Office of Inspector General

AUDIT REPORT

THE SOUTHWEST CENTER FOR ENVIRONMENTAL RESEARCH AND POLICY SHOULD FOCUS ON BORDER PROBLEM SOLUTIONS

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September 29, 1995

MEMORANDUM

SUBJECT: The Southwest Center for Environmental Research and Policy (SCERP) Should Focus on Border Problem Solutions
Report No. E1FUF5-08-0019-5100528

FROM: Bennie Salem
Acting Divisional Inspector General
for Audit

TO: Gary M. Katz, Director
Grants Administration Division (3903F)

Jerry A. Kurtsweg, Director
Office of Program Management Operations (W947)

Attached is our report entitled "The Southwest Center for Environmental Research and Policy Should Focus on Border Problem Solutions." The report contains recommendations on jointly developing a prioritized list of border problems, improving the SCERP - Environmental Protection Agency (EPA) relationship, developing clearer project evaluation criteria, stabilizing the SCERP management structure, and distributing research information. We summarized comments to the draft report and included the complete SCERP and Office of Air and Radiation responses as Appendices I and II respectively.

SCERP and EPA appear to have made progress in working more closely in fiscal 1995. We hope that the results of our report will provide direction for continued improvements in solving U.S. - Mexican border environmental problems.

The Director of the Grants Administration Division is the primary action official. In accordance with EPA Order 2750, the primary action official is required to provide this office a written response to the audit report within 90 days of the final audit report date. For corrective actions planned but not completed by your response date, reference to specific milestone dates will assist this office in deciding whether to close this report.

RECYCLE

This audit report contains findings that describe problems the Office of Inspector General (OIG) has identified and corrective actions OIG recommends. This audit report represents the opinion of OIG. Final determinations on matters in this audit report will be made by EPA managers in accordance with established EPA audit resolution procedures. Accordingly, the findings described in this audit report do not necessarily represent the final EPA position.

We have no objections to the release of this report to the public.

If you or your staff have any questions, please contact me at (913) 551-7878 or Jeff Hart, Audit Manager in our Denver office, at (303) 294-7520. Please refer to audit control number E1FUF5-08-0019-5100528 on any correspondence.

Attachment

cc: Dr. William Raub, Director
National Center for Environmental Research and Quality Assurance (8701)
Office of Research and Development

EXECUTIVE SUMMARY

PURPOSE

In July 1994, the Environmental Protection Agency's (EPA) Office of Research and Development (ORD) requested that the Office of Inspector General audit three university research centers funded by congressional legislative mandate. ORD questioned the quality of research and the centers' use of EPA funds.

The research center covered in this audit is the Southwest Center for Environmental Research and Policy (SCERP), a consortium of five U.S. and four Mexican universities. SCERP received $9.9 million in EPA funds earmarked by Congress, about $2 million each year between 1991 and 1995, to help solve the severe environmental and health problems along the U.S. - Mexican border.

We audited SCERP to determine if it effectively performed the research contemplated in the legislation. In addition, we determined if costs SCERP claimed through October 31, 1994, were eligible, reasonable, and allocable to the respective cooperative agreements (CA).

BACKGROUND

EPA involvement with SCERP began in 1991 in response to a congressional mandate. Congress funded SCERP to "...initiate a comprehensive analysis of possible solutions to the acute air, water quality, and hazardous waste problems that plague the U.S. - Mexico border region...."

U.S. members of the SCERP consortium are the University of Texas at El Paso, University of Utah, Arizona State University, New Mexico State University, and San Diego State University. A SCERP Management Committee, comprised of one member from each university, administered SCERP activities. Chairmanship of the Committee rotated between universities on an annual basis.

ORD was responsible for administration and oversight of the CAs awarded for 1991, 1992, and 1993 research. The Office of

Air and Radiation (OAR) assumed responsibility for SCERP oversight in 1994. ORD and OAR used CAs to fund SCERP research to encourage an active EPA role in setting the direction and development of the research program.

Each year the SCERP Management Committee, in consultation with EPA and others, selects a list of research proposals for funding. Upon approval of the list of projects, the lead university enters into subagreements with the other consortium universities to fund their approved research projects.

RESULTS IN BRIEF

SCERP and EPA could have better focused limited research funding toward developing solutions to acute border environmental problems by prioritizing research topics. Although SCERP sought more EPA involvement recently, the working relationship between SCERP and EPA hindered consensus on the most important border environmental problems and related research. Although not essential to SCERP's success, a closer working relationship would help SCERP and EPA obtain maximum benefit from limited EPA research funds.

PRINCIPAL FINDINGS

SCERP and EPA needed to better focus limited research funding on developing solutions to the most acute environmental problems along the U.S. - Mexican border. Although Congress explicitly intended that research be focused on acute problems and be solution-focused, SCERP did not prioritize research topics in its proposal requests, did not clearly define its selection criteria, and did not always select the highest ranked research proposals. As a result, while some SCERP-funded research projects focused on the solution of acute border environmental problems, others did not.

Although SCERP recently sought more EPA involvement, the two parties need to address conditions which continue to frustrate relations and obstruct progress in finding solutions to border environmental problems. SCERP and EPA did not fully implement CA special conditions designed to foster a strong working relationship. EPA limited its participation because some staff had a negative perception of the value of SCERP's research. SCERP and EPA needed to

provide stable SCERP and EPA management structures and adequate resources to facilitate developing an effective relationship. A closer working relationship would help SCERP and EPA reach consensus on the highest priority environmental problems and obtain maximum benefit from limited EPA research funds.

We questioned costs of $51,880 claimed under the CAs as ineligible for Federal participation. Most of these costs were incurred for SCERP administrative functions.

RECOMMENDATIONS

To focus research on the most important border problems, we recommend that the Director, Office of Program Management Operations, OAR obtain input and develop a prioritized list or lists of border problems and related research, reach a consensus with SCERP on border priorities for inclusion in proposal requests, and work with SCERP to develop and apply clear project evaluation criteria.

To improve the EPA - SCERP relationship, we also recommend that the Director work with SCERP to develop a technical monitoring program, and ensure that the system to distribute research information to EPA staff is fully implemented.

We recommend that the Director, Grants Administration Division recover the $51,880 of ineligible costs claimed by SCERP under the CAs.

AUDITEE COMMENTS

SCERP and OAR generally agreed with our findings and recommendations and in some cases had taken steps to implement changes. EPA's Grants Administration Division chose not to comment. Both SCERP and OAR offered comments to clarify some issues and recommendations and we modified the report as appropriate. We summarized auditee comments and our evaluation at the end of each finding chapter and included the full text of the SCERP and OAR comments as Appendices I and II, respectively.

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CHAPTER 1

INTRODUCTION

PURPOSE

In July 1994, the Environmental Protection Agency's (EPA) Office of Research and Development (ORD) requested that the Office of Inspector General (OIG) audit three university research centers funded by congressional mandate. ORD questioned the quality of research and the centers' use of EPA funds.

The research center covered by this audit is the Southwest Center for Environmental Research and Policy (SCERP). We audited SCERP to determine if it was effectively meeting its purpose as established by Congress. Specifically, our audit objectives included determining if:

- -- SCERP research benefitted EPA in meeting the highest priority environmental problems in the border region;
- -- project accomplishments were within cooperative agreement (CA) scope and EPA accepted final research project reports; and
- -- costs claimed by SCERP were eligible, reasonable, and allocable to the CAs and complied with Federal laws and regulations as well as CA terms and conditions.

BACKGROUND

SCERP is a consortium of five U.S. and four Mexican universities. U.S. universities include the University of Texas at El Paso (UTEP), University of Utah (UTAH), Arizona State University (ASU), New Mexico State University (NMSU), and San Diego State University (SDSU). A Management Committee comprised of one member from each university primarily administered SCERP. The Management Committee was responsible for establishing SCERP policy. Chairmanship of the Management Committee rotated between the universities on an annual basis. SCERP administrative responsibilities

shifted from UTEP in 1991 and 1992, to UTAH in 1993 and 1994, and to ASU in 1995.

Congress earmarked $1.9 million in EPA's 1991 appropriation for U.S. - Mexican border environmental research. The 1991 Senate Committee on Appropriations Report stated that funding was provided to initiate a comprehensive analysis of possible solutions to the acute air, water quality, and hazardous waste problems along the U.S. - Mexican border region of Arizona, Utah, New Mexico, and Texas. The report recommended a U.S. - Mexican public-private sector consortium representing these four States to conduct such research and organize a management conference to focus U.S. - Mexican public-private sector expertise on the border environmental issues. Four universities, in close coordination with Congress, submitted a formal proposal to EPA for creation of SCERP to carry out the programs and activities envisioned in the Senate report. SCERP added SDSU as the fifth university in the second year of funding.

Since 1991, EPA has awarded about $2 million annually through a CA to the lead SCERP university. On July 31, 1991, ORD awarded CA CR818296 for $1.9 million to UTEP as the lead university. EPA awarded CR821542 for $2 million to UTAH on June 7, 1993.

In 1994, the congressional appropriations conference report provided a congressional add-on of $2 million "for air quality monitoring and improvement along the U.S./Mexico border region." The report was unclear as to the recipient of the $2 million. Congress informed EPA that SCERP was the intended recipient of the $2 million. As a result, the Office of Air and Radiation (OAR) awarded CA CX823711 to UTAH as the lead university.

The ORD decision memorandum for the initial CA stated that special conditions were included to document the substantial involvement of EPA in planning the work, allocating the resources, and providing overall direction to SCERP.

SCOPE AND METHODOLOGY

We conducted our audit in accordance with Government Auditing Standards (1988 Revision) issued by the Comptroller General of the U.S. and included tests of the accounting records and other auditing procedures as we considered necessary. Other

than the issues discussed in this report, no other significant issues came to our attention that warranted expanding the scope of our audit. We performed our fieldwork from October 1994 to July 1995. We conducted both a performance and a financial/compliance audit.

Performance Audit

We conducted a performance audit of CAs CR818296 and CR821542 to determine if SCERP research addressed the most urgent border environmental problems. We also reviewed the research project solicitation and selection process documentation for CAs CX823711 and CX824099. We conducted the fieldwork at each of the member universities except SDSU. We reviewed records and held discussions with selected principal investigators who currently or previously conducted research under the CAs. We reviewed documentation and held discussions with SCERP management regarding the organizational structure, operation, and practices. We reviewed SCERP's project identification and selection process documentation. Additionally, we reviewed documents and held discussions with SCERP and EPA officials regarding their relationship and interaction.

We performed an extensive review of the project officers' (PO) files and conducted interviews with the current and past EPA POs in Headquarters. The results of our performance audit of ORD's administration and management of CAs CR818296 and CR821542 will be included in an audit report to be issued by the OIG Southern Audit Division. We met and held discussions with EPA Regions 6 and 9 staff regarding their relationship and interaction with SCERP and obtained supporting documentation, as appropriate. We interviewed members of the SCERP Management Committee and reviewed committee correspondence. We reviewed reports and interviewed a former member of the SCERP advisory board.

Financial/Compliance Audit

We conducted a financial/compliance audit to determine if the costs incurred and claimed under CAs CR818296 and CR821542 were eligible, reasonable, and allocable under the CA terms and conditions and in accord with laws and regulations. We conducted an extensive financial/compliance audit at UTEP and UTAH. We limited our review of ASU, NMSU, and SDSU to selected financial information and documentation provided by the universities. This audit represented a final audit of

costs claimed under CA CR818296 and an interim audit of costs claimed under CA CR821542. Our financial/compliance audit covered the period March 1, 1991, through October 31, 1994.

We requested the latest UTEP and UTAH Financial Status Report (FSR) or certified statement of claimed costs on which to base our audit. Performance under the UTEP CA CR818296 was complete, and UTEP prepared a final FSR during our site visit. As a result, this report may be used to close out the CA. At the time of our site visit to UTAH, performance under CA CR821542 was not complete. UTAH provided a certified statement of costs incurred under its CA CR821542 which we used as the basis for our interim audit.

We judgmentally selected a sample of costs claimed by each university. Our sample consisted primarily of costs incurred by UTEP and UTAH because they were the CA recipients. At UTEP, we selected transactions from each research project and administrative account. Our sample included salaries and wages, fringe benefits, travel, supplies, equipment, scholarships, and miscellaneous transactions. At UTAH, the payroll expenses were certified on a quarterly basis. As a result, we judgmentally selected 10 of the 14 project accounts and reviewed total payroll costs for 3 fiscal quarters. Additionally, we judgmentally selected a sample of UTAH's non-payroll transactions including travel, supplies, equipment, and miscellaneous costs. At ASU, SDSU, and NMSU we selected three invoices from each university and requested supporting documents. We reviewed the purchase orders, invoices, travel authorizations, travel vouchers, timesheets, and personnel records provided by the universities.

Our audit did not include a complete review of the universities' internal control systems. We relied on the 1991 and 1992 single audits of the five U.S. universities to the extent possible in performance of our audit. We analyzed a sample of incurred costs and related internal controls to assure compliance with Federal statutory and regulatory criteria and with the SCERP universities' policies and procedures. Because of the inherent limitations in any system of internal accounting control, errors or irregularities may occur and not be detected. Except for the questioned costs noted in Chapter 4, nothing came to our attention which would cause us to believe that the universities' procedures were not adequate for our purposes.

PRIOR AUDIT COVERAGE

We did not identify any previous audits related to SCERP.

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CHAPTER 2

PRIORITIZING BORDER PROBLEMS IS NECESSARY TO FOCUS LIMITED RESEARCH RESOURCES

SCERP and EPA needed to better focus limited research funding on developing solutions to the acute environmental problems that plague the U.S. - Mexican border. Although Congress explicitly intended that research be focused on acute environmental problems and solutions, SCERP did not prioritize research topics in its proposal requests. Prioritizing topics in the proposal requests would have assisted prospective researchers in focusing their proposals on the most important border problems. SCERP did not always select the highest ranked research proposals based on peer reviewers' scores and did not adequately clarify project selection criteria. Also, SCERP received mixed messages from EPA regarding research priorities. As a result, while some SCERP-funded research projects addressed important border environmental problems, others did not adequately focus on solutions to the most serious problems.

BORDER ENVIRONMENTAL PROBLEMS ARE SEVERE AND FUNDS ARE LIMITED

Given the severe environmental and health problems along the border and the extremely limited funding, SCERP needed to prioritize border research to focus on the most critical and acute problems. SCERP did identify some of the most critical environmental and health problems along the border, such as contaminated drinking water and respiratory ailments. Specifically, a 1993 SCERP review of border environmental infrastructure needs stated that border air and water quality in many border communities ranked among the most hazardous in the U.S. and rivaled those seen in third world countries.

Earmarked funds provided to SCERP represented approximately 50 percent of EPA's entire 1994 and 1995 border research budget totalling $3.4 and $4.4 million, respectively. SCERP needed to evaluate the severity of border environmental problems and direct its limited funding toward the most severe problems directly impacting human health.

SCERP'S PROPOSAL REQUESTS DID NOT PRIORITIZE PROBLEMS TO FOCUS ON ACUTE BORDER ENVIRONMENTAL PROBLEMS

Although Congress directed SCERP to focus research on solving acute border environmental problems, SCERP did not prioritize research topics in its proposal requests to ensure that it directed research proposals to the most acute border environmental problems. SCERP's proposal requests included research topics from a variety of sources, including EPA, the U.S. - Mexican border plan, border communities, non-governmental organizations, State and local governments, and other U.S. and Mexican Federal agencies. The 1993 and 1995 proposal requests included 73 and 59 unprioritized multi-media research topics respectively.[1]

Developing border environmental priorities and related research was a very difficult task. SCERP considered priorities established by a variety of stakeholders including environmental activist groups, trade groups, border communities, and State and Federal agencies on both sides of the border. Priorities vary and change over time depending on geographic region, rotating personnel, changing perceptions, and improved knowledge and understanding of environmental issues.

SCERP and EPA relied on the border plan developed jointly by the U.S. and Mexican Governments as one source to identify border environmental problems, but border plan designers did not prioritize environmental problems. The border plan included an extensive list of several hundred environmental problems identified by specific location and media (i.e., air, water, hazardous waste). However, it did not assess risk associated with the border environmental problems or classify needs in order of severity or importance. While staff in Regions 6 and 9 stated that they relied on the general priorities set out in the border plan, SCERP and EPA had not attempted to develop a prioritized list of environmental problems to specifically target research opportunities. Additionally, the Udall Center, specializing in environmental and related issues, claimed that the border plan was not integrated and did not effectively guide the

[1] Congress directed 1994 funds toward air quality research. Consequently, the 1994 proposal requests included research topics focused specifically on air quality.

application of congressional border research appropriations. The Udall Center stated that the border plan was a compilation of "wish lists" developed through input from Federal agencies on both sides of the border.

Also, SCERP did not prioritize research topics included in the proposal requests in order of importance or severity. For example, the 1995 proposal request assigned equal priority to the following:

- Assessment of drinking water quality and innovative water treatment methods; and

- Evaluation of the structure, practice, and funding of environmental administration in Mexico, including an analysis of emerging municipal, State, and private components along with the evolving Federal agencies.

By assigning equal priority to these topics, SCERP implied that Mexico's environmental administration ranked alongside drinking water assessment. In its response to our draft report, SCERP stated that these proposals are of equal importance. While both of these proposals address important problems, we do not agree that they are equally important. SCERP stated, and we agree, that the resolution of border environmental issues requires transborder cooperation and SCERP and EPA should understand how environmental administration functions in Mexico.

SCERP also stated that water quality is a high priority in the Texas colonias (informal subdevelopments without basic infrastructure) and all along the Mexican side of the border. However, water quality is only a minor issue for the more developed regions on the U.S side of the border. SCERP emphasized the importance of water quality in an August 1993 SCERP report, Review of U.S. - Mexico Border Environmental Infrastructure Needs, stating that water pollution problems present a threat to public health throughout the border region. Each day more than 10 million gallons of raw sewage are carried by the Tijuana River from Mexico into San Diego. The river carries sewage, bacteria and viruses that cause typhoid, salmonella, polio and 25 other deadly diseases.

Despite the importance of Mexico's environmental administration, water quality issues present a more immediate threat to human health and the environment.

SCERP DID NOT CLEARLY DEFINE SELECTION CRITERIA OR CONSISTENTLY SELECT THE HIGHEST RANKED PROJECTS

Although SCERP used a peer review process for ranking proposed research projects, it did not clearly define project selection criteria or consistently select the highest ranked proposals for funding. In 1995, of seven thrust areas, SCERP selected projects from six. However, SCERP only selected the highest ranked projects in four of the thrust areas.

Also, in 1995, SCERP used factors other than peer review scoring to select projects for funding. The 1995 proposal request stated that upon receipt of the peer review evaluations, the SCERP Management Committee would meet to consider the peer review panel recommendations and select "...a balanced, coordinated group..." of proposals for funding, but SCERP and EPA would make the final selection. The projects selected were not those projects receiving the highest average score by the peer review panel. For example, SCERP evaluated eight proposals in the water quality thrust area which resulted in a range of scores averaging from 65 to 90. SCERP selected two water quality projects, but neither was the highest ranked proposal. Instead, SCERP selected the third and fifth ranked proposals with average scores of 82 and 78, respectively.

SCERP and EPA conducted a project selection meeting to determine which 1995 research projects should be funded. Meeting participants included SCERP representatives and EPA staff from Headquarters, Regions 6 and 9, and the border liaison offices. The merits of each proposal were discussed and participants were given the opportunity to provide input. According to SCERP and EPA, the peer review scores were considered; however, the final research projects were selected based on a variety of other factors.

In 1994, SCERP did not submit all research proposals for peer review and scoring. It set aside $229,227 for inclusion in an "opportunity fund." According to the PO, the funds were set aside to address projects submitted later in the year. These projects were reviewed by SCERP technical experts and approved by EPA; however, they were not evaluated or scored by external peer reviewers.

EPA DID NOT AGREE ON HIGHEST PRIORITY PROBLEMS

EPA minimized its impact and influence on the research selection process by not reaching agreement among the various EPA offices on the highest border environmental priorities. EPA Headquarters, regional offices, and border offices appeared to have different priorities for border research. SCERP stated that:

> ...frequently the different regional offices and divisions within EPA often had quite different opinions on what SCERP should be doing... It has not always been easy for us to sort out this diversity of opinion....Within EPA, each region, office, and individual ranks priorities for the border in different ways....

Based on our discussions with representatives of various EPA offices, they considered the border plan as a reasonable source of border problems. However, they had not coordinated their efforts and agreed on a prioritized list of the most serious border environmental problems.

Review of the 1995 scores awarded by various EPA offices showed a significant difference in research priorities. For example, one 1995 project had the following scores:

Office	Points
EPA Headquarters	87
EPA Region 6	38
EPA Region 6 Border Office	6

Similar discrepancies existed in scoring projects between the regions. For example, a second 1995 project received the following scores:

Office	Points
EPA Headquarters	82
EPA Region 6	40
EPA Region 6 Border Office	54
EPA Region 9	72

The differing research priorities between EPA offices diluted EPA influence on research project selection and sent mixed messages to SCERP regarding EPA priorities.

RESEARCH DID NOT CONSISTENTLY ADDRESS ACUTE BORDER PROBLEMS

SCERP research did not consistently address solutions to acute border environmental problems. The severity of border environmental problems and the limited resources required a narrowly focused research program. Although some SCERP research had a direct impact on the health and environment of border communities, other research did not comply with SCERP's congressional mandate to develop possible solutions to acute border environmental problems.

SCERP stated that it had responded to pressing border environmental needs. We found that some SCERP research addressed possible solutions to acute border environmental problems and had a direct beneficial impact on border communities. In particular, SCERP researchers developed methods to improve drinking water distribution and storage in substandard housing along the border. SCERP researchers also facilitated a binational network on improving water availability in the El Paso - Juarez region. SCERP funded research for developing low technology, low cost wastewater treatment methods. The initial results of this research indicated that these methods could be effective at removing certain wastes. SCERP also conducted research to mitigate the serious air pollution problem in the El Paso - Juarez air basin caused by brick manufacturing and residential heating.

However, SCERP did not properly prioritize border problems and consistently select research that matched those priorities. Some projects did not address acute border human health and environmental problems and had minimal direct impact on border communities. For example, SCERP funded a research project on selenium dynamics of the Upper Colorado River Basin. The objective of this project was to create a data base for selenium in the Upper Colorado River Basin with a particular emphasis in the area above Lake Powell in Utah and Colorado. The project report clearly indicated that this research was not transferrable to other geographical areas. Also, in 1994, SCERP provided funding to develop a proposal for the establishment of a binational biosphere wetlands reserve in the San Diego - Tijuana region. This project

included ecosystem preservation and policy research. Although preservation of a major wetland may be important, it did not directly address the acute health and environmental problems along the border.

SCERP spent almost half of its 1995 research budget on computer modeling and other data management projects that would not directly result in the solution of an immediate, acute border environmental problem. The projects totaled $809,000, or 48 percent, of the total projects funded. Some of these 1995 projects may be an important part of environmental research in the long term and consume a significant amount of SCERP funding over the next several years. However, until the border population centers have potable water, and safe, clean air to breathe, computer modeling would not appear to be among the highest priority border research topics.

We agree with SCERP that defining priorities is a complex task. However, we believe it is an essential first step. SCERP stated that its researchers "...view priorities through the lenses of their particular disciplines and interests." We believe priorities should be viewed through the common lens of acute border environmental problems. SCERP also stated that it:

> ...carefully considers the strength of its researchers, which projects will provide added synergy as part of an integrated program, and which projects will constitute a *focused program*....(italics added for emphasis)

We believe SCERP's research should be focused on a prioritized list of the most severe border environmental problems.

CONCLUSION

SCERP and EPA did not consistently focus limited research funding on developing solutions to acute border environmental problems. The severity of border environmental problems and the limited resources required a narrowly focused research program. SCERP's proposal requests included numerous unprioritized research topics compiled from a variety of sources. Prioritizing research would ensure that research proposals are focused first on critical border environmental

problems. In addition, SCERP did not consistently select the highest scoring research proposals based on peer reviewers' scores. As a result, some SCERP research had a direct impact on the health and environment of border communities, but other research did not comply with SCERP's congressional mandate.

RECOMMENDATIONS

We recommend that the Director, Office of Program Management Operations, OAR:

1. Obtain input from EPA Headquarters, regional offices, selected research labs, the border offices, and other knowledgeable EPA staff and develop a prioritized list or lists, in descending order of importance, of border environmental problems that require research;

2. Reach a consensus with SCERP on a prioritized list or lists of acute border problems requiring research;

3. Establish procedures to confirm that SCERP's proposal requests accurately reflect EPA's and SCERP's jointly developed prioritized list or lists; and

4. Develop clear criteria with SCERP to evaluate and select research projects based on the agreed priority list or lists, and develop procedures with SCERP to confirm consistent application of the criteria.

AUDITEE COMMENTS AND OIG EVALUATION

SCERP and OAR generally agreed with our findings and recommendations and in some cases had taken steps to implement changes. Both SCERP and OAR offered comments to clarify some issues and recommendations and we modified the report as appropriate.

SCERP emphasized the difficulty of developing a single ranked priority list that all stakeholders in the border region could agree upon. SCERP stated that the border region is

complex and dynamic. Needs and concerns vary from community to community along the border. SCERP also emphasized the importance of flexibility in establishing priorities to ensure that as concerns change and become critical to the environmental health of the border, priorities can be modified. SCERP agreed that a more systematic approach to defining border environmental priorities would be helpful. SCERP stated that a consensus with EPA on a stratified list of priorities to guide the annual proposal request and project selection process would be possible and desirable. SCERP recognized that developing a stratified list of priorities would more fully involve different EPA offices in identifying priorities prior to the proposal request development and would encourage SCERP researchers to develop higher quality, more focused proposals. SCERP agreed to work with OAR to include the analysis of priorities in the 1996 proposal request.

SCERP and OAR provided clarification regarding the criteria used to select research projects. SCERP stated that final project selection is made by the SCERP Management Committee in concert with OAR and the regions. In addition to the peer review scores, SCERP selects projects based on input from EPA at decision meetings, synergy with other SCERP projects, potential for capacity building in the border region, potential for binational participation in the project, equitable distribution of projects in the different regions along the border, and projects with near term and longer term impacts. SCERP stated that it will work toward developing clearer priorities in the 1996 proposal request and will include more detail regarding the evaluation criteria applied by the peer reviewers, the Management Committee, and EPA in selecting projects for funding. Providing a more detailed explanation of the selection criteria will make the selection process more obvious and assist researchers in developing proposals.

Initially, OAR stated that all activities included in the proposal request were considered high priority and further delineation of the priorities would provide no value. However, during our exit conference, OAR agreed that there would be benefit to narrowing the list of priorities included in the proposal request. OAR stated that it would be willing to work with SCERP to reach consensus on some kind of ranking system to better focus research efforts on high priority border problems. Specifically, OAR stated that it is considering establishing a subcommittee of the Clean Air Act

Advisory Committee to focus on border environmental priorities.

Region 6 commented that SCERP had good information from which to build a relevant priority list based on information SCERP gathered in workshops beginning in 1991, and on specific priority lists Region 6 staff provided SCERP. Region 6 also stated it has always been confused about SCERP's project ranking process and agreed SCERP needed to establish a more objective methodology.

While we agree that developing consensus on a single prioritized list of border environmental problems may be difficult, we believe a more systematic approach is essential to solve the most acute problems as required by the congressional mandate. We agree that developing a rank-order list or lists of problems--stratified by geography, media, or other strata--is both possible and necessary. We also agree that priorities must be flexible and modified as frequently as necessary to remain effective.

We also believe that a more open, systematic project evaluation and selection process with clear criteria would help focus attention on the most important problems and improve relationships between SCERP and EPA staff. Clearer criteria will help prospective researchers better focus their proposals. Clearer criteria will also assist unsuccessful applicants and EPA staff to better understand the reasons certain projects were funded over others.

CHAPTER 3

A CLOSER WORKING RELATIONSHIP WOULD HELP BUILD A CONSENSUS ON THE WORST BORDER PROBLEMS

Although SCERP sought more recent EPA involvement, the working relationship between SCERP and EPA hindered reaching consensus on the most important border environmental problems and related research. SCERP and EPA did not fully implement CA special conditions designed to foster a strong working relationship. Negative perceptions regarding the value of SCERP research deterred EPA regional staff from becoming more actively involved with SCERP. Inadequate EPA staff and travel resources also limited EPA participation. Frequent changes in the SCERP and EPA management structures impeded development of an effective relationship. Establishing an earlier close working relationship would have helped SCERP and EPA reach consensus on the highest priority environmental problems and obtain maximum benefit from limited EPA research funds.

EPA SOUGHT A CLOSE WORKING RELATIONSHIP THROUGH A COOPERATIVE AGREEMENT

EPA used a CA to allow EPA substantial influence in the content and direction of the SCERP research program. Code of Federal Regulations (CFR), Title 40, subpart 30.200, defines a CA as an assistance agreement in which EPA anticipated substantial involvement during project performance. Additionally, the CFR defines a PO as "The EPA official designated in the assistance agreement as EPA's program contact with the recipient...responsible for monitoring the project."

To allow and encourage meaningful EPA participation, CAs CR818296 and CR821542 (covering 1991, 1992, and 1993) included special conditions which required that:

- the PO appoint EPA technical advisors to major thrust areas and specific project tasks;
- EPA technical advisors provide quarterly progress reports to the PO and SCERP Chairperson;

-- the PO establish an EPA Steering Committee to assist on matters of agency policy, strategy, and programs pertinent to SCERP activities;

-- the SCERP Chairperson involve the PO directly in SCERP activities and development including definition of thrust areas and specific project task initiatives;

-- SCERP submit quarterly and final reports to the PO;

-- the PO conduct an annual program review; and

-- the PO and SCERP Chairperson work together to promote and disseminate research results.

SCERP AND EPA DID NOT FULLY IMPLEMENT CA SPECIAL CONDITIONS

Although EPA included and SCERP agreed to the CA special conditions meant to foster a strong working relationship, SCERP and EPA did not fully implement the conditions. The special conditions were important because they provided for frequent, meaningful communication between a broad spectrum of EPA staff and SCERP researchers. This communication was critical due to the number of universities involved and the multi-media nature of SCERP's research program. The assistance and participation of EPA regional and other staff was also important to help maximize the value of SCERP research.

The technical monitoring program required by the CA special conditions was critical to establishing a close working relationship at the staff level, but was not implemented. EPA never assigned the technical advisors specified by the CAs. In fact, SCERP did not inform SCERP researchers that EPA technical staff were available for consultation. Any interaction between SCERP and EPA researchers was voluntary and coincidental. Some individual SCERP researchers and regional staff consulted on individual research projects, but interaction was infrequent and at each individual's initiative.

A technical monitoring program with interaction at the working level would have helped maximize the value of SCERP's research. EPA regional staff would have become more

knowledgeable of the actual research being performed and would have been able to integrate research results into their own work and apply the results toward solutions of specific problems. Also, SCERP researchers would have had a better idea of EPA's research needs and could have better focused their research to address EPA's specific needs. The technical monitors were essential to keep the PO adequately informed on the direction and progress of the many individual research projects which spanned EPA media programs. Without the technical monitoring program, contact between SCERP and EPA was largely limited to the management level.

Also, the PO never fully implemented the special condition to establish an EPA Steering Committee. This committee, like the technical monitoring program, would have facilitated regular communication among SCERP and EPA staff, promoted consensus-building, and helped to maximize SCERP research benefits. The committee's purpose was to assist the PO on EPA strategy and programs and thereby help guide the direction of SCERP's research. The PO appointed two regional and two Headquarters representatives to an interim steering committee and obtained some input from these individuals. However, only one media program office was included. We found no evidence that the individuals ever met as a group, that SCERP was consulted on committee appointments as the CA required, or that a permanent committee was ever established. The PO acknowledged that the committee was never formally established. As a result, the committee never served its intended purpose.

Direct involvement of the EPA PO in SCERP activities and project development was sporadic at best in the early years. However, more recently, SCERP and the current PO indicated that EPA is more fully involved in SCERP activities. SCERP acknowledged it did not work closely with EPA in research proposal selection during its early years. However, as of July 1995, SCERP and EPA representatives had met three times to plan, review, and select fiscal 1995 research proposals.

The PO did not effectively implement the special conditions concerning quarterly reports and annual program reviews. The PO generally did not use SCERP's quarterly reports or other published research results to become knowledgeable of the many individual SCERP research projects and did not distribute research results to the EPA regional offices responsible for the border areas. As a result, regional

staff were generally unaware and unsupportive of SCERP research activities.

SCERP did not implement an information dissemination plan to assist in keeping the EPA regions informed of on-going research and could have stimulated greater interest and interaction between SCERP researchers and regional technical staff. On October 30, 1992, SCERP provided EPA with a SCERP protocol entitled, "Research, Education and Training Publication Policy." This protocol contained guidelines and procedures for disseminating SCERP research findings. Procedure number 7 of the guidelines states, "The SCERP Executive Director....submits the research project reports, and copies of articles written as a result of the research to EPA ORD, OIA [Office of International Activities], and Regions 6 and 9...." However, SCERP did not follow this protocol.

ORD recently disclosed that it abolished several of the special conditions meant to foster a close working relationship with SCERP. ORD replaced the technical monitoring program and the EPA Steering Committee with an EPA Science Advisory Committee because the PO "...never had success relying on EPA personnel who are working basically as volunteers and who may have conflicting priorities...." ORD also abolished quarterly reporting in favor of annual reporting.

In 1994, OAR eliminated all the above special conditions from its CA CX823711, except those requiring quarterly and final project reports and the PO's annual reviews.

NEGATIVE EPA STAFF PERCEPTIONS LIMITED EPA PARTICIPATION

While we recognize that SCERP recently obtained greater EPA participation, our discussions with EPA regional staff confirmed they are not convinced that changes to the research project selection process have significantly improved research project selection. EPA's skepticism and limited participation stemmed from some staff perceptions regarding the value of SCERP's research. EPA regional staff perceived that their participation had no real impact or was not considered important by SCERP. One of the ORD POs explained that EPA staff were frustrated because they perceived SCERP

was generally unwilling to negotiate whenever SCERP and EPA were unable to agree on an issue.

SCERP generally agreed it had not worked closely with EPA during the first 2 years but claimed a consensus was reached on the 1995 SCERP research program. SCERP stated that its Management Committee "...as a matter of continuing policy refuses to support research that does not have relevance to resolution of a critical border environmental issue." SCERP also claimed that EPA had been much more active in project selection since 1992.

Discussions with EPA regional staff indicated that they thought their opinions and advice were largely ignored by SCERP. EPA Regions 6 and 9 staff stated that the majority of SCERP research did not address high priority problems along the border and had little practical value. Because EPA is mandated by Congress to provide funds to SCERP, EPA regional staff believed they had no recourse even if they considered SCERP's performance unacceptable. Regional staff generally stated that the funding provided to SCERP would be better used if regions were allowed to award the funds to local communities or to a competitive research facility with specific research goals.

Our review of the 1995 research proposal scoring provided some insight into the basis for EPA staff's perception. Comparison of the scoring of the 1995 research proposals highlighted the differences between those evaluators actively engaged in research (SCERP and EPA Headquarters personnel) and the EPA regional staff and border offices. In the water thrust area, of the regional staff's two highest ranked proposals, neither were selected. Instead, SCERP selected and EPA approved the third and fifth ranked proposals in the thrust area.

More significantly, peer reviewer scores showed limited interest or enthusiasm by the regions and border offices on a group of 1995 data management project proposals. Of the $1.67 million in total research projects selected for 1995 funding, $809,000 (or 48 percent) was for data management projects. The regions and EPA's El Paso Border Office gave these proposals a combined average score of 70 on a scale of 100. SCERP representatives and EPA Headquarters gave these same proposals an average score of 97. On 4 of the selected data management proposals, a SCERP representative assigned a combined average score of 99.75, just short of a perfect

score. This apparent disparity in research priorities between SCERP and EPA regions may account for the regional perception that the SCERP research has limited utility in addressing immediate and acute environmental problems on the border.

SCERP stated that, "...as the level of interaction between SCERP project leaders and EPA subject specialists increases, we feel that perceptions of derived benefits on the part of EPA staff will change," and we agree.

EPA PARTICIPATION WAS LIMITED BY INADEQUATE RESOURCES

Lack of adequate EPA staff and travel resources hampered development of an effective relationship. The first EPA PO had responsibility for as many as 17 research centers, and the second PO had responsibility for as many as 21 research centers. The first PO's supervisor estimated that a PO can effectively manage four or five centers. For example, the lack of adequate EPA resources contributed to ORD's inability to implement the special CA conditions designed to foster a close relationship, according to the ORD PO.

To effectively implement the special conditions, the PO needed the active participation of the EPA regional offices. However, Regions 6 and 9 staff stated they were provided no additional staff or travel funds to assist with SCERP. The regional staff's choices were to perform the work officially assigned to them and upon which their job performance was rated or to participate with SCERP, which was not part of their official responsibilities. Had regional staff used their limited travel funds to visit SCERP researchers or attend SCERP conferences, they would not have had travel funds to fulfill their official responsibilities. Because regional staff did not perceive SCERP research to be of high utility or benefit, they were especially unwilling to use their limited resources for SCERP.

FREQUENTLY CHANGING SCERP AND EPA MANAGEMENT HINDERED DEVELOPING AN EFFECTIVE RELATIONSHIP

Frequent changes in POs made it difficult to establish an effective working relationship. EPA responsibility for SCERP shifted among three different POs and from one EPA

Headquarters office to another in 4 years. Two POs were responsible for monitoring SCERP. An ORD PO was responsible for the first two CAs, and an OAR PO was responsible for projects funded in 1994 and 1995.

SCERP's rotation of the Chairmanship of the Management Committee to a different university each year also complicated interactions with EPA. SCERP's organizational structure was complicated by its multi-institutional membership and wide geographical dispersion. SCERP was administered primarily by the Management Committee comprised of one member from each of the five member universities. The constant rotation of the chairmanship created confusion within EPA regarding who at SCERP was "in charge." EPA regional staff repeatedly raised this issue.

An effective relationship requires time to build the necessary familiarity and trust. Each new PO must become familiar with the SCERP organization, personnel, and the many, varied research projects. The PO must also become comfortable with and gain the trust of EPA staff from EPA Headquarters program offices, regional offices, and border offices. Likewise, the SCERP Management Committee Chairman must become familiar with three different POs, all the financial and administrative requirements of the CAs, a variety of individual projects, and researchers spread among five universities in five States.

CONCLUSION

Various barriers remain which hinder SCERP and EPA from establishing an effective relationship and finding solutions to the highest priority border environmental problems. Although EPA included special conditions in the CAs meant to foster a strong working relationship, SCERP and EPA did not fully implement the conditions and EPA recently abolished several of them.

EPA limited its participation because some staff still had negative perceptions of the value of SCERP's research. SCERP and EPA had not effectively dealt with these negative EPA staff perceptions. These perceptions will probably not change until SCERP and EPA participants reach consensus on a rank order list or lists of border environmental problems to better guide the specific research needed to find solutions to the most pressing problems.

EPA also limited its participation because of inadequate EPA staff and travel resources and the lack of stable SCERP and EPA management structures. Although a closer working relationship is not essential to SCERP's success, it would help SCERP and EPA focus limited resources on the most acute issues.

RECOMMENDATIONS

We recommend that the Director, Office of Program Management Operations, OAR:

1. Include a CA special condition requiring a formal technical monitoring program that provides for regular and meaningful participation of EPA technical advisors;

2. Work with appropriate EPA Regional Administrators or other senior managers to make the technical advisor role part of staff's official responsibilities and provide sufficient travel funds and other resources necessary for advisors to successfully fulfill this role;

3. Fully implement OAR's agreement with SCERP to distribute quarterly project progress reports, research articles, and final project reports to appropriate EPA staff in Regions 6 and 9, EPA border offices, ORD, and other EPA offices who can use and build upon SCERP's research; and

4. If SCERP's recent policy change to lengthen the term of the SCERP Management Committee Chairman from 1 to 2 years does not meet the intended goal of improving relationships, consider having SCERP establish a permanent position to manage the day-to-day operations of SCERP and to serve as the principal contact between SCERP and EPA.

AUDITEE COMMENTS AND OIG EVALUATION

SCERP and OAR generally agreed with our findings and recommendations and in some cases had taken steps to implement changes. Both SCERP and OAR offered comments to

clarify some issues and recommendations and we modified the report as appropriate.

OAR agreed a technical monitoring program is desirable and SCERP responded that it is committed to improving interaction between SCERP researchers and EPA technical staff. OAR stated it could not spend additional resources on such a program and could not require other offices to assume responsibility for the program. OAR preferred to maintain a "voluntary" technical monitoring program. However, at our exit conference OAR officials agreed they could work through the advisors' Regional Administrators or other managers to formalize and properly fund the program. SCERP committed to work with OAR to develop an improved interaction method. We believe a formal, funded program is absolutely essential to ensure the program's successful implementation.

Region 6 commented that ORD never formally requested Regions 6 or 9 to provide technical advisors. Region 6 stated that technical advisor duties could have been added to the advisors' position descriptions had ORD made formal requests to the Regional Administrators.

SCERP and OAR responded that they had recently reached agreement with OAR and Regions 6 and 9 border coordinators to distribute information from SCERP to EPA. SCERP and EPA's OIA also agreed to have SCERP projects listed in the Compendium of EPA Binational and Domestic U.S./Mexico Activities, which is widely distributed to other government agencies. SCERP agreed a sustained effort is necessary to maintain and improve information dissemination. SCERP and ORD had a similar plan that was never fully implemented. We modified our recommendation to emphasize that implementation is key to the success of the recent agreement.

SCERP and OAR agreed that it was important to stabilize SCERP's management structure. SCERP changed its policy to rotate the Chairmanship every 2 years rather than every year. SCERP also committed to working with OAR to identify other means of tightening its structure to facilitate a closer working relationship with EPA. SCERP also stated it had recently established relationships with the new EPA border offices in San Diego and El Paso. We believe SCERP and OAR should monitor the effectiveness of SCERP's recent policy change and modified our recommendation accordingly.

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CHAPTER 4

SCERP UNIVERSITIES CLAIMED INELIGIBLE COSTS

Office of Management and Budget (OMB) Circular A-21 establishes principles for determining costs applicable to grants, contracts, and other agreements with educational institutions. SCERP used grant funds for equipment and activities outside the limitations of A-21. University officials defended the charges as directly related to SCERP activities or as standard university procedure for project costs.

SCERP universities claimed $51,880 in questioned research costs under CAs CR818296 and CR821542. The table below relates the questioned costs to the appropriate CA. The information following the table identify the university to which the questioned costs apply.

	Total	CR818296	CR821542
Travel	$ 4,869	$ 1,538	$ 3,331
Equipment Costs	13,272	13,272	
Contractual Costs	18,388	9,983	8,405
Miscellaneous Costs	15,351	15,351	
	$51,880	$40,144	$11,736

TRAVEL COSTS

UTAH claimed $4,869 in unallowable travel costs. The questioned costs consisted of $1,538 claimed under CR818296 and $3,331 ($1,544 + $1,787) under CR 821542. The questioned travel costs consisted of:

-- $3,082 for consultant travel for unallowable public relations work. Of the $3,082 questioned, $1,538 was claimed under CR818296 and $1,544 under CR821542. Review of the consultant agreement and descriptions of the services clearly identified the consultant's activities as unallowable for EPA participation. (See Contractual Costs for a detailed discussion).

-- $1,787 claimed under CR821542 for a UTAH employee to travel to Washington, D.C., for the "SCERP

Fiscal '94 Appropriation/Meeting with Congressmen." OMB Circular A-21, Section J24, b.(1) describes allowable interactions with Congress as technical and factual presentations:

> ...in response to a documented request (including a Congressional Record notice requesting testimony or statements for the record at a regularly scheduled hearing)....and further provided that costs under this section for travel, lodging, or meals are unallowable unless incurred to offer testimony at a regularly scheduled Congressional hearing pursuant to a written request for such presentation made by the Chairman or Ranking Minority Member of the Committee or Subcommittee conducting such hearing.

The criteria is very specific regarding the form of written request and the specific members of Congress who can issue the request.

SCERP responded, "With regard to travel costs of $1,787 for a Utah employee to travel to Washington, D.C., members of the Utah SCERP consortium were regularly invited by members of Congress to present SCERP progress reports...." SCERP was unable to provide documentation supporting any invitation to meet with an individual member of Congress or to appear at a regularly scheduled congressional hearing. Furthermore, being "invited by members of Congress" did not meet the OMB criteria.

EQUIPMENT COSTS

Utah claimed $13,272 for unallowable general purpose equipment. The equipment was purchased without documented prior EPA approval required by OMB Circular A-21. According to OMB Circular A-21, Section J16, a.(4):

> General purpose equipment means equipment, the use of which is not limited only to research, medical, scientific or other technical activities. Examples of general purpose equipment include office equipment and furnishings, air conditioning equipment, reproduction and printing equipment,

motor vehicles, and automatic data processing equipment.

Subparagraph b.(1) states that:

> Capital expenditures for general purpose equipment, buildings, and the land are unallowable as direct charges, except where approved in advance by the sponsoring agency.

We were unable to locate advance approval for the specific items of general purpose equipment discussed below. The questioned equipment costs included:

-- $4,689 for oak office furniture purchased by UTAH for the Associate Dean of the College of Engineering and his secretary.

-- $4,086 for two personal computers purchased by UTAH for the Associate Dean of the College of Engineering and his secretary. The Associate Dean was also the Chairman of the SCERP Management Committee. UTAH purchased the computers in January 1992, and charged them to a project account (#22176) established for sponsoring an air quality conference. However, UTAH officials told us that most of the planning for this conference was performed by the UTAH conference planning center which recovered its costs from income generated by the conference. In addition, UTEP, not UTAH, had administrative responsibility for the CA at the time UTAH purchased this equipment. Although the SCERP Chairman was from UTAH, that fact did not justify the need for two computers for administrative purposes. UTAH allocated 75 percent of the computer systems cost to the CA.

-- $2,712 for a laser printer, color monitor, and other computer equipment for the administrative staff.

-- $1,785 for an August 1992 purchase of a facsimile machine. These costs were charged to the "Program Operations and Management" account.

SCERP claimed that the EPA PO approved the acquisition of the general purpose equipment to be used for administrative

purposes. However, SCERP submitted no documentation to substantiate its claim. SCERP claimed that the equipment acquired was dedicated for use only on SCERP activities and should be allowed as a direct charge to SCERP.

We disagree that the furniture and equipment is eligible. The furniture and other equipment clearly met OMB's definition of general purpose equipment and therefore requires documented, prior EPA approval. We also question how and where the Associate Dean of the College of Engineering and his secretary performed the work associated with their primary jobs for the College of Engineering without the use of the furniture and equipment claimed against the CA. Furthermore, at the time UTAH purchased the questioned furniture and equipment, UTEP, not UTAH, had administrative responsibility for the CA.

CONTRACTUAL COSTS

Utah claimed $18,388 in unallowable consultant fees. The consultant agreement provided for ineligible public relations services. Utah claimed $9,983 under CR818296 and $8,405 under CR821542. Public Law 101-121, Section 1352 (a)(1), passed October 23, 1989, states:

> None of the funds appropriated by any Act may be expended by the recipient of a Federal contract, grant, loan, or cooperative agreement to pay any person for influencing or attempting to influence an officer or employee of any agency, a Member of Congress, ...in connection with any Federal action described in paragraph (2) of this subsection.

Subsection (2)(E) of the law includes, "The extension, continuation, renewal, amendment, or modification of any Federal contract, grant, or cooperative agreement."

In addition, OMB Circular A-21, Section J24, a., states:

> Notwithstanding any other provisions of this Circular, costs associated with the following activities are unallowable: ...(5) Legislative liaison activities, including attendance at legislative sessions or committee hearings, gathering information regarding legislation, and analyzing the effect of legislation, when such

activities are carried on in support of or in knowing preparation for an effort to engage in unallowable lobbying.

The consultant agreement required the consultant to:

> Provide advice to SCERP and the College on government, foundations, and industry; public relations; fund-raising; and Federal research contract acquisition. Maintain financial support for SCERP and University research programs and assist in maintaining competitive advantage which has helped increase this base from $14 million to $25 million a year from 1992 to 1993.

A description of services actually provided by the consultant indicated most costs were associated with unallowable public relations activities. Much of the description appears to involve contacting congressional representatives and keeping them informed about SCERP. For example, the consultant's October 1993 invoice includes the following activities that were billed to the CAs:

- -- attended meeting in Washington, D.C., with Utah congressional delegation to discuss SCERP functions and budget needs;
- -- planned publicity for SCERP infrastructure report;
- -- continued to draft general-purpose SCERP booklet; and
- -- drafted a letter to Senator Hatch to send to other Senators for co-signature to be sent to EPA Administrator for $2 million in funding.

SCERP contended that the consultant costs were eligible because the consultant was hired specifically for his writing and communication skills. Some of the consultant's charges were for preparation of SCERP's Interim Report to EPA, and SCERP contended that the services of the consultant should be allowable under OMB Circular A-21, Section J1, d, 2, which provided that allowable public relations costs include communications with the public and press on accomplishments resulting from the work conducted under sponsored agreements.

We agree that the costs to prepare the SCERP Interim Report to EPA may be an eligible public relations cost, but the consultant's invoices did not identify how much time the consultant spent preparing the interim report. Because the consultant's invoices did not specify the time charged for each activity, we were unable to distinguish eligible from ineligible costs.

MISCELLANEOUS COSTS

SCERP universities claimed $15,351 of unallowable miscellaneous costs under CA CR818296. The claimed cost of $15,351 consists of two items ($12,372 + $2,979) that are explained below.

-- $12,372 for an NMSU research project that was outside the approved scope of the CA. Federal regulations define allowable costs under 40 CFR 30.200 as, "Those project costs that are: ...approved by EPA in the assistance agreement." In addition, 40 CFR 30.308(a) states that, "...the award official and the university must sign the EPA assistance agreement before you incur costs." SCERP submitted a research proposal to EPA as part of its fiscal 1992 application. NMSU allowed the researcher to initiate work on the project in the summer of 1992 even though EPA had not accepted the proposal for funding. When EPA signed and approved the CA in August 1992, this proposal was specifically excluded. Subsequently, NMSU transferred the $9,302 of labor and fringe charges incurred under the unfunded project to another approved SCERP research project. We found no evidence that EPA waived the regulatory requirements for these costs. We questioned direct costs of $9,302, and allocable indirect costs of $3,070 calculated at 33 percent of direct costs as ineligible. The 33 percent indirect expense rate was the effective rate applied to the direct costs claimed on the NMSU invoice ($9,302 x .33 = $3,070).

-- $2,979 of costs UTAH claimed for an August 1991 Snowbird Conference. UTAH claimed $1,015 for alcoholic beverages. OMB Circular A-21, J2, states that, "Costs of alcoholic beverages are

unallowable." UTAH claimed $1,000 for rental of a private tram car at 9:00 p.m. We consider the cost to be unnecessary to accomplish the purpose of the conference. UTAH claimed $964 for barometers. OMB Circular A-21, J1, f.(3), defines promotional items and memorabilia, including models, gifts, and souvenirs, as ineligible advertising and public relations costs.

Regarding the unapproved NMSU research project, SCERP contended that the work performed under the unfunded project actually fit within the scope of the funded project. SCERP provided a written statement, dated July 3, 1995, and other documentation from the principal investigator to substantiate its position.

We were unable, from the documentation provided, to determine whether the work performed under the unapproved project substantively contributed to accomplishing the intended research goals of the approved project to which the costs were transferred. If the work conducted under the unapproved project was essential to conducting the approved project, we would have expected that work to have already been incorporated into the research design of the approved project.

SCERP agreed the Snowbird Conference costs were ineligible.

RECOMMENDATION

We recommend that the Director, Grants Administration Division, recover the $51,880 of ineligible costs claimed by SCERP under the CAs.

AUDITEE COMMENTS AND OIG EVALUATION

SCERP disagreed with $26,820 of questioned costs related to an SDSU project titled, "Proposal for a Man and the Biosphere Reserve System for the San Diego Border Region." We questioned the costs because the costs to develop a funding proposal or to develop the data necessary to prepare a funding proposal are ineligible according to OMB Circular A-21, J-34. SCERP provided additional information demonstrating that the project's purpose was not for the

purpose of developing a funding proposal. As a result, we eliminated these questioned costs from our report.

We incorporated a summary of SCERP's comments on each of the remaining findings and our evaluation of SCERP's comments in the text above.

SOUTHWEST CENTER FOR ENVIRONMENTAL RESEARCH & POLICY

September 12, 1995

Ms. Bennie Salem
Acting Divisional Inspector General for Audit
U.S. Environmental Protection Agency
Office of Inspector General
Central Division
726 Minnesota Avenue
Kansas City, Kansas 66101

RE: The Southwest Center for Environmental Research and Policy Should Focus on Border Problems
Draft Audit Report E1FUF5-09-0019-XXXXXX, August 14, 1995

Dear Ms. Salem:

I am pleased to enclose the response of the Southwest Center for Environmental Reseach and Policy to the above indicated Draft Audit Report prepared by your office. We feel that the audit process has been quite rigorous and has produced important suggestions that will be of great help to SCERP in carrying out its mission and meeting its goals in the most cost effective manner and in maximizing the benefits of its interaction with EPA.

Thank you for the significant effort on the part of your staff in carrying out this audit.

Sincerely yours,

Paul Ganster
Chairman, SCERP Management Committee

Arizona State University • Instituto Tecnologico de Ciudad Juarez • Instituto Tecnologico y de Estudios Superiores de Monterrey
New Mexico State University • San Diego State University • Universidad Autonoma de Baja California
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SOUTHWEST CENTER FOR ENVIRONMENTAL RESEARCH & POLICY

Response by the

Southwest Center for Environmental Research and Policy (SCERP)

to

Office of Inspector General
U.S. Environmental Protection Agency

Draft Audit
"The Southwest Center for Environmental Research and Policy Should Focus on Border Problem Solutions"

E1FUF5-08-0019-XXXXXX

September 12, 1995

Arizona State University • Instituto Tecnológico de Ciudad Juárez • Instituto Tecnológico y de Estudios Superiores de Monterrey
New Mexico State University • San Diego State University • Universidad Autónoma de Baja California
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I. Executive Summary

SCERP is appreciative of the efforts of OIG to analyze the consortium operations and to provide constructive suggestions that will help SCERP to carry out its mission in a more focused and cost effective manner. OIG's draft report is extremely helpful and it is a useful blueprint for positive change, but there are a number of areas for which SCERP comments and clarification are needed.

The OIG draft report's discussion of priorities for SCERP and EPA projects is quite detailed and will assist SCERP to more clearly define priorities. We feel that it is not possible to define a single set of priorities that all stakeholders in the border region will agree upon. The border is a region that is complex and dynamic and needs and concerns vary considerably from community to community along the border and evolve rapidly over time. However, we do agree with the OIG that it is possible to develop each year a consensus on a stratified list of priorities that can serve as the basis of, or guide to, project selection and program determination. The OIG draft will help us better refine our methodology for defining priorities and it has stimulated SCERP to embark on an effort to analyze the problems of defining priorities for border environmental projects.

The OIG draft report also raised concerns about the selection of specific projects funded in the annual SCERP research program, particularly with the selection process and the appropriateness of the projects to resolving border environmental problems. In our response, we explain that scores by outside technical reviewers are used in concert with other criteria to determine final selection. EPA priorities and needs, synergy with other SCERP projects, binational participation, potential for long-term capacity building in the border region and border communities, equitable distribution of projects along the border, a mix of projects with immediate and longer term impacts, and other factors all enter into the selection. SCERP is committed to the long-term resolution of border environmental problems and that entails not only projects that focus on immediate concerns but projects that will bring significant results in the medium and long run. With that said, the OIG draft report does provide key suggestions that will help SCERP work with the Office of Air and Radiation and the other EPA offices to improve the project selection process, beginning with the FY 1996 RFP which is now being developed.

SCERP acknowledges the utility of the various recommendations made in the OIG draft report. SCERP has already moved to stabilize its management structure with implementation of a policy to rotate the chairmanship of the management committee every two years and will discuss additional measures in our continuing meetings with OAR. The OIG suggestions on enhanced interaction between SCERP project principal investigators and EPA technical staff will be incorporated into the next RFP issued by the consortium. With respect to better distribution of SCERP research results to appropriate EPA staff, SCERP has been working on this with OAR and the regions and will monitor the effort in the future.

Finally, the draft report of OIG identifies a number of costs incurred by the various SCERP projects that it feels are ineligible. We have included responses to those specific items and respectfully request that OIG carefully consider the new information that we provide on the questioned items.

II. General Response

SCERP acknowledges the very significant effort by the Office of Inspector General (OIG) in preparation of the draft report and the consortium expresses its appreciation for the many suggestions and recommendations that will help us to better carry out our mission in coordination with EPA. The draft report will help us improve the focus and efficiency of SCERP projects by better defining projects that have an impact on critical border environmental problems and that serve to build the sustainable capacity of border institutions and communities to address those problems. However, we feel that there are several central points in the EPA draft report that need comment and/or further explanation.

Priorities

The OIG draft report frequently refers to development of a prioritized list of border problems and related research and implicit in the report is the assumption that it is possible to develop such a list. An examination of the yearly action plans developed by the EPA regions for border activities; the working documents of the EPA-Mexican counterpart working groups under the framework of the 1983 La Paz agreement; the ongoing discussions in the Border Environment Cooperation Commission (BECC); the positions of border environment activist groups, border trade groups, and border communities concerns; priorities of state-level agencies on both sides of the border; and so forth, clearly reveals that stakeholders involved in addressing border environmental problems have quite different perceptions of priorities. Moreover, these priorities differ according to geographical region and tend to change over time, reflecting rotating personnel, changing perceptions, improved knowledge and understanding of environmental issues, the state of the economy in Mexico and the United States, and other factors. SCERP thus feels that it is extremely difficult to develop a single ranked priority list that reflects the multicultural, transnational, dynamic nature of the border region and associated environmental issues and that can be used mechanistically to determine which applied research projects SCERP funds.

As its approach to the conundrum of border environmental priorities, SCERP, working with EPA, has evolved a process to develop an annual request for proposals and then determine a final annual applied research program for the consortium. First, SCERP develops a list of applied research project topics based on input from Congress, border communities, state and local agencies, SCERP researchers on both sides of the border, U.S. and Mexican federal agencies, IBEP, IBWC/CILA, the U.S. Embassy in Mexico City, the Mexican Embassy in Washington, D.C., BECC, environmental organizations, and other sources. SCERP then discusses the list of topics with EPA to better focus the list and to include items that might have been overlooked. The revised listing, which has been agreed to by SCERP and EPA, is then incorporated into the RFP for distribution to all SCERP institutions. It should also be noted that EPA reviews the RFP prior to its distribution.

We feel that the above methodology provides SCERP with a good mechanism to establish a listing of priority projects for border environmental applied research activities. It is a flexible

process that permits incorporation of new topics as different concerns become critical to the environmental health of the border region.

We do understand the shortcomings of this approach and understand the concerns raised by the Office of Inspector General. We feel that it is impractical to develop a list of priorities that will meet with the approval of all stakeholders and that will stand the test of time. For instance, one of the goals that the Border XXI (formerly known as Border 2000) effort that EPA is now leading is to determine community priorities to be folded into the next version of IBEP. This is a year-long process, and will constitute only one set of the U.S. inputs that will be combined with similar suggestions for priorities from the Mexican government. The point is that the border is a very dynamic region with new problems and opportunities appearing almost daily. Thus, a flexible approach is the most efficient and cost effective way to address the problems.

Noting the above caveat, however, it is clear that it would be helpful to undertake a more systematic approach to the analysis of the issue of defining border priorities in the area of environmental issues. We agree with OIG that it is possible and desirable to develop consensus with EPA on a stratified list of priorities to guide the annual RFP and project selection process. This will not only involve different offices of EPA more fully in the development of a set of priorities at the front end of the RFP development process, but it will stimulate SCERP researchers to develop higher quality, more focused proposals. SCERP proposes to work with OAR to include this analysis in the RFP for FY 1996. The types of variables that likely need to be examined when determining SCERP priorities include, for example, the following:

- Cost-benefit analysis. Does the cost of the project area bring significant benefits in relationship to costs incurred? This is an extremely complex area and must be treated carefully because of the dangers of misuse. For example, using the sole criterion of most good for the greatest number of people, all border environmental investment would be concentrated in the large population centers of San Diego-Tijuana or El Paso-Ciudad Juárez while areas such as the two Nacos would be ignored because of the low population base.

- Sustainability. Does the project support the concept of sustainable development?

- Capacity building. Does the project help build capacity in the region for sustained attention to resolution of environmental problems, including training of students, members of the community, and local government; does the project help build capacity on both sides of the border?

- Balance. Do the priorities address the needs of both large and small communities along the border? Are the concerns of the central governments being met?

Project Selection

Related to the above topic of priorities are concerns raised by the Office of Inspector General

regarding the selection of the specific projects to be funded within the annual applied research program of SCERP. Specifically, OIG emphasized inconsistencies between the projects selected for funding for FY 1995 and the scores of outside reviewers. Some explanation is in order.

SCERP never intended that the scores from the outside evaluators be the primary factor in determining projects to be funded for a number of reasons. SCERP lacks the financial resources to compensate the reviewers and to bring reviewers together to discuss variances in scores. Instead we must rely on professionals who contribute their time and this reduces the number of reviewers who are able to help us. Typically, each reviewer analyzes a half dozen projects and scores vary significantly from reviewer to reviewer due to differing scales employed, different perspectives, diverse professions and specializations, and so forth. With this variance, score totals or composite scores cannot be seen as definitive. Instead, the reviews are one important consideration that the SCERP Management Committee employs when making its initial selection of projects. The reviews bring to the attention of the Management Committee strengths and weaknesses of particular projects. Also, the written comments of reviewers are useful in helping researchers improve their projects.

SCERP recognizes that a project may be technically excellent, and thus receives very high scores from technical reviewers. However, the project may have minimal relevance to resolving border problems or may not be a good fit in the applied research program. Consequently, other criteria may temper a high score or a low score.

It is common for the proposal review processes of many agencies to take into account many criteria, not just the highest score. To rely only on the highest score would be like giving a contract to the lowest bidder although another bidder could do the job with higher quality deliverables.

Other factors influencing the final determination of the research program include the assembled expertise from SCERP and EPA for the meeting when the final decisions are made. For example, in 1995 EPA representatives at the meeting (most in person, some by conference call) to discuss proposals included representatives from OAR, Washington, D.C., Regions 6 and 9, and the Border Liaison Offices. Each proposal was discussed in detail and all present had ample opportunity to provide input. Some projects highly rated by SCERP were not funded due to EPA exceptions and some projects not ranked highly by SCERP were funded because of strong EPA interest and support.

SCERP also considered the synergy generated by the package of proposals selected as an important element in the final determination of the package of proposals. By synergy we mean enhanced value added by collaboration of partners and projects within the Consortium that assures a greater short term, medium term, and long term impact on important border environmental problems. Technology transfer, sharing of data and methods, and building the regional and Mexican capacity in key areas are examples of this synergy. On another level, the concentration of a number of projects by SCERP on air pollution problems of the El Paso-Ciudad Juárez airshed enabled the consortium to have a tangible impact on this important issue. Likewise, concentration of resources in data management and GIS development as planning, monitoring, and enforcement

tools through a number of articulated projects provides an effective means to achieve results that will have a major role to play in resolution of border environmental problems. SCERP firmly believes that development of a yearly integrated applied research program is much more cost effective in the long run than simply selecting an assortment of high priority projects that do not interact in meaningful ways.

In summary, final project selection is made by the SCERP Management Committee in concert with OAR and the regions. In addition to the scores provided by the written evaluations, the following considerations enter into the process:

- Input from EPA at decision meetings.
- Synergy with other SCERP projects.
- Potential for capacity building in the border region; potential for binational participation in the project.
- Roughly equitable distribution of projects in the different regions along the border.
- Projects that have impacts in the near term as well as in the longer term.

SCERP is aware of the anomalies in the scoring that the draft audit report pointed out, but it must be understood that many other factors enter into the final project selection decisions.

Each year SCERP has been able to refine its RFP and the project selection process. The comments from the Office of Inspector General provide excellent suggestions on ways that we can work with OAR and other EPA offices to improve the process. We will incorporate these suggestions in the RFP that is now being developed for FY 1996 and OAR and other EPA offices will be fully involved in that process from the start.

Specifically, at the suggestion of OIG, we will present a clearer indication of priorities in the FY 1996 RFP in the form of a priority rank list that can be used in a flexible fashion. In addition, the RFP will have substantially more detail on the criteria considered for the scoring by outside peer reviewers and by the Management Committee and EPA when selecting projects for funding. This will serve to make the selection process more transparent and focused on priority areas. At the same time, it will become clearer to SCERP researchers, EPA, and other stakeholders why project decisions were made.

Recommendations

With respect to the recommendations from the Office of Inspector General that OAR work with SCERP to stabilize the latter's management structure, we concur that this is an important goal. SCERP has recently implemented a policy to rotate the chairmanship of the management committee every two years rather than every year. In addition, in our future meetings with OAR,

we will discuss other suggestions for tightening up the management structure in order to work more closely with EPA. Finally, it should be noted that establishment by EPA of the Border Liaison Offices in San Diego and El Paso has provided a new and important point of contact with the agency for SCERP and already we have established close contact with those offices.

SCERP is also committed to improving the level of interaction between project principal investigators and EPA technical staff. We will work with OAR to incorporate an improved, but feasible, system into the next RFP and into subsequent subcontracts and award letters for new projects.

Finally, with respect to distribution of research information to appropriate EPA staff, SCERP reached an agreement with OAR and the border coordinators from Regions 6 and 9 at a meeting in Dallas that these offices would serve to distribute relevant information from SCERP to headquarters and to the regions. So far, this has been an effective mechanism for SCERP to communicate relevant information to key offices and individuals in EPA, although a sustained effort needs to be devoted to maintaining and improving this communication. As well, SCERP worked with OIA to have consortium projects listed individually in the recently released *Compendium of EPA Binational and Domestic U.S./Mexico Activities*. This document has been widely distributed in U.S. federal agencies.

III. Specific Responses to Items in the Draft Audit Report

The following section contains responses by SCERP to a select number of items raised in the draft audit report that we feel need comment and/or clarification.

Page 6, last paragraph: "Earmarked funds provided to SCERP represented approximately 50 percent of EPA's entire 1994 and 1995 border research budget totaling $3.4 and $4.4 million, respectively."

Over the years, we have heard this statement made by OIA and other EPA offices, but have never received a clear explanation and the figures never matched available data. For example, in the Integrated Border Environmental Plan for the Mexico-U.S. Border Area (First Stage, 1992-1994) (IBEP), EPA commits to spending some $384 million in FY 1992 and 1993 on border environmental problems, including infrastructure, research, and other activities. Moreover, a recent publication by EPA, *Compendium of EPA Binational and Domestic U.S./Mexico Activities*, which is the first time EPA has compiled a listing of ongoing border-related projects, some $20 million in border environmental projects are listed and a substantial portion are for applied research and related activities.

SCERP feels that if the consortium has a better understanding of ongoing EPA border environmental research and related projects, this will facilitate our efforts to coordinate activities with EPA. In turn, this will more efficiently use scarce border resources.

Page 7, paragraph 1: "The 1993 and 1995 proposal requests included 73 and 59 unprioritized multimedia research topics respectively."

As explained above in the section on general responses, the research topics in the RFP are a list of priority projects identified by SCERP and EPA.

Page 7, paragraph 2: "SCERP and EPA primarily relied on the border plan developed jointly by the U.S. and Mexican governments to identify environmental border problems, ..."

SCERP also relied on its community environmental forums, contacts with the Border Trade Alliance, suggestions from government officials at all levels, and extensive interaction with researchers and agency personnel in Mexico along with workshops that included high level officials from both governments, environmental activists, researchers, and private sector representatives to identify environmental problems of the border region. SCERP made sure that projects identified supported the efforts of IBEP and the 1983 La Paz Agreement. SCERP also worked in areas that did not receive much attention in IBEP; specifically, on human health issues and ecosystems.

Page 7, paragraph 2: "...the Udall Center, specializing in environmental and related issues, claimed that the border plan was not integrated and did not effectively guide the application of congressional border research appropriations."

Everyone acknowledges that IBEP is not a perfect document, but the Udall Center has failed to recognize the positive achievements of IBEP. Perhaps this center did not fully appreciate the difficulties involved in getting Mexico and the United States to agree on such a comprehensive document.

Page 7, last paragraph: "For example, the 1995 proposal request assigned equal priority to the following:

- Assessment of drinking water quality and innovative water treatment methods; and

- Evaluation of the structure, practice, and funding of environmental administration in Mexico...."

This again raises the issue of priorities and illustrates the difficulty of establishing a ranked listing of border environmental priorities. For example, water quality is a high priority in the Texas colonias (informal subdevelopments without basic infrastructure) and all along the Mexican side of the border. It is only a minor issue for the more developed regions on the U.S. side of the border, such as San Diego and Tucson, where a high percentage of U.S. border residents live.

Since resolution of border environmental issues requires transborder cooperation in many cases, it is absolutely necessary that EPA, state governments, local governments, researchers, NGOs, and communities understand how border environmental administration functions in Mexico. During the past five years, Mexican environmental administration has undergone a veritable revolution

that has included a new federal environmental law and implementation regulations, two reorganizations of the federal environmental bureaucracy, emergence of border state level environmental laws and agencies, and emergence of environmental laws and agencies at the municipal level. This extremely dynamic situation is very confusing to U.S. counterparts, trade groups, communities, researchers, and NGOs. Thus, the project on Mexican environmental administration was considered a high priority by many actors in EPA and elsewhere who deal with the border on a daily basis. Cleaning up the Rio Grande, the source of drinking water for many border residents, is dependent on full collaboration by Mexican environmental authorities at the federal, state, and local level. Thus, it is very difficult to argue that one project should have absolute priority over the other or that one ranking should have absolute priority over the other.

As part of the 1995 SCERP applied research program, a project on assessment of drinking water quality was funded and one on Mexican environmental administration was not funded. However, one SCERP institution was able to obtain funding from another source for the environmental administration project and it will begin in the near future.

Page 8, last paragraph: "In 1994, SCERP did not submit all research proposals for external peer review and scoring. In 1994, SCERP set aside $222,177 for inclusion in an 'opportunity fund.'...SCERP subsequently funded nine additional projects using the opportunity fund, none of which were evaluated or scored by peer reviewers."

The purpose of the opportunity fund was to permit SCERP to respond to pressing border environmental issues through a process that was more flexible and responsive than that of the regular project funding. The opportunity funds were set aside, beginning in FY 1993, at the suggestion of the EPA Project Officer. In some cases, the opportunity funds supported projects suggested by border communities, in other cases, they provide seed money for a key project start up. In all cases, the projects were reviewed by the SCERP technical experts for technical merit, and then submitted to and approved by the EPA prior to funding and implementation.

Page 10, last paragraph: "In 1994, SCERP provided funding to develop a proposal for the establishment of a binational biosphere wetlands reserve in the San Diego-Tijuana region. This project included ecosystem preservation and policy research. Although preservation of a major wetland may be important, it did not directly address the acute health and environmental problems along the border."

This project was to complete research necessary for the development of an application to the Man and the Biosphere Program to designate the Tijuana River Basin as a Biosphere Reserve. The community activities, scientists, and policy specialists who proposed this project felt that this was the best way to develop an effective basin-wide approach to resolving critical environmental issues that affect the health of the wetlands and of the more than two million residents of the basin that covers more than one million acres straddling the border between Mexico and the United States. It is felt that this basin-wide, transnational approach to dealing with environmental issues is the only valid long term approach to protecting human and ecosystems health in the basin.

In addition, border problems such as sewage, air pollution, and hazardous waste that will be exacerbated by NAFTA-induced growth, make more urgent the need for an internationally acceptable, large scale planning system for the border region. The Biosphere Reserve project is an important step in development of an interdisciplinary/transboundary network that proposes sustainable human development while protecting natural processes and biological resources.

Finally, it should be mentioned that this project is quite similar in approach and impact to a project being undertaken by the Texas Natural Resources Conservation Commission (TNRCC) for "A Watershed Alliance for the Rio Grande/Bravo Basin." This project is being funded by EPA ($134,000 for first year) and will develop an ecosystem framework to address the environmental issues of the transboundary Rio Grande/Rio Bravo watershed.

Page 11, paragraph 2: "SCERP spent almost half of its 1995 research budget on computer modeling and other data management projects that would not directly result in the solution of an immediate, acute border environmental problem."

The computer modeling and other data management projects that SCERP funded for 1995 include projects that will accumulate and generate data for inclusion in decision support systems for regulators and policymakers. Without accurate binational, regional data, it is often impossible for policymakers to develop cost effective approaches that prioritize properly the allocation of enforcement and remediation resources. The multiagency federal government taskforce on border environmental issues has identified binational environmental data as a top priority.

On a more specific level, the project "Upper Atmospheric Wind and Temperature Profile Data for the El Paso-Juárez Airshed" will generate data that will be incorporated in computer models to determine diffusion and transport of pollutants in the airshed. Without these data, it will not be possible for the regional, binational authorities to devise specific strategies to reduce pollution in the airshed. El Paso currently has the poorest quality air of any major city in Texas and ranks among the ten worst nationally, so this work is of great importance.

Data in and of itself, however, is only one part of what is needed for development of cost effective mitigation strategies. Sophisticated computer modeling, in which both U.S. and Mexican researchers participate, provides policy options for decision makers. The collection and organization of binational environmental data serves as input to specific models that optimize the complex relationships between costs and environmental impact.

Another project, "Database Coordination Initiative: Sources of Air Pollution along the Border...," will provide data on sources of air pollution along the border to be used as the basis for developing realistic, cost effective, mitigation strategies to reduce air pollution. This innovative approach is necessary because monitoring data are not adequate for the region. It will provide a borderwide view that will provide a solid basis of comparison to determine priorities through cost/benefit analysis.

Border communities cannot have "clean air to breathe" until these basic data are available to

regulators and policymakers.

IV. Responses to Chapter 4 "SCERP Universities Incurred Ineligible Costs"

This section contains responses by SCERP for the projects with costs questioned by OIG and are listed by the appropriate consortium member.

Responses relating to projects at the University of Utah.

Travel

With regard to travel costs of $1,787 for a Utah employee to travel to Washington, D.C., members of the Utah SCERP consortium were regularly invited by members of Congress to present SCERP progress reports, not to lobby. However, we have been unable, after a change in PI and an office move, to locate the supporting documentation for these trips.

SCERP wishes to have the Director of Grants Administration reevaluate the recommendation on the travel costs within the scope of the entire award.

Equipment $13,272

In the Year 2 budget approved by our Project Officer, administrative equipment was included. Equipment to support the administrative functions of SCERP by definition falls into the category of "general purpose equipment." SCERP consortium communicates extensively by fax and printed media; the need for a fax machine, laser printer, and computers should not be questioned. When items of this nature are used to support one project rather than as shared resources among several sponsored activities, their costs should be allowable. These items of equipment would not have been purchased had it not been for SCERP, and are still being used daily for SCERP activities. No college funds are available for equipment dedicated to particular research activities. Utah believes that these costs are reasonable and should be allowed. As with all general purpose equipment, EPA is welcome to request return of the equipment in question at the end of SCERP's funding relationship with EPA.

Consultant fees $18,388

With respect to the Utah's consultant costs that were questioned, the consultant's fees and expenses should be allowable; the consultant was hired for this project for his skills in writing and communications. The individual in question has been compensated far below market-level for his skills and experience as a retired high level executive (Manager, Worldwide Information Services) of an international oil corporation. As a result, the most important contributions to SCERP have been the writing and editing of significant documents. For example, successive editions of SCERP's Interim Report to EPA and the congress were all written in layman's language by the consultant and provided useful overall summaries of SCERP's activities to the Agency, Congress,

and others. As is pointed out in other parts of this report, information transfer has been a consortium weakness, one that the Utah consultant has helped the consortium address. He also serves the Engineering College in other capacities (funded from non-SCERP sources), mostly in the capacity of writer and editor, but also including lobbying the state legislature for the annual "Engineering Initiative" that provides infrastructure support to the college as a whole (no benefit to SCERP), but has not and does not lobby the federal government for any purpose, including SCERP. Further, we have reviewed the OMB Circular A-21 provisions on allowable public relations costs (SectJ1d2), which states that allowable public relations costs include: "(2) Costs of communicating with the public and press pertaining to specific activities or accomplishments which result from performance of sponsored agreements;" and believe that the consultant costs fall within this category. Therefore, SCERP wishes to have the Director of Grants Administration reevaluate the recommendation on the consultant costs.

Miscellaneous Costs

Utah concurs with the questioned miscellaneous costs related to the Snowbird Conference.

Responses relating to projects at New Mexico State University.

With respect to the contention by OIG that NMSU claimed $12,372 in unallowable expenses:

The work done was within the approved scope of the CA. Specifically, the work performed was part of the system designed to include a training component that could be used for training inspectors and maquila employees and provide training and information to client groups.

NMSU submitted two proposals for which the work was related. It did not submit two proposed research projects for identical work.

V. Summary

In sum, SCERP is appreciative of the efforts of OIG to analyze the consortium operations and to provide constructive suggestions that will help SCERP to carry out its mission in a more focused and cost effective manner. We find OIG's draft report to be extremely useful and it is a helpful blueprint for positive change. However, there are a number of areas where SCERP comments and clarification are needed.

The OIG draft report's discussion of priorities for SCERP and EPA projects is quite detailed and is very helpful in terms of assisting SCERP to more clearly define priorities. However, we do feel that it is not possible to define a set of priorities that all actors in the border region will agree upon. The border is a region that is complex and dynamic and needs and concerns vary considerably from community to community along the border and evolve rapidly over time. The OIG draft will help us better refine our methodology for defining priorities and it has pointed out to us the need for SCERP to undertake a concerted effort to better analyze the issue of defining

priorities for border environmental projects.

The OIG draft report also raised concerns about the selection of specific projects funded in the annual SCERP research program, particularly as concerns the selection process and the appropriateness of the projects to resolving border environmental problems. In our response we explain that scores by technical reviewers are used in concert with other criteria to determine final selection. For example, EPA priorities and needs, synergy with other SCERP projects, binational participation, potential for long-term capacity building in the border region, equitable distribution of projects along the border, a mix projects with immediate and longer term impacts, and other factors all enter into the selection. We also need to underline that SCERP is committed to the long-term resolution of border environmental problems and that entails not only projects that focus on immediate concerns but projects that will bring significant results in the medium and long run. With that said, the OIG draft report does provide very helpful suggestions that will help SCERP work with OAR and the other EPA offices to improve the project selection process, beginning with the FY 1996 RFP which is now in the works.

SCERP acknowledges the utility of the various recommendations made in the OIG draft report. SCERP has already moved to stabilize its management structure with implementation of a policy to rotate the chairmanship of the management committee every two years and will discuss additional measures in our continuing meetings with OAR. The OIG suggestions on enhanced interaction between SCERP project principal investigators and EPA technical staff will be incorporated into the next RFP issued by the consortium. With respect to better distribution of SCERP research results to appropriate EPA staff, SCERP has been working on this with OAR and the regions and will monitor the effort in the future.

Finally, the draft report of OIG identifies a number of costs incurred by the various SCERP projects that it feels are ineligible. We have included responses to those specific items and respectfully request that OIG carefully consider the new information that we provide on the questioned items.

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

SEP 12 1995

OFFICE OF
AIR AND RADIATION

MEMORANDUM

SUBJECT: Draft Report on Audit of Cooperative Agreements with the Southwest Center for Environmental Research and Policy

FROM: Jerry Kurtzweg, Director
Office of Program Management Operations

TO: Bennie Salem, Acting Divisional Inspector General for Audit

In response to your request, we have reviewed the draft audit report, "The Southwest Center for Environmental Research and Policy Should Focus on Border Problems."

Overall, we believe that in many instances this report provides either incomplete information or ignores information that we provided to the investigators. This report is, in many respects, less complete and accurate than the previous draft. We urge the investigators to review the following comments carefully and make important and necessary revisions to the report.

The report is not clear about the extent of the audit and the findings for different elements. We understood that the investigation involved both financial and performance audits for the three cooperative agreements (CAs) (FY 1991-FY 1993) managed by the Office of Research and Development and only a performance audit for the first CA (FY 1994) managed by the Office of Air and Radiation (OAR). The report confirms this on page 3 but then in Chapter 2 the report addresses the technical review and selection processes for the FY 1995 CA. In addition, throughout the report recommendations and criticisms are provided that are not time-specific. We believe that it is important that specific comments be tied to specific CAs or management phases (i.e., under ORD management or under OAR management).

Our most serious concerns with the report are with Chapter 2, "Prioritizing Border Problems is Necessary to Focus Limited Research Resources," which primarily focuses on the FY 95 CA. The central theme presented in the chapter, that EPA has not prioritized border problems in selecting among research proposals, may have been accurate for the early CAs. We do not believe this finding is accurate for the FY 1994 or FY 1995 CAs. It is clear

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from the report that the investigators did not understand or were unaware of the complete processes that were used to set priorities and decide among research proposals for the FY 1994 and FY 1995 CAs.

Our general approach for both the FY 1994 and FY 1995 CAs was to identify EPA priorities as explicitly as possible and work with SCERP in selecting among research projects proposed by individual researchers to address these priorities. In identifying the priorities to be addressed by the FY 1994 and FY 1995 CAs, OAR worked closely with other headquarters offices, Region 6 and 9 Mexico border coordinators and the border offices. The activities that were included in the request for proposals (RFP) were a subset of the activities included in the U.S./Mexico border plan (i.e., priority projects). *All of the activities that were included in the RFP were considered high priority by EPA staff.* Border plan activities that were not included in the RFP were either considered inherently governmental or of lesser priority by EPA staff.

In developing the RFP OAR and the Regions decided that further delineation of priorities within the set of activities would provide no added value. Under a CA involving a solicitation to researchers EPA has only limited ability to ensure that a specific project is selected. Whether or not a specific project is conducted is dependent upon all three of the following criteria being met: 1) having a researcher who is qualified to do the work; 2) having a researcher who is interested in doing the work; and 3) having a researcher who is available to do the work. Thus, OAR and the Regions decided that providing a set of high priority problems from which the investigators could choose was the appropriate approach.

While all activities included in the RFP were considered high priority, EPA did not assign the same priority to each. The relative importance of an activity was considered during the technical evaluation of the proposal. The criteria "relevance to border environmental issues" and "statement of the problem and need" combined to account for 35 of the possible 100 points a proposal could receive. These criteria basically served as "yes/no" screen--i.e., "yes" meant it was a high priority and it was evaluated using the other criteria and "no" meant it was not a high priority and it was off the table for consideration. For example, if a proposed project could not demonstrate its relevance or need it could only hope to receive at most 65 points under the technical review.

The report is also inaccurate in describing the process for selecting projects once the technical evaluations were complete. The process was significantly more complex than a mere ranking of projects based on technical evaluations. While the report correctly points out that "the scoring of the technical evaluations resulted in a significant variation in scores," this was not, as the report indicates, because "EPA [offices] did not agree on the highest priority problems." Rather, it was because of the

assumptions of the individual reviewers. The first example of variation in scores on page 9 of the report can be used to illustrate this point. In an effort to involve the greatest expertise from the Agency as possible, OAR involved all Headquarters offices in the technical review as well as both Regions 6 and 9 and their border offices. Most of the individuals who participated from Headquarters were involved because of their technical (scientific) expertise and not because of their knowledge of border needs. If a project was scientifically sound they would give it a high score (e.g., 86). On the other hand, individuals from the Regions and Border offices were involved primarily for their knowledge of border needs and to a lesser extent for their scientific knowledge. If a project did not meet a recognized need of the border they would give it a low score (e.g., 38 and 6) even if they thought the proposal was sound technically.

What the report fails to point out is that the project selection meeting was designed to work through these conflicting pieces of information. The meeting participants, EPA staff and SCERP management, discussed over a six hour period the merits of each proposal using the results of the technical evaluations. The discussions focused on understanding why evaluators scored proposals as they did. In almost every instance after discussing a proposal the group was unanimous in its decision on whether to fund it. For instance, regarding the proposal used in the report's first example, the selection committee decided not to fund the project based on the lack of "need." The variation in scores noted in the report's second example can be explained in similar fashion to the first example's.

If Congress directs funding to SCERP again in FY 1996, OAR will revise its proposal review process to separate the "needs" review from the technical review, making the "needs" review the first, and possibly the last review for some projects. In this way fewer proposals will have to undergo the more time consuming technical review. The selection committee meeting, and the need for it, will remain however.

Regarding the report's four recommendations that apply to OAR, we agree with one, have previously implemented another, and disagree with two.

- OAR agrees that stabilization of the SCERP management structure is desirable for the purposes of continuity and will take steps to ensure that it happens.

- OAR has already implemented with SCERP a system for disseminating research information to the EPA Headquarters, Regional and Border Office staffs.

  As mentioned previously, OAR has in place an appropriate prioritization process for proposed research and based on the report findings sees no need to make changes.

- Finally, OAR agrees that a technical monitoring program to review ongoing research is desirable. In fact, OAR has made solicitations to EPA staff that they voluntarily serve as technical monitors for SCERP projects. However, OAR is in no position to expend additional resources to ensure that this done or to require that Regional or other headquarters offices take on this function.

If you have any questions regarding these comments please contact me at (202) 260-7415.

cc: Paul Ganster, SCERP
Oscar Ramirez, Region 6
Jim Yarbrough, Region 6
Nellie Rocha, Region 6 Border Office
John Hamill, Region 9
Bill Jones, Region 9
Dave Fagey, Region 9 Border Office

ABBREVIATIONS

ASU	Arizona State University
CA	Cooperative Agreement
CFR	Code of Federal Regulations
EPA	Environmental Protection Agency
FSR	Financial Status Report
NMSU	New Mexico State University
OAR	Office of Air and Radiation
OIA	Office of International Activities
OIG	Office of Inspector General
OMB	Office of Management and Budget
ORD	Office of Research and Development
PO	Project Officer
SCERP	Southwest Center for Environmental Research and Policy
SDSU	San Diego State University
UTAH	University of Utah
UTEP	University of Texas at El Paso

APPENDIX IV

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