

**GAO**

Testimony

Before the Subcommittee on Water  
Resources and Environment, Committee  
on Transportation and Infrastructure,  
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**ENVIRONMENTAL  
PROTECTION AGENCY**

**Progress Has Been Made in  
Grant Reforms, but  
Weaknesses Remain in  
Implementation and  
Accountability**

Statement of John B. Stephenson, Director  
Natural Resources and the Environment





Highlights of [GAO-06-774T](#), a testimony before the Chairman, 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 challenges for many years in managing its grants, which constitute over one-half of the agency's budget, or about \$4 billion annually. EPA awards grants through 93 programs to such recipients as state and local governments, tribes, universities, and nonprofit organizations. In response to concerns about its ability to manage grants effectively, EPA issued its 5-year *Grants Management Plan* in 2003, with performance measures and targets.

This testimony is based on GAO's May 2006 report, *Grants Management: EPA Has Made Progress in Grant Reforms but Needs to Address Weaknesses in Implementation and Accountability* ([GAO-06-625](#)).

GAO examined EPA's progress in implementing its grant reforms in four key areas: (1) awarding grants, (2) monitoring grantees, (3) obtaining results from grants, and (4) managing grant staff and resources.

## What GAO Recommends

GAO's recommendations in its May 2006 report were directed toward strengthening ongoing monitoring, grant closeouts, and obtaining results from grants. EPA has agreed to implement these recommendations.

[www.gao.gov/cgi-bin/getrpt?GAO-06-774T](http://www.gao.gov/cgi-bin/getrpt?GAO-06-774T).

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](mailto:stephensonj@gao.gov).

# ENVIRONMENTAL PROTECTION AGENCY

## Progress Has Been Made in Grant Reforms, but Weaknesses Remain in Implementation and Accountability

### What GAO Found

EPA has made important strides in achieving the grant reforms laid out in its 2003 *Grants Management Plan*, but weaknesses in implementation and accountability continue to hamper effective grants management in four areas. First, EPA has strengthened its award process by, among other things, (1) expanding the use of competition to select the most qualified applicants and (2) issuing new policies and guidance to improve the awarding of grants. However, EPA's reviews found that staff do not always fully document their assessments of grantees' cost proposals; GAO also identified this problem in one region. Lack of documentation may hinder EPA's ability to be accountable for the reasonableness of a grantee's proposed costs. EPA is reexamining its cost review policy to address this problem.

Second, EPA has made progress in reviewing its in-depth monitoring results to identify systemic problems, but long-standing issues remain in documenting ongoing monitoring and closing out grants. EPA and GAO found that staff do not always document ongoing monitoring, which is critical for determining if a grantee is on track in meeting its agreement. Without documentation, questions arise about the adequacy of EPA's monitoring of grantee performance. In addition, grant closeouts are needed to ensure that grantees have met all financial requirements, provided their final reports, and returned any unexpended balances. For fiscal year 2005, EPA closed out only 37 percent of its grants within 180 days after the grant project ended, as required by its policy. EPA also did not always close out grants properly in the regional files GAO reviewed.

Third, EPA has initiated actions to obtain environmental results from its grants, but these efforts are not complete. For example, EPA's 2005 environmental results policy establishes criteria that grants should meet to obtain results. However, EPA has not established a performance measure that addresses these criteria. Furthermore, EPA has not yet identified better ways to integrate its grant reporting systems. The Office of Management and Budget's 2006 assessment also indicates that EPA needs to continue its concerted efforts to achieve results from grants.

Finally, EPA has taken steps to manage grant staff and resources more effectively by analyzing workload, providing training, assessing the reliability of its grants management computer database, and holding managers and staff accountable for successfully fulfilling their grant responsibilities. Management attention is still needed because, among other things, EPA has just begun to implement its performance appraisal system for holding managers and staff accountable for grants management.

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Mr. Chairman and Members of the Subcommittee:

We are pleased to be here today to discuss the work you requested on the Environmental Protection Agency's (EPA) grant management reforms. My testimony today focuses on the progress EPA has made in implementing its grant management reforms and the problems that remain. This testimony is based on the report being released today.<sup>1</sup>

As you know, EPA has faced challenges for many years in managing its grants, which constitute over one-half of the agency's budget, or about \$4 billion annually. In fiscal year 2005, EPA took 6,728 grant actions involving funds totaling about \$4 billion.<sup>2</sup> These awards were made through 93 programs to various types of recipients, with states receiving the largest portion (about 75 percent) of the grant funds.<sup>3</sup> As of September 30, 2005, EPA was administering grants through headquarters and regional offices to 4,075 grant recipients. Given the size and diversity of EPA's grant programs, its ability to efficiently and effectively accomplish its mission depends to a large extent on how well it manages its grant resources and builds accountability for results into its efforts.

In response to concerns about its ability to manage grants effectively, in 2003, EPA issued its *Grants Management Plan*.<sup>4</sup> In this plan, EPA for the first time presented goals, objectives, milestones, and performance measures with targets for tackling the agency's long-standing grants management problems. The 5-year plan had five goals that addressed

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<sup>1</sup>GAO, *Grants Management: EPA Has Made Progress in Grant Reforms but Needs to Address Weaknesses in Implementation and Accountability*, GAO-06-625 (Washington, D.C.: May 12, 2006).

<sup>2</sup>Grant actions involving funding include new awards, and increase and decrease amendments.

<sup>3</sup>These awards were made to six main categories of recipients: states (74.9%), local governments (9.8%), nonprofits (7.3%), universities (4%), Native American tribes (3.5%), and other (0.6%).

<sup>4</sup>EPA, *Grants Management Plan, 2003-2008*. EPA-216-R-03-001 (Washington, D.C.: April 2003). The plan's goals are to (1) strengthen the award of grants by using competition to select grantees for certain awards to ensure that the best applicants are chosen; (2) monitor grants to ensure that grantees are making progress toward their objectives and, at the end of the project period, to ensure that recipients have provided all financial and technical reports before closing out the grants; (3) obtain results from grants by identifying and measuring their environmental and public health outcomes; (4) enhance the skills of EPA personnel involved in grants management; and (5) leverage technology to improve program performance.

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major concerns we had identified in our 2003 report on grants management.<sup>5</sup> EPA has also issued policies to implement the plan and other grant reforms.<sup>6</sup> EPA is currently revising this plan to reflect accomplishments achieved and to address remaining issues.

Our testimony today assesses EPA's progress in implementing its grant reforms for (1) awarding grants, (2) monitoring grantees, (3) obtaining results from grants, and (4) managing grant staff and resources. To address these issues, we conducted our work at EPA's headquarters and regional offices. At EPA headquarters, we reviewed EPA documents from, and interviewed officials of, the Office of Grants and Debarment and the Office of Water, one of the program offices involved with grants. We reviewed EPA's Office of Inspector General reports as well as the Office of Management and Budget's (OMB) Program Assessment Rating Tool (PART).<sup>7</sup> In conducting our work, you asked us to address the implementation of EPA's grant reforms at the regional level for Clean Water Act programs. We selected Wetland Program Development Grants because it is a discretionary grant program and Nonpoint Source Management Program grants because it is a type of formula-based grant program. We reviewed EPA's progress at the regional level by selecting grants in 3 of EPA's 10 regional offices: Region 1 (Boston), Region 5 (Chicago), and Region 9 (San Francisco). We selected these regions, in part, because, collectively, they represent a significant share of regional grant funding for the two programs we reviewed and provide geographic dispersion. Our regional work offers insights into regional grant activities in the two programs in the three regions we visited, but it is not generalizable to all grants in all regions because we (1) selected only two of the programs conducted in these offices and (2) incorporated nonprobability sampling into our grant selection process. This testimony is based on GAO's report for which audit work was conducted from February 2005 through April 2006, in accordance with generally accepted government auditing standards.

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<sup>5</sup>GAO, *Grants Management: EPA Needs to Strengthen Efforts to Address Persistent Challenges*, [GAO-03-846](#) (Washington, D.C.: Aug. 29, 2003).

<sup>6</sup>For this testimony, grant reforms include EPA's *Grants Management Plan*, policies issued just prior to and after the issuance of the plan, and related efforts.

<sup>7</sup>OMB's PART is a diagnostic tool meant to provide a consistent approach to evaluating federal programs.

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In summary, EPA has made important strides in achieving the grant reforms laid out in its 2003 *Grants Management Plan*, but weaknesses in implementation and accountability continue to hamper effective grants management in four areas. Specifically:

- *Awarding grants.* EPA has strengthened its award process by, among other things, expanding the use of competition to select the most qualified applicants and issuing new policies and guidance to improve the awarding of grants. Nevertheless, EPA has found that staff do not always fully document their assessments of grantees' cost proposals, and we also identified this problem in one region. Without documentation, EPA may be limited in its ability to be accountable for the reasonableness of a grantee's proposed costs. EPA is reexamining its cost review policy to address this problem.
- *Monitoring grantees.* EPA has made progress in reviewing the results of its in-depth monitoring to identify systemic problems, but long-standing issues remain in documenting ongoing monitoring and closing out grants. EPA and we found that staff do not always document ongoing monitoring, which is critical for determining if a grantee is on track in meeting its agreement. Without documentation, questions arise about the adequacy of EPA's monitoring of grantee performance. Lack of documentation occurred, in part, because managers did not fulfill their commitment to improve monitoring documentation. Grant closeouts are needed to ensure that grantees have met all financial requirements, provided their final reports, and returned any unexpended balances. For fiscal year 2005, however, EPA closed out only 37 percent of its grants within 180 days after the grant project ended, as required by its policy. EPA also did not always close out grants properly in the regional files we reviewed.
- *Obtaining results from grants.* EPA has initiated actions to obtain environmental results from its grants, but these efforts are not complete. For example, EPA's 2005 environmental results policy establishes the criteria that grants should meet to obtain results. However, EPA has not established a performance measure that addresses these criteria. Furthermore, EPA has not yet identified better ways to integrate its grant reporting systems. Finally, OMB's 2006 assessment indicates that EPA needs to continue its concerted efforts to achieve results from grants.
- *Managing grants staff and resources.* EPA has taken steps to manage grant staff and resources more effectively by analyzing workload, providing training, assessing the reliability of its grants management computer database, and holding managers and staff accountable for successfully fulfilling their grant responsibilities. Management attention is

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still needed because, among other things, EPA has just begun to implement its performance appraisal system for holding managers and staff accountable for grants management.

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## Background

EPA offers three types of grants. First, *discretionary grants* fund activities such as environmental research and training, and EPA has the discretion to independently determine the recipients and funding levels for these grants. In fiscal year 2005, EPA awarded about \$644 million in discretionary grants. Second, *nondiscretionary grants* are awarded primarily to state and local governments and support projects often on the basis of formulas prescribed by law or agency regulation. In fiscal year 2005, EPA awarded about \$2.4 billion in nondiscretionary grants. Finally, *continuing environmental program grants* contain both nondiscretionary and discretionary features. In fiscal year 2005, EPA awarded about \$1 billion in grants for continuing environmental programs.

EPA administers and oversees grants primarily through the Office of Grants and Debarment in the Office of Administration and Resources Management, 10 program offices in headquarters, and program offices and grants management offices in EPA's 10 regional offices. As of September 30, 2005, 119 grant specialists in the Office of Grants and Debarment and the regional grants management offices were largely responsible for administrative and financial grant functions. Furthermore, 2,064 project officers were actively managing technical and programmatic aspects of grants in headquarters and regional program offices. Unlike grant specialists, however, project officers also have nongrant responsibilities, such as using their scientific and technical expertise.

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## EPA Has Strengthened the Award Process, but Lack of Key Documentation Raises Accountability Concerns

EPA has strengthened its award process by, among other things, expanding competition to select the most qualified applicants. In September 2002, EPA issued a policy that for the first time required competition for many discretionary grants.<sup>8</sup> EPA issued a revised competition policy, effective January 2005.<sup>9</sup> It enhanced competition by, among other things, reducing the threshold for competition from \$75,000 to \$15,000. EPA also issued a policy to require certain nonprofit organizations to document that they have administrative and financial systems to manage grants.

As part of its *Grants Management Plan*, the agency developed a performance measure for increasing the percentage of new grants subject to the competition policy that are actually competed and set increasing targets for achieving this measure. According to EPA, about \$249 million of the approximately \$3.1 billion it awarded in new grants in fiscal year 2005 were eligible for competition. EPA reports it now competes a higher percentage of eligible grants, up from 27 percent in fiscal year 2002 to 93 percent in fiscal year 2005, exceeding its targets for fiscal years 2003 through 2005.<sup>10</sup> The 7 percent of eligible new grants that EPA reported it did not compete—which totaled about \$10 million of the \$249 million eligible for competition in fiscal year 2005—resulted from exceptions to the policy.

While EPA has improved its award process, its internal reviews in program and regional offices have found that staff do not always fully document their reviews of grantees' cost proposals. For example, in 2004 and 2005, in six of the seven program and regional offices it reviewed, the Office of Grants and Debarment found either no documentation of cost reviews or insufficient documentation.<sup>11</sup> Furthermore, we also found this problem in one of the three regions we visited. Region 5 has a checklist to ensure that staff members who are responsible for each aspect of the cost review have completed and documented their review before awarding a grant. For

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<sup>8</sup>EPA, *EPA Order 5700.5: Policy for Competition in Assistance Agreements*, (Sept. 12, 2002).

<sup>9</sup>EPA, *EPA Order 5700.5A1: Policy for Competition of Assistance Agreements, 5700.5A1* (Jan. 11, 2005).

<sup>10</sup>In fiscal year 2005, EPA competed 1,414 new grants, or 93 percent of the 1,526 new grants eligible for competition.

<sup>11</sup>The site visits occurred in 2004 and 2005, and reports were issued later.

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most of the 12 approved award files we reviewed, we found instances in which the resolution of the issues between the project officer and grant specialist was not documented. This documentation problem may hinder EPA's ability to ensure the reasonableness of its grantees' estimated costs for performing the proposed work. Because of the continuing problems with documenting cost reviews, EPA is reexamining its cost review policy for grants.

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## **EPA Has Improved In-depth Monitoring to Identify Agencywide Problems, but Weaknesses Remain in Ongoing Monitoring and in Closing Out Grants**

EPA has improved some aspects of monitoring, but long-standing problems in documentation and grant closeouts continue. Specifically, (1) in-depth monitoring results can be analyzed nationwide, but staff do not always document corrective actions; (2) inadequate documentation of ongoing monitoring hinders accountability; and (3) EPA has reduced its closeout backlog, but grant closures are often delayed and sometimes improperly executed.

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### **In-depth Monitoring Results Can Be Analyzed Nationwide to Identify Problems, but Staff Do Not Always Document Whether Corrective Actions Have Been Taken**

EPA has begun to review the results of its in-depth monitoring to identify systemic grantee problems, but staff do not always document whether grantees have taken corrective actions. In fact, the Office of Grants and Debarment found that corrective actions were documented for only 55 percent of the 269 problems identified through administrative and programmatic reviews. We reported similar results in August 2003. According to an Office of Grants and Debarment official, while some EPA staff took corrective actions, they did not document those actions in EPA's grantee computer database.

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### **Inadequate Documentation of Ongoing Monitoring Hinders Accountability**

EPA and we found that grant specialists and project officers do not always document ongoing monitoring. Ongoing monitoring is critical because, at a minimum, EPA conducts it on every grant at least once a year throughout the life of the grant and uses the results to determine whether the grantee is on track in meeting the terms and conditions of the grant. However, our analysis of EPA's internal reviews indicates that several offices experienced recurring problems in 2004 and 2005. For example, an August 2004 Office of Grants and Debarment internal review cited one regional office as having "very limited" documentation of ongoing monitoring; and in the following year, the regional office's self-assessment found the same

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documentation problem with project officer files. A lack of documentation raises questions about the adequacy of the project officers' and grant specialists' ongoing monitoring of grantee performance.

Because of these documentation problems, two of the three regional offices we visited have committed to using checklists to document their ongoing monitoring. Regions 1 and 9 had implemented such checklists at the time of our review. However, of the 40 project officer and grant specialist files we reviewed in Regions 1 and 9, more than half of the checklists were either missing, blank, or incomplete. Similarly, in Region 5, which did not use a checklist, none of the six grant files requiring annual contact with the grantee had documentation showing that the contact had occurred.

In the three regions, we also found that project officers' files did not always contain grantees' progress reports, which, according to EPA's project officer manual, are the project officer's primary mechanism for determining if the grantee is fulfilling its grant agreement obligations. Thirteen of the 32 project officer grant files we reviewed were missing at least one or more required progress reports. When EPA staff do not obtain progress reports, they cannot monitor effectively, which may hinder accountability.

The lack of documentation for ongoing monitoring occurs because of weaknesses at the staff, supervisory, and management level in the three regions we visited. Specifically:

- Grant specialists and project officers do not consistently document key monitoring efforts, or they rely on other staff with technical expertise to assist with ongoing monitoring who may not provide the documented results for inclusion in the grant file. This situation occurred in two of the three regions we visited.
- Supervisors do not always effectively review grant files for compliance with grant policies in the three regions we visited.
- Senior EPA managers in the regions do not always ensure that their commitments to improve monitoring documentation are being met. For example, two regions had committed to using checklists to document ongoing monitoring. However, more than half of the checklists we reviewed in these regions were missing, blank, or incomplete. Despite the importance of ongoing monitoring, EPA has not created a performance measure for documenting ongoing monitoring that would

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underscore its importance to managers and staff. Furthermore, EPA's grants database has a data field for recording ongoing monitoring, but recording this information is optional. Establishing a performance measure and/or requiring the entry of information could enhance accountability for implementing the monitoring policy.

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### EPA Has Reduced Its Closeout Backlog, but Grant Closures Are Often Delayed and Sometimes Improperly Carried Out

EPA incorporated grant closeout into its monitoring policy and its *Grants Management Plan*.<sup>12</sup> During closeout, EPA ensures that the grant recipient has met all financial requirements and provided final technical reports, and ensures that any unexpended balances are “deobligated” and returned to the agency. Delays in closing out the grant can unnecessarily tie up obligated but unexpended funds that could be used for other purposes. EPA's policy states that closeouts should occur within 180 days after the grant's project end date.

In the past, EPA had a substantial backlog of grants that it had not closed out. EPA reported that, by 1995, the agency had amassed a backlog of over 18,000 completed grants that had not been closed out from the past two decades. In fact, EPA had identified closeout, among other things, as a material weakness—an accounting and internal control weakness that the EPA Administrator must report to the President and Congress.<sup>13</sup> As we reported in 2003, however, EPA improved its closeout of backlogged grants, eliminating backlog as a material weakness. Specifically, for fiscal year 2005, using its historic closeout performance measure, EPA reported that it had closed 97.8 percent of the 23,162 grants with project end dates between the beginning of fiscal year 1999 and the end of fiscal year 2003. EPA came close to its 99-percent target of closing out this backlog.

EPA developed a second closeout performance measure—which we call the current closeout performance measure. As EPA reported, the agency closed out 79 percent of the grants with project end dates in fiscal year 2004 by the end of reporting fiscal year 2005 (September 30, 2005) but did not meet its performance target of 90 percent. However, EPA's current closeout performance measure does not calculate whether EPA closed the grant within 180 days. Rather, this measure only reports whether EPA closed the grant by the end of the following fiscal year (the fiscal year in

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<sup>12</sup>EPA has had a closeout policy in effect since 1992. See EPA, *EPA Closeout Policy for Grants and Cooperative Agreements*, GPI-92-04 (Aug. 27, 1992).

<sup>13</sup>31 U.S.C. § 3512.

which it reports on closeouts—the reporting year). The measure, in fact, can allow for a much more generous closeout time—from 183 days beyond the 180 days to as much as 547 days (18 months) beyond the 180 days—because EPA does not report the performance measure until September 30, the end of the current fiscal year. EPA’s current performance measure for closing out grants is a valuable tool for determining if grants were ultimately closed out. However, we believe that this performance measure—taken alone—is not a sufficient way to measure closeout because it does not reflect the 180-day standard specified in EPA policy.

To determine the percentage of grants that were closed within 180 days, we examined EPA’s analysis of closeout time frames for regional offices, headquarter offices, and agencywide. EPA is having significant difficulty in meeting the 180-day standard. In fact, for fiscal year 2005, EPA closed out only 37 percent of the grants within the 180 days. Table 1 shows that EPA’s current performance measure is masking the fact that the agency is having significant difficulty in closing out grants within 180 days.

**Table 1: Comparison of EPA’s Performance against the Current Closeout Measure and the 180-Day Standard, Fiscal 2005 Reporting Year**

Unit	Percent of grants meeting the current measure and 180-day standard	
	Current closeout performance measure	180-day standard
Agencywide	79	37
Program offices	81	35
Region 1	96	30
Region 2	49	26
Region 3	97	51
Region 4	91	43
Region 5	37	16
Region 6	85	49
Region 7	90	44
Region 8	99	45
Region 9	76	32
Region 10	89	52

Source: GAO analysis of EPA data.

Notes: For the current closeout performance measure, GAO’s analysis of information from EPA’s Grant Information and Control System database, as of November 30, 2005; for the 180-day standard, GAO’s analysis of information from EPA’s Grant Information and Control System database, as of December 31, 2005.

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Overall, a combination of grantee lateness and internal inefficiencies contributed to late closeouts. For example:

- In Region 5, it took 795 days—615 days beyond the 180-day standard—to close out a 2-year wetland grant for \$56,778. The grantee submitted the final financial status report 114 days late because a key grant contact had died. However, it took the region an additional 591 days after the grantee provided the final reports to close out the grant. According to the grant specialist, closeout was delayed, in part, because of internal administrative delays and because the grant was “lost” under a stack of other closeout files.
- In Region 1, closure of a nonpoint source grant that provided \$796,532 over 10 years was delayed primarily because of a lack of documentation. According to the project officer who inherited the file from a retiring employee, the file had unusually poor documentation. Moreover, the state employee who assumed responsibility for the grant also did not have a complete file. Consequently, it took the project officer nearly 5 months beyond the allotted 180 days to complete close out.

Adding to the agency’s closeout problems, 8 of the 34 closed grants we reviewed in the regions were not closed out properly. Specifically:

- In Region 5, one grant specialist’s file was missing the final financial status report, which is a key report that describes how the grantee spent the grant funds and whether any unspent funds remain that need to be deobligated.
- Region 1 grant specialists had not adequately reviewed the indirect cost rate grantees submitted as part of their final financial status report, which, in turn, led to improper closeout in 5 of the 10 files we reviewed.
- In Region 9, Lobbying and Litigation Certification Forms—whose purpose is to ensure that federal dollars are not spent for lobbying or litigation activities—were missing from two grant files.

As with monitoring, without effective supervisory review of the grant and project officer files, grants may be improperly closed out. With more effective supervision, grants would be more likely to be properly closed out.

EPA has formed a work group to review its monitoring and closeout policies and plans to revise these policies in 2006.

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## EPA Has Initiated Actions to Obtain Results from Grants, but Its Efforts Are Not Complete

EPA has taken steps to obtain environmental results from its grants, but its efforts are not complete. EPA included a performance measure in its *Grants Management Plan* for identifying expected environmental results from grants and issued an environmental results policy, effective in January 2005. This policy, for the first time, requires EPA staff to ensure that grant workplans specify well-defined environmental results, which enables EPA to hold grantees accountable for achieving them.

To assess the agency's effectiveness in implementing its environmental results policy, EPA identified seven criteria that grant agreements should meet. However, EPA's current performance measure does not take into account the new criteria for identifying and measuring results from grants established by the policy. Furthermore, EPA acknowledges that it has not identified better ways to integrate its systems for reporting on the results of grants. Until recently, EPA recognized—but had not addressed in its results policy—the known complexities of measuring environmental outcomes, such as demonstrating outcomes when there is a long lag time before results become apparent. While EPA has taken positive steps by issuing a results policy, OMB's evaluation of EPA grant programs in 2006 indicate that EPA must continue its concerted efforts to achieve results from its grants. Specifically, OMB found that 5 of 18 EPA grant programs in 2006 are "ineffective" or "results not demonstrated," although there has been some improvement from 2004 through 2006.<sup>14</sup> Despite this progress, a closer examination of the ratings for 2006 indicated that, with one exception, the scores for the results component were lower than the scores for other components, such as planning and management.

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<sup>14</sup>These assessments, which were part of the President's fiscal year 2005 to 2007 budget submissions, were published in February 2004, 2005, and 2006, respectively.

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## EPA Has Taken Steps to Manage Grants Staff and Resources More Effectively but Still Faces Major Management Problems

EPA has taken steps to manage grants staff and resources more effectively in four key areas: (1) analyzing workload; (2) providing training on grant policies; (3) assessing the reliability of the agency's grants management computer database; and (4) holding managers and staff accountable for successfully fulfilling their grant responsibilities. Nevertheless, management attention to these four issues is still needed.

*Analyzing workload.* Fulfilling an objective identified in the *Grants Management Plan*, in April 2005, an EPA contractor's analysis of project officers and grant specialists showed that EPA had an overall shortage of project officers and grant specialists, expressed in full-time equivalents.<sup>15</sup> The contractor recommended that before EPA add staff, it take steps to improve the effectiveness and efficiency of its grants management operations. As a result, grant offices are preparing project officer workforce plans—due this year—that incorporate the workload analysis.

*Providing training.* EPA has provided some training on grant policies; however, according to EPA staff, the amount of training has not been sufficient to keep pace with the issuance of new grant policies. Region 1 provided training for its project officers on the new awards process. However, only about 25 of the region's 200 project officers attended the optional 90-minute course, although they had three opportunities to do so.

*Assessing the reliability of the grants computer database.* In 1997, EPA began developing the Integrated Grants Management System to better manage its grants; EPA now also uses this database to inform the public and the Congress about its \$4 billion investment in grants. Data quality problems in this database could impair EPA's ability to effectively manage grants and provide accurate information. In 2005, we recommended that EPA conduct a comprehensive data quality review of its Integrated Grants Management System.<sup>16</sup> EPA expects to complete this review in 2006.

*Holding managers and staff accountable.* In 2005, EPA's Inspector General reported that EPA was not holding supervisors and project

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<sup>15</sup>LMI Government Consulting, *Management of Assistance Agreements at the Environmental Protection Agency: Workload Analysis and Models*, April 2005.

<sup>16</sup>GAO, *Grants Management: EPA Needs to Strengthen Efforts to Provide the Public with Complete and Accurate Information on Grant Opportunities*, [GAO-05-149R](#) (Washington, D.C.: Feb. 3, 2005).

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officers accountable for grants management.<sup>17</sup> In response, EPA issued a plan in January 2006 to ensure that the agency's new performance appraisal system addresses grants management responsibilities. For the 2007 performance appraisal process, EPA plans to establish a workgroup to develop final performance measures to assess the grants management performance of project officers and supervisors and to incorporate these measures into 2007 performance agreements. Our review is consistent with the Inspector General's findings. As previously discussed, EPA grants staff told us that their supervisors were not reviewing their grant files to determine compliance with grant monitoring policies. It is possible that the awarding, monitoring, and closeout problems we found would have been mitigated by effective supervisory review.

Mr. Chairman, about 3 years into its *Grants Management Plan, 2003-2008*, EPA has made important strides in achieving its grant reforms, but it has not resolved its long-standing problems in documenting ongoing monitoring and closing out grants. As it revises its management plan, EPA has an opportunity to tackle these continuing problems. In our report, we recommended that the Administrator of EPA take actions to strengthen ongoing monitoring, closing out grants, and obtaining results from grants, and the agency has agreed to implement our recommendations. At the same time, we believe that congressional oversight has contributed to EPA's progress to date and that continuing oversight is important to ensuring that EPA builds accountability into the agency's efforts to achieve results from its \$4 billion annual investment in grants.

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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.

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<sup>17</sup>EPA Office of Inspector General, *EPA Managers Did Not Hold Supervisors and Project Officers Accountable for Grants Management*, Report No. 2005-P-00027 (Washington, D.C.: Sept. 27, 2005).

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For further information, please contact John B. Stephenson at (202) 512-3841. Individuals making key contributions to this testimony were Andrea Wamstad Brown, Bruce Skud, Rebecca Shea, Lisa Vojta, Carol Herrnstadt Shulman, Omari Norman, David Bobruff, Matthew J. Saradjian, and Jessica Nierenberg.

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Gloria Jarmon, Managing Director, [JarmonG@gao.gov](mailto:JarmonG@gao.gov) (202) 512-4400  
U.S. Government Accountability Office, 441 G Street NW, Room 7125  
Washington, D.C. 20548

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## Public Affairs

Paul Anderson, Managing Director, [AndersonP1@gao.gov](mailto:AndersonP1@gao.gov) (202) 512-4800  
U.S. Government Accountability Office, 441 G Street NW, Room 7149  
Washington, D.C. 20548