



Highlights of [GAO-06-625](#), a report to 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.

GAO was asked to assess 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. To conduct this work, GAO, among other things, examined the implementation of the reforms at the regional level for two Clean Water Act programs in 3 of EPA's 10 regional offices.

What GAO Recommends

GAO's recommendations are primarily directed toward establishing new performance measures and targets for ongoing monitoring, closeouts, and environmental results.

In commenting on a draft of this report, EPA stated that it generally agreed with GAO's recommendations and will incorporate them into its *Grants Management Plan*, policies, and procedures.

www.gao.gov/cgi-bin/getrpt?GAO-06-625.

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.

GRANTS MANAGEMENT

EPA Has Made Progress in Grant Reforms but Needs to Address Weaknesses 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. Despite this progress, 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 the 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. This lack of documentation occurred, in part, because managers have not fulfilled their commitment to improve monitoring documentation. 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 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 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, the Office of Management and Budget's 2006 assessment 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.