



U.S. ENVIRONMENTAL PROTECTION AGENCY

OFFICE OF INSPECTOR GENERAL

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EPA Region 9 Needs to Improve Oversight of San Francisco Bay Water Quality Improvement Fund Grants

Report No. 16-P-0276

August 22, 2016



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Abbreviations

EPA	U.S. Environmental Protection Agency
FFR	Federal Financial Report
FY	Fiscal Year
GAO	Government Accountability Office
IGMS	Integrated Grants Management System
MBE/WBE	Minority Business Enterprise/Women-Owned Business Enterprise
OIG	Office of Inspector General
QAPP	Quality Assurance Project Plan

Cover photo: Image of the restored Breuner Marsh in San Francisco Bay. (EPA photo)

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At a Glance

Why We Did This Review

The U.S. Environmental Protection Agency (EPA), Office of Inspector General (OIG), conducted this audit to determine whether the EPA:

- Ensures that grantees are effectively administering San Francisco Bay Water Quality Improvement Fund grants through the life of the grant.
- Monitors project progress and collects data and/or indicators to determine if proposed project outputs and outcomes are achieved.

The EPA has competitively awarded 33 grants totaling \$40.9 million to 18 different recipients with project periods beginning in fiscal year 2009. The purpose of the program is to protect and restore the San Francisco Bay.

This report addresses the following EPA goals or cross-agency strategies:

- *Protecting America's waters.*
- *Embracing EPA as a high-performing organization.*

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EPA Region 9 Needs to Improve Oversight of San Francisco Bay Water Quality Improvement Fund Grants

What We Found

EPA Region 9 did not consistently administer grants and monitor project progress to determine whether proposed outputs, outcomes and milestones were being achieved. Specifically, grant specialists and project officers did not complete baseline monitoring accurately, were sometimes not timely, and did not consistently verify that grantees submitted required documents or reports throughout the life of the grant.

When grant documents are not received or reviewed, the risk of fraud, waste and abuse increases.

Project officers did not consistently collect progress reports, or review and document monitoring and oversight activities (e.g., review progress reports, document communication, and document site visits). We also found that progress reports submitted by grantees did not consistently include sufficient information to determine project progress toward completing outputs, outcomes, milestones and deliverables as identified in agreed-upon work plans and timelines.

Recommendations and Planned Agency Corrective Actions

We recommend that the Regional Administrator, Region 9, issue a memorandum (or memoranda) and provide training to grant specialists, project officers and managers associated with the San Francisco Bay Water Quality Improvement Fund grants. The memorandum (or memoranda) and training should cover important topics, such as conducting accurate and timely baseline monitoring; verifying that required documents are received throughout the life of the grant; holding staff accountable for grant management; providing evidence of follow-up and documenting all monitoring activities; obtaining performance reports as required; verifying that performance reports address required outputs, outcomes and corrective action for delayed milestones; and placing required documents in the official grant file. We also recommend that Region 9 develop a mechanism or quality review process to verify effective oversight.

Region 9 agreed with the recommendations and provided completed and proposed corrective actions with milestone dates. The corrective actions will apply to Region 9's entire grants program and not be limited to the San Francisco Bay Water Quality Improvement Fund grants program. Region 9 also reported that baseline training was provided to all grant specialists on May 2, 2016. The completed and proposed corrective actions meet the intent of the recommendations. All recommendations are open with agreed-to corrective actions scheduled to be completed by the end of fiscal year 2017.



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

THE INSPECTOR GENERAL

August 22, 2016

MEMORANDUM

SUBJECT: EPA Region 9 Needs to Improve Oversight of San Francisco Bay Water Quality Improvement Fund Grants
Report No. 16-P-0276

FROM: Arthur A. Elkins Jr.

A handwritten signature in black ink, appearing to read "Arthur A. Elkins Jr.", is written over the printed name.

TO: Alexis Strauss, Acting Regional Administrator
Region 9

This is our report on the subject audit conducted by the Office of Inspector General (OIG) of the U.S. Environmental Protection Agency (EPA). The project number for this audit was OA-FY16-0024. This report contains findings that describe the problems the OIG has identified and corrective actions the OIG recommends. This report represents the opinion of the OIG and does not necessarily represent the final EPA position.

Two offices within EPA Region 9 are responsible for implementing the recommendations. The Grants Management Section within the Environmental Management Division is responsible for grant specialist activities. The Watersheds Section within the Water Division is responsible for project officer activities.

Action Required

In accordance with EPA Manual 2750, your offices provided completed and planned corrective actions and completion dates in response to OIG recommendations. Therefore, a response to the final report is not required. The OIG may make periodic inquiries on your progress in implementing these corrective actions. Please update the EPA's Management Audit Tracking System as you complete planned corrective actions. Should you choose to provide a final response, we will post your response on the OIG's public website, along with our memorandum commenting on your response. Your response should be provided as an Adobe PDF file that complies with the accessibility requirements of Section 508 of the Rehabilitation Act of 1973, as amended. The final response should not contain data that you do not want to be released to the public; if your response contains such data, you should identify the data for redaction or removal along with the corresponding justification.

We will post this report to our website at www.epa.gov/oig.

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Chapter 1

Introduction

Purpose

The U.S. Environmental Protection Agency (EPA), Office of Inspector General (OIG), conducted this audit due to the significant amount of federal funds (currently over \$40 million) that EPA Region 9 has awarded for the San Francisco Bay Water Quality Improvement Fund. In addition, the OIG had not previously reviewed this grant program. Our audit objectives were to answer the following questions:

- Does the EPA ensure that grantees are effectively administering San Francisco Bay Water Quality Improvement Fund grants through the life of the grant?
- Does the EPA monitor project progress and collect data and/or indicators to determine if proposed project outputs and outcomes are achieved?

Background

EPA Region 9 manages a competitive grant program to protect and restore San Francisco Bay. The San Francisco Bay Water Quality Improvement Fund was established in 2008 by congressional appropriation. EPA Region 9 awarded 33 grants with project periods beginning in fiscal years (FYs) 2009 through 2015.

The grants totaled \$40,945,571 and were given to 18 different recipients. Beginning with FY 2010 funding, projects must be consistent with the San Francisco Estuary Partnership's Comprehensive Conservation and Management Plan. Projects address the San Francisco Bay and its watersheds within nine Bay-area counties:

- Marin
- Napa
- Sonoma
- Solano
- Contra Costa

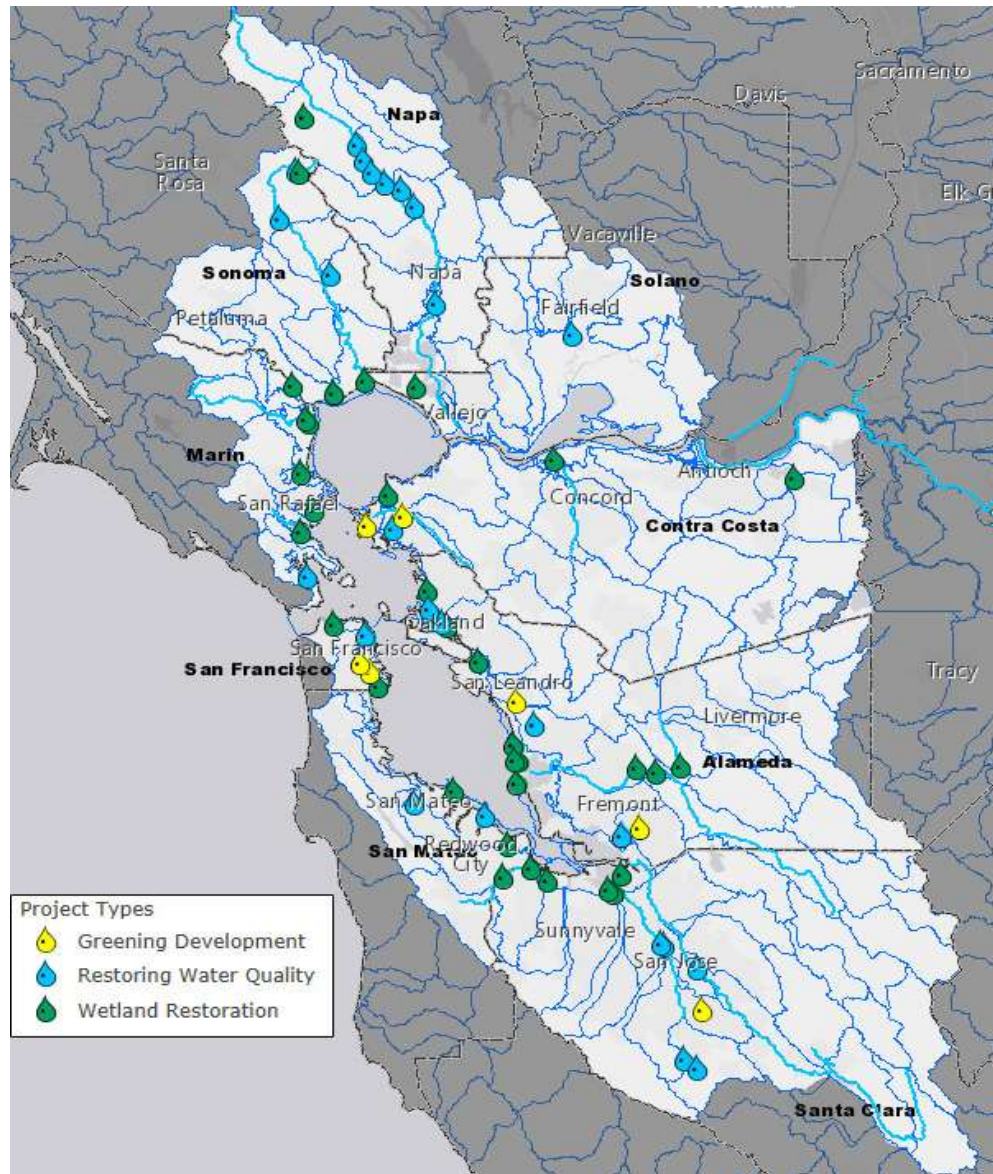


San Francisco Bay and the Golden Gate Bridge.
(U.S. Geological Survey photo)

- Alameda
- Santa Clara
- San Mateo
- San Francisco

According to a Region 9 manager, projects within those 9 counties must drain into San Francisco Bay to be eligible for grant funds.

Figure 1: Map of San Francisco Bay Water Quality Improvement Fund projects



Source: The EPA.

EPA Region 9 issued a 6-year progress report on the San Francisco Bay Water Quality Improvement Fund, which covered FYs 2008 through 2014. According to the report, the San Francisco Bay Water Quality Improvement Fund leveraged an additional \$145 million through partnerships.

Partners include government agencies, resource conservation districts, land trusts, watershed groups, and nonprofit organizations. . . . Consistent with program priorities, projects are tracked in three categories: restoring wetlands, restoring water quality, and greening development.



From left: 3 Mile Slough on San Francisco Bay; Chinook salmon found in San Francisco Bay. (EPA photos)

The 6-year progress report identified the following expected environmental results:

- Over 20,000 acres of wetlands are on their way to being restored since 1998 (restoring wetlands).
- Removal of over 80 tons of trash and debris from Coyote Creek (restoring water quality).
- Reduction of stormwater flows to the San Francisco combined sewer system by 500,000 gallons per year through the use of low-impact development to retrofit a 1-mile segment of Cesar Chavez Street (greening development).

The EPA's website for the San Francisco Bay Water Quality Improvement Fund reported that environmental results from completed projects include:

- One mile of the Napa River restored.
- Invasive snails in the East Bay and cordgrass in Marin County removed.
- Polystyrene or plastic bag ordinances adopted in seven municipalities.

Responsible Offices

Two offices within EPA Region 9 are responsible for implementing the recommendations. The Grants Management Section within the Environmental Management Division is responsible for grant specialist activities. The Watersheds Section within the Water Division is responsible for project officer activities.

Scope and Methodology

We conducted this performance audit from October 2015 through June 2016, 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.

To answer our objectives, we reviewed the following:

- The Clean Water Act.
- The U.S. Government Accountability Office (GAO) *Standards for Internal Control in the Federal Government*, dated September 2014.
- OMB Circular A-123, *Management's Responsibility for Internal Control*, dated December 21, 2004.
- EPA orders, policies and guidance.

There are no prior OIG or GAO audits on the San Francisco Bay Water Quality Improvement Fund that impacted our objectives. However, the EPA OIG has issued reports on other large bodies of water that include the Great Lakes, the Chesapeake Bay, and Puget Sound.

We selected four of the 33 grants for review. From the sample universe we removed awards that were closed or in the process of closing, and awards with less than 1 year since the beginning of the project period. For each of the calendar years 2010 through 2013, we selected the grant with the most funds remaining. The four sampled grants are shown in Table 1.

Table 1: San Francisco Bay Water Quality Improvement Fund sampled grants

Grant recipient	Grant #	Project period*	Funds awarded	Funds remaining as of 01/11/16
Bay Area Stormwater Management Agencies Association	00T38201	05/03/10–05/02/17	\$5,000,000	\$1,376,578
California State Coastal Conservancy	00T69201	09/01/11–08/31/18	\$1,400,000	\$1,288,092
Golden Gate National Parks Conservancy	00T95201	10/01/12–12/31/16	\$1,000,000	\$34,582
Association of Bay Area Governments	99T03401	10/14/13–12/31/17	\$800,000	\$751,974

Source: OIG sample and analysis of grant data.

*Project period as of the latest amendment.

To answer our audit objectives, we reviewed project officer and grant specialist documentation. Our review included administrative and programmatic baseline monitoring reports, advanced monitoring reports, progress reports and EPA communication records. We interviewed grant specialists, project officers and their managers to obtain an understanding of activities conducted. In addition, we followed up on discrepancies or concerns that we identified during our document review.

Chapter 2

Grant Specialists and Project Officers Need to Improve Baseline Monitoring

EPA Region 9 project officers and grant specialists for the San Francisco Bay Water Quality Improvement Fund did not complete baseline monitoring reports accurately and timely, or consistently verify that the recipient submitted required documentation throughout the life of the grant. Grant specialists and project officers are required to conduct annual baseline monitoring, ensure that required documents are submitted, and maintain required documentation in official files.

Grant specialists and project officers were inattentive and made mistakes, and program management did not review documents to verify accuracy or hold staff accountable. As a result, EPA Region 9 does not have reasonable assurance that EPA staff working on San Francisco Bay Water Quality Improvement Fund grants (or the respective grant recipients) are performing due diligence with respect to the stewardship of project progress, compliance with grant terms, and fiduciary responsibility for federal funds.

Requirements for Accountability, Post-Award Monitoring and Documents

Both grant specialists and project officers have post-award monitoring responsibilities. Grant specialists are responsible for conducting administrative baseline monitoring,¹ and project officers are responsible for conducting programmatic baseline monitoring.² Both are responsible for requiring grantees to submit required documents in compliance with administrative and programmatic terms. In addition, both are responsible for maintaining appropriate file documentation.

The GAO's *Standards for Internal Control in the Federal Government*, dated September 2014, states that "Management should evaluate performance and hold individuals accountable for their internal control responsibilities." The GAO guidance also states:

Management enforces accountability of individuals performing their internal control responsibilities. Accountability is driven by the tone at the top . . . Management holds personnel accountable through mechanisms such as performance appraisals and disciplinary actions.

¹ Administrative baseline monitoring is the review of a project's financial and administrative management.

² Programmatic baseline monitoring is the evaluation of the project's overall management and progress in completing the specified goals, objectives and milestones.

Post-Award Monitoring Requirements

EPA Order 5700.6 A2 CHG 2, *Policy on Compliance Review and Monitoring*, dated September 24, 2007, requires baseline monitoring within 12 months of the prior baseline, advanced monitoring activity, or award date, and it should be completed and recorded in the post-award database within 45 days. In addition, both grant specialists and project officers are responsible for maintaining appropriate file documentation.

The EPA's *Assistance Agreement Almanac*, as of September 30, 2015, requires that the administrative and programmatic records must be printed out and captured in a paper recordkeeping system when the electronic system does not meet the requirements for an electronic recordkeeping system. Grant specialist and project officer roles and responsibilities are spelled out in Table 2.

Table 2: Selected roles and responsibilities from the EPA's Assistance Agreement Almanac

Grant specialist	Project officer
Day-to-day administrative point of contact.	Handles the programmatic or technical aspects.
Provides administrative guidance and direction, and monitors administrative requirement compliance.	The programmatic counterpart of the grant specialist.

Source: OIG analysis of *Assistance Agreement Almanac* roles and responsibilities.

Grant specialist and project officer requirements for baseline monitoring are also spelled out in the *Assistance Agreement Almanac* as shown in Table 3.

Table 3: Questions that grant specialists and project officers ask during baseline monitoring

Grant specialist questions	Project officer questions
Is recipient in compliance with administrative terms and conditions?	Is the grantee in compliance with programmatic terms and conditions?
For the project duration, award conditions, and progress to date, are cash drawdowns appropriate?	For the project duration, award conditions, and progress to date, are cash drawdowns appropriate?
Have Office of Management and Budget A-133 audits been submitted?	Do reports adequately document progress toward agreed-upon outputs and outcomes or explain why they were not met? Are milestones and targets in the scope of work met?
Are there open administrative findings in the Grantee Compliance Database?	Has the Quality Assurance Project Plan (QAPP) been submitted and approved?

Source: OIG analysis of *Assistance Agreement Almanac* baseline monitoring requirements.

According to the *Assistance Agreement Almanac*, the grant specialist and project officer must notify recipients in writing, and ask the recipient to address problems or issues identified during baseline monitoring. In addition, the grant specialist and project officer must also copy each other when responding to recipients in writing.

The EPA’s Integrated Grants Management System (IGMS) post-award database guidance also provides details on answering questions in administrative and programmatic baseline monitoring reports. This guidance clearly presents the purpose of baseline monitoring as shown in Table 4.

Table 4: Selected IGMS Post-Award Database baseline monitoring guidance

Administrative baseline monitoring (grant specialists)	Programmatic baseline monitoring (project officers)
Assess financial status and compare actual progress to available funding for the project/budget period.	Evaluate project progress and recipient performance.
Ensure compliance with scope of work, administrative terms and conditions, and regulatory requirements.	Ensure compliance with scope of work, programmatic terms and conditions, and regulatory and quality assurance requirements.
Ensure receipt and acceptance of required administrative forms and reports.	Ensure receipt and acceptance of progress reports and deliverables.
Ensure diligence in the stewardship of grants through internal tracking and monitoring of projects.	Ensure due diligence in the stewardship of grants through internal tracking and monitoring of projects.
Ensure that EPA dollars are spent responsibly and for the intended purpose.	Each grant file should clearly tell a story to a third party and is an official record.

Source: OIG analysis of the *IGMS Post-Award Database: Administrative Baseline for Grants*, and the *IGMS Post-Award Database: Programmatic Baseline for Grants*.

Required Documents

The grant agreements include administrative and programmatic conditions, which according to the EPA’s *Assistance Agreement Almanac*, Section 4.2.1, are “the legal requirements imposed on a recipient by statute, regulation, program guidance, or the grant award itself.” The conditions for each of the grants require that:

- Recipients agree to complete and submit the Minority Business Enterprise/Women-Owned Business Enterprise (MBE/WBE) Utilization Report within 30 days after the end of the federal fiscal year (i.e., by October 30 of each calendar year).
- An interim Federal Financial Report (FFR) covering the period from project/budget start date to September 30 of each calendar year shall be submitted to the EPA’s Las Vegas Finance Center no later than December 30 or 31 of the same calendar year.
- Recipients submit progress reports to the EPA project officer within 30 calendar days after the end of each reporting period.

The administrative conditions for two of the four grants require the recipient to maintain an approved indirect cost rate throughout the life of the award. Recipients may draw down grant funds once a rate has been approved, but only

for indirect costs incurred during the period specified in the rate agreement. Recipients are not entitled to indirect costs for any period in which the rate has expired.

Oversight Improvements Are Needed

For the grants reviewed, grant specialists and project officers did not complete baseline monitoring accurately. Baseline monitoring reports were not consistently timely. In addition, EPA Region 9 staff monitoring the grants did not consistently receive required documents from the grantees.

Baseline Monitoring Was Not Accurate

Baseline monitoring was not completed accurately and did not portray actual project progress. This occurred in both administrative and programmatic baseline monitoring (Table 5).

Table 5: Are baseline monitoring reports accurate?

Grant	Administrative	Programmatic
00T38201	No	No
00T69201	No	No
00T95201	No	No
99T03401	No	No

Source: OIG comparison of baseline monitoring reports to other documents.

Administrative Baseline Monitoring Inaccuracies

Four grants had inaccuracies in their administrative baseline monitoring. One grant specialist pointed out the following in the baseline monitoring report:

- Two MBE/WBE reports for FYs 2012 and 2013 were reported as being submitted timely. However, we determined they were not timely. The grant specialist followed up on the overdue reports in July 2014. MBE/WBE reports are due on an annual basis, no later than 30 days after the end of each fiscal year.
- Three FFRs were completed timely. However, we determined that the FFRs for FYs 2011, 2012 and 2013 were all late and dated August 20, 2014.

Programmatic Baseline Monitoring Inaccuracies

Project officers answered “Yes” to questions in the programmatic baseline monitoring reports, when the answers should have been “No.” This applied to all four grants reviewed. Baseline monitoring provides additional space to enter an explanation when “No” is answered. Table 6 details some of the questions where the project officer incorrectly answered “Yes” in one baseline monitoring report, and these questions highlight project progress and compliance with programmatic terms and conditions.

Table 6: Programmatic baseline monitoring report example

Question number	Baseline monitoring question	Answer	Appropriate answer
3C	<i>Making agreed-upon progress in meeting environmental results and/or environmental outcomes (to the maximum extent practicable)?</i>	Yes	No
4A	<i>Is the recipient complying with the award’s applicable programmatic terms and conditions?</i>	Yes	No
4B	<i>Has the grantee submitted the Quality Assurance Project Plan (QAPP)?</i>	Yes	No
4B1	<i>Has the QAPP been approved?</i>	Yes	No

Source: OIG analysis of December 30, 2014, baseline monitoring report.

Contrary to the response, the project officer had received only one progress report from the grantee at the time the baseline monitoring report was completed. In fact, the grantee did not submit the remaining six progress reports until November 17, 2015. Consequently, the project officer could not verify that the grantee was effectively administering the grant, or monitor progress in achieving outputs and outcomes.

Also, since all progress reports had not been submitted to the project officer, the grantee was not complying with the award’s programmatic terms requiring the submission of quarterly progress reports. The progress reports indicated that a QAPP had not been created or submitted by the grant recipient. If the project officer had completed the baseline monitoring report and answered “No” to the questions shown in Table 6, the project officer could have provided additional information to explain the circumstances.

Untimely Baseline Monitoring Reports

Baseline monitoring reports were sometimes completed late or not completed at all (Table 7).

Table 7: Are baseline monitoring reports timely?

Grant	Administrative*	Programmatic*
00T38201	Yes	No (3 of 5 not timely)
00T69201	No (1 of 3 not timely)	Yes
00T95201	Yes	No (1 of 3 not completed)
99T03401	Yes	Yes

Source: OIG analysis of baseline monitoring reports.

* Timely means within 45 days of the required baseline monitoring due date.

Required Documents Were Not Consistently Provided

EPA Region 9 staff monitoring the grants did not consistently receive required documents at the time of the baseline monitoring or follow up on missing documents. These documents included MBE/WBE, FFR, indirect cost rates and progress reports (Table 8).

Table 8: Were the required documents provided at time of baseline monitoring?

Grant	MBE/WBE	FFR	Indirect cost rate	Progress reports
00T38201	No (2 of 5 not provided)	No (3 of 5 not provided)	NA	No (1 of 11 not provided)
00T69201	No (3 of 3 not provided)	No (2 of 3 not provided)	No (3 of 3 not provided)	Yes
00T95201	No (1 of 2 not provided)	Yes	NA	Yes
99T03401	No (1 of 2 not provided)	No (1 of 2 not provided)	Yes	No (2 of 3 not provided)

Source: OIG review of grant files.

The following two examples are associated with the missing documents shown in Table 8:

- A grant specialist did not receive the required MBE/WBE reports for FYs 2012 through 2014, or FFRs for FYs 2012 and 2013. All MBE/WBE and FFR reports have since been received. Indirect cost rates were not provided from September 1, 2011, through January 13, 2016.
- A project officer did not receive the required project progress reports. The grantee did not provide the project officer with six of the seven quarterly reports until November 17, 2015.

Inattentiveness, Mistakes and Lack of Oversight

Inattentiveness and mistakes caused grant specialists and project officers to sometimes submit inaccurate and untimely baseline monitoring reports. Grant specialists and project officers also did not verify compliance with the conditions of the grant agreement.

Grant specialists and project officers were answering “Yes” to baseline monitoring questions and not following up on missing documentation for a variety of reasons. One grant specialist explained that indirect cost rates generally take time (and she may not see them immediately), but she did not obtain the missing indirect cost rates until the OIG asked about the rates almost 3 years after the first administrative baseline report.

One project officer indicated that she communicated with the grantee about the project and drawdowns, and that was how she knew the project was progressing. The project officer also indicated that she saw no value in baseline monitoring reports because no one ever looked at or used the reports.

Another project officer indicated that although she answered in the baseline monitoring that milestones were being met, she knew the milestones were not being met, but answered “Yes” because the project was progressing.

Grants cannot be closed out until all MBE/WBE reports and indirect cost rates have been obtained, so grant specialists may not see the urgency to follow up on missing documents when conducting annual administrative baseline monitoring. One grant specialist stated that by the end of the grant, a majority of grantees will have the indirect cost rates for the grant period. During closeout, if the recipient cannot provide the indirect cost rates, Region 9 asks the recipient to pay back funds.

In addition, management oversight does not provide reasonable assurance that administrative and programmatic baseline reports are accurate. For example, project officers are not held accountable for the accuracy of the reports. The San Francisco Bay Water Quality Improvement Fund program manager stated that project officers provide updates on grant progress, and he relies on his staff to do their jobs. The program manager only looks at grants if there is a problem or a specific project has a high level of interest.

EPA Does Not Have Reasonable Assurance That Employees and Recipients Perform Due Diligence

The EPA does not have reasonable assurance that employees and recipients perform due diligence in the stewardship of project progress, compliance with terms, and the fiduciary responsibility for federal funds. Inaccurately completed baseline monitoring reports do not provide accurate information on the current condition of the grant. When baseline monitoring is not performed as required, the EPA does not have reasonable assurance that funds are being used responsibly and for the intended purpose. In addition, it is misleading to third-party reviewers (i.e., management or auditors) when baseline monitoring reports do not accurately reflect the status of the grants.

When documents are not received or reviewed, the risk of fraud, waste and abuse increases. Also, grantees are noncompliant with administrative and programmatic conditions of the grant agreements when progress reports and other documents are not submitted as required.

Recommendations

We recommend that the Regional Administrator, Region 9:

1. Issue a memorandum (or memoranda) and provide training to grant specialists, project officers and managers associated with the San Francisco Bay Water Quality Improvement Fund grants regarding the importance of:
 - a. Accurate and timely baseline monitoring.
 - b. Verifying that grantees provide required documents throughout the life of the grant.
 - c. Providing evidence of follow-up and responses received regarding missing documents or concerns identified during baseline monitoring.
 - d. Holding staff accountable for grant management requirements.
2. Develop a mechanism or quality review process to verify the accuracy of San Francisco Bay Water Quality Improvement Fund baseline monitoring and the effectiveness of project oversight.

Agency Response and OIG Evaluation

Region 9 agreed with the recommendations and provided completed or proposed corrective actions with milestone dates. Region 9 plans to issue a memorandum to all grant specialists, project officers and program managers emphasizing the importance of accurate and timely baseline monitoring and oversight of grants. In response to Recommendations 1 and 2, Region 9 stated that it already provided

baseline training to all grant specialists on May 2, 2016. In addition, Region 9 stated that it would:

- Require critical elements that enforce accountability for duties related to baseline monitoring to be included in performance plans for grant specialists, project officers and program managers.
- Emphasize quality control checks to (1) “require the grant specialists to validate that grantees provide required documentation throughout the life of the grant”; and (2) “verify that the grants specialists follow up with the grantee to obtain any missing documents during baseline monitoring.”
- Conduct quality reviews on a random sample of grants annually.

The completed and proposed corrective actions meet the intent of the recommendations. The recommendations are open with agreed-to corrective actions scheduled to be completed by the end of FY 2017.

Chapter 3

Project Officers Need to Improve Monitoring of Project Progress

Project officers for the San Francisco Bay Water Quality Improvement Fund did not consistently monitor grants and document monitoring activities. Project officers are required to review both interim and final performance reports to determine whether the recipient achieved the outputs and outcomes contained in the work plan. As long as the grant project work was delayed but not stopped, project officers did not focus on whether milestones identified in the work plan were met. When project officers do not monitor grants and provide feedback on progress reports as required, it increases the risk that intended outputs and outcomes may not be achieved or may be delayed.

Review and Documentation Are Required

Grant conditions from the San Francisco Bay Water Quality Improvement Fund grants require progress reports to include:

- Activities comparing anticipated outputs and outcomes to actual accomplishments.
- Milestone progress.
- Description of problems and the resolution for achieving outputs and outcomes.
- Planned activities.
- Costs incurred this project period.
- Project costs (EPA and matching funds) by task since the project began.

EPA Order 5700.7, *Environmental Results under EPA Assistance Agreements*, effective January 1, 2005, requires project officers to review both interim and final performance reports to determine whether the recipient achieved outputs and outcomes per the assistance agreement work plan. This includes ensuring that performance reports contain a satisfactory explanation when outcomes or outputs are not achieved. The project officer's review is to be documented in the official project file.

The EPA's *Assistance Agreement Almanac* requires project officers to maintain records used for programmatic and technical direction, such as correspondence, quality assurance plans and progress reports.

Project Officers Did Not Consistently Monitor Grants

Project officers did not consistently collect and review information needed to monitor San Francisco Bay Water Quality Improvement Fund grants, or verify that outputs and outcomes were achieved. Two grantees' regular progress reports did not provide sufficient information to determine project progress toward completion of outputs, outcomes, milestones and deliverables as identified in agreed-upon work plans and timelines. For each of the four grants, project officers did not consistently document that progress reports were reviewed as shown in Table 9.

Table 9: Were progress report reviews documented?

Grant	Documented
00T38201	2 of 11 (18%)
00T69201	2 of 14 (14%)
00T95201	3 of 12 (25%)
99T03401	0 of 1 (0%)

Source: OIG analysis of progress reports and documentation.

Project officers did not regularly document verbal communications and did not document site visits. The following examples describe how project officers' monitoring did not determine whether proposed outputs, milestones, deliverables and outcomes are being achieved, or result in the monitoring of other progress report requirements:

- **Progress reports did not clearly compare the status of milestone dates for outputs/outcomes and subtasks with actual and anticipated accomplishments or progress toward milestones.** Also, the work plan identified some outputs as outcomes. For example, the recipient's work plan noted that for restoration of a marsh site, redirecting approximately 1,050 feet of stream into an above-ground channel was an expected outcome. Redirecting a stream is an output rather than an outcome.
- **One recipient experienced project delays but the progress report did not include progress toward milestones or explain problems encountered and their resolution as required.** Some tasks were never started, and no explanation was provided. The recipient did not submit timely progress reports, and the project officer did not follow up. As noted in Chapter 2, the project officer eventually obtained the progress reports November 17, 2015. In addition, one of the outcomes was not quantified in the work plan, and one of the educational tasks did not have an associated potential benefit or outcome.
- **The project officer did not verify that the recipient provided financial accounting of the required match or EPA funds in seven of 11 progress reports submitted.** The recipient reported that the cost

information would be provided at a later date. The recipient has since provided cost information for one of the reports as the result of OIG questions. Also, the project officer did not require the grant recipient to provide a revised timeline for milestones not completed after two different extension requests. The recipient requested and received two no-cost time extensions due to delays.

Inattention to Monitoring Requirements

Project officers were not attentive to monitoring requirements. As long as the grant project work was delayed but not stopped, project officers did not focus on whether milestones were met. According to project officers, if there are questions or comments about progress reports, grant recipients are contacted via telephone or email. Project officers said they performed site visits, but none were documented because Region 9 discontinued the practice of documenting visits with trip reports.

Because project officers did not document progress report reviews or other contacts, it was difficult to determine whether the EPA assesses delays in milestones, outputs, or outcomes, or effectively monitors project progress. One project officer stated she needed to do better at following up on missing information in the progress reports. Despite the requirement that each grant file should clearly tell the story to a third party, this lack of documentation makes it more difficult for Region 9 management to verify project officers' oversight of San Francisco Bay Water Quality Improvement Fund grants.

According to Region 9 staff, there is an emphasis on electronic recordkeeping, but the IGMS is faulty, and the new records center is underfunded. Although the need to document monitoring activities is challenging, it does not negate the requirement to maintain grant files that clearly demonstrate monitoring activities and oversight.

Lack of Oversight Increases Risk

Lack of oversight in the San Francisco Bay Water Quality Improvement Fund grant program increases risk. The lack of documentation in the official grant files does not provide adequate information about the status of the project and monitoring activities, or the oversight conducted by project officers. When project officers do not monitor grants and provide feedback on progress reports as required, and management cannot review project officers' work, it increases the risk that intended outputs and outcomes may not be achieved. This puts the remaining San Francisco Bay Water Quality Improvement Funds (totaling \$3,451,226 for the grants reviewed) at risk.

Recommendations

We recommend that the Regional Administrator, Region 9:

3. Issue a memorandum (or memoranda) and provide training to San Francisco Bay Water Quality Improvement Fund project officers and managers regarding the importance of:
 - a. Obtaining and reviewing performance reports as required.
 - b. Documenting all monitoring activities, including communications, site visits, evidence of follow-up and responses received.
 - c. Verifying that performance reports address outputs, outcomes and implement corrective action for delayed milestones.
 - d. Placing required documentation in the official grant file.
4. Develop a mechanism or quality review process so managers can verify that project officers exercise effective oversight.

Agency Response and OIG Evaluation

Region 9 agreed with the recommendations and provided proposed corrective actions with milestone dates. In response to Recommendations 3 and 4, Region 9 will do the following:

- Issue a memo stating the importance of grants oversight, and emphasizing the accuracy and timeliness of baseline monitoring.
- Conduct training as part of its annual Grants Open Forum on baseline monitoring and include requirements to document all monitoring activities in the project grant file; address the significance of obtaining performance reports; and verify that performance reports adequately address outputs and outcomes.
- Provide program managers monthly reports on baseline due dates, including project officers with overdue reviews.
- Conduct grants management quality reviews on randomly selected project grant files and baseline reviews annually. Initially the reviews will be conducted on San Francisco Bay grants and expand after the first year to other grant programs.

The proposed corrective actions meet the intent of the recommendations. The recommendations are open with agreed-to corrective actions scheduled to be completed by March 31, 2017, for Recommendation 3; and by the end of FY 2017 for Recommendation 4.

Status of Recommendations and Potential Monetary Benefits

RECOMMENDATIONS						
Rec. No.	Page No.	Subject	Status ¹	Action Official	Planned Completion Date	Potential Monetary Benefits (in \$000s)
1	13	Issue a memorandum (or memoranda) and provide training to grant specialists, project officers and managers associated with the San Francisco Bay Water Quality Improvement Fund grants regarding the importance of: <ul style="list-style-type: none"> a. Accurate and timely baseline monitoring. b. Verifying that grantees provide required documents throughout the life of the grant. c. Providing evidence of follow-up and responses received regarding missing documents or concerns identified during baseline monitoring. d. Holding staff accountable for grant management requirements. 	O	Regional Administrator, Region 9	9/30/2017	
2	13	Develop a mechanism or quality review process to verify the accuracy of San Francisco Bay Water Quality Improvement Fund baseline monitoring and the effectiveness of project oversight.	O	Regional Administrator, Region 9	9/30/2017	
3	18	Issue a memorandum (or memoranda) and provide training to San Francisco Bay Water Quality Improvement Fund project officers and managers regarding the importance of: <ul style="list-style-type: none"> a. Obtaining and reviewing performance reports as required. b. Documenting all monitoring activities, including communications, site visits, evidence of follow-up and responses received. c. Verifying that performance reports address outputs, outcomes and implement corrective action for delayed milestones. d. Placing required documentation in the official grant file. 	O	Regional Administrator, Region 9	3/31/2017	\$3,451
4	18	Develop a mechanism or quality review process so managers can verify that project officers exercise effective oversight.	O	Regional Administrator, Region 9	9/30/2017	

¹ O = Recommendation is open with agreed-to corrective actions pending.

C = Recommendation is closed with all agreed-to actions completed.

U = Recommendation is unresolved with resolution efforts in progress.

Agency Response to Draft Report



**UNITED STATES ENVIRONMENTAL PROTECTION AGENCY
REGION IX
75 Hawthorne Street
San Francisco, CA 94105**

JUL 11 2016

MEMORANDUM

SUBJECT: Response to Office of Inspector General San Francisco Bay Water Quality Improvement Fund Grants Draft Report, June 10, 2016, No. OA-FY16-0024

FROM: Serena A. McIlwain, Assistant Regional Administrator, Region 9
Environmental Protection Agency

TO: Michael Petscavage, Director
Contract and Assistance Agreement Audits
Office of Inspector General

Thank you for the opportunity to review and comment on the findings and recommendations in the subject audit report. Region 9 has one of the largest grants administrative workloads in EPA with over 700 active grants annually. While we usually meet most of EPA's grants management performance measures each fiscal year, we also recognize that improvements are needed in our management of baseline reviews. We concur with the recommendations in the OIG report.

As a general step in communicating the importance of managing our grants program, we will issue a memorandum to all grants specialists, project officers, and program managers reinforcing the importance of grants oversight. Specifically, we will highlight the importance of accuracy and timeliness of baseline monitoring. The memorandum will also implement internal controls to ensure baseline quality reviews are conducted by August 30, 2016.

In response to your recommendations, we propose the following corrective actions to address each of the OIG recommendations. Although the OIG's recommendations are related to the SF Bay Water Quality Improvement Fund (SFBWIF) grants program, corrective actions applies to Region 9's entire grants program. We are committed to incorporating more stringent quality controls and accountability measures to ensure adherence to EPA grants policies and procedures.

AGENCY'S RESPONSE TO REPORT RECOMMENDATIONS

OIG Recommendation #1:

1. Issue a memo and provide training to grants specialists, project officers and managers associated with SF Bay grants regarding the importance of:
 - a. Accurate and timely baseline monitoring;
 - b. Verifying that grantees provide required documents throughout the life of the grant;
 - c. Providing evidence of follow-up and responses received regarding missing documents or concerns identified during baseline monitoring; and
 - d. Holding staff accountable for grants management requirements.

EPA Response:

The Region 9 Grants Management Officer provided baseline training to all grants specialists on May 2, 2016. In addition, we will require that performance plans for Grants Specialists, Project Officers, and Program Managers include critical elements that enforce accountability for duties related to baseline monitoring. This will be completed by November 15, 2016.

The Grants Management Officer will also reinforce quality control checks to require the grants specialists to validate that grantees provide required documentation throughout the life of the grant. The quality control check will also verify that the grants specialists follow up with the grantee to obtain any missing documents during baseline monitoring. This will be implemented by September 30, 2017.

OIG Recommendation #2:

2. Develop a mechanism or quality review process to verify the accuracy of SF Bay baseline monitoring and the effectiveness of project oversight.

EPA Response:

The Region 9 Grants Management Officer will began conducting annual quality reviews on a random sample of grants. This is in an effort to ensure we are effectively administering our grants program. We will begin these reviews by September 30, 2017.

OIG Recommendation #3:

3. Issue a memo and provide training to SF Bay Water Quality Improvement Fund project officers and managers regarding the importance of:
 - a. Obtaining and reviewing performance reports as required;
 - b. Documenting all monitoring activities, including communications, site visits, evidence of follow-up and responses received;

- c. Verifying that performance reports address outputs, outcomes and implement corrective action for delayed milestones; and
- d. Placing required documentation in the official grant file.

EPA Response:

Region 9 will issue a memo to all grants specialists, project officers, and program managers stating the importance of grants oversight, specifically with respect to accuracy and timeliness of baseline monitoring. We will also conduct programmatic baseline training as part of our annual Grants Open Forum to ensure project officers fully understand the requirements to document the project grant file with all monitoring activities. The training will also address the significance of obtaining performance reports and verifying they adequately address outputs and outcomes. This will be completed by March 31, 2017.

OIG Recommendation #4:

- 4. Develop a mechanism or quality review process so managers can verify that project officers exercise effective oversight.

EPA Response:

To ensure effective project officer oversight, the Grants Management Officer will provide program managers with monthly reports displaying due dates for baseline reviews. The report will also display project officers that are overdue in completing their reviews. This will begin October 1, 2016.

Additionally, the Grants Management Officer will work with the program offices to conduct annual grants management quality reviews; we will randomly select project grant files and baseline reviews to ensure project officers are effectively administering and overseeing grants. We will target and review the San Francisco Bay grants in the first year and then develop a schedule to randomly review a sampling of all other grant programs. This will start by September 30, 2017.

Thank you for giving us the opportunity to respond to this OIG report.

CONTACT INFORMATION

If you have any questions regarding this response, please contact Craig Wills, Grants Management Officer, Environmental Management Division at (415) 972-3663 or Sam Ziegler, Program Manager, Water Division at (415) 972-3399.

Attachments

cc: Nancy Woo, Deputy Director, Water Division, WTR2
Sam Ziegler, Manager, Watersheds Section, WTR2-2
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