



Office of Inspector General

Report of Audit

Grants

Improving Region 5's EnPPA/PPG Program

Audit Report No. 2000-P-00008

February 29, 2000

Inspector General Division

Conducting the Audit:

**Northern Audit Division
Chicago, Illinois**

Region Covered:

Region 5

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Resources Management Division
Superfund Division
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February 29, 2000

MEMORANDUM

SUBJECT: Final OIG Report No. 2000-P-00008
Improving Region 5's EnPPA/PPG Program

FROM: Charles M. Allberry
Acting Divisional Inspector General for Audits
Northern Division

TO: Francis X. Lyons
Regional Administrator, Region 5

Attached is our final report on Region 5's Implementation and Oversight of the Environmental Performance Partnership Agreements (EnPPA)/Performance Partnership Grants (PPG) Program. The report contains recommendations and actions the Agency has taken or plans to take. We appreciate your staffs' efforts in working with us during this evaluation and the prompt action that you are taking to address the recommendations.

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 and the findings contained in this audit report do not necessarily represent the final EPA position. Final determinations on matters in this audit report will be made by EPA managers in accordance with established EPA audit resolution procedures.

Action Required

In responding to the draft report, your office provided corrective actions, with milestone dates, for each recommendation. Therefore, no further response is required, and we are closing this report in our tracking system. Please track all corrective actions in the Management Audit Tracking System.

We have no objections to the further release of this report to the public.

If you or your staff have any questions regarding the report, please contact me at (312) 353-4222 or Janet Norman, Senior Auditor, at (312) 886-0510.

EXECUTIVE SUMMARY

INTRODUCTION AND OBJECTIVES

The U.S. Environmental Protection Agency (EPA) Region 5 awarded more than \$45 million in fiscal year 1999 performance partnership grants (PPG) to provide recipients flexibility, reduce administrative burdens and costs, strengthen partnerships, and improve environmental results. EPA's 1997 strategic plan states that the President's "performance partnership" reinvention initiative provides for increased flexibility in how a program is run in exchange for increased accountability for results. A PPG is a multi-program grant made to a recipient from funds allocated and otherwise available for a specific environmental program. PPGs are critical tools for implementing performance partnerships. An Environmental Performance Partnership Agreement (EnPPA) is a broad strategic document containing negotiated environmental priorities and goals. The EnPPA may also include specific program commitments that are incorporated by reference in the PPG.

Our audit objectives were to answer the following questions:

- Is Region 5 effectively implementing its EnPPA/PPG program to ensure that recipients accomplish overall PPG program goals?
- Has Region 5 negotiated work plans that include adequate accountability?
- Does Region 5's oversight ensure that recipients meet work plan commitments and use funds efficiently and effectively?

AREAS FOR IMPROVEMENT AND RECOMMENDATIONS

Region 5's EnPPA/PPG program could benefit from improved communication. Increased use of environmental outcome performance measures would help provide accountability. Implementation of a regional post-award grant policy and an air grant match calculation checklist will help provide financial accountability. Finally, as part of our audit we looked at how regional activities on EnPPAs/PPGs fit into the Government

Performance and Results Act (Results Act) goals and found that the activities could come up under multiple goals.

Communication Key to Success

Region 5 has not fully met stated goals of: (1) increased flexibility, (2) reduced administrative burden, (3) strengthened partnerships, and (4) improved environmental results. Causes include: communication breakdowns between Region 5 and the states and within the Region, and a lack of authority for some Region 5 EnPPA team members to negotiate for their program. One Region 5 state is evaluating continued participation due to funding delays in a previous year. One tribe has chosen not to continue to participate because the program did not meet their needs. Finally, according to officials of another state, they have chosen not to continue to participate due to funding delays and state management changes.

Performance Measures Linked to Accountability

Through the use of performance measures, Region 5 has negotiated work plans that provide some accountability, but there is room for improvement. EnPPAs are required to include core performance measures. They also include regional measures and state measures. All measures should meet four criteria, they should be: quantifiable, verifiable, measurable, and time specific. The measures in the agreements should also move toward focusing on outcome measures and environmental results. We found that the quality of measures in the work plans varied. Because outcome measures and measures meeting the four criteria are the best indicators of environmental results, it is difficult for regional officials to assess whether progress is being made toward environmental results.

Improvements to Financial Accountability

Regional oversight ensures that recipients accomplish work plan objectives. However, limited post-award review of PPGs prevents officials from being able to assess whether funds are used efficiently and effectively. Post-award grants management was a fiscal year 1998 Agency level material weakness and Region 5 material weakness. The Region 5 Acquisition and Assistance Branch recently developed a written policy that, when implemented, should provide additional financial accountability and increase the likelihood that funds are used efficiently and effectively. Further changes are needed to improve Region 5 program level confidence in the work plans.

**Other Matters: EnPPAs/
PPGs and the Results Act**

EPA's Results Act structure allows for some activities supporting EnPPAs/PPGs to be charged under more than one goal. The Results Act was implemented to more accurately account for costs associated with program goals and subobjectives. Activities to develop EnPPAs/PPGs are multimedia, and there is no funding allocated for EnPPA/PPG activities at the regional level. Also, due to an inherent conflict between PPG reporting and the Results Act, funding distributed to the states through PPGs will be reported under the Results Act based on budgeted amounts, not actual expenditures. Without changes, Agency reports of costs associated with the PPG subobjective will be understated, and reports will be misleading.

Details on each of these findings and recommendations are contained in Chapters 2 through 5.

**AGENCY COMMENTS
AND ACTIONS**

In response to the draft report, the Regional Administrator agreed with the recommendations. Action plans with milestone dates were also provided. A summary of the response and action plans is included throughout the report, and a complete copy of the response is included in appendix 1.

OIG EVALUATION

The Agency's proposed actions, when completed, will address the findings and recommendations in this report.

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Table of Contents

EXECUTIVE SUMMARY i

ABBREVIATIONS vii

CHAPTERS

1 **INTRODUCTION** 1

 Purpose 1

 Background 2

 What is a PPG? 2

 What is an EnPPA? 2

 EnPPAs/PPGs and NEPPS 2

 How many Region 5 states and tribes have a PPG and/or an EnPPA? ... 3

 Region 5 EnPPA/PPG Program Organizational Structure 4

 Scope and Methodology 5

 Prior Audit Coverage 5

2 **IMPLEMENTATION IMPROVEMENTS WILL HELP ACCOMPLISH PROGRAM GOALS** 7

 Program Goals 7

 Barriers to Meeting Goals 8

 Results of Not Meeting Goals 10

 Conclusion 10

 Recommendations 11

 Agency Comments and Actions 11

 OIG Evaluation 12

3 **BETTER MEASURES WILL HELP IMPROVE ACCOUNTABILITY** 13

 Guidance Defines Work Plan and Performance Measure Requirements 13

 EnPPAs Provide Limited Accountability 14

 Better Measures Can Improve Accountability 15

 Conclusion 15

 Recommendations 16

 Agency Comments and Actions 16

 OIG Evaluation 17

4	CHANGES NEEDED TO ASSESS USE OF FUNDS	18
	Regulations and PPG Guidance Define EPA Grant Oversight	18
	Region 5 Oversight	19
	Difficult to Assess Program	20
	Recommendations	20
	Agency Comments and Actions	21
	OIG Evaluation	21
5	OTHER MATTERS: CHANGES NEEDED TO MEET THE INTENT OF THE RESULTS ACT	22
	Results Act Requirements	22
	EnPPA/PPG Program and Results Act Conflict	23
	Recommendations	25
	Agency Comments and Actions	25
	OIG Evaluation	25

EXHIBIT

1	SCOPE AND METHODOLOGY	26
	Effective Implementation	26
	Adequate Accountability	26
	Oversight	27
	Other Steps	27

APPENDICES

1	REGION 5 REGIONAL ADMINISTRATOR'S RESPONSE TO THE DRAFT REPORT	28
2	DISTRIBUTION	35

ABBREVIATIONS

EnPPA	Environmental Performance Partnership Agreement
EPA	U.S. Environmental Protection Agency
IEPA	Illinois Environmental Protection Agency
MPCA	Minnesota Pollution Control Agency
NEPPS	National Environmental Performance Partnership System
OEPA	Ohio Environmental Protection Agency
OIG	Office of Inspector General
PPG	Performance Partnership Grant
QAPP	Quality Assurance Program Plan
Results Act	Government Performance and Results Act (also known as GPRA)

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CHAPTER 1

Introduction

PURPOSE

The U.S. Environmental Protection Agency's (EPA) 1997 strategic plan states that the President's "performance partnership" reinvention initiative provides for increased flexibility in how a program is run in exchange for increased accountability for results. Performance partnerships are part of EPA's approach to working with states and tribes (recipients) to better implement environmental programs and achieve environmental results. A performance partnership grant (PPG) is a critical tool for EPA's implementation of performance partnerships. Both performance partnerships and PPGs represent a significant shift in how EPA and its partners work together to address human health and environmental protection.

This audit is part of the Office of Inspector General's (OIG) *PPGs and National Environmental Performance Partnership System Issue Area Plan*, dated September 1998. The OIG made a commitment to the Agency to assess EPA's PPG program implementation and determine what improvements were needed to ensure EPA implemented the program effectively and achieved environmental results.

Our audit objectives were to answer the following questions:

- Is Region 5 effectively implementing its EnPPA/PPG program to ensure that recipients accomplish overall PPG program goals?
- Has Region 5 negotiated work plans that include adequate accountability?
- Does Region 5's oversight ensure that recipients meet work plan commitments and use funds efficiently and effectively?

BACKGROUND

What is a PPG?

A PPG is a multi-program grant made to a recipient from funds allocated and otherwise available for a specific environmental program. EPA developed PPGs in response to recommendations from internal and external stakeholders to: (1) increase recipient flexibility, (2) achieve administrative savings by streamlining the grants process, (3) strengthen partnerships, and (4) help recipients improve environmental results. These recommendations formed the basis for the PPG program's purposes and goals. Beginning in fiscal year 1996, EPA received authority to award PPGs.

What is an EnPPA?

An environmental performance partnership agreement (EnPPA) is an agreement between a region and a state that describes jointly developed goals, objectives, and priorities. The agreements typically include the strategies for meeting commitments, the roles and responsibilities of the state and EPA, and the measures for assessing progress. PPG program commitments must be outlined in a work plan, and most Region 5 states that opt to use a PPG often have the EnPPA serve as the PPG work plan.

**EnPPAs/PPGs
and NEPPS**

On May 17, 1995, state and EPA leaders signed a *Joint Commitment to Reform Oversight and Create a National Environmental Performance Partnership System*. The objective of this agreement was to accelerate the transition to a new working relationship between EPA and states—one which reflected the advancement made in environmental protection over the preceding two decades by both states and EPA. In addition, the agreement recognized that existing policies and management approaches must be modified to ensure continued environmental progress.

EPA PPG guidance, dated October 6, 1998, states that the key goals this new partnership agreement shares with PPGs are:

to allow States and EPA to achieve improved environmental results by directing scarce public resources toward the highest priority, highest value activities; to provide States with greater flexibility to achieve those results; to improve public understanding of environmental conditions and

choices; and to enhance accountability to the public and taxpayers.

While the National Environmental Performance Partnership System (NEPPS) was an agreement between states and EPA, many concepts of this performance partnership also apply to EPA's relationship with tribes. Under performance partnerships, EPA and its partners are expected to achieve more integrated environmental management and enhanced environmental results. This new partnership should also enable EPA and its partners to move beyond relying solely on numbers of permits issued, inspections made, or similar measures, to performance measures that more directly reflect changes in environmental quality.

How many Region 5 states and tribes have a PPG and/or an EnPPA?

In fiscal year 2000, four of the six states in Region 5 have PPGs and EnPPAs¹. In fiscal year 1999, Region 5 awarded more than \$45 million in PPGs to four state environmental programs and three state pesticide programs. Another Region 5 state had an EnPPA, but no PPG. The state environmental programs all used an EnPPA to serve as the PPG work plan. The state pesticide programs do not use EnPPAs, and we did not review these PPGs. In fiscal year 1998, one Region 5 tribe had a PPG only (tribes do not use EnPPAs).

¹Region 5 consists of six states—Illinois, Indiana, Michigan, Minnesota, Ohio, and Wisconsin. Twenty-five of the 35 Federally recognized tribes in Region 5 have two or more continuing grant programs that could be combined into a PPG.

Table 1: Region 5 States and Tribes with PPGs and/or EnPPAs			
	2000	1999	1998
Illinois	Both	Both	Both
Indiana	Both	Both	Both
Minnesota	Both	Both	Both
Ohio	None	Both	Both
Wisconsin	Both	EnPPA only	EnPPA only
Fond du Lac	None	None	PPG only

**Region 5 EnPPA/PPG
Program Organizational
Structure**

EPA developed interim guidance in 1996 and 1998 that served as the operating guidance for states and tribes interested in applying for PPGs. Regional offices were to use this operating guidance to develop and implement their EnPPA/PPG programs.

Region 5 established a NEPPS coordinator in the Office of Strategic Environmental Analysis. The NEPPS coordinator leads the NEPPS workgroup, which consists of one team leader representing each Region 5 state with an EnPPA and/or PPG, representatives of the Resources Management Division (grants), the Office of Regional Counsel, and the Office of Inspector General in an advisory role. The Region 5 state EnPPA team leaders are responsible for overseeing and coordinating the development of the EnPPAs for their respective states. The team leaders have teams that consist of one representative from each program office. These team members are usually project officers who then coordinate negotiation issues with program technical staff. The system was designed to leave major programmatic negotiations and decisions in the programs, where the expertise on environmental issues and program management remains.

Regional grants specialists are responsible for PPG administrative functions. Region 5's grants specialists are responsible for

reviewing PPG applications and related forms and certifications, preparing documentation related to the grant award and amendments, reviewing financial status reports, and obtaining verification of recipients' PPG funding match.

**SCOPE AND
METHODOLOGY**

We performed our audit in accordance with generally accepted government auditing standards. We conducted our fieldwork from July 1999 through November 1999. We specifically reviewed three states' and one tribe's EnPPA and/or PPG (for time periods beginning in fiscal year 1998), and the associated self-assessments, and annual performance reports.

We performed our fieldwork at Region 5 in Chicago, Illinois. We also visited the Illinois Environmental Protection Agency in Springfield, Illinois; and the Fond du Lac Reservation in Minnesota.

For further details on scope and methodology, see exhibit 1.

**PRIOR AUDIT
COVERAGE**

The OIG has not issued any audit reports related to Region 5's EnPPA/PPG program implementation. However, the OIG conducted a joint management assistance review with Region 5 staff of Indiana's 1997 PPG and EnPPA and the negotiation process for the 1998 PPG and EnPPA. As a result of the management assistance review, OIG and regional staff suggested areas for improvement that included:

- communication—overall, to reach agreement upon level of detail in the document, to distribute grant guidance, and on enforcement;
- continuity of the process among state managers;
- state's ability to meet reporting commitments;
- development and inclusion of performance measures/indicators; and
- state financial system changes to promote flexibility.

The OIG has also served on the regional EnPPA teams in an advisory role. Our goals were to ensure the region implemented proper policies and procedures for NEPPS and to identify any barriers or problems. In this capacity, we have reviewed the EnPPAs prior to regional approval to (1) assess whether the work plans were consistent with the intent of NEPPS, and (2) determine whether the documents serving as PPG work plans met the basic requirements of PPG guidance.

The U.S. General Accounting Office issued a report, *ENVIRONMENTAL PROTECTION: Collaborative EPA-State Effort Needed to Improve New Performance Partnership System*, dated June 21, 1999. GAO findings included:

- The development of outcome measures was impeded by an absence of baseline data, inherent difficulty in quantifying certain results, difficulty of linking program activities to environmental results, and considerable resources needed for high-quality performance measurement.
- Factors that complicated EPA's oversight included: (1) statutory and/or regulatory requirements in some cases prescribed the kind of oversight required of states by EPA, (2) reluctance by EPA staff to reduce oversight without the measures in place to ensure that environmental quality would not be compromised, and (3) the inherent difficulty in "letting go" on the part of some EPA staff that have implemented the existing EPA-state oversight arrangement for years.
- There were a number of reported benefits associated with the new system that included (1) improving communication about program priorities among EPA and state program staff and (2) allowing states the option to shift resources under the PPG program.

CHAPTER 2

Implementation Improvements Will Help Accomplish Program Goals

Region 5 has not fully met stated goals of: (1) increased flexibility, (2) reduced administrative burden, (3) strengthened partnerships, and (4) improved environmental results. Causes include: communication breakdowns between Region 5 and the states and within the Region, and a lack of authority for some Region 5 EnPPA team members to negotiate for their program. One Region 5 state is evaluating continued participation due to funding delays in a previous year. One tribe has chosen not to continue to participate because the program did not meet their needs. Finally, according to officials of another state, they have chosen not to continue to participate due to funding delays and state management changes.

PROGRAM GOALS

EPA guidance, dated July 1996 and October 6, 1998, describes four goals of the PPG program.

- **Flexibility**—Recipients will have the flexibility to address their highest environmental priorities, while continuing to address core program requirements.
- **Administrative Savings**—Recipients and EPA can reduce administrative burdens and costs by reducing the number of grant applications, budgets, work plans, and reports.
- **Strengthened Partnerships**—EPA will develop partnerships with recipients where both parties share the same environmental and program goals and deploy their unique resources and abilities to jointly accomplish those goals.
- **Improved Environmental Results**—Recipients can improve environmental results and more effectively link

program activities with environmental goals and program outcomes; and develop innovative pollution prevention, ecosystem, and community-based strategies.

**BARRIERS TO
MEETING GOALS**

Communication breakdowns adversely affected Region 5's partnership with two states and one tribe. For example, the Ohio Environmental Protection Agency (OEPA) and Region 5 did not communicate adequately to resolve a water program quality assurance program plan (QAPP) issue, causing funding delays. Illinois Environmental Protection Agency (IEPA) also experienced funding delays that were a result of poor communication on an over allocation of water funds. Lastly, the Fond du Lac tribe experienced communication problems with a QAPP that nearly caused funding delays.

- Region 5 officials did not inform OEPA officials that there were problems with the OEPA Water Program QAPP. Region 5 officials elected to withhold all PPG funds, pending resolution of the QAPP issue, even though this portion of the grant represented only 21 percent of the total PPG. OEPA officials eventually received the PPG funds in the last month of the grant period when the state was coming close to not meeting payroll. Region 5 water program officials took steps to address QAPP approval delays and communication problems. Regional officials included a term and condition as part of the fiscal year 1999 PPG to address quality assurance issues with the Clean Water Act Section 106 program and initiated a process to improve communications among programs and states.
- Region 5 officials did not communicate the seriousness of an over allocation of water program funds in IEPA's fiscal year 1999 application. Due to a discrepancy of \$16,500 between the application amount for the Public Water Supply System program and the actual allotment from U.S. EPA Headquarters, regional officials could not release the total PPG funds of about \$16 million. When IEPA learned

about the discrepancy, and that it would prevent the release of funds, IEPA was already in jeopardy of not meeting payroll. At the beginning of the fiscal year 2000 EnPPA development process, the Regional Administrator committed to IEPA that communication will be better. Both IEPA and regional officials agreed to work to keep each other better informed of problems and to elevate issues earlier.

- Fond du Lac tribal officials submitted a QAPP to Region 5 and it was not approved for 18 months. Region 5 threatened to deny a grant extension and withhold all of the tribe's PPG funds pending approval of the QAPP, even though the QAPP affected only a portion of the total grant funds. The QAPP was not approved until a Region 5 Assistance Agreement Branch official intervened resulting in the release of funds to the tribe.

Some barriers to reaching program goals are beyond Region 5's control. For example, state expectations have often exceeded what Region 5 has been able to meet. Many state officials expected considerable reductions in oversight and reporting activities. Regional officials had already taken steps to reduce reporting requirements prior to the introduction of NEPPS. Region 5 officials were therefore limited in what remained that could be reduced, due to regulations, reporting requirements, and statutory requirements. Some states are also limited in flexibility due to state financial systems or the political climate.

Negotiation of enforcement language has continued to be difficult for Region 5 and the states. For example, Wisconsin and Region 5 officials were in negotiations for months on general enforcement language that outlined the state and Federal enforcement roles, and specific enforcement commitments for the air and RCRA programs. State officials did not agree with the characterization of the Federal enforcement role. Later, state and regional officials did not agree on the level of detail and commitments for the air and RCRA programs.

**RESULTS OF NOT
MEETING GOALS**

One state and one tribe have dropped out of the PPG program. Another state is evaluating its continued participation. These states and the tribe have realized limited improvements in partnership with Region 5. Michigan, the only Region 5 state that has not tried an EnPPA or a PPG, is not participating until state officials see that the benefits of the EnPPA/PPG program outweigh the costs. As a result of the problems identified above, Ohio has withdrawn from the program due to funding delays and OEPA management changes. Illinois has threatened to withdraw from the program, if Region 5 does not make improvements to ensure funds are received timely. Wisconsin threatened to withdraw from the program during enforcement language and commitment negotiations, but now has a finalized agreement. The Minnesota Fond du Lac tribe has withdrawn from the program because their expectations were not met. Tribal officials saw little improvement in partnership with Region 5. Also, though the tribe was able to experience some flexibility benefits, it was not to the extent expected, based on experience with tribal grants from other Federal entities.

The IEPA has been able to make changes to help realize the benefits of flexibility. The previous IEPA Director instructed each program to set aside 5.5 percent of Federal funds for pollution prevention and regulatory innovation programs. The pollution prevention program funded an intern program where interns worked on-site with companies to identify pollution prevention opportunities. Due to the success of the program, many companies were eager to participate.

CONCLUSION

Not all of the benefits that EPA and states expected from the EnPPA/PPG program were realized, especially the goal of improved environmental results. Some of this was the responsibility of Region 5 officials, but others were based on high state expectations. Some states also haven't taken advantage of the opportunity to shift funds, to the extent expected. Working together in the future, state and regional officials can learn from

past experiences and continue efforts to work together and improve partnerships.

RECOMMENDATIONS

We recommend the Regional Administrator:

- 2-1. Develop and document an action plan, with milestone dates and detailed descriptions of the Region 5 water program plan to improve the QAPP process (approval and communication).
- 2-2. Develop and document a process to elevate EnPPA/PPG concerns to the Region 5 Senior Leadership Team. For example, if one office or division leading negotiations makes a decision that could adversely impact the entire EnPPA/PPG (such as withholding funding), that issue should be brought to the attention of senior regional management.
- 2-3. Require regional officials to maintain open communication with state officials after an EnPPA is signed, and until grant payments are issued. For example, regional EnPPA team leaders should work more closely with regional grant program officials to ensure the state receives funds timely and identify early anything that may affect timely receipt of funds.
- 2-4. Work with participating states to develop a strategy to overcome barriers to accomplishing the four PPG program goals. Promote information sharing of best practices among states, for example, obtain examples from other regions and states on their successful efforts.

**AGENCY COMMENTS
AND ACTIONS**

The Regional Administrator concurred with the recommendations. The Water Division, along with the Resources Management Division, have taken steps to improve the quality assurance process. Water Division officials will work with all interested

parties to conduct an in-depth review of the events that occurred surrounding the Fond du Lac tribe QAPP.

The document entitled "Region 5 EnPPA/PPG Process," establishes roles and responsibilities, including when issues need to be brought to the attention of upper management. The Region will continue to stress the need for coordination and elevation of issues as needed. The Region will also amend the document by March 31, 2000 to include a discussion of the need to continue discussions with a state during the period between finalizing the EnPPA and payment of the grant. The State/EPA Grants Workgroup has also discussed this issue and is developing a regional policy to ensure states receive funds as soon as possible.

The Region will hold another meeting with participating NEPPS states during 2000 to discuss best practices and development of environmental outcome measures.

OIG EVALUATION

The proposed actions, when implemented will address the findings and recommendations.

CHAPTER 3

Better Measures Will Help Improve Accountability

Through the use of performance measures, Region 5 has negotiated work plans that provide some accountability, but there is room for improvement. EnPPAs are required to include core performance measures. They also include regional measures and state measures. All measures should meet four criteria, they should be: quantifiable, verifiable, measurable, and time specific. The measures in the agreements should also move toward focusing on outcome measures and environmental results. We found that the quality of measures in the work plans varied. Because outcome measures and measures meeting the four criteria are the best indicators of environmental results, it is difficult for regional officials to assess whether progress is being made toward environmental results.

GUIDANCE DEFINES WORK PLAN AND PERFORMANCE MEASURE REQUIREMENTS

The 1996 PPG guidance outlines PPG work plan requirements as the basis for the management and evaluation of performance under the grant agreement. The PPG work plan should include core program commitments (goals, performance measures, program activities) derived from statutes, regulations, and standing legal agreements between EPA and recipients. Performance measures that are PPG program commitments must be time-specific, measurable, quantifiable, and verifiable. In addition, EPA encourages all recipients to adopt outcome and output-oriented performance measures that track program performance and environmental conditions and trends.

Core performance measures are a limited set of national measures designed to help gauge progress toward protection of the environment and human health and provide a national picture of the status of the environment. EPA and the Environmental Council of the States developed core performance measures to

help focus EPA and state attention on improving how they measure the effectiveness of environmental protection efforts.

Appropriate accountability provisions are essential in designing the new PPG program. The PPG guidance states that a fundamental goal of EPA's efforts to design accountability provisions into PPGs is to begin moving Federal, state, and tribal programs toward the use of results-oriented measures of environmental and program performance that are understandable and meaningful to the public. Further, the work plan should also establish procedures (e.g., midyear and end-of-year reviews, reporting requirements, joint activities) that EPA and the recipient will use for evaluating accomplishments, discussing progress, and making adjustments to meet milestones. The PPG guidance states that EPA should work with recipients to balance the need to maintain core program requirements with the need to incorporate program flexibility and move toward program performance measures and environmental indicators.

**EnPPAs PROVIDE
LIMITED ACCOUNT-
ABILITY**

The fiscal year 1998 EnPPAs for Illinois, Indiana, and Minnesota we reviewed included core performance measures, specifically or by reference. About 50 percent of performance measures in the agreements met all four criteria (quantifiable, verifiable, measurable, and time specific). The remaining performance measures, which included measures for state funded activities, did not meet at least one of the four criteria. We also noted that Illinois and Minnesota EnPPAs clearly showed a move toward outcome measures. Wisconsin's EnPPA was largely based on activity measures, with virtually no outcome measures.

Program and grant officials reviewed costs for reasonableness with commitments prior to award and approval of grant applications. Our review showed that PPG budgets were tied to EnPPA commitments.

**BETTER MEASURES
CAN IMPROVE
ACCOUNTABILITY**

Development of performance measures is a difficult and resource intensive task. State capacity to develop performance measures varies. For example, Minnesota had 537 measures, 63 percent of which met all four criteria (quantifiable, verifiable, measurable, and time specific), Wisconsin had 180 measures, 29 percent of which met all four criteria. Many of Minnesota's measures are to satisfy certain state reporting requirements. The quantity alone is not an indication of the quality of the measures. However, the quantity of measures does indicate the time and effort a state has devoted to developing measures.

Region 5 needs an objective basis to evaluate state environmental programs. Without better measures, regional officials have a difficult time assessing environmental results due to variations among states. Even with the minimum core performance measures there will still be varying abilities and information among states. Regional officials have no consistent and comprehensive basis to determine whether environmental programs are moving toward achieving environmental results. Regional officials need to be able to make an assessment of state programs, identify weaknesses, and hold states accountable for improving those weaknesses. Without ramifications, such as withholding funding, there is no incentive for states with weak programs to improve.

CONCLUSION

Region 5 EnPPAs provide some accountability but there is room for improvement. Some Region 5 EnPPAs we reviewed included commitments that were primarily output measures. Although activity or output measures can provide valuable information, they do not reflect environmental improvements and results. Outcome measures with appropriate indicators and baseline data are needed to adequately assess environmental results. The EPA's view is that a mix of outputs and environmental measures is necessary to demonstrate accountability under NEPPS. Region 5 should continue efforts to work with recipients in developing good outcome measures that are time specific, quantifiable, measurable,

and verifiable. Without EnPPAs that clearly demonstrate adequate accountability, the Region cannot use them to hold recipients accountable.

RECOMMENDATIONS

We recommend that the Regional Administrator:

- 3-1. Require regional EnPPA team members to review performance measures during negotiations to evaluate whether measures are time specific, measurable, quantifiable, and verifiable. Team members should work with state officials to develop measures that meet these four criteria.
- 3-2. Instruct the Senior Leadership Team to encourage National Program Managers and regional program staff to move more toward outcome measures rather than just activity or output measures.
- 3-3. Require regional program managers to make development of outcome measures with recipients a priority. For example, provide EnPPA team members with the resources to develop and seek out good examples of outcome measures for reference by all regional and recipient staff.

**AGENCY COMMENTS
AND ACTIONS**

The Region concurred with these recommendations and will amend the "Region 5 EnPPA/PPG Process" document by March 31, 2000 to emphasize the need to evaluate whether proposed measures meet the four criteria. The Region acknowledges that it has little control over the required Core Performance Measures.

The Region agrees that development of outcome measures is a priority and will address this topic in the next meeting with all Region 5 NEPPS states. The Region 5 NEPPS workgroup will also undertake a project to find good examples of outcome measures to present at this meeting.

OIG EVALUATION

The Region's proposed actions, when implemented will address the findings and recommendations.

CHAPTER 4

Changes Needed to Assess Use of Funds

Regional oversight ensures that recipients accomplish work plan objectives. However, limited post-award review of PPGs prevents officials from being able to assess whether funds are used efficiently and effectively. Post-award grants management was a fiscal year 1998 Agency level material weakness and Region 5 material weakness. The Region 5 Acquisition and Assistance Branch recently developed a written policy that, when implemented, should provide additional financial accountability and increase the likelihood that funds are used efficiently and effectively. Further changes are needed to improve Region 5 program level confidence in the work plans.

REGULATIONS AND PPG GUIDANCE

Regulations require PPG recipients to prepare performance reports.

DEFINE EPA GRANT OVERSIGHT

PPG project officers are required to review the reports and provide the recipient with an evaluation of findings. As part of the Region's and recipients' negotiation of work plan commitments, PPG guidance states that the Region and recipients should establish procedures that EPA and the recipient will use for evaluating accomplishments, discussing progress, and making adjustments to meet milestones.

PPG guidance established procedures for financial management and reporting. For example, recipient fiscal control and accounting procedures must be sufficient to permit preparation of Financial Status Reports for PPG awards. PPG recipients must maintain accounting and financial records that adequately identify the source (i.e., federal funds and match) and application of funds provided for PPG activities. These records should contain relevant information such as obligations, unobligated balances, outlays, expenditures, and program income. However, PPG costs will not be tracked to each of the original individual categorical source(s) of grant funding.

PPG guidance also includes detailed information on match calculations. The required cost share (based on the match or maintenance of effort requirements of the categorical grants included in the PPG) will be the same under PPGs as under categorical grants. However, EPA may determine that there are exceptional circumstances justifying a reduction in cost share for a PPG for the year that the PPG is awarded. The recipient's minimum cost share requirement applies to the entire grant. Recipients must maintain adequate financial records of their cost share.

REGION 5 OVERSIGHT

Region 5 officials did a good job of using year-end performance reports and self-assessment reports. Programs used state midyear, year-end, and self assessment reports as an oversight tool to evaluate whether states and EPA accomplished goals. Region 5 officials also did a good job of oversight as part of day-to-day interactions with states. This has changed little since the introduction of EnPPAs/PPGs.

Grant officials have focused resources on tribal grant issues. To help ensure that state grant issues are not ignored, Acquisition and Assistance Branch officials recently developed a post-award grant policy that, when implemented, will: (1) provide more financial accountability, (2) assure that grant funds are spent appropriately, and (3) address the post-award process material weaknesses. For example, the new policy calls for a regional team, consisting of resource management division and program officials, to visit the recipients every two years and provide guidance and assistance as needed².

The state match calculations for Illinois, Indiana, Minnesota, and Ohio were accurate for all programs, except the air program. We

²According to the policy, recipients will be categorized and selected by award amount and type. The three categories are: under \$100,000, \$101,000 to \$1 million, and over \$1 million. Recipients will also be categorized by state, tribe and other. At least two recipients in each category will be selected for these administrative/financial reviews. Sites selected for visits will be based on recipient performance and compliance with grant requirements.

were unable to determine if the air program state match amounts were accurate because the air program project officers did not use the same calculation method when calculating state match amounts. However, the states all matched at least 40 percent and there was no financial impact. Regional officials have recently developed a calculation sheet that will help ensure consistency in match calculations for future PPGs and clarify the match calculation requirements. Air officials also believe the proposed revisions to 40 CFR Part 35 will provide clearer guidance on how to calculate the state match.

Some Region 5 officials have a lack of confidence in the accountability provided by the EnPPA/PPG process. For example, some regional officials see the reduced reporting of commitments in the EnPPAs as a drastic reduction in accountability. This made it difficult for these officials to support the EnPPA/PPG negotiation process.

**DIFFICULT TO ASSESS
PROGRAM**

It is difficult for regional officials to assess whether states are spending PPG funds efficiently and effectively. Changes are needed to improve regional staff member confidence in the accountability provided by EnPPAs/PPGs. Future implementation of the post-award grant policy will help provide financial accountability. Finally, air program staff use of the calculation sheet will help ensure that the match is calculated consistently for all Region 5 states.

RECOMMENDATIONS

We recommend the Regional Administrator:

- 4-1. Develop regional guidance on what, at a minimum, should be included in an EnPPA to provide accountability.
- 4-2. Hold staff accountable for implementing the Acquisition and Assistance Branch post-award grant policy.

- 4-3. Require air program staff to use the calculation sheet until revisions to 40 CFR Part 35 are finalized.

**AGENCY COMMENTS
AND ACTIONS**

The Region concurred with the recommendations. The Region 5 NEPPS Workgroup will hold informational sessions with each program office before August 31, 2000 to encourage a common approach to determining whether measures (and EnPPAs) provide a minimum standard of accountability.

OIG EVALUATION

The Region's actions, when implemented will address our findings and recommendations.

CHAPTER 5

Other Matters: Changes Needed to Meet the Intent of the Results Act

EPA's Results Act structure allows for some activities supporting EnPPAs/PPGs to be charged under more than one goal. The Results Act was implemented to more accurately account for costs associated with program goals and subobjectives. Activities to develop EnPPAs/PPGs are multimedia, and there is no funding allocated for EnPPA/PPG activities at the regional level. Also, due to an inherent conflict between PPG reporting and the Results Act, funding distributed to the states through PPGs will be reported under the Results Act based on budgeted amounts, not actual expenditures. Without changes, Agency reports of costs associated with the PPG subobjective will be understated, and reports will be misleading.

RESULTS ACT REQUIREMENTS

The Results Act established a system to set goals for program performance and to measure results. The intent is to improve the efficiency and effectiveness of Government programs. EPA restructured the budget in 1999 to link activities and resources using a new system of goals, objectives, and subobjectives. EPA used the same structure to implement Government cost accounting standards to help ensure the integration of planning, budgeting, and accountability. Under this system, subobjectives are used to account for costs.

The EnPPA/PPG program has bounced around between several Results Act objectives and subobjectives. Most recently, the program is included under:

Goal 7—Expansion of Americans' Right to Know About
their Environment,

Objective 3—Enhance Ability to Protect Public
Health, and

Subobjective 4–Local and Small
Government Outreach.

This is a Headquarters only objective and subobjective. There is no funding associated with the objective and subobjective at the regional level.

The Senate recently reported concerns that funding for key programs often is divided into several goals or objectives with little rationale for how the funding is allocated. Many program activities easily could be justified under several goals or objectives, leading to serious questions about budget accountability. For example, regional official time spent on development of EnPPAs/PPGs could fit under goals and subobjectives for the various media programs, or the PPG development subobjective.

The Results Act requires the Agency to issue its first performance report using the new budget structure in March 2000. In reporting on the cost of the activities related to the PPG subobjective, the Agency needs to describe accurately the activities associated with the subobjective. To prepare accurate reports under the Results Act, EPA needs to ensure the budget structure accurately reflects the activities and costs associated with development of EnPPAs/PPGs.

When Congress first established the Results Act, one goal was to increase the ability to determine program costs. For example, all activities and costs charged to EPA's clean air goal should give an indication how much it costs EPA to carry out an air program. Congressional officials expect Results Act reports to indicate how much a given program or goal costs.

**EnPPA/PPG PROGRAM
AND RESULTS ACT
CONFLICT**

Regional officials working on EnPPAs/PPGs are not associated with the Results Act goal that reflects the work they actually do. One official, who spent all of her time on EnPPAs/PPGs, found that her time was charged to enforcement. Another official, whose time was charged to Superfund, led development of the Wisconsin

agreement. Other EnPPA team leaders spending time on EnPPA/PPG development, which is essentially multimedia, also represented only their media program from an accounting perspective. An OIG audit in Region 8, found that regional officials allocated time spent on EnPPAs/PPGs evenly across all media programs using a cost pool.

An inherent conflict exists between the reduced reporting requirements of the EnPPA/PPG program and the additional data required to support the Results Act. The Results Act requires reporting on an activity level that PPG guidance does not require. Guidance does not require states to report how the money was spent for each program. This has been a source of great concern to both state and regional officials. State officials worry that regional officials will demand the detailed information. Regional officials worry that the Results Act reporting will be misleading. To address these concerns, the Region 5 Resource Conservation and Recovery Act program has created a cross-walk between Results Act activities and core performance measures. Regional officials are also allocating PPG fund draw-downs across programs in the same proportion as funds were originally awarded. For example, if the air, water and waste programs represented 35 percent, 35 percent, and 30 percent (respectively) of the original grant award, the PPG fund draw-downs would be allocated along the same percentages.

Without changes, EPA reports under the Results Act will not correctly match accomplishments to the level of effort (i.e., resources) used. EPA will understate the costs for the PPG subobjective, because the costs will not reflect regional official time spent on EnPPA/PPG development. Reporting under the Results Act will also be misleading because some information will be based on budgeted costs only, not actual expenditures as implied.

RECOMMENDATIONS

We recommend the Regional Administrator:

- 5-1. Work with Office of the Chief Financial Officer officials to determine the best placement of regional work on EnPPAs/PPGs within the Results Act.
- 5-2. Consider ways to allocate time spent on development of EnPPAs/PPGs within the region, so that reports accurately depict activities and the associated goals.
- 5-3. Clearly indicate in reports that feed Results Act reporting that the information presented is based on budgeted amounts, not actual expenditures.

**AGENCY COMMENTS
AND ACTIONS**

The Region concurred with these recommendations. Specifically, the Region will continue to work with the Office of the Chief Financial Officer and participate on the national planning network to assess and improve the Agency's budget and accounting system. Regional officials believe that regional work on EnPPAs/PPGs should remain within regional programs, placing resources within the environmental goals they support as much as possible.

The Region will also implement a periodic assessment of the amount of time people spend working on aspects of the NEPPS program (for example: negotiation, processing, and follow-up).

The Region acknowledges that it may need to conform to nationally-made decisions on portraying Results Act information.

OIG EVALUATION

The Region's actions, when implemented will address the findings and recommendations.

Scope and Methodology

EFFECTIVE IMPLEMENTATION

Our first objective was to determine if Region 5 effectively implemented the EnPPA/PPG program to ensure that recipients accomplished overall PPG program goals. Our review of Region 5's EnPPA/PPG program included:

- (1) Interviewing Region 5's NEPPS Coordinator, EnPPA Team Leaders, and PPG project officers regarding their roles and responsibilities related to the EnPPA/PPG program.
- (2) Reviewing national and regional guidance and policy to determine program requirements.
- (3) Interviewing officials representing all Region 5 states and one tribe (Minnesota Fond du Lac Band of Chippewa).

ADEQUATE ACCOUNTABILITY

Our second objective was to determine if Region 5 negotiated work plans that included adequate accountability. Our review of recipients' PPG work plans included:

- (1) Reviewing criteria describing the elements of a work plan.
- (2) Interviewing regional officials.
- (3) Selecting and reviewing a judgmental sample of EnPPAs. We selected the 1998 EnPPAs from Illinois, Minnesota, and Wisconsin. We did not select Ohio because state officials had recently decided not to continue. We did not select Indiana because the state had previously been reviewed as part of the joint OIG/Region 5 management assessment review.

OVERSIGHT

Our third objective was to determine if Region 5's oversight ensured that recipients met work plan commitments and used funds efficiently and effectively. Our review of Region 5's oversight included:

- (1) Reviewing criteria that described the appropriate use of funds, specifically for PPGs.
- (2) Interviewing regional officials.
- (3) Reviewing a sample of PPG files.
- (4) Selecting and reviewing a sample of EnPPAs and self-assessments. We reviewed the same EnPPAs identified for objective 2 and the corresponding self-assessments.

OTHER STEPS

In addition to our audit objectives, we conducted steps to assess the EnPPA/PPG program placement within GPRA. We also looked at internal controls by reviewing Federal Managers' Financial Integrity Act reports. Finally, we interviewed regional officials and reviewed documents to learn how the EnPPA/PPG program fit into regional operations.



UNITED STATES ENVIRONMENTAL PROTECTION AGENCY
REGION 5
77 WEST JACKSON BOULEVARD
CHICAGO, IL 60604-3590

FEB 14 2000

REPLY TO THE ATTENTION OF:

R-19J

MEMORANDUM

SUBJECT: Draft OIG Report No. 00XXXXXX
Improving Region 5's EnPPA/PPG Program

FROM: Francis X. Lyons
Regional Administrator

TO: Charles M. Allberry
Acting Divisional Inspector General for Audits
Northern Region

Thank you for the opportunity to comment on the draft report on Region 5's Oversight of the Environmental Performance Partnership Agreements (EnPPA) Performance Partnership Grants (PPG) Program. Since the Region undertook performance partnerships in 1995 we have endeavored to continually improve our approach to this new system. In short, we want to get environmental results, we want to measure the results, and we want to improve the process by which we work with states and release funds to get these results. I hope you agree that our efforts have been worthwhile.

Still, as the report notes, barriers remain within the Region and among our headquarters and state agency partners. We hope the attached comments on the draft report will help hone the review your staff has conducted and clarify certain issues raised in the draft report. The response includes comments on the factual accuracy of issues addressed in the report, the Region's concurrence or nonconcurrence with the recommendations and plans for taking corrective action, with milestone dates.

Please contact Howard Levin at 6-7522 to schedule an exit conference.

cc: Region 5 Senior Leadership Team
Howard Levin
Anna Miller

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The original response was signed by Francis X. Lyons.

**Region 5 Comments on Draft OIG Report
On Improving Region 5's EnPPA/PPG Program**

Executive Summary

Page ii, Communication Key to Success - The first sentence should begin with "Region 5 ," striking " The EnPPA/PPG program in..." to include all participants in EnPPA negotiation and management, to make this comment more inclusive. The Region's "program" includes all those in media programs who are working with States under an EnPPA or PPG paradigm.

Page ii, first full paragraph – The Region does not agree with the statement "[a]s a result, two states and one tribe that have participated in the program in past years have either dropped out or are re-evaluating their continued participation." One state, Ohio, elected not to pursue an EnPPA or PPG for FY 2000; however, the state advised the Region that the reason for not going forward was that Ohio EPA's new management needed time to determine whether changes would be made to the state's environmental priorities. Ohio did not inform U.S. EPA that it was dropping out of the program due to communications problems with the Region. Ohio is the only state that dropped out of the program this year.

Page iii– The Region believes that EnPPA development activities need to be accounted for other than under specific media goals. We believe that media goals should contain the elements required to manage them, as programs always have in the past. The issue is, we believe, not with how EPA budgets to fund the administration of work on EnPPAs and PPGs. The issues raised with GPRA have more to do with how States can or cannot account for funds along GPRA subobjective lines, as is described elsewhere in the report. We do agree that the Region needs to be able to quantify the resource expenditures on developing EnPPAs and PPGs.

Chapter 1

Page 3, first full paragraph, last sentence –Region 5 suggests revising this sentence to state "This new partnership should also enable EPA and its partners to move beyond relying solely on numbers of permits issued,...." This change is suggested to clarify that the system envisioned by NEPPS includes a full spectrum of measures, including numbers of permits, as well as measures reflecting changes in environmental quality.

Page 4, second paragraph after the table - The description of the Region's NEPPS structure fails to include the expectation of Regional program roles beyond State teams and their members. The role of program staff is described in the EnPPA/PPG Process (updated 6/99). The system was designed to leave major programmatic negotiations and decisions in the programs, where the expertise on environmental issues and program management remains.

Chapter 2

Page 7, first paragraph - Please omit "The EnPPA/PPG program in..." so that sentence begins "Region 5 has not..." to include all participants in EnPPA negotiation and management to make this comment more inclusive. The Region's "program" includes all those in media programs who are working with States under an EnPPA or PPG paradigm.

We agree that the selected lack of team member authority to negotiate for their programs has been a barrier. A corollary that should be reflected here is that there is sometimes a lack of program staff participation in or contribution to the State team's work. In other words, it is a two way street for information into and out of the State teams, and we need to improve the flow in both directions.

As stated in earlier comments, the Region does not agree with the statement "[a]s a result, two states and one tribe that have participated in the program in past years have either dropped out or are re-evaluating their continued participation." It would be more accurate to say that one state has withdrawn from an EnPPA/PPG and another may have considered withdrawing (although the Region has not been informed of this). We also ask that the report recognize that there are, as we have been told, several distinct reasons for the state's withdrawal, some of which have to do with state agency management changes.

Page 8, first bullet -The Water Division notes that immediately following the identification of quality assurance issues during the 1999 Ohio EnPPA process, the Region 5 EnPPA and PPG lead staff worked with all parties involved to resolve the issues. The Region included a term and condition as part of the FY 1999 PPG to address quality assurance issues with the Clean Water Act Section 106 program and initiated a process to improve communications among programs and states.

Page 8, second bullet -The report should include which Illinois Environmental Protection Agency (IEPA) PPG application was reviewed and used as the basis for the information presented. Based on the Executive Summary, it is assumed it was the FY 1999 application. The report should include additional information to clarify that the "over allocation of water program funds" in the IEPA PPG application was solely related to the Public Water Supply system (PWSS) program. IEPA's application was \$16,500 above the allotment from U.S. EPA headquarters. This was not a significant discrepancy, and the Region believes the PPG award could have been initiated without receipt of a revised application from IEPA.

Page 9, first bullet -The Region (Water Division and RMD) conducted numerous discussions with the Fond du Lac Tribe regarding its QAPP, so it is unclear why the draft report states there were "18 months with no feedback." The QAPP was not approvable as submitted because it was based on a model for a Superfund site, not for water-related investigations; there were therefore many issues for the Tribe to address to make the QAPP approvable.

Page 9, discussion of barriers –Region 5 notes that an additional reason why oversight and reporting requirements may not have been reduced as significantly as states expected as a result of NEPPS is that many Region 5 programs had already reduced reporting requirements prior to NEPPS. A joint Region 5–Illinois EPA project that resulted in a chart of all programs' reporting requirements and their source demonstrated that significant reporting reductions had already been achieved. Most remaining requirements are required by statute, regulation or national reporting systems.

Page 9, last paragraph and page 10 – Only one Region 5 state, Ohio, has dropped out of the PPG program.

Page 10, first partial sentence - Please clarify that the "internal management changes" were within the Ohio EPA.

Page 10, Conclusion –An additional reason why some of the benefits EPA and states expected from PPGs have not been realized is that there have not been many requests from states to shift funds in a PPG from traditional base program activities.

Recommendation 2-1-- The Region concurs with the recommendation and has, since the events cited occurred, taken this step to improve the quality assurance process. (It is assumed this recommendation refers to Quality Management Plans (QMPs), since QAPPs are no longer required.) The review role for multi-media QMPs is shared between the Resources Management Division (RMD) and program offices, with the RMD serving as the lead for the reviews through the Quality Assurance (QA) Core. Program offices provide input through their division representatives to the Regional QA Core. The Regional QA Core established a "Procedure for Review and Approval of All State Agency Quality Management Plans (QMPs)" on March 5, 1999. In May 1999 the Water Division developed supplemental procedures ("Steps in the QMP Review Process") to use internally in reviewing state-submitted QMPs. These procedures are being updated and will be finalized by March 31, 2000.

Regarding the QAPP for the Fond du Lac Tribe, the Quality Assurance Manager for the Water Division will work with all interested parties to conduct an in-depth review of the events that occurred at the time the Tribe submitted its QAPP for approval. The QA Manager will inform the Water Division Director of suggested modifications to the Region 5 and Water Division review procedures by March 31, 2000.

The current reorganization of the Water Division should also improve the timeliness of communication and identification and resolution of QA issues.

Recommendation 2-2--The Region concurs with the need to ensure timely elevation of concerns to the Region 5 Senior Leadership Team. The document entitled "Region 5 EnPPA/PPG Process", Attachment II establishes roles and responsibilities for the EnPPA/PPG process,

including elevation of issues to SLT from the EnPPA Team Lead through a state's sponsoring SLT lead. The Region will continue to stress the need for coordination and elevation of issues that could affect adversely an entire EnPPA/PPG.

Recommendation 2-3--The Region concurs with this recommendation and will amend the "Region 5 EnPPA/PPG Process" by March 31, 2000 to include a discussion of the need to continue discussions with a state during the period between finalization of the EnPPA and payment of the grant. In addition, the State/EPA Grants Workgroup has discussed this issue and the award process and is developing a regional policy to ensure states receive a major portion of their allotments as soon as possible.

Recommendation 2-4--Region 5 concurs with this recommendation and notes it held a meeting with participating NEPPS states in November 1998 to discuss best practices and share other information. The Region will hold another meeting during 2000 where we will discuss best practices and development of environmental outcome measures. The Region also gathers best practices information through participation at national meetings and through national workgroups.

Chapter 3

Page 12, first paragraph - Since measures have different origins, national or regional, Region 5's ability to change and improve the measures varies in degree. Therefore we ask that the report be more specific in referring to measures. Please clarify which measures are referred to by the statement "...the quality of measures in the workplan varied." Does it refer to national core performance measures, regional measures, perhaps State generated measures or all measures?

Page 13, Better Measures Can Improve Accountability - We believe the report should clarify the difference in the numbers of measures between the two States to avoid erroneous conclusions. For instance, the statements here imply mistakenly that the Region requires different numbers of measures from different States. It is not immediately obvious that the difference in number of measures may be due to the use the State has for the EnPPA. For example, Minnesota PCA attempts to use its EnPPA to satisfy certain State reporting requirements that are the source of many of the 537 measures.

Conclusion--The Region notes the conclusion discusses both accountability and managing for environmental results. We interpret the conclusion to mean that in order to fulfill the expectations of NEPPS, the Region and states need to develop environmental outcome measures that meet the four criteria (time specific, quantifiable, measurable and verifiable) and thus provide sufficient accountability. These measures will not, however, totally replace output measures. The U.S. EPA's view is that a mix of outputs and environmental measures is necessary to demonstrate accountability under NEPPS; while outputs alone might demonstrate sufficient accountability under a system other than NEPPS, the expectation of NEPPS is that improved environmental results are an important--but not the only--measure of accountability.

Recommendation 3-1--The Region concurs with this recommendation to the extent it applies to measures developed jointly by the Region and states. It is important to recognize that U.S. EPA headquarters program offices require EnPPAs to include core performance measures (CPMs), unless a state demonstrates a compelling reason not to report on a CPM. Headquarters develops CPMs, and the Region has little control over whether they are time specific, measurable, quantifiable and verifiable. For other measures developed jointly by the Region and a state, the Region will endeavor to ensure measures meet these four criteria. The Region will also amend the Region 5 EnPPA/PPG Process" document by March 31, 2000 to emphasize the need to evaluate whether proposed measure meet the four criteria.

In addition, the Region and State Agencies have had several discussions on the "burden reduction" issue which is somewhat related to the nature of measures. Work on this topic, which will be discussed at the May 2000 State Directors Meeting, will also help towards developing appropriate measures that meet the four criteria.

The recommendation should be changed, however, to encompass all responsible parties by stating "Require regional EnPPA team members and appropriate program staff to review performance measures during negotiations..."

Recommendation 3-2 --The Region concurs with this recommendation.

Recommendation 3-3 --The Region agrees that development of outcome measures is a priority. The Region plans to address this topic in its next meeting with all Region 5 NEPPS states. The Region 5 NEPPS workgroup will also undertake a project to find good examples of outcome measures to present at this meeting.

Chapter 4

Page 17, Second Paragraph - This paragraph states that limited resources are focused on tribal grant issues, but concludes that the post-award policy provides for visits to the States every two years. This discussion should focus on how the policy will be applied to the Tribes.

Recommendation 4-1--The Region agrees with the need to ensure a common understanding among programs about accountability above and beyond the standards set forth in grant regulations. The different requirements of different programs makes it difficult, however, to develop regional guidance on minimum standards of accountability. The Region 5 NEPPS Workgroup will hold informational sessions with each program office before August 31, 2000 to encourage a common approach to determining whether measures (and EnPPAs) provide a minimum standard of accountability.

Recommendation 4-2--The Region concurs with this recommendation.

Recommendation 4-3--The Region concurs with this recommendation.

Chapter 5

Page 20, last Paragraph - The report should clarify that there are two issues being identified (1) that Regional work on EnPPAs/PPGs may not be reflected well in the Results Act goals, and (2) that where funds given to States are concerned, Results Act reporting is based on budgeted amounts not expenditures, due to the nature of the PPG approach whereby States are not required to report on the same activity level.

Recommendation 5-1 - The Region will continue to work with OCFO and participate on the national Planning Network to assess and improve the Agency's budget and accounting system, but we do not agree that EnPPA/PPG work must be placed any differently within the GPRA goals of U.S. EPA. The current direction within the Agency to place resources within the environmental goals they support as much as possible. For example, there was a recent exercise to move part of the Goal 10 resources back into the environmental Goals which they supported. Region 5 believes it is appropriate for regional resources used in the development of EnPPA agreements to be found under the various environmental goals as our efforts clearly will impact the environment through the implementation of these agreements. We see the HQ resources for NEPPS under Goal 7 to more likely be considered administrative resources to support the overall NEPPS program, without directly impacting any one agreement, thus being at least somewhat more removed from environmental progress.

Recommendation 5-2 - Region 5 does agree that it is useful to have a mechanism to measure the resources associated with using NEPPS as a tool to further environmental progress. Therefore, the Region will implement periodic assessment of the amount of time people spend working on aspects of the NEPPS program (This means negotiation, processing, follow-up; program implementation is exempted because it is carried out regardless of NEPPS). This will allow us to develop some sense of the resource investment NEPPS requires as a tool, as compared to other grant processes, and whether process improvements can be made such that the NEPPS process becomes more streamlined and efficient and yet still achieves the same or better environmental results.

Recommendation 5-3 - The Region agrees with this recommendation, but may need to conform to nationally-made decisions on portraying Results Act information.

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