

Audit of EPA Region 1 Awards of the Emerging Contaminants in Small or Disadvantaged Communities Grant Program

June 23, 2026 | Report No. 26-P-0037



Abbreviations

C.F.R.	Code of Federal Regulations
EC-SDC	Emerging Contaminants in Small and Disadvantaged Communities
EPA	U.S. Environmental Protection Agency
GPI	Grants Policy Issuance
IIJA	Infrastructure Investment and Jobs Act
OIG	Office of Inspector General
PFAS	Perfluoroalkyl and polyfluoroalkyl substances
SAM	System for Award Management
SDWA	Safe Drinking Water Act

Key Definitions

Please see Appendix A for key definitions.

Cover Image

Two workers engaged in the changeout process of a granular activated carbon treatment system for PFAS. Both individuals wear high-visibility safety equipment and hard hats. The worker on the left is facing away from the camera, standing next to a blue ladder. The worker on the right is bending over and handling large orange hoses connected to the system. Behind them is a large industrial tank with multiple pipes and fittings. (EPA image)

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At a Glance

Audit of EPA Region 1 Awards of the Emerging Contaminants in Small or Disadvantaged Communities Grant Program

Why We Did This Audit

To accomplish this objective:

The U.S. Environmental Protection Agency Office of Inspector General conducted this audit to determine whether EPA Region 1 evaluated grant applications and awarded Infrastructure Investment and Jobs Act funds from the Emerging Contaminants in Small or Disadvantaged Communities Grant Program in accordance with pre-award requirements under 2 C.F.R. part 200 and EPA grant policies and guidance.

The Infrastructure Investment and Jobs Act provided the EPA \$5 billion for this new program, which offers public water systems in small or disadvantaged communities grants to address emerging contaminants, including perfluoroalkyl and polyfluoroalkyl substances, commonly referred to as PFAS. The National Policy, Training, and Compliance Division within the EPA's Office of Grants and Debarment oversees regional Grants Management Offices, and Region 1's Office of the Regional Administrator provides overall supervision of the region, which includes direction of technical and administrative aspects of programs and activities.

To support this EPA mission-related effort:

- *Ensuring clean and safe water.*

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What We Found

EPA Region 1 did not award approximately \$133 million of Infrastructure Investment and Jobs Act funds from the Emerging Contaminants in Small or Disadvantaged Communities Grant Program in accordance with the pre-award requirements of 2 C.F.R. part 200 and EPA grant policies and guidance. These funds represent all of the grants Region 1 awarded through this program between the passage of the IIJA and the end of our scope period, July 2024. We found that EPA staff did not consistently perform and document required pre-award evaluations. Some required reviews were not completed until after the grants were awarded. Also, each of the six grant files we reviewed was missing at least one required document. Region 1 staff noted that they have not received clear guidance on what documents are to be maintained and when required documents must be uploaded to the electronic EPA Grant File. Furthermore, the EPA did not consistently review and update its grant-related policies, leading to outdated or inapplicable policies.

We found that, upon the initial grant award, EPA staff failed to (1) identify proposed subaward costs of approximately \$102 million, or 77 percent of all awards; (2) identify approximately \$56 million, or 42 percent, of miscategorized costs; and (3) include all terms applicable to subawards. These deficiencies occurred because Region 1 staff did not effectively implement established internal control and supervisory review processes to provide assurance that federal funds are awarded in accordance with EPA policies and regulatory requirements. In 2024, the EPA amended two of the six grants to appropriately classify subaward costs and include applicable subaward terms and conditions.

Without sufficient oversight, clearly defined responsibilities, and implemented quality control processes, the EPA does not have adequate assurance that nearly \$133 million in funds were awarded and are being managed in accordance with program and regulatory requirements.

The Emerging Contaminants in Small or Disadvantaged Communities Grant Program supports water systems in small or disadvantaged communities that may lack the capacity to manage federal grants effectively. The deficiencies identified put approximately \$133 million in federal funds at risk of not being used to achieve the program's goals.

Recommendations and Planned Agency Corrective Actions

We recommend that the regional administrator for Region 1 implement supervisory review processes to improve accountability. We also recommend that the regional administrator for Region 1 ensure that project officers and grant specialists understand their roles, establish a quality control process to verify complete and accurate funding packages, and review all Emerging Contaminants in Small and Disadvantaged Communities grants awarded in fiscal years 2022 and 2023 to confirm that they include required subaward terms and conditions. Finally, we recommend that the chief financial officer and chief administrative officer revise policies to provide more detailed guidance on grant file management and implement recurring comprehensive reviews of all grant-related policies. All eight recommendations are resolved with corrective actions pending.



OFFICE OF INSPECTOR GENERAL
U.S. ENVIRONMENTAL PROTECTION AGENCY

June 23, 2026

MEMORANDUM

SUBJECT: Audit of EPA Region 1 Awards of the Emerging Contaminants in Small or Disadvantaged Communities Grant Program
Report No. 26-P-0037

FROM: Nicole N. Murley, Deputy Inspector General performing the duties
of the Inspector General *Nicole N. Murley*

TO: Mark Sanborn, Regional Administrator
EPA Region 1

C. Paige Hanson, Chief Financial Officer and Chief Administrative Officer
Office of Finance and Administration

This is our report on the subject audit conducted by the U.S. Environmental Protection Agency Office of Inspector General. The project number for this audit was OA-FY24-0126. This report contains findings that describe the problems the OIG has identified and corrective actions the OIG recommends. Final determinations on matters in this report will be made by EPA managers in accordance with established audit resolution procedures.

In accordance with EPA Manual 2750, your office provided acceptable planned corrective actions in response to OIG recommendations. All recommendations are resolved, and no final response to this report is required. If your office submits a response, however, it will be posted on the OIG's website, along with our memorandum commenting on the response. The response should be provided as an Adobe PDF file that complies with the requirements of section 508 of the Rehabilitation Act of 1973, as amended. The final response should not contain data that your office does not want released to the public; if the response contains such data, your office should identify the data for redaction or removal along with corresponding justification.

We will post this report to our website at www.epa.gov/oig.

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Chapter 1

Introduction

Purpose

The U.S. Environmental Protection Agency Office of Inspector General initiated this audit to determine whether EPA Region 1 evaluated grant applications and awarded Infrastructure Investment and Jobs Act, or IIJA, funds from the Emerging Contaminants in Small or Disadvantaged Communities Grant Program in accordance with pre-award requirements under 2 C.F.R. part 200 and EPA grant policies and guidance.

Background

The IIJA provided the EPA with nearly \$50 billion to strengthen the nation’s clean water and drinking water infrastructure. Among its provisions, the IIJA provides \$5 billion in grant funding for section 1459A of the Safe Drinking Water Act, or SDWA, to establish the Emerging Contaminants in Small or Disadvantaged Communities, or EC-SDC, Grant Program. In this report, we use the word **states** to refer to the 50 states, the District of Columbia, Puerto Rico, the U.S. Virgin Islands, Guam, American Samoa, and the Northern Mariana Islands. The EC-SDC Grant Program provides states with grants to help public water systems in small or disadvantaged communities address emerging contaminants in drinking water, including perfluoroalkyl and polyfluoroalkyl substances, or PFAS. The IIJA appropriated \$1 billion annually to the EC-SDC Grant Program for fiscal years 2022 through 2026; these funds are available until expended. On February 13, 2023, the EPA announced FYs 2022 and 2023 combined EC-SDC grant funding allotments for states.

Eligibility for Emerging Contaminants in Small or Disadvantaged Communities Grant Program

For a community to be eligible to receive EC-SDC funds, it must meet the requirements of a small or disadvantaged community set forth in SDWA section 1459A. More specifically, to meet the definition of an eligible community for funding, the entity must be a public water system serving a community that is considered disadvantaged, that may become disadvantaged as a result of the project, or that serves a population with fewer than 10,000 individuals that the EPA determines does not have the capacity to incur debt sufficient to finance the project or activity. A “disadvantaged community” is defined as meeting certain affordability criteria established by each state. Per the EPA’s EC-SDC implementation guidance document, *Emerging Contaminants in Small or Disadvantaged Communities Grant Program*,

the EPA expects states to review and adjust their disadvantaged community definitions to reflect current affordability issues within the state.¹

For a project or activity to be eligible for funding, its primary purpose must be to address one or more emerging contaminants, including PFAS, in drinking water.² The SDWA defines a “contaminant” as “any physical, chemical, biological, or radiological substance or matter in water.” If the EPA has set a maximum contaminant level for a substance under the National Primary Drinking Water Regulations, except for PFAS, that substance is not considered an emerging contaminant.

Implementation Guidance for the Emerging Contaminants in Small or Disadvantaged Communities Grant Program

In February 2023, the EPA issued the first version of its *Emerging Contaminants in Small or Disadvantaged Communities Grant Program*, which outlines the EPA’s approach to implementing the EC-SDC Grant Program and provides states with key information they need to apply for funding. The EC-SDC implementation guidance includes requirements for application packages and work plans, as well as examples of eligible and ineligible projects. See Table 1 for those examples.

Table 1: Examples of eligible and ineligible emerging contaminants in small or disadvantaged communities grant projects

Eligible projects	Ineligible projects
<ul style="list-style-type: none"> • Research and testing. • Planning and design. • Treatment. • Storage. • Water system restructuring, consolidation, or creation. • Household access to drinking water services. • Technical assistance. • Public communication, engagement, and education. 	<ul style="list-style-type: none"> • Projects whose primary purpose is not to address emerging contaminants. • Lead service line replacement. • Construction or rehabilitation of dams. • Activities primarily to serve future population growth. • Activities needed primarily for fire protection. • Remediation of contaminated ground water or underlying aquifers.

Source: OIG summary of eligible and ineligible projects in the EC-SDC 2023 implementation guidance. (EPA OIG table)

¹ The EPA issued the *Emerging Contaminants in Small or Disadvantaged Communities Grant Program* implementation guidance in February 2023 to provide states with the information needed to apply for funding. The EPA updated the guidance in November 2024 and again in April 2025. References to the implementation guidance in this report refer to the February 2023 version, as it covers the audit scope period.

² Per the EC-SDC implementation guidance, the definition of “primary” purpose is that “the components of the project that address emerging contaminant(s) exceed 50% of the total project costs or level of effort.” Even if costs or level of effort do not exceed 50 percent, the primary purpose of a project can still be considered as addressing emerging contaminants if there is a report or analysis that “identifies the emerging contaminant-attributable activities as a preferred method for addressing emerging contaminants.”

Pre-Award Process for the Emerging Contaminants in Small or Disadvantaged Communities Grant Program

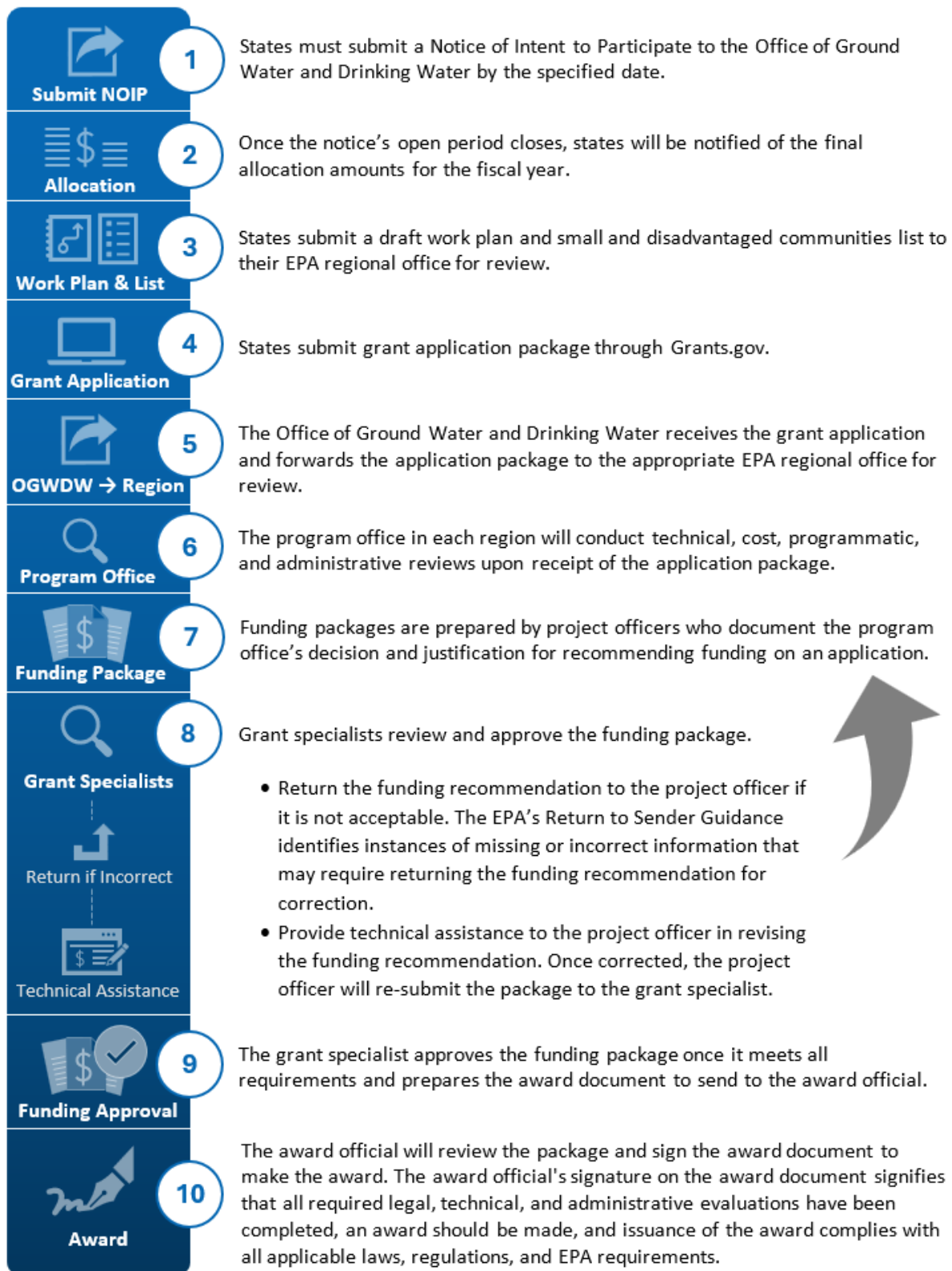
The SDWA section 1459A requires the EPA to establish a grant program to provide funding on an annual basis to eligible entities, including states, for participation in the EC-SDC Grant Program. As shown in Figure 1, states that wish to receive grant funding must submit Notices of Intent to Participate to the Agency's Office of Ground Water and Drinking Water within its EPA Office of Water, which are then forwarded to respective regional offices. After a notice's open period closes, the program will notify states of the final allocation amounts. States may apply for funding once an opportunity is announced via Grants.gov. Application packages for the grant program should be submitted by August 31 of each fiscal year cycle in which the funds are made available.

Once the regional program office receives grant application packages, a project officer conducts technical, cost, programmatic, and administrative reviews of the application package. The package includes standard forms and documents, as well as a work plan and budget narrative specific to the project scope, which outlines resources required to achieve project outputs and outcomes. After the application package review is completed and the applicant's capabilities have been assessed, the regional program office determines funding eligibility, and the project officer subsequently prepares the funding package, which includes the grant application package and funding recommendation. Finally, project officers use a checklist to ensure the accuracy and completeness of the funding package.

While the regional program office is primarily responsible for evaluating the technical and programmatic elements of a grant application package, the regional Grants Management Office oversees the business management aspects associated with reviewing the funding package. To accomplish these reviews, grant specialists verify the completeness and accuracy of the application package documents and funding recommendation components using the EPA's Comprehensive Administrative Review checklist. In addition, grant specialists evaluate the risk of waste or mismanagement of federal funds by reviewing eligibility criteria, performing financial and business integrity reviews, and assessing the reasonableness of proposed costs with EPA cost review forms. The Grants Management Office must return funding packages that are incomplete, including errors or inaccuracies, to the regional program office for correction.

EPA policies establish pre-award requirements and the scope of coverage pertaining to the evaluation of grant application packages. Such policies help to ensure that the award of federal funds is consistent, comprehensive, supported by sufficient documentation, and in compliance with federal statutes and regulations.

Figure 1: EC-SDC Grant Program pre-award process



Source: OIG summary of procedures outlined in the 2023 *Emerging Contaminants in Small or Disadvantaged Communities Grant Program* and the *Assistance Agreement Almanac*. (EPA OIG image)

Pre-award and EPA Records Management Requirements

The Office of Management and Budget established a uniform guidance for all federal assistance agreements in its “Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards,” or 2 C.F.R. part 200. The regulation outlines pre-award requirements such as conditions for program planning, announcement, application, and award processes. To help ensure compliance with 2 C.F.R. part 200, the EPA issued further guidance, such as the *Assistance Agreement Almanac*,³ and SOP-2023-G-01, *Standard Operating Procedures for Pre-award Compliance Review of EPA Form 4700-4 for Grant Specialists*.

The EPA’s Grants Policy Issuance, or GPI 22-01, *Electronic Records Management for Official Assistance Agreement Documents*, further establishes the Office of Grants and Debarment’s standards and processes for electronic storage of assistance agreement documents. The policy formalizes the required use of the EPA Grant File and defines which electronic assistance agreement documents must be maintained in the Next Generation Grants System.⁴ To document their review of grant applications, EPA staff complete the Comprehensive Administrative Review checklist, a State Grant Merit Review Checklist, and a cost review form and include them in the EPA Grant File.

Responsible Offices

Three EPA offices are responsible for managing the EC-SDC Grant Program: the Office of Ground Water and Drinking Water; the Office of Grants and Debarment’s National Policy, Training, and Compliance Division; and Region 1’s Office of the Regional Administrator.⁵ The Office of Ground Water and Drinking Water, a subdivision of the EPA’s Office of Water, oversees the implementation of the SDWA and is responsible for overseeing the funding of state drinking water and source water protection programs, including the \$5 billion EC-SDC grant funds provided through the IJJA. The National Policy, Training and Compliance Division serves as the national program manager for grants management, including responsibility for assistance regulations, policy and guidance, and assistance-related training. The division also provides oversight to regional Grants Management Offices for regionally administered assistance programs.

³ When referencing the *Assistance Agreement Almanac*, we are referring to version 1.0 that was in effect during the scope of our audit. The EPA has since released the *Assistance Agreement Almanac 2.0*, which is described as a resource offering “desk-side assistance” for grants management administration.

⁴ The Next Generation Grants System is the Agency’s information technology system that combines workflow processes with supporting documentation in the award, oversight, and closeout of assistance agreements.

⁵ In November 2025, the EPA combined its Office of the Chief Financial Officer and its Office of Mission Support, which housed the Office of Grants and Debarment, into one office called the Office of Finance and Administration. The prior functions of the Office of Grants and Debarment are now under the Office of Finance and Administration’s Office of the Chief Grants Officer.

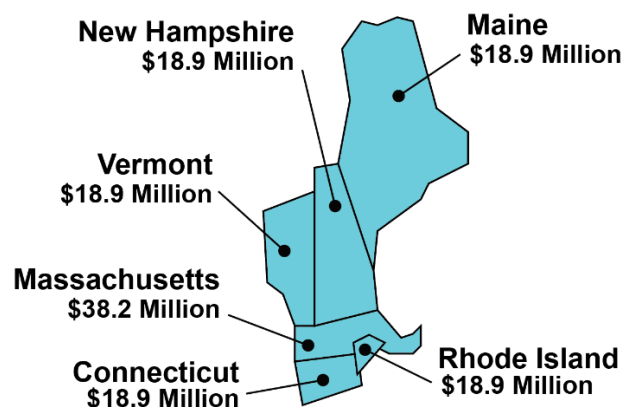
Region 1’s Office of the Regional Administrator provides overall supervision of the region and is responsible for planning, programming, implementation, control, and direction of technical and administrative aspects of Region 1 programs and activities. For FYs 2022 and 2023, Region 1 awarded approximately \$133 million in EC-SDC grant funds to the six states in the region.

Scope and Methodology

We conducted this audit from October 2024 to February 2026 in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objective. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objective.

Our scope includes all six EPA Region 1 EC-SDC grants awarded between November 15, 2021, and July 31, 2024. We selected Region 1 because we determined that, of the regions that had less EPA OIG oversight coverage, Region 1 had the greatest number of grants awarded under the EC-SDC Grant Program. Additionally, workload data showed that Region 1 grant specialists had the highest ratio of grant awards to specialists, with approximately 96 grants awarded per specialist. Agencywide, the average ratio was 55 grants per specialist. Due to the workload of Region 1 grant specialists, there is a risk that these individuals are overburdened and unable to effectively perform all required pre-award activities necessary to adequately assess the completeness and adequacy of grant application packages prior to obligating federal funds.

Figure 2: EC-SDC Grant Program funds awarded to Region 1 states



Source: OIG depiction based on EPA data. (EPA OIG image)

As shown in Figure 2, EPA awarded a total of six EC-SDC grants during the scope period, totaling approximately \$133 million. These grants were awarded between August 23, 2023, and September 11, 2023. Our testing included all six grants; therefore, a sampling plan was not necessary. We focused specifically on pre-award policies and procedures to determine whether Region 1 awarded these EC-SDC grants in accordance with applicable guidance.

We assessed internal controls and compliance with laws and regulations necessary to satisfy the audit objective. In particular, we assessed control environment and control activity components significant to our audit objective. However, because our review was limited to these internal control components and underlying principles, it may not have disclosed all internal control deficiencies that may have existed at the time of the audit.

To obtain an understanding of the criteria applicable to the implementation of the EC-SDC Grant Program and the pre-award phase of federal grants, we reviewed relevant federal statutes, regulations, policies, and guidance:

- The SDWA.
- The IJJA.
- 2 C.F.R part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards.
- The EPA's *Emerging Contaminants in Small or Disadvantaged Communities Grant Program*, February 2023.
- Relevant EPA policies and guidance.

We conducted interviews with EPA Region 1 staff to obtain a more comprehensive understanding of grant pre-award evaluation processes. In addition, we met with staff from Massachusetts and New Hampshire to determine each state's procedures for classifying communities as disadvantaged and assessing subrecipient risk and eligibility.

To determine whether grant application packages were complete and included sufficient information for assessing recipient eligibility, we reviewed grant files to analyze application documents, including work plans, budget narratives, and other required forms. We accessed grant documents in the EPA Grant File and the Next Generation Grants System to review (1) grant funding recommendations to determine if all required decisions and reviews were documented and (2) grant agreements to determine if all applicable terms and conditions were included in the award document. We also analyzed pre-award reviews performed by the project officer and grant specialists to assess the adequacy of the procedures and verify compliance with EPA policies and regulatory requirements.

Prior Reports

In our review of past EPA reports, we found two related to our audit regarding the EPA's compliance with the IJJA's grants-management requirements during its grant award processes and management of IJJA Drinking Water State Revolving Funds appropriations.

In EPA OIG Report No. [24-E-0022](#), *Perspectives on Capacity: Managing Drinking Water State Revolving Fund Infrastructure Investment and Jobs Act Funding*, issued February 27, 2024, we examined state agencies' capacities to effectively manage the large influx of Drinking Water State Revolving Fund grant dollars provided via the IIJA. Through a survey distributed to all states, Drinking Water State Revolving Fund agency administrators were asked to assess their programs' capacity to manage IIJA funds and relay any obstacles that they believed would limit their capacity to manage IIJA funds. This report did not make any recommendations to the Agency based on our evaluation but highlighted that this was an opportunity for the EPA and state offices to work collaboratively to solve the impediments to Drinking Water State Revolving Fund agencies' capacity.

In EPA OIG Report No. [22-N-0055](#), *Considerations for the EPA's Implementation of Grants Awarded Pursuant to the Infrastructure Investment and Jobs Act*, issued on August 11, 2022, we highlighted previously reported grant administration and oversight deficiencies from OIG and U.S. Government Accountability Office reports issued during FYs 2017 through 2021. The report summarizes deficiencies in three broad areas of improvement for the Agency to consider when preparing to administer and oversee IIJA grants: enhancing the grants oversight workforce and strengthening monitoring and reporting; establishing and implementing comprehensive guidance and detailed work plans, as well as improving communications; and requiring adequate documentation to support grant payments.

Chapter 2

EPA Region 1 Did Not Consistently Follow Agency Policy for Grant Pre-Award Activities to Ensure Compliance with Regulatory Requirements

EPA Region 1 did not consistently follow EPA grant policies and guidance to ensure compliance with the pre-award requirements of 2 C.F.R. part 200 when awarding approximately \$133 million of funds from the EC-SDC Grant Program. Specifically, we identified six ways in which Region 1 personnel responsible for managing pre-award activities and conducting pre-award evaluations did not always comply with guidance. They did not:

- Conduct comprehensive and timely pre-award cost reviews and assess the sufficiency of applicants' budget narratives.
- Perform and document applicant eligibility and financial integrity reviews.
- Ensure that grant application packages were complete and maintained in accordance with EPA records management policies.
- Verify that applicants' pre-award civil rights compliance reviews were finalized prior to grant award.
- Complete required quality control reviews using the Comprehensive Administrative Review checklist.
- Conduct required quality control reviews to ensure the accuracy and completeness of the funding package.

We also found that, upon the initial grant award, Region 1 personnel did not identify approximately \$102 million in proposed subaward costs, did not identify approximately \$56 million of miscategorized costs, and did not include all applicable subaward terms.

The identified deficiencies occurred because Region 1 staff lacked a full understanding of documentation requirements and failed to effectively implement established internal control and supervisory review processes. As a result, the EPA does not have reasonable assurance that the approximately \$133 million in federal funds awarded from the EC-SDC Grant Program will be used to achieve program goals of assisting small and disadvantaged communities to address emerging contaminants, including PFAS.⁶

⁶ These federal funds at risk have been identified as other monetary impacts because we do not have assurance that the funds are being used to achieve EC-SDC program goals.

EPA Region 1 Did Not Comply with 2 CFR part 200 and EPA Grant Policies and Guidance

We found that EPA Region 1 grant specialists and the project officer did not always complete timely or comprehensive cost reviews. Furthermore, budget narratives provided in the applicant packages did not often include sufficient detail to determine whether proposed costs were reasonable, allowable, and properly categorized. In some cases, cost reviews were missing, incomplete, or not completed until after the funding package was approved by the approving official. We also identified significant gaps in Region 1's pre-award compliance, eligibility, and quality control processes. Required forms and documentation were often missing from grant files, and grant specialists did not consistently verify applicant eligibility, review financial integrity, or finalize civil rights compliance reviews before awarding funds.

According to the EPA's *Assistance Agreement Almanac*, grant specialists use the Comprehensive Administrative Review checklist to review the funding package. One of the checklist requirements is the completion of a cost review. If issues are identified during the grant specialist's review of the funding package, the project officer must resolve all issues prior to the approving official's decision to fund the grant. Additionally, the *Assistance Agreement Almanac* states that the project officer must perform a quality control review of the funding package to ensure that the application is complete, all required reviews have been conducted and documented, and relevant questions have been answered. The identified deficiencies occurred because the grant specialists and the project officer did not sufficiently complete the required funding package reviews.

Grants Awarded Based on Inadequate and Untimely Cost Reviews and Insufficient Budget Information

The EPA Region 1 project officers and grant specialists did not complete timely or comprehensive reviews of the cost information in applicants' budget narratives. As a result, they missed significant issues, including vague or incomplete cost details. This situation limited the EPA's ability to assess whether proposed costs were reasonable and aligned with the program's goal.

Definition of Cost Review and Budget Narrative

- **Cost Review:** The process of evaluating the proposed costs in an applicant's budget narrative to determine if they are allowable, to include being necessary, reasonable, and allocable to the award as well as adequately supported.
- **Budget Narrative:** A document included in the application package that describes proposed costs by classification and provides detailed information supporting the costs.

EPA GPI-00-05, *Cost Review Guidance*, states that it is EPA policy that a cost review be completed and documented for every funded project. This requirement ensures that funding decisions are based on a comprehensive assessment of proposed costs. The EPA's *Internal Interim General Cost Review Guidance for EPA Grants Specialists and Project Officers* outlines the specific roles and responsibilities of each party in the cost review process and defines the level of detail required in the budget narratives to evaluate whether proposed costs are reasonable. It also requires that both grant specialists and project officers use this guidance when reviewing proposed budgets and completing cost review forms.

Any issues identified during cost reviews—for example, miscategorized costs, calculation errors, or insufficient budget information—should be resolved before the Grant Management Office’s approval of the funding recommendation. EPA guidance provides clear instructions for conducting a cost review, including how to assess whether the budget narrative is complete and provides sufficient detail.

EPA Did Not Perform Comprehensive or Timely Cost Reviews

We independently analyzed the cost review forms completed by the project officer and grant specialists, along with the project work plan, budget narrative, and Standard Form 424A – Budget Information – Non-Construction Programs included in each of the six grant application packages that we audited. Our analysis identified approximately \$102 million in proposed subaward costs across the six awarded grants. Even though the cost review guidance states that recipients must provide the aggregate amount they propose to allocate to subawards as a line item, these subaward costs were not identified during the cost reviews conducted by the project officer and grant specialists. The identified subaward costs represented approximately 77 percent of the total approximately \$133 million awarded under the scope of our audit. Notably, both the project work plan and budget narrative included sufficient detail to allow for the identification of subaward costs. In addition, both the program office and grant management office cost review forms included specific questions and references to the EPA's cost review guidance documents to assist in identifying proposed subaward costs. The failure to identify proposed subaward costs and include subrecipient progress monitoring reporting provisions in the grant agreements could negatively impact the ability to meet milestones and achieve program objectives. In 2024, the EPA amended two of the six grants to appropriately categorize subaward costs and incorporated the Model Programmatic Subaward Reporting Requirement;⁷ however, four grants have yet to be amended.

For one of the six grants, the electronic grant file did not contain a cost review form. As a result, we were unable to determine whether the grant specialist conducted a review of the proposed costs and budget narrative. For the five cost review forms available, we found the following:

- Cost reviews for three grants were completed after the approving official approved the funding package.
- Cost reviews for four of the grants were incomplete.

Based on our analysis of the cost review documentation and the responses provided by the project officer and grant specialists during interviews, we concluded that the methodology used to evaluate proposed costs lacked sufficient rigor and found that there were no formal supervisory controls for the cost review process. The required scope of the cost review processes and the roles and responsibilities of the project officer and grant specialists are detailed in the EPA’s *Internal Interim General Cost Review Guidance for EPA Grants Specialists and Project Officers* and *GPI-00-05, Cost Review Guidance*. However, during our interviews, the project officer and grant specialists did not offer any reasons for not following

⁷ This grant condition requires pass-through entities to report on their subaward monitoring activities and, when available, to provide information such as summaries of environmental results achieved, financial and programmatic reports, site visit findings, and audit findings.

the policies. The absence of a formal supervisory process to identify insufficient reviews has increased the risk of waste and reduced assurance that federal funds were managed according to principles of sound financial stewardship.

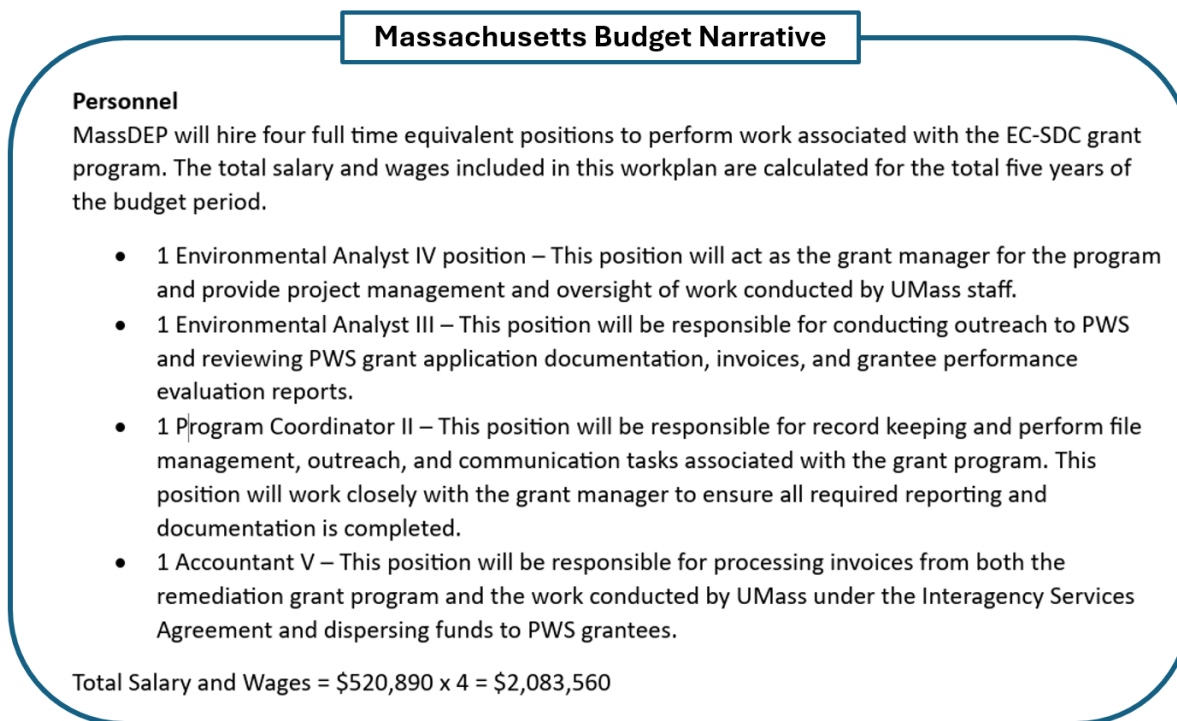
EPA Awarded Grants Based on Miscategorized or Insufficient Budget Information

During our analysis, we found that three states submitted budget narratives with miscategorized costs totaling approximately \$56 million, which represented 42 percent of the total funds awarded for the six grants. For example, we identified approximately \$30 million of proposed subaward costs in one state's budget narrative that was incorrectly categorized as contract costs.

We also found that while each budget narrative generally identified the proposed cost categories, none of the six included the level of detail required to fully evaluate whether proposed costs were reasonable, allowable, and properly categorized. Specifically, we identified the following issues:

- One grant proposed fringe benefits costs of \$493,840, while another proposed \$88,586. However, neither budget narrative disclosed the fringe benefit rate or explained the basis for the proposed costs. Without this information, EPA personnel could not confirm whether the rates were applied correctly or whether the costs included any unallowable expenses.
- One grant proposed \$508,299 in indirect costs but did not include the indirect cost rate or the distribution base. This omission prevented EPA personnel from determining whether the costs were equitably allocated to the grant.
- Two budget narratives lacked sufficient detail about proposed supply costs. One grant included a \$184,200 line item for "Supplies" and another listed \$100,000 for "Total PFAS Investigation Sampling" without explanation. Without further detail on the types and quantities of supplies, EPA personnel could not determine whether these costs were necessary for the project's scope of work.
- One grant included approximately \$2 million in personnel costs. As shown in Figure 3, the state of Massachusetts budget narrative listed job titles and described four full-time positions; however, it did not break out salary costs by job title and implied that each position had the same salary. As a result, EPA personnel could not determine whether the salaries were reasonable for each position.

Figure 3: Personnel cost section of budget narrative



Source: Massachusetts Department of Environmental Protection (MassDEP) Workplan for the Emerging Contaminants in Small or Disadvantaged Communities Grant (EC-SDC). (EPA OIG image)

Note: PWS means Public Water Systems.

When application package documents contain vague, incomplete, or inconsistent cost information, or proposed costs are miscategorized, the project officer and grant specialists should coordinate with the applicants to resolve the issues and request revised documentation. However, we found no evidence that EPA personnel followed up to request more detailed budget narratives. Formalized quality control processes and sufficient supervisory oversight processes are necessary to help ensure that budget narrative issues are identified and corrected. In summary, the insufficient cost detail in the budget narratives prevented EPA personnel from conducting a complete review to ensure that proposed costs were reasonable and allowable prior to the award of federal funds.

Applicant Eligibility and Financial Integrity Reviews Not Always Performed and Documented

To receive federal grant funding, applicants must register in the System for Award Management, or SAM, which serves as a centralized database for verifying eligibility and identifying potential programmatic or financial risks. The system includes critical information such as exclusion records, legal actions, and other indicators of business integrity. Federal regulations and Agency policies require grant specialists to review and document this information prior to awarding grants. As provided in the Comprehensive Administrative Review checklist, grant specialists must confirm whether “the applicant or any entity or person identified in the application” has any exclusions in SAM.

Eligibility and Financial Integrity Review

Before awarding a grant, the federal agency is required to review eligibility information and financial integrity information for applicants available in the System for Award Management. Additionally, prior to awarding grants over the simplified acquisition threshold, the federal agency is required to review the responsibility and qualification records available in the System for Award Management. These reviews verify that the applicant and other key personnel are eligible to receive federal funding and check for any records of legal issues, such as convictions, fines, penalties, or other evidence of ethical concerns.

We found that grant specialists did not fully comply with EPA policy or the requirements outlined in the Comprehensive Administrative Review checklist for any of the six grants that we reviewed. Specifically:

- Two checklists incorrectly indicated exclusions for applicants or key personnel in SAM,⁸ and there was not any documentation in the grant files explaining why the applicants were allowed to receive federal funds.
- In three cases, there was no evidence that grant specialists reviewed SAM for financial integrity concerns.
- In two cases, reviews were conducted 11 and 13 months, respectively, after the grant award dates. One of the two checklists misrepresented the actual date of the review because the grant specialist indicated that it was performed in September 2023, but the evidence in the grant file indicates that it was performed in September 2024.

While the Comprehensive Administrative Review checklist requires documentation of financial integrity checks, it does not mandate evidence of eligibility verification or exclusion reviews. These gaps in documentation undermine the EPA's ability to demonstrate due diligence and mitigate financial and reputational risk. During our interviews with Grant Management Office personnel, we also determined that there is no formal and consistent supervisory review process to verify the completeness and accuracy of the grant specialists' required reviews in SAM. Further, the Region 1 supervisory grants management specialist stated that the significant increase in programs and funding left insufficient time to adequately review the grant specialists' work and ensure that requirements were met.

Timely and complete reviews of registered entities and key personnel in SAM are essential to identify applicants that may pose risks to federal funds or program outcomes. Strengthening documentation requirements and increasing oversight would enhance accountability and support sound grant-making decisions.

⁸ We have defined key personnel as those individuals identified as a key contact in EPA Form 5700-54 – Key Contacts Form. Key contacts include those individuals who are authorized to sign grant agreements and amendments, accept payments, provide budgetary information, or manage the project.

Grant Application Packages Were Incomplete, and Documents Were Not Always Maintained in Accordance with EPA Records Management Policies

The EPA did not consistently maintain documents because requirements were not clearly defined in EPA policies. The EPA's *Assistance Agreement Almanac* and the EC-SDC implementation guidance specify the documentation applicants must submit when applying for a grant. Additionally, EPA Policy Document GPI 22-01, *Electronic Records Management for Official Assistance Agreement Documents*, issued by the Office of Grants and Debarment, establishes requirements for storing official assistance agreement files electronically. GPI 22-01 directs staff to use the EPA Grant File as the repository for “all electronic assistance agreement documents,” except for those documents specifically allowed to be stored in the Next Generation Grants System; however, this policy does not define an assistance agreement document.

Our review of GPI 22-01 and interviews with EPA personnel revealed that the EPA lacks a clearly defined process for specifying (1) what type of documents constitute an electronic assistance agreement document and (2) when application documents should be uploaded to the electronic grant file. As a result, the contents of the grant files were incomplete. For example:

- For three of the six grants, the grant specialists did not upload required forms and checklists until we scheduled our initial interviews in November 2024.
- Two of the six grant files did not include the required project work plan, which outlines the proposed activities, timelines, and responsibilities for achieving program goals.
- Only one of the six grant files included EPA Form 6600, *Certification Regarding Lobbying*, which confirms that grant funds will not be used for lobbying federal agencies or Congress.

Additionally, during our discussions with EPA personnel, we found that (1) the regional program office has not implemented a formal quality control review checklist that would aid in identifying incomplete application packages, and (2) the Grant Management Office does not have adequate supervisory controls to provide assurance that all documentation requirements have been met. Without detailed guidance, consistent quality control processes, and supervisory oversight, staff may store documents improperly or fail altogether to store them.

Establishing strong controls for organizing and maintaining grant application documents can reduce risks associated with staff turnover. It also supports accountability, improves efficiency, and ensures that records are accessible when needed. Failure to maintain an organized and regularly backed-up electronic record system hinders the EPA's ability to preserve key documentation in the event of an emergency or disaster.

Applicants' Pre-Award Civil Rights Compliance Reviews Were Not Always Finalized Prior to Grant Award

For three of the six grants, EPA Form 4700-4, *Preaward Compliance Review Report for All Applicants and Recipients Requesting EPA Financial Assistance*, was not approved prior to the grant award date.

Applicants must complete this form to apply for grants. As shown in Figure 4, it requires the applicant to disclose information including any civil rights lawsuits or administrative complaints that are pending or that were decided against the applicant within the last year.

The grant specialist submits the completed Form 4700-4 to the appropriate regional Office of External Civil Rights Compliance, which reviews the applicant's responses for alignment with the EPA's nondiscrimination regulations and assesses the risk of noncompliance with civil rights requirements. Agency policy requires an authorized Office of External Civil Rights Compliance employee to complete the review as well as sign and date the form within ten business days of receipt.

Applicants must have an approved Form 4700-4 before receiving a federal grant award, unless there is an exigent need that justifies making a conditional award that prevents the applicant from receiving funds until the Office of External Civil Rights Compliance review is complete.

During our review, we found that for two grants, the forms were approved within ten days after the award date. The third grant's form was approved 30 days after the award. None of the three grant files included (1) documentation justifying an exigent need for making a conditional award or (2) the required terms and conditions restricting access to funds pending form approval.

Delays in completing civil rights reviews and the absence of appropriate award terms and conditions increase the risk of awarding grants to entities involved in discriminatory practices or with unresolved legal issues. This condition creates a risk that federal funds may not be used as intended and may undermine the achievement of program goals.

Figure 4: EPA Form 4700-4

EPA Form 4700-4

**Preaward Compliance Review Report for
All Applicants and Recipients Requesting EPA Financial Assistance**

Note: Read Instructions before completing form.

This collection of information is approved by OMB under the Paperwork Reduction Act, 44 U.S.C. 3501 et seq. (OMB Control No. 2030-0020). Responses to this collection of information are required to obtain an assistance agreement (40 CFR Part 30, 40 CFR Part 31, and 40 CFR Part 33 for awards made prior to December 26, 2014, and 2 CFR 200, 2 CFR 1500, and 40 CFR Part 33 for awards made after December 26, 2014). An agency may not conduct or sponsor, and a person is not required to respond to, a collection of information unless it displays a currently valid OMB control number. The public reporting and recordkeeping burden for this collection of information is estimated to be 0.5 hours per response. Send comments on the Agency's need for this information, the accuracy of the provided burden estimates and any suggested methods for minimizing respondent burden to the Regulatory Support Division Director, U.S. Environmental Protection Agency (2821T), 1200 Pennsylvania Ave., NW, Washington, D.C. 20460. Include the OMB control number in any correspondence. Do not send the completed form to this address.

I. A. Applicant/Recipient (Name, Address, City, State, Zip Code)

Name:

Address:

City:

State: Zip Code:

B. Unique Entity Identifier (UEI):

C. Applicant/Recipient Point of Contact

Name: Phone: Email:

Title:

II. Is the applicant currently receiving EPA Assistance? Yes No

III. List all pending civil rights lawsuits and administrative complaints filed under federal law against the applicant/recipient that allege discrimination based on race, color, national origin, sex, age, or disability. (Do not include employment complaints, unless covered by 40 C.F.R. Parts 5 and 7.)

IV. List all civil rights lawsuits and administrative complaints decided against the applicant/recipient within the last year that alleged discrimination under federal law based on race, color, national origin, sex, age, or disability and enclose a copy of all decisions. Please describe all corrective actions taken. (Do not include employment complaints, unless covered by 40 C.F.R. Parts 5 and 7.)

V. List all civil rights compliance reviews of the applicant/recipient conducted under federal nondiscrimination laws by any federal agency within the last two years and enclose a copy of the review and any decisions, orders, or agreements based on the review. Please describe any corrective action taken. (40 C.F.R. § 7.80(c)(3))

Source: EPA Form 4700-4, Preaward Compliance Review Report for all Applicants and Recipients Requesting EPA Financial Assistance. (EPA OIG image)

Grant Specialists Did Not Accurately or Fully Complete Required Administrative Reviews Using the Comprehensive Administrative Review Checklist

According to the *Assistance Agreement Almanac*, grant specialists must use the Comprehensive Administrative Review checklist to evaluate the funding package. The checklist includes nine sections designed to assess key areas of the application package including, but not limited to, the accuracy and completeness of the application package and funding recommendation, cost reasonableness, applicant eligibility, financial integrity, and other risk factors such as past performance or managerial capability.

See Figure 5 for a brief description of each section in the Comprehensive Administrative Review checklist in effect during the period of our audit.

Figure 5: Summary of Comprehensive Administrative Review checklist

	1	General Information: Verify applicant name and type, grant and assistance listing numbers, and the statutory authority.
	2	Eligibility and Pre-Award Capability Review: Determine applicant's eligibility by assessing statutory and regulatory authorities and perform reviews to identify exclusions or financial integrity concerns.
	3	Risk Review: Identify any unresolved compliance findings and potential performance, technical, managerial, or administrative risks.
	4	Administrative Review: Ensure that all required forms are submitted and reviewed, determine whether applicant is delinquent on any federal debt, and identify any pre-award costs.
	5	Financial Review: Complete appropriate cost review. Determine whether all costs are allocable, allowable, and reasonable.
	6	Grant Specialist Work Plan Review: Review work plan to determine if activities are allowable and it contains milestones, outputs, and outcomes.
	7	Grant Specialist Funding Recommendation Review: Determine the completeness and accuracy of funding recommendation.
	8	Merit Review and Other Funding Recommendation Requirements: Ensure that project officer completed State Merit Review.
	9	Award Document Requirements: Include funding recommendation date in award. Determine whether project is an award that includes special payment conditions.
	10	Approval Section: Provide signature to certify that the application and funding recommendation have been reviewed for administrative compliance with statutory, regulatory, policy, and delegated authorities.

Source: OIG summary of EPA's Comprehensive Administrative Review checklist. (EPA OIG image)

The checklist also contains an approval section, where the grant specialist certifies that the submission meets applicable statutory, regulatory, and policy requirements. While the checklist includes an optional section for a quality control review certification, our discussions with grants management personnel revealed that there is no formal process in place to verify that all sections of the checklist are sufficiently completed and supported by adequate documentation.

We reviewed six Comprehensive Administrative Review checklists completed by grant specialists and found that none of the checklists contained fully accurate or complete responses. For example, we found:

- Eligibility and Pre-Award Capability Review—All six checklists had incomplete or incorrect responses. Four incorrectly stated that the expected award amount was under the \$250,000 simplified acquisition threshold, indicating that a financial integrity review was unnecessary. Figure 6 provides an example. One checklist incorrectly indicated that the applicant was excluded from receiving federal funds.

Figure 6: Content from the Comprehensive Administrative Review Checklist

Comprehensive Administrative Review Checklist, Eligibility and Pre-Award Capability Review Section			
II. ELIGIBILITY AND PRE-AWARD CAPABILITY REVIEW	YES	NO	REFERENCES & NOTES
4. Is the expected total amount of the award >\$250K? If Yes, a review of Federal Awardee Performance Integrity Information System (FAPIS) is required within 30 days prior to award. FAPIS information is available through the Entity Information in SAM.gov.	<input type="checkbox"/>	<input checked="" type="checkbox"/>	If YES, include a screenshot in the grant file from the Responsibility/Qualification screen in SAM.gov, showing the search results and date of search. If there are any negative findings, please address with the GMO and Award Official immediately. If an award is not made, the AO/GMO must work with the National Policy Training and Compliance Division (NPTCD). See Policy Notice 2016-G02-R2

Source: EPA Comprehensive Administrative Review checklist (EPA OIG image)

- Administrative Review—All six checklists had inaccurate responses or unanswered questions. Four lacked dates showing when EPA Form 4700-4 was forwarded and approved. One checklist incorrectly stated that the project schedule did not meet time constraints.
- Risk Review—Three of the six checklists had unanswered questions related to unresolved compliance findings and the presence of performance, technical, managerial, or administrative risks that could affect the applicant's ability to meet grant requirements and perform the scope of work.
- Funding Recommendation—All six checklists had incomplete or inaccurate responses to questions regarding the characterization and disclosure of subaward costs included in the project officer's funding recommendation.
- Approval—Only one of six checklists included the required signature from the grant specialist, certifying administrative compliance. None of the six checklists received a secondary quality control review, though such reviews are optional. Figure 7 shows the approval and internal control review sections of the EPA Comprehensive Administrative Review checklist.

Figure 7: Approval and internal control review sections of the Comprehensive Administrative Review Checklist

Comprehensive Administrative Review Checklist, Approval and Internal Control Review Sections	
APPROVAL SECTION	
This Application for Federal Assistance and funding recommendation have been reviewed for administrative compliance with statutory, regulatory, policy and delegated authorities. Signature below indicates, in the reviewer's opinion, the application complies with the administrative requirements for award of assistance.	
Grants Specialist	
INTERNAL CONTROL REVIEW (Optional)	
A Quality Control Review was made of this administrative review to ensure it complies with the statutory, regulatory delegated and policy requirements for award. Signature below indicates the reviewer supports the funding decision for this Application for Federal Assistance.	
Reviewer 1	

Source: EPA Comprehensive Administrative Review Checklist (EPA OIG image)

Grant specialists must complete all sections included in the most up-to-date version of the Comprehensive Administrative Review checklist, which outlines all pre-award review requirements. During our review of the six checklists, we identified documentation issues with the work of two grant specialists that created uncertainty about whether required pre-award reviews were completed before awarding federal funds.

For five of the six grant files reviewed, we found that grant specialists used the correct version of the Comprehensive Administrative Review checklist, which was issued for use in February 2023. However, during our examination of one grant file, we determined that the grant specialist used the March 2024 version of the checklist to complete pre-award reviews, despite the grant being awarded in August 2023. When questioned about whether the required reviews were performed after the grant was awarded, the grant specialist responded that the review was completed in "real time" before the award and that the newer checklist version was mistakenly used while preparing the file for upload. Notably, this checklist was uploaded on the same day as our scheduled onsite interview in November 2024. Further examination of the document metadata revealed that the document was created in March 2024 and last edited in November 2024. Due to this timing discrepancy, we cannot confirm that the funding package underwent a complete review prior to the award.

During our analysis of a different grant file, we found that a second grant specialist did not complete the "Grants Specialist Funding Recommendation Review" section of the Comprehensive Administrative Review checklist. The grant specialist explained that the incomplete checklist was used for training and had been uploaded in error. After our inquiry, the grant specialist provided a revised checklist with the "Funding Recommendation" section filled out. However, the document's metadata revealed that the checklist was last modified on the day of our meeting with the grant specialist, not prior to the award.

As a result, we cannot verify whether the funding recommendation section was reviewed before the grant was approved.

These findings indicate that grant specialists did not fully meet the documentation and evaluation requirements outlined in the *Assistance Agreement Almanac*, increasing the risk of awarding federal funds without proper administrative oversight. We also determined that the supervisory review processes to verify the accuracy and completeness of the Comprehensive Administrative Review checklist were inadequate, resulting in documentation deficiencies and inconsistencies that were not addressed prior to grant awards. The identified checklist issues limit our ability to confirm compliance with required pre-award review procedures and highlight the needs for uniform documentation practices by grant specialists and the implementation of a supervisory review process.

Project Officer Did Not Perform Required Quality Control Reviews to Ensure the Accuracy and Completeness of Funding Packages

According to the *Assistance Agreement Almanac* in place at the time of our audit, project officers must use a checklist to ensure the accuracy and completeness of the funding package. Regional program offices may develop their own checklist or adapt the Comprehensive Administrative Review checklist used by grant specialists. However, the current version of the *Assistance Agreement Almanac* describing the award phase of a grant does not indicate that this review must take place. Requiring documented funding package reviews serves as a preventative control to help mitigate the risk of waste or mismanagement of federal funds.

Our review of electronic grant files found no evidence that the Region 1 program office had developed or used checklists comparable to the Comprehensive Administrative Review checklist. When asked, the project officer was unaware that the *Assistance Agreement Almanac* indicated a checklist must be utilized and did not use a formal checklist. The project officer did conduct a cost and merit review; however, these efforts did not meet the standard set by the *Assistance Agreement Almanac*.

While not as broad as the Comprehensive Administrative Review checklist, the project officer does complete a merit review using a checklist. The State Grant Merit Review Checklist, used in all six grants reviewed, was designed to meet regulatory merit review requirements.

The State Grant Merit Review Checklist

The State Grant Merit Review Checklist is required for new grant funding and supplemental funding amendments awarded from the EC-SDC Grant Program. The checklist includes the following four sections:

- General Grant Merit Criteria Under 2 CFR parts 200 and 1500.
- Work Plan Requirements.
- Factors for Consideration Determining Award Amount.
- EC-SDC Drinking Water Grant Specific Requirements.

Based on the checklist content, we determined that it was not intended to be a comprehensive quality control tool to ensure accuracy and completeness of the entire funding package. Although the checklist included some questions relevant to the funding package, it lacked the detail and the breadth of the Comprehensive Administrative Review checklist, which is illustrated in Figure 5 of this report. For example, the State Grant Merit Review Checklist contained general questions focused on assessing the applicant's project work plan and projected performance, while the Comprehensive Administrative Review checklist covered broader questions on the project work plan, application completeness, and the appropriateness of cost elements, including those requiring conditional grant terms.

None of the six checklists reviewed were signed and dated as required. In the absence of documented, standardized quality control processes, we could not confirm that the project officer conducted a pre-award review prior to the grant award.

These deficiencies in the funding package review process increase the risk of awarding grants to applicants who may lack the capacity to manage federal funds or meet program objectives. Implementing a complete and properly documented checklist would strengthen the EPA's ability to assess applicant risk and apply appropriate grant terms and conditions to support successful program outcomes.

Region 1 Staff Did Not Follow EPA Authorities and Did Not Effectively Implement Quality Control and Supervisory Review Processes

These deficiencies occurred because Region 1 staff did not follow EPA authorities and did not perform quality control processes intended to ensure the completion and accuracy of grant pre-award processes. EPA officials stated that training courses provide extensive coverage and additional guidance resources are located on the EPA's Grants and Debarment intranet; however, we found that Region 1 staff did not follow EPA authorities related to pre-award processes. For example, based on interview responses, we determined that the project officer was unaware that a documented quality control review of the funding recommendation was required, and some grant specialists did not follow the procedures required to conduct a comprehensive cost review.

Additionally, the Region 1 supervisory grants management specialist cited insufficient time to verify the grant specialists' work. As a result, critical checks were not performed to confirm that reviews were conducted in accordance with the applicable authorities. When oversight is lacking and personnel are not held accountable for performing required reviews, there is a greater risk of awarding grants to applicants who may not have the ability to manage federal funds or meet program goals. A lack of oversight also increases the chance of issuing grant agreements without the proper terms and conditions to address known risks.

Grant Funds May Fail to Achieve Program Goals

Weaknesses in the Agency's grant review process have increased the risk of awarding funds to applicants who may not have the capacity to manage them. Specifically, the failure to identify and address approximately \$102 million in proposed subaward costs indicates a breakdown in supervisory oversight. As a result, grant agreements lacked required reporting provisions, leaving the Agency without assurance that recipients are monitoring subawards effectively. Incomplete civil rights reviews, missing documentation, and the absence of a structured supervisory review and quality control process further raise the likelihood that the EPA inappropriately awarded funds or awarded funds to applicants that do not have the administrative or technical capacity to sufficiently manage the funds and achieve program goals. These deficiencies jeopardize the effective use of approximately \$133 million in federal funds and reduce the transparency and accountability needed to meet program goals.

Conclusions

The deficiencies identified in the Agency's pre-award processes suggest a broader breakdown in internal controls, accountability, and adherence to established grant procedures. The lack of comprehensive cost review, incomplete documentation, and inconsistent review practices indicate that staff may not fully understand or prioritize the requirements necessary to safeguard federal funds. In some cases, the absence of timely or documented reviews raises concerns about whether funding decisions were made based on professional judgment or administrative convenience. Without strengthened oversight, clearer roles and responsibilities, and enforced quality control measures, the EPA remains at risk of awarding grants without adequate assurance that recipients are capable, costs are justified, and public funds are used effectively and lawfully.

Recommendations

We recommend that the regional administrator for Region 1:

1. Develop and implement supervisory review processes within the regional Grants Management Office to (1) enhance grant specialist accountability for completing pre-award procedures and developing documentation to support grant award decisions, (2) verify the accuracy and completeness of pre-award reviews to ensure the efficient use of federal funds, and (3) provide reasonable assurance that the nearly \$133 million of awarded funds is being managed in accordance with program and regulatory requirements.
2. Establish processes within the regional program office to enhance project officer accountability for completing cost, technical, programmatic, and administrative pre-award reviews, and developing documentation to support grant award decisions.
3. Design and implement a program office quality control review process to ensure the accuracy and completeness of funding packages.

4. Determine if additional training is necessary to help ensure that project officers and grant specialists understand their roles and responsibilities.
5. Review all IJJA-funded Emerging Contaminants in Small or Disadvantaged Communities program grants awarded in fiscal years 2022 and 2023 to determine if they should be amended to include the Model Programmatic Subaward Reporting Requirement.

We recommend that the chief financial officer and chief administrative officer:

6. Revise policies and procedures to include the types of documents that should be contained in the electronic EPA Grant File and establish specific time frames for when grant-related documents should be uploaded.

Agency Response and OIG Assessment

The EPA agreed with four of the recommendations and provided acceptable planned corrective actions with estimated milestone dates for Recommendations 1, 2, 5, and 6. We consider these recommendations resolved with corrective actions pending. The Agency partially agreed with Recommendations 3 and 4, proposed corrective actions, and provided estimated completion dates in a follow-up email. Appendix B contains the Agency's response to our draft report. The EPA also provided technical comments, which we considered and incorporated as necessary.

For Recommendation 3, the EPA will use concurrent approval processes and controls in addition to training and guidance resources to ensure the accuracy and completeness of funding packages. The proposed corrective action is responsive to our recommendation, and we consider this recommendation resolved with corrective actions pending.

For Recommendation 4, the EPA stated that it has completed refresher training for all regional Next Generation Grants System users. Additionally, the Region 1 Grants Management Office indicated that the office has developed and continually updates region-specific training documents and resources. The proposed corrective action is responsive to our recommendation, and we consider this recommendation resolved with corrective actions pending.

Chapter 3

EPA Did Not Review Grant Policies to Ensure That They Remain Relevant and Meet Program Objectives

We reviewed the EPA’s policies and procedures related to grants management to assess whether they align with internal control standards and support effective program oversight. We focused on the design, implementation, and periodic review of internal control activities, as outlined in the Government Accountability Office’s *Standards for Internal Control in the Federal Government*, and EPA Order 1000.24, *Management’s Responsibility for Enterprise Risk Management and Internal Control*. We found that the Office of Grants and Debarment does not follow a consistent schedule to review and update its policy guidance. As a result, key documents, such as grant policy issuances, no longer reflect current processes. This lack of routine policy maintenance limits the Agency’s ability to ensure compliance, operate efficiently, manage risks effectively, and safeguard federal funds.

National Program and Regional Offices Are Responsible for Establishing, Implementing, and Maintaining Internal Controls

EPA Order 1000.24 describes internal controls as tools to manage program risks, achieve program results, and protect program integrity. Program offices are required to evaluate internal controls based on the standards outlined in the Green Book. The standards state that policies and procedures should be detailed enough to support monitoring, clearly communicated to staff responsible for implementation, and reviewed periodically to ensure that they remain relevant and effective.

Outdated and Irrelevant Grant Policies Persist Despite Recent Agency Reviews

EPA officials stated that a comprehensive review and update of grants policies was performed in 2020 and 2024 to reflect Office of Management and Budget updates to 2 C.F.R. part 200. However, in response to an OIG email request, the National Policy, Training, and Compliance Division director confirmed that four, or 25 percent, of the 16 grant policy issuances related to the pre-award process and found in the Office of Grants and Debarment Policy library were no longer applicable to assistance agreement processes. Of the 12 remaining grant policy issuances that were considered relevant, three were more than 20 years old. There was no evidence that the 12 had been reviewed to confirm their continued applicability to current operations.

In addition, the *Assistance Agreement Almanac*, which is meant to be a resource offering “desk-side assistance” for grants management, was described by EPA personnel as outdated and currently undergoing revisions. As noted previously, the EPA has since released version 2.0 of the *Almanac*.

The outdated policies exist because the Office of Grants and Debarment does not follow a recurring schedule for reviewing and updating grants policies and procedures. As a result, the policies may not reflect changes in the Agency’s structure, operations, systems, or technology.

Without timely and routine updates to policy guidance, the Agency is at risk of noncompliance with federal requirements. Outdated policies may lead to inefficiencies and inconsistencies in operations, hinder the effective identification and management of risks, and increase the potential for legal exposure. Additionally, the lack of current guidance could contribute to the waste or misuse of federal funds.

Conclusion

Maintaining accurate and current policy guidance helps ensure strong internal controls and effective program management. As the grants landscape evolves due to regulatory, technological, and operational changes, the Agency must take a proactive approach to reviewing and updating its guidance. Establishing a structured review process tied to program risk will help ensure that policies remain relevant, support consistent decision-making, and strengthen accountability across the grants administration process. Doing so will better position the Agency to meet its objectives and uphold public trust in the stewardship of federal funds.

Recommendations

We recommend that the chief financial officer and chief administrative officer:

7. Conduct a comprehensive review of all grant-related EPA orders, grant policy issuances, and program guidance to ensure that they remain relevant and align with current operations.
8. Establish a formal schedule for the recurring review of grants policies and procedures to keep guidance aligned with current operations, risks, and regulatory requirements.

Agency Response and OIG Assessment

The EPA agreed with Recommendations 7 and 8 and provided acceptable planned corrective actions with estimated milestone dates. We consider these recommendations resolved with corrective actions pending. Appendix B contains the Agency's response to our draft report.

Status of Recommendations and Potential Monetary Benefits

Rec. No.	Page No.	Recommendation	Status*	Action Official	Planned Completion Date	Potential Monetary Benefits (in \$000s)
1	23	Develop and implement supervisory review processes within the regional Grants Management Office to (1) enhance grant specialist accountability for completing pre-award procedures and developing documentation to support grant award decisions, (2) verify the accuracy and completeness of pre-award reviews to ensure the efficient use of federal funds, and (3) provide reasonable assurance that the nearly \$133 million of awarded funds is being managed in accordance with program and regulatory requirements.	R†	Regional Administrator for Region 1	6/1/26	132,774
2	23	Establish processes within the regional program office to enhance project officer accountability for completing cost, technical, programmatic, and administrative pre-award reviews, and developing documentation to support grant award decisions.	R†	Regional Administrator for Region 1	6/1/26	—
3	23	Design and implement a program office quality control review process to ensure the accuracy and completeness of funding packages.	R	Regional Administrator for Region 1	6/30/26	—
4	24	Determine if additional training is necessary to help ensure that project officers and grant specialists understand their roles and responsibilities.	R	Regional Administrator for Region 1	9/30/26	—
5	24	Review all IJA-funded Emerging Contaminants in Small or Disadvantaged Communities program grants awarded in fiscal years 2022 and 2023 to determine if they should be amended to include the Model Programmatic Subaward Reporting Requirement.	R†	Regional Administrator for Region 1	6/1/26	—
6	24	Revise policies and procedures to include the types of documents that should be contained in the electronic EPA Grant File and establish specific time frames for when grant-related documents should be uploaded.	R	Chief Financial Officer and Chief Administrative Officer	12/30/26	—
7	26	Conduct a comprehensive review of all grant-related EPA orders, grant policy issuances, and program guidance to ensure that they remain relevant and align with current operations.	R	Chief Financial Officer and Chief Administrative Officer	12/30/26	—
8	26	Establish a formal schedule for the recurring review of grants policies and procedures to keep guidance aligned with current operations, risks, and regulatory requirements.	R	Chief Financial Officer and Chief Administrative Officer	3/30/27	—

* C = Corrective action completed.

R = Recommendation resolved with corrective action pending.

U = Recommendation unresolved with resolution efforts in progress.

† Although the planned completion date for this recommendation is before the report issuance date, we did not change the status to “C” because we did not verify that the EPA completed the corrective action.

Key Definitions

Contaminant: Any physical, chemical, biological, or radiological substance or matter in water.

Disadvantaged Community: With respect to SDWA section 1459A grants, a community that has been determined by the state to be disadvantaged under affordability criteria established by the state under section 1452(d)(3) of the SDWA or that may become a disadvantaged community as a result of carrying out a project or activity under the EC-SDC Grant Program.

Emerging Contaminant: With respect to SDWA section 1459A grants, any contaminant, including PFAS, that does not have an EPA-set maximum containment level under the National Primary Drinking Water Regulations.

Grant Specialist: An EPA employee who verifies the completeness and accuracy of grant application packages and funding recommendations on behalf of the Grants Management Office. Additionally, responsibilities include evaluating the risk of waste or mismanagement of federal funds by reviewing eligibility criteria, performing financial and business integrity reviews, and assessing the reasonableness of proposed costs.

Internal Control: A process effected by an entity's oversight body, management, and other personnel that provides reasonable assurance that the objectives of an entity will be achieved. An internal control system is a continuous built-in component of operations, effected by people, that provides reasonable assurance, not absolute assurance, that an entity's objectives will be achieved.

Perfluoroalkyl/Polyfluoroalkyl Substances, known as PFAS: Widely used, long-lasting chemicals found in consumer, commercial, and industrial products, components of which break down very slowly over time, that may be linked with a number of health issues in humans and animals.

Project Work Plan: A part of a grant application in which applicants detail planned use of funds, the anticipated scope of work, the anticipated environmental outcomes, and the overall strategy for accomplishing the EC-SDC Grant Program's goals and objectives.

Project Officer: An EPA employee who conducts technical, cost, programmatic, and administrative reviews of the application package.

Small Community: With respect to SDWA Section 1459A, a community with a population of fewer than 10,000 individuals that the EPA administrator determines does not have the capacity to incur debt sufficient to finance a project or activity.

Subaward: An award provided by a pass-through entity to a subrecipient to carry out part of a federal award. A subaward may be provided through any form of legal agreement, including an agreement the pass-through entity considers a contract.

Agency Response to the Draft Report



REGION 1

BOSTON, MA 02109

March 18, 2026

MEMORANDUM

SUBJECT: Response to the Office of Inspector General Draft Report, Project No. OA-FY24-0126, *Audit of EPA Region 1 Awards of the Emerging Contaminants in Small or Disadvantaged Communities Grant Program*, dated February 18, 2026

FROM: Mark Sanborn, Regional Administrator
Region 1

TO: Katherine Trimble, Assistant Inspector General
Office of Audit

MARK
SANBORN

Digitally signed by
MARK SANBORN
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Thank you for the opportunity to review and respond to the findings and recommendations in the U.S. Environmental Protection Agency's Office of Inspector General (OIG) draft report titled *Audit of EPA Region 1 Awards of the Emerging Contaminants in Small or Disadvantaged Communities Grant Program*, Project No. OA-FY24-0126, dated February 18, 2026.

Agency's Overall Position

The Region (R1) previously submitted technical comments to the Statement of Findings in July 2025, which addresses many of the concerns and now concurs fully with three proposed recommendations (1, 2, and 5) and partially concurs with two proposed recommendations (3 and 4). Regional Grants and Program Offices were included in the review of EPA's response to the OIG recommendations, with input received from the national Program Office.

The EPA and the OIG share a duty to protect public funds and maintain the integrity of the EPA's programs by administering them in a transparent and accountable manner with the highest standards of fiscal responsibility. While the draft report identified some deficiencies with pre-award oversight for this program, R1 believes the guidance, policies, and procedures followed do, in fact, give reasonable assurance that the \$133 million in federal funds awarded from the Emerging Contaminants in Small or Disadvantaged Communities (EC-SDC) Grant Program, will be used to achieve program goals of assisting small and disadvantaged communities to address emerging contaminants.

Policy Notice-2023-G02 states that "Grants Specialists (GSs) *should* complete the [Comprehensive Administrative Review] checklist..." thus not making it a national requirement. However, the R1 Grants Management Officer (GMO) required regional GSs to use the appropriate checklist(s) for all new grant awards and amendments, as certified in the Calendar Year 2026 (and previous) Post-Award Monitoring Plans. When completing Comprehensive Administrative Review checklists, not all sections are applicable depending on the program and/or recipients, and R1 GSs may elect to check "N/A" and no other boxes pertaining to that section. The *Assistance Agreement Almanac* is not considered policy and R1 GSs adhere to PN-2023-G01.

States may use EC-SDC funds not only for water system infrastructure improvements to address known EC/PFAS contamination in drinking water systems, but also for activities to identify EC/PFAS contamination issues (e.g. sampling), assess funding needs among eligible water systems, and plan projects to address identified EC/PFAS issues. Particularly in the first year of EC-SDC program implementation, many states receiving EC-SDC funds did not yet have sufficient information about EC/PFAS concerns in water systems within their jurisdiction and the funding needs for projects to address these issues. These states used EC-SDC funding to conduct the research, outreach, analysis, and project planning/design activities necessary to develop work plans that include details about the specific projects to be funded under the EC-SDC program. In their initial applications for EC-SDC funding, states provided workplans to EPA that included details about their plans for project identification and indicated that information about specific projects to be implemented would be added to the workplan at a later date. EPA approved these workplans under the condition that the state submits a revised workplan to be approved by EPA before incurring costs on any unapproved components of the workplan, in accordance with the Agency's *Grants Policy Issuance- 12-06: Timely Obligation, Award and Expenditure of EPA Grant Funds, Section 7.2 Application Phase, Subsection d. Conditional Approval*, which states that: "If the State and Region have completed negotiations for part of the workplan, the Region should conditionally approve the workplan and obligate the full amount of the award, once funding is available. The award must include the National Term and Condition located in NGGS placing appropriate drawdown/payment restrictions for the portion of the workplan that has not been approved. This does not prohibit work from beginning on approved activities."

Additionally, R1 Grants Specialists (GSs) review funding packages for accuracy and completeness, however funding packages are approved by the appropriate Approval Official. GSs adhere to the “Return to Sender” policy for appropriate method of correction for incorrect/incomplete answers. However, some incorrect items within a funding package, including corrections to programmatic cost reviews, can be addressed via direct comment to the Funding Recommendation (FR) and/or email after the Approval Official has signed the FR.

Agency Response to Draft Report Recommendations

No.	Recommendation	High-Level Corrective Action(s)	Est. Completion Date
1	<p>Develop and implement supervisory review processes within the regional Grants Management Office to (1) enhance grant specialist accountability for completing pre-award procedures and developing documentation to support grant award decisions, (2) verify the accuracy and completeness of pre-award reviews to ensure the efficient use of federal funds, and (3) provide reasonable assurance that the nearly \$133 million of awarded funds are being managed in accordance with program and regulatory requirements.</p>	<p>The R1 Grants Management Office will establish processes to enhance GS accountability for pre-award procedures and document this in existing regional training documentation. R1 GMO and/or Senior GS will periodically review comprehensive administrative checklists for accuracy and completeness.</p> <p>Additionally, although the optional section of the checklist is not utilized in R1, a senior-level review and/or peer review is in place, as necessary, which is captured in the Next Generation Grants</p>	6/1/2026

		System (NGGS) and covers applicable statutory, regulatory, and policy requirements and will continue to be used. Through this and other processes, the Region has reasonable assurance that the nearly \$133 million of awarded funds are being managed in accordance with program and regulatory requirements.	
2	Establish processes within the regional program office to enhance project officer accountability for completing cost, technical, programmatic, and administrative pre-award reviews, and developing documentation to support grant award decisions.	Regional Program offices have read access and concurrent approval processes in place and will continue to utilize controls in conjunction with training and guidance resources listed in Recommendation 4. Region-specific refresher training on available guidance documents and resources listed in Recommendation 4 will be provided.	6/1/2026
3	Design and implement a program office quality control review process to ensure the accuracy and completeness of funding packages.	Regional Program offices have read access and concurrent approval processes in place and will continue to utilize controls in conjunction with	N/A

		training and guidance resources listed in Recommendation 4. Region-specific refresher training on available guidance documents and resources listed in Recommendation 4 will be provided.	
4	Determine if additional training is necessary to help ensure that project officers and grant specialists understand their roles and responsibilities.	Refresher training has recently been completed for all regional NGGS users, including project officers, grants specialists, approvers/reviewers, and award/approval officials. Additionally, the R1 Grants Management Office has developed and continually updates region-specific training documents and resources, such as but not limited to: the PO Portal, Pre-Award guide, GS training checklist, and OMB Award checklist.	N/A
5	Review all fiscal year 2022-2023 IJJA Emerging Contaminants in Small or Disadvantaged Communities program grants to determine if grants should be amended to include the Model Programmatic Subaward Reporting Requirement.	R1 GSs, in coordination with the PO, will review all R1 fiscal year 2022-2023 IJJA Emerging Contaminants in Small or Disadvantaged	6/1/2026

		<p>Communities program grants to see if the Subaward Reporting Term and Condition (T&C) was appropriately added, or if the grant needs to be amended to include said T&C.</p>	
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Contact Information

If you have any questions regarding this response, please contact the Region 1 Audit Follow-up Coordinator, Trevor Tavano, at Tavano.Trevor@epa.gov.

Attachments

1. OIG Draft Report OA-FY24-0126 Audit of EPA Region 1 Awards of the Emerging Contaminants in Small or Disadvantaged Communities



OFFICE OF FINANCE AND ADMINISTRATION
WASHINGTON, D.C. 20460

March 19, 2026

MEMORANDUM

SUBJECT: Response to the Office of Inspector General Draft Report, Project No. OA-FY24-0126, "Audit of EPA Region 1 Awards of the Emerging Contaminants in Small or Disadvantaged Communities Grant Program" dated February 18, 2026.

FROM: C. Paige Hanson, Chief Financial Officer and Chief Administrative Officer *C. Paige Hanson*

TO: Katherine Trimble, Assistant Inspector General
Office of Audit

Thank you for the opportunity to respond to the issues and recommendations in the subject draft audit report. Following is a summary of the U.S. Environmental Protection Agency's Office of Finance and Administration's overall position, along with its position on each of the report's recommendations. We have provided high-level corrective actions and estimated completion dates.

AGENCY'S OVERALL POSITION

OFA and our regional partner believe that the agency and the OIG share a responsibility to protect public funds and ensure the integrity of the EPA's programs are maintained. This is accomplished in a number of ways including administering programs in a transparent and accountable manner with the highest standards of fiscal integrity. We recognize the draft report identified some deficiencies with pre-award oversight where EPA guidance was not fully implemented but believe these can be mitigated with the appropriate application of agency policy.

The Office of Finance and Administration (OFA) fully concurs with proposed recommendation (8) and concurs with the spirit of proposed recommendations (6) and (7) but offer the approach outlined in the High-Level Corrective Actions designed to address the concerns raised.

AGENCY'S RESPONSE TO DRAFT AUDIT RECOMMENDATIONS

No.	Recommendation	High-Level Corrective Action(s)	Est. Completion Date
6	Revise policies and procedures to include the types of documents that should be contained in the electronic files and specific time frames for when grant-related documents should be uploaded to the appropriate electronic files.	In line with recommendations #7 and #8 below, the Agency proposes reviewing existing policies and procedures for electronic file management, to ensure alignment with current operations, risks, and regulatory requirements, with a focus on improving compliance with file management policies.	December 30, 2026
7	Conduct a comprehensive review of all grant-related EPA orders, grant policy issuances, and program guidance to ensure that they remain relevant and align with current operations.	The Office of the Chief Grants Officer will develop a process to review EPA grant orders, grant policy issuances, grant policy notices and Recipient/Applicant Information Notices to ensure that they remain relevant and align with current operations. It should be noted that EPA programs and regional offices are responsible for	December 30, 2026

		specific grant program level guidance and ensuring it aligns with current operations.	
8	Establish a formal schedule for the recurring review of grants policies and procedures to keep guidance aligned with current operations, risks, and regulatory requirements.	The Office of the Chief Grants Officer will establish a formal schedule to review grant policies and procedures to keep guidance aligned with current operations, risks, and regulatory requirements.	March 30, 2027

CONTACT INFORMATION

Thank you for the opportunity to review the report. If you have any questions regarding this response, please contact Afreeka Wilson, Audit Follow-up Coordinator, of the Office of Resources and Information, (202) 564-0867 or wilson.afreeka@epa.gov.

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U.S. Environmental Protection Agency

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