

ONE HUNDRED FIFTEENTH CONGRESS
Congress of the United States
House of Representatives

COMMITTEE ON ENERGY AND COMMERCE

2125 RAYBURN HOUSE OFFICE BUILDING
WASHINGTON, DC 20515-6115

Majority (202) 225-2927

Minority (202) 225-3641

April 21, 2017

The Honorable Scott Pruitt
Administrator
U.S. Environmental Protection Agency
1200 Pennsylvania Avenue, N.W.
Washington, DC 20460

Dear Administrator Pruitt:

Pursuant to Rules X and XI of the U.S. House of Representatives, the Committee on Energy and Commerce is continuing its oversight of the Environmental Protection Agency's (EPA) management of grants. Specifically, the Committee seeks information about the process by which EPA closes out grants.

For the past decade, investigations and reports by the Committee, EPA Office of Inspector General, and Government Accountability Office (GAO) have uncovered waste and mismanagement in EPA's grant programs.¹ While EPA has made some improvements, recent reports continue to show the need for improved grant practices, including EPA grant money apparently spent by a subgrantee for political advocacy,² a state grant recipient accumulating millions of dollars in unspent grant funds while continuing to receive additional money,³ and concerns that EPA could improve grant monitoring practices.⁴ This comes in light of a 2016 GAO report that found \$994 million in expired grant accounts at the federal entities it reviewed.⁵

¹ See U.S. Env'tl Protection Agency, Office of Inspector General, *When Good Money Goes Bad: True Stories of Grant Fraud at EPA* (2009), available at https://www.epa.gov/sites/production/files/2015-09/documents/epa_oig_grant_fraud_brochure.pdf; see also U.S. Gov't Accountability Office, *EPA has Opportunities to Improve Planning & Compliance Monitoring*, GAO-15-618, Sept. 2015, available at <http://www.gao.gov/assets/680/672008.pdf>.

² See Letter from Hon. K. Michael Conaway, Chairman, H. Comm. on Agric., to Hon. Gina McCarthy, Administrator, U.S. Env'tl Protection Agency, (Apr. 12, 2016).

³ See U.S. Env'tl Protection Agency, Office of Inspector General, *Hawaii Dep't of Health Needs to Reduce Open Grants and Unspent Funds*, Report No. 16-P-0218, June 28, 2016, available at https://www.epa.gov/sites/production/files/2016-06/documents/20160628-16-p-0218_0.pdf.

⁴ U.S. Gov't Accountability Office, *EPA Could Improve Certain Monitoring Practices*, GAO-16-530, July 2016, available at <http://www.gao.gov/assets/680/678426.pdf>.

⁵ See U.S. Gov't Accountability Office, *Actions Needed to Address Persistent Grant Closeout Timeliness and Undisbursed Balance Issues*, GAO-16-362, Apr. 2016, available at <https://www.gao.gov/assets/680/676558.pdf>.

Because EPA was not among the agencies GAO examined, questions remain about whether EPA properly manages its grant closeouts.⁶ This is crucial given that EPA awards almost half of its budget, approximately \$4 billion annually, in grants.⁷

Closing out grants is essential for conducting oversight of grant accounts.⁸ GAO defines expired grants as those that “remain open more than 3 months past their period of performance end date and have had no disbursement activity in the preceding 9 months.”⁹ During the closeout process, all expenditures are reviewed to ensure that money is spent appropriately and determine if any unspent funds should be returned to the U.S. Treasury.¹⁰

According to GAO, “the existence of unspent funds can hinder the achievement of national objectives by leaving projects incomplete. Reducing undisbursed balances (unspent funds) in expired grant accounts is crucial to making the best and most efficient use of federal funds to support a grant program’s mission and, ultimately, national priorities.”¹¹ Moreover, of the 8,832 expired grant accounts identified by GAO, 5,906 had no remaining balance and were ready for closeout “pending instructions from the awarding agency to finalize the process.”¹² These accounts with no remaining funds cost taxpayers about \$29,000 in banking fees during one month alone and raise concerns about whether financial and performance reports have been properly completed.¹³

Given EPA’s past challenges in managing grants, the Committee seeks additional information to determine if EPA is properly closing out grants in a timely and efficient manner. To assist the Committee in its oversight efforts, please provide the following documents and information by May 5, 2017:

1. Reports from EPA’s cash management systems and grant management systems of all expired grant¹⁴ accounts from FY 2012, FY 2013, FY 2014, and FY 2015.
2. All documents relating to expired grant accounts, including how long the accounts have been expired, whether an extension on the period of performance has been

⁶ After a 2006 GAO report noted that EPA had a large backlog of expired grants, EPA began self-reporting percentages of grant closeouts in its annual financial report, but no additional information is available. See Agency Financial Report, EPA, FY 2016, available at https://www.epa.gov/sites/production/files/2016-11/documents/epa_fy_2016_afr_2.pdf; see also U.S. Gov’t Accountability Office, *Action Needed to Improve the Timeliness of Grant Closeouts by Federal Agencies*, GAO-12-360, at 30, Apr. 2012, available at <http://www.gao.gov/assets/600/590926.pdf>.

⁷ U.S. Gov’t Accountability Office, *EPA Partially Follows Leading Practices of Strategic Workforce Planning & Could Take Additional Steps*, GAO-17-144, at 1, Jan. 2017, available at <http://www.gao.gov/assets/690/681988.pdf>.

⁸ See Natalie Keegan, U.S. Congressional Research Service, *Delayed Federal Grant Closeout: Issues & Impact*, at 1, Sept. 12, 2014, available at <https://fas.org/sgp/crs/misc/R43726.pdf>.

⁹ GAO, *supra* note 6, at 2-3.

¹⁰ CRS, *supra* note 8, at 1.

¹¹ GAO, *supra* note 6, at 1.

¹² *Id.* at 21.

¹³ *Id.* at 22-22.

¹⁴ GAO defines expired grants as “all grant accounts that remain open more than 3 months past their period of performance end date and have had no disbursement activity in the preceding 9 months.” For more information, see *supra* note 6, at 2-3.

given, total monthly banking fees for each expired grant, and any information regarding the reason the grant was not closed out in a timely manner.

3. All final reports, performance reports, and progress reports submitted for each of the expired grant accounts.
4. A list of all grant applicants and grantees designated as high risk, including information relating to any additional monitoring conducted on high risk grantees.

An attachment to this letter provides additional information about responding to the Committee's request. If you have any questions, please contact Lamar Echols of the Committee Staff at 202-225-2927. Thank you for your attention to this matter.

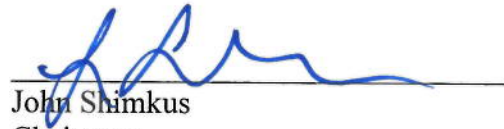
Sincerely,



Greg Walden
Chairman
Committee on Energy and Commerce



Tim Murphy
Chairman
Subcommittee on Oversight
and Investigations



John Shimkus
Chairman
Subcommittee on Environment

cc: The Honorable Frank Pallone, Jr., Ranking Member
Committee on Energy and Commerce

The Honorable Diana DeGette, Ranking Member
Subcommittee on Oversight and Investigations

The Honorable Paul Tonko, Ranking Member
Subcommittee on Environment

Attachment