



OFFICE OF THE INSPECTOR GENERAL

Catalyst for Improving the Environment

Audit Report

Brownfields Competition Process for Awarding Grants Complied With Act

Report No. 2005-P-00009

March 7, 2005

Report Contributors:

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At a Glance

Catalyst for Improving the Environment

Why We Did This Review

We conducted this audit to support the requirements of the Small Business Liability Relief and Brownfields Revitalization Act of 2002 (Brownfields Act). The objective was to determine whether the Office of Brownfields Cleanup and Redevelopment (Brownfields Office) established a competition process that complied with the Brownfields Act and Environmental Protection Agency (EPA) policy and guidance.

Background

There are between 450,000 and a million Brownfields sites that need to be assessed and cleaned up. The Brownfields Act authorized EPA to award grants that promote Brownfields redevelopment, based on the applications meeting 10 ranking criteria prescribed in the Act.

For further information, contact our Office of Congressional and Public Liaison at (202) 566-2391.

To view the full report, click on the following link:

www.epa.gov/oig/reports/2005/20050307-2005-P-00009.pdf

Brownfields Competition Process for Awarding Grants Complied With Act

What We Found

EPA's competition process for awarding grants complied with the requirements of the Brownfields Act. EPA was required to award grants to eligible organizations that have the highest rankings under the 10 ranking criteria established in the Act, and EPA used these criteria to the extent they were applicable.

In awarding the grants, the Brownfields Office generally complied with EPA policies and procedures, with the exception of the cost review policy. EPA Grants Policy 00-5 requires EPA staff to perform a cost review for every project selected for funding, and to include documentation of the review in the grant files. However, cost reviews were documented for only 4 of 24 grants we reviewed. In many cases, project officers stated they performed cost reviews but did not document them. In those instances where no cost reviews were performed, the project officers said they thought that the grants management offices or proposal reviewers performed the cost reviews. As a result, EPA risked the possibility of reimbursing recipients for costs that were unreasonable, unallowable, or unrelated to agreed-upon activities.

What We Recommended

We recommended that the Acting Assistant Administrator for Solid Waste and Emergency Response remind project officers to document cost reviews, in accordance with EPA policy, prior to grant award. The Agency agreed with our recommendation and initiated appropriate corrective action.



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

OFFICE OF
INSPECTOR GENERAL

March 7, 2005

MEMORANDUM

SUBJECT: Brownfields Competition Process for Awarding Grants Complied With Act
Report No. 2005-P-00009

Michael Rickey /S/

FROM: Michael A. Rickey, Director
Assistance Agreement Audits

TO: Thomas P. Dunne
Acting Assistant Administrator
Office of Solid Waste and Emergency Response

This is our final report on the subject audit conducted by the Office of Inspector General (OIG) of the U.S. Environmental Protection Agency (EPA). This report contains findings that describe problems the OIG has identified and corrective actions the OIG recommends. We discussed our findings with your staff and issued a draft report. We have summarized your comments in this final report and included your complete response in Appendix A. This report represents the opinion of the OIG and the findings do not necessarily represent the final EPA position. The final determination on matters in this report will be made by EPA managers in accordance with established audit resolution procedures.

Purpose

The audit objective was to determine whether the Office of Brownfields Cleanup and Redevelopment (Brownfields Office) established a competition process that complied with the Small Business Liability Relief and Brownfields Revitalization Act of 2002, Public Law 107-118 (Brownfields Act), and EPA policy and guidance.

Results of Review

EPA's competition process for awarding grants complied with the requirements of the Brownfields Act. EPA was required to award grants to eligible organizations that have the highest rankings under the 10 ranking criteria established in the law. These requirements applied to all three Brownfields grant programs: (1) assessment, revolving loan fund, and cleanup; (2) training, research, and technical assistance; and (3) job training.

EPA, in awarding the Brownfields grants, assessed whether the entities were eligible for the grant. EPA used the 10 ranking criteria in the Act to the extent they were applicable. The Act included a provision that if information about 1 of the 10 criteria were not available or applicable to a particular grant, EPA did not have to include the ranking criteria in its decision to award the grant. For example, for a research grant, information on use or reuse of infrastructure would not be available because the grant was not for a site-specific activity.

EPA Policy for Documenting Cost Reviews Not Followed

In awarding grants, the Brownfields Office generally complied with EPA policies and procedures, with the exception of the cost review policy. EPA Grants Policy 00-5, “Cost Review Guidance,” requires EPA staff to perform a cost review for every project selected for funding and to include documentation of the review in the grant files. However, cost reviews were documented in only 4 of 24 grants we reviewed. As shown in the table below, in many cases, project officers stated they performed cost reviews but did not document them. The number of cost reviews reportedly performed but not documented represented 50 percent of the awards we reviewed.

| | Number | Percent |
|--|---------------|----------------|
| Cost Reviews Not Performed | 8 | 33% |
| Cost Reviews Reportedly Performed But Not Documented | 12 | 50% |
| Cost Reviews Performed and Documented | 4 | 17% |
| Total Number of Grants Reviewed | 24 | |

Generally, project officers said they were aware that cost reviews needed to be performed but were unaware that they needed to be documented. In those instances where no cost reviews were performed, the project officers said they thought the grants management offices or proposal reviewers had performed the cost reviews. As a result, EPA risked the possibility of reimbursing recipients for costs that were unreasonable, unallowable, or unrelated to agreed-upon activities.

The lack of documentation for cost reviews is not a new issue or only isolated to Brownfields grants. In a prior OIG report on grants EPA-wide (Report No. 2003-P-00007, “EPA Must Emphasize Importance of Pre-Award Reviews for Assistance Agreements,” dated March 31, 2003), the Inspector General reported that project officers did not document cost reviews for 79 percent of the grants reviewed. EPA guidance states that cost reviews must be performed and documented; consequently, Brownfields and regional offices need to ensure that the guidance is followed in the future.

Other Matters

During our review, we observed that the 2003 and 2004 national competition processes for assessment, cleanup, and revolving loan fund grants were complex, due both to the nature and design of Brownfields competition. Specifically, we found that:

- Multiple concurrent competitions were held annually.
- A high volume of applications were received for the competitions.
- Both regional and national panels scored applications.

According to EPA staff, the competition process was time-consuming and impeded their ability to perform their other responsibilities related to managing grants. For example, some members of the evaluation panels, who were also project officers, informed us that their regular workload suffered due to the additional responsibilities and strict deadlines. Also, when reviewing applications, we found several instances where work plans were not well developed and/or had missing information. One project officer indicated he did not have sufficient time to correct the work plan, but would follow up with the grantee.

The Brownfields Office has taken steps to streamline the competition process. We encourage the Brownfields Office to continue to periodically assess the competition process, and look for ways to streamline this process, to ensure that adequate resources are available for post-award grant management activities.

Recommendation

We recommend that the Acting Assistant Administrator for Solid Waste and Emergency Response remind project officers to document cost reviews, in accordance with EPA policy, prior to grant award.

Agency Comment and OIG Evaluation

The Agency agreed with the draft report recommendation. In its response, the Agency indicated that the Brownfields Office Director has sent e-mail instructions to all Brownfield Office staff, including project officers, and discussed the need for cost reviews during Brownfields Office staff meetings. In addition, during our exit conference with Agency officials, the Agency indicated the Brownfields Office Director will prepare an e-mail, to go out no later than the end of April 2005, to notify Brownfields regional coordinators of the responsibility all project officers have to conduct cost reviews of their grants. In the e-mail, Agency officials said Director will instruct the coordinators to inform all of the Brownfields project officers of this duty. Agency officials said the Director will request that each regional Brownfields coordinator respond back to the Brownfields Office with an e-mail acknowledging this task has been completed in the region. We concur with the Agency's response and corrective action plan.

Action Required

Your response to the draft report included corrective actions and an estimated completion date of April 30, 2005. As a result, no further response to this report is necessary, but we ask that you provide us with the status of your corrective actions and whether all actions were completed by April 30, 2005. We have no objections to the further release of this report to the public. For your convenience, this report will be available at <http://www.epa.gov/oig>.

We want to express our appreciation for the cooperation and support provided by your staff during this audit. If you or your staff have any questions about this report, please contact me at (312) 886-3037, or Leah Nikaidoh, Assignment Manager, at (513) 487-2365.

Scope and Methodology

We performed our audit in accordance with *Government Auditing Standards*, issued by the Comptroller General of the United States. We reviewed how EPA used the new Brownfields Act requirements, and other Agency policies, to select and award the Brownfields grants for the fiscal year 2003 competition, and relevant changes made in the fiscal year 2004 competition.

We reviewed Brownfields grants and competition files from Regions 1, 5, and 10, and from Headquarters. We selected a sample of 39 applications from all three competitive grant categories in 2003. Of the 39 applications, 24 were awarded grants. The 24 awards represented 10 percent of the total competitive EPA Brownfields grant awards in 2003.

As part of our audit, we assessed the control EPA established for the competition and award of Brownfields grants. Instances of noncompliance with Agency policy were identified and included in our report.

We issued a draft report to the Agency on February 16, 2005, and the Agency responded to our draft report on March 2, 2005. We held an exit conference with the Acting Director of the Office of Brownfields Cleanup and Redevelopment and obtained additional information regarding the implementation of the Agency's recommendation.

Agency Response

March 2, 2005

MEMORANDUM

SUBJECT: OSWER Response to OIG Draft Audit Report “Brownfields Competition Process”
Assignment No. 2003-000964

FROM: Thomas P. Dunne/s/
Deputy Assistant Administrator

TO: Michael A. Rickey, Director
Assistance Agreement Audits

The Office of Solid Waste and Emergency Response (OSWER) appreciates the opportunity to provide comments in response to the Inspector General’s draft report “Brownfields Competition Process” (Assignment No. 2003-000964).

We agree with the Inspector General’s recommendation that project officers be reminded of the requirement to document cost reviews, in accordance with EPA policy, prior to grant award. The Office Director for the Office of Brownfields Cleanup and Redevelopment (OBCR) has sent e-mail instructions to all OBCR staff, including project officers, and discussed the need for cost reviews during OBCR staff meetings. OBCR will also provide Brownfields regional staff with e-mail instructions.

If you have any questions on OSWER’s response, please contact Linda Garczynski, Director, Office of Brownfields Cleanup and Redevelopment on 202-566-2731.

Distribution

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