

# United States Senate

WASHINGTON, DC 20510-2503

APR 30 2001

The Honorable Christine Todd Whitman  
Administrator  
U.S. Environmental Protection Agency  
1200 Pennsylvania Avenue  
Washington, DC 20460

Dear Governor Whitman:

Please consider the need for the U.S. Environmental Protection Agency (EPA/Agency) to make further improvements in its grants management. Enclosed is a copy of the General Accounting Office's (GAO) new report, *Environmental Protection: EPA's Oversight of Nonprofit Grantees' Costs Is Limited*. This issue may not seem sexy or glamorous, but the environment depends on it. Every dollar EPA allows a grantee to waste or misspend is a dollar EPA prevents from protecting the environment.

My work with government agencies such as EPA and the Department of Housing and Urban development shows me that nonprofits are particularly susceptible to mismanaging federal grant funds. Many times, nonprofits do not possess the experience, staffing, technical expertise or resources to ensure grant funds are protected from waste, fraud or abuse. In addition, EPA grantees have been caught using EPA grant funds for improper purposes, or so-called unallowable costs, such as illegal lobbying and litigation expenses.

In 1996, Congress heard testimony from the EPA Inspector General (IG) that EPA grant resources were vulnerable to fraud, waste and abuse. The IG noted how EPA was drastically increasing the amount of money sent to nonprofit grantees. Indeed, EPA awarded over \$1 billion over the last four years to an average of 1,000 nonprofit grantees per year. At the same time, EPA did not ensure adequate protection for the funds. The IG stated that, "In effect, EPA merely awarded the assistance agreements and paid the recipients' claims without knowing whether the costs were legitimate or the work being paid for was performed."

In reaction to IG and Congressional focus on these failings, Administrator Browner was forced to declare EPA oversight of grants a material management weakness to the President under the Federal Managers' Financial Integrity Act process. EPA prepared a corrective action plan and implemented several measures including additional training and a new grants management policy. While encouraged by EPA's efforts to clean up its mess, I asked GAO to examine whether the steps the last administration took will actually solve the problems. GAO's report appears to say no, they will not.

Hon. Christie Todd Whitman

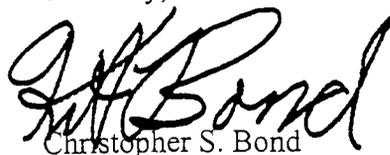
Page 2

GAO's report indicates that EPA oversight activities under its new policy are not likely to identify improper nonprofit grantee spending on unallowable costs. Even worse, GAO explains that EPA's policy is not even designed to identify unallowable cost spending. Compounding this problem is the fact that EPA grant managers lack the training to identify whether grantees are spending funds on unallowable costs. Furthermore, GAO found that EPA grant managers rarely select nonprofit grantees for the in-depth review necessary to determine how they are spending grant funds. Perhaps worst of all, GAO found that some EPA grant managers did not believe it was their responsibility to determine whether EPA grantees were spending funds on unallowable costs. I hope you will assure those managers that it is very much their responsibility to protect EPA resources from all forms of nonprofit grantee abuse.

It seems to me that a fundamental shift in EPA grants management may be necessary. It is not enough to identify only the grants management problems which fall into the Agency's lap. Similarly, EPA will not find abuses by its nonprofit grantees if it does not look for them. The Agency may need to change its attitude toward grantees. GAO reported that EPA regards its grant oversight activities as a customer-service mechanism for grantees. This should change. Grantees are not the Agency's customer. Federal taxpayers, our families and communities, and the environment itself are EPA's customers and EPA should place protection of these customers first.

Your administration is new and grants management may yet not have risen to your attention. Indeed, the President has yet to nominate an appointee for the office responsible for grants management. However, this GAO report brings grants management to the forefront as an opportunity for better EPA management and environmental stewardship. I hope it will serve as a constructive tool to enable you to make needed improvements. If you have any questions regarding this issue, please contact John Stody of my staff at 224-5175. Thank you in advance for your attention to these matters.

Sincerely,

A handwritten signature in black ink, appearing to read "Chris Bond", written in a cursive style.

Christopher S. Bond