



At a Glance

Catalyst for Improving the Environment

Why We Did This Review

The U.S. Environmental Protection Agency (EPA) Office of Inspector General is examining assistance agreements to non-profit organizations. We selected The Montana Physical Sciences Foundation (grantee) for one of these examinations.

Background

EPA awarded Cooperative Agreement number X83275501 (grant) on September 23, 2005. The purpose of the grant was to provide federal assistance of \$770,500 for research into producing biodegradable lubricants and solvents from waste. There was no match requirement for this grant. EPA's contribution to the project was 100 percent of approved costs not to exceed \$770,500.

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

To view the full report, click on the following link:
www.epa.gov/oig/reports/2011/20101108-11-4-0013.pdf

Examination of Costs Claimed Under EPA Cooperative Agreement X83275501 Awarded to The Montana Physical Sciences Foundation

What We Found

The grantee did not meet Title 40 Code of Federal Regulations (CFR) Part 30 requirements for procurement. In particular, the grantee:

- Has an apparent, if not real, conflict of interest with its subcontractor.
- Awarded a sole source subcontract without a documented justification and a cost or price analysis.
- Did not amend the sole source subcontract to cover a major change in project scope and extension of the project period.
- Did not include terms in the sole source subcontract that provide EPA rights to use work funded by the grant.

As a result, EPA will need to recover \$707,320 in questioned contract costs. EPA should consider suspension and debarment proceedings against the grantee and its subcontractor.

What We Recommend

We recommend that the Assistant Administrator for Administration and Resources Management disallow and recover \$707,320 in costs claimed for the grantee's subcontract. We also recommend that the Assistant Administrator consider suspension and debarment proceedings against the grantee and its subcontractor.

We recommend that the Assistant Administrator: (1) require the grantee to improve its procurement process to ensure compliance with Title 40 CFR Part 30; and (2) establish special conditions for future EPA awards to the grantee that require payment on a reimbursement basis, review and approval by the EPA project officer of reimbursement requests prior to payment, and review and approval by the EPA project officer of contracts prior to award.

The Agency generally agreed with the findings, but did not comment on the recommendations. The grantee generally disagreed with the findings and recommendations.