



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

DEC 19 2011

MEMORANDUM

SUBJECT: Response to Office of Inspector General Audit Report No. 11-P-0687,
"EPA Should Improve Timeliness for Resolving Audits Under Appeal"

FROM: Barbara J. Bennett
Chief Financial Officer

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Craig E. Hooks, Assistant Administrator
Office of Administration and Resources Management

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TO: Arthur A. Elkins, Jr.
Inspector General

This responds to the subject Office of Inspector General final Audit Report, dated September 21, 2011. We appreciate that the final report incorporated many of the revisions we requested in the EPA's August 5, 2011 comments on the OIG's draft report dated July 6, 2011. Based on those revisions, we concur with the final report recommendations.

The agency's corrective action plans for implementing recommendations 1 and 2 are set forth below.

Recommendation:

1. *In coordination with the Assistant Administrator for Administration and Resources Management, ensure that the in-process revisions to EPA Manual 2750 include:*
 - a. *A communication strategy among audit followup, counsel, and grants management at the region and headquarters levels to assure entry in MATS of the current status of each audit under appeal;*
 - b. *Limits on the number of times a recipient may request reconsideration of any decision of the RA or AA;*
 - c. *Consistency among policies for resolving audits under appeal and inclusion of;*

- i. *Timelines and milestones for each step of the resolution Process;*
- ii. *Limits on the number of times that extensions may be granted and the number of times that the grantee may submit additional documentation; and*
- iii. *In-house monthly review by the responsible counsel and grants management organizations of the status of the resolution of audits under appeal.*

Corrective Action Plan:

The Office of Grants and Debarment, working together with the Office of General Counsel, is leading the effort to develop assistance agreement audit appeals resolution procedures for incorporation into the final revised EPA Manual 2750, "Audit Management." The procedures will address the recipient dispute resolution process and will spell out the responsibilities, required communication, and process for timely updating the status of assistance agreement audit appeals in the agency's Management Audit Tracking System. As proposed in recommendation 1, the procedures will further limit the number of time extensions and reconsideration requests available. The procedures also will prescribe a consistent coordinated review and appeals process, including the responsible EPA counsel and grants management organization. OGD intends to complete the draft of the appeals resolution procedures by the end of the second quarter of FY 2012.

The Office of the Chief Financial Officer will ensure that the revised procedures are incorporated in Manual 2750. OCFO anticipates that the revised Manual 2750 will be issued by the close of FY 2012.

To ensure full implementation of the new audit appeals resolution procedures, OGD also intends to confer with OGC in making corresponding amendments to the agency's regulations governing the EPA's financial assistance disputes process under 40 CFR Part 30, Subpart C, and Part 31, Subpart F. OGD anticipates that the final amendments will be issued in the *Federal Register* by the end of FY 2012, to coincide with the issuance of the revised Manual 2750.

Recommendation:

2. *Ensure that the in-process revisions to the Agency's Assistance Administration Manual include:*
 - a. *An update to the OGD "Closeout Policies Topics" webpage, adding EPA Order 5700.6A2 and labeling the Closeout Policy for Grants and Cooperative Agreements as "rescinded," "superseded," or "expired;"*
 - b. *A reference to the procedures in EPA Manual 2750 that are outlined in recommendation 1; and*

- c. *Uniform procedures for resolving recipient disputes arising from the agency's assistance.*

Corrective Action Plan:

In accordance with recommendation 2.a., OGD has updated its intranet page to add the EPA Order 5700.6A2 and to indicate that the *Closeout Policy for Grants and Cooperative Agreements* has been "rescinded." As described in the corrective action plan with respect to recommendation 1, OGD will draft the audit resolution procedures for incorporation in the revised Manual 2750. In addition, as proposed under recommendation 2.c., OGD will issue an Assistance Administration Manual chapter incorporating the procedures. OGD will post the chapter, including the link to the revised Manual 2750, on its intranet page.

If you have any questions concerning this response, please contact Denise Sirmons, OGD Deputy Director, at 202-564-6771, or Debbie Rutherford, Director of OCFO's Accountability Staff, at 202-564-1913.

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