



Office of Inspector General

Audit Report

EPA'S TRAINING ASSISTANCE AGREEMENTS

E1XMF6-03-0224-8100070

March 4, 1998

Inspector General Division
Conducting the Audit:

Mid-Atlantic Audit Division
Philadelphia, PA

Program Offices Involved:

Grants Administration Division

National Program Chemicals
Division

Office of Small and Disadvantaged
Business Utilization



March 4, 1998

MEMORANDUM

SUBJECT: Audit Report on EPA's
Training Assistance Agreements
Audit Report Number E1XMF6-03-0224-8100070

FROM: Michael Simmons *Michael Simmons*
Deputy Assistant Inspector General for Internal Audits (2421)

TO: Alvin M. Pesachowitz
Acting Assistant Administrator
for Administration and Resources Management (3101)

Attached is our final audit report on EPA's Training Assistance Agreements. It incorporates our original draft report, which was issued by our Mid-Atlantic Division on August 6, 1997, to the Director, Grants Administration Division, OARM, and the Director, Chemical Management Division, OPPTS.

The overall objective of this audit was to determine whether EPA training resources were used economically and efficiently. Specifically, we wanted to identify the assistance agreements awarded for training and determine if the cost to train students for similar courses was comparable.

This audit report contains findings that describe problems the Office of Inspector General (OIG) has identified and corrective actions the OIG recommends. This audit report represents the opinion of the OIG. Final determinations on matters in the audit report will be made by EPA managers in accordance with established EPA audit resolution procedures. Accordingly, the findings contained in this audit report do not necessarily represent the final EPA position, and are not binding upon EPA in any enforcement proceeding brought by EPA or the Department of Justice.

ACTION REQUIRED

In accordance with EPA Order 2750, you as the action official are required to provide us a written response to the audit report within 90 days. Your response should address all recommendations and include milestone dates for corrective actions planned, but not completed.

We have no objection to the release of this report to the public. Should you have any questions about this report, please contact Michael Wall, Audit Manager, Mid-Atlantic Audit Division, at (215) 566-5800.

Attachment

EXECUTIVE SUMMARY

PURPOSE

The purpose of our audit was to determine whether EPA training resources were used economically and efficiently. Specifically, we wanted to: (a) identify the assistance agreements awarded for training; and, (b) determine if the cost to train students for similar courses was comparable.

BACKGROUND

In 1994, according to Agency records, \$4.9 million was authorized for lead training and \$341,000 was authorized for asbestos training (\$100,000 for training agreements with small, minority, and women-owned businesses and \$241,000 for a nonprofit labor organization). These funds were awarded in assistance agreements under Section 10 of the 1976 Toxic Substances Control Act (TSCA).

RESULTS-IN-BRIEF

EPA did not accurately code its fiscal year 1994 assistance agreements. According to the Agency's Assistance Administration Manual, the Grants Administration Division assigns specific codes to all agreements based upon their purpose. We found that 21 of 34 agreements that were purpose-coded as "Special Investigations, Surveys, or Studies" were in fact for "Training." As a result, EPA did not know precisely what it spent on training. Moreover, it was not clear whether EPA had the authority to award lead assistance agreements under TSCA.

EPA awarded the 21 assistance agreements, but it did not monitor how many students were being trained or the cost of training each student. Without this information EPA could not assess how efficiently the money was being spent under the agreements.

RECOMMENDATIONS

We recommend that the Acting Assistant Administrator for Administration and Resources Management seek written clarification should inconsistencies with statutory authority arise regarding the award of future assistance agreements and ensure that grants specialists code assistance agreements in accordance with EPA's Assistance Administration Manual.

We recommend that the Director of the Grants Administration Division require all recipients provide an estimate of the number of students they plan to train, and use these estimates as a monitoring tool to determine if the recipients are meeting these estimates. We also recommend that project officers be required to complete written evaluations of the recipients' performance. If performance is unsatisfactory, the evaluation should be sent to the Grants Administration Division for consideration when the recipient applies for additional training funds from EPA.

**AGENCY
COMMENTS AND
OIG EVALUATION**

We issued a draft report on August 6, 1997, and received the Agency's response on September 16, 1997. We reviewed the response, held an exit conference on September 23, 1997, and made changes to our report as warranted. As a result of the response, it was not clear whether EPA had the authority to award lead assistance agreements under TSCA. Thus, on December 19, 1997, we issued a revised draft report and received the Agency's response on January 30, 1998. We reviewed the response and obtained clarification on February 12, 1998.

The Agency's response to the original draft audit report can be found in its entirety in Appendix A. Appendix B is the OIG's evaluation of the issues resolved from the original draft report. The Agency's response to the revised draft audit report can be found in its entirety in Appendix C. Our evaluation of the responses is contained at the end of each chapter.

TABLE OF CONTENTS

EXECUTIVE SUMMARY	3
CHAPTER 1	7
INTRODUCTION	7
Purpose	7
Background	7
Scope and Methodology	7
Prior Audit Coverage	9
CHAPTER 2	11
TRAINING COSTS WERE UNKNOWN	11
GAD Response and OIG Evaluation of Original Draft	12
Other Issues	13
Recommendations	14
OARM Response	15
OIG Evaluation	16
CHAPTER 3	17
MONITORING OF TRAINING AGREEMENTS WAS INADEQUATE	17
Asbestos Training	18
Lead Training	19
Conclusion	21
Recommendations	21
Agency Response	21
OIG Evaluation	22
APPENDIX A	25
Agency Response to Original Draft Audit Report	25
APPENDIX B	41
OIG Evaluation of Issues Resolved From the Original Draft Audit Report	41
APPENDIX C	45
Agency Response to Revised Draft Audit Report	45
APPENDIX D - DISTRIBUTION	50

[This page was intentionally left blank]

CHAPTER 1

INTRODUCTION

Purpose The purpose of our audit was to determine whether EPA training resources were used economically and efficiently. Specifically, we wanted to: (a) identify the assistance agreements awarded for training; and, (b) determine if the cost to train students for similar courses was comparable.

Background During fiscal year 1994, Congress authorized \$4.9 million for lead training. Of this amount approximately \$2.8 million was earmarked for nonprofit organizations engaged in lead-based paint abatement worker training, with special emphasis on opportunities for minorities and low income community residents. Another \$1.9 million was used to fund the National University Continuing Education Association and the Regional Lead Training Centers. The remaining \$200,000 was reserved for small, minority, and women-owned businesses.

During fiscal year 1994, \$341,000 was also authorized for asbestos training with \$100,000 designated for assistance agreements with small, minority, and women-owned businesses. The remaining \$241,000 was provided to a nonprofit labor organization. Both the lead and the asbestos training funds were awarded in assistance agreements under Section 10 of TSCA.

Scope and Methodology We performed this audit according to the *Government Auditing Standards* (1994 Revision) issued by the Comptroller General of the United States as they apply to economy and efficiency audits. We began our fieldwork on September 4, 1996 and finished on July 21, 1997. We issued a draft report on August 6, 1997, and received a response on September 16, 1997. We reviewed the response, held an exit conference on September 23, 1997, and made changes to our report as warranted. As a result of the response, it was not clear whether EPA had the authority to award lead assistance agreements under TSCA. Thus, on December 19, 1997, we issued a revised draft report to the Office of Administration and Resources Management

(OARM) to which we received the Agency's response on January 30, 1998. We reviewed the response and obtained clarification on February 12, 1998.

The Agency's response to the original draft audit report can be found in its entirety in Appendix A. Appendix B is the OIG's evaluation of the issues resolved from the original draft report. The Agency's response to the revised draft audit report can be found in its entirety in Appendix C. Our evaluation of the responses is contained at the end of each chapter.

To accomplish our objectives we attempted to identify all training assistance agreements issued by EPA Headquarters during fiscal year 1994. We selected 1994 to ensure that the projects/agreements were completed. We found that at least 21 of the 34 assistance agreements coded as "Special Investigations, Survey, or Studies" should have been coded as "Training." We judgementally selected 21 (19 lead and 2 asbestos) of these 34 assistance agreements for review.

We conducted a site visit to Washington, DC and interviewed personnel from the National Program Chemicals Division (Office of Prevention, Pesticides, and Toxic Substances), as well as personnel from the Grants Administration Division (Office of Grants and Debarment). We also interviewed personnel affiliated with nonprofit organizations and with the Regional Lead Training Centers. We reviewed 21 project files containing materials such as preproposals, proposals, work plans, quarterly progress reports, and final progress reports. We also reviewed several lead training course manuals, the TSCA of 1976, the Title X-Residential Lead-Based Paint Hazard Reduction Act of 1992, the Code of Federal Regulations applicable to assistance agreements, EPA's Assistance Administration Manual, the Federal Register, and printouts from the Grants Information Control System (GICS).

Our audit included an evaluation of management controls and procedures specifically related to the audit objectives. Specifically, we reviewed the Agency's Assistance Administration Manual and the progress reports submitted to EPA by the recipients of the assistance agreements. We did not review the internal controls associated with the input and processing of information into GICS.

Prior Audit Coverage

Several past EPA Office of the Inspector General audit reports have addressed assistance agreements.

- Audit Report E1FMF4-03-0141-5100513, issued on September 28, 1995, discussed inadequacies in the management of assistance agreements by EPA project officers and grants specialists.
- Audit Report E3BEL4-03-0476-5100485, issued on September 18, 1995, was a financial audit for two cooperative agreements, one being the National Environmental Training Center for Small Communities. The report found the federal share of \$96,043 ineligible and \$4,729 unsupported out of the \$2,259,755 incurred.
- Audit Report E3FMP2-03-0364-3400017, issued on January 25, 1993, concluded that training provided by the National Association for Minority Contractors could have been obtained from other nonprofit organizations at a lower cost.

[This page was intentionally left blank]

CHAPTER 2

TRAINING COSTS WERE UNKNOWN

According to Agency records, in fiscal year 1994, EPA Headquarters awarded \$22.4 million under 119 training assistance agreements. Based on the title descriptions however, it appeared that there were additional training assistance agreements. Specifically, there were 34 such agreements, worth \$6.6 million, with the word "Training" in the title that were coded as "Special Investigations, Surveys, or Studies." We reviewed 21 of the 34 agreements and found that they should have been coded as "Training."

As a result, the Agency's training costs were understated and the actual amount of money spent for training is unknown. Moreover, we also noted several instances where EPA paid more than once to have similar training materials developed.

According to the Agency's Assistance Administration Manual, the Grants Administration Division (GAD) is responsible for assigning numbers to all assistance agreements administered by EPA Headquarters. The manual provides specific program codes to be used to identify the assistance program under which each agreement is awarded.

Examples of Program Codes

CODE	PROGRAM
R	Research
S	Demonstration
T	Training
U	Fellowships
X	Special Investigations, Surveys or Studies

The 34 assistance agreements covered a variety of EPA programs such as the American Indian Air Quality Training Program, or Radon Training for Small, Minority, and Women-owned Businesses. In an

effort to determine if they had been miscoded, we reviewed 21 of the agreements (19 lead-related and 2 asbestos-related). We also interviewed personnel within the Grants Administration Division, the lead program, and the asbestos program. Although none of the EPA personnel could provide explicit explanations, some did speculate on what may have happened. For example, grants personnel said they vaguely recalled program personnel requesting that the lead and asbestos training agreements be coded as “X” rather than “T,” but they could not remember who made the request. Discussions with the program personnel yielded a similar response; the lead agreements were coded “X” to conform with the asbestos agreements, but it was unknown who made this decision or why it was made. We believe it is important to code training assistance agreements correctly so that Agency personnel can determine what training courses are being developed.

**GAD Response and
OIG Evaluation of
Original Draft**

In response to our original draft report, GAD concurred with the recommendation that grants specialists adhere to the grants numbering criteria contained in EPA’s Assistance Administration Manual. However, GAD asserted the assistance agreements identified in the audit report were in fact properly coded because the activities performed under these grants included a variety of tasks including the development of training materials, analysis of materials, delivery of training in the classroom, and testing and evaluation of both students and materials. Thus, GAD believed the projects funded by the grants properly supported “development” under TSCA Section 10 and were appropriately coded. As a result of the response, we reviewed TSCA Section 10 and the Federal Register Notice under which the Agency solicited preproposals for lead assistance agreements.

TSCA Section 10 is entitled “Research, Development, Collection, Dissemination, and Utilization of Data.” It stipulates that the Administrator may make grants for research, development, and monitoring; the only training it authorizes is that for the training of Federal laboratory and technical personnel in existing or newly developed screening and monitoring techniques.

The Agency’s notice soliciting preproposals for lead training grants was included in the Federal Register of April 20, 1994. Here, EPA

explained that it had received 1994 congressional add-on funds to provide training grants to nonprofit organizations engaged in lead-based paint abatement worker training and education activities. The Agency planned to award a total of \$2.8 million through cooperative agreements to eligible organizations. The award recipients could use the monies to deliver lead-based paint abatement worker courses and to deliver train-the-trainer courses. The preproposals would be evaluated based on experience in the development and delivery of training courses, and applicants were instructed to provide copies of any course material already being used. However, because EPA had already funded the development of a model course curriculum for workers, the monies “may not be used for . . . development of new training course curricula for workers.”

Consequently, we still believe that the agreements in our review should have been coded as training rather than development, and that EPA’s training costs were understated. We disagree with GAD that the assistance agreements reviewed were properly coded with an “X.” The Agency’s Assistance Administration Manual stipulates that the “X” code is to be used for investigations, surveys or studies; the manual specifically excluded the use of this code for activities such as research, demonstration, or training. The examples that GAD offers to support its position are all related to training. The only “development” cited was the development of training materials. Moreover, because the only training mentioned under TSCA Section 10 was for the training of Federal workers, it appears that there was a problem with the statutory authority under which the agreements were awarded.

Other Issues

We also found several instances where EPA paid different organizations to develop similar products. On 3 of the 19 lead training assistance agreements, EPA paid to have a “train-the-trainer manual” developed. We obtained two of these manuals and concluded that much of the content was duplicative, i.e., they explained generically how to conduct workshop sessions. (We had also noted a similar situation on a prior audit whereby the recipient of water program funds subcontracted to have two “train-the-trainer” manuals developed). Rather than paying for “train-the-trainer” manuals needed by various EPA programs under multiple agreements, we believe it would be more economical to select a single generic manual to cover all EPA

programs. In any event, we believe that the lead program should have only one manual.

Finally, the process by which similar materials were developed was somewhat complicated. The two manuals we reviewed were paid for under two separate assistance agreements. In one instance, EPA awarded the agreement to a nonprofit organization, which in turn subcontracted the development of the manual to a University that was a Regional Lead Training Center. In the second case, EPA awarded the agreement to a nonprofit organization, which in turn subcontracted the development of the manual to a University that was a Regional Lead Training Center, which again subcontracted the manual to a profit-making organization. In our opinion, the Agency should avoid such subcontract layering because it increases costs.

We also believe that it would be beneficial if all training materials, such as the “train the trainer” manuals, were located in a central location available for use by all EPA programs. By doing so the Agency could help eliminate duplication. For example, rather than task recipients to create new manuals under future assistance agreements, program personnel could use manuals already developed under past agreements.

Recommendations

We recommend that the Acting Assistant Administrator for Administration and Resources Management:

- 2-1. Seek written clarification should inconsistencies arise regarding the statutory authority for the award of future assistance agreements.
- 2-2. Ensure that grants specialists adhere to the grants numbering criteria contained in EPA’s Assistance Administration Manual.

OARM Response

Recommendation 2-1:

We concur that GAD should seek written clarification should inconsistencies arise regarding the statutory authority for the award of future assistance agreements. It is GAD's practice to work with the Program Office and the Office of General Counsel (OGC) to ensure that the scope of work is statutorily authorized.

One way GAD ensures the correct use of statutory authorities is through pre-solicitation review and/or meetings with Program Offices during the pre-award phase. Program Offices may forward to GAD, for their review and comment, a copy of their solicitation notice before it is published. It is during the solicitation review that GAD has the opportunity to examine the proposed objectives and to determine if EPA has the statutory authority to fund the activities. If GAD believes the activities to be performed are not consistent with the intent of the statutory authority, written clarification from the Program Office is requested. Once written clarification is obtained from the Program Office, the information is reviewed by GAD and, if necessary, forwarded to OGC for their review and opinion.

GAD also ensures the correct citation of statutory authority on assistance agreements during the review of the assistance funding package in the award phase. As a component of the assistance funding package, the decision memorandum must cite the statutory authority which authorizes the proposed grant activities. The Grants Specialist reviews the decision memorandum to ensure the proposed project objectives are consistent with the intent of the statutory authority. If there are inconsistencies or questions, the Grants Specialist, along with the Award Official, will re-review the application and contact the Program Office for written clarification. Once written clarification is obtained from the Program Office and if GAD still has concerns, the written clarification along with the original grant application and the decision memorandum are forwarded to OGC for their review and opinion.

Recommendation 2-2:

We concur that grants specialists adhere to the grants numbering criteria contained in Chapter 4 of EPA's Assistance Administration Manual.

The program code X, as documented in the Catalogue of Federal Domestic Assistance, was developed to include all authorized activities for which no specific program code exist, such as survey, studies, investigations, development, experiments, and monitoring. Unfortunately, the Assistance Administration Manual does not indicate this. Currently, GAD is looking into viable alternatives to revising the Assistance Administration Manual.

As previously mentioned in our September 16, 1997, audit response, GAD is developing a new Integrated Grants Management System (IGMS) which will replace the current Grants Information and Control System (GICS) by the end of CY 2000. During the development of IGMS, GAD will be reviewing the numbering system of applications as well as the need for specific Agency tracking and analytical identifiers to improve the ease and accuracy of reporting. System features which allow specialists to select from a textual list of options rather than a code will also support improved data accuracy.

OIG Evaluation**Recommendation 2-1:**

OARM's concurrence to have GAD seek written clarification should inconsistencies arise regarding the statutory authority for the award of future assistance agreements meets the intent of the recommendation. Thus, no further action is required.

Recommendation 2-2:

In a follow-up conversation, we confirmed that OARM agreed with GAD's assertion that the assistance agreements were in fact properly coded as "development" rather than as "training." We disagree that the agreements were properly coded for the reasons previously stated, i.e., EPA solicited recipients to provide training not development. Thus, our original recommendation remains unchanged.

CHAPTER 3

MONITORING OF TRAINING AGREEMENTS WAS INADEQUATE

We reviewed 21 training assistance agreements totaling \$4.6 million and found that EPA did not always know how many students were being trained, or how much it was costing to train each student. The Agency did not require the recipients of the agreements to provide estimates of the number of students they expected to train. And, even in the instances where estimates were provided, EPA project officers did not compare these estimates to the actual numbers of students being trained. Had they done so, the project officers would have been able to measure and compare the success rates of the various training grant recipients. This condition occurred due to a perception on the part of some project officers that they were not required to actively monitor the agreements. As a result, recipients were never questioned why they trained only a small portion of the estimated number of students contained in their proposals. Also, the Agency was unaware of the wide disparities among the agreements in the cost to train the students.

Two of the 21 assistance agreements in our review were awarded to provide asbestos abatement training. The other 19 agreements were awarded to provide lead abatement training. Based on progress reports provided by the project officers, we compared the cost to train students under the various agreements we reviewed. We found that the cost of the asbestos training ranged from \$285 to \$1,493 per student, while the cost of the lead training ranged from \$500 to \$3,431 per student. We noted no instance where a project officer ever questioned why such disparities existed, or why the recipient was not training the number of students it was paid to train.

Asbestos Training

Recipient	Training Cost	Estimated Students	Actual Students	Cost Per Student
1	\$209,530	533/900	734	\$285
2	\$100,000	N/A	67	\$1,493

Recipient 1

The assistance agreement provided the recipient \$209,530 to train an estimated 533 people in asbestos abatement. However, in December 1993 the recipient increased its estimate to a total of 900 people. In its final progress report dated December 1996, the recipient explained it had trained a total of 734 people. Although the final report was two years late, and the recipient did not achieve its amended estimate, the cost per student compared favorably to the other recipient that provided asbestos training.

Recipient 2

An amendment to the assistance agreement provided this recipient \$100,000 to deliver three asbestos abatement training courses for minority contractors and workers. The recipient did not estimate the number of students expected per class. According to the quarterly progress reports, only 67 students were trained for an average cost of \$1,493 per student, or more than five times the amount charged by Recipient 1.

LEAD PROGRAM

The majority of the 19 lead training recipients used EPA's lead model worker course as a basis for their training. Therefore, we did not expect to find a large range in the cost per student. However, inexplicably the cost per student for lead training ranged from \$500 to \$3,431. Eleven of the lead training assistance agreements provided an estimate in the proposal of the number of students to be trained and eight did not. Four of the eleven recipients met or surpassed the number of students estimated, four trained above half the estimated students, and three trained less than 50 percent of the estimates in their proposal. The project officers did not know which of the recipients had

met or had not met their goals. We questioned the project officers about EPA's recourse if a recipient failed to train the number of students estimated in their proposal. Their overall response was that the recipients did the best they could, but if they did not meet the estimates it may have been because they were too optimistic in their proposals. We reviewed each of the agreements and provided details on several of the higher cost per student agreements.

Lead Training

Recipient	Training Cost	Estimated Students	Actual Students	Cost Per Student
A	\$28,000	80	56	\$500
B	\$138,000	360	248	\$556
C	\$705,000	1,560	1,257	\$561
D	\$708,000	1,000	1,044	\$678
E	\$300,000	156	294	\$1,020
F	\$164,000	200	159	\$1,031
G	\$129,000	60	106	\$1,217
H	\$206,000	400	166	\$1,241
I	\$106,000	75	75	\$1,413
J	\$160,000	600	57	\$2,807
J	\$130,000	180	44	\$2,955
K	\$175,000	180	51	\$3,431

Recipient I

The assistance agreement provided \$106,000 to the recipient to train 75 students in lead-based paint abatement, the same number budgeted in the proposal. Our concern was the cost per student was \$1,413. By comparison, Recipient A also provided lead-based paint abatement training, but at a cost of only \$500 per student.

Recipient J

In September 1994, the assistance agreement provided \$160,000 for the recipient to train 50 students a month (according to the recipient's proposal). Thus, during the first year of the agreement the recipient planned to train a total of 600 students. After the first quarter of the year the recipient reported that it was decreasing its estimate from 50 to 10-20 students per month. Moreover, by the third quarter this estimate dropped to 5-15 students per month. However, this lower estimate was overly optimistic because by the end of the year the recipient had trained only 57 students, rather than the 600 originally proposed. Had the recipient achieved the proposed amount, the average cost per student would have been \$267 ($\$160,000/600$ students), rather than the actual cost of \$2,807 per student ($\$160,000/57$ students).

We contacted the EPA project officer to ask about the shortfall in students and whether the increased cost per student was a concern. The project officer recalled that, although the recipient had not gotten the response anticipated, EPA advised the recipient to do the best it could.

In September 1995, without ever questioning why there had been so few students trained during the first year, EPA amended the assistance agreement to provide the recipient with \$130,000 for a second year. Although the recipient estimated it would train between 10-20 students per month (or an average of 180 students per year), according to quarterly progress reports it actually trained a total of only 44 students. Thus, the cost per student was \$2,955 ($\$130,000/44$ students) rather than \$722 per student ($\$130,000/180$ students). As of 1997, the recipient had yet to submit an acceptable final progress report despite requests from both the project officer and the grants specialist.

Recipient K

The assistance agreement provided the recipient with \$175,000 to train an estimated 180 students. According to the final progress report only 51 students were actually trained. The recipient informed us that the plan was to have the 51 students train others, but could not supply us with any information as to how many additional people may have been trained. Also, although the recipient's budget included supplies for 180 students, the final report failed to address what happened to the unused supplies. There was no evidence that EPA ever questioned why only

28 percent of the students were trained, or what happened to the excess supplies.

Conclusion

EPA did not always know the number of students being trained or the cost per student. It did not require recipients to provide estimates, or, where estimates existed, compare them to the actual number of students being trained. As a result, the Agency did not question why recipients did not accomplish the intent of the assistance agreements, and was unaware of the disparities in training costs among the recipients. Moreover, this problem was not new. OIG Audit Report E3FMP2-03-0364-3400017, issued on January 25, 1993, concluded that the training provided by one of the recipients discussed in this report could have been obtained from other nonprofit organizations at a lower cost.

Recommendations

We recommend that the Director of the Grants Administration Division:

- 3-1. Prior to approving training assistance agreements, require the recipients to provide an estimate of the number of students they plan to train. Project officers and grant specialists can use these estimates as a monitoring tool to determine if the recipients are meeting the purposes of the agreements.

- 3-2. Require project officers to complete written evaluations at the end of the project of the recipients' performance. If performance is unsatisfactory, the evaluation forms should then be sent to the Grants Administration Division for consideration when the recipient applies for additional training funds from EPA.

Agency Response

Recommendation 3-1:

We agree that accurate and timely information regarding the number of students trained and project costs is necessary for project officers to

monitor the performance of recipients of training grants and cooperative agreements. Nonetheless, we take issue with the draft report's finding that variances in training costs, in and of itself, is a valid indicator of lax oversight. We also take issue with the report's contention that the Agency's oversight was inadequate because administrative sanctions were not imposed when training estimates were not met. Nonetheless, the National Program Chemicals Division will consider OIG's recommendation that the Agency require recipients to agree to binding estimates of the number of students to be trained and milestones to measure progress toward meeting these estimates.

Recommendation 3-2:

Unlike acquisitions, for which the Agency has authority to use unsatisfactory past performance to decline to award a contract, the Agency's authority to use past performance in assistance award decisions is more limited. When an assistance recipient has a history of unsatisfactory performance, the Agency is authorized to impose special conditions on awards. However, recipients must receive notice of the Agency's intent to impose special conditions, an opportunity to respond, and the conditions must be removed once the situation is corrected. Within the confines of EPA's authority discussed above, OIG's recommendation that past performance be considered has some merit. Past performance will be considered as an evaluation factor for future awards. Preparation of performance reports in situations in which performance was satisfactory may not be a wise use of Agency staff. OPPTS will consider requesting that project officers provide written reports of unsatisfactory performance. Further, the recommendation will be considered in the context of GAD's efforts to improve assistance administration practices throughout the Agency.

OIG Evaluation

Recommendation 3-1:

We did not intend to imply that variances in the cost per student alone was the cause of inadequate management of the training agreements. As explained in the finding, EPA was unaware of these variances and unaware of why recipients failed to train the number of people they had planned to train. The intent of our recommendation is for the Agency to become aware of these issues, and for the project officers and grant

specialists to monitor the recipients' progress. Consequently, we are recommending that recipients be required to provide estimates, and that project officers and grant specialists compare these estimates to actual numbers.

Recommendation 3-2

We agree that notifying GAD of unsatisfactory performance may be a more efficient method. Accordingly, we have modified our recommendation to address documenting performance and then notifying GAD only when performance is unsatisfactory.

[This page was intentionally left blank]

APPENDIX A

Agency Response to Original Draft Audit Report

[This page was intentionally left blank]



UNITED STATES ENVIRONMENTAL PROTECTION AGENCY
WASHINGTON, D.C. 20460

OFFICE OF
ADMINISTRATION
AND RESOURCES
MANAGEMENT

September 16, 1997

MEMORANDUM

SUBJECT: Response to OIG's Draft Report of Audit on EPA Training Assistance Agreements, Audit Report No. E1XMF6-03-0224

FROM: Gary M. Katz, Director [Signed by M.Lee for G.M.K.]
Grants Administration Division (3903R)

John W. Melone, Director [Signed by John W. Melone]
National Program Chemicals Division (7404)

TO: Carl A. Jannetti
Divisional Inspector General for Audit
Mid-Atlantic Division (3A100)

This memorandum responds to OIG's August 6, 1997, Draft Report of Audit on EPA Training Assistance Agreements. As discussed below, we find that some of the recommendations made by OIG are reasonable, in whole or in part. However, other OIG recommendations may indicate a misunderstanding of what the audited grants were intended to do, the variability and differences between the grants, the legal relationship the Agency has with grant recipients generally, and the implications the recommendations would have on the Agency. We are particularly concerned about the resources that would be required to implement some of the

recommendations not only for NPCD and GAD, but for the Agency as a whole. Our concerns with the draft OIG report are discussed below.¹

I. OIG Findings and Recommendations.

A. The Agency did not assign "training" codes to 21 grants that OIG determined to be training grants.

On this basis, OIG recommends that EPA code Assistance Agreements according to criteria contained in Chapter 4 of EPA's Assistance Administration Manual.

B. The Agency did not adequately oversee the recipient's performance of the agreements because project officers were not always aware of the number of students trained or the cost per student, the cost per student trained varies widely, and recipients were not "penalized" for not training the number of students that recipients were "paid to train".

On this basis, OIG recommends that:

1. EPA require training assistance agreement recipients to provide an estimate of the number of students they expect to train and to ensure that agreed upon milestones are established to assist the recipients in meeting these estimates.
2. EPA project officers (POs) complete written evaluations at the end of the project period and indicate whether a recipient's performance was satisfactory or not. OIG further recommends that the evaluation forms be sent to GAD for consideration when the recipient applies for additional training funds from EPA.

C. The costs of the training grants were increased because the Agency paid for the development of duplicative training

¹Recipient J as noted in the OIG Draft Report of Audit was referred to the IG for further investigation.

manuals, and allowed recipients to "layer" subcontracts for development of training manuals.

On this basis, OIG recommends that:

1. EPA request that recipients forward all training materials developed under past assistance agreements, in automated form if possible, to the Agency's Information Resource Center (IRC or EPA Library).
2. The Agency require that all future training assistance agreements include special conditions that ensure training materials developed as a part of the agreement are forwarded to the Agency's IRC.
3. The Agency instruct POs to contact the IRC before developing any new training materials in order to avoid the needless duplication of existing materials.

II. NPDC and GAD Responses.

Overview.

NPDC and GAD agree with the Office of Inspector General that effective oversight of training assistance agreements awarded under TSCA § 10 is important. We do not question the validity of the findings which indicate that the Agency could do a better job assisting training providers to complete their projects in a cost-effective manner. However, we are concerned that the report does not adequately take into account the need to ensure that the Agency complies with the Federal Grant and Cooperative Agreement Act (FGCAA), which precludes the Agency from treating assistance agreement recipients as contractual service providers.

The report implies that EPA project officers should be faulted for failing to give detailed direction to assistance recipients. We base this observation on statements in the draft audit report such as "[OIG] found instances where EPA paid different organizations to develop similar products. . . . Rather than pay for train-the-trainer manuals needed by various EPA programs under

multiple agreements, [OIG believes] it would be more economical to select a generic manual to cover all EPA programs." (P. 6). The draft report also states "[OIG did not note] any instance where a recipient was penalized for not training the number of students it was paid to train." (P. 9). In this regard, the draft audit report notes that recipients who did not meet their estimates of the number of students they would train "failed to accomplish the intent of the assistance agreements [and] suffered no consequences." (P. 13). These statements appear to be based on an assumption that OPPT is acquiring training services and products rather than stimulating and supporting training projects carried out by independent organizations with EPA financial assistance.

On March 22, 1994, EPA issued EPA Order 5700.1, *Policy for Distinguishing Between Assistance and Acquisition*, to provide general guidance for ensuring compliance with the FGCAA. It clarified the criteria that EPA program offices should use to determine when to employ contracts or financial assistance agreements. EPA Order 5700.1 was issued in response to, among other things, concerns raised by OIG audit reports regarding the apparent use of financial assistance to obtain services which directly benefit the Agency. Project Officer training, which has also been enhanced as result of the findings of OIG audits, emphasizes compliance with EPA Order 5700.1.

EPA Order 5700.1 states that in order to determine that financial assistance is being properly used for public purposes of support and stimulation, the Agency must "find that the project is being performed by the recipient, for its own purposes, which EPA is merely supporting with financial or other assistance." EPA Order 5700.1, p. 7. We have been advised by EPA's Office of General Counsel that the "for its own purposes" requirement precludes the Agency from directing assistance recipients to perform tasks in a manner similar to the detailed direction project officers give to Agency contractors. Indeed, an example of an activity that EPA Order 5700.1 indicates must be performed through a contract is a training project "where EPA directs the selection of the trainers or trainees, or the content of the curriculum". EPA Order 5700.1, p. 9. (Emphasis in original). Further, financial

assistance can be used to train non-Federal personnel when the recipient, not EPA, specifies the training plan. Id. at p. 8.

Our responses to the specific findings and recommendations of the draft audit report are based on the limitations that the FGCAA and EPA Order 5700.1 place on EPA's legal relationship with assistance recipients. We recognize that an assistance relationship does not absolve the Agency of its fiduciary responsibility to ensure that Federal funds are spent properly. A balance is required. However, we are concerned that the draft report may inadvertently undermine the efforts of OPPTS, GAD, OGC and OIG to promote compliance with the FGCAA and EPA Order 5700.1 by EPA project officers.

A. Incorrect coding of the Assistance Agreements.

GAD concurs with the recommendation that grants specialists adhere to the grants numbering criteria contained in Chapter 4 of EPA's Assistance Administration Manual. However, GAD believes the assistance agreements identified in the audit report are properly coded with the identifier X. The assistance agreements are coded as X because the activities performed under these grants include a variety of tasks. Such activities include, but are not limited to, development of training materials, analysis of materials, delivery of training in the classroom, and testing and evaluation of both students and materials. We believe the projects funded by the grants properly support "development" under TSCA § 10 and are appropriately coded.

GAD recognizes the need to properly identify the types of assistance agreements that are awarded. Currently there are more than 60 program codes many of which were created after the last printing of the Assistance Administration Manual in 1984. GAD is developing a new Integrated Grants Management System (IGMS) which will replace the current Grants Information and Control System (GICS). During the development of IGMS, GAD will be reviewing the numbering system of applications as well as the need for specific Agency tracking identifiers. Program codes and other tracking

fields are currently being discussed by the IGMS work group. GAD will continue to use appropriate codes.

B. Inadequate Oversight of Assistance Agreements.

1. Requiring estimates of the number of students to be trained and milestones.

We agree that accurate and timely information regarding the number of students trained and project costs is necessary for project officers to monitor the performance of recipients of training grants and cooperative agreements. Nonetheless, we take issue with the draft audit report's finding that variances in training costs among recipients, in and of itself, is a valid indicator of lax oversight. Labor market conditions in areas in which recipients carry out their activities vary widely as do the demographics of groups targeted for training. Variances in training costs are attributable, at least in part, to factors that cannot be controlled by either the recipient or EPA.

The recommendation to establish binding milestones for recipients is sound in theory and would have the desirable effect of forcing grantees to perform within certain parameters. However, negotiating binding milestones (such as the number of workers to be trained by a certain date) may not always be the best approach for programmatic reasons. For example, in the case of the lead training program, the grants studied for the Draft Report of Audit were issued prior to and during the promulgation by EPA and States of a number of important lead regulations. The market for lead training was uncertain at the time of the awards, but NPCD (and the grantees) believed that the promulgation of lead regulations would result in increased demand for training. NPCD did not consider the proposed number of trainees for the lead worker training grants to be binding because of the uncertainty of demand for such training. Indeed, as noted in the Draft Report of Audit, (pg. 11) some grantees trained more students than estimated in their proposals. It should be noted that the lead worker training grants were funded

by Congressional budget line items which specified that the funds be used for that purpose.

The organizations which received these training grants were not delivering a single, standardized training module. Many of the programs included extensive cross-training, job placement components, apprenticeships or other special training. Some grantees were delivering training to populations which had low education levels, poor language skills, no means of transportation, and other similar barriers. These and other variables contributed to differing costs per student in the training programs. EPA never required or expected the costs per student to be uniform.

The Congressional budget line items which designated money to be used by EPA for lead worker training left the Agency a great deal of latitude in determining what type of programs to fund. The grant application review panels used this flexibility to select a wide variety of programs for funding, resulting in the corresponding variability in the costs per worker. One goal of a training grant program may be to train the largest number of workers possible. Consequently, cost per worker could be included as a ranking factor in the Notice of Funds Availability. However, as noted, this was not the case for the grant agreements examined by the OIG audit. NPCD will explore means of sharing variances in cost per student among NPCD POs.

We also take issue with the report's contention that the Agency's oversight was inadequate because administrative sanctions were not imposed when training estimates were not met. The Agency's enforcement authority under regulations applicable to assistance agreements is limited to ensuring that the recipient materially complies with the specific terms and conditions of the agreement. 40 CFR 30.900 (1983); 40 CFR 30.62(a) (1996). EPA cannot "penalize" recipients for falling short estimates of the number of students that will be trained unless meeting the estimate, or a percentage thereof, is a term and condition of the agreement. Terms and conditions of this nature cannot be imposed unilaterally. Nonetheless, NPCD will consider OIG's recommendation

that the Agency require recipients to agree to binding estimates of the number of students to be trained and milestones to measure progress towards meeting these estimates during negotiations for future TSCA § 10 training agreements.

2. Written evaluations which indicate whether a recipient's performance was satisfactory be sent to GAD for consideration in connection with future awards.

As discussed above, a TSCA § 10 recipient's failure to meet a non-binding estimate of the number of students to be trained does not rise to the level of noncompliance with the terms and conditions of its assistance agreement. Moreover, the issue of how to ensure that past performance is properly taken into account in awarding assistance agreements extends beyond the TSCA § 10 grant program.

Unlike acquisitions, for which the Agency has authority to use unsatisfactory past performance to decline to award a contract, the Agency's authority to use past performance in assistance award decisions is more limited.² When an assistance recipient has a history of unsatisfactory performance, the Agency is authorized to impose special conditions on awards. 40 CFR 30.14. Recipients must receive notice of the Agency's intent to impose special conditions, an opportunity to respond, and the conditions must be removed once the situation is corrected. EPA cannot engage in illegal defacto debarments by refusing to award a grant based on poor performance reports.³

Within the confines of EPA's authority discussed above, OIG's recommendation that past performance be considered has some merit. NPCD will consider past performance as an evaluation factor for future awards. Preparation of performance reports in situations in which performance was satisfactory may not be a wise use of the

²The Agency can find a prospective contractor "non-responsible" under 48 CFR 9.104-1 due to unsatisfactory performance and decline to make an award pursuant to 48 CFR 9.103 (b).

³Our response is based on the assumption that the recipient's performance problems are not sufficiently serious to give rise to a cause for debarment under 40 CFR 32.205(b).

Agency's limited staff. OPPTS will consider requesting that POs provide written reports of unsatisfactory performance to be used by OPPTS's POs to consider special conditions. Further, the recommendation will be considered in the context of GAD's efforts to improve assistance administration practices throughout the Agency.

C. Increased costs associated with duplicative training manuals, and "layered" subcontracts.

Before addressing the merits of OIG's recommendations, we must again take issue with the assumptions which appear to underly the audit report. The limitation on the Agency's authority to direct assistance recipients to follow a specified curriculum contained in EPA Order 5700.1 is cited above. The audit report also criticized EPA for allowing two grantees to subcontract for the development of "train-the-trainer" manuals. In the first instance, EPA awarded a grant to a non-profit organization which, in turn, subcontracted manual development to a University (a two-tiered arrangement). In the second instance, EPA awarded a grant to a non-profit organization which subcontracted for manual development to a University which, in turn, subcontracted to a for-profit organization (a three-tiered arrangement). The basis for the OIG's criticism is that such tiering arrangements increase overall costs to the government.

Historically, EPA has discouraged staff involvement in grantee subcontracting matters. In a September 24, 1992, OARM memorandum states that "while EPA has the responsibility to manage grants and cooperative agreements, EPA employees must make certain they do not become involved in certain areas of personnel and recipient procurement." EPA employees are warned in this memo to avoid even the appearance of undue influence over the recipient's specific procurement decisions. Rather, the Agency relies on regulations governing the recipient's overall procurement system to ensure that assistance funds are properly spent. See 40 CFR Part 33 (1983); 40 CFR 30.40 through 30.48 (1996).

While we understand the OIG's concern that we exercise prudent financial oversight of grantees, we do not believe this oversight should necessarily include questioning grantee subcontracting decisions. We also do not agree that tiering arrangements, of necessity, increase overall costs to the government. Acquiring specialized skills where the recipient does not have required expertise might actually be accomplished at lower cost through the judicious use of subcontractors.

We do not agree with the implication in the draft audit report that duplicative training materials is a widespread problem in TSCA § 10 training grants. The grantees which were audited varied in their knowledge of lead-based paint issues, in the education and experience of the people that were to be trained under the grants, and in the scope of activities to be performed under the grants. The grantees ranged from organizations with many years of experience in training to local community groups which focused on unemployed workers with little experience and toward specific local concerns, including job placement skills. Hence, while training materials, including train-the-trainer manuals, may be similar, they may also be developed with a specific audience in mind and geared toward the experience, education levels, and specific requirements of the grantee. We do not believe that a single set of training materials, including train-the-trainer manuals, was necessarily the best approach given these differences.

1. Requesting that recipients forward all training materials developed under past assistance agreements to the IRC.

We agree that the Agency has the authority to require that the assistance recipient forward previously developed training materials to EPA. Nonetheless, we do not concur with this recommendation.

The Agency has a royalty free, non-exclusive and irrevocable right to reproduce, publish, or otherwise use training materials developed under assistance agreements for Federal purposes. 40 CFR 30.1130 (1983); 40 CFR 30.36(a) (1996). We agree that materials

previously developed by grantees or others could be shared and used by future grantees, reducing duplicative development of materials. However, we must again point out that the implications of this recommendation are not limited to the TSCA § 10 training program. Further, these records may not be available as the recordkeeping storage requirements have lapsed for many grants.

We fully agree that avoiding duplication of effort among training grants is desirable. However, EPA has awarded thousands of assistance agreements since its inception and no one knows, at this point, how many training manuals have been developed over the years with assistance funding. Identifying all such materials could well prove to be a Herculean effort, and would likely require coordination across all Headquarters programs offices as well as with the Regional offices. To implement this recommendation, EPA staff would first have to review thousands of grant files some of which have long since been closed out and archived. Further, it is likely most training materials under past grants would be out-of-date. Other training materials might be for now-defunct programs, and still others might have little or no cross-program relevance.

The physical housing of all training materials produced under past grants is another issue that needs to be explored. No determination can be made as to whether EPA ICR has the space necessary to accommodate this influx of new materials until we have some idea of the volume of the materials. Then, there is the matter of staff time (within OIRM, who manage the IRC, and within the programs and regions for those staff tasked with locating old training manuals) plus contractor time and expense, since the operation of the IRC is contracted out almost in its entirety. Before launching an effort to centralize training materials, the Agency must calculate the time and expense associated with identifying and cataloguing the backlog, converting it into automated format so that it is accessible to EPA personnel not located in Headquarters, and performing ongoing maintenance of the new information repository. We need to ensure that public access is limited to documents that contain CBI (such as proprietary, copyrighted training materials or other information not appropriate

for distribution to the general public). The WSM IRC facility is currently open, without restrictions, to the public. There would be other costs associated with setting up and maintaining this operation, and we need to question whether the potential benefits outweigh these costs.

Note: We discussed the above and the following two recommendations made by OIG with Lois Ireland, employee of Garcia Consulting services, Inc., and Site Manager for the Agency's information services contract (Lois was also interviewed by the OIG); Leesa Dickinson, Project Officer for the information services contract (not interviewed by the OIG) ; and Jonda Byrd, program manager for the EPA's library network (not interviewed by the OIG). All three agree that the three OIG recommendations warrant further study.

2. Requiring that all future training assistance agreements include special conditions that ensure training materials developed as a part of the agreement are forwarded to the IRC.

As noted above, we agree that the Agency has the authority to impose such a condition. However, OGC has advised that this authority must be exercised consistent with the FGCAA's principal purpose of the "public support and stimulation" standard. Any Agency use of materials that training assistance recipients develop must be incidental to the principal purpose of the award -- to enable the recipient to carry out its own training project. Financial assistance cannot be used to develop training products for EPA's direct use and benefit. Further, we again question whether the IRC is the appropriate mechanism for maintaining and cataloging training materials developed under grants. Nonetheless, we also recognize that training materials developed by one recipient can be provided to another recipient as a form of in-kind assistance. See EPA Order 5700.1, p. 12. Resource constraints, however, limit the extent to which this recommendation can be implemented, therefore we do not concur.

3. Instructing POs to contact the IRC before developing any new training materials.

As noted above, recipients rather than POs develop training materials. While we strongly support the notion of avoiding any duplication of effort among assistance recipients, we do not concur with this recommendation since it is premature to plan for future use of a central information base administered by IRC before exploring the feasibility of establishing one.

GAD believes as IGMS (GAD's new grants system) develops and as Envirofacts evolves, GAD will be able to address the OIG recommendations for grants information collection and storage. EPA Project Officers and the general public can obtain grant information on EPA's Envirofacts web page on the Internet. Envirofacts is a data base of environmental data being made available to the public by EPA. Included as part of this data base is information on all active grants awarded by the Agency. Access to selected data in Envirofacts is provided through the "on-line query" forms. These forms execute predefined queries for the types of facilities selected by filling out the form. Although the information is limited, GAD plans to expand the data to include the project title along with a summary. The expansion of information will take place when GAD begins to implement IGMS. This expansion will allow all Envirofacts users to seek information on similarly funded projects.

[This page was intentionally left blank]

APPENDIX B

OIG Evaluation of Issues Resolved From the Original Draft Audit Report

[This page was intentionally left blank]

OIG Evaluation of Issues Resolved From the Original Draft Audit Report

In the original draft report, we had recommended that training materials, such as the train-the-trainer manual, be forwarded to a central depository such as the Agency's Information Resource Center (IRC) at EPA Headquarters. In its response GAD:

- Did not believe that prudent financial oversight should necessarily include questioning grantee subcontracting decisions, and disagreed that subcontracting tiering arrangements, of necessity, increase overall costs to the government.
- Asserted that duplicative training materials was not a widespread problem.
- Argued that identifying the training materials could well prove to be a Herculean effort, because EPA staff would have to review thousands of grant files, some of which have long since been closed out and archived.
- Questioned whether the IRC is the appropriate mechanism for maintaining and cataloging training materials developed under grants.

During the exit conference, we explained that we did not recommend questioning grantee subcontracting decisions; we merely wished to remind the Agency that tiered subcontracting can increase cost. We recognized that duplicative materials was not necessarily a widespread problem. As explained in the finding, EPA paid to have "train-the-trainer manuals" developed on 3 of the 19 Lead training agreements. Moreover, it was not our intention for the Agency to undertake a Herculean effort to send such manuals to a central depository. Rather, we intended for the current project officers to forward such training materials about which they were aware. Finally, during the exit conference, GAD suggested that the Information Resource Center issue be raised with the Agency's Resource Management Committee by the OIG's Senior Resource Official. We agreed to do so and deleted the original recommendations to forward past and future training materials to the Resource Center.

[This page was intentionally left blank]

APPENDIX C

Agency Response to Revised Draft Audit Report

[This page was intentionally left blank]

MEMORANDUM

SUBJECT: Response to OIG's Draft Report on Audit on
EPA's Training Assistance Agreements
Audit Report Number E1XMF6-03-0224

FROM: Alvin M. Pesachowitz /signed by John Chamberlin for/ 1-30-98
Acting Assistant Administrator
for Administration and Resources Management (3101)

TO: Michael Simmons
Deputy Assistant Inspector General for Internal Audits (2421)

Thank you for your memorandum of December 19, 1997, providing the draft report of Audit on EPA's Training Assistance Agreements. Attached are OARM's comments regarding the specific recommendations addressed in Chapter 2 of the draft report.

If you or your staff have any questions or need additional information, please contact Mildred Lee on (202) 564-5359.

Attachment

cc: Bernie Davis (3102)
Carl Jannetti, MAD
Michael Wall, MAD
Carol Jacobson (2421)
Richard Hall (2421)

RESPONSE TO RECOMMENDATIONS

All recommendations are presented as written in the final report. Each is followed by the OARM response.

CHAPTER 2

OIG Finding: Training Costs Were Unknown.

OIG Recommendations: We recommend that the Acting Assistant Administrator for Administration and Resources Management:

2-1 Seek written clarification should inconsistencies arise regarding the statutory authority for the award of future assistance agreements.

OARM RESPONSE: We concur that GAD should seek written clarification should inconsistencies arise regarding the statutory authority for the award of future assistance agreements. It is GAD's practice to work with the Program Office and the Office of General Counsel (OGC) to ensure that the scope of work is statutorily authorized.

One way GAD ensures the correct use of statutory authorities is through pre-solicitation review and/or meetings with Program Offices during the pre-award phase. Program Offices may forward to GAD, for their review and comment, a copy of their solicitation notice before it is published. It is during the solicitation review that GAD has the opportunity to examine the proposed objectives and to determine if EPA has the statutory authority to fund the activities. If GAD believes the activities to be performed are not consistent with the intent of the statutory authority, written clarification from the Program Office is requested. Once written clarification is obtained from the Program Office, the information is reviewed by GAD and, if necessary, forwarded to OGC for their review and opinion.

GAD also ensures the correct citation of statutory authority on assistance agreements during the review of the assistance funding package in the award phase. As a component of the assistance funding package, the decision memorandum must cite the statutory authority which authorizes the proposed grant activities. The Grants Specialist reviews the decision memorandum to ensure the proposed project objectives are consistent with the intent of the statutory authority. If there are inconsistencies or questions, the Grants Specialist, along with the Award Official, will re-review the application and contact the Program Office for written clarification. Once written clarification is obtained from the Program Office and if GAD still has concerns, the written clarification along with the original grant application and the decision memorandum are forwarded to OGC for their review and opinion.

2-2 Ensure that grants specialists adhere to the grants numbering criteria contained in EPA's Assistant Administration Manual.

OARM RESPONSE: We concur that grants specialists adhere to the grants numbering criteria contained in Chapter 4 of EPA's Assistance Administration Manual.

The program code X, as documented in the Catalogue of Federal Domestic Assistance, was developed to include all authorized activities for which no specific program code exist, such as survey, studies, investigations, development, experiments, and monitoring. Unfortunately, the Assistance Administration Manual does not indicate this. Currently, GAD is looking into viable alternatives to revising the Assistance Administration Manual.

As previously mentioned in our September 16, 1997, audit response, GAD is developing a new Integrated Grants Management System (IGMS) which will replace the current Grants Information and Control System (GICS) by the end of CY 2000. During the development of IGMS, GAD will be reviewing the numbering system of applications as well as the need for specific Agency tracking and analytical identifiers to improve the ease and accuracy of reporting. System features which allow specialists to select from a textual list of options rather than a code will also support improved data accuracy.

APPENDIX D - DISTRIBUTION

HEADQUARTERS

Office of Inspector General (2421)
Special Assistant to the Deputy Administrator for Administrative Issues (1103)
Director, Grants Administration Division (3903R)
Director, National Program Chemicals Division (7404)
Director, Office of Policy and Resources Management (3102)
Agency Audit Follow-up Coordinator (2724)
Agency Audit Follow-up Official (2710)
Audit Follow-up Coordinator for OPPTS (7101)
Audit Follow-up Coordinator for the Office of the Administrator (1104)
Audit Follow-up Coordinator for OARM (3102)
Audit Follow-up Coordinator for GAD (3903R)
Associate Administrator for Congressional & Legislative Affairs (1301)
Associate Administrator for Communications, Education & Public Affairs (1701)
EPA Library (3404)

OTHER

Office of Inspector General - Divisional Offices