.S. border regions are of particular concern to the Agency. EPA has reduced and mitigated hazards to some 7.6 million residents through improved wastewater treatment, waste disposal, and air quality along the United States/Mexico border; remediated a total of 1.7 million cubic yards of contaminated sediments in the Great Lakes region; and prevented more than 10,000 cubic meters of high- and low-level liquid radioactive waste from being dumped annually into the Arctic Ocean on the Alaskan border.

Climate change and depletion of the ozone layer are both important areas of focus for the Agency. EPA works to limit stratospheric ozone layer depletion by restricting domestic consumption of class II hydrochlorofluorocarbons (HCFCs) and by exempting the production and import of class I chlorofluorocarbons (CFCs), both ozone-depleting substances (ODS). Additionally, EPA is on target to achieve the strategic objective to reduce U.S. greenhouse gas (GHG) emissions and slow climate change through voluntary programs. Since the mid-1990s, these programs have reduced U.S. GHG emissions by more than 240 million metric tons of carbon equivalent (MMTCE), while saving families and businesses an estimated \$24 billion on energy bills and preventing

roughly 550,000 tons of smog-forming nitrogen oxide (NO_x) from polluting the air.

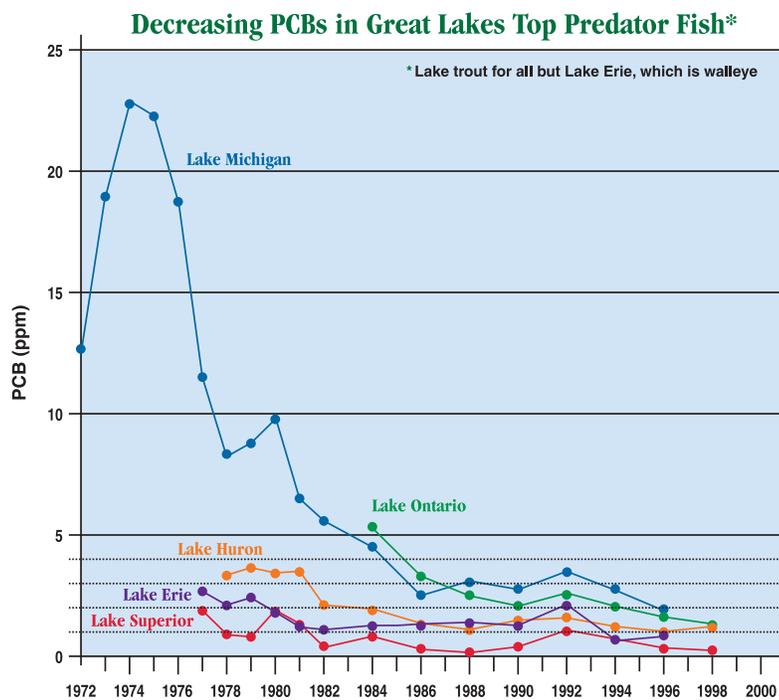
EPA is also making progress in other areas of international concern, such as toxics. EPA reduced the risk to human health and ecosystems from toxics by negotiating and signing the Stockholm Convention on Persistent Organic Pollutants in May 2001. In addition, EPA helped other countries, localities, and organizations apply cleaner and more cost-effective environmental practices through the adoption of new laws or policies; increased public outreach; and enhanced environmental planning, analysis, and enforcement capabilities.

FY 2001 PERFORMANCE

In FY 2001 EPA reduced transboundary threats to human health and shared ecosystems in North America, particularly focusing on the Great Lakes, the Mexican border, and the Arctic Ocean on the Alaskan border. On the Canadian border, contaminated sediments are one of two main sources of Great Lakes fish and wildlife contamination, impairing more than 2,000 miles (20 percent) of shoreline and contributing to fish consumption advisories throughout the Great Lakes. According to data reported in FY 2001, the Agency and its partners removed or contained more than 400,000 cubic yards of contaminated sediments in FY 2000, bringing the 4-year cumulative total to 1.7 million cubic yards. The immediate benefit of contaminated sediment remediation is that a large amount of toxic pollution is physically removed from the environment. A short-term result is a more diverse and less contaminated community of small organisms at the base of the food

chain. Over the longer term, water quality will improve and fish will be less contaminated and safer to eat.

PCB contamination is a significant cause of Great Lakes fish advisories. Although there have been major reductions since the 1970s in the levels of PCBs in Great Lakes fish, levels are still well beyond the Health Protection Value (HPV) of 0.05 parts per million (ppm) agreed to by the Great Lakes States—a level at which even the most sensitive segments of the population, such as pregnant women and children, can safely eat unlimited amounts of fish. For example, the most recently reported data from 1998 show that mean concentrations of PCBs in Lake Michigan coho salmon fillets are approximately 0.5 ppm or 10 times above the HPV.



Along the Mexican border, EPA continues its work with the Border Environment Cooperation Commission (BECC) and the North American Development Bank to evaluate environmental needs and facilitate the construction of infrastructure. Through the end of FY 2001, 43 BECC-certified projects had been built or were being built in the border area, ultimately serving about 7.6 million border residents with improved wastewater treatment, waste disposal, and air quality. A total of more than 528,000 residents along the Mexican border will be protected from health risks, beach pollution, and damaged ecosystems as a result of improved water and wastewater sanitation systems funded through FY 2001.

To prevent the illegal dumping of radioactive waste into the Arctic Ocean and Sea of Japan, EPA completed another successful project in FY 2001, the Murmansk Initiative. This partnership with Russia and Norway placed a new radioactive waste facility in Russia that will prevent more than 10,000 cubic meters of high- and low-level liquid radioactive waste annually from being dumped into the Arctic Ocean and the Sea of Japan, protecting both citizens and land in Alaska.

In addition to work on the U.S. border, EPA provides technical assistance to foreign and domestic governments to address shared global threats. In FY 2001 EPA assisted 10 strategically selected developing countries in Asia, Africa, Latin America, and Eastern Europe, helping them incorporate climate change mitigation measures into their local priorities.

Domestically many of EPA's climate protection programs have resulted in substantial savings in energy use and energy bills that will be realized over the next decade. In results reported in FY 2001, actions taken through EPA's voluntary programs, such as ENERGY STAR, have saved consumers and businesses more than \$8 billion in energy costs and substantially reduced energy consumption (by 74 billion kilowatt-hours) and carbon dioxide (CO₂) and NO_x emissions. EPA's methane programs reduced methane emissions to well below 1990 levels in FY 2000 and are projected to maintain emissions below 1990 levels through 2010 and beyond (<http://www.epa.gov/oar/climate>).

Based on data made available in FY 2001, the Agency's activities have resulted in a reduction of approximately 60 MMTCE from 1990 projected levels of FY 2000 GHG emissions. Although total U.S. GHG emissions rose in FY 2000 to approximately 1,900 MMTCE, EPA partnerships have achieved a 20 percent reduction in expected growth from 1990 levels. Because equipment promoted through EPA's climate programs often lasts decades or more, these investments will continue to deliver environmental and economic benefits through 2010 and beyond. These programs continue to be highly

cost-effective approaches for delivering environmental benefits across the country. For every dollar EPA has spent, these programs have reduced GHG emissions by more than 1.0 MMTCE (3.67 tons of CO₂) and delivered more than \$75 in energy bill savings (based on a cumulative reduction since 1995).

Another part of the Agency's climate protection program is in the transportation sector. As part of the Partnership for a New Generation of Vehicles program, EPA demonstrated 80 miles per gallon (gasoline equivalent) fuel efficiency on a mid-size research chassis using a state-of-the-art diesel engine and an EPA-invented, patented, and developed hybrid drivetrain. To help consumers make choices that are better for the environment, EPA developed the on-line Green Vehicle Guide. This web site (<http://www.epa.gov/autoemissions/index.htm>) addresses both fuel economy and criteria pollutant emissions to help consumers understand the environmental consequences of their new vehicle purchasing decisions. In addition, Commuter Choice, a voluntary business-government partnership that promotes employer-provided commuter benefits, has provided immediate reductions in both criteria pollutants and climate change pollutants. The national program was developed to improve traffic flow and air quality by encouraging U.S. companies to offer employees alternatives to driving to work alone. The program aims to reach 5 percent of all U.S. employees (approximately 7 million) by 2010, reducing greenhouse gases by 6 MMTCE, cutting NO_x emissions by 25,000 tons, and saving commuters 715 million gallons of fuel annually. In FY 2001 alone EPA signed more than 200 employers covering about 500,000 employees at 346 workplaces in 19 states. The commuter reduction programs these employers provide are estimated to save approximately 50 million gallons of fuel per year, with air pollution reductions equivalent to removing up to 100,000 cars from the road annually (<http://www.epa.gov/otaq/transp/comchoic/ccweb.htm>).

EPA has focused much attention on the global threat of stratospheric ozone depletion. CFCs and halons are both powerful stratospheric ODS, and the projected "business as usual" use in developing countries could swamp reductions and investments already made in the United States, with serious public health implications for people across the globe (e.g., skin cancer). In FY 2001, through the Multilateral

Fund established under the Montreal Protocol, the United States provided assistance to 76 countries to help eliminate the developing countries' production and use of ODS. Since the fund's inception the United States has helped fund 3,500 projects and activities in 124 countries around the world. Reported consumption of CFCs and halons for all developing countries was about 235,000 metric tons at its highest point. EPA estimates that when these projects are fully implemented, 150,000 metric tons of these ODS will be eliminated. Domestically in FY 2001 the United States met its commitment to reduce methyl bromide production and imports by 50 percent from the 1991 baseline and listed 31 new alternatives to ODS for use in a variety of applications.

EPA continues to fulfill its mission to protect human health from a depleted ozone layer through its SunWise School Program, which educates children ages 5–12 on the risks associated with ultraviolet (UV) and sun exposure as a result of a depleted ozone layer. Learning about sun protection has an immediate and long-term benefit to the public because 80 percent of one's lifetime exposure to UV occurs before age 18. In 2001 SunWise reached an additional 9,165 students in 180 schools across the country, a 61 percent increase in program participation. The program aims to reach 17,000 schools by 2005 (<http://www.epa.gov/sunwise>).

The United States participates in a number of treaties and multilateral agreements to address global threats. In May 2001 the United States signed the Stockholm Convention on Persistent Organic Pollutants (POPs). Under this Convention, countries committed to reduce or eliminate the production, use, or release of the 12 POPs of greatest concern to the global community, such as DDT, PCBs, and dioxins, and established a mechanism to add further chemicals to the Convention in the future. Because these dangerous chemicals circulate around the globe, they can cause health problems in the United States regardless of where they are produced. Ratification of the agreement by 92 countries is needed for it to go into effect, but countries have already started to eliminate or decrease the use of the 12 chemicals identified. The United States is making legislative changes to both the Federal Insecticide, Fungicide, and Rodenticide Act and the Toxic Substances Control Act to fulfill its commitments under the new agreement. EPA's goal is to have the United

THE “DIRTY DOZEN”: POPS RESTRICTED BY THE STOCKHOLM CONVENTION

Aldrin	Mirex
Dieldrin	Dichlorodiphenyltrichloroethane (DDT)
Endrin	Hexachlorobenzene
Chlordane	Polychlorinated biphenyl (PCBs)
Heptachlor	Dioxins
Toxaphene	Furans

States ratify the agreement by September 2002, the date of the World Summit on Sustainable Development.

EPA was involved in negotiations for several other significant treaties and international agreements in FY 2001. For example, EPA led the negotiations on the Global Anti-Fouling Treaty, resulting in a worldwide ban on the application of tributyltin (TBT) on ships effective January 2003. TBT is considered one of the most destructive chemicals ever introduced to the marine environment, and its ban will protect oceans and marine life in the United States and abroad. Another significant accomplishment was the landmark Free Trade agreement signed by the United States and Jordan, the first to include environmental provisions in the text. In this agreement, the two countries agreed not to lower environmental standards to attract increased trade. In another accomplishment facilitating international cooperation, the Globally Harmonized Classification System was in place at the end of 2001. This is the first system for classifying physical/chemical, health, and environmental hazards with international agreement.

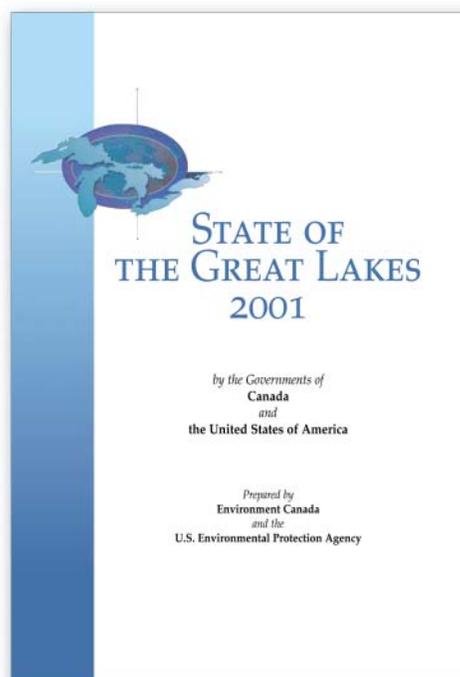
Program Evaluation

In FY 2001 EPA and Environment Canada, with input from more than 50 other governmental and nongovernmental entities, published the *State of the Great Lakes 2001* report (<http://www.binational.net/sogl2001/index.html>). The report uses data from 33 separate indicators to assess the health of the lakes, a total of some 80 indicators have been proposed. The review concludes that conditions in the Great Lakes range from “good” for the quality of drinking water to “poor” for the impacts of invasive species. About 25 percent of the indicators showed good or improving conditions, 25 percent showed poor or deteriorating conditions, and the rest demonstrated

mixed results. Although the review found that there has been some progress in cleaning up contaminants, it also identified continuing threats from invasive species; atmospheric deposition from sources outside the basin, confounding efforts to eliminate contaminants; and urban sprawl, threatening high-quality natural areas, rare species, farmland, and open space. The report calls invasive species “the greatest biological threat to Great Lakes Aquatic ecosystems.” As a result of this report and other factors, EPA plans to enhance its work in invasive species. Participants also identified areas for increased management attention, including the need for further indicator development and testing; establishment of targets; consistent monitoring or data collection techniques; improved data quality and information management; and a commitment to data collection, interpretation, and reporting on selected indicators.

Research Contributions

As part of the ongoing U.S. Global Change Research Program’s National Assessment process, EPA published the final Human Health Sector Assessment, Mid-Atlantic Regional Assessment, and Great Lakes Regional Assessment reports in FY 2001. The Gulf Coast Regional Assessment is expected to be completed in FY 2002. The findings of these regional and sector assessments will be used



to identify the potential consequences of climate change in the United States. They also will provide stakeholders and policy makers with information on the potential risks and opportunities presented by climate change and suggest options for adapting to the changes.

Other assessment efforts in FY 2001 included two stakeholder workshops in the Great Lakes Region that focused on how climate changes are affecting the lakes' commercial shipping and fishing, energy production, municipal water supply, and recreational boating. The workshops determined that as a result of climate changes over the past few years, people in the Great Lakes Region have experienced what the Regional Assessment report says might be more common conditions in the future: warmer temperatures and increased evaporation have caused water levels to drop, causing serious problems for the commercial shipping industry and recreational boaters. Additional workshops are planned to focus on land ecology, agriculture, and winter recreation.

ENERGY STAR PARTNERSHIPS

ENERGY STAR is an EPA public awareness campaign initiated in 1992 to promote energy efficiency via "energy-saving" products and practices to consumers. Through the ENERGY STAR program, EPA has developed strong partnerships with organizations that sponsor regional/local energy efficiency programs (such as state governments, energy offices, departments of natural resources, governors' offices and regulated utilities). Currently 130 such organizations, serving 50 percent of U.S. households, are partnering with ENERGY STAR to deliver the message to their constituents. In FY 2001 State Energy Offices in Illinois, Iowa, Michigan, Minnesota, Ohio, and Wisconsin established statewide goals for benchmarking building performance with ENERGY STAR. In addition, California, New York, and Wisconsin have moved forward to integrate ENERGY STAR into their commercial energy efficiency programs. Currently the national energy performance rating system is being used by more than 100 school districts nationwide, which have collectively rated more than 3,400 school buildings, or approximately 7 percent of the total K-12 floor space.

STATE AND TRIBAL PARTNER CONTRIBUTIONS

EPA has many important and productive partnerships with states and tribes. For example, the State and Local Climate Outreach Partnership Program works closely with states and cities across the country to identify cost-effective measures and opportunities to reduce emissions of GHGs. This year, EPA facilitated state and local government-led efforts to inventory local GHG emissions, resulting in an additional 25 states and 41 cities measuring or mitigating their GHGs. To date EPA has 41 state partners and several hundred local partners that have collectively identified 17 MMTCE of potential cost-effective reductions and \$7.9 billion in energy savings.

In an important tribal partnership, EPA sought, raised, and incorporated tribal concerns into the negotiations for the Stockholm Convention on POPs. Representatives from the Yupik, Inupiat, Inuit, and Gwich'in Tribes were present as observers at the Convention signing ceremony in Stockholm, Sweden.

The Arctic Cord Blood Monitoring Program, developed in response to Alaska Natives' concerns about the effects of POPs and heavy metals in native subsistence foods, is a tribal partnership with an international emphasis. This program monitors the levels and trends of selected heavy metals and POPs, including PCBs, in umbilical cord blood and maternal blood of eight primary indigenous groups along the coast of Alaska. The initial focus is on the correlation between POP levels and chronic sickness of newborns because studies indicate high levels of POP contamination in newborns. The study is being expanded to improve statistics and include a wider geographic area.

ASSESSMENTS OF IMPACTS OF FY 2001 PERFORMANCE ON THE FY 2002 ANNUAL PERFORMANCE PLAN

EPA is making significant adjustments to its Great Lakes program based on FY 2001 performance. Preliminary FY 2001 data show dissolved oxygen concentrations in Lake Erie's central basin to be near the worst observed during the past 5 years. Despite international success in reducing phosphorus loadings, phosphorus concentrations (observed through United States and Canadian monitoring) are increasing. Reducing phosphorus loads was expected

to reduce algae production and decomposition (which removes oxygen from the water) and result in higher dissolved oxygen concentrations. To help understand this puzzling challenge, EPA has added a new program measure for internal management purposes: limited or no depletion in the long-term Lake Erie dissolved oxygen trend.

Following the signature of the POPs Convention and the finalization of the Global Anti-Fouling Treaty, EPA is defining what legislative and regulatory actions will be necessary to give full effect to the agreements. The Agency has established new FY 2002 performance measures for ratification of the Global Anti-Fouling Treaty and projects and activities to help developing countries implement the POPs Convention.

PERFORMANCE DATA CHART

The following performance data chart includes performance results for the FY 2001 Annual Performance Goals (APGs) that support Goal 6. The performance chart reflects the Agency's 1997 Strategic Plan goals and objectives with which FY 2001 APGs are associated. Relevant FY 2000 and FY 1999 APGs are included for ease in comparing performance. Data quality information for Goal 6 can be found on pages B-22 to B-29 of Appendix B, "Data Quality." Additionally, the chart provides results for FY 2000 and FY 1999 APGs for which data were not available when the FY 2000 report was published, as well as for FY 2000 APGs that are not associated with any FY 2001 APGs.

Summary of FY 2001 Performance 9 Goal Met 0 Goal Not Met 4 Data Lag			Goal 6: Reduction of Global and Cross-Border Risks Annual Performance Goals and Measures FY 1999–FY 2001 Results
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By 2005, Reduce Transboundary Threats to Human Health and Shared Ecosystems in North America Consistent With Our Bilateral and Multilateral Treaty Obligations in These Areas, As Well As Our Trust Responsibility to Tribes.

Progress Toward Strategic Objective: EPA made significant progress in FY 2001 toward achieving this objective by reducing threats to human health and shared ecosystems along the Mexican and Canadian borders. Improved water and wastewater services were provided along the Mexican border through the Border Environmental Infrastructure Fund, and three air monitoring networks were established in three of seven areas currently failing to meet national air quality standards. Along the Canadian border contaminated sediments were removed or contained in Fox River/Green Bay, Wisconsin; Manistique River, Michigan; Grand Calumet River/Indiana Harbor Canal, Indiana; and Saginaw River/Bay, Michigan, thereby removing large amounts of toxic pollutants from the environment. Completion of the Murmansk Initiative, a new radioactive waste facility in Russia, will prevent illegal dumping of radioactive waste into the Arctic Ocean and Sea of Japan. EPA is on track to meet this objective.

APG 37		Planned	Actual
FY 2001	Increase the number of residents in the Mexico border area who are protected from health risks, beach pollution and damaged ecosystems from nonexistent and failing water and wastewater treatment infrastructure by providing improved water and wastewater service. Goal Met.		
	Performance Measures		
	- Number of additional people in the Mexico border area protected from health risks because of adequate water/wastewater sanitation systems funded through the Border Environmental Infrastructure Fund.	600,000	576,405
<hr/>			
<i>FY 2000</i>	<i>Five additional water/wastewater projects along the Mexican border will be certified for design-construction for a cumulative total of 30 projects. Goal Met.</i>		10
<hr/>			
<i>FY 1999</i>	<i>One additional water/wastewater project along the Mexican border will be certified for design construction. Goal Met.</i>		9

FY 2001 Result: Along the U.S.-Mexican border, communities live side-by-side, sharing both the benefits of rapid urban and industrial growth and the environmental problems associated with a history of inadequate environmental infrastructure. To protect citizens on both sides of the border from health risks, beach pollution, and damaged ecosystems from nonexistent and failing water and wastewater treatment infrastructure, EPA provided improved water and wastewater services to 576,405 residents in the Mexican border area through 12 projects funded through the Border Environmental Infrastructure Fund, which is funded solely by EPA. EPA also provided technical assistance for the water and wastewater projects. Focus this year was shifted to areas with smaller populations that have less access to

Goal 6 - Reduction of Global and Cross-Border Risks

funding sources for wastewater projects, rather than the previous focus on larger areas that have more opportunities to locate wastewater treatment funding. Although the number of people served was less than the FY 2001 target, more projects were completed than in FY 2000 and areas with greater need for wastewater treatment were served. There are approximately 12.6 million residents in the entire Mexican border area.

		Planned	Actual
APG 38			
FY 2001	Great Lakes ecosystem components will improve, including progress on fish contaminants, beach toxics, air toxics, and trophic status. Data Lag.		data available in FY 2002
	<u>Performance Measures</u>		
	- Concentration trends of toxics (PCBs) in Great Lakes top predator fish.	declining trend	
	- Concentration trends of toxic chemicals in the air.	declining trend	
	- Trophic status and phosphorus concentrations in the Great Lakes.	improving trend	
<i>FY 2000</i>	<i>Measurable improvements in Great Lakes ecosystem components. Goal Met.</i>		
	<u>Performance Measures</u>		
	- Indicator indices.		10
	- Model predictions for toxics reductions.		5

FY 2001 Result: Final data will be available in 2002.

By 2000 and Beyond, U.S. Greenhouse Gas Emissions Will Be Reduced to Levels Consistent With International Commitments Agreed Upon Under the Framework Convention on Climate Change, Building on Initial Efforts Under the Climate Change Action Plan.

Progress Toward Strategic Objective: EPA is on target to achieve this objective. Since the mid-1990s the Agency's voluntary programs have reduced U.S. greenhouse gas emissions by more than 240 million metric tons carbon equivalent (MMTCE) while saving families and businesses an estimated \$24 billion on their energy bills. This reduction is from 1990 estimates for expected GHG emissions through FY 2000. EPA's climate protection programs have locked in substantial energy and environmental benefits for the next decade. Because many of the investments promoted through EPA's climate programs involve energy-efficient equipment with lifetimes of decades or more, the investments made through 2001 will continue to deliver environmental and economic benefits through 2010 and beyond. EPA currently estimates, based on investments in equipment already made due to EPA's programs through 2001, that organizations and consumers across the country will net savings of more than \$60 billion through 2010 and greenhouse gas emissions will be reduced by more than 450 MMTCE through 2010 (cumulative reductions based on estimated 2001 achievements). These programs continue to be highly cost-effective approaches for delivering environmental benefits across the country. For every dollar EPA has spent on its technology deployment programs, these programs have reduced greenhouse gas emissions by more than 1.0 metric ton of carbon equivalent (3.67 tons of CO₂) and delivered more than \$75 in energy bill savings based on cumulative reductions since 1995.

		Planned	Actual
APG 39			
FY 2001	Assess the consequences of global change (particularly climate change and climate variability) on human health and ecosystems. Goal Met.		
	<u>Performance Measures</u>		
	- Peer-reviewed reports for decision-makers and the public on the potential consequences of global change on three regions and on human health, which are the finished products of a multi-year effort.	3	3
<i>FY 2000</i>	<i>Assess the consequences of global climate variability at a regional scale. Goal Met.</i>		3
<i>FY 1999</i>	<i>Conduct preliminary assessment of consequences of climate change at three geographical locations: (Mid-Atlantic, Gulf Coast, and upper Great Lakes.) Goal Not Met.</i>		2

FY 2001 Result: EPA conducts research under the Global Change Research Act of 1990, which mandates periodic scientific assessments of the consequences of global change. In 1997 the U.S. Global Change Research Program initiated the First National Assessment. The goal of this assessment is to determine the regional and national implications of climate change and variability for the people, environment, and economy of the United States, in the context of other environmental, economic, and social stresses. EPA is focusing on the consequences of global change to human health and ecosystems in the context of how it might affect individual regions. Two Regional Assessments (Mid-Atlantic Regional Assessment and Great Lakes Regional Assessment) and the Human Health Assessment were completed in FY 2001. The Gulf Coast Regional Assessment team will complete an additional overview document by mid-FY 2002.

Over the past few years, people in the Great Lakes Region have experienced what the Regional Assessment report says might be more common conditions in the future: warmer temperatures and increased evaporation have caused water levels to drop, causing serious problems for the commercial shipping industry and recreational boaters. In addition, sea level has been rising 1 to 2 inches per decade

Goal 6 - Reduction of Global and Cross-Border Risks

along the Mid-Atlantic coastline. Climate change will likely double that rate, causing sea level to rise 15 to 40 inches during this century, according to the Mid-Atlantic Assessment report. Sea-level rise threatens beaches, beach properties, wetlands, and barrier islands that help shield the mainland from the impacts of storm surges.

APG 40		Planned	Actual
FY 2001	Assist 10 to 12 developing countries with economies in transition in developing strategies and actions for reducing emissions of greenhouse gases and enhancing carbon sequestration. Goal Met.	10	10

FY 2000	<i>Assist 10 to 12 developing countries with economies in transition in developing strategies and actions for reducing emissions of greenhouse gases and enhancing carbon sequestration. Goal Met.</i>		10
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FY 2001 Result: EPA supported the development of rigorous bottom-up greenhouse gas inventories in four regions of Russia and in Kazakhstan, including energy fuel balances and national estimates of selected sources such as coal mining. EPA projects in the countries of the former Soviet Union have reduced greenhouse gas emissions by more than 1 MMTCE in the past 5 years. EPA's Integrated Environmental Strategies Program, with cooperation from USAID, assisted eight developing countries in evaluating the environmental and human health benefits of technologies and policies for reducing greenhouse gas emissions. Four of these countries produced initial evaluations and implementation plans for multiple benefit strategies.

APG 41		Planned	Actual
FY 2001	Demonstrate technology for a 80 mpg mid-size family sedan that has low emissions and is safe, practical, and affordable. Goal Met.	80	80

FY 2000	<i>Demonstrate technology for a 70 mpg mid-size family sedan that has low emissions and is safe, practical, and affordable. Goal Met.</i>		72
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FY 2001 Result: The Partnership for a New Generation of Vehicles program is working to advance vehicle engine and powertrain technology to improve fuel efficiency and reduce greenhouse gas emissions in future vehicles. During FY 2001 EPA successfully demonstrated technology for an 80-mpg mid-size family sedan with low emissions. As a result of this success, Ford Motor Company and EPA jointly announced in October 2001 a significant cooperative effort whereby Ford will invest in further developing EPA-invented technology with the goal of commercializing it.

APG 42		Planned	Actual
FY 2001	Greenhouse gas (GHG) emissions will be reduced from projected levels by approximately 66 million metric tons of carbon equivalent (MMTCE) per year through EPA partnerships with businesses, schools, state and local governments, and other organizations thereby offsetting growth in greenhouse gas emissions above 1990 level by about 20%. Data Lag.	66	data available in FY 2002

FY 2000	<i>GHG emissions will be reduced from projected levels by more than 58 MMTCE per year through EPA partnerships with businesses, schools, state and local governments, and other organizations thereby offsetting growth in GHG emissions above 1990 levels by about 20%. Goal Met.</i>	58	59.3
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FY 1999	<i>Reduce U.S. GHG emissions by 35 MMTCE per year through partnerships with businesses, schools, state and local governments, and other organizations. Goal Met.</i>		46
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FY 2001 Result: The data for this annual performance goal will not be finalized until mid-2002. EPA is on track to meet its greenhouse gas emissions reduction target of 66 MMTCE for FY 2001.

FY 2000 Result Available in FY 2001: The earth's climate is predicted to change because human activities are altering the chemical composition of the atmosphere through the buildup of greenhouse gases—primarily carbon dioxide, methane, and nitrous oxide. EPA partnerships such as the ENERGY STAR program, Industrial Efficiency and Waste Management programs, Industrial Methane Outreach program, and Transportation programs have resulted in a reduction of 59.3 MMTCE from 1990 projected levels of FY 2000 greenhouse gas emissions. Although total U.S. greenhouse gas emissions rose in FY 2000, EPA partnerships have achieved a 20% reduction in expected growth from 1990 levels, thus reducing the United States' contribution to the problem of global climate change. More information is available at <http://www.epa.gov/globalwarming/>.

APG 43		Planned	Actual
FY 2001	Reduce energy consumption from projected levels by more than 75 billion kilowatt hours, contributing to over \$9 billion in energy savings to consumers and businesses. Data Lag.	75	data available in FY 2002

FY 2000	Reduce energy consumption from projected levels by about 60 billion kilowatt hours, resulting in over \$8 billion in energy savings to consumers and businesses that participate in EPA's climate change programs. <i>Goal Met.</i>	60	74
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FFY 2001 Result: The data for this annual performance goal will not be finalized until mid-2002.

FY 2000 Result Available in FY 2001: As a result of EPA's climate change programs, products purchased with the ENERGY STAR label during FY 2000 will reduce energy consumption from 1990 projected levels by 74 billion kilowatt-hours over the lifetime of those products. This adds up to more than \$8 billion in energy savings to consumers and businesses that participate in EPA's climate change programs. The energy savings target was exceeded because of increased penetration of energy-efficient products due to the successful efforts of the ENERGY STAR program. EPA's efforts to reduce energy consumption result in reduced contributions to global climate change as inexpensively as possible.

APG 44		Planned	Actual
FY 2001	In close cooperation with the United States Department of Agriculture, identify and develop specific opportunities to sequester carbon in agricultural soils, forests, other vegetation and commercial products, with collateral benefits for productivity and the environment, with carbon removal potential of up to 25 MMTCE by 2010. <i>Goal Met.</i>		
	<u>Performance Measures</u>		
	- Infrastructure for carbon sequestration activities developed.	9/30/01	9/30/01

FY 2001 Result: Carbon can be sequestered through changes in both forestry and agricultural practices, but these actions are not currently well understood or accepted in many sectors of the international environmental community. EPA is working collaboratively with the U.S. Department of Agriculture (USDA) to address the misperceptions regarding carbon sequestration and to ensure that this important mitigation option is developed in an environmentally sound and economically efficient way. During FY 2001 EPA continued to work collaboratively with USDA on domestic pilot programs designed to address issues related to implementation of sequestration projects both domestically and internationally. EPA also continued to enhance its state-of-the-art capability to evaluate the technical and economic potential of carbon sequestration in both the forest and agriculture sectors and conducted key analyses on sequestration policy issues. EPA expects to achieve a carbon removal potential of up to 25 MMTCE by 2010.

APG 45		Planned	Actual
FY 2001	Provide analysis, assessment, and reporting support to Administration officials, the Intergovernmental Panel on Climate Change, and the Framework Convention on Climate Change. <i>Goal Met.</i>		
	<u>Performance Measures</u>		
	- Annual GHG inventory.	1	1

FY 2000 Provide analysis, assessment, and reporting support to Administration officials, the Intergovernmental Panel on Climate Change, and the Framework Convention on Climate Change. *Goal Met.*

Performance Measure
- GHG Inventory.

1

FY 2001 Result: Greenhouse gas emission reductions estimates were completed for the third National Communication Report to the United Nations' Framework Convention on Climate Change. Updated greenhouse gas inventory estimates were published on schedule, and work has started on a separate transportation sector greenhouse gas report. The following web site reports national greenhouse gas emissions of CO₂, CH₄, N₂O, HFCs, PFCs, and SF₆, as reported to the United Nations Framework Convention on Climate Change by member nations: <http://www.epa.gov/globalwarming/emissions/international/inventories.html>.

By 2005, Ozone Concentrations in the Stratosphere Will Have Stopped Declining and Slowly Begun the Process of Recovery.

Progress Toward Strategic Objective: The United States is working with the Multilateral Fund established under the Montreal Protocol to dismantle more than two-thirds of developing country CFC production capacity and virtually all of developing country halon production capacity. To date the Fund has reached agreements to eliminate 83% of remaining developing country CFC production and all halon production and has begun to implement those agreements, resulting in significant environmental improvements. The United States has helped to fund 3,500 projects and activities in 124 countries that will eventually eliminate 150,000 metric tons of ozone-depleting substances (ODS). Domestically, in FY 2001 the United States met its commitment to reduce methyl bromide production and import by 50% from the 1991 baseline and listed 31 new alternatives to ODS for use in a variety of applications. Recent actions have focused on reducing those substances in developing countries where projected increases of ODS could cancel out the benefits of U.S. reductions. EPA will know whether it is on track to meet the objective of stopping the decline of ozone concentrations by 2005 when the next international scientific assessment is published in 2002.

APG 46		Planned	Actual
FY 2001	Provide assistance to at least 75 developing countries to facilitate emissions reductions toward achieving the requirements of the Montreal Protocol. Goal Met.	75	76
FY 2000	Provide assistance to at least 50 developing countries to facilitate emissions reductions toward achieving the requirements of the Montreal Protocol. Goal Met.		50

FY 2001 Result: Overexposure to ultraviolet (UV) radiation due to ozone depletion can cause a range of health effects, including skin damage (skin cancers and premature aging), eye damage (including cataracts), and suppression of the immune system in humans. Reductions in emissions of ODS slows the decline of stratospheric ozone concentrations. The United States provided assistance to 76 developing countries to facilitate reductions in ODS emissions to achieve the requirements of the Montreal Protocol on Substances that Deplete the Ozone Layer. The benefits of reduced stratospheric ozone decline as a result of these reductions will be experienced in the United States as well as in other countries.

APG 47		Planned	Actual
FY 2001	Restrict domestic consumption of class II hydrochlorofluorocarbons (HCFCs) below 15,240 ozone depletion potential-weighted metric tons (ODP MTs) and restrict domestic exempted production and import of newly produced class I chlorofluorocarbons (CFCs) and halons below 60,000 ODP MTs. Data Lag.	<15,240 <60,000	data available in FY 2002
FY 2000	Restrict domestic consumption of class II HCFCs below 15,240 ODP MTs and restrict domestic exempted production and import of newly produced class I CFCs and halons below 60,000 ODP MTs. Goal Met.	<15,240 <60,000	13,180 462
FY 1999	Ensure that domestic consumption of class II HCFCs will be restricted to below 208,400 MTs and domestic exempted production and import of newly produced class I CFCs and halons will be restricted to below 130,000 MTs. Goal Met.		<208,400 <130,000

FY 2001 Result: The 2001 results will be available after March 15, 2002.

FY 2000 Result Available in FY 2001: The stratospheric ozone layer protects life on earth from harmful UV radiation; a depleted ozone layer allows more UV radiation to reach the earth. The increased levels of UV radiation due to ozone depletion can lead to a greater chance of overexposure to UV radiation and consequent health effects, including skin cancer, cataracts, and other illnesses. During FY 2000, domestic consumption of class II HCFCs was restricted to 13,180 ODP MTs and domestic exempted production and import of newly produced Class I CFCs and halons was brought down to 462 ODP MTs. These targets are maximum allowable quantities established for the United States as obligations under the Montreal Protocol on Substances that Deplete the Ozone Layer. Virtually all U.S. producers and importers of Class I CFCs and halons ceased operation following the January 1996 phaseout. Targets are tracked according to calendar year obligations under the Protocol. For more information about EPA's ozone programs, see <http://www.epa.gov/ozonel/>.

APG 48		Planned	Actual
FY 2001	Increase the number of children participating in the SunWise School Program by 20%. Goal Met.	20%	61%

FY 2001 Result: EPA continues to fulfill its mission to protect human health through its SunWise School Program, which educates children ages 5 to 12 on the risks associated with UV and sun exposure as a result of a depleted stratospheric ozone layer. Through the use of classroom-based, school-based, and community-based components, SunWise seeks to develop sustained sun-safe behaviors in schoolchildren. Learning about sun protection has an immediate and long-term benefit to the public because one serious childhood sunburn can double the chances of developing skin cancer later in life and 80% of one's lifetime exposure to UV occurs before age 18. During FY 2001 SunWise reached more than 9,000 students in 180 schools across the country, a 61% increase in program participation. EPA exceeded its target of 20% because of sustained outreach efforts and outstanding acceptance by schools, teachers, and students. The program has now reached a total of approximately 24,000 students in more than 475 schools. In 2001 students who participated in SunWise reported a 68% increase in knowledge about using sunscreen, a 28.6% increase in wearing hats and shirts in the sun, a 33% improved attitudes about tanning, and a 10% increase in playing in the shade rather than in the sun. The program aims to reach 17,000 schools by 2005.

By 2005, the United States Will Prevent Significant Degradation of the Marine and Polar Environments, Consistent With U.S. Obligations Under Relevant International Agreements.

Progress Toward Strategic Objective: Major progress was made toward this strategic objective when the United States signed the Stockholm Convention on Persistent Organic Pollutants (POPs) in May 2001. Countries signing the convention committed to reduce and/or eliminate the production, use, and/or release of the 12 POPs of greatest concern to the global community and established a mechanism to add further chemicals in the future. Toxics covered by the convention include DDT, PCBs, and dioxins. EPA's goal is to have the United States ratify the agreement by September 2002. EPA was also an active player in achieving the "Declaration of Dakar," which is a statement by representatives of 25 Sub-Saharan African countries presenting a time line for phasing lead additives out of gasoline. EPA education and capacity building efforts led to phaseout of leaded gasoline by the Philippines, Vietnam, and Jakarta, Indonesia, during

FY 2001. Thirty-six countries have already phased out the use of leaded gasoline, and this number will likely rise to 55 countries by 2005. Currently about 78% of all gasoline sold in the world is unleaded, and this percentage will likely exceed 84% by 2005. EPA is on track to achieve this objective.

By 2005, Increase the Application of Cleaner and More Cost-Effective Environmental Practices and Technologies in the United States and Abroad Through International Cooperation.

Progress Toward Strategic Objective: EPA's work to build drinking water treatment and monitoring capacity in Central America in the aftermath of Hurricane Mitch was the most significant accomplishment under this objective during FY 2001. There are currently no internationally accredited drinking water labs in Central America. Consequently, data on drinking water quality in the region is not reliable, which impedes the development of effective programs to reduce the incidence of waterborne diseases. EPA's program to enhance monitoring and surveillance at drinking water labs in the region allowed labs in El Salvador, Nicaragua, and Honduras to begin the accreditation process. This success and the variety of projects described below will allow EPA to meet this objective by 2005.

APG 49		Planned	Actual
FY 2001	Enhance environmental management and institutional capabilities in priority countries. Goal Met.		
	<u>Performance Measures</u>		
	- Number of countries or localities (3) that have adopted new or strengthened environmental laws and policies.	3	3
	- Number of organizations (3) that have increased environmental planning, analysis, and enforcement capabilities.	3	3
	- Number of organizations (3) that have increased capabilities to generate and analyze environmental data and other information.	3	3
	- Number of organizations (3) that have increased public outreach and participation.	3	4
	- Number of targeted sectors (3) that have adopted cleaner production practices.	3	2
	- Number of cities (3) that have reduced mobile-source based ambient air pollution concentrations.	3	3

FY 2000	<i>Deliver 30 international training modules; implement six technical assistance/technology dissemination projects; implement five cooperative policy development projects; and disseminate information products on U.S. environmental technologies and techniques to 2,500 foreign customers. Goal Met.</i>		12 6 5 3,100
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FY 2001 Result: International capacity-building programs play a critical role in achieving the Agency's mission. Lack of the necessary managerial, technical, financial, scientific, and/or institutional capabilities has often been the major stumbling block to developing countries' action on behalf of the environment, including progress in addressing global and transboundary environmental problems that directly affect health and the environment in the United States. EPA has worked to build the environmental planning capabilities of organizations in Jordan, Honduras, and Egypt and has worked with an organization in South Africa on improving enforcement capabilities. The Agency completed pollution prevention projects in Egypt, the Philippines, Mexico, Thailand, and China. EPA is working with Thailand's Department of Industrial Works to plan cleaner production projects targeted at the electronics industry and with the Thai Ministry of Science, Technology, and Industry to develop a cleaner production program for the printing industry. Although EPA had hoped to initiate both projects by the end of FY 2001, the Thai Ministry of Science, Technology, and Industry did not provide the data necessary to begin the project prior to FY 2002. January 2002 is now the target date for launching the printing industry project. EPA initiated a program in Bangkok to help municipal automotive fleets reduce their emissions, and the first phase of this project was completed in FY 2001. A vehicle emissions tool designed to help developing countries characterize emissions problems and identify solutions was developed by EPA in FY 2001. Pilot testing using the tool will begin in Santiago, Chile, in November 2001 and in Nairobi, Kenya, in March 2002. EPA's international work has enhanced countries' abilities to protect their own environments as well as the global commons.

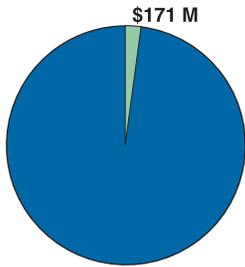
FY 2000 Annual Performance Goals (No Longer Reported for FY 2001)

Successfully conclude international negotiations on a global convention on Persistent Organic Pollutants (POPs) reaching agreement on POPs selection criteria, technical assistance, and risk management commitments on specified POPs. (This annual goal is maintained for internal reporting.)

Goal 6 - Reduction of Global and Cross-Border Risks

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Goal 7 FY 2001 Obligations



Note: EPA FY 2001 Total Obligations were \$9,007 million

GOAL 7: EXPANSION OF AMERICANS' RIGHT TO KNOW ABOUT THEIR ENVIRONMENT

Easy access to a wealth of information about the state of their local environment will expand citizen involvement and give people tools to protect their families and their communities as they see fit. Increased information exchange between scientists, public health officials, businesses, citizens, and all levels of government will foster greater knowledge about the environment and what can be done to protect it.

PROGRESS TOWARD STRATEGIC GOAL AND OBJECTIVES

EPA's Right-to-Know goal has expanded over the past 5 years.¹ Today EPA is providing broader access to more environmental information than ever before. The Agency's work under Goal 7 recognizes that environmental information is not just a collection of data but rather a strategic resource to be used by many different stakeholders and partners, including federal agencies, states, tribes, local governments and communities, regulated businesses, environmental groups, the public, and EPA's own programs.

FY 2001 PERFORMANCE

Environmental information is one of EPA's most valuable tools for protecting human health and the environment. Ultimately, environmental information must be accessible and useful to the public. During FY 2001 EPA and its partners continued to make progress in the development and implementation of the National Environmental Information Exchange Network, an advanced approach to sharing, managing, and exchanging environmental information. In addition, EPA laid the groundwork for designing an enterprise-wide information technology architecture that will provide a solid foundation for its electronic government initiatives. The Agency is working to ensure that it has the right information, useful analytical tools, and sufficient access to enable decision-makers at all levels to more effectively evaluate environmental conditions that affect the health and well-being of the public.

EPA is working to increase the amount of information available to stakeholders and partners and has made progress in many areas. By the end of FY 2001, EPA had implemented significant improvements to the Toxics Release Inventory (TRI) Program, which greatly increased the amount of information available to the public and helped focus industry's attention on ways to reduce toxic chemical releases. The Agency further improved its web site, which is now easier to use and increases the public's access to a wealth of information at the local level about the state of the environment, thereby helping expand understanding and providing tools to protect families, communities, and environment; the new homepage features links to hot issues, key topics, geography- and audience-specific information, and more. EPA's information infrastructure is more effective and secure than that of the past. The progress made in FY 2001 moved EPA and the states measurably forward in achieving the national vision of e-government.

Access to Environmental Information

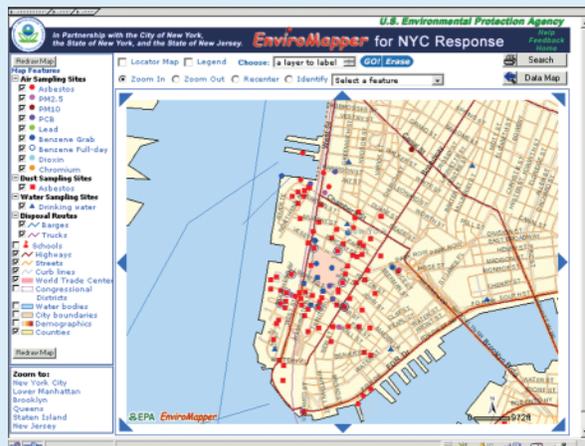
Providing the public with efficient electronic access to environmental information is essential. Never was this more apparent than in the days following September 11, 2001. EPA quickly made available electronic access to information on environmental quality, giving the public and residents of the New York City (NYC) area timely information about local conditions. EPA worked closely with state, federal, and local authorities to determine whether dangerous levels of contaminants were present in ambient air,

¹ In FY 2002 Goal 7 becomes "Quality Environmental Information." A description of the new Goal 7 and its component objectives can be found in EPA's updated Strategic Plan (EPA 190-R-00-002), published in September 2000.

EPA'S RESPONSE TO SEPTEMBER 11, 2001: PROVIDING CRITICAL ENVIRONMENTAL INFORMATION TO THE PUBLIC

EPA has worked closely with New York and New Jersey to make air quality data for the New York City region available to the public. The EPA web site (<http://www.epa.gov/epahome/wtc/>) allows users to view monitoring data for nine different air contaminants collected in the vicinity of New York City.

Maps can be viewed for all of New York City, Upper Manhattan, Lower Manhattan, Brooklyn, the Bronx, Queens, Staten Island, and New Jersey. By clicking on any of the sampling locations, users can view data collected since September 11, 2001.



drinking water sources, and surface water runoff near the disaster sites. Drinking water and runoff in lower Manhattan were sampled and tested, and repeated monitoring of ambient air was conducted at the World Trade Center disaster site, in the surrounding New York and New Jersey areas, and in the vicinity of the Pentagon. As soon as the results of monitoring were finalized, EPA made the data available to the public through its public access web site (<http://www.epa.gov/epahome/wtc/>).

Today the site also provides a comprehensive, interactive tool, EnviroMapper for NYC response, that allows users to view monitoring data in conjunction with maps showing the location of sampling stations around lower Manhattan and in New Jersey. Users can select a location and see where monitoring activities are being conducted, review measurements for many substances (e.g., asbestos, polychlorinated biphenyls [PCBs], benzene, particulates), see aerial photographs of the area, search by location for all information about a particular site, or follow routes used by trucks and barges to haul away debris and materials. In addition, individuals from across the country can use EnviroMapper (<http://www.epa.gov/enviro/html/em/index.html>) to plot the locations of regulated facilities in the area.

EPA is also developing an Agency-wide Public Access Strategy to guide activities and improve management of the web site and other information channels. In FY 2001 EPA implemented policies to

ensure effective and efficient practices in its public access efforts and launched its redesigned web site, <http://www.epa.gov>, that has more features and information and better meets the needs of users.

EPA's TRI Program, which publishes data on toxic pollutants released into the environment, is a significant contributor to the Agency's public information holdings. EPA published the 1999 TRI data on April 11, 2001, accompanied by an improved version of TRI Explorer (<http://www.epa.gov/triexplorer/>), an on-line "search and query" tool for both environmental professionals and members of the public. In January 2001 the Final TRI Lead Rule, which lowered the thresholds for the manufacturing, processing, and otherwise using of lead and lead compounds to 100 pounds, went into effect. Facilities exceeding this threshold for lead are required to report their releases and other waste management activities to EPA. This will increase the amount of information on releases and other waste management activities of lead and lead compounds made available to the public. During FY 2001 EPA also conducted 44 TRI workshops for 3,000 participants to educate those subject to TRI reporting requirements.

While making much progress in improving electronic access to environmental information, the Agency faces the challenge of increasing the use of that information by environmental managers and the public. In FY 2001 EPA began work to develop indicators of environmental quality. This effort will

result in a set of tools to strengthen understanding of environmental conditions and human health effects and will serve as the basis for a national state of the environment report, scheduled for release in FY 2003.

Information Integration

More efficient information exchange between EPA and its partners and Internet-based access to information holdings at the national, regional, state, and local levels will be essential in the future. Since 1998 EPA and the states have been working to develop the National Environmental Information Exchange Network—a secure, electronic, Internet-based network for integrating, managing, and sharing environmental data. The Exchange Network will be a common intergovernmental framework and will showcase EPA's move to e-government.

The Central Data Exchange (CDX), described at <http://www.epa.gov/cdx>, is the new portal for EPA's environmental data exchanges and a key component of the Exchange Network. The CDX is “open for business” and supports more than 40 states and nearly 3,000 other registered users, including territories, tribes, laboratories, and industry. Users of the Network now have access to a suite of functions (e.g., user registration, information security, data receipt, data processing, data distribution, and web hosting) necessary to support secure electronic data exchange between EPA and its industry and government partners.

EPA's Facility Registry System (FRS), <http://www.epa.gov/enviro/html/facility.html>, also a key component of the Exchange Network, is a centrally managed database that provides Internet access to a single source of comprehensive information on facilities subject to EPA's environmental regulations. When the Exchange Network is fully operational, FRS master files will be the single, authoritative source for facility-specific environmental information. At the close of FY 2001, FRS had more than 630,000 records from 6 major EPA national information systems and master facility records from 8 states, exceeding the Agency's FY 2001 and FY 2002 targets.

Common data standards used by all partners are essential to the Exchange Network. Data standards, or agreed-upon formats and procedural rules for commonly used data sets, are needed to reduce the complexity of data manipulation and to make the exchange and integration of data more efficient.

A State Partner's Perspective on the National Environmental Information Exchange Network

“EPA and States have always been in the business of sharing environmental data; it's a requirement for running environmental programs. Now through our National Environmental Information Exchange Network partnership we're developing a new e-commerce model for doing this business with better, higher quality data, using jointly developed data standards and the latest Web-based technologies being widely adopted by many industry and government sectors. Our goals are less burdensome data transactions for every level—regulated facilities, States, Tribes, EPA—better information for program management decisions, and improved public assessment of real environmental conditions in New Hampshire and across the country.”

—Dana Bisbee, Assistant Commissioner, State of New Hampshire, Department of Environmental Services and Co-Chair of the ECOS State/EPA Information Management Workgroup

During FY 2001 the Environmental Data Standards Council (EDSC)—a group of experts from EPA, the states, and the tribes—completed its review of two new data standards and took steps to develop EPA business rules for Enforcement and Compliance Assurance, and Permitting. The EDSC also initiated development of the next set of data standards.

Information Quality

In FY 2001 EPA also worked to ensure the quality of environmental information provided electronically through its public web site. The Agency Integrated Error Correction Process (IECP), launched in May 2000, is the Agency's principal tool for web site users to report data errors for resolution. By the close of FY 2001 EPA had resolved 650 of the 1,000 suspected errors reported from May 2000 through September 2001.

Information Infrastructure

In FY 2001 EPA significantly increased the capacity of its information technology infrastructure to support greater public access to environmental information and to facilitate secure exchange of information among stakeholders. The Agency also

made improvements in providing secure, cost-effective telecommunications and computing capabilities.

In FY 2001 EPA improved its security measures for electronic information exchange with its external business partners using virtual private network (VPN) technology, one of the most effective security technology currently available. Additional security improvements included an Agency-wide review of security systems for all servers attached to the EPA network, formalized internal and independent security reviews for Agency information systems, and implementation of improved security monitoring tools.

In FY 2001 EPA implemented an Enterprise Architecture Planning process to more closely align the Agency's information technology investments with its environmental goals. This effort strengthens Information Technology (IT) investment decision making and management while saving resources.

Research Contributions

In FY 2001 EPA completed new or updated consensus human health assessments for seven

environmental substances of high priority to the Agency. These assessments, which were incorporated into the Integrated Risk Information System (IRIS) and made publicly available (<http://www.epa.gov/iris/>), describe the potential human health impacts of various chemicals found in the environment. This information is used for hazard identification and dose-response evaluations in risk assessments across EPA, at the state level, and by the public. EPA also enhanced its ability to make research information available to the public by expanding its science inventory, which is publicly available through the Environmental Information Management System (EIMS; <http://www.epa.gov/eims>). EIMS will provide decision-makers with the best scientific information to protect human health and the environment and will ensure that research efforts are complementary.

STATE AND TRIBAL PARTNER CONTRIBUTIONS

State Contributions

The Agency has worked successfully with its state and tribal partners to implement the building blocks of a National Environmental Information Exchange Network. When complete, the Exchange Network will eliminate the need for many program- and region-specific data collection systems, improve efficiencies, and thereby reduce costs.

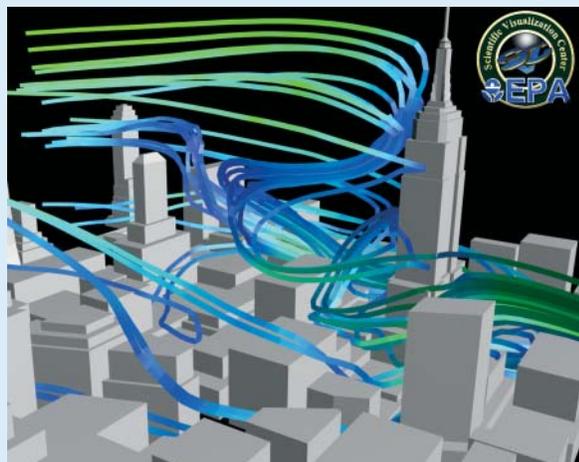
Tribal Contributions

EPA, in cooperation with The Department of Interior Bureau of Indian Affairs, is working closely with tribal representatives to ensure that tribes participate as full partners in the Agency's information initiatives. The Environmental Data Standards Council, a cooperative effort involving states, tribes, and EPA, is pursuing standard "Tribal Identifiers" for use in Agency systems and EPA's baseline assessment of environmental conditions in Indian Country.

Information Research: The Scientific Visualization Center

EPA's vision is for its Scientific Visualization Center (SVC) is to help make scientific visualization the standard tool for analyzing environmental information, bringing the results of environmental research to decision-makers, and communicating with the public about the successes and further needs of environmental protection.

Air Flow and Concentration Patterns: an example product from the SVC.



ASSESSMENT OF IMPACTS OF FY 2001 PERFORMANCE ON FY 2002 ANNUAL PERFORMANCE PLAN

During FY 2001 the Agency exceeded its performance goal for implementing the FRS. As a result, new targets were established for FY 2002 and beyond.

PERFORMANCE DATA CHART

The following performance data chart includes performance results for the FY 2001 APGs that support Goal 7. The performance chart reflects the Agency's 1997 Strategic Plan goals and objectives with which FY 2001 APGs are associated. Relevant FY 2000 and FY 1999 APGs are displayed for ease in

comparing performance. Data quality information for Goal 7 can be found on pages B-29 to B-32 of Appendix B, "Data Quality." The chart presents results for FY 2000 and FY 1999 APGs for which data were not available when the FY 2000 report was published, as well as for FY 2000 APGs that are not associated with FY 2001 APGs.

Summary of FY 2001 Performance			<h3>Goal 7: Right to Know</h3> <h4>Annual Performance Goals and Measures</h4> <h4>FY 1999–FY 2001 Results</h4>
2 Goal Met	2 Goal Not Met	0 Data Lag	

By 2005, EPA Will Improve the Ability of the American Public to Participate in the Protection of Human Health and the Environment by Increasing the Quality and Quantity of General Environmental Education, Outreach and Data Availability Programs, Especially in Disproportionally Impacted and Disadvantaged Communities.

Progress Toward Strategic Objective: In FY 2001 the Agency continued to develop tools and support projects that provide the public with the tools needed to make informed decisions concerning their health and the environment. EPA increased the timeliness and amount of information made available on its web sites and continued its commitment to ensuring that the Agency's policies and programs address issues faced by low-income and minority populations through public meetings, demonstration projects, and grants.

APG 50		Planned	Actual
FY 2001	Improve public access to compliance and enforcement documents and data through multimedia data integration projects and other studies, analyses and communication/outreach activities. Goal Not Met.		
	<u>Performance Measures</u>		
	- By the end of FY 2001, all ten EPA Regions will have an enforcement and compliance web site.	10	9
	- Make 90% of enforcement and compliance policies and guidances issued this fiscal year available on the Internet within 30 days of issuance.	90%	86%
	- By April 2001, make summaries of all significant cases available on the Internet.	100%	Not Available

FY 2000	<i>Improve public access to compliance and enforcement documents and data, particularly to high risk communities, through multimedia data integration projects and other studies, analyses and communication/outreach activities. Goal Met.</i>		
	<u>Performance Measures</u>		
	- Percent of OECA policy and guidance documents available on the Internet.		94%
	- Increase by 50% the number of states with direct access to Integrated Data for Enforcement Analysis (IDEA).		34 states

FY 2001 Result: Since the concept of improving public access to compliance and enforcement data is broad and difficult to quantify, the Agency established several surrogate measures representative of EPA's efforts to provide the public with relevant enforcement information in a timely manner. Although EPA did not meet the FY 2001 targets associated with this goal, the Agency continues to increase the quantity and quality of compliance and enforcement information available to the public. See EPA's compliance and enforcement web site, <http://es.epa.gov/oeca/index.html>, for more information. In addition to the Agency web site mentioned above, 9 of 10 EPA Regional web sites provide clear links to relevant Regional compliance and enforcement activities. EPA's ongoing effort to standardize all of its web sites will address these inconsistencies and provide the public with a more uniform look and feel to Agency web pages. Delays associated with web site standardization prevented the Agency from attaining its goal of posting 90% of its compliance and enforcement policies and guidance within 30 days of issuance. The remaining documents are in the process of being posted. Lastly, the Agency routinely posts its significant enforcement cases, individually, on the web. In past years the Agency also posted a summary listing of all such cases; this comprehensive listing was the basis for the creation of the third performance measure. In FY 2001, however, the Office of Enforcement and Compliance Assistance (OECA) did not compile a comprehensive listing. Individual cases will continue to be posted on the web site.

APG 51		Planned	Actual
FY 2001	Ensure that EPA's policies, programs and activities address disproportionately exposed and under-represented population issues so that no segment suffers disproportionately from adverse health and environmental effects. Goal Met.		

Goal 7: Right To Know

Performance Measures

- Award 90 grants to organizations which address environmental problems in communities comprised primarily of low income and minority populations.	90	79
- Hold 25 EPA-sponsored public meetings where disproportionately impacted and disadvantaged communities participate.	25	25
- Respond within 60 days to 75% of requests made to each Region and National Program Manager to address complaints heard during public comment period at National Environmental Justice Advisory Committee (NEJAC) public meetings.	75%	> 75%
- Conduct 18 NEJAC meetings and focused roundtables in local communities where problems have been identified.	18	13
- Increase the number of demonstration projects established under the Federal Interagency Working Group on Environmental Justice.	18	15

FY 2000 *Ensure that EPA's policies, programs and activities include public meetings, address minority and low income community issues so that no segment of the population suffers disproportionately from adverse health or environmental effects, and that all people live in clean, healthy and sustainable communities consistent with Executive Order 12898. Goal Met.*

Performance Measures

- Number of EPA-sponsored public meetings held where disproportionately disadvantaged communities participate.	31
- Number of grants awarded to low income, minority communities for addressing environmental problems.	62

FY 1999 *Provide over 100 grants to assist communities with understanding and address Environmental Justice (EJ) issues. Goal Met.* 100

FY 2001 Result: In FY 2001 the Agency continued its efforts to work with disproportionately exposed and underrepresented populations. The Agency pursues its commitment to environmental justice (EJ) in a variety of ways, and several surrogate indicators of progress have been established. EJ grants are awarded to community-based organizations that carry out projects to increase citizen involvement in EJ issues. In FY 2001 EPA received fewer eligible grant applications than expected, so 79 grants were awarded rather than 90. Additionally, the Agency strives to respond to comments made at public NEJAC meetings in a timely fashion. The NEJAC, a constituent-driven body, produced two policy reports in FY 2001; several of the NEJAC subcommittees met only once during the fiscal year as opposed to twice as in years past. Although there was a slight shortfall in the number of NEJAC meetings, there was no negative impact. The Agency also supports demonstration projects established under a federal interagency work group on EJ. In FY 2001 the work group developed new criteria for the selection of demonstration projects. More information on the Agency's EJ activities, including meeting summaries and grant applications, can be found at <http://www.epa.gov/oeca/ej>.

By 2005, EPA Will Improve the Ability of the Public to Reduce Exposure to Specific Environmental and Human Health Risks By Making Current, Accurate Substance-Specific Information Widely and Easily Accessible.

Progress Toward Strategic Objective: In FY 2001 the volume of TRI data increased significantly as a result of new reporting requirements for lead. EPA also published the 1999 TRI data on April 11, 2001. The new data were accompanied by an improved version of TRI Explorer (<http://www.epa.gov/triexplorer/>), an online "search and query" tool for both environmental professionals and members of the public who want to know about toxic releases in their communities, making both electronic and printed data more readily available.

APG 52		Planned	Actual
FY 2001	Process all submitted facility chemical release reports; publish annual summary of Toxics Release Inventory (TRI) data; provide improved information to the public about TRI chemicals; and maximize public access to TRI information. Goal Met.		
	Performance Measures		
	- TRI Public Data Release.	1 report	1 report
	- Chemical submissions and revisions processed.	110,000	120,000

FY 2000 *Process all submitted facility chemical release reports; publish annual summary of Toxics Release Inventory (TRI) data; provide improved information to the public about TRI chemicals; and maximize public access to TRI information. Goal Met.*

Performance Measures

- TRI public data release.	1
- Form R's processed.	119,000
- TRIS database complete and report issued.	on target

Goal 7: Right To Know

FY 1999 Process 110,000 facility chemical release reports, publish the TRI Data Release Report, and provide improved information to the public about TRI chemicals, enhancing community right-to-know and efficiency processing information from industry. *Goal Met.*

117,171

FY 2001 Result: A 15- to 18-month data lag is associated with the release of TRI data because of reporting cycles and data quality assurance/quality control. In FY 2001 EPA issued the *1999 TRI Public Data Release Report*. TRI is a valuable source of information regarding toxic chemicals that are being used, manufactured, treated, transported, or released into the environment. There has been a chemical emissions decrease of 46% in the manufacturing industries, or about 1.5 billion pounds over the 12 years of the program. The 1-year decrease from 1998 to 1999 was 2.5%. Additional information on TRI can be found at <http://www.epa.gov/tri>.

By 2005, EPA Will Meet or Exceed the Agency's Customer Service Standards in Providing Sound Environmental Information to Federal, State, Local, and Tribal Partners to Enhance Their Ability to Protect Human Health and the Environment.

Progress Toward Strategic Objective: In FY 2001 EPA's efforts focused on developing guidance on cumulative risk assessments and ecological risk assessments that will assist risk assessors in their research efforts. Ultimately, the use of these products will enable the Agency, as well as other environmental decision makers, to more effectively safeguard the public and the environment from potential risks.

APG 53 **Planned** **Actual**

FY 2001 Provide guidance for risk assessment to improve the scientific basis of environmental decision making. *Goal Not Met.*

Performance Measures

- **The Agency's Risk Assessment Forum will develop technical issue papers and develop a framework for preparing cumulative risk assessments.** **1 framework** **0**
- **The Agency's Risk Assessment Forum will develop guidance on determining management objectives and selecting assessment endpoints for ecological risk assessment.** **1 guidance** **0**

FY 2001 Result: EPA made considerable progress in developing documents to guide risk assessments. The risk assessment framework is intended to serve as initial guidance, outlining a road map for research and future guidance development efforts. EPA's guidance on selecting endpoints for ecological risk assessment will enhance EPA ecological risk assessments, contributing to more effective Agency protection of ecological resources that are important to the public. Both guidance documents took longer to develop and review than initially projected and are now scheduled to be completed in FY 2002.

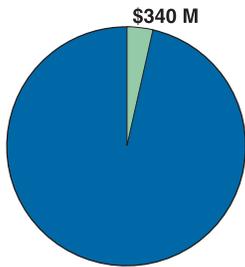
FY 2000 Annual Performance Goals (No Longer Reported for FY 2001)

The Agency will streamline and improve the information reporting process between state partners and EPA by increasing the number of state participants in the One Stop Reporting program from 29 to 38.

All community water systems will issue annual consumer confidence reports according to the rule promulgated in August 1998. (This annual goal is maintained for internal reporting.)

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Goal 8 FY 2001 Obligations



Note: EPA FY 2001 Total Obligations were \$9,007 million

GOAL 8: SOUND SCIENCE, IMPROVED UNDERSTANDING OF ENVIRONMENTAL RISK, AND GREATER INNOVATION TO ADDRESS ENVIRONMENTAL PROBLEMS

EPA will develop and apply the best available science for addressing current and future environmental hazards, as well as new approaches toward improving environmental protection.

PROGRESS TOWARD STRATEGIC GOAL AND OBJECTIVES

EPA relies on sound scientific research and innovative new approaches to provide the understanding and technologies needed to detect, abate, and avoid human health and environmental problems, as well as promote improved environmental performance across all media—air, water, and land. In FY 2001 EPA conducted research to improve understanding of the principles underlying assessment and management of environmental risks and to allow the Agency to identify the most significant sources of risk to human health and the environment. To ensure that EPA research is a source of high-quality scientific and technical information, the Agency consults a number of expert sources, both internal and external, and uses several deliberative steps in planning its research programs.

EPA also expanded its multiyear research planning efforts in FY 2001 to address all of its major research programs to better assess progress toward the strategic research objectives, including research performed under this goal. As a starting point, the Agency draws input from its Strategic Plan, available research plans, EPA program offices and regions, federal research partners, and outside peer advisory bodies such as EPA's Science Advisory Board (SAB) and others. In FY 2001 EPA's SAB conducted two reviews addressing controversial pollutants that pose significant environmental and human health risks: (1) a reevaluation of the science underlying EPA's dioxin reassessment, which was designed to strengthen the Agency's evaluation of the health risks of exposure to dioxin; and (2) an evaluation of the costs and benefits of the arsenic drinking water

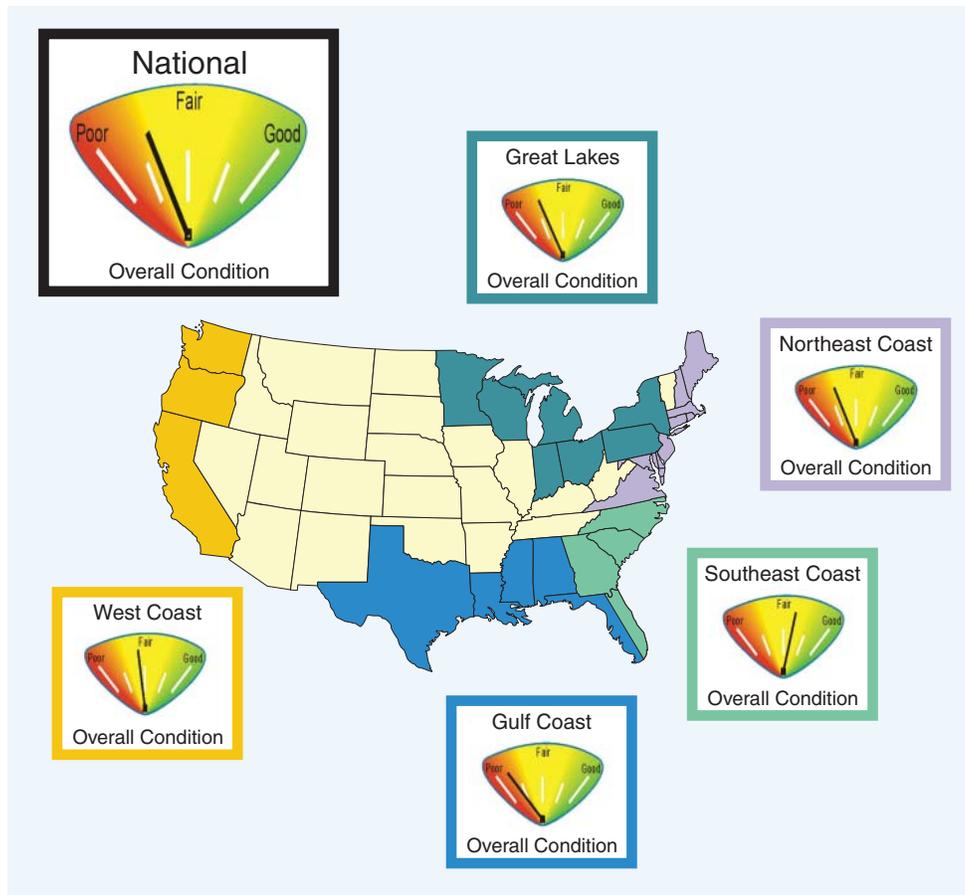
standard proposal supporting Administration and congressional efforts to find an acceptable and protective level of arsenic in drinking water. EPA also works with industry, individual business facilities, communities, state and local government agencies, and other stakeholder groups to craft and implement innovation strategies for better environmental results.

FY 2001 PERFORMANCE

Sound Science

EPA made an important contribution to the characterization of ecological resources by completing a baseline assessment of the conditions of the Nation's estuaries (*National Coastal Condition Report*, EPA620/R-01/005). Based on this report and subsequent surveys, changes and ultimately trends in the ecological conditions of many of the Nation's estuaries can be documented, with a known level of confidence, and the results of environmental management policies can be evaluated at the national, state, watershed, and regional levels. This report provides an assessment of historical conditions of many of the Nation's estuaries and is based on the past 10 years of archived data from federal and state sources, including data from many programs with differing purposes and designs. EPA's National Coastal Assessment (NCA) Program, begun in FY 2000, will build on this report by using the Environmental Monitoring and Assessment Program (EMAP) indicators and sampling designs covering the estuaries of the entire coastal United States to provide in 2003 the first statistically valid, nationwide assessment of the health of these crucial ecological resources (<http://www.epa.gov/emap/nca/html/about.html>).

National Coastal Condition



In FY 2001 the Agency also made significant strides in understanding and detecting potential risks to human health. In response to recommendations from the SAB, EPA initiated an analysis of the National Human Exposure Assessment Survey (NHEXAS), a program investigating critical information gaps about population-scale distributions of human exposures to contaminant mixtures. The NHEXAS analysis will demonstrate the costs and benefits of a national-scale exposure assessment program and will provide a basis for the design and implementation of an effective surveillance program for multimedia pollutants. In addition, research in FY 2001 continued to focus on understanding child-specific exposure to environmental pollutants. EPA conducted studies on pesticide exposure among farmworkers' children in California and Washington State. Over the next several years, the Agency will use the data from these studies to identify the most effective methods for assessing children's exposure and to develop exposure assessment models.

In FY 2001 the Agency also developed a protocol for identifying endocrine-disrupting chemicals using amphibian and small fish models. This protocol will

help to implement a legislatively mandated program for testing chemicals that might cause adverse reproductive and developmental effects through disruption of endocrine systems controlled by sex steroids. The testing program will help EPA effectively determine the toxicity of various chemicals, so that the appropriate precautions can be employed to protect human health.

Additionally, in response to an FY 1999 congressional directive, the Agency provided recommendations on an appropriate reference dose, or RfD (an estimate of the public's daily exposure to a compound that is likely to be without an appreciable risk of deleterious effects) for methylmercury, a highly toxic compound that bioaccumulates in fish and animal tissue. These recommendations will enable EPA to set fish consumption advisories to effectively inform the public of the effect of ingesting unacceptable concentrations of methylmercury, thereby preventing neurological and developmental harm. Information on EPA's revised RfD for methylmercury is available at <http://www.epa.gov/iris/subst/0073.htm>.

In the area of pollution prevention research, EPA produced decision tools that are more quantitative and easier for stakeholders and decision-makers to use when considering pollution prevention options, including computer-based tools for chemical and industrial processes. Additionally, EPA's Environmental Technology Verification (ETV) pilot program evaluated 35 environmental technologies, and as a result, verified a programmatic total of 164 technologies. Verification results, which are publicly available on the ETV web site (<http://www.epa.gov/etv>), provide purchasers and permittees of environmental technologies with highly credible data and performance analyses on which to make decisions that directly affect the health and well-being of populations and ecosystems.

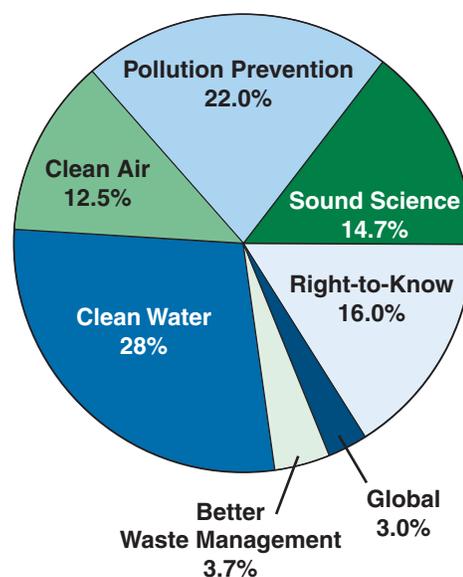
The Agency declared EPA Science as a management integrity weakness in FY 1995 in response to concerns in a GAO review and the September 1993 Report of the National Performance Review regarding the strength of EPA's environmental science program and the scientific basis for decision making related to EPA regulations and policies. EPA developed a corrective action strategy to address these concerns and strengthen the Agency's environmental science program. EPA completed final corrective actions during FY 2001 and met with representatives from GAO who acknowledged the Agency's progress and along with EPA's Science Policy Council agreed with the determination that this weakness had been resolved. (Refer to Section III, "Management Accomplishments and Challenges," for further discussion.)

GAO conducted a review of the policies and procedures of EPA's SAB related to the selection of technical experts to serve on SAB panels. GAO identified concerns that EPA's policies and procedures do not ensure that SAB peer review panelists are independent and that the panels are properly balanced and that the public is sufficiently informed about points of view represented on the panels. EPA generally agreed with the GAO findings, declared the balance and independence of SAB panels as an Agency integrity weakness for FY 2001, and implemented a corrective action plan to address the concerns. (Refer to Section III, "Management Accomplishments and Challenges," for further discussion.)

Greater Innovation

The Regional Geographic Initiatives Program (RGI) provides EPA regions an opportunity to address unique, multimedia environmental problems in a specific geographic area that are not readily addressed by single media programs. RGI supported 120 projects in FY 2001 each contributing to at least one of the Agency's environmental goals. An example of a project that supports the Agency's clean air goal is the Hyde Park Air Project in St. Louis, Missouri. Under this project, data on emissions of hazardous air pollutants are being collected, analyzed, and evaluated. In addition, a coalition of federal, state, and local air pollution control programs are working with the local community, elected officials, and industry to develop a work plan for addressing the city's air quality problem.

FY 2001 Distribution of Regional Geographic Initiative Projects Across Agency Goals



The Agency also continued to improve and integrate a systematic approach to innovation based on testing, evaluating, and disseminating innovations. The number of innovations being tested continues to grow: Project XL (eXcellence and Leadership) exceeded its goal of 50 projects, and more than 40 new pilot proposals were submitted under the Joint EPA/State Innovations Agreement, 14 of which were implemented in FY 2001. The Agency has accelerated its evaluation of innovations by

BIOLOGICALLY INTEGRATED FARMING SYSTEMS

Under the RGI program, EPA's Pacific northwest region has run innovative agricultural pollution prevention programs in California's Central Valley. Partnering with state agencies, the University of California, and agricultural industry groups, growers adopt integrated pest and soil management methods and reduce the use of pesticides such as organophosphates (OPs). These chemicals are major pollutants of surface water in the state and also are targeted for reduction under the Food Quality Protection Act. Without harming farm profits, the program successfully eliminated use of OPs in 83 percent of the walnut orchards and all of the prune orchards in the program, and reduced OPs by 59 percent in the participating apple orchards.

co-funding evaluations with other EPA offices and establishing a successful Program Evaluation Network. The Agency developed a successful model approach in partnership with the state of Massachusetts to disseminate innovative permitting approaches for small businesses to other states. Finally, in FY 2001 EPA circulated a draft Innovation Strategy that will further integrate innovation into its programs and culture. Believing in the need for a focused agenda to achieve results, EPA identified specific environmental challenges where innovative approaches will be essential for further progress. These challenges—greenhouse gases, smog, water quality, and water infrastructure—will be targeted for particular resource and creative investments. Strengthening environmental partnerships, targeting priorities, expanding the current collection of tools, and creating a more innovative culture to address challenging problems effectively are the ultimate goals of the innovation strategy.

In the latter half of 2000, EPA launched the National Environmental Performance Track Program to recognize and encourage top environmental performers—those who go beyond compliance with regulatory requirements to attain levels of environmental performance that benefit people, communities, and the environment. Since then 250 high-performing facilities have been accepted into the program; 47 more were under review as of

December 2001. Over the next 3 years the 250 members are committed to reducing solid waste by 225 million pounds, hazardous waste by 8.8 million pounds, energy use by 6.7 trillion British thermal units (BTUs), water use by 1.6 billion gallons, hazardous materials use by 1.7 million pounds, and volatile organic compound emissions by 98,000 pounds, and to improving habitat on 4,600 acres.

Industry sector performance partnership programs also achieved significant accomplishments in FY 2001. Stakeholder participation in the National Metal Finishing Strategic Goals Program (SGP) increased to nearly 500 facilities, 22 states, and more than 85 local governments. Participating metal finishing facilities show quantified results in their progress toward the voluntary SGP performance goals. For example, active SGP facilities have reduced wastewater by 1.24 billion gallons, sludge shipped to landfills by 2.7 million pounds, and organic chemical emissions by 4 million pounds (measured as cumulative annual reductions from 1992 baseline amounts). Through the Sustainable Industries Partnership Programs, EPA developed new partnerships with the metal casting, meat processing, shipbuilding, and specialty-batch chemical industries. Each of these industries is setting voluntary performance improvement objectives, while EPA, states, and other stakeholders craft incentives, provide assistance, and remove barriers to better performance. Also in FY 2001 EPA created a “virtual” Center for Industry Sector Innovation with tools and services that address stakeholders’ needs for better information-sharing, planning, and measurement to support federal and state sector-based programs. New tools include the SectorSTAR (Strategies, Tools, and Resources) web site, the State-Scan information directory of state programs and priorities, enhanced measurement tools, and a strategic process for selecting new sector opportunities.

EPA supported further development of economic information and analytical methods that will improve economic analyses of its policies and regulations, providing better tools for assessing innovative alternatives. In FY 2001 EPA offices sponsored workshops on critical economic valuation and policy assessment issues, including ecological valuation methods and stated preference valuation techniques. In addition, EPA and the National Science Foundation continued to support new

economic research with solicitations directed at such priorities as valuing human health benefits, market-based mechanisms and economic incentives, and corporate environmental performance and the effectiveness of government intervention.

In FY 2001 the Regional Science & Technology (RS&T) organizations provided field sampling, analytical and data management support, and quality assurance to Agency programs nationwide and continued to expand the number of Centers of Applied Science (CAS). CAS support the development and application of new and innovative technologies by developing sampling, quality assurance, and analytical methodologies. These methodologies and technologies are shared both within EPA and with the Agency's partners. One example is the EPA's Great Lakes region Central Laboratory's development of analytic methodologies for detection of alkylphenol endocrine disruptors in water, soil and sediments, which have been used in midwest rivers to determine whether alkylphenols exist at amounts that may show ecological effects. The RS&T organizations continued to strengthen their operations by developing and implementing Corrective Action Plans in response to Laboratory Assessments of both internal quality systems reviews and external technical systems audits. (Four assessments were completed in FY 2001.) To date all of the corrective actions have been implemented in four of the EPA regions, and the remaining regions are working on completing their corrective actions.

As an integral component of the Agency's systematic approach to innovations, EPA's Office of Policy, Economics and Innovation (OPEI) has actively completed or initiated evaluations of EPA's innovative programs and approaches. The *Directory of Regulatory, Policy, and Technology Innovations* evaluates more than 70 innovations being tested by Project XL. The report assesses the expected advantage of each XL innovation over the current approach, the results to date, the efficacy of the innovation, and its suitability for application beyond the pilot scale. OPEI also completed the first-ever assessment of Agency-wide lessons learned on stakeholder involvement, supporting the development of EPA's Public Involvement Policy. *Stakeholder Involvement & Public Participation at the U.S. EPA: Lessons Learned, Barriers, & Innovative Approaches* reviews the Agency's efforts to involve the

public through a meta-analysis of formal evaluations and informal summaries from across the Agency. The meta-analysis identifies key cross-cutting lessons learned, pinpoints unique barriers and ways to overcome them, and highlights innovative approaches to stakeholder involvement and public participation. OPEI's Industry Performance Partnership Program published *Living the Vision*, a report on the progress of the Metal Finishing Strategic Goals Program that shows the degree to which the industry met a series of voluntary "better than compliance" facility performance targets.

Program Evaluation

EPA's Office of Research and Development (ORD) and Office of the Inspector General (OIG) agreed that program evaluation is appropriate for environmental research, and the pilot evaluation demonstrated the potential benefits of a partnership approach to program evaluation. The primary tool used in the evaluation was the "logic model," which allows evaluators to identify the relationships between resources, activities, outputs, customers, and outcomes. One of the observations resulting from the evaluation process was that annual performance goals and measures focus primarily on outputs (such as developing new methods, models, and tools) rather than on achieving outcomes (the effects resulting from the acceptance and use of these new tools and technologies). Placing greater focus on potential outcomes could assist ORD in identifying the impact of its research on long-term environmental results. When designed appropriately, high-quality research allows the users of the research results to achieve meaningful environmental outcomes.

STATE AND TRIBAL PARTNER CONTRIBUTIONS

State Contributions

EPA's National Coastal Assessment Program builds the scientific basis for representative cost-effective monitoring of conditions and trends in the Nation's estuaries; transfers this technology to states, tribes, and regions; and encourages the states and tribes to adopt and implement this approach. Using a compatible, probabilistic design and a common set of survey indicators (to measure factors such as

water quality, sediment quality, fish, and benthos), each state conducts the survey and assesses the condition of its coastal resources independently. These estimates then can be aggregated to assess conditions at the regional, biogeographical, and national levels. EPA is accomplishing this assessment through a number of partnerships with 24 of 26 coastal-marine states, tribes, the National Oceanic and Atmospheric Administration, the U.S. Geological Survey laboratories in the Southern Atlantic and Gulf of Mexico regions, and the Delaware River Basin Commission. In conducting this monitoring program, EPA is leveraging an approximate 50/50 cost-share with the state monitoring programs. All of the participating states either are evaluating or have already adopted this new, cost-effective approach to monitoring their coastal resources.

In FY 2001 EPA continued its work to support and learn from innovation in the states, particularly in partnership with the Environmental Council of the States (ECOS). EPA received 26 projects in FY 2001 and was negotiating or implementing 44 pilot projects under the Joint EPA/State Agreement to Pursue Regulatory Innovation as of September 30, 2001. EPA, ECOS, and the Council for Excellence in Government conducted an Innovations Symposium in FY 2001 at which federal and state regulators exchanged information and developed new partnerships to innovate in the areas of information and technology, market-based approaches, new models for environmental protection, partnerships, and enforcement and compliance.

In October 2000 EPA's OPEI, Office of Enforcement and Compliance Assurance and EPA's northeast region formed a partnership with the Massachusetts Department of Environmental Protection (MA DEP). The purpose of this ongoing partnership is to investigate whether the Massachusetts Environmental Results Program (ERP), a self-certification alternative to general permitting, can be transferred to other states and environmental management issues. Three states (Rhode Island, Florida, and Maryland) and the District of Columbia have

agreed to conduct ERP pilot projects on a common small business sector, auto body repair shops. This application is in addition to MA DEP's success over the past 3 years in mandatorily applying the ERP process to the dry cleaning, photo processing, and printing small business sectors.

Tribal Contributions

The Tribal Science Council (TSC), composed of senior tribal and EPA representatives, will provide a mechanism for systematic and thorough consideration of tribal science needs and EPA's ability to address the tribes' highest environmental science priorities. Tribal Operations Committee co-chair and EPA's Administrator endorsed the TSC in July 2001. The TSC conducted its first face-to-face meeting December 11–13, 2001, in Phoenix, Arizona. The meeting focused on organizational issues, including developing processes for how the TSC will address tribal science priorities.

ASSESSMENT OF IMPACTS OF FY 2001 PERFORMANCE ON FY 2002 ANNUAL PERFORMANCE PLAN

There are no changes to FY 2002 APGs based on results of FY 2001 performance.

PERFORMANCE DATA CHART

The following performance data chart includes performance results for the FY 2001 APGs that support Goal 8. The performance chart reflects the Agency's 1997 Strategic Plan goals and objectives with which FY 2001 APGs are associated. Relevant FY 2000 and FY 1999 APGs are displayed for ease in comparing performance. Data quality information for Goal 8 can be found on pages B-32 and B-33 of Appendix B, "Data Quality." Additionally, the chart presents results for FY 2000 and FY 1999 APGs for which data were not available when the FY 2000 report was published, as well as for FY 2000 APGs that are not associated with FY 2001 APGs.

By 2008, Provide the Scientific Understanding to Measure, Model, Maintain, or Restore, at Multiple Scales, the Integrity and Sustainability of Ecosystems Now and In the Future.

Progress Toward Strategic Objective: In FY 2001 EPA produced a report on the baseline conditions of the Nation’s estuaries, providing the scientific understanding necessary to measure the condition of these crucial ecological resources. By establishing a baseline with a known level of confidence at the national, state, and regional levels, it will be possible to evaluate the results of environmental management policies, which will in turn increase our ability to maintain and restore the integrity and sustainability of ecosystems.

APG 54 **Planned** **Actual**

FY 2001 **Establish baseline conditions from which changes, and ultimately trends, in the ecological condition of the nation’s estuaries can be confidently documented, and from which the results of environmental management policies can be evaluated at regional scales. Goal Met.**

Performance Measures

- Report describing the condition of the nation’s estuaries. 1 1

FY 2000 Report on monitoring findings in the Mid-Atlantic Region as a cost-effective means of measuring the condition of these systems. Goal Met.

Performance Measures

- A final report on the extent and magnitude of fish tissue contamination in small, wadeable streams in the Mid-Atlantic Region as means of identifying high risk areas. 1

- Final report on the relationship between macro-invertebrate and periphyton assemblages and chemical and physical stressors to verify the applicability of these biological indicators in the Mid-Atlantic. 1

FY 1999 Complete and evaluate a multi-tiered ecological monitoring system for the Mid-Atlantic region and provide select land cover and aquatic indicators for measuring status and trends (2001). Goal Met. 1 1

FY 2001 Result: The *National Coastal Condition Report*, a collaborative effort among EPA program offices, the coastal states, other federal agencies, and EPA’s Environmental Monitoring and Assessment Program (EMAP), is the first Ecological Report Card on the United States’ coastal resources.

FY 1999 Result Available in FY 2001: EPA completed and evaluated a multitiered ecological monitoring system for the Mid-Atlantic region and provided select land cover and aquatic indicators for measuring status and trends. Products from the Environmental Monitoring and Assessment Program (EMAP), such as the Mid-Atlantic Highlands stream report, have increasingly been used in environmental management actions in the Mid-Atlantic region.

By 2008, Improve the Scientific Basis to Identify, Characterize, Assess, and Manage Environmental Exposures That Pose the Greatest Health Risks to the American Public by Developing Models and Methodologies to Integrate Information About Exposures and Effects From Multiple Pathways.

Progress Toward Strategic Objective: In FY 2001 EPA revised its analysis strategy for the National Human Exposure Assessment Survey (NHEXAS). Implementation of the new analysis plan will assist the Agency in determining the effectiveness of a national-scale exposure program. The Agency also continued to evaluate the exposures and effects of environmental contaminants, particularly in children, and produced several reports on child-specific susceptibilities. FY 2001 research efforts provided significant findings regarding environmental health risks and will strengthen the Agency’s ability to make effective public health decisions.

By 2008, Establish Capability and Mechanisms Within EPA to Anticipate and Identify Environmental or Other Changes That May Portend Future Risk, Integrate Futures Planning Into Ongoing Programs, and Promote Coordinated Preparation for and Response to Change.

Progress Toward Strategic Objective: In FY 2001 EPA provided methods for identifying and characterizing the risks of developmental and reproductive toxicants, which will assist the Agency in implementing a program to test chemicals that might have adverse effects on

endocrine systems. This work also provides insight into how to prepare for, and respond to, other potentially adverse human health and environmental risks.

By 2006, Develop and Verify Improved Tools, Methodologies, and Technologies for Modeling, Measuring, Characterizing, Preventing, Controlling, and Cleaning Up Contaminants Associated With High Priority Human Health and Environmental Problems.

Progress Toward Strategic Objective: In FY 2001 the Agency produced decision tools for use by decision-makers when considering pollution prevention options and provided purchasers and permittees with credible data and performance analyses for 35 environmental technologies. The Agency continued to develop more effective methods of reducing emissions of harmful pollutants associated with high-priority human health and environmental problems.

APG 55		Planned	Actual
FY 2001	Develop, evaluate, and deliver technologies and approaches that eliminate, minimize, or control high risk pollutants from multiple sectors. Emphasis will be placed on preventive approaches for industries and communities having difficulty meeting control/emission/effluent standards. Goal Not Met.		
	Performance Measures		
	- Deliver a Report to Congress on the status and effectiveness of the Environmental Technology Verification (ETV) Program during its first five years.	1	0

FY 2000	<i>Complete development of one or more computer-based tools which simulate product, process, or system design changes, and complete proof-of-process structure for one or more generic technologies (applicable to more than one environmental problem) to prevent or reduce pollution in chemicals and industrial processes. Goal Met.</i>		
	Performance Measures		
	- <i>Complete development of PARIS II Software tool to design environmentally benign solvents, and development and integration of Waste Reduction (WAR) Algorithm into commercially available chemical process simulator.</i>		9/30/00
	- <i>Complete Beta testing of a decision support tool for life-cycle analyses of municipal waste management options.</i>		9/30/00

FY 2001 Result: EPA completed a report on volatile organic compounds (VOCs) and hazardous air pollutants emissions from indoor paints. The experimental data on VOC emissions can be used for exposure estimation and risk assessment purposes. The Agency also completed performance evaluations of various metal finishing processes, which may effectively replace current hazardous and polluting processes. Delivery of the ETV report to Congress was delayed to allow for more extensive data collection and analysis, which will contribute to a more accurate and comprehensive report; it is now scheduled to be delivered by September 2002. To learn more about ETV, visit <http://www.epa.gov/etv>.

By 2005, EPA Will Increase the Number of Places Using Integrated, Holistic Partnership Approaches, Such as Community-Based Environmental Protection (CBEP), and Quantify Their Tangible and Sustainable Environmental Result in Places Where EPA Is Directly Involved.

Progress Toward Strategic Objective: Under the Regional Geographic Initiatives Program, EPA has supported 100 to 140 projects a year (120 projects in FY 2001). These projects address problems that are not being addressed, wholly or in part, by existing national environmental programs because of their unique geographic or cross-media nature. Projects are accomplished by working in partnership with states, local governments, and the private sector. All of the projects support one or more of EPA's environmental goals. EPA has analyzed possible methods of identifying and quantifying the gains in environmental outcomes associated with the projects and has linked each of the projects to the Agency goal and objective it supports.

By 2005, EPA Will Increase the Number of Opportunities for and Applications of Sector-Based Approaches to Environmental Management by 150% Over 1996 Levels.

Progress Toward Strategic Objective: The Agency continued to improve and integrate a systematic approach to innovation based on testing, evaluating, and disseminating innovations. The number of innovations being tested continues to grow, and the Agency has accelerated its evaluation of innovations.

APG 56		Planned	Actual
FY 2001	EPA will implement significant improvements to core Agency functions identified as high environmental or economic impact identified during FY 2000 priority setting (Project eXcellence and Leadership-XL.) Goal Met.		
	Performance Measures		
	- High impact changes.	5	6

Goal 8 - Sound Science

FY 2000 All 50 Project XL projects will be in implementation. *Goal Met.* 50

FY 1999 50 Project XL projects will be in development or implementation. an increase of 23 projects over 1998. *Goal Met.* 24

FY 2001 Result: In FY 2000 the Innovation Action Council identified a number of priorities for core program improvements, based either on reforms already under consideration in the programs or on ideas drawn from pilot projects. By the end of FY 2001, the following program improvements were complete or significantly under way: (1) TMDL rule under the Clean Water Act (issued); (2) consolidated air rule for the chemical industry (issued); (3) Performance Track to provide incentives to top environmental performers (in implementation); (4) an array of innovations in compliance assistance, ranging from an on-line database of compliance assistance information to compliance guides for new rules (in implementation); (5) diffusion of a sector-based model for regulating small sources, based on the Massachusetts Environmental Results Program tested in Project XL (diffusion efforts under way); and (6) a new EPA policy facilitating cost-effective disposal of residential lead-based paint debris (issued).

By 2005, Regions Will Have Demonstrated Capability to Assess Environmental Conditions in Their Region, Compare the Relative Risk of Health and Ecological Problems, and Assess the Environmental Effectiveness of Management Action in Priority Geographic Areas.

Progress Toward Strategic Objective: The Regional Science & Technology (RS&T) organizations support EPA's air, water, waste, and toxic substances programs by providing field sampling, analytical and data management support, and quality assurance to Agency programs nationwide. Regions have developed special capabilities and expertise (Centers of Applied Science) based on unique geographic and demographic issues. Centers have been designated in the areas of ambient air monitoring; environmental biology, chemistry, and microbiology; and analytical pollution prevention methodologies. The RS&T organizations continue to strengthen their operations by developing and implementing Corrective Action Plans in response to Laboratory Assessments of both internal quality system reviews and external technical systems audits (four assessments completed in FY 2001). Quality assurance programs in the EPA regions ensure the integrity of environmental data by overseeing management of monitoring programs, approving data collection activity plans, and evaluating monitoring and laboratory practices.

Conduct Peer Reviews and Provide Guidance on the Science Underlying Agency Decisions.

Progress Toward Strategic Objective: In FY 2001 the SAB conducted peer reviews on 23 projects including significant impact, supporting the Agency's decisions on controversial pollutants posing significant environmental and public health risks, such as dioxin and arsenic.

Prior Year Annual Performance Goals Without Corresponding FY 2001 Goals
(Actual Performance Data Available in FY 2000 and Beyond or With Performance Targets Beyond FY 2001)

APG	Planned	Actual
FY 1999 <i>Initiate field exposure study of children to two endocrine disrupting chemicals.</i>		<i>target year is FY 2008</i>
FY 1999 <i>Develop and verify innovative methods and models for assessing the susceptibilities of population to environmental agents, aimed at enhancing risk assessment and management strategies and guidelines.</i>		<i>target year is FY 2008</i>

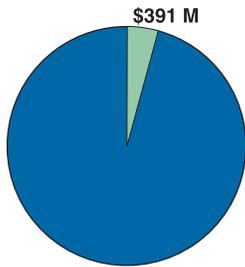
FY 2000 Annual Performance Goals (No Longer Reported for FY 2001)

Develop risk assessment guidance and regional assessments concerning risks to children exposed to environmental contaminants.

Develop tools to identify hazards and formulate strategies to manage risks from exposure to endocrine disrupting chemicals capable of inducing adverse effects in humans and wildlife.

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Goal 9 FY 2001 Obligations



Note: EPA FY 2001 Total Obligations were \$9,007 million

GOAL 9: A CREDIBLE DETERRENT TO POLLUTION AND GREATER COMPLIANCE WITH THE LAW

EPA will ensure full compliance with laws intended to protect human health and the environment.

PROGRESS TOWARD STRATEGIC GOAL AND OBJECTIVES

Ensuring compliance with environmental statutes and regulations is a fundamental element of EPA's mission. Protection of human health and the environment can only be achieved when there is compliance with environmental laws. EPA fulfills its goal of providing "a credible deterrent to pollution and greater compliance with the law" by identifying significant environmental risks and noncompliance patterns, developing tailored strategies to address those problems, and measuring the results of these efforts.

Meeting this goal presents many challenges to EPA, state, local agencies, and federally recognized tribes. There are millions of regulated entities that range from community drinking water systems to pesticide users to major industrial facilities. Regulated entities must comply with a multitude of complex regulatory requirements under various environmental statutes. These challenges require EPA to use many different tools to maximize compliance. EPA obtains continuous improvement in compliance with standards, permits, and other requirements by providing assistance designed to prevent violations, incentive policies to motivate self-auditing by regulated entities, inspections and monitoring to identify violations, and enforcement actions to correct and deter violations. These improvements in compliance result in improved environmental management by regulated entities, and increased protection of the environment for the public.

EPA's use of assistance, incentives, monitoring, and enforcement produces measurable results for environmental protection. For last several years, EPA's enforcement and compliance assurance

program eliminated 1 to 2 billion pounds of pollution from air, land, and water through enforcement actions; compelled violating companies to invest 2 to 3 billion dollars in environmental improvements; provided 1 to 2 million regulated entities with compliance assistance; and completed agreements to conduct self-audits and correct violations with 1 to 2 thousand facilities.

FY 2001 PERFORMANCE

EPA continues to make progress toward its goal of ensuring full compliance with the law through civil, judicial, and administrative enforcement actions as well as encouraging improved compliance through assistance and incentives. The national enforcement and compliance program, under Goal 9, met or exceeded 100 percent of its annual performance goals; the enforcement and compliance program, therefore, continues to meet the Agency's objectives of improving the environment by increasing compliance through a strong enforcement presence and promoting the regulated community's compliance with environmental requirements through voluntary compliance incentives and assistance programs. During FY 2001 EPA, along with state and tribal partners, provided information and assistance to help facilities comply with environmental laws; completed agreements with facilities and companies to conduct their own self-audits and correct violations; and took civil and criminal enforcement actions to address serious environmental problems and ensure fairness in the marketplace.

Enforcing the Law, Achieving Results

The Agency uses compliance inspections, investigations, and other assessments to determine the

compliance status of regulated facilities. Additional inspections are conducted to help deter facilities from lapsing into noncompliance. In FY 2001 EPA conducted 17,812 inspections and 368 intensive civil compliance investigations. These inspections and investigations resulted in the identification of a number of serious environmental violations, including, but not limited to, pollutant releases not allowed by permit, illegal storage of hazardous waste, and discharge of oil into navigable waters in harmful quantities. Where necessary, EPA addresses noncompliance with an enforcement action appropriate to the violation. Administrative compliance orders and penalty complaints, Notices of Violations, civil referrals to the Department of Justice (DOJ), civil judicial settlements, or criminal referrals to DOJ serve as a deterrent for other potential noncompliers, provide an environmental benefit project to improve the environment or communities, and ensure fairness to those companies that invest resources to comply with environmental laws.

EPA enforcement actions against noncomplying facilities often result in outcomes such as improvements in environmental management practices by facilities, improved or enhanced monitoring and reporting, environmental benefits projects, and significant reduction of pollutants discharged to the air, water, or land. EPA's FY 2001 enforcement actions required reduction or prevention of emissions or discharges of an estimated 660 million pounds of pollutants and required the treatment of an additional 1.8 billion pounds of contaminated soils, sediments, or water. In FY 2001, 74 percent of concluded enforcement actions required improvements in the use or handling of pollutants, such as changes in industrial processes or storage and disposal practices, to achieve emission and discharge reductions. Approximately 50 percent of actions required improvements in facility environmental management practices, including testing, training, and overall improvements to environmental management systems. In FY 2001 polluters were required to spend more than \$4.3 billion to correct violations, known as "injunctive relief," and take additional steps to protect the environment. Settlement of enforcement cases often produce Supplemental Environmental Projects (SEPs), in which violators perform additional environmentally beneficial projects beyond the required injunctive relief in exchange for a penalty reduction. SEPs totaled \$89.1 million in FY 2001.

In FY 2001, EPA took 3,548 civil, judicial, and administrative enforcement actions. Examples of significant cases include:

- *United States and State of Mississippi v. Morton International, Inc.*

A routine EPA inspection of a Morton International Inc. chemical manufacturing facility in Moss Point, Mississippi, revealed that the firm falsified Escatawpa River pollutant discharge monitoring reports. The discovery of these falsified reports precipitated a comprehensive, multi-media investigation by EPA's southeast region and the Mississippi Department of Environmental Quality. On October 26, 2000, the United States and the State of Mississippi lodged a criminal plea with a \$2 million fine, and proposed civil settlement involving thousands of violations of several environmental laws, including the Safe Drinking Water Act, Clean Water Act, Clean Air Act, and laws governing hazardous waste and toxic substances. The \$36 million civil action against Morton International, Inc., included a \$20 million cash penalty and \$16 million in SEPs. Morton also agreed to conduct a comprehensive site investigation, periodically certify compliance, and undertake third-party national audits of all 23 of Morton's other chemical manufacturing facilities. The SEPs include a \$10 million pollution prevention/reduction plant project, a \$4 million City of Moss Point lateral line sewer replacement project, and a \$2 million research project with the University of Southern Mississippi's School of Polymer Science. This is the largest EPA civil fine at a single facility.

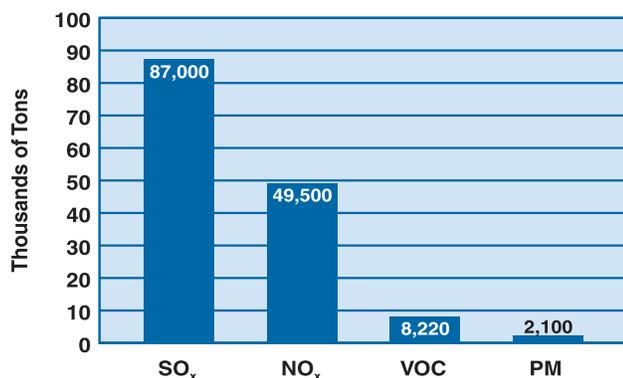
- Magnesium Corporation of America (MagCorp)

EPA resolved problems associated with a persistent hazardous waste polluter ranked first for chlorine emissions nationwide on the 1998 toxics release inventory (TRI), MagCorp, through a strong enforcement presence. In 1998, MagCorp emitted 57 million pounds of chlorine. After many years of work by the Utah Department of Environmental Quality, EPA led efforts to resolve hazardous waste compliance issues at the facility. Several continuing enforcement actions resulted from the intensive investigation. One outcome from this enforcement investigation includes an Administrative Consent Agreement, whereby MagCorp will replace electrolytic cells with an expected 95 percent reduction in chlorine emissions. Electrolytic cell use reduced chlorine discharge by 54 million pounds from 1998 levels.

- Petroleum Refining Sector

EPA addressed four significant areas of noncompliance with the CAA through settlements with four major refining companies. Settlements with Koch Petroleum, BP Amoco, Marathon Ashland Petroleum, and Motiva/Equilon/Shell required increased pollution controls and operational changes at 27 refineries that represent 28.8 percent of domestic refining capacity (4,760,000 barrels). The addition of pollution controls, combined with operational changes, will result in an estimated pollution reduction of 87,000 tons of sulfur oxides (SO_x), 49,500 tons of nitrogen oxides (NO_x), 8,220 tons of volatile organic compounds (VOC), and 2,100 tons of particulate matter annually. Under the settlements, the companies will pay approximately \$28 million in penalties, \$1.3 billion in injunctive relief, and spend \$12 million in SEPs.

Estimated Annual Pollution Reductions in the Petroleum Refining Sector



EPA maintained a strong criminal enforcement program that emphasized environmental results and effective partnerships with federal, state, tribal, and local governments to enhance compliance and protect the public and the environment nationwide. EPA focuses this program on investigations of violations which pose a significant threat to human health and the environment and help successfully prosecute cases which provide effective deterrence, by incorporating an aggregate high level of fines, restitution, and jail sentences. EPA opened 482 criminal investigations, referred 256 cases to the DOJ, and helped prosecute cases which resulted in 256 years incarceration and \$95 million in fines and restitution in FY 2001. An example of a successful prosecution with significant sanctions is:

- Caleb-Brett Laboratories

A criminal prosecution against Caleb-Brett Laboratories resulted in a \$1 million fine as well as a

3-year probation sentence for conspiring to mislead EPA investigators about a scheme to falsify chemical analyses involving hundreds of millions of gallons of reformulated gasoline (RFG). The defendant schemed to falsify data on tests of reformulated gasoline samples to make it appear as if the gasoline met EPA standards for cleaner burning fuel. Approximately 200 to 300 million gallons of the substandard gasoline were distributed in New York, New Jersey, and Connecticut.

EPA has been developing a statistically valid methodology to better measure compliance rates for selected industrial populations regulated by EPA. EPA piloted the methodology in FY 2000 and implemented the program for six populations during FY 2001. The petroleum refining and iron and steel sectors were evaluated using legally required self-monitoring reports in the Agency's national data system for one or more toxic pollutants. Municipal sewage treatment plants were evaluated for conventional pollutants including Biological Oxygen Demand (BOD) and Total Suspended Solids (TSS). Within the petroleum refining sector, 6.6 percent of facilities measuring ammonia levels had Technical Review Criteria (TRC) violations. Iron and steel sector facilities were found to have noncompliance rates of 5.0 percent and 22.2 percent respectively for lead and zinc. Noncompliance rates were 12.9 percent and 15.8 percent respectively for BOD and TSS in the municipal sector. In FY 2001 regions and states conducted RCRA compliance monitoring inspections at randomly selected small quantity generators (SQGs) in the Organic Chemical industry and determined that 34.3 percent were in statistically significant noncompliance. In FY 2002 EPA will focus on Combined Sewer Overflows (CSOs) compliance with nine minimum controls and Ethylene Oxide Maximum Achievable Control Technology (MACT) standards.

Increasing Compliance Through Assistance

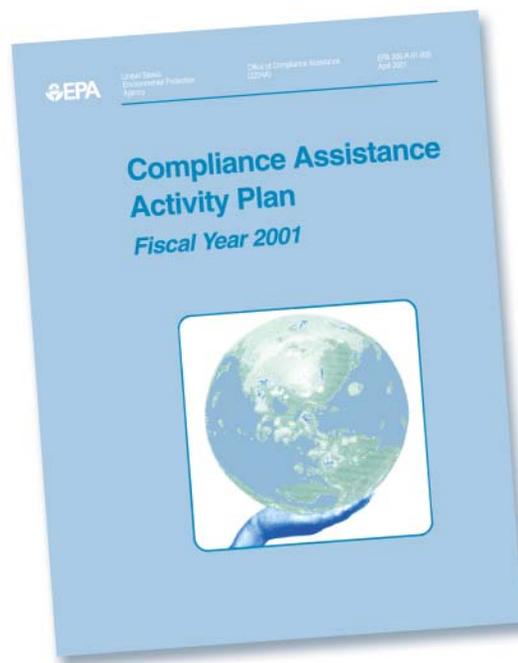
EPA developed a wide range of information tools and services with the intended outcome that they improve understanding of regulatory compliance requirements. EPA targets compliance assistance activities to regulated facilities, industry sectors, trade associations, compliance assistance providers, and the public. Recipients may access Agency information such as fact sheets and compliance checklists through different pathways, including the Internet and

workshops. The Agency reached 555,000 entities in FY 2001 through compliance assistance activities. These compliance assistance activities, as discussed below, can result in process or management changes that reduce emissions and noncompliance.

EPA continued to provide financial and other support to 10 Internet-based Compliance Assistance Centers created to help small and medium-sized businesses, local governments, and federal facilities understand and comply with their regulatory obligations. In FY 2001, target audiences and the public visited the Centers more than 485,000 times, an increase of 19 percent from FY 2000. These visits included over 150,000 requests for web pages and targeted compliance documents. Compliance assistance center surveys found that 72 percent of company and local governments reported taking one or more actions as a result of Center assistance. For example, 33 percent of these respondents implemented production process changes, and 13 percent implemented waste handling changes. Furthermore, of those that could determine whether or not there was a cost savings associated with the action(s) taken, 65 percent indicated that they had realized a cost savings. Seventy-four percent of these companies and local governments stated that they realized one or more environmental improvements (e.g., reduced air emissions) as a result of Center assistance. The Centers can be accessed through <http://www.assistancecenters.net>.

EPA launched the National Assistance Clearinghouse in FY 2001. This Clearinghouse is a web-based, searchable reference tool that provides quick access to compliance assistance materials and a means for users to interact with EPA, states, and other compliance assistance providers. The Clearinghouse can be found at <http://www.epa.gov/clearinghouse>. It now contains almost 4,500 links including resources from all 50 states. For the first time the public can access compliance assistance information by sector, media, tool type, and geographic location from just one web site—finding needed information is much quicker and easier.

EPA published its first annual *Compliance Assistance Activity Plan* in FY 2001. The Plan is the first-ever compilation of compliance assistance activities planned across EPA regions and headquarters offices. The FY 2001 Plan established a baseline of Agency compliance assistance activity, identifying 368 activities initiated during FY 2001. As a planning tool



it helped EPA and external compliance assistance providers by highlighting planned projects, identifying partnership opportunities, and avoiding duplication.

Increasing Compliance Through Incentives

In FY 2001 EPA's Audit and Self-Policing Policy provided a significant incentive for many facilities and companies to improve their environmental management practices. The expected outcome from this policy is that regulated facilities will detect, disclose, and correct environmental violations in exchange for a waiver or significant reduction in penalties from EPA. The benefit to the public is that facilities come into compliance quickly, fewer government resources are expended to produce compliance, and emissions are reduced or eliminated. More than 300 companies used this EPA policy to report and resolve violations at 1,754 facilities in FY 2001. EPA actively solicited companies or industry sectors through initiatives to use the policy to improve environmental management at facilities.

EPA also promotes self-auditing by developing audit protocols that can be used by facilities and companies as part of an Environmental Management System (EMS). In FY 2001 EPA published protocols for conducting environmental compliance audits under the Emergency Planning and Community Right-to-Know Act, CERCLA Section 103, for Hazardous Waste Generators under RCRA, and for Municipal Facilities under EPA's Wastewater

IRON AND STEEL MINI-MILLS

EPA was concerned about the high noncompliance rate (30 percent) of the iron and steel mini-mill sector (mills that make new steel from recycled. In particular, management of electric arc furnace dust (a hazardous waste) and additional air pollution controls at new and modified mini-mills were the focus of EPA concerns over noncompliance in the steel mini-mill sector. EPA sent letters to 41 steel mini-mills, inviting them to participate in a voluntary audit and self-disclosure initiative based on EPA's Audit Policy. Mills that disclosed and corrected violations within 6 months were eligible for penalty reductions or elimination as outlined in the Audit Policy. The result of this initiative was that 24 companies disclosed violations at 38 facilities. Ten facilities which did not receive invitation letters, still chose to audit, disclose, and correct violations. This indicates that industry and facilities shared information about the initiative on a large scale, since facilities not identified by the EPA resolved 12 company disclosures with no penalties, and expects to assess a penalty for violations disclosed by 7 companies at 13 facilities. The environmental outcome from this is that the companies clean up spilled electric arc furnace dust, change management practices to eliminate releases into storm water or air, and repair cracked secondary containment around storage tanks to minimize the impact if a release occurs.

Regulations. In addition, the Agency included EMS provisions in 21 settlements of enforcement cases. EMSs impact more than 150 facilities because many recent settlements containing EMS provisions require the company to use EMSs on a corporate-wide basis. In FY 2001 EPA entered into settlements requiring EMS improvements at 66 facilities.

Program Evaluation

Program evaluations completed in FY 2001 that support the overall Goal 9 are listed in Appendix A.

STATE AND TRIBAL PARTNER CONTRIBUTIONS

In an EPA-funded report entitled *State Environmental Agency Contribution to Enforcement and Compliance*, the Environmental Council of the States (ECOS)

found that states conducted approximately 90 percent of all enforcement actions taken by both the states and EPA. ECOS reports that 71 percent of federal programs enacted by law are delegated to the states. States provide a very large percentage of the data in national environmental data systems. Given the magnitude of the state and tribal role in ensuring environmental compliance, EPA makes considerable effort to coordinate with and enhance the capabilities of state, tribal, and local compliance and enforcement programs.

Twenty-four states began programs to develop outcome measurements for compliance assistance initiatives, improve the quality of compliance data systems, and increase public access to compliance information. Four states are modeling programs on the Massachusetts Environmental Results Program to provide compliance assistance and self-certification in various industry sectors. In addition, Colorado, Connecticut, Maryland, and Massachusetts received funding and assistance from EPA to develop outcome-based performance measures and environmental indicators which will be used as models for Performance Partnership Agreements between states and EPA regional offices. The purpose of these grants is to increase state capacity for providing compliance assistance and continuing enforcement activities. The results from these grants should be seen during the next 1 to 2 years.

EPA continued capacity-building efforts in FY 2001 by delivering 128 courses to more than 5,155 federal, state, and tribal law enforcement personnel that will improve their ability to identify and reduce noncompliance. As a way of providing states with hands-on experience and improved inspection capacity, EPA and the states jointly conducted 895 inspections. During FY 2001 EPA's National Enforcement Training Institute (NETI) launched its "virtual university," NETI OnLine, making its curriculum accessible to enforcement personnel nationwide (<http://www.epa.gov/oeca/ocft/neti.html>). EPA increased the number of government organizations registered to use the Online Tracking Information system (OTIS), which provides enhanced data analysis for identifying patterns of noncompliance by industry sector, geographic area, and statute. OTIS usage increased dramatically over the past fiscal year—receiving between 6,000 and 10,000 queries per month from

the 133 government agencies now registered (including agencies from all 50 states).

EPA also benefitted from the participation of state, tribal, and local law enforcement agencies in 93 criminal task forces and law enforcement coordinating committees across the country. California, Florida, Texas, and Colorado participate in these cooperative law enforcement efforts that investigate and prosecute cases that represent community-based health and environmental priorities, and build state, local, and tribal law enforcement capacity.

ASSESSMENT OF FY 2001 IMPACTS ON THE FY 2002 ANNUAL PERFORMANCE PLAN

In its FY 2002 annual performance goals, EPA scaled back its inspection target from 17,000 to 15,000. This change was made to more carefully adjust targets based on the declining availability of inspectors to do compliance monitoring.

EPA also exceeded its target for pollutants reduced in requiring a 660 million pound reduction,

rather than the initial 350 million pound target. This enormous total attests to the success of a cogently targeted enforcement program that protects human health and the environment. In addition, EPA exceeded its target for the number of tribal environmental personnel trained and the number of tribal governments provided with computer based training modules. Initial estimates did not factor in a much greater than anticipated interest in environmental training by tribal governments and staff.

PERFORMANCE DATA CHART

The following performance data chart includes performance results for the FY 2001 APGs that support Goal 9. The performance chart reflects the Agency's 1997 Strategic Plan goals and objectives with which FY 2001 APGs are associated. Relevant FY 2000 and FY 1999 APGs are displayed for ease in comparing performance. Data quality information for Goal 9 can be found on pages B-33 to B-38 of Appendix B, "Data Quality." Additionally, the chart presents results for FY 2000 and FY 1999 APGs for which data were not available when the FY 2000 report was published, as well as for FY 2000 APGs that are not associated with FY 2001 APGs.

Summary of FY 2001 Performance		Goal 9: A Credible Deterrent to Pollution	
7	0	Annual Performance Goals and Measures	
Goal Met	Goal Not Met	FY 1999-FY 2001 Results	
0		Identify and Reduce Significant Non-Compliance in High Priority Program Areas, While Maintaining a Strong Enforcement Presence in All Regulatory Program Areas.	
Data Lag		Progress Toward Strategic Objective: Over the past two fiscal years, EPA exceeded its targets to protect the environment and human health from air, land, and water pollution through the required reduction of 1,374 million pounds of pollutants. The vast majority of civil enforcement actions taken now require facilities to take direct action to correct illegal discharges of pollutants and change facility management and information practices. Twenty percent of civil enforcement actions required improvements that will reduce or prevent the amount of pollutants released into the environment, and half of all civil enforcement actions required facilities management or information management changes. EPA continued to improve the quality and accuracy of enforcement and compliance data through completion of another phase of a new ICIS computer database. This system, once operational, will add a much needed new enforcement tool to increase the ability of the Agency and the states to identify and target the most serious noncompliance and address the most significant air pollution, soil pollution, water pollution, and human health risks. States, localities, and tribes received a number of capacity building tools including training and assistance with enforcement inspections as a direct result of environmental enforcement and compliance outreach. In FY 2000 and FY 2001, EPA conducted 1,608 joint inspections with states, localities, and tribes. During that same period EPA continuously renewed its commitment to environmental compliance monitoring by conducting 959 criminal investigations and 1,028 civil investigations. Since 1999 EPA has also conducted 59,345 inspections. In FY 2001 EPA trained 5,155 state, local government, and tribal personnel in inspection and enforcement skills. EPA continues to meet international commitments to track hazardous waste exports through review of 100% of the transboundary hazardous waste notices submitted.	
APG 57		Planned	Actual
FY 2001	EPA will direct enforcement actions to maximize compliance and address environmental and human health problems; 75% of concluded enforcement actions will require environmental or human health improvements such as pollutant reductions and/or changes in practices at facilities. Goal Met.		

Goal 9 - A Credible Deterrent to Pollution

Performance Measures

- 75% of concluded enforcement actions require pollutant reductions and/or changes in facility management or information practices.	75%	74%
- Estimated pounds of pollutants reduced.	350 M	660 M
- Increase or maintain existing compliance rates or other indicators of compliance for populations with established baselines, or develop additional rates for newly selected populations.	5 populations	6
- Reduce by 2 percentage points overall the level of significant non-compliance recidivism among the Clean Air Act (CAA), Clean Water Act (CWA), and Resource Conservation and Recovery Act (RCRA) programs from FY 2000 levels.	2%	2.4%
- Increase by 2% over FY 2000 levels the proportion of significant non-complier facilities under CAA, CWA, and RCRA which returned to compliance in less than 2 years.	2%	1.33%
- Produce a report on the number of civil and criminal enforcement actions initiated and concluded.	1	1

FY 2000 Deter and reduce noncompliance and achieve environmental and human health improvements by maintaining a strong, timely and active enforcement presence. EPA will direct enforcement actions to maximize compliance and address environmental and human health problems; 75% of concluded enforcement actions will require environmental or human health improvements such as pollution reduction, etc. Goal Met.

Performance Measures

- Estimated pounds of pollutants reduced (aggregate).	714 M
- Percent of actions which require pollutant reductions.	13.6
- Establish statistically valid noncompliance rates or other indicators for selected environmental problems.	5
- Establish a baseline to measure percentage of significant violators with reoccurring significant violations within two years of returning to compliance.	1
- Establish a baseline to measure average length of time for significant violators to return to compliance or enter enforceable plans/agreements.	1
- Produce report on the number of civil and criminal enforcement actions initiated and concluded.	1

FY 1999 Deter non-compliance by maintaining levels of field presence and enforcement actions, particularly in high risk areas and/or where populations are disproportionately exposed. In 1999, EPA will conduct 15,000 inspections and undertake 2,600 enforcement actions. Goal Met.

FY 2001 Result: In FY 2001, 74% of concluded enforcement actions required pollutant reductions and/or changes in facility management or information practices, resulting in the estimated reduction of approximately 660 millions pounds of pollutants. Enforcement actions led to a reduction of 2.4 percentage points in the level of significant noncompliance recidivism among the Clean Air Act (CAA), Clean Water Act (CWA), and Resource Conservation and Recovery Act (RCRA) programs from FY 2000 levels. Finally, enforcement actions led to an increase of 1.33 percent over FY 2000 levels in the proportion of significant noncompliance facilities under CAA, CWA, and RCRA which returned to compliance in less than 2 years. The Agency determined that the human health and environmental benefits derived from a greatly exceeded pollution reduction target, 660 million pounds, far outweigh marginally missed targets for performance measures on reducing the time it takes for facilities to return to compliance and the percentage of enforcement actions requiring pollutant reductions.

APG 58	Planned	Actual
FY 2001 EPA will conduct 17,000 inspections, 450 criminal investigations, and 250 civil investigations, targeted to areas that pose risks to human health or the environment, display patterns of non-compliance, or include disproportionately exposed populations. Goal Met.	17,000	17,812
	450	482
	250	368

FY 2000 EPA will conduct 13,500 inspections, 500 criminal investigations, and 150 civil investigations, 50% of which are targeted at priority areas. Goal Not Met.

Performance Measures

- Number of EPA inspections.	20,123
- Number of civil investigations.	660
- Number of criminal investigations.	477
- Percent of inspections and investigations (civil and criminal) conducted at priority areas.	15

FY 1999 Deter non-compliance by maintaining levels of field presence and enforcement actions, particularly in high risk areas and/or where populations are disproportionately exposed. In 1999, EPA will conduct 15,000 inspections and undertake 2,600 enforcement actions. Goal Met.

FY 2001 Result: In FY 2001 the Agency exceeded the targets for inspections and investigations. EPA conducted 17,812 inspections, 482 criminal investigations and 368 civil investigations.

Goal 9 - A Credible Deterrent to Pollution

APG 59		Planned	Actual
FY 2001	Improve capacity of states, localities and tribes to conduct enforcement and compliance assurance programs. EPA will provide training as well as assistance with state and tribal inspections to build capacity, including implementation of the inspector credentials program for tribal law enforcement personnel. Goal Met.		
	Performance Measures		
	- Number of EPA training classes/seminars delivered to states, localities and tribes to build capacity.	220	128
	- Conduct EPA-assisted inspections to build capacity.	150	895
	- The National Enforcement Training Institute will train tribal personnel.	105	428
	- The National Enforcement Training Institute will provide tribal governments with 50 computer-based training modules.	50	235
	- Total number of state and local students trained.	4,900	4,727

FY 2000	Improve capacity of states, localities and tribes to conduct enforcement and compliance assurance programs. EPA will provide grants, guidance documents, training, classes and seminars, and assist with selected inspections. Goal Met.		
	Performance Measures		
	- Number of EPA-assisted inspections to build capacity.		713
	- Number of EPA training classes/seminars delivered to states/localities and tribes to build capacity.		154

FY 1999	Assist states and tribes with their enforcement and compliance assurance and incentive programs. EPA will provide specialized assistance and training, including 83 courses, to state and tribal officials to enhance the effectiveness of their programs. Goal Met.		218
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FY 2001 Result: In FY 2001 EPA met its goal of improving capacity of states, localities and tribes to conduct enforcement and compliance assistance programs. The agency continued to build local capacity by conducting 895 EPA-assisted inspections. Tribal governments received 235 computer-based training modules and 428 tribal personnel received training. The 4,727 state and local students trained was slightly below targeted levels. The missed target for the number of state and local students trained represents a relative decrease in historic enrollment levels. EPA was unable to meet the target for the number of EPA training classes/seminars delivered to states, localities, and tribes due to an increased demand for distance learning computer training modules, which are more cost efficient, and have the potential to reach a larger number of students overall than courses taught in traditional classrooms. The measure concerning training classes has been eliminated for FY 2002, since it is less meaningful than the number of students reached. EPA determined that this capacity building goal was met based upon the relatively more significant capacity building benefits achieved through exceeded targets for NETI training courses and EPA assisted inspections with states who conduct the bulk of environmental inspection work.

APG 60		Planned	Actual
FY 2001	Maintain and improve quality and accuracy of EPA's enforcement and compliance data to identify non-compliance and focus on human health and environmental problems. Goal Met.		
	Performance Measures		
	- Complete Phase I of Integrated Compliance Information System (ICIS) development (programming) and begin design of Phase II.	Phase 1	Phase 1
	- Complete Quality Management Plan (QMP) project for additional data systems.	3 systems	0
	- Complete detailed design (development of screens, prototypes) including a pilot NPDES permitting desk model for Permit Compliance System (PCS) system modernization.	1 system	1
	- Continue operation and maintenance/user support of 14 information systems housing national enforcement and compliance assurance data with a minimum of 95% operational efficiency.	95%	95%
	- Conduct four data analyses of environmental problems in Indian Country using the American Indian Lands Environmental Support Project (AILESP) and the baseline assessment survey.	4	12

FY 2001 Result: In FY 2001 the Agency maintained and improved the quality and accuracy of the enforcement and compliance data. Operation and maintenance/user support for 14 information systems housing national enforcement and compliance assurance data occurred at the targeted 95% efficiency level. EPA conducted 12 data analyses of environmental problems in Indian Country. EPA was unable to complete Quality Management Plans for the 3 targeted data systems due to the need for development of new, specialized quality management strategies better suited to environmental enforcement and compliance data issues. As targeted, in FY 2001 EPA completed the detailed design for the Permit Compliance System modernization. EPA determined that APG 60 was met based upon outcomes derived from an enhanced, integrated ICIS environmental data system and modernization of the Permit Compliance System. Improvements to the ICIS and PCS systems represent relatively more important environmental and human health benefits than the benefits associated with Quality Management Plans geared towards measuring the quality of environmental data system software and

hardware in that these systems improve the Agency's ability to ensure compliance and more efficiently target the most significant sources of pollution across several statutes.

APG 61		Planned	Actual
FY 2001	Ensure compliance with legal requirements for proper handling of hazardous waste imports and exports. <i>Goal Met.</i>		
	Performance Measures		
	- Review and respond to 100% of the notices for transboundary movement of hazardous 100% wastes, ensuring their proper management in accordance with international agreements.	100%	100%
<hr/>			
FY 2000	<i>Ensure compliance with legal requirements by assuring that hazardous waste exports from the United States are properly handled. Implement U.S. international commitments, and gain enforcement and compliance cooperation with other countries, especially along U.S. borders (Mexico/Canada). <i>Goal Met.</i></i>		
	Performance Measures		
	- <i>Ensure compliance with legal requirements by assuring that hazardous waste exports from the United States are properly handled (Number of import and export notices filed and reviewed).</i>		1,584
<hr/>			
FY 2001 Result: In FY 2001 EPA met its goal of ensuring compliance with legal requirements for proper handling of hazardous waste imports and exports by reviewing and responding to 100% of the notices for transboundary movement of hazardous wastes.			

Promote the Regulated Communities' Voluntary Compliance With Environmental Requirements Through Compliance Incentives and Assistance Programs.

Progress Towards Strategic Objective: EPA continued to exceed its goals to encourage facilities to voluntarily initiate identification, self-disclosure, and correction of compliance violations. As a result of FY 2001 and FY 2000 actions, 3,954 facilities took advantage of voluntary programs to self-correct compliance violations. EPA will attempt to expand efforts to specifically encourage disclosure by companies suspected of having serious violations, which, as a class, occur less frequently and require more complex analysis to address.

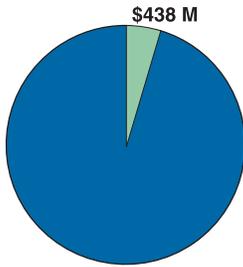
APG 62		Planned	Actual
FY 2001	Increase opportunities through new targeted sector initiatives for incentives to voluntarily self-disclose and correct violations on a corporate-wide basis. <i>Goal Met.</i>		
	Performance Measures		
	- Complete settlements with 500 facilities to voluntarily self-disclose to the Federal government and correct violations.	500	1,754
<hr/>			
FY 2000	<i>Increase entities self-policing and self-correction of environmental problems through use of EPA incentive policies: small business, small community and audit policies over FY 1997 levels. <i>Goal Met.</i></i>		
	Performance Measure		
	- <i>Number of facilities that self-disclose potential violations.</i>		2,200
<hr/>			
FY 2001 Result: In FY 2001 EPA significantly exceeded its target to increase opportunities, through new targeted sector initiatives, for facilities to voluntarily self-disclose and correct violations on a corporate-wide bases by completing settlements with 1,754 facilities. EPA exceeded this target, in part, through the success of agency-initiated incentive programs that encourage industry to initiate inspections and correct violations before a fine or enforcement action takes place.			

APG 63		Planned	Actual
FY 2001	Promote the use of Environmental Management Systems (EMS) to address known compliance and performance problems. <i>Goal Met.</i>		
	Performance Measures		
	- Increase EMS use by developing tools, such as training and best practice manuals that 3 tools encourage improved environmental performance and conduct research and evaluation of EMS's.	3 tools	10 tools
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FY 2001 Result: In FY 2001 EPA achieved its goal of promoting the use of Environmental Management Systems to address known compliance and performance problems. It developed 10 new tools, such as training and best practice manuals, that encouraged improved environmental performance.

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Goal 10 FY 2001 Obligations



Note: EPA FY 2001 Total Obligations were \$9,007 million

GOAL 10: EFFECTIVE MANAGEMENT

EPA will establish a management infrastructure that will set and implement the highest quality standards for effective management and fiscal responsibility.

PROGRESS TOWARD STRATEGIC GOAL AND OBJECTIVE

EPA's progress toward effective management and fiscal responsibility is highlighted by quick response to changing needs while maintaining high standards for resource stewardship and customer service. In critical management areas such as workplace security, higher federal standards for accountability and financial management, managing changing needs for workforce skills, and keeping pace with new technology, EPA provided the management operations and customer service to support Agency environmental results. Building on plans and initiatives currently in place, EPA will continue to implement its strategic plan for workforce recruitment, development, and retention and further integrate resource and performance information for greater accountability.

In FY 2001 the Agency made significant strides toward accomplishing its strategic goal. Of particular note in FY 2001, the Agency:

- Hired 32 interns, bringing the total to 111 interns over 4 years. This diverse group of interns was selected based on their academic accomplishments, leadership potential, commitment to career in public service and interest in environmental issues. These interns are rotated through headquarters and regional EPA organizations to develop a cross-agency, multimedia perspective.
- Demonstrated financial integrity in its FY 2001 Financial Statements for which the Agency received an unqualified opinion. Expedited financial statement preparation by implementing an automated reporting package.
- As a result of work performed by the Office of the Inspector General (OIG), issued a cease and desist

order to a utility company that was dumping untreated effluent including 1.5 tons of nitrogen directly into Dryman Bay, Florida. Closure of this facility immediately reduced the imminent risk and improved the quality of the water in and around the Bay. The company was ordered to pay fines and penalties totaling over \$1.75 million for this violation.

FY 2001 PERFORMANCE

In fulfilling its management commitments, the Agency focused on five overarching priorities: managing human capital, streamlining business processes and meeting customer needs, investing in infrastructure, protecting children's health, and improving management and program operations. Additionally, within the framework of these priorities, EPA began addressing the five challenges outlined in "The President's Management Agenda." They are Strategic Management of Human Capital, Budget and Performance Integration, Competitive Sourcing, Expanded E-government, and Improved Financial Management.

Managing Human Capital

With the expected retirement of a large number of senior employees, the Agency faces various challenges in managing its human resources. This includes recruiting and retaining a highly skilled and diverse technical staff, providing employees with the competencies needed to effectively implement the Agency's strategic goals, and building a sense of community while recognizing differences. The Agency has begun to address these issues through its human resources strategic plan *Investing in Our People: EPA's Strategy for Human Capital, 2001-2003*. This plan calls for the development of a competency-based

“Workforce Planning Model,” which will ultimately give managers at all levels the tools to anticipate the kinds, degrees and duration of skills and competencies needed to meet future program requirements. This plan will also help determine the optimal means of acquiring these competencies, via contract, interagency agreement, recruitment, or development of personnel already onboard. To expedite hiring, the Agency launched “EZHire@EPA,” a web-based automated recruitment system which makes EPA more competitive in the job market. Since the system came online last summer, over 4,000



EPA employees have become EZHire registrants, as have more than 18,000 from outside EPA. With EZHire@EPA,

<http://www.epa.gov/ezhire/>, the Agency expects to be able to attract and hire the employees with the experience and skills needed to deal with changing environmental needs. Refer to Section III, “Management Accomplishments and Challenges,” for further discussion.

The Agency is committed to providing an environment where its employees are afforded equal access to all opportunities and where they are treated fairly. Specifically in FY 2001 EPA created a task force that will develop an approach to eliminate the backlog of Title VI complaints (complaints filed by entities that receive federal resources) and developed civil rights training now required for supervisors and managers; all EPA supervisors and managers are now required to receive this training. EPA also implemented one clear set of guidelines that addresses Agency-wide fairness in all employment and personnel practices in every EPA office.

Streamlining Business Processes and Meeting Customer Needs

The Agency strengthened its financial management practices to enhance customer confidence in the delivery of the Agency’s environmental results. In FY 2001, according to the House Government Reform Subcommittee on Government Efficiency, Financial Management and Intergovernmental Relations, EPA improved its rating on financial management from D- in FY 1999 to B- in FY 2000. In addition, among the 24 departments and agencies covered by the

Chief Financial Officers Act that submit performance reports, EPA’s rating rose from 11th to 6th on the Mercatus Center ranking of the 2nd Annual Performance Report Scorecard. EPA issued the FY 2001 Financial Statements on time and received an unqualified audit opinion from the Office of the Inspector General (OIG). The OIG commended the Agency for significantly improving the financial statement preparation process. Of particular note EPA resolved an Agency weakness in the financial statement preparation process. (Refer to Section III, “Management Accomplishments and Challenges,” for further discussion.)

EPA made strides in using electronic government techniques to better provide integrated budget and cost information as part of the Agency’s work to set priorities and serve customers. Continuing the development of the Financial Data Warehouse, EPA expanded the amount of cost and financial information available for managerial decision-making in FY 2001. During the year usage of the system more than doubled as EPA added more data from financial, grant and contracts systems. Agency managers and staff can access real-time, user-friendly financial and management information using web-based tools. EPA also incorporated pre-GPRA costs into its reporting process, thereby improving financial tracking for goals and objectives. Other EPA accomplishments included an improved methodology to better account for grant funds and execution of a new accounting policy to track Agency-wide investments in information technology management. FY 2001 also was the first full fiscal year in which the new Superfund indirect cost methodology applied to all Superfund response costs, thereby increasing the amount available for cost recovery.

In partnership with state and local governments, EPA is streamlining its business practices and expanding the use of E-government. For example, the Integrated Grants Management System (IGMS) allows for electronic submission of grant applications and improves the speed and user-friendliness of the entire grants process. Five regions began processing applications electronically in FY 2001. EPA has made its contracting opportunities more accessible to the private sector by posting request for proposals (RFPs) on the Federal Business Opportunities (FedBizOpps) web site (<http://cbd.cos.com>).

The Agency has completed phase one of EPA's new automated Human Resources Information System, using PeopleSoft software. Phase I was implemented in all of the Agency's human resources offices. It includes modules for processing personnel and benefits actions, managing positions, inputting performance ratings and interfacing with the Agency's payroll system. This system has resulted in increased human resource personnel performance and productivity throughout the Agency.

EPA also continues to expand automation of internal processes to reduce costs and improve services. In FY 2001 the Agency successfully completed pilot testing and began full implementation of a system to automate the entire process of reimbursing employees for their travel expenses. By the end of FY 2002, all employees will have access to this system. In addition, EPA purchased software and awarded an implementation contract for replacing the Agency's legacy payroll system with fully automated systems that will integrate payroll and human resources functions. EPA also began evaluating options for replacing its core accounting system.

Thanks in large part to its automation and streamlined business practices, EPA earned a total of \$750,000 in rebates and discounts for prompt payments on the Agency bankcard and to contractors, respectively. These funds are available to program offices to support EPA's environmental mission. Additionally, all but a handful Agency salary payments and payments to contractors were made by electronic funds transfer in FY 2001, and overall percentages for electronic payments for all payment types were about 90 percent for the year.

As part of its efforts to provide the public with cost effective and efficient services, EPA continues to carefully review its Federal Activities Inventory Reform Act (FAIR Act) process. The review is designed to ensure that EPA maintains an effective plan to competitively source activities which are identified as being commercial in nature to determine whether they are more efficiently and effectively performed in-house or by the private sector.

EPA's Environmental Finance Program assists communities in their search for creative approaches to funding environmental projects and provides recommendations on environmental finance issues, trends, and options. The program provides informa-

EXAMPLES OF EFC NETWORK INNOVATIONS

Syracuse University, in EPA's New York region, initiated the "Public Management and Finance Program (PMFP)" that helps coordinate the delivery of technical assistance to rural communities.

University of Maryland, in EPA's mid-Atlantic region, worked with counties in two states bordering the Potomac River (Frederick County, MD, and Berkeley County, WV) to develop groundwater protection plans that would benefit the Chesapeake Bay watershed.

Boise State University, in EPA's Pacific northwest region, developed a capital improvement planning and financing software program for small water and wastewater utilities to use in assessing their capital facilities and on the basis of that assessment, prepare a multiyear financing plan.

tion on financial alternatives for state and local environmental programs and small businesses, utilizing an online database containing abstracts of publications, case studies, and contacts. Visits to the Environmental Financing Information site (<http://www.epa.gov/efinpage>) nearly doubled in FY 2001.

The program also supports the Environmental Finance Center (EFC) Network, which is composed of nine universities working to develop innovative solutions that help local governments manage the cost of environmental protection.

Investing in EPA's Infrastructure

In FY 2001 the Agency completed projects that will significantly reduce energy consumption at EPA-owned laboratories. The Agency replaced old chillers (machines that provide chilled water to cool the building) at the Narragansett laboratory. The new chillers are 20 percent more efficient than the chillers they replaced. EPA also moved into the New England Regional Laboratory in Chelmsford, Massachusetts, that will provide savings through energy-efficient fumehoods, state-of-the-art building control systems, and sun-shading panels. At its research complex in Cincinnati, Ohio, the Agency made the largest and cheapest Green Power purchase in its history by procuring the rights to wind and landfill gas generated electricity for the next 3 years at a cost less than

conventional electric power. By the end of 2002, EPA will receive an estimated 9 percent of its electric needs through environmentally preferred power sources.

EPA had also planned in FY 2001 to install a demonstration fuel cell at the Fort Meade Laboratory. The fuel cell is a new technology that results in the highest expected efficiency for fuel conversion and produces negligible pollution. However, this project has been delayed by circumstances beyond EPA's control. In March 2001 one of the project's financing partners withdrew from the project. As a result of this withdrawal, it was not feasible to begin the design of the fuel cell and the design and construction of the mechanical building until all potential partners have been identified and the balance of the funding is available.

Protecting Children's Health

EPA has worked inside and outside of the government to make children's environmental health protection a continuing priority. Children's environmental health accomplishments are captured in many of the goals in this report, as shown in the chart at the end of this section. In addition, EPA and the Department of Health and Human Services (HHS) funded 4 new Centers for Children's Environmental Health and Disease Prevention Research, bringing the total number of centers to 12. The four new centers will research the relationship between environmental exposures and developmental disorders. EPA and HHS, co-chairs for the interagency Task Force on Environmental Health Risks and Safety Risks to



Photo courtesy of the Parks and People Foundation

Children, are continuing to implement strategies to reduce environmental triggers of asthma in children and childhood lead poisoning and are exploring ways to improve school environments.

The Agency's Office of Children's Health Protection works closely with national associations to further children's environmental health protection in the states. In FY 2001 EPA supported the Environmental Council of the States (ECOS) and the Association of State and Territorial Health Officials who convened a first-ever meeting of more than 100 high-level officials representing 63 environment and health agencies from 39 states to begin designing an agenda for working together to reduce exposure to environmental triggers of childhood asthma. In cooperation with the Agency, the National Conference of State Legislatures developed an online database of children's environmental health legislation for state legislators to use when proposing similar legislation. EPA also worked with the American Nurses Associa-

For information and tips on protecting children from environmental threats, call toll-free (1-877-590-KIDS) or check out EPA's web site at <http://www.epa.gov/children>.

tion (ANA) to provide independent study modules on children’s environmental health for the estimated 150,000 ANA members and with the American Academy of Pediatrics to train incoming Chief Pediatric Residents about environmental health risks to their patients. This program has reached all of the pediatric residency programs in the United States.

EPA issued a report on *America’s Children and the Environment: A First View of Available Measures*, addressing environmental factors that may affect the health and well-being of children in the United States. This first-time report provides trends for five environmental contaminants, one biomonitoring indicator, and two childhood illnesses that may be influenced by environmental factors. The report is a starting point for discussions among policymakers and the public about how to improve federal data on children and the environment, and in the long term, to develop measures to track and understand the environmental health experience of children and evaluate ways to improve it.

Improving Management and Program Operations

EPA continued efforts to integrate budget and performance information to support better decision-making and priority-setting. The Agency made progress in developing measures of environmental results. The FY 2002 Final Annual Performance Plan/Congressional Justification contained more outcome-based annual performance goals, which increased the percentage of outcome-based goals from 23 percent in EPA’s FY 2001 Final Annual Performance Plan/Congressional Justification to 29 percent in FY 2002.

EPA’s Office of the Inspector General (OIG) developed recommendations that led to improvement in the Agency’s business practices and environmental results, including the following areas:

- Submitting timely and complete financial statements that are accurate and have adequate accounting support.

SELECTED CHILDREN’S HEALTH ISSUES IN THE ANNUAL REPORT

Note: See the specific goal chapters for more discussion of the issues.

Goal	Children’s Health Impacts
Goal 1	EPA’s Diesel Rule will reduce emissions of air pollutants to prevent 17,600 cases of acute bronchitis in children annually and will help avoid more than 360,000 asthma attacks and 380,000 cases of respiratory symptoms in asthmatic children per year.
Goal 3	EPA significantly reduced the use of two pesticides that pose a risk to children. In addition, the Food Quality Protection Act mandates the protection of infants and children through use of an extra tenfold safety factor in setting pesticide tolerances, unless scientific data indicate that a different factor is warranted.
Goal 4	The Agency initiated a collaborative program with industry and national experts to assess the risks of a key set of chemicals to which children are disproportionately exposed. Also, EPA launched the Voluntary Children’s Chemical Evaluation Program in June with commitments by 34 companies to fully assess the risks of 20 chemicals to which children might be disproportionately exposed.
Goal 6	EPA continues to fulfill its mission to protect human health through its SunWise School Program, which educates children ages 5–12 on the risks associated with ultraviolet (UV) and sun exposure as a result of a depleted stratospheric ozone layer. Through the use of classroom-based, school-based, and community-based components, SunWise seeks to develop sustained sun-safe behaviors in schoolchildren. Learning about sun protection has an immediate and long-term benefit to the public, since one serious childhood sunburn can double the chances of developing skin cancer later in life, and 80 percent of one’s lifetime exposure to UV occurs before age 18. During FY 2001 SunWise reached more than 9,000 students in 180 schools across the country, a 61 percent increase in program participation.
Goal 8	In FY 2001 EPA conducted studies on pesticide exposure among farmworker children in California and Washington State. Over the next several years, the Agency will use the data from these studies to identify the most effective methods for assessing children’s exposure and to develop exposure assessment models.
Goal 9	In 2001 the Agency successfully prosecuted the first criminal case involving a violation of the Lead Hazard Reduction Act, affecting approximately 15 low-income rental properties in the District of Columbia and Maryland. In addition, EPA conducted more than 650 civil investigations and issued 47 civil complaints and 503 notices of non-compliance for violations of the Lead Disclosure Rule. In all EPA Civil Enforcement reached the homes of 42,673 families.

OIG PROFILE OF PERFORMANCE

✓ Questioned Costs/Savings (millions)	\$67.2
✓ Fines, Recoveries, Settlements (millions)	\$5.2
✓ Criminal, Civil, Administrative Actions	98
✓ Environmental Program Actions/Improvements	86
✓ Management Operational Actions Improvements	102
✓ Customer Service Rating	80%

- Strengthening controls over access to sensitive data on the Agency's mainframe computer.
- Operating a viable asbestos inspection program to ensure that school districts comply with the Asbestos Hazard Emergency Response Act.

In FY 2001 OIG audits and reviews recommended improvements in the economy, efficiency, accountability and integrity of Agency program and operational performance that accounted for over \$67.2 million in savings and questioned costs. For example, as recommended by the OIG, North Carolina and EPA's southeast region made significant changes to the state's National Pollutant Discharge Elimination System permits enforcement program to improve water quality and public health.

EPA's OIG continued to emphasize an investigative initiative to uncover criminal activity in the awarding and delivery of assistance agreements and contracts, and in laboratory fraud. The OIG developed an initiative to instruct enforcement officials from EPA and other agencies on performing investigations of laboratory fraud, and how to partner with other agencies to detect and prevent government laboratory fraud that severely impacts EPA's and other agencies' policy and enforcement actions. Investigations and proactive reviews which detected and prevented vulnerability to risk of financial and environmental loss, and protected the integrity of EPA's programs and operations, resulted in over \$5.2 million in fines and penalties and 98 criminal, civil and/or administrative actions. OIG investigations consistently yielded significant monetary and environmental results. For instance, a company was found guilty of using false documents to hire untrained workers for asbestos abatement, exposing them and the public to severe health risks. The OIG web site, <http://www.epa.gov/oigearth>, contains

information on OIG Semiannual Reports, its Strategic Plan, and individual audit reports.

STATE AND TRIBAL PARTNER CONTRIBUTIONS

In FY 2001 EPA has placed even greater emphasis on improving the Agency's relations with states, tribes and other federal agencies. EPA's Administrator regularly spoke, both inside and outside the Agency, on the importance of strengthening EPA's partnership through the National Environmental Performance Partnership System (NEPPS). EPA's Administrator issued a major policy memo on August 23, 2001, calling for senior Agency leadership to advance the partnership through increasing the Agency's flexibility for states to address the highest priority environmental problems, working with the states to improve performance measures, and generally increasing the incentives for states to practice results-based management under NEPPS.

During FY 2001 the Agency also solicited formal input from ECOS and the Tribal Caucus on state and tribal priorities for the EPA budget at the beginning of its annual planning and budgeting process for FY 2003. Representatives of both organizations made presentations on their recommended priorities for EPA's budget at the Agency's FY 2003 annual planning meeting with senior management. These recommendations were considered as part of the budget decision-making process.

ASSESSMENT OF IMPACTS OF FY 2001 PERFORMANCE ON FY 2002 ANNUAL PERFORMANCE PLAN

There are no changes to FY 2002 APGs based on results of FY 2001 performance.

PERFORMANCE DATA CHART

The following performance data chart includes performance results for the FY 2001 APGs that support Goal 10. The performance chart reflects the Agency's 1997 Strategic Plan goals and objectives with which FY 2001 APGs are associated. Relevant FY 2000 and FY 1999 APGs are displayed for ease in comparing performance. Data quality information for Goal 10 can be found on pages B-38 to B-41 of

Appendix B, “Data Quality.” Additionally, the chart presents results for FY 2000 and FY 1999 APGs for which data were not available when the FY 2000

report was published, as well as for FY 2000 APGs that are not associated with FY 2001 APGs.

<p style="text-align: center; margin: 0;">Summary of FY 2001 Performance</p> <div style="display: flex; justify-content: space-around; align-items: center;"> <div style="border: 1px solid white; padding: 2px; text-align: center;">6 Goal Met</div> <div style="border: 1px solid white; padding: 2px; text-align: center;">1 Goal Not Met</div> <div style="border: 1px solid white; padding: 2px; text-align: center;">0 Data Lag</div> </div>	<h2 style="margin: 0;">Goal 10: Effective Management</h2> <h3 style="margin: 0;">Annual Performance Goals and Measures</h3> <h4 style="margin: 0;">FY 1999–FY 2001 Results</h4>
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The Office of the Administrator and Deputy Administrator Will Provide Vision and Leadership (Within the Agency, Nationally and Internationally) as Well as Executive Direction and Policy Oversight for All Agency Programs.

Progress Toward Strategic Objective: Vision and leadership, as well as executive direction and policy oversight for all Agency programs, continue to be shown in the area of children’s health. EPA ensures that it is a high priority to identify and assess environmental health and safety risks that may disproportionately affect children. EPA, in recognition of the emerging need for assessment of Agency policies that affect health risks faced by children, produced the *Children’s Health Valuation Handbook*. The handbook is designed to assist EPA economists in valuing benefits and costs of improving children’s health. It offers practical guidance on economic issues that are both important and unique to valuing children’s health effects.

APG 64	Planned	Actual
FY 2001		
Evaluate the effectiveness of the Children’s Valuation Handbook. Goal Met.		
<u>Performance Measures</u>		
- Evaluate an independent report on guidance.	1	1

<i>FY 2000</i>	<i>Evaluate health outcomes related to environmental health effects for asthma and lead addressed in 11 Pilot Child Health Champion Communities. Goal Met.</i>		
	<u>Performance Measure</u>		
	- Issue report on health outcomes.		1

FY 2001 Result: The final evaluation report was issued on September 29, 2001. The handbook is intended to be a living document that is revised periodically as new information becomes available and the Agency’s needs evolve. When prospective users of the handbook were interviewed, they found the handbook to be a very useful reference tool for laying out the issues that need to be considered in valuing children’s health.

EPA Will Provide the Management Services, Administrative Support and Facility Operations Necessary to Achieve Its Environmental Mission and to Meet Its Fiduciary and Workforce Responsibilities.

Progress Toward Strategic Objective: EPA’s progress toward effective management and fiscal responsibilities is highlighted by quick response to changing needs while maintaining the highest quality standards for resource stewardship and customer service. In critical management areas such as security, higher federal standards for accountability and financial management, managing changing needs for workforce skills, and keeping pace with new technology, EPA provided the management operations and customer service needed to support Agency environmental results.

APG 65	Planned	Actual
FY 2001		
EPA strengthens goal-based decision making by developing and issuing timely planning and resource management products that meet customer needs. Goal Met.		
<u>Performance Measures</u>		
- Agency’s audited financial statements and Annual Report are submitted on time.	3/01/01	3/01/01
- Agency’s audited financial statements receive an unqualified opinion and provide information that is useful and relevant to the Agency and external parties.	1	1

<i>FY 2000</i>	<i>100 percent of EPA’s Government Performance Results Act (GPRA) implementation components (planning, budgeting, analysis) are completed on time and meet customer needs. Goal Not Met.</i>		<i>85%</i>
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<i>FY 1999</i>	<i>By the end of 1999, the Agency can plan and track performance against annual goals and capture 100% of costs through the new Planning, Budgeting, Analysis, and Accountability structure, based on modified budget and financial accounting systems, a new accountability process, and new cost accounting mechanisms. Goal Met.</i>		<i>9/30/99</i>
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Goal 10 - Effective Management

FY 2001 Result: EPA prepared and submitted, by the statutory March 1, 2001 due date, the FY 2000 financial statements and received a clean audit opinion. To ensure future success, the Agency has strengthened its year-end process resulting in a timely close; developed new procedures for grant accruals with OIG concurrence and prepared financial statements by Treasury fund symbol that were independently reviewed and verified to assure their accuracy and reliability. In addition, the Agency is preparing the FY 2001 financial statements using an automated reporting package. This package will ensure the Agency's financial statements are prepared more quickly and accurately and will meet the more stringent February 1, 2003 due date for the FY 2002 Annual Report.

APG 66		Planned	Actual
FY 2001	EPA continues improving how it measures progress in achieving its strategic objectives and annual goals by increasing external performance goals and measures characterized as outcomes by 4% in the FY 2002 Annual Performance Plan and Congressional Justification. <i>Goal Met.</i>	4%	4%

FY 2001 Result: In FY 2001 EPA released the FY 2002 Annual Plan/Congressional Justification (CJ) document, which included 53 Annual Performance Goals (APGs) and 105 annual Performance Measures (PMs) that were classified as outcomes. These outcome-oriented APGs and PMs represent 29% of the total number of APGs and 29% of the total PMs in the document, and in turn constitute a 6% increase for APGs and a 2% increase for PMs over the FY 2001 Annual Performance Plan/Congressional Justification, resulting in a simple average of an overall 4% increase. The increase in outcome-based APGs is of greater significance than the increase in PMs because the APGs are the basis for Agency accountability in Annual Reports and also encompass the PMs. In addition, further improvement efforts are reflected in the FY 2002 Revised Annual Plan, in which APGs and PMs show improvements over the FY 2001 CJ of 7% and 3%, respectively.

EPA Will Provide a Quality Work Environment That Considers Employee Safety and Security, Building Operations, Utilities, Facilities, New Construction, Repairs, and Pollution Prevention, Within Headquarters and Nationwide

Progress Toward Strategic Objective: EPA continued to make investments in state-of-the-art construction and infrastructure renovations to its office facilities and laboratories to provide a safe and healthy, energy-efficient environment for employees and the surrounding communities. These new facilities will significantly enhance the Agency's ability to conduct sound science and serve as a model for public and private laboratories nationwide.

APG 67		Planned	Actual
FY 2001	EPA will ensure personnel are relocated to new space as scheduled. <i>Goal Met.</i>		
	<u>Performance Measures</u>		
	- Percentage of EPA personnel consolidated into Headquarters complex	52%	52%

FY 2001 Result: The Agency conducted seven moves in FY 2001, relocating 665 employees to the Ariel Rios North building and the EPA East (ICC) building.

APG 68		Planned	Actual
FY 2001	EPA will ensure that all new and ongoing construction projects are progressing and completed as scheduled. <i>Goal Met.</i>		
	<u>Performance Measures</u>		
	- Percentage of the new Research Triangle Park (RTP) building construction completed.	100%	95%
	- Percentage of the Interstate Commerce Commission (ICC) building construction completed.	100%	100%

FY 2000	<i>EPA will ensure that all new and ongoing "construction projects are progressing and completed as scheduled. <i>Goal Met.</i></i>		
	<u>Performance Measures</u>		
	- Percentage of new RTP building construction completed.		80%
	- Percentage of the ICC construction completed.		80%
	- Percentage of EPA personnel consolidated into Headquarters complex.		40%

FY 1999	<i>Complete at least 50% of construction of the consolidated research lab at RTP, North Carolina. <i>Goal Met.</i></i>		60%
	<i>Continue renovation of the new consolidated headquarters complex, completing 100% build out of the Ariel Rios north and Wilson Building, and 50% of the ICC, and moving 38% of EPA personnel from vacated spaces to the new consolidated complex. <i>Goal Met.</i></i>		90% 50% 31%

FY 2001 Result: Facing a delay in construction, EPA and the General Services Administration changed its acceptance strategy from full, one-time acceptance to partial acceptance in order to begin occupancy. As a result the Agency's occupancy schedule has not

experienced a delay and this performance measure is considered met. Through January 2002, 50% of the EPA-RTP workforce has been moved into the building.

APG 69		Planned	Actual
FY 2001	EPA will install a demonstration fuel cell at Ft. Meade Laboratory. Goal Not Met.		
	<u>Performance Measures</u>		
	- Percentage of fuel cell components in place.	10%	0%

FY 2001 Result: The project was delayed due to circumstances beyond the Agency's control. Siemens-Westinghouse Power Corporation had to reconfigure the proposed system to accommodate commercially available turbines. In March 2001 an Ohio electric utility and one of the project's financing partners withdrew from the project. The project will proceed once additional funding is obtained.

EPA Will Provide Audit and Investigative Products and Services, All of Which Can Facilitate the Accomplishment of Its Mission.

Progress Toward Strategic Objective: The OIG continues to make progress in providing audit and investigative products and services that improve EPA's financial, operational, and program management.

APG 70		Planned	Actual
FY 2001	Office of Audit provides independent audits, evaluations, and advisory services, responsive to customers and clients, leading to improved economy, efficiency and effectiveness in Agency business practices and attainment of its environment goals. Goal Met.		
	<u>Performance Measures</u>		
	- Potential monetary value of recommendations, questioned costs, savings and recoveries.	\$40 M	\$67.2 M
	- Examples of Office of Inspector General (OIG) recommendations/advice or actions taken to improve the economy, efficiency, and effectiveness of business practices and environmental programs.	55	80
	- Overall customer and stakeholder satisfaction with audit products and services (timeliness, relevancy, usefulness and responsiveness).	77%	80%

FY 2000	<i>Office of Audit will provide timely, independent auditing and consulting services responsive to the needs of our customers and stakeholders by identifying means and opportunities for increased economy, efficiency, and effectiveness in achieving environmental results. Goal Met.</i>		
	<u>Performance Measures</u>		
	- Potential monetary value of recommendations, questioned costs, savings and recoveries.		\$55.3 M
	- Examples of OIG recommendations or actions taken to improve economy, efficiency, and effectiveness.		78
	- Overall, customer and stakeholder satisfaction with audit products and services.		76%

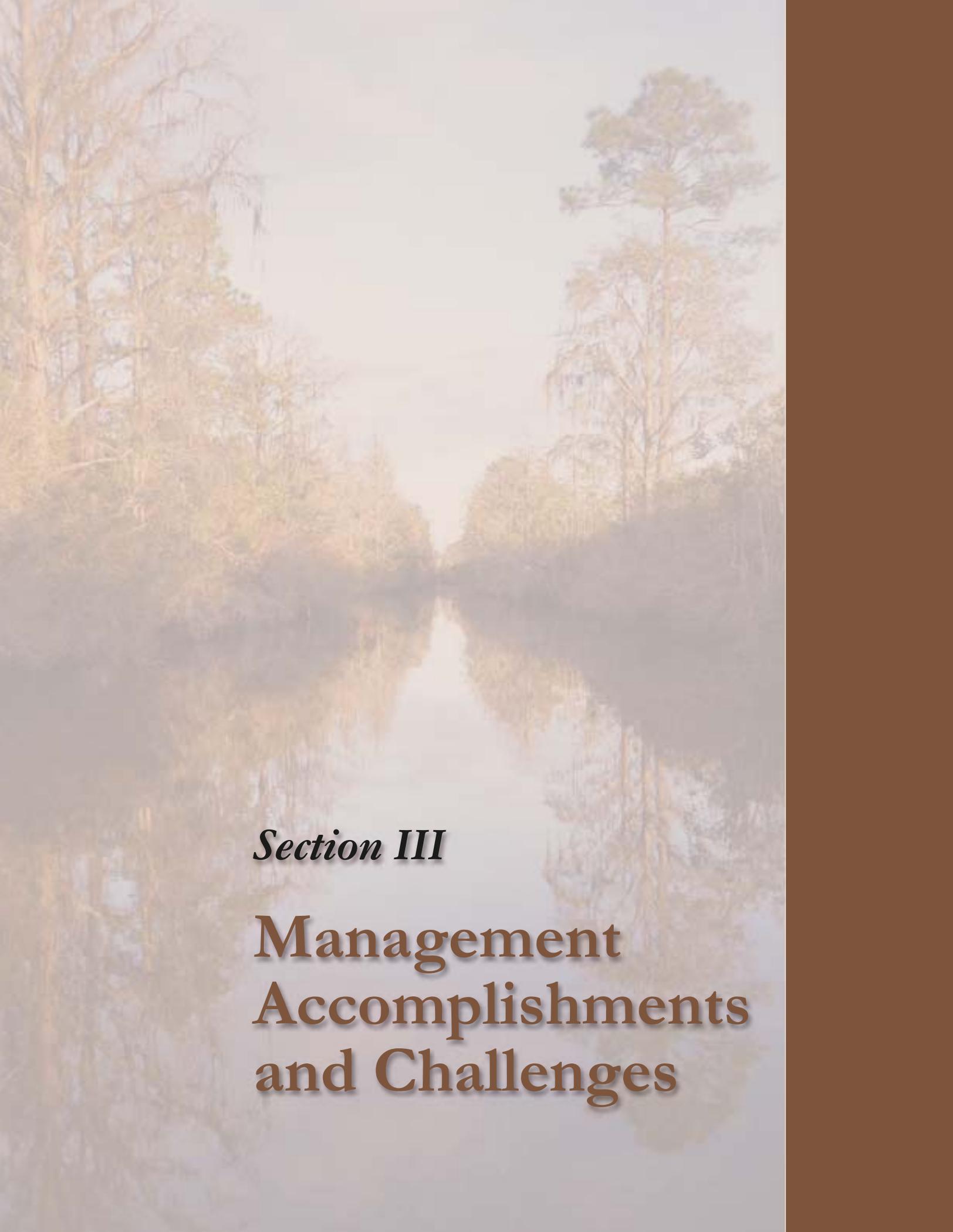
FY 1999	<i>In 1999, the OIG will provide objective, timely and independent auditing, consulting, and investigative services through such actions as completing 15 construction grant closeout audits. Goal Met.</i>		24
	<u>Performance Measures</u>		
	- Potential monetary value of recommendations, questioned costs, savings and recoveries.		\$128.8 M
	- Examples of OIG recommendations or actions taken to improve economy, efficiency, and effectiveness.		60
	- Overall, customer and stakeholder satisfaction with audit products and services.		75%

FY 2001 Result: The OIG exceeded its annual performance goals of providing timely, independent auditing and consulting services responsive to the needs of its customers that provide value to the Agency and recommendations to improve program and operational performance and integrity.

FY 2000 Annual Performance Goals (no longer reported for FY 2001)

All 58 mission-critical systems will continue to support core Agency functions without interruption across Year 2000 date change.

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Section III

**Management
Accomplishments
and Challenges**

MANAGEMENT ACCOMPLISHMENTS AND CHALLENGES

EPA senior managers are aware of the complex management challenges the Agency must address to achieve program results, and they work diligently to identify strategies to maintain integrity and strengthen the public's confidence in the Agency. The Agency uses a system of internal program reviews, independent reviews, and audits by the General Accounting Office (GAO) and EPA's Office of the Inspector General (OIG); program evaluations; and performance measurements to ensure that program activities are effectively carried out in accordance with applicable laws and sound management policy and to provide reasonable assurance that Agency resources are protected against fraud, waste, abuse, and mismanagement. As a result the EPA is quick to identify and develop strategies to address integrity weaknesses and major management challenges—deficiencies in program policies, guidance, or procedures that might impair the Agency's ability to achieve its mission.

For some management problems the Agency has put annual performance goals in place to track progress. Currently, 3 of the 4 integrity material weaknesses and 8 of the 13 management challenges have associated Government Performance and Results Act (GPRA) annual performance goals and measures. Although EPA does not have specific GPRA goals or measures for all integrity weaknesses and major management challenges, the Agency's senior leadership monitors all problems closely as discussed later in this section.

Section III provides a comprehensive discussion of EPA's management and performance challenges and its strategy to resolve these issues. (The most significant of these and their relevance to the achievement of the Agency's mission are also addressed in the preceding goal chapters.) This section also meets reporting requirements of the Federal Managers Financial Integrity Act (Integrity Act); the Inspector General Act of 1978, as amended; and the Reports Consolidation Act of 2000, as discussed below.

Under the Integrity Act all federal agencies must submit an annual Integrity Act Report to the President and Congress and provide reasonable assurance that policies, procedures, and guidance are adequate to support the achievement of their intended mission,

goals, and objectives. Agencies also must report material weaknesses—those deficiencies found to impair achievement of agency missions—and identify corrective action strategies that have been developed and are under way to remedy the problems. EPA senior managers periodically report to the Administrator on progress to address material weaknesses and other less serious but important problems.

FISCAL YEAR 2001 ANNUAL ASSURANCE STATEMENT

I am pleased to report that EPA's annual self-assessments of the Agency's internal controls, management, and financial control systems, with the exception of noted material weaknesses, provide reasonable assurance that the Agency's programs and resources are protected from fraud, waste, and mismanagement.



Christine Todd Whitman
Administrator

The Inspector General Act of 1978, as amended, requires federal agencies to report to Congress twice a year on the status of efforts to carry out corrective actions and reach final action on OIG audits. The Reports Consolidation Act of 2000 gives agencies the authority to consolidate various management reports (including management's report on audits) into a single annual report. EPA managers have greatly improved the timeliness and effectiveness of their audit management practices and have decreased the number of audits without final action 1 year after the management decision by 50 percent since FY 1999 (from 72 in FY 1999 to 36 in FY 2001).

As required by the Reports Consolidation Act of 2000, OIG's list of top management challenges facing the Agency, along with its assessment of EPA's progress in addressing these challenges, is included at the end of this section. The Agency's response to the OIG statement is included as part of the discussion of corrective action strategies for integrity weaknesses and major management challenges.

FY 2001 INTEGRITY ACT REPORT

Since 1988 EPA has identified and reported 49 material weaknesses and 18 financial non-conformances. By the end of FY 2001 EPA had corrected 45 of the material weaknesses (92 percent) and all 18 of the financial nonconformances. These totals reflect the correction of one material weakness in FY 2001: Deficiencies in Internal Employment Discrimination Complaints Resolution Process Under Title VII of the Civil Rights Act of 1964. The Agency's corrective action strategy and determination that this weakness had been resolved are discussed below. EPA will carry forward four material weaknesses and no financial nonconformances. Planned corrective actions and target completion dates for the carryover material weaknesses are addressed below. The progress in correcting material weaknesses and financial nonconformances exemplifies EPA's strong commitment to improving integrity and accountability in all programs, organizations, and functions.

MATERIAL WEAKNESS CORRECTED DURING FY 2001

Deficiencies in Internal Employment Discrimination Complaints Resolution Process Under Title VII (Civil Rights Act of 1964)

(Goal 10): Title VII requires that EPA implement and manage an effective federal discrimination complaint process that provides employees and applicants for employment an opportunity to seek redress. Difficulty in managing the Equal Employment Opportunity (EEO) process in a timely manner was attributable to several factors, including inadequately trained counselors; lack of accurate and timely data in the tracking system; late, incomplete, and/or missing discussion of allegations in counselors' reports; an inability to use the automated data tracking system effectively; insufficient contractor support to manage the investigation process; and a lack of staff to handle the current inventory of 269 complaints.

Corrective Action Strategy: During FY 2001 a case closure team that included representatives from EPA's Office of Civil Rights (OCR), EPA's Office of General Counsel, and the Regional Counsel's Office was formed to reduce the backlog of Title VII complaints. The team identified 139 complaints that had been active and pending on OCR's docket for 180 days or more as of June 2001. The team successfully resolved

most of the complaints, leaving 12 complaints requiring completion of a draft report of investigation at the end of FY 2001. EPA also hired additional permanent staff for the Title VII team and implemented a new contract and case tracking system to monitor the complaint process. With the additional staff and resources, the Agency can ensure the timely processing of future Title VII discrimination complaints.

MATERIAL WEAKNESSES CARRIED OVER INTO FY 2002

1. Backlog of Title VI (Civil Rights Act of 1964) Discrimination Complaints (Goal 10): Title VI prohibits discrimination on the basis of race, color, or national origin by any entity that receives federal financial assistance. By June 2001 the number of Title VI administrative complaints that required an investigation or a jurisdictional determination by EPA had reached 66. EPA's program to investigate Title VI complaints generally does not meet regulatory deadlines for processing and investigating complaints.

Corrective Action Strategy: The EPA Administrator authorized the creation of a task force to work fulltime to eliminate the backlog of Title VI complaints. When the task force began its work in June 2001, 45 of these complaints were still under review with no decision regarding whether the Agency would accept the complaints for investigation, reject them for failure to satisfy the criteria in EPA's Title VI regulations, or refer them to another office or agency. The remaining 21 complaints had been accepted for investigation. Approximately half of the complaints under review were subject to an appropriation rider prohibiting EPA from using FY 1999, 2000, or 2001 appropriated funds to implement or administer the 1998 *Interim Guidance for Investigating Title VI Administrative Complaints Challenging Permits* until revised guidance was finalized. In June 2000 EPA published draft revised Title VI guidance. By the end of FY 2001 the task force had reduced the backlog by approximately 20 percent and had taken action on all the cases under review that were not affected by the appropriation rider. The appropriation rider was subsequently lifted in FY 2002. EPA continues to process Title VI complaints to eliminate the backlog and to address new complaints as received. Completion of corrective actions is expected by June 2003.

2. Information System Security (Goal 7): EPA needs a centralized security program with strong oversight processes to address risks adequately and ensure that valuable information technology resources and environmental data are secure. *(FY 1997–2002 OIG major management challenge, FY 2001 GAO major management challenge, declared a material weakness FY 1997 and an expanded material weakness FY 2000.)*

Corrective Action Strategy: EPA has made substantial improvements in strengthening its information security program by instituting a comprehensive strategy that addresses all security-related deficiencies. Corrective actions include improving the Agency's risk assessment and planning process, implementing major new technical and procedural controls, issuing new policies, and beginning a regular process of testing and evaluation. During FY 2001 EPA completed risk assessments for security-critical applications and systems, conducted training and awareness activities for information security officers and senior managers, and provided general awareness training for all Agency employees. In addition, EPA installed network intrusion-detection and monitoring controls on its centrally managed environment and plans to install additional tools on its distributed systems environment. All corrective actions are expected to be completed by the end of FY 2002. *(Also see OIG's Major Management Challenges Needing High-Level Agency Attention.)*

3. National Pollutant Discharge Elimination System Permits (Goal 2): During the 1990s the backlog in EPA-issued major permits tripled, and the backlog in state-issued permits doubled. Expired NPDES permits might not reflect the most recent applicable effluent guidelines, water quality standards, or Total Maximum Daily Loads posing a threat to the environment. Without timely issuance of high-quality permits, necessary improvements in water quality might be delayed. EPA headquarters and regional offices are working together closely to track both Agency- and state-issued permit efforts. *(FY 1998–2002 OIG Management Challenge, declared a material weakness FY 1998.)*

Corrective Action Strategy: The Agency has made substantial progress in implementing a process to effectively reduce EPA's long-standing backlog in issuing NPDES permits. EPA, in consultation with state partners, developed and issued guidance—*Approaches for Reducing the NPDES Permit Backlog*—in July 1999. The guidance identifies four strategic objectives for reducing the backlog: (1) understand and better define

the backlog, (2) examine permitting efficiencies and facilitate programmatic and technical streamlining opportunities, (3) provide funding and technical support for regions and states, and (4) encourage regions and states to share technical expertise and permitting tools. In May 1999 the Agency established two target dates for completion of corrective actions, one for individual permits for major facilities and one for individual permits for major and minor facilities combined. The target for the major facilities was to have no more than 10 percent of the permits backlogged by the end of the 2001 calendar year; the target for the combined major and minor facilities is 10 percent by the end of the 2004 calendar year. The Agency is also working closely with the regions to manage permit issuance efforts for both EPA- and state-issued NPDES permits. A monthly permit issuance/backlog trend report is distributed to each EPA region and the Agency's stakeholders. In addition, the Agency is examining strategies that will focus attention on eliminating the permit backlogs that have the most significant environmental impact. Corrective actions are expected to be completed by the end of FY 2005. *(Also see OIG's Major Management Challenges Needing High-Level Agency Attention.)*

4. Construction Grants Closeout (Goal 2): Without timely closeouts of construction grants, millions of dollars in potentially ineligible program costs cannot be recovered for use in other high-priority state clean water projects. *(FY 1992 OMB candidate material weakness, declared an Agency weakness FY 1992, elevated to a material weakness FY 1996.)*

Corrective Action Strategy: Since 1990 the Agency has worked to accelerate the completion and closeout of the construction grants by annually assessing the remaining workload in each region, identifying the bottlenecks, and agreeing on a closeout plan and follow-up actions to bring the program to completion. Success is defined as 10 or fewer pre-1992 projects remaining to be closed out in a region, with no more than 5 remaining in any state in the region. The number of open grants has decreased from 5,860 in 1990 to 138 (pre-1992 grants) at the end of FY 2001, and it is projected to be approximately 68 by the end of FY 2002. Five regions had achieved success by the end of FY 2001, and the remaining regions will be monitored closely to ensure that they can achieve success by the end of FY 2002. Corrective actions are expected to be completed by the end of FY 2002.

MAJOR MANAGEMENT CHALLENGES

This portion of Section III presents a brief description and summary of activities planned in response to 13 management challenges identified by GAO, OMB, OIG, and EPA itself. The Agency will continue to use the tools available under GPRAs and other management statutes to assist in addressing these issues. Eight of the 13 major management challenges are linked to GPRAs goals and measures, and 10 of EPA's management challenges are being addressed as internal Agency weaknesses for which the Agency develops specific and measurable corrective actions and reports on progress to the Administrator.

1. Relationships with States (NEPPS) (Cross-Goal): Under the National Environmental Performance Partnership System (NEPPS), EPA committed to long-term collaboration with state agencies to improve Agency and state management of national environmental programs. (*FY 1999–2001 GAO major management challenge; FY 2000–2002 OIG major management challenge.*)

Corrective Action Strategy: The EPA Administrator considers improving the Agency's relations with states, tribes, and other federal agencies a high priority. In an August 2001 policy memorandum, the Administrator called for senior Agency leadership to advance the partnership through increasing the Agency's flexibility for states to address the highest priority environmental problems, working with the states to improve performance measures, and generally increasing the incentives for states to improve results-based management under the Performance Partnership System. The Agency is also developing tools that state and EPA regional NEPPS negotiators can use to clarify the appropriate performance expectations. In addition EPA and the Environmental Council of the States (ECOS) have an active joint workgroup to address continuing implementation issues and work to identify and remove remaining barriers to effective implementation of the Performance Partnership System. (Also see OIG's *Major Management Challenges Needing High-Level Agency Attention.*)

2. Protecting Infrastructure from Nontraditional Attacks (Goal 2): Presidential Decision Directive (PDD) 63, initiated in May 1998, assigned EPA as the designated Lead Agency and Sector Liaison for the

Nation's water systems. To meet the requirements of PDD 63, EPA needs to work with private sector representatives to complete a national framework for protecting the critical infrastructure of the Nation's water systems from terrorist attack, conduct vulnerability assessments and risk mitigation, and implement a Vulnerability Awareness and Education Program for the water sector. (*FY 2002 OIG major management challenge.*)

Corrective Action Strategy: The Agency is playing a significant role in protecting the public from terrorist attempts to endanger drinking water supplies. Agency activities in FY 2000 and FY 2001 were designed to initiate development of the materials, tools, and training needed for drinking water systems to conduct vulnerability assessments and to begin development of a secure Information Sharing and Analysis Center (ISAC), which will allow drinking water utilities to share threat information with the Federal Bureau of Investigation and other utilities. In response to the terrorist attacks of September 11, 2001, the Agency established a Water Protection Task Force to implement PDD 63 and other related activities. In FY 2002 the Agency will continue the development of ISAC, test and modify the vulnerability assessment tool, support the implementation of vulnerability assessments by the 360 largest public water systems nationwide, develop and disseminate guidance for emergency response plans, and train water system operators in the application of vulnerability assessments and remedial plans. These activities are being funded through \$83 million in an FY 2002 supplemental appropriation for EPA. In addition, the Agency will make grants to states for counterterrorism coordinators to work with EPA and drinking water utilities to implement counterterrorism activities. (*Also see OIG's Major Management Challenges Needing High-Level Agency Attention.*)

3. Clean Water Act Section 305(b) (Goal 2): EPA needs to improve the quality of water data collected from the states every 2 years under section 305(b) of the Clean Water Act. Water quality monitoring data has long been recognized as the foundation upon which EPA and state water quality management decisions are made. These include decisions ranging from developing state water quality standards,

assessing attainment with standards, identifying waters not meeting standards, calculating total maximum daily loads (TMDL), developing NPDES discharge limits and targeting nonpoint source controls. Numerous independent reports have cited that weaknesses in monitoring programs undermine states' ability to support water quality decisions with confidence. Over the past 10 to 15 years, state water quality monitoring programs have dwindled in scope and quality while the need for high-quality data has become more critical. EPA needs to consider all possible approaches, from requiring states to collect and report useful data to eliminating the 305(b) report and relying instead on data and models from the U.S. Geological Survey and others. *(FY 2001 OMB candidate material weakness, declared as internal Agency weakness FY 2001.)*

Corrective Action Strategy: EPA is working with states and other stakeholders to improve the comprehensiveness of state monitoring programs, the inclusiveness of data collection and reporting under section 305(b), the quality of state data in making water quality management decisions, and the development of a comprehensive information management architecture. The Agency is ready to issue final guidance that will provide a framework for states and EPA to collaborate in developing a strategy and timeline for upgrading state monitoring programs. In addition, the Agency is working with the states on technical guidance that will describe what the states need to consider in the collection of data to make water quality standards attainment decisions for both section 305(b) and section 303(d) purposes. EPA is developing a new report consolidating 305(b) and 303(d) requirements and expects full implementation during the states' 2004 reporting cycle. The consolidated report will ensure that either all waters are being monitored or waters that are not monitored have plans to correct this deficiency. Corrective actions are expected to be completed by the end of FY 2004.

4. Safe Drinking Water Information System (SDWIS) (Goal 2): The Safe Drinking Water Information System (SDWIS) is the Nation's best source of national compliance information on all Safe Drinking Water Act requirements. It provides the critical database for such efforts as Annual Compliance Reports, Drinking Water Consumer Confidence Reports, development of regulations, trends analyses, and public information. In 1998 EPA

supported a series of data verification audits, the results of which pointed out serious data quality and reliability issues. *(FY 1999 OMB candidate material weakness, declared an Agency weakness FY 1999.)*

Corrective Action Strategy: EPA developed a Data Reliability Action Plan in 1999 as a multistep approach to improve the data in SDWIS. Two important steps completed by the end of 1999 included (1) an industry survey analysis in which water utilities examined and compared data in SDWIS with the utilities' own data and (2) a study of the variety of ways that states are organized to carry out drinking water program responsibilities and the effects of these organizations on data collection. In FY 2001 EPA, in partnership with states and major stakeholders, developed an information strategy to make several additional improvements to SDWIS. These additional activities address the totality of issues related to the quality and accuracy of SDWIS, and as a result they will extend the target corrective action date. Completion of corrective actions is expected by the end of FY 2004.

5. Resource Conservation and Recovery Act (RCRA) Corrective Action Program (Goal 5): EPA and other stakeholders, including GAO, have identified several factors impeding timely and cost-effective cleanups under RCRA. To address the problem, GAO recommended that EPA devise a strategy for ensuring that cleanup managers in EPA's regions and states have a consistent understanding of new approaches outlined in guidance or regulation and that EPA oversee program implementation to determine whether cleanup managers are using the new approaches appropriately. *(FY 1999 GAO major management challenge, declared an internal Agency weakness FY 1999.)*

Corrective Action Strategy: EPA has already undertaken a number of regulatory, guidance, and oversight initiatives consistent with GAO's suggestions. A number of additional actions are planned for the near future and the long-term, including providing new results-oriented cleanup guidance with clear objectives; encouraging maximum use of program flexibility and practical approaches through training, outreach, and new uses of enforcement tools; and enhancing community involvement and greater public access to information on cleanup progress. Completion of three new results-oriented cleanup

guidances expected to be issued early in FY 2001 was delayed because of the need to address comments and make decisions on key issues, such as maintaining the ability to require corrective action under 3008(h) RCRA authorities. Completion of corrective actions is expected by FY 2002.

6. Data Management Practices (Goal 7): EPA needs to improve the management, comprehensiveness, consistency, reliability, and accuracy of its data to help better measure performance and achieve environmental results. In addition, the Agency needs to develop error detection processes to ensure that errors in its databases are addressed appropriately and in a timely and documented fashion. EPA broadened the scope of an existing internal Agency data management weakness, consolidating Agency efforts to address the multiplicity of issues related to information management, data accuracy, and error correction. *(FY 1998–1999 GAO and OIG major management challenge; FY 2000 and 2001 GAO major management challenge; FY 2000–2002 OIG major management challenge; Information Resources Management (IRM) data management declared an Agency weakness FY 1994; scope of weakness expanded FY 2000; and target correction date extended to FY 2004.)*

Corrective Action Strategy: EPA is working internally and in partnership with the states to improve data management, comprehensiveness, consistency, reliability, and accuracy for better performance measurement and achievement of environmental results. The Agency completed promulgation of six key data standards and their rules for implementation in FY 2001. The Environmental Data Standards Council developed four additional key data standards in the areas of permitting, enforcement and compliance, water quality monitoring, and tribal identifiers and expects to implement them during FY 2002. The Agency is also working to expand implementation of its Integrated Error Correction Process, which provides an effective feedback mechanism for reporting and resolving errors identified by the public on EPA web sites. From May 2000 to September 2001, EPA received 987 alleged errors and resolved 650 of them; the remainder are still under review. EPA has completed major components of a data architecture to support cross-organizational activities and has begun to develop a formal data architecture document that it expects to

complete by May 2002. The Agency expects to fully implement the Central Data Exchange to improve reporting of environmental information by the regulated community and states to EPA by March 2004. The Agency also expects to complete development of a strategic plan for addressing data gaps by December 2002. The Agency anticipates that all corrective actions will be completed by the end of FY 2004. *(Also see OIG's Major Management Challenges Needing High-Level Agency Attention.)*

7. Laboratory Quality System Practices (Goal 7): Through internal reviews and OIG investigations, the Agency has found management control weaknesses and some cases of misconduct in laboratories concerning data quality that could impact environmental and enforcement decisions. *(FY 1999–2002 OIG major management challenge, declared an internal Agency weakness FY 2000.)*

Corrective Action Strategy: EPA completed independent technical reviews of its laboratories in FY 2001 to assess the Agency's ability to produce data of known and documented quality. The Agency is currently assessing draft review reports and proposed corrective action plans submitted by reviewed organizations. Other ongoing activities include assembling a workgroup consisting of both EPA and non-EPA members that will (1) identify weaknesses in laboratory quality systems that produce analytical data used for Agency decision making; (2) establish methods to detect and deter misconduct in labs; and (3) promote best practices in laboratory performance, documentation, and implementation. In addition each EPA organization will be responsible for establishing management controls to ensure that environmental measurement data supplied by laboratories are of known and documented quality. This effort includes monitoring and oversight of the development and implementation of Agency-approved quality systems by third parties. Completion of corrective actions is expected by December 2003. *(Also see OIG's Major Management Challenges Needing High-Level Agency Attention.)*

8. Results-Based Information Technology Project Management (Goal 7): EPA needs a comprehensive approach to information technology (IT) capital investment planning and a disciplined budget process for managing its assets to meet

programmatic objectives. In addition the Agency needs to ensure that IT projects are timely, cost-effective, and results-based. (*FY 2001–2002 OIG major management challenge, declared an internal Agency weakness FY 2001.*)

Corrective Action Strategy: EPA is taking a comprehensive and systematic approach to develop an appropriate strategy to better manage its IT investments. This strategy consists of four overall goals: (1) automate the Agency's capital planning and investment control (CPIC) process by deploying the Information Technology Investment Portfolio System (I-TIPS), (2) develop a complete investment portfolio aligned with the Agency's technology architecture, (3) improve proposal quality and analysis, and (4) establish efficiencies with other Agency management processes. The Agency anticipates that all corrective actions will be completed by FY 2004. (*Also see OIG's Major Management Challenges Needing High-Level Agency Attention.*)

9. Science to Achieve Results Grants and Fellowships (STAR Program) (Goal 8): OMB believes that EPA needs to assess the outcomes of the research completed under the STAR Program and evaluate the benefits of the program to EPA in meeting its mission. OMB also believes that EPA needs performance measures to determine whether the STAR Program is contributing value to the Agency in meeting its priorities. (*FY 2001 OMB candidate material weakness.*)

Corrective Action Strategy: EPA's STAR Program focuses on research questions that are applied and require intermediate or longer time frames to address, or are a part of the Agency's research and development core program designed to provide the scientific basis for questions to be dealt with in the future. By the time a research grant is completed, there might be immediate practical applications; more often, it takes longer to determine the best use of research results. During FY 2001 the Agency's Science Advisory Board (SAB) conducted a review of the results of the Water and Watersheds component of the STAR Program. The Panel strongly recommended the STAR Water and Watersheds be retained as a major focused program within EPA. EPA is implementing the SAB recommendations from the report to ensure that the research results will be used effectively. In FY 2002 the

SAB will review components of the STAR Particulate Matter Program. A contract with the National Academy of Sciences (NAS) was awarded in September 2001 to review up to four additional areas of STAR research. NAS will also help to develop criteria for EPA to use in future evaluations of the STAR Program. EPA will continue to work with the NAS and SAB to implement the recommendations of these reviews and plan additional reviews of STAR, as appropriate.

10. Permit Compliance System (PCS) (Goal 9): OMB believes that, because of missing data and data quality problems, PCS is not a reliable source of information for the management and oversight of the Clean Water Act NPDES program. (*FY 1999 OMB candidate material weakness, declared an internal Agency weakness FY 1999.*)

Corrective Action Strategy: The Agency is aware of problems with PCS and over the past few years has worked with the states to identify problems and define the systems revisions needed for effective NPDES program management and oversight, to improve the quality and comprehensiveness of the data, and to reduce the transaction costs for state users. Initiatives under way include the modernization of PCS to better address requirements of the NPDES permitting and enforcement programs and to meet new initiatives such as tracking reduced pollutant loadings, capturing information on storm water sources, and assessing the health of watersheds. The modernized PCS will include Electronic Data Interchange, which will allow EPA to access state data and will take into account increased public access to data and standardization of systems and data. In addition, the Agency is working with the states to improve the transfer of data into PCS via an Interim Data Exchange Format (IDEF) that will ultimately simplify the transition to the new modernized PCS. EPA is also proposing the Cross Media Electronic Reporting and Record-keeping Rule to address electronic reporting requirements for the NPDES Program. The cross media rule was published in the *Federal Register* on August 31, 2001, and the Agency expects to promulgate the final rule by the first quarter of FY 2003. Completion of corrective actions is expected by the end of FY 2003.

11. Linking Mission and Management (Goal 10):

EPA's OIG believes the Agency needs to improve its planning, measuring, and accountability by involving its partners in goal and priority setting, linking output and outcome measures of results to its goals, and accounting for the costs of achieving those results. In addition, EPA needs to accumulate, report, link, and use environmental information on activities and outcomes as a basis for determining environmental return on investment, sound resource decisions, and accountability to the public. (*OIG major management challenge for FY 2002, combining FY 2001 management challenges on accountability and managerial accounting.*)

Corrective Action Strategy: EPA has made significant progress over the past year in linking the management of the Agency's resources to its mission and environmental and human health results through the following activities:

- Involved EPA's state partners in the annual planning and budgeting process by considering state priorities along with EPA headquarters and regional priorities, and consulting with the states at appropriate times during the budget development and appropriations process.
- Developed more outcome-oriented annual performance goals and measures. In August 2001 the Office of the Chief Financial Officer (OCFO) awarded contractor support to program offices for projects geared specifically toward improving annual performance goals and performance measures. In addition, EPA's FY 2002 Final Annual Performance Plan/ Congressional Justification, issued in August 2001, includes 6 percent more outcome-based goals than the FY 2000 Final Plan.
- Improved EPA's annual report to make it more relevant to Agency decision makers. The Agency's *Fiscal Year 2001 Annual Report* emphasizes environmental results and the impact of how Agency activities programs on protecting human health and the environment as well as the benefit to the public.
- In August 2001 formed the Managing for Improved Results Steering Group, comprising senior managers from across the Agency. The steering group is working to develop options and recommendations for the Deputy Administrator

on short- and long-term reforms to EPA's strategic planning, priority-setting, budgeting, and accountability structures and processes. This effort focuses on significant, far-reaching reforms to national processes and systems as well as incremental changes and smaller-scale improvements that can be implemented immediately.

In addition, EPA continued its outreach efforts to inform Agency managers on the benefits and uses of cost information and worked with individual program offices to develop further cost accounting applications to enhance program management. The Agency met specific program needs in such diverse areas as user fees, Superfund cost recovery and the Working Capital Fund (WCF).

OCFO developed cost accounting reports to better manage critical activities and programs. For example, the Agency now produces Cost by Output, Superfund Site Specific, Superfund Remedial Action, and WCF Revenue and Expense reports. Many of these reports bring together financial, administrative, and program information from different systems and reports. This was made possible through the OCFO's financial data warehouse and reporting tools which integrate portions of "mixed" administrative management systems (e.g., grants and contracts data) with the core financial system. As a result of this integration the Agency has expanded the range of cost information available to program managers and is better able to support decision-making based on costs and results. OCFO is continuing to partner with Agency offices to meet current needs and identify future applications.

The Agency recognizes that challenges remain in better linking assessments of program performance with resource decisions and in identifying goals and measures that better reflect its state partners' goals and priorities and will allow for trends analyses over time. However, EPA made significant progress in FY 2001 and will continue to work diligently toward improving its ability to link its mission and management. (Also see OIG's *Major Management Challenges Needing High-Level Agency Attention.*)

12. Improved Management of Assistance

Agreements (Goal 10): OIG audits have found that EPA needs to validate the effectiveness of its strategy for ensuring effective management of its assistance agreements. (*FY 2000 and 2002 OIG major*

management challenge; grants closeout and oversight of assistance agreements was declared a material weakness in FY 1996, reported corrected in FY 1999 and redesignated as an internal Agency weakness; grants closeout was corrected in FY 2000; and improved management of assistance agreements was declared an internal Agency weakness in FY 2000.)

Corrective Action Strategy: During FY 2001 EPA conducted a review to validate the effectiveness of its post-award management policies. The study found that the Agency has made considerable progress in post-award management but that further improvement is needed. In FY 2002 EPA will consolidate all existing post-award management policies into a single, streamlined policy. In addition, EPA will continue to review quarterly reports and information from the Grantee Compliance Database and evaluate post-award monitoring plans. Completion of corrective actions is expected by FY 2002. *(Also see OIG's Major Management Challenges Needing High-Level Agency Attention.)*

13. Human Capital Strategy Implementation

(Goal 10): EPA must devote considerable attention to building a workforce with the highly specialized skills and knowledge required to accomplish the Agency's work or risk seriously weakening its ability to fulfill even the most basic of its legal, regulatory, and fiduciary responsibilities. With its Human Capital Strategic Plan in place, the Agency has a blueprint for the initial and long-term steps needed to begin

addressing this issue. *(FY 1998–2002 OIG major management challenge, FY 2000–2001 GAO major management challenge, declared an internal Agency weakness FY 2000.)*

Corrective Action Strategy: EPA developed a comprehensive approach for investing in and managing the Agency's human resources. During FY 2001 the Agency began to aggressively implement its Human Capital Strategic Plan. Additional resources will be dedicated to this effort in FY 2002. As part of this plan, the Agency initiated development of a competency-based workforce planning model in FY 2001. Contractor support to develop this model will begin in FY 2002. Specific accomplishments in FY 2001 include (1) graduating the second class of interns and hiring a fourth class; (2) launching the Senior Executive Service (SES) Candidate Development Program, with 50 candidates to be selected for the program in FY 2002; (3) developing and launching a new course for supervisors and managers that new supervisors will be required to take within the first 90 days of becoming a supervisor; and (4) beginning the rollout of five courses created as part of the Mid-Level Development Program. Completion of corrective actions is expected by FY 2004. *(Also see OIG's Major Management Challenges Needing High-Level Agency Attention.)*

FY 2001 MANAGEMENT'S REPORT ON AUDITS

EPA continues to make progress in reducing the number of audits without final corrective action as well as in strengthening its audit management practices Agency-wide. In FY 2001 EPA was responsible for addressing the OIG's recommendations and tracking follow-up activities on 470 audits. During the fiscal year the Agency achieved final action on 190 audits.

In addition, to improve its efficiency in managing its audit follow-up activities, the Agency implemented a new Web-based system for tracking and monitoring audit reports. Since implementing the new system in May 2001 EPA has continued to work with the OIG to emphasize the importance of the quality of data shared between EPA's and the OIG's tracking systems and effective audit management practices.

Following is a summary of the Agency's audit management activities for FY 2001.

Final Corrective Action Taken: EPA completed final corrective action on 22 performance audits and 168 financial audits. Of the 168 financial audits, the OIG questioned costs of more than \$159.4 million. After careful review, the OIG and the Agency together agreed to disallow \$57.3 million of these questioned costs. For this period, EPA management and the OIG did not identify audits for which resources could be better utilized (i.e., funds put to better use) based on findings in a performance audit.

Final Corrective Action Not Taken: As of September 30, 2001, 134 audits were without final action (excluding those audits with management decisions under administrative appeal by the grantee). Of these 134 audits, EPA officials had not completed final action on 36 audits (27 percent) within 1 year after the management decision.

Audits Awaiting Decision on Appeal: EPA regulations allow grantees to appeal management decisions on financial assistance audits that seek monetary reimbursement from the recipient. In the case of an appeal, EPA must not take action to collect the account receivable until the Agency issues a decision on the appeal. As of September 30, 2001, there were 66 management decisions in administrative appeal status.

Audits Pending Final Corrective Action Beyond 1 Year: Because of the complexity of the issues, it

often takes Agency management longer than 1 year after management decisions are reached with the OIG to complete corrective action on audits. Beginning October 1, 2001, management will track 36 audits with outstanding corrective actions after the 1-year period. These audits are categorized by three types: Program Performance (21), Assistance Agreements (13), and Single Audits (2). These audits are discussed below by category and identified by title and responsible office. Additional information on these audits is available, upon request, from the OCFO's Audit Management Team (202-564-3633).

Audits of Program Performance: Final action for program performance audits occurs when all corrective actions have been implemented. This may take longer than 1 year when corrections are complex and lengthy. These include audits of EPA's financial statements. EPA is tracking 21 audits in this category.

Administrator's Office:

601301 Environmental Education
P00213 NAMC

Office of Prevention, Pesticides & Toxic Substances:

101378 Pesticides Inerts
304030 Pesticides Banned (follow-up)
401205 Pesticides Theme Report

Office of Solid Waste and Emergency Response:

701114 Audit of RCRA Hazardous Waste Data
701132 Lab Data Quality - Federal Facilities
801090 Replacement Housing
801234 Audit of Deferrals to State

Office of Enforcement & Compliance Assurance:

P00018 Multimedia Enforcement

Office of the Chief Financial Officer:

P00004 IAG Deobligation
100288 FY98 Financial Statement
601200 FY95 Financial Statement - Superfund

Office of Environmental Information:

501240 PCIE Application Maintenance
801240 Field Sampling Capping Report

Office of Water:

701142 Animal Waste Disposal Issues
701223 Mining Financial Assurance

Office of Research and Development

P00015 Narragansett

Region 9:

803004 Physical Environment

Region 10:

801252 Region X LANS
P00012 Hanford's Tank Waste Remediation System Program

Audits of Assistance Agreements: Final action for assistance agreement audits can take longer than a year as the grantee may appeal, refuse to repay, or be placed on a repayment plan that spans several years. The Agency's Audit Follow-Up Coordinators are tracking 13 audits with financial or associated corrective actions taking longer than 1 year to complete.

Office of Enforcement & Compliance Assurance:

200207 Center for Environmental Commerce Eng.

Office of Grants and Debarment:

100006 FY 94 Report (HHS OIG)

100011 IAG Audit Report

100025 IAG Audit Report

100191 HHS-IAG-97

Region 1:

100189 Berlin

Region 2:

201241 Moodna Basin NY

100017 Landis SA

Region 3:

102023 Bath County Service Auth VA

200009 Baltimore City

Region 5:

103115 Galion, OH

104047 Indianapolis, IN

304038 Flint, MI

Single Audits: Final action for single audits occurs when nonmonetary compliance actions are completed. This may take longer than 1 year to implement if the findings are complex or if the grantee does not have the resources to take corrective action. Single audits are conducted of nonprofit organizations, universities, and state and local governments. EPA is tracking completion of corrective action on two single audits for the period beginning April 1, 2001.

Region 9:

805053 Colorado River Indian Tribes, AZ

805059 Colorado River Indian Tribes, AZ

DISALLOWED COSTS AND FUNDS PUT TO BETTER USE				
Category	Disallowed Cost (Financial Audits)		Better Use (Performance Audits)	
	Number	Value	Number	Value
Audits with management decisions but without final action at the beginning of FY 2001 ^a	120	\$163,878,871	30	\$0
Audits for which management decisions were reached in FY 2001	152	\$46,977,449	22	\$0
Total audits pending final action during FY 2001	272	\$210,856,320	52	\$0
Final action taken during FY 2001:	168	\$57,395,835	22	\$0
(i) Recoveries				
(a) Offsets		\$18,545,264		
(b) Collection		\$6,720,316		
(c) Value of Property		\$0		
(d) Other		\$3,656,096		
(ii) Write-offs		\$24,465,513		
(iii) Reinstated Through Grantee Appeal		\$4,008,646		
(iv) Value of recommendations completed				\$0
(v) Value of recommendations management decided should/could not be completed				\$0
Audits without final action at end of FY 2001	104	\$153,460,485	30	\$0

^a Differences in number of reports and amounts of disallowed costs and funds put to better use between this report and EPA's previous annual report result from adjustments made between the old and new management audit tracking systems.

MAJOR MANAGEMENT CHALLENGES NEEDING HIGH-LEVEL AGENCY ATTENTION

(Prepared by EPA's Office of the Inspector General)

LINKING MISSION TO MANAGEMENT

EPA can be viewed as a business that must endeavor to deliver high-quality products and services—improved environmental and human health protection—to its customers at a reasonable cost. Over the years, we have recommended to EPA a number of improvements to enhance accountability for the resources it spends.

The Agency has established a framework for “results-based management” by setting long-term goals and objectives, with strategies for achieving them; setting annual goals and measures linked to EPA’s budget request; tracking progress annually and over the long term; and using the results to adjust the Agency’s goal setting and strategy development. However, EPA needs to improve its planning, measuring, and accountability by involving its partners in goal and priority setting, linking output and outcome measures to its goals, and accounting for the cost of achieving those results.

EPA’s strategic planning and budget architecture is organized around 10 separate strategic goals that do not generally address overlapping environmental issues or the needs and priorities of EPA’s regions and its state partners, which implement the majority of the Agency’s programs. The Agency needs to strengthen its efforts to ensure that regional and state priorities and goals are considered when setting its national goals, defining meaningful measures, and accounting for costs and performance.

To tell EPA’s story of performance in relationship to its goals, the Agency must develop more outcome-based strategic and annual targets with its partners. When EPA merged the budget and the Government Performance and Results Act (GPRA) process, it adopted a set of goals and measures that reflected each aspect of the Agency’s budget. The Agency has output data on activities but has few environmental performance goals and measures and little data that support its ability to measure environmental outcomes and impacts. EPA’s reliance on output measures has made it difficult to provide the regions and states the flexibility to direct their resources to what they consider to be the activities with the highest payoff, as

well as to assess the impact of the Agency’s work on human health and the environment. Better performance measurement and financial accountability can be achieved through clearly linked, meaningful performance measures with defined environmental outcome goals. To be accountable EPA and its partners need to capture and report environmental and human health results information in a meaningful, timely manner.

As a result of EPA’s integration of its budget and accounting structure with the GPRA strategic architecture, the Agency accounts for all costs by goal and objective. However, more needs to be done to improve EPA’s cost accounting system and processes so that Agency managers have useful, consistent, timely, and reliable information on the cost of carrying out EPA’s programs. It is also critical that EPA report in a timely manner the full costs of its outcome results, outputs, and activities. In addition, EPA managers might need and want other types of cost information beyond cost per output.

OCFO should lead an effort to determine what other types of cost information may be useful to Agency managers. Once these needs have been determined, OCFO should then develop other meaningful cost measures. Congress and federal executives may find this cost information useful in making decisions about allocating resources, authorizing and modifying programs, and evaluating performance.

Over the past 2 years, the Agency has taken several steps to improve its ability to manage for results and account for its resources. In August 2001 the Deputy Administrator charged OCFO with convening a Managing for Improved Results Steering Group, composed of senior leaders from across the Agency. The Steering Group is examining EPA’s strategic planning, priority-setting, budgeting, and accountability structures and processes to identify potential improvements and to develop a change strategy that will operate on two fronts:

- (1) identifying options for significant, far-reaching reforms to national processes and systems and
- (2) pursuing incremental changes and smaller scale improvements that can be effected immediately.

Although the Agency has taken a number of actions, we believe much remains to be done. Overall, EPA needs a comprehensive system to accumulate, report, link, and use environmental information on activities and outcomes, as a basis for determining environmental return on investment, sound resource decisions, and accountability. EPA has started developing the process for linking costs to goals but now must follow through by working with its regional offices and state and federal partners in developing appropriate outcome measures and accounting systems that track environmental and human health results across the Agency's goals. This information must then become an integral part of the decision-making process of EPA's senior management.

INFORMATION RESOURCES MANAGEMENT

Information Resources Management (IRM) covers a broad area of interrelated activities, including fundamental concepts such as using enterprise and data architecture strategies to guide the integration and management of data; implementing data standards to facilitate data sharing; and establishing quality assurance practices to improve the reliability, accuracy, and scientific basis of environmental data. Industry is identifying strategically important data as an enterprise or corporate asset and is spending significant amounts of money to collect and manage such data. Audits of EPA programmatic areas often have a component relating to environmental data information systems, and we frequently find deficiencies in these systems. Today most states have developed environmental programs with their own supporting information systems, based on their own needs. Moreover, EPA and the states often apply different data definitions within these information systems and sometimes collect and input different data. The result has been that states and EPA report inconsistent data, incomplete data, or obsolete data.

The Agency is moving in the right direction, but many components that influence the effectiveness of a data management program still need to be fully addressed. During recent years the Agency has specifically targeted various components, but developing a robust data management program has proven to be a complex and elusive effort. As a

result, corrective action dates have been extended several times since this Agency-wide problem was first reported in 1994.

To date, several areas remain to be completed. For example, the Agency has yet to implement a 1998, agreed-upon OIG recommendation to formally revise its policies and procedures to support an Agency standards program. Also, over a 2½-year period, EPA developed and formally approved six data standards; however, management estimates that these standards will not be implemented in the Agency's major environmental systems until the end of FY 2003. EPA also continues to work with the Environmental Council of States to identify and develop additional data standards. Experience suggests that the overall process needs to move forward in a more timely and structured manner. To its credit, EPA also has developed a Facility Registry System and several metadata registries—the Environmental Data Registry, Chemical Registry System, Biology Registry System, Substance Registry System, and Terminology Reference System. Additionally, EPA expects to adopt four new data standards in FY 2002 in the areas of Permitting, Enforcement and Compliance, Water Quality Monitoring, and Tribal Identifiers.

The Assistant Administrator for Environmental Information is responsible for developing and maintaining a strategic information resources management plan. However, EPA has not revised its outdated information technology strategy or fully developed an Enterprise Architecture Plan to address the integration and management of its environmental data to support the Agency's strategic goals. The informal target date for completing EPA's target Enterprise Architecture is September 2002.

Data reliability is another major aspect of data management that needs further attention. Recent audits indicate that systems used by EPA's Enforcement, Superfund, and Water programs have inconsistent, incomplete, and obsolete data. Ongoing audit work indicates that data in two major Agency systems contain significant error rates in crucial data fields. For example, more than 85 percent of the cases reviewed in EPA's National Enforcement Docket System contained errors in at least one key field. Many of these data fields were congressionally reported and used to track environmental progress

on GPRA goals and measures. The Agency has taken significant steps to be responsive to data quality concerns by instituting an Integrated Error Correction Process, which provides an effective feedback mechanism for reporting and resolving errors identified by the public on EPA web sites. From May 2000 to September 2001, EPA received 987 alleged errors and resolved 650 of them. The rest are under review by EPA and state analysts.

Moreover, although the Agency recognizes and is trying to address such data accuracy problems, it has not developed a strategic plan to address the fact that managers might not have the right environmental data to make sound decisions. This year EPA began developing a Data and Information Quality Strategic Plan to prioritize recommendations for improving the quality of currently collected data. The draft plan, however, does not include a methodology to address the long-recognized problem of data gaps.

As a result of these shortcomings, it is unlikely that EPA will have the foundation it needs to share comparable information, monitor environmental activities, or compare progress across the Nation. Moreover, EPA's ability to enforce environmental laws and evaluate the outcomes of its programs in terms of environmental changes will continue to be limited by gaps and inconsistencies in the quality of its data. EPA needs to continue its efforts to identify what data are necessary to manage its programs and needs to work with its partners to ensure that such information is captured and reported in a timely, accurate, and consistent manner.

RESULTS-BASED INFORMATION TECHNOLOGY PROJECT MANAGEMENT

Six years after the Clinger-Cohen Act introduced new requirements for managing information technology (IT) investments, it is apparent that EPA still has much to accomplish in planning for and developing an IT infrastructure to manage an integrated investment portfolio approach for environmental information. Specifically, EPA's strategic IT plan is 7 years old and does not reflect the current needs of the Agency, much less the requirements of the Act.

The Clinger-Cohen Act intended a central process with a Chief Information Officer (CIO) to manage IT investments across the Agency. Since

enactment of the Act, EPA has taken two significant actions. In 1998 the Agency established the CIO position and assigned responsibility for establishing an IT Architecture and an IT Capital Portfolio Investment Control (CPIC) process. Then, in 1999 EPA reorganized its IT management structure and established a Quality Information Council to coordinate IT investments across the programs. Although these two actions were meant to bring about changes in the way EPA manages its IT investments, IT project management continues as it did before the CIO position was established and significant gaps exist in the way IT investments are proposed, reviewed, funded, and managed.

For example, we have significant concerns regarding the effectiveness of EPA's current management structure, the consistency of its IT investment process, and the Agency's inability to track IT development and implementation effectively. Our concerns regarding the lack of IT project management at EPA were echoed in a special report, *Federal Agency Compliance with the Clinger-Cohen Act*, issued by the Senate Governmental Affairs Committee in October 2000. EPA has attempted to address these problems, but after 5 years has yet to propose a final project management process for IT capital investments for OMB reporting purposes.

Further, the IT CPIC process needed for managing and monitoring IT projects continues to evolve slowly, year after year, with no established completion date. In addition, the Agency's IT policies are outdated and do not implement the Act's requirements. Therefore, managers are not urged to follow new procedures. After 6 years, the Chief Financial Officer has just enacted an OIG recommendation to establish an IT project cost accounting methodology. We have concluded that EPA has an evolving, decentralized, and unmonitored approach to integrating information using existing IT projects, which in themselves have not developed or implemented minimal project management controls.

These weaknesses have significant ramifications because EPA reported approximately \$398 million in fiscal 2000 investments and planned investments of \$428 million for FY 2001. In March 2001 the Agency also reported that it expects to spend at least \$449 million in FY 2002. In addition, a recent OMB

“report card” concluded that 61 percent of EPA’s FY 2002 IT Investment Portfolio was at high risk of failure. OMB reached this opinion primarily because it could not tell whether or how the Agency was using an enterprise architecture approach to assess and manage IT development, modernization, and enhancement projects.

To facilitate improvements in environmental protection, EPA must provide environmental information to its diverse stakeholders. To achieve that goal, EPA needs to update its IT strategic plan to address the Agency’s programmatic and operational goals, complete developing a common Agency IT architecture for IT projects, and establish a CPIC process that supports program needs such as environmental data standards, geographic information, and electronic reporting.

EMPLOYEE COMPETENCIES

The Agency recognizes that one of its biggest challenges over the next several years is the creation and implementation of a workforce planning strategy that focuses its attention and resources on employee development. EPA needs to better integrate human capital into its strategic plans by more effectively defining and developing needed competencies in leadership, management, science, and technical skills. Appropriate training for staff, including supervisors and managers, is critical to the credibility of EPA’s actions in accomplishing its environmental mission. The need for training is highlighted in a number of our audit reports and in reviews by GAO and the National Research Council of the National Academies.

Specifically, an audit of the Superfund program disclosed that the Headquarters program office and several EPA regions did not clearly identify the quality assurance training needs of program staff. Even in regions where training needs were identified, the training was not always provided. We also found that EPA employees in the hazardous waste program needed more rigorous training to calculate proposed penalties against violating facilities. As a third example, our review of the National Environmental Performance Partnership System (NEPPS) concluded that a lack of training for EPA employees has hindered the effective implementation of this program. Audits have repeatedly noted a need to better train managers in their oversight and

administration of EPA’s assistance agreements programs. Additionally, we found that EPA has not required, nor regularly provided, specific training for its managers or executives to lead a results- and accountability-oriented culture.

In an audit on Region 6’s Supplemental Environmental Projects (SEPs), we found that the region did not effectively implement the SEP policy to ensure that EPA, the environment, and public health were the primary beneficiaries of such projects. Better training in SEP procedures and methods, improved controls and guidance in evaluating project quality and monitoring SEP implementation, and more effective coordination with the Justice Department would have improved the region’s implementation of SEP policy.

EPA recognized the need for broader management, leadership, and technical skills in its *Workforce Assessment Project* report, which discussed the implications of future changes in EPA’s mission and role in environmental protection. The study identified competency gaps that the Agency must close to ensure that its workforce can meet existing and new challenges.

EPA’s FY 2001 Strategic Plan also broadly recognized the importance of human capital as a key priority for the Agency. In addition, GAO reported that EPA needs to implement a workforce planning strategy to determine the skills and competencies needed to meet current and future needs. This need will intensify as about half of EPA’s scientific and senior managers become eligible for retirement within the next 5 years. In response, EPA has begun implementing a Human Capital Strategic Plan. EPA’s workforce planning efforts call for identifying the skills needed in every program unit based on an assessment of future program needs, identifying skill gaps, and tying skill needs to future budget requests. EPA plans to award a contract in early calendar year 2002 to develop a model workforce planning process and a system that will meet the Agency’s competency-based workforce planning needs.

EPA’s Human Capital Strategy specifically addresses the need for management and leadership competencies by implementing a series of management development programs. The Agency needs to further its commitment to deploy the strategy by dedicating resources, developing performance measures, implementing

necessary systems for recruiting and developing needed competencies, and then holding managers accountable.

QUALITY OF LABORATORY DATA

The quality of laboratory data supplied to EPA for regulatory compliance and remediation purposes continues to be a pressing issue. Environmental data of questionable authenticity can lead to concerns about the soundness of EPA's decisions pertaining to the protection of the environment and public health. Furthermore, data integrity issues lead to additional costs and unnecessary delays when the Agency has to identify and assess the impact of the fraudulent data and undertake additional sampling.

In a June 1999 memorandum to the Acting Deputy Administrator, we suggested actions EPA could take to better identify data of questionable quality. However, ongoing lab fraud investigations indicate that despite Agency efforts to ensure data quality, manipulated data continue to be generated and supplied to the Agency.

Our reviews and investigations have disclosed a particularly disturbing trend in the number of environmental laboratories that are providing misleading and fraudulent data to the states for monitoring the Nation's public water supplies. Several current lab fraud investigations involve severe manipulation of lab data used to evaluate the compliance of public water supplies with federal drinking water standards. Some of these manipulations have masked potential violations of the drinking water regulations. Many of the Agency's other programs (e.g., Superfund, Resource Conservation and Recovery Act, National Pollutant Discharge and Elimination System, air toxics; underground storage tanks, and pesticides) have also been affected by laboratory fraud.

The number of ongoing lab fraud investigations has doubled over the past year. One of the investigations resulted in the indictment of 13 persons, with 5 convictions. The laboratory made a criminal plea of conspiracy to commit mail fraud and received a \$9 million fine. Environmental decisions based on these manipulated data at numerous military and civilian waste sites had to be reviewed and, in many cases, verified through additional testing. One EPA region estimated that the

consequential damages resulting from this activity were approximately \$1 million.

The Agency has conducted extensive technical systems assessment audits at all EPA regional and research laboratories. In addition, EPA has provided fraud detection and awareness training and ethics training, studied electronic methods for screening data, and issued guidance discussing the level of quality assurance in relation to the intended use of data. These efforts should help to improve the quality assurance systems and documentation throughout the Agency's environmental laboratories. However, until the impact of these and any other recommended actions is realized, EPA must continue to assess and improve its controls over laboratory data quality.

EPA'S INFORMATION SECURITY PROGRAM

EPA relies on its information systems to collect, process, store, and disseminate vast amounts of information used to assist in making sound regulatory and program decisions. Therefore, it is essential that the Agency prevent intrusion and abuse of its information systems and protect the integrity of its data.

We have issued a number of reports that cited critical inadequacies in the Agency's information security program and recommended specific corrective actions. In addition, a July 2000 GAO review of EPA's information security program found serious and pervasive problems in the program that "essentially rendered it ineffective." GAO's report identified the existing practices as weak and largely a paper exercise that had done little to mitigate risks to the Agency's data and systems.

EPA has made substantial improvements to its Information Security Program. The Agency has improved its risk assessment and planning processes, implemented major new technical and procedural controls, begun the issuance of new policies, and, finally, begun a regular process of testing and evaluation. Under the leadership of the Office of Environmental Information (OEI), EPA has been working to achieve the Agency's goals of making information on its computer systems available, while protecting the confidentiality and integrity of its information. Although no security program is perfect, the Agency's Information Security Program is substantially stronger than it was.

The dynamic nature of security, however, requires continued emphasis and vigilance. More needs to be done to protect the Agency's information and systems. In our view, EPA needs to establish a strong centralized security program with oversight processes that would adequately address risks and ensure that valuable information resources and environmental data are secure. Given the Agency's decentralized organizational structure, it is essential that OEI establish a strong leadership and monitoring role to ensure the success of its computer security program.

EPA'S USE OF ASSISTANCE AGREEMENTS TO ACCOMPLISH ITS MISSION

Assistance agreements constitute approximately one-half of EPA's budget and are the primary vehicles through which the Agency delivers environmental and human health protection. Therefore, it is important that EPA and the public receive what the Agency has paid for.

Over the past several years, our audit work has repeatedly identified problems in the delivery of environmental protection activities through assistance agreements. For example, we reported in September 2000 that EPA Region 8 was not consistently awarding and monitoring tribal grants. Agency officials placed a higher priority on external relationships, generally with the tribes, and did not pay sufficient attention to grant management and internal organizational relationships. Some grants included unallowable activities or had inadequate or untimely work plans and progress reports.

Recent audits of EPA's assistance recipients disclosed that some recipients did not have adequate financial and internal controls to ensure that federal funds were managed properly. As a result, EPA had limited assurance that grant funds were used in accordance with work plans and met negotiated environmental targets. For example, an EPA Region 5 grantee could not adequately account for almost \$169,000 of the \$300,000 in EPA funds. Also, a Region 2 grantee had submitted multiple financial status reports with different ending balances, had excess federal funds on hand, and could not support that it had met the minimum cost-sharing requirement. Misuse of grant funds also resulted in an agreement with the City of Cleveland to settle a civil lawsuit charging that the city's Air Pollution Control

Program improperly spent a total of \$429,158 in grant funds awarded by EPA.

Further, in May 2001 the OIG reported that the Agency did not have a policy for competitively awarding discretionary assistance funds, totaling \$1.3 billion, and recommended such a policy be developed. Without competition, EPA cannot ensure that it is funding the best products based on merit and cost-effectiveness, thereby achieving program objectives and accomplishing its environmental mission. The Agency agreed and is drafting a policy that will address competition in the award of discretionary assistance funds.

The Agency has completed a number of actions to improve its oversight controls over assistance agreements, including requiring additional training for all project officers and issuing policy on project officer and grant management oversight roles and responsibilities. We are reviewing those actions and will continue to work with the Agency to identify solutions to assistance problems.

BACKLOG OF NATIONAL POLLUTANT DISCHARGE ELIMINATION SYSTEM (NPDES) PERMITS

The Clean Water Act specifies that NPDES permits may not be issued for more than 5 years. Permittees wishing to continue discharging beyond that term must submit an application for permit renewal at least 6 months prior to the expiration date of their permit. If the permitting authority receives that application but does not reissue the permit prior to expiration, the permit may be "administratively continued." These administratively continued permits are considered "backlogged."

Backlogged permits are an important issue because the conditions on which the existing permit is based might have changed since the original permit was issued. These changed conditions might require that the permittee discharge less toxic waste or less volume of waste. The "backlogged" permit would not contain these new terms and conditions, thereby delaying potential environmental improvements to waters. EPA is the permitting authority for 6 states and has delegated permitting authority to the remaining 44 states. The Agency recognizes that the backlog of NPDES permits is a nationwide problem and has developed a corrective action plan that includes a variety of

strategies to reduce the backlog. These strategies include creating a streamlined process for developing permits by taking advantage of new technology, providing assistance to the states through both environmental assessments and permit assistance, and communicating the importance of this issue to the states and EPA regional offices and receiving firm commitments to reduce the backlog from them.

EPA's goal is to reduce the backlog of NPDES permits for major facilities to 10 percent by the end of calendar year 2001 and to 10 percent for major and minor permits by the end of calendar year 2004. As of August 2001, the percentage of backlogged permits was 23.5 percent for majors and 27 percent for minors. According to EPA officials, the 2001 goal will not be met because of the dramatic increase in the complexity of writing NPDES permits over the past several years due to the number of parameters included in permits.

EPA realizes that its current permitting system needs to be reevaluated and that the Agency needs to find new ways of implementing the NPDES program or the problem will become worse. According to EPA officials, the number of point sources needing permits has increased five times in the past 10 years. EPA is considering a number of innovative methods to address the expanding scope of the NPDES program. For example, the use of general permits that are written for a class of similar facilities and the use of information technology to expedite the entire permit development process, including electronic submission of permit applications, electronic files to develop permits, and electronic reports, are all viable options.

We will continue to monitor the progress EPA makes in addressing this important issue. Eliminating the backlog and making the permit issuance process more efficient will free up resources for other important activities.

EPA'S WORKING RELATIONSHIP WITH THE STATES

During the past two decades, environmental and human health protection programs have grown in size, scope, and complexity. Many environmental problems transcend media boundaries, and solutions may require innovative, cross-media approaches. EPA and states recognized that existing arrangements for

implementing environmental programs and addressing environmental problems were not as efficient and effective as they could be.

EPA depends heavily on states to fund and implement national programs, as well as to provide most of the environmental data. EPA and states have not yet agreed on how states will have flexibility while being accountable for environmental results. Relations between EPA and states have been strained because of disagreements over (1) respective roles and the extent of federal oversight; (2) priorities and budgets; and (3) results-oriented performance measures, milestones, and data. EPA can improve its working relationship with states by establishing a structure to set direction, establish goals, provide training, oversee accomplishments, and ensure accountability of EPA program and regional offices for encouraging and facilitating joint planning and priority setting with the states.

In an audit of state enforcement of the Clean Water Act, we reported that the state programs could be much more effective in deterring noncompliance with discharge permits and, ultimately, improving the quality of the Nation's water. EPA and the states have been successful in reducing point source pollution. Despite tremendous progress, however, nearly 40 percent of the Nation's assessed waters are not meeting the standards states have set for them. The state strategies we evaluated needed to be modified to better address environmental risks, including contaminated runoff. Contaminated runoff, including agricultural and urban runoff, was widely accepted as causing the majority of the Nation's remaining water quality problems. We recommended that EPA work with the states to develop risk-based enforcement priorities and upgrade the Permit Compliance System to ensure that the system meets federal and state needs.

The National Environmental Performance Partnership System (NEPPS) established a new framework to reinvent the EPA-state working relationship to better focus on working as partners to accomplish complex environmental issues with scarce resources. As one of the primary tools for implementing NEPPS, performance partnership grants (PPGs) allow states and tribes to combine multiple EPA grants into one. EPA began implementing PPGs in 1996.

In a series of audits on regional and state NEPPS program implementation (including PPGs), we found that NEPPS principles were not well integrated into EPA because of the lack of (1) leadership providing a clear direction and expectations, (2) training and guidance, (3) trust in NEPPS due to fear of change and losing control, and (4) goals and related performance measures to monitor and measure progress on achieving better environmental results.

Since we began issuing our reports in September 1999, EPA has taken several steps to ensure that NEPPS fulfills its potential. To address the lack of leadership and clear direction for NEPPS, the Agency formally designated the Assistant Administrator for the Office of Congressional and Intergovernmental Relations as the National Program Manager for NEPPS. The Agency also began drafting a handbook to promote understanding of NEPPS and included PPG project officer training as part of its national grants conference.

The current Administration has also taken steps to set Agency direction for NEPPS and to better integrate NEPPS into EPA. The Administrator has emphasized a personal interest in seeing NEPPS succeed and expand. She described NEPPS as an excellent model of how EPA should work with states and asked Regional Administrators to provide her with regular reports on how NEPPS is working. She also asked the Assistant Administrators to work with the EPA regions and states in identifying areas where flexibility is available and to encourage the testing of new measures of program performance.

Although EPA has taken some notable actions, we believe much remains to be done to improve its working relationship with states. For example, the Agency and state managers continue to struggle with how to provide states flexibility to address their highest environmental priorities while continuing to implement and report on core program requirements. In addition, EPA has not defined its performance measures and related milestones to monitor EPA and state progress toward accomplishing NEPPS and PPG goals. We will continue to monitor the Agency's progress in addressing this important issue.

PROTECTING INFRASTRUCTURE FROM NONTRADITIONAL ATTACKS

Under Presidential Decision Directive (PDD) 63, initiated in May 1998, federal agencies are required to review by May 2003 their respective critical physical and cyber-based infrastructures to ensure the performance of their mission in the event of nontraditional attacks within the United States. The Directive also places additional responsibility with federal agencies considered to have a major sector vulnerable to infrastructure attacks. EPA has been designated the Lead Agency and Sector Liaison for the Nation's water systems. The Agency, in cooperation with its private sector counterparts, is to address potential areas of vulnerability and protection of the Nation's critical water system infrastructure.

In June 2001 we reported that funding problems had caused delays in attempts by EPA and the private sector to develop a national framework for protecting this critical infrastructure. Consequently, some key PDD 63 requirements, such as conducting vulnerability assessments and risk mitigation, as well as implementing a Vulnerability Awareness and Education Program for the water sector, had yet to be achieved. As a result, the OIG could not state whether EPA and its private sector counterparts would be successful in their attempt to develop a national framework for protecting the critical infrastructure of the Nation's water supply.

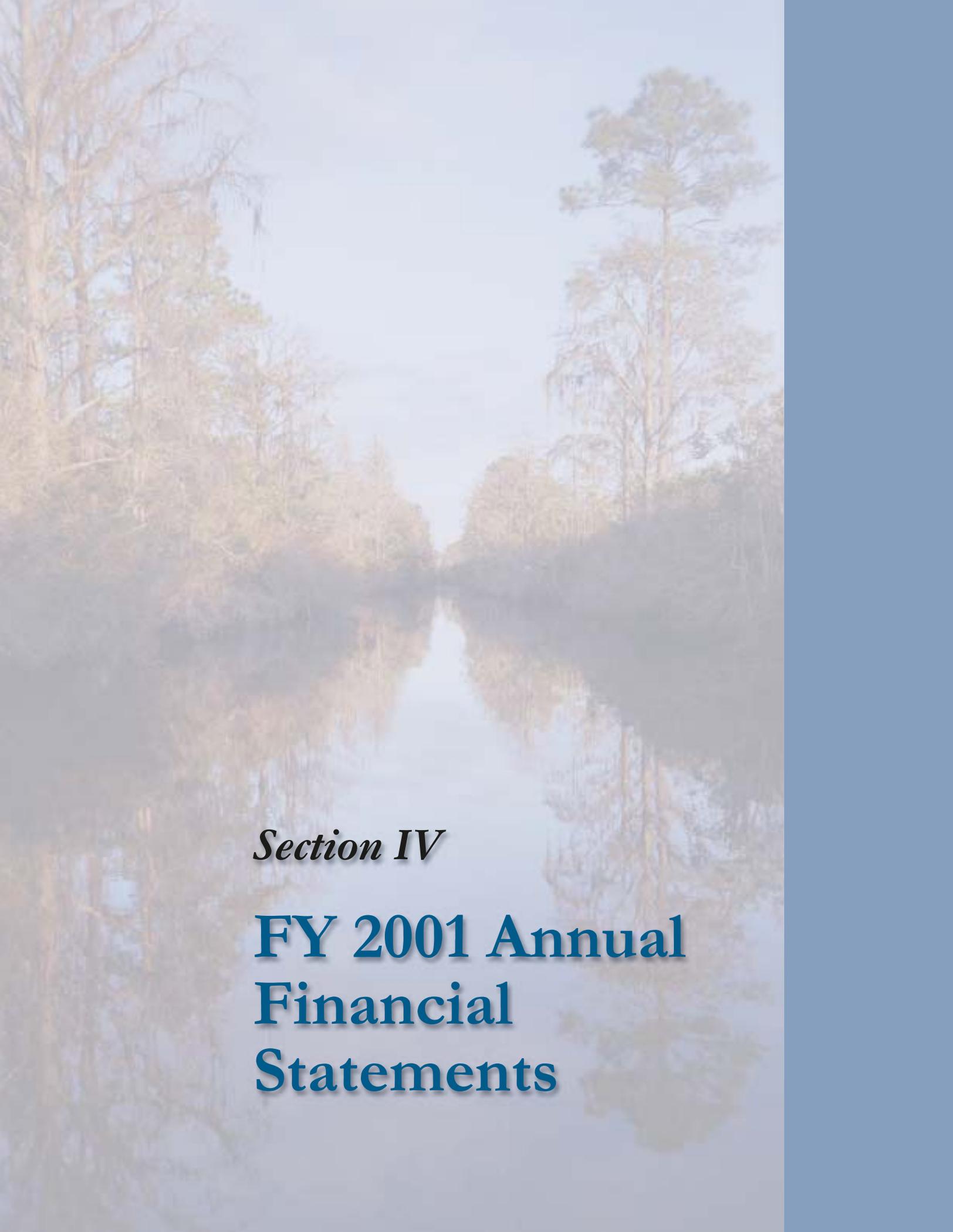
In our report, we recommended that the Agency complete PDD 63 activities in process, fill gaps in critical infrastructure planning, and address resource needs. In response, the Agency generally agreed with our conclusions and recommendations. The Agency cited various actions to address security issues, including developing a vulnerability assessment methodology for the industry, training utilities to undertake vulnerability assessments, revising emergency operations plans to incorporate specific counterterrorism measures, supporting the development of a secure Information System and Analysis Center, and awarding grants to study the use of advanced technology to produce devices for detecting dangerous microorganisms in water supplies.

In light of the events of September 11, 2001, the OIG and the Senate Committee on Environment and Public Works asked the Agency in October to report its current and more immediate action plans

to protect the Nation's water systems from terrorist attack. In a November 19, 2001, memo to the OIG, the Agency reported that the Administrator has established a Water Protection Task Force with a staff working full-time on implementing PDD 63 and other related activities. (This move increased the staff working on water security issues from 1 full-time engineer to about 10 full-time staff and many part-time EPA specialists.) Significant progress has been made on many of the tasks outlined in a 1998 draft plan to develop the National Infrastructure Assurance Plan: Water Supply Sector. Most of the tasks have been examined closely, revised as appropriate, and placed on an accelerated schedule so that the majority of activities will be completed by

the end of 2002, with the remainder completed in 2003. In addition to accelerating the work, the Agency has expanded the work to include support for all water systems, both drinking water and wastewater. (The original plan was to focus on the largest drinking water systems serving more than 100,000 people.)

This is a major Agency initiative with national impact that merits continued attention to ensure that planned activities are implemented; milestones are met; and issues are reported, addressed, and corrected as soon as possible. We will monitor the Agency's progress on this important water issue.



Section IV

**FY 2001 Annual
Financial
Statements**

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CHIEF FINANCIAL OFFICER'S ANALYSIS OF EPA'S FISCAL YEAR 2001 AND 2000 FINANCIAL STATEMENTS

Summary of Auditor's Report and Opinions

The Agency prepared the following FY 2001 Financial Statements: Statement of Financial Position (Balance Sheet), Statement of Changes in Net Position, Statement of Net Cost, Statement of Budgetary Resources, Statement of Financing, and Statement of Custodial Activity. In addition, we prepared a Statement of Net Cost by Goal for each of the Agency's ten Strategic Goals.

The Office of Inspector General (OIG) stated "In our opinion, the consolidating financial statements present fairly the consolidated and individual assets, liabilities, net position, net cost, net cost by goal, changes in net position, reconciliation of net cost to budgetary obligations, and custodial activity of the U.S. Environmental Protection Agency and its subsidiary funds, the Superfund Trust Fund and All Other Appropriated Funds, as of and for the years ended September 30, 2001, and 2000, and budgetary resources as of and for the year ended September 30, 2001, in accordance with generally accepted accounting principles."

Report on Internal Controls

Although the OIG's Audit Report on EPA's Fiscal 2001 and 2000 Financial Statements cited three reportable conditions, the Report did not identify any material weaknesses.¹ These reportable conditions are summarized below, along with a short statement of the Agency's position with respect to each of those items.

- **EPA Did Not Implement Accounting for Internal Use Software Standard Timely** – OIG noted that the Agency did not issue formal policy and guidance until two days prior to the end of the fiscal year. This delay meant that the standard was not being followed during the course of the fiscal year. Consequently, the amount of capitalized software recognized on the financial statements was determined using estimates. OIG felt that some of supporting documentation was insufficient and thus that the software balance of \$11 million might be understated. However, the OIG did not recommend any corrective actions since the implementing policy was issued.

OCFO acknowledges that the Agency did not issue final internal policies and procedures implementing the new software accounting standard until the end of the fiscal year. In order to ensure that the FY 2001 financial statements incorporated the new standard, OCFO drew on existing OMB information technology reporting requirements as the basis for a comprehensive review of all major Agency systems. This review determined whether each system included software subject to the new standard or was exempt based on dollar thresholds or other standard-prescribed criteria. As a result, OCFO determined the correct amount to be recognized.

- **Additional Improvements Needed in EPA's Interagency Agreement Invoice Approval Process** – The Audit Report recognizes that the Agency has taken a number of corrective actions to strengthen the EPA Interagency Agreement (IAG) invoice approval process since the OIG first made recommendations on this topic in the fiscal 1994 Audit Report. The current Audit Report makes no new recommendations. The Agency's only open corrective action is to implement an automated project officer notification system to replace our current manual system and that action should be completed by April 30, 2002.
- **Automated Application Processing Controls** – In this Audit and in earlier Audit Reports the OIG stated that they have not found the documentation supporting the Agency's Integrated Financial Management System (IFMS) adequate to perform an assessment of IFMS's automated input, processing, and output

¹ A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatement of amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.

controls. Although the Agency has taken a number of actions to address the OIG's concerns, the Agency's current focus is on the project to replace IFMS and in providing thorough documentation of the new system. The Audit Report noted that the OIG believes EPA is moving in a credible fashion toward replacing IFMS. The OIG made no new recommendations.

Compliance with Laws and Regulations

Substantial Noncompliance with the Federal Financial Management Improvement Act (FFMIA)

The OIG identified only one area where they believed the OCFO was in substantial noncompliance with the FFMIA, and that concerned Statement of Federal Financial Accounting Standards No. 4, *“Managerial Cost Accounting Concepts and Standards for the Federal Government.”* The OIG included this finding in the prior two Financial Statement Audit Reports. While OCFO agrees that improvements in cost accounting can be made, and has continued to take initiative as a federal leader in this area, OCFO also believes that the Agency substantially complies with this Standard. In accordance with the provisions of the FFMIA, the OIG has elevated this issue to the EPA Administrator.

Other Noncompliance Issues with FFMIA

The OIG cited, as a nonsubstantial noncompliance, EPA's difficulties in reconciling its intragovernmental assets and liabilities with its federal trading partners. The OIG states that without the proper confirmations from each of its trading partners, EPA cannot fully assure that its intragovernmental balances are accurate. However, the OIG recognized that this is a federal wide problem and that EPA has been proactive in addressing the challenges of reconciliation. We appreciate the OIG's acknowledgment of our efforts.

Progress in Correcting Previously Identified Problems

OCFO management completed a major effort to improve the preparation process for our financial statements this year, including automating the generation of the principal schedules. In order to meet the challenges associated with accelerated submission dates in future years, OCFO will continue to identify areas where this process can be further automated and streamlined for future financial statements.

We also have completed a number of major action items in our FY 1999 Remediation Plan and expect to have all the actions completed by mid-summer of 2002. OCFO, the Facilities Management and Services Division, and the Office of Acquisition Management have worked together and improved the accounting process for capitalized property. Also we have completed our process improvements for reviewing unliquidated obligations. As a result, there were no reportable conditions listed in this year's audit report regarding property accounting or unliquidated obligations.

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- Annual Stewardship Information (Unaudited)

ENVIRONMENTAL PROTECTION AGENCY
CONSOLIDATING BALANCE SHEET
AS OF SEPTEMBER 30, 2001 AND 2000 (FY 2000 Restated-See Note 37*)
(Dollars in Thousands)

	Superfund Trust Fund FY 2001	Superfund Trust Fund FY 2000*	All Others FY 2001	All Others FY 2000*	Combined Totals FY 2001
ASSETS					
Intragovernmental:					
Fund Balance with Treasury (Note 2)	\$ 6,706	\$ 37,397	\$ 11,272,374	\$ 11,059,256	\$ 11,279,080
Investments (Note 4)	3,724,044	3,960,313	1,778,818	1,593,357	5,502,862
Accounts Receivable, Net (Notes 5 and 37)	31,178	40,671	69,977	80,824	101,155
Other (Note 6)	5,521	21,789	4,386	7,452	9,907
Total Intragovernmental	\$ 3,767,449	4,060,170	13,125,555	12,740,889	16,893,004
Accounts Receivable, Net (Note 5)	466,038	617,039	75,027	87,895	541,065
Loans Receivables, Net - Non Federal (Note 7)	0	0	75,552	89,128	75,552
Cash (Note 3)	0	0	0	48	0
Inventory & Property Received in Settlement (Note 8)	0	5,086	253	347	253
Property, Plant and Equipment, Net (Note 9)	16,515	13,581	526,893	473,028	543,408
Other (Note 6)	8,878	750	875	1,712	9,753
Total Assets	\$ 4,258,880	\$ 4,696,626	\$ 13,804,155	\$ 13,393,047	\$ 18,063,035
LIABILITIES					
Intragovernmental:					
Accounts Payable (Note 37)	\$ 65,809	\$ 121,920	\$ 1,118	\$ 1,506	\$ 66,927
Accrued Liabilities	57,728	51,748	40,541	50,580	98,269
Custodial Liability (Note 11)	0	0	77,778	102,469	77,778
Debt (Note 10)	0	0	31,124	37,922	31,124
Other (Note 12)	21,308	8,848	27,507	28,849	48,815
Total Intragovernmental	144,845	182,516	178,068	221,326	322,913
Accounts Payable	39,878	46,066	91,083	84,956	130,961
Accrued Liabilities	97,857	145,358	564,191	631,909	662,048
Cashout Advances & Deferrals, Superfund (Note 15)	394,699	372,586	0	0	394,699
Payroll and Benefits Payable (Note 33)	35,111	32,832	163,730	151,363	198,841
Pensions and Other Actuarial Liabilities (Note 14)	7,731	6,637	31,902	27,036	39,633
Environmental Cleanup Costs (Note 20)	0	0	14,528	15,499	14,528
Commitments and Contingencies (Note 18)	3,778	5,000	6,020	2,950	9,798
Other (Note 12 and Note 13)	27,659	30,192	60,536	49,147	88,195
Total Liabilities	751,558	821,187	1,110,058	1,184,186	1,861,616
NET POSITION					
Unexpended Appropriations (Note 16)	0	0	10,358,961	10,119,838	10,358,961
Cumulative Results of Operations (Note 37)	3,507,322	3,875,439	2,335,136	2,089,023	5,842,458
Total Net Position (Note 37)	3,507,322	3,875,439	12,694,097	12,208,861	16,201,419
Total Liabilities and Net Position	\$ 4,258,880	\$ 4,696,626	\$ 13,804,155	\$ 13,393,047	\$ 18,063,035

* Intragovernmental Accounts Receivable and Payable and Cumulative Results of Operations restated for FY 2000 - see Note 37.

The accompanying notes are an integral part of these statements.

ENVIRONMENTAL PROTECTION AGENCY
CONSOLIDATING BALANCE SHEET
AS OF SEPTEMBER 30, 2001 AND 2000 (FY 2000 Restated-See Note 37*)
(Dollars in Thousands)

	Combined Totals FY 2000*	Intra-agency Elimination FY 2001	Intra-agency Elimination FY 2000*	Consolidated Totals FY 2001	Consolidated Totals FY 2000
ASSETS					
Intragovernmental:					
Fund Balance with Treasury (Note 2)	\$ 11,096,653	\$ 0	\$ 0	\$ 11,279,080	\$ 11,096,653
Investments (Note 4)	5,553,670	0	0	5,502,862	5,553,670
Accounts Receivable, Net (Notes 5 and 37)	121,495	(48,128)	(50,644)	53,027	70,851
Other (Note 6)	29,241	(5,739)	(6,510)	4,168	22,731
Total Intragovernmental	16,801,059	(53,867)	(57,154)	\$ 16,839,137	16,743,905
Accounts Receivable, Net (Note 5)	704,934	0	0	541,065	704,934
Loans Receivables, Net - Non Federal (Note 7)	89,128	0	0	75,552	89,128
Cash (Note 3)	48	0	0	0	48
Inventory & Property Received in Settlement (Note 8)	5,433	0	0	253	5,433
General Property, Plant and Equipment, Net (Note 9)	486,609	0	0	543,408	486,609
Other (Note 6)	2,462	0	0	9,753	2,462
Total Assets	\$ 18,089,673	\$ (53,867)	0 (57,154)	\$ 18,009,168	\$ 18,032,519
LIABILITIES					
Intragovernmental:					
Accounts Payable (Note 37)	\$ 123,426	\$ (45,271)	\$ (46,453)	21,656	\$ 76,973
Accrued Liabilities	102,328	(3,241)	(4,191)	95,028	98,137
Custodial Liability (Note 11)	102,469	0	0	77,778	102,469
Debt (Note 10)	37,922	0	0	31,124	37,922
Other (Note 12)	37,697	(5,355)	(6,510)	43,460	31,187
Total Intragovernmental	403,842	(53,867)	(57,154)	\$ 269,046	346,688
Accounts Payable	131,022	0	0	130,961	131,022
Accrued Liabilities	777,267	0	0	662,048	777,267
Cashout Advances & Deferrals, Superfund (Note 15)	372,586	0	0	394,699	372,586
Payroll and Benefits Payable (Note 33)	184,195	0	0	198,841	184,195
Pensions and Other Actuarial Liabilities (Note 14)	33,673	0	0	39,633	33,673
Environmental Cleanup Costs (Note 20)	15,499	0	0	14,528	15,499
Commitments and Contingencies (Note 18)	7,950	0	0	9,798	7,950
Other (Note 12 and Note 13)	79,339	0	0	88,195	79,339
Total Liabilities	2,005,373	(53,867)	(57,154)	1,807,749	1,948,219
NET POSITION					
Unexpended Appropriations (Note 16)	10,119,838	0	0	10,358,961	10,119,838
Cumulative Results of Operations (Note 37)	5,964,462	0	0	5,842,458	5,964,462
Total Net Position (Note 37)	16,084,300	0	0	16,201,419	16,084,300
Total Liabilities and Net Position	\$ 18,089,673	\$ (53,867)	\$ (57,154)	\$ 18,009,168	\$ 18,032,519

* Intragovernmental Accounts Receivable and Payable and Cumulative Results of Operations restated for FY 2000 - see Note 37.

The accompanying notes are an integral part of these statements.

ENVIRONMENTAL PROTECTION AGENCY
CONSOLIDATED STATEMENT OF NET COST BY GOAL
FOR THE YEAR ENDED SEPTEMBER 30, 2001
(Dollars in Thousands)

	Clean Air	Clean and Safe Water	Safe Food	Prevent Pollution	Better Waste Management	Global Risks
COSTS:						
Federal	\$ 87,360	\$ 156,900	\$ 30,210	\$ 41,065	\$ 465,452	\$ 39,816
With the Public	458,256	3,482,906	77,687	236,933	1,442,650	186,919
Total Costs	<u>545,616</u>	<u>3,639,806</u>	<u>107,897</u>	<u>277,998</u>	<u>1,908,102</u>	<u>226,735</u>
Less:						
Earned Revenues	<u>702</u>	<u>4,966</u>	<u>17,051</u>	<u>1,545</u>	<u>510,905</u>	<u>7,286</u>
Total Revenue	<u>702</u>	<u>4,966</u>	<u>17,051</u>	<u>1,545</u>	<u>510,905</u>	<u>7,286</u>
Management Cost Allocation	<u>65,958</u>	<u>77,128</u>	<u>33,657</u>	<u>42,067</u>	<u>103,802</u>	<u>23,282</u>
NET COST OF OPERATIONS	<u>\$ 610,872</u>	<u>\$ 3,711,968</u>	<u>\$ 124,503</u>	<u>\$ 318,520</u>	<u>\$ 1,500,999</u>	<u>\$ 242,731</u>

ENVIRONMENTAL PROTECTION AGENCY
CONSOLIDATED STATEMENT OF NET COST BY GOAL
FOR THE YEAR ENDED SEPTEMBER 30, 2000 - Restated (See Note 34)
(Dollars in Thousands)

	Clean Air	Clean and Safe Water	Safe Food	Prevent Pollution	Better Waste Management	Global Risks
COSTS:						
Federal (Note 34)	\$ 62,400	\$ 134,808	\$ 18,372	\$ 29,823	\$ 387,651	\$ 30,549
With the Public	462,922	3,209,971	80,003	231,151	1,478,910	179,880
Total Costs	<u>525,322</u>	<u>3,344,779</u>	<u>98,375</u>	<u>260,974</u>	<u>1,866,561</u>	<u>210,429</u>
Less:						
Earned Revenues	<u>219</u>	<u>5,794</u>	<u>21,247</u>	<u>4,180</u>	<u>336,253</u>	<u>6,939</u>
Total Revenue	<u>219</u>	<u>5,794</u>	<u>21,247</u>	<u>4,180</u>	<u>336,253</u>	<u>6,939</u>
Management Cost Allocation (Note 34)	<u>53,522</u>	<u>73,540</u>	<u>21,779</u>	<u>34,754</u>	<u>135,265</u>	<u>15,755</u>
NET COST OF OPERATIONS (Note 34)	<u>\$ 578,625</u>	<u>\$ 3,412,525</u>	<u>\$ 98,907</u>	<u>\$ 291,548</u>	<u>\$ 1,665,573</u>	<u>\$ 219,245</u>

Detailed descriptions of the above Goals are provided in EPA's FY 2001 Annual Report, Section II - Performance Results.

The accompanying notes are an integral part of these statements.

ENVIRONMENTAL PROTECTION AGENCY
CONSOLIDATED STATEMENT OF NET COST BY GOAL
FOR THE YEAR ENDED SEPTEMBER 30, 2001
(Dollars in Thousands)

	Right to Know	Sound Science	Credible Deterrent	Effective Management	Not Assigned to Goals*	Consolidated Totals
COSTS:						
Federal	\$ 41,540	\$ 58,804	\$ 100,116	\$ 66,461	\$ 29,438	\$ 1,117,162
With the Public	126,154	290,056	299,021	424,036	(60,997)	6,963,641
Total Costs	<u>167,694</u>	<u>348,860</u>	<u>399,137</u>	<u>490,497</u>	<u>(31,539)</u>	<u>8,080,803</u>
Less:						
Earned Revenues	324	706	786	4,330	(1,898)	546,703
Total Revenue	<u>324</u>	<u>706</u>	<u>786</u>	<u>4,330</u>	<u>(1,898)</u>	<u>546,703</u>
Management Cost Allocation	30,017	47,331	62,925	(486,167)	0	0
NET COST OF OPERATIONS	<u>\$ 197,387</u>	<u>\$ 395,485</u>	<u>\$ 461,276</u>	<u>\$ 0</u>	<u>\$ (29,641)</u>	<u>\$ 7,534,100</u>

ENVIRONMENTAL PROTECTION AGENCY
CONSOLIDATED STATEMENT OF NET COST BY GOAL
FOR THE YEAR ENDED SEPTEMBER 30, 2000 - Restated (See Note 34)
(Dollars in Thousands)

	Right to Know	Sound Science	Credible Deterrent	Effective Management	Not Assigned to Goals*	Consolidated Totals
COSTS:						
Federal (Note 34)	\$ 22,120	\$ 42,324	\$ 52,421	\$ 125,211	\$ 120,149	\$ 1,025,828
With the Public	114,439	286,882	317,423	339,874	25,346	6,726,801
Total Costs	<u>136,559</u>	<u>329,206</u>	<u>369,844</u>	<u>465,085</u>	<u>145,495</u>	<u>7,752,629</u>
Less:						
Earned Revenues	338	1,490	495	1,694	3,335	381,984
Total Revenue	<u>338</u>	<u>1,490</u>	<u>495</u>	<u>1,694</u>	<u>3,335</u>	<u>381,984</u>
Management Cost Allocation (Note 34)	22,752	30,676	75,348	(463,391)	0	0
NET COST OF OPERATIONS (Note 34)	<u>\$ 158,973</u>	<u>\$ 358,392</u>	<u>\$ 444,697</u>	<u>\$ 0</u>	<u>\$ 142,160</u>	<u>\$ 7,370,645</u>

* See Note 30.

Detailed descriptions of the above Goals are provided in EPA's FY 2001 Annual Report, Section II - Performance Results.

The accompanying notes are an integral part of these statements.

ENVIRONMENTAL PROTECTION AGENCY
CONSOLIDATING STATEMENT OF NET COST
FOR THE YEARS ENDED SEPTEMBER 30, 2001 AND 2000 - FY 2000 Restated (See Note 34)
(Dollars in Thousands)

	Superfund Trust Fund FY 2001	Superfund Trust Fund FY 2000*	All Others FY 2001	All Others FY 2000*	Combined Totals FY 2001
COSTS:					
Intragovernmental (Note 34)	\$ 426,499	\$ 353,782	\$ 710,290	\$ 689,140	\$ 1,136,789
With the Public	1,179,013	1,259,464	5,784,628	5,467,337	6,963,641
Expenses from Other Appropriations (Note 23)	\$ 103,654	31,270	(103,654)	(31,270)	0
Total Costs	<u>\$ 1,709,166</u>	<u>1,644,516</u>	<u>6,391,264</u>	<u>6,125,207</u>	<u>8,100,430</u>
Less:					
Earned Revenues	\$ 488,397	307,200	77,933	91,878	566,330
Total Revenue	<u>\$ 488,397</u>	<u>307,200</u>	<u>77,933</u>	<u>91,878</u>	<u>566,330</u>
NET COST OF OPERATIONS (Note 34)	<u>\$ 1,220,769</u>	<u>\$ 1,337,316</u>	<u>\$ 6,313,331</u>	<u>\$ 6,033,329</u>	<u>\$ 7,534,100</u>

* Restated amounts - See Note 34.

ENVIRONMENTAL PROTECTION AGENCY
CONSOLIDATING STATEMENT OF NET COST
FOR THE YEARS ENDED SEPTEMBER 30, 2001 AND 2000 - FY 2000 Restated (See Note 34)
(Dollars in Thousands)

	Combined Totals FY 2000*	Intra-agency Eliminations FY 2001	Intra-agency Eliminations FY 2000*	Consolidated Totals FY 2001	Consolidated Totals FY 2000*
COSTS:					
Intragovernmental (Note 34)	\$ 1,042,922	\$ (19,627)	\$ (17,094)	\$ 1,117,162	\$ 1,025,828
With the Public	6,726,801	0	0	6,963,641	6,726,801
Expenses from Other Appropriations (Note 23)	\$ 0	0	0	0	0
Total Costs	<u>\$ 7,769,723</u>	<u>\$ (19,627)</u>	<u>\$ (17,094)</u>	<u>\$ 8,080,803</u>	<u>\$ 7,752,629</u>
Less:					
Earned Revenues	\$ 399,078	(19,627)	(17,094)	546,703	381,984
Total Revenue	<u>\$ 399,078</u>	<u>(19,627)</u>	<u>(17,094)</u>	<u>546,703</u>	<u>381,984</u>
NET COST OF OPERATIONS (Note 34)	<u>\$ 7,370,645</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 7,534,100</u>	<u>\$ 7,370,645</u>

* Restated amounts - See Note 34.

The accompanying notes are an integral part of these statements.

ENVIRONMENTAL PROTECTION AGENCY
CONSOLIDATING STATEMENT OF CHANGES IN NET POSITION
FOR THE YEARS ENDED SEPTEMBER 30, 2001 AND 2000 (FY 2000 Restated*-See Notes 34 & 37)
(Dollars in Thousands)

	Superfund Trust Fund FY 2001	Superfund Trust Fund FY 2000*	All Others FY 2001	All Others FY 2000*	Combined Totals FY 2001
Net Cost of Operations (Note 34)	\$ 1,220,769	\$ 1,337,316	\$ 6,313,331	\$ 6,033,329	\$ 7,534,100
Financing Sources (Other Than Exchange Revenues):					
Appropriations Used	0	0	6,867,762	6,632,631	6,867,762
Taxes & Non-Exchange Interest (Note 17)	226,861	240,808	276,346	260,272	503,207
Other Non-Exchange Revenue	2,775	1,192	11,878	12,958	14,653
Imputed Financing (Notes 32 and 34)	13,686	12,534	77,855	70,384	91,541
Trust Fund Appropriations (Note 17)	633,603	700,000	(633,603)	(700,000)	0
Transfers-In (Notes 31 and 37)	0	9,707	62,861	64,995	62,861
Transfers-Out (Notes 31 and 37)	(127,927)	(124,200)	0	(990)	(127,927)
Income from Other Appropriations (Note 23)	103,654	31,270	(103,654)	(31,270)	0
Net Results of Operations before Accounting Changes for Trust Funds, Cashout Interest, & Transfers	(368,117)	(466,005)	246,114	275,651	(122,003)
Cumulative Effect of Trust Fund Accounting Changes on Net Results of Operations (Note 35)	0	2,656,831	0	91,596	0
Cumulative Effect of Cashout Interest Accounting Changes on Net Results of Operations (Note 36)	0	85,382	0	0	0
Cumulative Effect of Expenditure Transfer Accounting Changes on Net Results of Operations (Note 37)	0	(45,188)	0	45,188	0
Net Change in Cumulative Results of Operations	(368,117)	2,231,020	246,114	412,435	(122,003)
Increases/(Decreases) in Unexpended Appropriations	0	(2,656,831)	239,122	42,874	239,122
Change in Net Position	(368,117)	(425,811)	485,236	455,309	117,119
Net Position - Beginning of Period (Note 37)	3,875,439	4,301,250	12,208,861	11,753,552	16,084,300
Net Position - End of Period (Note 37)	\$ 3,507,322	\$ 3,875,439	\$ 12,694,097	\$ 12,208,861	\$ 16,201,419

* FY 2000 Net Cost of Operations and Imputed Financing are restated - See Note 34.
Also FY 2000 Transfers-in, Transfers-out, and Ending Net Position are restated; with an additional Accounting Change for Expenditure Transfers. - See Note 37.

The accompanying notes are an integral part of these statements.

ENVIRONMENTAL PROTECTION AGENCY
CONSOLIDATING STATEMENT OF CHANGES IN NET POSITION
FOR THE YEARS ENDED SEPTEMBER 30, 2001 AND 2000 (FY 2000 Restated*-See Notes 34 & 37)
(Dollars in Thousands)

	Combined Totals FY 2000*	Intra-agency Eliminations FY 2001	Intra-agency Eliminations FY 2000*	Consolidated Totals FY 2001	Consolidated Totals FY 2000*
Net Cost of Operations (Note 34)	\$ 7,370,645	\$ 0	\$ 0	\$ 7,534,100	\$ 7,370,645
Financing Sources (Other Than Exchange Revenues):					
Appropriations Used	6,632,631	0	0	6,867,762	6,632,631
Taxes & Non-Exchange Interest (Note 17)	501,080	0	0	503,207	501,080
Other Non-Exchange Revenue	14,150	0	0	14,653	14,150
Imputed Financing (Notes 32 and 34)	82,918	0	0	91,541	82,918
Trust Fund Appropriations (Note 17)	0	0	0	0	0
Transfers-In (Notes 31 and 37)	74,702	(47,894)	(49,990)	14,967	24,712
Transfers-Out (Notes 31 and 37)	(125,190)	47,894	49,990	(80,033)	(75,200)
Income from Other Appropriations (Note 23)	0	0	0	0	0
Net Results of Operations before Accounting Changes for Trust Funds, Cashout Interest, & Transfers	(190,354)	0	0	(122,003)	(190,354)
Cumulative Effect of Trust Fund Accounting Changes on Net Results of Operations (Note 35)	2,748,427	0	0	0	2,748,427
Cumulative Effect of Cashout Interest Accounting Changes on Net Results of Operations (Note 36)	85,382	0	0	0	85,382
Cumulative Effect of Expenditure Transfer Accounting Changes on Net Results of Operations (Note 37)	0	0	0	0	0
Net Change in Cumulative Results of Operations	2,643,455	0	0	(122,003)	2,643,455
Increases/(Decreases) in Unexpended Appropriations	(2,613,957)	0	0	239,122	(2,613,957)
Change in Net Position	29,498	0	0	117,119	29,498
Net Position - Beginning of Period (Note 37)	16,054,802	0	0	16,084,300	16,054,802
Net Position - End of Period (Note 37)	\$ 16,084,300	\$ 0	\$ 0	\$ 16,201,419	\$ 16,084,300

* FY 2000 Net Cost of Operations and Imputed Financing are restated - See Note 34.
Also FY 2000 Transfers-in, Transfers-out, and Ending Net Position are restated; with an additional Accounting Change for Expenditure Transfers. - See Note 37.

The accompanying notes are an integral part of these statements.

ENVIRONMENTAL PROTECTION AGENCY
COMBINED STATEMENT OF BUDGETARY RESOURCES
FOR THE YEAR ENDED SEPTEMBER 30, 2001
(Dollars in Thousands)

	Superfund Trust Fund	All Others	Combined Totals
Budgetary Resources			
Budget Authority	\$ 1,288,437	\$ 7,245,878	\$ 8,534,31
Unobligated Balances, Beginning of Period	450,538	1,774,158	2,224,696
Net Transfers, Prior Period Balances	0	1,003	1,003
Spending Authority from Offsetting Collections	348,758	303,972	652,730
Adjustments (Note 26)	196,644	18,095	214,739
Total Budgetary Resources (Note 25)	<u>\$ 2,284,377</u>	<u>\$ 9,343,106</u>	<u>\$ 11,627,483</u>
Status of Budgetary Resources			
Obligations Incurred (Note 25)	\$ 1,570,056	\$ 7,431,802	\$ 9,001,858
Unobligated Balances Available - Apportioned (Note 27)	714,321	1,791,475	2,505,796
Unobligated Balances Not Available (Note 27)	0	119,829	119,829
Total, Status of Budgetary Resources (Note 25)	<u>\$ 2,284,377</u>	<u>\$ 9,343,106</u>	<u>\$ 11,627,483</u>
Outlays (Note 25)			
Obligations Incurred (Note 25)	\$ 1,570,056	\$ 7,431,802	\$ 9,001,858
Less: Spending Authority from Offsetting Collections and Adjustments	(545,402)	(380,786)	(926,188)
Subtotal	<u>\$ 1,024,654</u>	<u>\$ 7,051,016</u>	<u>\$ 8,075,670</u>
Obligated Balance, Net - Beginning of Period	2,283,790	9,289,444	11,573,234
Obligated Balance Transferred, Net	0	0	0
Less: Obligated Balance, Net - End of Period (Note 28)	<u>(2,108,696)</u>	<u>(9,324,855)</u>	<u>(11,433,551)</u>
Total Outlays (Note 25)	<u>\$ 1,199,748</u>	<u>\$ 7,015,605</u>	<u>\$ 8,215,353</u>

The accompanying notes are an integral part of these statements.

ENVIRONMENTAL PROTECTION AGENCY
CONSOLIDATING STATEMENT OF FINANCING
FOR THE YEARS ENDED SEPTEMBER 30, 2001 AND 2000 (FY 2000 Restated*-See Note 34)
(Dollars in Thousands)

	Superfund Trust Fund FY 2001	Superfund Trust Fund FY 2000*	All Others FY 2001	All Others FY 2000*
Obligations and Nonbudgetary Resources				
Obligations Incurred	\$ 1,570,056	\$ 1,701,337	\$ 7,431,802	\$ 7,158,665
Less: Spending Authority for Offsetting Collections and Adjustments				
Earned Reimbursements				
Collected	(311,271)	(108,997)	(227,827)	(230,981)
Receivable from Federal Sources	3,716	13,324	6,306	20,720
Change in Unfilled Customer Orders (Decreases)/Increases	(41,203)	(17,846)	(36,273)	(54,653)
Transfers from Trust Funds	0	(9,642)	(46,178)	(46,358)
Recoveries of Prior Year Obligations	(196,644)	(201,660)	(76,814)	(111,767)
Imputed Financing for Cost Subsidies (Notes 32 and 34)	13,686	12,534	77,855	70,384
Income from Other Appropriations (Note 23)	103,654	31,270	(103,654)	(31,270)
Transfers-in/(out) of Nonmonetary Assets	0	39	0	0
Exchange Revenue Not in the Entity's Budget	(182,013)	(215,449)	(2,072)	(3,088)
Total Obligations as Adjusted and Nonbudgetary Resources	<u>959,981</u>	<u>1,204,910</u>	<u>7,023,145</u>	<u>6,771,652</u>
Resources that Do Not Fund Net Cost of Operations				
Change in Amount of Goods, Services, and Benefits Ordered But Not Yet Provided - (Increases)/Decreases	192,384	143,536	(117,998)	(74,345)
Change in Unfilled Customer Orders, etc.	41,203	17,846	36,273	53,227
Costs Capitalized on the Balance Sheet - (Increases)/Decreases				
General Plant, Property and Equipment	(8,306)	(3,827)	(74,092)	(107,711)
Purchases of Inventory	0	0	52	(68)
Adjustments to Costs Capitalized on the Balance Sheet	(40)	0	(4)	153
Collections that Decrease Credit Program Receivables or Increase Credit Program Liabilities	0	0	7,722	5,014
Adjustment for Trust Fund Outlays that Do Not Affect Net Cost	(94,347)	(38,090)	(587,424)	(652,268)
Total Resources that Do Not Fund Net Costs of Operations	<u>130,894</u>	<u>119,465</u>	<u>(735,471)</u>	<u>(775,998)</u>
Components of Costs that Do Not Require or Generate Resources				
Depreciation and Amortization	4,031	3,654	19,333	20,651
Bad Debt Related to Uncollectible Non-Credit Reform Receivables	133,761	3,075	2,881	1,518
Revaluation of Assets and Liabilities	0	0	0	(165)
Loss (Gain) on Disposition of Assets	(9,426)	(813)	895	0
Other Expenses not Requiring Budgetary Resources	699	45	(5,686)	3,409
Total Costs That Do Not Require Resources	<u>129,065</u>	<u>5,961</u>	<u>17,423</u>	<u>25,413</u>
Financing Sources Yet to be Provided (Note 29)	<u>829</u>	<u>6,980</u>	<u>8,234</u>	<u>12,262</u>
Net Costs of Operations (Note 34)	<u>\$ 1,220,769</u>	<u>\$ 1,337,316</u>	<u>\$ 6,313,331</u>	<u>\$ 6,033,329</u>

* Imputed Financing and Net Cost of Operations restated for FY 2000 - See Note 34.

The accompanying notes are an integral part of these statements.

ENVIRONMENTAL PROTECTION AGENCY
CONSOLIDATING STATEMENT OF FINANCING
FOR THE YEARS ENDED SEPTEMBER 30, 2001 AND 2000 (FY 2000 Restated*-See Note 34)
(Dollars in Thousands)

	Consolidated Totals FY 2001**	Consolidated Totals FY 2000* **
Obligations and Nonbudgetary Resources		
Obligations Incurred	\$ 9,001,585	\$ 8,860,002
Less: Spending Authority for Offsetting Collections and Adjustments		
Earned Reimbursements		
Collected	(539,098)	(339,978)
Receivable from Federal Sources	10,022	34,044
Change in Unfilled Customer Orders (Decreases)/Increases	(77,476)	(72,499)
Transfers from Trust Funds	(46,178)	(56,000)
Recoveries of Prior Year Obligations	(273,458)	(313,427)
Imputed Financing for Cost Subsidies (Notes 32 and 34)	91,541	82,918
Income from Other Appropriations (Note 23)	0	0
Transfers-in/(out) of Nonmonetary Assets	0	39
Exchange Revenue Not in the Entity's Budget	(184,085)	(218,537)
Total Obligations as Adjusted and Nonbudgetary Resources	7,983,126	7,976,562
Resources that Do Not Fund Net Cost of Operations		
Change in Amount of Goods, Services, and Benefits Ordered But Not Not Yet Provided - (Increases)/Decreases	74,386	69,191
Change in Unfilled Customer Orders, etc.	77,476	71,073
Costs Capitalized on the Balance Sheet - (Increases)/Decreases		
General Plant, Property and Equipment	(82,398)	(111,538)
Purchases of Inventory	52	(68)
Adjustments to Costs Capitalized on the Balance Sheet	(44)	153
Collections that Decrease Credit Program Receivables or Increase Credit Program Liabilities	7,722	5,014
Adjustment for Trust Fund Outlays that Do Not Affect Net Cost	(681,771)	(690,358)
Total Resources that Do Not Fund Net Costs of Operations	(604,577)	(656,533)
Components of Costs that Do Not Require or Generate Resources		
Depreciation and Amortization	23,364	24,305
Bad Debt Related to Uncollectible Non-Credit Reform Receivables	136,642	4,593
Revaluation of Assets and Liabilities	0	(165)
Loss (Gain) on Disposition of Assets	(8,531)	(813)
Other Expenses not Requiring Budgetary Resources	(4,987)	3,454
Total Costs That Do Not Require Resources	146,488	31,374
Financing Sources Yet to be Provided (Note 29)	9,063	19,242
Net Costs of Operations (Note 34)	\$ 7,534,100	\$ 7,370,645

* Imputed Financing and Net Cost of Operations restated for FY 2000 - See Note 34.

** This statement did not have any intraagency eliminations for FY 2001 or FY 2000.

The accompanying notes are an integral part of these statements.

ENVIRONMENTAL PROTECTION AGENCY
CONSOLIDATED STATEMENT OF CUSTODIAL ACTIVITY
FOR THE YEARS ENDED SEPTEMBER 30, 2001 AND 2000
(Dollars in Thousands)

	FY 2001	FY 2000
Revenue Activity:		
Sources of Collections:		
Fines and Penalties	114,830	76,850
Other	\$ 31,754	\$ 18,418
Total Cash Collections	146,584	95,268
Accrual Adjustment	(24,692)	(8,678)
Total Custodial Revenue (Note 24)	<u>121,892</u>	<u>86,590</u>
Disposition of Collections:		
Transferred to Others (General Fund)	147,045	97,730
Increases/(Decreases) in Amounts To Be Transferred	(25,153)	(11,140)
Total Disposition of Collections	<u>121,892</u>	<u>86,590</u>
Net Custodial Revenue Activity (Note 24)	<u>\$ 0</u>	<u>\$ 0</u>

The accompanying notes are an integral part of these statements.

ENVIRONMENTAL PROTECTION AGENCY
NOTES TO FINANCIAL STATEMENTS
(Dollars in Thousands)

Note 1. Summary of Significant Accounting Policies

A. Basis of Presentation

These consolidating financial statements have been prepared to report the financial position and results of operations of the Environmental Protection Agency (Agency) for the Hazardous Substance Superfund (Superfund) Trust Fund and All Other Funds, as required by the Chief Financial Officers Act of 1990 and the Government Management Reform Act of 1994. The reports have been prepared from the books and records of the Agency in accordance with “Form and Content for Agency Financial Statements,” specified by the Office of Management and Budget (OMB) in Bulletin 01-09, and the Agency’s accounting policies which are summarized in this note. In addition, to the guidance in Bulletin 01-09, the Statement of Net Cost has been prepared by the EPA strategic goals. These statements are therefore different from the financial reports also prepared by the Agency pursuant to OMB directives that are used to monitor and control the Agency’s use of budgetary resources.

B. Reporting Entities

The Environmental Protection Agency was created in 1970 by executive reorganization from various components of other Federal agencies in order to better marshal and coordinate Federal pollution control efforts. The Agency is generally organized around the media and substances it regulates—air, water, land, hazardous waste, pesticides and toxic substances. For FY 2001, the reporting entities are grouped as Hazardous Substance Superfund and All Other Funds.

Hazardous Substance Superfund

In 1980, the Hazardous Substance Superfund, commonly referred to as the Superfund Trust Fund, was established by the Comprehensive Environmental Response, Compensation, and Liability Act of 1980 (CERCLA) to provide resources needed to respond to and clean up hazardous substance emergencies and abandoned, uncontrolled hazardous waste sites. The Superfund Trust Fund financing is shared by Federal and state governments as well as industry. The Agency allocates funds from its appropriation to other Federal agencies to carry out the Act. Risks to public health and the environment at uncontrolled hazardous waste sites qualifying for the Agency’s National Priorities List (NPL) are reduced and addressed through a process involving site assessment and analysis, and the design and implementation of cleanup remedies. Throughout this process, cleanup activities may be supported by shorter term removal actions to reduce immediate risks. Removal actions may include removing contaminated material from the site, providing an alternative water supply to people living nearby, and installing security measures. NPL cleanups and removals are conducted and financed by the Agency, private parties, or other Federal agencies. The Superfund Trust Fund includes the Treasury collections and investment activity. The Superfund Trust Fund is accounted for under Treasury symbol number 8145.

All Other Funds

All Other Funds include other Trust Fund appropriations, General Fund appropriations, Revolving Funds, Special Funds, the Agency Budgetary Clearing accounts, Deposit Funds, General Fund Receipt accounts, the Environmental Services Special Fund Receipt Account, the Miscellaneous Contributed Funds Trust Fund, and General Fund appropriations transferred from other Federal agencies as authorized by the Economy Act of 1932. Trust Fund appropriations are the Leaking Underground Storage Tank (LUST) Trust Fund and the Oil Spill Response Trust Fund. General Fund appropriations are the State and Tribal Assistance Grants (STAG), Science and Technology (S&T), Environmental Programs and Management (EPM), Office of Inspector

General (IG), Buildings and Facilities (B&F), and Payment to the Hazardous Substance Superfund. General Fund appropriation activities that no longer receive current definite appropriations but have unexpended authority are the Asbestos Loan Program and Energy, Research and Development. Revolving Funds include the FIFRA Revolving Fund and Tolerance Revolving Fund which receive no direct appropriations; however, they do collect fees from public industry as a source of reimbursement for the services provided. In addition to FIFRA and Tolerance, a Working Capital Fund (WCF) was established and designated as a franchise fund to provide computer operations support and postage service for the Agency. A Special Fund was established to collect the Exxon Valdez settlement as a result of the *Exxon Valdez* oil spill. All Other Funds are as follows:

The LUST Trust Fund was authorized by the Superfund Amendments and Reauthorization Act of 1986 (SARA) as amended by the Omnibus Budget Reconciliation Act of 1990. The LUST appropriation provides funding to respond to releases from leaking underground petroleum tanks. The Agency oversees cleanup and enforcement programs which are implemented by the states. Funds are allocated to the states through cooperative agreements to clean up those sites posing the greatest threat to human health and environment. Funds are used for grants to non-state entities including Indian tribes under section 8001 of the Resource Conservation and Recovery Act. The program is financed by a 0.1 cent a gallon tax on motor fuels which will expire in 2005, and is accounted for under Treasury symbol number 8153.

The Oil Spill Response Trust Fund was authorized by the Oil Pollution Act (OPA) of 1990. Monies were appropriated to the Oil Spill Response Trust Fund in 1993. The Agency is responsible for directing, monitoring and providing technical assistance for major inland oil spill response activities. This involves setting oil prevention and response standards, initiating enforcement actions for compliance with OPA and Spill Prevention Control and Countermeasure requirements, and directing response actions when appropriate. The Agency carries out research to improve response actions to oil spills including research on the use of remediation techniques such as dispersants and bioremediation. Funding of oil spill cleanup actions is provided through the Department of Transportation under the Oil Spill Liability Trust Fund and reimbursable funding from other Federal agencies. The Oil Spill Response Trust Fund is accounted for under Treasury symbol number 8221.

The State and Tribal Assistance Grants (STAG) appropriation provides funds for environmental programs and infrastructure assistance including capitalization grants for State revolving funds and performance partnership grants. Environmental programs and infrastructure supported are Clean and Safe Water; Capitalization grants for the Drinking Water State Revolving Funds; Clean Air; Direct grants for Water and Wastewater Infrastructure needs, Partnership grants to meet Health Standards, Protect Watersheds, Decrease Wetland Loss, and Address Agricultural and Urban Runoff and Storm Water; Better Waste Management; Preventing Pollution and Reducing Risk in Communities, Homes, Workplaces and Ecosystems; and Reduction of Global and Cross Border Environmental Risks. STAG is accounted for under Treasury symbol 0103.

The Science and Technology (S&T) appropriation finances salaries; travel; science; technology; research and development activities including laboratory and center supplies; certain operating expenses; grants; contracts; intergovernmental agreements; and purchases of scientific equipment. These activities provide the scientific basis for the Agency's regulatory actions. In FY 2001, Superfund research costs were appropriated in Superfund and transferred to S&T to allow for proper accounting of the costs. Scientific and technological activities for environmental issues include Clean Air; Clean and Safe Water; Americans Right to Know About Their Environment; Better Waste Management; Preventing Pollution and Reducing Risk in Communities, Homes, Workplaces, and Ecosystems; and Safe Food. The Science and Technology appropriation is accounted for under Treasury symbol 0107.

The Environmental Programs and Management (EPM) appropriation includes funds for salaries, travel, contracts, grants, and cooperative agreements for pollution abatement, control, and compliance activities and administrative activities of the operating programs. Areas supported from this appropriation include Clean Air; Clean and Safe Water; Preventing Pollution and Reducing Risk in Communities, Homes, Workplaces, and Ecosystems; Better Waste Management, Restoration of Contaminated Waste Sites, and Emergency Response; Reduction of Global and Cross Border Environmental Risks; Americans' Right to Know About Their Environment; Sound Science; Improved Understanding of Environmental Risk; and Greater Innovation to

Address Environmental Problems; Credible Deterrent to Pollution and Greater Compliance with the Law; and Effective Management. The Environmental Programs and Management appropriation is accounted for under Treasury symbol 0108.

The Office of Inspector General appropriation provides funds for audit and investigative functions to identify and recommend corrective actions on management and administrative deficiencies that create the conditions for existing or potential instances of fraud, waste and mismanagement. Additional funds for audit and investigative activities associated with the Superfund Trust Fund and the Leaking Underground Storage Tank Trust Funds are appropriated under those Trust Fund accounts and are transferred to the Office of Inspector General account. The audit function provides contract, internal and performance, and financial and grant audit services. The Office of Inspector General appropriation is accounted for under Treasury symbol 0112 and includes expenses incurred and reimbursed from the appropriated trust funds being accounted for under Treasury symbols 8145 and 8153.

The Buildings and Facilities appropriation provides for the construction, repair, improvement, extension, alteration, and purchase of fixed equipment or facilities that are owned or used by the Environmental Protection Agency. The Buildings and Facilities appropriation is accounted for under Treasury symbol 0110.

The Payment to the Hazardous Substance Superfund appropriation authorizes appropriations from the General Fund of the Treasury to finance activities conducted through Hazardous Substance Superfund. Payment to the Hazardous Substance Superfund is accounted for under Treasury symbol 0250.

The Asbestos Loan Program was authorized by the Asbestos School Hazard Abatement Act of 1986 to finance control of asbestos building materials in schools. Funds have not been appropriated for this Program since FY 1993. For FY 1993 and FY1992, the program was funded by a subsidy appropriated from the General Fund for the actual cost of financing the loans, and by borrowing from Treasury for the unsubsidized portion of the loan. The Program Fund disburses the subsidy to the Financing Fund for increases in subsidy. The Financing Fund receives the subsidy payment, borrows from Treasury and collects the asbestos loans. The Asbestos Loan Program is accounted for under Treasury symbol 0118 for the subsidy and administrative support, under Treasury symbol 4322 for loan disbursements, loans receivable and loan collections on post FY 1991 loans, and under Treasury symbol 2917 for pre FY 1992 loans receivable and loan collections.

The FIFRA Revolving Fund was authorized by the Federal Insecticide, Fungicide and Rodenticide Act of 1972 as amended and as amended by the Food Quality Protection Act of 1996. Fees are paid by industry to offset costs of accelerated reregistration, expedited processing of pesticides, and establishing tolerances for pesticide chemicals in or on food and animal feed. The FIFRA Revolving Fund is accounted for under Treasury symbol number 4310.

The Tolerance Revolving Fund was authorized in 1963 for the deposit of tolerance fees. Fees are paid by industry for Federal services of pesticide chemicals in or on food and animal feed. Effective January 2, 1997, fees collected are now being collected and deposited in the Reregistration and Expedited Processing Revolving Fund (4310). The fees collected prior to this date are accounted for under Treasury symbol number 4311.

The Working Capital Fund (WCF) includes two activities: computer support services and postage. WCF derives revenue from these activities based upon a fee for services. WCF's customers currently consist solely of Agency program offices. Accordingly, revenues generated by WCF and expenses recorded by the program offices for use of such services, along with the related advances/liabilities, are eliminated on consolidation. The WCF is accounted for under Treasury symbol 4565.

The Exxon Valdez Settlement Fund has funds available to carry out authorized environmental restoration activities. Funding is derived from the collection of reimbursements under the Exxon Valdez settlement as a result of the oil spill. The Exxon Valdez Settlement fund is accounted for under Treasury symbol number 5297.

Allocations and appropriations transferred to the Agency from other Federal agencies include funds from the Appalachian Regional Commission and the Department of Commerce which provide economic assistance to state and local developmental activities, the Agency for International Development which provides assistance on

environmental matters at international levels, and from the General Services Administration which provides funds for rental of buildings, and operations, repairs, and maintenance of rental space. The transfer allocations are accounted for under Treasury symbols 0200, 1010, and 4542; and the appropriation transfers are accounted for under 0108.

Clearing Accounts include the Budgetary suspense account, Unavailable Check Cancellations and Overpayments, and Undistributed OPAC Payments and Collections. Clearing accounts are accounted for under Treasury symbols 3875, 3880, and 3885.

Deposit funds include Fees for Ocean Dumping; Nonconformance Penalties; Clean Air Allowance Auction and Sale; Advances without Orders; and Suspense and payroll deposits for Savings Bonds, and State and City Income Taxes Withheld. Deposit funds are accounted for under Treasury symbols 6050, 6264, 6265, 6266, 6275, and 6500.

General Fund Receipt Accounts include Hazardous Waste Permits; Miscellaneous Fines, Penalties and Forfeitures; General Fund Interest; Interest from Credit Reform Financing Accounts; Fees and Other Charges for Administrative and Professional Services; and Miscellaneous Recoveries and Refunds. General Fund Receipt accounts are accounted for under Treasury symbols 0895, 1099, 1435, 1499, 3200, and 3220.

The Environmental Services Receipt account was established for the deposit of fee receipts associated with environmental programs, including radon measurement proficiency ratings and training, motor vehicle engine certifications, and water pollution permits. Receipts in this special fund will be appropriated to the S&T appropriation and to the EPM appropriation to meet the expenses of the programs that generate the receipts. Environmental Services are unavailable receipts accounted for under Treasury symbol 5295.

The Miscellaneous Contributed Funds Trust Fund includes gifts for pollution control programs that are usually designated for a specific use by the donor and deposits from pesticide registrants to cover the costs of petition hearings when such hearings result in unfavorable decisions to the petitioner. Miscellaneous Contributed Funds Trust Fund is accounted for under Treasury symbol 8741.

The accompanying financial statements include the accounts of all funds described in this note. The expense allocation methodology is a financial statement estimate that presents EPA's programs at full cost. Superfund may charge some costs directly to the fund and charge the remainder of the costs to the All Other Funds in the Agency-wide appropriations. These amounts are presented as Expenses from Other Appropriations on the Statement of Net Cost and as Income from Other Appropriations on the Statement of Changes in Net Position and the Statement of Financing.

The Superfund Trust Fund is allocated to general support services costs (such as rent, communications, utilities, mail operations, etc.) that were initially charged to the Agency's S&T and EPM appropriations. During the year, these costs are allocated from the S&T and EPM appropriations to the Superfund Trust Fund based on a ratio of direct labor hours, using budgeted or actual full-time equivalent personnel charged to these appropriations, to the total of all direct labor hours. Agency general support services cost charges to the Superfund Trust Fund may not exceed the ceilings established in the Superfund Trust Fund appropriation. The related general support services costs charged to the Superfund Trust Funds were \$56.3 million for FY 2000 and \$53.5 million for FY 2001.

C. Budgets and Budgetary Accounting

Superfund

Congress adopts an annual appropriation amount to be available until expended for the Superfund Trust Fund. A transfer account for the Superfund Trust Fund has been established for purposes of carrying out the program activities. As the Agency disburses obligated amounts from the transfer account, the Agency draws down monies from the Superfund Trust Fund at Treasury to cover the amounts being disbursed.

All Other Funds

Congress adopts an annual appropriation amount for the LUST Trust Fund and for the Oil Spill Response Trust Fund to remain available until expended. A transfer account for the LUST Trust Fund has been

established for purposes of carrying out the program activities. As the Agency disburses obligated amounts from the transfer account, the Agency draws down monies from the LUST Trust Fund at Treasury to cover the amounts being disbursed. The Agency draws down all the appropriated monies from the Treasury's Oil Spill Liability trust fund to the Oil Spill Response Trust Fund when Congress adopts the appropriation amount. Congress adopts an annual appropriation for STAG, Buildings and Facilities, and for Payments to the Hazardous Substance Superfund to be available until expended; adopts annual appropriations for S&T, EPM and for the Office of the Inspector General to be available for two fiscal years. When the appropriations for the General Funds are enacted, Treasury issues a warrant to the respective appropriations. As the Agency disburses obligated amounts, the balance of funds available to the appropriation is reduced at Treasury.

The Asbestos Loan Program is a commercial activity financed by a combination from two sources: one for the long term costs of the loans and another for the remaining non-subsidized portion of the loans. Congress adapted a one year appropriation, available for obligation in the fiscal year for which it was appropriated, to cover the estimated long term cost of the Asbestos loans. The long term costs are defined as the net present value of the estimated cash flows associated with the loans. The portion of each loan disbursement that did not represent long term cost was financed under a permanent indefinite borrowing authority established with the Treasury. A permanent indefinite appropriation is available to finance the costs of subsidy re-estimates that occur after the year in which the loan was disbursed. In FY 2000, subsidy increases totaled \$3,580 thousand which became an indefinite appropriation in FY 2001. In FY 2001, subsidy increases equaled \$272 thousand for loans disbursed from FY 1992 authority. The increases in subsidy will be appropriated in FY 2002. Also in FY 2001, subsidy decreases totaled \$1,313 thousand for loans disbursed from FY 1993 authority; the decreases in subsidy will be deposited with Treasury in FY 2002.

Funding of the FIFRA and the Tolerance Revolving Funds is provided by fees collected from industry to offset costs incurred by the Agency in carrying out these programs. Each year the Agency submits an apportionment request to OMB based on the anticipated collections of industry fees.

Funding of the WCF is provided by fees collected from other Agency appropriations collected to offset costs incurred for providing the Agency administrative support for computer support and postage.

Funds transferred from other Federal agencies are funded by a non expenditure transfer of funds from the other Federal agencies. As the Agency dis-burses the obligated amounts, the balance of funding available to the appropriation is reduced at Treasury.

Clearing accounts, Deposit accounts, and Receipt accounts receive no budget. The amounts are recorded to the Clearing and Deposit accounts pending further disposition. Amounts recorded to the Receipt accounts capture amounts receivable to or collected for the General Fund of the U.S. Treasury.

D. Basis of Accounting

Superfund and All Other Funds

Transactions are recorded on an accrual accounting basis and on a budgetary basis (where budgets are issued). Under the accrual method, revenues are recognized when earned and expenses are recognized when a liability is incurred, without regard to receipt or payment of cash. Budgetary accounting facilitates compliance with legal constraints and controls over the use of Federal funds. All interfund balances and transactions have been eliminated.

E. Revenues and Other Financing Sources

Superfund

The Superfund program receives most of its funding through appropriations that may be used, within specific statutory limits, for operating and capital expenditures (primarily equipment). Additional financing for the Superfund program is obtained through: reimbursements from other Federal agencies under Inter-Agency Agreements (IAGs), state cost share payments under Superfund State Contracts (SSCs), and settlement proceeds

from Potentially Responsible Parties (PRPs), under CERCLA Section 122(b)(3), placed in special accounts. Special accounts were previously limited to settlement amounts for future costs; however, beginning in FY 2000, cost recovery amounts received under CERCLA Section 122(b)(3) settlements could be placed in special accounts. Cost recovery settlements that are not placed in special accounts, continue to be deposited in the Superfund Trust Fund.

All Other Funds

The majority of All Other Funds appropriations receive funding needed to support programs through appropriations, which may be used, within statutory limits, for operating and capital expenditures. Under Credit Reform provisions, the Asbestos Loan Program received funding to support the subsidy cost of loans through appropriations which may be used with statutory limits. The Asbestos Direct Loan Financing fund, an off-budget fund, receives additional funding to support the outstanding loans through collections from the Program fund for the subsidized portion of the loan. The last year Congress provided appropriations to make new loans was 1993. The FIFRA and the Tolerance Revolving Funds receive funding, which is now deposited with the FIFRA Revolving Fund, through fees collected for services provided. The FIFRA Revolving Fund also receives interest on invested funds. The WCF receives revenue through fees collected for services provided to Agency program offices. Such revenue is eliminated with related Agency program expenses on Consolidation. The Exxon Valdez Settlement Fund received funding through reimbursements.

Appropriations are recognized as Other Financing Sources when earned, i.e., when goods and services have been rendered without regard to payment of cash. Other revenues are recognized when earned, i.e., when services have been rendered.

F. Funds with the Treasury

Superfund and All Other Funds

The Agency does not maintain cash in commercial bank accounts. Cash receipts and disbursements are handled by Treasury. The funds maintained with Treasury are Appropriated Funds, Revolving Funds and Trust Funds. These funds have balances available to pay current liabilities and finance authorized purchase commitments.

G. Investments in U.S. Government Securities

All Other Funds

Investments in U.S. Government securities are maintained by Treasury and are reported at amortized cost net of unamortized discounts. Discounts are amortized over the term of the investments and reported as interest income. No provision is made for unrealized gains or losses on these securities because, in the majority of cases, they are held to maturity.

H. Marketable Equity Securities

Superfund

During FY 1993 and FY 1996, the Agency received marketable equity securities, valued at a total of \$5.1 million from a company in settlement of Superfund cost recovery actions, which were sold during FY 2001. The Agency records marketable securities at cost as of the date of receipt. Marketable securities are held by Treasury, and reported at their cost value in the financial statements until sold.

I. Notes Receivable

Superfund

In FY 2001, the Agency received a note receivable valued at \$8.1 million, from a company in settlement of Superfund cost recovery actions. The Agency records notes receivable at their face value and any accrued interest as of the date of receipt.

J. Accounts Receivable and Interest Receivable

Superfund

The Comprehensive Environmental Response, Compensation, and Liability Act (CERCLA) as amended by the Superfund Amendments and Reauthorization Act (SARA) provides for the recovery of costs from potentially responsible parties (PRPs). However, cost recovery expenditures are expensed when incurred since there is no assurance that these funds will be recovered.

It is the Agency's policy to record accounts receivable from PRPs for Superfund site response costs when a consent decree, judgment, administrative order, or settlement is entered. These agreements are generally negotiated after site response costs have been incurred. It is the Agency's position that until a consent decree or other form of settlement is obtained, the amount recoverable should not be recorded.

The Agency also records accounts receivable from states for a percentage of Superfund site remedial action costs incurred by the Agency within those states. As agreed to under Superfund State Contracts (SSCs), cost sharing arrangements under SSCs may vary according to whether a site was privately or publicly operated at the time of hazardous substance disposal and whether the Agency response action was removal or remedial. SSC agreements are usually for 10% or 50% of site remedial action costs. States may pay the full amount of their share in advance, or incrementally throughout the remedial action process. Allowances for uncollectible state cost share receivables have not been recorded, because the Agency has not had collection problems with these agreements.

All Other Funds

The majority of receivables for All Other Funds represent interest receivable for Asbestos and FIFRA and both accounts receivable and interest receivable to the General Fund of the Treasury.

K. Loans Receivable

All Other Funds

Loans are accounted for as receivables after funds have been disbursed. The amount of Asbestos Loan Program loans obligated but not disbursed is disclosed in Note 6. Loans receivable resulting from obligations on or before September 30, 1991 are reduced by the allowance for uncollectible loans. Loans receivable resulting from loans obligated on or after October 1, 1991 are reduced by an allowance equal to the present value of the subsidy costs associated with these loans. The subsidy cost is calculated based on the interest rate differential between the loans and Treasury borrowing, the estimated delinquencies and defaults net of recoveries offset by fees collected and other estimated cash flows associated with these loans.

L. Appropriated Amounts Held by Treasury

Superfund and All Other Funds

For the Superfund and LUST Trust Funds, and for amounts appropriated to the Office of Inspector General from the Superfund and LUST Trust Funds, cash available to the Agency that is not needed immediately for current disbursements remains in the respective Trust Funds managed by Treasury. At the end of FY 2001, approximately \$2.8 billion remained in the Treasury managed Superfund Trust Fund and

approximately \$83.5 million remained in the LUST Trust Fund to meet the Agency's disbursement needs. During FY 2000, the funds' balances were \$2.7 billion and \$86.2 million, respectively.

M. Advances and Prepayments

Superfund and All Other Funds

Advances and prepayments represent funds advanced or prepaid to other entities both internal and external to the Agency for which a budgetary expenditure has not yet occurred.

N. Property, Plant, and Equipment

Superfund and All Other Funds

The Fixed Assets Subsystem (FAS), implemented in FY 1997, maintains EPA-held personal, real property, and capital software records in accordance with Statement of Federal Financial Accounting Standards Number Six, "Accounting for Property, Plant and Equipment," (SFFAS No. 6). The FAS automatically generates depreciation entries monthly based on acquisition dates. Purchases of EPA-held and contractor-held personal property are capitalized if it is valued at \$25 thousand or more and has an estimated useful life of at least two years. Prior to implementing FAS, depreciation was taken on a modified straight-line basis over a period of six years depreciating 10% the first and sixth year, and 20% in years two through five. This modified straight-line method is still used for contractor-held property. All EPA-held personal property purchased before the implementation of FAS was assumed to have an estimated useful life of five years. New acquisitions of EPA-held personal property are depreciated using the straight-line method over the specific assets with useful lives, ranging from two to 15 years.

In FY 1997, EPA implemented requirements to capitalize software if the purchase price was \$100,000 or more with an estimated useful life of two years or more for the Working Capital Fund, which is a revenue generating activity. In FY 2001, the Agency began capitalizing software for All Other Funds whose acquisition value is \$500,000 or more in accordance with the provisions of SFFAS No. 10, "Accounting for Internal Use Software." Software is depreciated using the straight-line method over the specific assets' useful lives ranging from two to 10 years.

Real property consists of land, buildings, and capital and leasehold improvements. Real property, other than land, is capitalized when the value is \$75 thousand or more. Land is capitalized regardless of cost. Buildings were valued at an estimated original cost basis, and land was valued at fair market value if purchased prior to FY 1997. Real property purchased during and after FY 1997 are valued at actual costs. Depreciation for real property is calculated using the straight-line method over the specific assets' useful lives, ranging from 10 to 102 years. Leasehold improvements are amortized over the lesser of their useful lives or the unexpired lease terms. Additions to property and improvements not meeting the capitalization criteria, expenditures for minor alterations, and repairs and maintenance are expensed as incurred.

O. Liabilities

Superfund and All Other Funds

Liabilities represent the amount of monies or other resources that are likely to be paid by the Agency as the result of a transaction or event that has already occurred. However, no liability can be paid by the Agency without an appropriation or other collection of revenue for services provided. Liabilities for which an appropriation has not been enacted are classified as unfunded liabilities and there is no certainty that the appropriations will be enacted. Liabilities of the Agency, arising from other than contracts, can be abrogated by the Government acting in its sovereign capacity.

P. Borrowing Payable to the Treasury

All Other Funds

Borrowing payable to Treasury results from loans from Treasury to fund the Asbestos direct loans described in part B and C of this note. Periodic principal payments are made to Treasury based on the collections of loans receivable.

Q. Interest Payable to Treasury

All Other Funds

The Asbestos Loan Program makes periodic interest payments to Treasury based on its debt to Treasury. At the end of FY 2001 and FY 2000, there was no outstanding interest payable to Treasury since payment was made through September 30.

R. Accrued Unfunded Annual Leave

Superfund and All Other Funds

Annual, sick and other leave is expensed as taken during the fiscal year. Sick leave earned but not taken is not accrued as a liability. Annual leave earned but not taken as of the end of the fiscal year is accrued as an unfunded liability. Accrued unfunded annual leave is included in the Statement of Financial Position as a component of "Other Liabilities-Governmental." As of September 30, 2001, the unfunded leave liability for the Superfund Trust Fund was \$20.4 million, and for All Other Funds, it was \$98.2 million. During FY 2000, these liabilities were \$19.6 million for the Superfund Trust Fund and \$93.2 million for All Other Funds.

S. Retirement Plan

Superfund and All Other Funds

Agency employees participate in either the Civil Service Retirement System (CSRS) or the Federal Employees Retirement System (FERS). From October 1, 2000 to the pay period beginning prior to January 1, 2001, employees contributed 7.4% and 1.2% to CSRS and FERS, respectively. The employee contribution rates were rolled back as of January 1, 2001 to 7% and 0.8%, respectively. The Agency contributed 8.51% to CSRS employees' and 10.7% for FERS employees' retirement plans.

On January 1, 1987, the FERS went into effect pursuant to Public Law 99-335. Most employees hired after December 31, 1983, are automatically covered by FERS and Social Security. Employees hired prior to January 1, 1984, were allowed to either join FERS and Social Security or remain in CSRS. A primary feature of FERS is that it offers a savings plan to the Agency employees which automatically contributes 1 percent of pay and matches any employee contribution up to an additional 4 percent of pay. For most employees hired after December 31, 1983, the Agency also contributes the employer's matching share for Social Security.

With the issuance of "Accounting for Liabilities of the Federal Government" (SFFAS-5), which was effective for the FY 1997 financial statements, accounting and reporting standards were established for liabilities relating to the Federal employee benefit programs (Retirement, Health Benefits and Life Insurance). SFFAS-5 requires that employing agencies recognize the cost of pensions and other retirement benefits during their employees' active years of service. SFFAS-5 requires that the Office of Personnel Management, as administrator of the Civil Service Retirement and Federal Employees Retirement Systems, the Federal Employees Health Benefits Program, and the Federal Employees Group Life Insurance Program, provide EPA with the 'Cost Factors' to compute EPA's liability for each program.

Note 2. Fund Balances with Treasury

Fund Balances with Treasury as of September 30, 2001 and 2000, consist of the following (in thousands):

	FY 2001			FY 2000		
	Entity Assets	Non-Entity Assets	Total	Entity Assets	Non-Entity Assets	Total
Trust Funds:						
Superfund	\$ 6,706	\$ 0	\$ 6,706	\$ 37,397	\$ 0	\$ 37,397
LUST	18,158	0	18,158	1,300	0	1,300
Oil Spill	3,165	0	3,165	3,106	0	3,106
Revolving Funds:						
FIFRA	3,465	0	3,465	5,442	0	5,442
Tolerance	31	0	31	22	0	22
Working Capital Fund	51,267	0	51,267	52,509	0	52,509
Appropriated	11,088,824	0	11,088,824	10,913,471	0	10,913,471
Other Fund Types	88,218	19,246	107,464	76,338	7,068	83,406
Total	<u>\$ 11,259,834</u>	<u>\$ 19,246</u>	<u>\$ 11,279,080</u>	<u>11,089,585</u>	<u>\$ 7,068</u>	<u>\$ 11,096,653</u>

Entity fund balances include balances that are available to pay current liabilities and to finance authorized purchase commitments. Also, Entity Assets, Other Fund Types consist of the Environmental Services Receipt account. The Environmental Services Receipt account is a special fund receipt account. Upon Congress appropriating the funds, EPA will use the receipts in the Science and Technology appropriation and the Environmental Programs and Management appropriation.

The non-entity Other Fund Type consist of clearing accounts and deposit funds. These funds are awaiting documentation for the determination of proper accounting disposition.

Note 3. Cash

In All Others, as of September 30, 2000, Cash consisted of imprest funds totaling \$48 thousand. All imprest funds were closed out in fiscal year 2001.

Note 4. Investments

As of September 30, 2001 and 2000, investments consisted of the following:

		Cost	Unamortized (Premium) Discount	Interest Receivable	Investments, Net	Market Value
SUPERFUND						
Intragovernmental Securities						
Non-Marketable	FY 2001	\$ 3,630,186	\$ (33,967)	\$ 59,891	\$ 3,724,044	\$ 3,724,044
	FY 2000	\$ 4,126,450	\$ 166,180	\$ 43	\$ 3,960,313	\$ 3,960,313
ALL OTHERS						
Intragovernmental Securities						
Non-marketable	FY 2001	\$ 1,703,909	\$ (52,551)	\$ 22,358	\$ 1,778,818	\$ 1,778,818
	FY 2000	\$ 1,669,665	\$ 76,334	\$ 26	\$ 1,593,357	\$ 1,593,357

CERCLA, as amended by SARA, authorizes EPA to recover monies to clean up Superfund sites from responsible parties (RP). Some RPs file for bankruptcy under Title 11 of the U.S. Code. In bankruptcy settlements, EPA is an unsecured creditor and is entitled to receive a percentage of the assets remaining after secured creditors have been satisfied. Some RPs satisfy their debts by issuing securities of the reorganized company. The Agency does not intend to exercise ownership rights to these securities, and instead will convert these securities to cash as soon as practicable.

Note 5. Accounts Receivable

The Accounts Receivable for September 30, 2001 and 2000, consist of the following:

	Superfund	Superfund	All Other	All Others
Intragovernmental Assests:				
Accounts & Interest Receivable	\$ 31,178	\$ 69,977	\$ 40,671	\$ 80,824
Total	\$ 31,178	\$ 69,977	\$ 40,671	\$ 80,824
Non-Federal Assets:				
Unbilled Accounts Receivable	\$ 86,470	\$ 1,668	\$ 88,209	\$ 0
Accounts & Interest Receivable	949,566	133,787	883,938	155,581
Less: Allowance for Uncollectibles	(569,998)	(60,428)	(355,108)	(67,686)
Total	\$ 466,038	\$ 75,027	\$ 617,039	\$ 87,895

The Allowance for Doubtful Accounts is determined on a specific identification basis as a result of a case-by-case review of receivables, and a reserve on a percentage basis for those not specifically identified.

During FY 2001, an analysis of unbilled Federal accounts receivable revealed that approximately \$10 million of receivables could not be substantiated as valid reimbursements receivable from specific Federal agencies. The net receivables were reduced by that amount. Of the total reductions, \$2.8 million affected Superfund receivables, \$3.6 million affected expired All Other Funds, and \$3.6 million were charged against All Other Funds canceled as of September 30, 2001.

In addition, a non-Federal debtor owing \$239 million in Superfund receivables declared bankruptcy. That amount was therefore added to the allowance for uncollectibles for non-Federal receivables in FY 2001.

Note 6. Other Assets

Other Assets for September 30, 2001, consist of the following:

	Superfund Trust Fund	All Others	Combined Totals	Intra-agency Eliminations	Consolidated Totals
Intragovernmental Assets:					
Advances to Federal Agencies	\$ 166	\$ 4,265	\$ 4,431	\$ (384)	\$ 4,047
Advances to Working Capital Fund	5,355	0	5,355	(5,355)	0
Advances for Postage	0	121	121	0	121
Total Intragovernmental Assets	\$ 5,521	\$ 4,386	\$ 9,907	\$ (5,739)	\$ 4,168
Non-Federal Assets:					
Travel Advances	\$ 7	\$ (854)	\$ (847)	\$ 0	\$ (847)
Letter of Credit Advances	0	315	315	0	315
Grant Advances	0	1,322	1,322	0	1,322
Other Advances	769	92	861	0	861
Bank Card Payments	1	0	1	0	1
Deposit on Returnable Containers	0	0	0	0	0
Prepaid Rent	0	0	0	0	0
Bankruptcy Settlement*	8,101	0	8,101	0	8,101
Total Non-Federal Assets	\$ 8,878	\$ 875	\$ 9,753	\$ 0	\$ 9,753

*Bankruptcy Settlement: A promissory note in the amount of \$8.1 million was issued to the Superfund in a bankruptcy settlement by Joy Global, Inc. Interest rate is 10.75 per annum with future payment date of April 30, 2006.

Other Assets for September 30, 2000, consist of the following:

	Superfund Trust Fund	All Others	Combined Totals	Intra-agency Eliminations	Consolidated Totals
Intragovernmental Assets:					
Advances to Federal Agencies	\$ 15,279	\$ 7,409	\$ 22,688	\$ 0	\$ 22,688
Advances to Working Capital Fund	6,510	0	6,510	(6,510)	0
Advances for Postage	0	43	43	0	43
Total Intragovernmental Assets	\$ 21,789	\$ 7,452	\$ 29,241	\$ (6,510)	\$ 22,731
Non-Federal Assets:					
Travel Advances	\$ (18)	\$ (916)	\$ (934)	\$ 0	\$ (934)
Letter of Credit Advances	0	599	599	0	599
Grant Advances	0	1,945	1,945	0	1,945
Other Advances	767	75	842	0	842
Bank Card Payments	1	0	1	0	1
Deposit on Returnable Containers	0	(2)	(2)	0	(2)
Prepaid Rent	0	11	11	0	11
Total Non-Federal Assets	\$ 750	\$ 1,712	\$ 2,462	\$ 0	\$ 2,462

Note 7. Loans Receivable, Net—Non-Federal

Asbestos Loan Program loans disbursed from obligations made prior to FY 1992 are net of an allowance for estimated uncollectible loans, if an allowance was considered necessary. Loans disbursed from obligations made after FY 1991 are governed by the Federal Credit Reform Act. The Act mandates that the present value of the subsidy costs (i.e., interest rate differentials, interest subsidies, anticipated delinquencies, and defaults) associated with direct loans be recognized as an expense in the year the loan is made. The net present value of loans is the amount of the gross loan receivable less the present value of the subsidy.

An analysis of loans receivable and the nature and amounts of the subsidy and administrative expenses associated entirely with Asbestos Loan Program loans as of September 30, 2001 and 2000, is provided in the following sections.

	FY 2001			FY 2000		
	Loans Receivable, Gross	Allowance*	Value of Assests Related to Direct Loans	Loans Receivable, Gross	Allowance*	Value of Assests Related to Direct Loans
Direct Loans Obligated Prior to FY 1992	\$ 49,683	\$ 0	\$ 49,683	\$ 58,114	\$ 0	\$ 58,114
Direct Loans Obligated After FY 1991	42,779	(16,910)	25,869	46,909	(15,895)	31,014
Total	\$ 92,462	\$ (16,910)	\$ 75,552	\$ 105,023	\$ (15,895)	\$ 89,128

* Allowance for Pre-Credit Reform loans (Prior to FY 1992) is the Allowance for Estimated Uncollectible Loans and the Allowance for Post Credit Reform Loans (After FY 1991) is the Allowance for Subsidy Cost (present value).

Subsidy Expenses for Post Credit Reform Loans:

	Interest Differential	Expected Defaults	Fee Offsets	Total
Direct Loan Subsidy Expense - FY 2001	\$ 1,227	\$ 2,353	\$ 0	\$ 3,580
Direct Loan Subsidy Expense - FY 2000	\$ 2,640	\$ 0	\$ 0	\$ 2,640

Note 8. Inventory and Property Received in Settlement, Net

The Inventory and Related Property at September 30, 2001 and 2000, consisted of the following:

	FY 2001		FY 2000	
	Superfund	All Others	Superfund	All Others
Operating Materials and Supplies Held for Use in Normal Operations	\$ 0	\$ 253	\$ 0	\$ 306
Securities Received in Settlement	0	0	5,086	41
Total	\$ 0	\$ 253	\$ 5,086	\$ 347

The securities represented assets received during a bankruptcy proceeding, and were all sold in FY 2001.

Note 9. General Plant, Property and Equipment

Superfund property, plant and equipment, consists of personal property items held by contractors and the Agency. EPA also has property funded by various other Agency appropriations. The property funded by these appropriations are presented in the aggregate under “All Others” and consists of software; real, EPA-Held and Contractor-Held personal, and capitalized-leased property.

As of September 30, 2001, Plant, Property and Equipment consisted of the following:

	Superfund			All Others		
	Acquisition Value	Accumulated Depreciation	Net Book Value	Acquisition Value	Accumulated Depreciation	Net Book Value
EPA-Held Equipment	\$ 23,832	\$ (15,031)	\$ 8,801	\$ 161,253	\$ (105,484)	\$ 55,769
Software	559	(5)	554	10,398	(148)	10,250
Contractor-Held Equipment	9,422	(2,262)	7,160	16,752	(7,647)	9,105
Land and Buildings	0	0	0	500,854	(76,951)	423,903
Capital Leases	0	0	0	40,992	(13,126)	27,866
Total	<u>\$ 33,813</u>	<u>\$ (17,298)</u>	<u>\$ 16,515</u>	<u>\$ 730,249</u>	<u>\$ (203,356)</u>	<u>\$ 526,893</u>

As of September 30, 2000, Plant, Property and Equipment consisted of the following:

	Superfund			All Others		
	Acquisition Value	Accumulated Depreciation	Net Book Value	Acquisition Value	Accumulated Depreciation	Net Book Value
EPA-Held Equipment	\$ 24,733	\$ (16,313)	\$ 8,420	\$ 134,893	\$ (86,883)	\$ 48,010
Software	0	0	0	550	0	550
Contractor-Held Equipment	8,814	(3,653)	5,161	34,103	(27,551)	6,552
Land and Buildings	0	0	0	461,817	(73,430)	388,387
Capital Leases	0	0	0	40,992	(11,463)	29,529
Total	<u>\$ 33,547</u>	<u>\$ (19,966)</u>	<u>\$ 13,581</u>	<u>\$ 672,355</u>	<u>\$ (199,327)</u>	<u>\$ 473,028</u>

Note 10. Debt

The Debt consisted of the following as of September 30, 2001 and 2000:

	FY 2001			FY 2000		
	Beginning Balance	Net Borrowing	Ending Balance	Beginning Balance	Net Borrowing	Ending Balance
All Others						
Other Debt: Debt to Treasury	\$ 37,922	\$ (6,798)	\$ 31,124	\$ 37,922	\$ 0	\$ 37,922
Classification of Debt:						
Intragovernmental Debt			\$ 31,124			\$ 37,922
Total			<u>\$ 31,124</u>			<u>\$ 37,922</u>

Note 11. Custodial Liability

Custodial Liability represents the amount of net accounts receivable that, when collected, will be deposited to the General Fund of the Treasury. Included in the custodial liability are amounts for fines and penalties, interest assessments, repayments of loans, and miscellaneous other accounts receivable.

Note 12. Other Liabilities

The Other Liabilities, both intragovernmental and non-Federal, for September 30, 2001 are as follows:

Other Liabilities - Intragovernmental	Covered by Budgetary Resources	Not Covered by Budgetary Resources	Total
Superfund - Current			
Employer Contributions & Payroll Taxes	\$ 2,682	0	\$ 2,682
Other Advances	1,045	0	1,045
Advances, HRSTF Cashout	15,208	0	15,208
Deferred HRSTF Cashout	947	0	947
Resources Payable to Treasury	0	0	0
Superfund - Non-Current			
Unfunded FECA Liability	0	1,426	1,426
Total Superfund	<u>\$ 19,882</u>	<u>\$ 1,426</u>	<u>\$ 21,308</u>
All Other - Current			
Employer Contributions & Payroll Taxes	\$ 11,935	\$ 0	\$ 11,935
WCF Advances	5,355	0	5,355
Other Advances	2,646	0	2,646
Liability for Deposit Funds	(85)	0	(85)
Resources Payable to Treasury	2	0	2
Subsidy Payable to Treasury	1,313	0	1,313
All Other - Non-Current			
Unfunded FECA Liability	0	6,341	6,341
Total All Other	<u>\$ 21,166</u>	<u>\$ 6,341</u>	<u>\$ 27,507</u>
Other Liabilities - Non-Federal			
Other Liabilities - Non-Federal	Covered by Budgetary Resources	Not Covered by Budgetary Resources	Total
Superfund - Current			
Unearned Advances, Non- Federal	\$ 27,659	0	27,659
Total Superfund	<u>\$ 27,659</u>	<u>\$ 0</u>	<u>\$ 27,659</u>
All Other - Current			
Unearned Advances, Non- Federal	\$ 4,275	\$ 0	\$ 4,275
Deferred Credits	0	0	0
Liability for Deposit Funds, Non-Federal	19,331	0	19,331
All Other - Non-Current			
Capital Lease Liability	0	36,930	36,930
Total All Other	<u>\$ 23,606</u>	<u>\$ 36,930</u>	<u>\$ 60,536</u>

The Other Liabilities, both intragovernmental and non-Federal, for September 30, 2000, are as follows:

Other Liabilities - Intragovernmental	Covered by Budgetary Resources	Not Covered by Budgetary Resources	Total
Superfund - Current			
Employer Contributions & Payroll Taxes	\$ 2,900	\$ 0	\$ 2,900
Other Advances	1,681	0	1,681
Advances, HRSTF Cashout	2,414	0	2,414
Deferred HRSTF Cashout	437	0	437
Resources Payable to Treasury	61	0	61
Superfund - Non-Current			
Unfunded FECA Liability	0	1,355	1,355
Total Superfund	\$ 7,493	\$ 1,355	\$ 8,848
All Other - Current			
Employer Contributions & Payroll Taxes	\$ 12,690	\$ 0	\$ 12,690
WCF Advances	6,510	0	6,510
Other Advances	3,638	0	3,638
Liability for Deposit Funds	(20)	0	(20)
Resources Payable to Treasury	(33)	0	(33)
All Other - Non-Current			
Unfunded FECA Liability	0	6,064	6,064
Total All Other	\$ 22,785	\$ 6,064	\$ 28,849

Other Liabilities - Non-Federal	Covered by Budgetary Resources	Not Covered by Budgetary Resources	Total
Superfund - Current			
Unearned Advances, Non- Federal	\$ 30,192	\$ 0	\$ 30,192
Total Superfund	\$ 30,192	\$ 0	\$ 30,192
All Other - Current			
Unearned Advances, Non- Federal	\$ 4,729	\$ 0	\$ 4,729
Deferred Credits			
Liability for Deposit Funds, Non-Federal	6,833		6,833
All Other - Non-Current			
Capital Lease Liability	0	37,585	37,585
Total All Other	\$ 11,562	\$ 37,585	\$ 49,147

* For FY 2000, the Other Liabilities - non-Federal category included amounts reported separately in FY 2001 as "Payroll and Benefits Payable." The portion of this note for FY 2000 is re-stated accordingly. See Note 33 for items included in the Other Liabilities, non-Federal category, in FY 2000 statements.

Note 13. Leases

The Capital Leases as of September 30, 2001 and 2000, consist of the following:

Capital Leases, All Other Funds:

Summary of Assets Under Capital Lease:	FY 2001	FY 2000
Real Property	\$ 40,913	\$ 40,913
Personal Property	79	79
Total	\$ 40,992	\$ 40,992
Accumulated Amortization	\$ 13,126	\$ 11,463

EPA has three capital leases for land and buildings housing scientific laboratories and/or computer facilities. All of these leases include a base rental charge and escalator clauses based upon either rising operating costs and/or real estate taxes. The base operating costs are adjusted annually according to escalators in the Consumer Price Indices published by the Bureau of Labor Statistics (U.S. Department of Labor). EPA has one capital lease for a xerox copier that expires in FY 2002. The real property leases terminate in fiscal years 2010, 2013, and 2025. The charges are expended out of the Environmental Programs and Management (EPM) appropriation. The total future minimum lease payments of the capital leases are listed below.

Future Payments Due:	All Others
Fiscal Year	
2002	\$ 6,303
2003	6,295
2004	6,295
2005	6,295
2006	6,295
After 5 Years	89,899
Total Future Minimum Lease Payments	121,382
Less: Imputed Interest	(84,461)
Difference in Lease Payments to be corrected FY 2002	9
Net Capital Lease Liability	\$ 36,930
Liabilities not Covered by Budgetary Resources (See Note 12)	\$ 36,930

Operating Leases:

The General Services Administration (GSA) provides leased real property (land and buildings) as office space for EPA employees. GSA charges a Standard Level Users Charge that approximates the commercial rental rates for similar properties.

EPA has five direct operating leases for land and buildings housing scientific laboratories and/or computer facilities during FY 2001. Most of these leases include a base rental charge and escalator clauses based upon either rising operating costs and/or real estate taxes. The base operating costs are adjusted annually according to

escalators in the Consumer Price Indices published by the Bureau of Labor Statistics (U.S. Department of Labor). Two of these operating leases expire in FY 2002. Two others expire in fiscal years 2017 and 2020. Respectively, the fifth lease expired in FY 2001 and is extended on a monthly basis. The charges are expended out of the EPM appropriation. The total minimum future costs of operating leases are listed below.

Fiscal Year	Superfund	All Others	Total Land & Buildings
2002	\$ 0	\$ 2,102	\$ 2,102
2003	0	74	74
2004	0	74	74
2005	0	74	74
2006	0	74	74
Beyond 2006	0	920	920
Total Future Minimum Lease Payments	\$ 0	\$ 3,318	\$ 3,318

Note 14. Pension and Other Actuarial Liabilities

FECA provides income and medical cost protection to covered Federal civilian employees injured on the job, employees who have incurred a work-related occupational disease, and beneficiaries of employees whose death is attributable to a job-related injury or occupational disease. Annually, EPA is allocated the portion of the long term FECA actuarial liability attributable to the entity. The liability is calculated to estimate the expected liability for death, disability, medical and miscellaneous costs for approved compensation cases. The liability amounts and the calculation methodologies are provided by the Department of Labor.

The FECA Actuarial Liability at September 30, 2001 and 2000, consisted of the following:

	FY 2001		FY 2000	
	Superfund	All Other	Superfund	All Other
FECA Actuarial Liability	\$ 7,731	\$ 31,902	\$ 6,637	\$ 27,036

The FY 2001 present value of these estimates was calculated using a discount rate of 5.5 percent in years 1 and 2, 5.55 percent in year 3 and 5.6 percent in year 4 and thereafter. The estimated future costs are recorded as an unfunded liability.

Note 15. Cashout Advances and Deferrals, Superfund

Cashouts are funds received by EPA, a state, or another Potentially Responsible Party under the terms of a settlement agreement (e.g., consent decree) to finance response action costs at a specified Superfund site. Under CERCLA Section 122(b)(3), cashout funds received by EPA are placed in site-specific, interest bearing accounts known as special accounts and are used in accordance with the terms of the settlement agreement. Funds placed in special accounts may be used without further appropriation by Congress.

Note 16. Unexpended Appropriations

As of September 30, 2001 and 2000, the Unexpended Appropriations consisted of the following for All Other Funds:

Unexpended Appropriations:	FY 2001	FY 2000
Unobligated		
Available	\$ 1,635,071	\$ 1,518,675
Unavailable	64,930	83,396
Undelivered Orders	8,658,960	8,517,767
Total	\$ 10,358,961	\$ 10,119,838

Note 17. Amounts Held by Treasury

Amounts Held by Treasury for Future Appropriations consists of amounts held in trusteeship by the U.S. Department of Treasury in the “Hazardous Substance Superfund Trust Fund” (Superfund) and the “Leaking Underground Storage Tank Trust Fund” (LUST).

Superfund (Audited)

Superfund is supported primarily by an environmental tax on corporations, cost recoveries of funds spent to clean up hazardous waste sites, and fines and penalties. Prior to December 31, 1995, the fund was also supported by other taxes on crude and petroleum and on the sale or use of certain chemicals. The authority to assess those taxes and the environmental tax on corporations also expired on December 31, 1995, and has not been renewed by Congress. It is not known if or when such taxes will be reassessed in the future.

The following reflects the Superfund Trust Fund maintained by the U.S. Department of Treasury as of September 30, 2001 and 2000. The amounts contained in these statements have been provided by the Treasury and are audited. Outlays represent amounts received by EPA’s Superfund Trust Fund; such funds are eliminated on consolidation with the Superfund Trust Fund maintained by Treasury.

SUPERFUND FY 2001	EPA	Treasury	Combined
Undistributed Balances			
Available for Investment	\$ 0	\$ 768	\$ 768
Unavailable for Investment	0	0	0
Total Undisbursed Balance	0	768	768
Interest Receivable	0	59,891	59,891
Investments, Net of Discounts	2,837,243	826,910	3,664,153
Total Assets	\$ 2,837,243	\$ 887,569	\$ 3,724,812
Liabilities & Equity			
Debt	\$ 0	\$ 0	\$ 0
Equity	2,837,243	887,569	3,724,812
Total Liability and Equity	\$ 2,837,243	\$ 887,569	\$ 3,724,812
Receipts			
Petroleum-Imported	\$ 0	\$ 2,471	\$ 2,471
Petroleum-Domestic	0	(12)	(12)
Crude and Petroleum	0	0	0
Certain Chemicals	0	32	32
Imported Substances	0	5	5
Corporate Environmental	0	3,861	3,861
Cost Recoveries	0	202,132	202,132
Fines & Penalties	0	2,112	2,112
Total Revenue	0	210,601	210,601
Appropriations Received	0	633,603	633,603
Interest Income	0	220,504	220,504
Total Receipts	0	1,064,708	1,064,708
Outlays			
Transfers to EPA	1,227,360	(1,227,360)	0
Transfers to CDC	0	(74,835)	(74,835)
Total Outlays	1,227,360	(1,302,195)	(74,835)
Net Income	\$ 1,227,360	\$ (237,487)	\$ 989,873

SUPERFUND FY 2000	EPA	Treasury	Combined
Undistributed Balances			
Available for Investment	\$ 0	\$ 1,986	\$ 1,986
Unavailable for Investment	0	0	0
Total Undisbursed Balance	0	1,986	1,986
Interest Receivable	0	43	43
Investments, Net of Discounts	2,770,969	1,189,301	3,960,270
Total Assets	\$ 2,770,969	\$ 1,191,330	\$ 3,962,299
Liabilities & Equity			
Debt	\$ 0	\$ 0	\$ 0
Equity	2,770,969	1,191,330	3,962,299
Total Liability and Equity	\$ 2,770,969	\$ 1,191,330	\$ 3,962,299
Receipts			
Petroleum-Imported	\$ 0	\$ 176	\$ 176
Petroleum-Domestic	0	2	2
Crude and Petroleum	0	(561)	(561)
Certain Chemicals	0	2,166	2,166
Imported Substances	0	606	606
Corporate Environmental	0	2,679	2,679
Cost Recoveries	0	230,508	230,508
Fines & Penalties	0	725	725
Total Revenue	0	236,301	236,301
Appropriations Received	0	700,000	700,000
Interest Income	0	235,740	235,740
Total Receipts	0	1,172,041	1,172,041
Outlays			
Transfers to EPA	1,628,891	(1,628,891)	0
Total Outlays	1,628,891	(1,628,891)	0
Net Income	\$ 1,628,891	\$ (456,850)	\$ 1,172,041

LUST (Audited)

LUST is supported primarily by a sales tax on motor fuels to clean up LUST waste sites. In FY 2001 \$40 thousand of the fund's receipts were from cost recoveries. The following represents LUST Trust Fund as maintained by the U.S. Department of Treasury. The amounts contained in these statements have been provided by Treasury and are audited. Outlays represent appropriations received by EPA's LUST Trust Fund; such funds are eliminated on consolidation with the LUST Trust Fund maintained by Treasury.

FISCAL YEAR 2001 LUST	EPA	Treasury	Combined
Undistributed Balances			
Available for Investment	\$ 0	\$ 12,211	\$ 12,211
Unavailable for Investment	<u>0</u>	<u>0</u>	<u>0</u>
Total Undisbursed Balance	0	12,211	12,211
Taxes Receivable	0	0	0
Interest Receivable	0	22,358	22,358
Investments, Net of Discounts	<u>83,460</u>	<u>1,673,000</u>	<u>1,756,460</u>
Total Assets	<u>\$ 83,460</u>	<u>\$ 1,707,569</u>	<u>\$ 1,791,029</u>
Liabilities & Equity			
Accrued Liabilities	\$ 0	\$ 0	\$ 0
Equity	<u>83,460</u>	<u>1,707,569</u>	<u>1,791,029</u>
Total Liability and Equity	<u>\$ 83,460</u>	<u>\$ 1,707,569</u>	<u>\$ 1,791,029</u>
Receipts			
Highway TF Tax	\$ 0	\$ 167,408	\$ 167,408
Airport TF Tax	0	16,114	16,114
Inland TF Tax	0	582	582
Refund Gasoline Tax	0	(834)	(834)
Refund Diesel Tax	0	(1,584)	(1,584)
Refund Aviation Tax	0	(19)	(19)
Refund Aviation Fuel Tax	0	(123)	(123)
Cost Recovery	0	40	40
Audit Adjustment	<u>0</u>	<u>0</u>	<u>0</u>
Gross Revenue	0	181,584	181,584
Less: Reimbursement to General Fund	0	0	0
Net Revenue	0	181,584	181,584
Interest Income	<u>0</u>	<u>94,802</u>	<u>94,802</u>
Net Receipts	<u>0</u>	<u>276,386</u>	<u>276,386</u>
Outlays			
Transfers to EPA	<u>74,617</u>	<u>(74,617)</u>	<u>0</u>
Total Outlays	<u>74,617</u>	<u>(74,617)</u>	<u>0</u>
Net Income	<u>\$ 74,617</u>	<u>\$ 201,769</u>	<u>\$ 276,386</u>

FISCAL YEAR 2000 LUST	EPA	Treasury	Combined
Undistributed Balances			
Available for Investment	\$ 0	\$ (725)	\$ (725)
Unavailable for Investment	<u>0</u>	<u>0</u>	<u>0</u>
Total Undisbursed Balance	0	(725)	(725)
Taxes Receivable	0	221	221
Interest Receivable	0	26	26
Investments, Net of Discounts	<u>86,283</u>	<u>1,506,348</u>	<u>1,592,631</u>
Total Assets	<u>\$ 86,283</u>	<u>\$ 1,505,870</u>	<u>\$ 1,592,153</u>
Liabilities & Equity			
Accrued Liabilities	\$ 0	\$ 2,892	\$ 2,892
Equity	<u>86,283</u>	<u>1,502,978</u>	<u>1,589,261</u>
Total Liability and Equity	<u>\$ 86,283</u>	<u>\$ 1,505,870</u>	<u>\$ 1,592,153</u>
Receipts			
Highway TF Tax	\$ 0	\$ 172,659	\$ 172,659
Airport TF Tax	0	16,380	16,380
Inland TF Tax	0	612	612
Audit Adjustment	0	(1,710)	(1,710)
Gross Revenue	0	187,941	187,941
Less: Reimbursement to General Fund	0	(6,625)	(6,625)
Net Revenue	0	181,316	181,316
Interest Income	<u>0</u>	<u>78,956</u>	<u>78,956</u>
Net Receipts	<u>0</u>	<u>260,272</u>	<u>260,272</u>
Outlays			
Transfers to EPA	<u>65,718</u>	<u>(65,718)</u>	<u>0</u>
Total Outlays	<u>65,718</u>	<u>(65,718)</u>	<u>0</u>
Net Income	<u>\$ 65,718</u>	<u>\$ 194,554</u>	<u>\$ 260,272</u>

Note 18. Commitments and Contingencies

EPA may be a party in various administrative proceedings, legal actions and claims brought by or against it. These include:

- Various personnel actions, suits, or claims brought against the Agency by employees and others.
- Various contract and assistance program claims brought against the Agency by vendors, grantees and others.
- The legal recovery of Superfund costs incurred for pollution cleanup of specific sites, to include the collection of fines and penalties from responsible parties.
- Claims against recipients for improperly spent assistance funds which may be settled by a reduction of future EPA funding to the grantee or the provision of additional grantee matching funds.

Superfund

Under CERCLA §106(a), EPA issues administrative orders that require parties to clean up contaminated sites. CERCLA §106(b) allows a party that has complied with such an order to petition EPA for reimbursement from the Fund of its reasonable costs of responding to the order, plus interest. To be eligible for reimbursement, the party must demonstrate either that it was not a liable party under CERCLA §107(a) for the response action ordered, or that the Agency's selection of the response action was arbitrary and capricious or otherwise not in accordance with law.

There are currently three CERCLA §106(b) administrative claims and one pending lawsuit. If the claimants are successful, the total losses on the administrative and judicial claims could amount to approximately \$25.8 million and \$3.8 million, respectively. The Environmental Appeals Board has not yet issued final decisions on the administrative claims; therefore, a definite estimate of the amount of the contingent loss cannot be made. The claimants' chance of success in all three of these outstanding claims overall is characterized as reasonably possible. The claimants' chance of success in the pending lawsuit is also reasonably possible.

All Other

There were no material litigation, asserted or unasserted claims or assessments involving all other appropriated funds of the Agency.

Judgement Fund

In cases that are paid by the U.S. Treasury Judgement Fund, the Agency must recognize the full cost of a claim regardless of who is actually paying the claim. Until these claims are settled or a court judgement is assessed and the Judgement Fund is determined to be the appropriate source for the payment, claims that are probable and estimable must be recognized as an expense and liability of the agency. For these cases, at the time of settlement or judgement, the liability will be reduced and an imputed financing source recognized. See Interpretation of Federal Financial Accounting Standards No. 2, Accounting for Treasury Judgement Fund Transactions.

As of September 30, 2001, \$3.8 million of Superfund related claims and \$6.0 million of All Other funds' claims were accrued as contingent liabilities under these criteria. Other contingent liabilities exist under 27 cases of which anticipated amounts for attorney fees alone cannot be estimated or known at this time. These amounts are believed to be less than material.

In addition, EPA is party to certain pending litigation upon which EPA believes it has a reasonable legal position. \$25.6 million of Judgement Fund claims in addition to the above accrued amounts are pending.

In the opinion of EPA's management and General Counsel, the ultimate resolution of any legal actions still pending will not materially affect EPA's operations or financial position.

Note 19. Grant Accrual

The EPA has revised the methodology for calculating the accrued grant expense for the Fiscal Year 2001 financial statements using a model based on historical grant payments and a survey of major grantees on billing practices. Average days of accrual at year end for sample grantees were determined from survey results and were used with average daily billings as determined by historical payment data to project the year end accrual for the sample group. The accrual for the sample group was then projected to provide the year end accrual for all grants. For FY 2001, the accrual for Superfund is \$16.9 million and the All Other grant accrual is \$476.7 million. IN FY 2000, the accrual for Superfund was \$43.0 million and the All Other accrual was \$507.6 million. In the Statement of Net Cost by Goal, the grant accrual amounts are included in “Not Assigned to Goals.”

Note 20. Environmental Cleanup Costs

The EPA has four sites that require clean up stemming from its activities. Costs amounting to \$98 thousand for three of these sites will be paid out of the Treasury Judgement Fund. (The \$98 thousand represents the lower end of three separate range estimates, of which the maximum of the ranges would total \$110 thousand.) EPA estimates cleanup on the one other site will cost approximately \$20 thousand. EPA also holds title to a site in Edison, New Jersey which was formerly an Army Depot. While EPA did not cause the contamination, the Agency could potentially be liable for a portion of the cleanup costs. However, it is expected that the Department of Defense and General Services Administration will bear all or most of the cost of remediation.

Accrued Cleanup Cost

The EPA has 14 sites that will require future clean up associated with permanent closure and one site with clean up presently underway. The estimated costs will be approximately \$14.5 million. Since the cleanup costs associated with permanent closure are not primarily recovered through user fees, EPA has elected to recognize the estimated total cleanup cost as a liability and record changes to the estimate in subsequent years.

The FY 2001 estimate for unfunded cleanup costs decreased by \$5.8 million from the FY 2000 estimate. This represents a change of approximately 41 percent due in large part to the funding of cleanup at several Research Triangle Park (RTP) facilities associated with the ongoing consolidation at RTP. Of the \$14.5 million in estimated cleanup costs, approximately \$9.5 million represents the estimated expense to close the current RTP facility. These costs will be incurred within the next two years. The remaining amount represents the future decontamination and decommissioning costs of EPA's other research facilities. There was a net increase of approximately \$4.8 million in funded cleanup costs from FY 2000 to FY 2001. EPA could also be potentially liable for cleanup costs, at a GSA-leased site; however, the amounts are not known.

Note 21. Superfund State Credits

Authorizing statutory language for Superfund and related Federal regulations require States to enter into Superfund State Contracts (SSCs) when EPA assumes the lead for a remedial action in their State. The SSC defines the State's role in the remedial action and obtains the State's assurance that they will share in the cost of the remedial action. Under Superfund's authorizing statutory language, States will provide EPA with a ten percent cost share for remedial action costs incurred at privately owned or operated sites, and at least fifty percent of all response activities (i.e., removal, remedial planning, remedial action, and enforcement) at publicly operated sites. In some cases, States may use EPA approved credits to reduce all or part of their cost share requirement that would otherwise be borne by the States. Credit is limited to State site-specific expenses EPA has determined to be reasonable, documented, direct out-of-pocket expenditures of non-Federal funds for remedial action. Once EPA has reviewed and approved a State's claim for credit, the State must first apply the credit at the site where it was earned. The State may apply any excess/remaining credit to another site when approved by EPA. As of September 30, 2001, total remaining State credits have been estimated at \$10.7 million. The estimated ending credit balance on September 30, 2000 was \$12.6 million.

Note 22. Superfund Preauthorized Mixed Funding Agreements

Under Superfund preauthorized mixed funding agreements, Potentially Responsible Parties (PRPs) agree to perform response actions at their sites with the understanding that EPA will reimburse the PRPs a certain percentage of their total response action costs. EPA's authority to enter into mixed funding agreements is provided under Section 111(a)(2) of the Comprehensive Environmental Response, Compensation, and Liability Act (CERCLA) of 1980. Under Section 122(b)(1) of CERCLA, as amended by the Superfund Amendments and Reauthorization Act (SARA) of 1986, a PRP may assert a claim against the Superfund Trust Fund for a portion of the costs they incurred while conducting a preauthorized response action agreed to under a mixed funding agreement. As of September 30, 2001, EPA had 15 outstanding preauthorized mixed funding agreements with obligations totaling \$41.1 million. A liability is not recognized for these amounts until all work has been performed by the PRP and has been approved by EPA for payment. Further, EPA will not disburse any funds under these agreements until the PRP's application, claim, and claims adjustment processes have been reviewed and approved by EPA.

Note 23. Income and Expenses from other Appropriations

The Statement of Net Cost reports program costs that include the full costs of the program outputs and consist of the direct costs and all other costs that can be directly traced, assigned on a cause and effect basis, or reasonably allocated to program outputs.

During Fiscal Year 2001, EPA had one appropriation which funded a variety of programmatic and non-programmatic activities across the Agency, subject to statutory requirements. The Environmental Programs and Management (EPM) appropriation was created to fund personnel compensation and benefits, travel, procurement, and contract activities.

All of the expenses from EPM were distributed among EPA's two Reporting Entities: Superfund and All Others. This distribution is calculated using a combination of specific identification of expenses to Reporting Entities, and a weighted average that distributes expenses proportionately to total programmatic expenses.

As illustrated below, this estimate does not impact the net effect of the Statement of Net Costs.

	FY 2001			FY 2000		
	Income From Other Appropriations	Expenses From Other Appropriations	Net Effect	Income From Other Appropriations	Expenses From Other Appropriations	Net Effect
Superfund	\$ 103,654	\$ (103,654)	\$ 0	\$ 31,270	\$ (31,270)	\$ 0
All Others	(103,654)	103,654	0	(31,270)	31,270	0
Total	\$ 0	\$ 0	\$ 0	\$0 0	\$ 0	\$ 0

Note 24. Custodial Non-Exchange Revenues

EPA uses the accrual basis of accounting for the collection of fines, penalties and miscellaneous receipts. Collectibility by EPA of the fines and penalties is based on the responsible parties' willingness and ability to pay.

	FY 2001	FY 2000
Fines, Penalties and Other Misc Revenue (EPA)	\$ 121,892	\$ 86,590
Accounts Receivable for Fines, Penalties and Other Miscellaneous Receipts		
Accounts Receivable	\$ 123,966	\$ 154,803
Less: Allowance for Doubtful Accounts	46,186	52,336
Total	\$ 77,780	\$ 102,467

Note 25. Statement of Budgetary Resources

Reconciliations of budgetary resources, obligations incurred, and outlays, as presented in the audited Statements of Budgetary Resources, to amounts included in the Budget of the United States Government for the years ended September 30, 2001 and 2000, are as follows:

FY 2001	Budgetary Resources	Obligations Incurred	Outlays
SUPERFUND			
Statement of Budgetary Resources	\$ 2,284,377	\$ 1,570,056	\$ 1,199,748
Adjustments to Unliquidated Obligations, Unfilled Customer Orders and Other	(3,650)	13,813	0
Budget of the United States Government	\$ 2,280,727	\$ 1,583,869	\$ 1,199,748
ALL OTHER			
Statement of Budgetary Resources	\$ 9,343,106	\$ 7,431,802	\$ 7,015,605
Less: Funds Reported by Other Federal Entities	(26,148)	(25,677)	(25,342)
Adjustments to Unliquidated Obligations, Unfilled Customer Orders and Other	(5,229)	(5,229)	0
Budget of the United States Government	\$ 9,311,729	\$ 7,400,896	\$ 6,990,263

FY 2000	Budgetary Resources	Obligations Incurred	Outlays
SUPERFUND			
Statement of Budgetary Resources	\$ 2,151,875	\$ 1,701,337	\$ 1,526,587
Adjustments to Unliquidated Obligations, Unfilled Customer Orders and Other	(328)	(1,744)	1,000
Budget of the United States Government	\$ 2,151,547	\$ 1,699,593	\$ 1,527,587
ALL OTHER			
Statement of Budgetary Resources	\$ 8,932,823	\$ 7,158,665	\$ 6,602,265
Less: Funds Reported by Other Federal Entities	(24,778)	(23,835)	(24,545)
Adjustments to Unliquidated Obligations, Unfilled Customer Orders and Other	66,618	67,907	57
Budget of the United States Government	\$ 8,974,663	\$ 7,202,737	\$ 6,577,777

Note 26. Adjustments

Adjustments for FY 2001 and FY 2000 are represented by the following categories:

	FY 2001	FY 2000
SUPERFUND		
Recoveries of Prior Year Obligations	\$ 196,644	\$ 201,660
Less: Cancelled Authority	0	2,288
Total	<u>\$ 196,644</u>	<u>\$ 199,372</u>
ALL OTHERS		
Recoveries of Prior Year Obligations	\$ 76,815	\$ 111,767
Adjustments to Beginning Unobligated Balances	0	615
Less: Payments to Treasury	(6,798)	0
Rescinded Authority	(15,668)	(28,848)
Canceled Authority	(36,254)	(55,687)
Total	<u>\$ 18,095</u>	<u>\$ 27,847</u>

Note 27. Unobligated Balances Available

Availability of unobligated balances are shown comparatively for FY 2001 and FY 2000. The unexpired authority is available to be apportioned by the Office of Management and Budget for new obligations at the beginning of FY 2001. Expired authority is available for upward adjustments of obligations incurred as of the end of the fiscal year.

	FY 2001	FY 2000
SUPERFUND		
Unexpired Unobligated Balance	\$ 714,321	\$ 449,538
Expired Unobligated Balance	0	1,000
Total	<u>\$ 714,321</u>	<u>\$ 450,538</u>
ALL OTHERS		
Unexpired Unobligated Balance	\$ 1,791,475	\$ 1,644,998
Expired Unobligated Balance	119,829	129,160
Total	<u>\$ 1,911,304</u>	<u>\$ 1,774,158</u>

Note 28. Obligated Balance, Net - End of Period

The following unpaid undelivered orders are included in the Obligated Balance, Net - End of Period for FY 2001 and FY 2000.

	FY 2001	FY 2000
SUPERFUND		
Undelivered Orders, Unpaid	<u>\$ 1,915,743</u>	<u>\$ 2,091,767</u>
ALL OTHERS		
Undelivered Orders, Unpaid	<u>\$ 8,787,505</u>	<u>\$ 8,657,913</u>

Note 29. Statement of Financing

Increases in Unfunded Liabilities relate to changes in unfunded annual leave, environmental liabilities, contingent liabilities and the Federal Employees Compensation Act (FECA) special benefit fund. For Superfund and All Others, the changes are reflected in Financing Sources Yet to Be Provided.

	FY 2001	FY 2000
FINANCING SOURCES YET TO BE PROVIDED		
Superfund	\$ 829	\$ 6,980
All Others	8,234	12,262
Total	<u>\$ 9,063</u>	<u>\$ 19,242</u>

Note 30. Costs Not Assigned to Goals

FY 2001's Statement of Net Cost by Goal has \$(31.5) million in gross costs not assigned to goals. Grant accruals are part of the "Costs Not Assigned to Goals." The FY 2001 amount is comprised of a decrease of \$57.0 million to the year-end grant accruals (see Note 19); partially offset by \$19.7 million in bad debt expense not assigned to goals, \$2.4 million in interest on Treasury borrowing, \$3.1 million in undistributed imputed costs, and \$0.3 million in miscellaneous expenses.

For FY 2000's Statement of Net Cost by Goal, \$145.5 million in gross costs were not assigned to goals. This amount was comprised of a \$106.4 million increase to the year-end grant accruals, \$15.2 million in unfunded expenses, \$19.9 million in depreciation expenses that were not assigned, \$3.0 million in bad debt expense, and \$1 million in miscellaneous expenses.

Note 31. Transfers-in and out, Statement of Changes in Net Position

The consolidated amounts shown as transfers-in on the Statement of Changes in Net Position are comprised of transfers from other Federal agencies in accordance with applicable legislation. The consolidated amounts shown as transfers-out are nonexpenditure transfers to other Hazardous Substance Superfund allocation agency funds, such as HHS and Labor. Elimination transactions consist of intra-agency transfers between EPA funds.

Note 32. Imputed Financing

In accordance with Statement of Federal Financial Accounting Standard No. 5 (Liabilities of the Federal Government), Federal agencies must recognize the portion of employees' pensions and other retirement benefits to be paid by the Office of Personnel Management (OPM) trust funds. These amounts are recorded as imputed costs and imputed financing for the agency. Each year the OPM provides federal agencies with cost factors to calculate these imputed costs and financing that apply to the current year. These cost factors are multiplied by the current year's salaries or number of employees, as applicable, to provide an estimate of the imputed financing that the OPM trust funds will provide for each agency. The estimates for FY 2001 were \$13.4 million and \$76.5 million for Superfund and All Other Funds, respectively. For FY 2000, the revised estimates (see Note 34) were \$12.5 million and \$70.4 million for Superfund and All Other Funds, respectively.

In addition to the pension and retirement benefits described above, in FY 2001 EPA also recorded imputed costs and financing for Treasury Judgement Fund payments on behalf of the agency. Entries are in accordance with the Interpretation of Federal Financial Accounting Standards No. 2, Accounting for Treasury Judgement Fund Transactions. These entries totaled \$0.3 million and \$1.3 million for Superfund and All Other Funds, respectively.

Note 33. Payroll and Benefits Payable

The amounts that relate to payroll and benefits payable to EPA employees for the years ending September 30, 2001 and 2000 are detailed in the following tables. For FY 2000, these amounts were included with Other Liabilities, non-Federal. The FY 2000 portion of this note has been drawn from the prior year's note on Other Liabilities.

FY 2001 Payroll and Benefits Payables	Covered by Budgetary Resources	Not Covered by Budgetary Resources	Total
Superfund - Current			
Accrued Funded Payroll and Benefits	\$ 8,361	\$ 0	\$ 8,361
Withholdings Payable	5,935	0	5,935
Employer Contributions Payable, non Federal (TSP)	372	0	372
Other Post-employment Benefits Payable	3	0	3
Accrued Unfunded Annual Leave	0	20,440	20,440
Total - Superfund - Current	\$ 14,671	\$ 20,440	\$ 35,111
All Other Funds - Current			
Accrued Funded Payroll and Benefits	\$ 37,099	\$ 0	\$ 37,099
Withholdings Payable	26,410	0	26,410
Employer Contributions Payable, non Federal (TSP)	1,645	0	1,645
Other Post-employment Benefits Payable	33	0	33
Accrued Funded Leave, WCF	320	0	320
Accrued Unfunded Annual Leave	0	98,223	98,223
Total - All Other Funds - Current	\$ 65,507	\$ 98,223	\$ 163,730

FY 2000 Payroll and Benefits Payables	Covered by Budgetary Resources	Not Covered by Budgetary Resources	Total
Superfund - Current			
Accrued Funded Payroll and Benefits	\$ 7,499	\$ 0	\$ 7,499
Withholdings Payable	5,777	0	5,777
Other Post-employment Benefits Payable	3	0	3
Accrued Unfunded Annual Leave	0	19,553	19,553
Total - Superfund - Current	\$ 13,279	\$ 19,553	\$ 32,832
All Other Funds - Current			
Accrued Funded Payroll and Benefits	\$ 32,570	\$ 0	\$ 32,570
Withholdings Payable	25,278	0	25,278
Other Post-employment Benefits Payable	44	0	44
Accrued Funded Leave, WCF	320	0	320
Accrued Unfunded Annual Leave	0	93,151	93,151
Total - All Other Funds - Current	\$ 58,212	\$ 93,151	\$ 151,363

Note 34. Restatement of Imputed Costs and Financing for Prior Years

In fiscal years 1998, 1999, and 2000, the imputed costs and financing recognized on EPA's financial statements differed from the calculations stipulated in OPM's Financial Management Letters issued annually. Because these errors resulted in offsetting differences in costs and financing sources, they had no effect on Net Position. However, Intragovernmental Costs on the Statement of Net Cost and Imputed Financing on the Statements of Changes in Net Position and Financing were misstated for those fiscal years. The table below shows the differences in thousands for each fiscal year.

	Imputed Costs and and Financing for FY 1998	Imputed Costs and Financing for FY 1999	Imputed Costs and Financing for FY 2000
Superfund:			
Corrected Amounts	\$ 12,422	\$ 12,851	\$ 12,534
Amounts on Statements	30,155	31,437	32,063
Difference	<u>\$ (17,733)</u>	<u>\$ (18,586)</u>	<u>\$ (19,529)</u>
All Other:			
Corrected Amounts	\$ 74,970	\$ 71,839	\$ 70,384
Amounts on Statements	161,853	165,232	168,659
Difference	<u>\$ (86,883)</u>	<u>\$ (93,393)</u>	<u>\$ (98,275)</u>

In accordance with the Statement of Federal Financial Accounting Standard No. 21 (Reporting Corrections of Errors and Changes in Accounting Principles), the amounts for imputed costs and financing are restated in the Statements of Net Cost, the Statement of Changes in Net Position, and the Statement of Financing presented for FY 2000. Since this error has no effect on Net Position, the beginning Net Position does not need to be restated for either FY 2000 or FY 2001. The effect on the applicable lines of FY 2000's statements, in thousands, is presented below:

	Superfund FY 2000 Statements	Superfund FY 2000 Restated	Difference	All Other FY 2000 Statements	All Other FY 2000 Restated	Difference	Consolidated FY 2000 Total Difference
Statement of Net Cost:							
Costs: Intragovernmental	\$ 373,311	\$ 353,782	\$ 19,529	\$ 787,415	\$ 689,140	\$ 98,275	\$ 117,804
Total Costs	<u>\$ 1,664,045</u>	<u>\$ 1,644,516</u>	<u>\$ 19,529</u>	<u>\$ 6,223,482</u>	<u>\$ 6,125,207</u>	<u>\$ 98,275</u>	<u>\$ 117,804</u>
Net Cost of Operations	<u>\$ 1,356,845</u>	<u>\$ 1,337,316</u>	<u>\$ 19,529</u>	<u>\$ 6,131,604</u>	<u>\$ 6,033,329</u>	<u>\$ 98,275</u>	<u>\$ 117,804</u>
Statement of Changes in Net Position:							
Net Cost of Operations	\$ 1,356,845	\$ 1,337,316	\$ 19,529	\$ 6,131,604	\$ 6,033,329	\$ 98,275	\$ 117,804
Imputed Financing	<u>\$ 32,063</u>	<u>\$ 12,534</u>	<u>\$ 19,529</u>	<u>\$ 168,659</u>	<u>\$ 70,384</u>	<u>\$ 98,275</u>	<u>\$ 117,804</u>
Statement of Financing:							
Imputed Financing for Cost Subsidies	\$ 32,063	\$ 12,534	\$ 19,529	\$ 168,659	\$ 70,384	\$ 98,275	\$ 117,804
Net Cost of Operations	<u>\$ 1,356,845</u>	<u>\$ 1,337,316</u>	<u>\$ 19,529</u>	<u>\$ 6,131,604</u>	<u>\$ 6,033,329</u>	<u>\$ 98,275</u>	<u>\$ 117,804</u>

The amounts reduced (in thousands) on the restated Statement of Net Costs by Goal for FY 2000 are:

	Intragovernmental Costs	Management Cost Allocations	Net Cost of Operations
Clean Air	\$ 11,793	\$ 1,633	\$ 13,426
Clean and Safe Water	18,672	2,245	20,917
Safe Food	4,914	665	5,579
Prevent Pollution	7,862	1,061	8,923
Better Waste Management	27,209	4,127	31,336
Global Risks	3,931	481	4,412
Right to Know	5,109	695	5,804
Sound Science	6,879	937	7,816
Credible Deterrent	17,292	2,299	19,591
Effective Management	14,143	(14,143)	0
Total Reduction	\$ 117,804	\$ 0	\$ 117,804

Note 35. Change in Accounting for Trust Funds in FY 2000

During FY 2000, in compliance with Statement of Federal Financial Accounting Standard No. 7 (Accounting for Revenue and Other Financing Sources), the U. S. Standard General Ledger Board issued definitive guidance for trust fund accounting and added new Standard General Ledger accounts to further distinguish trust fund transactions from other funds. As of FY 2000, the EPA implemented these changes for all trust funds. These changes eliminate the use of Unexpended Appropriations and Appropriations Used for trust funds, and indicate the inclusion of only the Cumulative Results of Operations account in Net Position for trust funds.

The changes affected transactions in this manner: In lieu of increases to Unexpended Appropriations, amounts appropriated or transferred to the trust funds are recorded in new accounts as Trust Fund Financing Sources-Transfers In. Amounts transferred out no longer decrease Unexpended Appropriations, but are recorded in new accounts as Trust Fund Financing Sources -Transfers Out. These new accounts are reported on the Statement of Changes in Net Position as Other Financing Sources, and are closed out at year end to Cumulative Results of Operations. Expenditures from trust funds are still reported as expenses or purchases of capital assets and reflected in budgetary expenditures, but are no longer reported as increases to Appropriations Used and decreases to Unexpended Appropriations.

The cumulative effect of these changes on the accounts was to move all balances as of October 1, 1999 in Unexpended Appropriations for trust funds into Cumulative Results of Operations. This cumulative effect is reported on a separate line on the Statement of Changes in Net Position for fiscal year 2000. The decreases to Unexpended Appropriations for trust funds are detailed below:

	Superfund	All Other
Hazardous Substance Superfund No-Year Trust Fund	\$ 2,607,783	\$ 0
Superfund Annual Funds	49,048	0
Leaking Underground Storage Tank Trust Fund	0	81,830
Oil Spill Response Trust Fund	0	9,690
Miscellaneous Contributed Funds Trust Fund	0	76
Totals	\$ 2,656,831	\$ 91,596

Note 36. Change in Accounting for Cashout Interest, Superfund for FY 2000

Per an agreement dated October 3, 1996 between the Office of Management and Budget (OMB) and the EPA, the EPA is allowed additional budget authority for interest earnings on Cashout (Special Account) collections for Superfund. Prior to FY 2000, the authority for interest earnings had previously been classified as Cashout Advances and Deferrals, Superfund, on the Consolidating Balance Sheet and as Spending Authority from Offsetting Collections on the Combined Statement of Budgetary Resources. In FY 2000, the beginning balance for interest earnings on Special Accounts was reclassified from Cashout Advances and Deferrals, Superfund to Net Position on the Consolidating Balance Sheet for Superfund. The change is consistent with guidance from OMB to treat the interest as permanently appropriated and is consistent with definitive guidance for trust fund accounting issued by the U. S. Standard General Ledger Board. This change is also in compliance with Statement of Federal Financial Accounting Standard No. 7 (Accounting for Revenue and Other Financing Sources).

For FY 2000 and 2001, interest earnings that became available during the fiscal years are recorded in Trust Fund Financing Sources - Transfers In for EPA, and are then eliminated against Treasury's Transfers-Out in the consolidation of the Treasury and EPA funds. Current year's earnings are included as Budget Authority on the Combined Statement of Budgetary Resources for Superfund.

Note 37. Change in Accounting for Expenditure Transfers

In fiscal year 2000, Treasury implemented changes in accounting for expenditure transfers from trust funds to eligible fund symbols. These changes allowed the transfers to be recorded as financing sources rather than unexpended or expended appropriations. In addition, new receivable and payable accounts provided the mechanism to record invested financing sources available to cover expenditures until the actual transfers could be completed at a later date.

In accordance with this change, in FY 2001 EPA established new intra-agency accounts receivable and payable accounts for transfers between Superfund and the IG and Science & Technology funds. For comparative purposes, the FY 2000 Balance Sheet and Statement of Changes in Net Position are restated to show \$46.5 million of activity that reflects the cumulative effect of these new accounts. Specifically, the All Others intragovernmental receivables and the Superfund intragovernmental accounts payable were both increased by \$46.5 million for FY 2000, with offsetting amounts reported in the respective cumulative results of operations on the Balance Sheet. On the Statement of Changes in Net Position, an accounting change for FY 2000 was reported which restated ending net position for Superfund and All Others for FY 2000. Of this change, \$45.2 million represents the beginning balance changes for FY 2000 and \$1.3 million was added to All Others transfers-in and Superfund transfers-out to reflect the changes in activity relating solely to FY 2000.

**ENVIRONMENTAL PROTECTION AGENCY
REQUIRED SUPPLEMENTAL INFORMATION
AS OF SEPTEMBER 30, 2001
(Dollars in Thousands)
(Unaudited)**

Deferred Maintenance

The EPA classifies tangible property, plant, and equipment as follows: 1) EPA-Held Equipment, 2) Contractor-Held Equipment, 3) Land and Buildings, and, 4) Capital Leases. The condition assessment survey method of measuring deferred maintenance is utilized. The Agency adopts requirements or standards for acceptable operating condition in conformance with industry practices. No deferred maintenance was reported for any of the four categories.

Intragovernmental Assets

Intragovernmental amounts represent transactions between all federal departments and agencies and are reported by trading partner (entities that EPA did business with during FY 2001).

EPA confirmed its investment balances with the Bureau of the Public Debt, Department of the Treasury. In addition, EPA sent out requests to trading partners to reconcile and confirm intragovernmental receivables and transfers. Responses or inquiries were received from the Department of Defense, Department of the Interior, Department of Commerce, Department of the Treasury, Nuclear Regulatory Commission and the National Science Foundation.

Trading Partner Code	Agency	Investments		Accounts Receivable		Other	
		Superfund	All Other	Superfund	All Other	Superfund	All Other
04	Government Printing Office	\$ 0	\$ 0	\$ 0	\$ 0	\$ 56	\$ 1,529
11	Executive Office of the President				11		
12	Department of Agriculture			425	97		
13	Department of Commerce			17	96	2	27
14	Department of Interior			13,539	794		
15	Department of Justice			81			
17	Department of the Navy			111	810		
18	U.S. Postal Service			16			122
19	Department of State				154		2,418
20	Department of the Treasury			75	104		
21	Department of the Army			8,806	127		
45	Equal Employment Opportunity Commission				121		
47	General Services Administration			175	36		
49	National Science Foundation				14		
57	Department of the Air Force			604	110		
58	Federal Emergency Management Agency				957		
61	Consumer Product Safety Commission				1		
64	Tennessee Valley Authority				15		
68	EPA (between Superfund and All Other)				48,128	5,448	291
69	Department of Transportation				8,927		
72	Agency for International Development				1,937		
75	Department of Health and Human Services			245	868		
80	National Aeronautics and Space Administration				39		

Trading Partner Code	Agency	Investments		Accounts Receivable		Other	
		Superfund	All Other	Superfund	All Other	Superfund	All Other
86	Department of Housing and Urban Development				149		
89	Department of Energy			85	469		
96	US Army Corps of Engineers			87	4,460		
97	US Department of Defense			6,912	219		
99	Treasury Managed Trust Funds	3,724,044	1,778,818		1,313		
00	Unassigned	0	0	0	21	15	(1)
Total		\$ 3,724,044	\$ 1,778,818	\$ 31,178	\$ 69,977	\$ 5,521	\$ 4,386

Intragovernmental Liabilities

EPA received a few requests for intragovernmental liabilities reconciliation from trading partners. EPA was able to confirm balances with the National Science Foundation (49), the Department of Commerce (13), Tennessee Valley Authority (64), the Office of Personnel Management (24), the Department of the Treasury (20), and the Department of Labor (16).

Trading Partner Code	Agency	Accounts Payable		Accrued Liabilities		Other Liabilities	
		Superfund	All Other	Superfund	All Other	Superfund	All Other
03	Library of Congress	\$ 0	\$ 0	\$ 6	\$ 157	\$ 0	\$ 0
04	Government Printing Office			45	1,146		(6)
11	Executive Office of the President				26		
12	Department of Agriculture			68	1,199	2,085	48
13	Department of Commerce	1,035		699	2,071		140
14	Department of Interior	901		4,611	2,593		81
15	Department of Justice	617		3,418	50	1,067	
16	Department of Labor	2,258		53	43	1,426	6,341
17	Department of the Navy			218	440	102	24
18	United States Postal Service				7	14	
19	Department of State				628		
20	Department of the Treasury			41	226		
21	Department of the Army					3,258	
24	Office of Personnel Management			45	426	1,964	8,742
31	US Nuclear Regulatory Commission				6		20
33	Smithsonian Institution			6	31		
45	EEOC				20		
47	General Services Administration			3,619	17,258	6,875	(87)
49	National Science Foundation			7	241		
56	Central Intelligence Agency				21		
57	Department of the Air Force					2,760	45
58	Federal Emergency Management Agency	15,317		16			
64	Tennessee Valley Authority			1	198		16
68	EPA (between Superfund and All Others)	44,759	512	3,241			5,355
69	Department of Transportation			6,287	141		
73	Small Business Administration				10		
75	Department of Health and Human Services	16		12,793	6,639		
80	National Aeronautics and Space Administration				212		

Trading Partner Code	Agency	Accounts Payable		Accrued Liabilities		Other Liabilities	
		Superfund	All Other	Superfund	All Other	Superfund	All Other
86	Department of Housing and Urban Development				4		1,849
88	National Archives & Records Administration				1		
89	Department of Energy			392	4,537		47
91	Department of Education				4		
95	Independent Agencies			11	8		
96	US Army Corps of Engineers	881	422	21,381	1,287		331
97	Office of the Secretary of Defense	3	125		174	1,044	56
99	Treasury General Fund					690	4,507
00	Unassigned	22	59	770	737	23	(2)
Total		<u>\$ 65,809</u>	<u>\$ 1,118</u>	<u>\$ 57,728</u>	<u>\$ 40,541</u>	<u>\$ 21,308</u>	<u>\$ 27,507</u>

For All Other Funds' remaining intragovernmental liabilities, \$31,124 thousand in Debt is assigned to the Department of the Treasury (trading partner Code 20), and \$77,778 thousand in Custodial Liability is assigned to the Treasury General Fund (trading partner Code 99).

Intragovernmental Revenues and Costs

EPA's intragovernmental earned revenues are not reported by trading partners because they are below OMB's threshold of \$500 million.

	Superfund	All Others
Intragovernmental Earned Revenue	\$ 37,241	\$ 57,444
Associated Costs to generate Above Revenue (Budget Functional Classification 304)	37,241	57,444

ENVIRONMENTAL PROTECTION AGENCY
REQUIRED SUPPLEMENTAL INFORMATION
SUPPLEMENTAL STATEMENT OF BUDGETARY RESOURCES
AS OF SEPTEMBER 30, 2001
(Dollars in Thousands)

Unaudited

	STAG	Environ- mental Programs & Management	Science & Technology	FIFRA	LUST Trust Fund	Misc. All Other	Consolidated All Other
Budgetary Resources:							
Budget Authority	\$ 3,649,325	\$ 2,091,490	\$ 697,000	\$ 0	\$ 71,795	\$ 736,268	\$ 7,245,878
Unobligated Balances -							
Beginning of the Period	1,218,633	270,917	180,150	4,596	4,331	95,531	1,774,158
Net Transfers,							
Prior Year Balance	0	1,107	0	0	0	(104)	1,003
Spending Authority from							
Offsetting Collections	29,855	51,154	37,592	15,701	40	169,630	303,972
Adjustments	27,154	(14,349)	844	196	2,290	1,960	18,095
Total Budgetary Resources	<u>\$ 4,924,967</u>	<u>\$ 2,400,319</u>	<u>\$ 915,586</u>	<u>\$ 20,493</u>	<u>\$ 78,456</u>	<u>\$1,003,285</u>	<u>\$ 9,343,106</u>
Status of Budgetary Resources:							
Obligations Incurred	\$ 3,625,653	\$ 2,093,381	\$ 714,645	\$ 18,576	\$ 72,236	\$ 907,311	\$ 7,431,802
Unobligated Balances -							
Available	1,299,314	214,529	175,274	1,917	6,134	94,307	1,791,475
Unobligated Balances-							
Not Available	0	92,409	25,667	0	86	1,667	119,829
Total Status of							
Budgetary Resources	<u>\$ 4,924,967</u>	<u>\$ 2,400,319</u>	<u>\$ 915,586</u>	<u>\$ 20,493</u>	<u>\$ 78,456</u>	<u>\$1,003,285</u>	<u>\$ 9,343,106</u>
Outlays:							
Obligations Incurred	\$ 3,625,653	\$ 2,093,381	\$ 714,645	\$ 18,576	\$ 72,236	\$ 907,311	\$ 7,431,802
Less: Spending Authority from							
from Offsetting Collections							
and Adjustments	64,992	70,515	46,657	15,897	2,330	180,395	380,786
Obligated Balance, Net -							
Beginning of the Period	7,874,156	750,109	500,950	1,544	83,976	78,709	9,289,444
Less: Obligated Balance, Net -							
End of the Period	7,917,132	783,265	492,591	1,547	83,186	47,134	9,324,855
Total Outlays	<u>\$ 3,517,685</u>	<u>\$ 1,989,710</u>	<u>\$ 676,347</u>	<u>\$ 2,676</u>	<u>\$ 70,696</u>	<u>\$ 758,491</u>	<u>\$ 7,015,605</u>

**ENVIRONMENTAL PROTECTION AGENCY
 REQUIRED SUPPLEMENTAL INFORMATION
 WORKING CAPITAL FUND
 SUPPLEMENTAL BALANCE SHEET
 AS OF SEPTEMBER 30, 2001
 (Dollars in Thousands)**

	Unaudited
ASSETS	
Intragovernmental:	
Fund Balance With Treasury	\$ 51,267
Accounts Receivable, Net	20,332
Other	121
Total Intragovernmental	71,720
Inventory and Related Property, Net	14
General Property, Plant and Equipment, Net	14,353
Other	2
Total Assets	\$ 86,089
LIABILITIES	
Intragovernmental:	
Accrued Liabilities	\$ 1,987
Advances from Other EPA Funds	37,422
Other	94
Total Intragovernmental	39,503
Accounts Payable	2,746
Accrued Liabilities	13,287
Other	1,845
Total Liabilities	\$ 57,381
NET POSITION	
Cumulative Results of Operations	28,708
Total Net Position	28,708
Total Liabilities and Net Position	\$ 86,089

**ENVIRONMENTAL PROTECTION AGENCY
REQUIRED SUPPLEMENTAL INFORMATION
WORKING CAPITAL FUND
SUPPLEMENTAL STATEMENT OF NET COST
FOR THE YEAR ENDED SEPTEMBER 30, 2001
(Dollars in Thousands)**

	Unaudited
COSTS:	
Intragovernmental	\$ 15,409
With the Public	104,190
	119,599
Less:	
Earned Revenues	(124,819)
	(5,220)
Net Cost of Operations	\$ (5,220)

**ENVIRONMENTAL PROTECTION AGENCY
REQUIRED SUPPLEMENTAL INFORMATION
WORKING CAPITAL FUND
SUPPLEMENTAL STATEMENT OF CHANGES IN NET POSITION
FOR THE YEAR ENDED SEPTEMBER 30, 2001
(Dollars in Thousands)**

	Unaudited
Net Cost of Operations	\$ 5,220
Financing Sources (Other Than Exchange Revenues):	
Imputed Financing	1,704
Transfers-In	0
Transfers-Out	0
	6,924
Net Results of Operations	\$ 6,924
Prior-Period Adjustments	0
	6,924
Net Change in Cumulative Results of Operations	\$ 6,924
Net Position - Beginning of the Period	21,784
	28,708
Net Position - End of the Period	\$ 28,708

REQUIRED SUPPLEMENTAL INFORMATION
WORKING CAPITAL FUND
SUPPLEMENTAL STATEMENT OF BUDGETARY RESOURCES
FOR THE YEAR ENDED SEPTEMBER 30, 2001
(Dollars in Thousands)

Budgetary Resources	Unaudited
Unobligated Balances, Beginning of the Period	\$ 21,820
Spending Authority from Offsetting Collections	125,706
Adjustments	2,990
	<hr/>
Total Budgetary Resources	\$ 150,516
	<hr/> <hr/>
 Status of Budgetary Resources	
Obligations Incurred	\$ 127,482
Unobligated Balances Available	23,034
	<hr/>
Total, Status of Budgetary Resources	\$ 150,516
	<hr/> <hr/>
 Outlays	
Obligations Incurred	\$ 127,482
Less: Spending Authority from Offsetting Collections and Adjustments	(128,696)
	<hr/>
Subtotal	(1,214)
	<hr/>
Obligated Balance, Net - Beginning of the Period	30,688
Less: Obligated Balance, Net - End of the Period	(28,232)
	<hr/>
Total Outlays	\$ 1,242
	<hr/> <hr/>

**ENVIRONMENTAL PROTECTION AGENCY
REQUIRED SUPPLEMENTAL INFORMATION
WORKING CAPITAL FUND
SUPPLEMENTAL STATEMENT OF FINANCING
FOR THE YEAR ENDED SEPTEMBER 30, 2001
(Dollars in Thousands)**

Obligations and Nonbudgetary Resources	<u>Unaudited</u>
Obligations Incurred	\$ 127,482
Less: Spending Authority for Offsetting Collections and Adjustments	
Earned Reimbursements	
Collected	(125,394)
Receivable from Federal Sources	498
Change in Unfilled Orders - (Decreases)/Increases	(810)
Recoveries from Prior Year Obligations	(2,990)
Financing Imputed for Cost Subsidies	<u>1,704</u>
Total Obligations as Adjusted and Nonbudgetary Resources	<u><u>\$ 490</u></u>
Resources that Do Not Fund Net Cost of Operations	
Change in Amount of Goods, Services and Benefits Ordered but Yet Received or Provided - (Increases)/Decreases	(2,256)
Change in Unfilled Customers Orders, etc. - Increases/(Decreases)	810
Costs Capitalized on the Balance Sheet	
General Plant, Property and Equipment	(9,227)
Purchases of Inventory	<u>32</u>
Total Resources that Do Not Fund Net Costs of Operations	<u><u>\$ (10,641)</u></u>
Components of Costs of Operations that Do Not Require or Generate Resources	
Depreciation and Amortization	4,396
Loss on Disposition of Assets	<u>124</u>
Total Costs That Do Not Require Resources	<u>4,520</u>
Financing Sources Yet to be Provided	<u>411</u>
Net Costs of Operations	<u><u>\$ (5,220)</u></u>

ENVIRONMENTAL PROTECTION AGENCY
REQUIRED SUPPLEMENTAL STEWARDSHIP INFORMATION
FOR THE YEAR ENDED SEPTEMBER 30, 2001
(Dollars in Thousands)

INVESTMENT IN THE NATION'S RESEARCH AND DEVELOPMENT

Public and private sector institutions have long been significant contributors to our Nation's environment and human health research agenda. EPA's Office of Research and Development, however, is unique among scientific institutions in this country in combining research, analysis, and the integration of scientific information across the full spectrum of health and ecological issues and across both risk assessment and risk management. Science enables us to identify the most important sources of risk to human health and the environment, and by so doing, informs our priority-setting, ensures credibility for our policies, and guides our deployment of resources. It gives us the understanding and technologies we need to detect, abate, and avoid environmental problems. Science provides the crucial underpinning for EPA decisions and challenges us to apply the best available science and technical analysis to our environmental problems and to practice more integrated, more efficient, and more effective approaches to reducing environmental risks.

Among the Agency's highest priorities are research programs that address the effects of the environment on children's health, the potential risks of unregulated contaminants in drinking water, the health effects of air pollutants such as particulate matter, and the protection of the Nation's ecosystems. For FY 2001, the full cost of the Agency's Research and Development activities totaled almost \$646 million. Below is a breakout of the expenses (dollars in thousands):

	FY 1998	FY 1999	FY 2000	FY 2001
Programmatic Expenses	507,828	543,777	541,117	555,794
Allocated Expenses	53,322	58,728	59,523	90,039

INVESTMENT IN THE NATION'S INFRASTRUCTURE

The Agency makes significant investments in the Nations's drinking water and clean water infrastructure. The investments are the result of three programs: The Construction Grant Program which is being phased out, and two State Revolving Fund (SRF) programs.

Construction Grants Program: During the 1970s and 1980s, the Construction Grants Program was a source of Federal funds, providing more than \$60 billion of direct grants for the construction of public wastewater treatment projects. These projects, which constituted a significant contribution to the Nation's water infrastructure, included sewage treatment plants, pumping stations, and collection and intercept sewers, rehabilitation of sewer systems, and the control of combined sewer overflows. The construction grants led to the improvement of water quality in thousands of municipalities nationwide.

Congress set 1990 as the last year that funds would be appropriated for Construction Grants. Projects funded in 1990 and prior will continue until completion. Beyond 1990, EPA shifted the focus of municipal financial assistance from grants to loans that are provided by State Revolving Funds.

State Revolving Funds: The Environmental Protection Agency provides capital, in the form of capitalization grants, to state revolving funds which state governments use to make loans to individuals, businesses, and governmental entities for the construction of wastewater and drinking water treatment infrastructure. When the loans are repaid to the state revolving fund, the collections are used to finance new loans for new construction projects. The capital is reused by the states and is not returned to the Federal Government.

The Agency is also appropriated funds to finance the construction of infrastructure outside the Revolving Funds. These are reported below as Other Infrastructure Grants.

The Agency's expenses related to investments in the Nation's Water Infrastructure are outlined below (dollars in thousands):

	FY 1998	FY 1999	FY 2000	FY 2001
Construction Grants	444,817	414,528	55,766	63,344
Clean Water SRF	1,109,017	925,744	1,564,894	1,548,270
Safe Drinking Water SRF	94,936	387,429	588,116	728,921
Other Infrastructure Grants	138,363	245,606	212,124	282,914
Allocated Expenses	187,649	213,117	266,299	424,999

STEWARDSHIP LAND

The Agency acquires title to certain land and land rights under the authorities provided in Section 104 (J) CERCLA related to remedial clean-up sites. The land rights are in the form of easements to allow access to clean-up sites or to restrict usage of remediated sites. In some instances, the Agency takes title to the land during remediation and returns it to private ownership upon the completion of clean-up. A site with "land acquired" may have more than one acquisition property. Sites are not counted as a withdrawal until all acquired properties have been transferred.

As of September 30, 2001, the Agency possesses the following land and land rights:

Superfund Sites with Easements

Beginning Balance	25
Additions	4
Withdrawals	0
Ending Balance	<u>29</u>

Superfund Sites with Land Acquired

Beginning Balance	23
Additions	2
Withdrawals	0
Ending Balance	<u>25</u>

HUMAN CAPITAL

Agencies are required to report expenses incurred to train the public with the intent of increasing or maintaining the Nation's economic productive capacity. Training, public awareness, and research fellowships are components of many of the Agency's programs, and are effective in achieving the Agency's mission of protecting public health and the environment, but the focus is on enhancing the Nation's environmental, not economic, capacity.

The Agency's expenses related to investments in the Human Capital are outlined below (dollars in thousands):

	FY 1998	FY 1999	FY 2000	FY 2001
Training and Awareness Grants	39,131	46,630	49,265	48,697
Fellowships	11,084	10,239	9,570	11,451
Allocated Expenses	5,273	6,142	6,472	9,744

SUMMARY OF OIG'S AUDIT REPORT
Full Electronic version of complete audit report
at <http://www.epa.gov/oigearth>

INSPECTOR GENERAL'S REPORT ON EPA'S FISCAL 2001 AND 2000 FINANCIAL STATEMENTS

The Administrator
U.S. Environmental Protection Agency

We have audited the consolidating balance sheets of the U.S. Environmental Protection Agency (EPA, or the Agency) and its subsidiary funds, the Superfund Trust Fund (Superfund) and All Other Appropriated Funds (All Other), as of September 30, 2001 and 2000, and the related consolidating statements of net cost and changes in net position, consolidated statements of net cost by goal, combined statements of financing, and consolidated statements of custodial activity for the years then ended, and the related combined statement of budgetary resources for the year ended September 30, 2001. These financial statements are the responsibility of EPA's management. Our responsibility is to express an opinion on these financial statements based upon our audit.

We conducted our audit in accordance with generally accepted auditing standards; the standards applicable to financial statements contained in Government Auditing Standards, issued by the Comptroller General of the United States; and Office of Management and Budget (OMB) Bulletin 01-02, *Audit Requirements for Federal Financial Statements*. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatements. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

The financial statements include expense of grantees, contractors, and other Federal agencies. Our audit work pertaining to these expenses included testing only within EPA. Audits of grants, contracts, and interagency agreements performed at a later date may disclose questioned costs of an amount undeterminable at this time. In addition, the United States Treasury collects and accounts for excise taxes that are deposited into the Superfund and Leaking Underground Storage Tank Trust Funds.¹ The United States Treasury is also responsible for investing amounts not needed for current disbursements and transferring funds to EPA as authorized in legislation. Since the United States Treasury, and not EPA, is responsible for these activities, our audit work did not cover these activities.

The Office of Inspector General (OIG) is not independent with respect to amounts pertaining to its operations that are presented in the financial statements. The amounts included for the OIG are not material to EPA's financial statements. The OIG is organizationally independent with respect to all other aspects of the Agency's activities.

In our opinion, the consolidating financial statements present fairly the consolidated and individual assets, liabilities, net position, net cost, net cost by goal, changes in net position, reconciliation of net cost to budgetary obligations, and custodial activity of the U.S. Environmental Protection Agency and its subsidiary funds, the Superfund Trust Fund and All Other Appropriated Funds, as of and for the years ended September 30, 2001 and 2000, and budgetary resources as of and for the year ended September 30, 2001, in accordance with generally accepted accounting principles.

Review of EPA's Required Supplemental Stewardship Information, Required Supplemental Information, and Management Discussion and Analysis

We inquired of EPA's management as to their methods of preparing its Required Supplemental Stewardship Information (RSSI), Required Supplemental Information, and Management Discussion and Analysis, and

¹ The Leaking Underground Storage Tank Trust Fund is included in the All Other Appropriated Funds column of the financial statements.

reviewed this information for consistency with the financial statements. However, our audit was not designed to express an opinion and, accordingly, we do not express an opinion.

We did not identify any material inconsistencies between the information presented in EPA's financial statements and the information presented in EPA's RSSI, Required Supplemental Information, and Management Discussion and Analysis. OMB Bulletin No. 01-09, *Form and Content of Agency Financial Statements*, requires agencies to report, as Required Supplemental Information, their intra-governmental assets and liabilities by Federal trading partner. We did find that, through no fault of EPA, other Federal agencies were unable to reconcile EPA's reported transactions with their records (see Attachment 2 for additional details on this issue).

Evaluation of Internal Controls

As defined by OMB, internal control, as it relates to the financial statements, is a process, affected by the Agency's management and other personnel, designed to provide reasonable assurance that the following objectives are met:

Reliability of financial reporting - Transactions are properly recorded, processed, and summarized to permit the timely and reliable preparation of the financial statements and RSSI in accordance with generally accepted accounting principles; and assets are safeguarded against loss from unauthorized acquisition, use, or disposition.

Reliability of performance reporting - Transactions and other data that support reported performance measures are properly recorded, processed, and summarized to permit the preparation of performance information in accordance with criteria stated by management.

Compliance with applicable laws and regulations - Transactions are executed in accordance with laws governing the use of budget authority and other laws and regulations that could have a direct and material effect on the financial statements or RSSI; and any other laws, regulations, and government-wide policies identified by OMB.

In planning and performing our audit, we considered EPA's internal controls over financial reporting by obtaining an understanding of the Agency's internal controls, determined whether internal controls had been placed in operation, assessed control risk, and performed tests of controls in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements. We limited our internal control testing to those controls necessary to achieve the objectives described in OMB Bulletin No. 01-02, *Audit Requirements for Federal Financial Statements*, as supplemented by an OMB memorandum dated January 4, 2001, *Revised Implementation Guidance for the Federal Financial Management Improvement Act*. We did not test all internal controls relevant to operating objectives as broadly defined by the Federal Managers' Financial Integrity Act of 1982, such as those controls relevant to ensuring efficient operations. The objective of our audit was not to provide assurance on internal controls and, accordingly, we do not express an opinion on internal controls.

Our consideration of the internal controls over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be reportable conditions. Under standards issued by the American Institute of Certified Public Accountants, reportable conditions are matters coming to our attention relating to significant deficiencies in the design or operation of the internal control that, in our judgment, could adversely affect the Agency's ability to record, process, summarize, and report financial data consistent with the assertions by management in the financial statements. Material weaknesses are reportable conditions in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Because of inherent limitations in internal controls, misstatements, losses, or noncompliance may nevertheless occur and not be detected. However, we noted

certain matters discussed below involving the internal control and its operation that we consider to be reportable conditions, although none of the reportable conditions is believed to be a material weakness.

In addition, we considered EPA's internal control over the RSSI by obtaining an understanding of the Agency's internal controls, determined whether these internal controls had been placed in operation, assessed control risk, and performed tests of controls as required by OMB Bulletin No. 01-02. Our procedures were not designed to provide assurance on these internal controls and, accordingly, we do not express an opinion on such controls.

Finally, with respect to internal control related to performance measures presented in *EPA's Fiscal Year 2001 Annual Report*, Section 1, Overview and Analysis (which addresses requirements for a Management's Discussion and Analysis), we obtained an understanding of the design of significant internal controls relating to the existence and completeness assertions, as required by OMB Bulletin No. 01-02. Our procedures were not designed to provide assurance on internal control over reported performance measures and, accordingly, we do not express an opinion on such controls.

Reportable Conditions

Reportable conditions are internal control weakness matters coming to the auditor's attention that, in the auditor's judgment, should be communicated because they represent significant deficiencies in the design or operation of internal control that could adversely affect the organization's ability to meet the OMB objectives for financial reporting discussed above. In evaluating the Agency's internal control structure, we identified three reportable conditions, as follows:

Implementation of Internal Use Software Standard

EPA did not implement Statement of Federal Financial Accounting Standard (SFFAS) No. 10, *Accounting for Internal Use Software*, until the end of fiscal 2001, even though the standard was applicable for the entire fiscal year. In addition, some of the supporting documentation used to identify capitalized software costs was insufficient to determine whether such costs exceeded the capitalization threshold. Since EPA issued guidance for capitalizing internally developed software at the end of fiscal 2001, we do not have recommendations.

EPA's Interagency Agreement Invoice Approval Process

Some EPA project officers did not fulfill oversight duties related to reviewing and approving Interagency Agreement (IAG) invoices. We noted deficiencies in this area in prior reports, and we continue to find instances where project offices at EPA's Headquarters and the Cincinnati Financial Management Center (CFMC) did not timely approve IAG invoices because they did not receive the supporting cost information from other Federal agencies to substantiate invoice amounts. Additionally, CFMC continued to use the "first-in first-out" accounting basis (charging the first line of accounting) to allocate costs charged on IAGs with multiple goals/subobjectives, which provides limited assurance that costs were charged to the appropriate goals/subobjectives.

Automated Application Processing Controls

We continue to be unable to assess the adequacy of the automated internal control structure as it relates to automated input, processing, and output controls for the Integrated Financial Management System (IFMS). IFMS applications have a direct and material impact on the Agency's financial statements. Therefore, an assessment of each application's automated input, processing, and output controls, as well as compensating manual controls, is necessary to determine the reliance we can place on the financial statements.

Attachment 1 describes each of the above reportable conditions in more detail, our recommendations, and Agency comments on actions that should be taken to correct these conditions.

Comparison of EPA'S FMFIA Report with Our Evaluation of Internal Controls

OMB Bulletin No. 01-02, *Audit Requirements for Federal Financial Statements*, requires us to compare material weaknesses disclosed during the audit with those material weaknesses reported in the Agency's Federal Managers Financial Integrity Act (FMFIA or Integrity Act) report that relate to the financial statements and identify material weaknesses disclosed by audit that were not reported in the Agency's FMFIA report. EPA reports on Integrity Act decisions in EPA's *Fiscal Year 2001 Annual Report*. For a discussion on Agency reported Integrity Act material weaknesses and corrective action strategy, please refer to EPA's *Fiscal Year 2001 Annual Report*, Section III, FY 2001 Management Accomplishments and Challenges.

For reporting under FMFIA, material weaknesses are defined differently than they are defined for financial statement audit purposes. OMB Circular A-123, *Management Accountability and Control*, defines a material weakness as a deficiency that the Agency head determines to be significant enough to be reported outside the Agency.

For financial statement audit purposes, OMB defines material weaknesses in internal control as reportable conditions in which the design or operation of the internal control does not reduce to a relatively low level the risk that errors, fraud, or noncompliance in amounts that would be material in relation to the financial statements or RSSI being audited, or material to a performance measure or aggregation of related performance measures, may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our audit did not disclose any material weakness that was not reported by the Agency as part of the Integrity Act process.

As a part of the fiscal 2001 Integrity Act process, the Agency reported the following material weaknesses that relate to the Agency's financial statements:

Information System Security - The Office of Environmental Information recognizes that past improvements to its information security program have not resulted in a complete, comprehensive information security program. Therefore, this office is expanding its existing material and Agency weaknesses, Information Systems Security Plans, and Cyber Security to address all security-related deficiencies. In fiscal 2001, Office of Environmental Information (OEI) reported that it had developed an approach to correct the information systems security weakness and plans to evaluate the effectiveness of its guidance and security measures through continued testings and audits. Corrective actions are expected to be completed in fiscal 2002.

Construction Grants Close Out - In 1992, EPA designated this area as an Agency weakness, and in 1996 reclassified it as a material weakness due to a concern that lack of Agency-wide attention might result in the loss of resources to properly complete the program. Corrective actions are expected to be completed in fiscal 2002.

Tests of Compliance with Laws and Regulations

EPA management is responsible for complying with laws and regulations applicable to the Agency. As part of obtaining reasonable assurance about whether the Agency's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws and regulations, noncompliance with which could have a direct and material effect on the determination of financial statement amounts, and certain other laws and regulations specified in OMB Bulletin No. 01-02, *Audit Requirements for Federal Financial Statements*, as supplemented by an OMB Memorandum dated January 4, 2001, *Revised Implementation Guidance for the Federal Financial Management Improvement Act*. The OMB guidance requires that we evaluate compliance with Federal financial management system requirements, including the requirements referred to in the Federal Financial Management Improvement Act (FFMIA) of 1996. We limited our tests of compliance to these provisions and did not test compliance with all laws and regulations applicable to EPA.

Providing an opinion on compliance with certain provisions of laws and regulations was not an objective of our audit and, accordingly, we do not express such an opinion. There are a number of ongoing investigations involving EPA's grantees and contractors that could disclose violations of laws and regulations, but a determination about these cases has not been made.

None of the noncompliances discussed below would result in material misstatements to the audited financial statements.

Federal Financial Management Improvement Act Noncompliance

Under FFMIA, we are required to report whether the Agency's financial management systems substantially comply with the Federal financial management systems requirements, applicable Federal accounting standards, and the United States Government Standard General Ledger at the transaction level. OMB Bulletin No. 01-02, as supplemented by an OMB memorandum dated January 4, 2001, *Revised Implementation Guidance for the Federal Financial Management Improvement Act*, substantially changed the guidance for determining whether or not an Agency substantially complied with the Federal financial management systems requirements, applicable Federal accounting standards, and the United States Government Standard General Ledger at the transaction level. The document is intended to focus Agency and auditor activities on the essential requirements of FFMIA. The document lists the specific requirements of FFMIA, as well as factors to consider in reviewing systems and for determining substantial compliance with FFMIA. It also provides guidance to Agency heads for developing corrective action plans to bring an Agency into compliance with FFMIA. To meet the FFMIA requirement, we performed tests of compliance with FFMIA section 803(a) requirements and used the OMB guidance, revised on January 4, 2001, for determining substantial noncompliance with FFMIA.

The results of our tests disclosed one instance where the Agency's financial management systems did not substantially comply with the applicable Federal accounting standard. We identified a substantial noncompliance with the SFAS No. 4 accounting standard for managerial cost accounting, which is described more fully in Attachment 2.

In addition to the above instance of substantial noncompliance, we identified one other noncompliance, related to reconciliation of intra-governmental transactions. However, this noncompliance does not meet the definition of a substantial noncompliance as described in OMB guidance.

Attachment 2 provides additional details, as well as our recommendations and Agency comments on actions that should be taken on these matters.

Appropriation Law Noncompliance

Since fiscal 1994, we have reported that EPA was not complying with appropriation law when making disbursements for grants funded with more than one appropriation. Specifically, disbursements for these grants were made using the oldest available funding (appropriation) first, which may or may not have been the appropriation that benefitted from the work performed. Therefore, EPA was not in compliance with Title 31, U.S. Code, Section 1301, which requires EPA to match disbursements to the benefitting appropriation. A January 13, 2000, Office of General Counsel decision concluded that making disbursements for multiple appropriation grants using the oldest available funding violates Title 31, U.S. Code, Section 1301 and is an inappropriate method of charging, except in limited situations. In fiscal 2001, EPA adopted new procedures for allocating costs on such grants for new awards, although existing grants are still being disbursed using the oldest available funding first. Since EPA has issued guidance for new awards, and since the remaining obligated balances will dissipate and the problem will be corrected, we are not making any recommendations. See Attachment 3 for a description of the Agency's corrective action plans and milestones.

Prior Audit Coverage

During previous financial or financial-related audits, weaknesses that impacted our audit objectives were reported in the following areas:

- The Agency's process for preparing financial statements, including the Statements of Budgetary Resources, Financing, and Net Cost.
- Complying with FFMIA requirements.
- Reviewing unliquidated obligations.
- Reporting intra-governmental assets and liabilities by Federal trading partner.
- Complying with SFFAS No. 4, including accounting for the cost to achieve goals and identifying and allocating indirect costs.
- Accounting for capitalized property.
- Recording accrued liabilities for grants.
- IAG invoice approval process. Documenting EPA's IFMS.
- Complying with Federal financial management system security requirements.
- Accounting for payments for grants funded from multiple appropriations.
- Reviewing Agency user fees.
- Documentation and approval of journal vouchers.
- Timely repayment of Asbestos Loan Debt to Treasury.
- Automated application processing controls for the IFMS could not be assessed.
- Reconciliation of intra-governmental transactions.
- Financial system security plans continue to be noncompliant.

Attachment 3, Status of Prior Audit Report Recommendations, summarizes the current status of corrective actions taken on prior audit report recommendations in each of these areas.

The Chief Financial Officer, as the Agency's Audit Follow-up Official, oversees EPA's follow-up on audit findings and recommendations, including resolution and implementation of corrective actions. For these prior audits, final action occurs when the Agency completes implementation of the corrective actions to remedy weaknesses identified in the audit.

We acknowledge that many actions and initiatives have been taken to resolve prior financial statement audit issues. We also recognize that the issues we have reported are complex, and require extensive, long-term corrective actions and coordination by the Chief Financial Officer with various Assistant Administrators, Regional Administrators, and Office Directors before they can be completely resolved. A number of issues have been unresolved for many years.

In response to our inquiries on actions taken by the Office of the Chief Financial Officer (OCFO) to resolve long outstanding audit recommendations, a representative informed us of a number of efforts that were conducted in fiscal 2000. The OCFO continued efforts to stress the importance of timely and effective audit management

practices. The OIG and OCFO held a joint meeting with the Audit Follow-up Coordinators to: (1) reinforce their roles and responsibilities; (2) review expectations for audit follow-up, as laid out in EPA Order 2750, *Audit Management Process*; and (3) reemphasize the importance to Audit Follow-up Coordinators in keeping their managers and the OIG informed of progress.

The OIG will continue to work with the OCFO in helping to resolve all audit issues resulting from our financial statement audits.

Agency Comments and OIG Evaluation

In memorandums dated February 12 and 25, 2002, the Comptroller responded to our draft report. The OCFO generally concurred with our findings and is in process of implementing corrective actions. However, the OCFO took exception to two issues, Managerial Cost Accounting and Internal Use Software.

The OCFO believes they are complying with the Managerial Cost Accounting Standard and is currently preparing a response to the points raised in the Inspector General's December 12, 2001 memorandum to the Administrator regarding the impasse over FFMIA compliance.

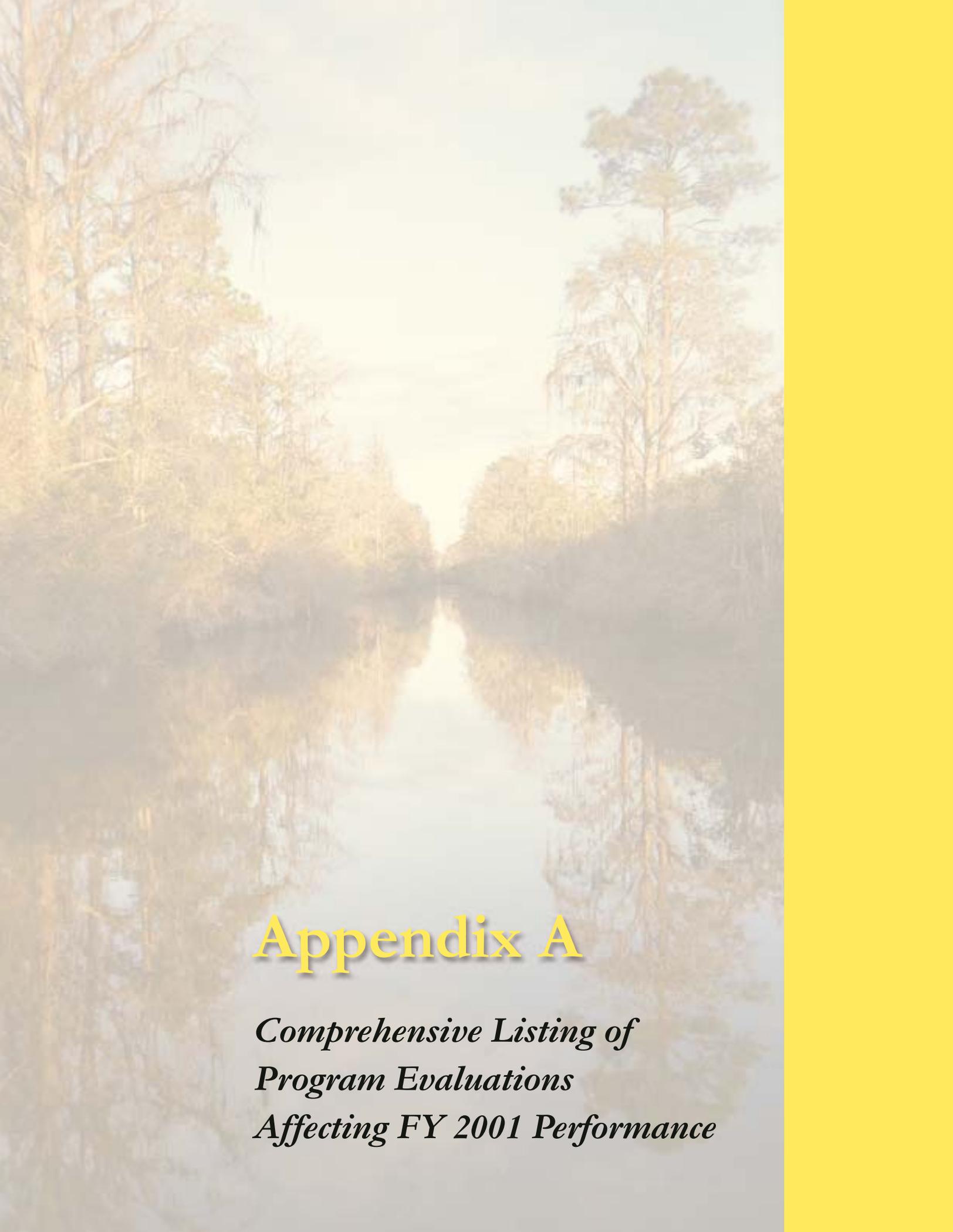
The OCFO acknowledged that SSFAS No. 10 was not implemented until the end of the fiscal year. However, the OCFO believes by doing so, EPA was able to use the most recent guidance and develop more accurate and complete costs. We do not agree with the OCFO, we found that some of the data and costs for systems that were not capitalized were either incomplete or ambiguous.

The rationale for our conclusions and a summary of the Agency comments is included in the appropriate sections of this report and the Agency's complete response is included as Appendix II to this report.

This report is intended solely for the information and use of the management of EPA, OMB, and Congress, and is not intended to be and should not be used by anyone other than these specified parties.



Paul C. Curtis
Financial Audit Division
Office of Inspector General
U.S. Environmental Protection Agency
February 26, 2002



Appendix A

*Comprehensive Listing of
Program Evaluations
Affecting FY 2001 Performance*

**APPENDIX A:
COMPREHENSIVE LISTING OF PROGRAM EVALUATIONS AFFECTING
FY 2001 PERFORMANCE**

TITLE/SCOPE	EPA GOAL/ OBJECTIVE	FINDINGS OF THE EVALUATION	AUTHOR AND LOCATION OF THE REPORT
<p>Environmental Protection: Wider Use of Advance Technologies Can Improve Emissions Monitoring</p> <p>This report reviews the use and development of monitoring technologies for measuring emissions from stationary air sources and point and nonpoint water sources of pollution.</p>	<p>Goal 1 Objectives 1, 2, and 3</p>	<p>Overall, the General Accounting Office (GAO) found that commercially available technologies could assist in monitoring compliance with clean air regulations and in identifying process and efficiency improvements that could lead to decreased use of raw materials and reduced emissions. Many of these technologies, including those that monitor criteria and toxic air pollutants, provide continuous measurement of emissions or of operating parameters that correlate to emissions.</p>	<p>GAO GAO-01-313 June 22, 2001 Located at http://www.gao.gov</p>
<p>Air Pollution: EPA Should Improve Oversight of Emissions Reporting by Large Facilities</p> <p>This report provides information on (1) the steps that EPA and state regulators take to verify that large sources comply with their Title V or state permit and the extent of compliance found; (2) the steps that regulators take to verify the accuracy of emissions reports submitted by large industrial sources and the extent of errors found; and (3) the steps that EPA is taking, if any, to improve its oversight of these processes.</p>	<p>Goal 1 Objectives 1, 2, and 3</p>	<p>EPA has taken three steps to improve its oversight of facilities' compliance with the Clean Air Act (CAA) but does not plan to enhance its oversight of the states' processes for reviewing large facilities' emissions reports. First, the Agency is training and encouraging personnel in its regional offices and the states to conduct intensive investigations. Second, EPA is revising its strategy for monitoring facilities' compliance with the CAA's requirements. Third, in September 1998 the Agency issued guidance encouraging large facilities to use more reliable methods, such as continuous emissions monitors and source tests, to support certifications of compliance with operating permits. This guidance, however, was set aside by an April 2000 court decision. EPA did not appeal the decision and is currently evaluating other regulatory options that would achieve the same objective. EPA performs limited oversight of states' efforts to verify large facilities' emissions reports. Although the Agency has encouraged its regional offices to evaluate states' emissions fee programs for major sources, it has not asked them to evaluate the processes used to verify emissions reports.</p>	<p>GAO GAO-01-46 April 6, 2001 Located at http://www.gao.gov</p>

TITLE/SCOPE	EPA GOAL/ OBJECTIVE	FINDINGS OF THE EVALUATION	AUTHOR AND LOCATION OF THE REPORT
<p>Assessing the TMDL Approach to Water Quality Management (2001)</p> <p>In the conference report accompanying EPA's FY 2002 appropriations bill, Congress directed EPA to contract with the National Research Council of the National Academy of Sciences, to review the quality of the science used to develop Total Maximum Daily Loads (TMDLs). TMDLs establish the analytical basis for watershed-based decisions on pollution reductions necessary to meet water quality standards.</p>	<p>Goal 2 Objective 2</p>	<p>There is enough science to move forward with decision-making and implementation of the TMDL Program. Program changes should be made to better account for uncertainties, to improve the water quality standards and monitoring programs, and to employ adaptive implementation. The report also recommends that states strengthen their water quality monitoring programs.</p>	<p>National Research Council of the National Academy of Sciences</p> <p>Located at http://www.nap.edu/books</p> <p>Search: 0309075793</p>
<p>EPA Should Strengthen Its Efforts to Measure and Encourage Pollution Prevention</p> <p>The audit reviewed not only the extent to which companies are employing pollution prevention strategies but also the major incentives and disincentives that affect the employment of those strategies.</p>	<p>Goal 4 Objective 5</p>	<p>The evaluation found limitations with the available Toxics Release Inventory (TRI) data when trying to determine the extent to which companies were adopting pollution prevention strategies. It also found that the public availability of the TRI data and the opportunity for financial return are the major incentives for businesses to employ pollution prevention strategies, whereas technical challenges and costs are disincentives.</p>	<p>GAO</p> <p>GAO-01-283 February 21, 2001</p> <p>Located at http://www.gao.gov</p>
<p>Hazardous Waste: Effect of Proposed Rule's Extra Cleanup Requirements Is Uncertain</p> <p>EPA proposed several amendments to the 1993 Corrective Action Management Unit (CAMU) rule. GAO described the major differences between the 1993 rule and the most recently proposed CAMU rule, determined what data are available to demonstrate that CAMUs approved under the 1993 rule remain protective of human health and the environment, and determined stakeholders' views on the possible deterrent effects that the proposed CAMU rule could have on corrective action.</p>	<p>Goal 5 Objective 1</p>	<p>EPA intended the 1993 CAMU rule to provide regulatory relief from three RCRA requirements that were disincentives to some hazardous waste cleanups. The Agency also expected the rule to provide parties with the flexibility to design CAMUs according to site-specific circumstances rather than "one size fits all" requirements. EPA expected the rule to lead to faster and more efficient, but equally safe, cleanups under the Resource Conservation and Recovery Act (RCRA) Corrective Action and Superfund programs. However, the legal challenge to the 1993 rule discouraged some parties from requesting CAMUs or using the full flexibility afforded by the rule, and consequently relatively few CAMUs were requested. The proposed rule is intended to resolve the legal uncertainty over the 1993 rule; however, it would add requirements and processes. Certain groups believe these requirements are necessary to ensure the future safety of CAMUs. Other groups believe the changes would necessarily reduce the flexibility intended by the 1993 rule, which would increase the time and cost of some cleanups and could discourage requests for some CAMUs after the proposed rule is issued.</p>	<p>GAO</p> <p>GAO-01-57 October 20, 2000</p> <p>Located at http://www.gao.gov</p>

TITLE/SCOPE	EPA GOAL/ OBJECTIVE	FINDINGS OF THE EVALUATION	AUTHOR AND LOCATION OF THE REPORT
<p>Brownfields: Information on the Programs of EPA and Selected States</p> <p>In reviewing EPA and five states, GAO provided information about how the assistance provided under EPA's programs compares with the assistance provided by selected states with respect to overall strategy, the forms of assistance, eligibility, and other factors; the amounts of assistance provided by EPA and these states; and the results reported by EPA and these states.</p>	<p>Goal 5 Objective 1</p>	<p>GAO found that EPA and the states have difficulty in determining whether their programs are achieving their overall goals. Although EPA maintains a database to track the progress of its program, the data it collects are limited because recipients of EPA's assistance are not required to report on the status of their cleanup projects. The states also have limited information, primarily because they do not track the economic benefits of the assistance they provide or they use forecasted results, rather than actual results, to measure progress.</p>	<p>GAO GAO-01-52 December 15, 2000 Located at http://www.gao.gov</p>
<p>Hazardous Waste: EPA's National and Regional Ombudsmen Do Not Have Sufficient Independence</p> <p>GAO compared the national hazardous waste ombudsman's operations with professional standards for independence and other factors and determined the relative roles and responsibilities of EPA's national and regional ombudsmen.</p>	<p>Goal 5 Objective 1</p>	<p>GAO found that key aspects of the operations of EPA's national hazardous waste ombudsman differ from professional standards for ombudsmen who deal with inquiries from the public. For example, the position of the national ombudsman is in the organization unit whose decisions the ombudsman is responsible for investigating. The regional ombudsmen are less independent than the national ombudsman and play a more reduced role. Communication between the national and regional ombudsmen is limited.</p>	<p>GAO GAO-1-813 July 27, 2001 Located at http://www.gao.gov</p>
<p>Ensure the Safety of Underground Storage Tanks (USTs)</p> <p>GAO was asked to determine whether the USTs regulated by EPA and the states have the required equipment and are being properly operated and maintained. GAO also looked at the breadth of EPA's and the states' tank inspections, the types of enforcement actions taken, and whether upgraded tanks were still leaking. Surveys were sent to tank program managers in all 50 states and the District of Columbia, and GAO spoke with officials in all 9 EPA regions that are responsible for monitoring tanks on tribal lands.</p>	<p>Goal 5 Objective 2</p>	<p>GAO estimates that about 89% (616,685) of the total number of regulated tanks had received federally required equipment upgrades by the end of FY 2000. GAO also estimates that about 29% (201,001) of the regulated tanks are not being operated or maintained properly, increasing the risk of soil and groundwater contamination. Most states and EPA do not physically inspect USTs frequently enough or have access to the most effective enforcement tools to ensure compliance with federal requirements. The states and EPA cannot ensure that all active USTs have the required leak-, spill-, and overfill-protection equipment installed, nor can they guarantee that the installed equipment is being properly operated and maintained. EPA has the opportunity to correct these limitations and to help states correct them through its new tank program initiatives.</p>	<p>GAO GAO-01-464 May 4, 2001 Located at http://www.gao.gov</p>

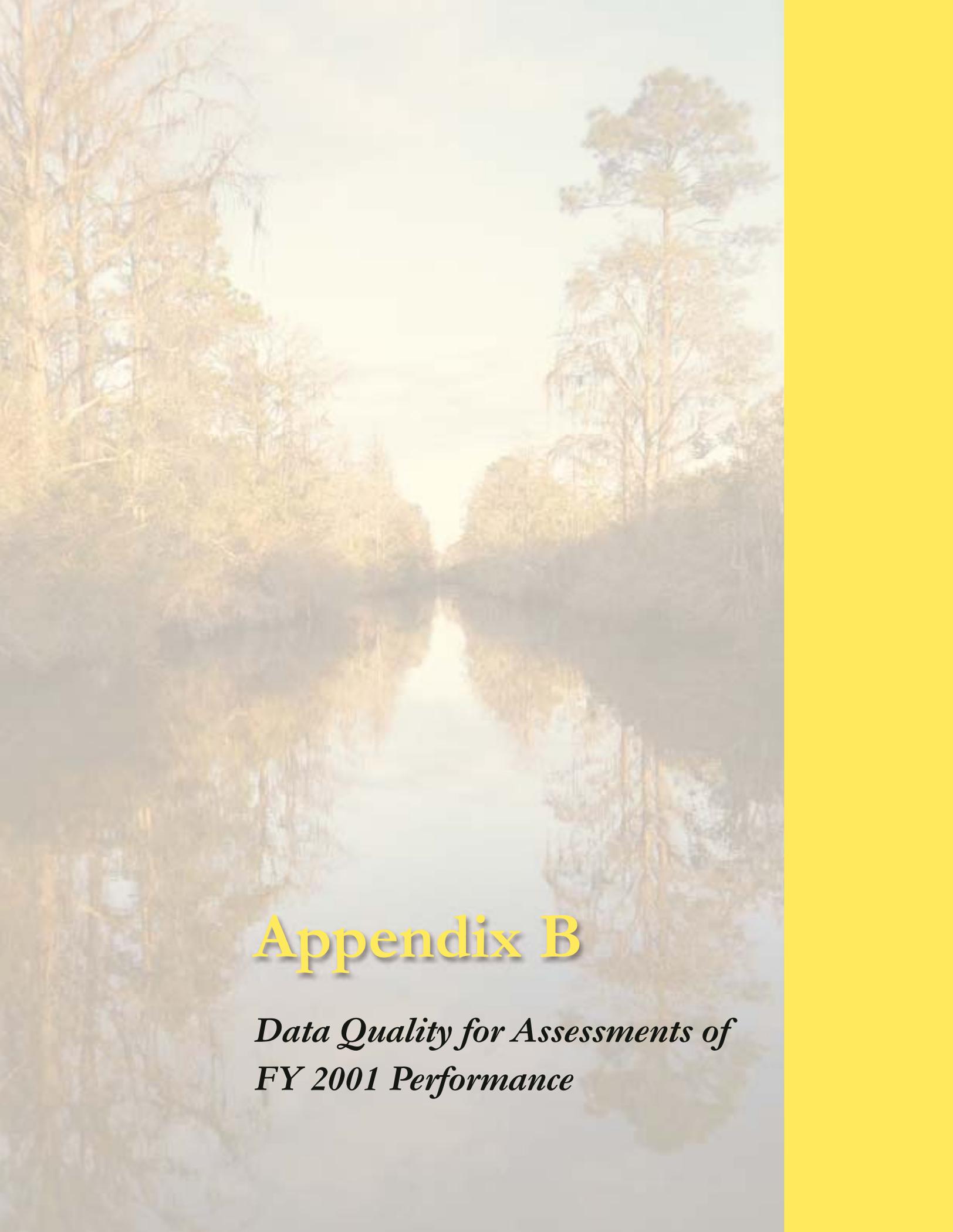
TITLE/SCOPE	EPA GOAL/ OBJECTIVE	FINDINGS OF THE EVALUATION	AUTHOR AND LOCATION OF THE REPORT
<p>State of the Great Lakes 2001</p> <p>Scientific experts used 33 of a proposed 80 indicators to assess the health of the lakes and identify management implications.</p>	<p>Goal 6 Objective 1</p>	<p>Conditions in the Great Lakes range from “good” for the quality of drinking water to “poor” for the impacts of invasive species. About 25% of the indicators showed good or improving conditions, 25% showed poor or deteriorating conditions, and the rest demonstrated mixed results.</p>	<p>EPA’s Great Lakes National Program Office and Environment Canada, with input from more than 50 governmental and nongovernmental entities.</p> <p>EPA-905-R-01-003</p> <p>Located at http://www.binational.net/sogl2001/index.html</p>
<p>Great Lakes Ecosystem Report 2000</p> <p>The Great Lakes Ecosystem Report 2000 reported to Congress on progress in reducing and virtually eliminating toxic chemicals, managing contaminated sediments, protecting and restoring habitat and natural areas, monitoring the health of the Great Lakes, and protecting human health, noting that great challenges remain in each area.</p>	<p>Goal 6 Objective 1</p>	<p>Noteworthy progress on mercury reduction has been made under existing agreements with the American Hospital Association, three Northwest Indiana steel mills, and the Chlorine Institute. Recent sediment remediation under a variety of authorities has resulted in the removal of large amounts of contaminated sediments. Recent biological monitoring reveals a Great Lakes ecosystem in flux. Significant changes to the food web have occurred, likely as a result of invasive species.</p>	<p>EPA’s Great Lakes National Program Office</p> <p>EPA-905-R-01-001</p> <p>Located at http://www.epa.gov/glnpo/rptcong/2001/index.html</p>
<p>Review of the Research Program of the Partnership for a New Generation of Vehicles (PNGV): Seventh Report (2001)</p> <p>The scope of the project is to critically assess research progress and commented on a number of issues related to the efficacy of the program to meet its goals within the PNGV time frame. In particular, the scope of the project is to comment on the overall balance and adequacy of the PNGV research effort, examine emission control research efforts, and conduct an international bench-marking evaluation of selected PNGV related technologies.</p>	<p>Goal 6 Objective 2</p>	<p>The review panel stated that “the need to reduce the fuel consumption and carbon dioxide emissions of the US automotive fleet is more urgent than ever.” In particular, the panel cited the change in consumer preferences away from traditional cars to sport utility vehicles.</p>	<p>Standing Committee to Review the Research Program of the Partnership for a New Generation of Vehicles, Board on Energy and Environmental Systems, Transportation Research Board of of the National Research Council</p> <p>Located at http://www.nap.edu/catalog/10180.html?onpi_topnews081301</p>

TITLE/SCOPE	EPA GOAL/ OBJECTIVE	FINDINGS OF THE EVALUATION	AUTHOR AND LOCATION OF THE REPORT
<p>Economic Indicators of Market Transformation: Energy Efficient Lighting and EPA's Green Lights</p> <p>The scope of the study was to derive the market transformation effect of EPA's Green Lights program in the market for energy-efficient lighting products .</p>	<p>Goal 6 Objective 2</p>	<p>The study concludes that market transformation programs—and Green Lights in particular—were highly effective in transforming the market for electronic ballasts.</p>	<p>Marvin J. Horowitz, Adjunct Professor, Johns Hopkins University, and president, Demand Research</p> <p>Published in the fall edition of <i>The Energy Journal</i> 22(4): 95–122.</p>
<p>Freedom of Information Act Task Force Report</p> <p>On April 27, 2001, EPA's Administrator established a Task Force to undertake a 90-day review of EPA's implementation of the Freedom of Information Act (FOIA).</p>	<p>Goal 7 Objective 1</p>	<p>The Task Force made 18 recommendations in three areas: accountability, centralization, and updating/amending current policies, regulations, and guidance. During the review, the Task Force discovered that FOIA processing is often given low priority. The report cited that when backlogs develop or litigation ensues because of errors in processing, no one can be held accountable. The Task Force found that problems in in communication and consistency are linked to EPA's highly decentralized operation.</p>	<p>EPA FOIA Task Force</p> <p>Located at http://www.epa.gov/foia/images</p> <p>Search: Finaltask force.pdf</p>
<p>Design for Objective 8.4 Could Be Improved by Reorienting Focus on Outcomes</p> <p>The purpose of this pilot program evaluation was to determine whether program evaluation techniques are appropriate for measuring progress in accomplishing GPRA goals and to document and evaluate the program designs for Goal 8 and Objective 8.4.</p>	<p>Goal 8 Objective 4</p>	<p>The program evaluation approach provided a better understanding of the programs, answered key questions, and provided a partnership approach between the Office of the Inspector General and the Office of Research and Development that was beneficial in developing meaningful observations about the designs for Goal 8 and Objective 8.4.</p>	<p>EPA's Office of the Inspector General</p> <p>November 2001</p> <p>Report No. 2002-P-00002</p>
<p>Project XL: Directory of Regulatory, Policy, and Technology Innovations</p> <p>This report evaluates more than 70 innovations being tested by Project XL (eXcellence and Leadership).</p>	<p>Goal 8 Objective 6</p>	<p>The report assesses the expected advantage of the Project XL innovations over the current approach, the results to date, the efficacy of the innovation, and its suitability for application beyond the pilot scale.</p>	<p>EPA's Office of Policy, Economics, and Innovation</p> <p>November 2000</p> <p>Located at http://www.epa.gov/projectxl</p> <p>Search: EPA 100-R-00-023A</p>

TITLE/SCOPE	EPA GOAL/ OBJECTIVE	FINDINGS OF THE EVALUATION	AUTHOR AND LOCATION OF THE REPORT
<p>Stakeholder Involvement & Public Participation at the U.S. EPA: Lessons Learned, Barriers, & Innovative Approaches</p> <p>This is the first-ever assessment of Agency-wide lessons learned on stakeholder involvement, supporting the development of EPA's Public Involvement Policy.</p>	<p>Goal 8 Objective 6</p>	<p>The report reviews EPA's efforts to involve the public through a meta-analysis of formal evaluations and informal summaries from across the Agency. The meta-analysis identifies key cross-cutting lessons learned, pinpoints unique barriers and ways to overcome them, and highlights innovative approaches to stakeholder involvement and public participation.</p>	<p>EPA's Office of Policy, Economics and Innovation</p> <p>EPA-100-R-00-040 January 2001</p> <p>Located at http://www.epa.gov/stakeholders/pdf/sipp.pdf</p>
<p>Living the Vision</p> <p>This document reports on the progress of the Metal Finishing Strategic Goals Program.</p>	<p>Goal 8 Objective 7</p>	<p>The document describes the industry Performance Partnership Program and shows the degree to which the industry met a series of voluntary "better than compliance" facility performance targets.</p>	<p>EPA's Office of Policy, Economics and Innovation</p> <p>EPA 240-R-00-007 January 2001</p> <p>Located at http://www.strategicgoals.org</p>
<p>EPA's Science Advisory Board Panels: Improved Policies and Procedures Needed to Ensure Independence and Balance</p> <p>The purpose of this evaluation was to determine whether the Board's policies and procedures are adequate to ensure panel independence and balance and to provide sufficient information to the public.</p>	<p>Goal 8 Objective 9</p>	<p>Science Advisory Board (SAB) staff policies and procedures do not ensure, in all cases, that SAB peer review panelists are independent and that the panels are properly balanced. Staff policies and procedures do not ensure in all cases that the public is sufficiently informed about points of view represented on the panels. The staff needs to better maintain records and train staff.</p> <p>The SAB is implementing the following recommended improvements: institute a more formal method of determining and documenting conflict of interest situations, more aggressively open the panel formation to the public so they can provide input, implement more thorough documentation of the process and rationale by which panelists are finally selected, further develop the "disclosure process," improve record-keeping procedures, and provide more systematic training for SAB panelists and staff.</p>	<p>GAO</p> <p>GAO-01-536 June 12, 2001</p> <p>Located at http://www.gao.gov</p>

TITLE/SCOPE	EPA GOAL/ OBJECTIVE	FINDINGS OF THE EVALUATION	AUTHOR AND LOCATION OF THE REPORT
<p>Program Element Review: FIFRA Worker Protection Standard (WPS)</p> <p>EPA, with state assistance, reviewed EPA and state implementation of the enforcement and compliance components of the Federal Insecticide, Fungicide, and Rodenticide Act (FIFRA) Worker Protection Standard (WPS).</p>	<p>Goal 9 Objective 1</p>	<p>The goal of the WPS Program Element Review is to assess the effectiveness of EPA (OECA and regional offices) and state efforts to ensure compliance with WPS provisions that protect workers who handle, prepare, and apply pesticides in the field or who work in fields where pesticides are applied. The preliminary results of the WPS Program Element Review indicate that specific improvements in implementation of the WPS program at all levels (EPA and state) would make for a more effective program. Important among these findings, OECA found that improvements in EPA's management of the program are called for, including improved planning and communication, issuance of additional guidance, enhanced efforts to ensure results associated with EPA/state cooperative agreements, and improved training. EPA also found that state WPS enforcement and compliance implementation could be enhanced. In particular, the Agency found that some states have not yet taken up enforcement of this program and that certain states' WPS inspections could be enhanced and made more effective. EPA also found that additional efforts need to be made to facilitate better communication of farm-workers' complaints to the regulating agencies.</p>	<p>EPA's Office of Enforcement and Compliance Assurance, Office of Compliance, Enforcement Planning, Targeting and Data Division</p> <p>Report will be available early in CY 2002 from palmer.daniel@epa.gov.</p>
<p>Validation Study: To Measure the Effectiveness of the Agency's Corrective Actions to Strengthen Grants Management</p> <p>This study addresses the FY 2001 Agency-level weakness "Improved Management of Assistance Agreements."</p>	<p>Goal 10 Objective 2</p>	<p>The validation study shows that EPA headquarters and regional offices are making progress in improving grants management and that they are generally implementing the Agency's post-award policies. The study does indicate a few problem areas that EPA is continuing to address, and the authors believe that the Agency-level weakness can be eliminated in FY 2002.</p>	<p>EPA's Office of Administration and Resources Management, Office of Grants Debarment, Grants Administration Division</p> <p>Contact Martha Monell, Director, Grants Administration Division at (202) 564-5387.</p>

TITLE/SCOPE	EPA GOAL/ OBJECTIVE	FINDINGS OF THE EVALUATION	AUTHOR AND LOCATION OF THE REPORT
<p>Human Capital: Implementing an Effective Workforce Strategy Would Help EPA to Achieve Its Strategic Goals</p> <p>The GAO reviewed the extent that EPA's strategy includes the key elements associated with successful human capital strategies, the major challenges EPA faces in the successful implementation of its strategy, and the extent to which EPA's deployment of its enforcement workforce ensures that federal environmental requirements are consistently enforced across regions.</p>	<p>Goal 10 Objective 2</p>	<p>The report found that EPA's human capital strategy is a promising first step towards improving the Agency's management of its workforce, but it lacks some of the key elements that are commonly found in the human capital strategies of high performing organizations. EPA's major challenges in human capital management involve assessing the work requirements for its employees, ensuring continuity of leadership in the Agency, and hiring and developing skilled staff. EPA does not systematically deploy its enforcement workforce to ensure the consistent enforcement of federal regulations throughout all EPA regions and bases deployment decisions on outdated and incomplete information on key regional workload factors.</p>	<p>GAO GAO-01-812 July 31, 2001 Located at http://www.gao.gov</p>
<p>Using GPRA to Manage for Environmental Results—Linking Agency Mission and Systems to Maximize Environmental Results</p> <p>This report evaluated EPA's progress, challenges, and opportunities in the near and short term improvements in implementing GPRA. The report covered Goals, Priorities, Strategies Measurement, Human Capital, and Accountability as interlocking, mutually dependent components.</p>	<p>Goal 10 Objective 2</p>	<p>This evaluation suggested that to improve GPRA implementation and efficiency, EPA must strengthen its partnerships with states and other agencies. Also, EPA needs to place greater focus on the ultimate results and outcomes of its activities rather than actions performed, and should more carefully consider science and cost when setting priorities. Additionally, EPA needs to invest in management, scientific, and technical competencies of its staff, as well as develop and integrate quality outcomes-oriented performance and cost information into budgeting, decision making and accountability systems.</p>	<p>EPA's Office of the Inspector General Report No. 2001-B-00001 June 2001</p>



Appendix B

*Data Quality for Assessments of
FY 2001 Performance*

APPENDIX B:

DATA QUALITY FOR ASSESSMENTS OF FY 2001 PERFORMANCE

Goal 1 - Clean Air

Appendix B describes the quality of the data used to measure EPA's performance. For each of the 10 EPA Strategic Goals, this appendix describes (1) the performance measures (PMs), (2) the database(s) supporting the PMs, (3) the source of the database(s), (4) the quality of the data, (5) planned improvements to the data or database(s), and (6) any material inadequacies.

PERFORMANCE MEASURES: (Refer to Performance Data Chart pages II-7, II-8, II-9)

- Total number of people who live in areas designated to attainment of the clean air standard for ozone. (APG 1)
- Areas designated to attainment for the ozone, PM-10, CO, SO₂, NO₂, and Pb standards. (APG 1, 2, & 5)
- Additional people living in newly designated areas with demonstrated attainment of the ozone, PM, CO, SO₂, NO₂, and Pb standards. (APG 1, 2, & 5)
- Total number of people who live in areas designated in attainment with clean air standards for PM, CO, SO₂, NO₂, and Pb. (APG 2 & 5)
- Total number of people living in areas with demonstrated attainment of the NO₂ standard. (APG 5)
- CO reduced from Mobile Sources. (APG 5)

[Note: PM = particulate matter, PM-10 = particulate matter 10 micrometers or less in diameter, CO = carbon monoxide, SO₂ = sulfur dioxide, NO₂ = nitrogen dioxide, Pb = lead.]

Performance Database: Aerometric Information Retrieval System (AIRS). AIRS comprises two major subsystems: (1) the Air Quality Subsystem (AQS) stores ambient air quality data (used to determine whether nonattainment areas have the 3 years of clean air data needed for redesignation), and (2) the AIRS Facility Subsystem (AFS) stores emissions and compliance/enforcement information for facilities. AIRS is accessible at the web site <http://www.epa.gov/ttn/airs/>.

Findings and Required Elements Data System (FREDS). FREDS is used to track the progress of states and regions in reviewing and approving the required data elements of the State Implementation Plans (SIPs). SIPs define what actions a state will take to improve the air quality in areas that do not meet National Ambient Air Quality Standards. FREDS is an internal database.

Data from AIRS and FREDS are both complete and final for FY 2001.

Data Source: AIRS - State and local agency data from State and Local Air Monitoring Stations (SLAMS).

FREDS - Data are provided by EPA's regional offices.

Data Quality: AIRS - The quality assurance and quality control (QA/QC) of the national air monitoring program have several major components: the Data Quality Objective (DQO) process, reference and equivalent methods program, EPA's National Performance Audit Program (NPAP), system audits, and network reviews. To ensure quality data, the SLAMS are required to meet the following: (1) each site must meet network design and siting criteria; (2) each site must provide adequate quality assurance assessment, control, and corrective action functions according to minimum program requirements; (3) all sampling methods and equipment must meet EPA reference or equivalent requirements; (4) acceptable data validation and record-keeping procedures must be followed; and (5) data from SLAMS must be summarized and reported annually to EPA. Finally, there are system audits that regularly review the overall air quality data collection activity for any needed changes or corrections.

Goal 1 - Clean Air (continued)

FREDS - There are no formal quality assurance and control procedures.

There are no specific AIRS data limitations. Potential data issues could include: (1) incomplete or missing data (e.g., some values might be absent because of incomplete reporting, and some values subsequently might be changed because of quality assurance activities); (2) inaccuracies due to imprecise measurement and recording (e.g., monitors are faulty, air pollution levels measured in the vicinity of a particular monitoring site might not be representative of the prevailing air quality of a county or urban area); and (3) inconsistent or nonstandard methods of data collection and processing (e.g., noncalibrated and nonoperational monitors). However, all data issues are subject to the QA/QC procedures listed above and therefore are resolved or accounted for depending on how the data will be used.

There are no specific FREDS data limitations. A potential data issue could include incomplete or missing data from regions. However, all data are reviewed for completeness.

Improvements: AIRS - EPA is nearing completion of the reengineering of the AQS to make it a more user-friendly, Windows-based system. As a result, the ambient air quality data stored in AQS will be more easily accessible through the Internet. AFS, a mainframe system that the Office of Air Quality Planning and Standards (OAQPS) used for many years for managing its national emission database, has been replaced by the National Emissions Trends (NET) database. NET is an ORACLE database accessible through the Internet. Both systems will be enhanced to include the data standards (e.g., latitude/longitude, chemical nomenclature) developed under the Agency's Reinventing Environmental Information (REI) Initiative. Facility identification standards will be included so that air emission data in the NET database can be linked with environmental data in other Agency databases for the same facility.

Material Inadequacy: There are no material inadequacies for any of these performance measures.

PERFORMANCE MEASURES: (Refer to Performance Data Chart pages II-7, II-8)

- Reduction in mobile source PM 10. (APG 2)
- Reduction in mobile source PM 2.5. (APG 2)
- Reduction in mobile source volatile organic compound (VOC) emissions. (APG 1)
- Reduction in mobile source NO_x emissions. (APG 1)

Performance Database: Aerometric Information Retrieval System (AIRS). AIRS comprises two major subsystems: (1) the Air Quality Subsystem (AQS) stores ambient air quality data (used to determine whether nonattainment areas have the 3 years of clean air data needed for redesignation), and (2) the AIRS Facility Subsystem (AFS) stores emissions and compliance/enforcement information for facilities. AIRS is accessible at the web site <http://www.epa.gov/ttn/airs/>. Data from AIRS are complete and final for FY 2001.

Data Source: AIRS - State and local agency data from SLAMS.

Data Quality: AIRS - The quality assurance and quality control of the national air monitoring program have several major components: the DQO process, reference and equivalent methods program, EPA's NPAP, system audits, and network reviews. To ensure quality data, the SLAMS are required to meet the following: (1) each site must meet network design and siting criteria; (2) each site must provide adequate quality assurance assessment, control, and corrective action functions according to minimum program requirements; (3) all sampling methods and equipment must meet EPA reference or equivalent requirements; (4) acceptable data validation and record-keeping procedures must be followed; and (5) data from SLAMS must be summarized and reported annually to EPA. Finally, system audits regularly review the overall air quality data collection activity for any needed changes or corrections.

There are no specific AIRS data limitations. Potential data issues could include (1) incomplete or missing data (e.g., some values might be absent because of incomplete reporting, and some values subsequently might be changed because of quality assurance activities); (2) inaccuracies due to imprecise measurement and recording (e.g., monitors are faulty; air pollution levels measured in the vicinity of a particular monitoring site might not be representative of

Goal 1 - Clean Air (continued)

the prevailing air quality of a county or urban area); and (3) inconsistent or nonstandard methods of data collection and processing (e.g., noncalibrated and nonoperational monitors). However, all data issues are subject to the QA/QC procedures listed above and therefore are resolved or accounted for depending on how the data will be used.

EPA does make estimates of mobile source emissions for both past and future years. The most complete and systematic process for making and recording such estimates is the “Trends” inventory process executed each year within EPA by OAQPS’s Emissions, Monitoring, and Analysis Division (EMD). The Assessment and Modeling Division is the coordinator within the Office of Transportation and Air Quality for providing EMD information and methods for making the mobile source estimates. In addition, EMD’s contractors obtain some necessary information directly from other sources; for example, weather data and the Federal Highway Administration’s (FHWA) Vehicle Miles Traveled (VMT) estimates by state. EMD always creates and publishes the emission inventory estimate for the most recent historical year, detailed down to the county level and with 31 line items representing mobile sources. Usually, EMD also creates estimates of emissions for future years. When the method for estimating emissions changes significantly, EMD usually revises its older estimates of emissions in years prior to the most recent year to avoid a sudden discontinuity in the apparent emissions trend. EMD publishes the national emission estimates in hard copy; county-level estimates are available electronically.

It is useful to understand just what mobile source information is updated in Trends each year. An input is updated annually only if there is a convenient source of annual data for the input. Generally, VMT, the mix of VMT by type of vehicles (FHWA types, not EPA types), temperatures, gasoline properties, and the designs of inspection/maintenance (I/M) programs are updated each year. The age mix of highway vehicles is updated, using state registration data; this captures the effect of fleet turnover, assuming emission factors for older and newer vehicles are correct. Emission factors for all mobile sources and activity estimates for non-road sources are changed only when the Office of Transportation and Air Quality requests that this be done and is able to provide the new information in a timely manner.

The limitations of the inventory estimates for mobile sources come from limitations in the modeled emission factors in grams per mile and also the estimated vehicle miles traveled for each vehicle class. For non-road emissions, the estimates come from a model using equipment populations, emission factors per hour or unit of work, and an estimate of usage. These input data are frequently revised with newer data. Any limitations in the input data, such as emission factors (based on emission factor testing and models predicting overall fleet emission factors, such as in grams per mile), vehicle miles traveled (which are derived from Department of Transportation data), and other factors, will carry over into limitations in the emission inventory estimates.

Improvements: AIRS - EPA is nearing completion of the reengineering of the AQS to make it a more user-friendly, Windows-based system. As a result, the ambient air quality data stored in AQS will be more easily accessible through the Internet. AFS, a mainframe system that the OAQPS used for many years for managing its national emission database, has been replaced by the NET database. NET is an ORACLE database accessible through the Internet. Both systems will be enhanced to include the data standards (e.g., latitude/longitude, chemical nomenclature) developed under the Agency’s REI Initiative. Facility identification standards will be included so that air emission data in the NET database can be linked with environmental data in other Agency databases for the same facility.

Material Inadequacy: There are no material inadequacies for any of these performance measures.

PERFORMANCE MEASURE: (Refer to Performance Data Chart page II-9)

Combined stationary and mobile source reduction in air toxics emissions. (APG 4)

Performance Database: National Toxic Inventory (NTI). Information about the NTI and the National-Scale Air Toxics Assessment (NATA) is located at the web site <http://www.epa.gov/ttn/atw/nata>. There are performance

Goal 1 - Clean Air (continued)

data lags for this performance measure because EPA relies on updates to the NTI, which are realistically feasible only every 3 years. In addition, typically data are not available until about 2 years after the inventory date. In other words, EPA reports data for this performance measure as follows:

NTI Year	1999	2002	2002	2002	2005
Performance Target Year	1999	2000	2001	2002	2003
Data Available	2002	2004	2004	2004	2007

Data Source: The NTI includes emissions from large industrial or point sources, smaller stationary area sources, and mobile sources. The baseline NTI (for base years 1990–1993) includes emissions information for 188 hazardous air pollutants from more than 900 stationary sources. It is based on data collected during the development of Maximum Achievable Control Technology (MACT) standards, state and local data, Toxics Release Inventory (TRI) data, and emissions estimates using accepted emission inventory methodologies. The 1996 and the 1999 NTI contain facility-specific, nonpoint source, and mobile source estimates and are used as input to National Air Toxics Assessment (NATA) modeling. (A dispersion model, Assessment System for Pollution Exposure Nationwide [ASPEN] contributes to NATA modeling.) The primary source of data in the 1996 NTI is state and local data. The 1996 and 1999 state and local facility data are supplemented with data collected during the development of the MACT standards and TRI data.

Data Quality: Because the NTI is primarily a database designed to house information from other primary sources, most of the quality assurance and control efforts have been to identify duplicate data from the different data sources and to supplement missing data. When a discrepancy between data sources is found, EPA tries to determine the best primary source data. Mobile source data are validated by using speciated test data from the mobile source emission factor program, along with peer-reviewed models that estimate national tons for the relevant year.

Each base year EPA staff, state and local agencies, and industry have reviewed NTI. To assist in the review of the 1999 NTI, EPA provided a comparison of data from the three sources (MACT, TRI, and state and local inventories) for each facility.

The NTI contains data from other primary references. Because of the different data sources, not all information in the NTI has been compiled using identical methods. Also, for the same reason, there are likely some geographic areas with more detail and accuracy than others. Because of the lesser level of detail in the 1993 NTI, it is not suitable for input to dispersion models.

Improvements: The 1996 and 1999 NTI are a significant improvement over the baseline NTI because of the added facility-level detail (e.g., stack heights, latitude/longitude locations), making it useful for dispersion model input. Future inventories (2002, etc.) are expected to improve significantly because of increased interest in the NTI by regulatory agencies, environmental interests, and industry, and the greater potential for modeling and trend analysis.

Material Inadequacy: There is no material inadequacy for this performance measure.

PERFORMANCE MEASURES: (Refer to Performance Data Chart page II-10)

- SO₂ emissions. (APG 6)
- NO_x reduction. (APG 7)

Performance Database: The following are the databases used to support the performance measures in the Acid Rain Program: Emissions Tracking System (ETS), SO₂ and NO_x emissions collected by Continuous Emission Monitoring Systems (CEMS), CASTNet for dry deposition, and National Atmospheric Deposition Program

Goal 1 - Clean Air (continued)

(NADP) for wet deposition. Data are collected on a calendar year basis. Results for FY 2001 will be available approximately 6 months into 2002.

Data Source: On a quarterly basis ETS receives hourly measurements of SO₂, NO_x, volumetric flow, CO₂, and other emission-related parameters from more than 2,000 units affected by Title IV.

CASTNet measures particle and gas acidic deposition chemistry. Specifically, CASTNet measures sulfate and nitrate dry deposition and meteorological information at approximately 70 active monitoring sites. CASTNet is primarily an eastern, long-term dry deposition network funded, operated, and maintained by EPA's Office of Air and Radiation (OAR).

NADP is a national long-term wet deposition network that measures precipitation chemistry and provides long-term geographic and temporal trends in concentration and deposition of major cations and anions. Specifically NADP provides measurements of sulfate and nitrate wet deposition at approximately 200 active monitoring sites. EPA, along with several other federal agencies, states, and other private organizations, provides funding and support for NADP. The Illinois State Water Survey, University of Illinois maintains the NADP database.

Data Quality: Quality assurance and control requirements dictate performing a series of quality assurance tests of CEMS' performance. For these tests, emissions data are collected under highly structured, carefully designed testing conditions, which involve either high-quality standard reference materials or multiple instruments performing simultaneous emission measurements. The resulting data are screened and analyzed using a battery of statistical procedures, including one that tests for systematic bias. If CEMS fails the bias test, indicating a potential for systematic underestimation of emissions, either the problem must be identified and corrected or the data are adjusted to minimize the bias.

CASTNet has established data quality objectives and quality control procedures for accuracy and precision. CASTNet recently underwent formal Agency peer review by an external panel.

NADP has established data quality objectives and quality control procedures for accuracy, precision, and representativeness. The intended use of these data is to establish spatial and temporal trends in wet deposition and precipitation chemistry. The NADP methods of determining wet deposition values have undergone extensive peer review, handled entirely by the NADP housed at the Illinois State Water Survey, University of Illinois. Assessments of changes in NADP methods are developed primarily through the academic community and reviewed through the technical literature process.

The ETS provides instant feedback to the data sources (e.g., the electrical utilities) to identify any data reporting problems. EPA staff then conduct data quality review on each quarterly ETS file. In addition, states or EPA staff conduct random audits on selected sources' data submission.

There are no known data limitations with any of these data sources.

Improvements: To improve the spatial resolution of the Network (CASTNet), additional monitoring sites are needed. However, at this time EPA has no plans to add sites.

Material Inadequacy: There is no material inadequacy for this performance measure.

PERFORMANCE MEASURE: (Refer to Performance Data Chart page II-8)

Complete PM longitudinal panel study data collection and report exposure data. (APG 3)

Performance Database: Program output; no internal tracking system.

Data Source, Data Quality, Improvements, Material Inadequacy: Not applicable.

Goal 1 - Clean Air (continued)

PERFORMANCE MEASURE: (Refer to Performance Data Chart page II-8)

Final PM Air Quality Criteria Document complete. (APG 3)

Performance Database: Program output; no internal tracking system.

Data Source, Data Quality, Improvements, Material Inadequacy: Not applicable.

PERFORMANCE MEASURE: (Refer to Performance Data Chart page II-8)

Report on health effects of concentrated ambient PM in healthy animals and humans, in asthmatic and elderly humans, and in animal models of asthma and respiratory infections. (APG 3)

Performance Database: Program output; no internal tracking system.

Data Source, Data Quality, Improvements, Material Inadequacy: Not applicable.

Goal 2 - Clean and Safe Water

Appendix B describes the quality of the data used to measure EPA's performance. For each of the 10 EPA Strategic Goals, this appendix describes (1) the performance measures (PMs), (2) the database(s) supporting the PMs, (3) the source of the database(s), (4) the quality of the data, (5) planned improvements to the data or database(s), and (6) any material inadequacies.

PERFORMANCE MEASURE: (Refer to Performance Data Chart page II-17)

Population served by community water systems with no violations during the year of any federally enforceable health-based standards that were in place by 1994. (APG 8)

Performance Database: Safe Drinking Water Information System (SDWIS or SDWIS-FED). FY 2001 annual performance data are not yet available. Using third-quarter SDWIS data, EPA is projected to meet the FY 2001 target. <http://www.epa.gov/safewater/databases.html#fed>

Data Source: States, regions for Direct Implementation (DI) states.

Data Quality: SDWIS has numerous edit checks built into the software to reject erroneous data. There are quality assurance manuals for states and regions to follow to ensure data quality. EPA offers training to states on data entry and data retrieval, and it also provides a troubleshooter's guide and an error code database for states to use when they have questions on how to enter or correct data.

Quality assurance (QA) audits of the Office of Ground Water and Drinking Water's quality assurance/quality control (QA/QC) processes, including those for SDWIS, are carried out every 3 years. The QA Division coordinates this effort. EPA last completed a quality assurance audit in July 1999 and will complete a QA audit for 1999–2001 data in FY 2002. SDWIS was identified as an Agency weakness in the FY 1999 and FY 2000 Federal Managers' Financial Integrity Act Reports. The Data Reliability Action Plan (DRAP), described below, developed and implemented to address corrective actions for SDWIS identified in 1999, was completed by the end of FY 2001. However, EPA, states, and stakeholders have expanded on this plan by developing an Information Strategy. This strategy, which could be considered Phase II of the Data Reliability Action Plan, sets the direction for a comprehensive modernization of SDWIS over the next 3 to 5 years.

Currently SDWIS is an "exceptions" database that focuses exclusively on public water systems' noncompliance with drinking water regulations (health-based and program). States implement drinking water regulations with the support of the Public Water System Supervision (PWSS) grant program. States with primacy determine whether public water

Goal 2 - Clean and Safe Water (continued)

systems have violated maximum contaminant levels (MCL), treatment technique requirements, consumer notification requirements, or monitoring and reporting requirements, and they report those violations through SDWIS.

Recent state data verification and other QA analyses indicate that the most significant data quality problem is under reporting to EPA of both monitoring and reporting violations and incomplete inventory characteristics. Monitoring and reporting violations are not included in the health-based violation category; however, failures to monitor could mask treatment technique and MCL violations. The incomplete inventory data limit EPA's ability to: (1) accurately quantify the number of sources and treatments applied, (2) undertake geospatial analysis, and (3) integrate and share data with other data systems.

Improvements: Using a newly developed information strategy developed by EPA in partnership with the states and major stakeholders, several improvements to SDWIS are under way.

First, EPA will continue to work with states to implement the DRAP, a multistep approach to improve the quality and reliability of data in SDWIS. The DRAP already has improved the completeness, accuracy, and timeliness of the data in SDWIS through: (1) training courses for SDWIS data entry, error correction, and regulation-specific compliance determination and reporting requirements; (2) specific DRAP analyses, follow-up activities, and state-specific technical assistance; and (3) web-enabling SDWIS-STATE for easier data entry by the states.

Second, more states will use SDWIS-STATE, a software information system jointly designed by states and EPA, for support as they implement the drinking water program. SDWIS-STATE is the counterpart to EPA's federal drinking water information system, SDWIS-FED, and employs the same edit criteria and enforces the same mandatory data elements. If the SDWIS-STATE system is fully used by a state, the information it holds meets EPA's minimum data requirements and can easily be reported to EPA, thereby eliminating data conversion errors and improving data quality and accuracy. In addition, a web-enabled version of SDWIS-STATE and a data migration application that all states can use to process data for upload to SDWIS-FED are being developed. EPA estimates that by the end of 2003, 40 states will be using SDWIS-STATE for data collection.

Third, EPA is modifying SDWIS-FED to: (1) streamline its table structure, which simplifies updates and retrievals; (2) minimize data entry options that result in complex software and prevent meaningful edit criteria; and (3) enforce compliance with permitted values and Agency data standards through software edits, all of which will improve the accuracy of the data.

Finally, EPA, in partnership with the states, is developing information modules on other drinking water programs, such as source water protection, underground injection control, and the Drinking Water State Revolving Fund. These modules will be integrated with SDWIS to provide a more comprehensive data set with which to characterize the quality of the Nation's drinking water supplies.

Material Inadequacy: There is no material inadequacy for this performance measure.

PERFORMANCE MEASURE: (Refer to Performance Data Chart page II-17)

Cumulative number of beaches for which monitoring and closure data is available at <http://www.epa.gov/OST/beaches/>. (APG 9)

Performance Database: National Health Protection Survey of Beaches Information Management System. FY 2001 annual performance data are complete. <http://www.epa.gov/OST/beaches/>.

Data Source: State and local governments voluntarily provide the information. The database includes fields identifying the beaches for which monitoring and notification information is available. The database also identifies those states that have received a Beaches Environmental Assessment and Coastal Health (BEACH) Act grant. This information is updated annually.

Goal 2 - Clean and Safe Water (continued)

Data Quality: A standard survey form, approved by the Office of Management and Budget (OMB), is distributed by mail in hard copy and is available on the Internet for electronic submission. Where data are entered over the Internet, a password is issued to ensure the appropriate party is completing the survey. States receiving a BEACH Act grant are subject to the Agency's grant regulations at 40 CFR 31.45, which require states and tribes to develop and implement QA practices for the collection of environmental information; these procedures will help ensure data quality. EPA reviews the survey responses to ensure the information is complete and then follows up with the state or local government to obtain additional information where needed. However, the Agency cannot verify the accuracy of the voluntary information state and local governments provide.

Participation in this survey and collection of data is voluntary. Although the voluntary response rate has been high, the survey has not captured the complete universe of beaches. Participation in the survey will become a mandatory condition of grants awarded under the BEACH Act Program (described below); however, state and local governments are not required to apply for a grant. Currently the Agency has data standards, but procedures, methods, indicators, and thresholds can vary between jurisdictions because to date this has been a voluntary program. The Agency expects the limitations to diminish as more states apply for BEACH Act grants.

Improvements: With the passage of the BEACH Act of 2000, the Agency became authorized to award grants to states to develop and implement monitoring and notification programs consistent with federal requirements. As the Agency awards these grants, it will require standard program procedures, sampling and assessment methods, and data elements for reporting. To the extent that state governments apply for and receive these grants, the amount, quality, and consistency of available data will improve. In addition, the BEACH Act requires the Agency to maintain a database of national coastal recreation water pollution occurrences. The Agency will fulfill this requirement by revising the current database to include this new information. In revising the database, the Agency will investigate modes for electronic exchange of information and ways to reduce the number of reporting requirements.

Material Inadequacy: There is no material inadequacy for this performance measure.

PERFORMANCE MEASURE: (Refer to Performance Data Chart page II-18)

States submissions of new or revised water quality standards that EPA has reviewed and approved or disapproved, and promulgated Federal replacement standards. (APG 11)

Performance Database: No formal database exists to track EPA approval/disapproval actions on new and revised state water quality standards. FY 2001 annual performance data are complete.

Data Source: Regional reporting.

Data Quality: Headquarters compiles the data and queries the regions as needed. Regions collect data from their client states and report to headquarters once yearly. EPA headquarters and regions annually review the water quality standards (WQS) data submitted by states.

Improvements: None.

Material Inadequacy: There is no material inadequacy for this performance measure.

PERFORMANCE MEASURE: (Refer to Performance Data Chart page II-18)

Cumulative number of tribes with water quality standards adopted and approved. (APG 11)

Performance Database: No formal database exists. FY 2001 annual performance data are complete.

Data Source: Regional reporting.

Goal 2 - Clean and Safe Water (continued)

Data Quality: Headquarters compiles the data and queries the regions as needed. Regions collect data from their client tribes and report to headquarters once yearly. EPA headquarters and regions annually review the data submitted by tribes.

Improvements: None.

Material Inadequacy: There is no material inadequacy for this performance measure.

PERFORMANCE MEASURES: (Refer to Performance Data Chart page II-19)

- Major point sources are covered by current permits. (APG 14)
- Minor point sources are covered by current permits. (APG 14)

Performance Database: Permit Compliance System (PCS). FY 2001 annual performance data are complete.

Data Source: Regions and states enter data into PCS.

Data Quality: The Office of Water (OW) uses data in PCS to determine which permits have not exceeded their expiration dates. As part of the QA/QC process to improve data quality in PCS, OW generated state-by-state reports listing what appears in PCS for key data fields for facilities and discharge pipes (name, address, Standard Industrial Classification [SIC] code, latitude/longitude, Hydrologic Unit Code [HUC], reach, flow, issuance date, expiration date, application received date, effective date, etc.). EPA distributed these reports in January 2001 to state and regional PCS, National Pollutant Discharge Elimination System (NPDES), and geographic information system (GIS) coordinators to allow states to “see what EPA sees” when it views PCS data. Where discrepancies exist between state and PCS data, OW is identifying such discrepancies and making corrections in PCS, where necessary. Additionally, many states have been collecting and verifying NPDES data on their own but maintain these data in separate state-level systems (electronic and hard copy). EPA plans to populate fields in PCS that are currently blank with existing state-level data provided by states.

Office of the Inspector General (OIG) audits 8100076 (March 13, 1998) and 8100089 (March 31, 1998) discussed the need for current data in PCS. OW is categorizing the form in which the data exist at the state level (e.g., currently in PCS, currently in a separate state system and/or currently in hard copy only). As EPA creates a picture of national PCS data availability, staff are working with individual states and regions to tailor approaches to getting key data into PCS. OW is offering data upload, data entry, and, if necessary, data compilation support to states and anticipates completion of the project by the end of FY 2002.

There are significant data gaps for minor facilities and discrepancies between state databases and PCS.

Improvements: EPA headquarters is providing contractor assistance to improve the data quality of PCS. By 2003, PCS is scheduled to be modernized to make it easier to use and to ensure that it includes all needed data to manage NPDES programs.

Material Inadequacy: There are no material inadequacies for any of these performance measures.

PERFORMANCE MEASURES: (Refer to Performance Data Chart page II-19)

- Loading reductions of toxics by facilities subject to effluent guidelines promulgated between 1992 and 1999, as predicted by model projection. (APG 13)
- Loading reductions of conventional pollutants by facilities subject to effluent guidelines promulgated between 1992 and 1999, as predicted by model projection. (APG 13)
- Loading reductions of non-conventional pollutants by facilities subject to effluent guidelines promulgated between 1992 and 1999, as predicted by model projection. (APG 13)

Goal 2 - Clean and Safe Water (continued)

Performance Database: No one database provides this information. PCS is used for available information on permitted facilities, including SIC codes, flow, and location data. Other databases that may be used include the Clean Water Needs Survey for treatment-level information, the storm water Notice of Intent (NOI) database to determine facilities covered under storm water general permits, the National Oceanic and Atmospheric Administration (NOAA) Rainfall Database for precipitation information, and STORET for water quality information. The data in these databases will be used to model loadings from NPDES permitted facilities. However, data are not available for all categories of dischargers or for all dischargers in each category. Data are particularly lacking for storm water dischargers.

Data Sources: Regions and states enter data into PCS, the Needs Survey, and STORET. NOI data are provided by applicants for coverage under general permits (both storm water and non-storm water permits), and limited data elements are entered into PCS by some states. Where EPA is the permitting authority, EPA contractors enter storm water NOI data into a separate database. EPA has collected effluent guidelines development data for various industrial categories. NOAA enters data into the Rainfall Database. EPA is collecting best management practices effectiveness data from various studies. EPA is collecting combined sewer overflow (CSO) data from states for required reports to Congress; these data should ultimately reside in PCS.

Data Quality: EPA reviews critical data submitted by states. Some databases, such as STORET, require documentation of the quality of the data along with the data entry. With respect to PCS, EPA has a project under way to work with states to improve the data in PCS. (See “Improvement” section for previous performance measures “Major/Minor Point Sources Covered by Current Permits). Load reductions are to be estimated by modeling the various categories of sources. Actual data will be used to calibrate and verify the models used. Data quality review procedures are listed under the narrative for the previous performance measures “Major/Minor Point Sources Covered by Current Permits.”

There are significant data gaps in PCS, including reliability issues, for minor facilities, general permits, and specific categories of discharges, such as CAFOs. Additionally, neither monitoring nor flow data are required for certain categories of general permits. The Agency, therefore, is not able to provide sufficient information to measure loadings reductions for all of the approximately 550,000 facilities that fall under the NPDES Program.

Improvements: EPA headquarters is providing contractor assistance to improve the data quality of PCS. By 2003 PCS is scheduled to be modernized to make it easier to use. As the modernized system is being developed, additional efforts are under way to bolster comprehensive data collection to ensure that the modernized system includes data needed to manage NPDES programs. In FY 2002 the Office of Wastewater Management (OWM) plans to develop a comprehensive Action Plan for modeling point source loadings from a variety of sources. OWM will develop loadings reduction targets for each of the identified sources. In general the methodology might have to be different for each source, based on what data are available, the difficulty in modeling in the absence of existing data, and the difficulty in regularly updating the methodology as more data become available. The strategy is to move progressively from the lowest measurement level (programmatic actions) toward the highest level (direct environmental measurements) over time. Levels include the following: I. Program Implementation, such as number of permits issued; II. Controls Implementation, such as number of best management practices in place; III. Estimated Load Reductions Through Modeling; IV. Measure Actual Load Reductions, such as sampling plant influent and, effluent; and V. Monitor Water Quality Improvement by in-stream measurement. However, sufficient real-time data might never exist to pursue national use of Level IV and V data.

Material Inadequacy: There are no material inadequacies for any of these performance measures.

PERFORMANCE MEASURE: (Refer to Performance Data Chart page II-20)

Clean Water State Revolving Fund (CWSRF) projects that have initiated operations. (APG 15)

Goal 2 - Clean and Safe Water (continued)

Performance Database: CWSRF National Information Management System. FY 2001 annual performance data are complete. <http://www.epa.gov/r5water/cwsrf/>

Data Source: Reporting by municipal and other facility operators. Entry by state regulatory agency personnel and EPA regional staff. Collection and reporting once yearly.

Data Quality: EPA headquarters is responsible for compiling the data and querying regions as needed. Regions are responsible for collecting the data from their client states and reporting the data to headquarters once yearly. EPA headquarters and regions annually review the data submitted by states.

Improvements: This system has been in effect since 1996. It is updated on an annual basis, and database fields are changed or added as needed.

Material Inadequacy: There is no material inadequacy for this performance measure.

PERFORMANCE MEASURE: (Refer to Performance Data Chart page II-19)

Acres of habitat restored and protected nationwide since 1987 as part of the National Estuary Program (NEP). (APG 12)

Performance Database: A simple database/tracking system is being developed to document the number of acres of habitat restored and protected. Key fields will include the type of action (e.g., protection or restoration) and habitat type (e.g. estuarine, riparian). FY 2001 annual performance data are complete.

Data Source: NEP documents, such as annual work plans (which contain achievements made in the previous year) and annual progress reports, are used along with other implementation tracking materials to document the number of acres of habitat restored and protected. EPA then aggregates the data provided by each NEP to arrive at a national total for the entire program.

Data Quality: The staff of the NEP prepare primary data based on their own reports and on data supplied by other partnering agencies/organizations (that are responsible for implementing the action resulting in habitat protection and restoration). Aggregate data are compiled through a contractor review of the NEP documentation. The NEP staff are requested to follow guidance provided by EPA to prepare their reports, and to verify the numbers they provide. EPA and a contractor then confirm that the national total accurately reflects the information submitted by each program. Because this is a new annual performance measure that is still being refined, audits or quality reviews have not yet been conducted.

It is still too early to determine the full extent of data limitations. Current data limitations include information that might be reported inconsistently (based on different interpretations of the protection and restoration definitions), acreage that might be miscalculated or misreported, and acreage that might be double-counted (same parcel might also be counted by a partnering/implementing agency or a parcel might need to be replanted multiple years). In addition, measuring the number of acres of habitat might not directly correlate to improvements in the health of the habitat reported but is rather a measure of on-the-ground progress made by the NEPs.

Improvements: The Office of Wetlands, Oceans and Watersheds developed a standardized format for data reporting and compilation. In addition to providing the reporting matrix, habitat protection and restoration activities were defined and habitat categories specified to assist in providing consistency of reporting. The office has also designed a web page that highlights habitat loss/alteration in an educational fashion with graphics and images that reflect specific NEP reports (but does not illustrate aggregate data at the national level). This web page will enable EPA to provide a visual means of communicating NEP performance and habitat protection and restoration progress to a wide range of stakeholders and decision-makers. In the future EPA will examine the possibility of georeferencing the data in a GIS.

Goal 2 - Clean and Safe Water (continued)

Material Inadequacy: There is no material inadequacy for this performance measure.

PERFORMANCE MEASURE: (Refer to Performance Data Chart page II-18)

Watersheds that have greater than 80 percent of assessed waters meeting all water quality standards. (APG 10)

Performance Database: Watershed Assessment Tracking Environmental Results (WATERS). WATERS is used to summarize water quality information at the watershed level. For purposes of this national summary, “watersheds” are equivalent to 8-digit hydrologic unit codes (HUCs), of which there are 2,262 nationwide. State Clean Water Act section (CWA) 305(b) data are submitted every 2 years, and many states provide annual updates. Data to be used for the FY 2001 Annual Report include state submissions from spring 2000. FY 2001 annual performance data are complete. <http://www.epa.gov/305b/>

Data Source: State CWA section 305(b) reporting. The data used by a state to assess water quality and prepare its 305(b) report include ambient monitoring results from multiple sources (state, U.S. Geological Survey, volunteer, academic), as well as predictive tools like water quality models. Because states compile diverse data to support water quality assessments, EPA uses these data to present a snapshot of water quality as reported by the states but does not use the data to report trends in water quality. EPA’s OW and Office of Research and Development have established a monitoring and design team that is working with states on a 3- to 5-year project to recommend a design for a national probability-based monitoring network that could be used to provide both status and trends in water quality at the state and national levels.

Data Quality: QA/QC of data provided by states pursuant to individual state assessments (under state CWA section 305(b)) is dependent on individual state procedures. Numerous system-level checks are built into WATERS based on the business rules associated with assessment information. States are then given the opportunity to review the information in WATERS to ensure it accurately reflects the data they submitted. Detailed data exchange guidance and training are also provided to the states. The sufficiency threshold for inclusion in this measure requires that 20 percent of stream miles in an 8-digit HUC be assessed.

Data are not representative of comprehensive national assessments because states do not yet employ a monitoring design that characterizes all waters in each reporting cycle. States do not use a consistent suite of water quality indicators to assess attainment with water quality standards. For example, indicators of aquatic life use support range from biological community assessments to levels of dissolved oxygen to concentrations of toxic pollutants. State assessments of water quality may include uncertainties associated with derived or modeled data. Differences in monitoring designs among and within states prevent the Agency from aggregating water quality assessments at the national level with known statistical confidence.

Improvements: Numerous independent reports have cited that weaknesses in monitoring programs and the reporting of monitoring data undermine EPA’s ability to depict the condition of the Nation’s waters and to support scientifically sound water program decisions. The most recent reports include the 1998 *Report of the Federal Advisory Committee on the Total Maximum Daily Load (TMDL) Program*; the March 15, 2000, General Accounting Office report *Water Quality: Key Decisions Limited by Inconsistent and Incomplete Data*; and the 2001 National Academy of Sciences report *Assessing the TMDL Approach to Water Quality Management*.

In response to these evaluations, EPA has been working with states and other stakeholders to improve: (1) data coverage so that state reports reflect the condition of all waters of the state, (2) data consistency to facilitate comparison and aggregation of state data to the national level, and (3) documentation so that data limitations and discrepancies are fully understood by data users. First, EPA enhanced two existing data management tools (STORET and the Assessment Database) that include documentation of data quality information. Second, EPA has developed a GIS tool called WATERS that integrates many databases, including STORET, the Assessment Database, and a new water quality standards database. These integrated databases facilitate comparison and understanding of differences

Goal 2 - Clean and Safe Water (continued)

among state standards, monitoring activities, and assessment results. Third, EPA and states have developed the guidance document *Consolidated Assessment and Listing Methodology—A Compendium of Best Practices*, intended to facilitate increased consistency in monitoring program design and the data and decision criteria used to support water quality assessments.

OW is working with federal agencies, states, and tribes to improve the database that supports this management measure by addressing the underlying methods of monitoring water quality and assessing the data. OW also is working with partners to enhance monitoring networks to achieve comprehensive coverage of all waters, use a consistent suite of core water quality indicators (supplemented with additional indicators for specific water quality questions), and document key data elements and decision criteria through electronic data systems and assessment methodologies. OW is using a variety of mechanisms to implement these improvements, including data management systems, guidance, stakeholder meetings, training and technical assistance, program reviews, and negotiations.

Material Inadequacy: There is no material inadequacy for this performance measure.

Goal 3 - Safe Food

Appendix B describes the quality of the data used to measure EPA's performance. For each of the 10 EPA Strategic Goals, this appendix describes (1) the performance measures (PMs), (2) the database(s) supporting the PMs, (3) the source of the database(s), (4) the quality of the data, (5) planned improvements to the data or database(s), and (6) any material inadequacies.

PERFORMANCE MEASURES: (Refer to Performance Data Chart page II-26)

- New chemicals. (APG 17)
- New uses. (APG 17)

Performance Database: Pesticide Regulatory Action Tracking System (PRATS). The Office of Pesticide Programs (OPP) maintains PRATS. The system is designed to track regulatory data and studies submitted by the registrant (pesticide manufacturer/producer) in support of a pesticide's registration application. OPP staff update the data regularly. Output counts are available in October of the next fiscal year.

Data Source: OPP staff update the status of the submissions and studies as they are received and as work is completed by the reviewers. The status indicates whether the application is ready for review, the application is in the process of review, or the review has been completed.

Data Quality: These are program outputs. OPP staff and management review the program outputs in accordance with established policies in place for the registration program.

Improvements: The Office of Pesticide Programs Information Network (OPPIN), which is still under development, will consolidate various OPP program databases. New uses and new chemicals are a surrogate for pesticide risk. EPA is working internally, as well as with stakeholders from environmental organizations and industry, to develop outcome data and measures that more accurately depict risk from pesticides. Quantitatively assessing human risks from pesticide exposure is challenging in part because pesticides are pervasive in the environment and there are many routes of exposure.

Material Inadequacy: There are no material inadequacies for these performance measures.

PERFORMANCE MEASURE: (Refer to Performance Data Chart page II-26)

Register safer chemicals and biopesticides. (APG 16)

Goal 3 - Safe Food (continued)

Performance Database: PRATS. OPP maintains PRATS, which is designed to track regulatory data and studies submitted by the registrant (pesticide manufacturer/producer) in support of a pesticide's registration application. OPP staff update the data regularly. Output counts are available in October of the next fiscal year.

Data Source: OPP staff update the status of the submissions and studies as they are received and as work is completed by the reviewers. The status indicates whether the application is ready for review, the application is in the process of review, or the review has been completed.

Data Quality: These are program outputs. OPP staff and management review the program outputs in accordance with established policy for the registration of reduced risk pesticides as set forth in Pesticide Regulation Notice 97-3, September 4, 1997.

Improvements: OPPIN, which is still under development, will consolidate various OPP program databases. The registration of safer pesticides is a surrogate for measuring pesticide risk. EPA is working internally, as well as with stakeholders from environmental organizations and industry, to develop outcome data and measures that more accurately depict risk from pesticides. Quantitatively assessing human health risks from pesticide exposure is challenging in part because pesticides are pervasive in the environment and there are many routes of exposure.

Material Inadequacy: There is no material inadequacy for this performance measure.

PERFORMANCE MEASURES: (Refer to Performance Data Chart page II-27)

- Product reregistration. (APG 18)
- Reregistration Eligibility Decisions (REDs). (APG 18)

Performance Database: PRATS. OPP maintains PRATS, which tracks information submitted by industry in support of a pesticide's registration application. OPP staff update the data regularly. Output counts are available in October of the next fiscal year.

Data Source: OPP staff update the status of each action as it is completed by the reviewer.

Data Quality: These are program outputs. OPP staff and management review the program outputs in accordance with established policies in place for the reregistration program.

Improvements: OPPIN is still under development and will consolidate various OPP program databases. EPA is working internally, as well as with stakeholders from environmental organizations and industry, to develop outcome data and measures that more accurately depict risk from pesticides.

Material Inadequacy: There are no material inadequacies for any of these performance measures.

PERFORMANCE MEASURES: (Refer to Performance Data Chart page II-27)

- Tolerance reassessments for top 20 foods eaten by children. (APG 18)
- Tolerance reassessments. (APG 18)

Performance Database: Tolerance Reassessment Tracking System (TORTS). TORTS is an OPP in-house system that contains records on all 9,721 tolerances subject to reassessment. It includes the total number of tolerances reassessed by fiscal year, the outcomes of reassessments (number of tolerances raised, lowered, revoked, or unchanged), and the appropriate priority group for the tolerance. Additionally, it breaks out the tolerances for specific chemical groups such as organophosphates, carbamates, organochlorines, carcinogens, high-hazard inerts, children's foods, and minor uses. OPP staff update the data regularly. Output counts are available in October of the next fiscal year.

Goal 3 - Safe Food (continued)

Data Source: OPP staff update the status of each action as it is completed by the reviewer.

Data Quality: These are program outputs. OPP staff and management review the program outputs in accordance with established policies in place for reregistration/tolerance reassessment activities.

Improvements: EPA is working internally, as well as with stakeholders from environmental organizations and industry, to develop outcome data and measures that more accurately depict risk from pesticides.

Material Inadequacy: There are no material inadequacies for any of these performance measures.

Goal 4 - Preventing Pollution and Reducing Risk in Communities, Homes, Workplaces, and Ecosystems

Appendix B describes the quality of the data used to measure EPA's performance. For each of the 10 EPA Strategic Goals, this appendix describes (1) the performance measures (PMs), (2) the database(s) supporting the PMs, (3) the source of the database(s), (4) the quality of the data, (5) planned improvements to the data or database(s), and (6) any material inadequacies.

PERFORMANCE MEASURE: (Refer to Performance Data Chart page II-35)

- Notice of Commencements. (APG 19)
- Toxic Substance Control Act (TSCA) Premanufacture Notice Reviews. (APG 19)

Performance Database: Output measure; no internal tracking system.

Data Source, Data Quality, Improvements, Material Inadequacy: Not applicable.

PERFORMANCE MEASURE: (Refer to Performance Data Chart page II-36)

Through chemical testing program, obtain test data for high production volume chemicals on master testing list (Chemical Right-to-Know Initiative). (APG 20)

Performance Database: Output measure; no internal tracking system.

Data Source, Data Quality, Improvements, Material Inadequacy: Not applicable.

PERFORMANCE MEASURE: (Refer to Performance Data Chart page II-36)

Students/staff experiencing improved indoor air quality (IAQ) in schools. (APG 22)

Performance Database: Survey of representative sample of schools. There are more than 110,000 public and private schools in the United States. Using commercially available and government databases of the universe of schools, a random sample of schools will be mailed an OMB-approved questionnaire. Data are preliminary (because this a new survey); complete data will likely be available for the FY 2002 Annual Report. Because OMB approval expires after 3 years, the program will likely conduct one additional survey before 2005. No web link is available.

Data Source: EPA plans to use a contractor to contact a representative number of schools and mail the questionnaire. School personnel will fill out the questionnaire and send it back to the contractor. The contractor will collate the data and produce a report.

Data Quality: The survey will be designed, conducted, and analyzed in accordance with approved Agency procedures. The contractor and EPA will review the data for completeness and quality. Results of the survey are subject to the inherent limitations of self-reporting on the questionnaire.

Goal 4 - Preventing Pollution and Reducing Risk in Communities, Homes, Workplaces, and Ecosystems (continued)

Improvements: A survey was conducted in FY 2001 to determine implementation and adoption of good IAQ practices in school buildings, including use of EPA's "Indoor Air Quality Tools for Schools" kit. EPA expects results of the survey to be available by the end of FY 2002. This survey will provide the Agency with a solid estimate of the number of schools adopting and implementing good IAQ practices. Prior to this survey, EPA tracked the number of schools receiving the kit and estimated the population of the school to determine the number of students/staff experiencing improved IAQ without the qualitative information of actual adoption and implementation of good IAQ practices.

EPA is compiling a database to better track the number of schools that have received "Tools for Schools" kits and the number of schools that have implemented the tools. The database will be enhanced in FY 2002 to allow for accurate electronic reporting by EPA's regional offices.

Material Inadequacy: There is no material inadequacy for this performance measure.

PERFORMANCE MEASURE: (Refer to Performance Data Chart page II-37)

Reduction of TRI non-recycled wastes. (APG 23)

Performance Database: Toxic Release Inventory System (TRIS). Performance data are not available currently; data will be available in spring 2003. <http://www.epa.gov/tri/>

Data Source: Data reported to EPA from facilities meeting criteria specified in section 313 of the Emergency Preparedness and Community Right-to-Know Act. Following thorough quality assurance review and data processing, data are made publicly available through an annual Public Data Release report and associated publicly accessible databases.

Data Quality: The quality of TRI data depends on the quality of the data submitted by the reporting facility. Although EPA has no direct control over the quality of the submitted data, the Agency does assist reporting facilities in improving their estimates. EPA also verifies that the facilities' information is correctly entered into the TRI database.

Improvements: EPA is developing regulations for improving reporting of source reduction activities by TRI releasers.

Material Inadequacy: There is no material inadequacy for this performance measure.

PERFORMANCE MEASURES: (Refer to Performance Data Chart page II-37)

- Millions of tons of municipal solid waste diverted. (APG 24)
- Daily per capita generation of municipal solid waste. (APG 24)

Performance Database: In the nonhazardous waste program, no national databases are in place or planned. Data are currently unavailable; they are expected September 30, 2003.

Data Source: The baseline numbers for municipal solid waste source reduction and recycling are developed using a materials flow methodology that employs data largely from the Department of Commerce. The methodology is provided in an EPA report titled *Characterization of Municipal Solid Waste in the United States*.

Data Quality: Quality assurance and quality control are provided by the Department of Commerce's internal procedures and systems. The report prepared by the Agency is then reviewed by a number of experts for accuracy and soundness. The report, including the baseline numbers and annual rates of recycling and per capita municipal

Goal 4 - Preventing Pollution and Reducing Risk in Communities, Homes, Workplaces, and Ecosystems (continued)

solid waste generation, is widely accepted among experts. Various assumptions are factored into the analysis to develop progress on each measure.

Improvements: Because these numbers are widely reported and accepted by experts, no new efforts to improve the data or the methodology have been identified or are necessary.

Material Inadequacy: There are no material inadequacies for any of these performance measures.

PERFORMANCE MEASURE: (Refer to Performance Data Chart page II-38)

Number of environmental assessments for Tribes. (APG 25)

Performance Database: The American Indian Environmental Office is developing a new information system that will be used to access baseline environmental information. This information system will draw together environmental information on tribes from the existing EPA databases, such as those from the Office of Water and EPA regions, as well as databases from other federal agencies. All the data will be accessed on a per tribe basis so that environmental information can be queried by tribe, by state, by EPA region, or nationally. Information that is geo-referenced will be displayed graphically on an electronic map of tribal reservation boundaries. The information system also will have a narrative profile description of environmental information and management activities for each tribe. The structure of the system is complete and expected to be fully populated with profiles for all federally recognized tribes by FY 2005. Public access to information through the Internet cannot be provided until EPA completes consultation with the tribes but is expected in FY 2002.

Data Source: The data sources will be existing federal databases that are available nationally, from both EPA and other agencies, supplemented by electronic data sources collected from the EPA regions. These data sources will be identified and referenced in the system application.

Data Quality: The quality of the external databases will be described but not ranked. A Quality Management Plan is projected for development as Agency-wide guidance is developed. Each tribe will have the opportunity to review and comment on its Tribal Profile. Mechanisms for adjusting data will be supplied. The data limitations of the Tribal Profiles are subject to the underlying existing database systems referenced.

Improvements: Statistical analyses on a national level are planned using the baseline data collected and reported on a per tribe basis. EPA will be able to develop statistically valid reports on whether tribes are underserved (generally, they are) or overserved compared to the Nation as a whole in a number of areas, such as wastewater treatment, drinking water, and solid waste services.

Material Inadequacy: There is no material inadequacy for this performance measure.

Goal 5 - Better Waste Management, Restoration of Contaminated Waste Sites, and Emergency Response

Appendix B describes the quality of the data used to measure EPA's performance. For each of the 10 EPA Strategic Goals, this appendix describes (1) the performance measures (PMs), (2) the database(s) supporting the PMs, (3) the source of the database(s), (4) the quality of the data, (5) planned improvements to the data or database(s), and (6) any material inadequacies.

PERFORMANCE MEASURES: (Refer to Performance Data Chart pages II-47, II-48, II-50)

- Superfund construction completions. (APG 26)
- Potentially Responsible Parties (PRPs) conduct 70 percent of the work at new construction starts. (APG 27)

Goal 5 - Better Waste Management, Restoration of Contaminated Waste Sites, and Emergency Response (continued)

- Ensure fairness by making Orphan Share Offers at 100 percent of all eligible sites settlement negotiations for response work. (APG 27)
- Refer to the Department of Justice (DOJ), settle, or write off 100 percent of Statute of Limitations (SOLs) cases for Superfund sites with total unaddressed past costs equal to or greater than \$200,000 and report value of costs recovered. (APG 28)
- Percent of Federal facilities for which final offers are made that meet Agency policy and guidance. (APG 32)
- Percent of Federal facilities with final offers made within 18 months. (APG 32)
- Evaluate liability concerns—100 percent of Prospective Purchaser Agreement requests addressed up to a maximum of 40 requests. (APG 34)

Performance Database: Comprehensive Environmental Response, Compensation, and Liability Information System (CERCLIS). The Agency uses CERCLIS to track, store, and report Superfund site information. Data are complete for assessment of FY 2001 performance.

Data Source: Automated EPA system; headquarters and regional offices enter data into CERCLIS on a rolling basis.

Data Quality: To ensure data accuracy and control, the following administrative controls are in place: (1) *Superfund/Oil Program Implementation Manual* (SPIM), the program management manual that details what data must be reported; (2) Report Specifications, which are published for each report detailing how reported data are calculated; (3) *Coding Guide*, which contains technical instructions to such data users as regional Information Management Coordinators (IMCs), program personnel, report owners, and data input personnel; (4) Quality Assurance (QA) Unit Testing, an extensive QA check against report specifications; (5) QA Third Party Testing, an extensive test made by an independent QA tester to ensure that the report produces data in conformance with the report specifications; (6) Regional CERCLIS Data Entry Internal Control Plan, which includes: (a) regional policies and procedures for entering data into CERCLIS, (b) a review process to ensure that all Superfund accomplishments are supported by source documentation, (c) delegation of authorities for approval of data input into CERCLIS, and (d) procedures to ensure that reported accomplishments meet accomplishment definitions; and (7) a historical lockout feature so that changes in past fiscal year data can be changed only by approved and designated personnel and are logged to a change log report.

The Office of the Inspector General (OIG) conducted an audit and the General Accounting Office (GAO) completed a review to assess the validity of the data in CERCLIS. The OIG audit report, *Superfund Construction Completion Reporting* (No. E1SGF7-05-0102-8100030), verified the accuracy of the information that the Agency was providing to Congress and the public. The OIG report concluded that the Agency “has good management controls to ensure accuracy of the information that is reported” and “Congress and the public can rely upon the information EPA provides regarding construction completions.” GAO’s report, *Superfund Information on the Status of Sites* (GAO/RCED-98-241), estimated that the cleanup status of National Priority List sites reported by CERCLIS is accurate for 95 percent of the sites.

The OIG annually reviews the end-of-year Comprehensive Environmental Response, Compensation, and Liability Act (CERCLA) data, in an informal process, to verify the data supporting the performance measures. Typically there are no published results.

No data limitations have been identified.

Improvements: In 2003 the Agency will continue its efforts begun in 1999 to improve the Superfund Program’s technical information by incorporating more site remedy selection, risk, removal response, and community involvement information into CERCLIS. Efforts to share information among the federal, state, and tribal programs to further enhance the Agency’s efforts to efficiently identify, evaluate, and remediate Superfund hazardous waste sites

Goal 5 - Better Waste Management, Restoration of Contaminated Waste Sites, and Emergency Response (continued)

will continue. In 2003 the Agency will also establish data quality objectives for program planning purposes and to ascertain the organization's information needs for the next 5 years. Adjustments will be made to EPA's current architecture and business processes to better meet those needs.

Material Inadequacy: There are no material inadequacies for any of these performance measures.

PERFORMANCE MEASURE: (Refer to Performance Data Chart page II-47)

Provide finality for small contributors by entering into *de minimis* settlements and report the number of settlers. (APG 27)

Performance Database: EPA headquarters maintains a database specifically to track the number of parties at *de minimis* settlements. Data are complete for assessment of FY 2001 performance.

Data Source: Manual and automated EPA systems; headquarters and regions enter numbers.

Data Quality: Regional personnel enter data, and headquarters checks a sample.

Improvements: None.

Material Inadequacy: There is no material inadequacy for this performance measure.

PERFORMANCE MEASURES: (Refer to Performance Data Chart page II-48)

- High priority Resource Conservation and Recovery Act (RCRA) facilities with human exposure to toxins controlled. (APG 29)
- High priority RCRA facilities with toxic releases to groundwater controlled. (APG 29)

Performance Database: Resource Conservation and Recovery Act Information System (RCRAInfo). RCRAInfo is the national database that supports EPA's RCRA program. RCRAInfo contains information on entities (generically referred to as "handlers") engaged in hazardous waste generation and management activities regulated under the portion of RCRA that provides for regulation of hazardous waste. RCRAInfo has several different modules, including a Corrective Action Module that tracks the status of facilities that require, or might require, corrective actions. A "yes" or "no" entry is made in the database with respect to meeting corrective action indicators. Supporting documentation and reference materials are maintained in regional and state files.

Human exposures controlled and toxic releases to groundwater controlled are used to summarize and report on the facility-wide environmental conditions at the RCRA Corrective Action Program's highest priority facilities. The environmental indicators are used to track the RCRA Program's progress on getting the highest priority contaminated sites under control. Known and suspected sitewide conditions are evaluated using a series of simple questions and flow-chart logic to arrive at a reasonable, defensible determination. These questions were issued as Interim Final Guidance on February 5, 1999. Lead regulators for the site (authorized state or EPA) make the environmental indicator determination; however, facilities or their consultants may assist EPA in the evaluation by providing information on the current environmental conditions.

Data are complete for assessment of FY 2001 performance. http://www.epa.gov/enviro/index_java.html

Data Source: EPA regions and authorized states enter data on a rolling basis.

Data Quality: States and regions, which generate the data, manage data quality control related to timeliness and accuracy (that is, the environmental conditions and determinations are correctly reflected by the data). Within RCRAInfo the application software enforces structural controls that ensure that high-priority national components of the data are properly entered. RCRAInfo documentation, which is available to all users on-line, provides guidance to

Goal 5 - Better Waste Management, Restoration of Contaminated Waste Sites, and Emergency Response (continued)

facilitate the generation and interpretation of data. Training on use of RCRAInfo is provided on a regular basis, usually annually, depending on the nature of systems changes and user needs.

GAO's 1995 report on EPA's Hazardous Waste Information System reviewed whether national RCRA information systems support meeting the primary objective of helping EPA and states manage the hazardous waste program. Recommendations coincide with ongoing internal efforts (WIN/Informed) to improve the definitions of data collected, ensure that data collected provide critical information, and minimize the burden on states.

No data limitations have been identified. As discussed above, environmental indicator determinations are made by the authorized states and EPA regions based on a series of standard questions and entered directly into RCRAInfo. EPA has provided guidance and training to states and regions to help ensure consistency in those determinations. High-priority facilities are monitored on a facility-by-facility basis, and the QA/QC procedures identified above are in place to help ensure data validity.

Improvements: EPA has successfully implemented new tools for managing environmental information to support federal and state programs, replacing the old data systems (the Resource Conservation and Recovery Information System [RCRIS] and the Biennial Reporting System) with RCRAInfo. RCRAInfo allows for tracking of information on the regulated universe of RCRA hazardous waste handlers and for characterization of facility status, regulated activities, and compliance history. The system also captures detailed data on the generation of hazardous waste from large quantity generators and on waste management practices from treatment, storage, and disposal facilities. RCRAInfo is web-enabled, providing a convenient user interface for federal, state, and local managers and encouraging development of in-house expertise in order to control costs. RCRAInfo also uses commercial off-the-shelf software to report directly from database tables.

Material Inadequacy: There are no material inadequacies for any of these performance measures.

PERFORMANCE MEASURES: (Refer to Performance Data Chart pages II-49, II-51)

- Leaking Underground Storage Tank (LUST) cleanups completed. (APG 30)
- Percentage of Underground Storage Tanks (USTs) significant operational compliance with leak detection requirements. (APG 36)
- Percentage of USTs in significant operational compliance with spills, overfill and corrosion protection regulations. (APG 36)

Performance Database: EPA does not maintain a database for this information. Data are complete for assessment of FY 2001 performance.

Data Source: Designated state agencies submit semiannual progress reports to the EPA regional offices.

Data Quality: EPA regional offices verify the data and then forward them to EPA headquarters, where staff examine the data and resolve any discrepancies with regional offices. The data are displayed in a document on a region-by-region basis, which allows regional staff to re-verify their data. The process relies on the accuracy and completeness of state records.

Improvements: None.

Material Inadequacy: There are no material inadequacies for any of these performance measures.

PERFORMANCE MEASURES: (Refer to Performance Data Chart page II-49)

- Cumulative site assessments. (APG 31)

Goal 5 - Better Waste Management, Restoration of Contaminated Waste Sites, and Emergency Response (continued)

- Cumulative jobs generated. (APG 31)
- Cumulative leveraging of cleanup and redevelopment funds. (APG 31)

Performance Database: The Brownfields Management System (BMS) is used to evaluate environmental and economics-related results, such as properties assessed, acres cleaned up, and jobs generated. BMS uses data gathered from Brownfields pilots' quarterly reports and from the EPA regions. CERCLIS records regional accomplishments on Brownfields assessments in the Brownfields module. This database module tracks Targeted Brownfields Assessments (TBAs) on a property-specific basis. The module contains information such as the property's operational status (e.g., "active" or "inactive"), prior use (e.g., "disposal," "production facility," or "midnight dump"), the actual start and completion dates for the TBA, the phase of the TBA, and the outcome or result of the TBA. Data are not currently complete; FY 2001 performance data are expected by April 2002.

Data Source: EPA headquarters, regional staff and contractors enter data on a rolling basis. Data are derived from quarterly grant recipient reports on Pilot and TBA projects.

Data Quality: Verification relies on reviews by regional staff responsible for pilot cooperative agreements or Brownfields cooperative agreements and contracts.

The program and external organizations have conducted several data quality reviews. GAO conducted the most recent, *Brownfields: Information on the Programs of EPA and Selected States* (GAO-01-52, December 15, 2000). GAO recommended that EPA continue to review data reported by recipients before the Agency's new guidelines for results became effective and make any corrections needed to ensure that the data are consistent with the current guidelines. GAO also recommended that EPA regions monitor and work to improve recipients' reporting of data on key results measures.

The reporting of results of the Brownfields pilots is subject to the Paperwork Reduction Act and attendant OMB regulations governing Information Collection Requests (ICRs), as well as the Agency's assistance regulations. Consequently the Agency is limited to obtaining information from pilot recipients on specific accomplishments attained with grant funds, such as properties assessed (40 CFR 35.6650(b)(1)). In addition, EPA may not require private sector entities, which do not receive EPA financial assistance, to provide information relating to such accomplishment measures as redevelopment dollars invested or numbers of jobs created. These constraints might lead to an under reporting of accomplishments.

Improvements: In September 1999 EPA headquarters issued guidance to the regions to standardize quarterly reporting of accomplishment measures for newly awarded and amended assessment grants. This guidance was developed to ensure that the standardized information collected fell within the scope of regulations and applicable OMB controls for quarterly reporting by assessment pilot recipients. EPA also is working with recipients to encourage the use of standardized reporting through workshops and training. To improve recipients' reporting of data on key results measures, EPA has implemented GAO's recommendation that the Agency make it clear to recipients that follow-on awards depend on reported results.

Material Inadequacy: There are no material inadequacies for any of these performance measures.

PERFORMANCE MEASURE: (Refer to Performance Data Chart page II-50)

Provide the SITE Program Report to Congress. (APG 33)

Performance Database: Program output; no internal tracking system.

Data Source, Data Quality, Improvements, Material Inadequacy: Not applicable.

Goal 5 - Better Waste Management, Restoration of Contaminated Waste Sites, and Emergency Response (continued)

PERFORMANCE MEASURE: (Refer to Performance Data Chart page II-51)

Percent of RCRA hazardous waste management facilities with permits or other approved controls in place. (APG 35)

Performance Database: RCRAInfo is the national database that supports EPA's RCRA program. RCRAInfo contains information on entities (generically referred to as "handlers") engaged in hazardous waste generation and management activities regulated under the portion of RCRA that provides for regulation of hazardous waste. RCRAInfo has several different modules, including status of RCRA facilities in the RCRA permitting universe. Data are complete for assessment of FY 2001 performance. http://www.epa.gov/enviro/index_java.html

Data Source: EPA regions and authorized states enter data on a rolling basis.

Data Quality: States and regions, which generate the data, manage data quality control related to timeliness and accuracy (that is, the environmental conditions and determinations are correctly reflected by the data). Within RCRAInfo the application software enforces structural controls that ensure that high-priority national components of the data are properly entered. RCRAInfo documentation, which is available to all users on-line, provides guidance to facilitate the creation and interpretation of data. Training on use of RCRAInfo is provided on a regular basis, usually annually, depending on the nature of systems changes and user needs.

GAO's 1995 report on EPA's Hazardous Waste Information System reviewed whether national RCRA information systems support meeting the primary objective of helping EPA and states manage the hazardous waste program. Recommendations coincide with ongoing internal efforts (WIN/Informed) to improve the definitions of data collected, ensure that data collected provide critical information, and minimize the burden on states. No data limitations have been identified.

Improvements: EPA has successfully implemented new tools for managing environmental information to support federal and state programs, replacing the old data systems (the RCRIS and the Biennial Reporting System) with RCRAInfo. RCRAInfo allows for tracking of information on the regulated universe of RCRA hazardous waste handlers and for characterization of facility status, regulated activities, and compliance history. The system also captures detailed data on the generation of hazardous waste from large-quantity generators and on waste management practices from treatment, storage, and disposal facilities. RCRAInfo is web-enabled, providing a convenient user interface for federal, state, and local managers and encouraging development of in-house expertise in order to control costs. RCRAInfo also uses commercial off-the-shelf software to report directly from database tables.

Material Inadequacy: There is no material inadequacy for this performance measure.

Goal 6 - Reduction of Global and Cross-Border Environmental Risks

Appendix B describes the quality of the data used to measure EPA's performance. For each of the 10 EPA Strategic Goals, this appendix describes (1) the performance measures (PMs), (2) the database(s) supporting the PMs, (3) the source of the database(s), (4) the quality of the data, (5) planned improvements to the data or database(s), and (6) any material inadequacies.

PERFORMANCE MEASURE: (Refer to Performance Data Chart page II-58)

People in the Mexico border area protected from health risks because of adequate water and wastewater sanitation systems funded through the Border Environmental Infrastructure Fund. (cumulative) (APG 37)

Performance Database: No formal database exists. FY 2001 annual performance data are complete.

Goal 6 - Reduction of Global and Cross-Border Environmental Risks (continued)

Data Source: Population figures from 1990 U.S. Census. Data for both U.S. and Mexican populations served by “certified” water/wastewater treatment improvements from the Border Environment Cooperation Commission (BECC). Data on projects funded from the North American Development Bank (NADBank), *Status Report on the Water-Wastewater Infrastructure Program for the U.S.-Mexico Borderlands*, January 2001.

Data Quality: Headquarters evaluates quarterly reports from EPA regional offices on these drinking water and wastewater sanitation projects. EPA regional representatives attend meetings of the certifying and financing entities for border projects (BECC and NADBank) and conduct site visits of projects under way to ensure the accuracy of information.

Improvements: None.

Material Inadequacy: There is no material inadequacy for this performance measure.

PERFORMANCE MEASURE: (Refer to Performance Data Chart page II-59)

Concentration trends of toxic polychlorinated biphenyls (PCBs) in Great Lakes top predator fish. (APG 38)

Performance Database: Great Lakes National Program Office (GLNPO) base monitoring program.

Data Source: GLNPO’s ongoing base monitoring program, which has included work with cooperating organizations such as the Great Lakes States, U.S. Geological Survey, and U.S. Fish and Wildlife Service.

Data Quality: GLNPO has in place a quality management system that conforms to the EPA Quality Management Order. GLNPO is audited every 3 years in accordance with federal policy for quality management. GLNPO’s quality management system has been given “outstanding” ratings in previous peer and management reviews. Base monitoring programs are audited every 2 years; this program is to be audited in 2002 with special emphasis on the field sampling design and procedures.

There is greater uncertainty regarding the representativeness of data pertaining to nearshore areas because of the greater variability of the nearshore environment. GLNPO is seeking documentation of how samples are collected and what they represent in order to quantify uncertainty for data in each reported area. Limitations of the field sampling design will be addressed through the field audits in 2002. The field sampling aspects of the program are voluntary partnerships with the states, thus limiting federal oversight.

Improvements: The Great Lakes Environmental Database (GLENDa) is a significant new system with enhanced capabilities. Existing and future fish data will be added to GLENDa.

Material Inadequacy: There is no material inadequacy for this performance measure.

PERFORMANCE MEASURE: (Refer to Performance Data Chart page II-59)

Concentration trends of toxic chemicals in the air (including PCBs, polycyclic aromatic hydrocarbons [PAHs], and pesticides). (APG 38)

Performance Database: GLNPO Integrated Atmospheric Deposition Network (IADN) operated jointly with Canada. FY 2001 annual performance data are complete.

Data Source: GLNPO and Canada are the principal sources of the data. Data also are collected through in-kind support and information sharing with other federal agencies, Great Lakes states, and Canada.

Data Quality: GLNPO has in place a quality management system that conforms to the EPA Quality Management Order. This program has a joint Canadian-U.S. quality system and a workgroup that meets twice a year. GLNPO is

Goal 6 - Reduction of Global and Cross-Border Environmental Risks (continued)

audited every 3 years in accordance with federal policy for quality management. GLNPO's quality management system has been given "outstanding" ratings in previous peer and management reviews.

The sampling design is dominated by rural sites that under emphasize urban contributions to deposition; thus, although the data are very useful for trends information, there is less assurance of the representativeness of deposition to the whole lake. There are gaps in open lake water column organics data, thus limiting EPA's ability to calculate atmospheric loadings.

Improvements: GLNPO expects to post joint data that have passed quality review to <http://binational.net/>, a newly created joint international web site.

Material Inadequacy: There is no material inadequacy for this performance measure.

PERFORMANCE MEASURE: (Refer to Performance Data Chart page II-59)

Trophic status and phosphorus concentrations in the Great Lakes. (APG 38)

Performance Database: GLNPO base monitoring program.

Data Source: Data are part of GLNPO's ongoing base monitoring program for the open waters of the five Great Lakes. GLNPO is the principal source of the data. FY 2001 annual performance data are complete.

Data Quality: GLNPO has in place a quality management system that conforms to the EPA Quality Management Order. GLNPO is audited every 3 years in accordance with federal policy for quality management. GLNPO's quality management system has been given "outstanding" ratings in previous peer and management reviews. The sampling and analytical operations in support of this program were audited in August 2001 with no significant findings related to quality. The representativeness of GLNPO's annual monitoring data will be assessed to ascertain the appropriate frequency for sampling various parameters.

Improvements: A streamlined data entry system that captures all field data in support of the open lake monitoring limnology program has been developed aboard the Research Vessel *Lake Guardian*.

PERFORMANCE MEASURE: (Refer to Performance Data Chart page II-59)

Peer-reviewed reports for decision-makers and the public on potential consequences of global change on three regions and human health, which are the finished products of a multi-year effort. (APG 39)

Performance Database: Program output; no internal tracking system.

Data Source, Data Quality, Improvements, Material Inadequacy: Not applicable.

PERFORMANCE MEASURE: (Refer to Performance Data Chart page II-60)

Assist 10 to 12 developing countries with economies in transition in developing strategies and actions for reducing emissions of greenhouse gases and enhancing carbon sequestration. (APG 40)

Performance Database: Program output; no internal tracking system. Performance data are complete and final.

Data Source, Data Quality, Improvements, Material Inadequacy: Not applicable.

PERFORMANCE MEASURE: (Refer to Performance Data Chart page II-60)

Fuel efficiency of EPA-developed Partnership for a New Generation of Vehicles (PNGV) Concept Vehicle over EPA Driving Cycles Tested. (APG 41)

Goal 6 - Reduction of Global and Cross-Border Environmental Risks (continued)

Performance Database: Fuel economy test data for both urban and highway test cycles under the EPA Federal Test Procedure for passenger cars. Performance data are complete and final.

Data Source: EPA fuel economy tests performed at the National Vehicle and Fuel Emissions Laboratory, Ann Arbor, Michigan.

Data Quality: EPA fuel economy tests are performed in accordance with the EPA Federal Test Procedure and all applicable quality assurance/quality control (QA/QC) procedures. EPA's National Vehicle and Fuel Emissions Laboratory is recognized as the world state-of-the-art facility for fuel economy and emissions testing.

Primarily because of EPA regulations, vehicle fuel economy testing is a well-established and precise exercise with extremely low test-to-test variability (well less than 5 percent). One uncertainty relates to fuel economy testing of hybrid vehicles (those with more than one source of on-board power), which is more complex than testing of conventional vehicles. EPA has not yet published formal regulations to cover hybrid vehicles.

Improvements: EPA is using good engineering judgment and ongoing consultations with other expert organizations (including major auto companies through PNGV) to develop internal procedures for testing hybrid vehicles.

Material Inadequacy: There is no material inadequacy for this performance measure.

PERFORMANCE MEASURES: (Refer to Performance Data Chart page II-60)

- Reductions from EPA's Buildings Sector Programs (ENERGY STAR). (APG 42)
- Greenhouse Gas Reductions from EPA's Industrial Efficiency/Waste Management Programs. (APG 42)
- Greenhouse Gas Reductions from EPA's Industrial Methane Outreach Programs. (APG 42)
- Greenhouse Gas Reductions from EPA's Industrial HFC/PFC Programs. (APG 42)
- Greenhouse Gas Reductions from EPA's Transportation Programs. (APG 42)
- Greenhouse Gas Reductions from EPA's State and Local Programs. (APG 42)

Performance Database: Baseline Data on Greenhouse Gas Emissions Climate Protection Division Tracking System. Performance data lag by approximately 9 months and are not currently available. Data will be reported in the FY 2002 Annual Report.

Data Source: Baseline data for carbon emissions related to energy use come from the Energy Information Agency (EIA). Baseline data for non-carbon dioxide emissions, including nitrous oxide and other global warming potential gases, are maintained by EPA. EPA develops the methane emissions baselines and projections using information from industrial partners, which include the natural gas, coal, and landfill gas development industries. EPA continues to develop annual inventories as well as update methodologies as new information becomes available.

EPA's voluntary programs collect partner reports on facility-specific improvements (e.g., space upgraded, kilowatt-hours reduced.) A carbon-conversion factor is used to convert this information to estimated greenhouse gas (GHG) reductions. EPA maintains a "tracking system" for emissions reductions based on the reports submitted by partners.

Data Quality: EPA devotes considerable effort to obtaining the best possible information on which to evaluate emissions reductions from voluntary programs. For example EPA has a quality assurance process in place to check the validity of partner reports.

Peer-reviewed carbon-conversion factors are used to ensure consistency with generally accepted measures of GHG emissions. The Administration regularly evaluates the effectiveness of its climate programs through interagency evaluations. The first such interagency evaluation, chaired by the White House Council on Environmental Quality, examined the status of the Climate Change Action Plan. The review included participants from EPA, the Department of Energy (DOE), the Department of Commerce (DOC), the Department of Transportation (DOT), and the U.S. Department of Agriculture (USDA). The results were published in the *U.S. Climate Action Report—1997*

Goal 6 - Reduction of Global and Cross-Border Environmental Risks (continued)

as part of the United States' submission to the Framework Convention on Climate Change (FCCC). A 1997 audit by EPA's Office of the Inspector General concluded that the climate programs examined "used good management practices" and "effectively estimated the impact their activities had on reducing risks to health and the environment...." An interagency task force is preparing the Third National Communication to describe policies and strategies (such as ENERGY STAR and PNGV) undertaken by the United States to reduce GHG emissions, the implementation status of the policies and strategies, and their actual and projected benefits. One result of this interagency review process will be a refinement of future goals for these policies and strategies, which will be communicated to the Secretariat of the FCCC in 2001 as part of the Third National Communication.

These are indirect measures of GHG emissions (carbon-conversion factors and methods to convert material-specific reductions to GHG emissions reductions). The voluntary nature of the programs might affect reporting. Further research will be necessary to fully understand the links between GHG concentrations and specific environmental impacts, such as impacts on health, ecosystems, crops, weather events, and so forth.

Improvements: None.

Material Inadequacy: There are no material inadequacies for any of these performance measures.

PERFORMANCE MEASURE: (Refer to Performance Data Chart page II-61)

Infrastructure for carbon sequestration activities developed. (APG 44)

Performance Database: Program output; no internal tracking system. Performance data are complete and final.

Data Source, Data Quality, Improvements, Material Inadequacy: Not applicable.

PERFORMANCE MEASURE: (Refer to Performance Data Chart page II-61)

Annual GHG inventory. (APG 45)

Performance Database: Program output; no internal tracking system.

Data Source, Data Quality, Improvements, Material Inadequacy: Not applicable.

PERFORMANCE MEASURE: (Refer to Performance Data Chart page II-60)

Annual Energy Savings. (APG 43)

Performance Database: Climate Protection Division Tracking.

Data Source: Voluntary energy efficiency programs collect partner reports on facility-specific improvements (e.g., space upgraded, kilowatt-hours reduced). Performance data lag by approximately 9 months and are not currently available. Data will be reported in the FY 2002 Annual Report.

Data Quality: EPA has a quality assurance process in place to check the validity of partner reports. The voluntary nature of programs might affect reporting.

Peer-reviewed carbon-conversion factors are used to ensure consistency with generally accepted measures of GHG emissions. The Administration regularly evaluates the effectiveness of its climate programs through interagency evaluations. The first such interagency evaluation, chaired by the White House Council on Environmental Quality, examined the status of the Climate Change Action Plan. The review included participants from EPA, DOE, DOC, DOT, and USDA. The results were published in the *U.S. Climate Action Report—1997* as part of the United States' submission to the FCCC. A 1997 audit by EPA's OIG concluded that the climate programs examined "used good management practices" and "effectively estimated the impact their activities had on reducing risks to health and the

Goal 6 - Reduction of Global and Cross-Border Environmental Risks (continued)

environment....” An interagency task force is preparing the Third National Communication to describe policies and strategies (such as ENERGY STAR and PNGV) undertaken by the United States to reduce GHG emissions, the implementation status of the policies and strategies, and their actual and projected benefits. One result of this interagency review process will be a refinement of future goals for these policies and strategies, which will be communicated to the Secretariat of the FCCC in 2001 as part of the Third National Communication.

Improvements: None.

Material Inadequacy: There is no material inadequacy for this performance measure.

PERFORMANCE MEASURE: (Refer to Performance Data Chart page II-62)

Assistance to countries working under Montreal Protocol. (APG 46)

Performance Database: Database maintained by Stratospheric Protection program (SPP). Performance data are complete and final.

Data Source: The progress of international implementation goals is measured by tracking the number of countries receiving assistance, dollars allocated to each, and the expected reduction in ozone-depleting substances in assisted countries. The United Nations Environment Programme (UNEP) and the SPP maintain the data.

Data Quality: The SPP receives periodic reports on the financial status of participating countries from UNEP. This information is then cross-checked with SPP records to ensure the accuracy of the performance data.

Improvements: None.

Material Inadequacy: There is no material inadequacy for this performance measure.

PERFORMANCE MEASURE: (Refer to Performance Data Chart page II-62)

Domestic consumption of Class II hydrochlorofluorocarbons (HCFCs). (APG 47)

Performance Database: Allowance Tracking System (ATS) database maintained by SPP. Performance data lag by approximately 6 months and are not currently available. Data will be reported in FY 2002 Annual Report.

Data Source: Progress on restricting domestic consumption of Class II HCFCs is tracked by monitoring industry reports of compliance with EPA's phaseout regulations. Monthly information on domestic production, imports, and exports from the International Trade Commission is maintained in the ATS.

Data Quality: Reporting and record-keeping requirements are published in 40 CFR Part 82, Subpart A, Sections 92.9 through 82.13. These sections of the Stratospheric Ozone Protection Rule specify the required data and accompanying documentation that companies must submit or maintain on-site to demonstrate their compliance with the regulation.

The ATS data are subject to a Quality Assurance Plan. In addition, the data are subject to an annual quality assurance review, coordinated by Office of Air and Radiation (OAR) staff separate from those on the team normally responsible for data collection and maintenance. The ATS is programmed to ensure consistency of the data elements reported by companies. The tracking system flags inconsistent data for review and resolution by the tracking system manager. This information is then cross-checked with compliance data submitted by reporting companies. The SPP maintains a user's manual for the ATS that specifies the standard operating procedures for data entry and data analysis. Regional inspectors perform inspections and audits on-site at the facilities of producers, importers, and exporters. These audits verify the accuracy of compliance data submitted to EPA through examination of company records.

Goal 6 - Reduction of Global and Cross-Border Environmental Risks (continued)

Improvements: None.

Material Inadequacy: There is no material inadequacy for this performance measure.

PERFORMANCE MEASURE: (Refer to Performance Data Chart page II-62)

Domestic exempted production and import of newly produced Class I chlorofluorocarbons (CFCs) and halons. (APG 47)

Performance Database: ATS database maintained by SPP. Performance data lag by approximately 6 months and are not currently available. Data will be reported in the FY 2002 report.

Data Source: Progress on restricting domestic exempted consumption of Class I CFCs and halon is tracked by monitoring industry reports of compliance with EPA's phaseout regulations. Monthly information on domestic production, imports, and exports from the International Trade Commission is maintained in the ATS.

Data Quality: Reporting and record-keeping requirements are published in 40 CFR Part 82, Subpart A, Sections 82.9 through 82.13. These sections of the Stratospheric Ozone Protection Rule specify the required data and accompanying documentation that companies must submit or maintain on-site to demonstrate their compliance with the regulation.

The ATS data are subject to a Quality Assurance Plan. In addition the data are subject to an annual quality assurance review, coordinated by OAR staff separate from those on the team normally responsible for data collection and maintenance. The ATS is programmed to ensure consistency of the data elements reported by companies. The tracking system flags inconsistent data for review and resolution by the tracking system manager. This information is then cross-checked with compliance data submitted by reporting companies. The SPP maintains a user's manual for the ATS that specifies the standard operating procedures for data entry and data analysis. Regional inspectors perform inspections and audits on-site at the facilities of producers, importers, and exporters. These audits verify the accuracy of compliance data submitted to EPA through examination of company records.

Improvements: None.

Material Inadequacy: There is no material inadequacy for this performance measure.

PERFORMANCE MEASURE: (Refer to Performance Data Chart page II-62)

Increase the number of children participating in the SunWise School Program by 25 percent. (APG 48)

Performance Database: The SunWise School Program Tracking System tracks multiple variables about participating schools, including student participation rates. Performance data are complete and final.

Data Source: Data on number of participating students are provided by an educator, e.g., classroom teacher or school nurse.

Data Quality: Participating educators are asked to evaluate the program at the end of the school year and provide information on the number of students who received SunWise teaching. These numbers are cross-checked against the numbers in the tracking system.

EPA's Internet Support Team in Research Triangle Park, North Carolina, developed the SunWise Tracking System database in accordance with their standard Quality Assurance Plan.

SunWise is a voluntary program. Educators register to join by completing a paper or electronic registration form. The paper registration form requests that educators submit a separate registration form for each participating class. In some instances an educator might not complete a registration form for each class, resulting in an under reporting

Goal 6 - Reduction of Global and Cross-Border Environmental Risks (continued)

of student participation. The evaluation form educators are asked to complete at the end of the school year requests information on the number of participating students, and this information is cross-checked against the data from the tracking system. Because return of the evaluation form is not mandatory, the ability to cross-check the information is limited by the response rate. Because of these limitations, SunWise provides an *actual* number of participating schools and a conservative *estimate* of the number of participating students. The estimate is based on experience that at least 2 classes per school, with 25 students per class, participate.

Improvements: SunWise is working with Boston University Medical School to develop an enhanced system whereby all schools are called on to report their participation rates.

Material Inadequacy: There is no material inadequacy for this performance measure.

PERFORMANCE MEASURES: (Refer to Performance Data Chart page II-63)

- Number of countries or localities (3) that have adopted new or strengthened environmental laws and policies. (APG 49)
- Number of organizations (3) that have increased environmental planning, analysis, and enforcement capabilities. (APG 49)
- Number of organizations (3) that have increased capabilities to generate and analyze environmental data and other information. (APG 49)
- Number of organizations (3) that have increased public outreach and participation. (APG 49)
- Number of targeted sectors (3) that have adopted cleaner production practices. (APG 49)
- Number of cities (3) that have reduced mobile-source based ambient air pollution concentrations. (APG 49)

Performance Database: Performance measures are outputs with no internal tracking systems. Data are collected manually. FY 2001 annual performance data are complete.

Data Source: Project-specific.

Data Quality: Performance measurement requires objective assessment of tasks completed. Data on the performance of specific urban projects are compiled and recorded by the grantee after consulting bimonthly with local, regional, and national urban environmental practitioners. The data are forwarded to and verified (in writing) by the EPA project officer.

Improvements: Performance measures and databases were improved in FY 2001 to measure in-country indicators (new laws, planning capabilities, and activities) rather than program outputs, such as conferences and training developed and given by EPA. Activities in support of these projects might result in new or improved data collection systems in developing countries. Under its cooperative programs with the U.S. Agency for International Development (USAID) in Central America, EPA is developing a set of indicators to measure progress for each activity undertaken. These indicators should be in place in FY 2002.

Material Inadequacy: There are no material inadequacies for any of these performance measures.

Goal 7 - Expansion of Americans' Right to Know About Their Environment

Appendix B describes the quality of the data used to measure EPA's performance. For each of the 10 EPA Strategic Goals, this appendix describes (1) the performance measures (PMs), (2) the database(s) supporting the PMs, (3) the source of the database(s), (4) the quality of the data, (5) planned improvements to the data or database(s), and (6) any material inadequacies.

Goal 7 - Expansion of Americans' Right to Know About Their Environment (continued)

PERFORMANCE MEASURE: (Refer to Performance Data Chart page II-69)

By the end of FY 2001, all 10 EPA Regions will have an enforcement and compliance web site. (APG 50)

Performance Database: Output measure; no database.

Data Source, Data Quality, Improvements, Material Inadequacy: Not applicable.

PERFORMANCE MEASURE: (Refer to Performance Data Chart page II-69)

EPA will make 90 percent of enforcement and compliance policies and guidance issued in FY 2001 available on the Internet within 30 days. (APG 50)

Performance Database: Output measure; internal tracking system.

Data Source: Manual system. Headquarters tracks date document was issued and uploaded to the Internet. FY 2001 performance data are complete.

Data Quality, Improvements, Material Inadequacy: Not applicable.

PERFORMANCE MEASURE: (Refer to Performance Data Chart page II-69)

By April 20, 2001, make summaries of all FY 2000 significant cases available on the Internet. (APG 50)

Performance Database: Output measure; no database.

Data Source, Data Quality, Improvements, Material Inadequacy: Not applicable.

PERFORMANCE MEASURE: (Refer to Performance Data Chart page II-69)

Award 90 grants to organizations which address environmental problems in communities primarily of low income and minority populations. (APG 51)

Performance Database: Each region awards the grants from funds transferred from the Office of Environmental Justice (OEJ). Upon completion of each year's cycle, the regions submit their award selections to OEJ, from which a master list is compiled. OEJ maintains the annual lists. FY 2001 performance data are complete.

Data Source: The OEJ compiles lists of annual grant awards, based on information submitted by the regions.

Data Quality: Prior to award each grant application is reviewed in accordance with EPA quality management protocols in each region. Because these grants are for a maximum of \$20,000 and do not involve data collection or manipulation, few are required to have Quality Management Plans associated with them.

Improvements: None.

Material Inadequacy: There is no material inadequacy for this performance measure.

PERFORMANCE MEASURE: (Refer to Performance Data Chart page II-69)

Respond within 60 days to 75 percent of requests made to each region and National Program Manager to address complaints heard during public comment period at National Environmental Justice Advisory Council (NEJAC). (APG 51)

Performance Database: None.

Goal 7 - Expansion of Americans' Right to Know About Their Environment (continued)

Data Source: Comments made at the NEJAC meetings during the public comment period; transmittal letters are sent to regions for direct response to complainants.

Data Quality: This performance measure is not meaningful and will not be continued into 2003.

Improvements: None. This measure will not continue into 2003.

Material Inadequacy: There is no material inadequacy for this performance measure. However, information provided by this measure is not meaningful because it is tracking issuance of a form letter rather than substantive response to an issue. The letters are computer-generated and are sent for every comment rather than for comments relevant to an environmental issue under EPA's jurisdiction.

PERFORMANCE MEASURE: (Refer to Performance Data Chart page II-69)

Conduct 18 NEJAC meetings and focused roundtables in local communities where problems have been identified. (APG 51)

Performance Database, Data Source, Data Quality, Improvements, Material Inadequacy: Not applicable.

PERFORMANCE MEASURE: (Refer to Performance Data Chart page II-69)

Hold 25 EPA-sponsored public meeting where disproportionately impacted and disadvantaged communities participate. (APG 51)

Performance Database, Data Source, Data Quality, Improvements, Material Inadequacy: Not applicable.

PERFORMANCE MEASURE: (Refer to Performance Data Chart page II-69)

Increase the number of demonstration projects established under the Federal Interagency Working Group on Environmental Justice. (APG 51)

Performance Database: None. The 15 projects are maintained in a text file in the OEJ. FY 2001 performance data are complete.

Data Source: The 15 identified demonstration projects are tracked by the sponsoring agency. No new projects were added in 2001.

Data Quality: Data are simple frequencies, checked informally for accuracy.

Improvements: EPA plans to develop a tracking system and publish it on the Internet.

Material Inadequacy: There is no material inadequacy for this performance measure.

PERFORMANCE MEASURE: (Refer to Performance Data Chart page II-70)

TRI Public Release. (APG 52)

Performance Database Data Source, Data Quality, Improvements, Material Inadequacy: Not applicable.

PERFORMANCE MEASURE: (Refer to Performance Data Chart page II-70)

Chemical submissions and revisions processed. (APG 52)

Goal 7 - Expansion of Americans' Right to Know About Their Environment (continued)

Performance Database: Toxic Release Inventory System (TRIS). FY 2001 performance data are complete.
http://www.epa.gov/enviro/html/toxic_releases.html

Data Source: TRI chemical reports provided by reporting facilities.

Data Quality: Data are simple frequencies, checked informally for accuracy.

Improvements: None.

Material Inadequacy: There is no material inadequacy for this performance measure.

PERFORMANCE MEASURE: (Refer to Performance Data Chart page II-70)

Toxic Release Inventory System (TRIS) database complete and report issued. (APG 52)

Performance Database: Output measure; no database.

Data Source, Data Quality, Improvements, Material Inadequacy: Not applicable.

PERFORMANCE MEASURE: (Refer to Performance Data Chart page II-71)

The Agency's Risk Assessment Forum will develop technical issue papers and develop a framework for preparing cumulative risk assessments. (APG 53)

Performance Database: Output measure; no database.

Data Source, Data Quality, Improvements, Material Inadequacy: Not applicable.

PERFORMANCE MEASURE: (Refer to Performance Data Chart page II-71)

The Agency's Risk Assessment Forum will develop guidance on determining management objectives and selecting assessment endpoints for ecological risk assessment. (APG 53)

Performance Database: Output measure; no database.

Data Source, Data Quality, Improvements, Material Inadequacy: Not applicable.

Goal 8 - Sound Science, Improved Understanding of Environmental Risk, and Greater Innovation to Address Environmental Problems

Appendix B describes the quality of the data used to measure EPA's performance. For each of the 10 EPA Strategic Goals, this appendix describes (1) the performance measures (PMs), (2) the database(s) supporting the PMs, (3) the source of the database(s), (4) the quality of the data, (5) planned improvements to the data or database(s), and (6) any material inadequacies.

PERFORMANCE MEASURE: (Refer to Performance Data Chart page II-79)

Report describing the conditions of the Nation's estuaries. (APG 54)

Performance Database: Program output; no internal tracking system.

Data Source, Data Quality, Improvements, Material Inadequacy: Not applicable.

Goal 8 - Sound Science, Improved Understanding of Environmental Risk, and Greater Innovation to Address Environmental Problems (continued)

PERFORMANCE MEASURE: (Refer to Performance Data Chart page II-80)

Deliver a report to Congress on the status and effectiveness of the Environmental Technology Verification (ETV) Program during its first five years. (APG 55)

Performance Database: Program output; no internal tracking system.

Data Source, Data Quality, Improvements, Material Inadequacy: Not applicable.

PERFORMANCE MEASURE: (Refer to Performance Data Chart page II-80)

High impact changes. (APG 56)

Performance Database: Program output; no internal tracking system.

Data Source, Data Quality, Improvements, Material Inadequacy: Not applicable.

Goal 9 - A Credible Deterrent to Pollution and Greater Compliance with the Law

Appendix B describes the quality of the data used to measure EPA's performance. For each of the 10 EPA Strategic Goals, this appendix describes (1) the performance measures (PMs), (2) the database(s) supporting the PMs, (3) the source of the database(s), (4) the quality of the data, (5) planned improvements to the data or database(s), and (6) any material inadequacies.

PERFORMANCE MEASURES: (Refer to Performance Data Chart pages II-88, II-91)

- 75 percent of concluded enforcement actions identify pollutant reductions and/or changes in facility management or information practices. (APG 57)
- Million pounds of pollutants reduced. (APG 57)
- Increase by 2 percent the number of concluded enforcement actions that would have the intended result of pollutant reductions through process changes or handling of pollutants, or result in improvements in facility management and information management practices from FY 2000. (Performance measure will be dropped in FY 2002.) (APG 57)
- Complete settlements with 500 facilities to voluntarily self-disclose to the Federal government and correct violations. (APG 62)

Performance Database: DOCKET. DOCKET tracks EPA civil, judicial, and enforcement actions, as well as information on the results and environmental benefits or concluded enforcement cases and information on self-disclosing policies. Performance data are preliminarily complete.

Data Source: The data for DOCKET are generated through the use of the Case Conclusion Data Sheet (CCDS), which Agency staff prepare after the conclusion of each criminal and civil (judicial and administrative) enforcement action. There are established procedures for the staff to calculate, by statute (e.g., Clean Water Act), the pollutant reductions or eliminations. The procedure first entails the staff's determining the difference between the current "out of compliance" concentration of the pollutant(s) and the post-enforcement action "in compliance" concentration. This difference is then converted to mass per time using the flow or quantity information derived during the case. Additionally CCDS captures the relevant information on the results and environmental benefits of the concluded enforcement cases. Headquarters records information on the self-disclosing policies in DOCKET.

Data Quality: Procedures are in place for both the CCDS and for DOCKET entry. Separate CCDS Calculation and Completion Checklists are required to be filled out at the time the CCDS is completed. Information contained in the CCDS and DOCKET is reviewed by regional and headquarters staff for completeness and accuracy.

Goal 9 - A Credible Deterrent to Pollution and Greater Compliance with the Law (continued)

Improvements: In November 2000 EPA completed and issued to headquarters and regional managers and staff a comprehensive guidance package on the preparation of the CCDS. This guidance is available in both print and CD-ROM. Both versions contain work examples to ensure better calculation of the amounts of pollutants reduced or eliminated through concluded enforcement actions. EPA is also planning to host CCDS training in each of its 10 regional offices during FY 2002. DOCKET has been modified to collect information on self-disclosing policies, which have been tracked in DOCKET since beginning in FY 2000.

Material Inadequacy: There are no material inadequacies for any of these performance measures.

PERFORMANCE MEASURE: (Refer to Performance Data Chart page II-88)

Increase or maintain existing compliance rates or other indicators of compliance for populations with established baselines, or develop additional rates for newly selected populations. (APG 57)

Performance Database: Permit Compliance System (PCS). PCS tracks National Pollutant Discharge Elimination System (NPDES) permit and enforcement actions, as well as reporting and scheduling requirements. The AIRS Facility Subsystem (AFS) captures emission, compliance, and permit data for major stationary sources of air pollution. The Resource Conservation and Recovery Act Information System (RCRAInfo) supports permit, compliance, and corrective action activities carried out by hazardous waste handlers. Performance data are preliminarily complete. Air data will be available at the end of January 2002.

Data Source: EPA regional offices, delegated states.

Data Quality: All of the systems have been developed in accordance with the Office of Information Management's life cycle management guidance, which includes data validation processes, internal screen audit checks and verification, system and user documents, data quality audit reports, third-party testing reports, and detailed report specifications for showing how data are calculated.

Regarding AFS, EPA's Office of the Inspector General (OIG) reports in 1997 and 1998 highlighted states' problems with identifying and reporting significant violators of the Clean Air Act, impairing EPA's ability to assess noncompliance. EPA issued High Priority Violator Guidance to improve tracking of sources of violations. As a result of the reports, EPA has enhanced oversight and headquarters' outreach to regions, states, and local areas. (See Section III - Management Accomplishments and Challenges.)

Improvements: PCS modernization is under way. EPA is preparing Quality Management Plans (QMPs) (data quality objectives, quality assurance project plans, baseline assessments) for all major systems. A new Integrated Compliance Information System (ICIS) will support core program needs and consolidate and streamline existing systems. A pilot project to develop statistically valid compliance rates for selected universes of regulated facilities is under way. Also, a National Congressional Performance Measure Strategy project on the impact of EPA strategies on recidivism focuses attention on better compliance assurance targeting, i.e., monitoring, compliance assistance, incentives, and enforcement.

Material Inadequacy: There is no material inadequacy for this performance measure.

PERFORMANCE MEASURE: (Refer to Performance Data Chart page II-88)

- Reduce by 2 percentage points overall the level of significant noncompliance recidivism among the Clean Air Act, Clean Water Act, and Resource Conservation and Recovery Act programs from FY 2000 levels. (APG 57)
- Increase by 2 percentage points over FY 2000 levels the proportion of significant noncomplier facilities under the Clean Air Act, Clean Water Act, and Resource Conservation and Recovery Act which returned to full physical compliance in less than two years. (APG 57)

Goal 9 - A Credible Deterrent to Pollution and Greater Compliance with the Law (continued)

Performance Databases: PCS tracks NPDES permit and enforcement actions, as well as reporting and scheduling requirements. AFS captures emission, compliance, and permit data for major stationary sources of air pollution. RCRAInfo supports permit, compliance, and corrective action activities carried out by hazardous waste handlers. Performance data are preliminarily complete. Air data will be available at the end of January 2002.

Data Source: EPA regional offices, and delegated states.

Data Quality: All the systems have been developed in accordance with the Office of Information Management's life cycle management guidance, which includes data validation processes, internal screen audit checks and verification, system and user documents, data quality audit reports, third-party testing reports, and detailed report specifications for showing how data are calculated.

Regarding AFS, EPA's OIG reports in 1997 and 1998 highlighted states' problems with identifying and reporting significant violators of the Clean Air Act, impairing EPA's ability to assess noncompliance. EPA issued High Priority Violator Guidance to improve tracking of sources of violations. As a result of the reports, EPA has enhanced oversight and headquarters' outreach to regions, states, and local areas. (See Section III - Management Accomplishments and Challenges.)

Improvements: PCS modernization is under way. EPA is preparing QMPs (data quality objectives, quality assurance project plans, baseline assessments) for all major systems. A new system, ICIS, will support core program needs and consolidate and streamline existing systems. A pilot project to develop statistically valid compliance rates for selected universes of regulated facilities is under way. Also, a National Congressional Performance Measure Strategy project on the impact of EPA strategies on recidivism focuses attention on better compliance assurance targeting, i.e., monitoring, compliance assistance, incentives, and enforcement.

Material Inadequacy: There are no material inadequacies for any of these performance measures.

PERFORMANCE MEASURES: (Refer to Performance Data Chart pages II-88, II-90)

- Produce a report on the number of civil and criminal enforcement actions initiated and concluded. (APG 57)
- Complete Quality Management Plan (QMP) project for additional data systems. (APG 60)
- Field test Integrated Compliance Information System (ICIS) Phase I, retire DOCKET system and complete design and development of ICIS phase II. (APG 60)
- Continue operation and maintenance/user support of 14 information systems housing national enforcement and compliance assurance data with a minimum of 95 percent operational efficiency. (APG 60)

Performance Database: Output measures; internal tracking. Performance outputs are complete.

Data Source, Data Quality, Improvements, Material Inadequacy: Not applicable.

PERFORMANCE MEASURES: (Refer to Performance Data Chart page II-89)

- Number of EPA inspections conducted. (APG 58)
- Number of criminal investigations. (APG 58)
- Number of civil investigations. (APG 58)

Performance Databases: Integrated Data for Enforcement Analysis (IDEA). IDEA integrates data from major enforcement and compliance systems, such as PCS, AFS, RCRAInfo, and the Emergency Response Notification System (ERNS). Performance data are preliminarily complete. Air data will be available at the end of January 2002.

Data Source: EPA regional offices.

Goal 9 - A Credible Deterrent to Pollution and Greater Compliance with the Law (continued)

Data Quality: All the systems have been developed in accordance with the Office of Information Management's life cycle management guidance, which includes data validation processes, internal screen audit checks and verification, system and user documents, data quality audit reports, third-party testing reports, and detailed report specifications for showing how data are calculated.

Regarding AFS, EPA's OIG reports in 1997 and 1998 highlighted states' problems with identifying and reporting significant violators of the Clean Air Act, impairing EPA's ability to assess noncompliance. EPA issued High Priority Violator Guidance to improve tracking of sources of violations. As a result of the reports, EPA has enhanced oversight and headquarters' outreach to regions, states, and local areas. (See Section III - Management Accomplishments and Challenges.)

Improvements: PCS modernization is under way. EPA is preparing QMPs (data quality objectives, quality assurance project plans, baseline assessments) for all major systems. A new system, ICIS will support core program needs and consolidate and streamline existing systems. A pilot project on developing statistically valid compliance rates is under way.

Material Inadequacy: There are no material inadequacies for any of these performance measures.

PERFORMANCE MEASURE: (Refer to Performance Data Chart page II-90)

Begin the development and system testing of a modernized Permit Compliance System (PCS). (APG 60)

Performance Database: No database; internal tracking of measure. Performance output is complete.

Data Source: Not applicable.

Data Quality: Contained within the project design.

Improvements, Material Inadequacy: Not applicable.

PERFORMANCE MEASURE: (Refer to Performance Data Chart page II-90)

Conduct EPA-assisted inspections to build capacity. (APG 59)

Performance Database: Output measure; internal regional tracking system. Performance output is complete.

Data Source: Internal Regional tracking system.

Data Quality: Regional and HQ managers check information to confirm accuracy.

Improvements: None.

Material Inadequacy: There is no material inadequacy for this performance measure.

PERFORMANCE MEASURES: (Refer to Performance Data Chart page II-90)

- Number of EPA training classes/seminars delivered to states, localities and tribes to build capacity. (APG 59)
- Total number of state, tribal and local students trained. (APG 59)

Performance Database: National Enforcement Training Institute's (NETI's) course information management systems, the Automated Blue Form, and the registrar. Performance data are complete.

Data Source: Manual Reports.

Data Quality: Managers ensure quality assurance/quality control of information in system.

Goal 9 - A Credible Deterrent to Pollution and Greater Compliance with the Law (continued)

Improvements: None.

Material Inadequacy: There are no material inadequacies for any of these performance measures.

PERFORMANCE MEASURE: (Refer to Performance Data Chart page II-91)

Review and respond to 100 percent of the notices for transboundary movement of hazardous wastes, ensuring their proper management in accordance with international agreements. (APG 61)

Performance Database: Waste Import Tracking System (WITS), Hazardous Waste Export System (HWES). Performance data are complete.

Data Source: Manual reports (notifications) submitted by U.S. exporters and by foreign governments for imports.

Data Quality: EPA reviews the notifications, manifests, and annual reports to ensure they are timely and accurate before they are entered into the database.

Improvements: None.

Material Inadequacy: There is no material inadequacy for this performance measure.

PERFORMANCE MEASURES: (Refer to Performance Data Chart page II-90)

- The National Enforcement Training Institute (NETI) will train tribal personnel. (APG 59)
- The National Enforcement Training Institute (NETI) will provide tribal governments with 50 computer-based training (CBT) modules. (APG 59)

Performance Database: National Enforcement Training Institute Registration System. Performance data are complete.

Data Source: Qualified individuals interested in NETI training.

Data Quality, Improvements: None.

Material Inadequacy: There are no material inadequacies for any of these performance measures.

PERFORMANCE MEASURE: (Refer to Performance Data Chart page II-90)

Conduct four analyses of environmental problems in Indian Country using EPA's On-line Tracking Information System (OTIS). (APG 60)

Performance Database: OTIS. OTIS integrates data from major enforcement and compliance systems, such as PCS, AFS, RCRAInfo, and ERNS. Performance data are complete.

Data Source: EPA regional offices.

Data Quality: All the systems have been developed in accordance with the Office of Information Management's life cycle management guidance, which includes data validation processes, internal screen audit checks and verification, system and user documents, data quality audit reports, third-party testing reports, and detailed report specifications for showing how data are calculated.

Improvements: Not applicable.

Material Inadequacy: There is no material inadequacy for this performance measure.

Goal 9 - A Credible Deterrent to Pollution and Greater Compliance with the Law (continued)

PERFORMANCE MEASURE: (Refer to Performance Data Chart page II-91)

Increase Environmental Management Systems (EMS) use by developing tools, such as training and best practice manuals that encourage improved environmental performance. (APG 63)

Performance Database: Internal tracking system is currently being developed. Performance output is complete.

Data Source: Headquarters will report on progress.

Data Quality, Improvements, Material Inadequacy: Not applicable.

Goal 10 - Effective Management

Appendix B describes the quality of the data used to measure EPA's performance. For each of the 10 EPA Strategic Goals, this appendix describes (1) the performance measures (PMs), (2) the database(s) supporting the PMs, (3) the source of the database(s), (4) the quality of the data, (5) planned improvements to the data or database(s), and (6) any material inadequacies.

PERFORMANCE MEASURE: (Refer to Performance Data Chart page II-100)

Percentage of outcome-oriented APGs/PMs (Annual Performance Goals/Performance Measures) in Agency's FY 2002 Annual Performance Plan and Congressional Justification submission. (APG 66)

Performance Database: Performance and Environmental Results System (PERS) and Budget Automation System (BAS) are used for internal tracking. The performance data are complete for assessment of FY 2001 performance.

Data Source: PERS, BAS, and Office of the Chief Financial Officer (OCFO) staff evaluation.

Data Quality: Because PERS and BAS are databases that primarily house information from Agency program databases, most of the quality assurance and control efforts focus on ensuring effective data entry. However, internal staff evaluation allows the Agency to develop trend data and analyze information submitted to these centralized databases.

Improvements, Material Inadequacy: Not applicable.

PERFORMANCE MEASURE: (Refer to Performance Data Chart page II-99)

Agency's audited Financial Statements and Annual Report are submitted on time. (APG 65)

Performance Database: Output measure; no database for tracking timeliness.

Data Source, Data Quality, Improvements, Material Inadequacy: Not applicable.

PERFORMANCE MEASURE: (Refer to Performance Data Chart page II-99)

EPA's audited Financial Statements receive an unqualified opinion and provide information that is useful and relevant to the Agency and external parties. (APG 65)

Performance Database: Output measure; no database for tracking unqualified opinions and information that is useful and relevant.

Data Source, Data Quality, Improvements, Material Inadequacy: Not applicable.

Goal 10 - Effective Management (continued)

PERFORMANCE MEASURE: (Refer to Performance Data Chart page II-101)

Number of IG [Inspector General] recommendations/advice or actions taken to improve efficiency and effectiveness of business practices and environmental programs. (APG 70)

Performance Database: The Office of the Inspector General (OIG) Performance Results and Measurement System (PRMS). PRMS is used to capture and aggregate information on the actual and prospective results of Agency products and services. Database measures include numbers of: (1) recommendations for environmental improvement; (2) legislative and regulatory changes; (3) policy, directive, or process changes; (4) environmental risks identified, reduced or eliminated; (5) best practices identified and transferred; and (6) examples of environmental improvement. The performance data are complete for assessment of FY 2001 performance.

Data Source: Designated OIG staff are responsible for entering data into the system. Data are from OIG independent follow-up, research, and certifications of actions taken by EPA officials. OIG also collects independent data from EPA's partners and through its own performance evaluations, audits, and research to determine the extent of environmental improvements, risks reduced or avoided, and best practices transferred.

Data Quality: All performance data submitted to the database require a verifiable source ensuring data accuracy and reliability. Data quality assurance and control of reported results, qualified by common application of new measurement definitions, are subject to rigorous compliance with the Government Auditing Standards of the Comptroller General, review by OIG management, and independent OIG Management Assessment Review Teams. The statutory mission of the OIG is to conduct independent audits, evaluations, and investigations to promote, among other things, integrity in Agency operations and reporting systems.

Improvements: The OIG developed PRMS as a prototype in FY 2001 and anticipates enhancing it in FY 2003 with more sophisticated software designed to improve data collection, retention, and analysis. With enhanced linkages to customer satisfaction results and resource investments, it will provide a full, balanced scorecard with return on investment information for accountability and decision-making.

Material Inadequacy: There is no material inadequacy for this performance measure.

PERFORMANCE MEASURES: (Refer to Performance Data Chart page II-100)

Percentage of the new Research Triangle Park building construction completed. (APG 68)

Performance Database: No relevant database used to track this performance measure.

Data Source, Data Quality, Improvements, Material Inadequacy: Not applicable.

PERFORMANCE MEASURE: (Refer to Performance Data Chart page II-100)

Percentage of Interstate Commerce Commission (ICC) building construction completed. (APG 68)

Performance Database: No relevant database used to track this performance measure.

Data Source, Data Quality, Improvements, Material Inadequacy: Not applicable.

PERFORMANCE MEASURE: (Refer to Performance Data Chart page II-101)

Percentage of fuel cell components in place. (APG 69)

Performance Database: No relevant database used to track this performance measure.

Data Source, Data Quality, Improvements, Material Inadequacy: Not applicable.

Goal 10 - Effective Management (continued)

PERFORMANCE MEASURE: (Refer to Performance Data Chart page II-100)

Percentage of EPA personnel consolidated into headquarters complex. (APG 67)

Performance Database: Program output measure; no internal tracking system.

Data Source, Data Quality, Improvements, Material Inadequacy: Not applicable.

PERFORMANCE MEASURE: (Refer to Performance Data Chart page II-99)

Evaluate the effectiveness of the *Children's Health Valuation Handbook*. (APG 64)

Performance Database: Not applicable.

Data Source: A private contractor completed the evaluation of the *Children's Health Valuation Handbook* on September 29, 2001.

Data Quality, Improvements, Material Inadequacy: Not applicable.

PERFORMANCE MEASURE: (Refer to Performance Data Chart page II-101)

Overall customer and stakeholder satisfaction with audit products and services (timeliness, relevancy, usefulness and responsiveness). (APG 70)

Performance Database: Performance data are maintained in the PRMS. The performance data are complete for assessment of FY 2001 performance.

Data Source: The OIG regularly collects information on customer satisfaction and results on audit products and services from direct surveys to external customers and stakeholders. Survey results are accumulated, maintained, and tallied in the OIG PRMS.

Data Quality: Survey results come from respondents and are entered into the OIG PRMS. Confirmation with respondents is conducted selectively.

Improvements: No improvements to this data collection are planned, except to begin using the Internet for wider distribution of surveys.

Material Inadequacy: There is no material inadequacy for this performance measure.

PERFORMANCE MEASURE: (Refer to Performance Data Chart page II-101)

Potential monetary value of recommendations, questioned costs, savings and recoveries. (APG 70)

Performance Database: Performance data are maintained and aggregated in the Inspector General Operations and Reporting System and the new OIG PRMS. The performance data are complete for assessment of FY 2001 performance.

Data Source: The potential monetary value of recommendations is the direct result of audits and evaluations performed in strict compliance with the Generally Accepted Auditing Standard of the United States Comptroller General. The OIG identifies the amounts of ineligible, unsupported, and unnecessary/unreasonable costs based on professional auditing standards and applicable laws and regulations relative to the scope and type of audit.

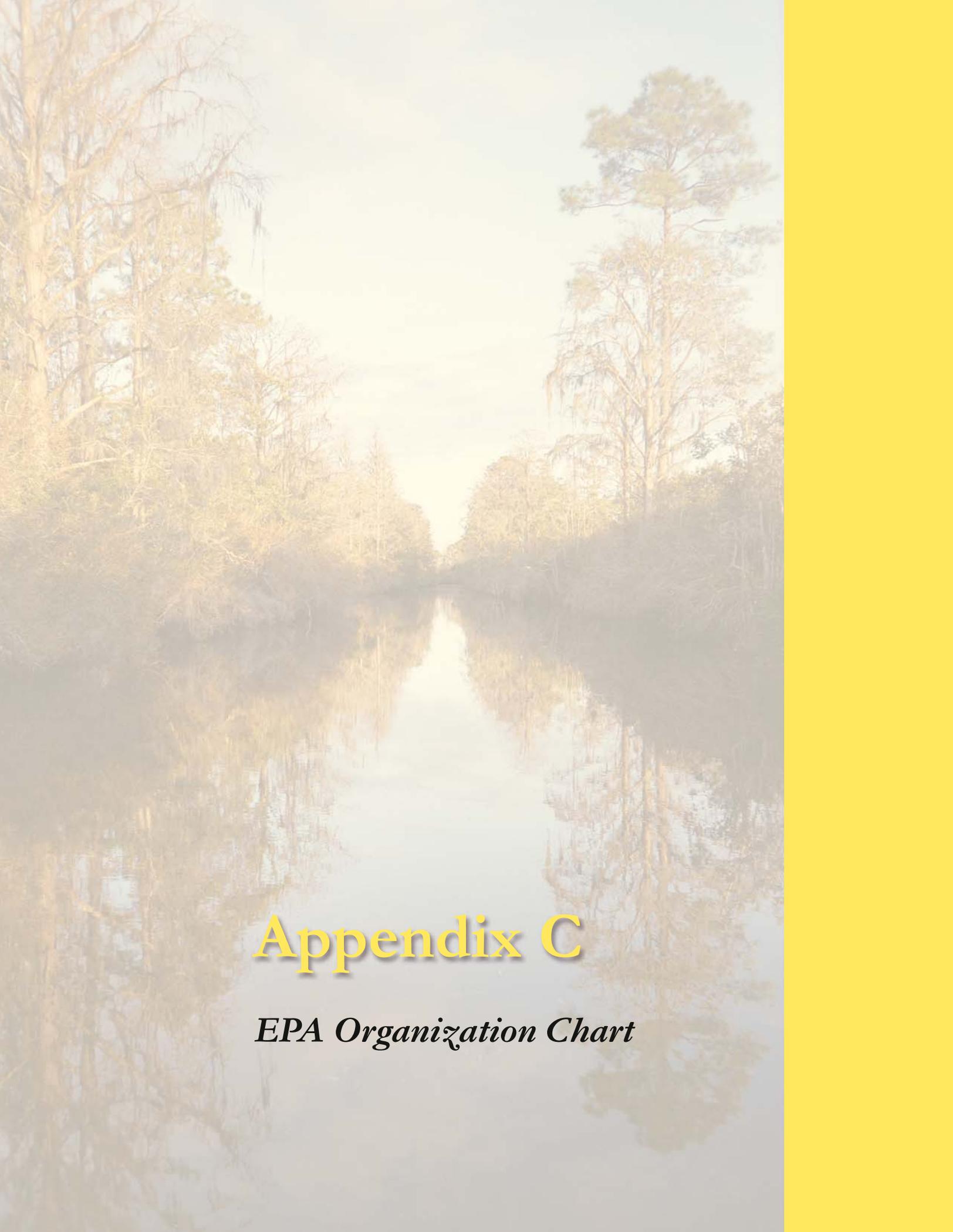
Goal 10 - Effective Management (continued)

Data Quality: Data are collected from audits and evaluations performed in accordance with professional standards and are subject to both internal and external independent review.

Improvements: The OIG is working to improve the consistency in data reporting in the new PRMS, which is designed to integrate performance, customer satisfaction, and cost data into a balanced scorecard.

Material Inadequacy: There is no material inadequacy for this performance measure.

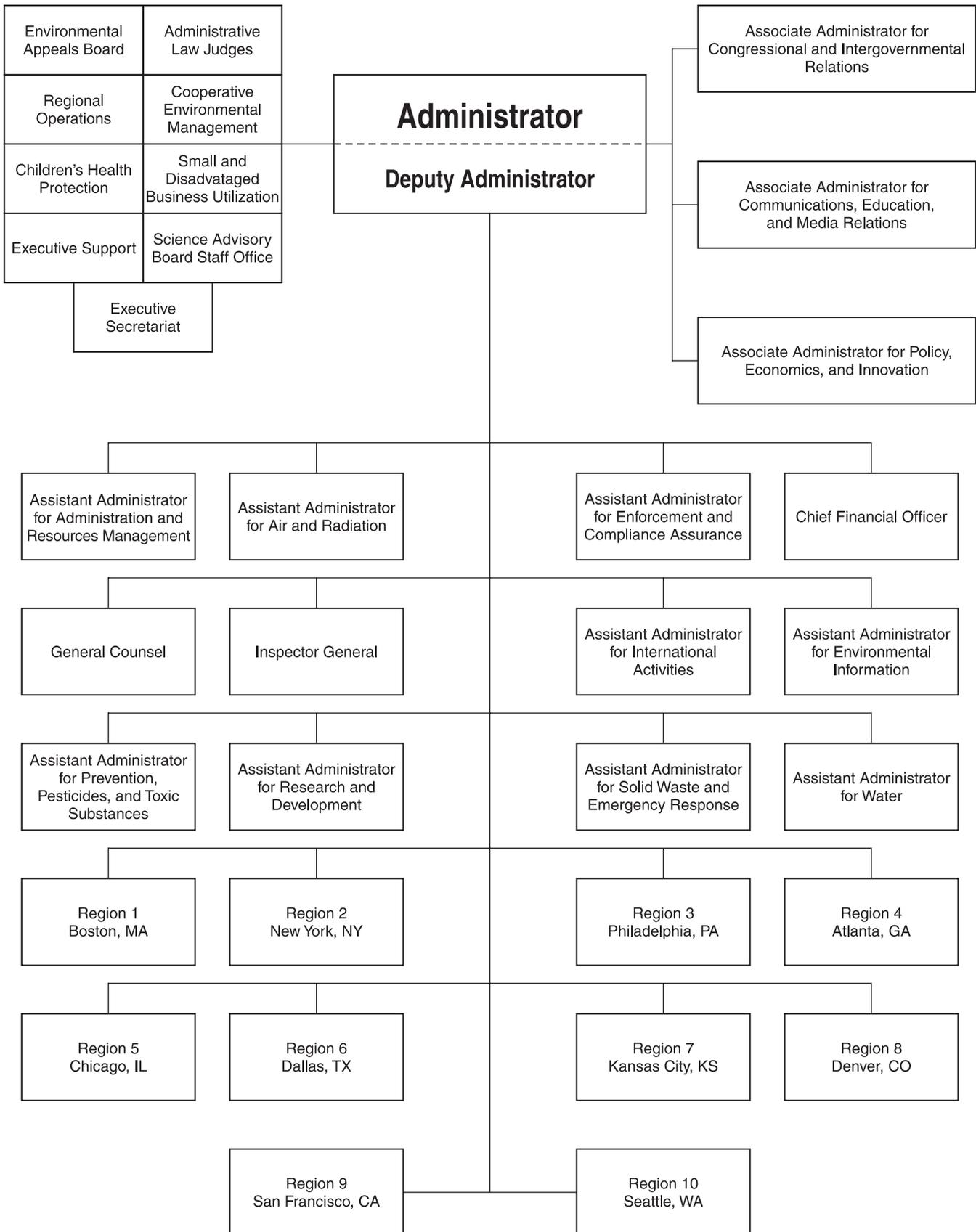
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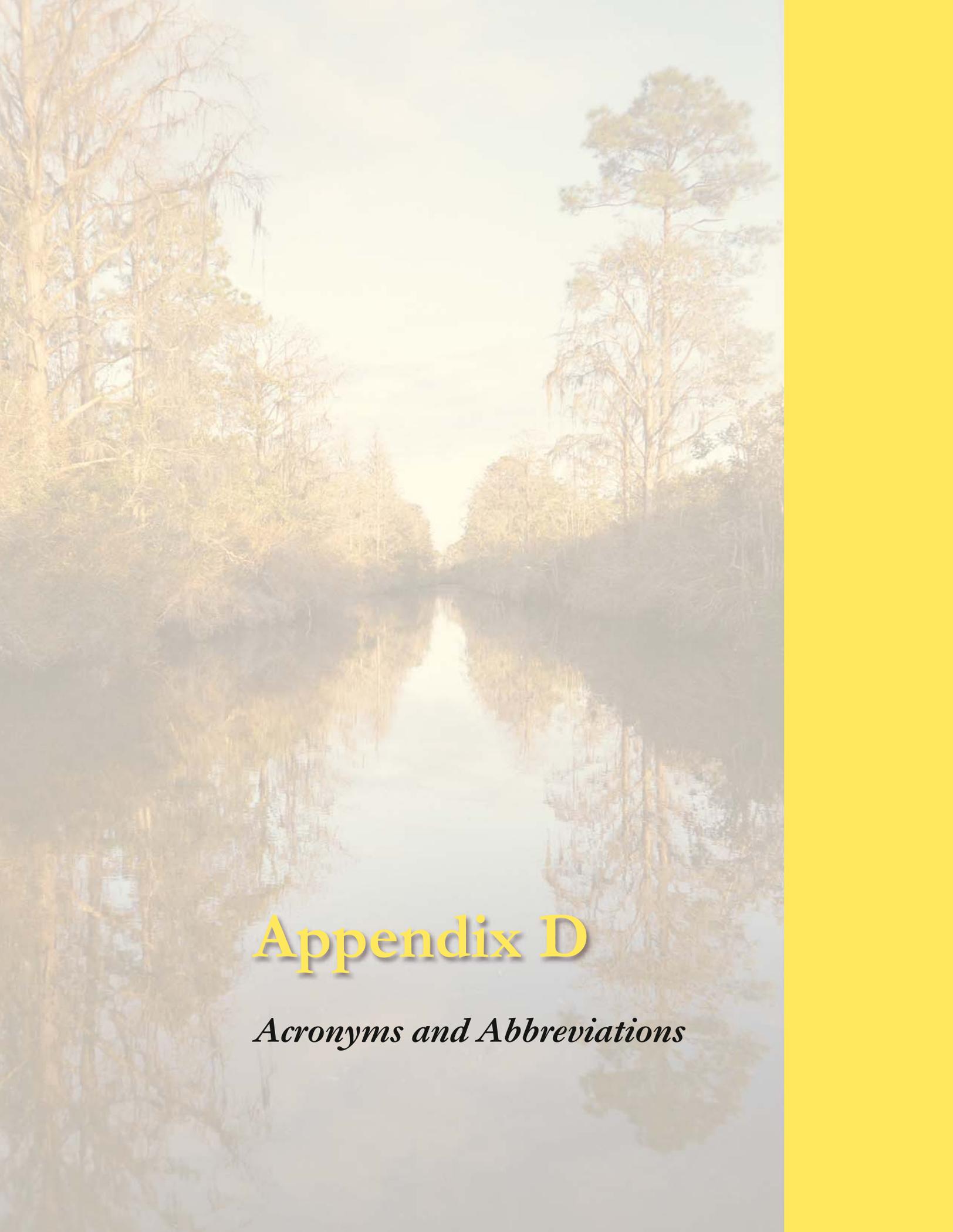


Appendix C

EPA Organization Chart

APPENDIX C: U.S. ENVIRONMENTAL PROTECTION AGENCY





Appendix D

Acronyms and Abbreviations

APPENDIX D: ACRONYMS AND ABBREVIATIONS

AFS	AIRS Facility Subsystem	CERCLIS	Comprehensive Environmental Response, Compensation, and Liability Information System
AIRS	Aerometric Information Retrieval System	CFC	chlorofluorocarbon
ANA	American Nurses Association	CIO	Chief Information Officer
APG	Annual Performance Goal	CJ	Congressional Justification
AQCD	Air Quality Criteria Document	CO	carbon monoxide
AQI	Air Quality Index	CSO	combined sewer overflow
ASPEN	Assessment System for Population Exposure Nationwide	CTAG	Certification & Training Assessment Group
ATS	Allowance Tracking System	CWA	Clean Water Act
BAS	Budget Automation System	CWSRF	Clean Water State Revolving Fund
BEACH	Beach Environmental Assessment and Coastal Health	DI	Direct Implementation
BECC	Border Environment Cooperative Commission	DOC	Department of Commerce
BMS	Brownfields Management System	DOE	Department of Energy
CAA	Clean Air Act	DOJ	Department of Justice
CAFO	Concentrated Animal Feeding Operation	DOT	Department of Transportation
CAS	Center of Applied Science	DQO	data quality objective
CASAC	Clean Air Scientific Advisory Committee	DRAP	Data Reliability Action Plan
CBT	computer-based training	DWSRF	Drinking Water State Revolving Load Fund
CCDS	Case Conclusion Data Sheet	ECOS	Environmental Council of the States
CDC	Centers for Disease Control and Prevention	EDSC	Environmental Data Standards Council
CDX	Central Data Exchange	EEO	Equal Employment Opportunity
CEMS	Continuous Emission Monitoring System	EFAB	Environmental Financial Advisory Board
CERCLA	Comprehensive Environmental Response, Compensation, and Liability Act	EFC	Environmental Finance Center
		EFIN	Environmental Financing Information Network
		EIA	Energy Information Agency
		EIMS	Environmental Information Management System

EMAP	Environmental Monitoring and Assessment Program	hr	hour
EMD	Emissions, Monitoring, and Analysis Division [of OAQPS]	HUC	hydrologic unit code
EMS	Environmental Management System	HWES	Hazardous Waste Export System
EPCRA	Emergency Planning and Community Right-to-Know Act	HWIR	Hazardous Waste Identification Rule
ERNS	Emergency Response Notification System	IADN	Integrated Atmospheric Deposition Network
ERP	Environmental Results Program	IAQ	indoor air quality
ETS	Emissions Tracking System	ICC	Interstate Commerce Commission
ETV	Environmental Technology Verification	ICIS	Integrated Compliance Information System
FCCC	Framework Convention on Climate Change	IDEA	Integrated Data for Enforcement Analysis
FDA	Food and Drug Administration	IDEF	Interim Data Exchange Format
FHWA	Federal Highway Administration	IECP	Integrated Error Correction Process
FIFRA	Federal Insecticide, Fungicide, and Rodenticide Act	IG	Inspector General
FMFIA	Federal Managers Financial Integrity Act	IPM	integrated pest management
FQPA	Food Quality Protection Act	IRIS	Integrated Risk Information System
FREDS	Findings and Required Elements Data System	IRM	Information Resources Management
FRS	Facility Registry System	ISAC	Information Sharing and Analysis Center
GAO	General Accounting Office	IT	information technology
GAP	General Assistance Program	ITC	Inter-Tribal Council
GHG	greenhouse gas	LEPC	Local Emergency Planning Committee
GIS	geographic information system	LUST	leaking underground storage tank
GLENDa	Great Lakes Environmental Database	MA DEP	Massachusetts Department of Environmental Protection
GLNPO	Great Lakes National Program Office	MACT	Maximum Achievable Control Technology
GPRA	Government Performance and Results Act	MCL	maximum contaminant level
HCFC	hydrochlorofluorocarbon	MMTCE	million metric tons carbon equivalent
HPV	Health Protection Value	MTBE	methyl tertiary butyl ether
HPV	High Production Volume	MYP	multiyear plan
		NAAQS	National Ambient Air Quality Standards
		NADBank	North American Development Bank

NADP	National Atmospheric Deposition Program
NAPAP	National Acid Precipitation Assessment Program
NAS	National Academy of Sciences
NATA	National-Scale Air Toxics Assessment
NCA	National Coastal Assessment
NEJAC	National Environmental Justice Advisory Council
NEP	National Estuary Program
NEPPS	National Environmental Performance Partnership System
NET	National Emissions Trends
NETI	National Enforcement Training Institute
NHEXAS	National Human Exposure Assessment Survey
NO₂	nitrogen dioxide
NOAA	National Oceanic and Atmospheric Administration
NOI	Notice of Intent
NO_x	nitrogen oxide
NPAP	National Performance Audit Program
NPDES	National Pollutant Discharge Elimination System
NPL	National Priorities List
NTI	National Toxic Inventory
O₃	ozone
OAQPS	Office of Air Quality Planning and Standards
OAR	Office of Air and Radiation
OCFO	Office of the Chief Financial Officer
OCR	Office of Civil Rights
ODP-MT	ozone depletion potential-weighted metric tonnes
ODS	ozone-depleting substance

OECD	Organization for Economic Cooperation and Development
OEI	Office of Environmental Information
OEJ	Office of Environmental Justice
OIG	Office of the Inspector General
OMB	Office of Management and Budget
OP	organophosphate
OPEI	Office of Policy, Economics and Innovation
OPP	Office of Pesticide Programs
OPPIN	Office of Pesticide Programs Information Network
ORD	Office of Research and Development
OTIS	On-line Tracking Information System
OW	Office of Water
Pb	lead
PBT	persistent, bioaccumulative toxic
PCB	polychlorinated biphenyl
PCS	Permit Compliance System
PDD	Presidential Decision Directive
PERS	Performance and Environmental Results System
PM	particulate matter
PM-2.5	particulate matter 2.5 micrometers or less in diameter
PM-10	particulate matter 10 micrometers or less in diameter
PMFP	Public Management and Finance Program
PNGV	Partnership for a New Generation of Vehicles
POP	persistent organic pollutant
POTW	publicly owned treatment works
PPG	performance partnership grant
ppm	parts per million

PRATS	Pesticide Regulatory Action Tracking System	SLAMS	State and Local Air Monitoring Stations
PRP	Potentially Responsible Party	SO₂	sulfur dioxide
PWSS	Public Water System Supervision	SOL	statute of limitations
QA/QC	quality assurance/quality control	SO_x	sulfur oxides
QMP	Quality Management Plan	SPP	Stratospheric Protection Program
R/V	Research Vessel	STAR	Science to Achieve Results
RCRA	Resource Conservation and Recovery Act	SW	storm water
RCRAInfo	Resource Conservation and Recovery Act Information System	TBA	Targeted Brownfields Assessment
RCRIS	Resource Conservation and Recovery Information System	TBT	tributyltin
RED	Reregistration Eligibility Decision	TMDL	Total Maximum Daily Load
REI	Reinventing Environmental Information	TORTS	Tolerance Reassessment Tracking System
RfD	reference dose	TRI	Toxics Release Inventory
RFG	reformulated gasoline	TRIS	Toxic Release Inventory System
RPO	Regional Planning Organization	TSC	Tribal Science Council
RS&T	Regional Science & Technology	TSCA	Toxic Substance Control Act
SAB	Science Advisory Board	UNEP	United Nations Environment Programme
SAR	Structure-Activity Relationship	USAID	United States Agency for International Development
SAV	submerged aquatic vegetation	USDA	United States Department of Agriculture
SDWA	Safe Drinking Water Act	USGCRP	United States Global Change Research Program
SDWIS	Safe Drinking Water Information System	UST	underground storage tank
SectorSTAR	Sector Strategies, Tools, and Resources	UV	ultraviolet
SES	Senior Executive Service	VMT	vehicle miles traveled
SGP	Strategic Goals Program	VOC	volatile organic compound
SIC	Standard Industrial Classification	VPN	virtual private network
SIP	State Implementation Plan	WATERS	Watershed Assessment, Tracking & Environmental Results
SITE	Superfund Innovative Technology Evaluation	WITS	Waste Import Tracking System
SIU	significant industrial user	WQS	water quality standard
		XL	eXcellence and Leadership

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Suwannee Canal, Okefenokee National Wildlife Refuge
David E. Alexander, Office of Enforcement and Compliance Assistance, Air Enforcement Division

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