



UNITED STATES ENVIRONMENTAL PROTECTION AGENCY  
WASHINGTON, D.C. 20460

**MAY 14 2013**

THE INSPECTOR GENERAL

The Honorable Jeanne Shaheen  
United States Senate  
Washington, D.C. 20510

Dear Senator Shaheen:

I am responding to your letter dated April 5, 2013, which had expressed concern over the immediate and future impacts that sequestration will have on the ability of inspectors general within our federal agencies to conduct effective oversight of government spending.

In response to part one of your request, our office has been impacted by sequestration in several different ways. First, we are reducing our travel fund expenditures. This will impact the number of U.S. Environmental Protection Agency contractors and grantees that we audit, which is essential work considering a large part of the EPA's funds go to contractors and grantees. Further, this work will be increasingly important because the EPA has fewer staff resources for oversight. Also by decreasing travel, audits and evaluations will have less direct stakeholder contact, as well as on-the-ground auditor and evaluation observations. Lastly, our legal staff has been unable to travel to regional offices to provide direct legal support to OIG staffs there.

Sequestration has also directly affected training. We have had to severely reduce the training that our staff attends, which could threaten meeting Continuing Professional Education requirements of the *Government Auditing Standards* and, subsequently, the passing of our biennial external quality peer review. Our investigative division has also cancelled its periodic law enforcement refresher training, as well as attendance at several law enforcement training conferences. Further, we have had to forgo training for attorneys in changing areas of the law, which affects our ability to stay current on law.

Continuing to address the first part of your request, sequestration has caused us to put a targeted hiring freeze in place, postpone the hiring of five Special Agent positions, and return four law enforcement vehicles to General Services Administration Fleet Management as cost-savings measures. We are no longer able to give staff monetary awards. Our ability to recognize, reward and retain high-achieving professionals is hindered due to the Office of Management and Budget guidance discouraging discretionary monetary awards. Further, we have limited funds to respond to new, emerging issues. For example, the EPA received funds for responding to the consequences of Hurricane Sandy, but we received no funds to audit the use of these funds. We are also getting requests for extensions for responding to our draft audit reports due to EPA managers being involved with actions to prepare for and carry out actions related to sequestration. Lastly, we have had to delay or forgo the rollout of new means of communication of OIG results.

The second part of your request asked us to identify the projected long-term impact on our oversight abilities. Listed below are several reductions to planned fiscal year 2013 activities:

- A reduction of \$400,000 in planned resources for Working Capital Fund IGEMS Projects in OIG will result in a delay of several months in updating and maintaining the functionality of the OIG's primary internal enterprise management data system, causing the inability to timely and accurately account for project costing, time and performance management, and administrative processing.
- A reduction of \$50,000 in planned resources for the FPMI Solutions contract will result in decreased employee relation services and support to OIG managers in the areas of employee misconduct and employee performance problems, in addition to hindering consulting, instructing, and designing of a new employee management system and related training.
- The reduction of \$50,000 in planned resources for the Office of Personnel Management interagency agreement will result in fewer recruitment and classification services being provided to the OIG's human resources staff. This reduction will result in the backlog of hiring actions, position classifications, and other critical human resource services needed to build and maintain OIG staff.

The true cost of the sequestration will be carried into FY 2014 through a reduction of at least 16.4 FTE as the OIG is using its carry-over funds to mitigate the effect on the mission work in FY 2013. By delaying the full impact of the sequestration into FY 2014, the OIG is hoping that attrition will bring us to our funded level of FTE without relying on more severe staffing reduction actions. However, there is no guarantee of such results and we could be forced to terminate employment of OIG staff, further curtailing the number of projects that we can undertake. The number of audits and evaluations will eventually decline if funding to recruit, hire and train new professionals is not available to compensate for workforce attrition.

The OIG routinely makes risk assessment trade-offs in its rigorous process of selecting assignments for audit and evaluation and cases for investigation. A reduction of 5 percent would even further stretch the OIG's ability to audit EPA grants, contracts, and financial and information systems for integrity; perform program evaluations of public safety and health results of EPA programs; and conduct investigations of allegations of fraud and abuse.

It is even more critical when money is tight and resources are strained to focus on reducing risks of loss and maximizing opportunities for improved efficiencies. The OIG has consistently provided a positive return on investment in both monetary and public benefits. Any reduction in OIG resources corresponds to an even greater decrease in taxpayer return.

Further, a significant portion of audit resources is devoted to mandated work assessing financial statements and information system security practices required by the Chief Financial Officers Act, Improper Payments Elimination and Recovery Act and the Federal Information Security Management Act. Therefore, any reduction of remaining available funds significantly limits the portion of OIG work that is requested and needed by the EPA and its stakeholders, including Congress, to address urgent operational and program delivery challenges.

The last part of your request asked us to estimate how much money will not be recovered as a result of the sequestration. The following projected reduction in results, due to an elimination of carry-over unobligated balances and corresponding FTE, is based upon a 3-year average proportionate to funding and staffing resources:

1. \$9.5 million in questioned costs, savings, fines, penalties, civil judgments and settlements.
2. Fifteen environmental or operational actions for improved agency performance or risk reduction.
3. Seven criminal, civil, administrative or fraud prevention actions.
4. Thirty-nine environmental or operational recommendations or risks identified for agency action.

We appreciate your interest in the work of the OIG. If you should have any questions on this or any other matter, please contact Alan Larsen, assistant inspector general for the Office of Congressional and Public Affairs, at (202) 566-2391.

Sincerely,

A handwritten signature in blue ink, appearing to read "Arthur A. Elkins Jr.", written in a cursive style.

Arthur A. Elkins Jr.