



U.S. ENVIRONMENTAL PROTECTION AGENCY  
OFFICE OF INSPECTOR GENERAL

*Catalyst for Improving the Environment*

## Audit Report

# EPA Should Continue Efforts to Reduce Unliquidated Obligations in Brownfields Pilot Grants

Report No. 08-P-0265

September 16, 2008



**Report Contributors:**

Melinda Burks  
Randy Holthaus  
Madeline Mullen  
Darren Schorer

**Abbreviations**

EPA	U.S. Environmental Protection Agency
OBLR	Office of Brownfields and Land Revitalization
OIG	Office of Inspector General
OSWER	Office of Solid Waste and Emergency Response
RLF	Revolving Loan Fund

**Cover photo:** Construction taking place at a Seattle public hospital that is a cleaned up brownfields site (EPA OIG photo).



# At a Glance

*Catalyst for Improving the Environment*

## Why We Did This Review

We sought to determine whether the U.S. Environmental Protection Agency (EPA) has been using funds in a timely manner for brownfields pilot projects, and whether funds were available for deobligation.

## Background

EPA implemented the brownfields program in 1995 to empower States, communities, and other stakeholders to work together in a timely manner to assess, clean up, and reuse brownfields. A brownfield is an abandoned property that parties would like to redevelop or reuse but the property might be contaminated by hazardous substances or pollutants. EPA provides funds to local governments for brownfield pilot projects to assess brownfields and to loan money for brownfields clean-up.

For further information, contact our Office of Congressional and Public Liaison at (202) 566-2391.

To view the full report, click on the following link:  
[www.epa.gov/oig/reports/2008/20080916-08-P-0265.pdf](http://www.epa.gov/oig/reports/2008/20080916-08-P-0265.pdf)

## ***EPA Should Continue Efforts to Reduce Unliquidated Obligations in Brownfields Pilot Grants***

### **What We Found**

EPA is taking action to reduce unliquidated obligations under brownfields grants. EPA recently emphasized the need to close old grants. As a result, regions are deobligating funds on some grants. Unliquidated obligations decreased from about \$29.8 million in November 2007 to about \$20.9 million in March 2008, almost 30 percent.

Nonetheless, 48 grants more than 5 years old were still open as of March 2008. Of the almost \$11 million of unliquidated funds reviewed in Regions 2 and 4, the regions deobligated \$1.3 million (almost 12 percent) during our audit. Up to an additional \$6.8 million could be available for deobligation for the 21 grants that have ended or are scheduled to end by September 30, 2008. For grants awarded prior to October 1, 2002, EPA puts deobligated Superfund funds back into the national Superfund account. EPA can then use the funds for other projects.

EPA had not consistently implemented a national policy or process that provides reasonable assurance that brownfields grant funds will be spent in a timely manner. EPA Headquarters has not provided specific guidelines on when grants should be terminated, nor has it defined inadequate progress for grant performance. Regions have generally allowed time extensions when grantees requested them.

Long periods between awarding and expending grant funds indicate that EPA is not maximizing its resources. Rather than sitting idle, awarded funds could be put to better use by communities that are ready to proceed with assessment and clean-up activities. Also, as awarded funds go unspent over time, the purchasing power of those dollars decreases.

### **What We Recommend**

We recommend that the Assistant Administrator for the Office of Solid Waste and Emergency Response establish a process for reviewing non-performing grants, and develop procedures for terminating and deobligating funds from those grants. We recommend that model terms and conditions for assessment grants define the term "insufficient progress." We also recommend that regions deobligate the remaining funds for 21 grants that are scheduled to end by September 30, 2008. EPA agreed with our recommendations and is in the process of establishing procedures that, when implemented, should adequately address the findings.




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

OFFICE OF  
INSPECTOR GENERAL

September 16, 2008

**MEMORANDUM**

**SUBJECT:** EPA Should Continue Efforts to Reduce Unliquidated Obligations in  
Brownfields Pilot Grants  
Report No. 08-P-0265

**FROM:** Melissa M. Heist   
Assistant Inspector General for Audit

**TO:** Susan Parker Bodine, Assistant Administrator  
Office of Solid Waste and Emergency Response

This is our report on the subject audit conducted by the Office of Inspector General (OIG) of the U.S. Environmental Protection Agency (EPA). This report contains findings that describe the problems the OIG has identified and corrective actions the OIG recommends. This report represents the opinion of the OIG and does not necessarily represent the final EPA position. Final determinations on matters in this report will be made by EPA managers in accordance with established audit resolution procedures.

The estimated cost of this report – calculated by multiplying the project's staff days by the applicable daily full cost billing rates in effect at the time – is \$229,829.

**Action Required**

In accordance with EPA Manual 2750, you are required to provide a written response to this report within 90 calendar days. You should include a corrective actions plan for agreed upon actions, including milestone dates. We have no objections to the further release of this report to the public. This report will be available at <http://www.epa.gov/oig>.

If you or your staff have any questions, please contact Janet Kasper, Director, Contracts and Assistance Agreement Audits, at 312-886-3059 or [kasper.janet@epa.gov](mailto:kasper.janet@epa.gov).

## Table of Contents

---

<b>Purpose</b> .....	1
<b>Background</b> .....	1
<b>Noteworthy Achievements</b> .....	2
<b>Scope and Methodology</b> .....	2
<b>Results of Review</b> .....	2
<i>EPA's Recent Actions Have Reduced Unliquidated Obligations</i> .....	2
<i>EPA Had Not Ensured Timely Use of Brownfields Funds</i> .....	3
<i>Funds Available for Deobligation</i> .....	5
<b>Recommendations</b> .....	5
<b>Agency Response</b> .....	5
<b>OIG Evaluation</b> .....	6
<b>Status of Recommendations and Potential Monetary Benefits</b> .....	7

## Appendices

<b>A</b> <b>Details on Scope and Methodology</b> .....	8
<b>B</b> <b>Agency Response</b> .....	10
<b>C</b> <b>Distribution</b> .....	13

## Purpose

Our objective was to determine whether the U.S. Environmental Protection Agency (EPA) has been using funds in a timely manner for brownfields pilot projects. To answer the objective, we asked the following questions:

- What actions has EPA taken to ensure that funds are spent timely?
- What is the current unliquidated balance of grants in the brownfields program?
- Are there grant funds available for deobligation?

We focused on grants that were awarded before October 1, 2002, and were associated with two programs: Brownfields Assessment Pilot Cooperative Agreements and Brownfields Cleanup Revolving Loan Fund Pilot Cooperative Agreements.

## Background

EPA implemented the brownfields program in 1995 to empower States, communities, and other stakeholders in economic redevelopment to work together in a timely manner to assess, clean up, and reuse brownfields. A brownfield is an abandoned property that parties would like to redevelop or reuse but the property might be contaminated by hazardous substances or pollutants. EPA estimated that as of April 2008 there were more than 450,000 brownfields in the United States.

Initially, EPA provided money to local governments for hundreds of 2-year brownfield pilot projects to assess brownfields and to loan money for brownfields clean-up through the following two programs.<sup>1</sup>

- **Brownfields Assessment Pilot Cooperative Agreements (assessment grants):** These grants provide funding for grant recipients to inventory, characterize, assess, and conduct planning and community involvement related to brownfield sites. Eligible entities apply for up to \$200,000 to assess sites contaminated by hazardous substances, pollutants, or contaminants.
- **Brownfields Cleanup Revolving Loan Fund Pilot Cooperative Agreements (RLF):** RLF grants provide funding to States, political subdivisions, and Indian tribes to fund low interest loans to clean up brownfields properties. The fund revolves by using loan repayments to provide new loans for other brownfield clean-ups. RLF grants generally provide funding up to \$1,000,000 over 5 years to provide financial assistance for the clean-up of brownfields.<sup>2</sup>

EPA awarded more than \$224 million from 1995 to 2002 for brownfields pilot grants, which included assessment and RLF clean-up grants. As of March 4, 2008, there were \$20.9 million in

---

<sup>1</sup> The Small Business Liability Relief and Brownfields Revitalization Act expanded the programs in 2002.

<sup>2</sup> Initially, RLF grants were funded up to \$350,000. The threshold amount was later increased to \$500,000, and then to \$1 million.

unliquidated obligations for brownfield pilot grants. An unliquidated obligation is the amount of grant funds awarded to a recipient that has not been spent.

EPA's Office of Brownfields and Land Revitalization (OBLR), within the Office of Solid Waste and Emergency Response (OSWER), allocates brownfields funds and issues guidance to the EPA regions. Regional program and grants management offices award the grants and conduct post-award monitoring, which includes monitoring of draw downs of funds based on the proposed schedules in work plans. The region deobligates unused funds during the grant closeout process. The regional project officers have primary responsibility for grants management and oversight.

## **Noteworthy Achievements**

EPA is taking action to reduce unliquidated obligations in brownfields and recently emphasized the need to close old grants. As described in the Results of Review below, the balance of unliquidated obligations decreased almost 30 percent from November 2007 to March 2008.

## **Scope and Methodology**

We conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

We interviewed OSWER and Office of the Chief Financial Officer staff in EPA Headquarters, as well as brownfields and grants staff in Regions 2 and 4. We selected Regions 2 and 4 because of their high balances of unliquidated obligations. We reviewed financial database records and 18 grant files (10 in Region 2 and 8 in Region 4). We conducted our review from November 2007 to March 2008. Additional details on our scope and methodology are in Appendix A.

## **Results of Review**

### ***EPA's Recent Actions Have Reduced Unliquidated Obligations***

In recent years, EPA has focused on reducing unliquidated obligations in the brownfields program. OBLR has issued guidance memos that instruct regions to: (1) terminate underperforming brownfields grants and (2) disapprove time extensions. Agency guidance from September 2004 was followed by additional guidance in January and November 2007 advising regions to terminate grants for failure to make adequate progress, and to deobligate funding. The recent Office of Grants and Debarment's *Guidance on Project Period Duration and the Use of New Awards to Fund Additional Work*, effective for grant extensions requested beginning on March 1, 2008, states that the total project period, including all amendments, may not exceed 7 years. In addition, OBLR is working on a memorandum to address non-performing brownfields grantees.



As a result of actions being taken by EPA, the balance of unliquidated obligations for grants older than 5 years decreased nearly 30 percent between November 2007 and March 2008. Further, OBLR projects that the balance will be even lower by September 2008, as shown in Table 1.

**Table 1: Recent Brownfields Unliquidated Obligation Balances**

Date	Unliquidated Obligation Balance over 5 years old	Percentage Decrease from November 2007
November 2007	\$ 29,753,886	-
March 2008	\$ 20,897,074	29.8 %
September 2008 (EPA projection)	\$ 11,422,755	61.6 %

Source: EPA's Integrated Financial Management System and OBLR staff projections

Regions 2 and 4 have taken actions to ensure funds are spent timely. Region 2 recently proposed procedures to streamline the brownfields work plan approval process, which should help ensure that funds are spent more timely. Region 4 established new grant terms and conditions so that if a grantee has not made a loan by the second year (for a RLF grant) the region will consider deobligating the money.

### ***EPA Had Not Ensured Timely Use of Brownfields Funds***

While EPA has been taking actions to address unliquidated obligations, there are still grants where funds remain for more than the 3 or 5 years recommended in EPA policy memoranda. For RLF grants, EPA policy states that grant recipients are required to make loans or make significant progress towards making loans within 3 years of the grant award, and the recipient has a maximum of 5 years to complete all required activities and request final payment of funds from EPA. For other brownfields grants, such as assessment grants, EPA's recent policy limits the total project period, including amendments, to 7 years.

EPA regions had extended the project periods for most of the 18 brownfields pilot grants we reviewed, in one case by as much as 9 years. They cited various reasons, including staff turnover and delays for site assessments to be completed. For example:

- EPA extended one assessment grant three times beyond its original 2-year period due to turnover in project staff. With four different project managers during a 6-year period, the grantee was unable to provide quarterly progress reports and cost documentation.
- EPA extended another assessment grant because the grantee did not have management and staffing to support grant activities.
- EPA extended a third grant beyond its original 2-year project period six times over the 11-year period because of questions about the support for labor costs claimed.

As a result, funds were not available for other projects that may have had more immediate needs.

RLF grants represent the largest percentage of brownfields unliquidated obligation dollars (\$23.6 million, or 89.4 percent of \$26.4 million as of January 2008). Regional staff said that difficulties with RLF grants have delayed spending of grant funds. For example, after grantees



have waited for assessments to be completed, assessed properties might not be contaminated, so loans may not be needed. Some grantees experience additional delays in setting up and staffing a loan program, marketing it, and finding willing and able borrowers. For the grants reviewed, EPA extended one RLF grant because of project manager turnover and the wait for sites to be assessed, and another when prospective sites were not contaminated. EPA extended other grants because of difficulties getting work plans approved.

Most of the problems cited above occurred because EPA lacks the control activities that are needed to provide reasonable assurance that brownfields grant funds will be spent in a timely manner. Control activities are policies, procedures, and other mechanisms that help ensure that program objectives are met and are one of the internal control standards described in Office of Management and Budget Circular A-123. Although OBLR guidance notes the need to terminate old grants, regions use their discretion when making these decisions based on whether the recipient has an acceptable justification, and have generally allowed no-cost time extensions when recipients requested them. OBLR's guidance for grants made prior to the new law in 2002 did not:

- Include specific deadlines for when to terminate and deobligate funds from non-performing grants, nor define inadequate progress.
- Instruct regions to deobligate funds on grants that were not making progress.
- Require a specific award term and condition defining adequate progress or compliance criteria for terminating non-performing grants.

Although the recent *Guidance on Project Period Duration and the Use of New Awards to Fund Additional Work* issued by EPA's Office of Grants and Debarment provides a specific deadline, it does not address the other control activities.

OBLR has acknowledged that terms and conditions could be revised to better define insufficient progress and address inadequate performance. For grants awarded in Fiscal Year 2008, the model terms and conditions for RLF grants require grants to include one of the following:

- If after 2 years EPA determines that the recipient has not made sufficient progress in implementing its RLF, EPA may terminate the agreement. Sufficient progress is indicated by the grantee having made loan(s) and/or subgrant(s), but may also be demonstrated by a combination of all the following: hiring of all key personnel, the establishment and advertisement of the RLF, and the development of one or more potential loans/subgrants.
- If after 3 or 4 years [regions can choose] EPA determines that the recipient has not made sufficient progress in implementing its RLF, the EPA may terminate the agreement. Sufficient progress is indicated by the grantee having made at least one loan or subgrant.

The model terms and conditions for assessment grants state that "If after 1½ years from the date of award, EPA determines that the cooperative agreement recipient has not made sufficient progress in implementing its cooperative agreement, the Agency may terminate this agreement." The assessment grants do not define what sufficient progress is.

## **Funds Available for Deobligation**

Although regions have made progress in closing some grants awarded prior to October 1, 2002, 48 grants – with a balance of \$20,897,074 – were still open as of March 2008. Of the almost \$11 million of unliquidated funds we reviewed, Regions 2 and 4 have deobligated \$1.3 million from four grants.

Up to an additional \$6.8 million could be available for deobligation after September 30, 2008. There are 21 grants with project periods that have already ended or will end by September 30, 2008, with unliquidated amounts totaling \$6,847,876. According to EPA's *Guidance on Project Period Duration and the Use of New Awards to Fund Additional Work*, the total project period for grants may not exceed 7 years. These 21 grants will be more than 7 years old and cannot be extended without a waiver from the Office of Grants and Debarment Director. Therefore, the remaining funds on the 21 grants could be available for deobligation after September 30, 2008, once EPA receives final reports from the grantees.

EPA needs to take action to ensure these funds are deobligated timely. Unliquidated obligations and long time lags between obligating and spending funds indicate that EPA is not maximizing its use of resources. Deobligating unused brownfields pilot grant funds (for grants awarded prior to October 1, 2002) enables EPA to put those funds back into the national Superfund account, where those funds can be used for other projects. Also, as awarded funds go unspent over time, the purchasing power of those dollars decreases. For example, as a result of inflation, \$200,000 awarded in 1999 is equivalent to only about \$157,000 worth of goods or services in 2008. Consequently, less environmental work can be accomplished after 9 years of grant inactivity.

## **Recommendations**

We recommend that the Assistant Administrator for the Office of Solid Waste and Emergency Response:

1. Establish a process for reviewing non-performing grants, and develop procedures for terminating and deobligating funds from those non-performing grants. The procedures need to define insufficient progress in brownfield grants.
2. Revise model terms and conditions for assessment grants to include a definition for the term "insufficient progress."
3. Follow up to ensure that the regions deobligate the remaining funds for the 21 grants that have ended or are scheduled to end by September 30, 2008.

## **Agency Response**

The Agency agreed with all three of our recommendations and identified corrective actions it has taken or is planning to take in response to the recommendations. OSWER stated it will establish a more rigorous annual review process in Fiscal Year 2008. As part of these efforts, OSWER issued a memorandum on July 24, 2008, identifying select brownfields cooperative agreements

for the regional offices to review, based on specific criteria. OSWER provided its definition of a non-performing or poor-performing grantee, and stated it will define “insufficient progress” in the Fiscal Year 2009 brownfield grant terms and conditions. These revised terms and conditions will be distributed to the regions in Spring 2009. In addition, OSWER stated it has followed up with the regions to ensure that the 21 grants originally scheduled to end by September 30, 2008, will be managed appropriately. OSWER stated that as of July 31, 2008, two grants have already been officially closed-out. See Appendix B for the Agency’s complete response.

## **OIG Evaluation**

Regarding Recommendation 1, while we believe the Agency’s response is on the right track, the corrective action plan is not specific enough. To fully address this recommendation, EPA needs to provide us with details of its new process or procedures, including the frequency of the new review process.

EPA’s responses to Recommendations 2 and 3 are adequate and should address the findings in our report. We request that the Agency provide us evidence that the revised terms and conditions were distributed to the regions, when completed. We also request that the Agency provide us documentation showing that the 21 grants that have ended or are scheduled to end by September 30, 2008, have been deobligated, when completed.

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

RECOMMENDATIONS						POTENTIAL MONETARY BENEFITS (in \$000s)	
Rec. No.	Page No.	Subject	Status <sup>1</sup>	Action Official	Planned Completion Date	Claimed Amount	Agreed To Amount
1	5	Establish a process for reviewing non-performing grants, and develop procedures for terminating and deobligating funds from those non-performing grants. The procedures need to define insufficient progress in brownfield grants.	O	Assistant Administrator, Office of Solid Waste and Emergency Response			
2	5	Revise model terms and conditions for assessment grants to include a definition for the term "insufficient progress."	O	Assistant Administrator, Office of Solid Waste and Emergency Response	06/30/2009		
3	5	Follow up to ensure that the regions deobligate the remaining funds for the 21 grants that have ended or are scheduled to end by September 30, 2008.	O	Assistant Administrator, Office of Solid Waste and Emergency Response	12/31/2008		

<sup>1</sup> O = recommendation is open with agreed-to corrective actions pending  
C = recommendation is closed with all agreed-to actions completed  
U = recommendation is undecided with resolution efforts in progress

**Appendix A*****Details on Scope and Methodology***

We conducted our work from December 2007 to March 2008 in EPA Headquarters and Regions 2 and 4. We selected Regions 2 and 4 because of their high balances of unliquidated obligations. We interviewed EPA's OSWER and Office of the Chief Financial Officer staff in Headquarters, as well as brownfields and grants staff in the two regions. We reviewed guidance documents, EPA database records, and management (internal) controls relevant to our objective. We limited our review to brownfields grants awarded prior to October 1, 2002 (pilot grants).

To determine what actions EPA had taken to ensure that funds are spent timely, we interviewed EPA staff in Headquarters and Regions 2 and 4, and reviewed policies and guidance documentation. We also reviewed and analyzed documentation in the grant files in Regions 2 and 4 for our sample of 18 grants.

To determine the current unliquidated balance of these grants, we used data from EPA's Integrated Grants Management System and Integrated Financial Management System, as well as data provided by OSWER. We did not test the controls over either system to ensure data validity or reliability, as the information they contained was not significant to our conclusions. Our findings and conclusions were based on review and evaluation of grant file documentation and discussion with EPA staff. Specifically, we used the data to:

- Determine the universe of pilot brownfield grant unliquidated obligations at different points in time.
- Select a judgmental sample of active pilot grants with unliquidated obligations from the two EPA regions with the highest unliquidated obligations.
- Gather background information and prepare for grant file reviews for those grants selected.

From the universe of pilot brownfields grant unliquidated obligations, we judgmentally selected samples of grants from Regions 2 and 4. Because we judgmentally selected the grants, we are not projecting our results to the universe. For Region 2, we selected the grants with the highest percentage of unliquidated obligations. For Region 4, we selected all eight open pre-law grants with unliquidated obligation balances.

We selected a total of 18 grants for review, 10 in Region 2 and 8 in Region 4. The reviewed grant files included 10 RLF and 8 assessment grants, totaling nearly 42 percent of the universe of \$26.4 million unliquidated obligations over 5 years old. See Table 2 below for a listing of the 18 brownfields pilot grants we reviewed.

**Table 2: Reviewed Brownfields Pilot Grants**

Grant Number	Years Open	Cumulative Award	Unliquidated Obligations	Percentage of Funds Not Spent
<b>RLF Grants Reviewed</b>				
96429905	7	\$ 4,712,546	\$ 3,753,831	79.7 %
98210701	8	\$ 1,000,000	\$ 1,000,000	100.0 %
97432901	6	\$ 1,000,000	\$ 992,150	99.2 %
98487299	8	\$ 1,200,000	\$ 719,577	60.0 %
97434201	6	\$ 2,200,000	\$ 578,396	26.3 %
98210801	8	\$ 500,000	\$ 500,000	100.0 %
98210901	8	\$ 500,000	\$ 500,000	100.0 %
96426905	8	\$ 500,000	\$ 500,000	100.0 %
97408600	7	\$ 500,000	\$ 474,412	94.9 %
97487803	7	\$ 900,000	\$ 471,452	52.4 %
<b>Assessment Grants Reviewed</b>				
99254301	11	\$ 419,355	\$ 412,000	98.2%
98229401	7	\$ 250,000	\$ 250,000	100.0 %
98210501	8	\$ 200,000	\$ 196,419	98.2 %
99275201	10	\$ 200,000	\$ 190,215	95.1 %
98205601	8	\$ 200,000	\$ 168,820	84.4 %
98210601	8	\$ 200,000	\$ 152,503	76.3 %
99295201	9	\$ 200,000	\$ 94,607	47.3 %
98458698	9	\$ 450,000	\$ 19,378	4.3 %
		<b>\$15,131,901</b>	<b>\$10,973,760</b>	<b>72.5%</b>

Source: OIG-generated information from EPA databases and grant files as of January 2008

To determine whether there were grant funds available for deobligation, we interviewed EPA staff in Headquarters and Regions 2 and 4, and reviewed policies and guidance documentation. In addition, we reviewed and analyzed documentation in the grant files in Regions 2 and 4 for our sample of 18 grants.

We reviewed prior Government Accountability Office and EPA Office of Inspector General reports for information relevant to brownfields grants management or providing historical and background information for our review. We did not follow up on any prior reports because none related specifically to brownfields grant unliquidated obligations.

**Appendix B*****Agency Response***

August 15, 2008

**MEMORANDUM**

SUBJECT: Agency Response to OIG Draft Report “*EPA Should Continue Efforts to Reduce Unliquidated Obligations in Brownfields Pilot Grants*”  
Assignment No. 2008-0114

FROM: Susan Parker Bodine/s/  
Assistant Administrator

TO: Bill A. Roderick  
Deputy Inspector General  
Office of Inspector General

In accordance with EPA Manual 2750, the Office of Solid Waste and Emergency Response (OSWER) is submitting the attached written response to the findings and recommendations presented in the Office of Inspector General (OIG) draft report, “*EPA Should Continue Efforts to Reduce Unliquidated Obligations in Brownfields Pilot Grants*,” dated July 18, 2008. Where appropriate, we have identified corrective actions our office has taken or is planning to take in response to the draft findings and recommendations.

Please contact David Lloyd, Director, Office of Brownfields and Land Revitalization, at 202-566-2731, if you have any additional questions.

Attachment



**Inspector General's Recommendations in the July 18, 2008, Draft Audit Report: *"EPA Should Continue Efforts to Reduce Unliquidated Obligations in Brownfields Pilot Grants"***

The Office of Solid Waste and Emergency Response (OSWER) response to the three recommendations in the Inspector General's draft audit report is as follows:

1. Establish a process for reviewing non-performing grants, and develop procedures for terminating and deobligating funds from those non-performing grants. The procedures need to define insufficient progress in Brownfield grants.

**RESPONSE:** OSWER agrees with this recommendation and will establish a more rigorous annual review process in FY08. As part of these efforts, OSWER issued a memorandum on July 24, 2008, identifying select Brownfields cooperative agreements for the regional offices to review. All cooperative agreements with unliquidated obligations that met one of the following criteria were included in the report for the region's review and response:

- a) All open grants awarded in FY 2003 and prior fiscal years;
- b) Assessment and Cleanup grants awarded in FY 2004; and
- c) Grants that have passed their project end date or will end by December 31, 2008.

OSWER considers a non-performing or poor-performing grantee to be one that has not made sufficient progress in implementing its grant, including not drawing down its grant funds or drawing down very little funds in a reasonable amount of time (i.e., within 1 ½ years from the date of award for assessment and cleanup grants and within 3 years from the date of award for revolving loan fund grants). OSWER will define "insufficient progress" in the FY 2009 brownfield grant terms and conditions.

2. Revise model terms and conditions for assessment grants to include a definition for the term "insufficient progress."

**RESPONSE:** OSWER agrees with this recommendation and will revise the FY 2009 assessment grant terms and conditions (T&Cs) to include the definition of "insufficient progress." The T&Cs will be distributed to the regions in Spring 2009.

3. Follow up to ensure that the regions deobligated the remaining funds for the 21 grants that have ended or are scheduled to end by September 30, 2008.

**RESPONSE:** OSWER agrees with this recommendation. As of the date of this response, OSWER has followed-up with the regions to ensure that the 21 grants originally scheduled to end by September 30, 2008, will be managed appropriately. On July 24, 2008, OSWER issued a memorandum requesting

the regions to review select Brownfields cooperative agreements. The 21 grants ending by September 30, 2008, are included in this review process. As of July 31, 2008, two grants have already been officially closed-out.

**Appendix C**

***Distribution***

Office of the Administrator  
Assistant Administrator, Office of Solid Waste and Emergency Response  
Agency Follow-up Official (the CFO)  
Agency Follow-up Coordinator  
Office of General Counsel  
Associate Administrator for Congressional and Intergovernmental Relations  
Associate Administrator for Public Affairs  
Director, Grants and Interagency Agreement Management Division  
Director, Office of Regional Operations  
Audit Follow-up Coordinator, Office of Solid Waste and Emergency Response  
Deputy Inspector General