



# GRANTS MANAGEMENT

## EPA Needs to Better Document Its Decisions for Choosing between Grants and Contracts

Highlights of [GAO-04-459](#), a report to the Chairman, Committee on Transportation and Infrastructure, House of Representatives

### Why GAO Did This Study

Grants and contracts constitute over two-thirds of the Environmental Protection Agency's (EPA) budget. In fiscal year 2003, EPA awarded \$3.6 billion in grants directed by Congress, \$656 million in grants awarded at its own discretion, and \$934 million in contracts. Under the Federal Grant and Cooperative Agreement Act of 1977, whether EPA should award a grant or a contract depends upon the principal purpose of the award.

In this context, GAO was asked to determine (1) the trends over the last 11 years on EPA's expenditures on discretionary grants and contracts and the types of goods and services obtained by each and (2) the extent to which EPA has and follows procedures for deciding when to use grants or contracts.

### What GAO Recommends

GAO recommends that EPA consider ways to improve compliance with its requirement to properly document in its award decision memorandums the justification for using a grant instead of a contract.

In commenting on a draft of this report, EPA stated that it agreed with and will implement GAO's recommendation.

[www.gao.gov/cgi-bin/getrpt?GAO-04-459](http://www.gao.gov/cgi-bin/getrpt?GAO-04-459).

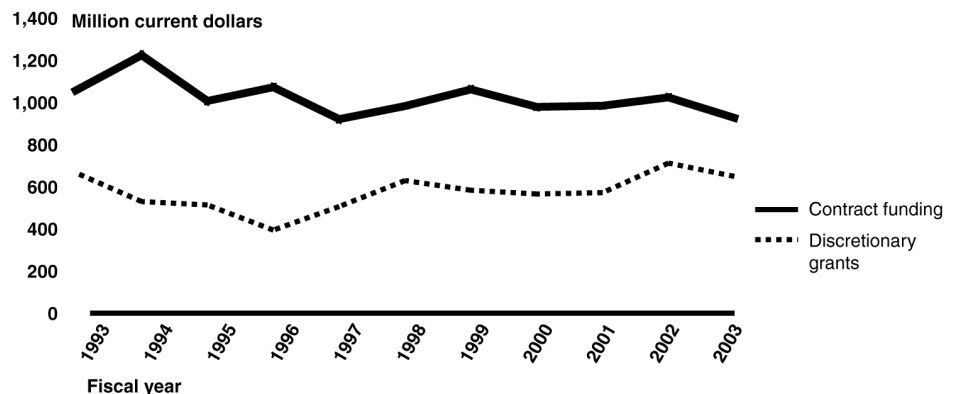
To view the full product, including the scope and methodology, click on the link above. For more information, contact John B. Stephenson at (202) 512-6225 or [stephensonj@gao.gov](mailto:stephensonj@gao.gov).

### What GAO Found

EPA's funding for discretionary grants and contracts had similar trends from fiscal years 1993 through 2003, suggesting limited migration between these funds in EPA's budget over this period. Although EPA grants data provide little information on goods and services obtained with discretionary grants, GAO estimates, based on its survey of grantees with grants closed in fiscal years 2001 and 2002 and that had project start dates after October 1, 1997, that the majority of goods and services fell into three categories: (1) research and development; (2) training, workshops, and education; and (3) journals, publications, and reports.

EPA has specific procedures to guide decisions on choosing grants or contracts but often has not followed a very important one—documenting in its award decision memorandums the reasons for choosing a grant instead of a contract. EPA procedures define staff roles and responsibilities, provide examples of when to use a grant or a contract, and require documentation in the award decision memorandum to justify the use of a grant or a contract. However, in 64 percent (43 of 67) of the memorandums GAO reviewed, EPA did not fully justify its reasons for choosing a grant instead of a contract. It is unclear whether this shortcoming obscured inappropriate decisions to use grants instead of contracts. On the one hand, GAO's survey results showed that an estimated 8 percent of EPA's discretionary grantees would identify EPA as the primary and direct beneficiary. This estimate could suggest that the principal purpose of the grant award was acquiring property or services for EPA's direct benefit, and that EPA should have awarded some grants as contracts. However, for those grantees who identified EPA as the grant's primary and direct beneficiary, GAO's review of grant files and follow-up interviews indicated that some of these grants benefited both the federal government and the public and therefore could arguably have been awarded as either a grant or a contract.

Trends in EPA Discretionary Grant and Contract Funding, Fiscal Years 1993 through 2003



Source: GAO analysis of EPA data.