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MANAGING FOR RESULTS

EPA's Efforts to Implement
Needed Management
Systems and Processes

Statement for the Record by
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Mr. Chairman and Members of the Subcommittee:

We appreciate the opportunity to present this statement for the record, which discusses the Environmental Protection Agency's (EPA) efforts to improve its methods of establishing priorities, allocating resources, and measuring performance. As you know, EPA is currently developing a new approach for managing its strategic planning, budgeting, and accountability processes. The new approach, known as the planning, budgeting, and accountability system, responds to the National Academy of Public Administration's (NAPA) April 1995 recommendation that EPA improve and integrate its management processes.¹

In response to this Subcommittee's continuing interest in how EPA sets priorities and helps to manage the nation's environment, we reviewed the status of EPA's efforts to (1) establish an Office of Planning, Analysis, and Accountability to develop and implement an integrated planning, budgeting, and accountability system and (2) ensure that the agency has comprehensive scientific and environmental data and appropriate environmental measures of progress in carrying out its strategic planning, budgeting, and accountability processes. Our testimony today is based on the preliminary results of our ongoing work for the Subcommittee. A final report on our work will be provided to the Subcommittee this summer.

In summary, our preliminary findings are as follows:

- In March 1996, the EPA Administrator announced plans to create a new Office of Planning, Analysis, and Accountability. The office was established in January 1997. In the interim, an EPA work group composed of employees on temporary assignment started to develop the new planning, budgeting, and accountability system. However, the work group was not fully staffed, and the development of the new system is still in the early stages. The new Office of Planning, Analysis, and Accountability will not be fully staffed before July 1997.
- EPA faces long-term challenges to obtain the scientific and environmental data needed to fully support its new system. Although much environmental information has already been collected, many gaps exist and the data are often difficult to compile because divergent data collection methods have been used. Likewise, much effort is still required to identify, develop, and agree on a comprehensive set of environmental measures to link the agency's activities to changes in environmental conditions. Without environmental measures, EPA has to rely solely on

¹Setting Priorities, Getting Results: A New Direction for EPA, NAPA (Apr. 1995).

administrative measures, such as the number of permits issued or inspections made, to measure its performance or success.

Background

In an April 1995 report, the National Academy of Public Administration recommended that EPA establish specific environmental goals and strategies to attain them, and use comparative risk analyses to select priorities and develop strategies for specific programs. NAPA also said that EPA should consolidate its planning and budgeting functions, use the budget process to allocate resources to the agency's priorities, and establish accountability by setting and tracking benchmarks and evaluating performance. The NAPA study's recommendations are similar to the requirements for federal agencies established by the Government Performance and Results Act of 1993 (GPRA). Under GPRA, agencies must establish strategic plans, by September 30, 1997. GPRA also requires agencies to submit to the Office of Management and Budget, beginning for fiscal year 1999, annual performance plans, including annual performance goals and performance measures. The first annual performance plans are to be submitted in the fall of 1997.

In response to NAPA's recommendations, in July 1995, EPA created a task force to study ways to improve the agency's management processes. In its report, the task force recommended an integrated system composed of strategic planning, budgeting, and accountability processes. In the planning process, EPA was to develop a strategic plan that would be based on the agency's goals. During the budgeting process, each goal in the strategic plan would be considered, and an annual performance plan would be prepared showing the agency's progress to date and plans for future expenditures. During the accountability process, EPA would determine progress under the annual plans and use the data on progress to make corrections in the strategic and annual performance plans.

In March 1996, the EPA Administrator and Deputy Administrator endorsed the task force's recommendations for developing an integrated planning, budgeting, and accountability system and directed that the recommendations be implemented. In making a commitment to substantially revise the agency's management systems, EPA officials recognized that the effort would take several years to complete. The EPA Administrator and Deputy Administrator also announced plans to create a new office by January 1997 to consolidate the agency's planning, budgeting, and accountability processes. In the interim, a work group

composed of employees on temporary assignment was established to begin developing the new system.

EPA Is in the Process of Staffing Its New Office

In January 1997, the EPA Administrator approved the structure and staffing plans for the new office, called the Office of Planning, Analysis, and Accountability. The interim work group that had been assigned to develop the new system was detailed to the new office to continue its work. The work group has 21 employees, fewer than half the number that EPA had planned for the group.

The new office is authorized 49 employees. As of the end of March 1997, EPA had published job announcements to fill 26 of the new positions. EPA officials told us that these announced positions, which are open only to current EPA employees, will be filled in May 1997. The remaining positions, which are to be announced governmentwide, are not likely to be filled before July 1997. The officials told us that the office was not fully staffed when it was established because time was required to determine the most appropriate types of skills and work experiences needed and to implement a competitive process for selecting staff.

Given the office's limited staffing, the development of an integrated system is in the early stages. For example, EPA is reviewing the agency's former accountability process to find out what did and did not work well, contacting other federal agencies to determine how they account for progress in meeting their goals, and examining reporting systems in the agency's program offices to identify their potential use in the new system. EPA hopes to have the accountability component in place by September 1999. According to EPA officials, the development of the new budgeting component will begin after the agency completes its strategic plan in September 1997. They said that EPA's fiscal year 1999 budget will be structured along the lines of the goals in the strategic plan.

Thus far, the work group members have spent most of their time developing a strategic plan, which is required by September 30, 1997, under GPRA. An important part of the new strategic planning process is the selection of goals and objectives that can be used to guide the agency's actions and to measure its performance. Although EPA is making progress toward developing its strategic plan, it has not completed two studies that are intended to identify the most appropriate goals for the agency and to

provide the latest scientific information on environmental risk.² EPA officials told us that the September 30, 1997, strategic plan will be updated, as appropriate, to reflect the final results of these studies, which are likely to be completed in late 1997 or early 1998.

EPA Must Overcome Information Challenges to Implement Its New System

Although EPA continues to expand and improve the environmental data it compiles, it still needs to fill data gaps; improve the quality of its data; integrate information systems; and build the capability to compile, organize, and analyze the data in ways useful to EPA managers and stakeholders. In addition to the measures of outputs or program activities that it currently relies on to assess its performance, EPA is working to develop environmental measures that enable the agency to evaluate the impact of its programs on the environment and determine whether they are achieving the desired results.

EPA's Environmental Data and Systems Need to Be Improved

The need to assess EPA's performance in terms of changes in environmental conditions substantially increases the demand for high-quality environmental data. Such data are also needed to identify emerging problems so that they can be addressed before significant damage is done to the environment. Despite EPA's efforts to improve the quality of its data, these data are often unreliable, and the agency's many disparate information systems are not integrated. These shortcomings have been raised in various external and internal reports on EPA, including the Vice President's report on reinventing government.³

In its April 1995 report, NAPA also identified the lack of high-quality data on environmental conditions as a particularly important problem for EPA. NAPA specifically noted the limited amount of information based on the real-time monitoring of environmental conditions. Without monitoring data, EPA must rely on estimates and limited, site-specific data. NAPA also concluded that much remains to be done to improve the overall management of environmental information in the agency. It noted that EPA had over 500 information systems and that program offices, which are responsible for their own data, use different methods and definitions to gather data. Furthermore, EPA relies on data compiled by other federal

²One of the studies, EPA's National Environmental Goals Project, is being performed to establish a set of long-range national environmental goals with realistic and measurable milestones for the year 2005. The other study, the Integrated Risk Project, is being performed to rank the relative risk of environmental problems, and to develop methodologies that EPA can use to make future risk rankings.

³Reinventing Environmental Regulation, National Performance Review (Mar. 16, 1995).

agencies and the states. According to NAPA, these agencies and the states also use divergent methods of collecting data.⁴

More recently, a 1996 EPA report concluded that the agency needs to redesign its many disparate fiscal and environmental data systems so that it and others can measure its success in meeting environmental goals and determine the costs of doing so.⁵ The agency's difficulty in demonstrating its performance or the impact of its actions is illustrated by the findings of a team of agency personnel, which was formed in 1995 to evaluate the agency's needs for environmental information. The team identified various problems with the information needed to report on environmental goals, such as gaps in the data and inconsistencies in the methods of collecting and/or reporting data across states or federal agencies. Specific examples include the lack of (1) national reporting on risk reduction at waste sites, (2) reliable data on the nature and cause of pesticide poisonings, (3) effective reporting on progress in improving the nation's water quality, and (4) complete data on air pollutants.

Efforts to Develop Environmental Measures Need Focus

EPA and the states are devoting considerable attention to developing environmental indicators or measures for use in assessing programs' performance and better informing the public about environmental conditions and trends. Some efforts are just starting, while some of the agency's program and regional offices and some states have begun to use these measures in reporting on their programs' performance. Although EPA and state officials believe that environmental measures are more useful than measures of activities for assessing programs' performance, they recognize that scientific and technical issues have to be addressed before indicators that really measure environmental conditions and trends can be widely used. Developing and using environmental indicators for an entire program presents significant challenges.

The scientific and technical challenges include identifying (1) a range of health or environmental conditions that can be measured and (2) changes in these conditions that can be linked to a program's activities. These tasks are especially difficult because natural causes, such as changes in weather patterns, and other factors outside a program's control can affect environmental conditions. In some cases, data or indicators are not

⁴In *Environmental Protection: EPA's Problems With Collection and Management of Scientific Data and Its Efforts to Address Them* (GAO/T-RCED-95-174, May 12, 1995), we testified that our previous reports had identified long-standing data quality and data management problems at EPA.

⁵*Managing for Results*, EPA's Planning, Budgeting, and Accountability Task Force (Feb. 23, 1996).

available for a specific aspect of the environment because of high costs or technical difficulties. Thus, it could be some time before EPA is able to develop and use a set of environmental indicators that accurately reflect the impact of its programs or their results.

According to EPA officials, the agency's and the states' efforts to develop and use environmental measures have been valuable but disparate. Furthermore, at a conference convened by EPA in September 1996 to better coordinate these efforts, as well as in interviews conducted by EPA staff to prepare for the conference, regional and state representatives cited several concerns. They said, for example, that (1) clarification is needed on EPA's and the states' direction in developing goals and indicators, (2) the qualities of a good indicator are not well understood, and (3) determining whether the best indicators have been chosen will take many years. The representatives also believed that the data and resources needed to develop and use environmental indicators are inadequate.

An additional challenge will be to reach agreement within EPA and among its stakeholders on the specific environmental indicators that will be used to measure performance. A consensus may be difficult to reach because of the potential for debate on what is important about individual programs and whether a relatively small number of measures can adequately reflect the effects of an agency's or a program's activities. EPA will need a set of measures common to all the states to report to the Congress and the public on the agency's performance and the state of the nation's environment. At the same time, the development of national measures, to the extent that such measures drive the implementation of environmental programs, will reduce the states' flexibility to tailor the programs to meet local needs and conditions, a major concern of the states. Reporting on new measures will also increase the states' costs unless other reporting requirements are eliminated or reduced.

In May 1995, EPA signed an agreement with state leaders to implement a new system of federal oversight for state environmental programs. This new National Environmental Performance Partnership System fundamentally changes EPA's working relationship with the states because it places greater emphasis on the use of environmental goals and indicators, calls for environmental performance agreements between EPA and individual states, and provides opportunities for reducing the agency's oversight of state programs that exhibit high performance in certain areas. As of March 1997, about half of the states had signed performance partnership agreements to participate in the system.

EPA's Office of Regional Operations and State/Local Relations is developing a set of core performance measures, including some environmental indicators, that the agency's regional offices are to use in negotiating annual work plans and agreements with the states. The core measures are to be focused and limited in number, representing measurable priorities for each of EPA's national program managers. They are to serve as the minimum measures in performance agreements with the states, which may develop additional measures to represent their own environmental or programmatic issues. In addition, a particular core measure may not be required if a state can demonstrate that the measure does not apply or cannot be addressed. According to EPA, its national program managers will finalize their core measures in April 1997 and its regional staff will begin negotiations with the states to incorporate the measures into the agreements for fiscal year 1998. At this point, it is too soon to know how extensively EPA's regional offices will be negotiating measures that reflect programs' direct effects on human health and the environment.

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