

US EPA ARCHIVE DOCUMENT



**JOINT STATEMENT OF  
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BEFORE THE SUBCOMMITTEE ON  
WATER RESOURCES AND ENVIRONMENT  
OF THE  
COMMITTEE ON TRANSPORTATION AND INFRASTRUCTURE  
U.S. HOUSE OF REPRESENTATIVES**

**May 18, 2006**

Mr. Chairman, thank you for the opportunity to appear before the Committee on Transportation and Infrastructure to address the subject of today's hearing – EPA Grants Management 2003–2006: Progress and Challenges.

EPA must spend its \$4 billion annual investment in grants effectively and achieve the desired environmental benefits. This Committee, the Government Accountability Office (GAO) and EPA's Office of the Inspector General (OIG) have raised legitimate concerns about the Agency's grants management practices. We have heard those concerns loud and clear and are responding to them in a thoughtful, systematic way.

**MAJOR ACCOMPLISHMENTS**

EPA's long-term Grants Management Plan (Plan) establishes the roadmap for our grants management reforms. Conceived of by then Acting Assistant Administrator, David J. O'Connor, and Director of Grants and Debarment, Howard Corcoran, this 5-year

Plan has put the Agency on course to yield sustainable, long-term results. Halfway through the Plan, we have made important strides. These include enhanced programs for grants management training and competition, full automation of the grants process, and the development of policies necessary for strong grants oversight and outcome-oriented grants. We have also instituted a system of internal reviews, cited in GAO reports, that allows for the early detection of grants management weaknesses. We are attaching a chart that contains a list of these accomplishments.

### **MAJOR CHALLENGES**

While we have made progress, GAO, the OIG and this Committee have made clear that significant challenges remain. Particular areas of concern include accountability, environmental results and external peer review.

With regard to accountability, the OIG concluded in a September 27, 2005 report, entitled, *“EPA Managers Did Not Hold Supervisors and Project Officers Accountable for Grants Management,”* that the Report’s title was indeed true, largely because there was no process to measure most grants management activities. The Report found that end-of-year evaluations generally did not include a discussion of grants management responsibilities, and that in the few cases where grants management weaknesses were identified, managers did not effectively communicate the weaknesses to staff.

GAO has raised similar issues. In its recent report entitled, *“Grants Management: EPA Has Made Progress in Grant Reforms, but Needs to Address Weaknesses in Implementation and Accountability,”* GAO identified continuing problems in documenting ongoing monitoring and in closing out grants. The Report noted that these problems may have been caused by a lack of effective supervision.

EPA agrees with these OIG and GAO findings and is redoubling its efforts to promote accountable grants management. One way is by using the Agency's new Performance Appraisal and Recognition System (PARS), a multi-level employee evaluation tool that the Agency set up last year to meet its commitments to better manage our human capital. PARS is designed to improve communication between rating officials and staff, and allows for better differentiation between various levels of employee performance.

For this year, we have required that PARS performance agreements and associated mid-year and end-of-year performance reviews include discussions on four key policy areas: competition, environmental results, post-award monitoring and pre-award reviews of non-profit organizations. We have also provided guidance to program offices on how to assess compliance with these policies.

For next year's PARS process, we have asked a Performance Measures Workgroup to develop final performance measures to assess the grants management performance of project officers, supervisors and managers. These final measures will be incorporated in 2007 performance agreements. Firmly believing in the power of the carrot as well as the stick, we will also have the workgroup explore options for creating new recognition and incentive programs for individual project officers and supervisors to encourage excellence in grants management.

We think the use of PARS, coupled with changes to our monitoring and closeout procedures recommended by GAO, will strengthen our internal controls to help ensure proper documentation of ongoing monitoring and promote timely grant closeouts.

In the area of environmental results, GAO and the OIG have highlighted the need for improvement in developing grant work plans with quantitative outcome measures and in measuring grant results. We agree with this assessment. For example, the Agency recently completed an analysis that found nearly 100% of grant workplans contained well-defined qualitative outcomes, but only 18% had quantitative outcomes. To address this issue, we are providing on-line training to project officers on defining workplan measures and evaluating grantee performance. In addition, we will be implementing GAO's recommendation to develop new environmental results performance measures under the Grants Management Plan.

As a supplement to these efforts, EPA is developing a standardized template for its grant agreements with States, particularly for State Continuing Environmental Program Grants and Performance Partnership Grants. This new template will include clear linkages to EPA's Strategic Plan and long-term and annual goals, as well as consistent requirements for regular performance reporting. When fully implemented, it also will allow for meaningful comparisons between various States' past and planned activities and performance, making progress more visible and programs more transparent.

This Committee has stressed the importance of external peer review in enhancing the grant competition process. EPA agrees with the Committee that external peer review has great value in promoting accountability, transparency and results, and ensuring that taxpayer dollars are used appropriately. To take advantage of external peer review in a cost-effective way, the Agency's Competition Advocate, Bruce Binder, has recommended, and I have asked him to pursue, use of external peer reviewers to evaluate competitive funding announcements before they are made available to the public to

determine whether they will result in meritorious projects. We will be presenting this approach to the Agency's Grants Management Council in May and expect to have new external peer review procedures in place next year.

While EPA Headquarters is responsible for developing the policies needed for effective grants management, the Agency's Regional Offices play a critical role in the implementation of EPA's grants management reforms in the field. The recent GAO report underscores the need for Regions to make significant improvements in grant oversight, accountability and closeout. The Regional Administrator community is committed to meeting the challenge of holding Regional staff involved in grants management -- from senior executives to grant specialists and project officers -- accountable for the wise expenditure of taxpayer funds.

## **CONCLUSION**

Under the Grants Management Plan, EPA has put in place a comprehensive system to address its grants management weakness. We have been careful to make adjustments to the design and implementation of the system to incorporate recommendations from GAO, the OIG and this Committee. GAO and OIG reports show that we have made considerable progress in our grants management reforms. They also demonstrate, however, that much remains to be done in creating a culture of grants management that places a premium on transparency, accountability and results. We are committed to making that cultural shift, which will allow EPA to become a "best practices" Agency for grants management. To achieve that goal and eliminate the grants

management weakness, we will work closely with Congress, GAO, the OIG, and our partners, including States, Tribes, local governments, non-profit organizations and educational institutions.

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