



U.S. ENVIRONMENTAL PROTECTION AGENCY  
OFFICE OF INSPECTOR GENERAL

*Catalyst for Improving the Environment*

## Audit Report

# EPA Needs to Better Document Project Delays for Recovery Act Diesel Emission Reduction Act Grants

Report No. 11-R-0179

March 28, 2011



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**Abbreviations**

ARRA	American Recovery and Reinvestment Act
DERA	Diesel Emission Reduction Act; also refers to the U.S. Environmental Protection Agency Diesel Emissions Reduction Program
EPA	U.S. Environmental Protection Agency
OAR	Office of Air and Radiation
OARM	Office of Administration and Resources Management
OGD	Office of Grants and Debarment
OIG	Office of Inspector General
OMB	Office of Management and Budget
ORBIT	Office of the Chief Financial Officer Reporting and Business Intelligence Tool

**Cover photo:** School buses, which are often a source of diesel emissions. (EPA photo)



# At a Glance

*Catalyst for Improving the Environment*

## Why We Did This Review

The Office of Inspector General (OIG) conducted this audit to determine whether the U.S. Environmental Protection Agency (EPA) successfully used its grants management tools to identify and mitigate project delays in American Recovery and Reinvestment Act of 2009 (Recovery Act) Diesel Emission Reduction Act (DERA) grants.

## Background

The Recovery Act provided the EPA Diesel Emissions Reduction Program (known as DERA) with \$300 million to maximize job preservation and create economic recovery through a variety of diesel emission reduction strategies. To accomplish its objective, EPA awarded \$244 million via grants under the State and National Clean Diesel Funding Assistance Programs.

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

The full report is at:  
[www.epa.gov/oig/reports/2011/20110328-11-R-0179.pdf](http://www.epa.gov/oig/reports/2011/20110328-11-R-0179.pdf)

## ***EPA Needs to Better Document Project Delays for Recovery Act Diesel Emission Reduction Act Grants***

### What We Found

While DERA project officers were aware of Recovery Act grant project delays, they did not always document delays in EPA's grants management system or, in some cases, take action to reduce the impact of project delays. To prompt quicker action from recipients on Recovery Act grants, EPA had stated to the Office of Management and Budget in March 2009 that all grants would have an initial project period through September 30, 2010. EPA's goal was to have 40 percent of the Recovery Act grant funds expended by September 30, 2010, which was met. However, as of June 30, 2010, 49 grants, with a value of \$101,437,442, had less than 10 percent of the funds expended. Eighty-five percent of the grantees did not finish projects by the completion date, and EPA granted no-cost time extensions for all those grantees. In granting the extensions, 3 of 15 grants we reviewed did not contain new timeframes for completing the projects. EPA guidance requires timeframes to be established, and timeframes can be used to assess progress and reduce the impact of project delays.

Even though grant recipients reported project delays to EPA in progress reports, in 10 of 15 cases reviewed, project officers did not document these delays in programmatic baseline monitoring reports. DERA staff believed the delays were outside the control of the recipients and that no-cost time extensions were the appropriate corrective action. However, EPA did not take sufficient action in some cases by establishing new milestone dates and instituting corrective actions when approving grant extensions. Delayed projects may result in recipients not completing projects within specified timeframes and delayed achievement of Recovery Act objectives.

### What We Recommend

We recommend that the Assistant Administrator for Administration and Resources Management revise the baseline and advanced monitoring report questions and corresponding guidance. We recommend that the Assistant Administrator for Air and Radiation verify that project officers document delays in baseline and advanced monitoring reports, and institute corrective actions when delays occur. We also recommend that the Assistant Administrator for Air and Radiation require project officers to regularly report to management on the progress of projects and status of corrective actions. EPA agreed with the OIG's recommendations. The Office of Air and Radiation, the Office of Administration and Resources Management, and the regions have worked together to improve guidance and oversight.



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

THE INSPECTOR GENERAL

March 28, 2011

**MEMORANDUM**

**SUBJECT:** EPA Needs to Better Document Project Delays for Recovery Act  
Diesel Emission Reduction Act Grants  
Report No. 11-R-0179

**FROM:** Arthur A. Elkins, Jr.  
Inspector General

A handwritten signature in black ink, appearing to read "Arthur A. Elkins, Jr.", is written over the printed name and title.

**TO:** Gina McCarthy  
Assistant Administrator for Air and Radiation

Craig Hooks  
Assistant Administrator for Administration and Resources Management

This is our report on the subject audit conducted by the Office of Inspector General (OIG) of the U.S. Environmental Protection Agency (EPA). This report contains findings that describe the problems the OIG has identified and corrective actions the OIG recommends. This report represents the opinion of the OIG and does not necessarily represent the final EPA position. Final determinations on matters in this report will be made by EPA managers in accordance with established audit resolution procedures.

The estimated direct labor and travel costs for this report are \$219,112.

**Action Required**

In responding to the discussion draft report, the Agency provided a corrective action plan for addressing the recommendations. Therefore, a response to the final report is not required. We have no objections to the further release of this report to the public. The report will be available at <http://www.epa.gov/oig>.

If you or your staff have any questions regarding this report, please contact Melissa Heist, Assistant Inspector General for Audit, at (202) 566-0899 or [heist.melissa@epa.gov](mailto:heist.melissa@epa.gov); or Janet Kasper, Product Line Director, at (312) 886-3059 or [kasper.janet@epa.gov](mailto:kasper.janet@epa.gov).

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## Purpose

The Diesel Emissions Reduction Program (known as DERA) was one of six U.S. Environmental Protection Agency (EPA) programs that received funding under the American Recovery and Reinvestment Act of 2009 (Recovery Act). The act provided \$300 million for the DERA grants, of which \$6 million could be used to manage and oversee the grants. Our objective was to determine whether EPA successfully used its grants management tools to identify and mitigate project delays in Recovery Act DERA grants.

## Background

The Recovery Act was signed into law on February 17, 2009, as a direct response to the economic crisis. The Recovery Act was to:

- Preserve and create jobs and promote economic recovery
- Provide investments needed to increase economic efficiency by spurring technological advances in science and health
- Invest in transportation, environmental protection, and other infrastructure that will provide long-term economic benefits

Regarding use of the funds, the Recovery Act stated that expenditures and activities were to commence as quickly as possible, consistent with prudent management.

Congress appropriated funding for DERA under the Energy Policy Act of 2005 to reduce emissions from heavy-duty diesel engines in the existing fleet. The act provided EPA grant authority to promote diesel emission reductions. Under the Recovery Act, the National Clean Diesel Funding Assistance Program competitively awarded a total of \$156 million to 90 grant recipients to support implementation of diesel reduction programs. The State Clean Diesel Program awarded a total of \$88 million to the 50 states plus the District of Columbia.<sup>1</sup> The states can use the funds to award additional grants.

As required by the Office of Management and Budget (OMB), EPA developed a program plan that describes how funds would be used and managed. The DERA plan stated that its goal was to expend all of the State and National Clean Diesel money by September 30, 2010. In support of the goal, EPA established DERA grant agreements with recipients containing a project end date of September 30, 2010.

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<sup>1</sup> The awards were made via a formula and averaged about \$1.73 million each.

## Scope and Methodology

We conducted this audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our conclusions based on our audit objectives.

We selected 15 DERA Recovery Act grants in which substantial progress had not been made using funds expended as of June 30, 2010, as an indicator of project progress. We identified all grants with 90 percent of funds remaining and a project and budget period end date of September 30, 2010. Forty-nine Recovery Act grants in DERA's State and National Funding Assistance Programs totaling \$101.4 million (or 42 percent of \$244 million awarded to those programs) met these criteria. To select our audit samples, we sorted the 49 grants and calculated the number of grants in each region. We selected the two regions with the largest number of grants that contained less than 10 percent of funds expended. Our sample included seven grants in Region 3 and eight grants in Region 4. We interviewed EPA DERA staff in headquarters and Regions 3 and 4; and we reviewed project officer files, recipient progress reports, and quarterly reports obtained from Recovery.gov. We also interviewed the DERA grant recipients during site visits. We performed the audit from July 2010 to February 2011. Appendix A contains additional scope and methodology details.

## Results of Review

While DERA project officers were knowledgeable about project status and one region developed a local system to track progress, DERA project officers did not use the monitoring reports housed in the national grants management database to identify and take action to reduce the impact of delays for EPA Recovery Act DERA grants. To prompt quicker action from recipients on Recovery Act grants, EPA stated to OMB in March 2009 that all grants would have an initial completion date of September 30, 2010.<sup>2</sup> As of June 30, 2010, 49 grants, with a value of \$101,437,442, had less than 10 percent of the funds expended. Consequently, 85 percent of the grants did not meet the completion date, and EPA granted no-cost time extensions for all those grantees. Further, in granting the extensions, 3 of 15 grants we reviewed did not contain new timeframes for completing the project. The Recovery Act required funds be put to use quickly, and EPA's Recovery Act plan for DERA required grant monitoring to be a key component for monitoring project progress.

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<sup>2</sup> The 49 grants that fell into our sample were from the State and National Clean Diesel Programs. Since no grants from the other two programs (Emerging Technologies and SmartWay) fell into our sample, we did not evaluate those programs.

Even though grant recipients reported project delays to EPA in progress reports, in 10 of 15 cases reviewed, project officers did not document these delays in programmatic baseline monitoring reports. DERA personnel did not view the delays as significant or requiring action because delays were outside the grant recipients' control and the project period end date in the grant agreements was only intended to spur action. However, delays result in recipients not completing projects within specified timeframes and diminishing Recovery Act objectives.

### ***Recovery Act and Monitoring of DERA Grants***

EPA issued several documents to provide staff with guidance on what level of monitoring was needed for Recovery Act grants. EPA developed an Agency-level risk mitigation plan known as the Recovery Act Stewardship Plan, which details the Agency's Recovery Act risk assessment, internal controls, and monitoring activities. The *Recovery Act Assistance Agreement Post-Award Monitoring Strategy* provides guidance for funding and monitoring Recovery Act grants. Baseline and advanced monitoring are important grants management tools for these grants. EPA Order 5700.6 A2 explains that baseline monitoring is the periodic review of a recipient's progress in, and compliance with, a specific award's scope of work, terms and conditions, and regulatory requirements. Baseline monitoring reports specifically ask whether recipients are meeting milestones and whether project officers believe the grant should be amended. Advanced monitoring is an in-depth assessment of a recipient's (administrative and financial) or project's (programmatic and technical) progress, management, and expectations. The relevant monitoring duties of the EPA offices and staff are listed in table 1.

**Table 1: Monitoring requirements**

<b>Type of required monitoring</b>	<b>Responsible office/staff</b>	<b>Frequency</b>
Baseline administrative monitoring	Grants Management Office	Quarterly
Advanced administrative monitoring	Office of Grants and Debarment	Annually
Baseline programmatic monitoring	Project officer	Quarterly
Advanced programmatic monitoring	Project officer	Annually

Source: EPA's *Recovery Act Assistance Agreement Post-Award Monitoring Strategy*.

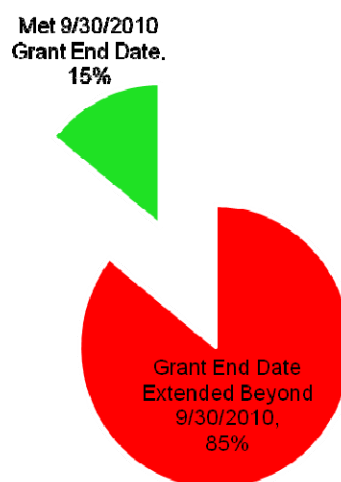
The *Project Officer Manual* emphasizes the importance of the project officer negotiating a project workplan. One component of the workplan is schedules and milestones for accomplishing the grant objectives. Section 8 of the post-award monitoring strategy calls on project officers to document issues identified during monthly drawdown or post-award monitoring reviews. When issues are identified, project officers are to “develop appropriate corrective action plans [and] ensure that recipients take necessary corrective actions in a timely manner.”



## ***EPA Did Not Always Identify and Take Action to Reduce the Impact of Project Delays***

Project officers did not always identify in EPA's management systems that projects were delayed, as required by the Office of Air and Radiation's (OAR's) DERA Grant Monitoring Plan. In some cases, EPA also did not take sufficient action in response to delays by establishing new milestone dates and instituting corrective actions when allowing grant extensions. Of the 141 EPA Recovery Act DERA grants, 120, or 85 percent, received a no-cost time extension beyond the September 30, 2010, grant end date (figure 1). Each recipient received a no-cost time extension of up to 1 year.

**Figure 1: DERA grant end dates met or extended**



Source: OIG analysis of EPA data.

Our site visits revealed many reasons for delays. The 15 projects we reviewed were in varying stages of completion when we visited them in August and September 2010. Reasons included manufacturing delays, companies ceasing operations, and deverification of emission reduction technologies.

When allowing grant extensions, EPA did not ensure that new schedules for completing the projects were put in place. In 3 of 15 instances, EPA approved grant extensions, although the recipient had not updated the timeline for all delayed projects. In each of these cases, the recipients also did not obligate funding to subrecipients, even though the grants were awarded over 1 year prior. For example, after receiving the grant, one recipient found that it could not complete the original activities that were intended. Even though EPA approved a no-cost extension for the recipient in June 2010, as of December 1, 2010, EPA regional staff were still working with the recipient to develop a workplan for using the funds. In another grant, the recipient submitted schedules for some of the projects but, for others, the workplan stated that the milestones were still being negotiated. While EPA allowed an extension for the grant until September 30, 2011, lack of a specific schedule provides limited assurance that the project will be completed timely.

One of the internal controls EPA set up to oversee and manage grants did not accurately convey project status of Recovery Act DERA projects. EPA developed an electronic Post Award Baseline Tracking Tool to assist in the implementation of baseline monitoring. In 10 cases, project officers indicated in programmatic baseline monitoring reports that grants were progressing according to agreed-upon milestones. However, these 10 recipients communicated delays in their progress reports. In Region 4, five out of seven administrative baseline monitoring reports did not recommend amending the grant even though the recipient had reported delays to the projects. Project officers did not identify delays in baseline monitoring reports even though recipients reported that projects were delayed. Project officers did not institute corrective action plans to respond appropriately to those delays. Project officers considered no-cost time extensions with new milestone dates to be sufficient corrective action.

### ***DERA Viewed Extensions as Appropriate Corrective Actions***

EPA's project officers did not use the Post Award Baseline Tracking Tool to identify and take action to reduce the impact of project delays because they interpreted the tracking tool questions as being unconnected to established milestones. While project officers knew about project delays, DERA personnel believed that the delays were not within the recipients' control and that no-cost time extensions on the grants were sufficient corrective actions.

In the DERA strategy submitted to OMB in May 2009, EPA identified September 30, 2010, as the initial project period for the grants. Correspondingly, EPA identified September 30, 2010, as the project end period in the grants. In a December 2009 review, *ARRA – Financial and Operational Review (FOR) Report Diesel Emission (DERA) Grants*, OAR stated that its expectation was that only 40 percent of the funds would be expended by that date. DERA personnel at EPA headquarters told us that since expenditures were on track to reach 40 percent by September 30, 2010, project progress was not a problem.

### ***Delayed Grants Diminish Effectiveness of Recovery Act***

The conditions the OIG identified may result in recipients not accomplishing their projects within the project period specified in the grant agreement. When EPA's recipient monitoring reports have incorrect information and reports do not accurately reflect project status, the database does not accurately communicate information to management. Inaccurate information impedes effective management and oversight of the grants. The database is the primary way management can receive information on grant status.

When Recovery Act funds are not spent timely and corrective action plans are not established, the projected number of jobs created or retained is reduced or delayed, and environmental outputs and outcomes are delayed. As of June 30,

2010, the 15 grant recipients we reviewed reported only 22.82 jobs being created or retained on the Recovery.gov website. In their applications, the recipients estimated creating or retaining about 554 jobs. (OMB revised its guidance on calculating jobs after applications were submitted; this revision may account for some of the difference.) Due to project delays, expected environmental outcomes such as carbon monoxide and nitrogen oxide reductions (diesel emission pollutants) are not realized.

## Recommendations

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

1. Revise the baseline monitoring report questions and corresponding guidance so that project officers and grants specialists understand what information is required and how EPA uses the reports to monitor progress.

We recommend that the Assistant Administrator for Air and Radiation ensure that project officers:

2. Review the grants that received no-cost time extensions and verify that revised project timelines were established. If updated timelines were not established, have recipients submit the timelines when submitting their next quarterly reports.
3. Continuously document delays in baseline and advanced monitoring reports for Recovery Act DERA grants. Update milestones and institute corrective action plans when delays occur.
4. Establish a process to identify programmatic baseline monitoring reports project officers submit for the quarter ending December 31, 2010, that do not accurately record project status. Where delays are not accurately reported, require project officers to revise the baseline monitoring reports.
5. Using the information in the recipient monitoring database, regularly provide reports to management on progress of projects and status of corrective action plans until the Recovery Act grants are completed.

## Agency Response and OIG Comment

In its response to recommendation 1 in the draft report, the Office of Administration and Resources Management (OARM) noted that it had revised the *Administrative Baseline Review Report Questionnaire* for grants specialists and

had prepared written guidance for completing the questionnaire. OARM told us it shared these documents with regional personnel and trained grants specialists in the Office of Grants and Debarment on the proper use of these documents. In addition, a Grants Management Plan workgroup is revising the *Programmatic Baseline Review Report Questionnaire* and is working to ensure that project officers understand what information is required and how it will be used. OARM anticipates that this task will be completed by December 31, 2011.

In its response to recommendations 2–5 in the draft report, OAR stated that it is in the process of taking a host of measures to improve guidance and oversight. For example, OAR reviewed the grants identified by the OIG as receiving no-cost time extensions and confirmed with each project officer of the identified grants that updated project timelines have been submitted and are in the grant file. OAR provided documentation showing that it is using a monthly survey to monitor no-cost time extensions. OAR pledged to document delays in baseline and advanced monitoring reports, and affirmed that it has established a process to identify December 31, 2010, baseline monitoring reports that did not accurately reflect project status. Finally, OAR will regularly collect data on the status of Recovery Act grants and monitor the status of corrective action plans. EPA’s summary of the corrective actions and milestone dates is shown in appendix B.

The completed and planned actions that OAR and OARM presented will address the finding and recommendations in the report.

## **Status of Recommendations and Potential Monetary Benefits**

RECOMMENDATIONS						POTENTIAL MONETARY BENEFITS (in \$000s)	
Rec. No.	Page No.	Subject	Status <sup>1</sup>	Action Official	Planned Completion Date	Claimed Amount	Agreed-To Amount
1	6	Revise the baseline monitoring report questions and corresponding guidance so that project officers and grants specialists understand what information is required and how EPA uses the reports to monitor progress.	O	Assistant Administrator for Administration and Resources Management	12/31/2011		
2	6	Ensure that project officers review the grants that received no-cost time extensions and verify that revised project timelines were established. If updated timelines were not established, have recipients submit the timelines when submitting their next quarterly reports.	C	Assistant Administrator for Air and Radiation	03/02/2011		
3	6	Ensure that project officers continuously document delays in baseline and advanced monitoring reports for Recovery Act DERA grants. Update milestones and institute corrective action plans when delays occur.	O	Assistant Administrator for Air and Radiation	12/31/2011		
4	6	Ensure that project officers establish a process to identify programmatic baseline monitoring reports project officers submit for the quarter ending December 31, 2010, that do not accurately record project status. Where delays are not accurately reported, require project officers to revise the baseline monitoring reports.	C	Assistant Administrator for Air and Radiation	03/02/2011		
5	6	Ensure that project officers, using the information in the recipient monitoring database, regularly provide reports to management on progress of projects and status of corrective action plans until the Recovery Act grants are completed.	O	Assistant Administrator for Air and Radiation	12/31/2011		

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

## ***Details on Scope and Methodology***

We obtained the universe of DERA Recovery Act Clean Diesel Funding Assistance Program grants as of June 30, 2010, from EPA's accounting system using the EPA Office of the Chief Financial Officer Reporting and Business Intelligence Tool (ORBIT). The universe for DERA State and National Funding Assistance Program grants comprised 51 state grants totaling \$88 million and 89 national grants totaling \$156 million, for a combined total of \$244 million in awards under the two programs. Using the information, we calculated the percent expended for each grant. We obtained the project period end dates for each grant from EPA's Financial Data Warehouse and Integrated Grants Management System. Our selection criteria included all grants with less than 10 percent of funds expended as of June 30, 2010, and a project period end date of September 30, 2010. We combined the financial data and the project period data for the grants and excluded all grants that did not meet our selection criteria. The remaining population consisted of 49 DERA Recovery Act state and national grants totaling \$101.4 million.

To select our audit samples, we sorted the 49 grants and calculated the number of grants in each region. We selected Regions 3 and 4 for review because the two regions had the greatest number of grants with less than 10 percent expended and a project period end date of September 30, 2010. The 15 grants we reviewed in Regions 3 and 4 totaled \$27.8 million with expenditures of \$1.13 million as of June 30, 2010. See table A-1 for details.

**Table A-1: DERA Recovery Act grants**

DERA grants	Number	Grant amount	Expended as of June 30, 2010
Regions 3 and 4	15	\$27,841,587	\$1,127,575
Grants with < 10% spent and project end date of 9/30/2010	49	101,437,442	3,436,332

Source: OIG analysis.

We developed questions and reviewed documentation to determine the status of and impediments to project progress. We conducted interviews with EPA DERA personnel in Regions 3 and 4, headquarters, and grant recipients. We examined project officer files, baseline and advanced monitoring reports, recipient progress reports, and Recovery.gov quarterly reports. We also performed site visits and conducted interviews with all but 1 of the 15 DERA grant recipients in Regions 3 and 4. We conducted one interview by telephone due to the grant recipient's location. We performed the audit from July 2010 to February 2011.

### **Internal Controls**

We assessed EPA's management controls related to project management of DERA Recovery Act grants. We identified DERA's internal controls pertaining to oversight of Recovery Act grants in EPA's Recovery Act Stewardship Plan, the DERA Recovery Act Program Plan, and EPA's *Recovery Act Assistance Agreement Post-Award Monitoring Strategy*. We examined EPA DERA

internal control reviews and EPA's fiscal year 2010 Federal Managers' Financial Integrity Act Assurance Letters for the applicable program offices and regions to identify any weaknesses related to project management of Recovery Act DERA grants. To assess internal controls related to EPA's Financial Data Warehouse and ORBIT, we relied on reviews conducted during the audit of EPA's fiscal year 2009 financial statements. The audit work concluded that we could rely on these systems to produce accurate data.

## **Prior Reviews**

We identified two prior EPA OIG reports related to DERA, one issued by the Office of Audit and the other issued by the Office of Program Evaluation. The Office of Audit issued Report No. 10-R-0082, *EPA Maximized Competition for Recovery Act Grants under the National Clean Diesel Funding Assistance Program*, on March 23, 2010. This report determined that the competition process DERA used to award Recovery Act grants promoted competition to the maximum extent possible and met Recovery Act goals and requirements. The Office of Program Evaluation issued Report No. 11-R-0141, *EPA Should Improve Guidance and Oversight to Ensure Effective Recovery Act-Funded Diesel Emissions Reduction Act Activities*, on March 1, 2011. This report determined that EPA did not clearly describe its responsibilities in the terms and conditions of Recovery Act-funded assistance agreements.

## Agency Response to Draft Report

Mar – 8 2011

### MEMORANDUM

**SUBJECT:** Office of Air and Radiation's (OAR) Response to OIG Draft Report *EPA Needs to Take Action to Reduce the Impact of Project Delays for Recovery Act Diesel Emission Reduction Act Grants*, Project No. OA-FY10-0178

**FROM:** Gina McCarthy  
Assistant Administrator

**TO:** Melissa Heist  
Assistant Inspector General for Audits

Thank you for the opportunity to comment on the Office of Inspector General (OIG) draft report, *EPA Needs to Take Action to Reduce the Impact of Project Delays for Recovery Act Diesel Emission Reduction Act Grants*, Project No. OA-FY10-0178, dated February 1, 2011, which focused on grants management tools to identify and mitigate project delays in American Recovery and Reinvestment Act of 2009 Diesel Emission Reduction Act grants. The recommendations provided in the draft report will help OAR continue to improve its oversight and guidance for DERA grant activities.

EPA appreciates the effort by the OIG to thoroughly understand the grants management process and responsibilities of DERA grants project officers, and to identify several areas for improvements in guidance and oversight. OAR, OARM and the Regions have already begun to work diligently to implement the recommendations in this report. A summary of the recommendations, their associated actions and projected completion dates is attached at the end of this document. Please see the specific recommendations below and their updates.

1. Revise the baseline monitoring report questions and corresponding guidance so that the project officers and grant specialists understand what information is required and how EPA uses the reports to monitor progress.

EPA Response: EPA accepts OIG's recommendation to revise the baseline monitoring report questions and corresponding guidance for the project officers and grants specialist to ensure that the project officers and grants specialists understand what information is required and how EPA will use the reports to monitor the progress of the projects.



In December 2010, the Office of Grants and Debarment's (OGD) Resource Management Division, working with staff in Headquarters and the regions, revised the Administrative Baseline Review Report Questionnaire for the grants specialists. The revised version modified a few of the original questions for clarity, but also included additional questions that incorporated the new Office of Management and Budget (OMB) requirements and questions to determine the viability of projects and to determine whether unliquidated obligated funds were appropriate and necessary for project completion or whether these funds should be deobligated. In addition, the questions ensure the grants specialists understand the information required and how this information will be used to monitor the progress of the projects.

Additionally in January, 2011, OGD prepared written guidance for completing the revised "Administrative Baseline Review Report Questionnaire," which was shared with the Regional grants management officers and their staffs as well. The grants specialists in OGD were also provided training on the revised baseline monitoring report questions and guidance.

To address OIG's recommendation pertaining to the project officers, the Grants Management Plan (GMP) Goal 4 workgroup, which is working on identifying opportunities for streamlining the grants business process and achieving greater standardization, has made this recommendation a top priority for this calendar year. The GMP Goal 4 workgroup will solicit assistance from the grants community to ensure the revisions and/or additional questions in the Programmatic Baseline Review Report Questionnaire are appropriate and to make certain the project officers understand what information is required and how this information will be used to monitor the progress of their assigned projects. Once the revisions are made and the written guidance is prepared, training will be provided to the project officers. It is anticipated that OIG's recommendation will be fully implemented by the end of the 2011 calendar year.

2. Review the grants that received no-cost time extensions and verify that revised project timelines were established. If updated timelines were not established, have recipients submit the timelines when submitting their next quarterly reports.

EPA Response: OAR has reviewed the grants identified by the OIG as receiving no-cost time extensions and has confirmed with each Project Officer of the identified grants that updated project timelines have been submitted, and are in the grant file. In addition, OAR will continue to use the Monthly ARRA DERA survey to monitor no-cost time extensions (see attachment A for an example), and will remind all Project Officers that updated timelines are required for any project receiving a no-cost time extension. Please see Attachment B for supporting documentation identifying which projects did not initially have project timelines in the grant file, and for those projects, the date that a revised project timeline was submitted by the grantee.

3. Continuously document delays in baseline and advanced monitoring reports for Recovery Act DERA grants. Update milestones and institute corrective action plans when delays occur.

EPA Response: OAR will continuously document delays using the baseline and advanced monitoring reports. Once the baseline monitoring programmatic report has been revised by OARM (see Recommendation 1), OAR will train project officers and grant specialists to use the form correctly to document delays. OAR will work with Regions to update milestones when delays occur; plans for corrective action will be used when avoidable delays occur.

4. Establish a process to identify programmatic baseline monitoring reports project officers submit for the quarter ending December 31, 2010, that do not accurately record project status. Where delays are not accurately reported, require project officers to revise the baseline monitoring reports.

EPA Response: OAR has established a process to identify which baseline monitoring reports did not accurately reflect project status, as of December 31, 2010. For those identified projects, OAR has confirmed with each Project Officer that a revised programmatic baseline monitoring report was completed in the post award monitoring database. Please see Attachment B for supporting documentation identifying which baseline monitoring reports were found to be inaccurate, and confirmation that those reports were revised.

5. Using the information in the recipient monitoring database, regularly provide reports to management on progress of projects, and status of corrective action plans, until the Recovery Act grants are completed.

EPA Response: OAR will oversee the monitoring database and the status of corrective action plans. OAR will regularly collect information on the status of Recovery Act grants, including the status of baseline monitoring and progress toward completion of projects. This information will be provided to management on a regular basis, until the Recovery Act grants are completed. Please see Attachment C for an example of information that will be collected.

A summary table of corrective actions and associated projected completion dates is attached. Also attached are three charts. If you have any questions, please contact me or staff member Jennifer Keller at (202) 343-9541.

Attachments

## **Status of Recommendations and Potential Monetary Benefits**

RECOMMENDATIONS						POTENTIAL MONETARY BENEFITS (in \$000s)	
ReNo.	Page No.	Subject	Action Official	OAR or OARM Corrective Action	Planned Completion Date	Claimed Amount	Agreed-To Amount
1	6	Revise the baseline monitoring report questions and corresponding guidance so that the project officers and grant specialists understand what information is required and how EPA uses the reports to monitor progress.	Assistant Administrator for Administration and Resources Management	EPA accepts OIG's recommendation to revise the baseline monitoring report questions and corresponding guidance for the project officers and grants specialists to ensure that the project officers and grants specialists understand what information is required and how EPA will use the reports to monitor the progress of the projects.	December 31, 2011	0	0
2	6	Review the grants that received no-cost time extensions and verify that revised project timelines were established. If updated timelines were not established, have recipients submit the timelines when submitting their next quarterly reports.	Assistant Administrator for Air and Radiation	OAR has reviewed the grants identified by the OIG as receiving no-cost time extensions and has confirmed with each Project Officer of the identified grants that updated project timelines have been submitted, and are in the grant file. In addition, OAR will continue to use the Monthly ARRA DERA survey to monitor no-cost time extensions, and will remind al Project Officers that updated timelines are required for any project receiving a no-cost time extension.	March 2, 2011	0	0
3	6	Continuously document delays in baseline and advanced monitoring reports for Recovery Act DERA grants. Update milestones and institute corrective action plans when delays occur.	Assistant Administrator for Air and Radiation	OAR will continuously document delays using the baseline and advanced monitoring reports. Once the baseline monitoring programmatic report has been revised by OARM (see Recommendation 1), OAR will train project officers and grant specialists to use the form correctly to document delays. OAR will work with Regions to update milestones when delays occur; plans for corrective action will be used when avoidable delays occur.	December 31, 2011	0	0
4	6	Establish a process to identify programmatic baseline monitoring reports project officers submit for the quarter ending December 31, 2010, that do not accurately record project status. Where delays are not accurately reported, require project officers to revise the baseline monitoring reports.	Assistant Administrator for Air and Radiation	OAR has established a process to identify which baseline monitoring reports did not accurately reflect project status, as of December 31, 2010. For those identified projects, OAR has confirmed with each Project Officer that a revised programmatic baseline monitoring report was completed in the post award monitoring database.	March 2, 2011	0	0
5	6	Using the information in the recipient monitoring database, regularly provide reports to management on progress of projects, and status of corrective action plans, until the Recovery Act grants are completed.	Assistant Administrator for Air and Radiation	OAR will oversee the monitoring database and the status of corrective action plans. OAR will regularly collect information on the status of Recovery Act grants, including the status of baseline monitoring and progress toward completion of projects. This information will be provided to management on a regular basis, until the Recovery Act grants are completed.	December 31, 2011	0	0

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