



Highlights of [GAO-04-122T](#), testimony before the Subcommittee on Water Resources and Environment, Committee on Transportation and Infrastructure, House of Representatives

Why GAO Did This Study

The Environmental Protection Agency (EPA) has faced persistent challenges in managing its grants, which, at about \$4 billion annually constitute over one-half of the agency's total budget. EPA awards grants to thousands of recipients to implement its programs to protect human health and the environment. Given the size and diversity of EPA's programs, its ability to efficiently and effectively accomplish its mission largely depends on how well it manages its grant resources and builds accountability into its efforts.

In our comprehensive report on EPA's management of its grants, released last week, we found that EPA continues to face four key grants management challenges despite past efforts to address them—(1) selecting the most qualified grant applicants, (2) effectively overseeing grantees, (3) measuring the results of grants, and (4) effectively managing its grant staff and resources. The report also discusses EPA's latest competition and oversight policies and its new 5-year plan to improve the management of its grants.

This testimony, based on our report, focuses on the extent to which EPA's latest policies and plan address (1) awarding grants competitively, (2) improving oversight of grantees, and (3) holding staff and managers accountable for fulfilling their grants management responsibilities.

www.gao.gov/cgi-bin/getrpt?GAO-04-122T.

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

GRANTS MANAGEMENT

EPA Needs to Strengthen Oversight and Enhance Accountability to Address Persistent Challenges

What GAO Found

Late in 2002, EPA launched new efforts to address some of its long-standing grants management problems. It issued two policies—one to promote competition in awarding grants and one to improve its oversight of grants. Furthermore, in April 2003, EPA issued a 5-year grants management plan to address its long-standing grants management problems. These policies and plan focus on the major grants management challenges we identified but will require strengthening, enhanced accountability, and sustained commitment to succeed.

EPA's September 2002 competition policy should improve EPA's ability to select the most qualified applicants by requiring competition for more grants. However, effective implementation of the policy will require a major cultural shift for EPA managers and staff because the competitive process will require significant planning and take more time than awarding grants noncompetitively.

EPA's December 2002 oversight policy makes important improvements in monitoring grantees, but it does not build in a process for effectively and efficiently analyzing the results of its monitoring efforts to address systemic grantee problems. Specifically, EPA does not (1) use a statistical approach to selecting grantees for review, (2) collect standard information from the reviews, and (3) analyze the results to identify and resolve systemic problems with grantees. As a result, EPA may not be using its oversight resources as efficiently as it could. With improved analysis, EPA could better identify problem areas and assess the effectiveness of its corrective actions to more efficiently target its oversight efforts.

EPA's 5-year grants management plan recognizes the importance of accountability, but it does not completely address how the agency will hold all managers and staff accountable for successfully fulfilling their grants management responsibilities. For example, the plan calls for developing performance standards for staff overseeing grantee performance, but it does not call for including grants management performance standards in their managers' and supervisors' performance agreements. Unless all managers and staff are held accountable for grants management, EPA cannot ensure the sustained commitment required for the plan's success.

Our report, *Grants Management: EPA Needs to Strengthen Efforts to Address Persistent Challenges*, GAO-03-846, details EPA's historically uneven performance in addressing its grants management challenges. Over the years, EPA's past actions to improve grants management have had mixed results because of the complexity of the problems, weaknesses in policy design and implementation, and insufficient management attention to overseeing grants. While EPA's latest policies and new 5-year grants management plan show promise, it is too early to tell if these will succeed more than past actions. If EPA is to better achieve its environmental mission, it must more effectively manage its grants. Our report contains specific recommendations to address critical weaknesses in EPA's new oversight policy and plan. EPA stated that it agreed with GAO's recommendations and it will implement them as part of its 5-year grants management plan.