



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

NOV 19 2015

MEMORANDUM

OFFICE OF WATER

SUBJECT: Final Report: *Unused Earmark Funds for Water Projects Totaling \$6.2 Million Could Be Put to Better Use* - Report No. 15-P-0299

FROM: Joel Beauvais
Acting Deputy Assistant Administrator

TO: Janet Kasper, Director
Contracts and Assistance Agreement Audits

The purpose of this memorandum is to provide completion dates for the corrective actions identified below. These are the same corrective actions we provided in response to the draft report *Unused Earmark Funds for Water Projects Totaling \$6.2M Could be Put to Better Use*. We were pleased to see that the proposed corrective actions were accepted by the Office of the Inspector General in the final report.

No.	Recommendation	Response or Corrective Action(s)	Estimated Completion
1	<ul style="list-style-type: none"> Develop and communicate guidance to the EPA regions aimed to further reduce SAAP grant unliquidated obligations by clarifying the time period that is reasonable for a grant to have no financial activity before taking steps to identify the grant as a no-progress grant. 	Response: The EPA will examine and look for ways to clarify and supplement current criteria regarding identification of a grant as a no-progress grant. Within this review, the EPA will consider to what extent an absolute criteria, such as a specified time period, is appropriate. Obviously the passage of many years is unreasonable and should be discouraged. Having said that, a more qualitative assessment of the circumstances, and of recipient efforts to move forward with completion of the funded work, provides a more robust policy basis for the EPA to take adverse action against a recipient, potentially terminating the grant funding.	To be done during FY16 review of SAAP management plan. Target completion is November 2016.
	<ul style="list-style-type: none"> Develop and communicate guidance to the EPA regions aimed to further reduce SAAP grant 	Response: The EPA believes further clarification, narrowing, or otherwise tightening the expression "not making reasonable or sufficient progress" for an awarded grant needs to be done carefully.	

	<p>unliquidated obligations by clarifying the guidance that determine a grant is making reasonable or sufficient progress.</p>	<p>This designation is part of a process intended to help move awarded project forward and to liquidate awarded grants. The wording was chosen purposefully to describe continued and deliberate applicant effort. It was never intended to be a “bright line” standard that easily separates one situation from another.</p> <p>More broadly than the specific circumstances of the SAAP reviewed in Regions 4 and 6, there are legitimate reasons why a period of time can exist between applicant payments, and a program management standard cannot be narrowed so tightly as to be unrealistic.</p> <p>Corrective actions: The EPA will strengthen current guidance by:</p> <ul style="list-style-type: none"> • Requiring greater recipient justification before the EPA extends the time available for use of the awarded funding. This will clarify whether or not the recipient truly is prepared to proceed with the funded project. It will also identify those situations where the EPA might assist in the resolution of an impediment to progress. • Identifying awarded grants that have not drawn funding and the specific circumstances that are delaying either award of contracts or delaying requests for grant payment. If the recipient cannot complete the project within the grant budget period, it is technically in default of the grant terms and conditions. Program offices can preemptively begin dialog with such recipients with respect to whether the grant term will be extended. • Encouraging greater use of the “no-progress” designation. This has proven helpful in improving discussion between the EPA, the recipient, and other parties 	<ul style="list-style-type: none"> • To be done during FY16 review of SAAP management plan. Target completion is November 2016. • Initial review completed by March 2016 and ongoing until payments begin or grant is closed. • To be done verbally by December 2015.
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		who can influence circumstances that are delaying project progress.	
2	Establish a method to identify at least semiannually grants with no financial activity for an extended period of time and take action with the regions to identify and help resolve the cause for delay or identify the grant as a no-progress grant.	<p>Response: The EPA already has both a policy and procedure to review the liquidation of awarded grant funds. Considering the relatively small and discrete universe of remaining SAAP awards, a focus of EPA effort could be taking action on grants that have been financially inactive for 180 days.</p> <p><i>NOTE-</i> Office of the Chief Financial Officer (OCFO) Umbrella Policy Directive, RMDS 2520-03-P1 (Administrative Control of Appropriated Funds) and Grants Policy Issuance (GPI) 11-01. All active assistance agreement awards receive a ULO review at least once a year and these reviews also be conducted of any assistance agreement where there is financial inactivity of greater than 180 days.</p> <p>Corrective actions: With respect to Table 2 on page 5 of the final report, EPA agrees to the following actions pursuant to section 4.2 of the 2011 <i>Management Plan for the Timely Award and Completion of Special Appropriations Act Project Grants</i>:</p> <ul style="list-style-type: none"> • Determine the latest status of each grant and the funded project; • Verify why there has been no financial activity; • Make a fresh assessment if these grants should be identified as “no-progress;” • Determine what actions if any the EPA could take to help the recipient resolve issues that are delaying project progress and liquidation of the grant; • Determine whether the grant should be wholly or partially terminated for material noncompliance with the terms and conditions of the award. <ul style="list-style-type: none"> • On the bi-monthly calls to the regions, the EPA will inquire on the status of any grants with standing issues. 	<ul style="list-style-type: none"> • Initial review completed by March 2016 and ongoing until payments begin or grant is closed. • Ongoing activity to commence

		<ul style="list-style-type: none"> With respect to the grants in Table A-1 on page 13 of the report, the EPA will follow through with actions initiated or being considered as described on page 6 of the report that could put these funds to better use. 	<p>November 2015.</p> <ul style="list-style-type: none"> Two of the five grants are closed. EPA will continue to work with the other three grantees to utilize the funding or close the grants.
3	Develop and implement a plan to expedite the reduction of unobligated funds.	<p>Response: The agency guidance already provides both the processes and techniques for prompting and supporting award of appropriated funding. Additionally, the EPA agrees to do the following where large numbers of appropriations remain unobligated:</p> <ul style="list-style-type: none"> Consider developing regionally-specific goals for reduction of unobligated funds, and, Recognizing the Report's acknowledgement of a lack of resources as a factor in Regional performance, further emphasize in its communications the importance that the EPA devote both resources and priority to seeking either award of remaining unobligated appropriated funds, or reprogramming of such funds to be held to meet any rescission that may be required. 	<ul style="list-style-type: none"> Decision to be made by April 2016. If we decide to proceed with regionally-specific goals, they will be developed by November 2016. To be done verbally by December 2015.

If you have questions regarding this response, please contact George Ames, Chief of the CWSRF Branch at (202) 564-0661 or ames.george@epa.gov or Emily Nicasio, National SAAP Coordinator at (202) 564-9920 or nicasio.emily@epa.gov.

cc: Water Division Directors, Region I-X