



# At a Glance

*Catalyst for Improving the Environment*

## Why We Did This Review

The U.S. Environmental Protection Agency (EPA) Office of Inspector General (OIG) conducts reviews of earmarked grants known as Special Appropriation Act Projects issued to local and tribal governments. The City of Flowood, Mississippi, was selected for review.

## Background

Region 4 awarded Grant No. XP9468195 to the City of Flowood, Mississippi (grantee), on February 10, 1995. The purpose of the grant was to provide federal assistance of \$7,679,032 to fund the construction of the Hogg Creek Interceptor pipeline segment. EPA funded 69.86 percent of the eligible project costs and the grantee funded 30.14 percent.

**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/2010/20091027-10-4-0013.pdf](http://www.epa.gov/oig/reports/2010/20091027-10-4-0013.pdf)

## ***Costs Claimed Under EPA Grant XP9468195 Awarded to the City of Flowood, Mississippi***

### **What We Found**

The grantee did not perform a cost analysis or negotiate a fair and reasonable profit as a separate element of the contract price as required under Title 40 Code of Federal Regulations (CFR) 31.36(f). As a result, we questioned \$1,755,157 in unsupported architectural and engineering (A&E) costs claimed. The grantee will need to repay \$896,224 of grant funds. The grantee also did not have its own written procurement procedures and did not maintain records sufficient to detail the procurement of the A&E contract.

### **What We Recommend**

We recommend that the EPA Region 4 Regional Administrator:

1. Require the grantee to provide the documentation demonstrating that it performed a cost analysis for the A&E contract at the time of negotiation. If the grantee is unable to do so, EPA should recover the federal share of questioned A&E costs of \$896,224.
2. Require the grantee to develop written procurement procedures in accordance with 40 CFR 31.36(b)(1).
3. Require the grantee to incorporate the procurement record keeping requirements in 40 CFR 31.36 (b)(9) into its written procurement procedures, and comply with those requirements.

The grantee agreed with the recommendations to develop written procurement and record keeping procedures. However, the grantee did not agree with the questioned A&E costs and stated that it had performed the equivalent of the required cost analysis for its A&E contract.