

Complying with EPA Grants

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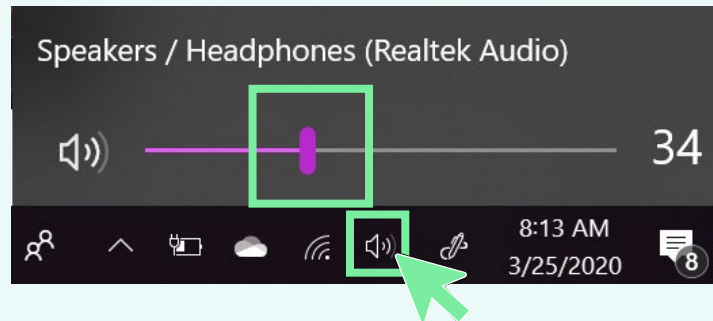
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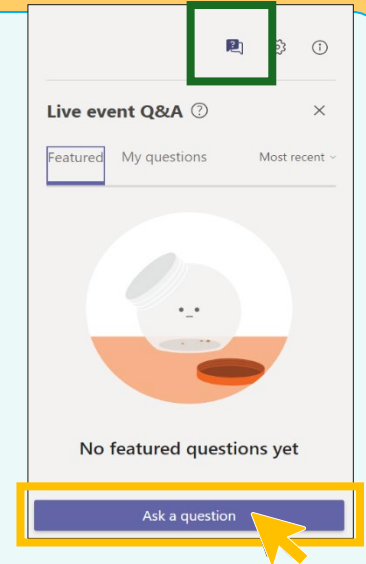
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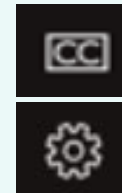
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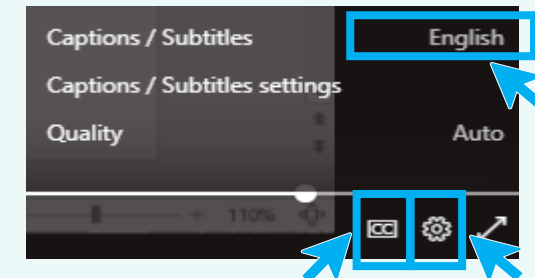


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EPA's Mission & Role



Protect human health and the environment, ensuring clean air, land, and water for all.



A significant amount of EPA's funding goes out the door in the form of assistance agreements, casually known as grants.



Grants may last several years, and while the main purpose is programmatic, there are many administrative components to proper grants management.



Office of Grants & Debarment

The EPA's Office of Grants and Debarment (OGD) oversees the management of grants from an administrative perspective.

OGD develops and provides:

- National Polices
- Recipient/Applicant Information Notices (RAINs)
- Guidance
- Training
- Learning Resources
- Technical Assistance
- Pre-Award Reviews
- Post-Award Monitoring

Fact

We work directly with recipients to ensure overall compliance with grant regulations and Terms and Conditions.



Important Activities

Helpful Tips

Whenever in doubt,
ask!

Always ensure that
new staff that may
join the project over
the duration of the
award are trained as
well.

- ➔ Ensure your project staff at all levels are trained
- ➔ Maintain supporting documentation for all expenses
- ➔ Become familiar with the Uniform Grants Guidance
- ➔ Read and re-read the requirements of your award
- ➔ Stay in regular communication with your EPA Project Officer (PO) and Grant Specialist (GS)

Agenda

**Recipient
Responsibilities**

**Uniform Grants
Guidance**

**Top 5 Areas
of Non-
Compliance**

**Policies and
Procedures**

**Separation of
Duties**

**Financial
Management**

**Source
Documentation**

**Payroll System
Controls**

Equipment

Procurement

**Unallowable
Costs**

Drawdowns

**Technical
Assistance
Reviews**

**Improper
Payment
Reviews**

**Remedies for
Non-
Compliance**

**Waste, Fraud,
Abuse &
Whistleblowing**



Responsibilities & Commitments

Recipients are ultimately responsible for managing the day-to-day operations of their grant.

This also includes the activities of contractors and subaward recipients (subrecipients).

Recipients must comply with the grant requirements, including:

- Terms and Conditions (T&Cs)
- Workplan activities
- Notifying the EPA PO when changes to the grant are needed
- Obtaining EPA approval for changes as appropriate

Please Note

EPA conducts oversight and monitoring to ensure proper grants management.



Complying with Terms & Conditions

The grant between EPA and the recipient specifies Terms and Conditions that establish a legally binding agreement.

Terms and Conditions cover topics such as:

- Frequency and contents of progress reports
- Proper payment drawdown
- Establishing and managing subawards

Plan to regularly review the Terms and Conditions throughout the project to ensure that your organization remains in compliance with all requirements.

Helpful Tip

Add calendar reminders to help ensure that you do not miss due dates.

Understanding the Uniform Grants Guidance

The screenshot shows the Code of Federal Regulations website. At the top, it says "Code of Federal Regulations" and "A point in time eCFR system". Below this, it says "Title 2". A search bar is present with the text "Go to CFR Reference" and "ex: 1 CFR 1.1". Below the search bar, it says "Title 2 / Subtitle A / Chapter II / Part 200 View Full Text". On the left side, there is a sidebar with links: Details, Print, Search, Subscribe, Timeline, Go to Date, and Published Edition. The main content area shows a table of contents for Title 2, Subtitle A, Chapter II, Part 200. The table has two columns: "Part / Section" and "200.0 – 200.521". The table lists the following sections:

Part / Section	200.0 – 200.521
▼ Title 2 Grants and Agreements	
▼ Subtitle A Office of Management and Budget Guidance for Grants and Agreements	
▼ Chapter II Office of Management and Budget Guidance	
▼ Part 200 Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards	
▼ Subpart A Acronyms and Definitions	
▼ Acronyms	
§ 200.0 Acronyms.	
§ 200.1 Definitions.	
▶ Subpart B General Provisions	
▶ Subpart C Pre-Federal Award Requirements and Contents of Federal Awards	
▶ Subpart D Post Federal Award Requirements	
▶ Subpart E Cost Principles	
▶ Subpart F Audit Requirements	

2 CFR 200 is designed to keep everyone in the Federal grants' community on the same page.

The following regulations are applicable to all EPA awards:

- Uniform Grants Guidance: 2 CFR 200 and 2 CFR 1500
- Cost Principles: 2 CFR 200 Subpart E
- Federal Funding Accountability and Transparency Act (FFATA) Reporting: 2 CFR Part 170
- Disadvantaged Business Enterprises (DBE) Requirements: 40 CFR Part 33
- Audit Requirements: 2 CFR 200 Subpart F (\$1,000,000 threshold)



Reminder

Allocability refers to the amount of each cost that can be charged to the grant, if more than one program will benefit. For example, if an employee spends 50% of their time on the grant, only 50% of the employee's salary and fringe benefits can be charged to the grant.

Cost Principles

Costs must be:

- **Allocable:** Cost is incurred specifically for the EPA grant.
- **Necessary:** Necessary to achieve the performance of the EPA grant.
- **Reasonable:** Does not exceed an amount that a typical person would incur under the circumstances.
- **Accurate:** A correct, exact amount.
- **Allowable:** Needs to be allocable, necessary, and reasonable to the specific EPA grant.

2 CFR Part 200 Subpart E contains [Basic Considerations](#) that can help you determine the overall allowability of costs.



EPA's Monitoring of Grants

Types of monitoring activities include:

- Reviewing financial and progress reports
- Reviewing funding drawdowns:
 - Comparing them to the planned use of funds, according to the workplan
 - Looking for improper payments
 - Transaction testing - comparing recipient's payments (drawdowns) to source documentation
- Conducting basic and in-depth monitoring activities
- Conducting audits

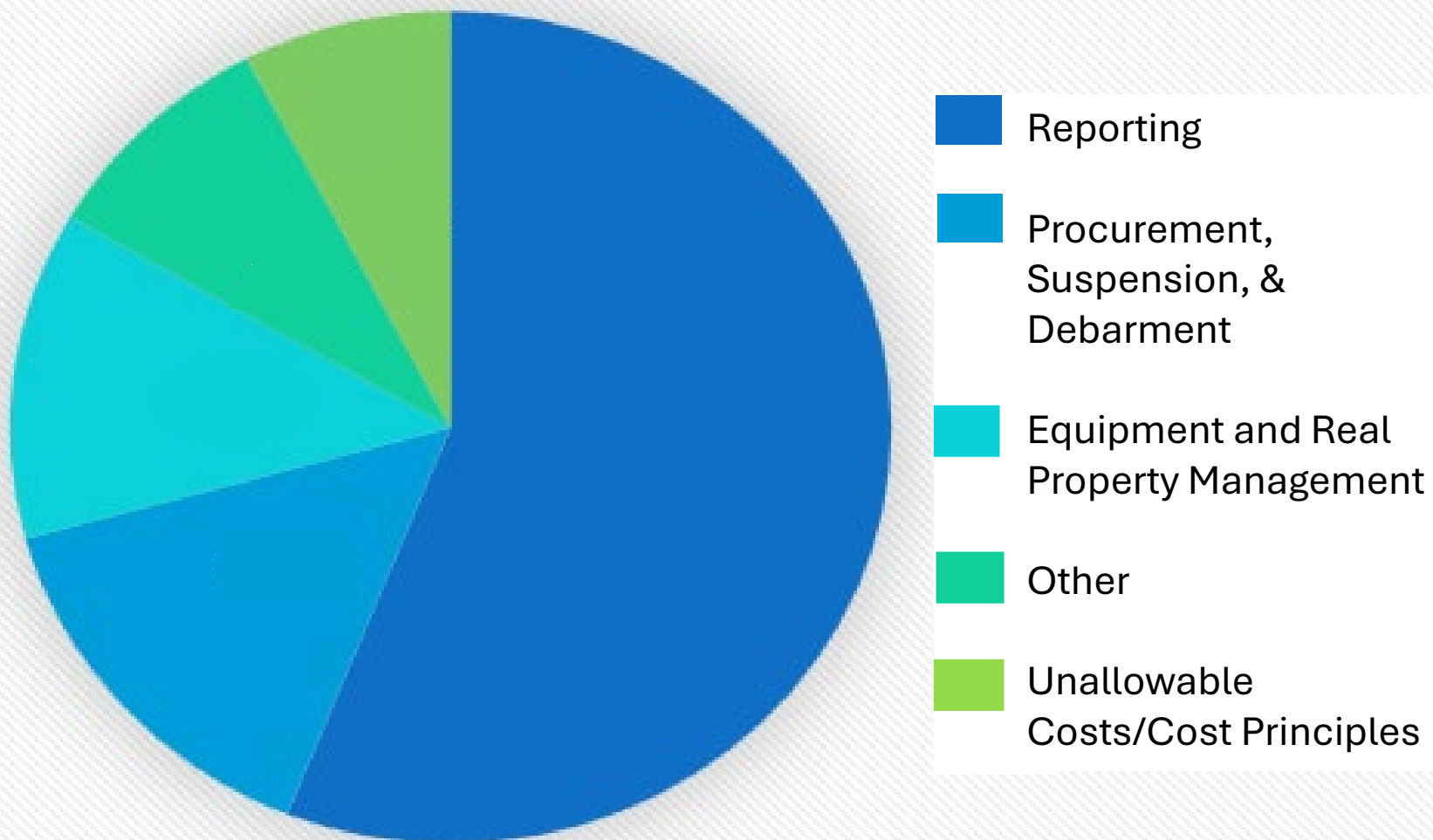
Example

EPA conducts various types of monitoring activities to identify potential problems with grants as well as situations in which technical assistance from EPA might be necessary.

Single Audits

- Single Audits are in-depth examinations of a grantee's financial records, management systems, and work progress.
- Grantees are required to obtain Single Audits if they expend \$1M+ in Federal funds in their previous fiscal year.
- Audits may involve assessing the allowability of grant costs and compliance with grant requirements and Terms and Conditions.
- Grantees are required to submit Audit findings to the Federal Audit Clearinghouse within 30 calendar days of receiving the report from their auditor, or 9 months from the auditee's fiscal year end – whichever is sooner.
- Federal agencies rely on Single Audits to perform oversight of entities that expend Federal grant funds.
- EPA will get involved in audit resolutions to ensure that recipients resolve findings and complete corrective actions identified in the Single Audit Report.

TOP FIVE AREAS OF NONCOMPLIANCE





FACT

Processes regarding approval and use of grant funds can be prone to error and/or fraud.

Separation of duties is an internal control designed to prevent error and fraud.

A minimum of two individuals should be responsible for the separate parts of any task.

Separation of Duties

To mitigate risk, assign:

- One employee responsible for ensuring allowability
- A different employee to perform the accounting function
- Another employee responsible for signing the checks

Segregation of duties can be difficult for recipients with small staffs. In those cases:

- Combine related duties
- Document processes
- Maintain receipts



Maintain Policies & Procedures

Recipients must maintain current and accurate policies and procedures.

These ensure the proper management of the following:

- Accounting and Financial Management
- Payroll
- Travel
- Equipment
- Procurement
- Disadvantaged Business Enterprises
- Recipient Cost Share
- Program Income



Accounting & Financial Management

Financial Management Systems must:

- Record the receipt and disbursement of grants funds **separately** within the general accounting system.
- Monitor the expenditure of those funds against the approved budget.
- Maintain **source documentation** to support entries into the financial system.
- Be able to provide source documents for all drawdowns, upon EPA request.

Reminder

As an award recipient, you must have a sound financial management system.

Record Retention Requirements

2 CFR 200.334

- The recipient and subrecipient must retain all Federal award records for a minimum of 3 years from the date of submission of their final financial report
 - Or 3 years after all litigation, claims, or audit findings involving the grant have been resolved.
- Records to be retained include, but are not limited to, financial records, supporting documentation, and statistical records.
- Some programs have longer retention requirements than 3 years; check your Terms and Conditions to verify your grant's record retention requirements.



A source document is the original document that contains the details of a business transaction.

This document captures the key information about a transaction, such as the names of the parties involved, amounts paid, the date, and the substance of the transaction.

Costs that are not adequately documented will be considered questionable.

Source Documents

Examples of source documents:

- Invoices
- Receipts
- Check Stubs
- Bank Statements
- Payroll Records
- Contracts
- Purchase Orders

Items that are **NOT** source documents:

- General Ledgers
- Journal Vouchers
- Excel Spreadsheets
- Other Internally-Created Files

Internal Controls

Internal controls are the processes and systems through which your organization ensures that it is operating effectively, accurately handling its finances and accounting, reporting reliable data, and complying with its own policies and procedures as well as applicable laws and regulations.



Internal Controls for Payroll Systems

- Ensure total compensation paid to employees is **reasonable** according to the work performed on the assistance agreement.
- Ensure compensation is made in accordance with established **policies** of the organization.
- Ensure compensation policies are **consistently applied** to both government and non-government activities.
- Ensure staff **attest their time** at the end of each pay period.
- Ensure supervisors verify the **accuracy of the time and approve** the hours for the staff that report to them.



Reminders

All salaries and wages charged to Federal awards must be supported by a system of internal controls.

Provide reasonable assurance that the personnel costs are accurate, allowable, and properly allocated.

Payroll Costs: Source Documentation

Source documentation for payroll costs must include:

- Rate of pay
- Verification of hours/time worked
- Allocation plan
- Documents that track the amount of time each employee spent working on the EPA grant

Examples of Issues with Payroll Costs & Source Documentation

- Payroll/supporting documentation did not state that the payroll was for the EPA grant.
- The reviewer could not locate signed timesheets or paystubs to verify costs that were associated with the EPA grant.
- A recipient that expended Federal funds did not have adequate internal controls to make sure payroll expenditures were charged to the proper program.



Payroll Costs: Fringe Benefits

Fringe benefit costs are allowable to the extent that the benefits are reasonable and are required by law.

Examples include:

- Health Insurance
- Annual Leave
- Sick Leave
- Retirement Plans
- Life Insurance

Example Issue

In an improper payment review, EPA determined that a recipient applied fringe benefits incorrectly.

This resulted in \$22,000 of unallowed costs.



Equipment

For equipment purchased with Federal funds, recipients must have written procedures concerning property management, an inventory control, and maintain records tracking.

Records must include:

- Description
- Acquisition Date
- Cost (including percentage of Federal participation in the cost of the equipment)
- Source of Funding
- Serial number
- Title Holder
- Location
- Status of equipment (use, condition, etc.)
- Disposition

Reminder

Equipment is defined as tangible, non-expendable personal property with a useful life greater than one year and a per-unit cost greater than \$10,000.

Your organization may define equipment as less than \$10,000, but it cannot be greater than \$10,000.

Procurement

When conducting procurement transactions under a Federal award, a State or Indian Tribe must follow the same policies and procedures it uses for procurements with non-Federal funds (see [2 CFR 200.317](#)).

Procurement (contract) regulations can be found at [2 CFR 200.318](#):

- Maintain oversight of contractors to ensure performance in accordance with the contract
- Maintain written standards of conduct covering conflict of interest
- Avoid acquisition of unnecessary or duplicative items
- Award contracts to responsible contractors only
- Maintain sufficient records to detail the history of your procurement
- Ensure purchases made are in the approved budget

The [Best Practice Guide for Procuring Services, Supplies, and Equipment Under EPA Assistance Agreements](#) provides helpful information about how to conduct proper procurement, based on dollar amount and other factors.



Procurement (continued)

Purchases made when procuring goods or services with Federal funds must be supported by procedures that:

- Discuss how staff create and submit purchase requests
- Evaluate and select supplies/vendors
- Negotiate the terms of a contract with a selected supplier
- Finalize the purchase
- Receive the order
- Verify that vendors are not suspended or debarred from receiving Federal funds (in SAM.gov)

Example Issue

During an audit, EPA found that a recipient paid a vendor for work performed, but **did not have**:

- Sufficient documentation of the procurement method
- Contractor selection rationale used to choose the vendor

Disadvantaged Business Enterprises

Regulations that govern EPA's Disadvantaged Business Enterprises (DBE) program are located at 2 CFR 200.321 and at [40 CFR Part 33](#), and require Six Good Faith Efforts:

1. Ensure DBEs are made aware of contracting opportunities.
2. Make information on forthcoming opportunities available to DBEs; arrange time frames for contracts and delivery schedules in a way that encourages and facilitates participation by DBEs in the competitive process.
3. Consider whether firms competing for large contracts could subcontract with DBEs; possibly dividing requirements into smaller tasks or quantities.
4. Encourage contracting with a consortium of DBEs when a contract is too large for one firm.
5. Use the services and assistance of the Small Business Association and the Minority Business Development Agency of the Department of Commerce.
6. Require prime contractors to follow the above when subcontracting.

Exception from DBE Requirements

[RAIN-2025-G02](#) Class Exception from Requirements under 40 CFR Part 33 (April 2025), provides that the following parts are no longer required:

Please Note:

The 6 Good Faith Efforts (addressed on the previous slide) are still required.

- Fair Share Objectives negotiation requirements under 40 CFR Part 33 Subpart D
- Recipient reporting requirements under 40 CFR 33.502
- All enforcement and compliance actions pursuant to 40 CFR Part 33.105
- Collection of EPA Form 5700-52A as a condition of closeout under EPA's Order 5700.6 Section 7



Unallowable Costs

Some costs are always unallowable, such as events where alcohol is available (even if the alcohol itself is not paid for with grant funds), bad debts, and fundraising.

Reminder

If unsure, reach out to your PO for guidance to determine if a cost is allowable.

Other costs may be allowable or unallowable, depending on specific details. For example, some forms of advertising and entertainment may be allowable, while others are not.

Check the [Cost Principles](#) in 2 CFR 200 Subpart E to determine whether certain costs are allowable or unallowable.



Example Issue

During an improper payment review, a recipient drew down funds based on estimates, in whole dollars, resulting in \$90,000 in improper payments.

Reviewers tested transactions and found a recipient that did not follow their own process to ensure that funds were disbursed to vendors within five working days of a receipt of Federal funds.

Drawing Down Funds

Drawdowns:

- Should be based on immediate cash needs
- Must be based on exact amounts, not estimates
- Should not be drawn in whole dollars
- Must be expended within 5 business days from the draw down

Federal Agencies use the Automated Standard Application for Payments (ASAP) electronic system to quickly and securely transfer money to recipient organizations.

ASAP is available 24 hours a day.



Training Availability

- [What's New in ASAP.gov](#),
05/22/2025, 2:00 - 3:00 pm ET
- [ASAP.gov: How to Make an ASAP.gov Payment Request](#),
05/28/2025, 2:00 - 4:00 pm ET

Updates to ASAP

From the U.S. Department of Treasury:

Effective Monday, May 19, 2025, all payment requests, government-wide, submitted in ASAP.gov will require a justification for each payment.

- This field is mandatory and will be required in the first step of the payment request process.
- This new field will allow you to submit a justification that is no longer than 300 characters.
- If a payment requestor is making more than one payment request at a time (i.e., summary payments), please ensure the correct justification is used for each request.

Technical Assistance Reviews

During EPA's oversight and monitoring activities, the EPA may identify some grant recipients that may benefit from additional technical assistance in order to comply with the EPA grant requirements.

- Reviews are targeted, in-depth, comprehensive assessments of the grant recipient's administrative and financial progress and management of the grant.
- Technical Assistance Reviews include a review of the recipient's policies and procedures and transaction testing.
- During the review, EPA will assist the recipient with strengthening internal controls.

Improper Payment Reviews

On an annual basis, the EPA estimates and reports improper payments for programs and activities that are deemed susceptible to significant improper payments.

Improper Payments are payments that are any of the following:

- Made in an incorrect amount
- That should not have been made
- To ineligible recipients
- For an ineligible good or service
- Duplicates
- For goods or services not received
- Do not account for credit for applicable discounts



Example of EPA Review Results

A recipient erroneously drew \$50,000 for program A from program B. This is considered "co-mingling of funds" and is an improper payment.

Reminder

Using funds from one assistance agreement to cover the expenses for another is impermissible and results in an improper payment.

The recipient was cited for having a lack of:

- Internal control over the drawdown process
- Knowledge of timing of program expenses
- Internal controls (budget-to-actual analysis to determine reasonableness of expenditures would have helped)

Remedies for Minor Non-Compliance

If a recipient or subrecipient fails to comply with the U.S. Constitution, Federal statutes, regulations, or Terms and Conditions of the Federal award, the EPA may take action.

For low-level noncompliance (such as late reporting), the EPA may amend the grant and impose additional requirements, such as:

- Establishing additional prior approvals
- Requiring payments as reimbursements rather than advance payments
- Withholding authority to proceed to the next phase until receipt of evidence of acceptable performance
- Requiring additional or more detailed financial reports as well as requiring additional project monitoring
- Requiring the recipient or subrecipient to obtain technical or management assistance

Remedies for Serious Non-Compliance

For more serious concerns about noncompliance with the U.S. Constitution, Federal statutes, regulations, or Terms and Conditions of the Federal award (generally heading toward waste, fraud, and/or abuse), the EPA may:

- Withhold cash payments pending corrective action
- Disallow costs
- Suspend the current award, whether fully or in-part
- Initiate suspension or debarment proceedings
- Withhold future awards

The EPA will provide recipients the opportunity to respond to requirements and appeal decisions.



Waste, Fraud, and Abuse

Improper payments and other forms of noncompliance may be indicators of more serious concerns, such as waste, fraud, and/or abuse.

Reminder

When in doubt, contact your PO who can help you navigate the grant management process.

Fraud, waste, and abuse is credible evidence of the commissions of a violation of Federal criminal law involving fraud, conflict of interest, bribery, or gratuity violations.

This is found in Title 18 of the United States Code, or a violation of the Civil False Claims Act 31 U.S.C 3729-3733.



Where to Report

- [EPA OIG Hotline Complaint Page Form](#)
- Email to OIG_Hotline@epa.gov
- Phone: 1-888-546-8740
- Physical mail

Reporting & Whistleblower Protections

Employees of the recipient or subrecipient cannot be discharged, demoted, or otherwise discriminated against as a reprisal for reporting waste, fraud, and/or abuse.

Employees may request to the Office of Inspector General (OIG) that they wish for their identity to remain confidential.

Each grant has a set of General Terms and Conditions that describe the requirements and process in details, which include multiple options for reporting.

Key Takeaways

A vibrant sunset over a field of sunflowers. The sky is filled with orange and yellow clouds, and the sunflowers in the foreground are in full bloom.

Helpful Tips

Please contact your EPA Project Officer with any questions related to your grant.

The answer(s) may vary, depending on the program you're in, and the T&Cs in your grant.

- ➔ Read and re-read the requirements of your award.
- ➔ Become familiar with the Uniform Grants Guidance.
- ➔ Maintain supporting documentation for all expenses.
- ➔ Ensure project staff at all levels are trained, which include new staff to the project.
- ➔ Don't forget to communicate with your Project Officer or Grant Specialist if you have any questions.

Questions?

Check with your Project Officer and Grant Specialist when you have questions about compliance with grant regulations, requirements, and Terms and Conditions.

More EPA training opportunities:

- [EPA Grants Webinars](#)
- [EPA Grants Management Training for Applicants and Recipients](#)
- [EPA Grants Budget Training](#)

