



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

SEP 22 2014

THE INSPECTOR GENERAL

MEMORANDUM

SUBJECT: Evaluation of Agency Response to OIG Report No. 14-R-0088, *Audit of American Recovery and Reinvestment Act Cooperative Agreement 2A-00E85701 Awarded to the Greater Lansing Area Clean Cities*, Dated January 9, 2014

FROM: Arthur A. Elkins Jr. 

TO: Susan Hedman, Regional Administrator
Region 5

On September 9, 2014, we received your proposed management decision in connection with the subject audit report. The audit report had two recommendations:

1. Recover questioned costs of \$805,759 due to conflicts of interest.
2. Verify that Greater Lansing Area Clean Cities' (GLACC's) accounting system is adequate for providing accurate and complete disclosure of financial results of each federally sponsored program, as required by 40 CFR 30.21(b)(1) prior to any future awards.

The region disagreed with Recommendation 1 and stated that the allegations of conflicts of interest were not substantiated. The region believes that since the grant funds were properly allocated and administered, none of the \$805,759 should be returned to the U.S. Environmental Protection Agency (EPA). We believe that a conflict of interest did exist. One member of GLACC's board of directors is a family member of the contractor/project partner under the award and another contractor under the award served as GLACC's Executive Director. The question deals with whether either member participated in the selection, award or administration of a contract supported by federal funds if a real or apparent conflict of interest would be involved. GLACC was unable to provide evidence that either individual did not participate in the selection and/or administration of contracts funded under the grant during the course of the draft and final audit processes. The region's position was based upon two administrative decisions that set out a test for evidencing conflict of interest, and relevant information provided by the grantee. Upon further review of the administrative decisions and the additional factual information, the Office of Inspector General (OIG) has decided to accept the region's position on the recommendation. No further action is required.

In connection with Recommendation 2, the region also believes that the accounting system issue was not substantiated. The audit report explained that GLACC's accounting system was unable to generate cost reports by project and provided examples to illustrate this issue. However, the region agreed with the OIG's recommendation that if GLACC receives any future awards, GLACC will demonstrate that its

accounting system is capable of creating computer-generated project cost reports. Since the region agreed with our recommendation, the OIG has accepted the response.

In accordance with EPA Manual 2750, we consider the draft management decision is adequate, and have closed out this report as of the date of this memo. Region 5 is authorized to issue the final determination letter to GLAAC. Please provide our office with a copy of the final management decision for our records.

We appreciate the cooperation of your staff in resolving this audit. If you or your staff have any questions, please contact Kevin Christensen, acting Assistant Inspector General for Audit, at (202) 566-1007 or christensen.kevin@epa.gov; or Robert Adachi, Product Line Director, at (415) 947-4537 or adachi.robert@epa.gov.

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