



U.S. ENVIRONMENTAL PROTECTION AGENCY
OFFICE OF INSPECTOR GENERAL

Catalyst for Improving the Environment

Audit Report

EPA Actions Should Lead to Improved Grants Accountability

Report No. 08-P-0276

September 24, 2008

Report Contributors:

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Abbreviations

EPA	U.S. Environmental Protection Agency
GAO	Government Accountability Office
MATS	Management Audit Tracking System
OARM	Office of Administration and Resources Management
OGD	Office of Grants and Debarment
OIG	Office of Inspector General
PARS	Performance Appraisal and Recognition System
PO	Project Officer



At a Glance

Catalyst for Improving the Environment

Why We Did This Review

We performed this audit to determine what corrective actions the U.S. Environmental Protection Agency (EPA) took as a result of our 2005 audit of grants accountability.

Background

In February 2005, the Chairman of the House Committee on Transportation and Infrastructure asked the Office of Inspector General (OIG) to evaluate whether EPA held supervisors and their project officers accountable for grants management responsibilities. The resulting review, dated September 27, 2005, identified a number of continuing grants management weaknesses. In response to the OIG's report, EPA provided a corrective action plan with milestones for completing the plan steps.

For further information, contact our Office of Congressional and Public Liaison at (202) 566-2391.

To view the full report, click on the following link:
www.epa.gov/oig/reports/2008/20080924-08-P-0276.pdf

EPA Actions Should Lead to Improved Grants Accountability

What We Found

EPA implemented the corrective action plan it prepared in response to the September 2005 OIG report on grant accountability. In the 2005 report, we recommended that EPA establish a process to measure project officer, supervisor, and manager performance against grants management requirements. EPA established a process for measuring project officer performance, including quantitative performance measures such as the average number of days to transmit funding recommendations and the number of baseline monitoring activities for active awards. The 2005 report recommended that EPA ensure managers and supervisors discuss grants management during performance reviews. Surveys of project officers and supervisors indicate that the discussions are occurring.

The 2005 report also recommended that EPA ensure weaknesses identified in management reviews are communicated to project officers. Office of Grants and Debarment provided program offices and regions with the results of grants management reviews and comprehensive performance reviews with the instruction to distribute the information to supervisors and project officers. EPA's actions should lead to improvements in managing assistance agreements.

This report contains no recommendations. In its response, EPA stated that it will continue to work with the grants management community to ensure that grants accountability is a focal point in managing assistance agreements.



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

OFFICE OF
INSPECTOR GENERAL

September 24, 2008

MEMORANDUM

SUBJECT: EPA Actions Should Lead to Improved Grants Accountability
Report No. 08-P-0276

FROM: Melissa M. Heist *Melissa M. Heist*
Assistant Inspector General for Audit

TO: Luis Luna
Assistant Administrator for Administration and Resources Management

This is our report on the subject audit conducted by the Office of Inspector General (OIG) of the U.S. Environmental Protection Agency (EPA). This audit report represents the opinion of the OIG and contains no recommendations. The estimated cost of this report – calculated by multiplying the project's staff days by the applicable daily full cost billing rates in effect at the time – is \$200,145.

Action Required

In accordance with EPA Manual 2750, we are closing this report on issuance in our tracking system. No further action is necessary.

If you or your staff has any questions regarding this report, please contact me at (312) 886-3059 or kasper.janet@epa.gov; or Randy Holthaus, Project Manager, at (214) 665-6620 or holthaus.randy@epa.gov.

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Purpose

The Office of Inspector General (OIG) issued an audit report entitled *EPA Managers Did Not Hold Supervisors and Project Officers Accountable for Grants Management*, 2005-P-00027, on September 27, 2005. During the course of that audit, the OIG found that EPA managers were not holding personnel accountable for grants management.

We conducted this follow-up review to determine whether EPA followed through in completing the corrective action plan steps presented in response to our 2005 audit report and, ultimately, whether EPA addressed the recommendations.

Background

In March 2003, we reported that EPA leadership did not always stress the importance of project officer duties and did not hold project officers accountable for conducting complete pre-award reviews. As a result, there was insufficient assurance that proposed costs were reasonable, that recipients were technically capable to perform the work, and that the projects would accomplish program objectives or achieve desired environmental results. We reported that it is crucial that EPA creates an environment where the management of assistance agreements¹ and the project officer function are considered vital to EPA's mission.

Project officers' duties include conducting competitions, evaluating proposals, and recommending and overseeing assistance agreements. In 2006, 72 percent of project officers stated that they spent greater than 10 percent of their time on project officer responsibilities. As of March 2008, EPA had 1,455 active project officers managing grants and over 70 percent of those project officers managed 2 or more grants.

In February 2005, the Chairman of the House Committee on Transportation and Infrastructure requested that the OIG examine accountability in EPA's grants management process. The OIG determined that EPA had not completely established a system of accountability for grants management and that the systemic weaknesses that had plagued the Agency for several years continued to exist. The OIG made these three recommendations in that 2005 audit report.

1. Establish a process to measure project officer, supervisor, and manager performance against grant management requirements to form the basis for performance ratings and discussions.
2. Ensure managers and supervisors review and discuss grants management during performance evaluations as appropriate.
3. Ensure that the weaknesses identified in a management review or self-assessment are communicated to the appropriate project officer and supervisor.

¹ For purposes of this report, we will use the terms "grant" and "assistance agreement" interchangeably.

As a result, EPA developed a corrective action plan designed to address these report recommendations.

Throughout our prior audit, we found that systemic grants management weaknesses continued to exist. In 2007, the OIG removed the use of assistance agreements to accomplish the Agency's mission from its list of key Agency management challenges. The OIG believed that the Agency had taken substantial actions to improve its management of assistance agreements through updated policies, increased training, and improved accountability.

Scope and Methodology

We performed our audit in accordance with generally accepted government auditing standards issued by the Comptroller General of the United States. We conducted our audit field work from February 2008 to June 2008. EPA's proposed actions and corrective action plan milestones were the scope of our follow-up review. We interviewed EPA grants personnel to obtain information about the Performance Appraisal and Recognition System (PARS) appraisal process. We conducted internal surveys of program supervisors and staff to obtain information about whether elements of grants accountability had been incorporated into the performance appraisal process. We also reviewed a random sample of project officer (PO) and supervisor PARS agreements to confirm whether grants management language had been incorporated into individual performance agreements. We interviewed EPA staff responsible for inputting information into the Management Audit Tracking System (MATS) and tracking that information. For further details on the audit scope and methodology used, see Appendix A.

Results

EPA Established a Process to Measure Performance

EPA established a process to measure performance against grant management requirements which formed the basis for performance ratings and discussions. The EPA Office of Administration and Resources Management's Office of Grants and Debarment (OARM-OGD) issued *Guidance for Addressing Grants Management and the Management of Interagency Agreements under the Performance Appraisal and Recognition System* on January 17, 2008. The guidance demonstrated fulfillment of key elements of the corrective action plan and addressed the first two recommendations from the prior audit. First, it established a process to measure PO, supervisor, and manager responsibilities during year-end evaluations. Second, it encouraged managers and supervisors to engage in discussions of grants management during performance evaluations. The guidance listed five quantitative grants management performance measures of project officer performance to evaluate POs:

- Number of awards made to non-profit organizations with open monitoring findings;
- Average number of days for project officers to transmit funding recommendation package;
- Percentage of advanced programmatic monitoring reports completed in 60 days;
- Percentage of advanced monitoring reports closed in 120 days; and
- Number of programmatic baseline monitoring activities conducted for active awards.

The guidance also included *A Manager's Guide: Reviewing Project Officers Grants Management Performance under PARS* as an attachment. This manager's guide was designed to assist the manager in giving performance appraisals to POs by asking the PO questions in five key areas: managerial support, PO basic responsibilities, compliance monitoring, environmental results, and communication.

Project Officers and Supervisors Report Discussing Grants Management During Performance Evaluations

A large majority of supervisors and project officers reported that they discussed grants management during performance reviews. OGD conducted a survey of POs in 2006 to ensure that project officers and supervisors discussed grants management during performance reviews. In the Agency's survey, over 82 percent of affected POs said that their performance reviews (both mid- and year-end) with their supervisors contained a discussion of their grants management responsibilities. During this audit, we conducted a survey of project officers and supervisors nationwide who reported that they discussed grants management during performance reviews. Ninety-one percent of POs told us that their supervisors discussed grants accountability with them during their last performance reviews and 100 percent of supervisors reported talking to the POs they supervised about grants management and accountability. A majority of surveyed POs (54 percent) and supervisors (75 percent) believed the EPA policies encouraging discussion of grants management had improved performance or increased accountability within the EPA.

EPA Communicated Identified Weaknesses to Appropriate Project Officers and Supervisors

EPA issued a series of survey results and guidance documents to communicate potential grants management weaknesses to POs and supervisors. On January 20, 2006, OGD re-sent results of grants management reviews to senior resource officials, junior resource officials, and grants management officers. Program offices were told to remind managers that they must communicate results of the reviews to supervisors and project officers and incorporate them into performance reviews as appropriate. Data we collected during this audit indicated that the outcomes of these grants management reviews were generally known among POs and supervisors. POs and supervisors reported that they are more aware of grants accountability issues than they were in 2005.

More recently, the Agency used comprehensive performance review survey material to highlight project officer grants management responsibilities and challenges. Survey results were distributed to, and discussed by, the Grants Management Council (composed of EPA senior resource officials) at its July 11, 2007, meeting. The Council agreed, based on the results of the survey, that greater emphasis should be placed on ensuring that managers/supervisors carry out their grants management responsibilities. The Council suggested that OGD prepare and distribute a performance appraisal guide for managers to use when assessing project officers' performance. OGD added Attachment C, *A Manager's Guide: Reviewing Project Officers Grants Management Performance under PARS*, to *Guidance for Addressing Grants Management and the Management of Interagency Agreements under the Performance Appraisal and*

Recognition System. Our work showed that 72 percent of supervisors were aware of the *Manager's Guide* and that 62 percent of supervisors had used it.

EPA Tracked Recommendations in MATS

The MATS system is used to track the Agency's progress in complying with milestones and implementing recommendations in OIG reports. In the MATS report, *Staff Not Held Accountable for Grants Management*, 2005-P00027-150, the Agency agreed to implement all of the OIG's recommendations and stated that it would complete planned actions to meet those recommendations. The MATS entry listed actual completion dates for corrective actions as 5 days after planned completion dates and showed that the action official did not issue the certification memorandum until January 2, 2008. This was 4 months after the final action date listed in the system as August 31, 2007. The action official said that it was an oversight that OGD had not completed the certification memo. He emphasized that OGD would provide needed certifications in a more timely manner in the future. In this instance, the lack of timely input into MATS did not appear to have any significant negative impact.

Conclusion

EPA completed the corrective action plan steps addressing the recommendations in our 2005 report. By incorporating new procedural and communications elements into project officer and grants supervisor duties, EPA has encouraged an environment where grants accountability is a focal point in managing assistance agreements. These actions should lead to improved grants management.

Agency Response

EPA stated that it would continue to work with the grants management community to ensure that grants accountability is a focal point in managing assistance agreements.

Status of Recommendations and Potential Monetary Benefits

RECOMMENDATIONS						POTENTIAL MONETARY BENEFITS (in \$000s)	
Rec. No.	Page No.	Subject	Status ¹	Action Official	Planned Completion Date	Claimed Amount	Agreed To Amount
No recommendations							

¹ O = recommendation is open with agreed-to corrective actions pending
C = recommendation is closed with all agreed-to actions completed
U = recommendation is undecided with resolution efforts in progress

Appendix A***Details on Scope and Methodology***

We performed our work in accordance with generally accepted government auditing standards, issued by the Comptroller General of the United States. These standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

We performed audit field work from February to June 2008. We analyzed the laws, regulations, and guidance pertaining to grants accountability and performance. We reviewed internal controls related to measuring, reporting, and monitoring EPA personnel performance. We gained an understanding of internal controls through carrying out the procedures outlined below.

We interviewed OARM-OGD and OARM Office of Policy and Resources Management managers and staff members in EPA Headquarters in Washington, DC. We assessed prior-year survey information provided by OARM-OGD and reviewed applicable documentation in the MATS system to gain an initial impression of EPA progress in completing the related corrective action plan. We reviewed EPA Order 2750 to gain an understanding of the audit follow-up process.

We conducted project officer and supervisor surveys to determine the extent to which grants accountability had been incorporated into EPA performance appraisal discussions. Surveys were developed from Attachments A (*Grants Management Performance Measures for Project Officers*) and B (*Grants Management Performance Measures for Supervisors/Managers*) to the *Guidance for Addressing Grants Management and the Management of Interagency Agreements under the Performance Appraisal and Recognition System*, issued on January 17, 2008. We selected as survey recipients a random, stratified sample of those project officers in EPA's Integrated Grants Management System with active grants as of March 31, 2008, and also surveyed the supervisors of those POs. The selected sample included POs and supervisors from Headquarters and all regions. The POs were spread across 3 strata – those managing 1 to 5 grants, those managing 6 through 20 grants, and those managing over 20 grants. We received 77 completed PO surveys out of 100 total surveys sent (77-percent response rate). We received 25 completed supervisor surveys out of 48 total surveys sent (52-percent response rate).

We reviewed PARS and Excellence in Grants Management guidance to become familiar with current performance standards. We assessed random samples of project officer and supervisor PARS agreements to ensure that grants management language had been incorporated. The OIG team reviewed 22 project officer PARS agreements and 18 supervisor PARS agreements.

The OIG team examined the MATS entry for the original audit to determine whether EPA had used the system to appropriately track and finalize proposed audit response actions.

Prior Audit Coverage

We issued OIG Report No. 2005-P-00027, *EPA Managers Did Not Hold Supervisors and Project Officers Accountable for Grants Management*, on September 27, 2005. In that report, we noted that, although the Agency had made some progress to establish accountability, managers did not sufficiently hold supervisors and project officers accountable for grants management because there was no process to measure most grants management activity. Managers and supervisors generally did not discuss grants management responsibilities during year-end evaluations. In the limited cases where grants management weaknesses were identified, managers did not effectively communicate these weaknesses to staff.

We issued OIG Report No. 2003-P-00007, *EPA Must Emphasize Importance of Pre-Award Reviews for Assistance Agreements*, on March 31, 2003. In that report, we noted that EPA leadership did not always stress the importance of project officer duties and did not hold project officers accountable for conducting complete pre-award reviews. As a result, there was insufficient assurance that proposed costs were reasonable, that recipients were technically capable of performing the work, and ultimately that the projects would accomplish program objectives or achieve desired environmental results.

Appendix B

Agency Response

September 23, 2008

MEMORANDUM

SUBJECT: Follow-up on Grants Accountability Audit – *EPA Actions Should Lead to Improved Grants Accountability* (August 29, 2008, Assignment No. 2008-0163)

FROM: Luis A. Luna
Assistant Administrator

TO: Janet Kasper
Director, Contracts and Assistance Agreement Audits

Thank you for the opportunity to provide comments on the subject draft audit report. The draft report is a follow-up review of actions taken by the Agency in response to the September 27, 2005 Grants Accountability Audit report, *EPA Managers Did Not Hold Supervisors and Project Officers Accountable for Grants Management* (Audit Report 2005-P-00027).

I am pleased to note that the draft report concludes that EPA completed the corrective action plan steps addressing the recommendations in the 2005 report and that such actions should lead to improved grants management. We will continue to work with the grants management community to ensure that grants accountability is a focal point in managing assistance agreements.

Again, thank you for the opportunity to comment on the draft report, and for helping the Agency create a culture of accountable grants management. If you have any questions about this response, please contact Howard Corcoran, Director, Office of Grants and Debarment, at (202) 564-1903.

cc: Melissa Heist
Susan B. Hazen
Senior Resource Officials
Randy Holthaus
Howard Corcoran
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Appendix C

Distribution

Office of the Administrator
Assistant Administrator for Administration and Resources Management
Director, Grants and Interagency Agreement Management Division
Agency Follow-up Official (the CFO)
Agency Follow-up Coordinator
Office of General Counsel
Associate Administrator for Congressional and Intergovernmental Relations
Associate Administrator for Public Affairs
Audit Follow-up Coordinator, Office of Administration and Resources Management
Deputy Inspector General