



OFFICE OF INSPECTOR GENERAL

Catalyst for Improving the Environment

Audit Report

EPA Managers Did Not Hold Supervisors and Project Officers Accountable for Grants Management

Report No. 2005-P-00027

September 27, 2005

Report Contributors:

Randy Holthaus
Matthew Simber
Khadija Walker

Abbreviations

EPA	Environmental Protection Agency
GAO	Government Accountability Office
OIG	Office of Inspector General



At a Glance

Catalyst for Improving the Environment

Why We Did This Review

The Chairman of the House Committee on Transportation and Infrastructure asked us to evaluate whether the Environmental Protection Agency (EPA) held supervisors and their project officers accountable for grants management responsibilities.

Background

In July 2004, EPA's Acting Assistant Administrator for Administration and Resources Management testified before Congress regarding EPA's actions to address grants management weaknesses. One of EPA's goals was to increase accountability among grants management staff.

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/2005/20050927-2005-P-00027.pdf

EPA Managers Did Not Hold Supervisors and Project Officers Accountable for Grants Management

What We Found

Although the Agency has made some progress to establish accountability, managers did not sufficiently hold supervisors and project officers accountable for grants management because there is 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.

As a result, systemic grants management weaknesses that the Office of Inspector General and the Government Accountability Office have reported on for the past several years continue to exist.

What We Recommend

We recommend that the Assistant Administrator for Administration and Resources Management work with Assistant Administrators and Regional Administrators to: (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; and (3) ensure that the weaknesses identified in a management review or self-assessment are communicated to the appropriate project officer and supervisor.

EPA agreed with the recommendations and provided an outline of its action plan in its response. EPA needs to provide more detail on specific actions it plans to take to implement the recommendations and the milestone dates for completing those actions.



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

OFFICE OF
INSPECTOR GENERAL

September 27, 2005

MEMORANDUM

SUBJECT: EPA Managers Did Not Hold Supervisors and Project Officers
Accountable for Grants Management
Report No. 2005-P-00027

FROM: *Michael A. Rickey* /s/
Director for Assistance Agreement Audits

TO: Luis A. Luna
Assistant Administrator for Administration and Resources Management

This is our final report on accountability in the Environmental Protection Agency's (EPA) grants management process. This report contains findings and recommendations to help EPA hold supervisors and project officers accountable for grants management responsibilities. Final determinations on the findings in this report will be made by EPA managers according to established procedures.

We revised some information in the Background of the report based on your response to our draft report. We have included your response and our comments to it in Appendix C.

Action Required

In accordance with EPA Manual 2750, you are required to provide a written response by December 27, 2005. While your response to our draft report indicated your agreement with the recommendations and provided an outline of your action plan, your response to this report must include additional detail on specific actions EPA plans to take to implement the recommendations, and the milestone dates for completing those actions. For corrective actions planned but not completed by the 90-day response date, please describe the actions that are ongoing and provide a timetable for completion.

We appreciate the efforts of EPA officials and staff in working with us to develop this report. If you or your staff have any questions regarding this report, please contact me at (312) 886-3037 or Randy Holthaus at (214) 665-6620.

Table of Contents

At a Glance

Purpose of Audit	1
Background	1
EPA Did Not Hold Staff Accountable	2
<i>EPA Made Some Progress to Establish Accountability</i>	2
<i>EPA Did Not Have a Process Designed to Measure Project Officer Performance of Grants Management Responsibilities</i>	3
<i>Managers and Supervisors Did Not Discuss Project Officer Responsibilities During Year-End Evaluations</i>	4
<i>Managers Did Not Effectively Communicate Identified Weaknesses</i>	5
Conclusion	6
Recommendations	7
Agency Response and OIG Comments	7
Appendix A - Scope and Methodology	8
Appendix B - Summary of Grants Management Weaknesses	10
Appendix C - Agency Response	11
Appendix D - Distribution	15

Purpose of Audit

In February 2005, the Chairman of the House Committee on Transportation and Infrastructure requested that the Office of Inspector General (OIG) examine the issue of accountability in EPA's grants management process. The Chairman requested that our work focus specifically on project officers and mid-level managers. Our audit objective was to answer the following question: Is EPA holding project officers and supervisors accountable for their grants management responsibilities?

Background

Assistance agreements¹ are the primary vehicle through which EPA accomplishes its mission. In fiscal year 2004, EPA awarded \$4.3 billion in assistance agreements, which represents about half of EPA's budget. Project officers conduct competitions, evaluate proposals, and recommend and oversee assistance agreements. As of September 2004, EPA had 2,383 active project officers managing assistance agreements. Most project officers managed 5 or fewer assistance agreements; 29 percent of project officers managed one. About one-third of the project officers spent less than 10 percent of their time on project officer responsibilities.

In March 2003, the OIG 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 ultimately that the projects would accomplish program objectives or achieve desired environmental results. It is crucial, we stated in our report, that EPA creates an environment where the management of assistance agreements and the project officer function are considered vital to EPA's mission. Since that time, the OIG and the Government Accountability Office (GAO) have continued to report on EPA assistance agreement weaknesses.

In July 2004, EPA's then-Acting Assistant Administrator for Administration and Resources Management testified before the House Transportation & Infrastructure Committee, Subcommittee on Water Resources and Environment. He testified that EPA had begun to address grants management weaknesses and one of EPA's goals was to increase accountability among grants management staff.

In this report, we differentiate between the terms "manager" and "supervisor." We use "manager" to define high-level EPA managers who are typically Assistant Administrators, Regional Administrators, Senior Resource Officials, or Division Directors. We use "supervisor" to define project officers' first-line supervisors, who typically are Branch or Section Chiefs.

¹ Grants are a type of assistance agreement and we use the terms interchangeably in this report.

EPA Did Not Hold Staff Accountable

Although the Agency has made some progress establishing accountability, managers did not sufficiently hold supervisors and project officers accountable for grants management because there is 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.

Because EPA managers did not hold supervisors and their project officers accountable for grants management, weaknesses in grants management continue. In recent EPA internal reviews (see Appendix B), EPA identified seven reoccurring weaknesses in grants management. These weaknesses are the same weaknesses reported by the OIG and GAO over the past several years. According to the audit reports, these weaknesses resulted in insufficient assurances that proposed costs were reasonable, recipients were technically capable, and projects would accomplish program objectives and achieve desired environmental results.

EPA Made Some Progress to Establish Accountability

EPA has made progress in some areas of accountability. According to the Office of Personnel Management model on accountability, a system of accountability should include four elements: establishing requirements, communicating the requirements, measuring employee performance against those requirements, and rewarding or correcting employee performance. EPA has made significant progress on the first two elements.

To establish and communicate grants management responsibilities, EPA has issued a number of policy statements. For example, EPA's *Assistance Administration Manual 5700* includes a roles and responsibilities matrix that identifies about 140 grants management responsibilities for project officers. Examples of these responsibilities include: preparing competition announcements; reviewing applications for funding; preparing funding recommendations; and monitoring recipient activities through progress reports, site visits, and desk reviews. Project officers also ensure that all work is satisfactorily completed, reports are received and approved, and that all technical and programmatic terms and conditions have been met. Grant Policy Issuance-04-03, *Performance Standards for Grants Management*, requires supervisors to (1) ensure that project officers timely and properly administer grants, (2) complete and document grant monitoring, and (3) obtain adequate training and support.

In 1995, EPA issued Order No. 1130.2A, which established the role of Senior Resource Official as EPA's primary point of accountability charged with strengthening Agency-wide fiscal management practices. Senior Resource Officials are Senior Executive Service managers who are typically Deputy Assistant Administrators or Assistant Regional Administrators. Senior Resource Officials are required to ensure an effective system of accountability for fiscal resource management. Senior Resource Officials are also required to ensure that program or regional project officers and their supervisors maintain Agency-required training, and have appropriate resource management responsibilities in their performance standards. Senior Resource Officials'

accountability, like the accountability of other EPA managers and officials, cannot be delegated, regardless of the extent functions are delegated.

In addition to defining roles and responsibilities, EPA has established several new policies for awarding and managing grants. For example, EPA has issued orders on competing and monitoring grants, obtaining environmental results from grants, and assessing grants management capabilities of non-profit applicants. In response to OIG recommendations, the Agency required all program and regional offices to review grants management staff's performance standards and ensure that the agreements included language representing their grants management responsibilities. EPA also requires all new project officers to attend a 3-day training course and to complete an online refresher training every 3 years. In 2005, EPA provided training to project officers on the revised Competition Order.

EPA Did Not Have a Process Designed to Measure Project Officer Performance of Grants Management Responsibilities

EPA did not have a process to measure individual project officer performance of grants management responsibilities. According to EPA's roles and responsibilities matrix, the project officer is responsible for performing about 140 grants management tasks. However, EPA has no methodology to measure whether the project officer performs these tasks effectively. Effective project officer performance increases the likelihood that the grant will be successful. While EPA officials believe that measurement information exists in current systems, or will be enhanced by new systems, these systems are either not fully implemented or have not been effectively used.

Supervisors did not gather information on project officer performance; supervisors relied on project officers to inform them of grants management weaknesses. A supervisor in the Office of Water stated that he does not check his project officers' files or focus on the grants management process with his employees because "micromanaging is just not an effective strategy." An Office of Enforcement and Compliance Assurance supervisor stated that he relies on his project officer to update him on grants management policies and procedures.

When supervisors relied on project officers to inform them of grants management responsibilities and weaknesses, those supervisors, in some cases, were not aware of grants management issues. For example, an Office of Water supervisor should have known that a project officer – who she had supervised and evaluated for two years – was a board member of a grantee. The supervisor was not aware of the apparent conflict of interest and the extent to which the project officer was involved with the grantee. The project officer has been a board member for the last ten years and attended the meeting when the board decided what work they would do and decided to request EPA's support for the project. This project officer did not consult an ethics official concerning his role as an EPA project officer and a grant recipient board member.

Office of Administration and Resources Management officials stated that the new Performance Appraisal and Recognition System will help measure project officer performance of grants management responsibilities. The new system includes five possible ratings and replaces a pass/fail rating system. The new system is expected to increase supervisors' communication of expectations to their employees, ensure that employees' standards link to the Agency strategic plan and goals, and move the Agency toward an outcome and results-based organization.

However, EPA has not stated how project officer performance of grants management responsibilities will be measured under this new system.

Office of Administration and Resources Management officials also believe much of the information needed to measure project officer performance is included in the Integrated Grants Management System. This system has not been rolled out Agency-wide, so many managers do not have access. In cases where managers do have access, they are either not comfortable using computer systems or do not know about the system features available to them. Without performance data on project officer grants management responsibilities, supervisors could only base their determinations in project officer evaluations on assumptions not measurements.

Managers and Supervisors Did Not Discuss Project Officer Responsibilities During Year-End Evaluations

Supervisors generally did not discuss project officer responsibilities during year-end evaluations. If grant issues were addressed, the discussion focused on the recipient's performance, rather than specific project officer tasks. Out of 26 project officers, only 5 said their supervisor had a discussion with them about their project officer responsibilities during their year-end evaluation. For example, the Office of the Administrator received management review results and conducted an internal review in 2004, both of which identified a project officer who did not fulfill his grants management responsibilities. The project officer recommended a \$3 million award over 5 years to a recipient that only proposed an initial budget of \$50,000 for 1 year. However, the file contained no documentation to support how the remaining \$2.95 million would be used. The office's Junior Resource Official informed us that the project officer still has not documented his file adequately to include the complete award application, the workplan, and evidence of a preaward review. In 2004, the project officer was given a successful rating, and he stated that his grants management responsibilities were not discussed during his year-end evaluation.

Managers did not discuss grants management during supervisors' year-end evaluations. Of 22 supervisors, 18 did not have a discussion of their project officers' grants management responsibilities. For example, the Office of Prevention, Pesticides and Toxic Substances' self-assessment stated: "3 active assistance agreements reviewed during the [self-assessment] no longer had a project officer assigned to them for management and administration." The project officer, who was assigned to at least six grants, left to work in another office. The supervisor, who also left temporarily to work in another office at the same time, stated that she knew of the problem prior to her departure, and that the reassignment of the grant responsibilities to another project officer "fell through the cracks." After the self-assessment was complete, and at least four months after the project officer left the office, the office assigned a project officer to the grants. The supervisor stated that this issue – not reassigning the work – was not mentioned in her year-end evaluation.

In the Office of International Affairs, supervisors missed an opportunity to obtain information about project officer performance from an assistance team. The assistance team helped project officers understand new grants management policies and examined funding packages. While relying heavily on the assistance team to help project officers understand and execute their grants management responsibilities, supervisors did not use the assistance team to obtain performance

information. The continual interactions between team members and project officers would be valuable information to consider when preparing performance evaluations.

Supervisors provided various reasons for rating project officers as successful without discussing grants management responsibilities. For example, supervisors stated that the year-end evaluation should focus on problems or issues with grantee performance; project officer responsibilities should be discussed at staff meetings or at other times throughout the year. Other supervisors stated that the focus of performance evaluations should be on EPA program accomplishments and not on project officer duties. One supervisor stated that he expects his project officers to notify him of any problems with grants management. Another supervisor stated that because grants management was such a small portion of an employee's job, a project officer would need to be negligent of their grants management responsibilities before the supervisor would rate the project officer unsuccessful.

Managers Did Not Effectively Communicate Identified Weaknesses

Managers did not effectively communicate weaknesses to supervisors; supervisors were not aware of the identified weaknesses and could not ensure their project officers corrected them. Of 22 supervisors, 19 were not aware of their project officers' weaknesses identified in the 2004 management reviews and self-assessments. The types of weaknesses included, but were not limited to, grants with: no documentation of cost reviews, no documentation of baseline monitoring, and no documentation of a technical review.

The Director of EPA's Office of Grants and Debarment told us that EPA uses three tools to review implementation of grants management policies: Comprehensive Grants Management Review (management review), Grants Management Self-Assessment (self-assessment), and Grantee Compliance Review. According to EPA policy, the purpose of the management review and the self-assessment is to identify grants management weaknesses in program and regional offices. EPA's Grants Administration Division conducts the management reviews while the program or regional offices perform self-assessments. During these reviews, EPA selects grants and examines project officer performance of grants management responsibilities. In many cases, EPA identified project officer performance weaknesses in the management reviews and self-assessments. We did not include the Grantee Compliance Review in our work because these reviews focused on recipient performance and not project officer responsibilities.

A Grants Administration Division senior management analyst stated that the purpose of the management reviews and self-assessments was to identify systemic weaknesses throughout the regional and program offices and there was never any intent to provide specific feedback to project officers concerning their grants management deficiencies. While we recognize that these reviews were not intended to highlight individual project officer performance, EPA could use the data collected during these reviews to enhance Agency efforts to correct grants management weaknesses.

Of 26 project officers we interviewed, only 8 were aware of their weaknesses identified in the management reviews and self-assessments, and only 2 corrected their identified weaknesses. In both cases where the project officer corrected the weaknesses, the supervisor was also aware of

the weaknesses. Among the reasons cited by the six project officers who did not correct the deficiencies were: they were no longer going to serve as a project officer, and they did not think the criteria against which they were measured pertained to their award.

Some project officers would have corrected their weaknesses, if informed. Two project officers told us that they were concerned that EPA identified weaknesses with their grants, but they were not told. The first project officer, from Region 3, said he dedicates over 75 percent of his time to manage 20 grants. According to EPA, project officers manage on average 5.2 assistance agreements. The project officer was sure that the management review would find issues concerning his grants, because he did not believe he had sufficient time to manage 20 grants effectively.² Although the management review identified weaknesses with his grants, the project officer stated that he did not receive any feedback. For the second project officer, from the Office of Water, the management review identified that environmental outcomes were not included in the workplan and there was no evidence of baseline monitoring of the grant. This project officer felt that she would have benefited greatly from the management review if she had been provided feedback. She stated she constantly tries to improve her performance and does not understand why she would not be notified of individual grants management weaknesses.

Conclusion

EPA has made some progress establishing accountability for grants management by defining roles and responsibilities for project officers, supervisors, and managers. However, EPA has not measured project officer performance of grants management responsibilities nor has it routinely provided performance results of these activities to project officers. Measuring employee performance against requirements and rewarding or correcting employee performance are two key components of the Office of Personnel Management's accountability model. EPA has stated that the new Performance Appraisal and Recognition System will address this shortfall; however, EPA has not stated how performance will be measured under this new system.

EPA identified a limited number of project officer weaknesses using management reviews and self-assessments. Generally, these weaknesses were not communicated to the responsible project officer or supervisor. If project officers are not made aware of their particular deficiencies, they cannot be expected to correct them.

The management reviews and self-assessments were designed to assess general compliance with grants management policies and procedures by various EPA organizations and groups. These two types of reviews were not sufficient to measure project officer performance due to the limited number of grants examined – about 310 assistance agreements in 2004. During this same period, the Agency processed more than 10,000 assistance agreement actions which include awards and amendments.

² According to an April 2005 study by LMI Government Consulting titled: *Management of Assistance Agreements at the Environmental Protection Agency* a project officer who manages 20 to 50 grants will spend 106.3 hours managing each project grant and 118.2 hours managing each continuing environmental program grant in a year. For example, a project officer who managed 20 project grants would need to spend 2,126 hours in a year; there are only 2,080 hours available in a standard work year.

Because EPA has not completely established a system of accountability for grants management, the systemic weaknesses that have plagued the Agency for several years continue to exist.

Recommendations

We recommend that the Assistant Administrator for Administration and Resources Management work with Assistant Administrators and Regional Administrators to:

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.

Agency Response and OIG Comments

EPA agreed with our recommendations and provided general steps it will take to address them. However, EPA needs to provide additional detail on specific actions it plans to take to implement the recommendations, and the milestone dates for completing those actions. EPA's response to the draft report and our detailed comments are included in Appendix C.

Scope and Methodology

We interviewed officials from the Office of Grants and Debarment and the Grants Administration Division to learn about the management review and self-assessment processes. We interviewed program and regional office staff to understand how they implemented the review processes. We also reviewed project officer performance agreements to determine whether the agreements were in accordance with EPA's Policy on Performance Standards for Grants Management.

Based on the management reviews and self-assessments EPA conducted or completed in 2004, we conducted our work in the following Headquarters' and regional offices.

Review Initiated or Completed in 2004	Type of Review	Selected for Audit	Reason for Non-Selection
Office of Environmental Information	Management Review	✓	
Office of International Affairs	Management Review	✓	
Office of Solid Waste and Emergency Response	Management Review	✓	
Office of Water	Management Review	✓	
Region 3	Management Review Self-Assessment	✓*	
Region 8	Management Review	✓	
Office of the Administrator	Self-Assessment	✓	
Office of Enforcement and Compliance Assurance	Self-Assessment	✓	
Office of Prevention, Pesticides and Toxic Substances	Self-Assessment	✓	
Office of Administration and Resources Management	Self-Assessment		Limited Review; no weaknesses identified.
Grants Administration Division	Self-Assessment		Did not include reviews of project officer files.
Region 1	Self-Assessment		GAO is currently reviewing the self-assessment data.
Region 10	Self-Assessment		Did not identify any weaknesses.

* Since both reviews covered the same time period, we only examined the management review.

We interviewed 26 project officers, 22 supervisors, and 4 Senior Resource Officials. Based on the management review and self-assessment supporting data, we selected the project officers with the greatest number of identified grants management weaknesses. We then selected

supervisors and managers in the project officers' chains of command. The following table provides the offices from which we interviewed project officers, and the number in each office:

Office	Project Officers Interviewed
Office of the Administrator	4
Office of Enforcement and Compliance Assurance	3
Office of Environmental Information	1
Office of International Affairs	3
Office of Prevention, Pesticides and Toxic Substances	3
Office of Solid Waste and Emergency Response	1
Office of Water	4
Region 3	3
Region 8	4
TOTAL	26

During our fieldwork, we provided each person interviewed an opportunity to review and comment on our record of conversation and included their comments in our supporting documentation.

We assessed EPA's internal controls for collecting review data and distributing review results. We gained an understanding of the internal controls through interviews with: (1) Office of Administration and Resources Management managers, (2) staff that conducted management reviews and self-assessments, (3) Senior Resource Officials and their staff, and (4) grants management office staff. We also reviewed supporting documentation for the management reviews and self-assessments. We identified deficiencies in internal controls and recommended improvements.

We performed this audit in accordance with *Government Accounting Standards*, issued by the Comptroller General of the United States. We conducted preliminary research work from January 2005 through April 2005, and fieldwork from May 2005 through June 2005.

Summary of Grants Management Weaknesses

The following table provides the seven recurring weaknesses EPA identified in the most recent management reviews and self-assessments:

OARM's Summary of Grants Management Areas Needing Improvement	OIG or GAO Reports That Also Identified the Issue
Documentation of Cost Reviews	<p><i>EPA Must Emphasize Importance of Pre-Award Reviews for Assistance Agreements</i>, OIG Report No. 2003-P-00007, issued March 31, 2003</p> <p><i>Brownfields Competition Process for Awarding Grants complied with Act</i>, OIG Report No. 2005-P-00009, issued March 7, 2005</p>
Documentation of Baseline Monitoring	<p><i>Procurements Made by Assistance Agreement Recipients Should Be Competitive</i>, OIG Report No. 2002-P-00009, issued March 28, 2002</p> <p><i>Additional Efforts Needed to Improve EPA's Oversight of Assistance Agreements</i>, OIG Report No. 2002-P-00018, issued September 30, 2002</p>
Justification for Contracts vs. Grants	<p><i>EPA Needs to Better Document Its Decisions for choosing between Grants and Contracts</i>, GAO Report No. GAO-04-459, issued March 2004</p>
Statutory Authority	<p><i>EPA's Training Assistance Agreements</i>, OIG Report No. E1XMF6-03-0224-8100070, issued March 4, 1998</p> <p><i>Statutory Authority for EPA Assistance Agreements</i>, OIG Report No. E3AMF8-11-0008-8100209, issued September 18, 1998</p>
Advanced Monitoring Reports	<p><i>Additional Efforts Needed to Improve EPA's Oversight of Assistance Agreements</i>, OIG Report No. 2002-P-00018, issued September 30, 2002</p> <p><i>EPA Needs to Strengthen Efforts to Address Persistent Challenges</i>, GAO Report No. GAO-03-846, issued August 2003</p>
Documentation of Competition Process	<p><i>EPA's Competitive Practices for Assistance Awards</i>, OIG Report No. 2001-P-00008, issued May 21, 2001</p> <p><i>EPA Needs to Strengthen Efforts to Address Persistent Challenges</i>, GAO Report No. GAO-03-846, issued August 2003</p> <p><i>EPA Needs to Compete More Assistance Agreements</i>, OIG Report No. 2005-P-00014, issued March 31, 2005</p>
Documentation of Environmental Results and Outcomes	<p><i>Pre-award Management of EPA Assistance Agreements</i>, OIG Report No. E1FMB8-11-0001-8100256, issued September 30, 1998</p> <p><i>Surveys, Studies, Investigations, and Special Purpose Grants</i>, OIG Report No. 2002-P-00005, issued March 21, 2002</p> <p><i>EPA Must Emphasize Importance of Pre-Award Reviews for Assistance Agreements</i>, OIG Report No. 2003-P-00007, issued March 31, 2003</p>

Agency Response

September 20, 2005

MEMORANDUM

SUBJECT: Response to Office of Inspector General Draft Audit Report,
“EPA Managers Did Not Hold Supervisors and Project Officers
Accountable for Grants Management”

FROM: Luis A. Luna /s/
Assistant Administrator

TO: Michael A. Rickey
Director for Assistance Agreement Audits

Thank you for the opportunity to provide comments on the Office of Inspector General’s (OIG) draft audit report (draft report) entitled, ***EPA Managers Did Not Hold Supervisors and Project Officers Accountable for Grants Management*** dated August 18, 2005. The draft report concludes that although the Agency has made some progress to establish accountability, managers did not sufficiently hold supervisors and project officers accountable for grants management because there is no process to measure most grants management activity.

I am pleased to note that the draft report recognizes the progress EPA has made to strengthen accountability, including the development of a roles and responsibilities matrix, the requirement that the performance standards of individuals managing grants include their grants management responsibilities, and the issuance of new/revised policies on competition, pre-award reviews and environmental results.

The Agency’s comments on the findings and recommendations of the draft report are summarized below.

Findings

Based on interviews of 26 project officers, the draft report finds that supervisors generally did not discuss project officer responsibilities during year-end evaluations. This finding may not be representative of the Agency as a whole. For example, 78% of the 330 project officers who completed a survey conducted by the Office of Grants and Debarment (OGD) indicated that they discussed grants management responsibilities with their supervisors during performance evaluations (versus 19% in the OIG survey).

OIG comment: During interviews, we asked project officers whether grants management responsibilities were discussed during their year-end evaluations. When project officers told us the subject was discussed, we probed further and asked them to describe the nature of those discussions. Based on additional questioning we determined that such discussions focused on recipient performance and not project officer responsibilities.

Our own surveys also show that whether grants management responsibilities are discussed in performance evaluations depends on the percentage of time that the project officer/supervisor spends on grants management. Specifically, our surveys have found that where project officers and/or supervisors spent 10% or less of their time on grants management, they were much less likely to discuss these responsibilities with their supervisors during performance evaluations. Since about one-third of our project officers spend 10% or less on grants management, this is a significant issue for the Agency.

It appears that the summary statistics on grant project officers in the background section of the draft report were derived from our workload analysis study. These statistics include the workload for both grants and Interagency Agreements. To reflect the grants-only workload, the background section should be revised as follows:

“As of September 2004, EPA had 2,383 active project officers that managed assistance agreements. Most project officers manage 5 or fewer assistance agreements; 29 percent of project officers manage one grant. About one-third of the project officers spend less than 10 percent of their time on project officer responsibilities.”

OIG comment: We revised some information in the Background of the report based on EPA’s response.

Recommendations

The draft report recommends that the Assistant Administrator for Administration and Resources Management work with the Assistant Administrators and Regional Administrators to:

1. Establish a process to measure project officer, supervisor and manager performance against grants 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 weaknesses identified in a management review or self-assessment are communicated with the appropriate project officer and supervisor.

OIG Comment: We believe the recommendations, when implemented, will help EPA hold supervisors and project officers accountable for grants management responsibilities. While the response to our draft report indicated EPA's agreement with the recommendations and provided an outline of its action plan, EPA needs to provide additional detail on specific actions it plans to take to implement the recommendations, and the milestone dates for completing those actions.

We agree with these recommendations and believe that the Agency's new Performance Appraisal and Recognition System (PARS) will play a major role in addressing the OIG's concerns. PARS will enhance communications between supervisors and employees, help employees understand the criticality of their work in the context of the Agency's Strategic Plan, and provide clear standards of performance for critical job elements. In implementing PARS, the Agency's Program Offices, in consultation with the Office of Grants and Debarment and the Office of Human Resources, will develop and put in place a set of measures for grants management to assess project officer performance.

In addition to our work under PARS, we will be taking three other steps to implement the draft report's recommendations. First, in June 2005, the Agency required each Region and Headquarters Program Office to develop a Project Officer Workforce Plan to document the strategy they are using to manage their project officer workforce. Offices must submit draft Plans for review to the Office of Grants and Debarment (OGD) by October 31, 2005 and issue final plans in January 2006. In reviewing the draft Plans, we will focus on whether they promote accountable grants management, especially for offices that have large numbers of project officers who spend a small percentage of their time on grants management. Our expectation is that there will be clear points of accountability in each office to ensure that project officers comply with grants management policies and procedures. If the Plans, in conjunction with PARS, do not achieve the desired result, the Agency will explore options for fundamentally restructuring how it manages grants.

Second, we will require that the results of management reviews and self assessments be communicated to the appropriate project officers and supervisors.

Third, we will explore ways to provide incentives for good grants management through programs that recognize and reward project officers and other employees who substantially exceed grants management performance targets. This may include an expansion of our existing "Excellence in Grants Management" and "Assistance Management Award" programs.

Again, thank you for the opportunity to comment on the report, and for helping us promote a culture of accountable grants management. If you have any questions, please contact

Howard Corcoran, Director, Office of Grants and Debarment, at (202) 564-1903 or Richard Kuhlman, Director, Grants Administration Division, at (202) 564-0696.

cc: Nikki Tinsley
Melissa Heist
Assistant Administrators
Regional Administrators
Deputy Regional Administrators
Dave O'Connor
Senior Resource Officials
Howard Corcoran
Richard Kuhlman
Bruce Binder
David Osterman
Grants Management Officers
Junior Resource Officials

Distribution

EPA Headquarters

Office of the Administrator
Assistant Administrator, Office of Administration and Resources Management
Assistant Administrator, Office of Air and Radiation
Assistant Administrator, Office of Enforcement and Compliance Assurance
Assistant Administrator, Office of Environmental Information
Assistant Administrator, Office of International Affairs
Assistant Administrator, Office of Prevention, Pesticides, and Toxic Substances
Assistant Administrator, Office of Research and Development
Assistant Administrator, Office of Solid Waste and Emergency Response
Assistant Administrator, Office of Water
Director, Office of Grants and Debarment
Director, Grants Administration Division
Director, Office of Regional Operations
Agency Followup Official (the CFO)
Agency Audit Followup Coordinator
Audit Followup Coordinator, Office of Administration and Resources Management
Associate Administrator for Congressional and Intergovernmental Relations
Associate Administrator for Public Affairs
General Counsel
Inspector General

EPA Regions

Regional Administrators (1–10)
Audit Followup Coordinators, Regions (1–10)