



August 2015

GRANTS MANAGEMENT

EPA Has Opportunities to Improve Planning and Compliance Monitoring

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Why GAO Did This Study

In 2014, EPA disbursed about \$4.6 billion in grants through its headquarters and 10 regional offices to states and others, in part to implement laws. In 2006, GAO identified weaknesses in EPA's grants management program, including the absence of goals, and made recommendations to address them. As part of its response to GAO's 2006 recommendations, EPA issued a 2009–2013 grants management plan.

GAO was asked to follow up on its 2006 review. This report examines (1) the extent to which EPA met the goals in its 2009–2013 plan, (2) the extent to which its draft 2016–2020 plan follows relevant leading practices for strategic grants management planning, and (3) the progress EPA has made since 2006 in monitoring agencywide compliance with grants directives.

GAO analyzed EPA's 2009–2013 plan and obtained EPA officials' responses to a standard set of questions regarding progress in achieving the goals; compared the draft 2016–2020 plan to four leading strategic planning practices relevant to grants management; compared 212 requirements from relevant grants directives to requirements tracked in EPA's grants management systems; and interviewed agency officials.

What GAO Recommends

GAO recommends, among other things, that EPA fully follow leading strategic planning practices in its draft 2016–2020 plan and develop ways to more effectively use its web-based tools for monitoring compliance with directives. EPA generally agreed with GAO's findings and recommendations.

View [GAO-15-618](#). For more information, contact J. Alfredo Gómez at (202) 512-3841 or gomezj@gao.gov.

What GAO Found

Of the 17 performance goals in its 2009–2013 grants management plan, the Environmental Protection Agency (EPA) fully met 2, partially met 6, and did not meet 1. EPA did not measure its progress for the other 8 goals. EPA officials provided several reasons for meeting relatively few of the performance goals and not measuring the others. For example, according to officials, EPA did not measure progress for some goals because it redirected resources from achieving grants management goals to managing American Recovery and Reinvestment Act of 2009 grants, under which EPA more than doubled its grants in 2009. For 5 goals where EPA either did not meet the goal or did not measure performance, officials reported that there was no impact on the grants management program because EPA took mitigating actions or the negative effect of missing the goal was minimal. However, for 10 goals, GAO found a negative effect of EPA not measuring or partially meeting the goals, including an absence of data on compliance with policies, inefficient processes that increased workload, delayed processes for awarding grants, and delayed training and policy implementation.

As of May 2015, EPA's draft 2016–2020 grants management plan partially follows four relevant leading practices for federal strategic planning that GAO identified from prior work and Office of Management and Budget (OMB) guidance. Specifically, the draft plan

- sets 5 strategic goals but has yet to link them to an overarching mission statement,
- includes strategic objectives but has yet to define strategies to address management challenges or identify resources needed to achieve the goals,
- ensures leadership accountability for just 1 of the 5 strategic goals, and
- includes 11 performance measures but has so far only one measurable target.

By fully incorporating these leading practices, EPA could have better assurance that it has established an effective framework to guide and assess its efforts to meet its grants management goals and help address long-standing grants management weaknesses.

EPA has made progress monitoring grants management directives agencywide since GAO's 2006 report. For instance, EPA electronically tracks unspent grant funds and the timely submission of grantee reports. However, two key challenges hamper EPA's efforts to monitor such directives. First, 8 out of 10 regional offices use paper files to document compliance with grants management directives, so monitoring these offices' compliance requires resource-intensive manual file reviews. Second, the limited reporting and analysis capabilities of its IT systems leave EPA without agencywide information for most of the 212 directive requirements GAO reviewed. Although EPA deployed two web-based reporting tools to pull data from its IT system, it uses them to track 8 percent, or 17, of the 212 grants directive requirements GAO reviewed, making it difficult for managers to compare actual performance to expected results agencywide. EPA plans to fully implement an updated IT system by 2017, but it has had similar plans since 2009 and has not yet done so. By developing ways to more effectively use existing web-based tools until it implements its new IT system, EPA could better monitor compliance with grants management directives agencywide.

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Abbreviations

ARRA	American Recovery and Reinvestment Act of 2009
EPA	Environmental Protection Agency
GPRA	Government Performance and Results Act of 1993
GPRAMA	GPRA Modernization Act of 2010
IGMS	Integrated Grants Management System
IT	information technology
OGD	Office of Grants and Debarment
OIG	Office of Inspector General
OMB	Office of Management and Budget

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August 17, 2015

The Honorable Fred Upton
Chairman
Committee on Energy and Commerce
House of Representatives

The Honorable Tim Murphy
Chairman
Subcommittee on Oversight and Investigations
Committee on Energy and Commerce
House of Representatives

The Environmental Protection Agency (EPA) distributed roughly \$4.6 billion in fiscal year 2014—about half of its budget—in grants to states, local governments, tribes, and other recipients, in part to implement environmental statutes and regulations. In fiscal year 2014, the agency awarded more than half of its total grant dollars to states and territories for two programs, the Clean Water State Revolving Fund and Drinking Water State Revolving Fund, which are the largest sources of federal funds to repair and replace the nation's aging water infrastructure.¹ Grant recipients may seek other grants for hazardous waste cleanup, air quality improvements, pollution prevention, and other purposes.

EPA administers and oversees grants primarily through its Office of Grants and Debarment (OGD) in the Office of Administration and Resources Management, program offices in headquarters, and program offices and grants management offices in EPA's 10 regional offices. OGD develops national grant policies and guidance, awards some grants, and oversees EPA's administrative grants management. Regional offices award their own grants and oversee the requirements for those grants.

¹These programs were created under the Water Quality Act of 1987 and the Safe Drinking Water Act Amendments of 1996, respectively. See Water Quality Act of 1987, Pub. L. No. 100-4, § 212, 101 Stat. 7, 21 (1987); *see also* Safe Drinking Water Act Amendments of 1996, Pub. L. No. 104-182, § 130, 110 Stat. 1613, 1662 (1996). Under these programs, states provide low-interest loans, subsidies, and other support to communities or utilities to pay for wastewater and drinking water infrastructure projects, such as replacing pipelines or upgrading treatment facilities.

OGD provides guidance to grant management officials through several management directives that reflect statutes, regulations, Office of Management and Budget (OMB) guidance, and EPA policies and procedures.² These directives seek to ensure the timely awarding of grants, appropriate use of funds, and achievement of the desired results of protecting human health and the environment. Each management directive contains multiple requirements, such as the frequency and type of management reviews EPA officials perform, the steps necessary to perform them, and the documentation of requirements.

Our past reports have found that, despite efforts to address them, EPA continues to face challenges managing its grants. In 2003, we found that EPA faced challenges effectively overseeing grant recipients and measuring the results of grants.³ We recommended that EPA meet the goals, targets, and time frames in its 2003–2008 grants management plan, and take specific actions to strengthen its grants management efforts. In May 2006, we assessed EPA’s progress in implementing its grant reforms and found weaknesses in four areas: (1) documenting ongoing grants monitoring efforts, (2) timely grant closeouts, (3) establishing performance measures for environmental results, and (4) holding staff accountable for grants management.⁴ We concluded that EPA could not be fully assured that grant recipients were on track to fulfill the terms and conditions of their grants, among other things, and made several recommendations to address these weaknesses. Implementing these recommendations and following through on the actions in its 2003–2008 grants management plan allowed the agency to remove grants

²Management Directives include relevant (1) EPA regulations; (2) EPA orders, which are high-level documents that affect the entire agency; (3) grants policy issuances and interagency agreements policies which are less broad than EPA orders and may be program-specific; (4) policy notices, which are issued quickly in response to government-wide changes in policy or concerns; (5) guidance, which provides implementation direction for policy requirements; (6) standard operating procedures, which reflect day to day processes that are likely to change frequently; and (7) standard terms and conditions, which are national administrative or programmatic requirements added to each assistance agreement.

³GAO, *Grants Management: EPA Needs to Strengthen Efforts to Address Persistent Challenges*, [GAO-03-846](#) (Washington, D.C.: Aug. 29, 2003).

⁴GAO, *Grants Management: EPA Has Made Progress in Grant Reforms but Needs to Address Weaknesses in Implementation and Accountability*, [GAO-06-625](#) (Washington, D.C.: May 12, 2006).

management as a material weakness in its annual financial filings in 2007.

EPA issued a new 2009–2013 grants management plan as part of its implementation of our 2006 recommendations—which EPA used as a strategic plan for grants management.⁵ In its 2009–2013 grants management plan, EPA presented strategic goals, objectives, and performance goals for addressing the agency’s long-standing grants management problems, such as documenting environmental results from grants. However, since EPA issued that plan, its Office of Inspector General (OIG) has found further weaknesses in EPA’s grants management. For example, from 2011 to 2014, the OIG found continued weaknesses in EPA’s documentation of its grants monitoring efforts, as well as weaknesses in EPA’s timely management of grant resources.⁶ EPA did not have a grants management plan for 2014 and 2015 but is drafting one for 2016–2020, according to EPA officials and agency documents.

You asked us to review EPA’s grants management. This report examines (1) the extent to which EPA met the performance goals in its 2009–2013 grants management plan; (2) the extent to which EPA’s 2016–2020 draft grants management plan follows selected leading practices for federal strategic planning; and (3) the progress, if any, EPA has made in monitoring compliance with selected grants management directives agencywide.

To examine the extent to which EPA met the performance goals in its 2009–2013 grants management plan, we reviewed the plan. We also collected data and requested OGD responses to a standard set of questions on EPA’s progress in achieving its 17 performance goals. We provided the document to OGD officials to complete, including officials’

⁵EPA did not label the 2009–2013 grants management plan as a strategic plan; however, its structure and EPA’s use of it as an overarching vision for grants management at EPA fits the characteristics of strategic plans according to OMB’s Circular A-11. As such, we refer to it as a strategic plan for the purposes of this report.

⁶For example, see EPA OIG, *EPA Should Improve the Oversight and Assure the Environmental Results of Puget Sound Cooperative Agreements*, 14-P-0317, (Washington, D.C.: July 15, 2014); EPA OIG, *EPA Should Reduce Unliquidated Obligations Under Expense Reimbursement Grants*, 11-P-0228, (Washington, D.C.: May 6, 2011).

explanations of effects, if any, from not meeting these goals and steps EPA took to mitigate the reported effects. We compared OGD responses with supporting documentation provided by agency officials, such as policies, internal briefings, EPA information technology (IT) analyses, and other documents. As part of OGD responses to this instrument, OGD officials provided grants management performance data on the performance goals EPA measured, which we reviewed. To assess the reliability of the data, we compared EPA data against supporting documents provided by agency officials and determined that the data were sufficiently reliable for our reporting purposes. We also interviewed OGD management and staff.

To examine the extent to which EPA's 2016–2020 draft plan follows leading practices for federal strategic planning, we reviewed the draft plan that agency officials provided in November 2014.⁷ We then identified practices under the Government Performance and Results Act of 1993 (GPRA) as enhanced by the GPRA Modernization Act of 2010 (GPRAMA), OMB guidance, and prior GAO work.⁸ We have previously reported that these strategic planning requirements at the federal department/agency level and practices identified by GAO can also serve as leading practices for planning at lower levels within federal agencies, such as individual programs or initiatives.⁹ We selected four leading practices based on their applicability to (1) program-level strategic planning, (2) the content of the plan rather than the planning process, and (3) grants management. We assessed the extent to which the draft plan followed each element of these practices, and we interviewed EPA officials involved with the draft plan.

⁷In May 2015, we asked EPA officials for a more recent draft plan, and they said that we had the most recent version. Therefore, all mentions of EPA's 2016–2020 draft grants management plan in this report refer to the one agency officials provided us from November 2014.

⁸Pub. L. No. 103-62, 107 Stat. 285 (1993); OMB, Circular A-11; *Section 210.11 Content for Strategic Plans, Annual Performance Plans, Annual Performance Reports* (July, 2014); GAO, *Environmental Justice: EPA Needs to Take Additional Actions to Help Ensure Effective Implementation*, [GAO-12-77](#) (Washington, D.C.: Oct. 6, 2011); GAO, *Managing for Results: Strengthening Regulatory Agencies' Performance Management Practices*, [GAO/GGD-00-10](#) (Washington, D.C.: Oct. 28, 1999); and GAO, *Environmental Protection: EPA Should Develop a Strategic Plan for Its New Compliance Initiative*, [GAO-13-115](#) (Washington, D.C.: Dec. 10, 2012).

⁹GAO, *Environmental Justice: EPA Needs to Take Additional Actions to Help Ensure Effective Implementation*, [GAO-12-77](#) (Washington, D.C.: Oct. 6, 2011).

To examine EPA's progress in monitoring compliance with grants management directives agencywide, we identified 24 management directives, including relevant regulations, and EPA policies and procedures, 9 of which were relevant to the areas where we had previously identified weaknesses. We selected 7 of those 9 directives to review. We excluded the other 2 directives because they applied to either nonprofit or tribal grant recipients and, therefore, did not apply to most grant recipients. From these 7 directives, we selected 212 requirements that involved (1) the completion of tasks, (2) the content of tasks, (3) documentation of tasks, and (4) EPA review of tasks. We excluded the remaining directive requirements because they are not the primary responsibility of OGD and exist outside of EPA's grants management databases or official grant files. We then compared the 212 requirements with those requirements tracked in EPA's agencywide grants management systems. Appendix I provides additional information about our objectives, scope, and methodology.

We conducted this performance audit from November 2014 through August 2015 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 findings and conclusions based on our audit objectives.

Background

EPA's 2009–2013 grants management plan contained five strategic goals that addressed weaknesses we identified in our 2006 grants management report related to: (1) demonstrating achievement of environmental results; (2) fostering a high-quality grants-management workforce; (3) enhancing the management process for grants policies and procedures; (4) standardizing and streamlining EPA's grants management processes; and (5) leveraging technology to strengthen decision making and increase public awareness.¹⁰ Across the five strategic goals, the plan outlined 17 performance goals with targeted levels of performance or

¹⁰EPA, *Grants Management Plan, 2009-2013* (Washington, D.C.: October 2008).

timeframes to hold agency officials accountable for achieving results (see table 1).¹¹

Table 1: Strategic Goals and Performance Goals in EPA's 2009–2013 Grants Management Plan

Strategic goal	Performance goal	Targeted level of performance or time frame
Demonstrate the Achievement of Environmental Results	Increase share of state workplans consistent with environmental results directive	2010: 75% 2012: 90%
	Increase share of state progress reports consistent with environmental results directive	2010: 75% 2012: 85%
Foster a High-Quality Grants Management Workforce	Develop long-term training plan	March 31, 2010
	Share of grants management staff whose performance plans include grants management	2009: 95% 2011: 98% 2013: 99%
	Share of staff satisfied with performance appraisal system	2009: 65% 2011: 75%
Enhance the Management Process for Grants Policies and Procedures	Improve training timeliness	2009 – 2013: 100%
	Develop comprehensive guidance	June 30, 2009
	Review guidance for consistency	2011 - 2012: 100%
Standardize and Streamline the Grants Business Process	Share of applications processed in a timely manner	2009: 67% 2010: 72% 2011: 77% 2012: 82% 2013: 87%
	Share of grants awarded in a timely manner	2009 - 2013: 90%
	Share of eligible dollars and awards that are awarded competitively	2009 - 2013: 90%

¹¹ According to OMB Circular A-11, strategic goals are overarching statements of purpose with achievement that cannot be directly measured, and performance goals are a target level of performance expressed as a tangible, measurable objective against which achievement can be compared. Although EPA does not refer to its goals as strategic goals, they meet OMB's description of a strategic goal in Circular A-11. Similarly, although EPA refers to its performance goals as performance measures, with the inclusion of a targeted level of performance, they meet OMB's definition of a performance goal in Circular A-11. As a result, in this report, we use the terms strategic goals and performance goals.

Strategic goal	Performance goal	Targeted level of performance or time frame
	Reduce unexpended expired funds	2009: 28.7 million 2010: 24.4 million 2011: 20.7 million 2012: 17.6 million 2013: 15 million
	Share of expired grants closed out in a timely manner	2009 - 2013: 99%
	Share of grants that receive routine grants monitoring annually	2009: 85% 2010: 90% 2011: 95% 2012: 100% 2013: 100%
	Leverage Technology to Strengthen Decision Making and Increase Public Awareness	No baseline or target established
	Migrate information technology (IT) system to a governmentwide grants management system	March 31, 2012
	Increase staff satisfaction with IT tools	2011: Increase satisfaction by 10%

Source: GAO review of EPA 2009-2013 grants management plan. | GAO-15-618

Note: EPA does not refer to its goals as strategic goals, but they meet OMB's description of a strategic goal in Circular A-11. Similarly, EPA refers to its performance goals as performance measures, but with the inclusion of a targeted level of performance, they meet OMB's definition of a performance goal in Circular A-11.

EPA is currently developing a 5-year plan for 2016–2020. Similar to its 2009–2013 plan, EPA's draft plan also addresses five strategic goals: (1) maintaining an effective grants management policy, (2) streamlining grants management procedures, (3) fostering a high-quality grants management workforce, (4) ensuring transparency and demonstrating results, and (5) evaluating grants management performance (see app. III).

As we have previously found, in developing new initiatives, agencies can benefit from following leading practices for strategic plans.¹² In 1993, GPRA was enacted to improve Federal program effectiveness and public accountability, among other purposes, and established a system for agencies to set goals for program performance and to measure results.

¹²GAO-12-77.

The statutory framework for performance management in the federal government was updated with the GPRA Modernization Act of 2010 (GPRAMA).¹³ OMB's Circular A-11 provides guidance to agencies on how to prepare these plans in accordance with GPRA and GPRAMA requirements.¹⁴ We found that these requirements also can serve as leading practices at lower levels within federal agencies, such as planning for individual divisions, programs, or initiatives.¹⁵ We identified 17 leading practices related to strategic planning and selected 4 based on their applicability to (1) program-level strategic planning, (2) the content of the plan rather than the planning process, and (3) grants management. See table 2 for selected leading practices in federal strategic planning.

Table 2: Selected Leading Practices for Federal Strategic Planning

Selected leading practice	Description
Define the mission and goals	A mission statement in the strategic plan explains why the program exists, what it does, and how. Strategic goals explain the program's purpose and the results that it intends to achieve.
Define strategies and identify resources needed to achieve goals	Strategies should align activities, processes, and resources to help the agency meet its goals. They should also include significant milestones, the resources necessary to achieve goals, and address management challenges that might threaten an agency's ability to meet its goals.
Ensure leadership accountability	An agency's senior leadership can ensure that strategic planning becomes the basis for daily operations. Successful organizations use formal and informal practices to hold managers accountable and create performance incentives.
Develop and use performance measures	Performance measures track the agency's progress toward its mission and goals. Measures provide information on which to base decisions and create powerful incentives that influence organizational and individual behavior.

Sources: GAO analysis of practices from GPRA, OMB guidance, and prior GAO work. | GAO-15-618

¹³GPRA Modernization Act of 2010, Pub. L. No. 111-352, § 2, 124 Stat. 3866, 3866-67 (2011).

¹⁴OMB, *Circular No. A-11, Preparation, Submission, and Execution of the Budget* (July 2014).

¹⁵For example, see GAO, *Foreign Aid Reform: Comprehensive Strategy, Interagency Coordination, and Operational Improvements Would Bolster Current Efforts*, [GAO-09-192](#) (Washington, D.C.: Apr. 17, 2009).

EPA Met Few Performance Goals in Its 2009–2013 Grants Management Plan for Various Reasons

Of the 17 performance goals in its 2009–2013 grants management plan, EPA fully met 2, partially met 6, and did not meet 1, according to our review of EPA grants management performance data. EPA did not measure its progress for the remaining 8 performance goals, according to OGD responses to our standard set of questions.

EPA made the most progress toward achieving the performance goals under its strategic goals of standardizing and streamlining the grants business process and enhancing the management process for grants, according to our review of EPA data, planning documents, and OGD responses to a standard set of questions. Specifically, under its strategic goal of standardizing and streamlining the grants business process, EPA fully met 2 of its 6 performance goals—share of grants awarded in a timely manner and share of eligible dollars and awards that were competitively awarded.¹⁶ EPA partially met 3 other performance goals under this strategic goal—share of expired grants closed out in a timely manner, reduction in the amount of unexpended expired funds, and share of applications processed in a timely manner—because it met its performance goal for many, but not all of the years from 2009–2013.¹⁷

In addition, EPA partially met 2 of its 3 performance goals—reviewing guidance for consistency and completing a comprehensive guidance manual—under its strategic goal of enhancing the management process for grants policies and procedures. EPA partially met these performance goals because it completed the activities under both goals but missed the deadline in its grants management plan for these goals by 2 years and 4 years, respectively.¹⁸ Finally, EPA partially met its goal of migrating its IT system to a governmentwide grants management system. Specifically,

¹⁶EPA exceeded these goals by from 5 to 9 percentage points each year from 2009 to 2013.

¹⁷For its goal of increasing the share of applications processed in a timely manner, EPA met its target in 2009 and did not meet its target in 2010 through 2013. According to our review of EPA policy documents and OGD responses to a standard set of questions, progress made under this strategic goal helped the agency improve the timeliness of its grant application, award, and close out processes, so that recipients had faster access to grant funds to support their environmental programs.

¹⁸According to our review of EPA data, policy documents, and OGD responses to a standard set of questions, EPA's progress made under this goal helped increase the consistency of the agency's grants management directives and grants managers' access to these directives—which, in turn, improved EPA's oversight of grant funds.

EPA analyzed system alternatives but did not implement a new system by the March 2012 deadline in the GMP.

In addition, EPA did not meet 1 performance goal—preparing a long-term training plan—under the strategic goal of fostering a high-quality workforce. According to OGD officials, OGD determined that it did not have available resources to develop a long-term training plan. However, OGD reported that it took steps to mitigate any negative effect by implementing new training tools, such as webinars, online training, and lectures to meet the agency’s needs and provide more efficient and flexible methods for a changing training environment.

For the remaining 8 performance goals, which span all five strategic goals, EPA did not measure its performance. Specifically, EPA did not measure its performance for

- 2 performance goals under its strategic goal of demonstrating achievement of environmental results,
- 2 of the 3 performance goals under its strategic goal of fostering a high-quality grants management workforce,
- 1 of the 3 performance goals under its strategic goal of enhancing the management process for grants policies and procedures,
- 1 of the 6 performance goals under its strategic goal of standardizing and streamlining the grants business process, and
- 2 of the 3 performance goals under its strategic goal of leveraging technology to strengthen decision making and increase public awareness.

Table 3 shows the status of EPA’s 17 performance goals and our assessment of whether they met, partially met, or did not meet the goal.

Table 3: Status of EPA Performance Goals in EPA’s 2009–2013 Grants Management Plan

Strategic goal	Performance goal	Targeted level of performance or time frame	Progress status
Demonstrate the Achievement of Environmental Results	Increase share of state workplans consistent with environmental results directive	2010: 75% 2012: 90%	Not measured
	Increase share of state progress reports consistent with environmental results directive	2010: 75% 2012: 85%	Not measured
Foster a High-Quality Grants Management Workforce	Develop long-term training plan	March 31, 2010	Not met

Strategic goal	Performance goal	Targeted level of performance or time frame	Progress status
Enhance the Management Process for Grants Policies and Procedures	Share of grants management staff whose performance plans include grants management	2009: 95% 2011: 98% 2013: 99%	Not measured
	Share of staff satisfied with performance appraisal system	2009: 65% 2011: 75%	Not measured
	Improve training timeliness	2009 – 2013: 100%	Not measured
	Develop comprehensive guidance	June 30, 2009	Partially met ^a
Standardize and Streamline the Grants Business Process	Review guidance for consistency	2011 – 2012: 100%	Partially met ^a
	Share of applications processed in a timely manner	2009: 67% 2010: 72% 2011: 77% 2012: 82% 2013: 87%	Partially met ^b
	Share of grants awarded in a timely manner	2009 – 2013: 90%	Fully met ^c
	Share of eligible dollars and awards that are awarded competitively	2009 – 2013: 90%	Fully met ^c
	Reduce unexpended expired funds	2009: 28.7 million 2010: 24.4 million 2011: 20.7 million 2012: 17.6 million 2013: 15 million	Partially met ^b
	Share of expired grants closed out in a timely manner	2009 – 2013: 99%	Partially met ^b
	Share of grants that receive routine grants monitoring annually	2009: 85% 2010: 90% 2011: 95% 2012: 100% 2013: 100%	Not measured
Leverage Technology to Strengthen Decision Making and Increase Public Awareness	Share of certain state and tribal grants offered via Grants.gov	No baseline or target established	Not measured
	Migrate IT system to a governmentwide grants management system	March 31, 2012	Partially met ^d
	Increase staff satisfaction with IT tools	2011: Increase satisfaction by 10%	Not measured

Sources: GAO analysis of EPA performance data, OGD responses to our standard set of questions, and supporting documents. | GAO-15-618

^aEPA met performance goal after the deadline in its grants management plan.

^bEPA met its performance goal for some, but not all of the years from 2009 to 2013.

^cEPA not only met but exceeded this performance goal.

^dEPA analyzed alternative IT systems and selected a system to implement, but implementation is not complete.

EPA officials provided five reasons why, for 15 of the 17 performance goals, the agency either did not measure (8), partially met (6), or did not meet (1) goals. These five reasons included redirected resources, process delays, IT constraints, budget constraints, and errors requiring rework (see app. II for more detail).

- **Redirected resources.** According to OGD responses to our standard set of questions, of the 8 performance goals not measured, EPA did not measure 5 because it redirected some of its grants management resources to managing American Recovery and Reinvestment Act of 2009 (ARRA) funds.¹⁹ Under ARRA, EPA more than doubled its grants awards from \$3.7 billion in fiscal year 2008 to \$9.8 billion in 2009. Although ARRA provided EPA with additional funds to manage these grants, the EPA OIG found that the additional workload for ARRA activities impacted non-ARRA work.²⁰ According to OGD responses to a standard set of questions, for all 5 performance goals, EPA had to redirect resources from implementing its grants management plan to meet additional requirements under ARRA. For example, EPA typically monitors key aspects of grants annually, but for ARRA grants, EPA required routine monitoring every 90 days to support ARRA quarterly reporting requirements and required more in-depth monitoring twice a year, according to an agency assessment of EPA's ARRA activities.

Of the 5 performance goals that EPA did not measure, 2 addressed increasing the share of state workplans and progress reports consistent with EPA's environmental results directives (OGD responses show that budget constraints were also a factor); 2 addressed increasing staff satisfaction with EPA's performance appraisal system and available IT tools; and 1 addressed increasing the share of grants management staff with performance plans that

¹⁹Pub. L. No. 111-5, 123 Stat. 115 (2009).

²⁰EPA OIG, *EPA's Contracts and Grants Workforce May Face Future Workload Issues*, 11-R-0005 (Washington, D.C.: Oct. 25, 2010). For example, the OIG report stated that the additional emphasis on Recovery Act activities resulted in EPA redirecting resources to awarding grants quickly, one of the goals of ARRA, which resulted in EPA awarding \$6.5 billion in grants from February 2009 to Sept. 30, 2009.

include grants management (OGD responses show that budget constraints were also a factor).

- **Process delays.** For 4 performance goals that EPA either partially met (3) or did not measure (1), OGD responses to our standard set of questions and supporting documents indicate that it was because the activities took longer than expected. For example, 1 performance goal was for EPA to migrate its IT system to a governmentwide grants management system by March 31, 2012. OGD responses and documented analysis of EPA's IT systems show that the agency partially met this performance goal because the systems EPA initially identified either did not meet its needs or were too expensive. As a result, the agency had to identify and analyze alternative systems, which led to EPA missing its 2012 deadline.²¹ Delays in approving and revising policies also caused EPA to partially meet 2 performance goals related to its strategic goal of enhancing the management process for grants policies and procedures, according to OGD responses to our standard set of questions. For the performance goal that EPA did not measure, OGD responses state that the agency did not measure its performance goal for improving training timeliness because approving policies took longer than expected.
- **IT constraints.** According to OGD responses to our standard set of questions, EPA did not measure (2) and partially met (1) of its performance goals because of IT constraints. Specifically, EPA did not measure the share of grants that receive routine monitoring annually because its IT system could not sufficiently track the variation in due dates for individual awards. In addition, EPA did not measure its performance goal to increase the share of certain state and tribal grants offered via Grants.gov because the website could not handle the increased demand during ARRA implementation, according to OGD responses and supporting documents.²² EPA partially met its performance goal to reduce unexpended expired funds because EPA officials said that their IT system could not produce accurate data for the end of the fiscal year in 2013.²³

²¹As of this report, EPA has yet to meet this goal.

²²Grants.gov is a website where grant seekers can find and apply for grants from 26 federal agencies.

²³EPA exceeded its goal for reducing unexpended expired funds from 2009 through 2012.

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- **Budget constraints.** EPA partially met 1 performance goal and did not meet 1 goal due to budget constraints, according to OGD responses to our standard set of questions and supporting documents. Specifically, EPA partially met its goal to improve the share of expired grants closed in a timely manner because it redirected resources from closing grants due to furloughs associated with sequestration, according to OGD responses and supporting documents. EPA did not meet its performance goal to develop a long-term training plan because the agency determined that it did not have the resources to do so, according to OGD responses and budget data. For example, OGD's workforce decreased from 79 full-time equivalent staff in 2009 to 71 full-time equivalent staff in 2013.
 - **Errors requiring rework.** EPA officials said that EPA partially met its performance goal to increase the share of applications processed in a timely manner, because errors in processing application packages required the agency to rework several packages. According to EPA officials and agency workload analyses, in some cases, these errors resulted from a large workload for staff who also managed ARRA grants. In other cases, staff that had a small grants management workload made errors because they were not familiar with policy and IT requirements. These officials said that the complexity of some grant projects was also a factor.

For five performance goals, EPA and OGD reported that not meeting or not measuring the goals did not affect EPA's grants management activities because the agency either mitigated the potential negative effect of missing the performance goal, or the negative effect was minimal, according to our analysis of OGD responses and supporting documents (see app. II). For example, EPA reported that it mitigated the potential effect of missing EPA's performance goal to increase the share of grants management staff whose performance plans include grants management. Specifically, EPA determined that it could build staff's grants management activities into their performance by providing staff managers with (1) additional performance guidance and (2) individual and agency-level grants management performance data for comparison, according to OGD responses and EPA performance guidance documents.

For another performance goal, to mitigate the effect of not measuring staff satisfaction with an IT application, EPA addressed the low ratings of the IT application's operation in its 2010 baseline survey by adding more user-friendly features, such as a web-based reporting tool, according to OGD responses to our standard set of questions, and an internal memorandum. For its performance goal of developing a long-term training

plan, EPA mitigated negative effects of missing its goal by implementing new training tools such as webinars, online training, and lectures to meet the agency's training needs and provide more efficient and flexible methods for a changing training environment, according to OGD responses and training documents. EPA's actions are consistent with our March 2004 guidance for assessing training, which states that agencies should modify their efforts to fit their unique circumstances and conditions.²⁴

For the other two performance goals, the effect of not measuring them was minimal, according to our review of OGD responses to our standard set of questions. Specifically, EPA did not measure employee satisfaction with its performance appraisal system, which likely had a minimal effect on grants management activities. Similarly, for its performance goal to increase the share of expired grants closed out in a timely manner, EPA missed the target in 2013 by less than 1 percent, which also likely had a minimal effect on grants management.

However, for 10 performance goals, our review of OGD responses to our standard set of questions and supporting documents found negative effects of the agency not measuring or partially meeting them, as follows:

- **Limited the agency's data on compliance.** For three performance goals, not measuring them led to the absence of agencywide data on compliance with directives intended to ensure that grant funds achieve the desired results of protecting human health and the environment, according to OGD responses to our standard set of questions and supporting documents. Specifically, because of ARRA demands and budget constraints, EPA did not measure its two performance goals to increase grant recipients' workplans and progress reports consistent with EPA's environmental results directive, according to OGD responses and agency planning documents. Additionally, although EPA collects real-time data on compliance with routine monitoring requirements, because of IT constraints, EPA did not measure its performance goal on the share of grants that receive routine monitoring annually on a cumulative basis, according to OGD responses. As a result, EPA does not have a complete picture of its compliance with certain directives—directives

²⁴GAO, *Human Capital: A Guide for Assessing Strategic Planning and Training and Development Efforts*, [GAO-04-546G](#) (Washington, D.C.: March 2004).

that are designed to ensure that funds are used appropriately and achieve the desired results. EPA planning documents indicate the agency plans to review state workplans and progress reports in fiscal year 2017, and EPA officials said that they are looking into capturing annual data on compliance with routine monitoring requirements.

- **Inefficient processes.** For two performance goals, not measuring or partially meeting them led to less efficient processes remaining in place, according to OGD responses to our standard set of questions and supporting documents. For example, EPA did not establish a baseline or measure its performance goal on the share of certain state and tribal grants offered via Grants.gov, according to OGD responses. Consequently, some applicants continued to apply for these grants by e-mail or on paper, according to OGD responses and policy documents. Additionally, EPA partially met its performance goal to migrate its IT system to a governmentwide grants management system, which led to EPA's continued use of an IT system that EPA IT analyses state is aging, inefficient and, in some cases, requires data entry in multiple databases to document a single action. According to these analyses, these inefficient processes result in a greater workload for a grants management workforce that is already strained.
- **Limited access to information.** For two performance goals, partially meeting them led to limited access for grants managers to accurate information on grants management directives, according to OGD responses to our standard set of questions.²⁵ First, EPA partially met its performance goal to develop comprehensive guidance (i.e., a single manual containing all current guidance on grants management policies) but not by 2009. Specifically, agency documents show that EPA's comprehensive guidance manual was last substantially updated in 1988, and sections of the manual were out of date. Although EPA issued a series of policy updates on EPA's website, these updates were not part of the manual.²⁶ Agency officials said that they communicated changes as they happened through EPA's internal website; however, OGD responses recognize that not having comprehensive guidance negatively affected grants managers'

²⁵These directives maintain internal controls and help ensure that funds are spent in a timely manner and billions of dollars in grant funds are used appropriately.

²⁶Consequently, a grants manager would have to look at the manual, as well as check if there was an update on EPA's website.

timeliness in processing grants. In 2013, EPA integrated and updated all of its guidance online, providing grants managers access to up-to-date information on changing grants requirements, according to OGD responses and an internal memorandum. Second, EPA partially met its performance goal to review all of its guidance for consistency by 2011 and 2012, because it did not complete its review until 2013. As part of its review, EPA policy documents show that the agency identified 25 cases in which its policy updates were incorrect and included obsolete or redundant policies. Therefore, because EPA did not meet this goal in a timely manner and, until it completed its review, identified errors, and corrected its guidance, grants managers did not have readily available, accurate information.

- **Delayed process for awarding grants.** In another instance, partially meeting its performance goal for increasing the share of applications processed in a timely manner increased the amount of time it took for EPA to provide funding to recipients, according to OGD responses to our standard set of questions and performance data. As a result, from 2010 to 2013, EPA did not process grant application packages (commitment notices) within its 60-day target for an additional 10 percent of EPA applications, according to EPA performance data.
- **Delayed training and policy implementation.** According to OGD responses to our standard set of questions and EPA policy and training documents, EPA did not measure its performance for improving the timeliness of training and, in some instances, EPA provided training to grants management officials for a new policy after the policy was already in effect. This was not consistent with EPA's grants management plan that called for EPA to offer training on new policies at least 4 weeks prior to implementing them.²⁷ Although EPA officials said that the negative effect in these cases was minimal because the grant workload in October was low, without training prior to these policies' effective dates, EPA does not have reasonable assurance that grants management officials applied the policies consistently from the dates that they went into effect. In addition, EPA policy documents show that, in some cases, EPA delayed the implementation of new policies designed to simplify and streamline the grants process for recipients to accommodate the training

²⁷For example, EPA provided training on its new policy that non-profit grant recipients should account for and use program income from membership fees before requesting additional funds from EPA the same month that it went into effect.

schedule. Because of these delays, recipients could not immediately benefit from these policy improvements as originally planned, according to OGD responses to our standard set of questions and supporting documents.

- **Inefficient use of grant funds.** EPA could not confirm whether it met its performance goal for reducing unexpended expired funds in 2013 and was \$900,000 from meeting its goal in early September 2013. According to EPA's OIG, unexpended expired funds are missed opportunities for EPA and grant recipients to efficiently fund projects and efforts that meet EPA's mission of protecting human health and the environment.

EPA's 2016–2020 Draft Grants Management Plan Partially Follows Selected Leading Practices for Federal Strategic Planning but Omits Key Information

As of May 2015, EPA's November 2014 version of its draft 2016–2020 grants management plan partially follows four selected leading practices for federal strategic planning that we identified from prior GAO work and OMB guidance (see table 4).²⁸ EPA officials said that they designed their 2016–2020 plan to be more high-level than the 2009–2013 plan so that it would be more flexible and adaptive to changing circumstances, such as legislation that changes EPA priorities. For example, unlike some of the objectives in the 2009–2013 plan, EPA does not prescribe how the agency should meet the objectives in its draft 2016–2020 plan, to give the agency discretion in choosing the most efficient implementation method, according to EPA officials and our analysis of the draft plan.

As shown in table 4, our analysis of EPA's draft plan indicates that, as of May 2015, it partially incorporated four leading planning practices relevant to grants management:

²⁸In May 2015, we asked EPA officials for a more recent draft plan, and they said that the November 2014 plan was the most recent version.

Table 4: Extent to Which EPA’s November 2014 Draft 2016–2020 Grants Management Plan Followed Selected Federal Strategic Planning Leading Practices

Selected leading practice	Description	Extent followed
Define the mission and goals	A mission statement in the strategic plan explains why the program exists, what it does, and how. Strategic goals explain the program’s purpose and the results that it intends to achieve.	●
Define strategies and identify resources needed to achieve goals	Strategies should align activities, processes, and resources to help the agency meet its goals. They should also include significant milestones, the resources necessary to achieve goals, and address management challenges that might threaten an agency’s ability to meet its goals.	●
Ensure leadership accountability	An agency’s senior leadership can ensure that strategic planning becomes the basis for daily operations. Successful organizations use formal and informal practices to hold managers accountable and create performance incentives.	●
Develop and use performance measures	Performance measures track the agency’s progress toward its mission and goals. Measures provide information on which to base decisions and create powerful incentives that influence organizational and individual behavior.	●

Legend: ● = partially followed

Sources: GAO analysis of practices from GPRA, OMB guidance, and prior GAO work. | GAO-15-618

Note: In May 2015, we asked EPA officials for a more recent draft plan, and they said that we had the most recent version.

- **Define the mission and goals.** EPA’s draft plan partially follows this leading practice in that it defines five strategic goals, which explain the grants management program’s purpose and the results that the agency intends to achieve. However, as of May 2015, the agency does not yet link these goals to an overarching mission statement. According to leading strategic management practices, a mission statement explains why the program exists, what it does, and how. We have previously found that a mission statement forms the foundation for a coordinated, balanced set of strategic goals and performance measures.²⁹ Agency officials said that EPA has not yet incorporated a mission statement into its draft plan because the agency is awaiting stakeholder agreement on the underlying framework but that it plans to do so. Ensuring that its plan has a mission statement could help EPA better establish a framework to guide effectively the agency’s overall vision for grants management.
- **Define strategies and identify resources needed to achieve goals.** EPA’s draft plan partially follows this leading practice because

²⁹ [GAO-13-115](#); GAO, *Managing for Results: Critical Issues for Improving Federal Agencies’ Strategic Plans*, [GGD-97-180](#) (Washington, D.C.: Sept. 16, 1997); [GAO/GGD-00-10](#).

it includes strategic objectives, but as of May 2015, the plan does not yet define strategies that address management challenges, include milestones for significant activities, or identify the resources necessary for the agency to achieve its strategic goals. We have previously found in leading federal strategic planning practices that it is particularly important for agencies to define strategies that address management challenges that may threaten their ability to meet long-term goals and include a description of the budgetary and human resources, actions, and time frames needed to meet these goals.³⁰ EPA officials said that they would discuss the resources needed to achieve their goals but had not considered including a discussion of resources in their draft plan. By also including in its draft plan strategies for addressing the management challenges facing the agency and the resources needed to achieve its goals, EPA could better ensure that its staffing and funding are sufficient to achieve those goals. The agency could also better prepare for future changes in workload or funding—problems that we found had constrained the agency in the past.³¹

- **Ensure leadership accountability.** EPA's draft plan partially follows this leading practice in that one of the strategic goals is dedicated to evaluating the agency's performance at managing its grants, which incorporates a degree of accountability into the plan. According to leading federal strategic planning practices, successful organizations use formal and informal practices to hold managers accountable and create incentives for working to achieve the agency's goals. However, as of May 2015, the other four goals in the draft plan do not yet include mechanisms to hold EPA managers accountable for achieving the agency's goals. For example, in 2012, we found that EPA had ensured leadership accountability for its environmental justice strategic plan by giving senior administrators lead responsibility for implementing the plan, and incorporating relevant environmental justice measures in its annual national program guidance.³² By including mechanisms to hold managers accountable for the other four strategic goals, EPA will be better positioned to ensure that the grants program achieves its goals.

³⁰ [GAO-13-115](#) and [GAO-12-77](#).

³¹ [GAO-03-846](#) and [GAO-06-625](#).

³² [GAO-12-77](#).

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- **Develop and use performance measures.** EPA's draft plan partially follows the leading practice to develop and use performance measures in that it has 11 performance measures but, as of May 2015, only one performance measure has a measurable or numeric target associated with it. According to leading practices, performance measures gauge the agency's progress toward its mission and strategic goals. They provide information on which the agency can base decisions and create incentives that influence organizational and individual behavior. We have previously found that one of the key attributes for successful performance measures is a measurable target and that such measurable targets could challenge the agency to improve its results.³³ According to agency officials, EPA is planning to develop more measurable targets as part of an annual priority planning process but, at the time of this report, that effort was not yet complete.³⁴

As of May 2015, the draft 2016–2020 plan provides a road map that builds on EPA's progress standardizing and streamlining the grants management process since 2009 and may help the agency continue to work toward the goals set out in the 2009–2013 plan. We have previously found that a primary purpose of federal strategic planning is to improve federal agency management.³⁵ By fully incorporating selected leading practices for federal strategic planning, EPA could have better assurance that it has established a framework to effectively manage and assess efforts to accomplish its grants management strategic and performance goals, without reducing the plan's flexibility, and that may help the agency address its long-standing grants management weaknesses.

³³GAO, *International Space Station: Measurable Performance Targets and Documentation Needed to Better Assess Management of National Laboratory*, [GAO-15-397](#) (Washington, D.C.: Apr. 27, 2015); [GAO-12-77](#).

³⁴According to our review of the plan and from EPA officials, the 2016–2020 draft plan focuses on key measures—which EPA officials said was a lesson learned from their experience with the 2009–2013 plan. Focusing on key measures may improve EPA's ability to meet its measurable targets, once developed, as we have previously found that organizations benefit from selecting a manageable number of measures that were most important for decision making and guiding operations. (See [GAO/GGD-00-10](#)).

³⁵[GAO-12-77](#) and [GAO/GGD-97-180](#).

EPA Has Made Some Progress Monitoring Its Compliance with Grants Management Directives Agencywide but Faces Two Key Challenges

EPA has made some progress monitoring its compliance with seven selected postaward grants management directives—such as those dealing with compliance, review, and monitoring, and achieving environmental results from EPA grants—agencywide, but it continues to face two key challenges. Specifically, since our 2006 report, OGD has begun monitoring more grants management directives agencywide through its IT systems, such as tracking unexpended grant funds and grantees' timely submission of reports. However, two key challenges hamper EPA's efforts to monitor directives agencywide: (1) most of its regional offices rely on paper files and (2) its IT systems have limited reporting and analytical capabilities.

Since 2006, OGD has developed the ability to monitor EPA's compliance with certain requirements in its grants management directives electronically. For example, EPA has been monitoring administrative activities of grant recipients, unexpended grant funds, and whether grant recipients have submitted their final reports on time. As part of this monitoring, OGD tracks the number of grants for which program officers and grants specialists completed routine annual monitoring, as well as the percentage of grants that received such monitoring against the agency's performance goal. OGD tracks this information in real time, which provides a snapshot of routine annual monitoring activities. Additionally, OGD monitors the number, dollar amount, and percentage of total unspent grant funds for headquarters and all EPA regions. OGD tracks the percentage of grantees' final technical reports received in a given fiscal year and compares it to the agency's performance goal. OGD officials also electronically review and verify certain administrative monitoring actions, such as the percentage of closed-out grants for a given calendar year.³⁶

However, EPA faces two key challenges in its agencywide monitoring efforts. First, 8 of its 10 regional offices document their compliance with grants management directives in paper files, according to EPA officials.³⁷ Consequently, OGD's ability to monitor most regional offices' compliance

³⁶According to GAO, *Grants Management: Action Needed to Improve the Timeliness of Grant Closeouts by Federal Agencies*, [GAO-12-360](#) (Washington, D.C.: Apr. 16, 2012), closed out grants have met all financial requirements, provided their final reports, and returned any unspent balances.

³⁷One additional regional office uses electronic record-keeping for interagency agreements, but not for grants.

with grants management directives generally requires paper file reviews, which agency officials described as resource-intensive. As a result, EPA officials told us that they deferred some planned compliance reviews due to budget constraints. According to EPA officials, the agency recognizes that paper records are outmoded and plans to transition to electronic records management, but the officials did not provide a timetable for completing this transition. EPA officials stated that EPA headquarters is currently using an electronic grant records system, three regions have agreed to develop electronic grant records systems, and EPA is encouraging the remaining regions to adopt such systems; however, according to OGD officials, the remaining regions are unable to do so due to budget constraints.³⁸ Second, we found that limitations in OGD's IT systems' reporting and analysis capabilities mean that the systems do not produce comprehensive, agencywide summary information for most of the directive requirements we reviewed. This prevents managers from comparing actual performance to expected results agencywide and analyzing significant differences consistent with the federal standards for internal control.³⁹

In 2009 and 2011, EPA deployed two web-based reporting systems to pull certain information from its databases for analysis; however, as of June 2015, EPA used these tools to monitor 8 percent (17 of 212) of its requirements. OGD officials stated that they have the capability to use their current web-based tools more broadly. However, they have not done so. According to OGD officials, their process for determining which requirements to track agencywide using these web-based tools is to follow the measures in their grants management plan, as well as to take into account the results of OIG and GAO audits. In addition to the limited agencywide information, OGD's IT systems require staff to manually review information entered into the database to ensure its accuracy and completeness for most of the requirements (117 of 212) in the seven management directives we reviewed. However, such manual reviews are not consistent with federal standards for internal control, which call for control activities specific for information systems, including computerized

³⁸Currently, the decision to adopt electronic grants records is at the discretion of the regions.

³⁹GAO, *Standards for Internal Control in the Federal Government*, [GAO/AIMD-00-21.3.1](#) (Washington, D.C.: November 1999).

edit checks built into the system to review the format, existence, and reasonableness of data (e.g., accuracy and completeness).⁴⁰

According to EPA officials, the agency currently plans to adopt an updated grants management system by 2017, and it is transitioning to the new system in phases that correspond to the grants lifecycle. The agency's 2016 draft grants management plan incorporates IT system improvements suggested in a 2014 study of EPA's grants management process. As part of its plans for an updated grants management system, EPA has included establishing a single official electronic file to house all grant information for each individual grant. However, EPA has planned to update its grants management IT system since its 2009 plan but has not yet done so. According to EPA officials, analyzing IT alternatives took longer than they expected and they had to reprioritize their grants management activities due to the additional workload required under ARRA. Nonetheless, agency officials said that the IT system that they plan to implement will save the agency \$27 million.

In the meantime, however, EPA has limited information on its agencywide compliance with certain grants management directives intended to provide internal controls over how funds are used and how results are obtained. Better monitoring of agencywide compliance with these directives through electronic record-keeping and using its existing web-based tools more effectively could help EPA better meet federal standards for internal control and help ensure that funds reach grantees quickly, are used appropriately, and achieve the desired results of protecting human health and the environment.

Conclusions

EPA has developed several strategies for addressing its past challenges managing the roughly several billion dollars it distributes each year in grants to help protect human health and the environment. EPA incorporated these strategies into its 2009–2013 plan and made some progress toward achieving its strategic goals. To build on its progress, EPA has developed a draft 2016–2020 grants management plan which, as of May 2015, partially follows several leading strategic planning practices but has not yet included certain key elements, such as defining strategies that address management challenges that may threaten EPA's

⁴⁰ [GAO/AIMD-00-21.3.1](#).

ability to meet long-term goals and identifying the resources, actions, and time frames needed to meet these goals. We recognize that EPA is designing its draft 2016–2020 plan to be more flexible and adaptable to changing circumstances to address some of the constraints that prevented the agency from meeting all of its 2009–2013 plan goals. Nonetheless, our past work shows that incorporating more leading practices into the final plan could provide EPA with reasonable assurance that it has established a framework to effectively guide and assess efforts to accomplish its grants management goals, without reducing its flexibility. Doing so could also help EPA address long-standing grants management weaknesses, such as tracking environmental results. Since the draft plan is still under development, EPA has the opportunity to incorporate more of these selected leading practices into the final plan.

EPA has made progress monitoring its compliance with certain grants management directives agencywide, yet the two key challenges it faces—dependence on paper files and limitations in its IT systems—continue to hamper its ability to monitor certain requirements agencywide. EPA plans to transition to electronic records management for all 10 of its regional offices, but it does not have a timetable for doing so, and some regional offices have not implemented electronic records management due to budget constraints. EPA also currently plans to adopt an updated grants management system by 2017, and it has incorporated addressing potential IT improvements as part of its draft 2016–2020 plan. However, EPA has had similar plans to improve its IT system since 2009 but has not done so because the systems the agency initially identified either did not meet its needs or were too expensive, resulting in a need to identify and analyze alternative systems. In the meantime, EPA has made limited use of its existing web-based tools for analyzing and reporting agencywide compliance, in part because it has focused its analytical efforts on the measures in its grants management plan. By using existing web-based tools more effectively until it implements its new IT system, EPA can better monitor agencywide compliance with grants management directives.

Recommendations for Executive Action

We recommend that the EPA Administrator direct OGD to take the following four actions:

- Incorporate all leading practices in federal strategic planning relevant to grants management as it finalizes its draft 2016–2020 grants management plan, such as defining strategies that address management challenges that may threaten the agency’s ability to

meet long-term goals and identifying the resources, actions, and time frames needed to meet these goals.

- Develop a timetable with milestones and identify and allocate resources for adopting electronic records management for all 10 regional offices.
- Implement plans for adopting an up-to-date and comprehensive IT system by 2017 that will provide accurate and timely data on agencywide compliance with grants management directives.
- Until the new IT system is implemented, develop ways to more effectively use existing web-based tools to better monitor agencywide compliance with grants management directives.

Agency Comments and Our Evaluation

We provided a draft of this product to EPA for comment. In its written comments, reproduced in appendix IV, EPA generally agreed with our findings and recommendations, with the following exceptions.

With respect to our recommendation that EPA implement plans for adopting an up-to-date and comprehensive IT system by 2017 that will provide accurate and timely data on agencywide compliance with grants management directives, EPA agreed with the recommendation except with the 2017 completion date. EPA said that the agency will need time to prioritize which grants management directives requirements to include in the system, which IT approaches to take, and to identify resources through the budget process. EPA said that implementation is therefore likely to extend beyond 2017. The 2017 completion date is based on an EPA internal planning document, which stated that the agency currently plans to adopt an updated grants management system by 2017. We also note that EPA had difficulty meeting its deadlines from its 2009–2013 Grants Management Plan. We continue to believe that EPA should implement an up-to-date and comprehensive IT system as expeditiously as possible to improve agencywide oversight of the several billions of dollars the agency distributes each year.

EPA also disagreed with our conclusion that long-standing grants management weaknesses continue to exist, such as tracking environmental results, and that EPA, with the concurrence of the OIG, eliminated long-standing grants management as a material or agency weakness in 2007. The grants management weaknesses referenced in our conclusions are issues that the OIG found since EPA issued its 2009–2013 grants management plan and not those material or agency

weaknesses that were eliminated in 2007. We continue to believe this conclusion is valid.

As agreed with your offices, unless you publicly announce the contents of this report earlier, we plan no further distribution until 30 days from the report date. At that time, we will send copies of this report to the appropriate congressional committees, the Administrator of the Environmental Protection Agency, and other interested parties. In addition, the report will be available at no charge on the GAO website at <http://www.gao.gov>.

If you or your staff members have any questions about this report, please contact me at (202) 512-3841 or gomezj@gao.gov. Contact points for our Offices of Congressional Relations and Public Affairs may be found on the last page of this report. GAO staff who made key contributions to this report are listed in appendix V.

A handwritten signature in black ink that reads "Alfredo Gómez". The signature is written in a cursive style with a large, stylized "A" and "G".

J. Alfredo Gómez
Director, Natural Resources and Environment

Appendix I: Objectives, Scope, and Methodology

This report examines (1) the extent to which the Environmental Protection Agency (EPA) met the performance goals in its 2009–2013 grants management plan; (2) the extent to which EPA’s 2016–2020 draft grants management plan follows selected leading practices for federal strategic planning; and (3) the progress, if any, EPA has made in monitoring compliance with grants management directives agencywide.

To examine the extent to which EPA met the performance goals in its 2009–2013 grants management plan, we reviewed the plan. We collected data and requested responses from the Office of Grants and Debarment (OGD) for a standard set of questions on EPA’s progress in achieving its 17 performance goals, including officials’ explanations of effects, if any, from not meeting these goals and steps EPA took to mitigate the reported effects. We compared OGD responses with supporting documentation provided by agency officials, such as policies, internal briefings, EPA analyses of its information technology systems, and other documents. As part of OGD responses, OGD officials provided data on the performance goals EPA measured, which we reviewed. To assess the reliability of the data, we compared EPA data against supporting documents provided by agency officials and determined that the data were sufficiently reliable for our reporting purposes. For one performance goal, EPA could not provide accurate data as of the end of fiscal year 2013, so we used EPA-reported data through September 3, 2013, which we note in the report. We also interviewed OGD management and staff.

To examine the extent to which EPA’s 2016–2020 draft plan follows leading practices for federal strategic planning, we reviewed the draft plan that agency officials provided from November 2014.¹ We then identified leading practices from the Government Performance and Results Act of 1993 as enhanced by the GPRA Modernization Act of 2010 (GPRAMA), Office of Management and Budget (OMB) guidance, and prior GAO work. We have previously reported that strategic planning requirements at the federal department/agency level and practices identified by GAO can also serve as leading practices for planning at lower levels within federal agencies, such as individual programs or initiatives. We identified 17 leading practices related to strategic planning and selected 4 based on

¹In May 2015, we asked EPA officials for a more recent draft plan, and they said that we had the most recent plan. Therefore, all mentions of EPA’s 2016–2020 draft grants management plan in this report refer to the plan agency officials provided us from November 2014.

their applicability to (1) program-level strategic planning, (2) the content of the plan rather than the planning process, and (3) grants management. Based on these selection criteria, we excluded 9 practices because they overlapped with other practices, excluded 2 practices because they focused on process rather than the plan's content, and excluded 2 others because they were not relevant to grants management or program-level strategic planning. We then compared the draft plan EPA officials gave us from November 2014 with these 4 selected leading practices. We assessed the extent to which the draft plan followed each of the elements of these four practices, and interviewed EPA officials involved with the draft plan.

To examine EPA's progress in monitoring compliance with grants management directives agencywide, we identified 24 management directives that help EPA implement relevant statutes, regulations, and EPA policies and procedures. Nine of these directives were relevant to the areas where we had previously identified weaknesses, such as ongoing monitoring of grant activities, tracking environmental results, and timely grant closeouts. We selected 7 of those 9 grants management directives. We excluded the other 2 directives because they applied to nonprofit and tribal grant recipients and therefore did not apply to most grant recipients. From these 7 directives, we selected 212 requirements that involved (1) the completion of tasks, (2) the content of tasks, (3) the documentation of tasks, and (4) EPA's review of tasks. We excluded the remaining directive requirements because they are not the responsibility of OGD and exist outside of EPA's grants management databases or official grant files. We then compared the 212 requirements to the requirements tracked in EPA's agencywide grants management systems. Specifically, we examined the requirements in EPA's Integrated Grants Management System (IGMS) and Grantee Compliance Database and in its web-based State Grant IT Application. We also evaluated the information in the two web-based systems that EPA uses to pull data from IGMS for analysis, Datamart and Quikreports.

We conducted this performance audit from November 2014 to August 2015 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 findings and conclusions based on our audit objectives.

Appendix II: GAO Analysis of EPA Progress Against Its 17 Performance Goals

Tables 5 through 9 show the Environmental Protection Agency’s (EPA) progress against the performance goals in its 2009–2013 grants management plan. These tables incorporate Office of Grants and Debarment’s (OGD) responses to our standard set of questions on its progress against the 17 performance goals in its 2009–2013 grants management plan. We provided these questions to OGD officials to complete, including officials’ explanations of effects, if any, from not meeting these goals and steps EPA took to mitigate the reported effects. We compared OGD responses with supporting documentation provided by agency officials, such as policies, guidance, EPA analyses of its information technology (IT) systems, and other documents.

Table 5: EPA’s Progress on Its Performance Goals under Strategic Goal 1 of Its 2009–2013 Grants Management Plan

Goal 1: Demonstrate the Achievement of Environmental Results			
Performance goal	Progress status	EPA explanation	Negative effect, if any
Increase share of state workplans consistent with environmental results directive. <i>Increase percentage of work plans consistent with EPA guidance for achieving environmental results.</i>	Unclear—performance not measured	Redirected resources and budget constraints. EPA measured this goal in 2008 as 63%, but due to American Recovery and Reinvestment Act of 2009 (ARRA) demands and budget constraints, EPA did not perform a second review to validate attainment of the targets. However, there was no significant negative effect because EPA’s ARRA grant environmental results are well-documented in quarterly reports, and EPA’s environmental results guidance is fully embedded in the grant award process and grants management training. EPA also created a searchable database for state workplans and progress reports, to enhance transparency of states’ environmental results.	Limited the agency’s data on compliance. While EPA has provided a new database to its workforce for monitoring environmental results and results are built into grant solicitations, the Office of Grants and Debarment (OGD) doesn’t know the agency’s rate of compliance with this EPA order.
Increase share of state progress reports consistent with environmental results directive. <i>Increase percentage of EPA grant and cooperative agreement progress reports consistent with EPA guidance for achieving environmental results.</i>	Unclear—performance not measured	Redirected resources and budget constraints. Due to ARRA resource demands, budget constraints and a baseline of 65% established during a 2010 review, OGD determined that an additional review was unnecessary. The effect was that EPA did not statistically measure progress report improvement under Goal 1.	Limited the agency’s data on compliance. As noted above under the first performance goal, while EPA has provided a new database to its workforce for monitoring environmental results and results are built into grant solicitations, OGD doesn’t know the agency’s rate of compliance with this EPA order.

Sources: GAO review of EPA performance data, OGD responses to a standard set of questions, and supporting documents. | GAO-15-618

Table 6: EPA's Progress on Its Performance Goals under Strategic Goal 2 of Its 2009–2013 Grants Management Plan

Goal 2: Foster a High-Quality Grants Management Workforce			
Performance goal	Progress status	EPA explanation	Negative effect, if any
Develop long-term training plan. Publication of a revised long-term training plan.	Not met	Budget constraints. The Office of Grants and Debarment (OGD) determined that it did not have available resources to develop a long-term training plan. However, EPA mitigated any negative effect by implementing new training tools, such as webinars, online training, and lectures to meet the agency's needs and provide more efficient and flexible methods for a changing training environment.	Mitigated. EPA determined that the same objectives could be attained directly through enhanced training tools—which would likely not negatively affect grants management activities.
Share of grants management staff whose performance plans include grants management responsibilities. Percentage of certified grants management project officers whose performance plans incorporate grants management responsibilities.	Unclear—performance not measured	Redirected resources and budget constraints. Due to American Recovery and Reinvestment Act of 2009 (ARRA) resource demands and budget constraints, OGD did not conduct a follow-up analysis of a 2007 review because such reviews are paper-based and labor-intensive, and internal controls exist to promote project officer accountability in the performance evaluation process. EPA also provided additional performance guidance and staff-specific performance data to managers.	Mitigated. EPA determined that the analysis was unnecessary, and the same objectives could be attained directly through providing additional performance guidance and project officer-specific performance data to managers—which would likely not negatively affect grants management activities.
Share of staff satisfied with performance appraisal system. Percentage of project officers who find that EPA's performance appraisal system contributes to increased grants management accountability.	Unclear—performance not measured	Redirected resources. Due to ARRA resource demands, OGD discontinued this measure because staff performing additional ARRA work would have little interest in participating in the necessary surveys.	Minimal effect. Whether the project officers are satisfied with their appraisal system would likely not directly affect grants management activities.

Sources: GAO review of EPA performance data, OGD responses to a standard set of questions, and supporting documents. | GAO-15-618

Table 7: EPA’s Progress on Its Performance Goals under Strategic Goal 3 of Its 2009–2013 Grants Management Plan

Goal 3: Enhance the Management Process for Grants Policies and Procedures			
Performance goal	Progress status	EPA explanation	Negative effect, if any
Improve training timeliness. <i>Percentage of new and revised policies, since January 1, 2009, for which training is offered at least 4 weeks in advance.</i>	Unclear—performance not measured	Process delays. The Office of Grants and Debarment (OGD) was unable to meet this deadline, in some cases, because policy approvals took longer than expected or due to sequestration. The effect was that, for some guidance, training was not offered until late September or October or EPA pushed back the policy implementation date.	Delayed implementation. In two cases, EPA provided training after the policy was already in effect. In two other cases, EPA delayed policy implementation to adjust the training schedule—which would likely negatively affect grants management activities.
Develop comprehensive guidance. <i>Completion of an assistance administration manual.</i>	Partially met; delayed from 2009 to 2013	Process delays. EPA had difficulty keeping its comprehensive guidance manual updated in response to the Office of Management and Budget’s changes to grants requirements. Thus, for 4 years, EPA officials did not have easy access to the most up-to-date information on grants policy and procedures, resulting in OGD addressing numerous inquiries.	Limited access to information. For 4 years, EPA staff had to refer to both the guidance manual with out-of-date sections and policy updates on EPA’s website to access the most up-to-date information on grants policy and procedures—which would likely negatively affect grants management activities.
Review guidance for consistency. <i>Percentage of grants management policies and procedures since January 1, 2010, that are reviewed for consistency.</i>	Partially met; delayed from 2011 and 2012 to 2013	Process delays. OGD completed its review of policies in 2013. The effect of not completing the 2011 and 2012 reviews was that, for a period of time, OGD’s internal website contained a number of policies that were obsolete or redundant.	Limited access to information. Since the delayed review resulted in OGD’s website containing a number of policies that were obsolete or redundant, EPA staff could have inadvertently followed the wrong guidance—which would likely negatively affect grants management activities.

Sources: GAO review of EPA performance data, OGD responses to a standard set of questions, and supporting documents. | GAO-15-618

Table 8: EPA’s Progress on Its Performance Goals under Strategic Goal 4 of Its 2009–2013 Grants Management Plan

Goal 4: Standardize and Streamline the Grants Business Process			
Performance goal	Progress status	EPA explanation	Negative effect, if any
Share of applications processed in a timely manner. <i>Percentage of acceptable funding packages with commitment notices sent by program offices to grants management officials within 60 days of the application receipt date.</i>	Partially met; exceeded in 2009; did not meet in 2010 through 2013	Errors requiring rework. Errors in processing application packages required the agency to rework several packages and, as a result, EPA missed its target. In some cases, these errors resulted from a large workload for staff who were also managing American Recovery and Reinvestment Act of 2009 (ARRA) grants. In other cases, staff that had a small grants management workload made errors because they were not familiar with policy and information technology (IT) requirements. The complexity of some grant projects was also a factor. The effect of not meeting this performance target was an increase in the overall time to provide funding packages suitable for award.	Delayed process for awarding grants. The net effect of not meeting this target is a delay in some awards.
Share of grants awarded in a timely manner. <i>Percentage of grants awarded within 60 days of receipt of an acceptable funding recommendation and commitment notice.</i>	Met and exceeded in 2009 through 2013	N/A	N/A
Share of eligible dollars and awards that are awarded competitively. <i>Competitively award at least 90% of the dollars or 90% of new awards subject to the competition policy.</i>	Met and exceeded in 2009 through 2013	N/A	N/A
Reduce unexpended expired funds. <i>Amount of unliquidated obligations on expired, but not financially closed out, grants.</i>	Partially met; exceeded in 2009 through 2012, could not determine for 2013	IT constraints. EPA met the target in each year except 2013, when the agency’s IT system could not generate a complete unexpended funds reduction report for September 2013. Through September 3, 2013, EPA reported it was 6% off its goal.	Inefficient use of grant funds. EPA could not confirm whether it met its goal for 2013 and was \$900,000 off its goal in early September 2013. Unexpended expired funds are missed opportunities for EPA and grant recipients to fund projects and efforts that meet EPA’s mission of protecting human health and the environment.

**Appendix II: GAO Analysis of EPA Progress
Against Its 17 Performance Goals**

Goal 4: Standardize and Streamline the Grants Business Process			
Performance goal	Progress status	EPA explanation	Negative effect, if any
Share of expired grants closed out in a timely manner. <i>Percentage of grants that expired in fiscal years prior to the previous fiscal year and are closed out.</i>	Partially met; exceeded in 2009 through 2012; did not meet in 2013	Budget constraints. EPA redirected resources from processing closeouts due to furloughs associated with sequestration. As a result, EPA missed its 2013 goal by 0.7%.	Minimal effect. EPA missing its 2013 goal by under 1% likely had minimal effect.
Share of grants that receive routine grants monitoring annually. <i>Percentage of awards that receive baseline monitoring consistent with EPA guidance.</i>	Unclear—performance not measured	IT constraints. According to EPA officials, after the grants management plan, the Office of Grants and Debarment (OGD) realized that measuring progress under this performance target was not practicable from an IT standpoint because grants are made throughout the year, resulting in significant variation in baseline monitoring due dates for individual awards. The effect of not meeting this performance target was that EPA lacked cumulative end-of-year baseline monitoring performance data.	Limited the agency's data on compliance. While EPA took mitigating steps, the new baseline monitoring tool only provides an agencywide snapshot at a given period of time and does not track compliance on a cumulative basis over time. As a result, EPA doesn't have information about its progress meeting this requirement.

Sources: GAO review of EPA performance data, OGD responses to a standard set of questions, and supporting documents. | GAO-15-618

Table 9: EPA's Progress on Its Performance Goals under Strategic Goal 5 of Its 2009–2013 Grants Management Plan

Goal 5: Leverage Technology to Strengthen Decision Making and Increase Public Awareness			
Performance goal	Progress status	EPA explanation	Negative effect, if any
Share of certain state and tribal grants offered via Grants.gov. <i>Percentage of state and tribal continuing environmental programs offered for application through Grants.gov.</i>	Unclear—performance not measured	IT constraints. The Office of Grants and Debarment (OGD) deferred action on meeting this performance target until 2015 due to capacity issues experienced by Grants.gov in the initial implementation of American Recovery and Reinvestment Act of 2009 (ARRA). Due to the relatively small volume of these grants, EPA allowed recipients to choose one of three submission options: paper, email or Grants.gov. States and tribes were minimally affected in their ability to submit grant applications through Grants.gov, because they historically submitted e-mail or paper applications.	Inefficient process. The effect on states and tribes was likely minimal given their preexisting practices, however, the delayed implementation resulted in an inefficient process continuing for several more years than necessary.

**Appendix II: GAO Analysis of EPA Progress
Against Its 17 Performance Goals**

Goal 5: Leverage Technology to Strengthen Decision Making and Increase Public Awareness			
Performance goal	Progress status	EPA explanation	Negative effect, if any
Migrate IT system to governmentwide grants management system. <i>Migrate to a government-wide Grants Management Line of Business information technology (IT) system.</i>	Partially met; IT alternatives analyzed and a system selected, but implementation not yet complete	Process delays. OGD started analyzing options in 2009, but the systems it initially identified either did not meet the agency's needs or were too expensive, so the agency had to identify and analyze alternative systems, which took longer than expected.	Inefficient process. The effect of not meeting this target was delayed replacement of EPA's aging technology of its legacy grants management system, the Integrated Grants Management System (IGMS). EPA documents state that IGMS is an aging, inefficient repository that, in some cases, requires data entry in multiple modules to document a single action.
Measure staff satisfaction with IT tools. <i>Percentage of grants management personnel who are satisfied with their access to, and the availability of, information in the grants Datamart IT system.</i>	Unclear—performance not measured	Redirected resources. OGD conducted the baseline survey in FY 2010. In response to ARRA priorities, OGD decided not to conduct a follow-up survey on the performance target. Rather, OGD focused its resources on addressing items of concern from the first survey, such as IT training and creating standard reports and new tools to facilitate grants management. The effect was that OGD did not receive additional feedback from the EPA officials on the utility of the grants Datamart.	Mitigated. The creation of standard reports and new IT tools would address grants management officials' concerns about the complexity of the grants Datamart tool—which would likely not negatively affect grants management activities.

Sources: GAO review of EPA performance data, OGD responses to a standard set of questions, and supporting documents. | GAO-15-618

Appendix III: EPA’s 2016 Draft Grants Management Plan

Tables 10 through 14 show the Environmental Protection Agency’s (EPA) objectives and performance measures in its draft 2016–2020 grants management plan, as of November, 2014.¹

Table 10: EPA’s Objectives and Performance Measures under Goal 1 of Its November 2014 Draft 2016–2020 Grants Management Plan

Goal 1: Maintain Effective Grants Management Policy	
Objectives	Performance measures
<ul style="list-style-type: none"> Establish a comprehensive management framework for grants management policies, procedures, and implementing guidance Review internal grants management policies using the comprehensive framework Integrate evolving requirements into grants management guidance, policies, and regulations, as appropriate 	<ul style="list-style-type: none"> Percentage of grants management policies and procedures that have been reviewed for consistency with the comprehensive management framework Percentage of grants policies determined to be inconsistent with the comprehensive management framework that have been updated, consolidated, or rescinded Competitively award at least 90% of the dollars or 90% of new awards subject to the competition policy

Source: EPA’s November 2014 draft grants management plan. | GAO-15-618

Table 11: EPA’s Objectives and Performance Measures under Goal 2 of Its November 2014 Draft 2016–2020 Grants Management Plan

Goal 2: Streamline Grants Management Procedures	
Objectives	Performance measures
<ul style="list-style-type: none"> Implement the results of the Business Process Reengineering evaluation to standardize and streamline the grants management process (pre-award – closeout) Improve the ability to capture timely and accurate grant data and comply with reporting requirements Reduce burden on EPA staff while maintaining fiduciary standards and enhancing quality and accountability Enhance timeliness of grant awards Ensure the competitive process remains as efficient and transparent as possible Reduce burden on grants applicants and recipients 	<ul style="list-style-type: none"> Percentage of grants that are closed out within the allowable time frame Percentage of grants awarded within 60 days of receipt of an acceptable funding recommendation and commitment notice Percentage reduction in average annual burden per applicant and recipient

Source: EPA’s November 2014 draft grants management plan. | GAO-15-618

¹In May 2015, we asked EPA officials for a more recent draft plan, and they said that we had the most recent. Therefore, all mentions of EPA’s 2016–2020 draft grants management plan in this report refer to the plan agency officials provided us from November 2014.

Table 12: EPA's Objectives and Performance Measures under Goal 3 of Its November 2014 Draft 2016–2020 Grants Management Plan

Goal 3: Foster a High-Quality Grants Management Workforce	
Objectives	Performance measures
<ul style="list-style-type: none"> • Provide training that meets the needs and requirements of the grants management workforce • Provide central access to grants management resources • Optimize the use of the grants management workforce to perform core grants management responsibilities • Adopt standards for staffing the project officer and grant specialist functions • Provide guidance on the roles and responsibilities of agency personnel to strengthen oversight and ensure compliance with policies and procedures 	<ul style="list-style-type: none"> • Percentage of new and revised policies on which training is offered at least 4 weeks before required implementation • Percentage of grants management staff who participate in training on core competencies annually

Source: EPA's November 2014 draft grants management plan. | GAO-15-618

Table 13: EPA's Objectives and Performance Measures under Goal 4 of Its November 2014 Draft 2016–2020 Grants Management Plan

Goal 4: Ensure Transparency and Demonstrate Results	
Objectives	Performance measures
<ul style="list-style-type: none"> • Provide timely and accurate grant information and data to the public • Make grants management planning, policies, and procedures as transparent as possible • Obtain partner and public viewpoints to be integrated into grants management policies and requirements • Monitor recipient compliance with grants management policies • Demonstrate environmental results achieved through EPA grants programs • Improve access to policies, forms, and resources for grant applicants and recipients • Enhance training for grant recipients 	<ul style="list-style-type: none"> • Percentage of awards that are included in EPA's GeoPlatform grants application • Percentage of awards for which environmental results are available to the public (via EPA's website or the GeoPlatform application)

Source: EPA's November 2014 draft grants management plan. | GAO-15-618

Table 14: EPA's Objectives and Performance Measures under Goal 5 of Its November 2014 Draft 2016–2020 Grants Management Plan

Goal 5: Evaluate Grants Management Performance	
Objectives	Performance measures
<ul style="list-style-type: none">• Conduct a risk-based evaluation of grant policies and internal controls• Assess methods and practices used to monitor compliance with grants management policies and procedures• Analyze the amount of human resources devoted to grants management• Evaluate the agency's capability to report significant environmental results that advance the agency's mission	<ul style="list-style-type: none">• Percentage of recommendations implemented as a result of the evaluations conducted under Goal 5

Source: EPA's November 2014 draft grants management plan. | GAO-15-618

Appendix IV: Comments from the Environmental Protection Agency



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

JUL 24 2015

OFFICE OF
ADMINISTRATION
AND RESOURCES
MANAGEMENT

Mr. Alfredo Gomez
Director
Natural Resources and Environment
U.S. Government Accountability Office
Washington, D.C. 20548

Dear Mr. Gomez:

Thank you for the opportunity to comment on the Government Accountability Office's draft report GAO-15-618, "*EPA Has Opportunities to Improve Planning and Compliance Monitoring*." The draft report addresses three issues: 1) the extent to which the U.S. Environmental Protection Agency met the performance goals in the 2009-2013 Grants Management Plan; 2) the extent to which EPA's draft 2016-2019 GMP follows selected leading practices for federal strategic planning; and 3) the progress the EPA has made on monitoring compliance with grants management directives agency-wide. The purpose of this letter is to provide the EPA's response to the draft report's findings, conclusions and recommendations.

Your staff's thoughtful and professional manner as they engaged with the EPA's Office of Grants and Debarment contributes to our record of managing grant funds responsibly and in accordance with the highest fiduciary standards. So important are these obligations to the American environmental protection enterprise, based as it is on the principles of federalism and the tribal trust responsibility, that I welcome the GAO's recommendations about improving OGD's execution of this substantial responsibility. Discussion of the GAO recommendations will improve public understanding of how the EPA's prudent management of billions of dollars in grants is serving the public interest.

Despite the gaps outlined below between our own high expectations and performance, I think it fair to point out how OGD's superb execution of the American Reinvestment and Recovery Act helped communities throughout the country pour billions of dollars into projects for environmental infrastructure and cleanup -- efforts that enhanced the quality of life in those communities and offered better protections for public health. Even with the progress that still must be made by OGD to implement better IT systems, this office's commitment to transparency and accountability makes it possible to see that dollars appropriated to the EPA's grants programs can be tracked to their proper recipient, their environmental benefits appreciated and their value to our American environmental protection enterprise demonstrated.

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GAO Review Findings – Performance under 2009-2013 GMP

The EPA agrees with the GAO findings concerning the agency's performance under the 2009-2013 GMP. This includes the findings on the extent to which the agency met or measured GMP performance goals, the reasons for any performance shortfalls, the steps taken by the EPA to mitigate performance shortfalls, and instances where mitigation may not have been fully effective. While the GAO findings are accurate, the EPA believes that the enormous challenges, fully met, by the agency during the 2009-2013 period deserve fuller consideration. A description of those challenges and the agency's response to them, are outlined below.

The EPA eliminated a longstanding grants management weakness in 2007 and issued the 2009-2013 GMP in October 2008 to further strengthen internal controls. The plan assumed that EPA's grant award budget would remain approximately \$4 billion per fiscal year and contained an ambitious set of goals and detailed objectives. In 2009, Congress sought to enlist this agency in a coordinated federal effort to revive the badly faltering American economy by enacting the American Reinvestment and Recovery Act, which more than doubled the EPA's grant award budget to \$9.8 billion. Due to this unanticipated circumstance and to meet compelling national objectives, the EPA had little choice but to reallocate a significant amount of resources to ARRA grants management that would otherwise have been used to meet GMP performance targets.

The ARRA placed extraordinary but understandable demands on the EPA's grants management work force: an accelerated pace of awarding grants, a heightened level of grants oversight, and additional programmatic and reporting requirements. To meet these urgent demands, the agency prudently assigned ARRA awards to experienced grants personnel. The ARRA directed the EPA to award grant funds as quickly as possible consistent with prudent management. The agency fully and successfully met this historic directive: obligating 50% more funds than had been usual -- \$6.5 billion in grants -- in barely two-thirds of a normal cycle. To meet Congress' stewardship expectations and to prevent waste, fraud and abuse, once grants were awarded, the EPA instituted a monitoring program that far exceeded the agency's standard process for non-ARRA awards. That program included monthly reviews of drawdowns, quarterly baseline monitoring, advanced programmatic monitoring reviews, and statistically-based administrative advanced monitoring. The ARRA also imposed complex requirements on some grants for the first time, such as the Davis Bacon Act, more robust recipient reporting, the Green Project Reserve and Buy American provisions that were highly resource-intensive to implement.

Congress provided the EPA funding to support the ARRA Management and Operations, which the agency used to defray the expenses of employees doing the ARRA work and obtain contractor and other technical support for non-inherently governmental functions. However, M&O funding was a time-limited appropriation (i.e., funds were available through the end of FY 2011). For hiring purposes, this meant that M&O dollars could only be used for temporary, as opposed to permanent hires. The time-limited availability of funds, coupled with the length of the hiring process, restricted the EPA's ability to attract and hire new grants specialists and project officers with the necessary skills and experience to manage the ARRA awards. As a result, the EPA was unable to increase the number of GSs or POs to address the additional ARRA grant workload. This required the agency's existing grants management work force to assume the ARRA responsibilities over and above their standard non-ARRA duties. Given the ARRA's resource demands and subsequent budget constraints associated with sequestration and furloughs, the EPA had to make difficult decisions to defer, or disinvest in, some GMP 2009-2013

activities. This resulted in the majority of the performance shortfalls noted by GAO. These decisions were made after careful consideration by EPA's senior-level Grants Management Council and explained in the Office of Grants and Debarment's Federal Managers Financial Integrity Act letters. In all cases, the EPA determined that existing internal controls were sufficient to prevent emergence of a FMFIA weakness. Moreover, in FY 2015, the EPA has been able to move forward with a number of deferred or delayed GMP initiatives. For example, in February 2015, the EPA moved to Grants.gov for the submission of initial grant applications and deployed the first phase of our Next Generation Grants System. While GAO correctly observes that the decision-making process leading to this system was lengthy because of the need for additional analysis, the process resulted in savings to taxpayers of \$27 million in start-up costs.

Despite the GMP performance shortfalls, the EPA continued to manage grants over the period 2009-2013 based on the core values of transparency, accountability and results.

The agency promoted transparency in the award of discretionary grants by vigorously implementing its Grants Competition Policy. As described in the draft report, the EPA exceeded the metrics for grant competition in the 2009-2013 GMP. This accomplishment reflects the EPA's continued attention to addressing past Congressional concerns over the fairness and impartiality of the grant award process.

To promote accountability, the EPA continued to issue and follow guidance for assessing compliance with grants management requirements under the agency's Performance Appraisal and Recognition System. This guidance applied to the assessment of both project officers and their managers/supervisors and provided measures to use in holding them accountable for proper grants management.

In the area of environmental results, the EPA concentrated its efforts on ensuring performance results for its ARRA grant investments. The ARRA primarily provided grant funding for Clean Water and Safe Drinking Water State Revolving Funds, retrofitting of diesel engines, the clean-up of leaking underground storage tanks, and the evaluation and clean-up of Brownfields sites. To demonstrate the EPA's progress in meeting the ARRA objectives, the agency issued detailed, publically available, quarterly reports documenting grant program performance. This focus on results led to notable environmental achievements. For example, for the Clean Water and Safe Drinking Water SRF programs, the EPA, working with its State partners, ensured that approximately \$6.0 billion in SRF funds were under contract within one year of ARRA enactment. That funding resulted in more than 3,000 assistance agreements to communities across the country for critical clean water and drinking water projects.¹

GAO Review Findings – EPA's draft 2016-2019 GMP

The EPA agrees with GAO's findings that the draft GMP partially follows selected practices for federal strategic planning but omits key information.

The EPA is one of the few federal agencies that has developed grants management strategic plans. Our reliance on strategic planning to establish a vision, goals and performance measures for grants management underscores the high priority we give to administering our grants efficiently and effectively.

¹ For further information, see <http://water.epa.gov/aboutow/eparecovery/upload/epa-WEB-ar-arr-May2011.pdf>

In hindsight, GMP 2009-2013 might have included a process for adapting to changing circumstances. That said, coping with a massive, comprehensive federal recovery effort in successfully implementing ARRA could not reasonably have been foreseen even by the most far-sighted grants management team. The GMP 2009-13 may have contained overly prescriptive objectives that limited the agency's ability to adopt efficient approaches, and, in some instances, relied on performance measures that could not be readily tracked by IT tools. The new GMP will correct these flaws.

Additionally, the draft plan provided to GAO is a work in progress, and our intention has always been to adopt leading strategic planning practices. The GAO's findings will therefore be extremely helpful as we develop the final version of the plan.

GAO Review Findings – Agency-wide Compliance Monitoring

The EPA agrees with GAO's findings on the number of grants management requirements that are tracked by the agency's IT systems. The EPA also agrees with GAO's assessment of the major challenges in agency-wide monitoring efforts, namely, primary reliance on paper files to document grants management compliance, and limitations on the ability of OGD's web-based reporting systems to generate agency-wide compliance information.

The EPA appreciates GAO's recognition that the agency has made progress in using electronic tracking to strengthen agency-wide compliance monitoring. Currently, and as noted in the GAO report, its IT systems track, among other things, four key metrics: the status of baseline monitoring at a given point in time; unliquidated obligations; closeouts; and grantee submission of final technical reports. This tracking capability addresses priority concerns raised by Congress, the Office of Management and Budget and the EPA's Office of Inspector General, as well as by GAO in previous reviews, regarding accountability, fiscal management and environmental results. Providing real-time baseline monitoring information to managers enables them to hold staff accountable for proper grants oversight. Similarly, by generating reports on ULOs, closeouts and final technical reports, the agency ensures that grant funds are timely spent or reallocated to other high-priority projects, and that grantees have completed agreed-upon work to further the agency's mission of protecting human health and the environment.

The EPA is well aware of the opportunities for further progress in electronic tracking. We are addressing these opportunities as part of the deployment of the Next Generation Grants System. In so doing, we are taking into account the results of a comprehensive Grants Business Process Reengineering study which the agency completed in FY 2014. That study highlighted the need for electronic records management.

GAO Review Conclusions

The EPA agrees with GAO's conclusions regarding enhancements to the draft GMP 2016-2019 plan, the dependence on paper grant files and the limitations of our IT systems.

The EPA disagrees with GAO's conclusion that longstanding grants management weaknesses continue to exist, such as tracking environmental results. The GAO report itself documents how the EPA, with the concurrence of EPA's Office of Inspector General, eliminated the longstanding grants management weakness in 2007. We did so by instituting a system of internal controls based on the core values of

transparency, accountability and results. As discussed above, the agency has had to adjust the system to mitigate the challenges posed by ARRA and constrained budgets, carefully designing the adjustments to prevent a FMFIA weakness.

Further, the findings in the draft report do not support a specific conclusion of a weakness in tracking environmental results. Too few Americans appreciate the absolutely indispensable role that the EPA grants play in the effective operation of environmental-quality departments in every state and by almost every Indian tribe. Without the ongoing allocation of these grant funds, state and tribal implementation of core environmental protection and public health standards would be seriously compromised. One benefit of this GAO study should be wider public appreciation of the OGD's work with its state, tribal and local-government partners, and I intend to use the final report to do just that. The GAO is correct that the Office of Grants and Debarment did not perform an environmental results review of grant workplans and progress reports under GMP 2009-2013. However, that performance shortfall did not affect the agency's ability to track environmental results from its major grant programs that are funded under the State and Tribal Grants appropriation.

The agency has in place several tracking systems to closely manage and measure environmental results for these programs. For example, under the Clean Water Act Section 319(h), the EPA awards grants for implementation of state Non-Point Source management programs. State grant recipients are required to report annually to the EPA their progress in meeting milestones, including implementation of NPS pollution control practices and associated reductions of NPS pollutant loadings to water bodies. The EPA collects this information in the Grants Reporting and Tracking System and uses it to estimate progress in reducing loadings of key pollutants such as nitrogen, phosphorus and sediment loadings. There are also program-specific tracking systems for the Clean Water and Safe Drinking Water State Revolving Fund programs.

Response to GAO Recommendations

Recommendation 1 – Incorporate all leading practices in federal strategic planning relevant to grants managements as EPA finalizes its 2016-2020 grants management plan, such as defining strategies that address management challenges that may threaten the agency's ability to meet long-term goals and identifying the resources, actions and time frames needed to meet these goals

The EPA agrees with this recommendation. We will fully incorporate leading federal strategic planning practices into GMP 2016-2019, which we anticipate issuing in January 2016.

Recommendation 2 – Develop a timetable with milestones and identify and allocate resources for adopting electronic records management for all 10 regional offices

The EPA agrees with this recommendation and will partner with the regions to determine the most effective and efficient IT solution.

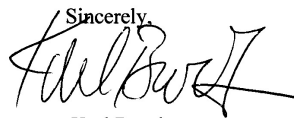
Recommendation 3 – Implement plans for adopting an up-to-date and comprehensive IT system by 2017 that will provide accurate and timely data on agency-wide compliance with grants management directives.

The EPA agrees with this recommendation except for the mandatory 2017 completion date. The agency will need time to prioritize which grants management directive requirements to include in the Next Generation Grants System, determine which IT approaches to take, and identify available FTE resources and contract dollars through the budget process. Implementation is therefore likely to extend beyond 2017.

Recommendation 4 - Until the new IT system is implemented, develop ways to more efficiently use existing web-based tools to better monitor agency-wide compliance with grants management directives.

The EPA agrees with this recommendation. In implementing it, we will give immediate priority to developing the capability to provide managers cumulative annual baseline monitoring data. We expect to have this capability in place by the end of FY 15.

Again, thank you for the opportunity to provide comments on the draft report and for the professionalism of your staff in conducting the review. Our response has also provided the agency with an opportunity to be acknowledged for its contributions towards maintaining a robust system of state and tribal environmental-quality departments, and to reaffirm the agency's prudent management of taxpayers' funds. The EPA looks forward to working collaboratively with the GAO as we continue to enhance our grants management program. Please contact Howard Corcoran, Director, Office of Grants and Debarment, at Corcoran.Howard@epa.gov or at (202) 564-1903 if you need additional information or clarification on our response.

Sincerely,


Karl Brooks
Acting Assistant Administrator

cc: EPA GAO Liaison Team
EPA Assistant Administrators
EPA Regional Administrators
General Counsel
Deputy Regional Administrators
Senior Resource Officials
Inspector General
Howard Corcoran
Denise Polk
Kysha Holliday
Laurice Jones
Grants Management Officers
Junior Resource Officials

Appendix V: GAO Contact and Staff Acknowledgments

GAO Contact

J. Alfredo Gómez, (202) 512-3841 or gomezj@gao.gov

Staff Acknowledgments

In addition to the individual named above, Michael Hix (Assistant Director), Elizabeth Curda, Ellen Fried, Cindy Gilbert, Thomas James, Jerry Leverich, Benjamin Licht, Gary Mountjoy, Jonathan Munetz, Alison O'Neill, Kiki Theodoropoulos, and Lisa Van Arsdale made key contributions to this report.

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