



OFFICE OF INSPECTOR GENERAL U.S. ENVIRONMENTAL PROTECTION AGENCY

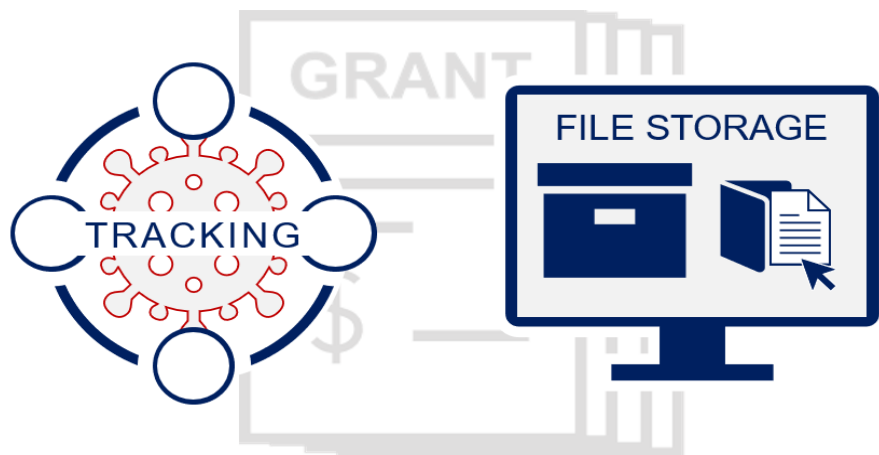
CUSTOMER SERVICE ★ INTEGRITY ★ ACCOUNTABILITY

Operating effectively and efficiently

EPA Should Consistently Track Coronavirus Pandemic-Related Grant Flexibilities and Implement Plan for Electronic Grant File Storage

Report No. 22-P-0018

February 22, 2022



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Abbreviations:	C.F.R.	Code of Federal Regulations
	EPA	U.S. Environmental Protection Agency
	OGD	Office of Grants and Debarment
	OIG	Office of Inspector General
	OMB	Office of Management and Budget
	Pub. L.	Public Law

Cover Image: The Office of Grants and Debarment needs to consistently track coronavirus pandemic-related flexibilities and develop and implement a plan for storing electronic grant files. (EPA OIG image)

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Office of Inspector General U.S. Environmental Protection Agency **At a Glance**

22-P-0018
February 22, 2022

Why We Did This Audit

We conducted this audit to determine the extent to which the U.S. Environmental Protection Agency has implemented the coronavirus pandemic-related grant flexibilities permitted by the Office of Management and Budget. Specifically, we assessed the extent to which the EPA modified work plans, adjusted budgets, and extended periods of performance for grants; granted administrative relief or continued to compensate grant recipients whose work had been interrupted; and provided regulatory exceptions on a case-by-case basis.

In response to the coronavirus pandemic, the Office of Management and Budget issued several memorandums that provided temporary administrative, financial management, and audit requirement flexibilities for grants.

The EPA manages over \$20 billion in cumulative grant awards annually.

This audit supports an EPA mission-related effort:

- *Operating efficiently and effectively.*

This audit addresses a top EPA management challenge:

- *Managing infrastructure funding and business operations.*

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EPA Should Consistently Track Coronavirus Pandemic-Related Grant Flexibilities and Implement Plan for Electronic Grant File Storage

What We Found

The EPA Office of Grants and Debarment does not know the full extent to which program offices and regions have implemented grant flexibilities and exceptions permitted by the Office of Management and Budget due to the coronavirus pandemic—that is, the SARS-CoV-2 virus and resultant COVID-19 disease.

The EPA risks mismanaging over \$20 billion in cumulative grant funds by inconsistently tracking grants that were modified during the coronavirus pandemic and lacking an electronic data storage plan.

Program offices and regions inconsistently tracked pandemic-related flexibilities and exceptions. The Office of Grants and Debarment tracked grants that received flexibilities through its issued class waivers and regulatory exceptions but did not track grants that received flexibilities and exceptions approved by program offices and regions. The lack of agencywide tracking of grant flexibilities and exceptions hindered the Agency's ability to assess how the coronavirus pandemic impacted the grant process as it relates to the grant recipient's ability to accomplish its program mission to protect human health and the environment.

Additionally, the EPA should implement an official agencywide electronic grant file storage system that provides staff with consistent access to grant files in emergencies and while teleworking. Program offices and regions stored grant files inconsistently—such as on local computer hard drives, in the Agency's email system, on shared drives, and in grant-management systems—or had hard copies of the files, while teleworking during the pandemic. The Office of Grants and Debarment did not require program offices and regions to use a centralized electronic system to access and store official grant files. As a result, the Agency's grant data and documents are at risk of being lost, especially if they are stored on local hard drives, or could be inaccessible if the EPA staff member who stored the data or documents is unavailable.

Recommendations and Planned Agency Corrective Actions

We recommend that the assistant administrator for Mission Support develop a standard operating procedure that instructs program offices and regions on tracking and documenting grant flexibilities and exceptions for unanticipated events to ensure consistency in the information needed to manage grants, as well as develop a plan to implement, by December 2022, a uniform electronic record-keeping system for grants to meet the Office of Management and Budget's direction that all federal records be created, retained, and managed in electronic formats. The EPA agreed with our three recommendations, which are resolved with corrective actions pending.




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

THE INSPECTOR GENERAL

February 22, 2022

MEMORANDUM

SUBJECT: EPA Should Consistently Track Coronavirus Pandemic-Related Grant Flexibilities and Implement Plan for Electronic Grant File Storage
Report No. 22-P-0018

FROM: Sean W. O'Donnell 

TO: Lynnann Hitchens, Acting Principal Deputy Assistant Administrator
Office of Mission Support

This is our report on the subject audit conducted by the U.S. Environmental Protection Agency's Office of Inspector General. The project number for this audit was [OA-FY21-0108](#). This report contains findings that describe the problems the OIG has identified and corrective actions the OIG recommends. Final determinations on matters in this report will be made by EPA managers in accordance with established audit resolution procedures.

The Office of Mission Support is responsible for the issues discussed in this report.

In accordance with EPA Manual 2750, your office provided acceptable planned corrective actions and estimated milestone dates for Recommendations 1, 2, and 3. These recommendations are resolved with corrective actions pending, and no final response to this report is required. If you submit a response, however, 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.

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Chapter 1

Introduction

Purpose

The U.S. Environmental Protection Agency’s Office of Inspector General [initiated](#) this audit to examine the EPA’s implementation of the grant flexibilities permitted by the Office of Management and Budget, or OMB, due to the coronavirus pandemic—that is, the SARS-CoV-2 virus and resultant COVID-19 disease. The objective of our audit was to determine the extent to which the EPA has implemented the coronavirus pandemic-related grant flexibilities permitted by the OMB. Specifically, we assessed the extent to which the EPA modified work plans, adjusted budgets, and extended periods of performance for grants; granted administrative relief or continued to compensate grant recipients whose work had been interrupted; and provided regulatory exceptions on a case-by-case basis.

Top Management Challenge Addressed

This audit addresses a top management challenge for the Agency, as identified in OIG Report No. [22-N-0004](#), *EPA’s Fiscal Year 2022 Top Management Challenges*, issued November 12, 2021:

- Managing infrastructure funding and business operations.

Background

The EPA manages over \$20 billion in cumulative grant awards, with EPA Region 5 managing the largest grant workload of open grants, totaling over \$3 billion in cumulative award value as of November 2020. The EPA’s Office of Grants and Debarment, or OGD, oversees the Agency’s grants management, which includes assistance agreements (grants and cooperative agreements). This office serves as the national program manager and is responsible for the overall administrative management of grants policy and regulation. Under the direction of the OGD, project officers and grant specialists in the EPA regions and program offices manage the administrative and programmatic activities for grants in their respective areas.

The OMB announced coronavirus pandemic-related flexibilities throughout 2020. The OGD notified grant recipient applicants and EPA personnel about the flexibilities through the EPA’s Recipient/Applicant Information Notice website. The website provides a notice titled *RAIN-2020-G02-R1, EPA Frequent Questions on Grant Issues in Response to the Novel Coronavirus (COVID-19) Public Health Emergency*, which mentions the guidance documents the OMB issued concerning the regulatory exceptions and other relief for applicants and recipients impacted by the coronavirus pandemic. The OGD also gave guidance to project officers and grant specialists on how to respond to questions from recipients and applicants about the impact of the coronavirus pandemic on grants or applications through Policy Notice 2020-G03-R1, *Frequent Questions on Grant Issues in Response to the Novel Coronavirus (COVID-19)*.

Guidelines for Allowing Flexibilities and Exceptions to Grant Recipients During Coronavirus Pandemic

The OMB provides policies and guidance for grants management throughout the federal government. In response to the coronavirus pandemic, the OMB issued several memorandums in March and April 2020 that provided temporary administrative flexibilities for federal grant awards. Specifically, the OMB authorized federal agencies to grant, as appropriate, 14 flexibilities related to the coronavirus pandemic from March through December 2020. Each of the memorandums reminded federal agencies of the existing flexibility under 2 C.F.R. § 200.102, *Exceptions*, that may also be granted to recipients during the pandemic. Some of the flexibilities and exceptions from the OMB include:

- Allowing preaward costs prior to the effective dates of an award.
- Allowing no-cost extensions on expiring awards.
- Continuing charging salaries and benefits to active federal awards, as well as other costs that are necessary to resume activities supported by the award.
- Allowing waivers from prior approval requirements as necessary to effectively address the coronavirus pandemic.
- Allowing extensions to submit financial and other reports up to three months beyond the due date while continuing to draw down federal funds.

The intent of these flexibilities was to provide short-term relief for administrative, financial management, and audit requirements under 2 C.F.R. part 200, *Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards*, without compromising federal financial assistance accountability requirements. The flexibilities were to assist grant recipients that may have experienced the loss of operational capacity and increased costs due to the pandemic.

In addition to the OMB memorandums, the OGD issued class waivers from two grant requirements: (1) project period limitations in *Grants Policy Issuance 11-01* and (2) formal amendments for change in period of performance from *Policy Notice 2017- G08 for Recipients of Assistance Agreements Impacted by COVID-19 Public Health Emergency*, dated April 2020. These waivers provided administrative flexibilities from certain EPA-specific policies for recipients affected by the coronavirus pandemic and allowed grant recipients additional time to complete projects that may have had operational interruptions due to the pandemic.

Federal Guidelines for Telework and EPA's Records Management

The Telework Enhancement Act of 2010 requires agencies to incorporate telework into their continuity of operations plan in the event of an emergency. [Telework.gov](https://www.telework.gov) states that incorporating telework into continuity plans includes identifying ways for an organization's staff to perform the duties and responsibilities necessary to continue the organization's essential functions during any type of threat or emergency while teleworking. On March 12, 2020, the OMB issued M-20-13, *Updated Guidance on Telework Flexibilities in Response to Coronavirus*, which encourages agencies to maximize telework flexibilities to eligible workers and to extend the flexibilities more broadly to accommodate state and local responses to the pandemic.

The EPA issued *Interim Records Management Policy*, Directive No. CIO 2155.4, approved by the chief information officer in August 2018, to provide the framework for specific guidance and detail the operating procedures governing records management.¹ The policy states that records serve a number of purposes, including ensuring the continuance of key functions and activities in the event of an emergency or disaster. The policy also states that the accuracy and consistency of how records are identified, captured, stored, and retrieved provide the cornerstone of the effective functioning and transparent operation of the Agency.

During our audit, the OGD issued a memorandum on March 16, 2021, announcing the “availability” of the EPA Grant File Management System, which is designed to facilitate grant file management. According to the memorandum, the system establishes a standard configuration for project officers and grant specialists to manage electronic grant information for all active grants. The memorandum encourages program and grant offices to adopt the system as soon as practicable. Also, the memorandum states that adopting the EPA Grant File Management System is consistent with and supported by the *Interim Records Management Policy* and will facilitate the eventual transfer of grant files to an approved electronic record-keeping system.

Responsible Offices

The Office of Mission Support leads the Agency’s core mission support functions to improve efficiency, coordination, and customer experience for internal customers, stakeholders, and the public. It oversees acquisition activities (contracts), grants management, human capital, information technology, and information management activities, as well as protects the EPA’s facilities and other critical assets nationwide.

The OGD is within the Office of Mission Support and oversees the management of the Agency’s assistance agreements, which may be in the form of a grant or cooperative agreement. It develops national policies, guidance, and training; provides national compliance support; administers assistance agreements for headquarters programs; and oversees and manages the Agency’s Suspension and Debarment program and Grants Competition program.

Scope and Methodology

We conducted this performance audit from January through December 2021 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 objective. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objective.

We assessed the internal controls necessary to satisfy our audit objective.² In particular, we assessed the internal control components—as outlined in the U.S. Government Accountability Office’s *Standards*

¹ A revised *Records Management Policy*, Directive No. CIO 2155.5, was approved on August 8, 2021. We used the 2018 interim policy because it was the version in effect at the beginning of our audit work.

² An entity designs, implements, and operates internal controls to achieve its objectives related to operations, reporting, and compliance. The U.S. Government Accountability Office sets internal control standards for federal entities in GAO-14-704G, *Standards for Internal Control in the Federal Government* (also known as the “Green Book”), issued September 2014.

for *Internal Control in the Federal Government* (also known as the “Green Book”)—significant to our audit objective. Any internal control deficiencies we found are discussed in this report. Because our audit was limited to the internal control components deemed significant to our audit objective, it may not have disclosed all internal control deficiencies that may have existed at the time of the audit.

To answer the audit objective and obtain an understanding of the extent to which the EPA has implemented coronavirus pandemic-related grant flexibilities and exceptions, we requested and obtained a list of grants from program offices and regions for the period in which the OMB provided the flexibilities in 2020. We also requested any pandemic-related OMB exceptions provided on a case-by-case basis as of April 2021. We created a combined list of 682 grants, which totaled approximately \$1.4 billion in cumulative awards. We judgmentally selected six grants (Appendix A), three from regions and three from program offices, totaling \$318 million in cumulative awards (23 percent of the total value of awards). For these six grants, we reviewed files in the EPA’s Next Generation Grants System and obtained documents from grant specialists, project officers, and grant recipients. Also, we analyzed award documents, work plans, progress reports, and other relevant documents, and we interviewed grant specialists, project officers, and grant recipients. Finally, we summarized information obtained during the audit and prepared a case study for each grant.

To obtain an understanding of the applicable criteria for the implementation of the OMB’s flexibilities and exceptions due to the coronavirus pandemic, we reviewed the following federal guidance and EPA policies:

- 2 C.F.R. § 200.102, *Exceptions*.
- OMB Circular No. A-123, *Management’s Responsibility for Enterprise Risk Management and Internal Control*, dated July 15, 2016.
- OMB Memorandum M-20-26, *Extension of Administrative Relief for Recipients and Applicants of Federal Financial Assistance Directly Impacted by the Novel Coronavirus (COVID-19) due to Loss of Operations*, dated June 18, 2020.
- OMB Memorandum M-20-20, *Repurposing Existing Federal Financial Assistance Programs and Awards to Support the Emergency Response to the Novel Coronavirus (COVID-19)*, dated April 9, 2020.
- OMB Memorandum M-20-17, *Administrative Relief for Recipients and Applicants of Federal Financial Assistance Directly Impacted by the Novel Coronavirus (COVID-19) due to Loss of Operations*, dated March 19, 2020.
- OMB Memorandum M-20-11, *Administrative Relief for Recipients and Applicants of Federal Financial Assistance Directly Impacted by the Novel Coronavirus (COVID-19)*, dated March 9, 2020.
- OMB Memorandum M-19-21, *Transition to Electronic Records*, dated June 28, 2019.
- U.S. Government Accountability Office’s *Standards for Internal Control in the Federal Government*, dated September 2014.
- U.S. Department of Homeland Security’s Federal Emergency Management Agency, *Federal Continuity Directive 1, Federal Executive Branch National Continuity Program and Requirements*, dated January 17, 2017.

- EPA, *Interim Records Management Policy*.
- EPA Policy Notice 2020-G03-R1, *Frequent Questions on Grant Issues in Response to the Novel Coronavirus (COVID-19)*, revised July 21, 2020.
- EPA Policy Notice 2017- G08, *Interim Policy on Post Award Prior Approval*, effective October 1, 2017.
- EPA Grants Policy Issuance 11-01, *Managing Unliquidated Obligations and Ensuring Progress under EPA Assistance Agreements*, effective October 1, 2010.
- Office of Mission Support memorandum, *Class Waiver from Project Period Limitations in Grants Policy Issuance 11-01; Class Waiver from Formal Amendments for Change in Period of Performance from Policy Notice 2017- G08 for Recipients of Assistance Agreements Impacted by COVID-19 Public Health Emergency*, dated April 21, 2020.

Chapter 2

EPA Does Not Know the Extent to Which Grant Flexibilities Due to Coronavirus Pandemic Were Implemented

The OGD does not know the extent to which Agency program offices and regions have implemented the coronavirus pandemic-related grant flexibilities permitted by the OMB. The OMB circulars provide direction to federal agencies on how to manage unanticipated events and specifically require them to maintain records on the exceptions provided to grant recipients during these types of events. The OGD's lack of knowledge on the extent to which flexibilities were used was caused by inconsistent tracking of agencywide implementation, which the OGD said was due to its focus on making sure that EPA grant staff and recipients were aware of the flexibilities. The OGD limited its tracking to grants that received flexibilities through OGD-issued class waivers and regulatory exceptions instead of flexibilities provided agencywide. As a result, the lack of agencywide tracking for grant flexibilities and exceptions hindered the Agency's ability to assess how the coronavirus pandemic impacted the grant process as it relates to the grant recipient's ability to accomplish its program or project mission to protect human health and the environment.

OMB Requires Maintaining Records of Exceptions Provided to Recipients

OMB memorandums *Administrative Relief for Recipients and Applicants of Federal Financial Assistance Directly Impacted by the Novel Coronavirus (COVID-19) due to Loss of Operations* and *Extension of Administrative Relief for Recipients and Applicants of Federal Financial Assistance Directly Impacted by the Novel Coronavirus (COVID-19) due to Loss of Operations* both state that awarding agencies are required to maintain records on the level of particular exceptions provided to recipients. Also, awarding agencies must require recipients to maintain appropriate records and documentation to support the charges against the federal awards.

OGD Did Not Know Extent to Which Agency Implemented OMB Pandemic-Related Flexibilities and Exceptions

On April 21, 2020, the OGD issued a memorandum noting a class waiver from project-period limitations in the EPA's Amended Grants Policy Issuance 11-01 for recipients impacted by the coronavirus pandemic. The class waiver allowed grant recipients additional time to complete projects that may have been interrupted because of the coronavirus pandemic. Also, the waiver allowed project-period extensions, up to 12 months beyond the project's scheduled expiration date, for grants that were active as of March 31, 2020, and scheduled to expire prior to or on December 31, 2020. The memorandum required grant specialists to notify the OGD of grant recipients who used the administrative flexibilities in the class waiver and to document the EPA's decision to grant the waiver in the official grant file. The OGD tracked grants that received OGD-issued class waivers and regulatory exceptions and provided us a list of 46 grants that received OGD exceptions due to the pandemic.

The OGD does not know the full extent to which the Agency has implemented the coronavirus pandemic-related grant flexibilities permitted by the OMB. Specifically, the OGD is unaware of the extent to which the Agency has modified work plans, adjusted budgets, extended periods of performance, granted administrative relief, or provided OMB exceptions for grant recipients due to the coronavirus pandemic.

To determine the extent of the EPA’s implementation, outside of the OGD’s class-waiver requirements, we requested a list of grants with OMB coronavirus pandemic-related flexibilities and exceptions from each of the EPA’s 11 program offices and ten regions. Six program offices and ten regions reported providing flexibilities and exceptions to 682 grants, with a cumulative award amount over \$1.4 billion. Table 1 outlines the number of grants reported and the associated grant award amount by program office or region.

Table 1: Grant awards receiving flexibilities and exceptions from program offices or regions

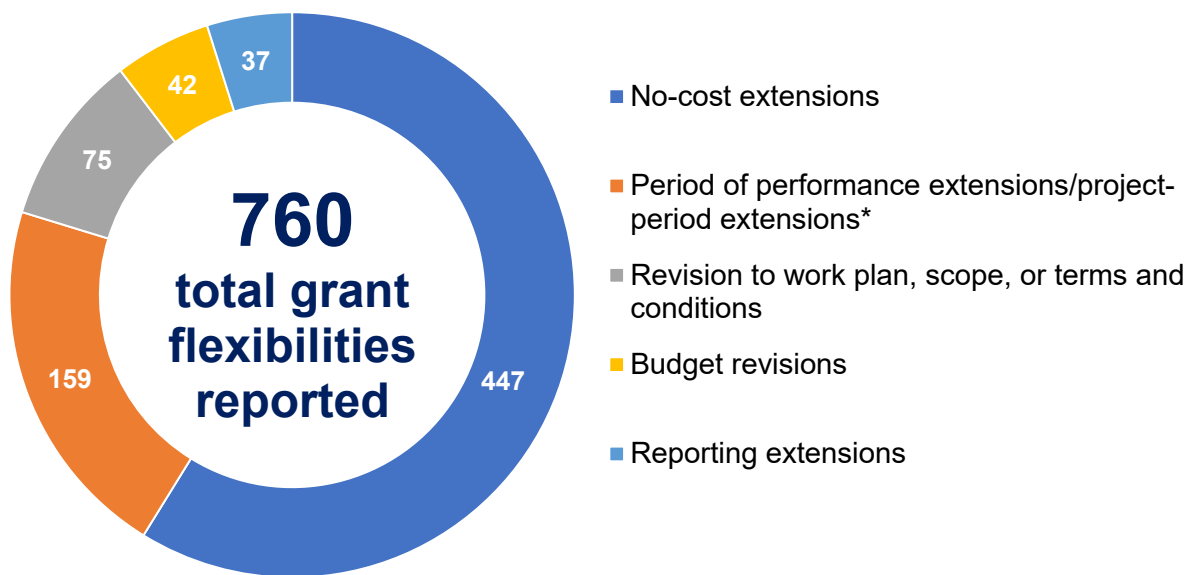
Program or region office	Number of grants reported	Grant award amount
Region 5	133	\$124,978,418
Region 2	102	670,315,009
Region 10	91	157,776,198
Region 6	85	139,296,422
Region 1	84	85,450,226
Office of Research and Development	61	47,019,703
Region 3	36	46,184,119
Region 7*	22	N/A*
Office of Water	21	36,369,442
Region 9	17	23,595,535
Region 4	11	28,326,765
Region 8	7	6,492,450
Office of Chemical Safety and Pollution Prevention	6	22,500,000
Office of Mission Support	3	8,051,000
Office of Land and Emergency Management	2	2,450,000
Office of Air and Radiation	1	8,000,000
Office of Enforcement and Compliance Assurance	0	0
Office of General Counsel	0	0
Office of the Chief Financial Officer	0	0
Office of the Administrator	0	0
Office of International and Tribal Affairs	0	0
Total	682	\$1,406,805,287

Source: OIG analysis of EPA data. (EPA OIG table)

* Upon our request, Region 7 identified 22 grants that received pandemic-related no-cost extensions but did not provide an awarded amount for reported grants.

Based on our analysis, we identified 682 grants with 760 pandemic-related flexibilities and exceptions that were provided to grant recipients. Figure 1 outlines the types of flexibilities and exceptions provided by the program offices and regions.

Figure 1: Types of flexibilities and exceptions provided by program offices or regions due to coronavirus pandemic



Source: OIG analysis of EPA information. (EPA OIG image)

* Includes 46 grants receiving project-period extensions reported to OGD that were under the class waiver.

The EPA was unable to verify that the types of flexibilities and exceptions we identified are all-inclusive of agencywide flexibilities and exceptions provided to grant recipients because the OGD did not have an agencywide requirement for tracking grants outside those which were reported to the OGD under its class waiver for project-period extensions. For example, we identified an instance where a grant recipient requested a three-month no-cost extension, but the amended grant award did not indicate whether the extension was due to the coronavirus pandemic. In those cases, because EPA staff was not required to identify pandemic-related flexibilities in grant amendments, the EPA cannot know which grants received OMB flexibilities and exceptions. Also, several OGD staff informed us that it is not possible to track and easily identify grants that received flexibilities within any of the EPA grant databases, which we determined could hinder management’s ability to anticipate and plan for significant changes to the grant. We outline the EPA’s grant databases in Chapter 3 (Table 2).

The OGD stated that in the midst of the office’s transition to 100 percent telework, as well as the uncertainty created by the coronavirus pandemic, it took significant actions in a short period of time. For example, within one week of the OMB’s M-20-17 issuance, the OGD developed a website for internal EPA grant staff with information on the flexibilities provided because of the coronavirus pandemic.

We found that the OGD’s focus on providing OMB flexibilities was, in fact, reflected in the six grants we reviewed, which showed that EPA grant staff assisted recipients to continue their work during the pandemic to meet their initial project mission. Some of the positive impacts of the flexibilities that grant recipients reported include the following:

- The Center for Air, Climate, and Energy Solutions focuses on addressing overarching themes of regional differences, multiple pollutants, and development and dissemination of tools for air quality and impact assessment. The organization, which was awarded a grant from the Office of Research and Development, requested a one-year no-cost extension to account for project delays associated with the coronavirus pandemic and starting up the center. During the

coronavirus pandemic, the grantee reported that it published three papers regarding the effects of the coronavirus pandemic on air quality that were not originally part of the grant's work plan.

- The Institute for Tribal Environmental Professionals' Tribal Waste and Response Assistance Program supports tribal participants in the Tribal Superfund Working Group, led by the Arizona Board of Regents of Northern Arizona University in Flagstaff, Arizona. This organization, which was awarded a grant through the Office of Land and Emergency Management to identify important tribal Superfund issues, requested a budget modification to realign funds originally planned for travel to a training event that was cancelled due to the pandemic. The modification permitted the grantee to offer virtual training to many more individuals than the originally planned in-person training event.
- The Rural Community Assistance Partnership in Washington, D.C., provides services in all 50 states, two U.S. territories, and multiple tribal communities. The organization, which was awarded a grant through the Office of Water, requested a work-plan revision to transition to online training and remote technical assistance due to the coronavirus pandemic. The grant provides funds for training and technical assistance services to small public water systems to help them achieve and maintain compliance with applicable drinking water regulations. As a result of the flexibilities provided, the grantee was able to increase attendance from remote rural communities, which alleviated travel or budget restrictions for attendees since trainings were held online.

By inconsistently tracking flexibilities and exceptions, the Agency is not aware whether records in programs and regional offices are maintained on the level of "particular exceptions provided to recipients" as required by OMB guidance. The Agency lacked knowledge of the grants that received pandemic-related flexibilities, as the OGD was able to identify only 46 out of 682 grants that did so. The OGD did not provide program and regional offices with applicable requirements for an effective internal control system over the tracking of the flexibilities. OMB Circular No. A-123 states that "management must evaluate the effectiveness of internal controls" using the Government Accountability Office's Green Book, which provides a framework for establishing and maintaining an effective internal control system.

OGD Did Not Provide Pandemic-Related Tracking Requirements to Program and Regional Offices

Program and regional offices inconsistently tracked pandemic-related flexibilities and exceptions because the OGD did not require agencywide tracking of grants that received OMB flexibilities and exceptions. For example, Regions 2 and 5 reported the most grants with flexibilities and exceptions. However, Region 5's grants management officer stated that the region did not have a grants management officer for much of the coronavirus pandemic and did not track the grants with flexibilities until our request. Region 2's audit liaison stated that the region tracked its flexibilities and exceptions in a regional electronic grant database.

Regions 1, 5, and 7 did not track grants that received flexibilities due to the coronavirus pandemic. Upon our request, they created a list of grants that received OMB flexibilities and exceptions due to the coronavirus pandemic. Grants management officers in Regions 3 and 9 stated that they maintained a tracker with flexibilities and exceptions provided to grant recipients during the coronavirus pandemic. The OGD was not aware of which program offices and regions were or were not tracking, since the OGD

did not provide any specific requirements for agencywide tracking of OMB pandemic-related flexibilities. We identified at least 714 OMB pandemic-related flexibilities and exceptions that were provided to grant recipients outside of the 46 grants tracked by the OGD, as reported previously in Figure 1.

The OGD's grants management specialist said that the OGD discussed tracking grant flexibilities with the OMB and other federal grant-making agencies on several governmentwide calls. The OGD grants management specialist stated that several federal agencies, including the EPA, developed a document titled *Agency Record Keeping Requirements for the Flexibilities Authorized by OMB Memoranda M-20-11, M-20-17, and M 20-20*, summarizing the agencies' record-keeping requirements for coronavirus pandemic-related grant flexibilities in April 2020. The document states that:

Agencies are not required to track each recipient's usage of the flexibilities authorized by OMB Memoranda M-20-11 and M-20-17. This is consistent with agency record keeping requirements for such flexibilities established for natural events such as Hurricanes Katrina and Sandy.

However, the OMB did not adopt this statement into its guidance.

The OGD's director stated that its focus was on making sure that EPA grant staff and recipients were aware of the flexibilities that the OMB provided to grantees. The OGD director also stated that program offices and regions have oversight responsibility and the authority to track grants that were provided OMB flexibilities and exceptions. The OGD did not clarify in its guidance what to specifically document in terms of grant flexibilities and exceptions provided to grant recipients by the respective program offices and regions. OMB Circular No. A-123 states that federal leaders and managers are responsible for "ensuring compliance with relevant laws and regulations, and managing both expected and unexpected or unanticipated events." The OGD's director and grants management specialist explained that while it would have been helpful to have an overall agencywide program view of what flexibilities were tracked, the onset of coronavirus made it difficult.

As the overseer of grant management and the developer of national policies, guidance, and training for the Agency's grant program, the OGD should provide specific guidance to program offices and regions on tracking flexibilities for unanticipated events to assure agencywide consistency and improve internal controls in accordance with OMB Circular No. A-123.

Lack of Consistent Tracking Hinders EPA's Ability to Assess Impact to Grant Process

The EPA's inconsistent tracking of authorized pandemic-related grant flexibilities and exceptions hindered the Agency's ability to assess how the coronavirus pandemic impacted the grant process throughout the Agency, which includes assessing whether grant recipients are able to fulfill the award agreement to conduct environmental programs or projects. If the OGD had required consistent tracking of grant flexibilities, it could have identified at least 760 pandemic-related flexibilities and exceptions that were provided to grant recipients, which included 447 no-cost extensions; 159 period-of-performance extensions; and 75 revisions to work plans, scopes, or terms and conditions. This information was not readily available for Agency decisions on whether the flexibilities and exceptions had any impacts on grant recipients' fulfillment of grant goals, which are used to track the accomplishment of the EPA's mission to protect human health and the environment.

Recommendation

We recommend that the assistant administrator for Mission Support:

1. Develop a standard operating procedure that instructs program offices and regions on tracking and documenting grant flexibilities and exceptions, and their impacts, due to unanticipated events in order to assure consistency in the information needed to manage grants.

Agency Response and OIG Assessment

The Office of Mission Support agreed with Recommendation 1 and committed to developing a standard operating procedure by December 31, 2023. The Office of Mission Support plans to address Recommendations 2 and 3, to implement a uniform electronic record-keeping system and direct program offices and regions to use the system, as is necessary prior to being able to complete this recommendation. The proposed corrective action satisfies our recommendation; therefore, Recommendation 1 is resolved with corrective actions pending.

Appendix B contains the Agency's response to the draft report. The Office of Mission Support included two attachments in its response that provided reactions and supporting documents related to our findings. We made minor changes to the report where appropriate. Those attachments are not in Appendix B.

Chapter 3

EPA Needs to Implement an Official Agencywide Electronic Grant File Storage System

The EPA needs to implement an official agencywide electronic grant file storage system that provides staff with consistent access to grant files in emergencies and while teleworking. We found that program offices and regions stored grant files inconsistently—such as on local computer hard drives, in the Agency’s email system, on computer shared drives, and in grant-management systems—or used hard copies of the files, while teleworking. Federal guidance directs that by December 31, 2022, federal agencies should manage all permanent records in an electronic format and with appropriate metadata. It also directs all temporary records to be managed in an electronic format or stored in commercial records storage facilities by December 2022. Additionally, departments and agencies must provide employees access to files and tools necessary to achieve the organization’s mission essential functions while teleworking. However, the OGD did not require program and regional offices to use a consistent electronic system to access and store official grant files. Also, the OGD does not have a plan or roadmap for implementing an official system. The EPA awards and manages over \$20 billion in cumulative grant funds. Effective grants management is hindered if the EPA does not have a consistent storage method to help staff access official files during an emergency and while teleworking. In addition, the Agency’s grant data and documents could be lost if they are stored on local hard drives or could be inaccessible if the staff member who stored the data or documents is unavailable.

Federal Guidance Requires EPA to Manage Records in Electronic Format and Provide Access to Essential Records

The OMB’s *Transition to Electronic Records* memorandum directs federal agencies to manage all permanent records in an electronic format and with appropriate metadata by December 31, 2022. The memorandum further provides that by December 31, 2022, all temporary records should be managed in an electronic format or stored in a commercial records storage facility. After December 31, 2022, the OMB directs that all agencies, unless they have been granted an extension, transfer permanent records to the National Archives and Records Administration electronically, in accordance with the National Archives and Records Administration’s regulations and transfer guidance.

Additionally, the Department of Homeland Security’s Federal Emergency Management Agency’s Federal Continuity Directive 1, *Federal Executive Branch National Continuity Program and Requirements*, dated January 17, 2017, states that departments and agencies must “provide access to essential records, databases, and the robust communications necessary to sustain an organization’s essential functions at telework locations.”

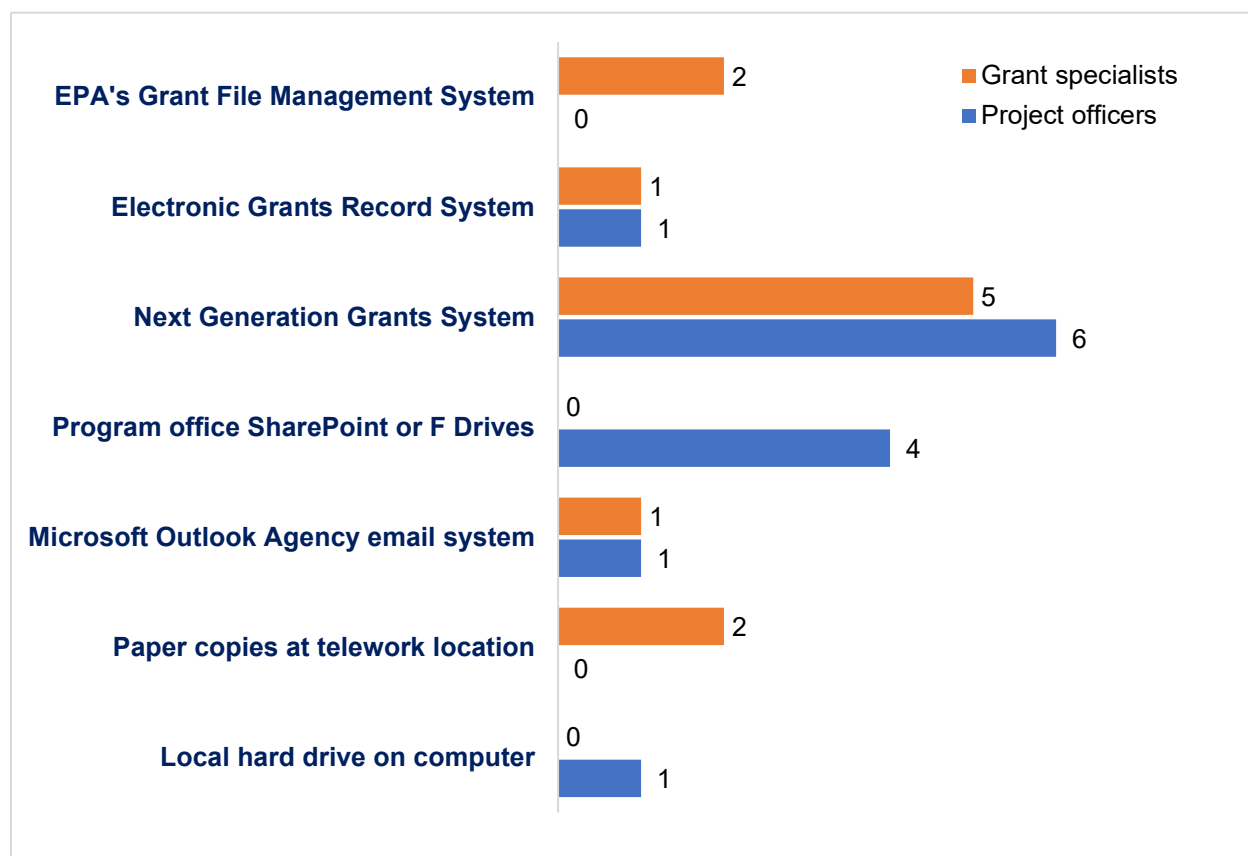
EPA Allowed Inconsistent Grant File Storage Methods That Limited Access During Coronavirus Pandemic

The EPA does not have an official agencywide electronic grant file storage system that provides staff with consistent access to grant files in emergencies and while teleworking. Program offices and regions stored official grant files in inconsistent ways—such as on local computer hard drives, in the Agency’s

email system, on computer share drives, and in grant-management systems—or had hard copies of the files, while teleworking full-time. During the pandemic, grant staff in many program offices and regions were teleworking, and access to essential hard-copy grant files was limited throughout the Agency. According to the OGD’s *Assistance Agreement Almanac*, as of June 29, 2021, the official EPA file for executed grants includes paper documents kept by the grant management officers, the program offices, finance centers, grant specialists, and project officers who are responsible for managing these documents.

We interviewed six project officers and six grant specialists, who informed us that they used several storage methods for official grant files while teleworking. We identified seven storage methods, as shown in Figure 2.

Figure 2: Storage methods project officers and grant specialists used while teleworking



Source: OIG analysis of EPA information. (EPA OIG image)

Note: Some project officers and grant specialists used multiple storage methods.

The EPA uses several electronic database systems for grant-management purposes. Some of the systems contain the same information, and the EPA stated that none of the systems meet the federal requirements for an approved electronic record-keeping system to store official grant files. Table 2 shows the EPA’s various grant systems and databases. The OGD stated that Regions 2, 5, and 10 have developed their own file management systems.

Table 2: EPA grant-management systems and databases

System name	System description	User
Next Generation Grants System	Implemented in December 2020 as EPA's grants system. It replaced the legacy Information Grants Management System for agencywide grants management. The system is composed of a series of integrated modules designed to mirror the business processes for grants, from application to closeout.	Staff who are required to award, fund, and manage grants.
Electronic Grants Record System	A semiautomated records management application designed to capture data, artifacts, and attachments from the Next Generation Grants System. Those items are filed and organized within Documentum, the general electronic filing system software for the Electronic Grants Records System. These records are considered official files and primarily contain administrative information.	OGD managers and grant specialists.
EPA Grant File Management System	Also known as the EPA Grant File Solution. It is intended to provide a consistent approach and platform for managing grant information across the Agency and would provide users with features to query the data and create reports.	Project officers and grant specialists.
Grants Datamart	Supports grants' administrative and operational reporting needs. It is intended to provide access to grants and interagency data stored in the Office of Mission Support and the Office of the Chief Financial Officer systems.	EPA staff and managers
Grants Research Information Portal	A combination of reports (formally named Quik reports) and the Grants Datamart. It expands the functions of Quik reports to include save filters and links to other resources. The tool includes grant preaward and postaward data for reporting needs. The reports found in the Grants Datamart are also available in the tool.	EPA staff and managers

Source: OIG analysis of EPA information. (EPA OIG table)

OGD managers stated that they recognized that paper grant files were not sustainable before the coronavirus pandemic occurred, but the pandemic accelerated the need for an electronic grant file storage system for official grant files. The OGD stated that it became obvious in the maximum telework environment that an electronic standard system with a file structure would be helpful throughout the Agency because program offices and regions were using different systems and approaches.

During our audit, the OGD issued a memorandum announcing the availability of the EPA Grant File Management System. The memorandum states that the OGD supports the new system and encourages program and grant offices to adopt it as soon as practicable. In addition, the memorandum noted that adopting the EPA Grant File Management System will facilitate the eventual transfer of grant files to an approved electronic record-keeping system. Although the EPA has several electronic database systems for grant-management purposes and supports the use of the EPA Grant File Management System, it is not considered by the OGD to be an official system. The OGD needs to plan and design an electronic record-keeping system for official grant files that meets National Archives and Records Administration's regulations and provides the EPA's program offices and regions with consistent access to grant information.

OGD Did Not Require Agencywide Use of Its Adopted Electronic Grant File System to Access and Store Grant Files

The OGD did not require program and regional offices to use the EPA Grant File Management System to access and store official grant files. A project officer and a grants management specialist for one region stated that their office is aware that the EPA Grant File Management System is available for use, but the region is looking at other systems because the EPA Grant File Management System does not fit the regional office's business process.

The EPA declared in its *Interim Records Management Policy* that it is committed to converting to electronic formats. OGD management also stated that the requirements for becoming an approved electronic record-keeping system include rigorous criteria and OMB and congressional approval. The EPA's draft 2021–2025 *Grants Management Plan* states that the Agency plans to:

Collaborate with program and grant offices to adopt the EPA's Grant File System as the Agency's electronic system for managing grant files to enhance consistency and facilitate transition to an official electronic record keeping system.

The OGD stated that it has trained program offices and is in the process of training regions on the EPA Grant File Management System. The OGD stated that it will review the Agency's adoption of the EPA Grant File Management System in fiscal year 2022, but there are no documented plans or a roadmap on how the Agency would convert its essential grant records into an electronic record-keeping system by December 2022, as directed in OMB Memorandum M-19-21.

Lack of Access and Inconsistent Storage Increase EPA's Risks of Mismanagement and Loss of Grant Files

The EPA awards and manages over \$20 billion in cumulative grant funds. Effective grant management is hindered if the EPA does not have a consistent storage method to help staff access official files during emergencies and while teleworking. In addition, the Agency's grant data and documents could be lost if they are stored on local hard drives or could be inaccessible if the staff member who stored the data or documents is unavailable.

Recommendations

We recommend that the assistant administrator for Mission Support:

2. Develop a plan to implement, by December 2022, a uniform electronic record-keeping system for grants to meet the Office of Management and Budget direction in M-19-21, *Transition to Electronic Records*, that all federal records must be created, retained, and managed in electronic formats with appropriate metadata.
3. Direct program offices and regions to use a uniform official electronic file system that would allow consistency in agencywide access and storage of electronic grant files.

Agency Response and OIG Assessment

The Office of Mission Support agreed with Recommendations 2 and 3.

In response to Recommendation 2, the Office of Mission Support stated that it will follow the Agency's records management initiative. It stated that the chief information officer will provide actionable guidance for program offices and regions to meet the mandate to transition from paper to electronic records. The OGD stated that it will work closely with the Agency's chief information officer to ensure that electronic grant records are included in the new Agency Records Management System. The Office of Mission Support committed to issue a policy notice, as part of the transition, that will include measures regions and program offices may undertake to advance electronic grant file storage. The Office of Mission Support stated that the corrective actions are estimated to be completed by December 31, 2022.

In response to Recommendation 3, the Office of Mission Support committed to directing the program offices and regions to use a uniform official electronic file system.

The proposed corrective actions for Recommendations 2 and 3 satisfy our recommendations, and those recommendations are resolved with corrective actions pending.

Appendix B contains the Agency's response to the draft report. The Office of Mission Support included two attachments in its response that provided reactions and supporting documents related to our findings. We made minor changes to the report where appropriate. Those attachments are not in Appendix B.

Status of Recommendations

RECOMMENDATIONS

Rec. No.	Page No.	Subject	Status ¹	Action Official	Planned Completion Date
1	11	Develop a standard operating procedure that instructs program offices and regions on tracking and documenting grant flexibilities and exceptions, and their impacts, due to unanticipated events in order to assure consistency in the information needed to manage grants.	R	Assistant Administrator for Mission Support	12/31/23
2	15	Develop a plan to implement, by December 2022, a uniform electronic record-keeping system for grants to meet the Office of Management and Budget direction in M-19-21, <i>Transition to Electronic Records</i> , that all federal records must be created, retained, and managed in electronic formats with appropriate metadata.	R	Assistant Administrator for Mission Support	12/31/22
3	15	Direct program offices and regions to use a uniform official electronic file system that would allow consistency in agencywide access and storage of electronic grant files.	R	Assistant Administrator for Mission Support	12/31/22

¹ C = Corrective action completed.

R = Recommendation resolved with corrective action pending.

U = Recommendation unresolved with resolution efforts in progress.

Summary of Selected Grants

Number	Program or regional office	Project description	Type of OMB flexibility and exception	Impact of OMB flexibility and exception on public health and the environment
1	Office of Land and Emergency Management	Project will fund research to identify Superfund issues of importance to tribes, conduct more in-depth research on a few prioritized issues, and develop and disseminate reports and tools summarizing the results of the research to tribes.	Budget modification	Recipient stated that it was able to hold a virtual training, which increased attendance. Future events will include in-person and virtual conferences.
2	Office of Research and Development	Project aims to create a research center that uses novel measurement and modeling approaches to understand spatial and temporal differences in multiple air pollutants and health outcomes.	No-cost extension	Recipient stated that it was able to publish three papers about the effects of the coronavirus pandemic on air quality.
3	Office of Water	Project will expand and continue training and technical assistance services to small public water systems to help them achieve and maintain compliance with applicable national primary drinking water regulations.	Revised work plan	Recipient stated that it was able to hold virtual trainings, which increased attendance from rural communities and alleviated travel and budget restrictions for attendees.
4	Region 2	Project finances infrastructure projects related to increasing resiliency against the adverse effects of future extreme weather events such as Hurricane Sandy.	No-cost extension	None.
5	Region 5	Project supports the Great Lakes Restoration Initiative and the Great Lakes Water Quality Agreement, pursuant to Pub. L. 113-235, by removing and remediating 24 acres of impacted material within the flood plain and creating in-stream habitat.	Budget and project-period extension	Recipient stated that it was able to warrant the vegetation and hold the contractor responsible. Executing the warranty allows the grantee to make a better determination on whether the contractor met the requirements.
6	Region 7	Project funds the 2018 comprehensive lead-based paint program to reduce the risk of childhood lead poisoning.	No-cost extension	None.

Source: OIG analysis of EPA information. (EPA OIG table)

Agency Response to Draft Report



UNITED STATES ENVIRONMENTAL PROTECTION AGENCY

WASHINGTON, D.C. 20460

January 20, 2022

OFFICE OF MISSION SUPPORT

MEMORANDUM

SUBJECT: Response to Office of Inspector General Draft Report “*EPA Should Consistently Track Coronavirus Pandemic-Related Grant Flexibilities and Implement Plan for Electronic Grant File Storage*,” Project No. OA-FY21-0108, dated December 13, 2021

FROM: Lynnann Hitchens, Acting Principal Deputy Assistant Administrator

LYNNANN

Digitally signed by
LYNNANN HITCHENS
Date: 2022.01.20
17:43:59 -0500

TO: Khadija Walker, Director
Business Operations
Office of Audit, Office of Inspector General

Thank you for the opportunity to respond to the issues and recommendations in the subject audit report. Following is a summary of the agency’s overall position, along with its position on each of the report recommendations.

AGENCY’S OVERALL POSITION

The overarching concern with the findings and recommendations detailed in this report is the conclusion that EPA’s approach to implementing grant flexibilities and transitioning to electronic grant records management will result in risks of mismanagement of the agency’s grant funds. There is no basis for this conclusion. We firmly dispute the implication that the agency increased risk to grants mismanagement and fiscal stewardship because the pandemic-related grant flexibilities were not centrally tracked. Consistent with the pandemic and OMB guidance, we communicated the availability of the grant flexibilities and requirements on maintaining documentation. This communication enabled the agency to manage the grant flexibilities correctly and properly safeguard grant funds. Similarly, the agency took reasonable steps to transition to a consistent, enterprise-wide platform to maintain electronic grant files during the pandemic and beyond.

For your consideration, we have attached “OMS Reaction to OIG Findings” statement (Attachment 2) to address specific report findings.

OMS RESPONSE TO REPORT RECOMMENDATIONS

Agreements

No.	Recommendation	High-Level Intended Corrective Actions	Estimated Completion
1	Develop a standard operating procedure that instructs program offices and regions on tracking and documenting grant flexibilities and exceptions, and their impacts, due to unanticipated events in order to assure consistency in the information needed to manage grants.	Develop a standard operating procedure that instructs program offices and regions on tracking and documenting grant flexibilities and exceptions, and their impacts, due to unanticipated events in order to assure consistency in the information needed to manage grants.	December 31, 2023
2	Develop a plan to implement, by December 2022, a uniform electronic record-keeping system for grants to meet the Office of Management and Budget direction in M-19-21, <i>Transition to Electronic Records</i> , that all federal records must be created, retained, and managed in electronic formats, with appropriate metadata.	OMS/OGD will follow the Agency’s records management transformation initiative currently underway. See mass mailer from the Agency’s CIO dated Nov. 23, 2021 (attachment 2). Over the next 12 months the CIO will provide actionable guidance for program offices and regions to meet the M-19-21 mandate to transition from paper to electronic records. OGD will work closely with the Agency’s CIO to ensure inclusion of electronic grants records in the new Agency Records Management System (ARMS). Part of the transition will include a Policy Notice issued by OMS/OGD that will include measures regions and programs may undertake to advance electronic grants file storage.	December 31, 2022
3	Direct program offices and regions to use a uniform official electronic file system that would allow consistency in agencywide access and storage of electronic grant files.	Direct program offices and regions to use a uniform official electronic file system that would allow consistency in agencywide access and storage of electronic grant files.	December 31, 2022

If you have any questions regarding this response, please contact Marilyn Armstrong, Audit Follow-up Coordinator, of the Office of Resources and Business Operations, (202) 564-1876 or armstrong.marilyn@epa.gov.

Attachment:

1. OMS Reaction to OIG Findings Statement
2. Mass Mailer

Cc: Sabrina Berry
Ashley Jaramillo
Nicole Pilate
Gloria Taylor-Upshaw
Michael Osinski
Bruce Binder
Laurice Jones
Kysha Holliday
Jenny Bae
Darryl Hobbs
Jessica Durand
James Drummond
Melissa Wise
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