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

COPY

December 23, 2005

MEMORANDUM

SUBJECT: Timely Award of State and Tribal
Continuing Environmental Program Grants

FROM: Ira Leighton *Ira Leighton*
Deputy Regional Administrator
EPA – New England

Dona DeLeon *Dona DeLeon*
Deputy Associate Administrator
State and Local Relations
Office of Congressional and Intergovernmental Relations

Carol J. Jorgensen *Carol J. Jorgensen*
Director, American Indian Environmental Office

Howard F. Corcoran *Howard F. Corcoran*
Director, Office of Grants and Debarment

TO: Deputy Assistant Administrators
Deputy Regional Administrators

Each fiscal year, EPA awards around \$1 billion in continuing environmental program grants to our State and Tribal partners. The Agency has a fiduciary obligation to manage these funds effectively and achieve environmental results for the taxpayer. That obligation includes, among other things, the timely award of grants to provide certainty for States and Tribes as they plan and manage their environmental programs.

Under the auspices of the Performance Partnership Steering Committee, a joint State-EPA workgroup identified opportunities to improve grant timeliness. The workgroup's recommendations, endorsed by the Steering Committee, may help your office or Region improve the timeliness of its continuing grant awards to States or Tribes. These recommendations (attached) range from improving the allocation of grant funds to Regions to resolving workplan issues that impede the approval of grant applications. Most of them do not require any additional authorities or resources to be implemented.

Grant timeliness has long been an issue for States and Tribes. The State representatives on this workgroup identified it as their top issue. A larger group of States also identified it as their biggest issue at a national Performance Partnership Grant meeting in 2003. Progress on this issue will help build a stronger partnership with States and Tribes. To help monitor our progress, the Office of Congressional and Intergovernmental Relations (OCIR) will work with the Office of Grants and Debarment (OGD) to produce and distribute reports on grant timeliness.

OGD, OCIR and the American Indian Environmental Office are forming a work group to address these recommendations through the development of an EPA Order. This effort will be informed by the work of the State-EPA workgroup and will involve our State and Tribal partners. We are requesting that each DAA and DRA *nominate one or more representatives to this group*. Please provide us the name of your representative(s) by COB Friday, January 20.

Thank you in advance for your cooperation on this important matter. We would like to commend the State and EPA staff (see attachment) who worked diligently, creatively, and efficiently to develop these recommendations. In particular, the State staff gave a lot of time, including travel to Washington D.C., to develop and present the recommendations. If you have any questions about the recommendations or the new OGD/OCIR/AIEO timeliness workgroup, please feel free to contact us.

Attachment

cc: Marcus Peacock
Luis Luna
Lyons Gray
Stephanie Daigle
Regional Administrators
Mike Ryan
David Bloom
Senior Resource Officials

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Luis Luna
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Regional Administrators
Mike Ryan
David Bloom
Senior Resource Officials
Grants Management Officers
Senior Budget Officers
Regional Budget Officers
Partnership and Performance Workgroup (State representatives)
State Environmental Commissioners
Environmental Council of States
Tribal Operations Committee

Attachment

**Timeliness of State Grant Awards
State-EPA Grants Workgroup
Findings and Recommendations
June 2005**

Membership

States: Steve Higley, Utah DEQ (co-chair); Kathy Sather, Minnesota DEP; Rick Coffman, Illinois EPA; Wendy Waskins, New Hampshire DES; Tom Lamberson, Nebraska DEQ; Bill Harkins, Massachusetts DEQ.

EPA: Jack Bowles, OCIR (co-chair); Dave Erickson, R7; Mary Zielinski, R3; Bob Goetzl, R1; Barry DeGrath, R5; Gerard Bulanowski, R8; Ed Springer, Betty Winter, R4; Anna Hackenbracht, R9; Bill Houck, OAR; Kari Bilal, OSWER; Tim Fontaine, OW; Frank Roth, OARM; Paul Versace, OGC; Richard Blackman, OCFO, Tanya Mottley, OCFO

Problem Statement (Developed by States)

Delays in awarding continuing environmental program grants, including Performance Partnership Grants, have created problems at the state level. These problems vary from state to state. Some States are not able to spend in advance of receiving the federal funds. Some states face the possibility of spending all of their matching funds before receiving their federal grant money. Some states have "borrowed" against state treasury funds to run the programs and have been criticized for this practice in audit reports. It needs to be recognized that the programs funded by the PPG are largely base, on-going programs and as such cannot be turned on and off. EPA and states need to work together to assure these grants are made on a timely basis to avoid the interruption of services funded through PPGs.

Analysis of Problem and Recommended Solutions

The workgroup characterized the problems as two-fold: 1) delays in making initial awards; and 2) delays in awarding all program grant funds after the Agency receives its appropriations. Workgroup analysis of grant award information confirms that continuing environmental program grant awards are often delayed far beyond what is optimal, even given certain uncontrollable circumstances, such as late appropriations. The causes of these problems fall generally into four categories:

1. Late appropriations and NPM/Regional allocation of grant funds
2. Delayed action (i.e., approval, disapproval, conditional approval) of program grant workplans;
3. Administrative processing and approval of grant applications; and
4. Senior management priorities

Generally, the workgroup is recommending that the Agency: 1) issue a policy memorandum under the Administrator's or Deputy Administrator's signature detailing the specific findings and recommendations described below, with specific follow-up

actions for implementing them; 2) Update the Agency's policies on timeliness of state grant awards for continuing environmental programs by issuing a new EPA Order to supersede the existing grants and comptroller policies; 3) develop performance measures and reports of state grant timeliness; 4) implement training in the Regions. Below are the specific findings identified by the workgroup and recommendations to address them.

NPM and Regional allocation of Gant Funds

1. *Continuing Resolutions:* CRs make it more difficult to make initial PPG and other awards. Though there is a policy for making state grant awards under CRs, it is not widely understood or followed. Certain regions do, however, follow this policy. Regardless, using the policy does entail additional transactions and workload. *Recommendation:* Ensure all Regions understand and utilize the policies for opening state continuing program grants under CRs. This solution will require national and regional training. The timeliness policy should also be updated and simplified.
2. *Delay in the NPM's allocation of grant funds to the Regions:* Congressional action or program allocation decisions can delay the allocation of funds to Regions.
Recommendation: Establish in policy that National Program Managers (NPMs) should allocate a minimum percentage (e.g., at least 50%) of continuing program grant funds to Regions as soon as possible after the President signs EPA's appropriation. The Regions should then be in position to make substantial awards soon thereafter. NPMs and the CFO will work together to establish the necessary procedures. NPMs would also allocate the remaining funds as expeditiously as possible.
Alternative: Where a State needs grant funds as soon as possible to achieve some bona fide purpose (e.g., to sustain operations or avoid unnecessary borrowing) the Region may request its allocation from the NPM in advance of the national allocation of funds.

Program Approval of Workplans

3. *Approval and conditional approval of PPG workplans:* There is not a consistent interpretation of what is a conditionally approvable workplan. This problem affects PPGs particularly, since delays in the workplan approval of one program in the PPG have held up the workplan approval and award of the entire PPG. *Recommendation:* Clarify in policy that delays in the approval one or more programs should not delay the awarding of a PPG when there are other program workplans approved, and that conditional approval is the appropriate mechanism to use in this case.
4. *Approval of individual program workplans or program components of PPG workplans:* At times, a state and EPA regional program cannot resolve a specific program issue, which prevents regional program approval of that program's workplan. These issues can reach stalemate and result in extended delays in the award of specific categorical funds, whether as a separate grant or as part of a PPG. *Recommendation:* Each Region should have a process or schedule for assuring timely review and action on PPG and categorical grant application workplans. This process should include a procedure for elevating issues to senior regional and

state management, and finally the Regional Administrator (RA) and state commissioner, if they cannot be resolved in a timely fashion by regional and state program staff.

Administrative Processing and Approval of Grant Applications

5. *Grants administration policies or practices (e.g., cost review):* Grants administration policies can also affect the timely award of State grants and PPGs. For example, in the area of cost review, there is not a consistent Agency approach to how these reviews should be performed for State grants and PPGs.
Recommendation: The Agency should review its grants administrative policies and in particular should clarify the application of cost review principles to State grants and PPGs.

Management Information

6. *There is insufficient management information to hold agency offices and regions accountable for timely state grant awards:* EPA's Grants Management Plan and the Agency's management systems do not include any measures of the timeliness of state grant awards. EPA's grants management and financial systems do not regularly produce reports so that Agency managers can track and monitor the award of state grants.
Recommendation: EPA should adopt performance measures for the timely award of state grants. The Agency should produce regular performance reports for Agency managers, the Performance Partnership Steering Committee, and the DA. This subgroup will assist in developing, specific measures and reporting systems and pilot the production and distribution of the initial timeliness performance reports.

Examples of possible overall performance measures include:

- # of days between application submission and initial award (by state and region).
- # and % of continuing program state grants and grant funds awarded in the first and second quarters (by state, region, and grant)
- # of days from funds made available/allocated to date state submits an application

Examples of possible measures for each part of the grant award process include:

- # of days between submittal of initial application and submittal of complete application; % of applications submitted that are complete (by region)
- # of days between application submittal and program approval (by state and region).
- # and % of complete applications approved, conditionally approved, or disapproved within 90 days (by region and state)
- # of days between program approval and grant award.
- # of days between signing of appropriation and allocation of continuing grant funds to Regions (by NPM and grant)

7. *Timely award of state grants needs to be a top priority of RAs and Deputy RAs, and communicated effectively down the chain-of-command.*

Recommendation: The Steering Committee should authorize the workgroup to prepare for the DA a policy memo to the RAs and Assistant Administrators implementing these recommendations. RAs should communicate these policies to their managers and staff, ensure adequate training or understanding of Agency policies and procedures, and hold them accountable.