

GAO

Testimony

Before the Committee on Environment
and Public Works, U.S. Senate

For Release on Delivery
Expected at 9:30 a.m. EST
March 3, 2004

GRANTS MANAGEMENT

EPA Needs to Strengthen Efforts to Address Management Challenges

Statement of John B. Stephenson, Director
Natural Resources and the Environment





Highlights of [GAO-04-510T](#), testimony before the Committee on Environment and Public Works, U.S. Senate

Why GAO Did This Study

The Environmental Protection Agency (EPA) has long faced problems managing its grants, which constitute over one-half of the agency's annual budget, or about \$4 billion. EPA uses grants to implement its programs to protect human health and the environment and awards grants to thousands of recipients, including state and local governments, tribes, universities, and nonprofit organizations. EPA's ability to efficiently and effectively accomplish its mission largely depends on how well it manages its grants resources.

This testimony, based on GAO's August 2003 report *Grants Management: EPA Needs to Strengthen Efforts to Address Persistent Challenges*, GAO-03-846, focuses on the (1) major challenges EPA faces in managing its grants and how it has addressed these challenges in the past, and (2) extent to which EPA's recently issued policies and grants management plan address these challenges.

What GAO Recommends

GAO made recommendations to the Administrator of EPA to strengthen the agency's efforts to address persistent challenges in effectively managing its grants. EPA agreed with GAO's recommendations and is in the process of implementing them as part of its 5-year grants management plan.

www.gao.gov/cgi-bin/getrpt?GAO-04-510T.

To view the full product, including the scope and methodology, click on the link above. For more information, contact John B. Stephenson at (202) 512-3841 or stephensonj@gao.gov.

GRANTS MANAGEMENT

EPA Needs to Strengthen Efforts to Address Management Challenges

What GAO Found

EPA continues to face four key grants management challenges, despite past efforts to address them. These challenges are (1) selecting the most qualified grants applicants, (2) effectively overseeing grantees, (3) measuring the results of grants, and (4) effectively managing grant staff and resources. In the past, EPA has taken a series of actions to address these challenges by, among other things, issuing policies on competition and oversight, conducting training for project officers and nonprofit organizations, and developing a new data system for grants management. However, these actions had mixed results because of the complexity of the problems, weaknesses in design and implementation, and insufficient management attention.

EPA's recently issued policies and a 5-year grants management plan to address longstanding management problems show promise, but these policies and plan require strengthening, enhanced accountability, and sustained commitment to succeed. EPA's September 2002 competition policy should improve EPA's ability to select the most qualified applicants by requiring competition for more grants. However, effective implementation of the policy will require a major cultural shift for EPA managers and staff because the competitive process will require significant planning and take more time than awarding grants noncompetitively. EPA's December 2002 oversight policy makes important improvements in oversight, but it does not enable EPA to identify systemic problems in grants management. For example, the policy does not incorporate a statistical approach to selecting grantees for review so that EPA can project the results of the reviews to all EPA grantees.

Issued in April 2003, EPA's 5-year grants management plan does offer, for the first time, a comprehensive road map with objectives, goals, and milestones for addressing grants management challenges. However, in implementing the plan, EPA faces challenges in holding all managers and staff accountable for successfully fulfilling their grants management responsibilities. Without this accountability, EPA cannot ensure the sustained commitment needed for the plan's success. While EPA has begun implementing actions in the plan, GAO believes that, given EPA's historically uneven performance in addressing its grants challenges, congressional oversight is important to ensure that EPA's Administrator, managers, and staff implement the plan in a sustained, coordinated fashion to meet the plan's ambitious targets and time frames.

Mr. Chairman and Members of the Committee:

We are pleased to be here today to discuss the Environmental Protection Agency's (EPA) management of its grants. My testimony is based on our report on this topic issued last August.¹

EPA has faced persistent challenges for many years in managing its grants, which constitute over one-half of the agency's budget, or about \$4 billion annually. To support its mission of protecting human health and the environment, EPA awards grants to a variety of recipients, including state and local governments, tribes, universities, and nonprofit organizations. There were 4,100 EPA grant recipients when we conducted our review.² Given the size and diversity of EPA's programs, its ability to efficiently and effectively accomplish its mission largely depends on how well it manages its grant resources and builds accountability into its efforts.

Congressional hearings in 1996, 1999, and 2003, have focused on EPA's problems in effectively managing its grants. We and EPA's Inspector General have reported on a number of weaknesses throughout the grants management process—from awarding grants to measuring grant results.³ EPA's efforts to address its grants management problems have not fully resolved them. To highlight these problems and hopefully focus greater attention on their resolution, we designated EPA's grants management as a major management challenge in our January 2003 EPA performance and accountability report.⁴

Late in 2002, EPA issued two new policies to address some of its grants management problems—one to promote competition in awarding grants and one to improve its oversight of grants. In April 2003, EPA issued a comprehensive 5-year grants management plan to address its long-standing grants management problems.

¹U.S. General Accounting Office, *Grants Management: EPA Needs to Strengthen Efforts to Address Persistent Challenges*, [GAO-03-846](#) (Washington, D.C.: Aug. 29, 2003).

²As of September 30, 2002.

³See U.S. General Accounting Office, *Environmental Protection Agency: Problems Persist in Effectively Managing Grants*, [GAO-03-628T](#) (Washington, D.C.: June 11, 2003).

⁴U.S. General Accounting Office, *Major Management Challenges and Program Risks: Environmental Protection Agency*, [GAO-03-112](#) (Washington, D.C.: January 2003).

Our testimony today describes the (1) major challenges EPA faces in managing its grants and how it has addressed these challenges in the past, and (2) extent to which EPA's recently issued policies and grants management plan address these challenges.

To identify the challenges EPA faces in managing its grants and to examine how it has addressed these challenges in the past, we (1) analyzed 93 reports on EPA's grants management, including our reports, EPA's Inspector General reports, and EPA's internal management reviews conducted from 1996 through 2003, (2) systematically reviewed and recorded information from the 1,232 records of calendar year 2002 in-depth reviews of grantee performance—from financial management to progress in achieving grant objectives, and (3) interviewed EPA officials and reviewed documents obtained from them.⁵ To determine the extent to which EPA's recently issued policies and grants management plan address these challenges, we (1) reviewed the new policies and plan and interviewed EPA officials responsible for key aspects of the plan, (2) attended EPA's grants management training courses, and (3) observed five EPA in-depth reviews of grantees.⁶ This testimony is based on GAO's report for which audit work was conducted from June 2002 through June 2003 in accordance with generally accepted government auditing standards.

In summary, we found the following:

- EPA faces four key management challenges. These challenges are (1) selecting the most qualified grant applicants, (2) effectively overseeing grantees, (3) measuring the results of grants, and (4) effectively managing grant staff and resources. In the past, EPA has taken a series of actions to address these challenges by, among other things, issuing policies, conducting training, and developing a new data system for grants management. However, these actions had mixed results because of the complexity of the problems, weaknesses in design and implementation, and insufficient management attention.

⁵Federal financial assistance includes grants, cooperative agreements, loans, loan guarantees, scholarships, and other forms of assistance. For this report, we focused on both grants and cooperative agreements, and for simplicity, refer to both as "grants."

⁶For detailed methodology, see [GAO-03-846](#), app.I.

-
- EPA's 2002 competition and oversight policies and 2003 grants management plan focus on the major grants management challenges we identified but will require strengthening, enhanced accountability, and a sustained commitment to succeed.

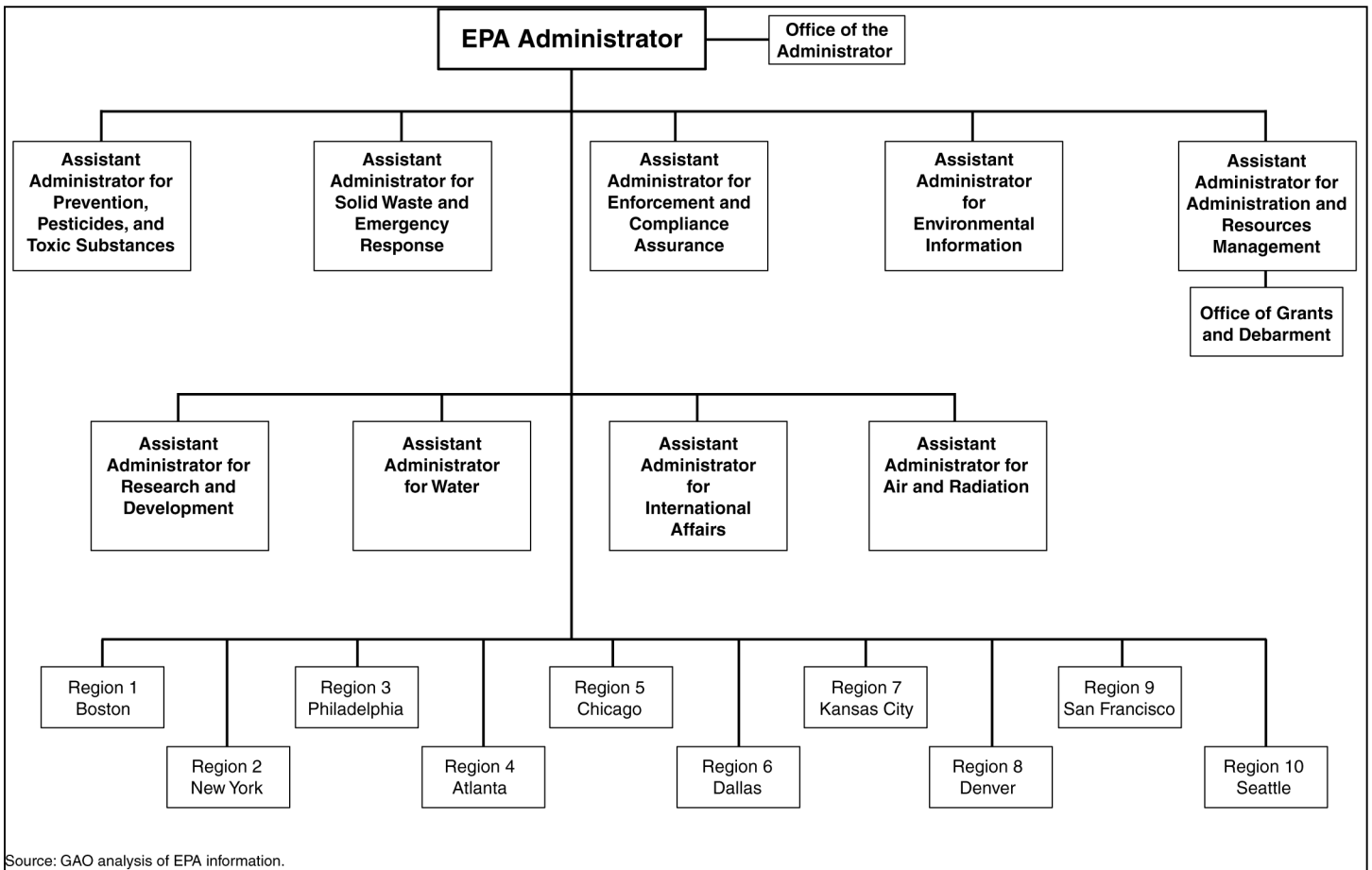
We made recommendations in our report to the EPA Administrator to strengthen grants management, specifically in overseeing grantees, measuring environmental outcomes, incorporating accountability for grants management responsibilities, considering promising practices, and reporting on the progress of its efforts in its annual report to Congress. EPA agreed with our recommendations and is in the process of implementing them as part of its 5-year grants management plan.

Background

EPA administers and oversees grants primarily through the Office of Grants and Debarment, 10 program offices in headquarters,⁷ and program offices and grants management offices in EPA's 10 regional offices. Figure 1 shows EPA's key offices involved in grants activities for headquarters and the regions.

⁷According to EPA officials, two headquarters' offices, EPA's Office of General Counsel and the Office of the Chief Financial Officer conduct limited grant activity.

Figure 1: EPA's Key Offices Involved in Grant Activities



Source: GAO analysis of EPA information.

The management of EPA's grants program is a cooperative effort involving the Office of Administration and Resources Management's Office of Grants and Debarment, program offices in headquarters, and grants management and program offices in the regions. The Office of Grants and Debarment develops grant policy and guidance. It also carries out certain types of administrative and financial functions for the grants approved by the headquarters program offices, such as awarding grants and overseeing the financial management of these grants. On the programmatic side, headquarters program offices establish and implement national policies for their grant programs, and set funding priorities. They are also responsible for the technical and programmatic oversight of their grants. In the regions, grants management offices carry out certain administrative

and financial functions for the grants, such as awarding grants approved by the regional program offices,⁸ while the regional program staff provide technical and programmatic oversight of their grantees.

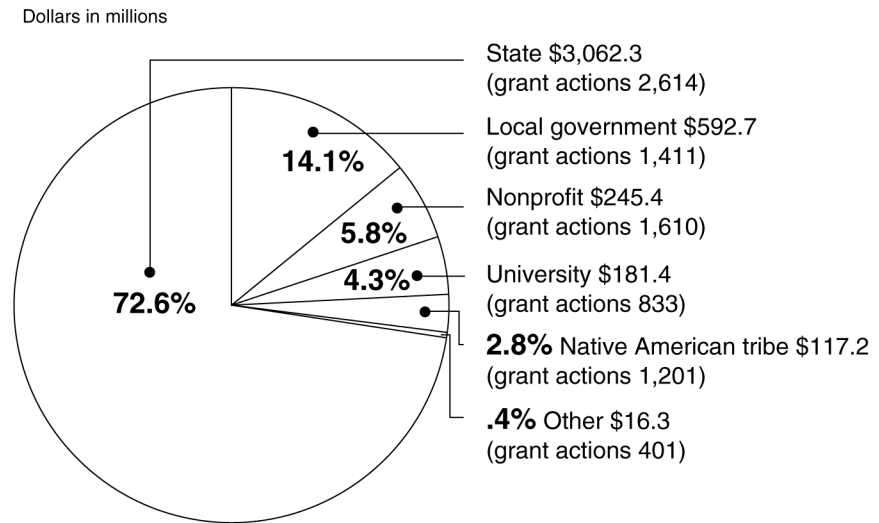
As of June 2003, 109 grants specialists in the Office of Grants and Debarment and the regional grants management offices were largely responsible for administrative and financial grant functions. Furthermore, 1,835 project officers were actively managing grants in headquarters and regional program offices. These project officers are responsible for the technical and programmatic management of grants. Unlike grant specialists, however, project officers generally have other primary responsibilities, such as using the scientific and technical expertise for which they were hired.

In fiscal year 2002, EPA took 8,070 grant actions totaling about \$4.2 billion.⁹ These awards were made to six main categories of recipients as shown in figure 2.

⁸Program offices in regions 4, 5, 6, 9, and 10 award grants directly.

⁹Grant actions include new awards, increase and decrease amendments. The 8,070 grant actions involving funding were composed of 4,374 new grants, 2,772 increase amendments, and 924 decrease amendments. In addition, EPA awarded 1,620 no cost extensions, which did not involve funding, in fiscal 2002.

Figure 2: Percentage of EPA Grant Dollars Awarded by Recipient Type, Fiscal Year 2002



Source: GAO analysis of EPA data.

EPA offers two types of grants—nondiscretionary and discretionary:

- Nondiscretionary grants* support water infrastructure projects, such as the drinking water and clean water state revolving fund programs, and continuing environmental programs, such as the Clean Air Program for monitoring and enforcing Clean Air Act regulations. For these grants, Congress directs awards to one or more classes of prospective recipients who meet specific eligibility criteria; the grants are often awarded on the basis of formulas prescribed by law or agency regulation. In fiscal year 2002, EPA awarded about \$3.5 billion in nondiscretionary grants. EPA has awarded these grants primarily to states or other governmental entities.
- Discretionary grants* fund a variety of activities, such as environmental research and training. EPA has the discretion to independently determine the recipients and funding levels for grants. In fiscal year 2002, EPA awarded about \$719 million in discretionary grants. EPA has awarded these grants primarily to nonprofit organizations, universities, and government entities.

The grant process has the following four phases:

- *Preaward.* EPA reviews the application paperwork and makes an award decision.
- *Award.* EPA prepares the grant documents and instructs the grantee on technical requirements, and the grantee signs an agreement to comply with all requirements.
- *Postaward.* After awarding the grant, EPA provides technical assistance, oversees the work, and provides payments to the grantee; the grantee completes the work, and the project ends.
- *Closeout of the award.* EPA ensures that all technical work and administrative requirements have been completed; EPA prepares closeout documents and notifies the grantee that the grant is completed.

EPA's grantees are subject to the same type of financial management oversight as the recipients of other federal assistance. Specifically, the Single Audit Act requires grantees to have an audit of their financial statements and federal awards or program-specific audit if they spend \$300,000 or more in federal awards in a fiscal year.^{10,11} Grantees submit these audits to a central clearinghouse operated by the Bureau of the Census, which then forwards the audit findings to the appropriate agency for any necessary action. However, the act does not cover all grants and all aspects of grants management and, therefore, agencies must take additional steps to ensure that federal funds are spent appropriately. In addition, EPA conducts in-depth reviews to analyze grantees' compliance with grant regulations and specific grant requirements.¹² Furthermore, to determine how well offices and regions oversee grantees, EPA conducts internal management reviews that address grants management.

EPA's Inspector General testified before Congress in 1996 and again in 1999 that EPA did not fulfill its obligation to properly monitor grants. Acknowledging these problems, EPA identified oversight, including grant

¹⁰The Single Audit Act Amendments of 1996, Pub. L. No. 104-156, 110 Stat. 1396 (codified at 31 U.S.C. §§ 7501-7507).

¹¹The Office of Management and Budget, as authorized by the act, increased this amount to \$500,000 in federal awards as of June 23, 2003.

¹²EPA refers to these in-depth reviews as advance monitoring.

closeouts, as a material weakness—an accounting and internal control system weakness that the EPA Administrator must report to the President and Congress.¹³ EPA's fiscal year 1999 Federal Managers' Financial Integrity Act report indicated that this oversight material weakness had been corrected, but the Inspector General testified that the weakness continued. In 2002, the Inspector General again recommended that EPA designate grants management as a material weakness. The Office of Management and Budget (OMB) also recommended in 2002 that EPA designate grants management as a material weakness. In its fiscal year 2002 Annual Report,¹⁴ EPA ultimately decided to maintain this issue as an agency-level weakness, which is a lower level of risk than a material weakness. EPA reached this decision because it believes its ongoing corrective action efforts will help to resolve outstanding grants management challenges. However, in adding EPA's grants management to our list of EPA's major management challenges in January 2003, we signaled our concern that EPA has not yet taken sufficient action to ensure that it can manage its grants effectively.

EPA Faces Four Key Grants Management Challenges, Despite Past Efforts to Address Them

We identified four key challenges that EPA continues to face in managing its grants. These challenges are (1) selecting the most qualified grant applicants, (2) effectively overseeing grantees, (3) measuring the results of grants, and (4) effectively managing grant staff and resources. In the past,¹⁵ EPA has taken a series of actions to address these challenges by, among other things, issuing policies on competition and oversight, conducting training for project officers and nonprofit organizations, and developing a new data system for grants management. However, these actions had mixed results because of the complexity of the problems, weaknesses in design and implementation, and insufficient management attention.

EPA has not selected the most qualified applicants despite issuing a competition policy. The Federal Grant and Cooperative Agreement Act of 1977¹⁶ encourages agencies to use competition in awarding grants. To

¹³See 31 U.S.C. §3512.

¹⁴U.S. Environmental Protection Agency, *Fiscal Year 2002 Annual Report*, EPA-190-R-03-001 (Washington, D.C.: Jan. 31, 2003).

¹⁵EPA took these actions through early 2002.

¹⁶Federal Grant and Cooperative Agreement Act of 1977, Pub. L. No. 95-224, 92 Stat. 3 (codified as amended at 31 U.S.C. §§ 6301-6308).

encourage competition, EPA issued a grants competition policy in 1995. However, EPA's policy did not result in meaningful competition throughout the agency, according to EPA officials. Furthermore, EPA's own internal management reviews and a 2001 Inspector General report found that EPA has not always encouraged competition.¹⁷ Finally, EPA has not always engaged in widespread solicitation of its grants, which would provide greater assurance that EPA receives proposals from a variety of eligible and highly qualified applicants who otherwise may not have known about grant opportunities.

EPA has not always effectively overseen grant recipients despite past actions to improve oversight. To address oversight problems, EPA issued a series of policies starting in 1998. However, these oversight policies have had mixed results in addressing this challenge. For example, EPA's efforts to improve oversight included in-depth reviews of grantees but did not include a statistical approach to identifying grantees for reviews, collecting standard information from the reviews, and a plan for analyzing the results to identify and act on systemic grants management problems. EPA, therefore, could not be assured that it was identifying and resolving grantee problems and using its resources more effectively to target its oversight efforts.

EPA's efforts to measure environmental results have not consistently ensured that grantees achieve them. Planning for grants to achieve environmental results—and measuring results—is a difficult, complex challenge. However, as we pointed out in an earlier report,¹⁸ it is important to measure outcomes of environmental activities rather than just the activities themselves. Identifying and measuring the outcomes of EPA's grants will help EPA better manage for results. EPA has awarded some discretionary grants before considering how the results of the grantees' work would contribute to achieving environmental results.¹⁹ EPA has also not developed environmental measures and outcomes for all of its

¹⁷EPA Office of the Inspector General, *EPA's Competitive Practices for Assistance Awards*, Report No. 2001-P-00008 (Philadelphia, PA: May 21, 2001).

¹⁸U.S. General Accounting Office, *Managing for Results: EPA Faces Challenges in Developing Results-Oriented Performance Goals and Measures*, [GAO/RCED-00-77](#) (Washington, D.C.: Apr. 28, 2000).

¹⁹U.S. General Accounting Office, *Environmental Protection: Information on EPA Project Grants and Use of Waiver Authority*, [GAO-01-359](#) (Washington, D.C.: Mar. 9, 2001).

grant programs.²⁰ OMB found that four EPA grant programs lacked outcome-based measures—measures that demonstrated the impact of the programs on improving human health and the environment—and concluded that one of EPA’s major challenges was demonstrating program effectiveness in achieving public health and environmental results.²¹ Finally, EPA has not always required grantees to submit work plans that explain how a project will achieve measurable environmental results. In 2002, EPA’s Inspector General reported that EPA approved some grantees’ work plans without determining the projects’ human health and environmental outcomes.²² In fact, for almost half of the 42 discretionary grants the Inspector General reviewed, EPA did not even attempt to measure the projects’ outcomes. Instead, EPA funded grants on the basis of work plans that focused on short-term procedural results, such as meetings or conferences. In some cases, it was unclear what the grant had accomplished. In 2003, the Inspector General again found the project officers had not negotiated environmental outcomes in work plans. The Inspector General found that 42 percent of the grant work plans reviewed—both discretionary and nondiscretionary grants—lacked negotiated environmental outcomes.²³

EPA has not always effectively managed its grants staff and resources despite some past efforts. EPA has not always appropriately allocated the workload for staff managing grants, provided them with adequate training, or held them accountable. Additionally, EPA has not always provided staff with the resources, support, and information necessary to manage the agency’s grants. To address these problems, EPA has taken a number of actions, such as conducting additional training and developing a new

²⁰U.S. General Accounting Office, *Environmental Research: STAR Grants Focus on Agency Priorities, but Management Enhancements Are Possible*, GAO/RCED-00-170 (Washington, D.C.: Sept. 11, 2000).

²¹The four EPA programs assessed were the Drinking Water State Revolving Fund, Leaking Underground Storage Tanks, Nonpoint Source Grants, and Tribal General Assistance programs. OMB evaluated these programs using its Program Assessment Rating Tool, a questionnaire that evaluated four critical areas of performance: purpose and design, strategic planning, management, results and accountability. These assessments were included in the President’s 2004 budget submission.

²²EPA Office of Inspector General, *Surveys, Studies, Investigations, and Special Purpose Grants*, Report No. 2002-P-00005 (Philadelphia, PA: Mar. 21, 2002).

²³EPA Office of Inspector General, *EPA Must Emphasize Importance of Pre-Award Reviews for Assistance Agreements*, Report No. 2003-P-00007 (Washington, D.C.: Mar. 31, 2003).

electronic grants management system. However, implementation weaknesses have precluded EPA from fully resolving its resource management problems. For example, EPA has not always held its staff—such as project officers—accountable for fulfilling their grants management responsibilities. According to the Inspector General and internal management reviews, EPA has not clearly defined project officers' grants management responsibilities in their position descriptions and performance agreements. Without specific standards for grants management in performance agreements, it is difficult for EPA to hold staff accountable. It is therefore not surprising that, according to the Inspector General, project officers faced no consequences for failing to effectively perform grants management duties. Compounding the accountability problem, agency leadership has not always emphasized the importance of project officers' grants management duties.²⁴

New Policies and Plan Show Promise but Require Strengthening, Enhanced Accountability, and Sustained Commitment to Succeed

EPA's recently issued policies on competition and oversight and a 5-year grants management plan to address its long-standing grants management problems are promising and focus on the major management challenges, but these policies and plan require strengthening, enhanced accountability, and sustained commitment to succeed.

EPA's competition policy shows promise but requires a major cultural shift. In September 2002, EPA issued a policy to promote competition in grant awards by requiring that most discretionary grants be competed.²⁵ The policy also promotes widespread solicitation for competed grants by establishing specific requirements for announcing funding opportunities in, for example, the *Federal Register* and on Web sites.

This policy should encourage selection of the most qualified applicants. However, the competition policy faces implementation barriers because it represents a major cultural shift for EPA staff and managers, who have had limited experience with competition, according to EPA's Office of Grants and Debarment. The policy requires EPA officials to take a more planned, rigorous approach to awarding grants. That is, EPA staff must determine the evaluation criteria and ranking of these criteria for a grant, develop the grant announcement, and generally publish it at least 60 days before the application deadline. Staff must also evaluate applications—

²⁴EPA Office of Inspector General, Report No. 2003-P-00007.

²⁵The policy applies to most discretionary grant programs or individual grants of more than \$75,000.

potentially from a larger number of applicants than in the past—and notify applicants of their decisions. These activities will require significant planning and take more time than awarding grants noncompetitively.

Oversight policy makes important improvements but requires strengthening to identify systemic problems. EPA's December 2002 policy makes important improvements in oversight, but it still does not enable EPA to identify systemic problems in grants management. Specifically, the policy does not (1) incorporate a statistical approach to selecting grantees for review so EPA can project the results of the reviews to all EPA grantees, (2) require a standard reporting format for in-depth reviews so that EPA can use the information to guide its grants oversight efforts agencywide, and (3) maximize use of information in its grantee compliance database to fully identify systemic problems and then inform grants management officials about oversight areas that need to be addressed.²⁶

Grants management plan will require strengthening, sustained commitment, and enhanced accountability. We believe that EPA's grants management plan²⁷ is comprehensive in that it focuses on the four major management challenges—grantee selection, oversight, environmental results, and resources—that we identified in our work. For the first time, EPA plans a coordinated, integrated approach to improving grants management. The plan is also a positive step because it (1) identifies goals, objectives, milestones, and resources to achieve the plan's goals; (2) provides an accompanying annual tactical plan that outlines specific tasks for each goal and objective, identifies the person accountable for completing the task, and sets an expected completion date; (3) attempts to build accountability into grants management by establishing performance measures for each of the plan's five goals;²⁸ (4) recognizes the need for greater involvement of high-level officials in coordinating grants management throughout the agency by establishing a high-level grants

²⁶The grantee compliance database, developed by the Office of Grants and Debarment, is used to store EPA's in-depth reviews of grant recipients.

²⁷For further details, see EPA Office of Grants and Debarment, *Grants Management Plan 2003 – 2008*, Report No. EPA-216-R-03-001 (Washington, D.C.: April 2003).

²⁸The plan's five goals are: (1) promote competition in awarding grants, (2) strengthen EPA's grants oversight, (3) support the identification and achievement of environmental outcomes, (4) enhance the skills of EPA personnel involved in grants management, and (5) leverage technology to improve program performance.

management council to coordinate, plan, and set priorities for grants management; and (5) establishes best practices for grants management offices. According to EPA's Assistant Administrator for Administration and Resources Management, the agency's April 2003 5-year grants management plan is the most critical component of EPA's efforts to improve its grants management.

In addition to the goals and objectives, the plan establishes performance measures, targets, and action steps with completion dates for 2003 through 2006. EPA has already begun implementing several of the actions in the plan or meant to support the plan; these actions address previously identified problems. For example, EPA now posts its available grants on the federal grants Web site <http://www.fedgrants.gov>. In January 2004, EPA issued an interim policy to require that grant funding packages describe how the proposed project supports the goals of EPA's strategic plan.

Successful implementation of the new plan requires all staff—senior management, project officers, and grants specialists—to be fully committed to, and accountable for, grants management. Recognizing the importance of commitment and accountability, EPA's 5-year grants management plan has as one of its objectives the establishment of clear lines of accountability for grants oversight. The plan, among other things, calls for (1) ensuring that performance standards established for grants specialists and project officers adequately address grants management responsibilities in 2004; (2) clarifying and defining the roles and responsibilities of senior resource officials, grant specialists, project officers, and others in 2003; and (3) analyzing project officers' and grants specialists' workload in 2004.

In implementing this plan, however, EPA faces challenges to enhancing accountability. Although the plan calls for ensuring that project officers' performance standards adequately address their grants management responsibilities, agencywide implementation may be difficult. Currently, project officers do not have uniform performance standards, according to officials in EPA's Office of Human Resources and Organizational Services. Instead, each supervisor sets standards for each project officer, and these standards may not include grants management responsibilities. Once individual project officers' performance standards are established for the approximately 1,800 project officers, strong support by managers at all levels, as well as regular communication on performance expectations and feedback, will be key to ensuring that staff with grants management duties successfully meet their responsibilities. Furthermore, it is difficult to

implement performance standards that will hold project officers accountable for grants management because these officers have a variety of responsibilities and some project officers manage few grants, and because grants management responsibilities often fall into the category of “other duties as assigned.”

Although EPA’s current performance management system can accommodate development of performance standards tailored to each project officer’s specific grants management responsibilities, the current system provides only two choices for measuring performance—satisfactory or unsatisfactory—which may make it difficult to make meaningful distinctions in performance. Such an approach may not provide enough meaningful information and dispersion in ratings to recognize and reward top performers, help everyone attain their maximum potential, and deal with poor performers.

EPA will also have difficulty achieving the plan’s goals if all managers and staff are not held accountable for grants management. The plan does not call for including grants management standards in managers’ and supervisors’ agreements. In contrast, senior grants managers in the Office of Grants and Debarment as well as other Senior Executive Service managers have performance standards that address grants management responsibilities.²⁹ However, middle-level managers and supervisors also need to be held accountable for grants management because they oversee many of the staff that have important grants management responsibilities. According to Office of Grants and Debarment officials, they are working on developing performance standards for all managers and supervisors with grants responsibilities. In November 2003, EPA asked key grants managers to review all performance standards and job descriptions for employees involved in grants management, including grants specialists, project officers, supervisors, and managers, to ensure that the complexity and extent of their grant management duties are accurately reflected.

Further complicating the establishment of clear lines of accountability, the Office of Grants and Debarment does not have direct control over many of the managers and staff who perform grants management duties—particularly the approximately 1,800 project officers in headquarters and regional program offices. The division of responsibilities between the

²⁹The senior managers include the Director of the Office of Grants and Debarment, the Director of the Grants Administration Division, and the Grants Competition Advocate.

Office of Grants and Debarment and program and regional offices will continue to present a challenge to holding staff accountable and improving grants management, and will require the sustained commitment of EPA's senior managers.

If EPA is to better achieve its environmental mission, it must more effectively manage its grants—which account for more than half of its annual budget. While EPA's new 5-year grants management plan shows promise, given EPA's historically uneven performance in addressing its grants management challenges, congressional oversight is important to ensure that the Administrator of EPA, managers, and staff implement the plan in a sustained, coordinated fashion to meet the plan's ambitious targets and time frames.

To ensure that EPA's recent efforts to address its grants management challenges are successful, in our August 2003 report, we recommended that the Administrator of EPA provide sufficient resources and commitment to meeting the agency's grants management plan's goals, objectives, and performance targets within the specified timeframes. Furthermore, to strengthen EPA's efforts we recommended

- incorporating appropriate statistical techniques in selecting grantees for in-depth reviews;
- requiring EPA staff to use a standard reporting format for in-depth reviews so that the results can be entered into the grant databases and analyzed agencywide;
- developing a plan, including modifications to the grantee compliance database, to use data from its various oversight efforts—in-depth reviews, significant actions, corrective actions taken, and other compliance information—to fully identify systemic problems, inform grants management officials of areas that need to be addressed, and take corrective action as needed;
- modifying its in-depth review protocols to include questions on the status of grantees' progress in measuring and achieving environmental outcomes;
- incorporating accountability for grants management responsibilities through performance standards that address grants management for all managers and staff in headquarters and the regions responsible for grants

management and holding managers and staff accountable for meeting these standards; and

- evaluating the promising practices identified in the report and implementing those that could potentially improve EPA grants management.

To better inform Congress about EPA's achievements in improving grants management, we recommended that the Administrator of EPA report on the agency's accomplishments in meeting the goals and objectives developed in the grants management plan and other actions to improve grants management, beginning with its 2003 annual report to Congress.

EPA agreed with our recommendations and is in the process of implementing them as part of its 5-year grants management plan.

Mr. Chairman, this concludes my prepared statement. I would be happy to respond to any questions that you or Members of the Committee may have.

Contacts and Acknowledgments

For further information, please contact John B. Stephenson at (202) 512-3841. Individuals making key contributions to this testimony were Carl Barden, Andrea W. Brown, Christopher Murray, Paul Schearf, Rebecca Shea, Carol Herrnstadt Shulman, Bruce Skud, and Amy Webbink.

This is a work of the U.S. government and is not subject to copyright protection in the United States. It may be reproduced and distributed in its entirety without further permission from GAO. However, because this work may contain copyrighted images or other material, permission from the copyright holder may be necessary if you wish to reproduce this material separately.

GAO's Mission

The General Accounting Office, the audit, evaluation and investigative arm of Congress, exists to support Congress in meeting its constitutional responsibilities and to help improve the performance and accountability of the federal government for the American people. GAO examines the use of public funds; evaluates federal programs and policies; and provides analyses, recommendations, and other assistance to help Congress make informed oversight, policy, and funding decisions. GAO's commitment to good government is reflected in its core values of accountability, integrity, and reliability.

Obtaining Copies of GAO Reports and Testimony

The fastest and easiest way to obtain copies of GAO documents at no cost is through the Internet. GAO's Web site (www.gao.gov) contains abstracts and full-text files of current reports and testimony and an expanding archive of older products. The Web site features a search engine to help you locate documents using key words and phrases. You can print these documents in their entirety, including charts and other graphics.

Each day, GAO issues a list of newly released reports, testimony, and correspondence. GAO posts this list, known as "Today's Reports," on its Web site daily. The list contains links to the full-text document files. To have GAO e-mail this list to you every afternoon, go to www.gao.gov and select "Subscribe to e-mail alerts" under the "Order GAO Products" heading.

Order by Mail or Phone

The first copy of each printed report is free. Additional copies are \$2 each. A check or money order should be made out to the Superintendent of Documents. GAO also accepts VISA and Mastercard. Orders for 100 or more copies mailed to a single address are discounted 25 percent. Orders should be sent to:

U.S. General Accounting Office
441 G Street NW, Room LM
Washington, D.C. 20548

To order by Phone: Voice: (202) 512-6000
 TDD: (202) 512-2537
 Fax: (202) 512-6061

To Report Fraud, Waste, and Abuse in Federal Programs

Contact:

Web site: www.gao.gov/fraudnet/fraudnet.htm

E-mail: fraudnet@gao.gov

Automated answering system: (800) 424-5454 or (202) 512-7470

Public Affairs

Jeff Nelligan, Managing Director, NelliganJ@gao.gov (202) 512-4800
U.S. General Accounting Office, 441 G Street NW, Room 7149
Washington, D.C. 20548