United States General Accounting Office

GAO

Report to the Chairman, Subcommittee on VA, HUD, and Independent Agencies, Committee on Appropriations, House of Representatives

July 1999

ENVIRONMENTAL PROTECTION

Factors Contributing to Lengthy Award Times for EPA Grants

GAO

Accountability * Integrity * Reliability

GAO/RCED-99-204

GAO

United States
General Accounting Office
Washington, D.C. 20548

Resources, Community, and
Economic Development Division

B-282807

July 14, 1999

The Honorable James T. Walsh
Chairman, Subcommittee on VA, HUD,
and Independent Agencies
Committee on Appropriations
House of Representatives

Dear Mr. Chairman:

The Environmental Protection Agency (EPA) relies heavily on grants to carry out its mission of protecting human health and safeguarding the natural environment. These grants, which EPA awards to states, tribes, localities, and academic institutions, provide assistance for projects that range from conducting environmental research to constructing wastewater treatment facilities.[1] A significant portion of EPA's budget is used to fund grants. For fiscal year 1999, for example, EPA projected that it would use about $4 billion, or 53 percent of its $7.6 billion budget, for grants.

EPA's grant award process consists of a series of steps that generally begins when the agency receives its annual appropriation[2] and ends when it awards a grant to a recipient. As part of this process, a grant applicant must prepare and submit a detailed grant application, and EPA and the grantee agree on a work plan that describes the tasks to be performed, as well as specific commitments and deliverables.

EPA funds two broad categories of grants—"agency-requested" and "congressionally directed." Agency-requested grants implement ongoing environmental programs and fund other executive-branch priorities. Congressionally directed grants originate in EPA's appropriations acts and in the committee reports accompanying the acts. These acts and reports direct the agency to fund specific projects out of its appropriations.

Because of your interest in the timeliness of EPA's grant award process, you asked us to identify (1) the number and dollar value of the

[1]In this report, the term "grants" includes both grants and cooperative agreements. Grants provide organizations with financial assistance to carry out programs without substantial federal involvement. Cooperative agreements provide financial assistance with substantial federal involvement. Both grants and cooperative agreements are included in the broader category of "assistance agreements."

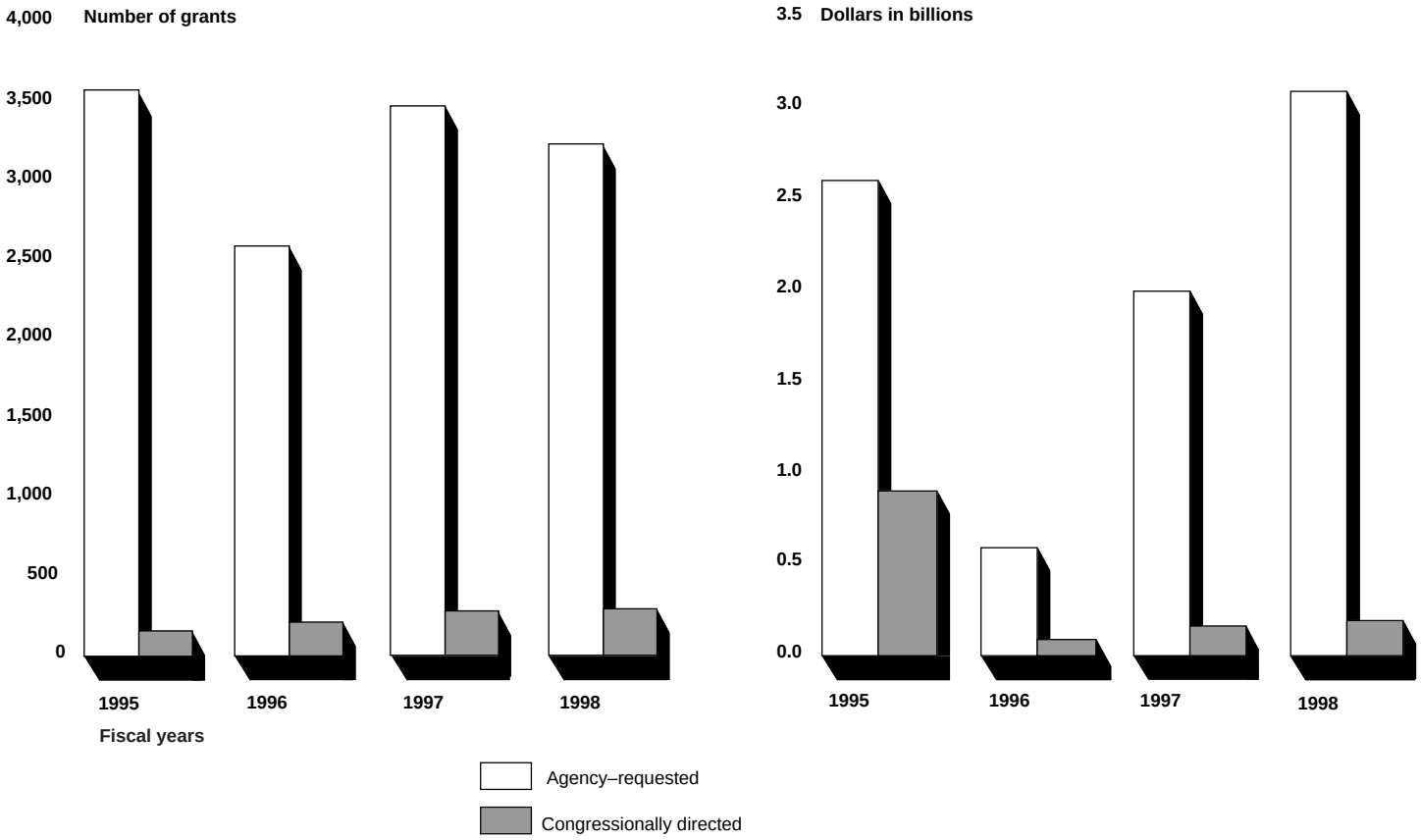
[2]The Office of Management and Budget (OMB) makes EPA's appropriations available through an allotment process. We used OMB's allotment date as the starting point in calculating how long it takes EPA to award a grant.

agency-requested and congressionally directed grants awarded for fiscal years 1995-98; (2) the median award time for both types of grants, as measured by the number of days between the date of the fiscal year appropriation and the date of the grant award; and (3) the major reasons for lengthy awards.

Results in Brief

From fiscal year 1995 through fiscal year 1998, the most recent years for which complete grant data were available, EPA awarded 12,861 agency-requested grants valued at approximately $8.4 billion and 950 congressionally directed grants valued at approximately $1.4 billion (see fig. 1).

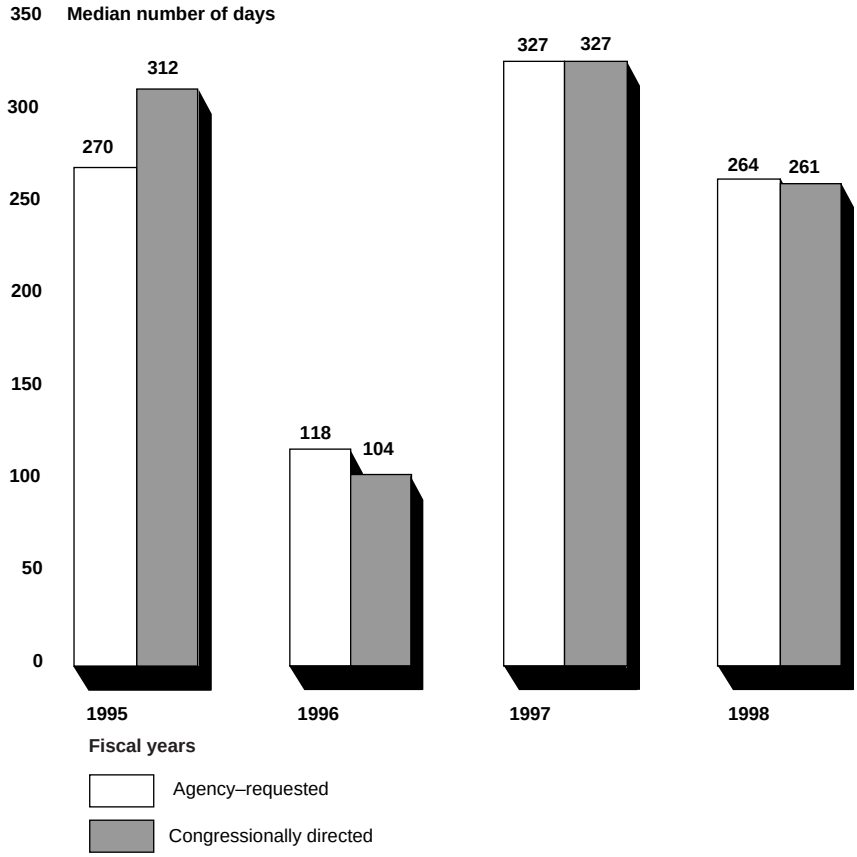
Figure 1: Number and Dollar Amounts of Grants Awarded by EPA for Fiscal Years 1995-98



Source: GAO's analysis of EPA's data.

During fiscal years 1995-98, the median time that EPA took to award both agency-requested and congressionally directed grants, as measured by the number of days between the date of the fiscal year appropriation and the date of the grant award, was about the same for each type of grant (see fig. 2).

Figure 2: Median Number of Days to Award Grants, Fiscal Years 1995-98



Note: The median number of days is smaller for fiscal year 1996 than for the other fiscal years because of some unusual circumstances, including three government shutdowns that delayed EPA's appropriations.

Source: GAO's analysis of EPA's data.

However, some grants took considerably longer to award. Specifically, EPA took at least twice the median number of days to award 409 agency-requested grants valued at $48 million and 30 congressionally directed grants valued at $27 million. Some grants of both types took over 600 days to award.

Several factors can lengthen the time taken to award both agency-requested and congressionally directed grants. For example,

- grantees may not submit grant applications in a timely manner,
- EPA may find problems with grantees' proposed work plans,
- grants may need to be awarded competitively, and
- grantees may not need funding immediately, even though funding is available.

Awarding congressionally directed grants in a timely manner may involve issues that do not generally arise for agency-requested grants. For example, grantees may be unfamiliar with EPA's grant award process, and EPA may need to identify specific grantees when the appropriations committees have not done so.

Background

More than 55 EPA programs provide grants to states, tribes, localities, and other regional or local authorities to fund continuing environmental programs, such as air pollution monitoring. These programs provide assistance to governments, institutions, nonprofit organizations, and private parties to contribute data, training, and research. EPA also provides grant funding to state revolving loan funds that, in turn, provide financing to municipalities for wastewater and drinking water facilities. Thus, EPA accomplishes a large part of its mission by awarding grant funds for other organizations to conduct environmental programs and projects. In fiscal year 1998, EPA expected to obligate about $3.5 billion, or 47 percent of its $7.4 billion budget, for grant funding.

Each fiscal year, EPA submits its budget request to the Congress, identifying the amounts it intends to award as grants throughout the coming fiscal year. This budget request does not provide for congressionally directed grants. During their deliberations, the congressional appropriations committees often direct EPA to set aside grant funds for particular programs or purposes. A committee may identify the grantee and the grant amount. For example, the House Appropriations Committee's conference report for fiscal year 1995 directs that a $2 million grant be awarded to the Gulf of Maine Council. Alternatively, a committee may identify a purpose without designating a grantee. For example, the same committee report directs that $8.5 million be awarded for rural water technical assistance activities. Generally, no additional appropriations are provided specifically for funding or managing congressionally directed grants.

As part of the yearly appropriations process, EPA prepares—within 30 days of the enactment of its appropriations legislation—an operating plan for

approval by its appropriations committees. This plan explains how the agency intends to implement its budget. Because the agency does not usually receive advance notice for congressionally directed grants, it must provide in its operating plan for funding and managing these grants. The Office of Management and Budget (OMB) makes funds available to EPA through an allotment process that allocates funds after they are appropriated.

EPA's headquarters and regional budget, program, and grant management offices participate in the grant funding process. The budget office makes funds available through its management of the agency's operating plan; the program offices allocate funding amounts and are responsible for programmatic, scientific, and technical oversight; and the grant management offices perform and document administrative reviews of grantees' application packages.

EPA's headquarters budget office monitors the appropriations process and, shortly after the beginning of a new fiscal year, identifies and assigns responsibility for each congressionally directed grant to a specific EPA headquarters program office or regional office. The program office, in turn, may retain the responsibility for awarding the grant or assign this responsibility to a regional office. If the responsibility is assigned, the program office transmits the necessary funding to the regional office. EPA officials told us that once a headquarters program office assigns responsibility for a grant to a regional office, the program office does not generally follow up on or monitor the status of the grant to see whether it is made available in a timely manner. While EPA headquarters monitors regional workload levels, it does not monitor the status of individual grants unless a problem or issue arises. Because the program offices play a pivotal role in the grant award process, they are encouraged to establish an annual plan and schedule for awarding both agency-requested and congressionally designated grants and to communicate that plan and schedule to the appropriate budget and grant management offices.

In September 1992, EPA issued a policy statement for one category of agency-requested grants—continuing environmental programs—requiring that these grants be awarded "as quickly as possible after funds become available." Under the policy, the appropriate EPA program and grant management offices must decide within 60 days of receiving a grant application whether to approve, conditionally approve, or disapprove the

application.[3] Within this period, EPA has 45 days to inform the applicant in writing of the status of the application. However, this EPA policy covers only about 20 percent of the agency's grants. For other grants awarded by EPA headquarters, the agency has established a 60-day "customer service standard" for acting on grant applications—including applications for congressionally directed grants. According to EPA headquarters grant administration officials, EPA regional offices are also developing customer service standards.

EPA Grants for Fiscal Years 1995-98

From fiscal year 1995 through fiscal year 1998, EPA awarded 12,861 agency-requested grants valued at approximately $8.4 billion and 950 congressionally directed grants totaling about $1.4 billion (see table 1). During this period, the number of congressionally directed grants ranged from about 4.3 percent to 8.5 percent of the total number of grants awarded, and the dollar value of these grants ranged from 7 percent to 26 percent of the total dollar value. In total, EPA awarded 13,811 grants valued at $9.9 billion during the 4-year period. EPA's regional offices awarded 93 percent of these grants (including the congressionally directed grants) valued at $9.2 billion.

Table 1: EPA's Agency-Requested and Congressionally Directed Grants, Fiscal Years 1995-98

	Agency-requested		Congressionally directed		Total	
Fiscal year	Number	Amount	Number	Amount	Number	Amount
1995	3,580	$2,631,039,747	160	$935,238,230	3,740	$3,566,277,977
1996	2,588	625,967,622	214	94,682,988	2,802	720,650,610
1997	3,467	2,046,886,190	276	172,940,849	3,743	2,219,827,039
1998	3,226	3,122,860,759	300	232,283,174	3,526	3,355,143,933
Total	12,861	$8,426,754,318	950	$1,435,145,241	13,811	$9,861,899,560

Source: GAO's analysis of EPA's data.

Time Taken to Award Grants

For fiscal years 1995-98, the median time that EPA took to award both agency-requested and congressionally directed grants was about the same (see table 2). The time taken to award a grant is the number of days elapsed between the date OMB allots EPA's fiscal year appropriation and the date EPA awards the grant. The median date is the midpoint in a sequentially ordered list; half of the grants are below the median number

[3]EPA also requires that the program office "attempt to complete the review" [of the grantee's application] within 3 weeks of receiving the application.

of days, and half are above. Because the sizes of the intervals vary widely from one type of grant to another, the median may be a more useful representation of the "typical" number of days than the average or mean.

Table 2: Median Number of Days Taken to Award EPA Grants, Fiscal Years 1995-98

	Median number of days taken to award grants	
Fiscal year	Agency-requested	Congressionally directed
1995	270	312
1996	118	104
1997	327	327
1998	264	261

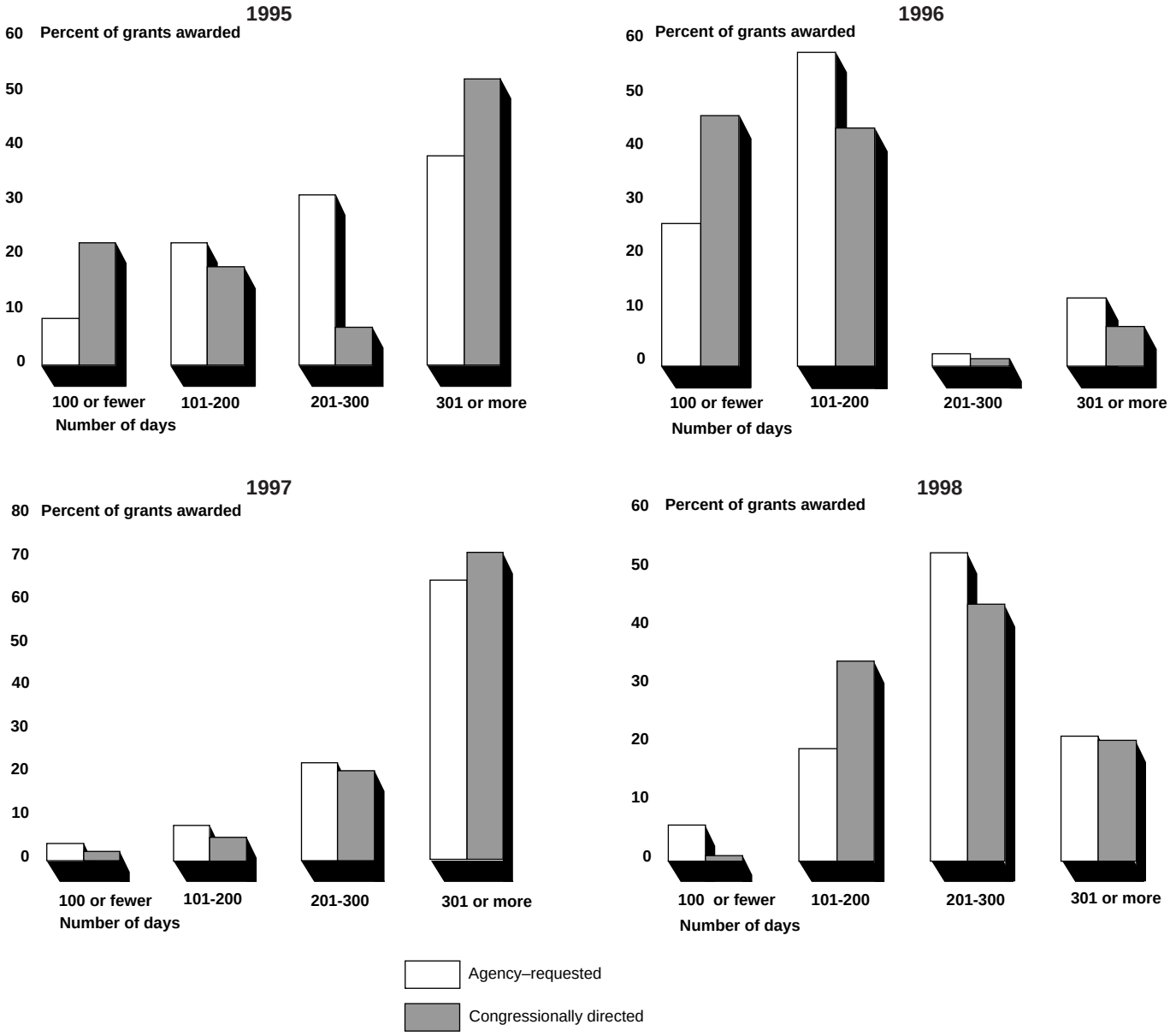
Note: The median number of days is smaller for fiscal year 1996 than for the other fiscal years because of some very unusual circumstances, including three government shutdowns that delayed EPA's appropriations.

Source: GAO's analysis of EPA's data.

According to EPA officials, the time taken to award grants is influenced by the dates when EPA receives its appropriation, when the appropriations committees approve its operating plan, and when its program offices provide annual guidance to the regional offices on the agency-requested and congressionally directed grants to be awarded. Some EPA regional officials maintain that they must wait for an approved operating plan before making grant awards. The officials pointed out, for example, that although EPA's fiscal year 1999 appropriations act was passed in October 1998, the agency did not have an approved operating plan until late February 1999. The officials further indicated that the early assumptions about funding levels used to prepare the plan do not always carry forward to the final approved plan.

While there was very little difference in the median time taken to award agency-requested and congressionally directed grants, some grants of both types—409 agency-requested grants valued at $48 million and 30 congressionally directed grants valued at $27 million—took more than twice the median number of days to award. Some grants of both types took over 600 days to award. For each fiscal year from 1995 through 1998, figure 3 shows the percentage of grants awarded within specific time frames.

Figure 3: Percentage of Grants Awarded, by Time Taken for Awards, Fiscal Years 1995-98



Source: GAO's analysis of EPA's data.

Major Reasons for Lengthy Awards

Several factors influence the time taken to award grants, some of which affect both agency-requested and congressionally directed grants and others of which are particular to congressionally directed grants. For example, awards of both types of grants may be delayed when grantees do not submit their grant applications on time or when EPA finds problems with the grantees' proposed work plans. EPA's procedures for awarding grants competitively, including procedures for soliciting and evaluating grant proposals, also take time. Furthermore, grantees that have funding available from a prior year often wait until they need additional funds to apply for a new grant. Awards of congressionally directed grants may be delayed when grantees are not familiar with EPA's grant award process or when EPA needs to identify grantees after funds have been congressionally directed but grantees have not been designated.

Reasons Affecting Both Agency-Requested and Congressionally Directed Grants

Grantees may increase the time taken to award grants if they are late in submitting their grant application packages to EPA or do not include complete work plans as a part of these packages. According to EPA, the grant review process cannot begin until the agency receives the grantee's application package, and the agency cannot approve the grant from a technical standpoint unless the grantee has prepared an acceptable work plan defining the tasks that will be accomplished. EPA officials said they found it much easier to deal with the recipients of agency-requested grants, who are familiar with the agency's grant award procedures, than to instruct new grantees in the intricacies of the process. One regional official noted that because each fiscal year usually brings new congressionally designated grantees, it is difficult for EPA to establish ongoing relationships with them.

Arriving at an acceptable work plan involves negotiation between EPA and the grantee. Sometimes, these negotiations can take several months. According to EPA regional grant officials, it takes about 4 to 5 months for the agency and a prospective congressionally designated grantee to negotiate a work plan that meets congressional intentions for a specific grant. Such a negotiation takes place after EPA has received its annual grant appropriation. An EPA headquarters grant administration official said that it can also take several months to negotiate an acceptable work plan with the recipient of a continuing environmental program grant. However, because of the long lead times, the official said, the parties can work ahead, starting negotiations over the work plan before EPA receives its annual appropriation. In September 1998, EPA's Inspector General reported, after reviewing 55 grant work plans, that the agency's program

officers did not always negotiate work plans with well-defined commitments. The Inspector General recommended increased training in this area for EPA officials.

States' concerns about the timing of EPA's grant awards led EPA, in 1992, to issue a policy memorandum on awarding grants for continuing environmental programs. The memorandum cited two possible causes of delays—confusion about when grant funds become available and difficulties in obtaining approval of work plans. The memorandum also noted that disagreements over EPA/state initiatives and requirements delayed EPA and state program officials' negotiations of work plans. Such disagreements can hold up grant awards until all work plan issues have been resolved and the work plans have been approved. To address this problem, the policy memorandum established a requirement for EPA to approve, conditionally approve, or disapprove an application for a continuing environmental program grant (including the work plan) within 60 days of receiving the grant application package.

Also adding time to grant awards, according to EPA officials, are the agency's procedures for awarding grants competitively, including those for soliciting and evaluating grant proposals. Although EPA has no overall requirements for competition, some program offices award agency-requested grants competitively to help ensure that only the best proposals are funded. For example, EPA's Office of Research and Development conducts an independent scientific peer review of proposed research grants, which, officials said, adds about 4 weeks to the grant award process. Most of EPA's congressionally directed environmental justice and some environmental equity grants are also awarded competitively.[4] EPA officials say they must use an extensive scoring process to determine the most eligible grantees for limited funds in this area.

Still another reason for the time taken to award grants, disclosed by our review of selected grant files, is that the recipients of both agency-requested and congressionally directed grants do not always need funding when grant funds become available. When grantees have not

[4]"Environmental justice" is defined by EPA as "the fair treatment and meaningful involvement of all people regardless of race, color, national origin, or income with respect to the development, implementation, and enforcement of environmental laws, regulations, and policies. Fair treatment means that no group of people, including racial, ethnic, or socioeconomic group should bear a disproportionate share of the negative environmental consequences resulting from industrial, municipal, and commercial operations or the execution of federal, state, local, and tribal programs and policies." EPA defines "environmental equity" as "equal protection from environmental hazards for individuals, groups, or communities regardless of race, ethnicity, or economic status."

liquidated all of their grant funds from the prior fiscal year, our review showed, they sometimes postpone the submission of their applications for new grant funds. For example, if a construction project was late in getting started and grant funds are therefore left over from the prior fiscal year, a grantee may postpone the submission of an application for an agency-requested construction grant. Similarly, EPA grant officials noted, if the recipient of a congressionally directed grant in one fiscal year is designated as a grantee in the following fiscal year and the grantee has not spent all of the funds from the first fiscal year, the grantee may postpone the submission of a grant application until new funding is required.

Issues With Congressionally Directed Grants

According to EPA officials, one of the major reasons for delays in awarding congressionally directed grants is that the grantees are not familiar with the federal grant application process. Even organizations identified as grantees in the appropriations committees' reports are required to submit detailed grant applications and work plans. Not all grantees are aware of this requirement. EPA officials said that they do not generally assist new grantees in preparing their grant application packages and do not take a proactive role in expediting grant awards. However, according to EPA grant administration officials, the agency assists grantees that ask for help in developing their work plans, to the extent appropriate. The officials pointed out that the grantees are still responsible for preparing the plans. Some EPA regions assist the grantees by providing workshops and training. EPA officials pointed out that the agency has developed a grant-writing tutorial, available on CD-ROM and the Internet, for new or small grantees. However, one regional official noted that EPA's grant application packages do not generally indicate that such assistance is available.

EPA officials pointed out that, in some cases, a specific grantee may not be identified in the appropriations committees' reports; instead, the committees simply direct that funding go to a particular area of interest. In these cases, EPA must either identify the intended grantee through research or competitively award the grant by soliciting and evaluating grant proposals. Each of these steps adds time to the process. An EPA regional official also said that administering congressionally directed grants is difficult because EPA does not receive advance notice of them and has no information to work with until the grants are designated in the appropriations committees' conference reports.

EPA grant administration officials said they take the award and management of congressionally directed grants seriously. This view was

echoed by EPA regional officials, who indicated that every effort is made to accommodate congressionally directed grants. However, the officials noted, the agency does not receive additional staff and resources to manage these grants. According to several EPA headquarters and regional grant administration officials, congressionally directed grants are sometimes seen as not furthering the agency's mission or as not aligned with its priorities.

Agency Comments

We provided EPA with a draft of this report for review and comment. We discussed the draft report with the Director of EPA's Office of Grants and Debarment, who said EPA generally agreed with the findings in the report and suggested that we clarify the applicability of EPA's customer service standard for processing and awarding grants. According to the Director, this standard applies to EPA headquarters offices, and regional offices are also developing such standards. We incorporated this and other technical comments into the report.

Scope and Methodology

To identify the number and dollar value of, and the median time taken to award, agency-requested and congressionally directed grants, we obtained data from EPA's Integrated Financial Management System (IFMS), including the most recent financial and award date information for fiscal years 1995-98. The data provided by EPA were for newly awarded grants for each of the 4 fiscal years and did not include any amendments to the grants. We analyzed these data by calculating, for each grant, the number of days between the date that OMB allotted funds to EPA and the date the grant was awarded. The dates of allotment were provided to us by EPA's headquarters budget office. We used these dates in our calculations because OMB must allot EPA's appropriation before EPA can award grant funds.

For some of EPA's agency-requested grants, the number of days between OMB's allotment date and EPA's grant award date, as indicated by IFMS data, was erroneous because EPA uses a budget procedure called "forward funding." Under this procedure, EPA uses funds carried over from a prior year for a grant, as well as new funding authority. While a grant may be awarded in a short time, IFMS can overstate the time taken for the award because it does not recognize that funds are being carried over to a new fiscal year. IFMS does not separately identify forward-funded grants, and EPA officials could not provide us with information that would allow us to do so. These grants are included in our analysis and would influence any

calculations of average numbers of days. We therefore used the median, or middle value of a data set, to describe the timeliness of a grant award.

Another factor influenced our calculation of the number and dollar value of grants and of the median time taken to award them. For fiscal year 1996, OMB's allotment of funds to EPA, which would normally have occurred in October or November 1995, did not occur until May 1996. The allotment occurred later than usual because of special circumstances, including the budget crisis of fiscal year 1996 and the associated government shutdowns. Consequently, for fiscal year 1996, calculations using IFMS data showed that the time taken to award some grants was "negative" because the grants were awarded before the allotment date under continuing budget resolutions. We eliminated all such grants from our review. Therefore, the number of grants and the amounts associated with agency-requested grants for fiscal year 1996 are understated.

To obtain information on the reasons for lengthy awards, we talked with EPA officials at selected locations about the agency's policy on timeliness and about how the agency oversees the grant award process. Because information on the reasons for lengthy awards is not available in IFMS, we reviewed selected hardcopy grant files to identify reasons for the delays and other information. This effort pointed to circumstances affecting congressionally directed grants. We then reviewed the files for 23 congressionally directed grants and 26 agency-requested grants, which we selected on the basis of the time taken to award the grants. We performed our review at EPA headquarters in Washington, D.C., and at the three EPA regional offices that managed the most grants for fiscal years 1995-98—the Chicago, Philadelphia, and San Francisco offices. We also reviewed documents related to EPA's grant award process, such as regulations, policies, and directives, as well as appropriations acts and associated committee reports. We conducted our review from February through June 1999 in accordance with generally accepted government auditing standards.

We are sending copies of this report to the Chairs and Ranking Minority Members of the Senate and House Committees and Subcommittees with responsibility for EPA's grants. We will also send copies of this report to Carol M. Browner, Administrator, EPA, and Jacob Lew, Director, Office of Management and Budget. Copies will also be made available to others upon request.

If you have any questions about this report, please contact me at (202) 512-6111 or John A. Wanska at (312) 220-7628. Key contributors to this assignment were Willie E. Bailey, Julian M. Fogle, James B. Hayward, and John D. Yakaitis.

Sincerely yours,

David G. Wood

David G. Wood
Associate Director, Environmental Protection Issues

Ordering Information

The first copy of each GAO report and testimony is free. Additional copies are $2 each. Orders should be sent to the following address, accompanied by a check or money order made out to the Superintendent of Documents, when necessary. VISA and MasterCard credit cards are accepted, also. Orders for 100 or more copies to be mailed to a single address are discounted 25 percent.

Orders by mail:

U.S. General Accounting Office
P.O. Box 37050
Washington, DC 20013

or visit:

Room 1100
700 4th St. NW (corner of 4th and G Sts. NW)
U.S. General Accounting Office
Washington, DC

Orders may also be placed by calling (202) 512-6000
or by using fax number (202) 512-6061, or TDD (202) 512-2537.

Each day, GAO issues a list of newly available reports and testimony. To receive facsimile copies of the daily list or any list from the past 30 days, please call (202) 512-6000 using a touchtone phone. A recorded menu will provide information on how to obtain these lists.

For information on how to access GAO reports on the INTERNET, send an e-mail message with "info" in the body to:

info@www.gao.gov

or visit GAO's World Wide Web Home Page at:

http://www.gao.gov

PRINTED ON RECYCLED PAPER

United States
General Accounting Office
Washington, D.C. 20548-0001

Bulk Rate
Postage & Fees Paid
GAO
Permit No. G100

Official Business
Penalty for Private Use $300

Address Correction Requested