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**Written Testimony of  
Morris X. Winn  
Assistant Administrator for  
Administration and Resources Management  
U. S. Environmental Protection Agency  
before the  
Subcommittee on Water Resources and Environment  
Committee on Transportation and Infrastructure  
U.S. House of Representatives**

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Mr. Chairman and Members of the Subcommittee, thank you for the opportunity to appear before the Subcommittee to address the subject of today's hearing: **Cleaning Up the Waste at EPA: Phase II.**

I am pleased to report that since I last testified in June, EPA has made significant progress in implementing our long-term Grants Management Plan, strengthening accountability, and addressing the recommendations from a recent General Accounting Office (GAO) report on grants management at EPA. I would like to highlight the major actions the Agency has taken in each of these three areas. **As EPA moves forward in carrying out the Plan, we are committed to putting in place early warning systems that will allow the Agency to identify and correct weaknesses in our grants management program.**

**I. Progress in Achieving Grants Management Plan Goals**

As I described in my previous testimony, EPA is committed to accomplishing the five goals outlined in the Grants Management Plan, namely: 1) Enhance the Skills of EPA Personnel Involved in Grants Management; 2) Promote Competition in the Award of Grants; 3) Leverage Technology to Improve Program Performance; 4) Strengthen EPA Oversight of Grants; and 5) Support Identifying and Achieving Environmental Outcomes. The Plan establishes performance measures for each goal and I will use these measures to assess our progress in carrying out the Plan.

**Enhancing EPA Grants Management Skills - Goal 1:** A key component of our efforts to enhance skills is to ensure that all of our project officers are certified to manage grants. Project officers must complete the basic grants management training program and take a refresher course every three years to maintain their certification. As of September 22, 2003, 99.6% of our grants are being managed by certified project officers, which exceeds our performance target of 95%. **We expect that the mandatory certification program will improve and maintain the skills needed for grants oversight and we will be assessing the effectiveness of the program in achieving that result.**

We are taking a systematic approach to improving our training programs through the

development of a long-term training plan that outlines the steps the Agency needs to take to implement its human capital plan for grants management. The long-term plan will ensure that our training programs are comprehensive, relevant and up-to-date **and will include measures for determining how our training activities contribute to improved grants management.** We will be happy to share this plan with the Subcommittee once it is completed.

**Promoting Competition - Goal 2:** EPA is committed to increasing competition in grant awards under its new Competition Policy, particularly in awards to non-profit organizations. The Policy went into effect on October 1, 2002. As of September 16, 2003, 72% of our new grants over \$75,000 to non-profit organizations subject to the Policy were awarded competitively. We are in the process of compiling final statistics for FY 2003 and will provide them to the Subcommittee.

To enhance public disclosure, the Agency is establishing an internet site that will make information on the results of FY 2003 competitions available to the general public. The public will be able to tell who won a specific competition and the amount of grant funds they received. **Additionally, EPA's Grants Competition Advocate will be evaluating these statistics to determine whether the Competition Policy is achieving its intended result of encouraging a large and diverse group of grant applicants.** To further support the implementation of the Competition Policy, several Agency offices have established model competition programs. For example:

- EPA Region II provides comprehensive competition training to project offices and has established a central team to review all competitions to ensure they are in compliance with the Order.
- EPA's Office of Air and Radiation (OAR) has developed a guide to competition that contains detailed information on how to conduct an assistance competition. It also discusses how the Order specifically applies to OAR's grant programs.

**Leveraging Technology - Goal 3:** The Agency believes that the deployment and enhancement of the Integrated Grants Management System (IGMS) is essential to strengthening grants management. IGMS is now deployed in all ten EPA Regions, which are currently submitting 74% of grant funding packages electronically. This exceeds our performance target of 65%.

In addition, EPA continues to participate in the interagency initiative under Public Law 106-107 to streamline and simplify the award and administration of Federal grants. The Agency recently submitted its Public Law 106-107 report to Congress and is now working with the States of New York and Texas to test E-Apply, which is the government-wide system designed to accept electronic grant applications.

**Strengthening Oversight- Goal 4:** EPA has made significant progress in improving its oversight of grants. In 2003, through September 22, 2003, we have completed 467 advanced

monitoring reviews or 6.4% of our recipients. We anticipate no problems in meeting our performance target of 10% of recipients by the end of calendar year 2003. **Moreover, our Region 3 office in Philadelphia has been a leader in this area, having performed 90 advanced monitoring reviews since January 1, 2003.**

EPA has analyzed the findings from its advanced monitoring reviews and identified four major areas of concern: Minority Business Enterprise/Womens' Business Enterprise (MBE/WBE) program non-compliance; cash management problems; non-compliance with procurement requirements; and failure to adhere to programmatic terms and conditions. In all cases, recipients are required to address and correct the specific findings identified in the reviews. The Agency is also taking proactive steps to provide technical assistance to grantees to prevent problems from occurring. The Office of Grants and Debarment (OGD) has conducted several classroom training sessions for non-profit and Tribal recipients and, in partnership with the Office of the Inspector General, has developed an instructional video for non-profit grantees. Further, to educate non-profit recipients on their procurement obligations, OGD will be issuing this month a guide on purchasing supplies, equipment, and services under EPA grants.

Besides our progress in advanced monitoring, the Agency has developed a new approach to internal reviews of EPA offices that provides an 'early warning' system for identifying any emerging grants management weaknesses. Under this approach, the Agency conducts three types of internal reviews. These include: Comprehensive Grants Management Reviews performed by OGD; Grants Management Self-Assessments performed by EPA's program offices based on OGD guidance; and Grants Performance Measure Reviews conducted by OGD, which use information in Agency databases to assess progress against Grants Management Plan performance measures.

OGD has recently completed Comprehensive Grants Management Reviews in Regions 9, 5, and 4 and plans to conduct four additional reviews of Headquarters offices by the end of calendar year 2003. These reviews have identified a number of areas of grants management needing improvement, which in several cases parallel the findings from OIG and GAO reports. We have asked each office subject to a review to submit a corrective action plan within 90 days of the issuance of the final report. OGD will follow-up on these corrective action plans to ensure that all weaknesses are corrected.

**Achieving Environmental Results - Goal 5:** EPA's new Strategic Plan includes language that emphasizes the importance of grants management and links the activities in the Grants Management Plan with the attainment of the Agency's strategic goals. To better integrate grant performance with Government Performance Results Act objectives, an Agency-wide workgroup is developing guidance on how to incorporate environmental outcomes and performance measures in grant work plans and enhance performance reporting by grantees.

## II. Strengthening Accountability

A major theme of these hearings has been that EPA must exhibit a sustained commitment

to accountable grants management. I believe that this commitment is firmly in place as evidenced by our work in the following areas:

First, Deputy Administrator Linda Fisher issued two directives requiring senior managers to hold employees accountable for effective grants management and to include compliance with grants management policies as part of midyear performance discussions, which occurred in July.

Second, as a supplement to these directives, the Agency is currently reviewing the performance standards of employees involved in grants management. The Agency has determined that Senior Executive Service (SES) performance standards adequately address grants management. I will be issuing a memorandum later this month to EPA's Assistant Administrators and Regional Administrators requiring them to ensure that the performance agreements of their non-SES employees properly reflect grants management responsibilities. EPA will have these new standards in place by January 2004, so that they can be used to evaluate employee performance during calendar year 2004.

Third, for the first time, the Agency has required Assistant Administrators (AAs) and Regional Administrators (RAs) to indicate in their assurance letters under the Federal Managers' Financial Integrity Act (FMFIA) the steps they are taking to address the grants management weakness. In these letters, the AAs and RAs have committed to the Administrator of EPA to ensure effective grants management in their offices. This commitment has resulted in a broad range of measures to strengthen grants management. For example:

- For the last two years, our Region 7 office in Kansas City has required that the performance standards of personnel involved in managing grants reflect these responsibilities. They have used the midyear and end-of-year performance discussions to communicate with staff and managers the critical importance of their respective grants management duties and their intent to hold them accountable for performance.
- The Office of Research and Development has established a rigorous pre-award peer review of all research grant and fellowship applications. The peer review system uses only outside experts and focuses on the merit of the science or engineering in the proposal.
- Our Region 2 office in New York has developed new guidelines for its project officers to ensure that they properly address competition in assistance agreements and provide adequate justifications for noncompetitive awards.
- Our Region 10 office in Seattle has implemented a comprehensive training program for Tribal grantees as a means of preventing grants management problems from occurring. They have conducted Tribal grantee training on post-award management, the grant close-out process, and developed a tracking system for deliverables.

Fourth, EPA has established a Grants Management Council consisting of Senior Resource Officials, who will be responsible for providing oversight, coordination and guidance to the Agency on grants management issues. The Council held its first meeting on August 7. The Council will examine the full range of grants management issues at EPA and develop comprehensive recommendations for improvement as the Agency implements the long-term Grants Management Plan.

Fifth, the Agency has created an Excellence in Grants Management Program that will recognize and reward EPA offices that substantially exceed the performance targets in the Agency's Grants Management Plan. The Chief Financial Officer and I issued a joint memorandum in April 2003 announcing the program and describing how it will work. The Agency will announce the first winners of the Excellence in Grants Management Awards in March of 2004.

Sixth, as I previously noted, EPA's new Strategic Plan explicitly recognizes the importance of effective grants management in accomplishing the Agency's strategic goals. It commits the Agency to implementing the Grants Management Plan and to address the challenges involved in managing grants efficiently and effectively.

Finally, we have developed a Tactical Action Plan, which outlines commitments and milestone dates under the Grants Management Plan and identifies who is responsible for completing those commitments. OGD reviews this Tactical Plan on a quarterly basis to ensure that actions are completed on a timely basis.

### III. Addressing GAO Recommendations

GAO has recently completed a report on grants management at EPA entitled *Grants Management: EPA Needs to Strengthen Efforts to Address Persistent Challenges*. We found the report to be very useful and I would like to commend John Stephenson and his staff for their excellent work. The report recommends that EPA:

1. Provide sufficient resources and commitment to meet its grants management plan goals.
2. Incorporate appropriate statistical techniques in selecting grantees for in-depth reviews.
3. Require EPA staff to use a standard reporting format for in-depth reviews.
4. Develop a plan to use data from its various oversight efforts to fully identify systemic problems and take corrective action as needed.
5. Modify protocols to include questions on the status of grantees' progress in measuring and achieving environmental outcomes.
6. Incorporate accountability for grants management responsibilities in employee performance standards.
7. Evaluate and implement promising grants management practices identified in the



- GAO report.
8. Report to Congress on its progress in improving grants management at EPA.

I am pleased to note that the report recognizes the steps EPA is taking to improve grants management, including the development of our long-term Grants Management Plan and associated policies on grant competition and post award monitoring. **I would also note that for a number of the recommendations (e.g., performance standards), EPA had initiated corrective action prior to the GAO review.** We agree with the report's recommendations and are implementing them as part of our long-term Plan.

### **Recommendation 1 - Commitment and Resources**

As I stated above, I believe that the Agency's senior leadership is firmly committed to accountable grants management. Further, as I mentioned in my June 11 testimony, to ensure effective implementation of the Plan, I have redeployed employees to the Office of Grants and Debarment. Additional resource needs for grants management will be considered within the context of the Agency's budget process. Moreover, to ensure the most efficient use of existing resources, the Agency is conducting an analysis of grants specialists and project officer workloads.

### **Recommendations 2, 3 and 4 - Improvements to In-Depth Reviews and Oversight**

With regard to the second recommendation, the Order on Compliance, Review and Monitoring requires EPA offices to select recipients for advanced monitoring in 2003 based on a set of documented criteria. The policy encourages offices to develop a risk scorecard that rates recipients in terms of several factors, including, but not limited to: findings from past audit and monitoring reports; recipient experience; type of recipient; Agency priorities; costs; geographic location; funding by multiple programs; and known management problems.

EPA recognizes that a more comprehensive approach would be to perform a statistical analysis to determine what percentage of the recipient population would have to be sampled in order to make valid inferences about the entire population. EPA will consult with statisticians on this issue and will modify the current approach appropriately.

As suggested by recommendations two and three, EPA has modified its Grantee Compliance Database to collect and itemize information in a standard format on the problem areas that have been identified through advanced monitoring reviews. In addition, the database is being enhanced to make it a comprehensive source of information on oversight efforts. The database will contain information on OIG and GAO audits, Agency advanced monitoring reviews, significant compliance actions taken by the agency and A-133 audits. Consistent with recommendation four, these efforts will make it easier for the Agency to identify systemic issues early on and take appropriate action. It will also allow EPA's grants management officials and project officers to identify potential recipients who have known grants management problems. EPA can then require these recipients to correct the problems before entering into a grant

relationship, incorporate special terms and conditions into their agreements and/or closely monitor them throughout the grant.

#### **Recommendation 5 - Environmental Outcomes in Review Protocols**

EPA will be modifying its in-depth review protocols to include questions on the status of grantees progress in measuring and achieving environmental outcomes. This is one of the action items in our long-term Grants Management Plan.

#### **Recommendation 6 - Employee Performance Standards**

As I noted earlier, the Agency is modifying the performance standards of managers and staff to reflect grants management responsibilities. These new grants management standards will go into effect for the calendar year 2004 performance review process.

#### **Recommendation 7 - Promising Grants Management Practices**

We have reviewed the promising grants management practices described in the GAO report and believe they could potentially be adopted to improve EPA grants management. We are in the process of contacting the agencies and organizations cited in the GAO report and will be setting up meetings with them to discuss the promising practices and share information.

#### **Recommendation 8 - Reporting to Congress**

The Agency will report to Congress its accomplishments in meeting the goals and objectives of the Grants Management Plan, starting with EPA's FY 2003 Annual Report.

#### **IV. Conclusion**

In summary, as I have highlighted in this testimony, EPA has put in place a comprehensive system of management controls and initiatives to address the grants management weakness. This system fosters accountability and will ensure that EPA grant programs meet the highest fiduciary standards and further the Agency's mission of protecting human health and the environment. As we implement our long-term Plan, we remain committed to working with Congress, GAO, the OIG, and our partners, including States, Tribes, local governments, non-profit organizations and educational institutions, to make EPA a "best practices" agency.

Thank you for providing me the opportunity to discuss these important issues with you today. I would be happy to respond to any questions you may have.