

Management Implication Report: Terms and Conditions Listed Within the EPA's Subaward Policy

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OFFICE OF INSPECTOR GENERAL
U.S. ENVIRONMENTAL PROTECTION AGENCY

May 12, 2025

MEMORANDUM

SUBJECT: Management Implication Report: Terms and Conditions Listed Within the EPA's Subaward Policy

FROM: Nic Evans, Acting Assistant Inspector General
Office of Investigations

TO: Michael Molina, Principal Deputy Assistant Administrator
Office of Mission Support

PURPOSE: The U.S. Environmental Protection Agency Office of Inspector General has identified concerns regarding the terms and conditions listed within the revised *EPA Subaward Policy*, commonly referred to as the *Subaward Policy*, Amended Grants Policy Issuance (GPI) [16-01](#), effective October 1, 2024. While we identified them during a review of Inflation Reduction Act grants, the concerns relate to an EPA policy that applies to all Agency subawards, not just to Inflation Reduction Act subawards. We conducted this investigation in accordance with the *Quality Standards for Investigation* published in November 2011 by the Council of the Inspectors General on Integrity and Efficiency. Those standards require that we conduct investigations in a timely, efficient, thorough, and objective manner.

In accordance with our mission to help the Agency prevent fraud, waste, and abuse within its programs, we are issuing this report to inform the EPA of weaknesses and vulnerabilities that we identified within the *Subaward Policy's* [Appendix B](#), "T&C for Subawards," and [Appendix D](#), "Agreement Template." We also provide suggestions for the Agency's consideration to improve its grants terms and conditions related to subawards, which would in turn help strengthen its grants-funding mechanism.

BACKGROUND: On March 30, 2023, we issued a management implication report that identified vulnerabilities and deficiencies in the Agency's grants management procedures. In that [report](#),¹ we suggested that the Agency consider revising its general terms and conditions for grants and subawards to include information for recipients and subrecipients about mandatory disclosure requirements, which involve reporting fraud, waste, and abuse to the OIG; about the whistleblower protections set forth in [41 U.S.C. § 4712](#); and emphasized the OIG's right to access recipient and subrecipient information, records, and personnel that are pertinent to a federal award, pursuant to [2 C.F.R. § 200.337](#). Following the release of our report, the Agency revised its [General Terms and Conditions](#) for grants to incorporate

¹ EPA Off. of Inspector Gen., Management Implication Report: Mitigation of Grant Fraud Vulnerabilities (2023).

To report potential fraud, waste, abuse, misconduct, or mismanagement, contact the OIG Hotline at (888) 546-8740 or OIG.Hotline@epa.gov.

all our suggestions to some degree. In October 2024, the EPA also revised its *Subaward Policy* to incorporate, by reference, applicable sections of the *General Terms and Conditions*. The *Subaward Policy* outlines requirements pertaining to subrecipients and the EPA's oversight and management of pass-through entities and subawards. As defined by 2 C.F.R. § 200.1, a pass-through entity is "a recipient or subrecipient that provides a subaward to a subrecipient. ... The authority of the pass-through entity under this part flows through the subaward agreement between the pass-through entity and subrecipient."

CONCERNS IDENTIFIED: The *Subaward Policy's* statements regarding subrecipient access to information about mandatory disclosure requirements and whistleblower protections and regarding the OIG's right to access records are inconsistent, incomplete, and not easily navigable. For example, the main body of the *Subaward Policy* mentions that grant subrecipients must provide the Agency and the OIG with access to records pertaining to EPA awards, per 2 C.F.R. § 200.337. However, the Agency does not address this requirement in either Appendixes B or D of the policy, which specifically outline the terms and conditions for grant subawards and provide a template for grant subaward agreements. This discrepancy could cause confusion and promote a misunderstanding of the requirements applicable to grant subawards.

The *Subaward Policy* omits some subaward requirements altogether. Section 5 of Appendix B informs recipients that grant award requirements flow down through any pass-through entity to subrecipients, as mandated in [2 C.F.R. § 200.332\(b\)](#), and that the pass-through entities must monitor the activities of the subrecipients to ensure compliance with the grant requirements, pursuant to [2 C.F.R. § 200.332\(e\)](#). Appendix D contains a subaward agreement template that recipients can use for pass-through entities. However, neither appendix contains any reference to:

- Mandatory disclosures of credible evidence of a "commission of a violation of federal criminal law involving fraud, conflict of interest, bribery, or gratuity," by grant applicants, recipients or subrecipients, per [2 C.F.R. § 200.113](#).
- Whistleblower protections for recipient or subrecipient employees, which guard against reprisal if these employees disclose "information that the employee reasonably believes is evidence of gross mismanagement of a Federal contract or grant, a gross waste of Federal funds, an abuse of authority relating to a Federal contract or grant, a substantial and specific danger to public health or safety, or a violation of law, rule, or regulation related to a Federal contract (including the competition for or negotiation of a contract) or grant," per [2 C.F.R. § 200.217](#).

Instead, in Appendix B, the Agency provides a link to another guidance [document](#), *Information on Requirements that Pass-Through Entities must "Flow Down" to Subrecipients*, revised March 2023, which lists the grant requirements that recipients should transfer down to pass-through entities and subrecipients. However, even the *Information on Requirements* guidance does not specifically address mandatory disclosures or whistleblower protections. Instead, it provides yet another link to the EPA's *General Terms and Conditions*. Further, while the *General Terms and Conditions* directs recipients and

subrecipients to report fraud, waste, and abuse in accordance with 2 C.F.R. § 200.113 and includes links to the OIG and our hotline complaint [form](#), it does not explain the mandatory disclosure requirement, nor does it provide a link to the OIG’s “Mandatory Disclosures” [webpage](#), which expressly informs recipients and subrecipients how to submit a mandatory disclosure and contains links to both an [online](#) and a [downloadable](#) mandatory disclosure submission form.

As a result, for a comprehensive understanding of grant subaward requirements, recipients and subrecipients must not only read the *Subaward Policy* but must also access, at a minimum, the *General Terms and Conditions*, 2 C.F.R. § 200.113, and the *Information on Requirements* guidance. Even then, they would have no knowledge of mandatory disclosure requirements and whistleblower protections unless they worked through a series of additional links that stem from the links provided in 2 C.F.R. § 200 or the *General Terms and Conditions*.

The Agency had knowledge that the *Subaward Policy* omitted information about mandatory disclosure requirements and whistleblower protections before it revised the policy in October 2024. In our March 23, 2023 management implication report, we noted:

[T]he *EPA Subaward Policy* is silent as to providing information with respect to reporting fraud to the OIG and whistleblower protections. The EPA could look to [48 C.F.R. § 52.203-13](#), [48 C.F.R. § 52.203-17](#), and [48 C.F.R. § 1552.203-71](#) as models, as these three regulations provide language, which is required to be included in certain contracts, that is related to OIG reporting requirements, whistleblower protections, and OIG Hotline posters.

While the Agency took action to incorporate other suggestions from our management implication report into its *General Terms and Conditions*, it did not choose to incorporate information about mandatory disclosure requirements and whistleblower protections into its *Subaward Policy*.

In addition, we identified that the EPA’s policies and guidance are silent as to a time frame and the criteria for mandatory disclosures. A vital component of oversight is the timely receipt of information pertaining to suspected violations of federal criminal and civil law. One way such information is received is through disclosures to the OIG in accordance with 2 C.F.R. § 200.113, which states that an “applicant, recipient, or subrecipient of a Federal award must **promptly** disclose whenever ... it has **credible evidence** of the commission of a violation of Federal criminal law” (emphasis added). Unfortunately, the regulation does not define what constitutes either “promptly” or “credible evidence.” This ambiguity may lead a subrecipient to conduct an internal audit or investigation and to delay reporting information to the Agency or the OIG until that internal audit or investigation is completed. This delay, in turn, often enables violations of federal law to continue until the proper oversight authority is alerted to the matter. To mitigate this ambiguity, the Agency could in its *Subaward Policy* simply direct a subrecipient to notify the OIG as soon as there is a reasonable belief that a violation of federal law has occurred.

MEASURES FOR IMPROVEMENT: To mitigate the concerns that we discuss above, we suggest that the Agency consider:

- Revising both Appendixes B and D of its *Subaward Policy* to include information about the:
 - Mandatory disclosure requirement to report fraud, waste, and abuse to the OIG, in accordance with 2 C.F.R. § 200.113.
 - Whistleblower protections set forth in 41 U.S.C. § 4712 and 2 C.F.R. § 200.217.
- Revising both of Appendixes B and D of its *Subaward Policy* to include a link to the [OIG Fraud Brochure](#).
- Revising its *Subaward Policy* to include:
 - A link to the OIG’s “Mandatory Disclosure” webpage.
 - Links to both the OIG’s online and downloadable mandatory disclosure submission forms.
 - A requirement for subrecipients to display OIG Hotline posters in a manner similar to what is modeled in 48 C.F.R. § 1552.203-71.

If the EPA does not include the relevant information in its *Subaward Policy* or provide training for recipients and subrecipients, they may be unaware of whistleblower rights and remedies, as well as how and where to report suspected fraud, waste, and abuse.

My office is notifying you of these concerns so that the Agency may take whatever steps it deems appropriate. If you decide it is appropriate for your office to take or plan to take action to address these matters, we would appreciate notification of that action. Should you have any questions regarding this report, please contact Acting Assistant Inspector General Nic Evans at [REDACTED] or [REDACTED].

cc: Nicole N. Murley, Acting Inspector General
Erica Kavanagh, Associate Deputy Inspector General performing the duties of the Deputy Inspector General



Whistleblower Protection

U.S. Environmental Protection Agency

The whistleblower protection coordinator's role is to educate Agency employees about prohibitions against retaliation for protected disclosures and the rights and remedies against retaliation. For more information, please visit the OIG's whistleblower protection [webpage](#).

Contact us:



Congressional & Media Inquiries: OIG.PublicAffairs@epa.gov



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