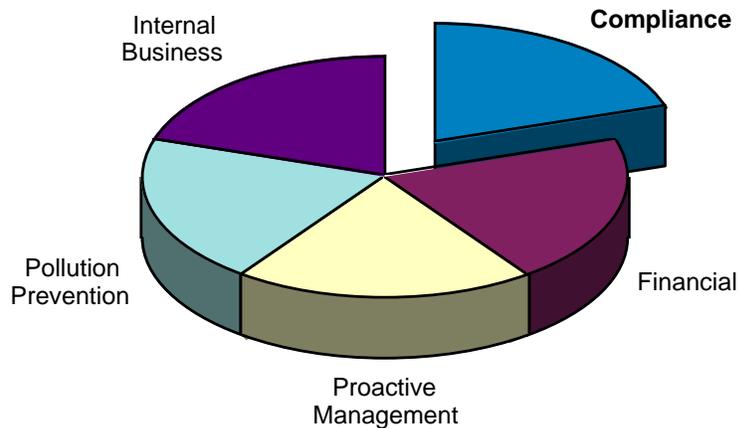


SUPSHIP COMMUNITY ENVIRONMENTAL PERFORMANCE BALANCED SCORECARD

COMPLIANCE PERSPECTIVE



INTRODUCTION

The Compliance Perspective of the Environmental Performance (EP) Balanced Scorecard provides the basis for determining if the environmental program is in compliance and describes the risk associated with any current or imminent non-compliant conditions.

It encourages activities to proactively identify and correct compliance issues by maintaining a strong self-discovery and a timely and effective correction process that addresses root causes and permanent solutions.

PURPOSE

This environmental compliance metric indicates whether the particular environmental program is currently in full compliance. If not, it tries to answer the question, “so what?” – or, “how bad is it and for how long will it be deficient?”

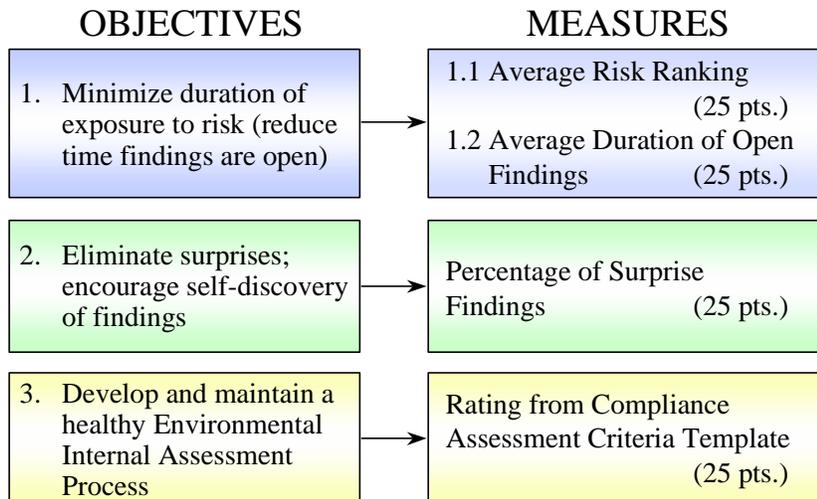
OBJECTIVES

The Compliance Perspective encourages an organization to adopt a strong environmental management ethic that aggressively seeks out to identify, and then rapidly remedy compliance deficiencies in an effective manner.

OBJECTIVES

1. Minimize duration of exposure to risk (reduce time findings are open).
2. Eliminate surprises; encourage self-discovery.
3. Develop and maintain a healthy Environmental Internal Assessment Process

In assessing the risk which non-compliance poses, it is not the sheer number of findings, but the risk of negative consequences that truly matters. Reward is given for timely closure and, conversely, penalties are assessed if exposure to risk is lengthy. Reward is also given for self-discovery of problems, and for fixing them right the first time, making sure the root cause is addressed. Further, recognition is given for maintaining a healthy Environmental Internal Assessment process.

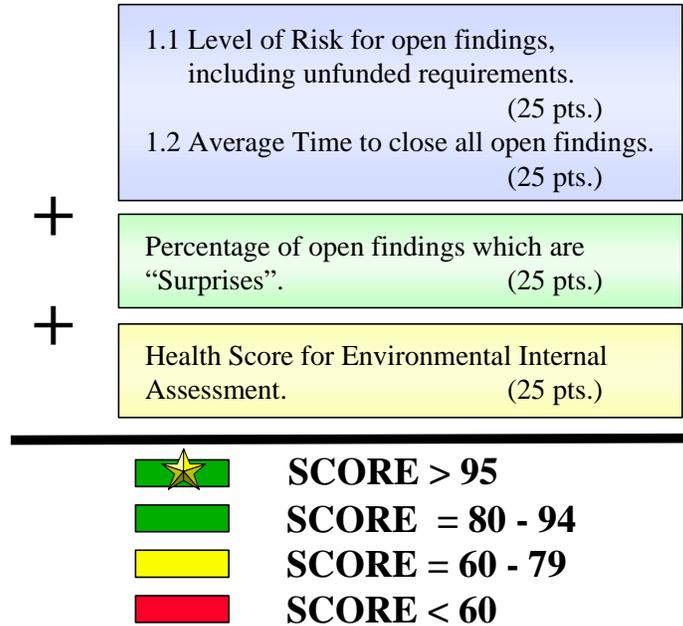


The first two measures – Level of Risk and Exposure to Risk – focus on results and are based upon the *nature* of open compliance findings. Risk is assessed, and adherence to POA&M is tracked and projected. Risk is described in terms of Mission Impact, Enforcement Likelihood, and Environmental Impact.

The second two measures – “Surprises” and Internal Assessment Health – assess the approach of the compliance management processes, referred to as the “Environmental Internal Assessment Program.” All findings are considered “known” or “surprises”. Surprises do not include de minimus findings. Full credit is given if there are no surprises.

SCORECARD MODEL

Out of a possible 100 Compliance Perspective points, “break points” have been set at 60 and 80. This is based upon compliance being a *minimum, legally mandated requirement*.



To calculate the total score for the Compliance Perspective:

- Add up points from each of the four objective and review criteria to determine overall compliance perspective score.
- If you have the points AND meet the criteria listed below, you earn the score.

Points	Criteria	Score
> 95	<ul style="list-style-type: none"> • Open <i>risk is negligible</i>, AND; • Time to close findings is < POA&M, AND; • <i>All findings are self-discovered.</i> 	Gold Star
80 – 94	<ul style="list-style-type: none"> • Open <i>risk is acceptable</i>, AND; • Time to close findings <i>is</i> POA&M, AND; • At least <i>80%</i> of findings are <i>self-discovered.</i> 	Green
60 – 79	<ul style="list-style-type: none"> • Does <i>not</i> meet <i>all</i> the criteria for “green” • Does <i>not</i> meet <i>any</i> of the criteria for “red” 	Yellow
< 60	<ul style="list-style-type: none"> • Open risk is <i>not acceptable, OR;</i> • Average time to close findings is > <i>POA&M, OR;</i> • <i>Less than 60%</i> of findings are <i>self-discovered.</i> 	Red

Full compliance all of the time may not be realistic, despite the legal mandates. The U.S. EPA even recognizes this in their Audit Policy. A top notch internal assessment program with a strong compliance audit component, which includes proactive and timely follow-up, is essential in achieving and maintaining compliance and keeping exposure to, and severity of, risk down to a minimum.

This is a tough standard, designed to make Commanding Officers aware of where their environmental risks are so that they can manage them smartly.

Before going into the details of each of the four measures, it is essential to have a common understanding of what a “finding” is. This is particularly important for measures 1 through 3, which evaluate and count findings.

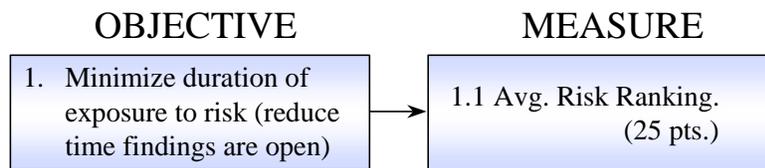
For the purpose of this metric at this time, we are using all classes of findings as defined in the glossary.

Scoring Calculations Methodology

Objective 1.1: Minimize Environmental Risk.

The first objective measure is the Average Risk Ranking of Open Findings. The intent is to describe the ramifications of the existing non-compliance. Will the organization’s mission be impacted or halted? Will this result in a pending or potential enforcement action? Is there a possibility to damage the environment or resources (i.e., natural and cultural)?

Risk Definitions are provided in this manual as a guide to help you assess risk. However, when making decisions about risk you, the Environmental Manager, should ultimately rely upon your knowledge, judgment and experience.



SCORING - STEP 1

Avg. RISK =

$$\frac{(\text{Avg. Mission Score} + \text{Avg. Enforcement Score} + \text{Avg Impact Score})}{3*100}$$

This calculation is a simple average of the risk ranking given to each Class I and II finding in three categories: Mission Impact, Enforcement Likelihood, and Environmental Impact. These categories are based upon what Commanding Officers and others have asked in the past to get a feel for the severity of a situation. Definitions for what constitutes a high, medium, low risk, or deminimus risk have been developed as follows. Remember, these definitions are a guide to assist you.

Environmental Compliance Risk Criteria

◆ Mission Impact	
The potential to stop or adversely impact a key mission function.	
High	Potential to stop a key function.
Medium	Potential to seriously impede a key function or stop a key support function.
Low	Potential to stop work in non-key functions.
Deminimus	Improbable that any key or key support function would be affected.

◆ Enforcement Probability

The potential for adverse regulatory actions.

High	Agency has authority to issue Notice of Violations (NOV) and file civil and/or criminal enforcement actions <u>and</u> routinely inspects the activity (i.e., annually) <u>or</u> has issued a NOV in the past 12 months for this or similar non-compliant operations .
Medium	Agency has authority but either has not inspected <u>or</u> has not taken action in the past for similar operations.
Low	Agency has limited authority <u>and</u> no known track record of taking action.
Deminimus	Agency has no enforcement authority.

◆ Impact to the Environment

Potential for adverse environmental effects.

High	Release or damage to the environment or the resources (i.e., endangered species/archaeological sites) has or is occurring.
Medium	Threatened release or likely damage to the environment or the resources (i.e., endangered species/archaeological sites) exists.
Low	Moderate or major administrative requirement <u>and</u> no threatened or actual damage to the environment are present.
Deminimus	Minor administrative requirement <u>and</u> no threatened or actual damage to the environment are present.

When each finding is discovered and recorded, it is rated to have a high, medium, low, or deminimus chance that it will impact each of these three areas. Three simple percentage scores are given for each finding. The measure is calculated by determining the average risk in each category for all findings, and then computing the overall average risk. The overall average risk score is then converted to points. A maximum of 25 points may be obtained if the activity has no risk. The risk levels are as follows:

SCORE	RISK LEVEL
100%	No Risk (i.e., no open findings)
95%	Deminimus Risk
80%	Low Risk Level
40%	Medium Risk Level
0%	High Risk Level

SCORING - STEP 2

Avg. Risk Score = Overall Risk % * 25pts.

NOTE: The highest possible ranking should be given.

Example: Lacking a Natural Resources Plan may be administrative - or it could mean you lack basic information to ensure you are not damaging endangered species habitat. Such a finding should therefore be designated Medium Risk rather than Low Risk. Refer to the Environmental Compliance Risk Criteria for guidance in assigning risk score.

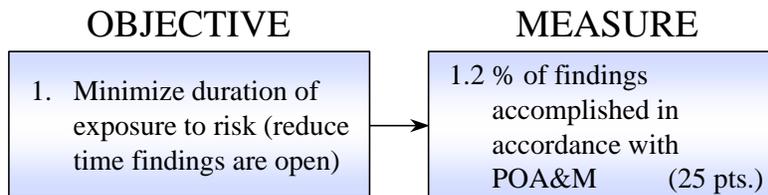
Example of the Calculation

Finding	Mission		Enforcement		Impact		Finding Risk (Avg)
	Risk	Percent	Risk	Percent	Risk	Percent	
A	Deminimus	95%	Deminimus	95%	Low	80%	90%
B	Low	80%	Deminimus	95%	Low	80%	85%
C	Low	80%	Medium	40%	Low	80%	67%
D	High	0%	High	0%	Medium	40%	13%
Overall Risk							64%

AVERAGE RISK SCORE = Average Overall Risk % * 25 points = .64*25 = 16 points

Objective 1.2: Minimize Time Exposed to Risk.

The second objective measure, Duration, addresses the goal to meet POA&M closure of findings discovered by external regulators, or during a self assessment or CPI.



SCORING

Calculation:

$$\frac{\# \text{ findings} - \# \text{ findings not meeting POA\&M}}{\# \text{ findings}} \times 25$$

Example:

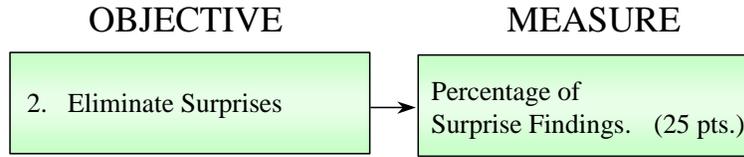
10 findings, 2 not completed in accordance with POA&M

$$\frac{10-2}{10} = 80\% \times 25 \text{ pts.} = 20 \text{ pts.}$$

Note: Cannot score above 25 points.

Objective 2: Eliminate Surprises.

This objective is a quantitative measure of how well an activity identifies and permanently corrects environmental deficiencies.



SCORING

$$\text{SCORE} = \frac{(\# \text{ Findings} - \# \text{ Non-Deminimus "Surprises"})}{\# \text{ Findings}} \times 25$$

Definition of Surprise

Finding Type	Definition
Repeat	Found during a previous inspection/assessment but no POA&M or corrective action plan exists. (SURPRISE) Must be a non-deminimus finding.
Recurring	Found during a previous inspection. The corrective action was implemented and the finding closed. On a subsequent inspection, the same finding occurred again in the same area. Indicates that the root cause was not addressed the first time. (SURPRISE) Must be a non-deminimus finding.
New	Discovered by an external regulator or during a self inspection or a CPI. (SURPRISE)
Outstanding	Found during a previous inspection/assessment. A POA&M/corrective action plan is being actively worked. (NOT A SURPRISE)

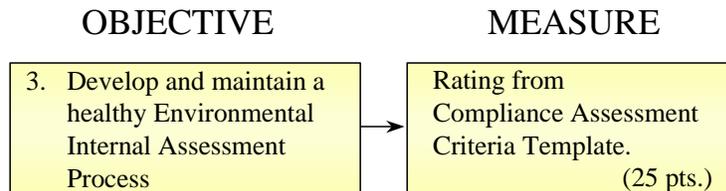
Example:

- 6 repeat findings; 3 deminimus
- 6 recurring findings; 4 deminimus
- 1 new finding
- 1 outstanding finding

$$\frac{14-6}{14} = 57\% \times 25 = 14 \text{ pts.}$$

Objective 3: Develop and maintain a healthy Environmental Internal Assessment Process.

This objective will help encourage the development and implementation of a comprehensive and mature annual Internal Assessment process. Every Environmental Program Manager should conduct an annual Environmental Internal Assessment in accordance with the Naval Sea Systems Command guidance of 10 August 1998. This comprehensive internal assessment should evaluate programs based on five elements that form the basis of an effective and compliant environmental program.



SCORING

Scores based upon answers to each question:

- YES, and fully meets criteria = 10 pts.
- YES, partially meets or does not fully meet criteria = 5 pts.
- NO, or substantially does not meet criteria = 0 pts.

Criteria	Score (0, 5, or 10 Points)
1. Do you perform an Environmental Internal Assessment of all program areas at least annually?	
2. Do you have a written assessment plan, approved by Management?	
3. Does your written assessment plan include all applicable environmental requirements (federal, state, local, and Navy) for your activity?	
4. Are the examiners conducting the assessment knowledgeable about the environmental program?	
5. Is the assessment being conducted by other than the actual program managers to ensure objectivity?	
6. Is there a POA&M for each finding and does each POA&M clearly identify the necessary corrective action?	
7. When applicable, does each POA&M address correction of non-compliance and the root causes?	
8. Is the self assessment report endorsed by the Commanding Officer?	
9. Are the POA&Ms implemented on time?	
Total Points (max = 90)	

Score:

$\frac{\text{Total Points}}{90} \times 25 \text{ pts.}$

Example:

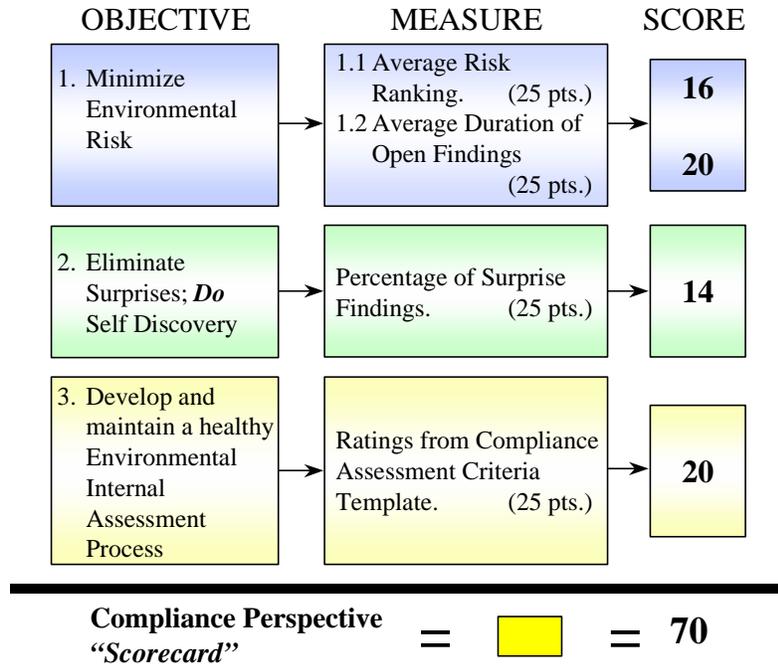
Criteria	Score (0, 5, or 10 Points)
1. Do you perform an Environmental Internal Assessment of all program areas at least annually?	10
2. Do you have a written assessment plan, approved by Management?	0
3. Does your written assessment plan include all applicable environmental requirements (federal, state, local, and Navy) for your activity?	5
4. Are the examiners conducting the assessment knowledgeable about the environmental program?	10
5. Is the assessment being conducted by other than the actual program managers to ensure objectivity?	10
6. Is there a POA&M for each finding and does each POA&M clearly identify the necessary corrective action?	10
7. When applicable, does each POA&M address correction of non-compliance and the root causes?	10
8. Is the self assessment report endorsed by the Commanding Officer?	10
9. Are the POA&Ms implemented on time?	5
Total Points (max = 90)	70

Calculation:

$\text{Score} = \frac{70}{90} \times 25 \text{ pts.} = 20 \text{ pts.}$

Sample Final Activity Scorecard

A sample of the final activity scorecard for the Compliance Perspective is provided below.



Points	Criteria	Score
> 95	<ul style="list-style-type: none"> Open <i>risk is negligible</i>, AND; Time to close findings is < POA&M, AND; <i>All</i> findings are <i>self-discovered</i>. 	Gold Star
80 – 94	<ul style="list-style-type: none"> Open <i>risk is acceptable</i>, AND; Time to close findings <i>is</i> POA&M, AND; At least <i>80%</i> of findings are <i>self-discovered</i>. 	Green
60 – 79	<ul style="list-style-type: none"> Does <i>not</i> meet <i>all</i> the criteria for “green” Does <i>not</i> meet <i>any</i> of the criteria for “red” 	Yellow
< 60	<ul style="list-style-type: none"> Open risk is <i>not acceptable, OR;</i> Average time to close findings is > <i>POA&M, OR;</i> <i>Less than 60%</i> of findings are <i>self-discovered</i>. 	Red