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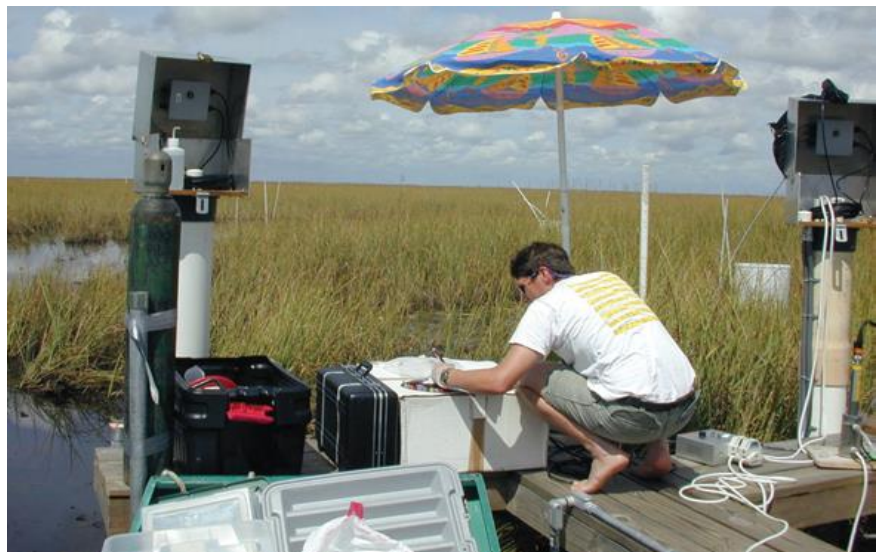
OFFICE OF INSPECTOR GENERAL

*Improving EPA research programs*

# EPA Paid \$14.5 Million to Foreign Fellows that Could Have Funded Research by U.S. Citizens or Permanent Residents

Report No. 18-P-0288

September 26, 2018



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## Abbreviations

AAAS	American Association for the Advancement of Science
ASPPH	Association of Schools and Programs of Public Health
CFR	Code of Federal Regulations
EPA	U.S. Environmental Protection Agency
FY	Fiscal Year
NAS	National Academy of Sciences
NCER	National Center for Environmental Research
OGD	Office of Grants and Debarment
OIG	Office of Inspector General
ORD	Office of Research and Development

**Cover Image:** Research conducted by an NAS fellow at an EPA facility. (EPA photo)

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# At a Glance

## Why We Did This Audit

The Office of Inspector General (OIG) conducted this audit to determine (1) whether the U.S. Environmental Protection Agency's (EPA's) non-competitive awards to nonprofit organizations for fellowships are in the public's best interest and an effective use of taxpayer dollars, (2) whether the EPA's execution of the fellowship program maximizes the environmental research results and meets the EPA's mission, and (3) the accuracy and allowability of costs reported by nonprofit organizations from fellowship cooperative agreements.

The EPA provides financial support for research fellowships and professional development opportunities to encourage students to obtain advanced degrees in the environmental sciences, and to pursue science, technology, engineering and math-related careers, to bolster the workforce needed to generate solutions to environmental issues.

### This report addresses the following:

- *Improving EPA research programs.*

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## ***EPA Paid \$14.5 Million to Foreign Fellows that Could Have Funded Research by U.S. Citizens or Permanent Residents***

### What We Found

Of the 166 fellows hosted at EPA laboratories over an 11-year period under EPA cooperative agreements awarded to the National Academy of Sciences (NAS), 107 of those fellows were foreign nationals or persons who were not citizens or permanent residents of the United States. When the EPA directly awards fellowships, it requires U.S. citizenship or permanent residency. However, the EPA does not specify citizenship requirements for fellowships awarded through cooperative agreements.

**We found that 64 percent of EPA fellowships awarded to NAS were to foreign nationals.**

Although two of the three cooperative agreement recipients audited require citizenship eligibility similar to the EPA's requirements, the third—NAS—did not. NAS awarded \$14.5 million to foreign nationals over the past 11 years. EPA officials said they did not believe the EPA can establish criteria for spending federal funds for fellowships awarded through cooperative agreements. We believe the taxpayer dollars will be put to better use if the EPA's cooperative agreements included the same citizenship requirements for fellowships.

Reported expenses to the EPA from the other two nonprofit organizations audited were sometimes inaccurate. In the drawdown requests audited, two fellows were overpaid \$11,965. Neither the applicable EPA grant specialists nor project officers received any financial documentation to explain why additional funds were requested. Consequently, the EPA was not aware of potential unallowable costs.

### Recommendations and Planned Agency Corrective Actions

We recommend that the EPA stipulate in future applicable grants and cooperative agreements that fellowships can only be awarded to U.S. citizens or those holding a visa permitting permanent residence in the United States. We also recommend that the EPA develop a policy for fellowships awarded under cooperative agreements. Further, we recommend that the EPA perform advanced administrative monitoring reviews for the two audited cooperative agreement recipients that reported inaccurate expenses to ensure the recipients comply with cooperative agreement terms and conditions.

The EPA agreed with the recommendations and provided planned corrective actions and completion dates that are acceptable and meet the intent of the recommendations.



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

THE INSPECTOR GENERAL

September 26, 2018

**MEMORANDUM**

**SUBJECT:** EPA Paid \$14.5 Million to Foreign Fellows that Could Have Funded Research by U.S. Citizens or Permanent Residents  
Report No. 18-P-0288

**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:** Donna Vizian, Principal Deputy Assistant Administrator  
Office of Administration and Resources Management

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-FY17-0156. 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. Final determinations on matters in this report will be made by EPA managers in accordance with established audit resolution procedures.

The EPA offices responsible for the issues in this report are the Office of Grants and Debarment, within the Office of Administration and Resources Management, and the Office of Research and Development.

In accordance with EPA Manual 2750, your office provided acceptable corrective actions and milestone dates in response to OIG recommendations. All recommendations are resolved and no final response to this report is required. However, if you submit a response, it will be posted on the OIG's 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 corresponding justification.

We will post this report to our website at [www.epa.gov/oig](http://www.epa.gov/oig).

# Table of Contents

## Chapters

<b>1</b>	<b>Introduction</b> .....	<b>1</b>
	Purpose .....	1
	Background.....	1
	Responsible Offices .....	3
	Scope and Methodology .....	3
	Prior Audit Coverage.....	5
<b>2</b>	<b>EPA Fellowship Citizenship Requirements Differ</b> .....	<b>6</b>
	Citizenship Requirements for Fellowships Awarded Directly by EPA Versus Through Cooperative Agreements Differ.....	6
	Majority of EPA Fellowships Awarded by NAS Were to Foreign Nationals Because EPA Did Not Establish Citizenship Criteria .....	7
	Taxpayer Dollars Could Be Put to Better Use .....	8
	Recommendations .....	9
	Agency Response and OIG Evaluation... ..	9
<b>3</b>	<b>Reported Expenses by Nonprofit Organizations Sometimes Inaccurate, and EPA Reviews Limited</b> .....	<b>10</b>
	Advanced Monitoring Reviews Are In-Depth Assessments of Recipient’s Progress, Management and Expectations.....	10
	EPA’s Execution of Fellowship Program Maximizes Environmental Research Results and Meets Agency’s Mission.....	10
	EPA Unaware that Reported Expenses by Nonprofit Organizations Are Sometimes Inaccurate.....	11
	Cursory Reviews Do Not Allow EPA to Determine Accuracy of Reported Costs.....	13
	Inadequate Reviews Resulted in Overpayments and Unallowable Costs .....	14
	Recommendation.....	14
	Agency Response and OIG Evaluation .....	14
	<b>Status of Recommendations and Potential Monetary Benefits</b> .....	<b>15</b>

## Appendices

<b>A</b>	<b>Sample of Drawdown Requests Audited</b> .....	<b>16</b>
<b>B</b>	<b>Agency Response to Draft Report</b> .....	<b>17</b>
<b>C</b>	<b>Distribution</b> .....	<b>21</b>

# Chapter 1

## Introduction

### Purpose

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

- Whether the EPA's non-competitive awards to nonprofit organizations for fellowships are in the public's best interest and are an effective use of taxpayer dollars.
- Whether the EPA's execution of the fellowship program maximizes the environmental research results and meets the EPA's mission.
- The accuracy and allowability of costs reported by nonprofit organizations from fellowship cooperative agreements.

### Background

The EPA provides support for research fellowships and professional development opportunities to encourage students to obtain advanced degrees in the environmental sciences and to pursue science, technology, engineering and math-related careers, all in an effort to bolster the workforce that is needed to generate actionable solutions to environmental issues. The EPA has awarded multiple non-competitive cooperative agreements to nonprofit organizations to assist with managing and administering the fellowship programs. Cooperative agreements are used when substantial involvement is anticipated between the federal government and the recipient. From fiscal year (FY) 2007 through calendar year 2017, the EPA awarded two consecutive non-competitive cooperative agreements each to the following nonprofit organizations:

- American Association for the Advancement of Science (AAAS).
- Association of Schools and Programs of Public Health (ASPPH).
- National Academy of Sciences (NAS).

Following are details on the three organizations.

#### ***American Association for the Advancement of Science***

AAAS manages and administers the Science & Technology Policy Fellowships program for several federal agencies. The program is designed to provide an opportunity for scientists, mathematicians and engineers with doctoral-level degrees in environmental management and administration,

environmental science and public relations, and communications. Fellows work in offices throughout the EPA for 1 year, with an option for renewal, on projects of mutual interest to the fellows and the hosting offices.<sup>1</sup> Eligibility for selection under the AAAS fellowship programs requires an individual to be a U.S. citizen.

### ***Association of Schools and Programs of Public Health***

The ASPPH Environmental Health Fellowship Program is open to candidates who have received their master's or doctoral degrees from an ASPPH-member school or program of public health within the last 5 years. These placements are for 1 year, with a possible 1-year extension. ASPPH, like AAAS, selects, places and approves expenses—including stipends—for the fellows. A primary EPA mentor is assigned to each fellow who is available and accessible on a regular basis, and the mentor is responsible for ensuring compliance with EPA policies and procedures. The EPA staff mentor fellows but do not supervise them or assign EPA work. Fellows are encouraged to deliver technical and scientific presentations and co-author papers with the EPA. Eligibility for selection under the ASPPH fellowship programs requires an individual to be a U.S. citizen or permanent resident.

### ***National Academy of Sciences***

The NAS Fellowships Office recommends and awards fellowships after consultation with the EPA. The fellows are postdoctoral and senior scientists and engineers who serve as guest researchers at EPA laboratories. The fellows are considered research associates and are not employees of the EPA.<sup>2</sup> Fellowships are for a 1-year term, generally with a 1-year extension; some fellows have remained at the EPA for 4 years. When a fellow's tenure ends, a final report is submitted to the EPA. The NAS fellowship eligibility for selection allows U.S. citizens, legal permanent residents and non-U.S. citizens.

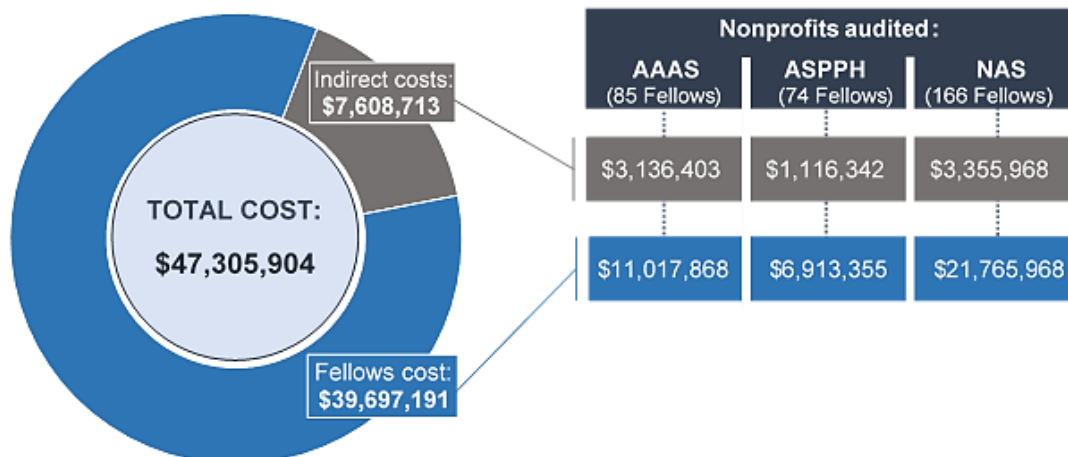
Figure 1 lists the total expenses the EPA paid to the three nonprofit organizations between October 2006 through December 2017—an approximate 11-year period. From October 2006 through December 2017, \$47 million was expended on these programs and \$26 million remained.

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<sup>1</sup> According to the *EPA Policies and Procedures Pertaining to the Cooperative Agreements with American Association for the Advancement of Science and Association of Schools and Programs of Public Health*, “[t]hose who accept placement in the EPA are ‘program participants’ of the cooperative agreements between the EPA and their sponsoring organizations.” For the purposes of this report, we use the terms “fellow” or “fellows” when referring to those who accept EPA placement through the AAAS and ASPPH.

<sup>2</sup> According to the NAS website, the guest investigators are considered “research associates.” For the purposes of this report, we use the terms “fellow” or “fellows” when referring to those who accept EPA placement through the NAS.

**Figure 1: FY 2007 through calendar year 2017 costs for the three programs audited**



Source: OIG image derived from analysis of data provided by EPA Office of Research and Development master list and Compass Data Warehouse.

## Responsible Offices

The EPA’s Office of Research and Development (ORD) manages cooperative agreements for the fellowships program. ORD’s National Center for Environmental Research (NCER) manages cooperative agreements with the AAAS’ Science & Technology Policy Fellowship Program and the ASPPH’s Environmental Health Fellowship Program. A project officer within ORD’s Extramural Management Division manages the cooperative agreement with the NAS Research Associateship Program.



EPA fellows sharing research. (EPA photo)

The EPA’s Office of Grants and Debarment (OGD), within the Office of Administration and Resources Management, provides cradle-to-grave administrative management of all EPA headquarters-administered grants, loans, cooperative agreements, fellowships and interagency

agreements. The OGD develops national policies, guidance and training, and provides national compliance support. The EPA’s Grants Management Plan states that the agency awards grants and cooperative agreements as a means to help the EPA achieve its mission. The Grants Management Plan establishes the long-term goals and performance measures for ensuring the proper stewardship of grant funds awarded by the EPA.

## Scope and Methodology

We conducted this performance audit from March 2017 to May 2018 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 determine whether the EPA's non-competitive awards to nonprofit organizations for fellowships are in the public's best interest and an effective use of taxpayer dollars, we reviewed relevant laws, policy and procedures. We interviewed the EPA's OGD staff regarding the use of non-competitive cooperative agreements to determine whether the use of non-competitive exceptions is justified. We also interviewed the EPA's Office of General Counsel for its interpretation of what it considers to be "in the public's best interest." We did not find any material issues related to the three non-competitive awards, as the agency was not able to find similar providers for the services offered.

To evaluate whether the EPA's execution of the fellowship program maximizes the environmental research results and meets the EPA's mission to protect human health and the environment, we reviewed the fellowship annual reports, which included fellow research results and fellow permanent job placement. We also conducted interviews with ORD management and staff. We discussed the use of nonprofit organizations to administer the fellowship programs and whether ORD inquired with other organizations to administer the fellowship programs, and whether ORD believed it was using the most efficient mechanism to administer its fellowship programs. We also discussed ORD's responsibilities regarding fellowship monitoring, evaluation, standards and performance. We interviewed and sent questionnaires to EPA staff acting as mentors to the fellows regarding their roles and responsibilities, and the fellow's research and work performed at EPA offices and laboratories.

To determine the accuracy and allowability of costs reported by nonprofit organizations from fellowship cooperative agreements, we reviewed the relevant laws and regulations. We selected and reviewed three continuously funded nonprofit organizations. We selected their currently open and most recently closed cooperative agreements awarded. In total, the six cooperative agreements drew down fellowships funds periodically between October 1, 2006, through December 31, 2017.



Research conducted at EPA laboratory in Cincinnati, Ohio. (EPA photo)

We interviewed staff from AAAS, ASPPH and NAS to discuss their understanding of cooperative agreement terms and conditions, and fellowship performance supporting the EPA's mission. We conducted onsite reviews of financial and accounting records at AAAS, ASPPH and NAS offices.

## Prior Audit Coverage

We reviewed EPA OIG Report No. [14-P-0357](#), *Recipient Subawards to Fellows Did Not Comply with Federal Requirements and EPA's Involvement in Fellow Selection Process Creates the Appearance EPA Could Be Circumventing the Hiring Process*, issued September 17, 2014. The report found that per the agreement between the Association of Schools of Public Health<sup>3</sup> and fellows, the Association of Schools of Public Health considered fellows subgrantees. The report found that the individuals were ineligible as subgrantees under 40 CFR Part 30.5.<sup>4</sup> The report also found that the EPA's involvement in the selection process for fellowship candidates created the appearance that the agency could be circumventing the hiring process and recruiting fellows in place of permanent employees. The EPA agreed with our two recommendations and completed corrective actions. The EPA stated that fellows should have been classified as "program participants" receiving stipends and other financial assistance under the "participant support cost" under provision of 2 CFR Part 230 (Office of Management and Budget Circular A-122), Appendix B, Item 33.<sup>5</sup>

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<sup>3</sup> The Association of Schools of Public Health changed its name to the Associations of Schools and Programs of Public Health. Both refer to the same organization.

<sup>4</sup> 40 CFR Part 30 is no longer in effect; its provisions have been reorganized within the CFR and the applicable provisions may now be found at 2 CFR Part 200.

<sup>5</sup> 2 CFR Part 230 is no longer in effect; the Cost Principles may now be found at 2 CFR Part 200 Subpart E—Cost Principles.

## Chapter 2

### EPA Fellowship Citizenship Requirements Differ

When the EPA directly awards fellowships it requires fellowship recipients to be U.S. citizens or permanent residents, but fellowships awarded through an EPA cooperative agreement do not specify eligibility criteria for citizenship. Although two of the three recipients audited require citizenship or permanent residency similar to the EPA's, which we consider a best practice, the third—NAS—does not. Consequently, the NAS spent \$14.5 million in funding for foreign nationals over the past 11 years. This occurred because an EPA official did not believe the EPA could establish criteria or citizenship eligibility requirements for spending federal funds pursuant to a fellowship awarded by a cooperative agreement. As a result, the EPA did not include language requiring U.S. citizenship or permanent residency as it does when it directly awards fellowships.

While there are differences between fellowships, the fellowships are similar in that both the EPA's fellowships and the fellowships awarded through cooperative agreements are mainly for the benefit of the fellow. Therefore, we believe that EPA-funded fellowships should be consistent and contain a citizenship requirement regardless of to whom and how they are awarded. We believe funds could be put to better use if the EPA's cooperative agreements included a provision stipulating a similar citizenship requirement that the EPA has for its own directly funded fellowships.

#### Citizenship Requirements for Fellowships Awarded Directly by EPA Versus Through Cooperative Agreements Differ

When the EPA directly awards a fellowship, the applicable regulations specify eligibility criteria, including citizenship requirements. Specifically, 40 CFR 46.135, *Applying for Fellowships*, states:

If you wish to apply for an EPA fellowship, you must be:

- (a) A citizen of the United States, its territories, or possessions, or lawfully admitted to the United States for permanent residence.

However, AAAS, ASPPH and NAS award fellowships to individuals using EPA funds, pursuant to the organizations' cooperative agreements with the agency; the provisions governing the EPA's directly awarded fellowships do not apply to fellowships awarded through the cooperative agreements. Consequently, the EPA did not include any citizenship eligibility requirements in the cooperative agreements. Nonetheless, AAAS and ASPPH included similar citizenship requirements in their fellowship applicant criteria, which we consider a best

practice. However, NAS allowed non-U.S. citizens to apply for the fellowships awarded through its cooperative agreement. Table 1 shows details.

**Table 1: Fellow eligibility requirements of the grantees**

	<b>Organization</b>	<b>Language related to citizenship</b>
1	AAAS	Under "Are you Eligible?" there is a requirement that reads "I am a U.S. Citizen."
2	ASPPH	Candidates must be a U.S. citizen or permanent resident (Green Card).
3	NAS	U.S. citizens, legal permanent residents and non-residents are eligible for selection.

Sources: AAAS and ASPPH websites and NAS/EPA memorandum.

## **Majority of EPA Fellowships Awarded by NAS Were to Foreign Nationals Because EPA Did Not Establish Citizenship Criteria**

For the cooperative agreements awarded to NAS in our sample, 107 of the 166 fellows hosted at the EPA laboratories, or 64 percent, were foreign nationals. Allowing foreign nationals to participate in the fellowships is inconsistent with the EPA practice of awarding fellowships to U.S. citizens, which is required for the EPA's directly awarded fellowships.

The EPA did not believe it could establish citizenship criteria for spending federal funds awarded pursuant to cooperative agreements. When asked why the EPA did not address the citizenship of the fellows in our sample, an EPA Office of General Counsel attorney indicated that the EPA is reluctant to tell grantees what to do and therefore must allow the grantees' criteria. However, a cooperative agreement is different from a grant.

Cooperative agreements are used when substantial involvement is anticipated between the federal government and the recipient, while grants are used when substantial involvement is not anticipated. The EPA Office of General Counsel attorney's answer is contrary to the reason for using a cooperative agreement in lieu of a grant.



EPA NAS fellow working in an EPA field lab. (EPA photo)

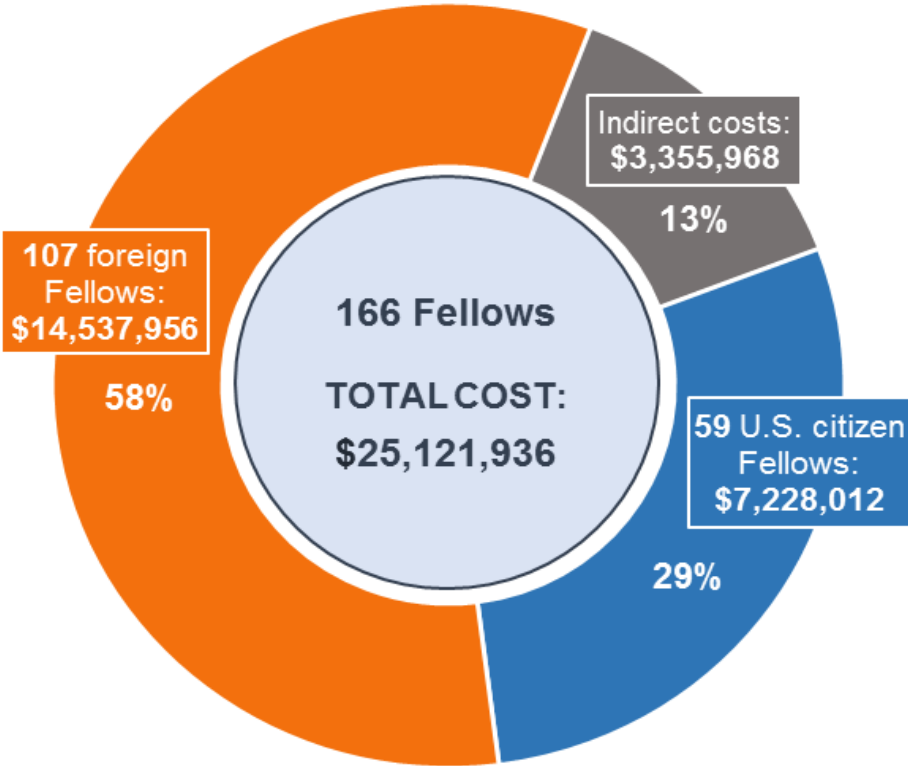
The ORD Office of Administrative and Research Support project officer for the cooperative agreement with the NAS said that the NAS is the administrator of the EPA's cooperative agreement, and the EPA is inclusive and open to obtaining the best research associates. The project officer also said that the NAS facilitates the program, is the EPA's advisor, and was welcome to choose the best candidates. However, per the NAS fellowships director, the issue of including foreign nationals is entirely at the discretion of the sponsor (in this case, the EPA). The EPA did not establish criteria or exercise administrative controls over its

agreement with the NAS to establish citizenship requirements. It allowed federal appropriated funds that benefit the fellow to be spent on foreign nationals and reduced fellowship opportunities for U.S. citizens and permanent residents.

### Taxpayer Dollars Could Be Put to Better Use

The fellowships provide the EPA with participation in new research, potential future employment of the fellow, acknowledgment of support in the fellow’s publications, diverse perspectives from recent graduates, experienced professors, specialized researchers and public health officials. The fellowships also contribute to the overall research efforts of the EPA laboratories. However, EPA policies and procedures pertaining to the cooperative agreements state the placement of program participants in the EPA is primarily for the benefit of the program participant and society through the advancement of science, technology and public health. From November 2006 through December 2017, 107 of the 166 fellows were not U.S. citizens or permanent residents. The cost of the foreign national fellows totaled \$14,537,956, as shown in Figure 2.

Figure 2: NAS foreign national fellows and funding over 11 years



Source: OIG analysis of NAS data.

According to the NAS, U.S. citizens were not given priority as positions were based on the quality of the applicant and application regardless of nationality. Therefore, by funding research by foreign nationals through the agreement with

the NAS, the EPA was not following the best practice pertaining to citizenship requirements established for fellowships awarded directly by the EPA. The fellows are the direct beneficiaries of the fellowship program, as they gain knowledge from EPA mentors and through the use of the EPA's equipment. When the fellowships are completed, that gained knowledge often leaves the United States because the fellows return to their countries.

## **Recommendations**

We recommend that the Assistant Administrator for Administration and Resources Management:

1. Stipulate in future grants and cooperative agreements that result in fellowship awards that the fellowships can only be awarded to U.S. citizens or those holding a visa permitting permanent residency in the United States, consistent with citizenship requirements for fellowships awarded directly by the EPA.
2. Develop a policy for fellowships funded through EPA cooperative agreements. The policy should include citizenship requirements for such fellowships.

## **Agency Response and OIG Evaluation**

For Recommendation 1, while we recommended that the EPA require citizenship or permanent residency for fellowships in current and future cooperative agreements, the EPA believes it would be inappropriate to unilaterally revise the terms and conditions of the current cooperative agreements. The EPA proposed instead to include such requirements in future cooperative agreements. We agree with the agency and removed the current requirement from the original recommendation. We accept the proposed alternative corrective action because it meets the intent of the recommendation. The estimated completion date for this corrective action is December 31, 2018.

For Recommendation 2, the EPA concurred and indicated it will revise its December 2014 policy on EPA involvement in selecting fellows for cooperative agreement-funded fellowship programs. The agency indicated the revised policy will specify that the terms and conditions of fellowship cooperative agreements require that program participants be U.S. citizens or permanent residents. The estimated completion date for this corrective action is October 1, 2019. We confirmed with the Office of Administration and Resources Management that all future fellowship awards, regardless of agreement type or participant titles, will only be awarded to U.S. citizens or permanent residents.

## **Chapter 3**

### **Reported Expenses by Nonprofit Organizations Sometimes Inaccurate, and EPA Reviews Limited**

For AAAS and ASPPH, support for reported expenses of EPA cooperative agreement funds was sometimes inaccurate. As part of its advanced monitoring, the EPA is to conduct in-depth assessments of a recipient's progress, management and expectations. EPA staff performed a cursory review of drawdown requests and did not ask for or receive supporting documentation for those requests. The project officers and grant specialist only verified that the amounts requested matched the amounts provided to the nonprofit organizations. Consequently, the EPA did not have reasonable assurance that funds were used responsibly and for the intended purpose. We determined that \$11,965 of taxpayer dollars could have been put to a better use if the EPA had monitored just the drawdown requests that we reviewed. We found no issues with NAS drawdown requests.

#### **Advanced Monitoring Reviews Are In-Depth Assessments of Recipient's Progress, Management and Expectations**

According to EPA Order 5700.6A2 CHG 2, *Policy on Compliance, Review and Monitoring*, the purpose of advanced monitoring is to conduct in-depth assessments of a recipient's administrative and financial progress, the project's programmatic and technical progress, management, and expectations. Baseline monitoring is the periodic review of a recipient's progress in, and compliance with, a specific award's scope of work, terms and conditions, and regulatory requirements. Documented programmatic and administrative baseline monitoring is required for all awards covered by this order. After the initial baseline monitoring, all subsequent baseline monitoring is required within 12 months of the last baseline or advanced monitoring activity recorded in the Integrated Grants Management System; that system streamlines and automates the grant process from the initial negotiation of the grant workplan through to the final closeout of the grant.

#### **EPA's Execution of Fellowship Program Maximizes Environmental Research Results and Meets Agency's Mission**

We found that the EPA's execution of the fellowship program maximizes the environmental research results and meets the EPA's mission. EPA staff acting as mentors to the fellows provided examples of how the work performed by fellows met the EPA mission. Examples included:

- Helping the Water Quality Standards Program meet its mission to provide technical support to states and regions on science and science policy to

assist state adoption of scientifically defensible criteria that are protective of designated uses in surface waters, and to develop national policy and guidance to increase national consistency in the implementation of the Water Quality Standards program.

- Working and communicating with the EPA and tribes to support the EPA’s primary oversight role of the tribal drinking water program.
- Performing laboratory tests using standardized quantitative test methods on several microbial agents, including showing that bacterial spores are more tolerant to disinfectants than vegetative bacteria. The data have been used to further establish and validate test methodology for potential regulatory purposes.

## **EPA Unaware that Reported Expenses by Nonprofit Organizations Are Sometimes Inaccurate**

The EPA was unaware that two of the three nonprofit organizations reported expenses supporting drawdown requests of EPA funds that were sometimes inaccurate. In a judgmental sample of 11 drawdowns (see Appendix A), we found issues with stipend payments and relocation allowances. Details follow.

### ***American Association for the Advancement of Science***

For the AAAS, of the 37 drawdowns made between FYs 2014 and 2016, we selected the highest dollar drawdown of FY 2015 and the three highest dollar drawdowns in FY 2016, for a total of four. We found one fellow was overpaid a total of \$2,546.46 over six pay periods, as shown in Table 2.

**Table 2: AAAS overpayment to an EPA fellow**

<b>Payment date</b>	<b>Stipend received</b>	<b>Stipend per agreement</b>	<b>Overpayment</b>
September 15, 2015	\$3,606.83	\$3,182.42	\$424.41
September 30, 2015	3,606.83	3,182.42	424.41
May 15, 2016	3,606.83	3,182.42	424.41
May 31, 2016	3,606.83	3,182.42	424.41
June 15, 2016	3,606.83	3,182.42	424.41
June 30, 2016	3,606.83	3,182.42	424.41
		<b>Total</b>	<b>\$2,546.46</b>

Source: OIG analysis of AAAS data.

AAAS staff could not find the appropriate documentation to substantiate the change in the stipend-level payments. As a result of our finding of an overpayment to one fellow, the AAAS calculated the adjustment to be made for the outstanding questioned item for 18 pay periods in addition to the six pay periods identified. For this fellow, the AAAS made an adjustment to the salary, Social Security and medical insurance for the 24 pay periods in the



2015–2016 fellowship year, for a total of \$10,965.12. The adjustment made for \$10,965.12 was later credited to the cooperative agreement by the AAAS. Once again, by not reviewing the drawdowns or requesting support or documentation, the EPA was unaware of incorrect drawdown amounts requested by the nonprofit organization.

***Association of Schools and Programs of Public Health***

For the ASPPH, we selected the three highest dollar value drawdowns for the period of January 2016 through July 2017. We found that one fellow incorrectly received a \$1,000 relocation allowance. ASPPH fellows receive a one-time \$1,000 relocation allowance if the fellow lives outside of the Washington, D.C., metro area. For one fellow, the permanent address was in Arlington, Virginia, which is considered to be inside the D.C. metro area. According to the ASPPH recordkeeping system, the fellow received a \$1,900 payment: \$900 for local travel and \$1,000 for relocation. Based on the fellow’s permanent address, the fellow should not have received a \$1,000 relocation allowance. During discussions with the OGD, we learned that the ASPPH agreed to deduct the \$1,000 relocation allowance on its August 2018 drawdown.

***National Academy of Sciences***

For the NAS, we judgmentally selected four drawdown requests: the final drawdown of FY 2013 and the highest dollar value drawdowns for FYs 2014, 2015 and 2016. We found no errors regarding NAS drawdowns.

Table 3 summarizes the two types of errors found in the 11 drawdowns reviewed that represent ineligible costs not permitted under the cooperative agreements.

**Table 3: Unsupported nonprofit drawdown expenses**

<b>Unallowed expense</b>	<b>Drawdown</b>
AAAS stipend	\$10,965.12
ASPPH relocation allowance	1,000.00
<b>Total</b>	<b>\$11,965.12</b>

Source: OIG analysis of the 11 drawdowns.

The two nonprofit organizations claimed \$11,965 in stipend and moving costs that were ineligible because the expenses did not meet cost principles specified by 2 CFR Part 200.405, which states:

- (a) A cost is allocable to a particular Federal award or other cost objective if the goods or services involved are chargeable or assignable to that Federal award or cost objective in accordance with relative benefits received.

The current cooperative agreement awarded to the ASPPH expired on August 31, 2018. The EPA should recover the \$1,000 from the ASPPH prior to the closing of the cooperative agreement.

## Cursory Reviews Do Not Allow EPA to Determine Accuracy of Reported Costs

EPA staff performed only cursory reviews of drawdown requests. Compass Data Warehouse—the agency’s financial system—provides information about obligations, drawdowns and remaining fund balances on grant accounts. During our review, one ORD project officer indicated that for the AAAS and ASPPH, funds are obligated through mixed appropriations. As a result, the Office of the Chief Financial Officer draws down and takes varying percentages from each appropriation code. This made it difficult for project officers to know what was expensed as they did not receive “per-fellow” expense information. Instead, they only verified that requested drawdown amounts matched what was drawn down.

Another ORD project officer indicated that the OGD grant specialist sent a copy of the drawdown request and asked the project officer about the reasonableness of the drawdown request amount. According to the grant specialist, she reviewed



An EPA NAS fellow performs research. (EPA photo)

Compass Data Warehouse to make sure that the requested funds were withdrawn. In addition, the grant specialist verified that the amount requested matched the amount paid to the nonprofit organizations. Neither the grant specialists nor the project officers received any financial documentation supporting the drawdown requests. According to the OGD Branch Chief, she did not believe the OGD could support a recommendation to withhold payment without a reason. Nonetheless, the OGD serves as the national program manager for administrative grants management, including

responsibility for assistance regulations, policy and guidance, and assistance-related training. The OGD’s Grants and Interagency Agreements Management Division is responsible for cradle-to-grave administrative management for all assistance programs administered by EPA headquarters.

According to EPA Las Vegas Finance Center staff, the grant specialists do not receive documentation from the nonprofit organizations for drawdowns unless the recipients are high risk. When asked how the finance center knew if the nonprofit organization requested too many EPA funds, Las Vegas Finance Center staff said it was subjective. The finance center said it could review the last 10 payments, amounts awarded and amounts remaining, but would not receive any actual documentation.

## **Inadequate Reviews Resulted in Overpayments and Unallowable Costs**

We determined that \$11,965 of taxpayer dollars could have been put to better use if the EPA had monitored just the drawdown requests that we reviewed. We reviewed only 11 drawdowns and found inaccuracies in four of the reported costs; there may be additional overpayments of which the EPA was unaware. Without the appropriate assessment and evaluation, and by not requesting supporting documentation for the drawdowns, the EPA was unaware of incorrect drawdown amounts requested by the nonprofit organizations. Consequently, the EPA does not have reasonable assurance that funds were used responsibly and for the intended purpose. In addition, when documents are not reviewed, the risk of fraud, waste and abuse increases.

### **Recommendation**

We recommend that the Assistant Administrator for Administration and Resources Management:

3. Perform advanced administrative monitoring reviews for the American Association for the Advancement of Science and the Association of Schools and Programs of Public Health, to ensure that recipients complied with cooperative agreement terms and conditions. The results of each review must be transmitted to the recipient and recorded in the Integrated Grants Management System database.

### **Agency Response and OIG Evaluation**

The EPA agreed with Recommendation 3 and indicated the agency will perform advanced monitoring reviews to include transaction testing of a sample of drawdowns documentation to ensure that payments to the cooperative agreement recipients are accurate and adequately supported by source documentation. The EPA provided an estimated completion date of December 31, 2018.

# **Status of Recommendations and Potential Monetary Benefits**

## RECOMMENDATIONS

Rec. No.	Page No.	Subject	Status <sup>1</sup>	Action Official	Planned Completion Date	Potential Monetary Benefits (in \$000s)
1	9	Stipulate in future grants and cooperative agreements that result in fellowship awards that the fellowships can only be awarded to U.S. citizens or those holding a visa permitting permanent residency in the United States, consistent with citizenship requirements for fellowships awarded directly by the EPA.	R	Assistant Administrator for Administration and Resources Management	12/31/18	
2	9	Develop a policy for fellowships funded through EPA cooperative agreements. The policy should include citizenship requirements for such fellowships.	R	Assistant Administrator for Administration and Resources Management	10/1/19	
3	14	Perform advanced administrative monitoring reviews for the American Association for the Advancement of Science and the Association of Schools and Programs of Public Health, to ensure that recipients complied with cooperative agreement terms and conditions. The results of each review must be transmitted to the recipient and recorded in the Integrated Grants Management System database.	R	Assistant Administrator for Administration and Resources Management	12/31/18	\$12

<sup>1</sup> C = Corrective action completed.

R = Recommendation resolved with corrective action pending.

U = Recommendation unresolved with resolution efforts in progress.

## ***Sample of Drawdown Requests Audited***

	Date of drawdown	Amount
<b>AAAS</b>		
1	October 16, 2014	\$176,824.77
2	October 19, 2015	234,961.96
3	June 23, 2016	244,178.64
4	July 20, 2016	253,419.99
<b>Total</b>		<b>\$909,385.36</b>
<b>ASPPH</b>		
1	January 20, 2016	\$318,725.30
2	March 8, 2016	285,623.66
3	March 15, 2017	294,368.60
<b>Total</b>		<b>\$898,717.56</b>
<b>NAS</b>		
1	September 13, 2013	\$294,489.36
2	April 28, 2014	267,862.06
3	August 13, 2015	144,414.63
4	August 22, 2016	193,442.04
<b>Total</b>		<b>\$900,208.09</b>

Source: OIG analysis of AAAS, ASPPH and NAS data.

## Agency Response to Draft Report




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

JUN 28 2018

OFFICE OF  
ADMINISTRATION  
AND RESOURCES  
MANAGEMENT

### MEMORANDUM

**SUBJECT:** Response to Office of Inspector General Draft Report No. OA-FY17-0156  
"EPA's Laboratory Fellowship Cooperative Agreements Funded Foreign Nationals"  
dated May 14, 2018

**FROM:**  Donna J. Vizian, Principal Deputy Assistant Administrator

**TO:** Michael Petscavage, Director  
Contract and Assistance Agreement Audits  
Office of Audit and Evaluation

The Office of Administration and Resources Management in conjunction with the Office of Research and Development reviewed and commented on the Office of the Inspector General's draft report "EPA's Laboratory Fellowship Cooperative Agreements Funded Foreign Nationals" (Project No. OA-FY-17- 0156). Below is a summary of OARM's overall position along with a detailed response to each of the recommendations.

### AGENCY'S OVERALL POSITION

OARM and ORD appreciate the OIG's review of the cooperative agreement fellowship program (fellowship program) and concur with the overall determination that EPA's execution of the fellowship program maximizes the environmental research results to meet the agency's mission and that the awards were made consistent with EPA Order 5700.5A1, Policy for Competition of Assistance Agreements.

Recommendations one and two relate to requiring that participants in the fellowship program be United States citizens or permanent residents. The OIG's recommendations are based on both the extent of the citizenship limitations on eligibility for federal employment when the fellowships are complete and a belief that limited EPA funds would be better spent on

fellowships for U.S. citizens. ORD believes that allowing cooperative agreement recipients to decide whether to impose citizenship or residency requirements was sound program policy in that it led to a diverse group of program participants who brought different perspectives on environmental science and engineering. Additionally, ORD has determined based on advice from the Office of General Counsel and OARM that it would be inconsistent with EPA Order 5700.1, EPA's policy for interpreting the Federal Grants and Cooperative Agreement Act, for EPA to use fellowship programs funded through cooperative agreements to recruit federal employees. ORD, however, agrees with the OIG that it is within the EPA's discretion to impose citizenship and residency requirements on fellowship program participants. Such a requirement will be included in the terms and conditions of future fellowship program cooperative agreements.

Attached is ORD's analysis which discusses suggested technical corrections to the draft audit necessary for accuracy.

Although OARM does not agree with the OIG's assertion that the Office of Grants and Debarment is not providing proper oversight of fellowship cooperative agreements, OARM accepts the OIG's recommendation to perform advanced monitoring on the fellowship program cooperative agreements for the American Association for the Advancement of Science and the Association of Schools and Programs of Public Health.

OGD, as the National Program Manager for administration of financial assistance agreements, is adhering to the agency's guidance and protocols for post award monitoring. Monitoring includes but is not limited to programmatic/administrative baseline ( cursory reviews) and programmatic/administrative advanced monitoring reviews (in-depth assessment). These monitoring techniques do not include prepayment reviews of recipient drawdown requests which the draft report implies are required for effective monitoring of payments to recipients. Under 2 CFR 200.305(b)(1), the EPA must pay recipients in advance unless the agency finds that their disbursement procedures are inadequate or there is a reasonable basis to place the recipient in reimbursement status using the "high risk" specific condition criteria and procedures described at 2 CFR 200.207. The draft report does not cite any regulation or term and condition of the cooperative agreements which authorizes OGD to request documentation to support drawdowns prior to payment in the absence of a properly imposed reimbursement condition.

Over the years, advanced monitoring reviews have been performed based on a random statistical selection unless an 010 audit or other review indicates a need for advanced monitoring of a particular recipient. OGD's resource limits preclude the use of advanced monitoring on a more frequent basis. Since the recipients reviewed during this audit have not been randomly selected for an advanced monitoring review in recent years, and the OIG has identified potential financial management weaknesses, OGD agrees to perform advanced monitoring reviews on both recipients. The reviews will include transaction testing of a sample of drawdowns based on source documentation to ensure that payments to the recipients are accurate.

**AGENCY’S RESPONSE TO DRAFT REPORT RECOMMENDATIONS**

No.	Recommendation	High-Level Intended Corrective Action(s)	Estimated Completion Date
1	Stipulate in current and future grants and cooperative agreements that results in fellowship awards that the fellowships be awarded to U.S. citizens or those holding a visa permitting permanent residence in the United States, consistent with citizenship requirements for fellowships awarded directly by the EPA.	In future cooperative agreements, ORD will include programmatic terms and conditions requiring that fellowship program participants be citizens or permanent residents. It would be inappropriate for EPA to unilaterally revise the terms and conditions of current agreements.	12/31/18
2	Develop a policy for fellowships funded through EPA cooperative agreements. The policy should include citizenship requirements for such fellowships.	OARM, in consultation with OGC and ORD, will revise EPA's December 2014 policy on EPA's involvement in selecting fellows for cooperative agreement funded fellowship programs. The revised policy will specify that the terms and conditions of fellowship cooperative agreements require that program participants be U.S. citizens or permanent residents.	10/1/19

**AGREEMENTS**

No.	Recommendation	High-Level Intended Corrective Action(s)	Estimated Completion Date
3	Perform advanced administrative reviews for the American Association for the Advancement of Science and the Association of Schools and Programs of Public Health to ensure the recipients complied with cooperative agreement terms and conditions.	OARM will perform advanced monitoring reviews to include transaction testing of a sample of drawdowns documentation to ensure that payments to the cooperative agreement recipients are accurate and adequately supported by source documentation.	12/31/18



## CONTACT INFORMATION

If you have any questions regarding this response, please contact Denise Polk, director, Office of Grants and Debarment on (202) 564-5306.

### Attachments

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