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GRANTS MANAGEMENT

EPA Continues to Have Problems Linking Grants to Environmental Results

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Natural Resources and Environment



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Highlights of [GAO-04-983T](#), testimony before the Subcommittee on Water Resources and Environment, Committee on Transportation and Infrastructure, House of Representatives

Why GAO Did This Study

The Environmental Protection Agency (EPA) has faced persistent challenges in managing its grants, which constitute over one-half of the agency's budget, or about \$4 billion annually. These challenges include achieving and measuring environmental results from grant funding. It is easier to measure grant activities (outputs) than the environmental results of those activities (outcomes), which may occur years after the grant was completed. In 2003, EPA issued a 5-year strategic plan for managing grants that set out goals, including identifying and achieving environmental outcomes.

This testimony describes persistent problems EPA has faced in addressing grants' environmental results and the extent to which EPA has made progress in addressing problems in achieving environmental results from its grants. It summarizes and updates two reports GAO issued on EPA's grant management in August 2003 and March 2004.

GRANTS MANAGEMENT

EPA Continues to Have Problems Linking Grants to Environmental Results

What GAO Found

EPA's problems in identifying and achieving environmental results from its grants persist. The agency is still not consistently ensuring that grants awarded are clearly linked to environmental outcomes in grant workplans, according to GAO's analysis and EPA's internal reviews. For example, EPA's 2003 internal reviews found that less than one-third of grant workplans reviewed—the document that lays out how the grantee will use the funding—identified anticipated environmental outcomes. Not surprisingly, given the lack of outcomes in grant workplans, the Office of Management and Budget's recent review of 10 EPA grant programs found that 8 of the grant programs reviewed were not demonstrating results. Furthermore, not every EPA program office has yet developed environmental measures for their grant programs.

EPA's progress in addressing problems in achieving environmental results from grants to this point has been slower and more limited than planned. While EPA had planned to issue an outcome policy—a critical ingredient to progress on this front—in 2003, the policy's issuance has been delayed to the fall of 2004, and will not become effective until January 2005. In the meantime, EPA has issued a limited, interim policy that requires program offices to link grants to EPA's strategic goals, but does not link grants to environmental outcomes. Furthermore, as a result of the delay in issuing an outcome policy, EPA officials do not expect to meet the 5-year plan's first-year target for the goal's performance measure. The forthcoming draft policy we reviewed appears to be moving EPA in the right direction for addressing environmental outcomes from its grants. For example, the draft policy emphasizes environmental results throughout the grant life cycle—awards, monitoring, and reporting. Consistent and effective implementation of the policy will, however, be a major challenge. Successful implementation will require extensive training of agency personnel and broad based education of literally thousands of grantees.

www.gao.gov/cgi-bin/getrpt?GAO-04-983T.

To view the full product, including the scope and methodology, click on the link above. For more information, contact John B. Stephenson at (202) 512-3841 or stephensonj@gao.gov.

Mr. Chairman and Members of the Subcommittee:

We are pleased to be here today to discuss how the Environmental Protection Agency (EPA) manages its grants to achieve a better environment and improved public health. My testimony is based primarily on our recent reports on EPA grants management issued in 2003 and 2004, as well as additional work we conducted for this testimony.¹

As you know, EPA has faced persistent challenges for many years in managing its grants, which constitute over one-half of the agency's budget, or about \$4 billion annually. To support its mission of protecting human health and the environment, EPA awards grants to a variety of recipients, including state and local governments, tribes, universities, and nonprofit organizations. As of June 2004, EPA had about 3,700 grant recipients. Given the size and diversity of EPA's programs, its ability to efficiently and effectively accomplish its mission largely depends on how well it manages its grants resources and builds accountability for results into its efforts.

Planning for grants to achieve environmental results—and measuring results—is an important but difficult challenge. It is far easier to measure environmental activities (outputs) than the results (outcomes) of those activities. However, as we pointed out in an earlier report,² it is important to measure outcomes of environmental activities rather than just the activities themselves. It is critical that EPA be able to demonstrate the results achieved through its \$4 billion annual investment in grant programs, particularly their impact on protecting the nation's human health and environment.

In April 2003, EPA issued a comprehensive 5-year grants management plan to address its long-standing grants management problems.³ In the plan, EPA identifies five major goals to address major challenges, which are

¹See U.S. General Accounting Office, *Grants Management: EPA Needs to Strengthen Efforts to Address Persistent Challenges*, [GAO-03-846](#) (Washington, D.C.: Aug. 29, 2003) and U.S. General Accounting Office, *Grants Management: EPA Needs to Better Document Its Decisions for Choosing between Grants and Contracts*, [GAO-04-459](#) (Washington, D.C.: Mar. 31, 2004).

²U.S. General Accounting Office, *Managing for Results: EPA Faces Challenges in Developing Results-Oriented Performance Goals and Measures*, [GAO/RCED-00-77](#) (Washington, D.C.: Apr. 28, 2000).

³U.S. Environmental Protection Agency, *Grants Management Plan, 2003-2008*, EPA-216-R-03-001 (Washington, D.C.: Apr. 2003).

similar to those we identified in our 2003 report, including the goal of “identifying and achieving environmental outcomes.”⁴

Our testimony today describes (1) persistent problems EPA has faced in addressing grants’ environmental results, and (2) the extent to which EPA has made progress in addressing problems in achieving environmental results from its grants.

As noted earlier, the work for this testimony is based primarily on two previously issued GAO reports on grants management.⁵ To identify persistent problems EPA has faced in addressing environmental results from grants, we also reviewed EPA’s Office of Inspector General reports, EPA’s internal reviews, and Office of Management and Budget’s (OMB) reviews using its Program Assessment Rating Tool. To determine the extent to which EPA has made progress in addressing problems in achieving environmental results from its grants, we interviewed officials at EPA’s Office of Grants and Debarment, reviewed EPA’s policy, guidance, and Strategic Plan. The additional work for this testimony was based on work performed in April through June 2004 in accordance with generally accepted government auditing standards.

In summary, we found the following:

- EPA’s problems in identifying and achieving environmental results from its grants persist. EPA is not consistently ensuring that environmental outcomes are identified in the grant workplan—the document that lays out how the grantee will use the funding—according to our analysis and EPA’s internal reviews. For example, EPA’s 2003 internal reviews found that less than one-third of grant workplans reviewed identified anticipated environmental outcomes. Not surprisingly, given the lack of outcomes in grant workplans, OMB’s recent reviews of 10 EPA grant programs found that 8 of the grant programs examined were not demonstrating results. According to program and regional officials, it is difficult to measure outcomes, in part, because of the time lapse between grant activities and a cleaner environment. These concerns demonstrate the need for guidance that addresses the complexities of measuring and achieving environmental

⁴The plan’s other goals are (1) enhancing the skills of EPA personnel involved in grants management, (2) promoting competition in the award of grants, (3) leveraging technology to improve program performance, and (4) strengthening EPA oversight of grants.

⁵For these reports and a description of their methodologies see [GAO-03-846](#) and [GAO-04-459](#).

results. Furthermore, not every EPA program office has yet developed environmental measures for their grant programs.

- EPA's progress in addressing problems in achieving environmental results from grants has been slower and more limited than planned. While EPA had planned to issue an outcome policy—a critical ingredient to progress on this front—in 2003, the policy's issuance has been delayed to the fall of 2004 and will not become effective until January 2005. In the meantime, EPA has issued a limited, interim policy that requires program offices to link grants to EPA's strategic goals,⁶ but does not link grants to environmental outcomes. Furthermore, as a result of the delay in issuing an outcome policy, EPA officials do not expect to meet the 5-year plan's first-year target for the goal's performance measure—increasing the percentage of grant workplans with environmental outcomes from about 31 percent in 2003 to 70 percent in 2004. According to our review of a draft of the forthcoming outcome policy, EPA is making progress at the policy level in addressing outcomes.⁷ The major challenge EPA faces will be in successfully implementing the policy throughout the agency. Realistically, EPA has a long road ahead in educating its managers, supervisors and staff, as well as thousands of potential grantees, about the complexities of identifying and achieving environmental outcomes.

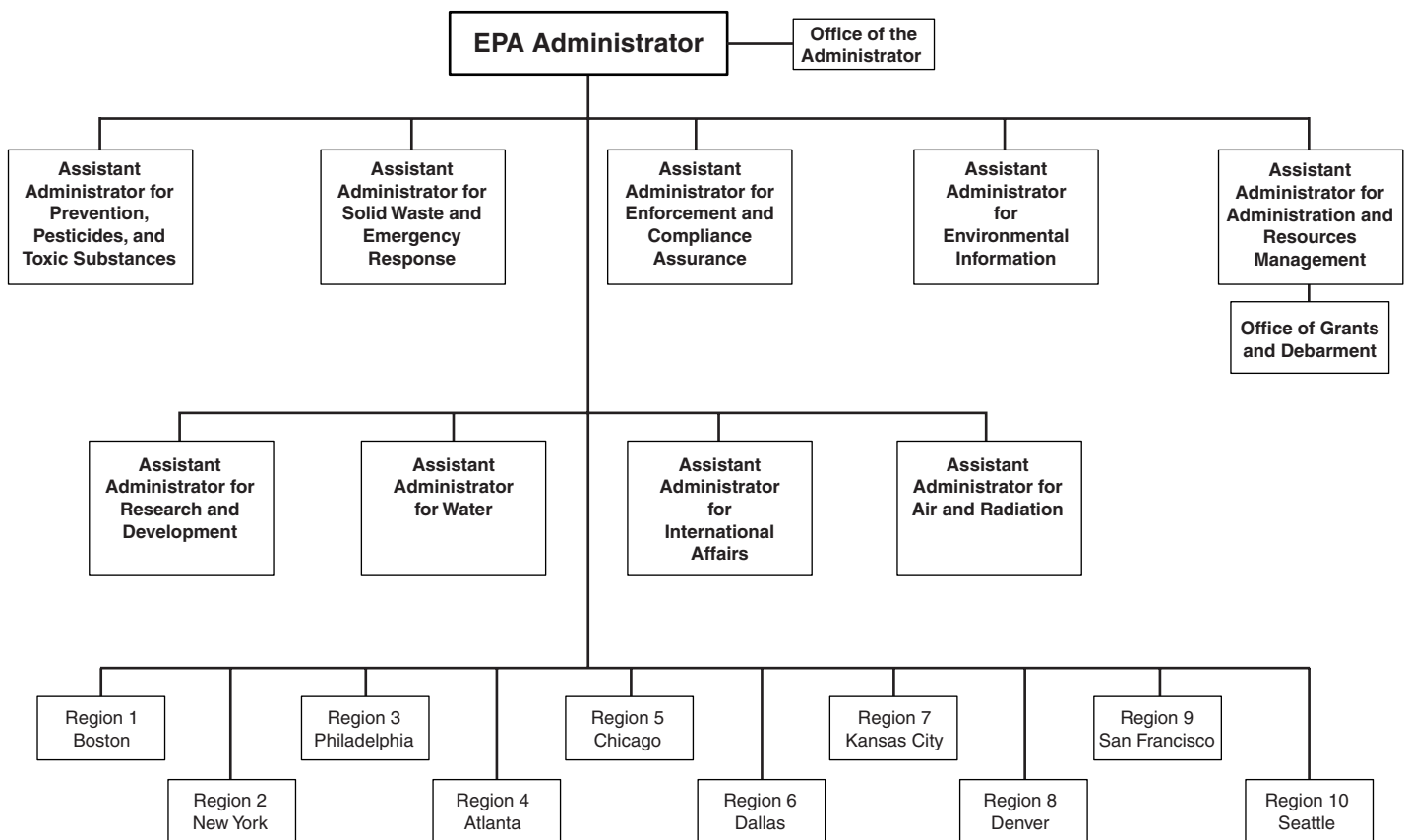
⁶EPA's strategic plan has five goals that address (1) clean air and global climate change; (2) clean and safe water; (3) land preservation and restoration; (4) healthy communities and ecosystems; and (5) compliance and environmental stewardship. See U.S. Environmental Protection Agency, *2003-2008 EPA Strategic Plan: Direction for the Future*, EPA-190-R-03-003 (Washington D.C.: Sept. 2003).

⁷As of July 12, 2004, the draft policy, *EPA Order: Environmental Results under EPA Assistance Agreements*, has not undergone the agency's directives clearance process—a review for comment and approval by EPA's high-level management, and therefore it is still subject to change.

Background

EPA administers and oversees grants primarily through the Office of Grants and Debarment, 10 program offices in headquarters,⁸ and program offices and grants management offices in EPA's 10 regional offices. Figure 1 shows the key EPA offices involved in grants activities for headquarters and regions.

Figure 1: EPA's Key Offices Involved in Grant Activities



Source: GAO analysis of EPA information.

The management of EPA's grants program is a cooperative effort involving the Office of Administration and Resources Management's Office of Grants

⁸According to EPA officials, two headquarters' offices, EPA's Office of General Counsel, and the Office of the Chief Financial Officer conduct limited grant activity.

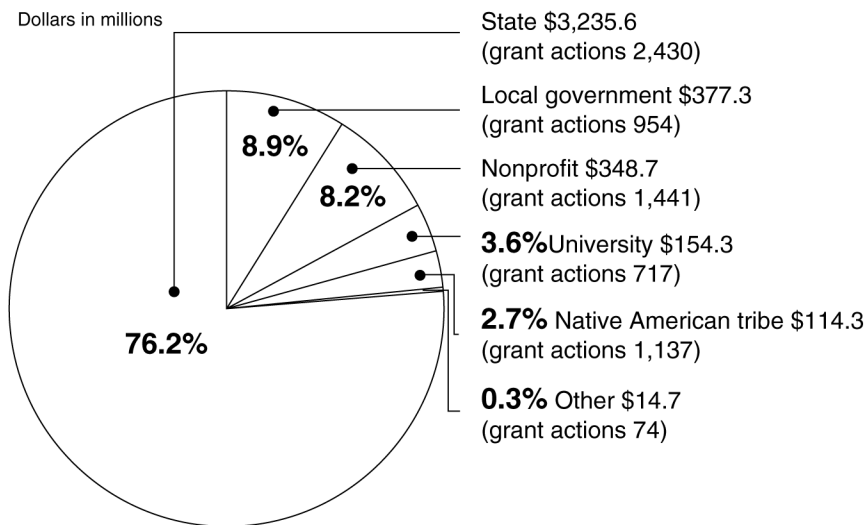
and Debarment, program offices in headquarters, and grants management offices in the regions. The Office of Grants and Debarment develops grant policy and guidance. It also carries out certain types of administrative and financial functions for the grants approved by headquarters program offices, such as awarding grants and overseeing the financial management of grants. On the programmatic side, headquarters program offices establish and implement national policies for their grants programs and set funding priorities. They are also responsible for the technical and programmatic oversight of their grants. In the regions, grants management offices carry out certain administrative and financial functions for the grants, such as awarding grants approved by the regional program offices, while the regional program staff provide technical and programmatic oversight of their grantees.

As of June 2004, 134 grants specialists in the Office of Grants and Debarment and the regional grants management offices were largely responsible for administrative and financial grant functions. Furthermore, 2,089 project officers were actively managing grants in headquarters and regional program offices. These project officers are responsible for the technical and programmatic management of grants. Unlike grant specialists, however, project officers generally have other responsibilities, such as using the scientific and technical expertise for which they were hired.

In fiscal year 2003, EPA took 6,753 grant actions involving funding totaling about \$4.2 billion.⁹ These awards were made to six main categories of recipients, as shown in figure 2.

⁹Grant actions involving funding include new awards, increase and decrease amendments. The 6,753 grant actions involving funding were composed of 3,512 new grants, 2,416 increase amendments, and 825 decrease amendments. In addition, EPA awarded 3,344 no cost extensions, which did not involve funding, in fiscal 2003.

Figure 2: Percentage of EPA Grant Dollars Awarded by Recipient Type, Fiscal Year 2003



Source: GAO analysis of EPA data.

EPA offers two types of grants—nondiscretionary and discretionary:

- Nondiscretionary grants support water infrastructure projects, such as the drinking water and clean water state revolving fund programs, and continuing environmental programs, such as the Clean Air Program for monitoring and enforcing Clean Air Act regulations. For these grants, Congress directs awards to one or more classes of prospective recipients who meet specific eligibility criteria; the grants are often awarded on the basis of formulas prescribed by law or agency regulation. In fiscal year 2003, EPA awarded about \$3.6 billion in nondiscretionary grants. EPA has awarded these grants primarily to states or other governmental entities.
- Discretionary grants fund a variety of activities, such as environmental research and training. EPA has the discretion to independently determine the recipients and funding levels for these grants. In fiscal year 2003, EPA awarded \$656 million in discretionary grants. EPA has awarded these grants primarily to state and local governments, nonprofit organizations, universities, and Native American tribes.

To highlight persistent problems and, it is hoped, to focus greater attention on their resolution, we designated EPA's grants management, including

achieving environmental results, as a major management challenge in our January 2003 performance and accountability report.¹⁰ In August 2003, we further addressed the question of environmental results. We reported that EPA (1) had awarded some grants before considering how the results of the grantees' work would contribute to achieving environment results; (2) had not developed environmental measures and outcomes for its grants programs; and (3) often did not require grantees to submit workplans that explain how a project will achieve measurable environmental results. We also found that EPA's monitoring efforts had not called for project officers to ask grantees about their progress in using measures to achieve environmental outcomes.

Problems Persist in Addressing Grants' Environmental Results

For its grants programs, EPA is still not effectively linking grants to environmental results. The problems we identified in our previous 2003 report continue. Further, in our recent report, in 2004, we identified an additional problem. That is, we could not determine from EPA's databases the types of goods and services provided by grants. To identify goods and services obtained from discretionary grants, we surveyed discretionary grant recipients.¹¹ On the basis of our survey responses, we identified a total of eight categories (see table 1).¹² We estimated that of all the goods and services indicated by grant recipients, 59 percent were in three of these categories: (1) research and development; (2) training, workshops, and education; and (3) journals, publications, and reports.

¹⁰See U.S. General Accounting Office, *Major Management Challenges and Program Risks: Environmental Protection Agency*, [GAO-03-112](#) (Washington, D.C.: Jan. 2003).

¹¹EPA uses two databases for grant management purposes—the Grants Information and Control System and the Integrated Grants Management System. In 2004, we reported that these databases are useful for retrieving information about specific grants but that neither is useful in analyzing the kinds of goods and services funded by discretionary grants.

¹²These results apply to discretionary grants closed out in fiscal years 2001 and 2002 that had projects starting after October 1, 1997.

Table 1: Types of Goods and Services Reported by Surveyed Discretionary Grant Recipients, 2004

Dollars in millions		
Types of goods and services	Percentage of grants listing this category of goods or service	Estimated dollars for goods or service category
Training, workshops, and education	34	\$40 ^a
Research and development	24	67 ^b
Journals, publications, and reports	20	54 ^b
Cleanup, monitoring, and site assessment	15	56 ^b
Meetings, conferences, and presentations	15	27 ^a
Project support and assistance	10	19 ^c
Web sites	7	14 ^c
Other	8	18 ^a

Source: GAO analysis of survey responses.

Note: Percentage totals are greater than 100 because many grants provided more than one good or service.

^aSampling error is between one-third and one-half of the value of this estimate.

^bSampling error is between one-fourth and one-third the value of this estimate.

^cSampling error is between 60 and 70 percent of the values of this estimate.

While we were able to identify goods and services from survey responses, we could not link them to results. We reviewed the files of 67 grantees to identify if there was any link between goods and services and program measures or outcomes in grant workplans.¹³ We found that none of the 67 grants identified measures and only 9 of the 67 grants identified anticipated outcomes in their workplans.

EPA has also found that grantee workplans often do not identify environmental outcomes. In 2003, EPA began conducting internal reviews that—for the first time—quantified the extent to which its grant-issuing offices, including program and regional offices, ensured that

¹³These files were not a statistical sample. They were the universe of grant files where survey respondents had identified that their grants were beneficial to EPA.

environmental outcomes are identified in grant workplans.¹⁴ EPA reported that, overall, less than one-third of the 93 grant workplans reviewed identified environmental outcomes. (See table 2.) Among EPA's offices, the percent of workplans that identify environmental outcomes ranged from 0 to 50.

Table 2: Results of EPA's 2003 Review of EPA Grant Workplans

EPA office	Number of workplans reviewed	Number of workplans with outcomes	Percent
Office of the Administrator	15	7	46.7
Office of Air and Radiation	12	6	50.0
Office of Environmental Information	8	2	25.0
Office of Solid Waste and Emergency Response	10	3	30.0
Region 4	15	4	26.7
Region 5	16	7	43.8
Region 9	17	0	0
Total	93	29	31.2

Source: GAO analysis of EPA data.

In 2004, EPA plans to review seven other offices. As of July 2004, EPA had completed reviews of three offices. Among these three offices, EPA found environmental outcomes in a little less than half of grant workplans. Final agencywide data will not be available until the end of 2004, when EPA completes its internal reviews.

Not surprisingly, given the lack of outcomes in the workplans, OMB found that EPA grant programs are not demonstrating results. In February 2004, OMB found that 8 of the 10 EPA grant programs it reviewed were “not

¹⁴In 2003, EPA's Office of Grants and Debarment began to conduct “comprehensive grant management reviews” on the 21 EPA offices that award grants—one-third of these offices will be reviewed annually. As part of this review, reviewers select a judgmental sample of grant files to identify the extent to which grants workplans identify environmental outcomes, among other things.

demonstrating results.”¹⁵ These programs total about \$2.8 billion. (See table 3.) OMB rated the two remaining grant programs—Brownfields and Tribal Assistance Programs—totaling \$224 million as “adequate” in demonstrating results.

Table 3: EPA Grant Programs OMB Rated As “Not Demonstrating Results”

Dollars in billions	
Grant program	Fiscal year 2003 funding
Clean Water State Revolving Fund	\$1.341
Drinking Water State Revolving Fund	.850
Nonpoint Source	.237
Leaking Underground Storage Tanks	.072
Ecological Research	.132
Environmental Education	.009
Particulate Matter Research	.061
Pollution Prevention and New Technologies	.049
Total	\$2.751

Source: GAO analysis of OMB data.

According to EPA’s Inspector General, EPA’s failure to consistently identify environmental measures and outcomes can weaken grant oversight. For example, the Inspector General recently reported that EPA Region 6 could not determine whether its oversight of water, hazardous waste, and air programs in Louisiana was effective because, in part, Region 6 had not linked these programs to environmental outcomes.¹⁶ Region 6 had focused only on program outputs; it therefore could not

¹⁵OMB evaluated these programs using its Program Assessment Rating Tool (PART), a questionnaire that evaluated four critical areas of performance: purpose and design, strategic planning, management and results and accountability. These assessments, which were part of the President’s fiscal year 2005 budget submission, were published in February 2004. Although we are using OMB data, GAO has identified concerns about OMB’s PART. See U.S. General Accounting Office, *Performance Budgeting: OMB’s Performance Rating Tool Presents Opportunities and Challenges for Evaluating Program Performance*, [GAO-04-550T](#) (Washington D.C.: Mar. 11, 2004).

¹⁶These programs are the National Pollutant Discharge Elimination System, the Resource Conservation and Recovery Act, and the Title V programs. See EPA Office of Inspector General, *EPA Region 6 Needs to Improve Oversight of Louisiana’s Environmental Programs*, Report No. 2003-P-00005 (Washington, D.C.: Feb. 3, 2003).

determine whether it was using its resources wisely and achieving program results.

EPA's program and regional grants officials have identified difficulties in measuring and achieving environmental outcomes. For example:

- In response to EPA's internal reviews, Region 9 officials noted that it is costly and difficult to measure outcomes when there is a substantial time lag between implementing the grant and achieving environmental outcomes. Moreover, it is difficult to attribute environmental outcomes to one specific grant when dealing with complex ecosystems. In addition, Office of Environmental Information project officers stated that environmental outcome requirements should not apply to support functions like information management.
- Responding to the recent Inspector General report faulting Region 6 for its oversight of Louisiana's environmental programs, Region 6 officials indicated that they had been unfairly criticized for not implementing environmental measures since the agency, as a whole, had been unable to do so.

These concerns demonstrate the need for guidance that addresses the complexities of measuring and achieving environmental results.

Furthermore, not every EPA program office has yet developed environmental measures for their grant programs. For example, in June 2004, the Inspector General found that EPA has been working on developing environmental measures for the Clean Water State Revolving Fund program since 1998.¹⁷ However, EPA has not yet developed these measures or a comprehensive plan on how it plans to develop these measures, although it plans to develop these measures by February 2005.

¹⁷ According to the Inspector General, as of 2003, the Clean Water State Revolving Fund had about \$47 billion dollars available for projects since 1988. Through the program, all 50 states have a revolving loan fund that provides sources of low-cost financing for a range of water quality projects. Initially, EPA provides grants to states to establish and further fund the states' Clean Water State Revolving Fund programs; states are required to provide matching funds. The states run their programs and make loans to communities. Loan repayments are recycled back into each individual state's program to fund new water quality projects. See EPA Office of Inspector General, *Stronger Leadership Needed to Develop Environmental Measures for Clean Water State Revolving Fund*, Report No. 2004-P-00022 (Washington, D.C.: June 23, 2004).

EPA's Plan Focuses on Results, but Initial Implementation Has Been Slow and Limited

In 2003, we reported that EPA's new 5-year grants management plan was promising. In the plan, EPA had established the goal of "identifying and achieving environmental outcomes" with the objectives and associated milestones shown in table 4. As table 4 shows, EPA's progress in implementing the plan's environmental outcomes objectives is behind schedule.¹⁸

¹⁸EPA's Office of Grants and Debarment formed an agency-wide Environmental Results Workgroup to develop policies, guidance, and other steps to achieve these objectives, which includes representatives from headquarter and regional offices and representatives from grants administration as well as program offices.

Table 4: EPA Progress in Meeting Grants Management Plan's Objectives for Environmental Outcomes

Objectives ^a	Original plan date	Revised date
Objective 1: Ensuring that grantees include expected environmental outcomes and performance measures in grant workplans		
Issue grants policy guidance to ensure that all grant workplans, decision memoranda, and/or terms of condition include environmental outcomes and measurements for them	2003	2004 ^b
Develop a tutorial for grantees on how to develop performance measures for workplans	2003	2005
Require a discussion of expected environmental outcomes and performance measures in grant solicitations	2004	2005
Objective 2: Improving reporting on grantee progress made in achieving outcomes		
Establish reporting on environmental outcomes as a criterion for approval of grantee interim and final reports	2005	2005
Incorporate success in reporting on outcomes into the criteria for awarding new grants	2005	2006
Address Paperwork Reduction Act requirements to enable cooperative agreement recipients to easily collect information on environmental results and outcomes ^c	2004	2004

Source: GAO analysis of EPA data.

^aEPA also plans to incorporate into its grants management plan our August 2003 report recommendation that the agency modify the suggested protocols it uses to monitor grantees to include questions about their progress in measuring and achieving environmental outcomes.

^bEPA expects the policy to become effective January 2005.

^cAccording to EPA officials, OMB's implementation of its rules under the Paperwork Reduction Act can be an impediment to identifying results in cooperative agreements because cooperative agreement recipients must obtain the approval of OMB to survey nine or more parties.

EPA plans to issue its environmental outcomes policy—a key objective originally scheduled for 2003—in fall 2004, but the policy will not become effective until January 2005. EPA officials stated that the policy was delayed because of the difficulty in addressing environmental outcomes. Furthermore, as a result of this delay, EPA has delayed meeting the objectives of developing a tutorial for grantees, requiring outcomes in solicitations, and incorporating success on achieving outcomes into the criteria for awarding grants—objectives that are contingent on the issuance of the policy. EPA is also delaying the objective of incorporating grantee's previous success in identifying outcomes into the criteria for

awarding new grants in order to give grantees a year to understand the new policy.

In the absence of a final outcomes policy, EPA issued an interim policy in January 2004.¹⁹ The interim policy is a positive step in that for the first time EPA is requiring project officers to identify—at the pre-award stage—how proposed grants contribute to achieving the agency’s strategic goals under the Government Performance and Results Act of 1993 (GPRA).²⁰ (See fig. 3, example 1.) As we reported, project officers were linking the grant to the agency’s goal after the award decision, so that the linkage was a recordkeeping activity rather than a strategic decision.²¹

¹⁹The policy went into effect on funding packages submitted on or after February 9, 2004.

²⁰Pub. L. No. 103-62, 107 Stat. 285 (1993).

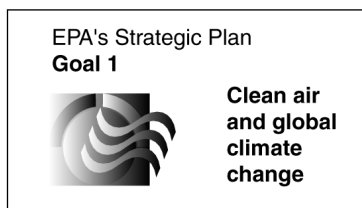
²¹U.S. General Accounting Office, *Environmental Protection: Information on EPA Project Grants and Use of Waiver Authority*, [GAO-01-359](#) (Washington, D.C.: Mar. 9, 2001) and [GAO-03-846](#).

Figure 3: EPA's Interim Policy Requires Linking Grants to Strategic Goals, but It Does Not Require Linking Grants to Environmental Outcomes

EXAMPLE 1

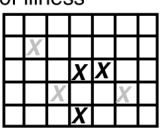
Interim policy requires project officers to link grants to EPA's strategic goals as illustrated below:

This project supports EPA's Strategic Plan Goal 1: Clean air and global climate change. Specifically, the recipient will retrofit school buses with certified diesel retrofit technology and use diesel fuel with 30 parts per gallon sulfur in support of improving air quality.



EXAMPLE 2

Interim policy encourages but does not require program officers to link grants to GPRA architecture. Such a requirement would result in the following linkages for goal 1:

Strategic goal:	Objective:	Subobjective:	Program/Project:	Outputs:	Outcomes:	Annual performance goals:
 Clean air and global climate change	 Healthier outdoor air	None	 Federal support for air quality management	 Number of school buses retrofitted  Number of students riding retrofitted buses  Annual number of bus miles	 Reduction in school days missed because of illness  Reduction in asthma attacks  Reduction in particulate matter emissions from retrofitted buses	Annual performance goal 5 Reduce particulate matter -Tons of PM ₁₀ reduced from mobile sources -Tons of PM _{2.5} reduced from mobile sources Annual performance goal 7 Reduce air toxic emissions

Source: GAO analysis of EPA interim policy.

While the interim policy is a positive first step, it does not require project officers to link grant funding to environmental outcomes. Instead, it “encourages” project officers to link grant funding to outputs, outcomes, and performance goals, as illustrated in figure 3, example 2. EPA officials explained that the interim policy did not require the full strategic plan/GPRA “architecture”—goals, objectives, subobjectives, program/project, outputs, outcomes, and annual performance goals—because not all EPA staff are trained on how to implement the strategic plan/GPRA architecture. However, when EPA’s outcome policy becomes effective, it will require every grant workplan to address the full strategic plan/GPRA architecture, including outcomes.

Finally, EPA will not meet the grant management’s plan first-year (2004) target for the performance measure of the environmental outcomes goal—the percentage of grant workplans, decision memoranda, and terms of conditions that discuss how grantees plan to measure and report on environmental outcomes. For this performance measure, using 2003 as its baseline year, EPA determined that, as previously discussed, less than one-third of its grant workplans had environmental outcomes. EPA established targets that progressively increase from this baseline to 70 percent in 2004, to 80 percent in 2005, to 100 percent in 2006. EPA officials do not expect that EPA will meet its target for 2004 because its outcome policy is not yet in place.

EPA has drafted a policy and guidance on environmental outcomes in grants. As drafted, this policy appears to have EPA moving in the right direction for addressing environmental outcomes. The policy

- *Is binding on managers and staff throughout the agency, according to EPA officials.* Previously, the Office of Grants and Debarment targeted only project officers through brief guidance on outcomes in their training manual.²²
- *Emphasizes environmental results throughout the grant life cycle—awards, monitoring, and reporting.* In terms of awards, the draft policy applies to both competitive and noncompetitive grants. For example, program offices and their managers must assure that competitive funding announcements discuss expected outputs and outcomes. In terms of grant

²²U.S. Environmental Protection Agency, *Managing Your Financial Assistance Agreements: Project Officer Responsibilities, Fifth Edition*, EPA 202-B-96-002 (Washington, D.C.: Feb. 2003).

monitoring, the policy requires program offices to assure that grantees submit interim and final grantee reports that address outcomes.

- *Requires that grants are both aligned with the agency's strategic goals and linked to environmental results.* Specifically, the draft policy requires that EPA program offices (1) ensure that each grant funding package includes a description of the EPA strategic goals and objectives the grant is intended to address and (2) provide assurance that the grant workplan contains well-defined outputs, and to the "maximum extent practicable," well-defined outcome measures. According to an EPA official, while the policy requires that program offices assure that there are well-defined outputs and outcomes, the grant funding package—an internal EPA document—will not identify each output and anticipated outcome. EPA is concerned that certain types of grants have too many outputs and outcomes to enumerate. Potential grant recipients also will not be required to submit workplans that mirror the strategic plan/GPRA architecture, owing to EPA's concern that such a requirement would cause the grant to be for EPA's benefit, and thus, more like a contract. EPA included the provision to "the maximum extent practicable" because it recognized that some types of grants do not directly result in environmental outcomes. For example, EPA might fund a research grant to improve the science of pollution control, but the grant would not directly result in an environmental or public health benefit.

EPA's forthcoming policy and guidance faces implementation challenges. First, while the guidance recognizes some of the known complexities of measuring outcomes, it does not yet provide staff with information on how to address them. For example, it does not address how recipients will demonstrate outcomes when there is a long time lag before results become apparent. Second, although the policy is to become effective in January 2005, all staff will not be trained by that time. EPA has planned some training before issuing the policy and has issued a long-term training plan that maps out further enhancements for training grant specialists and project officers on environmental results.²³ Finally, EPA has not yet determined how environmental results from its programs will be reported in the aggregate at the agency level. EPA's forthcoming order establishes that program offices must report on "significant results" from completed grants through existing reporting processes and systems, which each

²³U.S. Environmental Protection Agency, *Long-Term Grants Management Training Plan, 2004-2008*, EPA-216-R-04-001 (Washington, D.C.: Feb. 2004).

program has developed. EPA plans to convene an agencywide work group in fiscal year 2005 to identify ways to better integrate those systems.

In conclusion, we believe that if fully implemented, EPA's forthcoming outcome policy should help the agency and the Congress ensure that grant funding is linked to EPA's strategic plan and to anticipated environmental and public health outcomes. We believe that the major challenge to meeting EPA's goal of identifying and achieving outcomes continues to be in implementation throughout the agency. Realistically, EPA has a long road ahead in ensuring that its workforce is fully trained to implement the forthcoming policy and in educating thousands of potential grantees about the complexities of identifying and achieving environmental results.

Given EPA's uneven performance in addressing its grants management problems to this point, congressional oversight is important to ensuring that EPA's Administrator, managers, and staff implement its grants management plan, including the critical goal of identifying and achieving environmental results from the agency's \$4 billion annual investment in grants.

Mr. Chairman, this concludes my prepared statement. I would be happy to respond to any questions that you or Members of the Subcommittee may have.

Contacts and Acknowledgments

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